



Message from the Director

This newsletter issue provides excerpts from a new [OESW report on Minnesota's Women-Owned Businesses](#). The report is based on data from the U.S. Census Bureau Survey of Business Owners. By delving deep into that survey, we are able to glean data for Minnesota's women-owned businesses, and even further break out the data by race and ethnicity.

In This Issue

Director's Message.....1

Minnesota's Women-Owned Businesses.....2

Why are women-owned businesses smaller than men's?.....10

U.S. Olympic Women's Soccer.....11

Minnesota's women-owned businesses are doing well. In 2012 there were 157,821 Minnesota women-owned businesses, employing 182,229 people, with an annual payroll of over \$5 billion, and generating \$24.6 billion in annual revenue. Between 2007 to 2012, Minnesota's women-owned businesses added 41,845 jobs; by contrast, the state's men-owned businesses added 9,548 jobs in that time period.

However, the report details how women-owned businesses still lag behind men-owned businesses in important metrics.

The rate of increase in the number of businesses owned by women of color is much greater than that of businesses owned by White women or by men. However, businesses owned by women of color fall behind in other measurements. The report describes this and gives possible reasons.

In reading the report, one longs to know why women-owned businesses are smaller overall than men's. On page 10 of this newsletter is a summary of academic and business research on this question.

We hope you find this newsletter interesting and informative. Its purpose is to provide information to legislators, legislative staff, and the community on priority and emerging women's economic issues.



Our heartfelt appreciation to a number of professionals who reviewed and provided suggestions on the draft report: Andi Egbert, Assistant Director, MN State Demographic Center; Oriane Casale, Assistant Director, Labor Market Information Office, MN DEED; Elaine Wyatt, Executive Director, WomenVenture; and Bonnie Watkins, former Executive Director of the Minnesota Women's Consortium, Minnesota's first Pay Equity Coordinator, and former Assistant Director of the Legislative Commission on the Economic Status of Women.

Please send your suggestions to barbara.battiste@oesw.leg.mn. Visit OESW's [Facebook Page](#), [Twitter](#), and website www.oesw.leg.mn.

Barbara Battiste, Director, Office on the Economic Status of Women

Minnesota's Women-Owned Businesses

[Read the full report, with expanded highlights and additional tables and charts, here.](#)

Women-owned businesses are important to Minnesota's economy: Minnesota's 157,821 women-owned businesses employ 182,229 people, have an annual payroll of over \$5 billion, and generate \$24.6 billion in annual revenue. In fact, the number of paid employees employed by Minnesota's women-owned businesses increased by 30 percent from 2007 to 2012, from 140,384 to 182,229—an increase of 41,845. In contrast, the number of paid employees employed by Minnesota's men-owned businesses increased by only 1 percent during that same time period, from 793,348 to 802,896—an increase of 9,548.

However, in some important economic measurements, Minnesota's women-owned businesses lag behind the state's men-owned businesses. Although women-owned businesses are 32 percent of all Minnesota businesses, they

- employ only 8 percent of paid employees,
- generate only 4 percent of payroll, and
- account for 4 percent of Minnesota's business revenue.

Number of Firms

Increases in the number of businesses owned by women continue to outpace those owned by other categories, both nationally and in Minnesota.

Business Revenue ("Revenue," in the context of this report, means sales, receipts, or value of shipments.)

Average revenue of women-owned businesses is significantly lower than that of men-owned businesses in every industry sector, ranging from 10 percent (retail trade sector) to 78 percent (construction sector) of their male peers. In the two industry sectors where the average revenue of women-owned firms approaches that of men-owned firms—the construction and transportation/warehousing sectors—women-owned businesses are vastly under-represented.

In the period from 2007 to 2012, women-owned businesses in Minnesota have done better than nationally in terms of average revenue: Minnesota's women-owned businesses slightly increased average revenue from 2007 - 2012 by 1 percent (from \$154,760 to \$156,010, in 2012 dollars), whereas nationally, the average revenue of women-owned businesses *decreased* by 15 percent (from \$170,050, to \$143,730, in 2012 dollars).

Type of Businesses Women Tend to Own

The two industry sectors with the largest percentage of women-owned firms are the health care and social assistance sector (64 percent of the firms are women-owned) and the educational services sector (52 percent of the firms are women-owned).

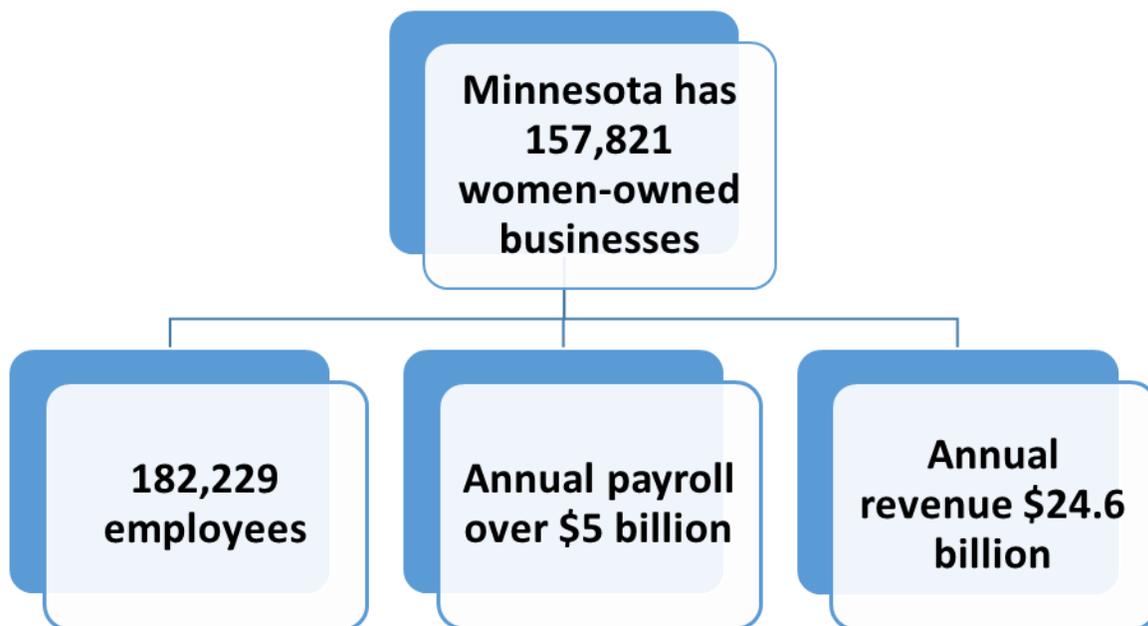
Businesses Owned by Minnesota's Women of Color

The rate of increase in the number of businesses owned by women of color is much greater than that of businesses owned by White women or by men—both nationally and in Minnesota.

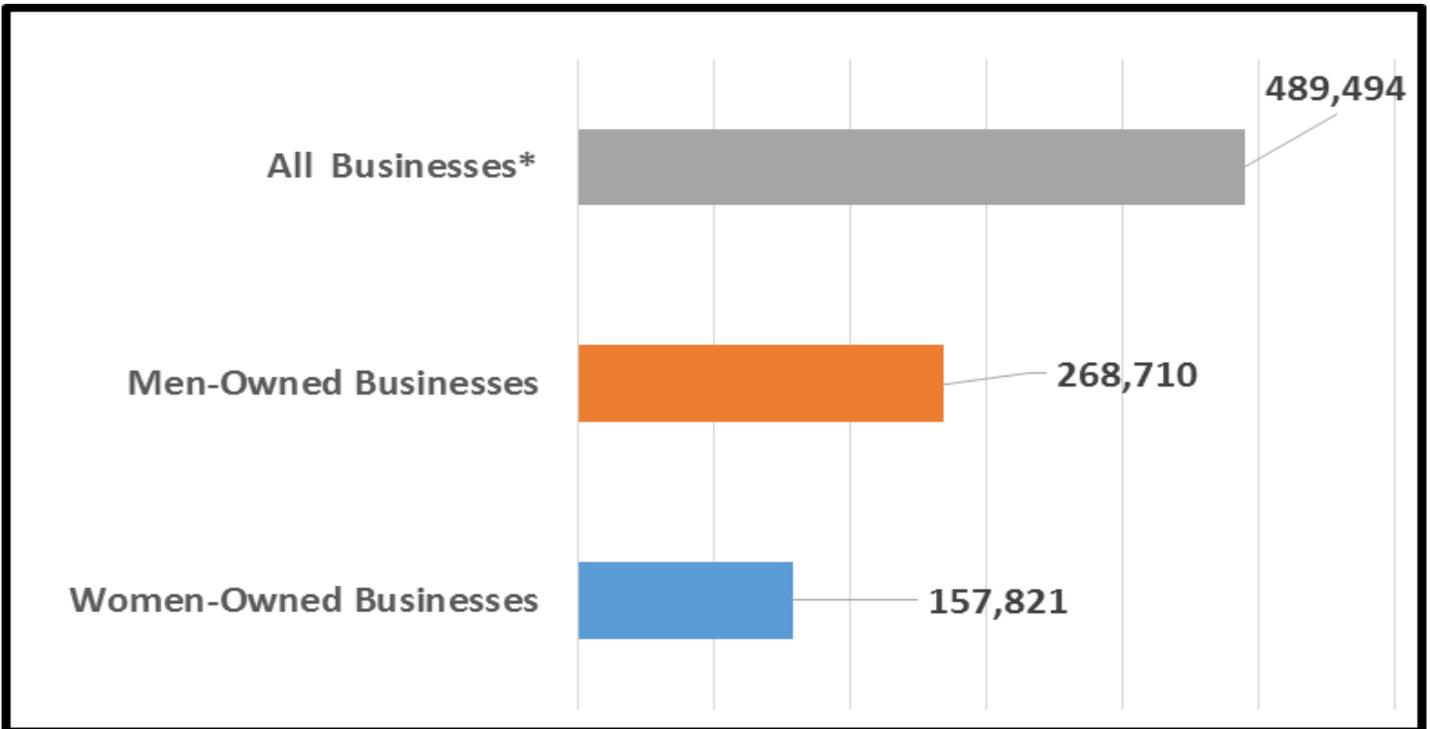
However, businesses owned by women of color lag behind in other measurements. Average annual revenue and payroll of businesses owned by Minnesota's Black or African American women, American Indian/Alaska Native women, and Hispanic women decreased significantly from 2007 to 2012.

Possible causes of the decreases in revenue and payroll from 2007 – 2012 for businesses owned by women of color are (1) the large percentage of new businesses in these categories (new businesses generally have lower revenue in their first years of operation); (2) less capital for start-up and expansion—due to fewer assets (e.g. savings, homeownership) for self-financing or business loan collateral, and to limited access to external sources of capital; (3) lower levels of relevant owner business knowledge—in terms of education levels and experience in family-owned businesses; (4) the type of businesses women of color tend to own; and (5) more limited market access—including the tendency to focus on co-ethnic rather than broader markets.

Women-Owned Businesses are important to Minnesota’s economy.

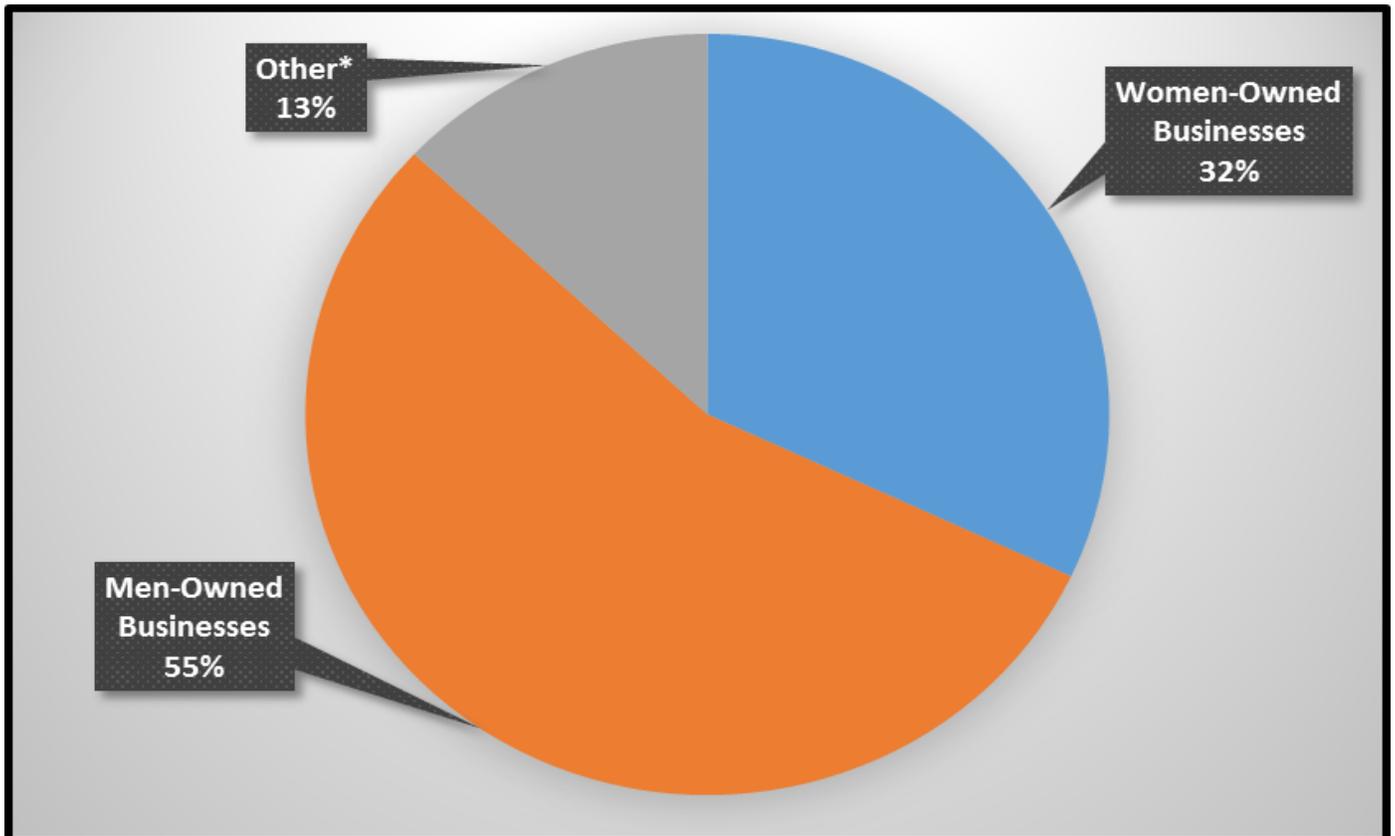


Number of Minnesota Businesses



* Includes businesses that are majority women- and men-owned, publicly owned, equally women- and men-owned, and businesses that don't fit into other categories.

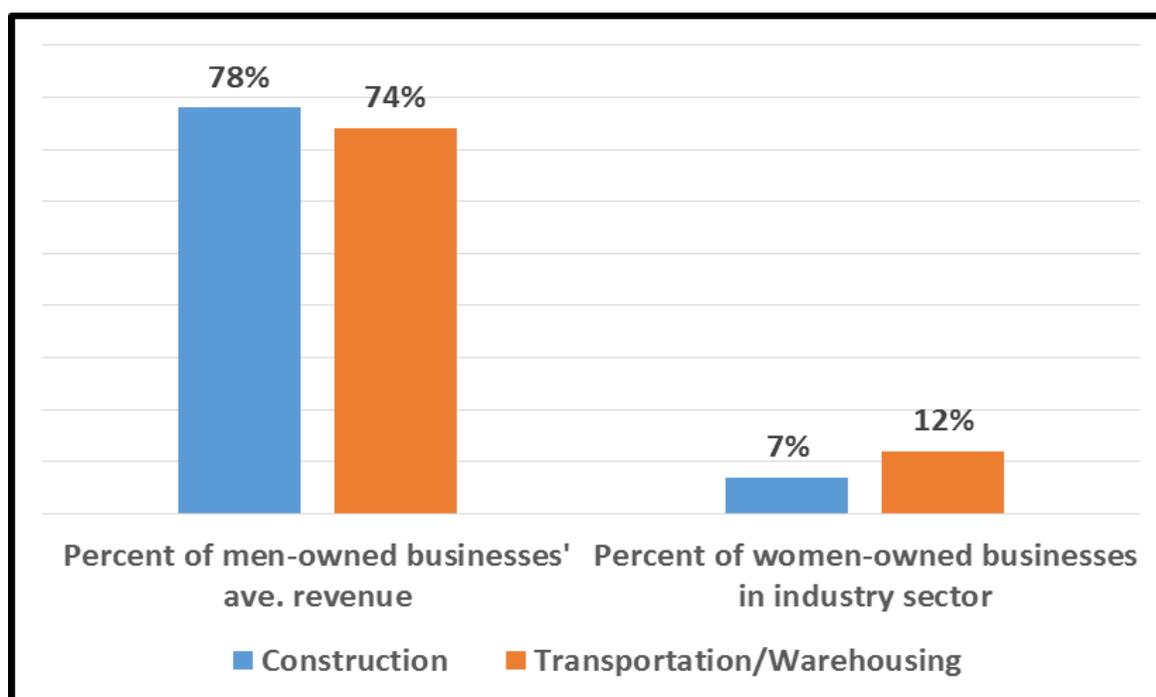
Minnesota Business Ownership



Industry Sector Analysis of Women-Owned Businesses

Industry Sector	Average Revenue of Men-Owned Businesses	Average Revenue of Women-Owned Businesses	Women-Owned Businesses as % of Sector Firms
Construction	\$ 567,129	\$ 440,499	7%
Manufacturing	\$ 4,933,974	\$ 1,029,043	20%
Retail Trade	\$ 1,401,721	\$ 137,173	40%
Transportation & Warehousing	\$ 383,203	\$ 285,260	12%
Information	\$ 612,062	\$ 177,892	25%
Finance & Insurance	\$ 420,925	\$ 220,050	17%
Real Estate and Rental and Leasing	\$ 196,356	\$ 118,868	21%
Professional, scientific, and technical services	\$ 265,035	\$ 84,551	36%
Management of companies and enterprises	\$ 4,277,419	\$ 1,309,633	6%
Educational Services	\$ 106,028	\$ 35,737	52%
Health Care & Social Assistance	\$ 581,993	\$ 85,266	64%
Accommodation & Food Services	\$ 916,827	\$ 439,573	27%

Women-Owned Businesses in Construction and Transportation/Warehousing Sectors



Women-Owned Businesses, Minnesota Compared to U.S.

2012	Minnesota	U.S.
As percent of all firms*	32%	36%
Paid employees as percent of all paid employees	8%	7%
Average revenue	\$156,007	\$143,731
Increase/Decrease in average revenue, 2007-2012	+1%	-18%
Average number paid employees	1.2	0.9

Number of Minnesota Firms

	2007	2012	Change in Number	% Change, Minnesota	% Change, U.S.
All firms*	496,657	489,494	-7,163	-1%	+2%
Women-Owned Businesses	133,260	157,821	+24,561	+18%	+27%
Men-Owned Businesses	251,840	268,710	+16,870	+7%	+7%

Percent of Total Firms

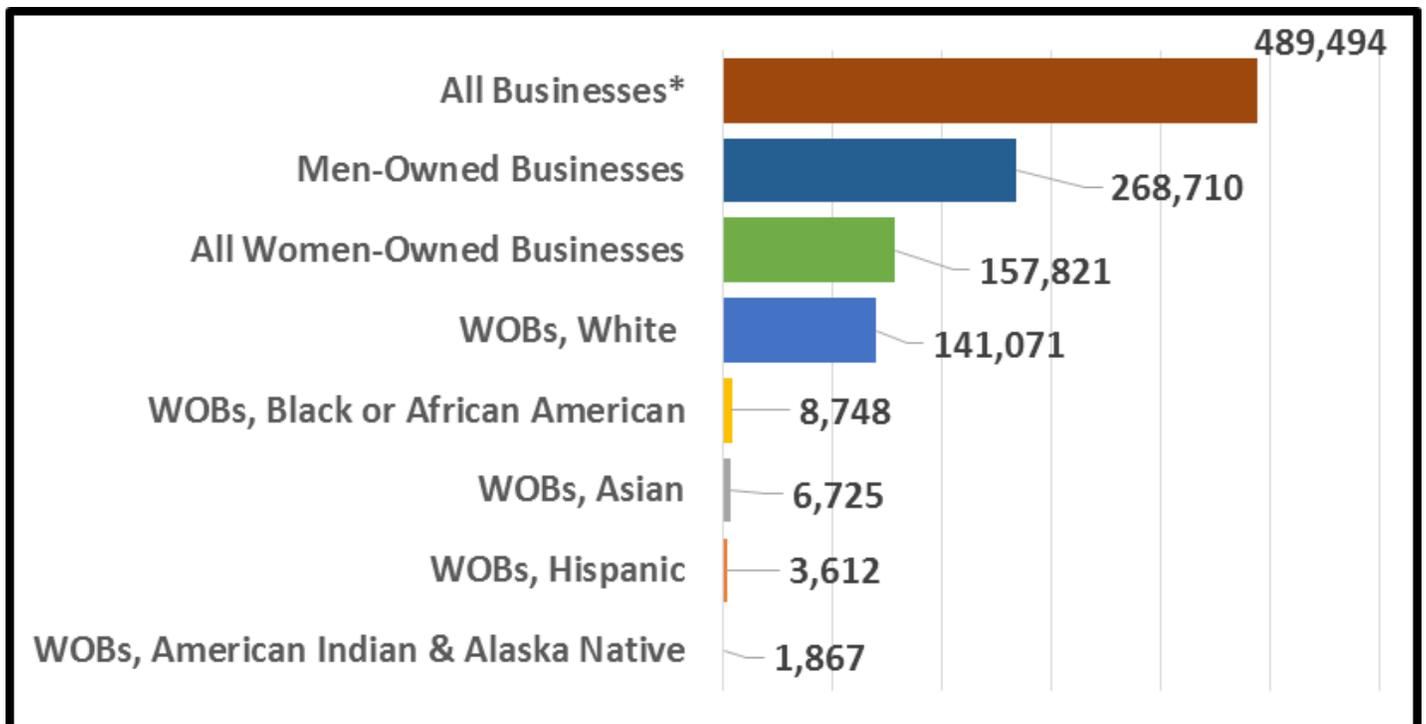
	2007		2012	
	Minnesota	U.S.	Minnesota	U.S.
Women-Owned Businesses	27%	29%	32%	36%
Men-Owned Businesses	51%	51%	55%	54%

*"All firms" include all nonfarm businesses filing IRS tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more, including for-profit and not-for-profit companies, companies with and without employees, publicly held and privately owned firms, and foreign-owned U.S. corporations. The government/public sector is not included. "All firms" include firms with and without paid employees; businesses that are majority women- and men-owned, publicly owned, equally women- and men-owned; and businesses that don't fit into other categories.

Average Annual Revenue (2012 dollars)

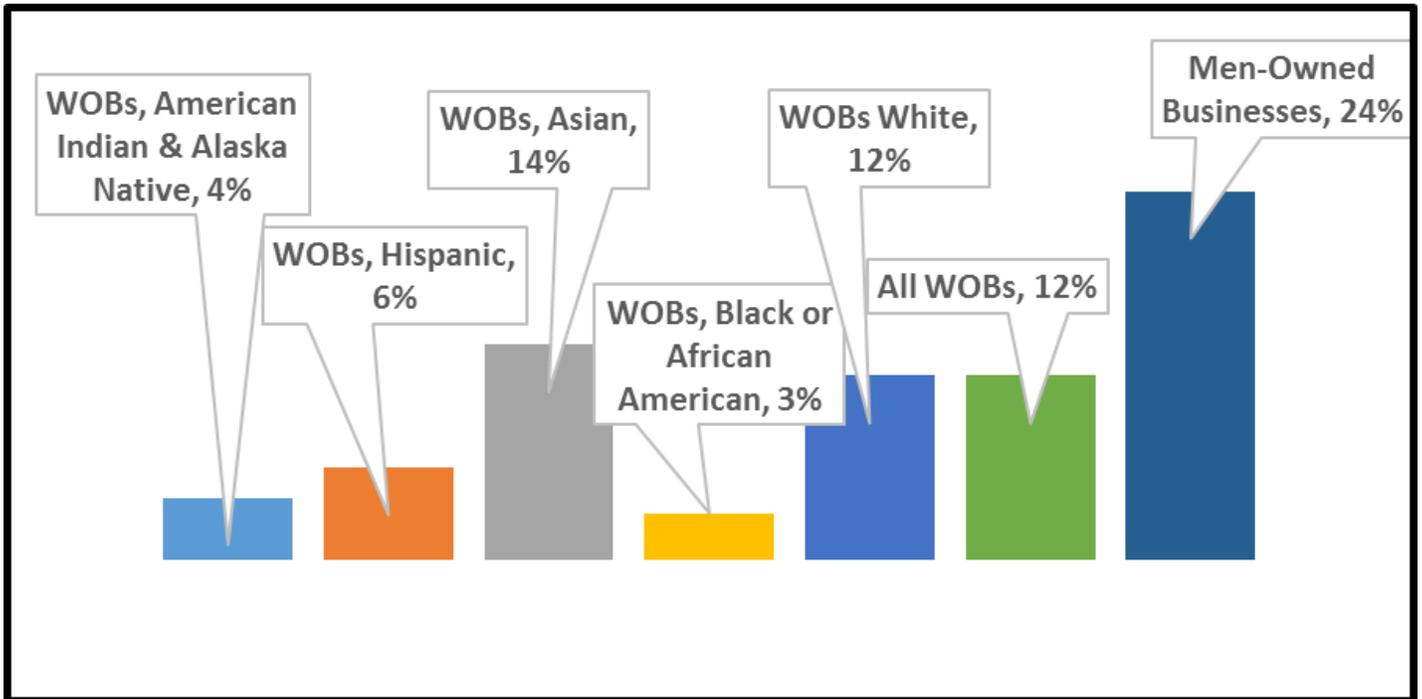
	2007		2012		% Change	
	MN	U.S.	MN	U.S.	MN	U.S.
All Firms	\$1,331,270	\$1,227,420	\$1,419,402	\$1,213,944	+7%	-1%
Women - Owned Businesses	\$154,760	\$170,050	\$156,007	\$143,731	+1%	-15%
Men- Owned Businesses	\$768,590	\$675,380	\$749,086	\$637,676	-3%	-6%

Number of Minnesota Women-Owned Businesses by Race/Ethnicity

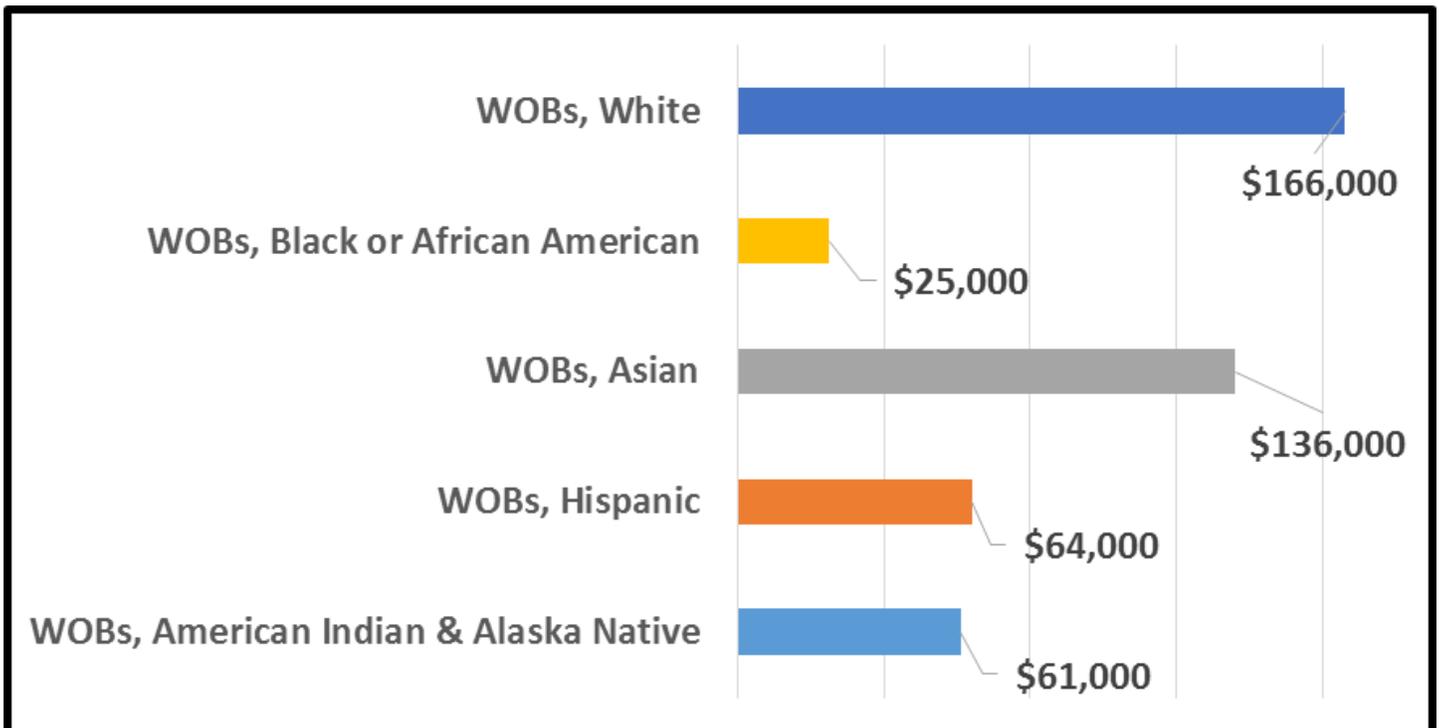


*With and without paid employees. Includes businesses that are majority women- and men-owned, publicly owned, equally women- and men- owned, and businesses that don't

Percent of Firms in Each Demographic Category that have Paid Employees



Average Annual Revenue, Minnesota's Women-Owned Businesses



Number of Minnesota Women-Owned Businesses, 2007 vs. 2012

	2007	2012	Percent Change
White	124,641	141,071	+13%
Black/African American	4,883	8,748	+79%
American Indian/Alaska Native	1,232	1,867	+52%
Asian	3,762	6,725	+79%
Hispanic	2,121	3,612	+70%

Number of Paid Employees, Minnesota Women-Owned Businesses 2007 vs. 2012

	Total Paid Employees			Ave. # Paid Employees	
	2007	2012	Percent Change	2007	2012
White	135,544	170,266	+26%	1.1	1.2
Black/African American	1,571	2,757	+75%	0.3	0.3
American Indian/Alaska Native	1,264	1,319	+4%	1.0	0.7
Asian	3,099	7,946	+156%	0.8	1.2
Hispanic	1,744	1,252	-28%	0.8	0.3
Men-Owned Businesses	793,348	802,896	+1%	3.2	3.0

Average Revenue, Minnesota Women-Owned Businesses 2007 vs. 2012* (2012 dollars)

	2007	2012	Percent Change
White	\$160,010	\$165,723	+4%
Black/African American	\$ 45,920	\$ 25,442	-45%
American Indian/Alaska Native	\$122,161	\$ 61,087	-50%
Asian	\$102,540	\$136,375	+33%
Hispanic	\$135,270	\$ 63,599	-53%
Men-Owned Businesses	\$768,590	\$749,086	-3%

Why are women-owned businesses overall smaller than men-owned businesses?

[\(Read full OESW briefing paper here.\)](#)

A review of research finds the answer to this question more complex than one would think.

There are the usual, and oft-cited, causes for women-owned businesses being generally smaller (less sales/receipts and fewer employees) than men's:

- Women tend to choose types of businesses that inherently are smaller in size and in sales/receipts: businesses in the services sector such as in health care, education and personal or retail services; apparel manufacturing; health and personal care stores; miscellaneous store retailers; internet retailers that require little for start-up and operation; and specialized design services. Men are more likely to own businesses in manufacturing or construction.
- Women-owned businesses have less access to outside capital for start-up and growth, instead tending to rely on self-financing or credit card debt.
- Research shows women, overall, have different goals for entrepreneurship than men: Women entrepreneurs do not have "growth" as a prime motivator. Women often choose entrepreneurship as an avenue for the flexibility in work schedule and number of work hours needed to balance work and family caregiving responsibilities. Women entrepreneurs often measure success in terms of "self-fulfillment and goal achievement," with profits and business growth being somewhat less important.

There also are additional, but less commonly cited, reasons for women-owned businesses being smaller:

- Women may devote fewer hours to their businesses than do men.
- Women are less likely to have prior work experience in a similar business—an important determinant of business outcomes.
- Some research finds women to be more risk-averse than men, especially in terms of financial risk.

- Women entrepreneurs have smaller peer networks, and fewer mentors and role models.
- Women overall may have limited knowledge about financial products and services and may lack relationships with bankers and lenders.
- Women-owned businesses are often too small to be able to compete successfully for large government or business-to-business contracts, and these contracts are an important driver of business growth.
- The Great Recession had a disproportionate negative impact on small and young businesses.
- Women (and minorities) tend to have fewer assets (e.g., savings, homeownership than White males. They are therefore limited in their ability to self-finance or provide collateral for business loans.

The real complexity comes in the underlying causes. Why do women entrepreneurs gravitate to these lower-performing types of businesses? One reason is that an entrepreneur's choice of business is usually closely linked to her or his education and professional experience. Women tend to choose post-secondary courses of study in academic fields like education, sociology, languages, and social work. A woman's "professional experience" is often a function of occupational segregation: Women tend to choose careers in female-dominated, lower-paying occupations. It follows that they are more comfortable starting businesses in these industry subsectors.

Choice of business may also be influenced by less start-up capital, and the need for flexibility and limitation in hours, necessitated by women's family caregiving responsibilities.

Why do women entrepreneurs tend to devote fewer hours to their businesses, and have home-based businesses, and not pursue an aggressive growth strategy? A big underlying reason is that women are more likely to be the primary family caregivers—either for young children or for aging parents and spouses.

They not only do not have the time to throw themselves day and night into running a business, but often the reason they started a business was to give them the flexibility to work fewer or unconventional hours so that they could combine earning income with caregiving.

A last thing to consider is the unfair and inaccurate characterization of women-owned businesses as “underperforming” in comparison to men-owned businesses.

We do not blame the gender wage gap on women being sub-standard workers. We look instead at the causes of the gender wage gap: choice of occupation, fewer hours worked during a woman’s lifetime because of her family caregiving responsibilities, societal undervaluation of “women’s work,” discrimination.

It is also incorrect to say that women-owned

businesses “underperform.” The accurate characterization is to say that women-owned businesses show “constrained performance.” The constraints include the type of business chosen, access to capital, limitations on time to devote to a business due to family caregiving responsibilities, fewer assets to invest. These constraints do not equate to women entrepreneurs being less competent than their male peers.

In fact, research suggests that, once variables such as industry sector, owners’ previous work and business experience, and hours worked, are controlled for, women-owned businesses turn out to be as successful as men-owned businesses.

[Read full OEWS briefing paper, including research references, here.](#)



Initial Round, Group F: Columbia, France, New Zealand, U.S.A.

Wednesday, Aug. 3, 5 p.m. (all times CDT)	U.S.A.-2 New Zealand-0
Saturday, Aug. 6, 3 p.m.	U.S.A. v. France
Tuesday, Aug. 9, 5 p.m.	U.S.A. v. Columbia

Quarterfinals	August 12
Semi-finals	August 16
Gold and Bronze Medal Games	August 19

Excellent place to watch the games: The Local, 931 Nicollet Mall, Minneapolis. (Tweet me @mnoesw with your favorite place to watch!)