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Gender and Establishment Dynamics, 2002-2006

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This report examines the gender characteristics and business dynamics of establishments that were in operation as of 2002 for the 2002-2006 period. This paper is the first to report matching data from the 2002 Survey of Business Owners (SBO) and the 1989-2006 Business Information Tracking Series (BITS) in an Advocacy publication series. The Office of Advocacy collaborated with the National Women's Business Council and the U.S. Census Bureau to provide the dataset. The series focuses on business dynamics by gender, race/ethnicity, and business type (publicly held vs. non-publicly held businesses). Business owners' gender, race or ethnic characteristics can be identified only for non-publicly held enterprises.

Overall Findings

Employer establishments—establishments with paid employees—owned by women had higher closure rates and lower contraction rates than those owned by men or owned equally by men and women over the 2002-2006 period. The average four-year survival rate for all 2002 employer establishments was 70 percent; for female-owned, 66 percent; for male-owned, 72 percent; and for male and female equally owned, 69 percent. It is important to note that business births are not included in this data base since it focuses on the group of establishments that were already in existence in 2002. "Survival rates" as used here are different from the survival rates of startup firms, since firms of all ages are included in the database.

Highlights

- Minus the gains in employment contributed by business births (not included in this study), all but two industries had a net loss of employment for 2002 employer establishments over the 2002-2006 period. A strong expansion, and weak contraction trend in

the education services industry (NAICS code 61) led to job gains of 3.6 percent (more than 91,000 jobs); in the unclassified industries (NAICS code 99) job gains totaled about 7,000, or 23 percent.

- Larger businesses had lower death rates, higher expansion rates, and higher contraction rates. On average, employer establishments that had closed by 2006 tended to have fewer employees, lower payroll per worker, and lower business receipts per establishment in 2002.

- Business expansions, by definition, create jobs, but the number of jobs created in the expansions of existing businesses was not enough to counteract the loss of jobs due to business deaths and contractions. New business creation, not reflected in these data, is the key to new job creation and sustainable economic growth.

- By 2006, all but two states had an overall net loss of employment in employer establishments that were in operation in 2002 as a result of business closures and contractions. Employer establishments in Hawaii gained 5,698 jobs and those in Nevada gained 3,498 by 2006.

- Expansions of female-owned establishments outpaced expansions of establishments owned by their male counterparts in 40 of the 50 states and the District of Columbia.

- Yet employment losses in existing female-owned establishments were more severe than those in their male counterparts' establishments—minus 12 percent—compared with minus 9 percent over the 2002-2006 period.

- There were 45 women-owned firms for every 1,000 women in the United States, compared with 96 firms owned by men for every 1,000 men in 2002.

Scope and Methodology

The U.S. Census Bureau provides the U.S. Small Business Administration's Office of Advocacy

matching data from the 2002 Survey of Business Owners (SBO) and the 1989-2006 Business Information Tracking Series (BITS) for this analysis. The BITS database is a rich source of information about establishment dynamics, including establishment deaths, expansions, and contractions. Note that business births are not included, as the data tracked here are for the businesses in existence in 2002. Also, “survival rates” as used here refer to the entire set of businesses that were in operation in 2002, which include businesses of all ages and sizes—so they should not be compared with survival rates for startups. The SBO database also offers information about the establishments’ owning enterprises.

This report was peer-reviewed consistent with Advocacy’s data quality guidelines. More information on this process can be obtained by contacting the director of economic research by email at advocacy@sba.gov or by phone at (202) 205-6533.

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