

## *Profile of Veteran Business Owners: More Young Veterans Appear To Be Starting Businesses*

BY JULES LICHTENSTEIN

### At A Glance

---

Veteran business owner demographics and the economic and business environment are changing dramatically and rapidly. There is some evidence that the proportion of younger veteran business owners (under age 35) increased from 2008 to 2012, as did the share of veteran women business owners. (The share of women business owners appears to have increased among both veterans and non-veterans, but at a much greater rate for female veterans.)

**What Share of Business Owners Are Veterans?** Veterans made up 9.1 percent of all business owners in 2012.

**How Old Are Veteran Business Owners?** In 2012, 7.1 percent of veteran business owners were under age 35, an increase from 4.6 percent in 2008.

**What is Their Gender Distribution?** Most veteran business owners are male. The share of business ownership by female veterans is lower than in the overall population, but it is growing. In 2012, 4.4 percent of veteran business owners were women, up from 2.5 percent in 2008. In the overall population, 35.9 percent of business owners were women.

**How Well Are Minorities Represented?** The rate of minority business ownership by veterans was lower than non-veterans. However, Hispanic veteran business ownership appears to have increased: from 3.2 percent in 2008 to 6 percent in 2012.

**What Industry Sectors Do They Operate In?** Veteran business owners are more likely to be in the goods producing sector than their non-veteran counterparts.

**How Many Businesses Do They Own?** Veteran business owners were more likely than their non-veteran counterparts to own two or more businesses. In 2012, 10.3 percent of veteran business owners had two or more firms, compared to only 7.4 percent of non-veteran owners.

### Introduction

---

Veteran business owners and entrepreneurs make important contributions to business creation and growth in the American economy. Their active duty and reserve service often provide them with important skills and leadership abilities that are directly relevant to business ownership. Because the economic welfare of veterans is an ongoing concern of policymakers, various programs have been designed to help support aspiring veteran entrepreneurs and business owners. These efforts include specialized financial assistance from SBA and its resource partners, as well as business development programs managed by SBA in cooperation with other federal agencies, such as Operation Boots to Business. SBA has also supported other efforts initiated by private-sector

sponsors, nongovernment organizations or universities. Among these are a nationwide network of 16 Veterans Business Outreach Centers, the Entrepreneurship Boot Camp for Veterans with Disabilities (EBV) sponsored by Syracuse University and seven other schools of business at major universities, and Women Veterans Igniting the Spirit of Entrepreneurship (V-WISE). Congress has also enacted legislation establishing government-wide goals for federal procurement dollars going to service-disabled veterans, as well as special contracting tools to help agencies meet these goals.

## U.S. Veteran Profile

In 2012, the 21.2 million U.S. veterans accounted for 9 percent of the adult population. Of these, 91.4 percent were male, 63.8 percent were at least 55 years old, and 14.1 percent reported a service-connected disability (almost 3 million veterans).<sup>1</sup> About 7.2 percent of the civilian labor force were veterans (BLS 2013).

## Veteran Business Owner Profile

Overall, veteran business owners tend to be older, male, white, and married compared to their non-veteran counterparts. But veteran business owner demographics and the economic and business environment are changing dramatically and rapidly. There is some evidence that the proportion of younger veteran business owners (under age 35) increased from 2008 to 2012, as did the share of veteran women business owners. (The share of women business owners increased among both veterans and non-veterans, but at a much greater rate for female veterans.) Veteran business owners are more likely to be homeowners than their non-veteran counterparts. Veterans are more likely than their non-veteran counterparts to report that their businesses are corporations, operate in the goods rather than service sector, are older, are one of multiple businesses, and have partners in the household with a business stake.

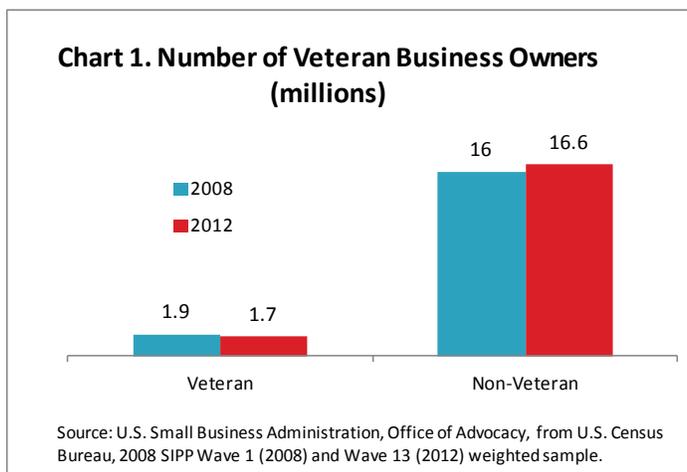
Because the veteran business population is changing, it is important to gather and analyze recent reliable data to fill the gaps in existing data sources. This *Issue Brief* attempts to fill in some of these gaps; it uses 2012 data, and makes comparisons with 2008 where changes are apparent. Regular and more detailed data on veteran business owners and their businesses are needed to shape policy and develop effective programs.<sup>2</sup>

## What Share of Business Owners Are Veterans?

Veteran business owners were 10.7 percent of all business owners in 2008 and 9.1 percent of all business owners in 2012 (Chart 1).<sup>3</sup> This decline is probably the result of the aging of the overall veteran population and the fact that the population 65 and over increased at a faster rate (15.1 percent) than the total population (9.7 percent) between 2000 and 2010 (Werner 2011).

## How Many Veteran Business Owners Have Service-Connected Disabilities?

Over 150,000 veteran business owners indicated that they received compensation for service-connected disabilities in 2008 and 2012. This represented 8.1 percent of owners in 2008 and 9.3 percent of all veteran business owners in 2012. This could be the result of an increasing number of service-disabled veterans returning from war in the Gulf and Afghanistan.



## Demographics of Veteran Business Owners

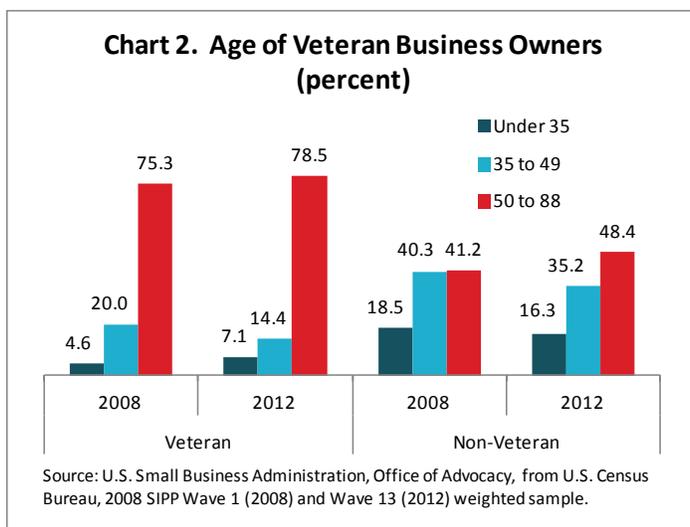
**Age.** Veteran business owners are much older than non-veteran owners, and this difference has increased since 2008 (Chart 2). However, the share of younger veteran business owners is growing. In 2012, 7.1 percent of veteran business owners were under age 35, an increase from 4.6 percent in 2008. During that time, the proportion of non-veteran owners under age 35 decreased from 18.5 percent to 16.3 percent.

**Gender.** Most veteran business owners are male. The share of business ownership by female veterans is lower than in the overall population, but it is growing. In 2012, 4.4 percent of veteran business owners were women, compared to 35.9 percent in the overall population. In 2008, only 2.5 percent of veteran business owners were women (Table 1). This proportion is in line with findings from an Advocacy study of SIPP data from 1984 to 2004 in which the ventures reported by women represented 1.8 percent of all veteran ventures over this 20 year period (CFT 2013). From 2008 to 2012, the share of women business owners increased among both veterans and non-veterans, though at a much greater rate for female veterans.

**Minority Ownership.** The rate of minority business ownership by veterans was lower than non-veterans, with little change between 2008 and 2012. On the other hand, Hispanic veteran business ownership appears to have increased from 2008 (at 3.2 percent) to 2012 (at 6 percent), while there was little change for non-veteran business owners.<sup>4</sup>

**Marital Status.** Veteran business owners are more likely to be married than their non-veteran counterparts. The share of married veteran business owners appears to have decreased between 2008 and 2012.

**Level of Education.** Veteran business owners had a higher level of education than non-veteran business owners.<sup>5</sup> The share of business owners with a high school education or less was 28.3 percent for non-veteran business owners compared with only 23.1 percent for veteran business owners. Veteran and non-veteran



**Table 1. Socio-Demographic Characteristics of Veteran Business Owners, 2008 and 2012 (percent)**

Characteristic	Veteran		Non-Veteran		Total	
	2008	2012	2008	2012	2008	2012
Under 35 Years Old	4.6 <sup>b</sup>	7.1 <sup>a</sup>	18.5	16.3	17.1	15.5
35 To 49 Years Old	20.0	14.4	40.3	35.2	38.1	33.3
50 To 88 Years Old	75.3	78.5	41.2	48.4	44.8	51.2
Male	97.5	95.6	61.5	60.9	65.4	64.1
Female	2.5 <sup>a</sup>	4.4 <sup>a</sup>	38.5	39.1	34.6	35.9
Non-Minority	90.1	90.4	86.3	84.9	86.7	85.4
Minority	9.9	9.6 <sup>b</sup>	13.7	15.1	13.3	14.6
Hispanic	3.2 <sup>a</sup>	6.0 <sup>a</sup>	10.3	10.8	9.5	10.4
Non-Hispanic	96.8	94.0	89.7	89.2	90.5	89.6
Married	75.6	70.9	67.6	66.9	68.5	67.3
Not Married	24.4	29.1	32.4	33.1	31.5	32.7
High School or Less	22.5	23.1	29.8	28.3	29.1	27.8
Some College	38.4	36.5	34.3	32.6	34.7	32.9
Bachelor's or Higher	39.1	40.4	35.9	39.2	36.2	39.3
Citizen	99.3	99.9	91.7	91.5	92.6	92.3
Non-Citizen	0.7 <sup>a</sup>	0.1 <sup>a</sup>	8.3	8.5	7.4	7.7
Homeowner	88.7	86.6	80.1	77.4	81.1	78.2
Non-Homeowner	11.3	13.4	19.9	22.6	18.9	21.8
Metro Location	76.1	74.9	78.4	80.0	78.2	79.5
Non-Metro Location	20.3	19.6	17.7	16.2	18.0	16.5
Other location <sup>c</sup>	3.6	5.5	3.8	3.8	3.8	4.0

Source: U.S. Small Business Administration, Office of Advocacy. Source data from the U.S. Census Bureau, 2008 Survey of Income and Program Participation, Wave 1 (2008) and Wave 13 (2012).

Note: Observations: <sup>a</sup> Less than 25. <sup>b</sup> Less than 50. <sup>c</sup> Not in universe.

business owners were equally likely to have a bachelor’s degree or higher (about 40 percent), but veteran business owners are more likely to have completed just some college.

**Citizenship Status.** Veteran-business owners were more likely to be citizens than non-veteran business owners, 99.9 percent compared to 91.5 percent, respectively. There was little change in each group from 2008 to 2012.

**Homeownership.** As the single most important family asset, owning a home can be a significant factor affecting business startup and growth. Veteran business owners were more likely than non-veteran business owners to be homeowners, 86.6 percent versus 77.4 percent, respectively. This is probably a result of the fact that the veteran business owner cohort is older than their non-veteran counterparts, although the longstanding availability of special VA home loan benefits may also be a factor. Homeownership among both veterans and non-veteran business owners declined slightly from 2008 to 2012.<sup>6</sup> This might be a result of the Great Recession and the housing bubble which significantly increased the number of underwater mortgages for all Americans.

**Geographic Location.** There was very little difference in the metropolitan versus non-metropolitan location of veteran and non-veteran business owners, and there was very little overall change in either group’s location between 2008 and 2012.

## Characteristics of Veteran-Owned Businesses

**Industry Sector.** A higher proportion of veteran business owners than their non-veteran counterparts have businesses in the goods producing sector in both 2012 and 2008 (Table 2).<sup>7</sup>

### Legal Form of Organization.

In 2012, veteran business owners were much more likely to operate as corporations than non-veteran business owners—41.3 percent versus 30.6 percent, respectively. The share of veteran business owners operating as corporations jumped from 32.1 percent in 2008 while the non-veteran share grew very little (29.2 percent).

**Age of Business.** Veteran-owned businesses tend to be older. 88.9 percent of businesses operated by veterans were three or more years old, compared to only 78.4 percent of businesses operated by non-veterans. This may be related to the fact that veterans are older than non-veterans and have had more time to run a business; also, more veteran-owned businesses are incorporated which might signal more successful businesses.

**Table 2. Characteristics of Veteran-Owned Businesses, 2008 and 2012 (percent)**

Characteristic	Veteran		Non-Veteran		Total	
	2008	2012	2008	2012	2008	2012
<b>Kind of Industry</b>						
Goods Producing	30.8	27.5	25.2	22.5	25.8	22.9
Service	69.2	72.3	74.6	77.4	74.1	77.0
<b>Legal Form of Organization</b>						
Incorporated	32.1	41.3	29.2	30.6	29.5	31.6
Non-Incorporated	56.2	46.8	58.1	54.0	57.9	53.4
Not In Universe	11.7	11.9	12.7	15.3	12.6	15.0
<b>Firm Size (number of workers)</b>						
Less than 25	84.9	85.5	83.8	81.4	83.9	81.7
25 or More <sup>a</sup>	3.4 <sup>b</sup>	2.6 <sup>b</sup>	3.6	3.3	3.5	3.2
Not In Universe	11.7	11.9	12.7	15.3	12.6	15.0
<b>Business Age</b>						
3 years or Older	83.3	88.9	74.1	78.4	75.1	79.4
Less than 3 years	16.7	11.1 <sup>c</sup>	25.9	21.6	24.9	20.6
<b>Number of Businesses</b>						
One	89.5	89.7	91.9	92.5	91.6	92.2
Two or More	9.5	10.3 <sup>c</sup>	7.5	7.4	7.7	7.6
<b>Multiple Owners in Household</b>						
Yes	15.7	14.2	13.5	9.1	13.7	9.5
No	25.8	33.7	26.1	29.5	26.1	29.9
Not In Universe	58.6	52.2	60.4	61.4	60.2	60.5

Source: U.S. Small Business Administration, Office of Advocacy. Source data from U.S. Census Bureau, 2008 Survey of Income and Program Participation Wave 1 (2008) and Wave 13 (2012).

<sup>a</sup>Firm size categories differ in 2008 and 2012. Observations: <sup>b</sup>Less than 25. <sup>c</sup>Less than 50.

**Number of Businesses Owned.** Veteran business owners were more likely than their non-veteran counterparts to own two or more businesses. In 2012, 10.3 percent of veteran business owners had two or more firms, compared to only 7.4 percent of non-veteran owners.<sup>8</sup>

**Multiple Owners.** In 2012 veteran business owners were more likely than non-veteran owners to have other partners in the household with a business stake—14.2 percent versus 9.1 percent, respectively.<sup>9</sup>

## Notes

---

1. If the share of respondents reporting a service-connected disability was the same for both respondents and non-respondents to the BLS disability question, their number would be nearly 3.6 million, as reported by the Census Bureau.

2. The primary sources of data for this *Issue Brief* are the U.S. Census Bureau's 2008 and 2012 Surveys of Income and Program Participation (SIPP). Prior Office of Advocacy data products on veteran business ownership used data from the Census Bureau's 2007 Survey of Business Ownership. There are important differences between these two sources, both in terms of methodology and their definitions of businesses and their characteristics. Accordingly, the data presented in this *Issue Brief* is not necessarily comparable to that in prior Advocacy veteran-related data products.

3. There are 6,182 observations for business owners in the sample for 2008 and 4,360 observations for business owners in the sample for 2012. Weighted, this sample represents over 17.9 million business owners in 2008 and almost 18.3 million owners in 2012.

4. The small sample size for Hispanic veteran owners may explain the results.

5. This may be due to education benefits provided to veterans under legislation sometimes referred to as the G.I. Bill, authorized in various forms since 1944.

6. This has not been tested for statistical significance.

7. A goods producing industry is defined here as agriculture, mining, manufacturing, and construction.

8. The data do not provide information on franchise ownership.

9. It is not possible using the SIPP data to determine an individual's level of ownership in a business and to measure whether a veteran owns at least 51 percent of the business. Therefore, a precise definition and attribution of ownership cannot be obtained from the SIPP data. It is possible however, to determine whether there are other business partners in the owner's household who have a stake in the business.

## References

---

Compendium Federal Technology, LLC, *Veteran and Non-Veteran Business Creation and Management: Explorations using the U.S. Census Bureau's Survey of Income and Program Participation*, Study completed under contract with the U.S. Small Business, Office of Advocacy, forthcoming.

U.S. Department of Labor, Bureau of Labor Statistics, New Release, "Employment Situation of Veterans—2012" USDL-13-0477, March 20, 2013. [www.bls.gov/news.release/pdf/vet.pdf](http://www.bls.gov/news.release/pdf/vet.pdf).

U.S. Small Business Administration, Office of Advocacy, *Veteran-owned Businesses and their Owners—Data from the Census Bureau's Survey of Business Owners*, by Joseph Sobota with contribution from Jules Lichtenstein, March 2012. [www.sba.gov/advocacy/7540/132031](http://www.sba.gov/advocacy/7540/132031).

Werner, Carrie A. "The Older Population: 2010, Census Briefs, C2010BR-09, U.S. Census Bureau, Issued November 2011, [www.census.gov/prod/cen2010/briefs/c2010br-09.pdf](http://www.census.gov/prod/cen2010/briefs/c2010br-09.pdf).

## Data Sources

**Survey of Income and Program Participation (SIPP).** This issue brief analyzes veteran business owners using Wave 1 (2008 data) and Wave 13 (2012 data) of the Survey of Income and Program Participation (SIPP) 2008 Panel. The SIPP is a national survey of approximately 45,000 households (covering almost 93,000 individuals) conducted by the U.S. Census Bureau. SIPP is a longitudinal survey where each sampled household is re-interviewed at four month intervals over a period of roughly four years. One cycle of four interview months covering the same sample, using the same questionnaire, is called a “wave.” The sample in each wave consists of four nearly equal random subsamples, called rotation groups, each interviewed a different month. The reference period for the questions is the four-month period preceding the interview month. This issue brief uses the fourth interview month; therefore, the reference period for the questions is August–November 2008 and August–November 2012.

**Survey of Business Owners (SBO).** The SBO is part of the Economic Census and is a key source of veterans’ business data. First conducted in its present form in 2002, it provides a detailed portrait of America’s economy once every five years from the national to the local level for data years ending in “2” and “7.” A primary objective is to estimate business ownership by gender, ethnicity (Hispanic origin or not), race and veteran status. The most recent survey collected information for data year 2007. Business ownership is defined in terms of the one or more persons owning at least 51 percent or more of the stock or equity in the business. The SBO’s scope is broad and the unit of analysis is non-farm businesses with annual receipts of \$1,000 or more as evidenced by the filing of IRS business tax returns, whether as individual proprietorships, partnerships, or corporations. (Note that the SBO is conducted on a company or firm basis rather than on an establishment basis. A company or firm is a business consisting of one or more domestic establishments that the reporting firm specified as being under its ownership or control.)

The SBO covers both firms with paid employees and firms with no paid employees. About 2.3 million businesses were surveyed for data year 2007 asking for information about the characteristics of the business and its owners. The SBO is limited in that all Census SBO data on owner characteristics are for owners of respondent firms only. Although full universe estimates are made for some firm characteristics, other characteristics are limited to respondent firms only due to statistical limitations. Respondent firms include all firms that reported gender, ethnicity, race, or veteran status for at least one owner and were not publicly held or not classifiable by the previously listed statuses. In the latest SBO for 2007, the 20.4 million business owners imputed as respondent owners do not necessarily represent the total universe of all business owners; the data needed to make good estimates of the total numbers of business owners is not available (SBA 2013).