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The Effect of Labour Market Discrimination on Women's Expectations of Self Employment

by

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Introduction

The last fifteen years have seen the emergence of the 'Enterprise Culture' in which entrepreneurial behaviour has a prominent role. Indeed, the small firm sector is now a major focus for policies of economic regeneration throughout the western world. As Birley (1989) noted of the British case, 'increasingly, all sectors of the population are being urged to consider self-employment' (p32), and she goes on to draw attention to the plethora of schemes to encourage and facilitate business start up (Enterprise Allowance, TEC programmes, Graduate Enterprise, Firm Start, Ethnic Minority Business Initiative, Women's Enterprise Development Agency). This U.K. experience is paralleled throughout the major economies of the world (Crossick, 1986; D'Amato, 1986; Goffee and Scase, 1987; Thompson, 1990).

Considerable academic resources have been spent researching entrepreneurial behaviour, business start up, growth, operating problems and failures. Until recently however, this research has been largely gender blind. Major studies of the small firm sector carried out in the 1970s and early 1980s (for example Bolton Report 1971; Storey, 1982) did not acknowledge gender as a factor worthy of analysis in the process of business formation and ownership. As Holmquist and Sundin (1989) conclude, 'entrepreneurial theories are created by men, for men and are applied to men' (p1). It is difficult to understand such an omission as studies of segmentation in the labour market had focused clearly on gender discrimination as early as the late 1960s (Piore, 1968), whilst feminists have drawn attention to women’s subordination in social, economic and political terms
for centuries (Wollstonecraft, 1792; Hamilton, 1909; Rowbotham, 1973). Given that business ownership is clearly an occupation which generates a wage (and is classed as an occupation by the Department of Employment) there has been a lamentable lacuna in the academic research arena regarding women and business ownership. As a consequence of this, the decision making processes of funding agencies and policy makers have been informed almost entirely by analyses of the experiences of male business owners.

It is impossible to justify the lack of research into this area when the incidence of female business ownership is reviewed. Between 1981 and 1989 whilst male self-employment in the UK increased by 51%, that of women rose by 81%\(^1\). Women now constitute 24% of the self-employed\(^2\). We can only conclude that the lack of research reflects the chauvinism of the established male dominated world of academic research, which presumes that women act on the basis of the same motivations and look for the same rewards as men. This is not the case, and this paper will draw attention to some fundamental differences in the motives underlying the decisions of men and women to enter self-employment, and the important implications which these differences have for subsequent assessments of business 'success'.

This paper argues that the issue of gender is particularly relevant in the discussion of success amongst small firms. Existing studies commonly define success in accountancy-based terms, such as profitability, turnover, key financial ratios (Chaganti and Chaganti, 1983; Hornaday and Wheatley, 1986; Thomas and Evanson, 1987). The thrust of this paper is that any assessment of success amongst these ventures should take account of why men and women begin their businesses, the particular problems business ownership avoids and generates, and what small firm owners wish to achieve from enterprise ownership.
The paper therefore:

i) considers the motives underlying the decision to enter self-employment amongst men and women

ii) argues that those definitions of performance and success traditionally employed in small business research are inappropriate to the study of many ventures, and in particular to the study of the majority of female enterprises

iii) concludes that gender is a crucial variable in the assessment of business performance, and that small firm ownership does not necessarily provide a new form of escape from employment discrimination for women.

**Reasons for choosing business proprietorship**

It is commonly recognised that individuals’ motives for seeking self-employment are numerous and diverse. Research indicates (Goffee and Scase, 1982; Cromie 1987) that, superficially, men and women share some common areas of motivation for undertaking business ownership (job dissatisfaction, desire for autonomy, etc.), but that underlying women’s reasons for entering self-employment are experiences of the waged labour market which are specific to their sex. This differentiates the motivations of the two groups. Goffee and Scase (1982), for example, found that both men and women were looking for autonomy through proprietorship, but that women wished specifically to escape the male domination of employers and husbands. Cromie (1987) found that men and women were similarly motivated by the desire for autonomy and by dissatisfaction in their previous job, but found women placing significantly more importance on the needs of child care and feelings of longer term career dissatisfaction. Men,
meanwhile, were more strongly motivated by financial gain. This is in accordance with the larger debate concerning the disadvantaged position of women in the waged labour market (Hunt, 1988).

The contemporary analysis of women’s waged labour opportunities is largely sited in the dual labour market debate (West 1982). Piore (1969) argued that the labour market consists of two major elements, the primary and secondary sectors, where:

*jobs in the primary market possess high wages, good working conditions, employment stability, chances of advancement, equity... whereas secondary market [jobs] tend to have low wages and fringe benefits, poor working conditions, high labour turnover, little chance of advancement and arbitrary supervision, (Dorking, 1972, p165)*

This approach has been subject to considerable criticism, focused particularly on the usefulness of a dichotomous analysis of the labour market given the complexity of the modern economy, (for a more extensive discussion and critical analysis, see Craig et al, 1982). We would argue that there is a continuum of conditions from primary to secondary labour markets, with areas of overlap constantly fluctuating according to labour market conditions, for example levels of unemployment, trade union strength, etc, all of which affect sector parameters.

Research indicates that women and racial minorities are a major constituent of the secondary labour market (Beller, 1982; Bruegal, 1983; Craig, et al, 1982; Feminist Review, 1988). But there is no evidence to suggest that within the population, ability to undertake primary sector occupations is affected by either sex or race. Thus we conclude that women and minority groups are discriminated against, where discrimination is:
failure to distinguish between human beings as individuals... and reaction
to a whole group on the basis of generally assumed characteristics of that
group with no regard to individual merit (Bourne and Whitmore, p15, 1988).

Women suffer from labour market disadvantage because of their responsibilities
for domestic labour and child care. The demands of 'family formation' leave
many women unable to establish themselves in the primary sector, where careers
are premised on unbroken service and inflexible working hours (Feminist Review,
1986). Evidence from a survey by the Institute of Employment Research
(University of Warwick, 1988) concludes that the period of 'family formation'
leads women to undergo severe downward occupational mobility with an
extremely limited opportunity for recovery. The recovery is so limited because
the majority of women re-entering the labour market after 'family formation' do
so as part-time workers in order to accommodate child care and domestic
labour. Elias (1988) reflects many other commentators (Dorking, 1971; West,
1982; Beechey, 1986) when he comments that 'part-time jobs are concentrated
within a narrow band of occupations, principally in areas of low-skill personal
service work... [or] at the lowest hierarchical level within the vertical structure
of an occupation group with disproportionately fewer fringe benefits' (Elias, 1988,
p101).

It has been argued that there is a reciprocal relationship between the family and
the labour market. The disadvantageous conditions of secondary sector labour
are an acceptable price for women to pay in order to 'fit' waged work around
domestic tasks. The neo-classical economists Mincer and Polachek (1980)
suggest that 'foregoing the market-orientated human capital of mothers is part
of the price for acquiring human capital in children, and, more generally a price
exacted by family life' (p203). This makes a massive presumption that market
conditions dictate social organisation, that family life with a male partner offering
financial support is natural and available to every woman, that domestic labour is
primary for women, and that the rearing of the next generation makes women's rights as waged labourers expendable.

The interaction between the economic and social organisation of society is highly complex, but we would refute the notion that it is acceptable or necessary for women to forfeit equality in labour to ensure the next generation of labourers, an argument critically examined by Macintosh (1982). Any enquiry into contemporary social conditions will find little evidence that society is as orderly as such economists presume. Land (1980) argues convincingly against the notion that most men earn a 'family wage', whilst empirical studies of women in waged work (Pollert, 1981; Cavendish, 1982; Westwood, 1986) support Land in concluding that women's wages are not the euphemistic 'pin money', but are essential to the family to maintain an acceptable standard of living. Moreover, it is not a minority of women in our society who are engaged in waged work. In 1985 the Institute of Employment Research (University of Warwick) found that only 18% of women fitted the stereotypical 'housewife' model.

Legislation enacted to make the labour market fairer has proved ineffective. The Equal Pay Act (1976) applied only to those who could compare their job to a man's job with the same employer. The 1984 amendment to this act established the principle of equal pay for work of equal value, but it is not clear whether part-time and full-time work can be compared, with the onus being upon the individual to prove her case through complex legal procedures. Research concludes (Lonsdale, 1985) that discrimination against women within the labour market cannot be effectively countered by legislation alone. The ghettoisation of women into secondary sector employment makes the concept of 'like work' comparisons with primary sector employment irrelevant.
It can be seen that women form a substantial element of the secondary labour market because of the dual burden of responsibility for waged and domestic labour. For those to whom this is not applicable, the expectation is that they will conform to stereotype and they are judged accordingly.

**Women in the small business literature**

In a society where women are expected, by convention, to take charge of the raising of any children, self-employment may provide the solution to a career cut short by child care, and a form of waged work which allows greater flexibility to accommodate domestic tasks. Thus Vinnicombe (1987) identifies business start up as one 'coping strategy' (together with working part-time or not at all) pursued by women in response to the limitations they experience as employees. The attractiveness of proprietorship as an employment strategy for women with children is illustrated by Hertz (1985) in the United States, finding that only 39% of female executives are mothers, compared with as many as 74% of those self-employed. Meanwhile, in a study of over one thousand female proprietors in Sweden, Holmquist and Sundin (1989) found that the ability to combine domestic and economic roles was the most often cited single motive for going into business.

Stanworth et al (1989) however, challenge this view of female entrepreneurship as a response to subordination and dependence on men as an 'apparently premature consensus'. It is argued that the studies upon which these conclusions are based, which report high proportions of single, divorced and separated women pursuing self-employment (Watkins & Watkins, 1984; Goffee & Scase, 1985; Cromie, 1987; Carter & Cannon, 1988), lead to an inaccurate representation of the 'real' situation. This inaccuracy is explained by Curran, Burrows and Evandrou (1987)
in terms of the 'non-random methods of sample construction' employed, and the use of small samples.

Birley (1989) lends some support to the critique developed by Stanworth et al (1989), as she finds few differences between the motivations of male and female entrepreneurs:

*Of the four motivations identified by Goffee and Scase (1985), three — avoiding low-paid occupations, escaping supervision, and the constraint of subservient roles (in the incubator organisation) — are directly comparable. Further, the fourth, that of rejecting male-imposed identities had found little support in the literature. It would seem that females are motivated by the same need for money, wish to be independent, and identification of business opportunities as their male counterparts.*

However, such criticism does not offer a more robust frame of evidence undermining the 'subordination response', and as such there is no indication that this is a 'premature consensus'. Indeed, the evidence that women are discriminated against as a group within the employment market is apparent; and whether married, single or divorced, business ownership is one clear accommodation tactic, amongst others, to group subordination.

It is not disputed that, at least on the surface, motivations for business start up may in some respects appear similar for both men and women but critically, the experiences underlying these motives are very different. If the existing evidence from the female entrepreneurship studies is informed by the extensive analysis offered by the labour market theorists (above), it is a coherent conclusion that the position and role of women within society currently and historically predisposes them to a set of reasons for pursuing self-employment which is unique to their sex.
If women are undertaking business ownership for reasons which are different from those of men, it follows logically that they may have different expectations of ownership, in terms of escaping labour market discrimination, being able to accommodate the demands of waged and domestic labour, and so on. When these expectations are fulfilled, and sufficient profits made to at least keep the business viable, we would describe the business as successful. Yet so often, business success is equated with business performance. In fact many firms which are fulfilling the ambitions of their owners are neither growing, in accounting terms, nor acting as significant employers. This, we suggest is often the case with small firms owned by women, and we now turn to review the manner in which business success is measured in existing literature, and whether such measures are always appropriate for women owned businesses.

Business success

Kelmar (1990) reports the results of a literature search to determine how small business success and failure have been measured in previous studies. The search resulted in the detailed examination of 40 papers addressing the question of success, and 16 on failure. From this Kelmar finds that the indicators of 'growth' (business, organisational, employment, productivity) and increased sales are the most frequently used measures of business success. In studies of failure, financial indicators such as bankruptcy and the calculation of key financial ratios were predominant. As Thorpe (1987) notes:

*The normative models so often used in disciplines such as marketing, accounts and general management almost always view success from the point of view of an external agency. Success, depending upon whether you are a venture capitalist, a bank manager or a local authority is viewed in terms of jobs created, or wealth created.*

Even these objective measures are not directly comparable, and are certainly not interchangeable as alternative indicators of performance. In practice, however,
success or failure is a much more individual experience than can be reflected by
across-the-board application of such measurement criteria. As Thorpe goes on
to argue, '... the owner manager and his business are one and the same' (p4),
with the fortunes of the two being inextricably linked. It follows, therefore, that
the success or failure of a venture should be assessed, at least initially, in terms
of the founder's own motives for setting it up. The aims and expectations of all
proprietors cannot be assumed to be similar. Indeed, one person's failure may
be another's success (Kelmar, 1990). This is not a situation which can be
adequately reflected by uniformly-applied accountancy-based measures.

As a group, it is especially important that this question of definitions of success
should be resolved in future studies of female proprietors. As has already been
suggested, self-employment performs an important role for many women, which
can not be measured in these traditional terms. All businesses must be
financially viable on some level in order to continue to exist. Beyond this,
however, an enterprise which functions effectively as a 'coping strategy' for one
or more women must also be seen as being 'successful' in terms of the reasons
for which it was set up. As Carter and Cannon (1988) found, 'Women generally
regarded success in terms of how well the business met individual needs rather
than in conventional terms of profitability and income gained' (p50).

**Self employment as a liberating experience for women**

As a final point, it is important to note, however, that it is unlikely that business
ownership will prove to be successful as a liberating experience for many women,
given that those who choose this option in order to accommodate the demands
of domestic labour are, by definition, still undertaking a dual role. Being self
employed is by no means an undemanding way of life, and female entrepreneurs
can usually expect little assistance from other family members with their domestic
tasks, with the result that they find themselves pulled in two directions, between the competing demands of home and work. Meanwhile, discrimination remains a problem for women in self employment just as in employment, with the area of finance being particularly notable in this respect (Carter & Cannon, 1988).

In addition, if we review the sectors in which women-owned businesses predominate, they are found in the areas we have described as secondary sector in the employment market. Hakim (1987) finds that 29 percent of female-owned firms are in consumer services (for example, hair dressing), and whilst 39 percent are in manufacturing, 60 percent of these businesses make clothing. Holmquist and Sundin (1989), with a large sample of over 1,000 women-owned firms, found the majority to be concentrated in personal services, catering and small retail. Thus, the low-paid, low status, tenuous nature of employment is reflected in low profit, highly competitive areas of business ownership for women. The enterprise culture is not heralding new choices or new forms of freedom for the majority of female small firm owners.

Conclusions

Women are constrained in their choices in the employment market by their responsibility for domestic labour. Due to the nature of the waged labour market, women find themselves marginalised in the competition for primary sector employment, and disadvantaged in achieving career progression.

Thus, self-employment is an attractive proposition in as much as it allows women the opportunity to accommodate the conflicting demands of domestic and waged labour. Although it has been argued that men and women share some common motives for business start up, women's experience of subordination colours and influences these motives, to the extent that they cannot be assumed
to be guided by the same reasoning and ambitions as men. For men, self employment is an individual response to an individual situation. For women, it is an individual response to the group’s situation, influenced by factors unique to their sex.

If, as is suggested, the reconciliation of the competing demands of waged and domestic labour is a major factor in women’s decisions to undertake business ownership, achievement of such an accommodation must be seen as an important indicator of a successful business. There is an urgent need for an empirical investigation to ascertain the motives behind, and ambitions for, business ownership by women.

Current policies aimed at small firm owners presume constraints and goals for business ownership which, at present, are inappropriate for female entrepreneurs. Women may have strong ambitions to be successful small firm owners in terms of profit, growth and employment. However, the barriers of social and economic discrimination experienced by women as a group over many years, mean that these are difficult to achieve. Policy makers and advisers in the area of small businesses must take account of such factors, if they realistically wish to assist women. For example, time management for those involved in accommodating domestic and waged labour should be a policy issue. Likewise, 'networking' is a 1990s catchword, but business 'networking' for women will include support groups for women business owners who share similar problems related to accommodating conflicting domestic and business demands.

As a group, women have a legacy of negative discrimination, which dictates that certain fundamental motives for business ownership are specific to their sex. As such, the issue of gender must be afforded serious attention in any assessment of business success.
This paper has used a deductive approach to derive the proposition that for many women, the motives for becoming self employed may differ fundamentally from those of men, and as such 'success' may have a different meaning for them. The authors are currently designing an ESRC-funded study which will identify a sample of female entrepreneurs and, on the basis of detailed interviews, explore the issues this paper has raised and assess their relevance to women business owners.
REFERENCES:


FOOTNOTES


2. Ibid, p112.


