

## *Profile of Veteran Business Owners: 2013*

### Overview

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Veteran business owners and entrepreneurs make important contributions to business creation and growth in the American economy. Their active duty and reserve service often provides 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.<sup>1</sup> The population of veteran business owners is aging and changing. In order to document and understand these changes, it is important to gather and analyze recent reliable data and identify the gaps in existing data sources. Regular and more detailed data on veteran business owners and their businesses are needed to shape policy and develop effective programs. Using 2013 data from Census's Survey of Income and Program Participation (SIPP), this issue brief is an update to an Advocacy profile of veteran business owners released in November 2013.<sup>2</sup>

### Overview of Veteran Business Owners

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**U.S. Veterans.** In 2013, the 21.4 million veterans in the United States accounted for 9 percent of the adult population. Of all veterans, 89.6 percent were male, 63.9 percent were at least 55 years old, and 14.9 percent reported a service-connected disability (almost 3.2 million veterans).<sup>3</sup> About 7.2 percent of the civilian labor force were veterans (BLS 2014).

**Veteran Business Owner Profile.** Overall, veteran business owners tend to be older, male, white, married, and citizens compared to their non-veteran counterparts. Veteran business owners are more likely to be homeowners than their non-veteran counterparts. Veterans are also more likely than their non-veteran counterparts to report that their businesses are corporations; operate in the goods rather than the service sector; are older; appear less likely to own multiple businesses; and have partners in the household with a business stake.

**How Many Veteran Business Owners are There?** Veteran business owners made up 9.0 percent of all business owners in 2013.<sup>4</sup>

**How Many Veteran Business Owners Have Service-connected Disabilities?** Almost 150,000 veteran business owners indicated that they received compensation for service-connected disabilities in 2013. This represented 9.0 percent of all veteran business owners in 2013. This was less than the 15 percent of all veterans who indicated they had a service-connected disability (BLS 2014). This difference may result from the increasing number of young service-disabled veterans returning from war in the Gulf and Afghanistan together contrasted against historical evidence that veteran business owners tend to be older than their veteran counterparts who do not own businesses.

## Demographics

**Age.** Veteran business owners are much older than non-veteran owners (**Figure 1**). In 2013, 6.1 percent of veteran business owners were under age 35. The proportion of non-veteran owners under age 35 was 16.2 percent.

**Gender.** Most veteran business owners are male. The share of business ownership by female veterans is lower than in the overall population. In 2013, 4.6 percent of veteran business owners were women, compared to the 38.3 percent of women non-veteran business owners (**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).

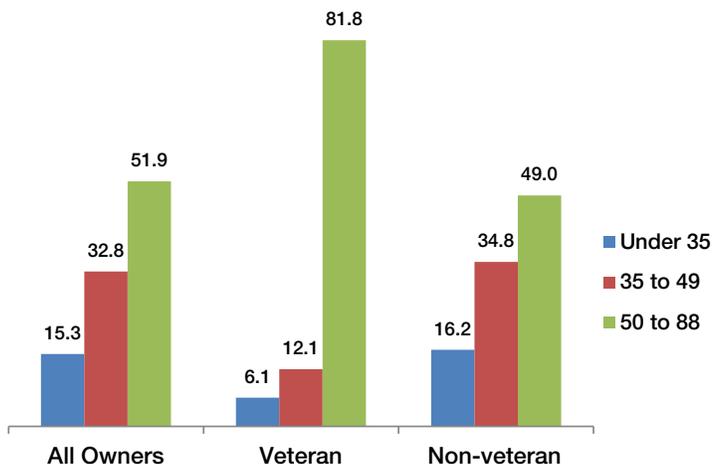
**Minority Ownership.** The rate of minority business ownership by veterans was lower than non-veterans, 10.4 percent versus 14.5 percent. Veteran business owners are less likely to be Hispanic than their non-veteran counterparts—6.1 percent versus 11.0 percent.<sup>5</sup>

**Marital Status.** Veteran business owners are more likely to be married than their non-veteran counterparts—71.4 percent and 66.1 percent, respectively.

**Level of Education.** Veteran business owners had a higher level of education than non-veteran business owners.<sup>6</sup> The share of business owners with a high school education or less was 28.1 percent for non-veteran business owners compared with only 23.5 percent for veteran business owners (**Table 1**). Veteran and non-veteran 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 much more likely to be citizens than non-veteran business owners, 99.3 percent compared to 90.8 percent,

**Figure 1. Age of Veteran Business Owners, 2013 (percent)**



Source: U.S. Small Business Administration, Office of Advocacy, from U.S. Census Bureau, 2008 SIPP Wave 15 (2013 data) weighted sample.

**Table 1. Demographic Characteristics of Business Owners by Veteran Status, 2013 (percent)**

Socio-demographic Characteristics		Total	Veteran	Non-veteran
Age	Under 35	15.3	6.1 <sup>a</sup>	16.2
	35 to 49	32.8	12.1 <sup>b</sup>	34.9
	50 to 88	51.7	81.8	48.9
Gender	Male	64.7	95.5	61.6
	Female	35.3	4.5 <sup>a</sup>	38.4
Race	Non-minority	85.8	89.7	85.3
	Minority	14.2	10.3 <sup>b</sup>	14.7
Ethnicity	Hispanic	10.5	6.2 <sup>a</sup>	11.1
	Non-Hispanic	89.4	93.8	88.9
Marital Status	Married	66.6	71.3	66.1
	Not Married	33.4	28.7	33.9
Education	High School or Less	27.7	23.7	28.3
	Some College	32.9	36.1	32.4
	Bachelor's or Higher	39.4	40.2	39.2
Citizen	Yes	91.6	99.3	90.8
	No	8.4	0.7 <sup>c</sup>	9.3
Homeowner	Yes	77.5	86.6	76.6
	No	22.5	13.4	23.3
Location	Metro	79.2	75.9	79.5
	Non-metro	16.7	18.8	16.5
	Not Identified	4.1	5.3	4.0

Source: U.S. Small Business Administration, Office of Advocacy. DataFerrett analysis of weighted data from the U.S. Census Bureau, Survey of Income and Program Participation (SIPP), 2008 SIPP Wave 15 (2013 data).

Note: Observations—<sup>a</sup> less than 25; <sup>b</sup> less than 50; <sup>c</sup> less than 3.

respectively (**Table 1**). While individuals do not have to be a citizen when joining the U.S. armed forces, the military offers an expedited path to citizenship to legal immigrants with green cards.<sup>7</sup>

**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 76.6 percent, respectively (**Table 1**). 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.

**Geographic Location.** Veteran business owners were less likely to have a metropolitan location than non-veteran business owners (75.9 percent versus 79.5 percent, respectively) (**Table 1**).

**Table 2. Characteristics of Businesses Owned by Veteran Status, 2013 (percent)**

Business Characteristics		Total	Veteran	Non-veteran
Industry	Goods <sup>1</sup>	22.9	27.2	22.5
	Services	77.1	72.8	77.5
Incorporated	Yes	37.1	43.8	36.5
	No	62.9	56.2	63.5
Firm Size	Less than 10	92.8	92.0	92.9
	10 to 24	4.4	5.3 <sup>a</sup>	4.3
	25 or more	2.8	2.7 <sup>a</sup>	2.8
Business Age <sup>2</sup>	3 years or more	79.2	87.5	78.3
	Less than 3 years	20.8	12.5 <sup>b</sup>	24.5
Number of Businesses	One	92.2	90.6	92.4
	2 or more <sup>3</sup>	7.8	9.4 <sup>b</sup>	7.6
Other Partners in Household	Yes	24.6	29.3	24.0
	No	75.4	70.7	76.0

Source: U.S. Small Business Administration, Office of Advocacy. DataFerrett analysis of weighted data from the U.S. Census Bureau, Survey of Income and Program Participation (SIPP), 2008 SIPP Wave 15 (2013 data).

Note: Observations—<sup>a</sup> less than 25; <sup>b</sup> less than 50; <sup>1</sup> goods-producing industries include agriculture, mining, manufacturing and construction; <sup>2</sup> business age: 3 years+ = 1/1/2010-1/1/2013, <3 years = 12/31/2012-1/2/2010; <sup>3</sup> includes contingent businesses.

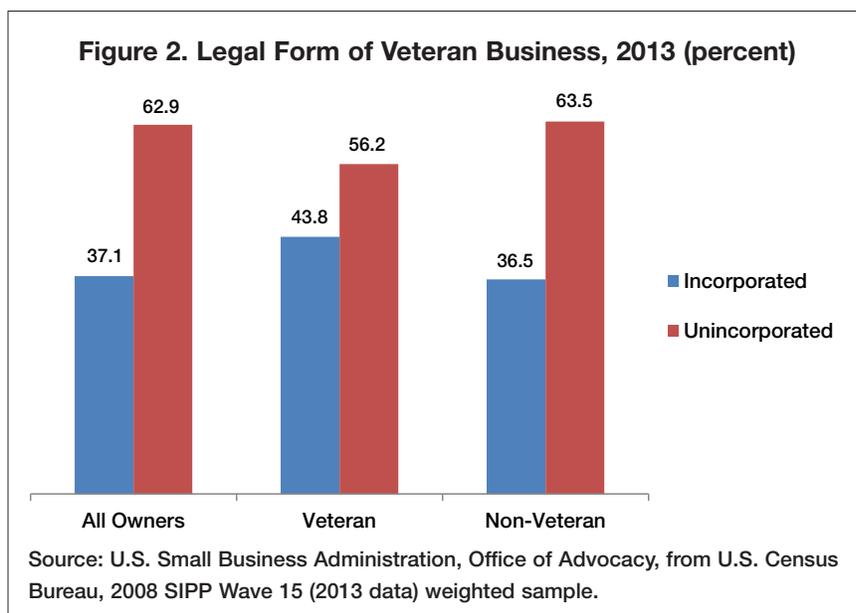
## Characteristics of Veteran Business

**Industry Sector.** Compared to their non-veteran counterparts, a higher proportion of veteran business owners have businesses in the goods-producing sector in 2013, 22.5 percent and 27.2 percent, respectively (**Table 2**).<sup>8</sup>

**Legal Form of Organization.** In 2013, veteran business owners were much more likely to operate as corporations than non-veteran business owners—43.8 percent versus 36.5 percent, respectively (**Table 2, Figure 2**).

**Firm Size.** Veteran business owners indicate they are slightly less likely to operate a business with fewer than 10 workers than non-veteran business owners—92.0 percent versus 92.9 percent, respectively. On the other hand, veteran business owners are more likely than their non-veteran counterparts to indicate they operate firm with between 10 and 24 workers—5.3 percent versus 4.3 percent, respectively (**Table 2**).

**Age of Business.** Veteran business owners are more likely to indicate their businesses have been in operation longer than non-veteran



business owners. More than 87 percent of businesses operated by veterans were three or more years old, compared to only 78.3 percent of businesses operated by non-veterans (**Table 2**). This may be related to the fact that veterans are older than non-veterans and have had more experience running a business and more veteran-owned businesses are incorporated which might signal more successful businesses.

**Number of Businesses Owned.** Veteran business owners were more likely than their non-veteran counterparts to own two or more businesses. In 2013, 9.4 percent of veteran business owners had two or more firms, compared to only 7.6 percent of non-veteran owners (**Table 2**).<sup>9</sup>

**Multiple Owners.** In 2013 veteran business owners were slightly more likely than non-veteran owners to have other partners in the household with a business stake—29.3 percent versus 24.0 percent, respectively (**Table 2**).<sup>10</sup>

## Notes

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1. These efforts include specialized financial assistance from the Small Business Administration (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 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.

2. The primary source of data for this issue brief is the U.S. Census Bureau's 2008 *Surveys of Income and Program Participation (SIPP)*. Prior Advocacy data products on veteran business ownership used data from the Census Bureau's 2007 *Survey of Business Owners (SBO)*. There are important differences between these two sources, both in terms of methodology and their definitions of businesses and their characteristics. See *Office of Advocacy Issue Brief Number 1, Profile of Veteran Business Owners: More Young Veterans Appear to Be Starting Businesses* (November 8, 2013) (<http://go.usa.gov/3k7RP>) for a more detailed discussion of these two sources. Accordingly, the data presented in this issue brief is not necessarily comparable to that in prior Advocacy veteran-related data products.

3. If the percentage of those 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.

4. There are 4,155 observations for business owners in the sample for 2013 (**Table 1**). Weighted, this sample represents 18.4 million owners in 2013. There are 403 observations for veteran business owners—weighted this represents almost 1.7 million owners.

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

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

7. Members and certain veterans of the U.S. armed forces may be eligible for naturalization through their military service under Section 328 or 329 of the Immigration and Nationality Act. The general requirements for naturalization may be diminished or waived for qualifying service members.

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

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

10. As indicated earlier 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

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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 Administration, Office of Advocacy, 2013. <http://www.sba.gov/sites/default/files/rs420tot.pdf>.

U.S. Department of Labor, Bureau of Labor Statistics. News Release, “Employment Situation of Veterans—2013.” USDL-14-0434, March 20, 2014. <http://www.bls.gov/news.release/vet.nr0.htm>.

U.S. Small Business Administration, Office of Advocacy. “Profile of Veteran Business Owners: More Young Veterans Appear To Be Starting Businesses.” By Jules Lichtenstein, Issue Brief Number 1, November 8, 2013. <http://go.usa.gov/3k7RP>.

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. <http://www.sba.gov/advocacy/7540/132031>.

## Data Sources

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**Survey of Income and Program Participation (SIPP).** This issue brief analyzes veteran business owners using Wave 1 (2008 data) and Wave 15 (2013 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 2013.

**Survey of Business Owners (SBO).** The Survey of Business Owners (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 2014).