



Gender Differences in Full-Time Self-Employment

Suzanne Heller Clain

This analysis reveals interesting gender differences in full-time self-employment. Women who choose full-time self-employment have personal characteristics that are less highly valued in the marketplace than women who work full-time in wage-and-salary employment. The reverse is true for men. It is unclear whether the gender gap in self-employment income is the result of different supply decisions made by women, or greater constraints and/or discriminatory elements faced by women. There is some suggestion that women may place a higher value on nonwage aspects of self-employment than men do. © 2000 Elsevier Science Inc.

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I. Introduction

In this paper, gender differences in the propensity for self-employment (vs. wage-and-salary employment) and in the levels of earnings in each type of employment are investigated, using econometric techniques. It is found that women who choose self-employment have personal characteristics that are less highly valued by the market than women who choose wage-and-salary employment; the reverse is true for men. Certain personal characteristics appear to affect self-employment earnings differently for women than for men. It is unclear whether the resulting gender gap in self-employment earnings is the result of different supply decisions made by women or the result of greater constraints and/or discriminatory elements faced by women. Finally, the observed gender differences in the gap between self-employment earnings and potential wage-and-salary income suggest that self-employed women may place a higher value on the nonwage aspects of self-employment than self-employed men do.

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A review of the relevant literature is presented in Section II. A discussion of the methodology used in this paper is contained in Section III. Section IV provides a description of the data used, whereas the empirical findings are outlined in Section V. The main conclusions and implications of this research appear in Section VI.

II. Literature Review

The issue of self-employment has attracted the attention of economic researchers in the past decade for various reasons. Some economists have been drawn to the topic by the expansion of the self-employed sector that began in the U.S. in the mid-1970s (Blau, 1987; Evans and Leighton, 1989; Devine, 1994a, 1994b). Others have been interested in the self-employment of marginalized groups (Moore, 1983a; Bates, 1997; Borjas and Bronars, 1989; Fairlie and Meyer, 1996). Common threads running throughout this body of research concern the role of self-employment in economic advancement and growth, and the impact of public policies on self-employment (Moore, 1983b; Blau, 1985 and 1987; Yuengert, 1994).

In many of these studies, the empirical portion of the analysis was applied exclusively to men (Rees and Shah, 1986; Evans and Leighton, 1989; Evans and Jovanovic, 1989; Yuengert, 1994). Rees and Shah explained their decision to omit all females from their study by characterizing full-time self-employment as “predominantly a male preserve.”¹

Moore (1983a), Devine (1994a), and Fairlie and Meyer (1996) stand apart from these others by applying their analyses to women as well as men. The figures reported in these studies confirm that men have been more prone to full-time, full-year self-employment than women.² However, the growth in the self-employment rates has made the study of women more viable and more crucial.³ In fact, Devine (1994b) focused exclusively on women, in an effort to explore gender-specific reasons for the substantial increase in the nonagricultural female self-employment rate between 1975 and 1987.

The information on self-employed men and women found in these latter studies does not provide a complete picture of gender differences in self-employment, however. In the study by Fairlie and Meyer, male/female comparisons were secondary to the primary interest in ethnic and racial self-employment differences. Even so, although these authors did explore ethnic and racial differences in the self-employment rates of both men and women, their analysis of ethnic and racial differences in earnings was restricted to men, because sample sizes were too small for women. In testing for employer discrimination against women, Moore focused on female/male earnings ratios in self-employment and in wage-and-salary employment. He did not explore gender differences in self-employment rates, because he felt such differences would reflect imperfections in the capital markets, and not provide a true test of employer discrimination.

¹ Some of these authors used household data and elected to focus exclusively on men (Rees and Shah, 1986; Yuengert, 1994). Others used the National Longitudinal Survey of Young Men, which did not include data on women (Evans and Jovanovic, 1989; Evans and Leighton, 1989).

² In Moore's 1978 sample, 6.7% of men and 2.5% of women were self-employed. Fairlie and Meyer found self-employment rates to be 10.8% for men and 5.8% for women in 1989. In 59 of the 60 ethnic/racial groups studied by Fairlie and Meyer, the self-employment rates of men exceeded the self-employment rates of women. The exception was the Vietnamese group.

³ Devine reported that the full-time, full-year self-employment rate for women (men) had increased from 3.2% to 5.8% (10.9% to 12.8%) between 1975 and 1990

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