

## Two Different Worlds: Men and Women From 9 to 5

*In a study of U.S. small businesses — with an average size of 6 employees — researchers made three discoveries. (1) Most men worked in firms that employed primarily men, while most women worked in firms that employed primarily women. (2) Both the gender and the education of the business owner were systematically related to the hiring of female employees. (3) Firms with a higher percentage of male employees paid higher wages and salaries.*

*The data for these findings are based upon the U. S. Census Bureau's 1982 Characteristics of Business Owners (CBO) survey. Every 5 years, the CBO survey gathers information on a sample of female and minority business owners and a comparable sample of nonminority male business owners. The businesses are sole proprietorships, partnerships, or sub-chapter S corporations.*



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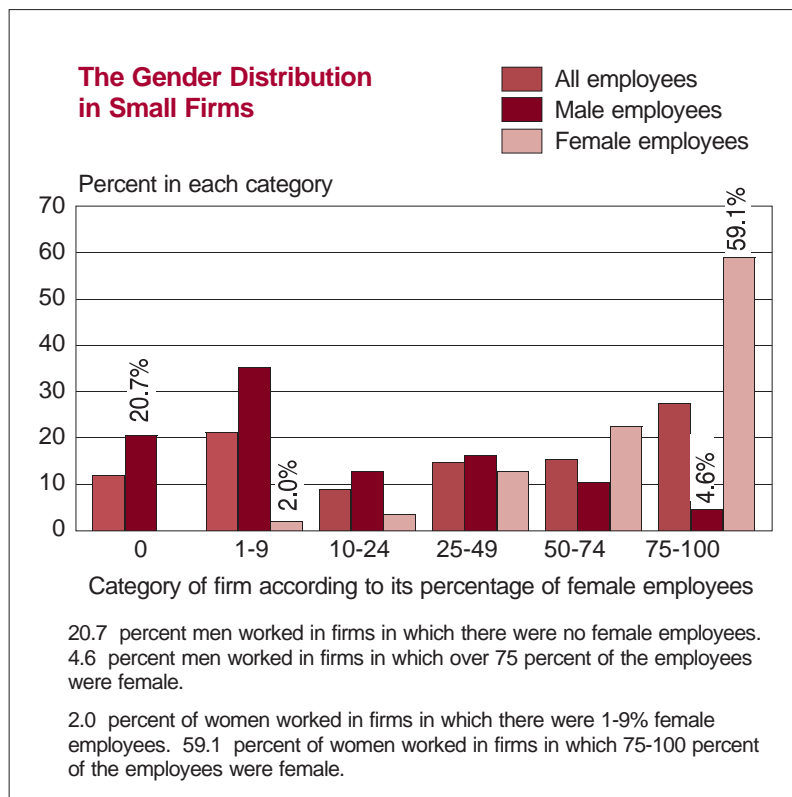
U.S. Department of Commerce  
Economics and Statistics Administration  
BUREAU OF THE CENSUS

### Small Firms Employ Primarily One Gender

While previous studies have examined the distribution of men and women in large firms, this is the first research to examine their distribution in small firms and to link the characteristics of business owners to the gender composition (i.e., the proportional presence of males and females) of the workplace. A sizable segment — about 40 percent — of the nation's employees work — in firms of under 100 workers.

Using the CBO data on small businesses, researchers found that nearly 60 percent of women worked in firms where 75-100 percent of their co-workers were women, and over 75 percent worked in firms where more than half the employees were women.

A full 56 percent of men worked in firms where more than 90 percent of all employees were men, and over 20 percent of men worked in an all male firm.



### The Business Owner Makes a Difference

Two characteristics of the business owners —gender and education — show a systematic relationship to the gender composition of the firm's workers.

- Female small business owners hire more female employees than do male owners. While about 39 percent of employees hired by men are women, 52 percent of employees hired by women are women.
- The higher the educational attainment of the male small business owner, the larger the percentage of female employees he hires. The percent women rises from 31.8 in firms owned by men with 8 or fewer years of education to 49.7 in firms owned by men with 16 or more years of education.

One possible explanation for this finding is that men with more educa-

tion are often doctors, dentists, or lawyers who are hiring support staff in female-dominated occupations (nurses, paralegals, receptionists). Men with less education may own firms characterized by occupations dominated by males, such as electrical appliance repairs or shoe repairs.

### Preponderance of Men Means Higher Pay

Firms employing mostly men paid their workers more. For example,

- Firms with 76-90 percent male employees paid wages that, on average, were 40 percent higher than similar firms whose work force was almost entirely female.
- When firms with similar sales receipts were compared, firms with 76-90 percent males still paid, on average, wages that were 10 percent higher than comparable firms whose work force was almost entirely female.

### Findings Have Implications for "Pay Equity" and "Comparable Worth"

These findings have distinct implications for "pay equity" and "comparable worth."

Although the Equal Pay Act of 1963 outlaws differential pay for men and women in the *same* occupation and in the *same* firm, this study shows that a large component of gender pay differences result from men and women working in *different* firms.

Moreover, the reasons for which men and women work in different firms (pastry shops vs. gun shops) may bear no relationship to discrimination, and thus, there may be no discriminatory component to this aspect of pay differentials between men and women.

Proposed "comparable worth" programs aim at equalizing compensation for equivalently valuable (i.e., "worthy") work across occupational categories within a firm.

However, when men and women work in different —firms, then comparable worth policies will not resolve the matter of wage gaps across occupations.

### Conventional Explanations Are Incomplete

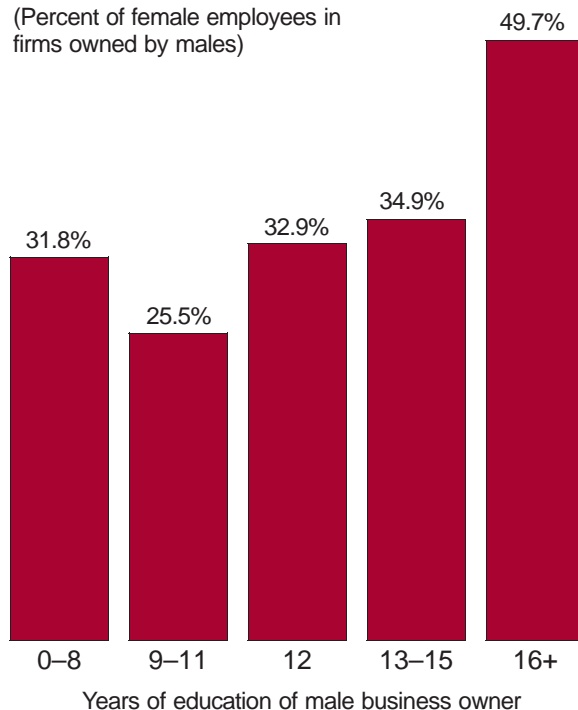
The most popular explanation for the differences in pay between men and women —and for the preponderance of women in some workplaces and men in others —is that there is discrimination by employers against women in the labor market.

However,

- Some occupations and industries tend to have more of one gender in the first place, and thus, the owner and the employees may more likely be of the same gender. For example, auto repair shops tend to be male-dominated; hair styling salons tend to be female-dominated.

### The more highly educated the male business owner, the more female employees in the firm.

(Percent of female employees in firms owned by males)



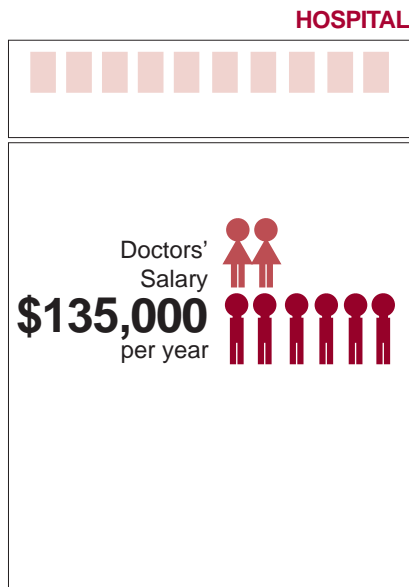
(“Occupation” is a way of classifying workers based on the tasks they perform. “Industry” is a way of classifying establishments based

on what goods or services they produce.)

- Also, some industries, or segments within industries, that employ mostly women —such as health,

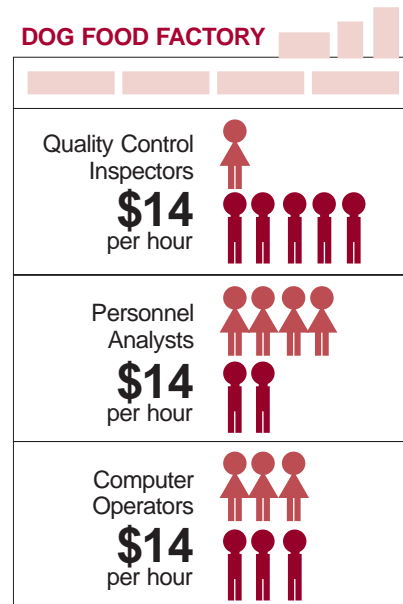
## Pay Equity

When men and women work in the same firm in the same occupation, they must not be paid differently.



## Comparable Worth

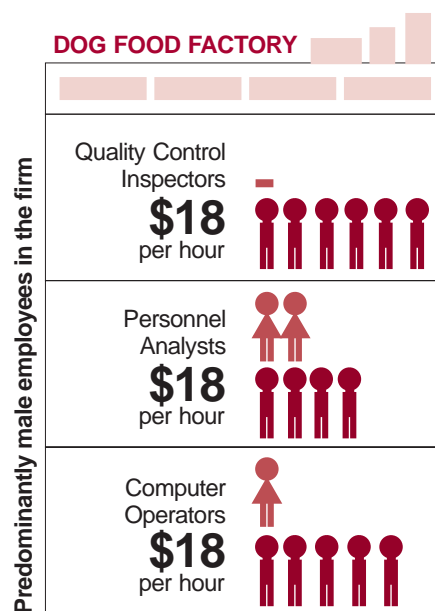
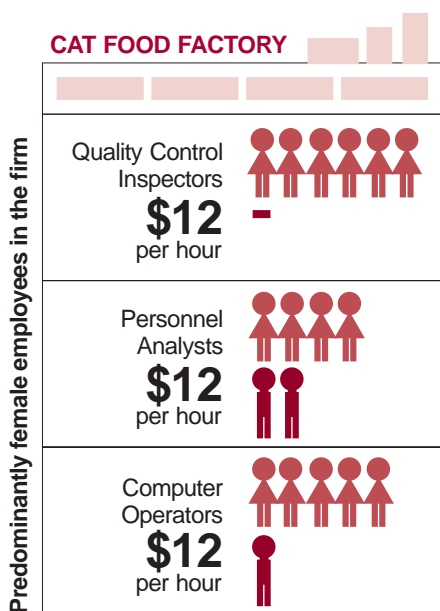
When occupational categories are agreed to be *equivalently valuable within a firm*, then compensation must be equivalent across those categories *at that firm*.



## But, this study asks...

What happens — i.e., what interpretation can we attach to the situation? — when pay differentials show up between *equivalent* firms whose *chief difference* is the *gender composition* of the workers?

Such a situation falls outside the purview of either pay equity or comparable worth.



## Alternatively...

What can we interpret from data that show that certain occupations or industries contain disproportionate shares of either male or female employees, *and* there is a pay differential? Does the pay differential go with the occupation or industry? — or with the gender of the worker?

### AUTO REPAIR SHOPS



### HAIR STYLING SALONS



educational, personal or social services — also tend to use more part-time workers.

Issues surrounding differential pay remain unresolved in the present study because of limited information — in the CBO survey — on the characteristics of the workers (education, occupation, employment history, and number of hours worked). Data on specific workers at specific firms would provide a far more complete picture of the worker in relationship to the workplace.

### “Linked” Databases Are Essential

While various censuses and surveys collect detailed information, they do not collect it all within the purview of one database. For this reason, “linking” — i.e., matching and connecting data on each firm across different databases — is a highly valuable part of the research process.

Without connecting the economic characteristics of the business firms

(the detailed industry within which the firm is classified, the occupations of the firm’s employees, the size of the firm’s payroll, the numbers of part- and full-time employees, the firm’s receipts) to the demographic characteristics of those who work in those firms (age, sex, race or ethnicity, education, availability for full- or part-time work) it is impossible to draw definitive conclusions about the relationships among gender, pay, and labor force participation.

A linked database — drawing upon the 1990 Decennial Census and the 1989 Annual Survey of Manufacturers — is currently being used to extend the present analysis to the distribution of workers across business establishments by race.

*The full research report upon which this information is based contains complete descriptions of the databases, the statistical methods used, and data limitations.*

See “Gender Segregation in Small Firms” by William J. Carrington and Kenneth R. Troske, *CES Report No. 92–13, October 1992.*

*This Brief is one of a series that presents information of current interest based upon research conducted at the Center for Economic Studies (CES) of the U.S. Census Bureau. The CES houses highly specialized, longitudinal microdata files on the U.S. manufacturing sector. One of the Center’s missions is to develop projects and procedures for enhancing researcher access to these files with confidentiality protection. For further information, contact Robert H. McGuckin, 301-457-1848.*

### Contacts

Gender Segregation in Small Firms  
Ken Troske  
301-457-1839

Economic Statistical Briefs  
Kathy V. Friedman  
301-457-1862