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Women's Economic Niches and Earnings Inferiority: The View from the Ethnic Economy

Ivan Light

Approaching women's economic niches and earnings inferiority from the point of view of the ethnic economy literature, this paper introduces new data on women's entrepreneurship. Like ethnic minority employers, who prefer co-ethnic employees, women employers exhibit a hiring preference for women. As it does for ethnic minorities, this hiring preference modestly corrects women's earning inferiority, but it does not reduce industrial niching. Although often conflated, segregation and earnings are two distinct dimensions, not one. Women employers increase demand for women employees, raising their earnings, but women employers do not also reduce gender segregation. Because women are under-represented in entrepreneurship, the corrective effect of women's entrepreneurship on women's earnings is modest but positive. This result also parallels the limited advantage that ethnic employers afford co-ethnics. Therefore, in a technical sense, under-representation of women in entrepreneurship is an unacknowledged cause of women's earnings inferiority. Women's entrepreneurship will not reach parity with men's in the short run. But, in the longer run, women's entrepreneurship has the potential, appreciably if not fully, to reduce women's earnings inferiority.

Keywords: Immigrant Entrepreneurship; Women's Entrepreneurship; Earnings Inferiority; Hiring Preferences

Introduction

Sex segregation refers to 'the concentration of men and women in different occupations, jobs, and places of work' (Reskin and Padavic 1994: 45). Because workers in women's economic clusters are poorly paid, gender-based occupational and industrial clustering is usually blamed for the low wages women receive when compared to men (Milkman and Townsley 1994: 604; Semyonov and Jones 1999: 226).

Ivan Light is Professor of Sociology at the University of California, Los Angeles. Corresondence to: Prof. I. Light, Department of Sociology, UCLA-Box 951551, Los Angeles, CA 90095-1551 USA. E-mail: light@soc.ucla.edu

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'Job segregation is the most important single cause of the pay gap between sexes and races' (Reskin and Padavic 1994: 118). Underpayment of women has proved very difficult to eradicate, declining little over the last generation. In 1990, the world's women earned only 77 per cent as much as did the world's men. However, although women's underpayment was both stubborn and universal, its extent varied among the advanced countries. At the top, Australian women earned 88 per cent as much as Australian men; at the bottom, Japanese women earned only 50 per cent as much as Japanese men. American women earned 73 per cent as much as American men in 2000 (England and Folbre 2005: 634). If women could break out of their low-wage clusters, so it is typically argued, they could increase their wages, reducing or even eliminating the male/female wages gap. For this reason, the occupational and industrial clustering of women is usually regarded as economically disadvantageous to women (Blau 1977: 101). In this article, women's economic niches and earnings inferiority will be approached from the point of view of the ethnic economy literature, introducing new data on women's entrepreneurship and stressing its theoretical importance. Before doing so, we turn to more general explanations of gendered labour market positions.

Why does women's economic clustering universally occur? Studies of women's economic clustering (niches) in advanced societies have approached the subject from different directions over the years, but their end result has been the delineation of three different but occasionally coincident frameworks of explanation. The first of these is the human capital theory, which attributes gender-based economic clustering to gender-based economic characteristics of employees as assessed by profit-seeking employers (Anker 1998: 1–22; England and Folbre 2005: 633). Human capital consists of formal education and on-the-job training. On this economists' view, women employees cluster in less remunerated niches because their working careers are truncated by motherhood and because women's human capital is lower than men's (Fuchs 1988: 60). Less valuable to employers for both reasons, women earn lower wages than men, but at least their working arrangements are frequently more pleasant. The human capital theory expects that profit-seeking entrepreneurs in free markets will ultimately find and employ underpaid but productive women workers so employment discrimination against women cannot occur forever.

A second theoretical approach highlights institutional and labour market segmentation. This view explains women's economic clusters in terms of non-competing labour market sectors, dubbed primary and secondary (Blau 1975). Like the human capital theory, institutional and segmented labour market theory proposes that women workers are less productive than male workers because their human capital is lower and because their work careers are discontinuous as a result of motherhood. However, unlike the human capital theory, which assumes a competitive labour market, labour segmentation theories posit the existence of non-competing industrial segments within which women permanently occupy the less desirable secondary segment. Overcrowding of the female-dominant secondary sector depresses women's wages even farther than would occur in a competitive

labour market. Moreover, unlike the human capital theory, the labour market segmentation approach holds out no hope for the long-term rescue of women from underpayment because of competitive market pressures

The third theoretical approach to clustering is feminist. This approach claims that women's economic clustering and earnings inferiority both derive from patriarchy in the workplace (as elsewhere in societies), not from the inferior productivity of women workers. Patriarchy refers to a societal arrangement that confers power upon men, who then benefit themselves at the expense of women. Thus, societal patriarchy saddles women with family roles that promote truncated work careers, and also decrees that women receive less financial education and technical training than men. Hence, on this feminist view, societal patriarchy causes the human capital deficits at work that neo-classical economists myopically blame for women's economic clustering and earnings inferiority. Some feminists add the claim that employer discrimination against women is an additional means whereby patriarchy invades the workplace (England *et al.* 1988: 544). 'The general practice has been to estimate what proportion of the male–female pay differential is attributable to differences in the productivity-related characteristics of male and female workers, and to ascribe the residual, unexplained portion of the differential to discrimination' (Blau 1977: 97). That is, although societal patriarchy reduces the human capital of women, rendering them vulnerable to low pay, male employers discriminate additionally against women, driving their wages lower than what women's productivity would otherwise command. Economists dispute this claim (England and Folbre 2005: 633; Fuchs 1988: 3).

The View From the Ethnic Economy

Immigrants and ethnic minorities cluster in occupational and industrial niches, and earn less than native-born persons of majority ethno-racial background. In this respect, the situation of immigrants and of ethnic minorities resembles that of women, addressed above. Like immigrants and ethnic minorities, women cluster in occupational and industrial niches in which they are overcrowded and underpaid. For example, virtually all primary school teachers, nurses, librarians and house-keepers are women. These are women's niches. Attempting to explain the causes and consequences of ethnic minority and immigrants' niches, a substantial inter-disciplinary literature has developed. Dubbed the 'ethnic economy', this literature has stressed the corrective role of ethnic minority and immigrant entrepreneurs in creating employment for themselves and for disadvantaged co-ethnic employees.[2] This equalising pressure *reduces* but has not *eliminated* the economic disadvantage of ethnic minorities and of immigrants. But reducing is better than nothing. First, although themselves disadvantaged in the mainstream's labour market, ethnic minority and immigrant entrepreneurs create business firms that employ themselves and their family members (Light and Rosenstein 1995: 154). In so doing, such entrepreneurs remove themselves from the pool of available co-ethnic labour, decreasing labour supply, while creating jobs for co-ethnics, increasing labour demand. This is the ethnic entrepreneurs' largest contribution to relieving economic distress within their group. Second, these ethnic entrepreneurs disproportionately, sometimes even exclusively, employ co-ethnic workers rejected or underpaid by mainstream employers. The Chinese-owned business mainly employs Chinese workers, the Turkish business mainly employs Turkish workers, and so on. The co-ethnic workers thus employed were disadvantaged in the mainstream's labour market for many reasons, including ethno-racial discrimination but also employers' diminished ability to recognise productivity in foreign employees. Therefore, co-ethnic minority workers are underemployed or unemployed more frequently than equally productive persons of majority ethnic backgrounds. As social and cultural outsiders, they lack access to the social networks of the ethnic majority—a decisive liability for job-hunting in the mainstream. Additionally, immigrants suffer language deficits and carry educational credentials from foreign training centres and universities unknown in the host society. Both conditions define productive people whose productivity is inaccessible to mainstream employers.

On the other hand, speaking the immigrants' language and properly evaluating their human capital qualifications, co-ethnic employers can readily access the productivity of their countrymen and countrywomen. For all these reasons, ethnic minority entrepreneurs can find, hire and manage qualified co-ethnic workers for less than the cost at which entrepreneurs of the ethnic majority can find, hire and manage equally productive workers of the majority's ethnic background, much less those of ethnic minority background. In so doing, the ethnic entrepreneurs play precisely the corrective role that human capital theory predicts for segregated and underpaid women employees: they hire the rejected but productive co-ethnic workers at the low wages their disadvantage compels them to accept (Anker 1998: 19). If protracted over time, this employment process corrects the market's initial failure, and equalises pay for equally productive workers of majority and minority ethnic background. In theory, ethnic entrepreneurs could entirely close the wage and benefits gap that separates downtrodden co-ethnic workers and workers of the ethnic majority. In fact, they have never eliminated the gap, but they do *reduce* it. Reduction of the majority/minority wage gap does not occur simply or even mainly because entrepreneurs hire co-ethnic workers, although that obviously helps. Approximately two-thirds of ethnic minority firms in the United States hire no labour at all. At a minimum, the ethnic entrepreneurs employ themselves even if they employ no one else. Their own small firms give the owner a job. Like other co-ethnics, the firm's owner is herself disadvantaged in the mainstream labour market. Therefore, the ethnic owner can afford to work for money returns less than what an owner of the majority ethnicity would require to produce the same commodity. This disadvantage gives the ethnic minority business owner a compensatory advantage inasmuch as he or she can undersell competitors of majority ethnic background.

Since ethnic entrepreneurs hire co-ethnics at below-standard wage rates, thereby obtaining an economic advantage, they are often accused of *exploiting* their co-ethnic

employees (Light 2005). The accusation pivots around the discrepancy in the wage that ethnic minority entrepreneurs pay co-ethnics, and that which entrepreneurs of ethnic majority background pay their ethnic minority or immigrant workers. Ethnic minority workers earn more when employed in mainstream firms than when employed in the ethnic economy, just as women earn more when employed by men than when employed by other women (Table 1). Nonetheless, this accusation of exploitation is unfounded for two reasons. First, just because ethnic majority entrepreneurs pay a few ethnic minority employees higher wages, one cannot infer that all ethnic minority or immigrant workers could find jobs in the mainstream at that higher wage. Suppose 50 Chinese waiters earn \$20 an hour in San Francisco restaurants located outside Chinatown whereas 500 Chinese waiters earn \$8 an hour in restaurants located within San Francisco's Chinatown. There is no warrant for the assumption that the 500 Chinatown waiters could find employment at \$20 an hour in San Francisco's restaurants outside Chinatown if only they would look outside Chinatown for work. In fact, what San Francisco offers the 500 Chinese waiters is unemployment; therefore, the choice of these 500 waiters is not a poor job in Chinatown vs. a better one outside Chinatown. Their choice is a poor job in Chinatown or no job at all. Indeed, the Chinese restaurateurs who employ the 500 Chinese waiters raise their wages from zero, San Francisco's offer, to \$8 an hour, thereby conferring a benefit on their underpaid employees.

Second, we should define exploitation or risk confusion. Karl Marx defined it as profits divided by profits plus wages. On Marx's definition, there can be no exploitation where there is no profit. A firm's profit consists of money returns appropriated by the capitalist above and beyond her or his appropriate labour charge. When firms return no money in excess of costs plus the owner's labour charge, the firms earn no profit. In fact, ethnic minority and immigrant firms are rarely profitable in this technical sense. When hourly wage rates are computed, the ethnic minority owners are typically found to have earned no more than the statutory minimum wage (Light 2005: 655). Hence, their firm earns no profit even though it provides a living for the owner. For this technical reason, the vast majority of ethnic minority or immigrant employers *cannot exploit* their employees even when they pay wages well below the mainstream's average.

Minorities and Women

Turning now to women, the question is to what extent lessons obtained in the ethnic economy can be transferred to women's economic life and prospects. Of course, women as such are not immigrants or ethnic minorities. Women are one-half of every ethno-racial and class category, and are both immigrants and non-immigrants. Women as such do not speak a foreign language different from that spoken by co-ethnic men, nor do native-born women hold degrees from foreign educational institutions. For all these reasons, and many others not mentioned, reckless generalisation from the case of ethnic minorities and immigrants to that of women is perilous. Nonetheless, treading carefully, one can reliably declare that the simplest and most direct extrapolation from the ethnic economy literature to the gender segregation literature starts with women's entrepreneurship, which has the potential for reducing or even ending women's economic disadvantage and possibly also their clustering (Goffee and Scase 1983). From the perspective of the ethnic economy, the relative disregard of women's entrepreneurship by the mass media and scholarly journals seems surprising as well as consequential (Baker *et al.* 1997), but the gender segregation literature has also banished women entrepreneurs from the discussion. Strober (1984: 146) even declared: 'My theory maintains that decisions concerning the gender assignment of jobs are made by men', completely losing sight of female employers. Women *are* sometimes entrepreneurs and employers, not always employees. Moreover, for three decades now, women entrepreneurs have been dramatically increasing their share of the self-employed population in the United States and in all the developed countries (Devine 1994). In itself, this trend upgrades women's wages in gender-segregated labour markets. This upgrade is accomplished in three ways, all in a sense comparable to the ethnic economy. First, by starting a business, a woman entrepreneur creates her own job, thus reducing by one the number of women seeking jobs in overcrowded, female niches. This reduction reduces the supply of female labour, raising women's wages in women's niches. Second, like ethnic minority entrepreneurs, a female entrepreneur builds equity in her business, thus increasing her wealth even when her income is not greater than it would have been in the labour market. Third, when they create jobs for others, as a third of self-employed women do, women employers *may hire women* in preference to men—just as ethnic minority and immigrant employers hire co-ethnics in preference to others. Doing so, women entrepreneurs would create additional labour demand for women employees, raising their wages.

This option is not far-fetched. The ethnic economy literature has demolished the neo-classical assumption that employers are profit-maximising calculating machines who recognise and reward employees' productivity independent of the employee's ethno-cultural background. Precisely their cultural skills, especially language skills, enable immigrant and ethnic minority employers to utilise productive labour that ethnic majority entrepreneurs, lacking those cultural skills, could not utilise. Ethnic minority and immigrant entrepreneurs overwhelmingly hire co-ethnics. In that case, to complete the parallel, might women entrepreneurs prefer to hire women employees? If so, we might conclude that women entrepreneurs recognise and avail themselves of underutilised and wasted female productivity that male employers cannot or do not recognise and utilise. This role would make women employers a clean-up team that rectifies (or tends to rectify) market failure in respect to women's earnings just as ethnic minority employers are the clean-up team that rectifies market failure with respect to co-ethnics' earnings.

The US Economic Censuses of 1987 and 1997

The United States takes an economic census every five years. Since 1969, this census has enumerated ethnic minority business firms as well as women-owned business firms. The most recent published enumeration took place in 1997. Before examining these data, a few cautions are in order. The US Census data enumerate employers in the private sector. Therefore, this enumeration excludes stockholder-owned corporations as well as government agencies. Where a woman was the chief executive officer of a corporation she owned, the economic census would report her information, but it would exclude stockholder-owned companies whose chief executive officer did not personally own the company. General Motors is such a company, as was Enron. In sum, the economic census reported data on small and medium business firms in the private sector, not *big* business firms in the private sector. Since small and medium firms created and still create approximately four-fifths of the jobs in the American economy, this limitation does not invalidate the utility of the data in the United States, but might do so in countries where small and medium business create a smaller share of aggregate private-sector employment. Similarly, in the United States, the public sector is about one fifth of the civilian economy; in European countries the public sector often bulks larger. Since the economic census ignored hiring in the public sector, this lacuna could be larger in Europe than in the United States.

Turning now to the data, Table 1 shows the number and percentage of women-owned business firms in the United States in 1997 with respect to firms, sales, employment and wages. Forty-five per cent of the civilian labour force in 1996, women owned 26 per cent of firms, which produced 4.4 per cent of gross sales and receipts in 1997. Of the 5.4 million women-owned firms, 15.6 per cent were also employer firms that hired labour. Eighty-four per cent of women-owned firms hired no labour. Women-owned employer firms hired 7 million employees, who represented 6.8 per cent of the civilian labour force. Women-owned firms paid an average annual wage of $21,073, which was 74 per cent of the average annual wage paid by all firms. If women-owned businesses had been as successful as the average of all businesses in Table 1, women-owned businesses would have numbered 45 per cent of all firms, not 26 per cent. They would additionally have accounted for 45 per cent of sales and receipts, 45 per cent of employer firms, and 45 per cent of employees. In general then, the data show that women-owned firms were few in number, small, infrequently employers, and they paid below-average wages in 1997. There is no indication from Table 1 what percentage of the employees of women-owned firms were themselves women.

Five years earlier, the US economic census of 1992 had published a comparable enumeration of women-owned business firms in the United States. However, in addition to the data shown in Table 1, the 1992 enumeration also showed the extent to which women employers hired women compared to the extent to which male employers hired women. Comparable data were not collected in the 1997 economic census, nor have comparable data ever appeared in the literature on gender

Table 1. Women-owned firms as percentage of all firms, United States, 1997

	Number of firms	Sales and receipts (in $millions)	Employer firms	Number of employees	Mean annual wage
All firms	20,821,935	18,553,243	5,295,152	103,359,815	$28,410
Women-owned	5,417,034	818,669	846,780	7,076,080	$21,073
Women-owned as % of all	26.0	4.4	16.0	6.8	74.2

Source: US Bureau of the Census, 1997 *Economic Census, Minority- and Women-Owned Businesses, United States*, http://www.census.gov

segregation to date, nor has the US Census ever returned to this interesting topic. Although the US Census (1992) data are now quite old, they have not previously been analysed, and they offer otherwise unavailable and reliable information about women employers' hiring decisions in the not-too-distant past. The topic is important because it bears upon the extent to which women-owned firms tend to raise women's pay.

Derived from the 1992 economic census, Table 2 compares firms owned by women in 1987 with firms owned by 'non-minority' men. Non-minority men need not be white men. White Hispanics would be classed as minority. Since Table 2 compares *all* firms owned by women with firms owned by 'non-minority' men rather than with all men, Table 1 exaggerates the number and sales of female-owned firms *vis-à-vis* male-owned. In 1987, women-owned firms were 32 per cent of all firms; non-minority male-owned firms were 68 per cent. In the same year, however, women-owned firms earned only 14 per cent of all sales and receipts obtained. In contrast, firms owned by non-minority males earned 86 per cent of all sales and receipts. This discrepancy indicates that women-owned firms were more under-represented in sales and receipts than they were in number, suggesting a multiplicity of economically marginal firms. Marginal firms have few employees and pay low wages. It comes as no shock, therefore, to learn from Table 2 that only 16 per cent of women-owned firms were also employer firms compared with 31 per cent of firms owned by non-minority males. As the name implies, an employer firm employs labour; non-employer firms do not. Although women-owned firms were approximately half as numerous as firms owned by non-minority males, and although they were approximately half as likely to be employer firms, the joint effect of these two deficiencies was cumulative. Women-owned firms were only *one-fourth* as likely as non-minority male-owned firms to employ labour.

Table 2. Firms, receipts and employer firms by gender of owner for the United States, 1987

	All firms	Sales and receipts	Employer firms as % of all	N
Women-owned firms	32%	14%	16%	4,114,787
Non-minority male-owned firms	68%	86%	31%	8,755,252

Source: US Department of Commerce, Bureau of the Census, *1987 Economic Censuses, CB087-1, Characteristics of Business Owners*. Washington DC: USGPO (1992: Tables 23a and 23c).

The implications of these statistics become clearer in Table 3, which displays the relative likelihood of women employers and non-minority male employers to hire female labour. Thirteen per cent of women-owned employer firms hired no female labour compared to 26 per cent of non-minority male-owned firms. At the other extreme, 62 per cent of women-owned firms hired 50 or more per cent women compared with only 42 per cent of non-minority male-owned firms. For some reason, women employers preferred to hire women! This is an important finding. In the past, lacking information about the behaviour of women employers, scholars inferred that male employers discriminated against females.[3] Table 3 confirms this conclusion in the sense that male employers *were less likely* to hire women than were women employers. However, Table 3 also shows that female employers preferred female employees and, by extension, discriminated *against* males. This information has not previously been available because the hiring preferences of women employers were unknown. Table 3 does not show whether male employers were discriminating against women and female employers were discriminating in favour of them; or whether male employers were discriminating in favour of men, and female employers were discriminating against them. Possibly, employers of both genders simply preferred employees of their own gender. Or employers' social networks simply contained more people of their own gender (Aldrich *et al.* 1989) in which case disproportionate hiring of one gender would not reflect discrimination at all.

The rather large difference between male and female employers with respect to the preferential hiring of women might stem from different industrial distributions of male and female employers, such that female employers clustered in female niches whereas male employers clustered in male niches. This is plausible. If true, this state of affairs might challenge an interpretation of gender-specific hiring preferences based on employers' gender preference or discrimination. I say *might challenge* because, if women employers clustered in women's employment niches, women employers might be compelled to hire women, as men would not be available for the jobs they need to fill. For example, when a woman employer advertises for librarians, most applicants are women because most librarians are women. Therefore, most of

Table 3. Employer firms by gender of owner and percentage of women employed in firm for all firms in the United States, 1987

	Women as percentage of all employees				
	None	1–49%	50–100%	Total	N
Women-owned firms	13.3	24.8	61.9	100	618,198
Non-minority male-owned firms	25.9	32.3	41.7	100	2,679,735

Source: US Department of Commerce, Bureau of the Census, *1987 Economic Censuses, CB087-1, Characteristics of Business Owners*. Washington DC: USGPO (1992: Tables 23a and 23c).

those hired must perforce be women, whether the woman employer prefers women or not. When statistically examined, this outcome might yield the erroneous impression that women employers preferred women whereas, in fact, they only hired the labour mainly available to work as librarians, other women. If that were so, then holding the industrial sector constant would reduce the apparent gender-linked hiring preferences of both men and women employers. Male employers of librarians would hire as many women as do female employers of librarians.

To evaluate the extent to which industrial sector explains away employers' gender preferences, the data from the 1992 economic census were arranged in nine industrial categories, and the gender of owners was obtained in each of these industrial categories. Given the form of the published data, which did not include all the requisite information, it was not possible to calculate the index of dissimilarity (ID) as a measure of the strength of association between employers' gender and their preference for female employees (Anker 1998: 75). Instead a simpler alternative was adopted. Comparing only the percentage of companies that hired no women, and the companies that hired 50 per cent or more women in eight industrial categories, one derives 16 comparisons in which male or female employers could preponderate. In 15 of these comparisons, male employers hired fewer women employees than did female employers in the same industry. Conversely, women employers hired more female employees (and fewer men) in 15 of 16 comparisons. Obviously, given the huge numbers involved, this difference is a highly significant departure from nine, the expected number on the assumption of no difference between male and female employers for hiring male or female labour. The exceptional industry was Finance, Insurance and Real Estate. In this industry, 18.3 per cent of women-owned firms employed no women employees but only 6.6 per cent of non-minority male-owned firms employed no women.

Second, when the absolute percentage of women workers hired by male employers is subtracted from the percentage hired by women employers, and the three numbers summed, one obtains an aggregated percentage difference between the hiring choices of male and female employers in the nine industries. If male and female employers in the same industries hired female labour in the same proportion, then the aggregated percentage difference between them would be zero. Conversely, if male and female employers maximally differed in their hiring preferences, then the aggregated percentage difference would be 100. Percentage difference offers a measure of the extent to which female employers hired female employees in greater proportion than did non-minority male employers *in the same industry.*

When the percentage difference is calculated for all firms, without disaggregating them by industry, the sum is 40.3 (see Table 4). That is, the difference between the hiring preferences of male and female employers in the three categories (none, 1–49, 50+) is 40.3. In contrast, when we correct for industry, the average percentage difference is reduced to 32.1. (The lowest percentage difference between male and female employers in the same industry was 20.6 per cent for selected services; the highest difference was 41 per cent for manufacturing.) Here the percentage difference

Table 4. Aggregate percentage difference, male and female employers: all firms vs. eight industrial categories, 1987

	% difference	Employer firms
All firms	40.3	12,223,275
Agriculture, forestry, fishing, mining	35.1	442,892
Construction	28.0	1,549,311
Manufacturing	41.0	411,507
Transportation and public utilities	33.4	524,699
Wholesale trade	31.5	418,515
Retail trade	41.0	2,097,031
Finance, insurance, real estate	25.8	1,179,279
Selected services	20.6	5,600,041
Mean percentage difference in 8 industries	32.1	

Source: US Department of Commerce, Bureau of the Census, *1987 Economic Censuses, CB087-1, Characteristics of Business Owners*. Washington DC: USGPO (1992: Tables 23a and 23c).

serves as a measure of association. The exercise shows that controlling for industry reduces the difference in average hiring preference between male and female employers from 40.3 to 32.1 per cent. This is a proportional reduction of approximately 20 per cent. In other words, industry affected the extent to which female employers preferred female employees. However, even when we control for industry, female employers still showed a preference for female employees relative to non-minority male employers in the same industry. True, the reduction from 40.3 per cent to 32.1 per cent suggests that one-fifth of the female preference of female employers was in fact a product of the preponderance of female employers in female niches. But four-fifths were not! The data analysis to this extent still supports the inference that female employers *preferred* female labour. Were it possible, a more refined analysis might reduce that percentage.

Discussion

In the ethnic economy, employers' preference for co-ethnics is mainly a consequence of availability and convenience and only secondarily of ethno-chauvinism. Thanks to ethnic social networks, compounded by language difference, employers have easiest access to co-ethnic labour. In some cases, intolerance or ethnic chauvinism also colours ethnic minority employers' hiring choices. But it is not necessary to posit either in order to explain why ethnic minority employers prefer co-ethnic employees. Reskin and Padavic (1994: 66) propose that women are at a disadvantage in seeking employment because their social networks consist disproportionately of females whereas employers are disproportionately male, a possibility entirely compatible with these data and the tenor of this analysis. Possibly female social networks link women workers to women employers in the same way; possibly also, women employers have a higher opinion of women workers' productivity than do male employers; possibly, women employers fear that their authority will be undermined if they hire men. Unfortunately, the 1992 Census data offer no way to evaluate these possibilities, so direct comparison with ethnic economy literature is impossible on this point.

Unable to explain *why* employers preferred same-sex labour—preference or availability, or both—we can nonetheless explore the implications of that fact for women's economic welfare. If male and female employers were equally numerous in the economy, and equally prosperous, gender segregation in the workplace would *continue*, and *possibly even increase*. Equal numbers of women employers would not abolish women's employment niches. Given equal numbers of male and female employees, male employers would hire more men; female employers would hire more women, but the two genders would have equal numbers of jobs at the end, and equal pay within them. Women would have the same employment chances as men, and would earn the same money as men for the same productivity. As the formula for racial segregation in the American South once read, the genders would be 'separate but equal' in the workplace. In this sense, those who object on principle to gender segregation in the workplace have no reason to suppose that even vastly augmented women's entrepreneurship would reduce women's segregation, much less abolish niching. A state of separate but equal economic conditions for men and women would, however, elevate women's wages that are now separate but *unequal*. Much of the distress over gender segregation in the workplace arises because women earn low wages in women's niches, not because women's niches are in principle opposed. Although frequently conflated, segregation and inequality are separate dimensions (Blackburn and Jarman 2006: 297–8). Therefore, a vast expansion of women's entrepreneurship, which retained gendered niches, but paid women within women's niches equally to men outside them, would promote women's economic welfare even though it would not undo gender segregation in the workplace.

In point of fact, however, male and female entrepreneurs are neither equally numerous in the workplace nor equally prosperous, as Table 1 showed. Although women's self-employment rate has been rising for two decades, and, if projected forward, will ultimately catch up to men's, the current women's rate is still appreciably lower than men's, and women's business firms are also smaller and less profitable than men's. These facts are evident in Tables 1, 2 and 3. The economic consequences of this actual state of affairs are patently unfavourable for women. First, in 1997, the economic census counted 5,417,034 woman-owned firms compared to the 9,369,870 that would have been there if women-owned firms were proportionate to women's share (45 per cent) of the civilian labour force. By subtraction, one infers that 3,952,836 women were still employees in 1997 who would otherwise have been entrepreneurs, removed from the female labour pool, preponderantly employing female workers and building equity in their own business. If so, 13 per cent of women employees could have been withdrawn from the female labour pool given women's equality in number of entrepreneurs with men, thus reducing women's overcrowding in gender-segregated niches. Reduction of overcrowding would raise women's average pay in the women's niches. Additionally, if women-owned employer firms were proportional to women's share of the civilian labour force, then there would have been 2,382,818 women-owned employer firms in 1997 instead of the actual 846,780, a three-fold increase. These 2,382,818 women-owned employer firms would also have employed 46,511,917 employees in 1997 instead of the actual 7,076,080, a six-fold increase. This difference implies that an additional 39,435,837 employees in 1997 would have found employment in a women-owned sector that discriminates *in favour* of women rather than *against* them. Finally, given the hypothetical equality of women employers, the women-owned employer firms would have paid wages that were a third higher in 1997 than they actually were. Clearly, then, the economic situation of American women would have been vastly better in 1997 if women-owned firms had been vastly more numerous and more prosperous than they actually were.

Conclusion

The literature on women's economic niches and economic inferiority has neglected women entrepreneurs. However, the most direct parallel between women's economic situation and that of ethnic minorities or immigrants is through women's entrepreneurship. Although there are serious differences between immigrants or ethnic minorities and women, there are also serious parallels: women entrepreneurs reduce women's earnings inferiority just as ethnic minority entrepreneurs reduce the earnings inferiority of co-ethnics. After all, as matters stand, women's entrepreneurship took 5.4 million American women out of the female labour force in 1997, where they had been competing with other women for jobs, and set them up instead as independent self-employed persons. These women entrepreneurs represented about 10 per cent of the female labour force, a consequential reduction of the female labour supply. Additionally, another 846,780 women employers created 7 million jobs, an unusually large proportion of which went to women employees. Should we say of these women employers that they *exploited* the women they hired because the wages paid in their sector were only three-quarters of those paid in the general economy? This line of argument would parallel the one directed unfairly at ethnic minority employers. On the contrary, it rather seems that the women employers employed women at low wages to whom male-owned firms offered at best the woman's sector low wage, 70 per cent of what men earn. Even paying women that unequal rate, women business owners *raised* the aggregate earned income of the female population by providing employment to women who would otherwise have lacked it. Some women employees had jobs only because other women hired them. In this sense, then, the existing force of women self-employed and women employers had by their economic activity *reduced* the male/female wage gap without *eliminating* it.

At this point the parallelism between the ethnic minority and women entrepreneurs becomes quite noticeable. In both cases, confronting cheap and underutilised human productivity, an entrepreneurial clean-up crew takes the field, just as human capital theory predicts. The clean-up crew hires the underpaid and underutilised co-ethnic or female workers. By hiring them, the entrepreneurial clean-up crew increases demand for such workers, raising their wages (England and Folbre 2005: 633). Thus, both entrepreneurial clean-up crews reduce (but do not eliminate) market failure. Market failure consists in the eternal inability of the market to pay all workers a wage proportional to their productivity. However, neither women's entrepreneurship nor ethnic minority entrepreneurship eliminates the wages gap, which is the badge of market failure, although both reduce it. Here the reality resembles the segmented labour approach better than the neo-classical approach. In the segmented market, the neo-classical clean-up crew never succeeds in eliminating the market failure so, we may conclude, the market failure is incorrigible and eternal. Markets can mitigate, but cannot eliminate their failures to recognise and adequately to reward the productivity of women and ethnic minority workers.

If women entrepreneurs were proportionate in number and economic influence to the female share of the labour force, they would drastically improve and possibly even equalise the economic welfare of the female population—but they would not reduce women's economic segregation. This conclusion implies that those intolerant of gender segregation as such should *not* look to women's entrepreneurship for a corrective, but all authorities are not intolerant of gender segregation (Anker 1998: 8). On the other hand, it also follows that a serious and neglected cause of women's earnings inferiority is the under-representation of women in entrepreneurship and the relatively small size of their firms. Were women's entrepreneurship drastically improved, women's economic circumstances would drastically improve too. If true, this conclusion requires a serious if belated accentuation of scholarship into the causes of women's under-representation in entrepreneurship, a search that will presumably draw upon the ethnic economy literature, which has already investigated this topic with regard to immigrants and ethnic minorities. There is, of course, every reason to suppose that the increasingly extensive research into women's entrepreneurship will continue to illuminate the causes of ethnic minority and immigrant entrepreneurship in the future. The theoretical borrowing need not be uni-directional in the future, even if it is today. Indeed, this enhanced research project would make intellectual allies out of three distinct constituencies (immigrants, ethnic minorities, women) who have an interest in exposing the mystifications that becloud eternal market failures.

Unfortunately, the first of these mystifications is the illusion that successful entrepreneurship requires only an act of will. In the Horatio Alger mythology that Americans love, anyone can become an entrepreneur! If that were true, women could pull themselves up by their bootstraps, and should do so. In that case, just learning about the possible advantages of entrepreneurship would be enough to create the needed women entrepreneurs. If such were the conclusion of this exercise, a crude *enrichissez-vous* would have been communicated in a fancy way. In actuality, as ethnic economy research reveals, successful entrepreneurship requires more than investment capital and a risk-taking personality, yesterday's patent medicine. High entrepreneurship develops in groups that have resources of social, cultural and human capital as well, of course, as financial capital, the nineteenth century's one-stop nostrum. In this connection, childhood and adult socialisation inadequately prepares and motivates women for entrepreneurship (England and Folbre 2005: 631–2; Marini and Brinton 1984: 208–9). When will girls dream of entrepreneurship as frequently as do boys? True, access to capital still poses a problem for women's entrepreneurship (Coleman 2000). This barrier could and should be demolished. Nonetheless, despite the traditional socialisation and despite the capital barriers, women's entrepreneurship in the United States has grown much more rapidly than men's in the last generation (Devine 1994). The gradual accumulation of human capital in the female labour force in the last three decades is the most obvious explanation for this rapid growth of women's self-employment. As women acquire occupational skills, they acquire the capability for self-employment, and the more women who acquire those skills, the higher the rate of women's entrepreneurship. In the United States, only 20 per cent of adult women worked for wages in 1900, but 58 per cent did so in 1992 (Milkman and Townsley 1994: 603). As more women work for wages and salaries, and employed women work more years, women's store of human capital has increased. As women have acquired human capital, they have acquired an essential resource for self-employment and entrepreneurship. That said, research attention to the causes of women's under-representation in entrepreneurship still uncovers real and continuing problems and obstacles (Lin 2001: 100–22; Loscocco and Robinson 1991). Lacking all the requisite resources in the requisite quantities (social, cultural, human and financial capital), women do not become entrepreneurs as often as do men because they still *cannot do so.* Those real obstacles are still firmly in place.

The actual social order thus inhibits women's entrepreneurship, dooming women to the economic *status quo, including the low wages,* until and unless political or social change makes available additional new resources to their entrepreneurship as women's augmented human capital endowment has already done. Because they have relatively fewer entrepreneurs among them, and more wage workers, the class status of the female labour force is lower than the class status of the male labour force. However, to close on a positive note, changing social and political conditions will most probably continue to generate the augmented capital resources (social, human, cultural, financial) that women need to expand and enhance their entrepreneurship and thus indirectly to reduce the earnings inferiority of women employees. Hence, we need not accept what Pierre Bourdieu (1998: 29, 38) called the androcentric mystification that converts what is into what must be. An economic wind is blowing in favour of women's entrepreneurship. Without proposing that women's entrepreneurship will some day eliminate women's earnings inferiority, as the human capital pipedream proposes, there is some reason to suppose that women's entrepreneurship will continue to expand in the future, and so move societies closer to earnings equalisation without actually reaching it.

Notes

[1] For a major recent contribution to this research, see Wilson (2001). This paper reports on a study of labour market niches involving 100 ethnic groups living in 216 metropolitan areas of the United States in 1990.

[2] For reviews of this literature see Light (2005), Light and Gold (2000) and Light and Karageorgis (1994).

[3] Blau's (1977: 29–31) section on 'employer hiring practices' did not distinguish male and female employers, merely assuming that all employers were male.

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