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ABSTRACT

From 1977 to 1983, the number of sole proprietorships operated by women increased from 1.9 to 3.3 million. The number of self-employed women--the majority of whom are sole proprietors--continued to grow. In 1982 the median earnings of self-employed women were substantially lower than those of wage and salary women workers and self-employed men. Most women business owners were married with husband present. Three factors were particularly significant in the rapid rise in the number of women-owned businesses: increasing numbers of women who have acquired skills that can be translated into entrepreneurship; more women who are preparing themselves through education and training for business opportunities in expanding fields; and entrepreneurial opportunities provided by the expanding role of small business in the economic growth of the country. Women increased their share of business ownership in each major industry division. Franchising and international trade seemed to offer future opportunities for women entrepreneurs. Home-based work also provided the opportunity for women to combine more effectively the dual responsibilities of work in the paid labor force with family and child care. (YLB)

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# Facts on U.S. Working Women



U.S. Department of Labor  
Women's Bureau

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## WOMEN BUSINESS OWNERS

- o A significant social and economic change beginning in the 1970's and continuing into the 1980's has been the sharp increase in the number of women who own their own businesses. From 1977 to 1983--the most recent period for which data are available--the number of nonfarm sole proprietorships operated by women increased from 1.9 million to 3.3 million, an annual rate of 9.4 percent. Women's share of all nonfarm sole proprietorships rose from nearly 23 to 28 percent.
- o The number of self-employed women--the majority of whom are sole proprietors--continues to grow. From 1980 to 1986, the number of self-employed women in nonagricultural industries increased from 2.1 million to 2.6 million. However, self-employed persons (both in nonagricultural and in agricultural industries) constituted only 5.8 percent of all employed women in 1986, compared with 10.7 percent of employed men. Women are particularly underrepresented among the incorporated self-employed; two-thirds are unincorporated self-employed.
- o In 1982 the median earnings of self-employed women (\$6,640) were substantially lower than those of wage and salary women workers (\$13,350) and self-employed men (\$14,360). One contributing factor may be that a greater proportion of women business owners than of wage and salary employees work part time, 47.8 percent and 34.1 percent, respectively. Also, more than half of women who work for themselves are in relatively low paying sales and service occupations.
- o Most women business owners are married with husband present. A higher proportion of self-employed women (68.5 percent) than women who are wage and salary workers only (53.4 percent) are married.
- o Three factors have been particularly significant in the rapid rise in the number of women-owned businesses:
  - Increasing numbers of women have acquired skills and experience as wage and salary workers that can be translated into entrepreneurship;
  - More women are preparing themselves through education and training for business opportunities in expanding fields such as aerospace, telecommunications, electronics, biomedical engineering, and skilled crafts; and

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-- The expanding role of small business in the economic growth of the United States, particularly in the service sector, has provided many entrepreneurial opportunities.

- o According to the most recent data from the Bureau of the Census, women owned 2.9 million, or 24 percent, of all individual proprietorships, partnerships, and small business corporations in 1982. Women-owned firms had receipts of \$98.3 billion, representing 10 percent of the total. Those firms with paid employees accounted for 10.8 percent of the total firms and 66.5 percent of gross receipts. They employed on average just over four employees each.
- o A census survey of women-owned businesses revealed that in 1977, 94 percent were owned by white women, almost 4 percent by black women, and nearly 3 percent by women of Hispanic origin.
- o Women increased their share of business ownership in each major industry division between 1977 and 1983, according to the Small Business Administration. They continued to register strong growth in industries in traditional areas, increasing by 6.6 percent a year in retail trade and 9.5 percent a year in services. The highest rates of growth occurred where women business owners were relative newcomers--construction (36.9 percent), manufacturing (31.0 percent), and agricultural services (27.0 percent).
- o The 10 specific industry groups accounting for the largest dollar volume of receipts for women-owned firms in 1982 were as follows:

<u>Industry group</u>	<u>Number of firms</u>	<u>Receipts (in millions)</u>
Eating and drinking places	66,811	\$6,684
Food stores	37,635	6,047
Personal services	419,113	5,500
Wholesale trade--nondurable goods	22,231	5,297
Automotive dealers and service stations	14,353	4,754
Real estate	225,551	4,733
Health services	128,389	3,989
Wholesale trade--durable goods	12,021	3,893
Special trade contractors	47,219	2,497
Apparel and accessory stores	29,130	2,446

- o The availability of capital is of primary concern both in starting a new business and in expanding. According to a recent study conducted for the Small Business Administration, individual savings are the major source of equity capital for women and joint savings of husband and wife rank second. Other sources are friends and relatives, other individuals, and various financial institutions.
- o Franchising may be explored as an avenue into business ownership by potential women entrepreneurs. Generally, a franchise contract involves a company selling to an individual or group the right to use the company's trademark, trade name, and even the format of the business in exchange for an initial fee and royalty payments (usually a set proportion of sales). Franchising may offer persons without previous business experience access to managerial and financial resources of a large organization while simultaneously offering a way for established companies to expand their operations and increase their profits without assuming much additional risk.1/
- o International trade offers an opportunity for women entrepreneurs to expand their businesses while simultaneously contributing to easing of the trade deficit and growth of the U.S. economy. A 1985 article by the U.S. Department of Commerce reports, "As the number of women entrepreneurs increases, and their businesses flourish, many are considering exporting to further expand their businesses." The United States and Foreign Commercial Service of that Department provides a network of programs and services in the U.S. and foreign countries to assist in the exporting process. Trade specialists and foreign commercial officers are placed in local communities to provide a support system and to gain directions to the best foreign market opportunities for given products.2/
- o A recent report from the Bureau of Labor Statistics, U.S. Department of Labor, indicates that women represented 45 percent of the 17.3 million persons in nonfarm occupations who performed job-related work at home in May 1985. Such home-based work often provides the opportunity for women to combine more effectively the dual responsibilities of work in the paid labor force with family and child care. About 600,000 married mothers of children under 6 years of age reported some job-related home-based work. Some home-based workers are employed by firms; others are independent contractors. The difference in status under various Federal and State laws can affect tax liability and eligibility for fringe benefits. Workers considering home-based work will find it useful to compare the costs and benefits of working as an employee and as an independent contractor. Also, it is believed that a growing number of clerical workers such as secretaries, typists, forms processors, and data entry personnel, having seen a drop in the cost of capital equipment, including computers or peripheral equipment, are opting to establish their own businesses at home.

U.S. Department of Labor  
Office of the Secretary  
Women's Bureau  
20<sup>n</sup> Constitution Avenue, N.W.  
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- o The Office of Women's Business Ownership in the U.S. Small Business Administration (SBA) conducts a national program in support of women entrepreneurs. The program is carried out through nearly 100 Business Coordinators and Representatives located in SBA regional and district offices across the country. The office operates Business Development Centers, mainly associated with colleges and universities, located around the country for training and advising potential and actual entrepreneurs. Some programs to aid women business owners are: Meet the Lender--a course to acquaint women with the lending process; Selling to the Federal Government--a course targeted at the government marketplace; Focus on Survival--growth stage; Tarheel Lumber--a simulation to acquaint women with the process of reading financial statements; Homebased Business--a day-long conference on all aspects of working from the home; Franchising--a conference cosponsored with the International Franchise Association on franchising opportunities; Financial Planning--a program designed to help women plan adequately for their financial needs; and, Business Expansion--answers to specific questions associated with expanding a business. Further information about Small Business Administration programs for women business owners may be obtained from the Office of Women's Business Ownership, Small Business Administration, Washington, D.C., or from regional or district SBA offices.

Sources: U.S. Department of Commerce, Small Business Administration and Bureau of the Census; U.S. Department of the Treasury, Internal Revenue Service; and U.S. Department of Labor, Bureau of Labor Statistics.

1/ For further information, please see "Opportunities in Franchising," by William Austin, Occupational Outlook Quarterly, Fall 1986, Volume 30, Number 3, Bureau of Labor Statistics, U.S. Department of Labor.

2/ See "Women in Exporting," February 18, 1985, Volume 8, Number 4, Business America, International Trade Administration, U.S. Department of Commerce.