

Earnings Inequality Within Detailed Occupations and Foreign-born Labor

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Introduction

Over the past few decades, the composition of the American workforce has shifted to a higher proportion of foreign-born workers, from 5.2 percent in 1970 to 15.6 percent in 2007 (Newburger and Gryn, 2009). Some researchers suggest that the foreign born are an important component of the economy as they work in jobs that are difficult to fill (Enchautegui, 1998; Orrenius, 2003; Ottaviano and Peri, 2006; Hanson, 2007). Others argue that the abundance of foreign-born workers depresses natives' wages (Borjas, 2003; Orrenius and Zavodny, 2006; Hanson, 2007).

During this period, inequality of labor market earnings increased, with the US economy experiencing a period of polarizing wage growth in recent years due to changing technology and the importance of highly educated workers (Autor, 2009; Jones, 2009; Steelman and Weinberg). This growth has not been uniform across occupations. Those requiring high skill and more education, such as managerial and professional occupations, have benefited with rapid growth, as have service-oriented occupations needing the least education. Autor suggests these low-paying jobs are difficult to automate, cannot be outsourced, and require in-person performance.

This research attempts to examine the how the influx of foreign-born workers has contributed to rising wage inequality. Among those occupations that have increased in their proportion of foreign-born labor, have earnings decreased relative to other occupations with similar educational attainment levels? If earnings have risen in occupations with few foreign-born workers, while wages remained static in other occupations with many foreign-born workers but similar human capital requirements, this would tend to support the hypothesis that influxes of foreign born workers can depress earnings in a given occupation.

Research objectives

This research has three main objectives. Specifically,

1. Are occupations that are growing in importance the same as those in which the proportion of foreign born increased?
2. Are those occupations with increasing earnings those in which the foreign born proportion increased?
3. Has earnings inequality within each occupation increased more for occupations with an increased share of foreign born?

Data

This paper uses data from the American Community Survey (ACS) for the years 2006-2008 and the decennial Census 2000. The ACS 3-year file is a composite of three years of ACS – a nationally representative survey of 3 million household addresses each year. Both the ACS and the 2000 decennial census long form collected similar measures including nativity, employment status, occupation, industry, class of worker, earnings in the last 12 months, detailed geography, and numerous demographic characteristics for all members of the household. Both data sources are rich in detail about labor force activities, with about 500 reported occupations and 270 industry classifications.

Methods

We first examine the change in prevalence of occupations within the US economy by their proportion foreign born between 2000 and 2008. We next explore changing earnings and the proportions of foreign-born workers within detailed occupations. Finally, using the Gini coefficient, we consider earnings inequality within detailed occupations in relation to the change in proportions of foreign-born workers and changing earnings.

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