Closing the Racial Gap in Entrepreneurship: The Role of Spousal Public-Sector Jobs

Qian Wang & Hongyuan Xia

June 29, 2026

Abstract

Black entrepreneurs are substantially underrepresented in the U.S. Prior research has primarily focused on the resource constraints they face. However, the financial risk of entrepreneurial entry is also salient for Black entrepreneurs. We argue that a spouse's public-sector job, characterized by stable pay and low layoff risk, can provide a financial safety net, thereby facilitating Black entrepreneurship. Using the 1990–2019 Current Population Survey (CPS) and the 1991–2019 Panel Study of Income Dynamics (PSID), we find that the Black–white gap in self-employment is reduced by 1.7 percentage points (23.3%) when the spouse works in the public sector. This pattern emerges after the spouse's transition to public employment and is concentrated in families that are more sensitive to financial risk, such as those with mortgages. It also generalizes to alternative proxies for job security. By contrast, spousal salary and managerial position do not predict the same pattern, indicating the mechanism operates through risk sharing rather than direct resource transfer.

Keywords: entrepreneurship, race, financial risk, family, public sector jobs

Authorship is alphabetical. Wang: Cornell SC Johnson College of Business (qw255@cornell.edu). Xia: Cornell Department of Economics (hx276@cornell.edu). We are grateful to Matt Marx, Brittany Bond, Olenka Kacperczyk, Xuege (Cathy) Lu, Wyatt Lee, Ben Rissing, Grady Raines, Kunyuan Qiao, and seminar participants at Cornell University and the DRUID Conference for helpful feedback.

1 Introduction

Entrepreneurship is considered a significant driver of economic mobility (Bradford 2003; Quadrini 2000). However, this pathway appears far less accessible to African Americans, who remain substantially underrepresented among U.S. entrepreneurs (Fairlie 1999; Fairlie and Robb 2007). Prior research on the racial gap in entrepreneurship has shown that Black entrepreneurs face heightened barriers in the marketplace, particularly greater difficulty obtaining external financing from investors, lenders, and other resource providers (Fairlie, Robb, and Robinson 2022; Younkin and Kuppuswamy 2018). Most of these discussions focus on unequal access to *resources* and how to help Black entrepreneurs overcome resource constraints. However, people's decision to start a business is also contingent on the ability to bear the *financial risk* of failure, a factor that has received limited attention in research on the racial gap.

The financial risk of starting a business is especially salient for Black entrepreneurs for two reasons. First, Black entrepreneurs rely more heavily on personal savings or family support than on external financing (Fairlie, Robb, and Robinson 2022). Therefore, a larger share of the financial risk of failure is internalized within the entrepreneur's family. Second, discrimination in the private market, such as product devaluation, widens the variance of entrepreneurial returns (Younkin and Kuppuswamy 2019).

Regarding potential factors in buffering entrepreneurial risk, prior studies discuss the role of personal wealth (Evans and Jovanovic 1989; Hurst and Lusardi 2004), hybrid entry (Folta, Delmar, and Wennberg 2010), and policy interventions, such as access to health insurance (Bao 2024; Fairlie, Kapur, and Gates 2011). However, most of these approaches require preexisting resources or working opportunities, which are less feasible for Black individuals. Moreover, limited attention has been paid to the family's risk-sharing role, despite the family's significant role in entrepreneurial entry (Aldrich and Cliff 2003; Rogoff and Heck 2003).

We examine how a family safety net against financial risk can help reduce the racial gap in entrepreneurship, focusing on the role of a spouse's employment. Spouses can share

the financial risk associated with their partner's career choice (Manchester, Benson, and Shaver 2023). A spouse's stable income smooths family consumption during periods of low or negative entrepreneurial returns and covers fixed obligations such as mortgage payments, providing a safety net for the family. We develop and test this argument using the spouse's public-sector employment. Public-sector jobs offer substantial job security, as they provide steady pay and low layoff risk, and have historically been more accessible to African Americans than private-sector alternatives (Clark and Postel-Vinay 2009; Grodsky and Pager 2001; Kerrissey and Meyers 2022). As Black entrepreneurs are more sensitive to financial risk and have fewer alternative options for stable employment in the private sector, a safety net provided by a spousal public-sector job would matter more to them. We therefore predict that the racial gap in entrepreneurship between Black and White individuals is smaller when the focal individual's spouse holds a public-sector job.

We test this argument using data from the 1990–2019 Current Population Survey (CPS), supplemented with the 1991–2019 Panel Study of Income Dynamics (PSID). The CPS provides a large, nationally representative sample of U.S. households with detailed information on employment, income, and family structure, enabling us to construct a family-level dataset linking individuals to their spouses. The PSID complements the CPS by providing longitudinal data on individuals and their households, enabling us to track employment dynamics over time and better account for the timing of spousal employment and entrepreneurial entry. To address concerns about comparability across families, we employ coarsened exact matching (CEM) to construct matched samples based on observable characteristics.

We find that the racial gap in entrepreneurship is significantly smaller when the focal individual's spouse works in the public sector. In our baseline specification, Black individuals are 7.3 percentage points less likely to be self-employed than white individuals when their spouses do not work in the public sector. This racial gap is reduced by 1.7 percentage points, equivalent to roughly a 23.3% relative narrowing of the gap in self-employment, when the spouse is employed in the public sector. This pattern is robust

across two independent datasets (CPS and PSID) and holds across federal, state, and local public-sector employment. Event-study estimates from the PSID further show that increases in Black self-employment emerge after a spouse transitions into public-sector employment, with no evidence of differential pre-trends, alleviating concerns of reverse causality.

We provide several pieces of evidence that a spousal public-sector job serves as a safety net, buffering Black entrepreneurs against financial risk. First, the results are more pronounced among individuals without a college degree, for whom labor-market fallback options if the venture fails are more limited. Second, the role of spousal public-sector employment is stronger in families facing greater financial pressure, such as those with mortgages, consistent with greater sensitivity to financial risk. Third, the pattern generalizes beyond the public sector to other proxies for job security: spousal union coverage and lower variability in spousal occupation and earnings over time are likewise associated with a smaller racial gap in entrepreneurship. By contrast, we find no empirical support for the role of a spouse's salary or managerial position, which would be expected to matter if the mechanism primarily operated through direct transfers of financial, human, or social capital. Taken together, these results suggest that the observed relationship is driven primarily by the safety-net aspect of the spouse's job, rather than by access to additional resources.

This paper extends the literature on racial disparities in entrepreneurship by examining the role of risk protection. Prior studies have documented that Black entrepreneurs face heightened challenges and discrimination on both the supply and demand sides of the market, highlighting the significance of equal access to resources (Fairlie, Robb, and Robinson 2022; Younkin and Kuppuswamy 2018). However, the decision to become an entrepreneur is also contingent on the ability to bear the financial risk of venture failure. We complement this literature by arguing that a significant pathway to narrowing the racial gap in entrepreneurship is to protect against the financial risks associated with entrepreneurial entry. Specifically, we show that a spouse's public-sector job can have a

positive spillover on the entrepreneurial choices of Black individuals.

We also contribute to the literature on family and entrepreneurship. Building on work that emphasizes the embeddedness of entrepreneurial decisions within families (Aldrich and Cliff 2003; Rogoff and Heck 2003), we highlight a distinct and under-examined channel: the spouse's role in providing downside protection against financial risk. Existing studies examining the family's role in entrepreneurship mainly focus on direct resource support, such as intergenerational transmission (Jia, Lan, and Miquel 2021; Mishkin 2021). However, little research has studied family as a safety net for entrepreneurship. We show that spousal job security can buffer the financial risk of starting a business and shape who can afford to enter entrepreneurship, thereby encouraging entrepreneurial entry without directly providing entrepreneurial resources.

2 Theory

2.1 Underrepresentation of Black Entrepreneurs and Resource

Entrepreneurship plays a significant role in job creation and is one of the few channels through which families can accumulate substantial wealth outside formal employment (Bradford 2003; Guzman and Kacperczyk 2019; Quadrini 2000). However, access to this channel has been deeply uneven. Black Americans have long been substantially underrepresented among U.S. entrepreneurs (Fairlie 1999; Fairlie and Robb 2007). This persistent disparity has motivated a growing number of studies examining how and why Black individuals face various barriers to entrepreneurial entry.

Existing research has primarily documented these barriers through the lens of unequal *access to resources*. On the supply side, Black entrepreneurs face heightened difficulty obtaining financial capital across formal credit markets: they are more likely to be denied bank loans (Blanchard, Zhao, and Yinger 2008; Blanchflower, Levine, and Zimmerman 2003), face restricted access to supplier credit (Freeland and Keister 2016), and secure less external debt and equity financing than otherwise comparable white entrepreneurs

(Fairlie, Robb, and Robinson 2022). Even in newer, ostensibly more inclusive financing channels such as crowdfunding, Black founders confront direct discrimination from prospective resource providers (Younkin and Kuppuswamy 2018). Beyond financial capital, Black entrepreneurs face human capital limitations rooted in differential access to managerial experience and family business background (Fairlie and Robb 2007). On the demand side, Black-founded firms suffer product devaluation from customers as a result of taste-based discrimination (Younkin and Kuppuswamy 2019). Collectively, these barriers constrain the resources Black entrepreneurs can deploy and the returns they can expect from a given venture, discouraging potential Black entrepreneurs from starting their own businesses.

A growing body of recent work examines how the racial gap might be narrowed. New technical tools and marketplace development may empower Black founders with limited resources (Kim, Paik, and Kim 2023; Stroube and Dushnitsky 2025). Also, prior work experience in startups can expose Black women to entrepreneurship and encourage them to start their own businesses (Law et al. 2025). Social movements may pose reputational risks to investors and encourage them to invest in Black-founded startups, which alleviates financial constraints in the short term (Marx, Wang, and Yimfor 2026). Most of these discussions still focus on *resource access*, examining how to help Black entrepreneurs overcome resource constraints. However, the decision to start a business is also contingent on the ability to bear the *financial risk* of failure, a factor that has received limited attention in research regarding narrowing the racial gap in entrepreneurship.

2.2 Protection against Financial Risk

Entrepreneurship is inherently risky and highly uncertain, making risk protection a key consideration when deciding to become an entrepreneur. First, although entrepreneurs can make a great fortune if their business succeeds, most startups fail (Hall and Woodward 2010; Wasserman 2012). And entrepreneurs may suffer from financial penalties if their ventures go bankrupt. In addition, starting a business is generally full of uncer-

tainties, especially at the early stage. Entrepreneurs may lack a stable income and other forms of compensation when starting out (Manchester, Benson, and Shaver 2023). The financial risk of starting a business is especially salient for Black entrepreneurs for two reasons. Black entrepreneurs generally rely more heavily on their personal savings or family support rather than external financing (Fairlie, Robb, and Robinson 2022), thus the potential financial risk of their businesses is more likely to be internalized within their family. Moreover, Black entrepreneurs face more discrimination in the private market, which heightens the uncertainties of their ventures (Freeland and Keister 2016; Younkin and Kuppuswamy 2018). For instance, they are more likely to suffer from product devaluation (Younkin and Kuppuswamy 2019) and face greater challenges in hiring talent (Snellman and Younkin 2021).

Prior research has documented several ways to mitigate the financial risk of entrepreneurship, but has typically conceptualized this risk as a problem faced by the individual entrepreneur. Research has focused on the entrepreneur's personal wealth (Evans and Jovanovic 1989; Hurst and Lusardi 2004), their choice to retain full-time employment while starting a business (Folta, Delmar, and Wennberg 2010), and their access to institutional safety nets, such as health insurance or unemployment benefits, that limit downside costs (Bao 2022; Fairlie, Kapur, and Gates 2011). However, many of these factors are less feasible for potential Black entrepreneurs. This individual-level perspective offers limited insights into reducing risk concerns for potential Black entrepreneurs because the buffers it identifies are themselves unequally distributed by race. Specifically, personal wealth is a poor buffer for Black entrepreneurs as their wealth has been systematically suppressed (Derenoncourt et al. 2024). A hybrid entry assumes access to a stable wage job worth retaining, and institutional safety nets require employment of a certain formality and quality. These are both more challenging for Black individuals as they face greater discrimination in the labor market (Pager and Shepherd 2008). Therefore, a potential pathway to buffer financial risk for Black entrepreneurs requires looking beyond the individual to a locus of risk-sharing largely overlooked in the literature: the family.

2.3 Entrepreneurship as a Family Decision: Spouse and Risk Sharing

Individuals do not decide to start a business in isolation: their entrepreneurial choices are embedded within the family (Aldrich and Cliff 2003). This perspective has motivated a substantial literature on the role of family in entrepreneurship (Aldrich et al. 2021; Randerson et al. 2015), but most of that literature has focused on the role of family as a source of *resources* the entrepreneur can deploy in the business rather than the role of *risk sharing*. Prior studies on parental influence have examined the intergenerational transmission of wealth, business ownership, and cultural orientations (Jia, Lan, and Miquel 2021; Kleinhempel, Klasing, and Beugelsdijk 2023; Laspita et al. 2012; Mishkin 2021). Previous research has also shown that spouses can contribute to their partners' ventures via financial, human, and social capital (Mathias and Wang 2023; Parker 2018; Stuart and Sorenson 2005; Unger et al. 2011), and provide emotional support throughout the entrepreneurial process (Cogan, Pret, and Cardon 2022). However, families not only provide resources to entrepreneurs but also help share financial risk (Manchester, Benson, and Shaver 2023).

We argue that a significant channel through which a family's risk-sharing role operates is the spouse's stable employment. In such families, the variance in spouses' earnings is partially offset by the stability of the other's earnings, and the financial consequences of one partner's career choice are shared with their spouse (Manchester, Benson, and Shaver 2023). A spouse with stable employment can provide *family-level insurance against entrepreneurial risk* for several reasons. First, the spouse's steady income smooths family consumption during periods of low or negative entrepreneurial returns, allowing the family to maintain its standard of living through the high-variance early years of starting a business. Moreover, the stable income helps cover fixed financial obligations, such as mortgage payments, family debt, and dependents' expenses, which must be paid regardless of business performance. In addition, the spouse's employment preserves family access to employment-linked benefits, most importantly, health insurance and retirement con-

tributions, that would otherwise be disrupted if the business fails. This risk-sharing role operates entirely through the spouse's stable employment. It does not require the spouse to contribute capital, expertise, labor, or networks to the business itself, and it is conceptually distinct from the resource-transfer channels documented in the spousal-influence literature.

2.4 Spousal Public-Sector Jobs and a Smaller Racial Gap in Entrepreneurship

We focus on the role of the spousal public sector in the racial gap in entrepreneurship. Public-sector jobs provide a well-suited empirical setting for two reasons. First, they offer a clean source of employment stability that our mechanism specifies — pay, layoff risk, and benefits are determined by civil service rules rather than firm-level conditions, making them more predictable than most private-sector alternatives. Moreover, public-sector employment has historically been one of the few labor-market areas where Black workers have achieved equitable access. They have served as a "shelter" for African Americans, providing economic equity, security, and opportunities for Black families and communities over generations (Grodsky and Pager 2001; Kerrissey and Meyers 2022; Mandel and Semyonov 2021). Today, nearly one in five Black workers holds public-sector jobs, and African Americans are more likely than white workers to be employed in the public sector.[1]

Public-sector employment delivers this stability through two significant features. First, civil service protections make layoffs substantially less common than in non-unionized private firms, and government agencies face lower bankruptcy risk and historically downsize less frequently than private firms (Bellante and Link 1981; Clark and Postel-Vinay 2009; Lewis and Frank 2002). Moreover, public-sector compensation, while often lower than private-sector pay, is paired with comprehensive pension contributions and health insurance packages (Artz and Kaya 2014; Baldwin 1990). These features map onto the

1. https://laborcenter.berkeley.edu/black-workers-and-the-public-sector/

mechanisms of family-level risk sharing developed in the previous section. Predictable civil service employment delivers the income stability that smooths family consumption during periods of low entrepreneurial returns. Regular, reliable pay alleviates concern about fixed financial obligations — mortgages, household debt, dependents' expenses — that must be met regardless of business performance. Comprehensive employment-linked benefits preserve family access to health insurance and retirement contributions that would otherwise be disrupted during business failure.

The spousal public-sector job is especially important for potential Black entrepreneurs for two key reasons. First, African Americans have fewer alternative opportunities for stable, well-paying jobs in the private sector, which amplifies the importance of the "shelter" role that public-sector jobs play for Black families. Second, the financial risk of entrepreneurship is more salient for Black individuals, as we argue in the earlier section. This heightened risk amplifies the role of spousal public-sector jobs as a safety net, offering security that encourages Black individuals to pursue entrepreneurship. As a result, having a spouse with a public-sector job is more likely to encourage Black entrepreneurs to start their businesses compared to their white counterparts, helping to narrow the racial gap in entrepreneurship. Thus, we draw our main hypothesis as follows.

Hypothesis 1. *The racial gap in entrepreneurship between Black and white individuals is smaller when spouses are employed in the public sector.*

3 Data and Measures

3.1 Current Population Survey (CPS)

Our main data source is the Current Population Survey (CPS), a U.S. household survey conducted jointly by the U.S. Census Bureau and the Bureau of Labor Statistics[2] , which has been widely used in entrepreneurship and inequality research (Chatterji, Chay, and Fairlie 2014; Kleinhempel, Klasing, and Beugelsdijk 2023). The CPS provides represen-

2. https://cps.ipums.org/cps/about.shtml

tative coverage of the U.S. population and households (i.e., families).[3] Importantly, the CPS is primarily a repeated cross-sectional survey that samples households from the current population each year, rather than following the same individuals over a long period of time.

Among the various CPS samples,[4] we focus on the CPS Annual Social and Economic Supplement (ASEC) (also known as the March supplement). The ASEC is particularly well-suited for our analysis because it provides detailed and consistently measured information on individual demographics, socioeconomic status, occupation, and especially income and employment characteristics. In addition, the ASEC offers larger annual sample sizes and more comprehensive income measures than the basic monthly CPS, making it the standard choice in the literature for analyses of earnings, labor supply, and self-employment (e.g., Bao (2024)).

We collect CPS-ASEC data from 1990 to 2019 and construct a family-level dataset using household relationship information. We define a *spouse/partner* as the married spouse or unmarried partner of the family head who resides in the same household.[5] We exclude families in which the head has no identified spouse/partner or has multiple partners listed in the household roster, which yields 1,295,962 families. Furthermore, we drop families with missing information on occupation, family income, or key demographic characteristics, resulting in a final sample of 665,686 families.

3.2 Panel Study of Income Dynamics (PSID)

Though the CPS provides comprehensive information on entrepreneurs and their family backgrounds in a representative sample, it is primarily cross-sectional and cannot be used to track individuals' employment histories over time. As a result, the CPS does not allow us to fully establish the temporal ordering of key events within families, which may raise concerns about the direction of observed relationships.

3. We define family as the co-resident household, not extended kin.
4. https://cps.ipums.org/cps/samples.shtml
5. The results are robust to restricting the sample to officially married spouses only.

To address this limitation, we supplement our analysis with the Panel Study of Income Dynamics (PSID),[6] a longitudinal, intergenerational survey of American families. The PSID follows an initial sample of approximately 5,000 families and their descendants, collecting detailed information on employment, including self-employment, income and assets, as well as fertility and marital histories. The longitudinal structure of the PSID enables us to observe individuals and their spouses over time and to better account for the timing of family decisions and employment changes. Because the PSID historically identifies the male partner as the household head in most married couples, the focal individuals in our PSID sample are overwhelmingly male and their spouses are predominantly female.

In addition, compared to the CPS, the PSID provides richer information on family financial conditions, such as mortgage status and asset holdings, which allows us to further explore the mechanisms discussed in the next section. We use PSID data from 1991 to 2019 to maintain consistency with our main analysis.

3.3 Empirical Strategy and Measures

In this section, we introduce the empirical specification. We use Ordinary Least Squares (OLS) to compare racial differences in self-employment between individuals whose spouse has a public-sector job and those whose spouse does not work in the public sector. Our estimation equation is as follows:

$$SelfEmployed_{i,t} = \beta SpousePublicSectorJob_{i,t} \times Black_i + Controls_{i,t} + \phi_{msa} + \gamma_t + \epsilon_{i,t},$$

Here, $SelfEmployed_{i,t}$ is a binary variable equal to 1 if the focal individual is self-employed and 0 otherwise.[7] The CPS provides a classification scheme that distinguishes various labor-force statuses, including employment with established firms, unemployment, schooling, and self-employment. We use self-employment as our main measure of en-

6. https://psidonline.isr.umich.edu/
7. *SelfEmployed* equals 0 does not include individuals who are not in the labor force.

trepreneurship, following prior literature using survey data (Kleinhempel, Klasing, and Beugelsdijk 2023; Mishkin 2021).

The primary variable of interest is the interaction between the focal individual's Black race indicator, $Black_i$, and $SpousePublicSectorJob_{i,t}$, which measures whether the focal individual's spouse holds a public-sector job. We define a spouse's public-sector status as equal to 1 if the spouse works in the federal, state, or local public sector in their main job, and 0 otherwise.[8]

The coefficient β captures racial differences (i.e., Black versus white individuals)[9] in the likelihood of being self-employed for those whose spouse works in the public sector relative to those whose spouse does not. A positive β implies that having a spouse in the public sector is associated with a smaller racial gap in self-employment (given that Black individuals are, on average, less likely to be self-employed), while a negative β suggests the opposite.

We include a rich set of control variables, including the focal individual's age, gender, race, college education, and number of children. We also control for the spouse's job characteristics, including the spouse's income (in logarithm) and whether the spouse holds a managerial position.[10] In addition, we include metropolitan statistical area (MSA) fixed effects, ϕ_{msa}, to account for time-invariant local characteristics, and year fixed effects, γ_t, to capture aggregate time trends. Standard errors are clustered at the MSA level. We estimate this specification using both the CPS and the PSID samples.

3.4 Omitted Variable Bias and Reverse Causality

Ideally, we would randomly assign spouses or public-sector jobs to spouses and observe how the focal individual responds differently. However, such randomization is not possible in the real world. Therefore, we acknowledge that our main estimation cannot be

8. *SpousePublicSectorJob* equals 0 does not include individuals who are not in the labor force.

9. The sample includes four mutually exclusive racial/ethnic groups: Black, white, Hispanic, and Asian. Because the regressions include indicators for Hispanic and Asian individuals, white individuals serve as the omitted reference group. The coefficient on Black and its interaction with spousal public-sector employment are therefore interpreted relative to white individuals.

10. We use the 'Management Occupations' category in the OCC codes to identify *Managerial Position*.

interpreted as establishing a causal relationship. Instead, our main estimation approach identifies a statistical correlation between having a spouse employed in the public sector and the racial gap in self-employment.

Identifying the causal relationship between the spouse's public sector job and the focal person's entrepreneurship is challenging for two reasons. First, spouse matching is not random. Consistent with positive assortative mating, individuals who work in the public sector may differ systematically in preferences, risk tolerance, or socioeconomic background, and may be more (or less) likely to match with partners who have a lower propensity for entrepreneurship. To the extent that such sorting differs across racial groups, it may also affect the observed racial gap in self-employment, introducing omitted variable bias in our estimates. Second, occupational choices within the family may be jointly determined. Couples may allocate labor supply and risk across spouses, such that one partner selects into a more stable public-sector job when the other is pursuing or planning entrepreneurial activities. If these intra-family decisions differ systematically across racial groups, this joint decision-making process may bias our estimates of the relationship between spousal public-sector employment and differences in self-employment.

To alleviate these concerns, we implement several strategies. First, we include a rich set of individual- and spouse-level controls, as discussed above, to account for observable differences in partner selection and job characteristics. Second, we adopt coarsened exact matching (CEM) to improve comparability between families with and without a spouse in the public sector. Specifically, we implement one-to-one matching based on observable characteristics, including race indicators (Black, Asian, and Hispanic), gender, age, college education, number of children, spouse income, and whether the spouse holds a managerial position. This procedure yields 115,276 matched pairs of families. Third, we leverage the longitudinal structure of the PSID to examine the temporal ordering of key family decisions. In particular, we track whether self-employment occurs before or after the spouse's transition into a public-sector job and assess whether there are pre-existing trends in the relationship between spousal public-sector employment and self-employment

outcomes, including racial differences. The results from these exercises are consistent with our main findings.

4 Results

4.1 Main Results

We provide summary statistics for our main variables in Table 1. Our analysis is at the family level, and we define the head of each family in each survey as the focal person and take his or her married or unmarried partner as the spouse. On average, 14.4% of focal people in our data are self-employed, and 17.5% have a spouse who is public-sector employed. Our data contains 7.0% Black, 3.3% Asian, 12.7% Hispanic, and 76.9% white focal individuals, which is comparable to the US population.[11] Table 1 also presents a correlation matrix of the variables.

[INSERT TABLE 1 ABOUT HERE.]

Table 2 presents the difference-in-means test by whether the focal person's spouse works in the public sector. Panel A indicates that there are substantial differences in observable characteristics between focal individuals whose spouse has a public-sector job and those who do not, suggesting potential non-random selection. After applying Coarsened Exact Matching (CEM), Panel B shows that the differences between focal individuals whose spouse works in the public sector and those whose spouse does not are all statistically insignificant. This suggests that the matching procedure effectively balances observable characteristics between the two groups. These results strengthen our research design by improving the comparability between focal individuals whose spouses are employed in the public sector and those whose spouses are not, alleviating concerns that our results are driven by observable differences.

[INSERT TABLE 2 ABOUT HERE.]

11. In this study, whites refer to the non-Hispanic whites.

4.1.1 Racial gap and the role of spousal public-sector jobs

Table 3 displays how spousal public-sector jobs are associated with the racial gap in entrepreneurship. Columns (1) to (3) examine the relationship in the full sample, while columns (4) to (6) use the matched sample. Specifications are reported both with and without control variables and fixed effects. We find, as shown in column (3), that Black individuals are 7.3 percentage points less likely to be self-employed compared with white individuals when their spouses do not work in the public sector.[12] However, the racial difference between Black individuals and White individuals in self-employment is 1.7 percentage points smaller for individuals with a public-sector-employed spouse, compared to the racial gap for those whose spouses do not work in the public sector. In other words, the racial gap in self-employment is significantly smaller for individuals whose spouse works in the public sector. Considering the baseline Black-white self-employment gap of 7.3 percentage points among individuals whose spouses do not work in the public sector, this estimate suggests that public-sector spousal employment narrows the gap by approximately 23.3%. Therefore, our main hypothesis is supported.

[INSERT TABLE 3 ABOUT HERE.]

We also observe that individuals whose spouses work in the public sector are, on average, less likely to be self-employed. This pattern is consistent with selection into both occupation and marriage, whereby individuals with a stronger preference for stability may be more likely to sort into public-sector employment and to form families with partners who share similar preferences (Mare 1991; Özcan and Reichstein 2009; Pencavel 1998; Schwartz 2013). Given these selection considerations, we do not interpret the main results of spousal public-sector employment as causal. Instead, our focus is on the interaction term, which captures how the correlation between spousal public-sector employment and self-employment differs across racial groups.

12. This comparison is relative to white individuals because the sample consists of four mutually exclusive racial/ethnic groups—Black, white, Hispanic, and Asian—and the regressions include indicators for Hispanic and Asian individuals, leaving white individuals as the omitted reference group.

We further examine the industry distribution of self-employed focal individuals in the full sample and among Black individuals whose spouses work in the public sector. Figure 1 shows that self-employment in our sample is not primarily concentrated in high-tech sectors, and that the most common industries among Black self-employed individuals with public-sector-employed spouses largely overlap with those in the overall sample. This evidence suggests that the increase in Black self-employment associated with having a spouse in the public sector is not driven by entry into a specific set of industries. Instead, the pattern appears to reflect a broad-based increase in self-employment across similar types of industries.

[INSERT FIGURE 1 ABOUT HERE.]

4.1.2 Robustness tests

Our results are robust across a range of alternative specifications. First, one concern is that the definition of public-sector employment might obscure important differences across federal, state, and local government jobs. Table A.1 addresses this concern by separately examining these sub-categories. Columns (1) to (3) show that the interaction terms between Black and federal, state, and local public-sector employment are all positive and statistically significant, with magnitudes comparable to those in our main specification. These results suggest that the reduction in the racial gap in self-employment is not driven by a particular type of public-sector job.

Table A.1 also examines whether spousal public-sector employment is associated with the entrepreneurship gap between Hispanic and white individuals. Column (4) shows that the interaction term between public-sector employment and Hispanic is small and statistically insignificant, suggesting that our main findings are specific to the Black–white gap. One possible explanation is that Hispanic entrepreneurship is more closely tied to enclave economies, where self-employment is driven by community-based networks or necessity rather than risk-sharing within the families (e.g., Sanders and Nee 1987). In addition, Hispanic workers are relatively underrepresented in public-sector employment,

which may limit the relevance of this channel. Columns (5) and (6) further demonstrate robustness to additional specifications. Column (5) includes industry fixed effects, and the estimated coefficient on *PubSec Job* × *Black* remains positive and statistically significant, suggesting that our results are not driven by differences in industry composition. Column (6) excludes families with unemployed spouses, and the results remain quantitatively similar, alleviating concerns that our findings are driven by extreme family labor supply conditions.

We next replicate our analysis using the PSID sample. As shown in Table A.3, the interaction term between *PubSec Job* and *Black* remains positive and statistically significant across specifications (columns (1) to (3)), with magnitudes that are comparable to, or larger than, those in the CPS sample. This provides further support for our main finding that spousal public-sector employment is associated with a smaller racial gap in self-employment. Table A.3 further decomposes public-sector employment into federal, state, and local jobs. The interaction coefficient is largest for federal employment and remains positive for state employment, while the estimate for local employment is smaller and less precisely estimated. The results show that our main findings are consistent when applied to two representative datasets separately, strengthening the generalizability of this pattern.

4.2 Event-time analyses using PSID

While the CPS provides comprehensive information on entrepreneurs and their family backgrounds in a representative sample, it is cross-sectional and does not allow us to track individuals' employment histories over time. In particular, we cannot distinguish whether the focal individual entered self-employment before or after their spouse transitioned into a public-sector job. To address this limitation, we leverage the longitudinal structure of the PSID, which allows us to observe the timing of employment and self-employment decisions within families. Table A.2 reports summary statistics for the PSID sample, and Table A.3 shows that our main results are robust when replicated using this dataset.

To examine whether individuals with and without public-sector-employed spouses exhibit similar pre-trends in the entrepreneurial racial gap, Figure 2 implements an event-time analysis to study the dynamic relationship between spousal public-sector employment and self-employment, conditioning on control variables. While this approach is not designed to establish causality, it provides useful evidence on the timing of changes and helps alleviate concerns related to reverse causality.

We extend the main specification by (i) replacing $SpousePublicSectorJob_{i,t}$ with the interaction term $Treat_i \times Post_t$, (ii) allowing this interaction to vary across event time, and (iii) implementing the analysis separately for Black and non-Black individuals. Specifically, we define $Treat$ as equal to 1 for individuals whose spouse ever works in the public sector and 0 otherwise. $Post$ equals 1 for observations following the start of the spouse's public-sector employment and 0 otherwise.

[INSERT FIGURE 2 ABOUT HERE.]

Figure 2 presents the estimated coefficients for the event-time interaction terms for Black and non-Black individuals. We find little evidence of differential pre-trends in self-employment between those with and without public-sector-employed spouses, suggesting that the two groups follow broadly similar patterns prior to the spouse's entry into the public sector. Among Black individuals, we observe a positive association between spousal public-sector employment and the likelihood of self-employment that emerges around three years after the spouse begins working in the public sector and gradually attenuates over time. A three-year window is a plausible horizon for such changes, as it allows families to adjust to increased income stability and accumulate a financial buffer. In contrast, among non-Black individuals, spousal public-sector employment is not systematically associated with self-employment over time.

Figure A.1 examines whether having a spouse employed in the public sector is associated with incorporated versus unincorporated self-employment among Black individuals. To do so, we construct two dependent variables: one indicating whether the focal person is self-employed in an incorporated business, and the other indicating whether the focal

person is self-employed in an unincorporated business (e.g., limited liability companies). We find that Black individuals are more likely to be self-employed in unincorporated businesses, rather than incorporated businesses, after their spouse secures a public-sector job. This finding suggests that while spousal public-sector employment may encourage Black self-employment, it primarily facilitates entry into small-scale businesses rather than high-growth ventures.

4.3 Mechanism Tests

What explains the relationship between spousal public-sector jobs and the racial gap in entrepreneurship? In other words, why are Black individuals more likely to be self-employed when their spouse works in the public sector? To explore the underlying mechanisms, we conduct multiple analyses based on several characteristics of focal individuals, their spouses, and their families.

4.3.1 Heterogeneity by spouse gender

Table 4 first reports heterogeneity by the gender of the spouse. This comparison helps examine whether the role of spousal public-sector employment depends on which spouse provides the stable public-sector income. In many families, spouses differ in labor-market attachment, earnings roles, and risk-taking decisions, so the safety-net value of a public-sector job may vary depending on whether the public-sector spouse is female or male. Columns (1) and (2) show that spousal public-sector employment is associated with a smaller racial gap in self-employment both when the spouse is female and when the spouse is male. The point estimate is larger in the male-spouse subsample, but the estimates are not statistically different from each other. This pattern suggests that the association is not limited to one spouse-gender configuration, consistent with the idea that public-sector employment can provide family-level stability more broadly.

4.3.2 Lack of evidence for resource transfer

Having a spouse with a public-sector job may provide direct financial or human capital. Alternatively, the stability of a public-sector job may facilitate risk sharing in entrepreneurial activities and serve as a safety net for the family. If spousal public-sector employment alleviates resource constraints through direct transfers, we would expect stronger results when the spouse has a higher income (which may enable greater financial support) or holds a managerial position (which may provide access to broader resources and social networks).

The empirical results are shown in Table 4. Columns (3) and (4) present split-sample results based on whether the spouse has a high income. Column (3) suggests that spousal public-sector employment is associated with a smaller racial gap when the spouse's income is below the top 25% of the sample, while column (4) shows a similar association for spouses with income in the top 25%. We do not detect statistically significant differences between these two groups. Columns (5) and (6) show that both non-managerial and managerial public-sector jobs are associated with a smaller racial gap in self-employment, and again we do not find statistically significant differences across these groups.

Taken together, these results fail to provide evidence that direct resource transfer is the primary mechanism underlying the relationship between spousal public-sector employment and the racial gap in entrepreneurship.[13] In the next section, we provide further evidence that spousal public-sector jobs may instead operate through a risk-sharing channel, serving as a safety net that is particularly important for Black families and thereby reducing the racial gap in entrepreneurship.

[INSERT TABLE 4 ABOUT HERE.]

4.3.3 Spousal public-sector jobs as a safety net

We first examine whether the relationship between spousal public-sector jobs and the racial gap in self-employment varies by educational level. Educational credentials serve

13. While we do not find direct evidence, we cannot rule out the possibility that resource transfer plays a role.

as an important quality signal in labor and credit markets and may alleviate discrimination against Black individuals (Blanchflower, Levine, and Zimmerman 2003; Yang and Kacperczyk 2024). We measure educational attainment using an indicator for whether the focal individual has a college degree. Individuals with a college degree may face fewer barriers in the labor market and have better outside options (Lang and Manove 2011), making them less reliant on family risk-sharing when considering entrepreneurship.

The results are shown in Table 4. Columns (7) and (8) indicate that spousal public-sector employment is associated with a smaller racial gap among individuals without a college degree, while no significant association is observed among those with a college education. This pattern is consistent with the idea that the safety net provided by a public-sector-employed spouse is more valuable for more disadvantaged groups. At the same time, education is correlated with multiple factors, including access to resources and social status, making it difficult to isolate the safety-net channel based on education alone.

We next provide more direct evidence using PSID data, which contains detailed information on family financial conditions and allows us to examine variation in financial risk exposure. Starting a business is inherently risky and can involve substantial financial losses (Hall and Woodward 2010). If spousal public-sector employment provides a safety net, its effect should be stronger for families that are more exposed to financial risk. One such indicator is whether the family carries a mortgage, which imposes fixed financial obligations and increases sensitivity to income volatility. In this setting, a stable public-sector income can serve as a buffer against downside risk if the business does not succeed.

Using PSID data, we conduct a split-sample analysis by mortgage status. Our findings support the safety-net mechanism. As shown in Figure 3, spousal public-sector employment is associated with a smaller racial gap in self-employment only among families with a mortgage. Consistent with this pattern, Table 5 shows that spousal public-sector employment is associated with a 6.1 percentage point increase in Black entrepreneurship

for families with a mortgage (column (2)), while the estimate is small and statistically insignificant for families without a mortgage (column (1)). The difference between these two groups is statistically significant at the 5% level (p-value = 0.028).

[INSERT FIGURE 3 ABOUT HERE.]

Additionally, we construct several variables as proxies for job security to provide a more general test. Specifically, we examine whether the focal individual is more likely to be self-employed when their spouse holds a more secure job, either in the public or private sector. We create two binary variables: one indicating whether the spouse's job is unionized and the other indicating whether the spouse is a union member. Column (3) of Table 5 shows that the racial difference in self-employment is smaller when the spouse's job is unionized, though it is not significantly associated with union membership (column (4)). We also measure job security using the standard deviation of the spouse's occupational status and salary. As shown in columns (5) and (6), the racial gap is smaller for individuals whose spouses have greater job security, defined as lower variation in occupational status and salary. These results suggest that the observed relationship between spousal public-sector employment and Black self-employment may extend more broadly to jobs that provide greater security.

[INSERT TABLE 5 ABOUT HERE.]

5 Discussion

Our analyses reveal a consistent pattern: the Black–white racial gap in entrepreneurship shrinks when the focal individual's spouse holds a public-sector job. The role of the spousal public-sector job in Black entrepreneurship is stronger when the focal person lacks a college degree and is concentrated among families that are more sensitive to financial risk. The result is not contingent on the spouse's salary level or managerial status, but it holds when using more general measures of employment security. These

suggest that our result is mainly driven by job stability rather than by direct resource transfers.

Our paper comes with limitations. First, because marriage is not randomly assigned, we cannot claim full causal identification. We address the main endogeneity concerns by (i) constructing Coarsened Exact Matching (CEM) samples to improve comparability between families with and without a public-sector spouse and (ii) employing an event-study design that tracks changes in self-employment after a spouse enters public employment, thereby alleviating reverse-causality worries. Second, although the public-sector job is one of the most significant job categories in the United States, it reflects only the impact of that category. Whether the findings of this study can be extrapolated to other similar job categories is still unclear. We offer suggestive evidence that other jobs with steady pay and secure employment might yield a similar pattern, but more fine-grained analyses are needed to theorize how different spousal job characteristics shape entrepreneurial decisions. Finally, we treat public-sector jobs as uniformly stable. Yet, heterogeneity in tenure protections, union coverage, and pension generosity might affect the stability of public-sector jobs and drive different results. Future research can delve deeper into the various facets of public-sector jobs using a finer-grained dataset of job characteristics.

Beyond these limitations, this study enriches our understanding of racial disparities in entrepreneurship from an underexplored angle—protection against financial risk. Prior research has mainly focused on the resource constraints Black entrepreneurs face in the private sector (Fairlie and Robb 2007; Younkin and Kuppuswamy 2019). However, the choice to start a business is not only contingent on access to resources but also on the ability to bear financial risk. We extend this literature by showing that the spousal public-sector employment can serve as a safety net for the family. This can buffer the financial risk of entrepreneurship, which is more salient for potential Black entrepreneurs, and thus encourages their entry into entrepreneurship. To the best of our knowledge, this is the first paper to examine risk protection as a significant factor reducing racial disparity in entrepreneurship.

Our study also contributes to the literature on the role of safety nets in entrepreneurship. Previous studies have shown that many social programs, such as paid family leave, unemployment insurance, child support, and healthcare insurance, can buffer financial risk, which affects people's decisions regarding entrepreneurship (Bao 2024; Fairlie, Kapur, and Gates 2011). However, most prior discussions focus on how institutional change affects individuals' safety nets, and many of these approaches require preexisting resources or employment opportunities, which are less feasible for Black individuals. Our paper extends this discussion by focusing on a unique perspective- family. We show that a spousal public-sector job can provide financial security for the whole family and encourage their significant others to pursue risky entrepreneurship.

Finally, we contribute to the studies on the family's role in entrepreneurship. Management research has established that entrepreneurial decisions are embedded in the family (Aldrich and Cliff 2003), but has largely cast the family as a source of resources the entrepreneur deploys, through intergenerational transmission (Jia, Lan, and Miquel 2021; Mishkin 2021) or spousal capital (Mathias and Wang 2023). We show that the family is not only a conduit for resources but also a risk-bearing unit: a spouse's stable employment functions as family-level insurance against entrepreneurial risk, a role that operates entirely through the stability of the spouse's job and is conceptually separable from any resources the spouse transfers. Building upon prior arguments about risk sharing within the family (Manchester, Benson, and Shaver 2023; Parker 2018), we show that this safety net is especially consequential for Black entrepreneurs, who face greater challenges in the private sector.

References

Aldrich, Howard E, Mara Brumana, Giovanna Campopiano, and Tommaso Minola. 2021. "Embedded but not asleep: Entrepreneurship and family business research in the 21st century." *Journal of Family Business Strategy* 12 (1): 100390.

Aldrich, Howard E, and Jennifer E Cliff. 2003. "The pervasive effects of family on entrepreneurship: Toward a family embeddedness perspective." *Journal of Business Venturing* 18 (5): 573–596.

Artz, Benjamin, and Ilker Kaya. 2014. "The impact of job security on job satisfaction in economic contractions versus expansions." *Applied Economics* 46 (24): 2873–2890.

Baldwin, J Norman. 1990. "Public versus private employees: Debunking stereotypes." *Review of Public Personnel Administration* 11 (1-2): 1–27.

Bao, Jiayi. 2022. "Social safety nets and new venture performance: The role of employee access to paid family leave benefits." *Strategic Management Journal* 43 (12): 2545–2576.

———. 2024. "Gender gap in STEM entrepreneurship: Effects of the Affordable Care Act reform." *Strategic Management Journal*.

Bellante, Don, and Albert N Link. 1981. "Are public sector workers more risk averse than private sector workers?" *ILR Review* 34 (3): 408–412.

Blanchard, Lloyd, Bo Zhao, and John Yinger. 2008. "Do lenders discriminate against minority and woman entrepreneurs?" *Journal of Urban Economics* 63 (2): 467–497.

Blanchflower, David G, Phillip B Levine, and David J Zimmerman. 2003. "Discrimination in the small-business credit market." *Review of Economics and Statistics* 85 (4): 930–943.

Bradford, William D. 2003. "The wealth dynamics of entrepreneurship for black and white families in the US." *Review of Income and Wealth* 49 (1): 89–116.

Chatterji, Aaron K, Kenneth Y Chay, and Robert W Fairlie. 2014. "The impact of city contracting set-asides on black self-employment and employment." *Journal of Labor Economics* 32 (3): 507–561.

Clark, Andrew, and Fabien Postel-Vinay. 2009. "Job security and job protection." *Oxford Economic Papers* 61 (2): 207–239.

Cogan, Aviel, Tobias Pret, and Melissa S Cardon. 2022. "Everyday social support processes: Household members' instrumental and emotional support of entrepreneurs." *International Small Business Journal* 40 (5): 537–563.

Derenoncourt, Ellora, Chi Hyun Kim, Moritz Kuhn, and Moritz Schularick. 2024. "Wealth of two nations: The US racial wealth gap, 1860–2020." *The Quarterly Journal of Economics* 139 (2): 693–750.

Evans, David S, and Boyan Jovanovic. 1989. "An estimated model of entrepreneurial choice under liquidity constraints." *Journal of political economy* 97 (4): 808–827.

Fairlie, Robert, Alicia Robb, and David T Robinson. 2022. "Black and white: Access to capital among minority-owned start-ups." *Management Science* 68 (4): 2377–2400.

Fairlie, Robert W. 1999. "The absence of the African-American owned business: An analysis of the dynamics of self-employment." *Journal of labor Economics* 17 (1): 80–108.

Fairlie, Robert W, Kanika Kapur, and Susan Gates. 2011. "Is employer-based health insurance a barrier to entrepreneurship?" *Journal of Health Economics* 30 (1): 146–162.

Fairlie, Robert W, and Alicia M Robb. 2007. "Why are black-owned businesses less successful than white-owned businesses? The role of families, inheritances, and business human capital." *Journal of Labor Economics* 25 (2): 289–323.

Folta, Timothy B, Frédéric Delmar, and Karl Wennberg. 2010. "Hybrid entrepreneurship." *Management science* 56 (2): 253–269.

Freeland, Robert E, and Lisa A Keister. 2016. "How does race and ethnicity affect persistence in immature ventures?" *Journal of Small Business Management* 54 (1): 210–228.

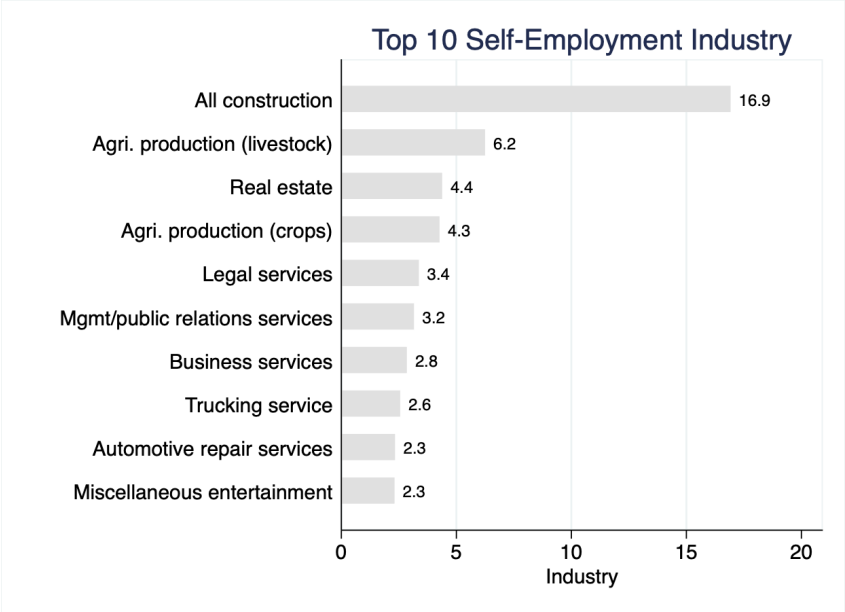
Grodsky, Eric, and Devah Pager. 2001. "The structure of disadvantage: Individual and occupational determinants of the black-white wage gap." *American Sociological Review,* 542–567.

Guzman, Jorge, and Aleksandra Olenka Kacperczyk. 2019. "Gender gap in entrepreneurship." *Research Policy* 48 (7): 1666–1680.
Hall, Robert E, and Susan E Woodward. 2010. "The burden of the nondiversifiable risk of entrepreneurship." *American Economic Review* 100 (3): 1163–1194.
Hurst, Erik, and Annamaria Lusardi. 2004. "Liquidity constraints, household wealth, and entrepreneurship." *Journal of political Economy* 112 (2): 319–347.
Jia, Ruixue, Xiaohuan Lan, and Gerard Padró i Miquel. 2021. "Doing business in China: Parental background and government intervention determine who owns busines." *Journal of Development Economics* 151:102670.
Kerrissey, Jasmine, and Nathan Meyers. 2022. "Public-sector unions as equalizing institutions: race, gender, and earnings." *ILR Review* 75 (5): 1215–1239.
Kim, Daehyun, Yongwook Paik, and Namil Kim. 2023. "How digital platforms affect local entrepreneurial activities: Evidence from the staggered entry of craigslist." *Strategic Entrepreneurship Journal.*
Kleinhempel, Johannes, Mariko J Klasing, and Sjoerd Beugelsdijk. 2023. "Cultural roots of entrepreneurship: Evidence from second-generation immigrants." *Organization Science* 34 (5): 1800–1819.
Lang, Kevin, and Michael Manove. 2011. "Education and labor market discrimination." *American Economic Review* 101 (4): 1467–1496.
Laspita, Stavroula, Nicola Breugst, Stephan Heblich, and Holger Patzelt. 2012. "Intergenerational transmission of entrepreneurial intentions." *Journal of business venturing* 27 (4): 414–435.
Law, Christopher G, Travis Howell, Chris Bingham, and Y Sekou Bermiss. 2025. "From joiners to founders: Startup employment and underrepresented entrepreneurs." *Strategic Management Journal.*
Lewis, Gregory B, and Sue A Frank. 2002. "Who wants to work for the government?" *Public administration review* 62 (4): 395–404.
Manchester, Colleen Flaherty, Alan Benson, and J Myles Shaver. 2023. "Dual careers and the willingness to consider employment in startup ventures." *Strategic Management Journal.*
Mandel, Hadas, and Moshe Semyonov. 2021. "The gender-race intersection and the 'sheltering-effect'of public-sector employment." *Research in Social Stratification and Mobility* 71:100581.
Mare, Robert D. 1991. "Five decades of educational assortative mating." *American sociological review,* 15–32.
Marx, Matt, Qian Wang, and Emmanuel Yimfor. 2026. "Minimum viable signal: Venture funding, social movements, and race." *Management Science* 72 (4): 3332–3350.
Mathias, Blake D, and Stephanie Wang. 2023. "Not so silent partners: Exploring the interconnected roles of entrepreneurs and their spouses." *Journal of Business Venturing* 38 (4): 106312.
Mishkin, Elizabeth. 2021. "Gender and sibling dynamics in the intergenerational transmission of entrepreneurship." *Management Science* 67 (10): 6116–6135.
Özcan, Serden, and Toke Reichstein. 2009. "Transition to entrepreneurship from the public sector: Predispositional and contextual effects." *Management Science* 55 (4): 604–618.
Pager, Devah, and Hana Shepherd. 2008. "The sociology of discrimination: Racial discrimination in employment, housing, credit, and consumer markets." *Annu. Rev. Sociol* 34 (1): 181–209.
Parker, Simon C. 2018. *The economics of entrepreneurship (2nd ed.)* Cambridge university press.
Pencavel, John. 1998. "Assortative mating by schooling and the work behavior of wives and husbands." *The American Economic Review* 88 (2): 326–329.
Quadrini, Vincenzo. 2000. "Entrepreneurship, saving, and social mobility." *Review of economic dynamics* 3 (1): 1–40.
Randerson, Kathleen, Cristina Bettinelli, Alain Fayolle, and Alistair Anderson. 2015. "Family entrepreneurship as a field of research: Exploring its contours and contents." *Journal of Family Business Strategy* 6 (3): 143–154.

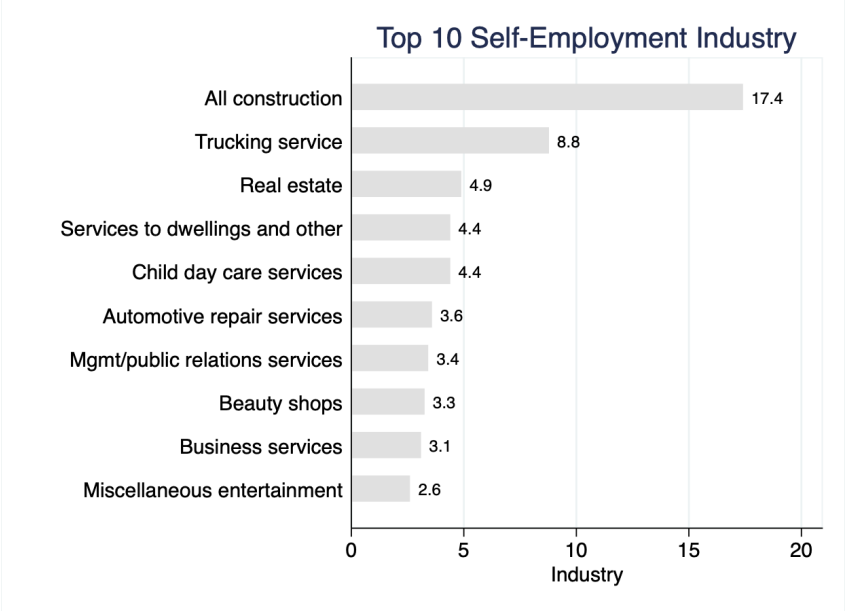
Rogoff, Edward G, and Ramona Kay Zachary Heck. 2003. "Evolving research in entrepreneurship and family business: Recognizing family as the oxygen that feeds the fire of entrepreneurship." *Journal of business venturing* 18 (5): 559–566.
Sanders, Jimy M, and Victor Nee. 1987. "Limits of ethnic solidarity in the enclave economy." *American sociological review,* 745–773.
Schwartz, Christine R. 2013. "Trends and variation in assortative mating: Causes and consequences." *Annual Review of Sociology* 39 (1): 451–470.
Snellman, Kaisa, and Peter Younkin. 2021. "Who's the boss? Evidence of job seeker bias from a field experiment."
Stroube, Bryan K, and Gary Dushnitsky. 2025. "Mapping entrepreneurial inclusion across US neighborhoods: The case of low-code e-commerce entrepreneurship." *Strategic Management Journal.*
Stuart, Toby E, and Olav Sorenson. 2005. "Social networks and entrepreneurship." *Handbook of entrepreneurship research: Interdisciplinary perspectives,* 233–252.
Unger, Jens M, Andreas Rauch, Michael Frese, and Nina Rosenbusch. 2011. "Human capital and entrepreneurial success: A meta-analytical review." *Journal of business venturing* 26 (3): 341–358.
Wasserman, Noam. 2012. "The founder's dilemmas: Anticipating and avoiding the pitfalls that can sink a startup."
Yang, Tiantian, and Olenka Kacperczyk. 2024. "The racial gap in entrepreneurship and opportunities inside established firms." *Strategic Management Journal* 45 (4): 745–774.
Younkin, Peter, and Venkat Kuppuswamy. 2018. "The colorblind crowd? Founder race and performance in crowdfunding." *Management Science* 64 (7): 3269–3287.
———. 2019. "Discounted: The effect of founder race on the price of new products." *Journal of Business Venturing* 34 (2): 389–412.

Figure 1: Industry Distribution of Self-Employment (CPS Sample)

(a) All Self-Employed Individuals

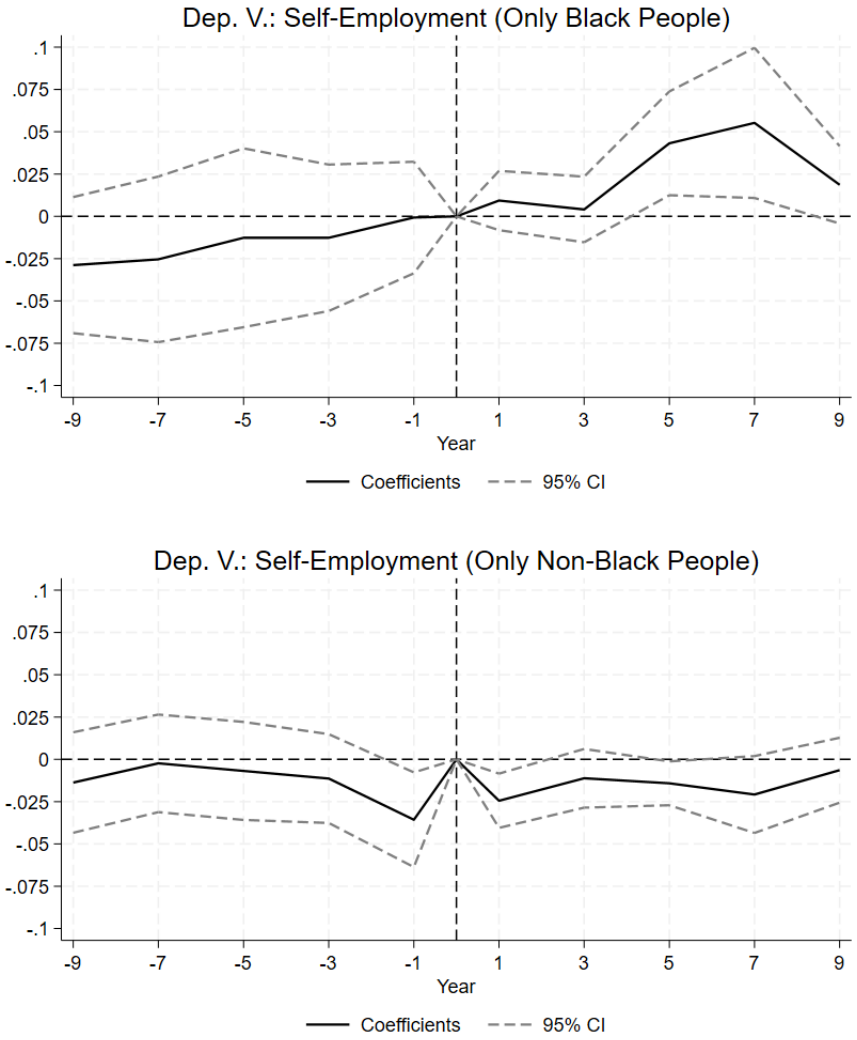


(b) Self-Employed Black Individuals with Spouses Working in the Public Sector



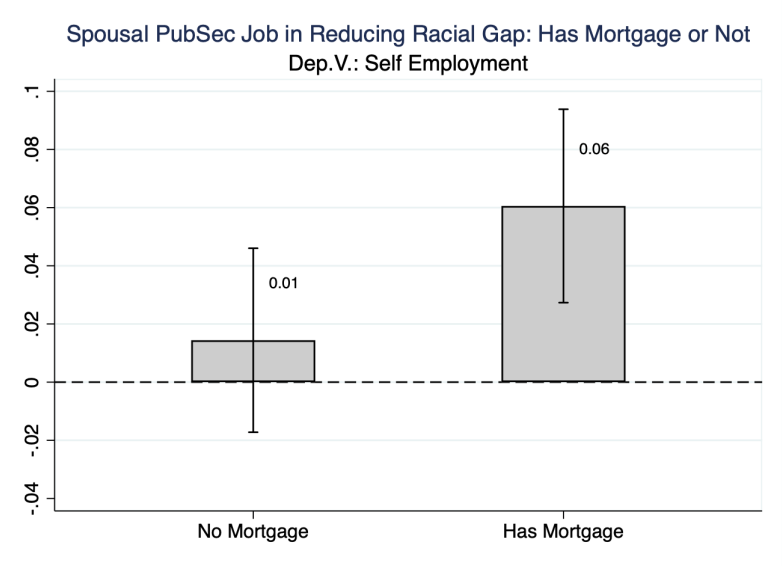
Notes. This figure shows the industry distribution of self-employment. Figure 1a lists the top 10 frequent self-employed industry for all individuals in the CPS sample. Figure 1b lists the top 10 frequent self-employed industry only for Black individuals whose spouses work in the public sector.

Figure 2: Event Study Analyses of the Spousal Public-Sector Jobs (PSID Sample)



Notes. These two figures provide event study analyses for Black and non-Black individuals separately. The solid line corresponds to the coefficient estimates from regressions in which whether the focal person is self-employed or not is regressed on the interaction terms between the treatment status (i.e., their spouses work in the public sector) and the number of years before/after the starting time of working in the public sector. State and year fixed effects are included. Robust standard errors were clustered at the state level. The light dashed lines show the 95% confidence intervals around these estimates.

Figure 3: Mechanism Test: Whether the Family Has a Mortgage (PSID Sample)



Notes. This figure reports results from a split-sample regression analysis that tests for heterogeneity by family mortgage status. *Self Employment* is whether the focal individual is self-employed. *No Mortgage* indicates that the family doesn't have a mortgage.

Table 1: Summary Statistics: Descriptive Statistics and Correlations (CPS Sample)

Var.	N	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Self-Employed	665686	0.144	0.35	1.000											
(2) PubSec Job	665686	0.175	0.38	-0.035	1.000										
(3) Black	665686	0.070	0.26	-0.058	0.037	1.000									
(4) Asian	665686	0.033	0.18	-0.001	-0.021	-0.051	1.000								
(5) White	665686	0.769	0.42	0.053	-0.016	-0.773	-0.521	1.000							
(6) Hispanic	665686	0.127	0.33	-0.052	-0.047	-0.105	-0.071	0.052	1.000						
(7) Male	665686	0.665	0.47	0.068	0.086	-0.017	-0.009	0.023	-0.024	1.000					
(8) Age	665686	43.106	11.25	0.157	0.066	-0.002	0.031	-0.007	-0.091	0.086	1.000				
(9) College Education	665686	0.352	0.48	0.009	0.093	-0.042	0.099	-0.013	-0.135	-0.047	0.061	1.000			
(10) Ln(Income of Spouse)	665686	10.056	1.69	-0.018	0.059	-0.019	0.032	0.002	-0.092	-0.209	0.094	0.182	1.000		
(11) Managerial Position (Spouse)	665686	0.119	0.32	0.079	-0.050	-0.032	-0.004	0.032	-0.056	-0.069	0.066	0.089	0.118	1.000	
(12) Number of Children	665686	1.310	1.18	-0.012	0.005	0.008	-0.001	-0.010	0.081	-0.010	-0.186	-0.019	-0.058	-0.017	1.000

Notes. Each observation is at the individual level.

Table 2: Summary Statistics: Baseline Sample and Matched Sample (CPS Sample)

	PubSec Job = 1			PubSec Job = 0				
Var.	Observations	Mean	SD	Observations	Mean	SD	Diff	p-value
Panel A: Baseline Sample								
Self-Employed	116204	0.118	0.32	549482	0.150	0.36	-0.032	(0.00)
Black	116204	0.091	0.29	549482	0.066	0.25	0.025	(0.00)
Asian	116204	0.025	0.16	549482	0.035	0.18	-0.010	(0.00)
White	116204	0.791	0.41	549482	0.765	0.42	0.026	(0.00)
Hispanic	116204	0.094	0.29	549482	0.134	0.34	-0.041	(0.00)
Male	116204	0.754	0.43	549482	0.647	0.48	0.107	(0.00)
Age	116204	44.719	10.48	549482	42.765	11.37	1.954	(0.00)
College Education	116204	0.449	0.50	549482	0.332	0.47	0.117	(0.00)
Ln(Income of Spouse)	116204	10.272	1.29	549482	10.011	1.76	0.261	(0.00)
Managerial Position (Spouse)	116204	0.084	0.28	549482	0.127	0.33	-0.042	(0.00)
Number of Children	116204	1.323	1.15	549482	1.307	1.19	0.016	(0.00)
Panel B: Matched Sample								
Self-Employed	115276	0.118	0.32	115276	0.155	0.36	-0.037	(0.00)
Black	115276	0.088	0.28	115276	0.088	0.28	0.000	(1.00)
Asian	115276	0.024	0.15	115276	0.024	0.15	0.000	(1.00)
White	115276	0.795	0.40	115276	0.795	0.40	0.000	(1.00)
Hispanic	115276	0.093	0.29	115276	0.093	0.29	0.000	(1.00)
Male	115276	0.754	0.43	115276	0.754	0.43	0.000	(1.00)
Age	115276	44.676	10.43	115276	44.661	10.45	0.015	(0.74)
College Education	115276	0.448	0.50	115276	0.448	0.50	0.000	(1.00)
Ln(Income of Spouse)	115276	10.281	1.25	115276	10.274	1.26	0.007	(0.21)
Managerial Position (Spouse)	115276	0.083	0.28	115276	0.083	0.28	0.000	(1.00)
Number of Children	115276	1.314	1.13	115276	1.314	1.13	0.000	(1.00)

Notes. Each observation is at the individual level. Panel A reports statistics for all the observations in our sample, and Panel B reports statistics only for observations after the Coarsened Exact Matching.

Table 3: Spousal Public-Sector Job & the Racial Gap in Self-Employment (CPS Sample)

	(1)	(2)	(3)	(4)	(5)	(6)
	Self-Employed					
	Baseline Sample			Matched Sample		
PubSec Job × Black	0.021	0.017	0.017	0.019	0.018	0.018
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)	(0.005)
Black	-0.082	-0.078	-0.073	-0.080	-0.078	-0.071
	(0.009)	(0.008)	(0.006)	(0.008)	(0.009)	(0.007)
PubSec Job	-0.033	-0.044	-0.047	-0.040	-0.039	-0.043
	(0.002)	(0.003)	(0.002)	(0.003)	(0.003)	(0.002)
Ln(Income of Spouse)		-0.006	-0.004		-0.002	0.002
		(0.002)	(0.001)		(0.001)	(0.001)
Age		0.005	0.005		0.004	0.004
		(0.000)	(0.000)		(0.000)	(0.000)
College Education		0.004	0.010		-0.002	0.004
		(0.005)	(0.002)		(0.006)	(0.004)
Male		0.041	0.037		0.047	0.044
		(0.005)	(0.005)		(0.006)	(0.005)
Number of Children		0.005	0.005		0.004	0.004
		(0.001)	(0.001)		(0.001)	(0.001)
Asian		-0.017	-0.012		-0.027	-0.021
		(0.006)	(0.006)		(0.007)	(0.008)
Hispanic		-0.040	-0.044		-0.037	-0.038
		(0.007)	(0.004)		(0.008)	(0.005)
Manager (Spouse)		0.070	0.069		0.042	0.040
		(0.010)	(0.010)		(0.005)	(0.005)
Constant	0.152	-0.029	-0.052	0.159	-0.048	-0.087
	(0.007)	(0.006)	(0.009)	(0.007)	(0.009)	(0.014)
Location FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.005	0.042	0.051	0.007	0.032	0.042
Observations	665681	665681	665681	230552	230552	230552

Notes. This table shows the role of spousal public-sector employment in the racial gap in entrepreneurship using the CPS sample. Columns (1) to (3) use the full sample. Columns (4) to (6) use the CEM-matched sample. All regressions are weighted using CPS sampling weights. *Self-Employed* is a binary variable, which equals 1 when the focal person is self-employed and 0 otherwise. *Black* indicates whether the focal person is Black, and *PubSec Job* measures whether the focal person's spouse has a (federal, state, or local) public-sector job. Standard errors are reported in parentheses and are clustered at the MSA level.

Table 4: Heterogeneous Analyses (CPS Matched Sample)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Self-Employed							
	Female Spouse	Male Spouse	Not High Income	High Income	Not Manager	Manager	Not College	College
PubSec Job × Black	0.016	0.027	0.020	0.016	0.017	0.048	0.024	0.002
	(0.006)	(0.006)	(0.006)	(0.009)	(0.005)	(0.016)	(0.006)	(0.007)
Black	-0.081	-0.058	-0.079	-0.059	-0.074	-0.099	-0.085	-0.055
	(0.011)	(0.007)	(0.010)	(0.010)	(0.009)	(0.016)	(0.009)	(0.009)
PubSec Job	-0.043	-0.044	-0.040	-0.052	-0.038	-0.102	-0.034	-0.053
	(0.002)	(0.003)	(0.002)	(0.004)	(0.002)	(0.011)	(0.002)	(0.004)
Constant	-0.050	-0.084	-0.047	-0.536	-0.085	0.005	-0.051	-0.126
	(0.016)	(0.015)	(0.020)	(0.070)	(0.016)	(0.036)	(0.034)	(0.011)
Location FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Other Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.039	0.024	0.043	0.050	0.038	0.085	0.041	0.049
Observations	173865	56679	173702	56842	211486	19043	127378	103174

Notes. This table reports the split-sample analyses by the spouse's gender, income, and managerial position, as well as the focal person's education. All regressions are weighted using CPS sampling weights. *Self-Employed* is a binary variable, which equals 1 when the focal person is self-employed and 0 otherwise. *Black* indicates whether the focal person is Black, and *PubSec Job* measures whether the focal person's spouse has a (federal, state, or local) public-sector job. *Female Spouse* and *Male Spouse* indicate whether the focal person's spouse is female or male, respectively. *High Income* equals one when the annual income of the focal person's spouse is greater than the 75th percentile of the sample and 0 otherwise. *Manager* is classified using OCC codes in the CPS data. *College* indicates whether the focal person received a college education. Other controls include Asian, Hispanic, ln(income of spouse), age, male, and number of children. Standard errors are reported in parentheses and are clustered at the MSA level.

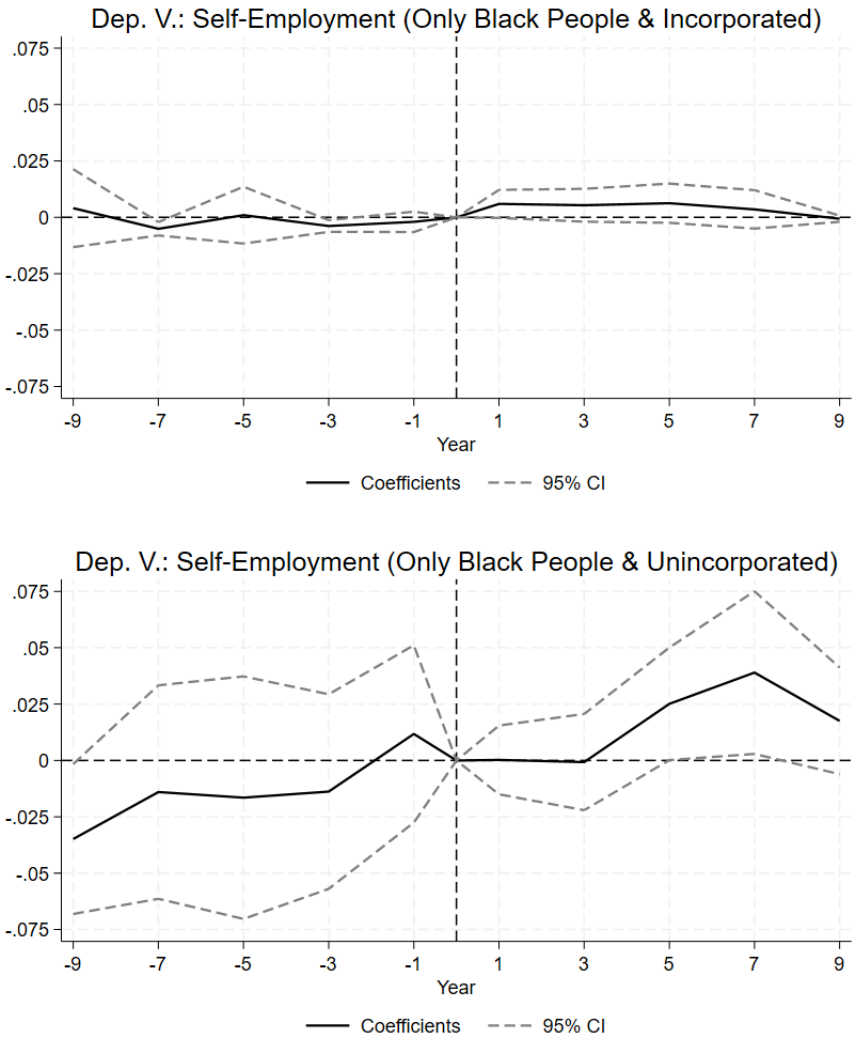
Table 5: Mechanism: Job Security (PSID Sample)

	(1)	(2)	(3)	(4)	(5)	(6)
	Self-Employed					
	No Mortgage	Has a Mortgage	Other Measures of Job Security			
PubSec Job × Black	0.014	0.061				
	(0.016)	(0.017)				
Unionized Job × Black			0.022			
			(0.013)			
Join Union × Black				0.012		
				(0.014)		
S.D. of Employment Status × Black					-0.115	
					(0.019)	
S.D. of Salary × Black						-0.060
						(0.021)
Constant	-0.014	-0.023	-0.019	-0.020	-0.038	-0.027
	(0.024)	(0.039)	(0.018)	(0.018)	(0.018)	(0.018)
Location FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Other Controls	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.027	0.024	0.022	0.022	0.023	0.022
Observations	31234	37469	68767	68767	68767	68767

Notes. This table reports the mechanism tests regarding the spouse's job security using alternative measures of stable jobs and different comparison groups. All regressions are weighted using PSID sampling weights. *Self-Employed* is a binary variable, which equals 1 when the focal person is self-employed and 0 otherwise. *Black* indicates whether the focal person is Black, and *PubSec Job* measures whether the focal person's spouse has a (federal, state, or local) public-sector job. *Mortgage* indicates whether the family has a mortgage. *Unionized Job* and *Join Union* indicate whether the spouse's job is unionized and whether the spouse is a union member, respectively. *S.D. of Employment Status* and *S.D. of Salary* measure the standard deviation of the spouse's employment status (i.e., employed or not) and salary. Other controls include Asian, Hispanic, ln(income of spouse), age, male, number of children, and college education. Standard errors are reported in parentheses and are clustered at the State level.

Appendix

Figure A.1: Event Study Analyses: Incorporated vs. Unincorporated Self-Employment (PSID Sample)



Notes. These figures present event study analyses for Black individuals, separately for incorporated and unincorporated businesses. The solid line corresponds to the coefficient estimates from regressions in whether the focal person is self-employed or not (in incorporated or unincorporated business) is regressed on the interaction terms between the treatment status (i.e., their spouses work in the public sector) and the number of years before/after the starting time of working in the public sector. State and year fixed effects are included. Robust standard errors were clustered at the state level. The light dashed lines show the 95% confidence intervals around these estimates.

Table A.1: Robustness Tests (CPS Sample)

	(1)	(2)	(3)	(4)	(5)	(6)
	Self-Employed					
	Different PubSec Jobs			Hispanic	Industry FE	No Unemployed Spouses
Federal PubSec Job × Black	0.015					
	(0.005)					
State PubSec Job × Black		0.015				
		(0.007)				
Local PubSec Job × Black			0.010			
			(0.005)			
PubSec Job × Hispanic				0.005		
				(0.006)		
PubSec Job × Black					0.015	0.019
					(0.004)	(0.004)
Black	-0.068	-0.069	-0.070	-0.066	-0.038	-0.076
	(0.009)	(0.009)	(0.010)	(0.009)	(0.005)	(0.010)
Federal PubSec Job	-0.029					
	(0.003)					
State PubSec Job		-0.031				
		(0.002)				
Local PubSec Job			-0.025			
			(0.002)			
PubSec Job				-0.042	-0.015	-0.044
				(0.002)	(0.002)	(0.002)
Constant	-0.100	-0.096	-0.093	-0.084	-0.109	-0.080
	(0.015)	(0.015)	(0.016)	(0.016)	(0.009)	(0.015)
Industry FE	No	No	No	No	Yes	No
Location FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Other Controls	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.038	0.038	0.038	0.041	0.258	0.041
Observations	230552	230552	230552	230552	230552	225572

Notes. This table presents the results of various robustness checks (CPS sample). *Self-Employed* is a binary variable, which equals 1 when the focal person is self-employed and 0 otherwise. *Black* indicates whether the focal person is Black, and *Hispanic* indicates whether the focal person is Hispanic. *PubSec Job* measures whether the focal person's spouse has a (federal, state, or local) public-sector job. Other controls include ln(income of spouse), age, college education, male, number of children, race indicators, and spousal managerial position. Standard errors are reported in parentheses and are clustered at the MSA level.

Table A.2: Summary Statistics: Descriptive Statistics and Correlations (PSID Sample)

Var.	N	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Self Employment	68767	0.154	0.36	1.000													
(2) Spousal Govt Job	68767	0.162	0.37	0.021	1.000												
(3) Black	68767	0.229	0.42	-0.080	-0.038	1.000											
(4) Other Non-White Race	68767	0.033	0.18	0.002	-0.012	-0.052	1.000										
(5) Male	68767	0.994	0.07	0.099	0.204	-0.247	0.010	1.000									
(6) Age	68767	44.667	13.81	0.014	0.010	-0.082	-0.015	-0.017	1.000								
(7) College Education	68767	0.245	0.43	0.060	0.090	-0.187	0.031	0.090	0.028	1.000							
(8) Ln(Income of Spouse)	68767	5.154	5.15	0.061	0.380	-0.150	-0.005	0.402	-0.046	0.107	1.000						
(9) Number of Children	68767	1.107	1.25	0.008	0.044	0.074	-0.003	0.013	-0.296	-0.065	0.089	1.000					
(10) Mortgage or Not	68767	0.545	0.50	0.060	0.165	-0.194	-0.010	0.238	0.081	0.179	0.296	0.081	1.000				
(11) Unionized Job	68767	0.078	0.27	0.001	0.407	-0.022	-0.000	0.138	0.004	0.026	0.295	0.033	0.108	1.000			
(12) Join Union	68767	0.065	0.25	-0.001	0.370	-0.030	0.003	0.126	0.008	0.029	0.271	0.030	0.105	0.908	1.000		
(13) S.D. of Employment Status	68767	0.341	0.22	0.089	0.205	-0.199	-0.001	0.588	-0.020	0.105	0.378	0.078	0.268	0.119	0.109	1.000	
(14) S.D. of Salary	68767	0.330	0.22	0.069	0.189	-0.193	-0.006	0.565	-0.033	0.081	0.398	0.090	0.259	0.139	0.126	0.835	1.000

Notes. Each observation is at individual level.

Table A.3: Spousal Public-Sector Jobs & the Racial Gap in Self-Employment (PSID Sample)

	(1)	(2)	(3)	(4)	(5)	(6)
	Self-Employed					
PubSec Job × Black	0.039	0.039	0.040			
	(0.012)	(0.012)	(0.012)			
Federal PubSec Job × Black				0.078		
				(0.027)		
State PubSec Job × Black					0.038	
					(0.015)	
Local PubSec Job × Black						0.016
						(0.016)
Black	-0.074	-0.071	-0.071	-0.066	-0.067	-0.065
	(0.008)	(0.008)	(0.008)	(0.007)	(0.007)	(0.008)
PubSec Job	-0.009	-0.019	-0.023			
	(0.008)	(0.008)	(0.007)			
Federal PubSec Job				-0.053		
				(0.017)		
State PubSec Job					-0.012	
					(0.013)	
Local PubSec Job						-0.019
						(0.011)
Constant	0.171	0.015	-0.017	-0.017	-0.017	-0.020
	(0.006)	(0.016)	(0.018)	(0.018)	(0.018)	(0.018)
Location FE	No	No	Yes	Yes	Yes	Yes
Year FE	No	No	Yes	Yes	Yes	Yes
Other Controls	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.006	0.010	0.022	0.022	0.021	0.021
Observations	68767	68767	68767	68767	68767	68767

Notes. This table examines the role of the spousal public-sector employment on the racial gap in entrepreneurship (PSID sample). *Self-Employed* is a binary variable, which equals 1 when the focal person is self-employed and 0 otherwise. *Black* indicates whether the focal person is Black, and *PubSec Job* measures whether the focal person's spouse has a (federal, state, or local) public-sector job. Other controls include ln(income of spouse), age, college education, male, number of children, and race indicators. Standard errors are reported in parentheses and are clustered at the state level.