Young Adults' Race, Wealth, and Enterpreneurship

*Terri Friedline, PhD, University of Kansas, School of Social Welfare
1545 Lilac Lane, 307 Twente Hall, Lawrence, KS 66045
Email: tfriedline@ku.edu; Phone: (785) 864-2267; Fax: (785) 864-5277

Stacia West, MSW, University of Kansas, School of Social Welfare
1545 Lilac Lane, 306 Twente Hall, Lawrence, KS 66045
Email: west.stacia@gmail.com; Phone: (785) 864-2267; Fax: (785) 864-5277

Abstract

This study explored relationships among young adults' wealth and entrepreneurial activities with emphasis on how these relationships differ among racial and ethnic groups. Using data (N = 8,984) from the 1997 National Longitudinal Survey of Youth, results indicate that being Black or Latino/a, as well as liquid asset holdings and net worth, were significantly related to the likelihood of self-employment. In analyses disaggregated by race or ethnicity, greater liquid asset holdings were associated with the decreased likelihood of self-employment among white young adults. Black young adults' greater debt and net worth were associated with increased likelihoods of entrepreneurial activity. Among Latino/a young adults, greater liquid asset holdings and net worth were associated with increased likelihoods of self-employment. Wealth may play an outsized role in the self-employment of black and Latino/a young adults compared to that of their white counterparts. Racial and ethnic minority young adults may have a heavier burden for generating their own capital to embark on entrepreneurial activities when mainstream credit markets are unresponsive or inaccessible. Policy implications are discussed.

* Corresponding Author

Center on Assets, Education, and Inclusion
The University of Kansas
www.aedi.ku.edu

Introduction

Social scientists suggest that workers can help bolster United States economic growth when they engage in entrepreneurial activities like starting a new business or being self-employed, even though these workers comprise a small percentage of the total labor force (Audretsch 2007; van Stel, Carree and Thurik 2005; Wennekers and Thurik 1999). For instance, self-employed workers make up about 10% of the total labor force in any given year (Hipple 2010), with 12% of Whites, 4% of Blacks, and 7% of Latinos/as being self-employed (Fairlie 2004). A 2014 report published by the Ewing Marion Kauffman Foundation on the state of entrepreneurship in the US writes, "Few of these challenges—long-term budget deficits, entitlement spending, global competition, growing inequality, and middle-class stagnation, among many others—can be addressed or solved without sustained and broad-based economic growth. And that kind of growth will not come about without entrepreneurship" (p. 1). The authors of the report go on to claim that young adults—people in their late 20s and early 40s—are prime candidates for engaging in entrepreneurial activities. Based on this claim, they hypothesize that the current young adult generation may contribute to an increase in entrepreneurship given that the number of young adults in their 30s is rising. If this hypothesis is correct, then young adults and their entrepreneurial pursuits may drive economic growth in the coming years (Fairlie 2014).

However, young adults may find it difficult to fulfill the expectations of becoming entrepreneurs and drivers of economic growth. This is because entrepreneurial opportunities are typically reserved for the wealthiest and most privileged Americans (Hurst & Lusardi, 2004) and young adults have not had much time to accumulate wealth (Dettling and Hsu 2014; Friedline, Johnson, and Hughes 2014). For instance, Dettling and Hsu (2014) found that young adults who were between the ages of 18 to 31 in 2010 had median net worth valued at approximately $7,000. In other words, these young adults had accumulated median net worth that was about the value of

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an inexpensive new car, a year's tuition at a state institution of higher education, or a modest downpayment on a home. By comparison, the median net worth for households headed by all adults over age 18 was $57,000 in 2010—eight times the median amount of net worth accumulated by young adults (Mishel, Bivens, Gould, and Shierholz 2012). Young adults may eventually accumulate wealth as they get older (Friedline et al. 2014), and with it, a greater probability of becoming entrepreneurs (Fairlie and Krashinsky 2012; Hurst and Lusardi 2004).

If young adults' accumulated wealth is important to becoming an entrepreneur, then young adults from racial and ethnic minority groups may be at an even greater disadvantage. Large inequalities in wealth accumulation exist between racial and ethnic groups (Sullivan, Meschede, Dietrich et al. 2014; Shapiro, Meschede, and Osoro 2013; Taylor, Kochhar, Fry et al. 2011). Black and Latino/a households accumulate median net worth wealth values of $4,900 and $1,300 in 2010, respectively, compared to the median of $97,000 accumulated by their white counterparts (Mishel et al. 2012). These inequalities have been institutionalized and perpetuated by decades of policies and practices regarding owning a home, earning income, gaining employment, accessing credit and lending opportunities, achieving a college degree, and bequeathing inheritances that place Whites at an advantage for accumulating wealth while simultaneously disadvantaging racial and ethnic minorities (Blanchflower, Levin, and Zimmerman 2003; Bradford 2003a; Oliver and Shapiro 2006; Shapiro et al. 2013).

Given the already low accumulated net worth for households headed by racial and ethnic minority groups, the net worth held by their young adult households may barely be measurable (Boshara, Emmons, and Noeth 2015). Research finds that the median net worth accumulated by white young adults between the ages of 22 and 25 is $1,000, compared to the median net worth of $0 accumulated by black young adults of the same age range (Friedline and Song 2013). Black young adults fared slightly better on savings and liquid assets, accumulating respective median amounts of $300 and $1,000. In contrast, white young adults accumulated medians of $1,668 in

savings and $6,000 in liquid assets (Friedline and Song 2013). Young adults from racial and ethnic minority groups may be disproportionately excluded from participating in entrepreneurial activities due to their limited wealth. From this perspective, the wealth that these young adults do accumulate may be especially important for improving their likelihood of participating in entrepreneurial activities.

Overview of the Paper

This paper addresses the questions of whether young adults' wealth relates to their entrepreneurial activities and whether these relationships exist when the combined sample of young adults is disaggregated by race and ethnicity. In other words, this paper asks whether wealth accumulation is a more important predictor of self-employment for black and Latino/a young adults, who contend with institutionalized wealth inequality, compared to white young adults. If this is the case, then policies to support the wealth accumulation of racial and ethnic minority groups and their young adults in particular may be important to spurring their entrepreneurship.

The paper begins by situating young adults' employment within a changing labor market. This is followed by a discussion of how entrepreneurship was once an alternative to labor market participation; however, the path of entrepreneurship may be blocked for many young adults given their limited financial resources and credit constraints. The literature on the relationship between wealth and entrepreneurship is reviewed, prior to presenting the research questions, methods, and results. The paper concludes by discussing the key findings and their implications for policy.

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The Changing Nature of Labor

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Technological advances and globalization have changed the nature of labor over the last several decades (Card and DiNardo 2002; Collins 2013; Lynn and Salzman 2010) and made skills such as critical thinking, communication, collaboration, leadership and initiative all the more important for competing in a global labor market. The skills young adults need to compete for

the highly paid jobs of today are in short supply, skills that are often knowledge or experience based like critical thinking, communication, collaboration, leadership, and initiative. Young adults in the US may face tough competition given that they demonstrate fewer job skills than their peers in countries around the world, and even the most competitive young adults in the US may fall behind (Goodman, Sands, and Coley 2015). It is widely believed that young adults need education beyond high school to acquire these skills (Casner-Lotto and Barrington 2006), raising the stakes on high school completion and placing outsized importance on institutions of higher education for teaching these skills. While a college degree is fast becoming the minimum qualification for many adequately paid, entry-level jobs (Mishel et al. 2012), it remains unclear whether institutions of higher education adequately prepare young adults with the necessary job skills and whether the burdensome debt needed to afford a college degree supersedes the potential harms to their long-term financial health (Elliott and Lewis 2015). In other words, today's young adults are expected to borrow heavily and potentially jeopardize their future ability to accumulate wealth to acquire the requisite skills for success in today's global labor market.

Without these skills, young adults' employment options may be limited to a growing majority of jobs that are lower quality and in industries that lack living wages, retirement savings plans, or opportunities for advancement (Findlay, Kalleberg, and Warhurst 2013). Young adults' labor market attachment in particular is concentrated in the low-paying service industry (such as restaurants and retail stores; US Department of Labor 2014). In these positions, labor is no longer rewarded as it once was by raising wages concurrently with productivity and reflecting adjustments in costs of living (Levy and Kochan 2012). An increasing share of income is derived from wealth, devaluing, or at the very least changing, how the labor market compensates young adults for their employment (Piketty 2014). This, coupled with declines in organized labor from de-unionization that undermine worker protections (Belman and Heywood 1990), contributes to

growing wage inequality and may undermine young adults' abilities to attain well-paying jobs (Western and Rosenfeld 2011).

The Vanishing Path of Entrepreneurship

While entrepreneurship has historically offered an alternative path for labor market participation and contributed to economic growth, this path may be vanishing and making it difficult for young adults to become entrepreneurs in today's economy. Financial institutions' lending for small business start-up has declined and young adults may need to increasingly rely on their personal savings and credit to advance their entrepreneurial activities (US Small Business Administration 2013). In the wake of the Great Recession, financial institutions have fewer incentives to invest in risky entrepreneurial activities (Ryan, 2014). As a result, the number of loans for new small business start-ups has dropped substantially and almost half of existing small businesses that need a loan are unable to obtain one (Institute for Local Self-Reliance 2014; US Small Business Administration 2013). More businesses are closing than starting, an understandable trend given a lending context necessitating reliance on personal savings and credit for new business growth (Clifton 2015; Institute for Local Self-Reliance 2014) coupled with households' small amounts of personal savings and limited credit (Lusardi, Schneider, and Tufano 2011).

The path to entrepreneurship may also be elusive for young adults from racial and ethnic minority groups who contend with discriminatory lending practices (Blanchflower et al. 2003; Bradford 2003a). For example, Feagin and Imani (1994) conducted qualitative interviews with entrepreneurs in the south and found that entrepreneurs from racial and ethnic minority groups reported that their rejected loan applications prevented them from starting or growing their businesses. Further, using data from the Current Population Survey (CPS) and credit card rate information from the Cost of Personal Borrowing in the United States, researchers found that Blacks are less likely to become self-employed when compared with Whites; however, blacks'

self-employment rises significantly once credit is readily available (Chatterji and Seamans 2012). Likewise, their self-employment declines when lending is constrained. Minority- and women-owned businesses have been disproportionately affected by the decline in the number of loans for new small business start-ups (Institute for Local Self-Reliance 2014; US Small Business Administration 2013), despite the fact that these businesses make positive contributions to job creation, tax revenues, and neighborhood development (Vowels 2015).

For young adults, entrepreneurship may be hampered given that their relatively nascent starting place in life is characterized by limited savings and wealth of their own that in part lengthens financial dependence on their families of origin (Sironi and Furstenberg 2012). Young adults' capacity for entrepreneurship may be hindered by the facts that they are less likely to have savings accounts (FDIC 2014), are more likely to be excluded from the labor market in a volatile economy (O'Sullivan, Mugglestone, and Allison 2014), have more debt, limited credit, and lower wealth at their age than previous generations (Fry 2014), and that the current young adult generation is more risk averse (Paulsen, Platt, Huettel, and Brannon 2012; Winograd and Hais 2014). It is uncertain whether young adults' potential for entrepreneurship will be realized unless the US begins to make critical, substantial investments into young adults' ability to accumulate wealth.

Wealth: A Gateway to Entrepreneurship?

Perhaps one of the intriguing possibilities of wealth accumulation is its potential to provide a gateway to entrepreneurship (Evans and Jovanavic 1989; Hurst and Lusardi 2004; Fairlie 2005). A gateway opens doors and, undoubtedly, one of the doors through which young adults may walk leads to becoming self-employed as a small business owner. For example, previous research has found that higher amounts of assets relate to an increased probability of self-employment, a relationship that is strengthened as households acquire more assets (Fairlie and Krashinsky 2012). Housing equity, including when home owners experience unexpected

appreciation, has been found to have positive effects on the probability of self-employment (Fairlie 2011; Fairlie and Krashinsky 2012). In a study analyzing Panel Study of Income Dynamics (PSID) data between years 1984 and 1995, Buera (2009) found that household wealth accumulation and borrowing constraints help to explain whether or not an individual was self-employed. In particular, an individual's probability of self-employment remains constant when they lived in households in the lowest three net worth percentiles. Young adults at or below age 31 were also less likely to be self-employed (Buera 2009).

Members of racial and ethnic minority groups are less to pursue entrepreneurship than their white counterparts perhaps due to limited, or in many cases, nonexistent wealth or asset holdings (Fairlie 2011; Kim, Aldrich, and Keister 2006; Boshara et al. 2015). However, when wealth is available, it appears that racial and ethnic minorities are just as likely as their white counterparts to pursue entrepreneurship and do so successfully. For example, a study of lower-income self-employed workers using data between 1968 to 1990 from the PSID found that being self-employment relates to higher income mobility and that the relationship is somewhat stronger among lower-income workers who are Black (Holtz-Eakin, Rosen, and Weathers 2000). Self-employed Blacks who started out in the 25th and 50th percentiles of the income distribution experienced dramatic income gains over a six-year period—more so than any other group (Holtz-Eakin et al. 2000). Using 1984 to 1999 data from the PSID, Bradford (2003b) found that white and black entrepreneurs experience more upward wealth mobility than their counterparts who are not entrepreneurs. Bradford's (2014) more recent analysis of PSID data from 1999 to 2009 found that entrepreneurship reduces wealth inequalities between Blacks and Whites. Fairlie's (2004) analysis of the 1979 National Longitudinal Survey of Youth (NLSY79) found that Blacks and Latinos/as earn significantly higher wages when they are self-employed compared to their counterparts who are not. From this perspective, Blacks and Latinos/as with higher amounts of accumuulated wealth may be more likey to pursue self-employment compared to their

counterparts with less wealth. Moreover, their self-employment may help them continue to accumulate wealth.

Research Questions

Based on existing research, the questions that follow are does wealth relate to the increased likelihood that young adults will pursue entrepreneurship by being self-employed? Does the relationship between wealth and self-employment exist within racial and ethnic groups? The answers to these questions are of considerable importance for young adults generally and for racial and ethnic minorities in particular, who may enter young adulthood at a competitive financial disadvantage.

Methods

Data

This study relied on data from the National Longitudinal Survey of Youth 1997 (NLSY97), a survey collected by the Bureau of Labor Statistics (2012) that was designed to follow young men and women as they transitioned from high school and or college and into the labor market. The NLSY97 was comprised of a nationally representative sample of 8,984 young men and women who were between 12 and 16 years of age when they were first interviewed at baseline in 1997. By 2011, the most recent year of the survey, these respondents were young adults between the approximate ages of 27 and 31. The NLSY97 collected a range of information from respondents, including information on their family background, educational attainment, employment, income, and wealth, and followed up with all respondents annually. The NLSY97 was ideal for testing our research questions since the longitudinal design of the survey allowed us to chronologically order wealth and self-employment. Moreover, the NLSY97 oversampled black and Latino/a young men and women, meaning that there were adequate sample sizes to conduct within-group analyses of the relationship between wealth and their self-employment in young adulthood.

Variables

Self-employment outcome variable. In 2011, the NLSY97 asked young adults if they were working and, if so, whether their employment was self-employed. For the purposes of the analyses, young adults' responses were coded as being either self-employed or not self-employed.

Wealth independent variables. Respondents were asked about their wealth, including their financial assets, nonfinancial assets, debt, and net worth when they were around 25 years of age. *Financial assets* included the values of any assets held in accounts such as savings, money market, and retirement accounts. *Nonfinancial assets* included the values of any assets such as homes, other real estate, and vehicles. *Debt* included the values of any debts from such things as outstanding loans, credit cards, and home mortgages. *Net worth* was calculated by subtracting debt from the combined amounts of financial and nonfinancial assets. Each of the variables was winsorized at the 99th percentile to censor extreme values (Cox, 2006) and then, in order to prepare the wealth variables for descriptive reporting and statistical analyses, categories were created for each variable based on the 25th, 50th, and 75th percentiles. The categories of wealth based on percentiles were created separately within each sample, meaning that the wealth values represented by the percentile categories varied between racial groups. For example, at the 25th percentile, the value of the combined sample's net worth was $1,500, the value of whites' net worth was $1,500, the value of blacks' net worth was $820, and the value of Latinos' net worth was $2,500.

Young adult control variables. Young adults' demographics that were associated with wealth and or self-employment in previous research were controlled for in the study. These variables were measured at the same time as the wealth variables when young adults were around 25 years of age. The variables were recoded from the original questions and included birth year (1980 = 0; 1981 = 1; 1982 = 2; 1983 = 3; 1984 = 4), gender (male = 1; female = 0), math proficiency score on the SAT (did not take the SAT = 0; < 500 = 1; ≥ 500 to < 600 = 2; ≥ 600 = 3), education level (high school degree or less = 0; some college = 1; college degree or more = 2), household income (log transformed), scale of self-reported financial condition, scale of self-

reported risk, and unexpectedly lost a job in the year preceding self-employment (no unexpected job loss = 0; unexpected job loss = 1).

Parent or household control variables. Parents' demographics that were available from the 1997 baseline interviews were also controlled for in the study. These variables were recoded from the original questions and included household size, born in the US (no = 0; yes = 1), mother's education level (high school degree or less = 0; some college = 1; college degree or more = 2), father's education level (high school degree or less = 0; some college = 1; college degree or more = 2), home ownership (no = 0; yes = 1), business ownership (no = 0; yes = 1), household income (log transformed), and parents' household net worth. As young adults' own wealth variables, parents' household net worth was winsorized at the 99th percentile to censor extreme values (Cox, 2006) and categorized at the 25th, 50th, and 75th percentiles.

Samples

Combined young adult sample. The study samples included a combined sample with young adults from all racial and ethnic groups (N = 8,984) and separate samples of white (N = 4,742), black (N = 1,879), and Latino/a (N = 2,327) young adults (see Table 1). In the combined sample, slightly more than half of the young adults was white (53%) and smaller percentages were black (21%) and Latino/a (26%). About half of the young adults was male (51%) and most had a high school degree or less (79%). Smaller percentages had at least some college education (5%) or had at least a college degree (16%). Of their parents in 1997, 9% of mothers and 11% of fathers had at least a college degree. Over half of parents (60%) reported owning their own home and their median net worth was $34,550 ($SD$ = $137,285). Ten percent of parents reported owning their own business. Among young adults, 7% were self-employed and they accumulated median liquid assets of $500, illiquid assets of $12,500, debt of $5,000, and net worth of $8,900 (see Table 2). These median wealth values were roughly equivalent to the median wealth values held by their counterparts who were not self-employed, with the self-employed having a slight advantage in terms of their net worth. Figure 1 demonstrates that the percentage of self-employed

young adults rises as they accumulate wealth. This pattern is most noticeable with young adults' accumulated net worth.

White young adults. Just over half of the sample of white young adults was white (52%; see Table 1). Twenty-two percent had at least a college degree, while 6% had some college education and 72% had a high school degree or less. Twenty-three percent of white young adults experienced an unexpected job loss in the year preceding their self-employment. Of all white young adults, 7% reported being self-employed. Sixteen percent of their fathers and 12% of their mothers had at least a college degree; however most fathers (73%) and mothers (77%) had a high school degree or less. Fourteen percent of white young adults' parents owned their own business in 1997 and 75% owned their own home. Their median net worth at the time was $75,700 ($SD =$ $161,043). Seven percent of white young adults were self-employed and they accumulated median liquid assets of $1,300, illiquid assets of $17,500, debt of $10,875, and net worth of $10,147 (see Table 2).

Black young adults. There were equal percentages of males (50%) and females (50%) within the sample of black young adults. Most of these young adults (87%) had a high school degree or less, with smaller percentages having at least some college education (4%) and having at least a college degree (9%). Twenty-six percent of black young adults unexpectedly lost their jobs in the year prior to which their self-employment was measured. Six percent of black young adults reported being self-employed. Five percent of black young adults' fathers and mothers had at least a college degree, while larger percentages respectively had a high school degree or less, 91% and 89%. Four percent of their parents owned their own business and 41% owned their own home in 1997. Their median net worth in 1997 was valued at $11,000 ($SD =$ $67,890). Six percent of black young adults were self-employed and they accumulated median liquid assets of $0, illiquid assets of $7,500, debt of $264, and net worth of $5,000 (see Table 2).

Latino/a young adults. Among Latino/a young adults, half was male (51%) and 8% had at least a college degree. Five percent had at least some college education and 87% had a high school degree or less. Six percent of the Latinos/as in our sample were self-employed. Of their

parents in 1997, 5% of mothers and 6% of fathers had at least a college degree. Almost half of parents (48%) reported owning their own home at the time and their median net worth was $11,650 ($SD$ = $88,071). Five percent of parents reported owning their own business. Six percent of Latino/a young adults were self-employed and they accumulated median liquid assets of $500, illiquid assets of $17,500, debt of $3,000, and net worth of $11,550 (see Table 2). Additional sample characteristics are available in Tables 1 and 2.

[Insert Table 1 about here]

[Insert Table 2 about here]

[Insert Figure 1 about here]

Analysis Plan

The following steps were undertaken to analyze results. Data analysis steps were conducted using STATA (version 12).

Missing data. The first step was to account for missing data. Estimating missing data was preferred over listwise deletion in order to limit the threat to validity and to improve generalizability (Rose and Fraser 2008; Rubin 1987). Similar to the procedures that Houle and colleagues (2013, 2014) undertook to account for missingness in NLSY data, we limited our samples to include only the young adults who provided complete information for wealth and self-employment. We then estimated their missing information on the rest of the control variables. Missing data were estimated using the Expectation Maximization (EM) algorithm in an iterative estimation process (Dempster, Laird, and Rubin 1977). Since our sample sizes depended on complete wealth and self-employment information, the sample sizes in our analyses vary across the models.

Propensity score weighting. The second step was to conduct propensity score weighting, which was a process that was repeated within each racial group and for each wealth variable. Propensity score weighting attempted to account for observed heterogeneity, or selection bias, in observational data (D'Agostino Jr. 1998; Guo and Fraser 2010). In order to determine whether observed selection bias was present, balance checks were performed using

multinomial logit regressions that analyzed whether the control variables were associated with wealth. The variables that were found to be significant were then used to calculate the propensity scores (Guo and Fraser 2010). The inverse of those scores and their probabilities were used to create the propensity score weights to test the effects of the dosages of wealth, or having wealth at the designated percentiles (the average treatment-effect-for-the-treated weight [ATT weight]). The effectiveness of the propensity score weights was evaluated by performing balance checks again with multinomial logistic regressions and visually checking the distributions of the propensity scores across the wealth variables before and after weighting (Guo and Fraser 2010). With the exception of mother's education level, all data were better balanced and the control variables were no longer significantly related to wealth after applying the ATT weight. We originally considered creating an instrumental variable to adjust for selection bias or analyzing the samples by young adults who did and did not unexpectedly lose their jobs in the preceding year of their self-employment. However, weak instruments and small percentages of self-employment within racial groups by unexpected job loss prevented us from using these approaches.

Rare event regression. In the third step, rare event regression was used as the primary analytic tool to assess statistical significance for the overall relationships between wealth and young adults' self-employment with propensity score weights. We used rare event regression because so few young adults in our samples were self-employed. Research has shown that logistic regression can underestimate the probability of rare events (King and Zeng 2001). Rare event regression corrected for this bias and provided more reliable estimates for rare events (King and Zeng 2001). We used the *relogit* command in STATA to run the rare event analysis (Tomz, King, and Zeng 2003). The pseudo R^2 was not calculated by rare event regression. Instead, regression coefficients (β) are presented in the tables and odds ratios (OR) are reported in the text to provide approximate measurements of effect size for describing the strengths of associations.

Results

The propensity score weighted rare event regression results are first presented for the combined sample of young adults and then the samples of young adults by their racial or ethnic group. Within these samples, the results for the relationships between young adults' wealth and self-employment are ordered by liquid assets, illiquid assets, debt, and net worth. In the combined sample, we focus most of our in-text reporting of the results on the findings by race and wealth. Our in-text reporting of the results for the samples of young adults from racial and ethnic groups is more comprehensive and includes reporting of young adults' and parents' or households' controls. Complete results for all samples are presented in Tables 3 through 6.

Relationships between Young Adults' Wealth and Self-Employment for the Combined Sample

Liquid assets. Several significant associations between race and liquid assets and self-employment were found in the results from the rare event regression model (Table 3, Model 1). For example, being a Latino/a young adult compared to being white was associated with a 32% decreased likelihood of being self-employed. Liquid asset holdings had a significant and negative relationship with young adults' self-employment. Compared to those whose value of accumulated liquid assets was below the 25th percentile, young adults whose liquid assets fell between the 25th and 50th and 50th to 75th percentiles were respectively 36% and 28% less likely to be self-employed. Having liquid assets whose value was at or above the 75th percentile was associated with self-employment at trend level ($p < .10$).

Illiquid assets. Neither race nor illiquid assets were associated with self-employment in the rare event regression model testing the association between illiquid asset holdings and self-employment (see Table 3, Model 2). Among young adults' controls, having a college degree or more compared to a high school degree or less was associated with a decreased likelihood of being self-employed. Young adults were more likely to be employed when they were older and reported being in a better financial condition. Their parents' business ownership in 1997 was associated with being 170% more likely to be self-employed.

Debt. In the model on debt (Table 3, Model 3), being a Latino/a young adult compared to being white was associated with a 28% decreased likelihood of being self-employed. There were no significant differences in self-employment between white and black young adults. Young adults' debt was also not significantly related to their self-employment. However, reporting more tolerance for risk was associated with self-employment at trend level ($p < .10$). Every one point increase on the risk tolerance scale was associated with a 6% increased likelihood of being self-employed.

Net worth. Race was not significant in the rare event regression results testing the relationship between young adults' net worth and self-employment; however, there was a significant relationship between net worth and self-employment (Table 3, Model 4). Compared to having net worth below the 25th percentile, having net worth at or above the 75th percentile was associated with a 38% increase in the likelihood that young adults were self-employed.

[Insert Table 3 about here]

Relationships between Young Adults' Wealth and Self-Employment by Racial and Ethnic Groups

White young adults. Table 4 presents results of the rare event regression models testing the relationship between white young adults' wealth and their self-employment. Three characteristics of white young adults, including their birth year, male gender, and risk tolerance, were consistently associated with an increased likelihood of self-employment across Models 5 through 8. For example, white male young adults were between 135% and 145% more likely to be self-employed than their female counterparts. White young adults who were more tolerant of risk were also more likely to be self-employed than their counterparts who scored lower on the risk tolerance scale. Other control variables were significantly related to an increased likelihood of self-employment, including reporting a better financial condition (Model 5), unexpectedly losing a job compared to not losing a job (Models 6 and 7), and having parents who owned a business compared to not having parents who owned a business (Model 6). Having a college

degree or more compared to a high school degree or less was associated with a decreased likelihood of self-employment (Models 7 and 8).

Though illiquid assets, debt, and net worth were not significantly associated with self-employment outcomes (Models 6, 7, and 8), white young adults who had liquid assets at or above the 25th percentile compared to below that percentile were less likely to be self-employed (Model 5). White young adults who held liquid assets between the 25th and 50th percentiles were 42% less likely to be self-employed than those who had liquid assets below the 25th percentile. Having liquid assets between the 50th and 75th and at or above the 75th percentiles approached significance; white young adults with these amounts of liquid assets were respectively 34% and 36% less likely to be self-employed.

[Insert Table 4 about here]

Black young adults. Table 5 shows the rare event regression results of the relationship between black young adults' wealth and their self-employment. Several variables emerged as being significantly associated with self-employment across Models 9 through 12. Specifically, compared to those with a high school degree or less, black young adults with a college degree or more were 69% to 80% less likely to be self-employed (Models 9 through 12). However, black young adults were significantly more likely to be self-employed when their mothers had a college degree or more—between 139% and 222% (Models 9 through 11). Black young adults who reported having a better financial condition were also significantly more likely to be self-employed (Models 9 and 12). Being more tolerant to risk was also associated with black young adults' self-employment, with the increased likelihood of being self-employed ranging 109% to 113% for every point increase on the risk tolerance scale. Liquid assets, debt, and net worth were associated with black young adults' self-employment (Models 9, 11, and 12). Having liquid assets whose accumulated value was between the 50th and 75th percentiles was associated with a 39% decrease in the likelihood of being self-employed ($p < .10$), compared to liquid assets valued below the 25th percentile. Black young adults with debt between the 25th and 50th percentiles were 251% more likely to be self-employed compared to black young adults with debt below the 25th

percentile. Those whose net worth was between the 50th and 75th percentiles and at or above the 75th percentile were more likely to be self-employed than those whose net worth was below the 25th percentile, 207% and 214% respectively. As shown in Model 10, black young adults' illiquid assets were not associated with their self-employment.

[Insert Table 5 about here]

Latino/a young adults. Results of the rare event regression models testing the relationship between Latino/a young adults' wealth and self-employment are reported in Table 6. A few control variables were significantly associated with self-employment within each of the models (Models 13 through 16). For example, Latino/a young adults with a college degree or more were significantly less likely to be self-employed compared to those with a high school degree or less in Models 13 ($p < .10$) and 15, 82% and 89%, respectively. Compared to not having taken the SAT, having a math proficiency score below 500 was associated with a decreased likelihood of being self-employed (Model 14, $p < .10$) while having a score at or above 600 was associated with an increased likelihood (Model 15). Compared to their counterparts, having a father who had received a college degree or more (Model 13) and having parents who owned a business (Model 14, $p < .10$) were associated with increased likelihood of self-employment among Latino/a young adults.

As shown in Models 14 and 16, Latino/a young adults' illiquid assets and net worth were associated with their self-employment. Compared to Latino/a young adults with illiquid assets below the 25th percentile, young adults whose illiquid assets were valued at between the 25th and 50th percentiles were 250% more likely to be self-employed. Latino/a young adults whose net worth was valued at between the 25th to 50th percentiles were 238% more likely to be self-employed than Latino/a young adults whose net worth was valued at below the 25th percentile. Liquid assets and debt were not significantly associated with self-employment among Latino/a young adults (Models 13 and 15).

[Insert Table 6 about here]

Discussion

Wealth may be a gateway to entrepreneurship for many individuals, especially for young adults who are poised to spur an increase in entrepreneurial activities in the coming years. Wealth may be even more important for entrepreneurship today than in the past as financial institutions' lending for small business start-ups is declining (US Small Business Administration 2013), shifting the burden to individuals to finance their own entrepreneurial activities. Young adults may be prevented from engaging in entrepreneurial activities given their limited accumulated wealth and large wealth inequalities may place young adults from racial and ethnic minority groups at an even greater disadvantage. Yet wealth accumulation may be just as important for black and Latino/a young adults' self-employment (if not more so) compared to their white counterparts and policy can play a role in supporting their wealth accumulation.

This paper examines whether young adults' wealth relates to their self-employment among a combined sample and samples that are separated by racial and ethnic minority groups. Our first key finding is that wealth is related to self-employment among Blacks and Latinos/as and not related to self-employment among Whites. This suggests that wealth may play an outsized role in racial and ethnic minority groups' pursuit of entrepreneurial activities, particularly given that they simultaneously experience discrimination in lending from mainstream credit markets (Blanchflower et al. 2003). For example, Blacks' and Latinos/as' higher amounts of net worth are associated with the increased probabilities of being self-employed, whereas Whites' higher amounts of liquid assets are associated with the decreased probability of being self-employed. Our second key finding is that different types of wealth relate to self-employment for Blacks and Latinos/as. For Blacks, having access to credit as demonstrated by their debt holdings may help them pursue self-employment whereas having illiquid assets like home equity may be helpful for Latinos/as' self-employment. Our third key finding is that while wealth is generally unrelated to Whites' self-employment, unexpectedly losing their jobs is associated with their self-employment. This suggests that white young adults may be prompted to create

employment opportunities for themselves when they are forced to do so by being unexpectedly pushed out of the labor market. Perhaps their wealth is only important for entrepreneurship when they must confront a blocked path in the labor market. By comparison, an unexpected job loss is unrelated to black and Latino/a young adults' self-employment (who, on average, experience blocked paths in the labor market more frequently).

Relationships between Young Adults' Wealth and Self-Employment

According to the data we analyzed, the percentages of self-employed young adults rose along with the percentiles of accumulated liquid assets, illiquid assets, debt, and net worth. This pattern was consistent with findings from previous research (Fairlie 2004; Hurst and Lusardi 2004) and was most noticeable with the percentiles of accumulated net worth. For the most part, less than 10% of young adults were self-employed between the 10th and 90th percentiles of net worth. This percentage increased to nearly 30% at net worth above the 90th percentile. The descriptive findings were confirmed empirically in the combined sample, where young adults with net worth at or above the 75th percentile being significantly more likely to be self-employed than young adults with net worth below the 25th percentile. Though, notably, the amounts of illiquid assets or debt that young adults accumulated did not appear to make a difference for their self-employment. The more liquid assets that young adults accumulated, the less likely they were to become self-employed. On the whole, it appears that wealth may help young adults pursue entrepreneurial activities, particularly as young adults accumulate higher levels of net worth.

Relationships between Young Adults' Race or Ethnicity, Wealth, and Self-Employment

The percentages of white, black, and Latino/a young adults who were self-employment all followed a consistent pattern: higher percentages of young adults were self-employed at the highest percentiles of accumulated liquid assets, illiquid assets, debt, and net worth. For Latinos/as, over 30% of young adults with net worth above the 90th percentile were self-employed. For Blacks, this percentage was over 20%. This percentage was just below 30% for

Whites. The fact that blacks' and Latinos/as' patterns of self-employment were consistent with the combined sample and the patterns for Whites suggests that racial and ethnic minority groups may similarly benefit from accumulating wealth.

There were also some differences when the relationships between whites', blacks', and Latinos/as' wealth and self-employment were examined empirically. Black young adults were more likely to be self-employed when they accumulated a moderate amount of debt and higher amounts of net worth. For Latinos/as, the significant relationships were with illiquid assets and net worth. These findings are consistent with existing research on the relationship between wealth and self-employment (Fairlie and Krashinsky 2012) and suggest that wealth accumulation may be important for self-employment among young adults from racial and ethnic minority groups (Bradford 2003a, 2003b; Fairlie 2004). However, wealth was unrelated to white young adults' self-employment. Taken together, it appears that wealth accumulation could be playing an outsized role in spurring self-employment for young adults from racial and ethnic minority groups when compared to their white counterparts.

Furthermore, it appeared that white young adults' labor market experiences were correlated with self-employment, instead of their wealth. Previous research suggests that workers who unexpectedly lose their jobs face different decisions regarding self-employment than their counterparts who do not unexpectedly lose their jobs (Fairlie and Krashinsky 2012). From this perspective, an unexpected job loss should be positively correlated with self-employment. However, this previous research does not disaggregate the sample by race or ethnicity, where young adults may also experience different decisions and constraints regarding their self-employment (Bradford, 2003a, 2003b). It could be that white young adults who are unexpectedly pushed out of the labor market have the resources to create their own employment opportunities, explaining why an unexpected job loss relates to the increased likelihood of their self-employment. In contrast, for young adults from racial and ethnic minority groups, being pushed

out of the labor market absent the resources to create their own employment opportunities may not improve the likelihood of their self-employment.

Limitations

This study is one of the first to consider associations between young adults' liquid assets, illiquid assets, debt, and net worth and their self-employment within samples of white, black, and Latino/a young adults. However, the findings should be considered in light of several limitations. First, small percentages of young adults from racial and ethnic minority groups were self-employed and, despite using propensity score weighted rare event regressions to adjust for these small percentages, bias may still be present in our results. Second, we were unable to measure the quality of these young adults' self-employment, such as the number of workers employed by young adults' small businesses or whether their businesses were incorporated. Even smaller percentages of self-employed young adults employed more than one worker or incorporated their businesses. Third, while previous research has suggested that receiving an inheritance is associated with self-employment (Evans and Jovanovic 1989; Hurst and Lusardi 2004), only approximately 3% to 5% of our samples had reported receiving an inheritance in young adulthood by age 25. Lastly, to better account for selection bias, we had planned to use an instrumental variable approach or to analyze the samples separately by whether or not young adults unexpectedly lost their jobs. Unfortunately, weak instruments and small percentages of racial and ethnic minority groups who unexpectedly lost their jobs prevented us from using these approaches. Despite these limitations, the findings from this paper contribute to our understandings of young adults' entrepreneurial activities and the potential importance of wealth.

Policy Implications

There are two policy implications that can be drawn from these findings. First, policies are needed to support wealth accumulation among young adults from racial and ethnic minority groups. Given historic wealth inequalities, it is unlikely that young adults from racial and ethnic minority groups will receive inheritances or other wealth transfers from their parents that are comparable to the inheritances or other wealth transfers received by their more advantaged, white

peers (Oliver and Shapiro 2006; Shapiro, Meschede, and Osoro 2013). Government intervention is likely needed to assist these young adults in accumulating wealth. A first step may be policies and programs that automatically open and progressively incentivize savings accounts to spur wealth accumulation, such as Individual Development Accounts (IDAs) and Children's Savings Accounts (CSAs; also referred to as Child Development Accounts [CDAs]; Friedline and Rauktis, 2014). However, policies that restructure the tax code, regulate credit card and alternative financial service companies, and minimize student loan borrowing are also important policies that can be used to increase wealth and minimize debt accumulation for young adults from racial and ethnic minority groups (Edin, Greene, Halpern-Meekin, and Levin, 2015; Elliott and Lewis, 2015; Friedline, Johnson, and Hughes, 2014; Greer and Levin, 2014).

Second, policies are needed to provide young entrepreneurs with access to credit and remove discriminatory lending practices. Young adults—especially racial and ethnic minorities— may struggle to secure financing for their small businesses if financial institutions will not lend to them. Discriminatory lending practices may further block young adults from racial and ethnic minority groups from receiving financing (Blanchflower et al. 2003). As long as discriminatory lending practices continue, these young adults may disproportionately continue to rely on their own limited, accumulated wealth for pursuing entrepreneurial activities and struggle to find success as entrepreneurs. Therefore, government regulation and oversight of financial institutions' lending continues to be necessary as long as young black and Latino entrepreneurs are disproportionately blocked from lending opportunities.

Conclusion

It is well established that wealth has the potential to improve the likelihood that individuals pursue entrepreneurial activities (Hurst and Lusardi 2004). From this, we can reasonably conclude that helping young adults to accumulate wealth—especially among those from racial and ethnic minority groups—is important to helping them realize the expectations that they will become entrepreneurs and drivers of economic growth (Ewing Marion Kauffman Foundation 2014). The findings presented in this paper suggest that wealth may be playing an

outsized role in black and Latino/a young adults' self-employment in comparison to that of Whites. The findings could suggest that these young adults must increasingly finance their own entrepreneurial activities, making their wealth accumulation more important for increasing the likelihood of their self-employment. As young adults from racial and ethnic minority groups accumulate wealth and become self-employed, future research should consider whether their wealth relates to the quality of their self-employment by hiring more workers and incorporating their businesses. However, while efforts to promote wealth accumulation among Blacks and Latinos/as are needed and important, these efforts should not come at the expense of making sure racial and ethnic minority groups have equal access to lending and credit from financial institutions.

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Table 1

Young Adults' Characteristics by Racial or Ethnic Group

	Combined	Whites	Blacks	Latinos/as
	N = 8,984	N = 4,742	N = 1,879	N = 2,327
	% / Mean (SD)	% / Mean (SD)	% / Mean (SD)	% / Mean (SD)
Outcome Variable				
Self-employed	7	7	6	6
Not self-employed	93	93	94	94
Young Adults' Characteristics				
Birth Year				
1980	19	18	20	18
1981	21	21	20	21
1982	20	20	21	21
1983	20	20	20	19
1984	20	20	19	20
Race				
White	53	––	––	––
Black	21	––	––	––
Latino/a	26	––	––	––
Gender				
Male	51	52	50	51
Female	49	48	50	49
Math Proficiency Score on the SAT				
Did not take the SAT	70	65	74	76
< 500	12	11	15	12
≥ 500 and < 600	10	12	6	8
≥ 600	8	12	5	4
Education Level				
High school degree or less	79	72	87	87
Some college education	5	6	4	5
College degree or more	16	22	9	8
Financial Condition Scale	.574 (.498)	.604 (.496)	.511 (.500)	.576 (.492)
Risk Tolerance Scale	2.583 (3.869)	2.415 (3.981)	2.764 (3.588)	2.772 (3.907)
Household Annual Income [a]	$10,829 ($13,271)	$12,370 ($13,965)	$7,697 ($11,518)	$11,069 ($12,949)
Unexpected Job Loss				
Yes	25	24	26	28
No	76	76	74	72
Parents' or Households' Characteristics from 1997				
Household Size	.450 (.498)	.403 (.491)	.446 (.497)	.567 (.496)
Parents Born in the US				
Yes	75	85	84	41
No	25	15	16	59
Mother's Education Level				
High school degree or less	83	77	89	90
Some college education	8	11	7	5
College degree or more	9	12	5	5
Father's Education Level				
High school degree or less	81	73	91	89
Some college education	8	11	5	5
College degree or more	11	16	5	6
Home Ownership				
Owned their home	60	75	41	48

Did not own their home	40	25	59	52
Business Ownership				
Owned a business	9	14	4	5
Did not own a business	91	86	96	95
Household Annual Income [a]	$46,392 ($42,126)	$59,262 ($46,556)	$29,630 ($27,340)	$31,179 ($30,125)

Source: Expectation Maximization (EM) completed data from the 1997 National Longitudinal Survey of Youth (NLSY97).

Notes: [a] Household annual income is reported in mean dollar values given that household income was not as skewed within racial groups. Moreover, the median income values were low, particularly for young adults. For example, black young adults had a median annual income of $200.

Table 2

Median Wealth for Self-Employed and Not Self-Employed Young Adults by Racial or Ethnic Group

	Combined	Whites	Blacks	Latinos/as
Self-Employed				
Liquid Assets	$500 ($36,631)	$1,300 ($31,237)	$0 ($15,182)	$500 ($60,884)
Illiquid Assets	$12,500 ($125,933)	$17,500 ($135,443)	$7,500 ($74,553)	$17,500 ($137,874)
Debt	$5,000 ($65,773)	$10,875 ($70,433)	$264 ($46,749)	$3,000 ($68,216)
Net Worth	$8,900 ($98,152)	$10,147 ($100,949)	$5,000 ($21,956)	$11,550 ($134,016)
Not Self-Employed				
Liquid Assets	$600 ($33,809)	$1,588 ($37,697)	$0 ($27,830)	$500 ($30,752)
Illiquid Assets	$12,000 ($87,489)	$16,500 ($94,847)	$7,500 ($54,833)	$12,500 ($97,575)
Debt	$5,600 ($57,356)	$10,300 ($63,909)	$1,000 ($36,828)	$4,500 ($58,961)
Net Worth	$6,924 ($75,590)	$9,000 ($83,490)	$3,056 ($54,229)	$7,500 ($78,560)

Source: Expectation Maximization (EM) completed data from the 1997 National Longitudinal Survey of Youth (NLSY97).

Note: Median values are reported in the table and standard deviations are reported in parentheses.

Table 3

Propensity Score Weighted Rare Event Regression Results on the Relationship between Young Adults' Wealth and Their Self−Employment

Covariates	Liquid Assets (*N* = 6,412) Model 1 β (*SE*)	Illiquid Assets (*N* = 7,112) Model 2 β (*SE*)	Debt (*N* = 7,162) Model 3 β (*SE*)	Net Worth (*N* = 6,142) Model 4 β (*SE*)
Young Adults' Characteristics				
Birth year (Reference: 1980)				
1981	.105 (.206)	.141 (.179)	.086 (.193)	.210 (.185)
1982	.162 (.238)	−.159 (.167)	−.366 (.209)†	−.043 (.200)
1983	−.147 (.207)	−.075 (.178)	−.200 (.196)	.029 (.194)
1984	−.029 (.205)	.056 (.163)	.140 (.189)	.141 (.083)
Male	.191 (.126)	.256 (.114)*	.300 (.127)*	.211 (.119)†
Race (Reference: White)				
Black	−.277 (.170)	−.244 (.150)	−.199 (.178)	−.257 (.159)
Latino/a	−.391 (.165)*	−.124 (.140)	−.326 (.165)*	−.217 (.151)
Math proficiency score on SAT (Reference: Did not take the SAT)				
< 500	.091 (.237)	−140 (.173)	.023 (.204)	.028 (.198)
≥ 500 and < 600	.061 (.248)	−.163 (.223)	−.293 (.253)	−.119 (.615)
≥ 600	.086 (.276)	.037 (.222)	−.118 (.267)*	.029 (.220)
Education level (Reference: High school degree or less)				
Some college	−.534 (.317)†	−.264 (.261)	−.048 (.286)	−.231 (.290)
College degree or more	−.606 (.282)*	−.400 (.192)*	−.415 (.231)*	−.614 (.226)**
Good financial condition	.013 (.123)	−.045 (.107)	.094 (.127)	−.053 (.111)
Risk tolerance scale	.098 (.032)**	.096 (.067)***	.054 (.031)†	.123 (.028) **
Household income in 2005 (log transformed)	−.003 (.014)	.002 (.012)	−.008 (.013)	.001 (.013)
Unexpected job loss	.165 (.129)	.138 (.111)	.274 (.171)	.135 (.119)
Parents' or Households' Characteristics				
Household size in 1997	−.014 (.130)	−.019 (.108)	−.052 (.123)	−.015 (.116)
Parents born in the US	.054 (.162)	.061 (.150)	.182 (.170)	.108 (.149)
Mother's education level (Reference: High school degree or less)				
Some college	.026 (.225)	.128 (.212)	.250 (.223)	.039 (.219)
College degree or more	.265 (.228)	.291 (.218)	.148 (.234)	.142 (.201)
Father's education level (Reference: High school degree or less)				

Some college	.088 (.208)	−.067 (.197)	−.021 (.228)	.158 (.200)
College degree or more	−.031 (.214)	.161 (.210)	.079 (.218)	.215 (.190)
Parents owned their home	.058 (.151)	−.100 (.145)	−.074 (.178)	−.143 (.156)
Parents owned a business	.255 (.201)	.528 (.187)**	.286 (.204)	.328 (.180)†
Household income in 1997 (log transformed)	−.055 (.047)	−.042 (.039)	−.026 (.004)	−.026 (.042)
Household net worth in 1997 (Reference: < 25th Percentile)				
≥ 25th to < 50th Percentile	−.153 (.195)	−.035 (.178)	−.308 (.187)	−.101 (.182)
≥ 50th to < 75th Percentile	.156 (.209)	.086 (.190)	−.011 (.212)	.167 (.203)
≥ 75th Percentile	.312 (.243)	.219 (.215)	−.069 (.241)	.193 (.235)
Young Adults' Wealth				
Young Adults' Liquid Assets (Reference: < 25th Percentile) [a]				
≥ 25th to < 50th Percentile	−.438 (.158)*			
≥ 50th to < 75th Percentile	−.328 (.166)*			
≥ 75th Percentile	−.360 (.185)†			
Young Adults' Illiquid Assets (Reference: < 25th Percentile) [b]				
≥ 25th to < 50th Percentile		−.102 (.159)		
≥ 50th to < 75th Percentile		−.162 (.165)		
≥ 75th Percentile		.230 (.160)		
Young Adults' Debts (Reference: < 25th Percentile) [c]				
≥ 25th to < 50th Percentile			.046 (.173)	
≥ 50th to < 75th Percentile			−.037 (.161)	
≥ 75th Percentile			−.013 (.171)	
Young Adults' Net Worth (Reference: < 25th Percentile) [d]				
≥ 25th to < 50th Percentile				−.140 (.175)
≥ 50th to < 75th Percentile				.156 (.155)
≥ 75th Percentile				.320 (.161)*
Constant	−2.427 (.539)***	−2.761 (.449)***	−2.648 (.511)***	−3.166 (.485)***

Source: Expectation Maximization (EM) completed data from the 1997 National Longitudinal Survey of Youth (NLSY97), weighted using the average treatment−effect−for−the−treated (ATT) weight.

Notes: [a] The values for liquid assets by percentiles were as follows: 25th Percentile = $0; 50th Percentile = $600; 75th Percentile = $5,135. [b] The values for illiquid assets by percentiles were as follows: 25th Percentile = $3,500; 50th Percentile = $10,500; 75th Percentile = $24,500. [c] The values for debt by percentiles were as follows: 25th Percentile = $0; 50th Percentile = $4,000; 75th Percentile = $17,000. [d] The values for net worth by percentiles were as follows: 25th Percentile = $1,500; 50th Percentile = $7,300; 75th Percentile = $24,073. β = regression coefficients. Robust SE = robust standard error. * $p < .05$; ** $p < .01$; *** $p < .001$; † $p < .10$

Table 4
Propensity Score Weighted Rare Event Regression Results on the Relationship between White Young Adults' Wealth and Their Self−Employment

Covariates	Liquid Assets (N = 3,212)	Illiquid Assets (N = 3,643)	Debt (N = 3,605)	Net Worth (N = 3,099)
	Model 5	Model 6	Model 7	Model 8
	β (SE)	β (SE)	β (SE)	β (SE)
Young Adults' Characteristics				
Birth year (Reference: 1980)				
1981	−.206 (.252)	.064 (.219)	.011 (.219)	.088 (.238)
1982	−.017 (.312)	−.145 (216)	−.127 (.220)	−.095 (.252)
1983	−.412 (.255)	−.650 (.224)	−.243 (.221)	−.365 (.245)
1984	−.231 (.258)	.010 (.210)	−.028 (.211)	−.021 (.237)
Male	.371 (.165)*	.327 (.147)*	.303 (.147)*	.299 (.158)†
Math proficiency score on SAT (Reference: Did not take the SAT)				
< 500	.386 (.289)	.094 (.202)	.085 (.209)	.182 (.241)
≥ 500 and < 600	−.190 (.260)	−.271 (.229)	−.167 (.233)	−.292 (.262)
≥ 600	.077 (.316)	−.079 (.244)	−.099 (.241)	−.141 (.260)
Education level (Reference: High school degree or less)				
Some college	−.343 (.364)	−.173 (.300)	−.264 (.294)	−.330 (.324)
College degree or more	−.526 (.284)	−.293 (.200)	−.511 (.210)*	−.454 (.237)†
Good financial condition	.314 (.156)*	.166 (.138)	.167 (.139)	.292 (.151)
Risk tolerance scale	.105 (.050)*	.114 (.040)**	.101 (.041)*	.103 (.044)*
Household income in 2005 (log transformed)	.005 (.019)	.002 (.017)	.018 (.017)	.014 (.018)
Unexpected job loss	.129 (.166)	.315 (.140)*	.359 (.142)*	.167 (.158)
Parents' or Households' Characteristics				
Household size in 1997	−.022 (.170)	−.103 (.139)	−.130 (.138)	−.037 (.154)
Parents born in the US	.012 (.237)	−.024 (.207)	.002 (.207)	−.095 (.221)
Mother's education level (Reference: High school degree or less)				
Some college	−.108 (.259)	−.128 (.226)	−.109 (.222)	−.214 (.250)

College degree or more	−.052 (.261)	.069 (.243)	.154 (.235)	−.095 (.240)
Father's education level (Reference: High school degree or less)				
Some college	.174 (.234)	−.031 (.221)	−.015 (.232)	.185 (.240)
College degree or more	.148 (.228)†	.087 (.216)	.132 (.204)	.225 (.208)
Parents owned their home	−.189 (.222)	−.247 (.202)	−.105 (.194)	−.175 (.217)
Parents owned a business	.160 (.219)	.394 (.189)*	.216 (.188)	.207 (.197)
Household income in 1997 (log transformed)	.050 (.067)	.016 (.058)	.009 (.066)	.006 (.064)
Household net worth in 1997 (Reference: < 25th Percentile)				
≥ 25th to < 50th Percentile	−.116 (.299)	.046 (.170)	−.101 (.268)	−.046 (.289)
≥ 50th to < 75th Percentile	.167 (.311)	.251 (.900)	.268 (.278)	.199 (.308)
≥ 75th Percentile	.433 (.350)	.446 (1.480)	.394 (.290)	.360 (.330)
Young Adults' Wealth				
Young Adults' Liquid Assets (Reference: < 25th Percentile) [a]				
≥ 25th to < 50th Percentile	−.536 (.228)**			
≥ 50th to < 75th Percentile	−.419 (.239)†			
≥ 75th Percentile	−.445 (.243)†			
Young Adults' Illiquid Assets (Reference: < 25th Percentile) [b]				
≥ 25th to < 50th Percentile		−.118 (.199)		
≥ 50th to < 75th Percentile		−.118 (.203)		
≥ 75th Percentile		.238 (.195)		
Young Adults' Debts (Reference: < 25th Percentile) [c]				
≥ 25th to < 50th Percentile			−.191 (.198)	
≥ 50th to < 75th Percentile			−.003 (.195)	
≥ 75th Percentile			−.024 (.197)	
Young Adults' Net Worth (Reference: < 25th Percentile) [d]				
≥ 25th to < 50th Percentile				−.248 (.217)
≥ 50th to < 75th Percentile				−.231 (.204)
≥ 75th Percentile				−.006 (.200)
Constant	−3.329 (.721)***	−3.486 (.138)***	−3.518 (.703)***	−3.166 (.177)***

Source: Expectation Maximization (EM) completed data from the 1997 National Longitudinal Survey of Youth (NLSY97), weighted using the average treatment−effect−for−the−treated (ATT) weight.

Notes: [a] The values for liquid assets by percentiles were as follows: 25th Percentile = $50; 50th Percentile = $1,525; 75th Percentile = $9,250. [b] The values for illiquid assets by percentiles were as follows: 25th Percentile = $6,000; 50th Percentile = $14,500; 75th Percentile = $27,500. [c] The values for debt by percentiles were as follows: 25th Percentile = $100; 50th Percentile = $7,000; 75th Percentile = $20,000. [d] The values for net worth by percentiles were as

follows: 25th Percentile = $1,500; 50th Percentile = $9,290; 75th Percentile = $33,700. β = regression coefficients. Robust SE = robust standard error. * $p < .05$; ** $p < .01$; *** $p < .001$; † $p < .10$

Table 5
Propensity Score Weighted Rare Event Regression Results on the Relationship between Black Young Adults' Wealth and Their Self-Employment

Covariates	Liquid Assets (N = 1,776)	Illiquid Assets (N = 1,923)	Debt (N = 1,946)	Net Worth (N = 1,682)
	Model 9	Model 10	Model 11	Model 12
	β (*SE*)	β (*SE*)	β (*SE*)	β (*SE*)
Young Adults' Characteristics				
Birth year (Reference: 1980)				
1981	−. 096 (.416)	−.720 (.530)	−.041 (.424)	−.199 (.401)
1982	.257 (.403)	−.591 (.466)	−.451 (430)	−.047 (.385)
1983	.090 (.410)	−.448 (.467)	.336 (.403)	.201 (.374)
1984	.407 (.390)	−.219 (.429)	.415 (.379)	.587 (.354)
Male	−.086 (.233)	.292 (.253)	−.111 (.240)	.085 (.226)
Math proficiency score on SAT (Reference: Did not take the SAT)				
< 500	−.094 (.326)	−.110 (.373)	−.895 (.381)*	−.013 (.349)
≥ 500 and < 600	.196 (.609)	.331 (.478)	−.373 (.653)	.125 (.532)
≥ 600	.306 (.506)	.555 (.634)	.392 (.509)	.472 (.490)
Education level (Reference: High school degree or less)				
Some college	.131 (.519)	.050 (.523)	−.497 (.660)	.414 (.527)
College degree or more	−1.177 (.704)†	−1.597 (.683)*	−1.248 (.796)	−1.277 (.672)†
Good financial condition	.481 (.245)*	−.097 (.241)	−.036 (.255)	−.566 (.226)*
Risk tolerance scale	.116 (.050)*	.095 (.044)*	.105 (.054)†	.124 (.050)*
Household income in 2005 (log transformed)	−.009 (.027)	.006 (.026)	−.023 (.026)	−.007 (.024)
Unexpected job loss	.193 (.250)	.194 (.336)	.230 (.276)	.145 (.241)

Parents' or Households' Characteristics				
Household size in 1997	.248 (.241)	.210 (.283)	−.013 (.253)	.083 (.226)
Parents born in the US	.565 (.433)	.949 (.384)*	.524 (.429)	.528 (.369)
Mother's education level (Reference: High school degree or less)				
Some college	.571 (.448)	−.024 (.463)	.326 (.462)	.317 (.427)
College degree or more	.875 (.479)†	1.168 (.513)*	.872 (.420)*	.519 (.496)
Father's education level (Reference: High school degree or less)				
Some college	−.645 (.592)	−.770 (.628)	−.899 (.653)	−.265 (.598)
College degree or more	−.304 (.499)	.162 (.530)	.098 (.514)	.401 (.458)
Parents owned their home	.394 (.310)	−.112 (.343)	.514 (.351)	.092 (.277)
Parents owned a business	.531 (.562)	.768 (.729)	−.186 (.633)	.464 (.568)
Household income in 1997 (log transformed)	−.035 (.075)	.005 (.058)	−.071 (.068)	−.047 (.053)
Household net worth in 1997 (Reference: < 25th Percentile)				
≥ 25th to < 50th Percentile	−.279 (.335)	−.096 (.310)	−.186 (.374)	−.116 (.288)
≥ 50th to < 75th Percentile	.151 (.400)	.332 (.417)	−.052 (.432)	.087 (.355)
≥ 75th Percentile	−.576 (.598)	−.527 (.519)	.264 (.633)	−.872 (.621)
Young Adults' Wealth				
Young Adults' Liquid Assets (Reference: < 50th Percentile) [a]				
≥ 25th to < 50th Percentile	--			
≥ 50th to < 75th Percentile	−.501 (.291)†			
≥ 75th Percentile	−.168 (.283)			
Young Adults' Illiquid Assets (Reference: < 25th Percentile) [b]				
≥ 25th to < 50th Percentile		−.101 (.455)		
≥ 50th to < 75th Percentile		.293 (.461)		
≥ 75th Percentile		.091 (.471)		
Young Adults' Debts (Reference: < 25th Percentile) [c]				
≥ 25th to < 50th Percentile			.922 (.321)**	
≥ 50th to < 75th Percentile			.230 (.263)	
≥ 75th Percentile			−.298 (.325)	
Young Adults' Net Worth (Reference: < 25th Percentile) [d]				
≥ 25th to < 50th Percentile				.412 (.345)
≥ 50th to < 75th Percentile				.726 (.328)*
≥ 75th Percentile				.760 (.352)*
Constant	−3.417 (.983)**	−4.058 (.743)***	−3.121 (.949)**	−3.824 (.787)***

Table 6
Propensity Score Weighted Rare Event Regression Results on the Relationship between Latino/a Young Adults' Wealth and Their Self−Employment

Covariates	Liquid Assets (N = 1,776) Model 13 β (SE)	Illiquid Assets (N = 1,546) Model 14 β (SE)	Debt (N = 1,553) Model 15 β (SE)	Net Worth (N = 1,361) Model 16 β (SE)
Young Adults' Characteristics				
Birth year (Reference: 1980)				
1981	.458 (.418)	.084 (.349)	.400 (.366)	.728 (.408)†
1982	.383 (.425)	−.167 (.371)	−.197 (.399)	.075 (.446)
1983	.038 (.420)	−.398 (.372)	−.045 (.393)	.183 (.425)
1984	−.102 (.442)	−.531 (.389)	−.076 (.421)	.024 (.435)
Male	.268 (.258)	.371 (.240)	.345 (.243)	.117 (.261)
Math proficiency score on SAT (Reference: Did not take the SAT)				
< 500	.303 (.261)	−1.070 (.554)†	−.911 (.615)	1.230 (.636)†
≥ 500 and < 600	−1.272 (.683)	−.276 (.546)	−.292 (.533)	.179 (.615)
≥ 600	.017 (.659)	.520 (.553)	1.165 (.522)*	.303 (.717)
Education level (Reference: High school degree or less)				
Some college	.854 (.629)	−.896 (.725)	−.744 (.739)	−1.514 (.993)

College degree or more	−1.725 (1.012)†	−.995 (.626)	−2.238 (.695)**	−.556 (.951)
Good financial condition	−.602 (.851)	−.119 (.229)	.080 (.231)	−.054 (.258)
Risk tolerance scale	−.391 (.277)	.114 (.055)	.045 (.056)	.092 (.056)†
Household income in 2005 (log transformed)	.091 (.063)	−.034 (.024)	−.024 (.024)	−.031 (.026)
Unexpected job loss	−.022 (.027)	.136 (.250)	.255 (.250)	.312 (.270)

Parents' or Households' Characteristics

Household size in 1997	.080 (.263)	.277 (.239)	.113 (.250)	.065 (.255)
Parents born in the US	.084 (.261)	−.003 (.249)	−.022 (.257)*	−.007 (.271)
Mother's education level (Reference: High school degree or less)				
Some college	−.401 (.641)	.501 (.478)	.271 (.558)	−.205 (.639)
College degree or more	.522 (.529)	.405 (.496)	.649 (.485)	.520 (.521)
Father's education level (Reference: High school degree or less)				
Some college	.599 (.495)	.391 (.491)	.488 (.538)	.591 (.521)
College degree or more	1.096 (.549) *	.718 (.444)	.316 (.509)	.182 (.540)
Parents owned their home	.072 (.354)	−.105 (.318)	−.222 (.339)	−.045 (.351)
Parents owned a business	.377 (.501)	.782 (.433)†	.865 (.431)	.792 (.486)
Household income in 1997 (log transformed)	−.068 (.062)	−.054 (.060)	−.050 (.071)	−.032 (.066)
Household net worth in 1997 (Reference: < 25th Percentile)				
≥ 25th to < 50th Percentile	−.086 (.324)	−.156 (.314)	−.302 (.312)	−.245 (.338)
≥ 50th to < 75th Percentile	.132 (.391)	−.120 (.385)	.071 (.394)	.118 (.412)
≥ 75th Percentile	−.387 (.547)	−.251 (.545)	−.014 (.533)	−.247 (.594)

Young Adults' Wealth

Young Adults' Liquid Assets (Reference: < 25th Percentile)				
≥ 25th to < 50th Percentile	−.232 (391)			
≥ 50th to < 75th Percentile	.366 (.306)			
≥ 75th Percentile	−.067 (.359)			
Young Adults' Illiquid Assets (Reference: < 25th Percentile)				
≥ 25th to < 50th Percentile		−.022 (.363)		
≥ 50th to < 75th Percentile		.003 (.335)		
≥ 75th Percentile		.918 (.321)**		
Young Adults' Debts (Reference: < 25th Percentile)				
≥ 25th to < 50th Percentile			−.278 (.345)	
≥ 50th to < 75th Percentile			−.194 (.346)	
≥ 75th Percentile			.215 (.316)	

Young Adults' Net Worth (Reference: < 25th Percentile)				
≥ 25th to < 50th Percentile				.258 (.389)
≥ 50th to < 75th Percentile				.495 (.392)
≥ 75th Percentile				.868 (.377)*
Constant	−2.887 (.780)***	−2.927 (.699)***	−2.604 (.812)**	−3.483 (.826)***

Source: Expectation Maximization (EM) completed data from the 1997 National Longitudinal Survey of Youth (NLSY97), weighted using the average treatment−effect−for−the−treated (ATT) weight.

Notes: [a] The values for liquid assets by percentiles were as follows: 25th Percentile = $50; 50th Percentile = $1,525; 75th Percentile = $9,250. [b] The values for illiquid assets by percentiles were as follows: 25th Percentile = $4,000; 50th Percentile = $12,500; 75th Percentile = $32,500. [c] The values for debt by percentiles were as follows: 25th Percentile = $0; 50th Percentile = $4,400; 75th Percentile = $20,000. [d] The values for net worth by percentiles were as follows: 25th Percentile = $1,500; 50th Percentile = $9,290; 75th Percentile = $33,500. β = regression coefficients. Robust SE = robust standard error. * $p < .05$; ** $p < .01$; *** $p < .001$; † $p < .10$
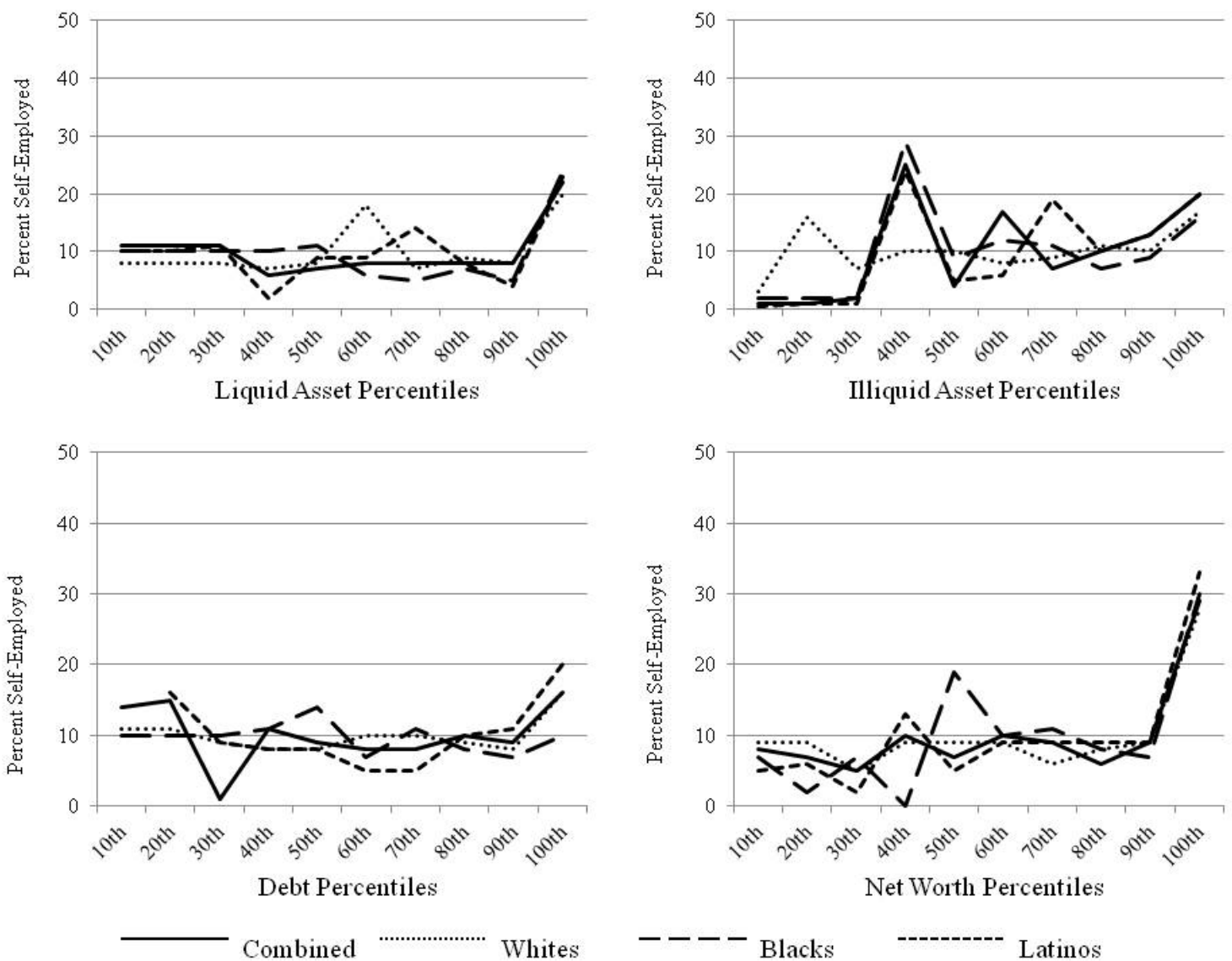
Figure 1. Percentages of Self-Employed Young Adults by Racial or Ethnic Group and Wealth Percentiles
Source: Expectation Maximization (EM) completed data from the 1997 National Longitudinal Survey of Youth (NLSY97).