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KAUFFMAN INDEX OF  
**entrepreneurial  
activity**

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BY VETERAN STATUS  
1996 – 2011

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November 2012

KAUFFMAN  
The Foundation of Entrepreneurship

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The Kauffman Index of Entrepreneurial Activity (KIEA) is a leading indicator of new business creation in the United States. Capturing new business owners in their first month of significant business activity, this measure provides the earliest documentation of new business development across the country.

The percentage of the adult, non-business owner population that starts a business each month is measured using data from the Current Population Survey (CPS). This research brief presents new data on entrepreneurship rates by veteran status. Previously, the KIEA reports have presented estimates of entrepreneurship rates by gender, race, nativity, age group, education level, industry, state, and metropolitan statistical area (MSA), but have not presented results by veteran status. New data extracts for every month of CPS data from 1996 to 2011 were downloaded and compiled to create estimates of entrepreneurship rates by veteran status.

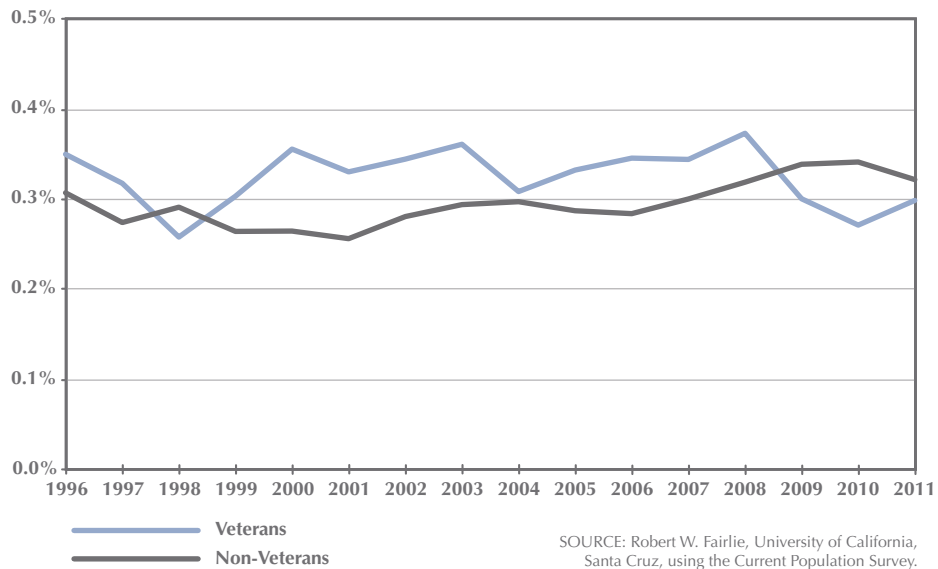
The new data on entrepreneurship rates by veteran status allow for an analysis of trends in the rates of entrepreneurial activity over the sixteen-year period between 1996 and 2011. See Table 1 and Figure 1 for estimates. In 2011, 0.32 percent of the adult population (or 320 out

TABLE 1  
Kauffman Index of Entrepreneurial Activity (1996–2011)

Year	VETERANS		NON-VETERANS		TOTAL	
	Entrep. Index	Sample Size	Entrep. Index	Sample Size	Entrep. Index	Sample Size
1996	0.35%	59,461	0.31%	469,571	0.31%	531,007
1997	0.32%	57,440	0.27%	471,302	0.28%	531,129
1998	0.26%	56,104	0.29%	473,546	0.29%	532,296
1999	0.30%	54,931	0.26%	474,514	0.27%	532,990
2000	0.36%	51,852	0.26%	474,912	0.27%	531,423
2001	0.33%	53,773	0.26%	510,009	0.26%	569,458
2002	0.34%	57,616	0.28%	557,889	0.29%	623,157
2003	0.36%	54,614	0.29%	550,951	0.30%	614,557
2004	0.31%	52,374	0.30%	540,855	0.30%	602,687
2005	0.33%	50,503	0.29%	541,172	0.29%	597,198
2006	0.35%	48,681	0.28%	542,925	0.29%	591,606
2007	0.34%	46,642	0.30%	539,606	0.30%	586,248
2008	0.37%	45,221	0.32%	539,164	0.32%	584,385
2009	0.30%	44,114	0.34%	547,585	0.34%	591,699
2010	0.27%	42,163	0.34%	551,108	0.34%	593,271
2011	0.30%	40,396	0.32%	545,750	0.32%	586,146

Notes: (1) Estimates calculated by Robert W. Fairlie, University of California, Santa Cruz, using the Current Population Survey. (2) The entrepreneurship index is the percent of individuals (ages twenty to sixty-four) who do not own a business in the first survey month that start a business in the following month with fifteen or more hours worked. (3) All observations with allocated labor force status, class of worker, and hours worked variables are excluded.

Figure 1  
**Kauffman Index of Entrepreneurial Activity by Veteran Status  
 (1996–2011)**

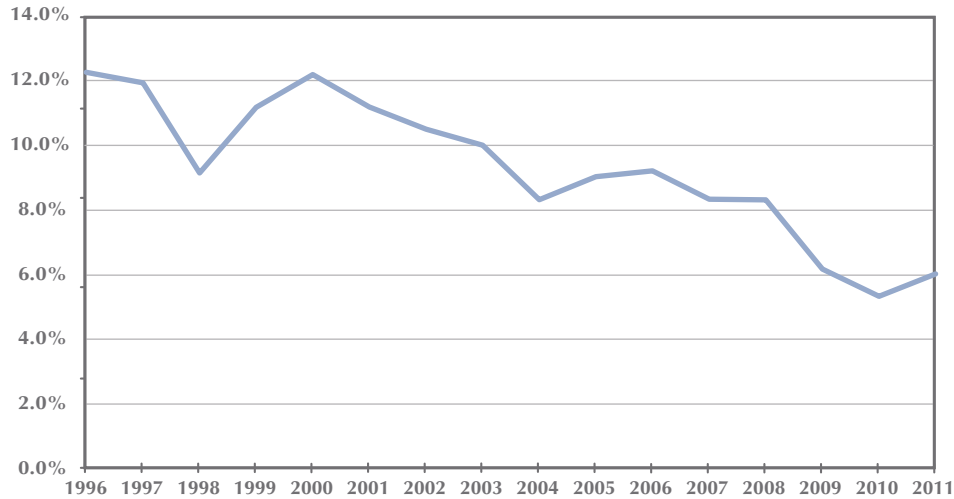


of 100,000 adults) created a new business each *month*, representing approximately 543,000 new businesses per month. The entrepreneurship rate among veterans was slightly lower than the national average. In 2011, 0.30 percent of the veteran population (or 300 out of 100,000 adults) created a new business each month. The non-veteran business creation rate was 0.32 percent in 2011.

Over the last sixteen years, veteran entrepreneurship rates have generally been higher than non-veteran entrepreneurship rates. Over the past three years, however, veteran rates have been lower than non-veteran rates.

The share of all new entrepreneurs represented by veterans was 12.3 percent in 1996. This share steadily declined to 6.0 percent by 2011 (see Figure 2). Part of the decline in the veteran share of new entrepreneurs over the past sixteen years was due to declining rates among veteran entrepreneurs compared to a slight increase in rates among non-veterans, but the bulk of the drop in the veteran share appears to be due to the declining share of veterans in the U.S. working-age population.

Figure 2  
**Veteran Share of New Entrepreneurs**  
 (1996–2011)



SOURCE: Robert W. Fairlie, University of California, Santa Cruz, using the Current Population Survey.

To shed light on this question, the CPS data also provide some information on when veterans served in the military. Table 2 reports the share of the total working-age population (i.e. ages twenty to sixty-four) serving in different periods. The sample sizes for veterans across different service periods are too small to allow for separate estimates of entrepreneurship rates. The total share of the working-age veteran population declined from 11.2 percent in 1996 to 6.4 percent in 2011. These estimates confirm that the decline in the veteran share of the working-age population drives most of the decline in the veteran share of new entrepreneurs. The decline in the entrepreneurship rate among veterans relative to non-veterans over this period was much smaller.

Another interesting finding from Table 2 is that the Korean and Vietnam War veteran share of the adult population declined substantially over the past sixteen years. Korean War veterans represented 1.3 percent of the working-age population in 1996, but declined to 0 percent of the working-age population by 2011. The Vietnam War veteran share of the working-age population declined from 5.0 percent to 2.5 percent. World War I and II veterans were above the veteran working-age population even in 1996.

**TABLE 2**  
**Working-Age Population Shares for Veterans by Period of Military Service**  
**(1996–2011)**

Year	Korean War	Vietnam War	Other Service Period	Service May 1975 to July 1990	Service Aug 1990 to Aug 2001	Service Sept 2001 or later	Total Non-Korean/Vietnam Service	Total Veteran Share
1996	1.3%	5.0%	4.9%	N/A	N/A	N/A	4.9%	11.2%
1997	1.0%	4.8%	4.9%	N/A	N/A	N/A	4.9%	10.7%
1998	0.6%	4.8%	4.9%	N/A	N/A	N/A	4.9%	10.4%
1999	0.4%	4.8%	4.8%	N/A	N/A	N/A	4.8%	10.0%
2000	0.3%	4.6%	4.7%	N/A	N/A	N/A	4.7%	9.5%
2001	0.1%	4.4%	4.5%	N/A	N/A	N/A	4.5%	9.1%
2002	0.1%	4.5%	4.3%	N/A	N/A	N/A	4.3%	8.9%
2003	0.0%	4.4%	4.0%	N/A	N/A	N/A	4.0%	8.4%
2004	0.0%	4.2%	3.9%	N/A	N/A	N/A	3.9%	8.2%
Jan.–July 2005	0.0%	4.1%	3.9%	N/A	N/A	N/A	3.9%	8.0%
Aug.–Dec. 2005	0.0%	3.9%	0.6%	2.9%	1.7%	0.5%	4.8%	8.0%
2006	0.0%	3.8%	0.5%	2.9%	1.8%	0.6%	4.7%	7.8%
2007	0.0%	3.6%	0.3%	2.8%	1.7%	0.7%	4.5%	7.4%
2008	0.0%	3.3%	0.2%	2.8%	1.8%	0.8%	4.5%	7.2%
2009	0.0%	3.0%	0.1%	2.8%	1.7%	0.8%	4.4%	6.9%
2010	0.0%	2.7%	0.0%	2.6%	1.7%	0.9%	4.3%	6.6%
2011	0.0%	2.5%	0.0%	2.6%	1.7%	1.0%	4.3%	6.4%

Notes: (1) Estimates calculated by Robert W. Fairlie, University of California, Santa Cruz, using the Current Population Survey. (2) The working-age population includes all individuals ages twenty to sixty-four. (3) Starting in August 2005, veterans were allowed to report more than one period of military service.

Veterans serving in other periods experienced a much smaller decline in their share of the total working-age population. Veterans serving in all other periods represented 4.9 percent of the working-age population in 1996 and 4.3 percent in 2011. Starting in August 2005, the CPS included more detailed information on other periods of military service among veterans and allowed veterans to report more than one period of service. In 2011, 2.6 percent of the working-age population served in the military from May 1975 to July 1990, 1.7 percent served from August 1990 to August 2001, and 1.0 percent served September 2001 or later.

There is very little data on businesses owned by veterans compared to non-veterans. These data show for the first time business creation by veteran status at the individual level. In all future KIEA reports, entrepreneurship rates will be reported by veteran status to track business formation among this important demographic group. KIEA microdata releases also will contain a new variable measuring veteran status to allow other researchers to focus on this group.

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