Are the Floors Less "Sticky" at Home?
Pay Equity in Home-Based Work

Women home-based business owners earn 37% of what their male counterparts earn, as compared to the 72 cents to the dollar in the traditional labor market. The percent female in the occupation one works accounts for a large proportion of the pay gap in earnings.

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The "glass ceiling" metaphor has been utilized the past decade to describe the plight of women fighting barriers to advancement which could lead to higher paying incomes. Yet, this analogy does not represent the greater proportion of women who are trapped in the mire of low-wage, low-mobility jobs, or the "sticky floor" syndrome (Berheide, 1992). One way women are choosing to "detach" themselves, from this floor of blocked mobility, is self-employment (Reskin and Padavic, 1994). Therefore, studying the success of women in home-based business, and the determinants of that success, are essential to determine if the offensive move of self-employment detaches women from the "sticky floor" found in the traditional labor market. The goals of this study are to ascertain the determinants of success (income) for home-based business owners and assess if these determinants are different for men and women.

Theory

Literature suggests several elements to explain gender inequality in the area of income, but little is known as to their explanatory power for the home-based business owner. Economists have attributed the pay gap to productivity differences in men and women. Since productivity is not easy to measure proxies for its measurement have been used, such as education, experience, and time spent at work. The analysis of these variables has been the cornerstone of pay equity research using the human capital theory (Becker, 1993).

Social psychological research on equity processes provides another element to help explain income inequality between the sexes. Equity theory "examines how individuals determine the fairness of ratios of inputs to outcomes, such as what constitutes a fair reward for a given task or what constitutes fair effort for a given reward," (Bielby and Bielby, 1988,

p.1034). Experimental studies testing this theory found that women had significantly lower career-entry and career peak pay expectations in comparison to males (Major and Konar, 1984). Bielby and Bielby (1988) suggest that "structural features of workplaces might reinforce the same processes outside the laboratory." Most men and women work in sex-segregated jobs. Equity theory suggests that when women lack information about the structure in which men are paid, they are willing to work for less.

Methodology

Methodology

The data are from a nine state research project on home-based employment (Stafford, Winter, Duncan & Genalo, 1992). In order to meet the goals of this study the following methods will be utilized. A segregation index will be calculated to determine the amount of segregation evident in home-based work. Ordinary least squares regression will be utilized to ascertain the determinants of success for the male and female business owners. A Chow test (Maddala, 1992) and a full interaction model will assess if the determinants of income are the same for men and women, and finally a decomposition using the regression results will decompose the sex gap in earnings.

Model and Hypothesis

The dependent variable is the natural logarithm of gross business income. The semilogarithmic specification has become the standard in earnings models as it reduces the right-side skew of the income distribution.

The measure of human capital (years of education, number of years in reported home-based business, and number of hours worked in the past year) is hypothesized to be positively associated with

income. An additional indicator of human capital, if the owner has another job, proxies for their "employability" outside the home. This variable is a positive indicator of human capital, but is hypothesized to be negatively associated with income for it takes time and effort away for the home-based business endeavor.

The social forces variable, marriage, has been shown to impact the amount people earn. Marriage is positively associated with income for men and negatively so for women (O'Neill and Polachek, 1993). The urban/rural income dichotomy has been shown to be significant in prior research of home-based businesses, with businesses located in the urban areas making greater income (Olson, 1994). The number of dependents has been used as a proxy for "stability" is traditional human capital earnings models with children increasing stability for men and therefore increasing their income and creating "instability" for women, in turn decreasing their income. Research comparing entrepreneurs and wage/salaried workers found these relationships to be true for both types of workers with the "returns " to children being doubled for self-employed men, as compared to wage/salary men, and the "penalty" for children to be twice as large for self-employed women (Robinson and Sexton, 1994).

A key variable of interest, percent female in the occupation the respondent works, is an indicator of sex segregation in the workplace. This variable is created by recording the percent female calculated by the Census Bureau for each job title reported by the respondent. Reskin and Padavic (1994) state that job segregation is the single most important cause of the pay gap between the sexes. Previous research conducted on home-based business owners shows that those operating in a female-dominated occupations have significantly reduced net income for both females and males (Walker and Heck, 1995).

Use of a sales representative is a proxy for size. It is likely that only those companies with a sizable income can afford to have a sales representative. It is also hypothesized that women not burdened by excessive household chores can focus energy on paid employment. Therefore, those who hire help for household chores can earn a greater income. The model also controls for other income coming into the household, predicting that the greater the other income, the less income that will be generated by the home-based business.

Limitations

One must be careful in generalizing these findings beyond the nine-state area in which this study was conducted. Also, the data set does not ask the respondent to list and prioritize the factors most important in the ownership of a home-based business. Some studies say there is a pay gap because women are not motivated by income, but motivated to work by other factors.

Results

The segregation index (Reskin and Padavic, 1994) for this sample of home-based business owners is 54.8, meaning that 54.8 percent of the female home-based business owners would have to shift to mostly male occupations to achieve occupational-level integration. This index value is strikingly similar to the 1990 index of occupational segregation of 57 for wage and salary workers (Reskin, 1993). This finding runs counter to the supposition that women use self-employment to seek opportunities not available within the traditional labor market which is highly sex segregated.

Women and men home-based business owners are garnering very different mean incomes (Table 1). Yet, in assessing the descriptive information about the women and the men (Table 1, column 1 and 2), what seems apparent is the similarity the two groups exhibit. One striking difference is that women work in occupations which employ about 70% female employees, while men work in occupations that employ approximately 19% female. This statistic confirms the information that, in the work realm of home-based business, women are still working in occupations dominated by women.

The next step is to answer which variables are significantly associated with the owner's gross business income? Five variables were significant for explaining the log of gross business income for both the men and the women (columns 3 and 4, Table 1). The two that were positively associated with income were the number of hours worked per year and whether the home-based owner lived in an urban area. The three variables that were negatively associated with income, for both groups, were: if the owner had another job, the amount of additional income beyond the income from the home-based business coming into the household, and the % female in the home-based work occupation. For women, use of a sale representative and hiring help for household chores also significantly increased income. For men, education was an additional significant variable.

Women are penalized less severely for having

an additional job, but since their income is not as high, that is not surprising. Women, on the other hand, are rewarded more highly for living in an urban area than their male counterparts.

Although working in a predominantly female occupation negatively impacts earnings for both men and women as expected, the additional penalty for women is large, almost twice that of men.

Women do have some factors that can help them when compared to other women. Using a sales representative and hiring help for household chores are both associated with higher incomes compared to those women who do not use these variables. Men, on the other hand, can increase their income as compared to other men by obtaining additional education.

The results of a Chow test $F = 2.79_{13,653}$; significant at the .005 level (Maddala, 1992) showed the two earnings models were significantly different from each other. A full interaction model found only two variables to be significantly different from each

other between the models, the % female in occupations variable and the hire for household chores variable. How do these factors impact the predicted wages of men and women home-based business owner? The data show the average women's home-based gross business income is approximately one-third that of mens' ($23,147 versus $69,048). The predicted wage ratios between women and men home-based business owners are similar to the mean income ratios, with women making 37% of what men earn ($8,103 versus $22,030 per year in gross business income; anti-log of predicted income). These figures are in stark contrast to the recent convergence in the gender gap in wages cited by O'Neill and Polachek (1993), stating that the female-to-male earnings ratio was increasing reaching close to 72% in 1990 for full-time year-round workers.

The question that remains is what factors account for the pay gap? Results of a decomposition of the models from Table 1 overwhelmingly show the % female in the occupation accounts for 56% to 32% of

Table 1

Descriptives and Regression Coefficients Predicting Natural Log of Gross Income of Home-Based Business Owners by Gender

Variables	Mean Values or Proportions		Regression Coefficients	
	Women	Men	Women	Men
Human Capital				
Education	13.837	13.570	.028158	.074794**
Length in job ★	8.319	9.941	.001645	.006466
Hours/year ★	1624.514	1970.816	.000444655***	.000403068***
Other Job by Owner ✔	.23	.32	-.346455**	-.479302***
Social Forces				
Married	.82	.83	-.125955	.160425
Urban	.40	.41	.387105***	.218457*
# of Dependents ★	.997	.785	.009558	.032251
%Female in Occ ★✚	.693	.186	-1.614892***	-.912048***
Use a Sales rep.	.02	.03	1.17888**	.434252
Hire for HH Chores ✚	.14	.16	.847134***	.172734
Control				
Age of HBB Owner	42.549	43.483	-.004990	.004771
Other Income ★	29127.724	21282.772	-.00000759**	-.000071954*
(Constant)			9.311076***	8.566556***
Adjusted R^2			.398	.285
Gross Business Inc.	23,147.15	69,048.01		
Log Gross Bus. Inc.	9.01	10.46		
n	288	391		

★= T-test comparing for equality of means significant at .01 level
✔ = Chi-Square Significantly different comparing proportions at .05 level
* p<.10   **p<.05   ***p<.01 (using two-tailed tests)
✚= significant in full interaction model
~normal probability plot indicates assumption of normality met, diagnostic plot indicates no heteroscedasticity

the pay gap in earning explained by differences in means. This finding shows this variable to be even more important in explaining the pay gap for home-based income as compared to its explanatory power for other groups. Kilbourne, England, and Beron (1994) found that percent female in occupation explained between 3.6 and 12.2 percent of the pay gap between young white men and women.

Conclusions

In conclusion, "are the floors more sticky at home," or are women stuck in low-mobility/low-paying jobs as home-based business owners? There appears to be overwhelming evidence for a resounding "yes." The segregation index for home-based employment is a little better than that of the traditional labor market. When determining the factors which affect the income of home-based businesses it appears that women are even more severely punished for being in traditionally female occupations as compared to their non-home-based counterparts. In the decomposition procedure, it was further confirmed that it was the difference in the means of the % of female in the occupations, which accounted for the greatest percentage of the pay gap. Finally, it was calculated that women home-based business owners earned 37% of what men earn, as compared to the 72 cents to the dollar in the traditional labor market. I do not think the floor is more sticky at home, it is down right *quicksand!!*

The question remains as to why? It is perceived that income through self-employment is limitless, yet why does this self-employed sample of women exhibit more restraints on income when compared to their traditional labor market counterparts? Why do women home-based business owners select low paying occupations? On the other hand, why are the occupations which are predominantly conducted by females devalued by society?

These questions remain, but this study has added to the knowledge of home-based business earning and gender differences. This study has found that women will find home-based work income to be low-paying unless they choose occupations which garner higher wages, such as those which are predominantly held by men.

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Endnote
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