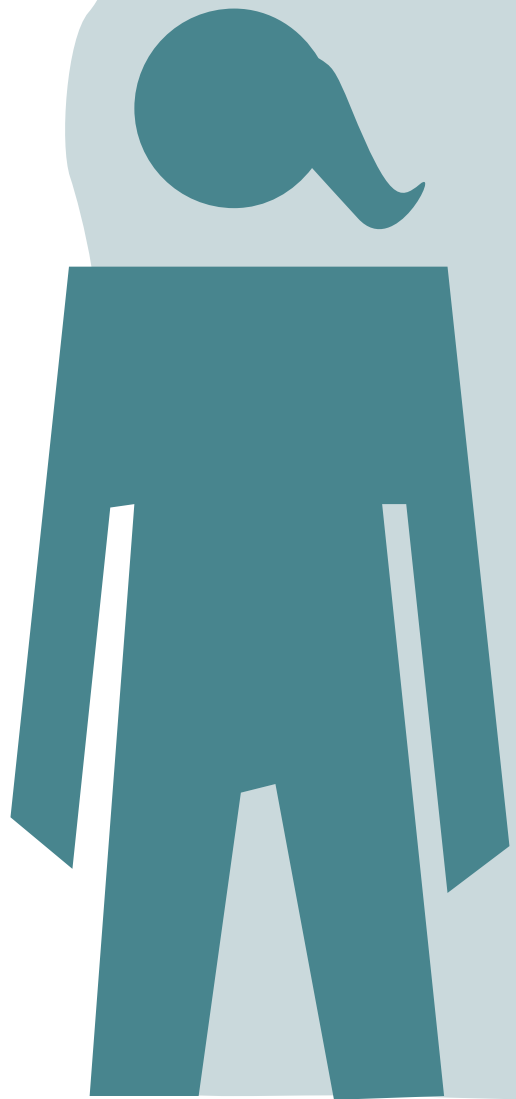


CHANGE
THE STORY

**ADVANCING WOMEN
POWERING THE ECONOMY**



2016 Status Report:

Women's Business Ownership and the Vermont Economy



This report was developed by Change The Story VT, a multi-year initiative aligning philanthropy, policy, and program to significantly improve women's economic status in Vermont. Change The Story is fueled by three statewide organizations: Vermont Women's Fund, Vermont Commission on Women, and Vermont Works for Women.



ADVANCING WOMEN
POWERING THE ECONOMY

This is the **third in a series of briefs** published by Change The Story on topics related to women's economic status.¹ This report focuses specifically on business ownership by women and its potential to bolster and invigorate Vermont's economy.

Like the majority of national and regional reports on businesses, this report relies heavily on data from the 2012 U.S. Census Survey of Business Owners. Unless otherwise noted, all statistics are specific to Vermont.

To date, we have had to rely on national reports to define the health of Vermont's women-owned businesses. But their conclusions paint conflicting pictures: one analysis of 2014 data ranked Vermont first among states for entrepreneurs, while another ranked Vermont 50th.² The difference between these rankings begs the question:

What is the real story for Vermont women and business ownership?

Among our findings:

✓ **Women-owned businesses are vital to Vermont's economy.**

- Women in Vermont own **23,417 businesses**, which employ **36,326 people**, and generate annual revenues of approximately **\$2.2 billion**.³

✓ **Although growing at a faster rate than businesses owned by men, women-owned firms in Vermont are fewer in number, smaller in size, and lower in annual revenues.**

- Between 2007 and 2011, the number of female-owned businesses **grew 15%**; during the same period, the number of male-owned businesses grew by only 6%.⁴
- Women-owned businesses **generate 9% of gross revenues** and **employ 12% of workers** in privately-held Vermont firms.⁵
- **Women business owners are significantly underrepresented in 9 of the 10 highest grossing sectors.**⁶ This limits financial opportunities for individual women and their potential contributions to Vermont's economy.

✓ **Women-owned businesses have the potential to play a much bigger role in Vermont's economic development.**

- If the percent of women-owned businesses that are employers matched that of male-owned businesses, and those firms had the same average receipts, it would add **\$3.8 billion** to Vermont's economy.⁷
- If Vermont women chose business ownership at the same rate as men, it would result in more than **10,500 new businesses**.⁸
- If just 1 in 4 of the existing 20,786 women-owned businesses without employees **hired one worker**, it would result in an additional **5,200 new jobs**.⁹

✓ **Maximizing the potential of women-owned businesses—indeed of all VT businesses—requires new and better data.**

- While existing business-related data sources can provide reliable top-line statistics, they are less useful in revealing nuanced information about the motivations, challenges or opportunities experienced by Vermont business owners. Focusing on the finer points of what makes a business successful is critical to Vermont's economic future.





FIRST THINGS FIRST

OUR FOCUS

- ☑ This report focuses on women- or female-owned businesses, defined by the U.S. Census as firms in which women own at least 51% equity, interest or stock. We do not include firms in which women own a majority interest that is less than 51% because there is no reliable dataset that identifies firms in this way.
- ☑ We have excluded publicly-held businesses from our analysis because they are not considered to be women-owned by the above definition. We cannot determine the gender of shareholders from existing data sources.
- ☑ Vermont's size and lack of racial diversity combine to limit the ways in which we are able to break down data into smaller subsets without compromising reliability.

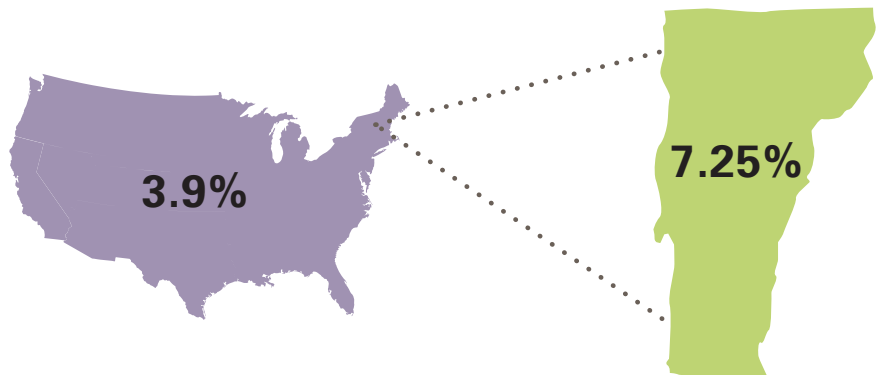
OUR DATA

Unless otherwise noted, all data in the report is from the **2012 U.S. Census Survey of Business Owners (SBO)**, the full results of which were released in early 2016. This dataset is most consistently used in national studies, often as the sole source of data. The SBO provides the only source of detailed and comprehensive data on the status, nature, and scope of women-, minority-, and veteran-owned businesses. The pool from which the SBO survey sample is drawn includes all non-farm businesses filing Internal Revenue Service tax forms as individual proprietorships, partnerships, or any type of corporation with receipts of \$1,000 or more. The SBO covers firms with paid employees and firms with no paid employees.

Data in this report was collected and analyzed by **Laura Lind-Blum** and **Pat Heffernan** of Research Partners. Additional authors include Change The Story VT team members Tiffany Bluemle, Lindsey Lathrop, and Jessica Nordhaus. For more information, contact info@changethestoryvt.org.

WOMEN-OWNED BUSINESSES ARE VITAL TO VERMONT'S ECONOMY.

7.25% of all working age women in Vermont own a business as a primary occupation—a rate nearly twice the national average of 3.9%.¹⁰



Vermont's 23,417 women-owned businesses represent nearly 1/3 of all privately held firms in Vermont.¹¹

Women-owned businesses in Vermont produce annual revenues of \$2.2 billion dollars.¹²



And generate 36,326 full- and part-time jobs.¹³

WOMEN-OWNED FIRMS IN VERMONT ARE FEWER IN NUMBER, SMALLER IN SIZE, AND LOWER IN ANNUAL REVENUES.

Women are **51%** of all working age Vermonters.

They own **32%** of all privately owned businesses.

They employ **12%** of workers in such firms.

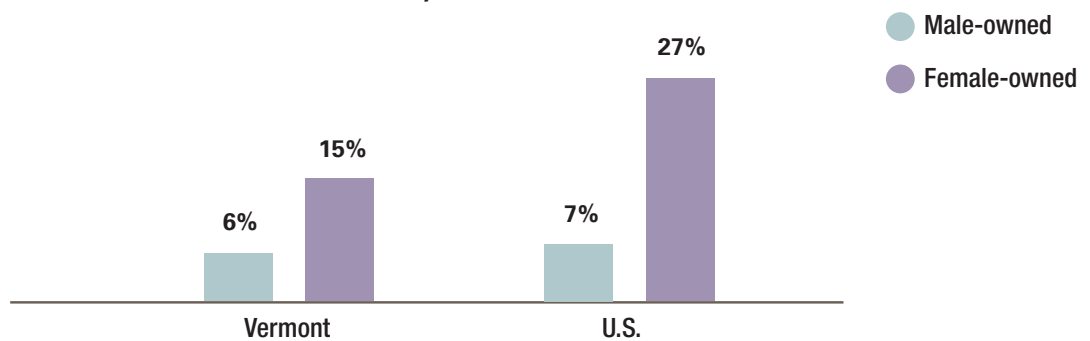
They generate **9%** of all privately owned business revenues.¹⁴

FEWER IN NUMBER

Men own nearly two times as many privately held businesses in Vermont as women: 41,270, compared to 23,417.

U.S. Census data indicate that this ratio is changing, but at a pace that is slower than the national average. Between 2007 and 2012, the number of male-owned businesses in Vermont grew by 6%. The number of women-owned firms during that period increased by a more **robust 15%**—from 20,447 to 23,417.

% Growth in Number, Male-, Female-Owned Businesses VT vs. U.S., 2007-2012

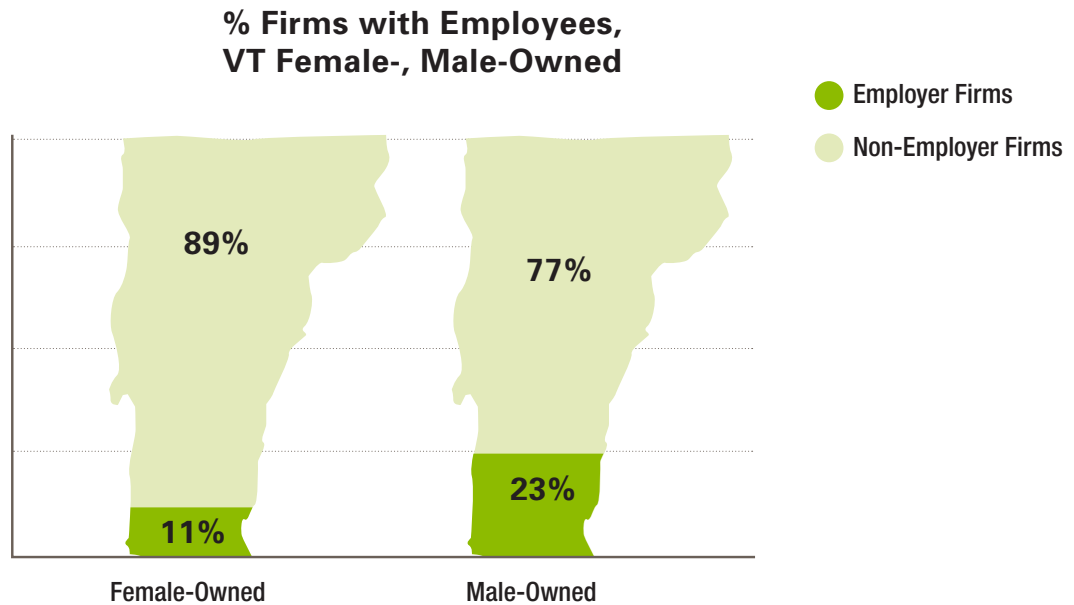


Source: U.S. Census Bureau, Survey of Business Owners, 2012.

If we compare Vermont data to national trends, the pace of growth between U.S. and Vermont male-owned businesses is roughly the same. This was not true for women-owned businesses, however: growth in Vermont was **12 percentage points below that in the U.S.**

SMALLER IN SIZE

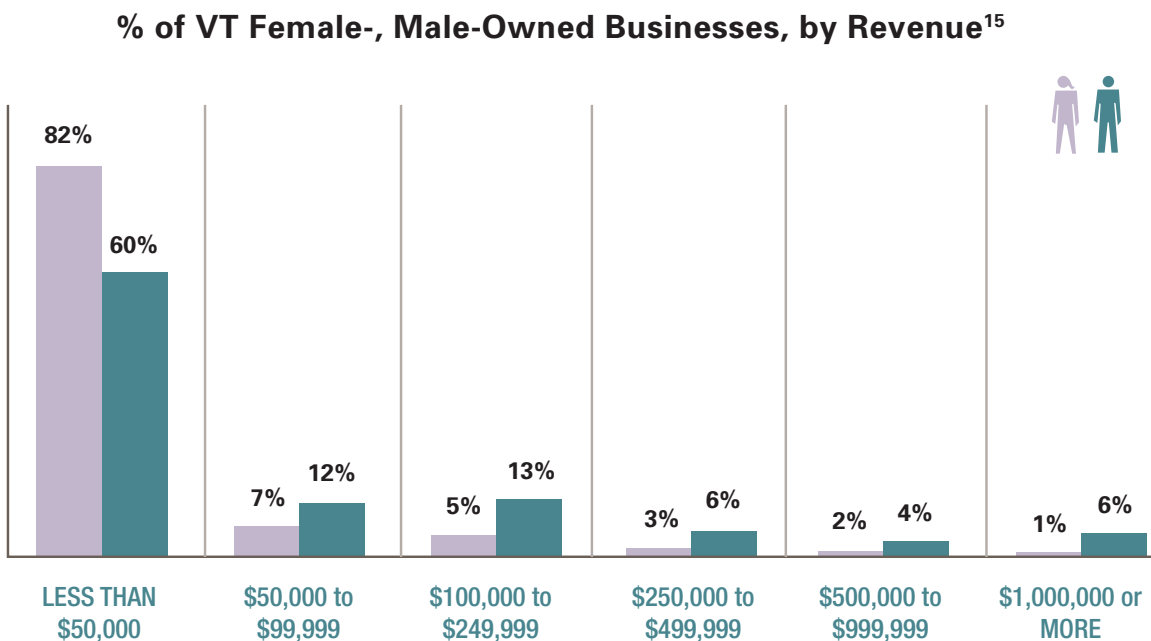
Male-owned firms are **twice** as likely as female-owned firms to have employees.



Source: U.S. Census Bureau, Survey of Business Owners, 2012.

LOWER ANNUAL REVENUES

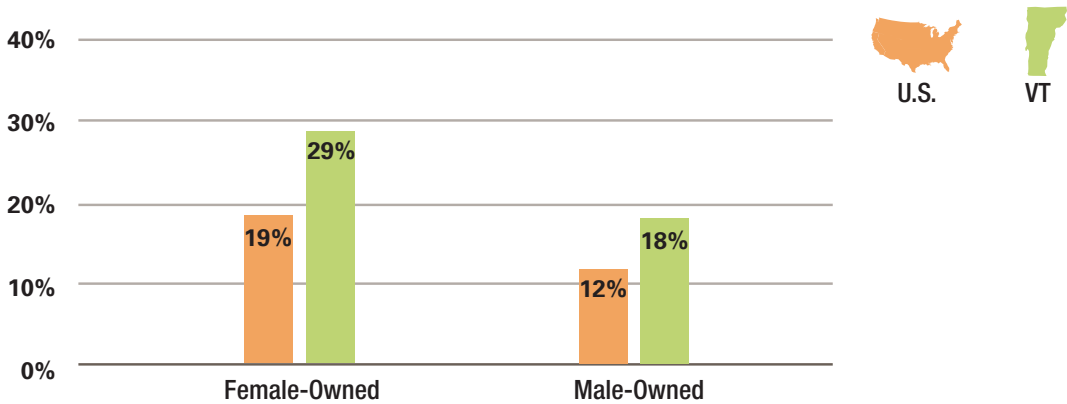
All of Vermont's privately-owned firms are concentrated at lower revenue levels, but women-owned firms especially so.



Source: U.S. Census Bureau, Survey of Business Owners, 2012.

Recent data shows that this picture is changing, too. Revenues generated by women-owned firms in Vermont grew by 29% between 2007 and 2012—a full 10 points above the national average.

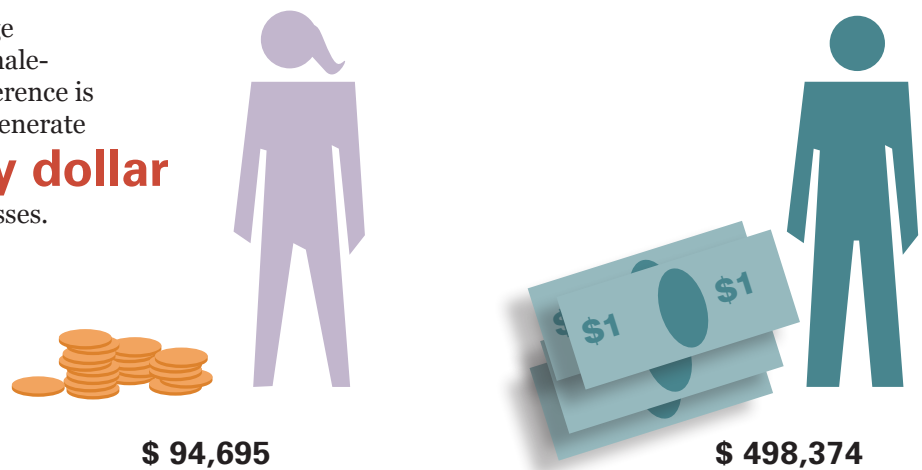
% Growth in Revenues, Female- & Male-Owned Businesses U.S. vs VT, 2007-2012



Source: U.S. Census Bureau, Survey of Business Owners, 2012.

While an encouraging sign, its significance is diminished by the fact that average annual **revenues for U.S. women-owned firms** (\$143,731) are **52% higher** than revenues for such firms in Vermont (\$94,695).¹⁶ Revenues for U.S. businesses owned by men (\$637,676) are also higher than those for Vermont businesses owned by men (\$498,374), but by a much smaller margin: 28%.

And when we compare the average annual revenues of male- and female-owned firms in Vermont, the difference is staggering: female-owned firms generate **19 cents to every dollar** generated by male-owned businesses.



Why the substantial revenue gap between male- and female-owned businesses?

One of the reasons: Women business owners are significantly underrepresented in **9 of the 10** highest grossing sectors, which limits financial opportunities for individual women and their potential contributions to Vermont's economy.

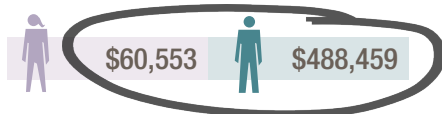
VT Business Sectors By Highest Average Annual Revenues¹⁷

Sector	% Firms Owned By Women		Average Annual Revenue	
	F	M	F	M
Wholesale Trade	22%		\$371,863	\$5,717,390
Manufacturing	27%		\$283,089	\$1,408,309
TOP				
Retail Trade	36%		\$252,312	\$1,547,659
Information	33%		\$236,874	\$806,991
Accommodation and Food Services	26%		\$139,900	\$743,937
TRAN				
Transportation and Warehousing	14%		\$136,749	\$392,166
Finance and Insurance	19%		\$73,220	\$305,151
Construction	6%		\$219,156	\$224,405
Health Care and Social Assistance	69%		\$60,553	\$488,459
Professional, Scientific, and Technical Services	36%		\$62,949	\$194,274
Real Estate and Rental and Leasing	22%		\$108,947	\$182,900
Administrative and Support and Waste Management	38%		\$35,016	\$118,731
Other Services (Except Public Administration)	47%		\$32,872	\$99,182
Arts, Entertainment, and Recreation	33%		\$24,001	\$77,124
Agriculture, Forestry, Fishing and Hunting	16%		\$24,018	\$59,885
Educational Services	53%		\$24,900	\$40,347

Source: U.S. Census Bureau, Survey of Business Owners, 2012.

There is a revenue gap in almost every sector, which holds true **even in sectors where women are a majority of owners,**

as in Health Care and Social Assistance,



and Educational Services.



Consistent with a pattern noted in our previous reports¹⁸, the **revenue gap is narrowest** in the sector in which women owners are least represented: **construction**.

National research¹⁹ on women's business ownership has identified **additional factors** which may contribute to the revenue gap, among them:

- Limited access to capital
- A more conservative approach to borrowing
- Lack of family supports (access to child or elder care)
- Limited opportunities to earn government contracts
- Fewer visible female mentors or role models

WOMEN-OWNED BUSINESSES HAVE THE POTENTIAL TO PLAY A MUCH BIGGER ROLE IN VERMONT'S ECONOMIC DEVELOPMENT.

“Be aggressive about reaching out to business owners—both in-state and out-of-state. Retention and expansion of your existing businesses is job #1 for Vermont. Research has shown that 60-80% of all new jobs come from existing businesses. Knowing your in-state companies and their challenges, opportunities and hot button issues is crucial to keeping and growing businesses in the Green Mountain State.”

- Vermont Economic Development Marketing Plan, May 2016
VT Agency of Commerce and Community Development ²⁰

Vermont's Agency of Commerce and Community Development recently asserted that state economic development strategy must focus on growing new and existing businesses. Given the data, it is reasonable to imagine a significant return on developing the specific potential of Vermont's women-owned firms.

Indeed, national reports have calculated that if the percent of women-owned businesses that are employers matched that of male-owned businesses, and those firms had the same average receipts, **\$1.58 trillion** would flow into the U.S. economy.²¹

What might this look like in the Green Mountain State?



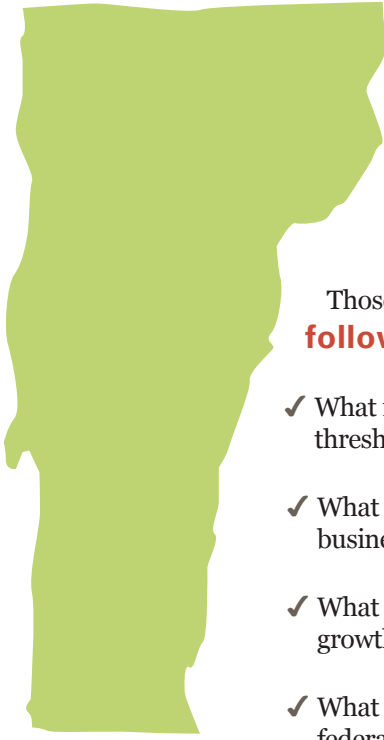
When we apply the same calculus to Vermont, women-owned businesses have the potential to add **\$3.8 billion** to our state's economy.²²

If Vermont women chose business ownership at the same rate as men, it would result in more than **10,500 new businesses**.²³



If just 1 in 4 of the existing 20,786 women-owned businesses without employees hired one worker, it would result in an **additional 5,200 new jobs**.²⁴

MAXIMIZING THE POTENTIAL OF WOMEN-OWNED BUSINESSES— INDEED OF ALL VT BUSINESSES—REQUIRES NEW AND BETTER DATA.



While existing business-related data sources can provide reliable top-line statistics, they are less useful in revealing nuanced information about the motivations, challenges and opportunities experienced by Vermont business owners. SBO Census data is reported only in five year increments, limiting our ability to discern shifts from year to year. It excludes information from farm businesses. It reports on gross revenues rather than net income, which, while critically important, do not tell us enough about personal economic impact or a firm's broader economic contribution.

Those investing in data collection on business ownership might **consider the following questions:**

- ✓ What is the detailed demographic profile of Vermont business owners—across revenue thresholds and across sectors?
- ✓ What factors drive the significant revenue gap between Vermont's female- and male-owned businesses?
- ✓ What do we know about access to investment capital and its use by business owners to fuel growth?
- ✓ What is the frequency with which women-owned businesses benefit from local, state, and federal government contracting opportunities, and what are strategies for increasing this vital resource for revenue growth?
- ✓ What are trends related to business survival rates, revenues, and the transition from a solo operation to hiring employees?
- ✓ Why are women-owned businesses underrepresented in higher revenue sectors?

Answering these questions will better explain the disparities between female- and male-owned businesses, enabling us to make the most of Vermont's entrepreneurial talent.

MORE QUESTIONS WE SHOULD ASK:



When crafting major state policy decisions, priorities, and program evaluations that relate to business development:

- Are our decisions consistently informed by data that is disaggregated by gender? If not, why not?
- Are the voices and perspectives of women as business owners solicited and adequately represented?
- Are we sufficiently focusing on reducing barriers that particularly affect female entrepreneurs, such as access to child care, after-school programming and options for elder care?

When publicly highlighting the value and contributions of Vermont entrepreneurs:

- Do we make a point of regularly featuring the stories and achievements of female entrepreneurs?

When considering investments in economic development (whether in a region, industry or individual firm):

- Are we doing what we can to support the growth of more women-owned companies and individual female entrepreneurs, especially in high-revenue, high-growth fields?
- Are we investing in and leveraging the impact of existing, successful supports for women business owners and entrepreneurs?

When investing state dollars in contracted services or products:

- Do we intentionally invite women-owned businesses to bid on state contracts?
- Do we consistently report and track the gender ratio of businesses that have been awarded state contracts across state agencies?

When exploring opportunities for work, education, or training with women:

- Do we support them in considering business ownership as a viable option?
- Are we doing enough to make potential entrepreneurs aware of the resources, supports, and programs that are available?
- Are we intentionally developing financial literacy and business skills through our schools and training programs?

Endnotes

- ¹ *Women, Work and Wages in VT* and *Where Vermont Women Work and Why It Matters* can be downloaded at changethestoryvt.org/reports.
- ² Vermont was ranked #1 among the smaller 25 U.S. states in *The 2015 Kauffman Index: Main Street Entrepreneurship, Rate of Business Owners* (which analyzed 2014 data), having the highest rate of female business owners in the nation. Vermont was ranked 50th in *The 2014 State of Women-Owned Businesses Report* commissioned by American Express OPEN, which analyzed the economic impact of woman-owned businesses. For Kauffman report: <http://www.kauffman.org/microsites/kauffman-index/reports/main-street>. For American Express OPEN report: http://www.womenable.com/content/userfiles/2014_State_of_Women-owned_Businesses_public.pdf.
- ³ U.S. Census Bureau, Survey of Business Owners, 2012.
- ⁴ Ibid.
- ⁵ Ibid.
- ⁶ Ibid.
- ⁷ Modeled on projections published in the 2015 Annual Report of the National Women's Business Council (NWBC), *10 Million Strong: The Tipping Point for Women's Entrepreneurship*. Retrieved from: https://www.nwbc.gov/sites/default/files/NWBC_2015AnnualReportedited.pdf. To arrive at \$3.8 billion, we calculated the number of women-owned employer firms that would result if 23% of Vermont women-owned businesses were employer firms, and subtracted the previously cited number of women-owned employer firms. That number was then multiplied by the average annual revenue of Vermont's male-owned employer firms. We subtracted the current total revenue of Vermont women-owned employer firms from the projected to arrive at \$3.8 Billion.
- ⁸ Calculated using *The 2015 Kauffman Index: Main Street Entrepreneurship, Rate of Business Owners*, and the US Census Population Estimates for working age women in Vermont.
- ⁹ Our projection applies an approach that was published in a 2016 report by the Center for an Urban Future (CUF) to Vermont data. The CUF study estimated the impact on job creation if only one quarter of all New York City's women-owned non-employer firms added a single employee. Limiting the shift to 25% and adding just one employee acknowledges that, *even in the absence of other possible barriers*, not all business owners would choose to expand their businesses. Center for an Urban Future, 2016: *Breaking Through: Harnessing the Economic Potential of Women Entrepreneurs*. Retrieved from: <https://nycfuture.org/pdf/Breaking-Through.pdf>. <http://nycfuture.org/data/info/breaking-through-women-owned-businesses-in-the-nations-25-largest-cities>.
- ¹⁰ *The 2015 Kauffman Index: Main Street Entrepreneurship, Rate of Business Owners*.
- ¹¹ See Endnote 3.
- ¹² Ibid.
- ¹³ This figure includes employees (people on payroll) of employer firms, as well as the owners of non-employer firms.
- ¹⁴ See Endnote 3.
- ¹⁵ The Census data does not indicate what percentage of Vermont's privately-owned businesses are part-time endeavors. Neither can we discern whether a business is intended to be an owner's primary source of income.
- ¹⁶ See Endnote 3.
- ¹⁷ We eliminated the NAICS sectors in which the number for any gender category was less than 20 as being too small to provide reliable and meaningful data: (Utilities, Mining, Management of Companies, and Industries not classified). For more information about NAICS codes, refer to: <http://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2012>, and http://www.census.gov/eos/www/naics/2012NAICS/2012_Definition_File.pdf.
- ¹⁸ *Women, Work and Wages in VT*, Change The Story VT, 2016, (p.8).
- ¹⁹ *10 Million Strong: The Tipping Point for Women's Entrepreneurship*, NWBC Annual Report, 2015.
- ²⁰ *Telling the Vermont Story as a Great Place to Work, Live, and Do Business*. Vermont Economic Development Marketing Plan, VT Agency of Commerce and Community Development, May 2016. <http://accd.vermont.gov/economic-development/major-initiatives/marketing-plan>.
- ²¹ *10 Million Strong: The Tipping Point for Women's Entrepreneurship*, NWBC Annual Report, 2015.
- ²² See Endnote 7.
- ²³ See Endnote 8.
- ²⁴ See Endnote 9.

Links to additional resources on female entrepreneurship and business ownership can be found at changethestoryvt.org/reports.

This report was informed by the perspectives and expertise of many.

Change The Story VT would especially like to recognize the contributions of:

Cary Brown and Lilly Talbert, *Vermont Commission on Women*

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Cynthia Char, *Char Associates*

Dolly Fleming, *Mercy Connections, Women's Small Business Program*

Pat Heffernan, *Women Business Owners Network*

Secretary Lucy Leriche, *VT Agency of Commerce & Community Development*

Gwen Pokalo, *VT Women's Business Center, Center for Women & Enterprise*

Lisa Ventriss, *VT Business Roundtable*

This and other Change The Story VT reports designed by Courtney Satz,
a Vermont woman-owned business.



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