



**Center for  
Women's Business Research**

*Knowledge that Means Business*

**The Economic Impact  
of Women-Owned Businesses  
In the United States**

**Underwritten by:**

**Walmart  
National Women's Business Council  
Center for Women's Business Research**

October 2009

## Acknowledgements

The Center for Women's Business Research would like to thank Walmart and the National Women's Business Council (NWBC) for their generous support which made this research possible. We would also like to thank Women Impacting Public Policy (WIPP) for their support and highlighting the research at the 2009 Economic Summit in Washington, D.C. And last, but not least, we want to thank our co-authors of this study for their meticulous and diligent analyses of the data and the economic modeling used to produce the final results.

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### Center for Women's Business Research

The Center for Women's Business Research provides data-driven knowledge that propels the growth of women business owners and their enterprises to economic and social significance. We do this by setting the national agenda; creating insight on the status and achievements of women business owners; altering perceptions about the economic viability and progress of women-owned enterprises; and driving awareness of the economic and social impact of this vital business sector. Visit us online at [www.womensbusinessresearch.org](http://www.womensbusinessresearch.org).

### Walmart

Wal-Mart Stores, Inc. (NYSE: WMT), or "Walmart," serves customers and members more than 200 million times per week at more than 8,000 retail units under 53 different banners in 15 countries. With fiscal year 2009 sales of \$401 billion, Walmart employs more than 2.1 million associates worldwide. A leader in sustainability, corporate philanthropy and employment opportunity, Walmart ranked first among retailers in Fortune Magazine's 2009 Most Admired Companies survey. Additional information about Walmart can be found by visiting [www.walmartstores.com](http://www.walmartstores.com). Online merchandise sales are available at [www.walmart.com](http://www.walmart.com) and [www.samsclub.com](http://www.samsclub.com).

### National Women's Business Council (NWBC)

The National Women's Business Council is a bi-partisan Federal government council created to serve as an independent source of advice and counsel to the President, Congress, and the U.S. Small Business Administration on economic issues of importance to women business owners. Members of the Council are prominent women business owners and leaders of women's business organizations. For more information about the Council, its mission and activities, visit [www.nwbc.gov](http://www.nwbc.gov).

### Women Impacting Public Policy (WIPP)

Women Impacting Public Policy is a national bi-partisan group comprising over half a million members. The non-profit organization is the public policy voice for 49 national Women in Business groups and is The Voice for Women in Business in Our Nation's Capital. WIPP strengthens its members' sphere of influence in the legislative process, creates economic opportunities for members and builds alliances with other small business organizations. Visit [www.wipp.org](http://www.wipp.org).

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# The Economic Impact of Women-Owned Businesses in The United States

## Executive Summary

For the first time, the Center for Women's Business Research, has utilized a methodology to measure the economic impact of the estimated 8 million U.S. businesses currently majority women-owned. Today, women-owned firms have an economic impact of \$3 trillion annually that translates into the creation and/or maintenance of more than 23 million jobs - 16 percent of all U.S. jobs! These jobs not only sustain the individual worker, but contribute to the economic security of their families, the economic vitality of their communities and the nation.

*If U.S.-based women-owned businesses were their own country, they would have the 5<sup>th</sup> largest GDP in the world, trailing closely behind Germany, and ahead of countries including France, United Kingdom and Italy.*

The significance of the total amount of economic impact – \$2.8 trillion – once again proves that women-owned firms are not a small, niche market but are a major contributor and player in the overall economy. It also reveals the magnitude of importance that small business plays in the overall economy. According to SBA's Office of Advocacy, 99.7 percent of all employer firms are classified as "small businesses (less than 500 employees);" small businesses employ 51% of all people; have generated nearly two-thirds (64%) of net new jobs over the past decade and a half; and produce 13 times more patents per employee than large patenting firms.

From 1997-2002, women-owned firms were growing at twice the rate of all other groups and while the current economic woes have dampened business growth for all segments, women continue to keep pace. However, in most public conversations and in most people's minds, the important player in the economy is the large corporations – which only account for .03 percent of all firms and employ fewer people than small businesses do in total. This research illuminates the economic reality and calls for changing the conversation at a policy level and in the public sphere.

The data indicate a continuing social and cultural shift for work and for women. Full or part time entrepreneurship is a well-established trend. From 1997 to 2002, the Census data report that nearly all growth in small businesses came in the non-employer segment and women had the largest growth compared to other groups. The overarching shift reflects the education, experience and characteristics of women at different stages of their lives. It also reflects the lack of opportunities and flexibility in major corporations and large businesses for women.

## INTRODUCTION

The Center for Women's Business Research, with support from Walmart and the National Women's Business Council, undertook a study to establish the economic impact of women-owned businesses on the U.S. economy. Women-owned businesses are defined as privately-held firms in which women own 51 percent or more of the business. This study provides a clear picture of the value and impact of this segment to the economy and a roadmap for the future. Women-owned businesses are growing at twice the rate of all businesses and have done so for nearly three decades. It makes good business sense for government and each community to support these firms by providing knowledge, skills and tools for their growth.

The research findings reveal that 28.2 percent of all businesses in the United States are owned by women. However, only 4.2 percent of all revenues are generated by women-owned businesses in the United States. One probable explanation is the fact that the majority of these businesses is relatively small and have been in business for a relatively short period of time.

This study provides a comprehensive and detailed analysis of the tremendous economic impact of women business owners in the United States. The Center for Women's Business Research collected survey data from women business owners across the United States. A model of economic activity and interdependencies representing this flow of economic activity in the U.S. provides the direct, indirect and induced impacts. The more detailed data results are shown in tables (1) through (5).

### Scope of the Study

This research mainly focuses on the economic impact of women-owned businesses on the U.S. economy and is comprised of several components. Specifically the report analyzes three types of economic impacts:

1. Output Effect: A measure of total sales or revenues generated by women business owners in the United States.
2. Income Effect: A measure of total income generated within the U.S. economy by women business owners.
3. Employment Effect: A measure of the number of jobs created in the U.S. economy by women-owned businesses.

In addition, the direct, indirect and induced impacts of the above categories are generated by IMPLAN. These effects combine to reflect the total economic impact of the business activity of women-owned businesses.

- Direct Impact: The direct output effect represents the purchase of goods and services by women business owners from other businesses in the U.S.
- Indirect Impact: The indirect effect represents business-to-business transactions. These transactions occur when the suppliers of the women business owners purchase goods and services from other suppliers in the country.

- **Induced Impact:** The employees of the women business owners and the employees of the indirectly affected businesses purchase goods and services in the United States. These purchases create the second wave of economic impacts commonly known as the induced effect.

One additional category of economic data that IMPLAN provides is Value Added. Four components comprise Value Added:

- Employee compensation
- Proprietors' income
- Other property type income
- Indirect business taxes.

## How Women Business Owners Create Jobs and Income

The products and services of women business owners create significant economic benefits that reach all industries in the United States.

Figure (1) below depicts the circuit of economic activity that begins when WBO products and services are purchased by households or other businesses (G). From those receipts, WBOs make purchases from suppliers (A) and pay wages to their employees (B). Suppliers, in turn, purchase goods and services from their own suppliers (C), and so forth on down the line.

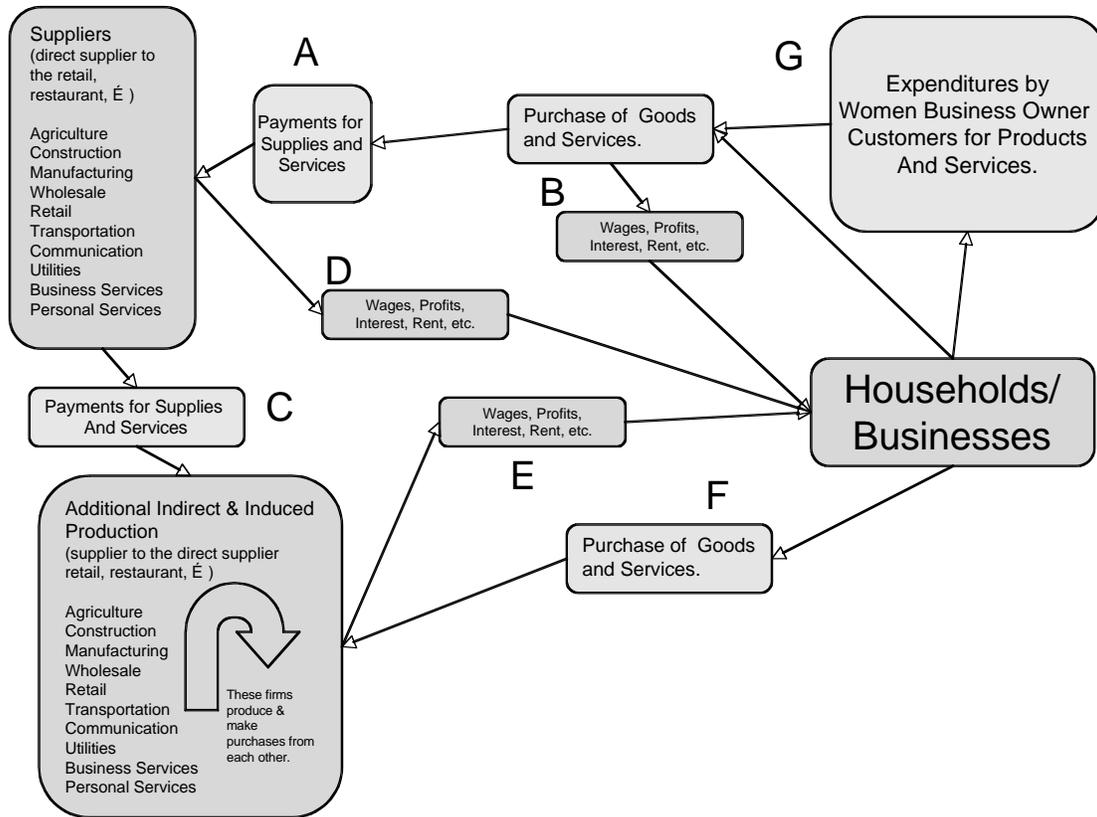
During the process, all suppliers pay wages and other income to their employees, owners, etc. (D and E). The households of workers then purchase a full complement of household goods and services (F), as well as becoming customers of women business owners' products and associated services (G) thus, begin the circuit again.

The economic impact model and tables provided within the report address all three levels of impact that generate the total economic impact: The direct economic impact results from spending; The indirect impact follows from the subsequent purchases by the businesses of goods and services from their suppliers and in turn the suppliers to these suppliers; The induced impact refers to the spending by all employees of these inter-related businesses on their household market baskets.

The discussion that follows provides an overview of the full economic impact generated by spending for women business owners' products and services.

Figure (1)

### How Women Business Owners Create Jobs and Income



### Sample and Model Results

The sample used to generate results consists of 417 women business owners who own at least 51 percent of their business. The sample is representative of the larger population of women-owned firms, especially industry sector, revenues, and geography. Both employer and non-employer firms are included in the sample as well.

The direct employment and sales data generated by the 2009 survey of 417 women business owners in the United States provide useful information concerning the size and types of economic inflows created by activities of women business owners.

However, there are additional and secondary economic impacts related to these activities. These secondary (multiplier) economic activities occur in the form of the indirect and induced effects that result when the women business owners and their employees use their revenues to buy goods and services from other businesses in the United States. The direct sales and revenues generated by women business owners produce a secondary effect (indirect and induced) throughout the U.S. economy, the sum of which represents the total economic output.

The sales and employment data from the women-owned businesses are used in the IMPLAN model to estimate the total output, income and employment effects. These results are shown in table (1) and figures (2) and (3).

**Output Effect**

The 2009 survey of 417 women-owned businesses in the United States shows that the sampled firms were directly responsible for the purchase of \$59 million worth of goods and services from other businesses and suppliers. The indirect output effect of \$37.4 million represents purchases made by women business owners’ suppliers from other businesses. The induced output effect of \$51.4 million represents the amount of goods and services that women-owned businesses’ employees purchased from other vendors in the United States. The total output or sales created in the U.S. economy is estimated to be \$147.8 million.

**Income Effect**

The 417 women business owners in the United States directly paid \$25.8 million in payroll and benefits to their employees in the form of labor income. This direct income generated \$12.9 million worth of indirect income. In addition, the induced income is estimated to be \$16.1 million. The total income effect that is the sum of direct, indirect and induced effects is estimated to be \$54.8 million.

**Employment Effect**

Women-owned businesses surveyed were directly responsible for creating 612 jobs and indirectly created 249 jobs. The spending of their employees created an additional 363 jobs. In aggregate, 417 women business owners surveyed created 1,224 jobs in the United States.

**Table (1)**

**Women Business Owners Survey 2009  
IMPLAN Analysis**

	Direct	Indirect	Induced	Total
Labor Income	25,792,909	12,888,354	16,105,684	54,786,947
Value Added	35,788,101	20,710,353	27,617,838	84,116,292
Output	58,965,133	37,392,088	51,436,161	147,793,382
Employment	612	249	363	1,224

Figure (2)

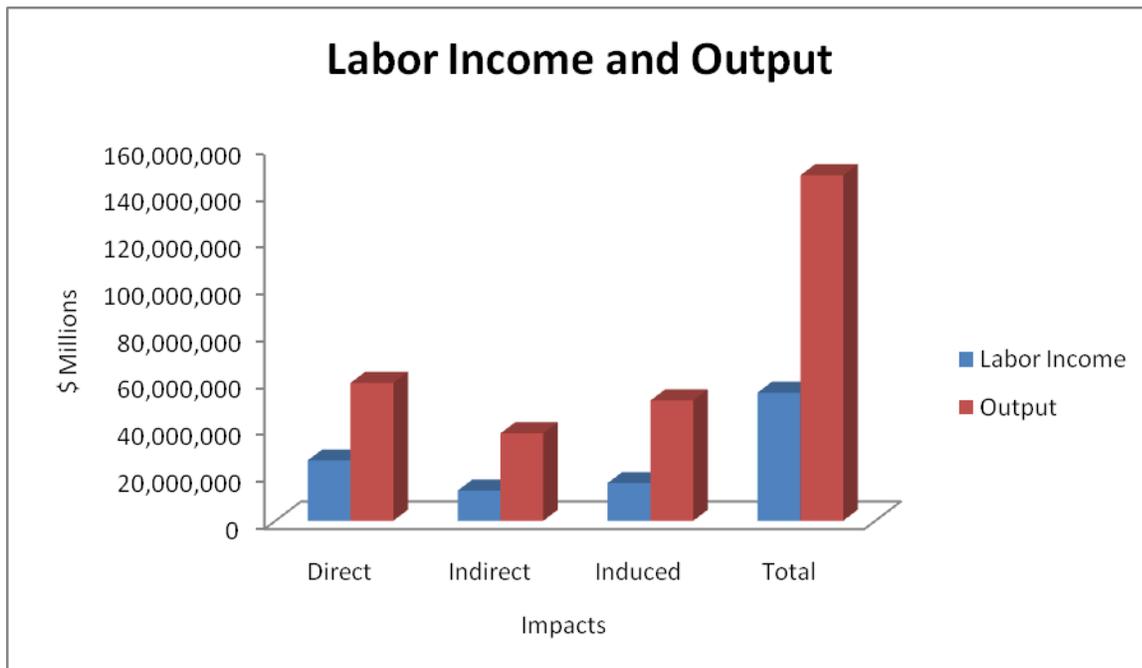


Figure (3)

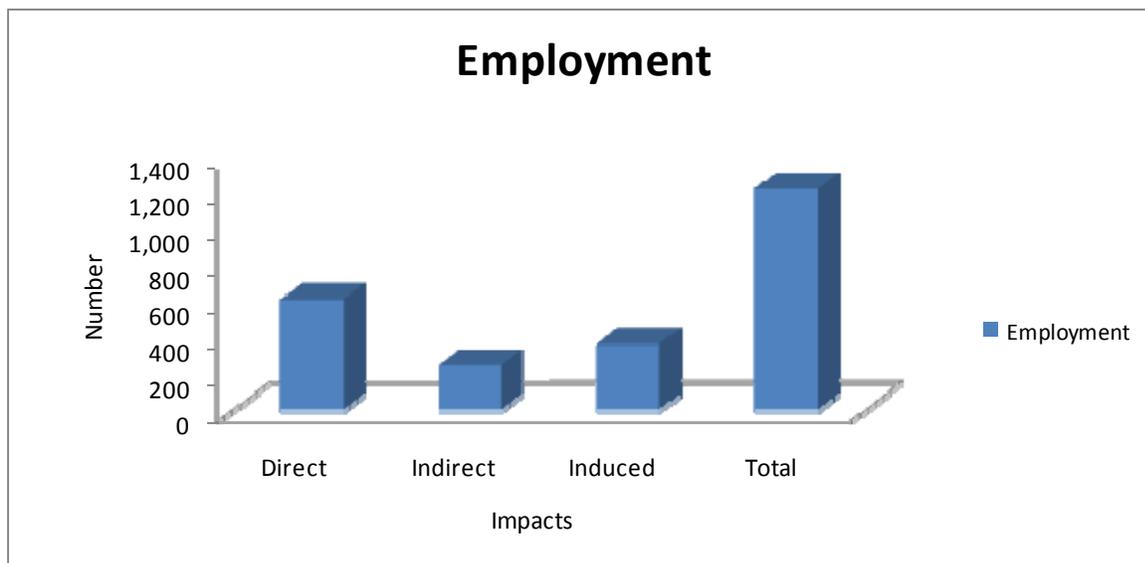


Table (2) and figure (4) below show the industry sectors with the greatest numbers of firms represented.

**Table (2)**

**The Most Impacted Industries – Number of Firms**

Number of Firms	%	Industry
45	10.8	Administrative, support, waste remediation
46	11.0	Business services
32	7.7	Communication, media
26	6.2	Financial, real estate, insurance
36	8.6	Healthcare, social assistance
29	7.0	Personal services
87	20.9	Professional, scientific, technical services
56	13.4	Retail, wholesale
60	14.4	Other

**Figure (4)**

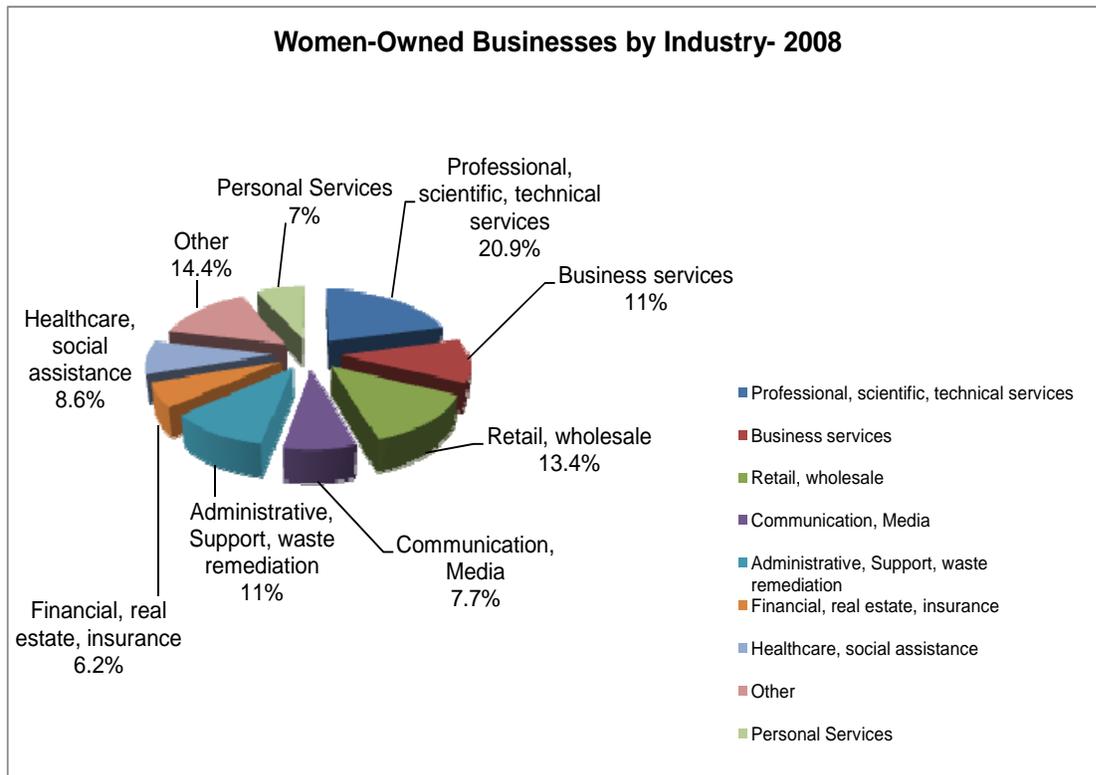


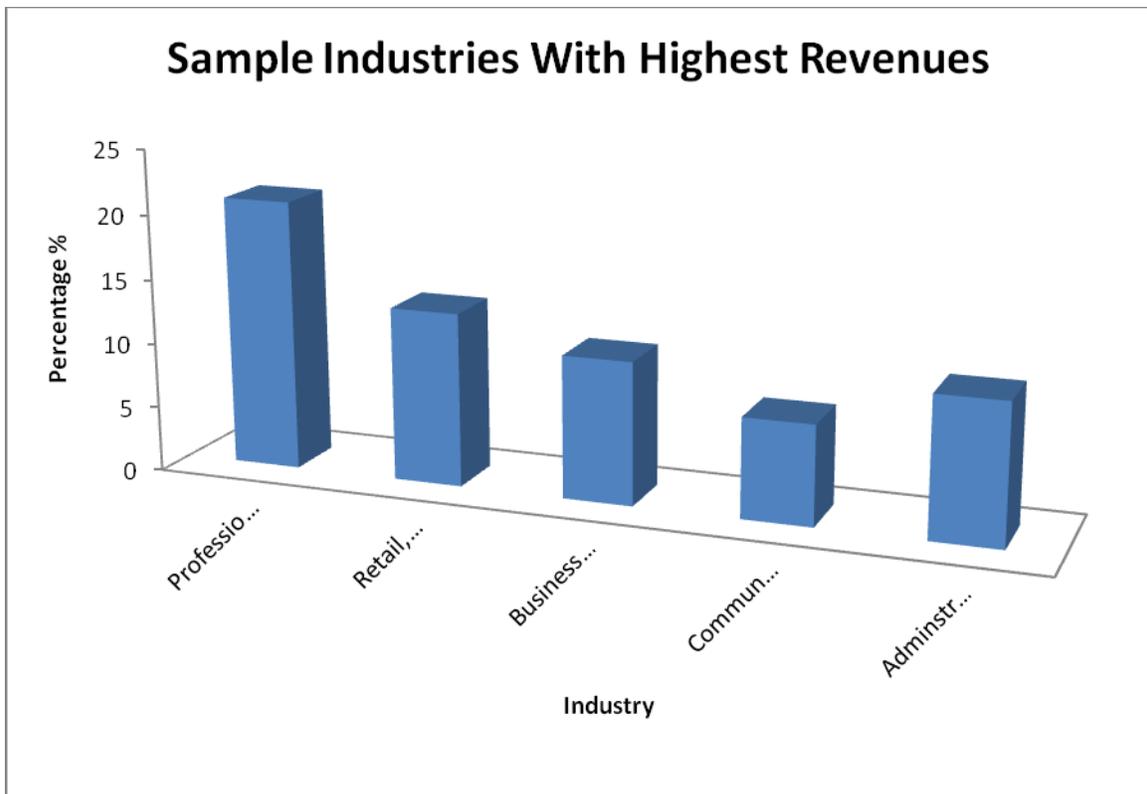
Table (3) and figure (5) show the sample industries that had the highest revenues or output.

**Table (3)**

**Industries with Highest Revenues**

Number of Firms	%	Industry	Revenue
87	20.9	Professional, scientific, technical services	\$13,278,765
56	13.4	Retail, wholesale	\$11,603,235
46	11.0	Business services	\$5,453,900
32	7.7	Communication, media	\$5,433,000
45	10.8	Administrative, support, waste remediation	\$4,549,152

**Figure (5)**



## National Projections

The U.S. Economic Census, Survey of Business Owners provides data regarding the number, size and performance of women-owned businesses throughout the country. The last data available are for 2002, therefore 2008 data is projected from prior census data. Table (4) below provides these projections.

**Table (4)**

### Women Business Owners Projected 2008 National Impact

	1997	2002	2008 Projection
Number of Firms	5,417,304	6,489,259	<b>8,059,635</b>
wo/Employees	4,570,254	5,572,602	<b>7,051,473</b>
w/Employees	846,780	916,657	<b>1,008,162</b>
Revenue [\$1K]	\$818,669,084	\$939,538,208	<b>\$1,108,362,219</b>
wo/Employees [\$1K]	\$100,905,119	\$136,686,713	<b>\$196,744,237</b>
w/Employees [\$1K]	\$717,763,965	\$802,851,495	<b>\$918,373,839</b>
Number of Employees	7,076,081	7,141,369	<b>7,220,510</b>

**NOTE: 1997 & 2002 data are derived from the U.S. Census; 2008 figures are estimated.**

The 2009 survey of 417 U.S. women-owned businesses attained substantial results in each category. We compared our sample size with the size of the entire population of U.S. women-owned businesses [8,059,635] and applied this to the results of the sample analysis. Total labor income for majority-women-owned firms exceeds \$1 trillion a year; the value-added totals \$1.6 trillion giving us a grand total of nearly \$3 trillion in annual economic impact! Furthermore, these firms directly and indirectly employ 23.7 million people!

The data in Table (5) reflect the aggregate results.

**Table (5)**

### Projected Economic Impact of Majority-Women-Owned Businesses

	Direct	Indirect	Induced	Total
Labor Income [\$B]	<b>498.5</b>	249.1	311.3	<b>1,058.9</b>
Value Added [\$B]	<b>691.7</b>	400.3	533.8	<b>1,625.8</b>
Output [\$B]	<b>1,139.7</b>	722.7	944.2	<b>2,806.6</b>
Employment	<b>11,828,736</b>	4,812,672	7,016,064	<b>23,657,472</b>

## Conclusions

The Center for Women's Business Research was founded on a belief that women business owners were not being recognized for their contribution to creating and maintaining a healthy and nimble national economy. The Center's first major piece of research was to document the existence of – and thereby legitimize – larger businesses owned and run by women (previously Census did not collect "C Corp" data by gender. Most of the legislation, programming and women-business-owner advocacy organizations use the work of the Center for Women's Business Research to provide the rationale for recommendations for programs and policies that support women-owned businesses. It is extremely gratifying that the Center for Women's Business Research is again at the leading edge of producing data and knowledge that continues to make the world aware of the importance and value-add of women-owned firms.

This study provides, for the first time, a comprehensive analysis of the economic impact of women-owned businesses in the United States by using primary data collected through direct surveys and government sources. We've never had information that reflected the overall economic impact of women-owned firms. By default, we used total annual revenues which were available from Census.

**The results of over \$2.8 trillion dollars annually from majority-women-owned firms coupled with the more than 23 million people who are employed directly and indirectly by these firms again proves that women-owned firms are not a small, niche market but are a major contributor and player in the overall economy.**

The data also illustrate the need for new thinking and programming to support women who seek to grow their businesses. Most of the programming now offered through the public sector and much of the private sector is dated and focused on individuals who want to start a business. While these programs are important and meet a need, there are few solid programs that actually generate information and knowledge and engage entrepreneurs – especially women and minorities – to grow their businesses. The programs that do exist have little, if any, evaluative research behind their claims.

Furthermore, this research highlights the lack of knowledge currently available on how to grow a business from point A to point B, becoming an employer firm, and moving from being the technical expert to the business leader. Over the past several years, funds for research from public and private sources have been limited and spread across a growing number of scholars and applied researchers. The Center for Women's Business Research is taking the lead in 2010 by creating an Academic Council of Scholars (ACS) who conduct research in the area of women entrepreneurship and business ownership. The goal of this collaborative effort between the Center and ACS is to build knowledge that can be used directly by women business owners and organizations who support them. This historic initiative demands a public/private infusion of funding.

## Methodology

This study provides a comprehensive and detailed example of the full economic impact of women business owners in the United States. The Center for Women's Business Research, Washington D.C., collected survey data from women business owners across the United States.

To qualify for the study, respondents had to be majority women-owned companies. For the proposed study, WBO's were asked to complete an online survey. The survey contained the following questions:

- Business Name
- NAICS Industry Code
- Year Began
- Employees
- Percent Ownership Women/Men
- Location: City, County, State, Zip
- Annual Revenues
- Race/Ethnicity
- Age
- Education

Completed surveys were validated through Web sites and other data to assure the business existed and NAICS coding was correct.

The sample used for the IMPLAN modeling includes 417 businesses located in 42 different states.

Once the data collection was completed, survey data then were organized and coded for analysis and reporting. The survey data on annual sales and employment were used in the IMPLAN model to generate the total economic impact for the sample. The 2008 survey of women-owned businesses in the United States revealed substantial results in output, labor and employment categories.

### IMPLAN Model

IMPLAN is a PC-based impact analysis software system developed by the Minnesota IMPLAN Group, Inc. It is a complex and highly accurate forecasting model commonly used in economic impact studies to estimate the impacts associated with economic events, inter-industry linkages and economic policies. The IMPLAN software system allows the projection of secondary or multiplier effects from changes in direct sales for one industry within a study region. Multipliers can be estimated for a county, a state or for the entire nation. They project changes in sales, income and employment.

The total impact of WBOs is defined by three components: direct, indirect and induced impacts. The direct impact results from the total spending by WBOs' customers. The indirect impact is the sum of inter-industry purchases made in response to the direct sales. The induced impact adds the household spending by employees and owners of all the firms with direct and indirect sales.

The economic impacts reported in this study are based on multiple sources including spending obtained from the survey conducted by the Center for Women's Business Research and secondary government data sources. The IMPLAN impact model for this sample of the United States was developed by Jacksonville University's Davis College of Business. This model is based upon the standard economic input-output technique.

The direct economic impact reported in this study will vary from direct customer spending in a subtle but important way. In order to accurately assess the impact of customers, purchases at retail stores must be converted from purchaser to producer prices. This process, called margining, assigns the correct proportion of customers' expenditures to the manufacturer, transporter, wholesaler and retailer. To understand why this process is needed, remember that retailers provide a service. They purchase final goods from wholesalers to sell to consumers. Wholesalers similarly provide a service of distributing a final product from the manufacturer to the retailer. Assigning the entire purchase to the retail industry would exaggerate the performance of the retail sector and underestimate the importance of the wholesale and manufacturing sectors.

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