

IMMIGRATION AND ITS IMPACT
ON THE WAGE GAP IN THE UNITED STATES

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The following faculty members have examined the final copy of this thesis for form and content, and recommend that it be accepted in partial fulfillment of the requirement for the degree of Master of Arts with a major in Sociology.

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DEDICATION

To my parents, my sister,
and my dear friends

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ABSTRACT

The aim of this thesis is to examine the effect that immigrants have on the wage-gap in the United States. Immigrants have been defined in this research as individuals who have been born outside the United States whereas non-immigrants are individuals who are born in the United States and thus have automatic citizenship. The conceptual model has been divided into three component parts consisting of the Individual segment, the Structural segment and the Discrimination/Disadvantaged Groups segment. Various literatures on the subject of immigrants and the wages they earn argue that there is devaluation and sorting that takes place.

Data for this thesis has been obtained from the 2008 Current Population Survey (CPS). An univariate and bivariate analysis was performed which showed that, among other variables, immigrants are more likely to be younger and have fewer years of education than non-immigrants. Data from this analysis also showed that immigrants are more likely to have at least a High School diploma. An Ordinary Least Squares (OLS) Regression analysis was also performed for this thesis. The resultant data shows that immigrants indeed earn fewer wages than non-immigrants. In addition, the data shows that the Individual model segment has a greater effect on the immigrants groups than it does for the non-immigrants.

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CHAPTER 1

INTRODUCTION

In any given year there are a certain number of immigrants granted entry into the United States by the US Citizenship and Naturalization Service (USCIS).

Immigration, both legal and illegal has always been a hotly debated political issue from both extremes of the political spectrum. Apart from the political impact, immigration has also become an increasingly important social issue over the past few years. This is especially true with regards to the wage gap in the United States.

In the context of this research paper, immigration is defined as individuals who are born in another country and have gained residence and citizenship in the United States through the Diversity Visa Lottery system, marriage to an American spouse and through naturalization. The non-immigrant individuals are defined as those who have been born in the United States and are automatically American citizens.

Since 1836, there has been a steady concern over the quality of immigrants that come into the United States. This has lead policy-makers and the general public to worry about potential low incomes and high unemployment among the new incoming immigrants. According to the Department of Homeland Security Office of Immigration Statistics (2002), between 350,000 and 400,000 immigrants come to the USA per year (Akresh, 2007). In 1980, “the number of new immigrants climbed to over one million and this number crossed the one million mark in 1989 for the first time since 1914” (Akresh, 2007. p865). In 2001 and 2002, the Office of Immigration Statistics “reported that slightly over one million immigrants were admitted yearly, primarily from Mexico, India,

China, the Philippines and Vietnam” (Akresh, 2007. p865). These four countries represented 41% of all the legal immigrants who were admitted to the US in 2002 (Akresh, 2007. p865).

Increasingly, the age of immigrants coming into the United States is getting younger. Since these newer immigrants are younger, they carry forward fewer skill sets from their home countries and most of them do not have as much educational experience as the immigrants who have been in the US for a longer period of time. It is due to this fact that a lot of these new immigrants would rather take on jobs that pay a much lower wage when compared to the other immigrants who take higher paying jobs. These older immigrants already have some skills that are beneficial to the employer after being in the United States for a longer period of time; and this would, in turn, lead to an increase in the wage gap between these immigrant groups. The most basic way of restating this would be that an increase in immigration would bring about an increase in the pay gap between immigrants and non-immigrants.

According to the Pew Hispanic Center illegal immigrants outnumber the number of legal immigrants in the country (Ting, 2006). The official estimate is that the United States Border Patrol “apprehends one out of four illegals” who cross the border (Ting, 2006. p42). However, there are some who say that this ratio is much lower than previously thought; “about 1:8 or 1:10” (Ting, 2006. p42) is the current ratio of illegal aliens who get caught crossing the border. There has also been an increase in apprehensions of individuals who are classified as Other Than Mexican (OTM). In 2000,

28,598 OTMs were caught near the southern border with Mexico; in 2004 the number of OTM's caught trying to enter the US illegally rose dramatically to 65,814 and then again rose to 100,142 "in the first 8 months of fiscal year 2005" (Ting, 2006. p43).

There are a variety of theories that would explain the effect of immigration on education and the wage gap in the US. One of these theories is the Human Capital Theory which describes human capital as a means of production where "individuals make investments in their own set of productive skills" (Tomaskovic-Devey, Thomas & Johnson, 2005. p60). Gary Becker describes it as "a physical means of production" where investing in human capital, which can include education and training, is able to improve and increase output (Tomaskovic-Devey, Thomas & Johnson, 2005). Another theory that is an important part of this discourse is the Rational Choice Theory (RCT). This theory states that individuals make rational choices everyday and then act upon these choices.

The Status Attainment Theory which "analyses standards of achievement, forms of prestige, and social mobility" is an important theory that could explain the wage gap that relates to immigration. In addition to the Status Attainment Theory, this study will also be looking at the shared connection between socioeconomic status and educational levels, occupations and income (Kao & Thompson, 2005). Another theory included in this paper is that of the Dual Economy Theory. One aspect of this theory is that the income that one receives is determined by the position that is occupied (Dickens & Lang, 1988). This is a part of the structural model that would be part of this paper with

the Human Capital Theory being the individual model. The dual economy theory which would also be used in this paper represents the structural model. The structural model argues that organizations are economic hierarchies that are comprised of positions that have their own ranges of specific incomes; this is independent of individual attributes.

As stated before, this study explains how immigration affects the wage gap in the United States. Individual level and structural level models will be used in order to show the results of findings. In addition to these two models, a discrimination based model would be used as an alternative in order to connect immigration to the issue of the pay gap in the US. As data pertaining to the number of illegal immigrants in this country may not be completely accurate, this paper will be looking at legal immigrants in the US only. The data pertaining to the issue of immigration and the wage gap will be pulled from the 2008 Current Population Survey (CPS) dataset.

CHAPTER 2

LITERATURE REVIEW

2.1 Individual Model

The Rational Choice Theory (RCT) explains that humans make choices everyday and then act upon those choices. Although these choices could either be good or bad, they would still be acted upon. This means that individuals make a series of complex decisions that would maximize their benefits but minimize their cost. So people decide how they would act by weighing the costs and the benefits of various types of actions and then by acting upon that decision. Some social scientists believe that most people see RCT as an explanation “of social phenomena by showing how they arise from the deliberate or unintentional pursuit of self interests by social actors” (Lovett, 2006). In this instance, the definition of “social actors” will be confined to individuals who make a decision on their action based on weighing the benefits and consequences. The RCT hypothesizes that everyone chooses their own actions in life, and in doing so, they also accept the consequences that come with their actions whether they are good or bad.

The basic tenet of the Human Capital Theory (HCT) is that it distinguishes between training for general purposes and training for job specific purposes (Kessler, 2006). Tomaskovic-Devey & Skaggs (2002) stated that “general human capital represents productive capabilities that would be useful to many employers, such as general educational development, labor force experience and work habits” (Tomaskovic-Devey and Skaggs, 2002. p107). One of the most prominent proponents of the HCT has been

Gary Becker. Becker (1992) had stated that “expenditures on education, training, medical care, etc., are investments in capital” (Becker, 1992. p85). He also mentioned that “education and training are the most important investments in human capital” (Becker, 1992. p 85). In basic terms, this theory hypothesizes that individuals who can offer more human capital are viewed to be “more attractive employees because their skills can be deployed to produce superior productivity” (Tomaskovic-Devey, Thomas & Johnson, 2005. p60). In addition, the Immigrant Human Capital Investment Model (IHCI) is another theory that has been developed in order to go along with the Human Capital Theory. The IHCI theory explains that immigrants come into a new country with an “initial stock of human capital that was acquired in their home country but it may not be fully valued in the host country” (Akresh, 2007. p867). This means that once a newly arrived immigrant receives or gains human capital that is present in the host country, such as the United States of America (USA), he/she has a greater chance of gaining better employment and better income. It is important to note that where an immigrant receives his education and work experience matters, as “immigrants receive lower returns on their education than do natives” (Akresh, 2007. p867) when they have little to no US education. This in turn leads to newly arrived immigrants in the US taking low paying jobs in order to survive, thus increasing the wage gap and in turn, increasing the social inequality. The HCT does not recognize any forms of discrimination; what matters in this theory is whether an individual has the ability and the experience to do a particular job. If the person does not have what is required of him or her when it comes to a particular job, then according to the HCT, the next most qualified person would be

hired on to do that job (Blau and Duncan, 1992).

In stark contrast with the HCT, which does not recognize discrimination of any form, the Status Attainment Theory (SAT) recognizes certain forms of discrimination. The SAT deals a lot with gender roles in society and the workplace and even brings in an individual's Socioeconomic Status (SES), education and status of the first job as variables (Blau, 1992). This theory mainly deals with a person's position within society. The idea behind status attainment is that a person is able to have both upward and downward mobility in a societal class system. One of the first sociologists to actually write about SAT was Peter M. Blau in 1967. After years of research, he and his colleagues were able to hypothesize that one of the most important indicators of status attainment was the amount and quality of education that a person received (Blau, 1992). If quality education was given to a person, then he or she would have the opportunity to be upwardly mobile; however if the education received was flawed in some way, then the one who received that education would not have as much opportunities as the other person and might even be downwardly mobile.

The issue of status attainment in the United States can be summed up into what is known as the "American dream"; where someone starts from "nowhere" and over time ends up in a higher social class than where he or she began. The American Dream is the main reason as to why immigrants come to the United States (Keller & Tillman, 2008). Another reason immigrants have for pursuing the American Dream is so that their children could be "provided with an enhanced opportunity for security and financial

advancement” (Keller & Tillman, 2008. p122).

Social class is also a huge factor in attaining the “American Dream” as in the SAT one needs to have the necessary networks in place. Individuals have to be properly socialized and have the resources to attain whatever goals they are looking for which includes upward social mobility (Hall & Farkas, 2008). Most important of all these factors is the need to have networks available as it is directly related to the class that the individual or the immigrant would be included in. One such example is that someone in the middle class and someone in the upper middle class would have different networks that are available to them and thus, they would have different opportunities available to them through the use of these networks. This way it makes upward social mobility very hard, if not impossible. However, immigrants who arrived in the United States in the early years of their childhood “would be particularly advantaged in that not only will they have received a majority of their schooling in the US, but the critical early years of socialization and network building will have taken place in the US”(Hall & Farkas, 2008. p623).

In terms of immigration, socioeconomic assimilation plays a very important role (Hall & Farkas, 2008). Alba and Nee (2004) defined socioeconomic assimilation as the “ability of immigrants and/or minority groups to achieve economic parity with the dominant group” (Hall & Farkas, 2008. p623). Many employees would rather keep the jobs that are available for native-born workers instead of recent immigrants. Some reasons for this could be that the recently arrived immigrant, either legal or illegal, does

not have the required networks that would help him or her to land a good job. In addition, the education that immigrants receive in their own country may be incompatible with what the employers seek in the US.

2.2 Structural Model

In contrast to the Individual model, the structural model is more about the structure of various positions that are available for occupation. These positions are based on hierarchal models based on the income to be earned in that particular position. Unlike the Individual model, this model does not look at individual attributes.

The Dual Economy Theory (DE) involves the industrial sectors of the economy; thus it has a technical relation to production (Dickens and Lang, 1988). These industrial sectors include sectors such as the mining, construction, retail, manufacturing and the aerospace sectors among others. Over a period of time, certain industries have an excess of capital that is required to produce the goods needed for consumption. There are two types of sectors in the DE; the monopoly sector and the competitive or the service sector (Daymont, 1980).

The monopoly sector is the goods producing sector and thus it is the sector that requires a lot of capital in order to function efficiently. One of the monopoly sectors is manufacturing. The monopoly sector has a very high capital to labor ratio, which means that it requires more capital such as machinery to run (Daymont, 1980). This high capital to labor ratio provides greater production capacity, however the downside is that this sector cannot afford to have extended periods of slowdown and disruption. The

monopoly sector has a few other characteristics that place it above the competitive or the service sector. These characteristics include having a large market share which is usually about 20 to 30 percent, having both national and international markets and having the ability to set prices such as many Multi National Companies (MNC's). Companies in the monopoly sector also share their usually large profits among their employee's. Some examples include bigger paychecks and various forms of profit sharing, such as stock options, which are used to keep them happy so that they would keep on working for the company.

The competitive or the service sector on the other hand, is the exact opposite of the monopoly sector. Unlike the monopoly sector which relies mostly on huge amounts of capital in order to be run efficiently, the competitive sector is built more on being labor intensive, thus having a more labor to capital ratio (Daymont, 1980). This means that there will be problems in the industry if there ever is a shortage in the labor market. Unlike the monopoly sector, the share is not as great usually the markets extend regionally instead of being international or national. The workers in this industry get paid a much lower wage than the workers in the monopoly sector. It could be inferred that the turnover in this industry is very high due to workers continually seeking other positions that offer a higher wage (Dickens and Lang, 1988). This is the sector where a lot of the new young and unskilled immigrants usually end up in due to the employers being able and willing to pay them lower than what they would get in a position that offers many benefits and higher pay.

The Segmented Labor Market Theory (SLM) consists of two different types of sectors: a primary sector and a secondary sector (Dickens and Lang, 1988). Basically, the SLM theory entails that the labor market can be divided into two different sectors with one sector being the high wage sector or primary sector that has “good working conditions, stable environments and substantial returns to human capital variables such as education and experience” (Dickens & Lang, 1988. p129). The low wage or secondary sector also exists but it has the exact opposite characteristics. Primary jobs are also rationed in such a way that even a worker who is qualified for a position may not be able to obtain one (Dickens and Lang, 1988). The SLM can be divided into primary and secondary markets with the primary market containing positions that are required and it develops "stable working habits; skills are acquired on the job; wages are relatively high; and job ladders exist". There is also “substantial returns to the human capital variables such as education and experience” (Dickens and Lang, 1988. p129). The secondary jobs consist of work that does not require stable work environments; in fact these jobs actually discourage them. Also wages are very low, turnover is high and opportunities for job mobility are few and far between. In other words, the secondary jobs sector has characteristics that are completely opposite from that of the primary jobs sector.

These kinds of jobs are usually taken by immigrants due to these positions requiring fewer skills than some other jobs that require higher skilled labor. Segmentation can occur through the primary sector and can involve both race and sex.

2.3 Discriminatory Model

In addition to research that has been done on the Individual and the Structural models; there has been research carried out that address gender. The same research that addresses gender discrimination is similar to the research on immigration. There are a few theories that can be included in the discriminatory model; the theories being looked at are the Crowding Theory, the Revolving Door Syndrome and the Job/Gender Queues.

The Crowding Theory explains that occupations are distributed such that there is an oversupply of women and an under supply of men. It is due to the over abundance of female labor that employers push down wages to such a lower level compared to wages that are related to men (Tomaskovic-Devey and Skaggs, 2002). Employers realize that even if females in their places of employment decide to quit, there is always an abundance of female workers waiting on the sideline to take the place of the ones who quit. The Crowding theory portrays women as being an expendable commodity that can be replaced very easily as men are more likely to invest in specialized human capital; thus making them more attractive to employers (Tomaskovic-Devey and Skaggs, 2002). This can be related to immigration as well since there is also an oversupply of immigrants, both legal and illegal, so employers can offer lower wages like in the case of women.

Research done has consistently demonstrated a substantial gender segregation and gender inequality in many workplaces (Tomaskovic-Devey and Skaggs, 2002).

According to Tomaskovic-Devey and Skaggs (2002), there are two mechanics through which gender influences both job assignments and earnings. The first is referred to as a “devaluation process” which are “general cultural tendencies to devalue the work of women leading to lower earnings for typically female work “. The second mechanism is that “men are more likely than women to invest in specialized human capital” (Tomaskovic-Devey and Skaggs, 2002. p103). Specialized human capital refers to skill sets that are required specific to each firm and it is these firm-specific skills that make job-shifts more costly to workers and are compensated by the current employers in the same way as other human capital investments (Tomaskovic-Devey and Skaggs, 2002).

In the article by Tomaskovic-Devey and Skaggs (2002) it was stated that “there is also considerable debate over the exact processes that lead to gender segregation in job assignment and the resultant inequalities.” (Tomaskovic-Devey and Skaggs, 2002.) Some empirical research exists showing a close link between gender segregation and earning inequalities that shows that “female representation often depresses wage rates” (Cohen and Huffman, 2003). The result shows that the more females employed in an organization, the more the employers would want to lower that amount of wages. This gives men working in the organization a reason to leave the work place because they would begin to think the job that was once a “man’s job’ has become a “women’s job” and since the wages has been depressed to a lower level than before, they would rather leave the job and look for a new job that pays better than the previous one. Cohen and Huffman (2003, p881) claim that “higher levels of occupational segregation....significantly increased tendency to devalue women’s work roles”. The

word “devaluation” refers to “general cultural tendencies to devalue the work of a particular group, in this case women, lead to lower earnings for typical female work” (Tomaskovic-Devey & Skaggs, 2002. p103). Cohen and Huffman (2003) also hypothesizes that should there be an absence of occupational segregation, some of the basis for gender based-devaluation would be eroded as well. They also state that employers who “aggregate practices at the labor market level are associated with the level of gender devaluation” (Cohen and Huffman, 2003. p901).

There is also evidence that suggests that women are sorted into jobs that are traditionally female oriented and so they do not gain any access to firm specific training just because of that sex segregation (Tomaskovic-devey & Skaggs, 2003). This restricted access to training for women ultimately leads to women having less complex level jobs and lower supervisory authority (Tomaskovic-Devey & Skaggs, 2003). One can infer from this that when women do not get the required access to training, which is needed for higher positions within an organization; they would not be able to go far in their careers and so would remain at the level that they are. The same can be said of immigrants who come to the US since they really do not have access to similar levels of training. Even access to on the job training relies on the willingness of co-workers to train and “of employers to hire people into jobs with very long training periods” (Tomaskovic-Devey & Skaggs, 2003. p.123). So it can be inferred that being a woman or a minority can seem a huge barrier to the availability of on the job training. Thus women and minorities, including immigrants, who want to earn very high wages, may have no option but to follow the “educational route because of exclusion from more

informal training opportunities in many work places” (Tomaskovic-Devey & Skaggs, 2003. p123).

The Revolving Door Syndrome explains that employment socialization is a lifelong process that begins since young, from the first day of school until adulthood. This theory states that since young, individuals are taught by teachers and classmates about gender-based traditional jobs. This is done in order to discourage people from going into non-traditional jobs such as a man going into a traditionally female job such as being a secretary or cleaners. Once entering the workforce, individuals are judged by their employers and their co-workers. An example would be women going into a non-traditional career field such as engineering. They would be left out of important decisions in their place of employment by their co-workers and would be given menial duties to perform which would not adequately show what they are capable of with regards to their usefulness to the organization. Thus, when employers perform performance reviews, the female employee would be given a review that is not reflective of what they are really capable of since they are sidelined by male co-workers (Tomaskovic-Devey and Skaggs,2002) . In this case the female employee would be encouraged to find another “traditional female job” since she is finding it hard to keep up in a traditionally male dominated field. If the female worker continues to work in such an environment there is the possibility that her work would suffer and would eventually be let go by the employer (Tomaskovic-Devey and Skaggs, 2002). The case of immigrants would be similar to the experiences of the average female worker. Most people expect immigrants not to hold non-traditional jobs. It could be inferred that when an immigrant

holds a job that is deemed to be non-traditional in nature, the cycle of the revolving door that is experienced by the female workers would be experienced by immigrants.

It is true that most employees are partial to hiring women for certain positions by restricting certain jobs to men, thus making it a form of discrimination that can be counted as a major reason for the huge difference in occupational distribution among men and women (Bergmann and Adelman, 1973). It has also been said that female college graduates who work full time for the whole year are more likely to earn the same amount as male high school dropouts who also work the same amount of hours (Bergmann and Adelman, 1973). The earning differences between men and women at this time tend to be between 35 percent and 57 percent (Bergmann & Adelman, 1973). This is usually due to women having to occupy positions where they are paid much lower than men. This argument goes to the emphasis on work experience and how work experience is seen differently for both men and women. As a result of the diminished consideration for women's work experience, they are usually "relegated to jobs in which experience adds little to productivity" (Bergmann & Adelman, 1973). The same argument can be made for the status of immigrants today. Employers see whatever experiences that immigrants have as being lower than what they are looking for and thus the immigrants, like women, are relegated to duties that do not pay very well and have little to no chance of achieving upward mobility in the organization.

The Job and Gender Queue theories show that many employers now would "prefer to hire white males followed by the white females, nonwhite females and

nonwhite males” (Bisping & Fain, 2000. p126). If there is an unforeseeable event that occurs in the grouping of a particular order, the unemployment rate increases for one particular group. One example is that if there is a huge increase in the white male unemployment rate then there would be a ripple effect across the entire job queue (Bisping & Fain, 2000). This means that with more white males who are unemployed, the white females would have to wait much longer for a job thus also increasing their unemployment rate. In the same vein, if there are more employed white males and females who are unemployed, non white males would have a much greater problem in finding a suitable job and it is the same for the non white females. This can be regarded in terms of immigrants such that immigrants would be the last choice for employers to hire. This is partly due to prospective employees refusing to work at the work place because of several factors such as working conditions and wages paid. Since most immigrants are willing to work the lower paid jobs it can be inferred that employers are able to fulfill any positions that are open at a lower pay.

2.4 Alternative model

The individual model states that people would make their own decisions about their actions based on what are the consequences. The structural model is based upon the premise that positions exist as economic hierarchies that have their own set of incomes instead of being reflective of individual attributes of the worker. In the structural argument, the economy is divided into two segments, the monopoly sector and the competitive or service sector. The monopoly sector is the well paying sectors where the

capital to labor ratio is extremely high; however the downside is that if there is any slowdown in the economy, the production level could be affected. The other segment is the competitive sector which is more labor intensive than the monopoly sector however it is known that this sector has a very high turnover rate. Immigrants would usually end up in the competitive sector since they would be willing to work for lower pay since this is the amount that employers would be willing to pay. The discriminatory model shows that most people learn from their younger years that they should be going into fields that best fit into their roles in society. For example, men should be in engineering, women should be secretaries and minorities should be cleaners. This works against immigrants as this group is believed to be put into positions where they are supposed to be in a lower job status. It is expected that immigrants would be not be able to get the required training for a particular position and thus they would be effectively locked out of that position. Instead, the job would go to individuals who have a better chance of performing since they already have the required training. In addition, networking is an important tool in gaining a job in the United States. Since immigrants do not have a good working network, it is much harder to find a job.

CHAPTER 3

HYPOTHESES

This research looks at various hypotheses that involve immigrants in relation to the wages that they earn in the United States. The dependent variable (DV) in each hypothesis is the annual wages and salaries that are earned by immigrants. The hypotheses that are being researched are:

Individual Level Factors:

- 1) Increases in age lead to increases in income; net of other factors.
- 2) Increases in education leads to increases in income; net of other factors.

Structural Level Factors:

- 3) Employment within the goods producing sector leads to increases in income; net of other factors.
- 4) Increase In occupational prestige leads to an increase in income; net of other factors.

Disadvantaged Group Level Factors:

- 5) Immigrants will be sorted into inferior economic positions.
- 6) Immigrants will receive less income; net of other factors.

3.1 Methods

The 2008 Current Population Survey (CPS) was used for this research. The CPS has been conducted by the United States Census Bureau every month for the past 50

years. The Census Bureau surveys about 57,000 households monthly asking them various questions that range from education to income. The CPS measures the civilian non-institutional population of the United States. The CPS sample is taken from 792 sample areas comprising 2,007 counties and independent cities with coverage in every state and the District of Columbia. The sample includes some 72,000 housing units or other living quarters that are assigned to be interviewed each month. The total numbers of individuals surveyed and received responses from are 155,917 respondents.

In order to retrieve the proper sample from the 155,917 respondents, restrictions were placed in order to get a suitable sample. These restrictions included selecting valid weights, selecting ages between 18 and 64 only, the removal of individuals whose spouses were in the military, removing individuals who were self-employed and removing individuals who were working in any military based occupations and industries. The final sample size after all the restrictions numbered 87,688 individuals.

Once these restrictions were placed, the relative weight for the resulting sample had to be created. Weights are often created in order to compensate for over sampling of a particular sub population that is commonly undercounted. The 2008 CPS dataset contains weights and these weights have to be used in order to extrapolate the data to the targeted universe. The use of weights can artificially increase the incidence of a Type I error occurring. The Type I error, which refers to a “false positive”, occurs due to the collapse of the standard error. Thus, a relative weight is created which allows the researcher to have the original sample size with the same distribution as the weighted

data. The relative weight is formed by first obtaining the mean value of the standard weight; then the relative weight is created by finding the current weight of the data and dividing the current weight with the mean of the current weight. Once the weights were applied and the data management completed, an outlier analysis had to be run in order to remove any outliers. After removing the outliers and creating a new relative weight, the resulting sampling size became 85,941 respondents.

3.2 Variables

The dependent variable for this research is annual income. The wage salary information is an annual measure. This variable is an interval level variable. Most scholars log income to compensate for distortion; however the restrictions that have been placed would minimize the distortion in the data. The standardized residuals for the income variable are normally distributed. This study denotes the annual wage and salary information in raw dollars. The wage and salary data is then ranked into quintiles and centiles.

The variables that are needed from the 2008 CPS include sex, race and ethnicity, family type, age, age cohort, prime working age, the five level educational attainment, a variable for individuals who received any form of degree, marital status, whether an individual was an immigrant or not, immigrants who came to the US in 1980 or earlier, immigrants who arrived in the US during the 1990's, individuals who came to the US in the 2000's. There was also a variable for the lowest region by income, for individuals who come from the rural areas, the number of employees in a company, the

number of employees in a small sized company, a medium size company and a large sized company.

The 2008 CPS dataset required many changes in terms of the recoding of some of the independent variables. The race and the Hispanic variables were combined to form one race/ethnicity variable known as “raceth”. The labels for this variable was coded with 1 equaling to “white non-Hispanic, 2 being equal to “black non-Hispanic”, 3 being equal to “Other Hispanic” and finally 4 being equal to “Other non-Hispanic”. The “fkind” and the “ftype” variables that represented the kind of family and the type of family respectively were combined to form a new variable called “family”. In the “family” variable 1 is equal to a “couple”, 2 is equal to a “single parent male” household, 3 is equal to a “single parent female” household; finally the 4 is equal to the “individual” household where one neither has children and nor are they married.

The disadvantaged groups model required that the “a_sex” variable be recoded into a binary “sex” variable known as “female”.

After the recode for the Disadvantaged Groups Model, there had to be some recodes for the Individual Model Segment. The “age” variable was recoded into a 11 level “agecohort” variable with 1 equaling to “low thru 19”, 2 equaling to “20 thru 24”, 3 equaling to “25 thru 29”, 4 equaling to “30 thru 34”, 5 equaling to “35 thru 39”, 6 equaling to “40 thru 44”, 7 equaling to “45 to 49”, 8 equaling to “50 thru 54”, 9 equaling to “55 thru 59”, 10 equaling to “60 thru 64” and finally 11 equaling to “65 thru hi”. In addition to the “agecohort” variable, an “age_prime” binary variable was also created with the age

range of “25 thru 59” equaling to 1. The “eddeg” variable was recoded into a new 5 level variable known as “eddege5” which consisted of 1 equaling “high school no diploma”, 2 equaling “high school grad”, 3 equaling “some college and associates degree”, 4 equaling “bachelors degree”, 5 equaling “Masters or higher”. Binary variables were created as well for the “eddege5” variable which consisted of “Less than High School” (LHS), “high school” (HS), “somcol”, “col” and “grad”. The “eddege5” variable was also formed into a binary that consisted of those individuals who had received any type of degree; this variable has been denoted as “ed_col”. Another recode was carried out with the creation of a “years of education” (edyrs) variable that signified the number of years of education an individual had obtained. In addition, the “eddege5” variable was further recoded to a binary variable “HS_less” to indicate respondents who had an education of High School or lower. The “a_maritl” variable was recoded into a three level marital status variable known as “marstat3” with 1 equaling “married”, 2 equaling “ever married” and 3 equaling “never married”. In addition to this recode, the “marstat3” variable was further recoded into binaries using the “mar_mar”, “mar_evr” and the “mar_nvr” variables. The birth status variable, “prcitshp” was recoded into the “immigrant” binary variable. This was followed by recoding the “peinusyr” into a 3 level ordinal variable for immigrants with the variable name being “immigrant_t3”. The “immigrant_t3” variable, which refers to a range of years that immigrants come into the United States, consisted of 1 equaling “1980 and earlier”, 2 equaling “1990s” and 3 equaling “2000+”. The “immigrant_t3” variable was further recoded into binary forms with the variable labels being “immigrant_t1980”, “immigrant_1990” and

“immigrant_2000”. The “region” variable was recoded into a binary form called “south” to show that the lowest income by region was in the South of the United States. The “area” variable that showed the Metropolitan Statistical Areas (MSA) was recoded into the “rural” variable. A variable “anhrs” was created in order to indicate the amount of hours a respondent works annually; this was performed by multiplying the number of hours worked per week (hrswk) and weeks worked (wkswork).

The structural segment involves the variable “noemp” which refers to the number of employees in a company. The “noemp” variable was first recoded into a six level “bizsize” variable where 1 equals “5”, 2 equals “17”, 3 equals “62”, 4 equals “300”, 5 equals “750” and 6 equals “1500”. The “noemp” variable was also recoded into a “bizsize3” variable which consisted of 1 equaling “small business”, 2 equaling “medium sized business” and 3 equaling “large business”. The “bizsize3” variable was further recoded to form 3 binary variables known as “sm_bus” (small business), “med_bus” (medium business) and “large_bus” (large size business). The “in4ly” variable was recoded into a binary variable to indicate the number of respondents who were employed in government. In addition the “ind2ly” variable in the CPS was renamed to “goods” which indicated the number of respondents who work in the good producing sector. The White Collar High Skilled, White Collar Low Skilled, Blue Collar High Skilled and Blue Collar Low Skilled variables were used in their original binary forms.

CHAPTER 4

RESULTS

Table 1 shows the univariate and bivariate relationships between non-immigrants and immigrants in the income determination model. The dependent variable in this analysis is the annual income earned.

The univariate and bivariate analysis from this table shows that immigrants earn about \$33,730 annually on average and their median income annually is about \$25,000; this generates a pay gap of 88.8% and 78.1% respectively. As far as the individual level factors are concerned, immigrants are younger (38.4 vs. 39.1) and have fewer years of education (13.9 vs. 14.3) when compared to non-immigrants. When compared to non-immigrants In terms of education, most immigrants have a High School diploma (54% vs. 36%); fewer immigrants have some college experience (18% vs. 33%) and a Bachelors degree or higher (29% vs. 30%). Not many immigrants have claimed that they come from rural areas (4% vs. 17%) and the southern states (31% vs. 37%).

The structural level shows various differences in the immigrant variable as well. Immigrants work more hours on average (39.7 vs. 39.5). Few immigrants are involved in the unions (24% vs. 31%) and in government (2.3% vs. 5.7%). Most immigrants work in the goods producing industry (28% vs. 19%). Fewer immigrants work in the White Collar High Skilled positions such as managers, professionals, technicians, educators and health (28% vs. 38%) and White Collar Low Skilled positions such as sales and clerical positions (17% vs. 27%). Most immigrants tend to work in Blue Collar High Skilled

positions such as precision crafts, high skilled production and protective services (21% vs. 16%) and in Blue Collar Low Skilled positions such as machine operators and assemblers and laborers (34% vs. 20%).

The disadvantaged groups section also shows various differences in the immigrant sample. This section shows that immigrants work in occupations that have lower occupational sex segregation (0.91 vs. 1.04). More of the immigrants in this sample are married (63% vs. 53%) with most non-immigrants being ever-married (16% vs. 12%), which refers to them having been separated, divorced or widowed from their spouse and never married (31% vs. 26%). More immigrants will have a child under the age of six (33% vs. 22%) and fewer immigrants will be single parents (28% vs. 33%). Most immigrants would also acknowledge themselves as being part of a minority (82% vs. 24%).

Table 2 shows the OLS Regression for the Income Determination Model. The OLS regression would help to identify which factors have an independent effect and then how much of an effect these factors have on the dependent variable. The dependent variable in this regression analysis is annual earnings. The results in this table show that the R-squared is 0.528 which means that 52.8% of the variance can be explained by the Income Determination Model. The results in Table 2 indicate that immigrants make about \$2,187 less than non-immigrants. This supports the sixth hypothesis that immigrants will receive less income, net of other factors. The OLS regression of the full individual model sample shows that for every one year older a

person gets, he earns \$311, net of other factors. This supports the first hypothesis which stated that an increase in age leads to increases in income. The data shows that non-immigrants would earn \$318 for every year that they get older whereby immigrants receive an increase of only \$253. In other words, the non-immigrants stand to gain more economic rewards on age than do immigrants.

In terms of education for the full sample, it can be inferred that persons who receive a postgraduate degree would earn \$26,761.44 more than the reference group which consist of respondents who have less than a high school diploma. The data shows that the higher up an individual goes in terms of educational fulfillment, the more that they would be able to earn. This fits with the second hypothesis that states that increases in education leads to increases in income, net of other factors. However, non-immigrants with a college degree would earn \$15,919 and immigrants would earn \$16,389 more than those who have less than a high school education. In other words, immigrants who are college graduate, those who have had some college and those with a high school diploma gain more economic rewards than non-immigrants.

In terms of the Structural Model, the resultant data shows that workers in the goods producing industries makes \$3,253 more that those working in another industry. This supports the third hypothesis which states that employment within the goods producing sector leads to increases in income, net of other factors. The data shows that non-immigrants and immigrants earn \$3,631 and \$2,118 more respectively.

Individuals who are employed in White Collar High Skilled positions earn about

\$14,000 more than the ones in the reference group who are the people who work in Blue Collar Low Skilled positions. This shows that the higher the skills that an individual gains, the more income that they will earn. This supports the fourth hypothesis that increases in occupational prestige leads to an increase in income, net of other factors.

CHAPTER 5

DISCUSSION

Immigrants have been very unfortunate when it comes down to issues regarding wages and incomes. Figure 2 shows the Shares of Unique Variance that is explained by the income determination model. In the case of the full sample 8.3% of the variance can be explained by the disadvantaged groups factors, about 59.8% can be explained by the structural level factors and 31.9% can be explained by the individual level factors. When comparing the non-immigrants with the immigrants, it can be seen that the Structural Model has a greater effect on the non-immigrant group than the immigrant group (64.3% vs. 52.2%). In the case of the immigrant group, it can be seen that the individual level factors have a much greater effect than for the non-immigrant group (40.8% vs. 27.1%). The disadvantaged groups factors has a greater effect for the non-immigrant groups than it does for the immigrant group (8.6% vs. 6.9%). It can be inferred from Figure 2 that immigrants' age, years of education and educational level play a bigger role in determining income.

The satisfaction of the immigrants with life in the US is a big indicator of whether they are willing to become naturalized US citizens. The article by Massey and Akresh (2006) shows that immigrants who expressed a "high degree of US satisfaction are significantly more likely to intend to naturalize" (Massey and Akresh, 2006. p954) and thus they are more open to wanting to stay in the US for the long run. It can be assumed that once these immigrants gain naturalized status in the US and are thus on

their way to assimilation into American society, they would be able to gain access to forms of employment and wages that they would not have been able to earn if they were still immigrants.

The issues that women face in terms of wages can be reflected onto the immigrant population as well. Articles such as Tomaskovic-Davis and Skaggs (2002) reveal that women are usually segregated into jobs those are in the low end of the wage scale. The same can be said for immigrants, which is indicated by the data that is shown in the OLS Regression table (Table 2), as they make about \$2,187 less than non-immigrants, net of other factors.

CHAPTER 6

LIMITATIONS

Despite the amount of information that the Current Population Survey contains, there are various limitations in the data. A few examples can be seen in the marital status variable. The variable shows how many people have married and divorced but the CPS does not show when the marriages occurred and when the divorces occurred. If the marriages and divorces occurred a few weeks or months before the CPS survey was given out, these individuals may not feel any effects of a marriage or divorce for about a year.

Another such example is that although the CPS shows the individuals who consider themselves immigrants, it does not indicate when they immigrated, or if they have become naturalized citizens and if they have any intentions of naturalizing. Another limitation that the CPS contains is that it does not indicate the number of immigrants who are here illegally.

An additional limitation is that there are few indications on whether the immigrants who gain naturalization have any intentions of returning to their home countries at a later date. Furthermore, the CPS does not measure the level of satisfaction individuals have in wanting to stay in the US for the long term; nor does it have the required information to indicate that immigrants who come to the US are willing to naturalize and assimilate into American society. The CPS data also does not represent longitudinal data; instead the data presented is cross-sectional.

CHAPTER 7

POLICY RECOMMENDATIONS

Improvements could be made to the current policies to ensure that immigrants receive a fair experience in the US. Some examples on improvements could be that immigrants be able to earn a comfortable level of livable wages, improved working conditions and adequate job training. The first improvement on immigration policy should be made regarding educational credentials. The research has already shown level and years of education as a prerequisite for immigrants to get suitable, well paying jobs. According to Harris, Jamison and Trujillo (2008. p109), “the best way to gauge how immigrants are assimilating is to explore their academic outcomes and the determinants of their academic outcomes”. As mentioned earlier, academic achievement is vital to the socioeconomic success in the United States.

An individual level factor that determines wages is the age of the immigrant. Age and education are linked as the older an individual gets, the more education s/he has. It would be useful for immigrants to get jobs that pay well by getting a better education from a younger age, so that when they grow older, they would be competitive in the job market.

While individual level factors are critical, job training and improving on Specialized Human Capital are just as important. There should be initiatives that encourage immigrants to further any job specific skills that they might have making it easier for immigrants to send their children to schools to get a better education. It would

also be beneficial for these immigrants if they were to further improve on their education so that they could apply themselves more rigorously to their current job situation. Thus they are able to earn a good wage.

The immigration system needs to be reformed as well into a different entity. This should be done so as to lower the frequency of illegal immigrants coming into the US and implement a way in which the illegal immigrants already within the country can get on the path to legalization. This way, the newly legalized immigrants get a good education which in turn would improve their chances of obtaining well-paid positions. However, this may not go well with sections of the American public who would consider these newly legalized immigrants as stealing their jobs

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APPENDIX

TABLE 1

**UNIVARIATE AND BIVARIATE ANALYSIS FOR
FULL SAMPLE AND BY IMMIGRATION STATUS**

Variables	Full Sample	Non-Immigrants ¹	Immigrants ²
Dependent Variable:			
			(pay-gap)
Annual Earnings (mean):	\$37,340	\$38,003 ***	\$33,730 88.8%
Annual Earnings (median):	\$30,160	\$32,000	\$25,000 78.1%
Annual Earnings centile:	50	51	39
(stddev)	(27909)	(28002)	(27114)
Independent Variables:			
<i>Individual level factors:</i>			
Age (years):	39.0 (12.49)	39.1 *** (12.68)	38.4 (11.36)
Education in years:	14.2 (2.42)	14.3 *** (2.38)	13.9 (2.62)
% HS Diploma or less (0,1)	39.1%	36.3% ***	53.9%
% Some College (0,1)	30.8%	33.2% ***	17.5%
% BA/BS degree or Higher	30.2%	30.4% ***	28.6%
	100.0%	100.0%	100.0%
% rural (0,1):	14.6% (0.35)	16.7% *** (0.37)	3.5% (0.18)
% South and Midwest Region (0,1):	35.7% (0.48)	36.6% *** (0.48)	31.2% (0.46)

Table Continued On Next Page

¹ = *** p<0.001; ** p< 0.01; * p < 0.05

² effect size=> .20

TABLE 1 (continued)

Variables	Full Sample	Non-Immigrants	¹	²	Immigrants
Structural Level Factors:					
Work Hours per week:	39.5	39.5 *			39.7
(median)	40	40			40
	(10.38)	(10.59)			(9.14)
Annual hours per week	1,902	1,899			1,919
	(676.72)	(686.96)			(617.75)
% Union Member (0,1):	30.0%	31.0% ***			24.0%
	(0.70)	(0.71)			(0.64)
% Government (0,1):	5.2%	5.7% ***			2.3%
	(0.22)	(0.23)			(0.15)
%Goods-producing industry (0,1):	21.0%	19.0% ***	^		28.0%
	(0.40)	(0.39)			(0.45)
% White collar High Skilled (0,1):	36.0%	38.0% ***	^		28.0%
	(0.48)	(0.48)			(0.45)
% White Collar Low Skilled (0,1):	25.0%	27.0% ***	^		17.0%
	(0.43)	(0.44)			(0.37)
% Blue Collar High Skilled (0,1):	17.0%	16.0% ***			21.0%
	(0.37)	(0.37)			(0.41)
% Blue Collar Low Skilled (0,1):	22.0%	20.0% ***	^		34.0%
	(0.41)	(0.40)			(0.47)
High-skill(0,1)	53.0%	54.0% ***	^		49.0%
Low-skill (0,1)	47.0%	47.0% ***	^		51.0%
Disadvantaged Group Factors:					
Occupational Sex Segregation:	1.017	1.04 ***			0.91
	(0.65)	(0.64)			(0.66)
% Married (0,1):	54.8%	53.4% ***			62.5%
	(0.50)	(0.50)			(0.48)
% Ever Married (0,1):	15.2%	15.8% ***			11.5%
	(0.36)	(0.37)			(0.32)
% Never Married (0,1)	30.0%	30.8% ***			26.0%
	(0.46)	(0.46)			(0.44)
% With Children Under 6 (0,1):	24.0%	22.0% ***			33.0%
	(0.57)	(0.55)			(0.64)
% Single Parent (0,1):	32.5%	33.3% ***			27.9%
	(0.47)	(0.47)			(0.45)
% Minority (0,1):	32.8%	23.7% ***	^		82.3%
	(0.47)	(0.43)			(0.38)
Sample n (Weighted):	85,941	72,604			13,337
		84.5%			15.5%

¹= *** p<0.001; ** p< 0.01; * p < 0.05

² effect size=> .20

TABLE 2

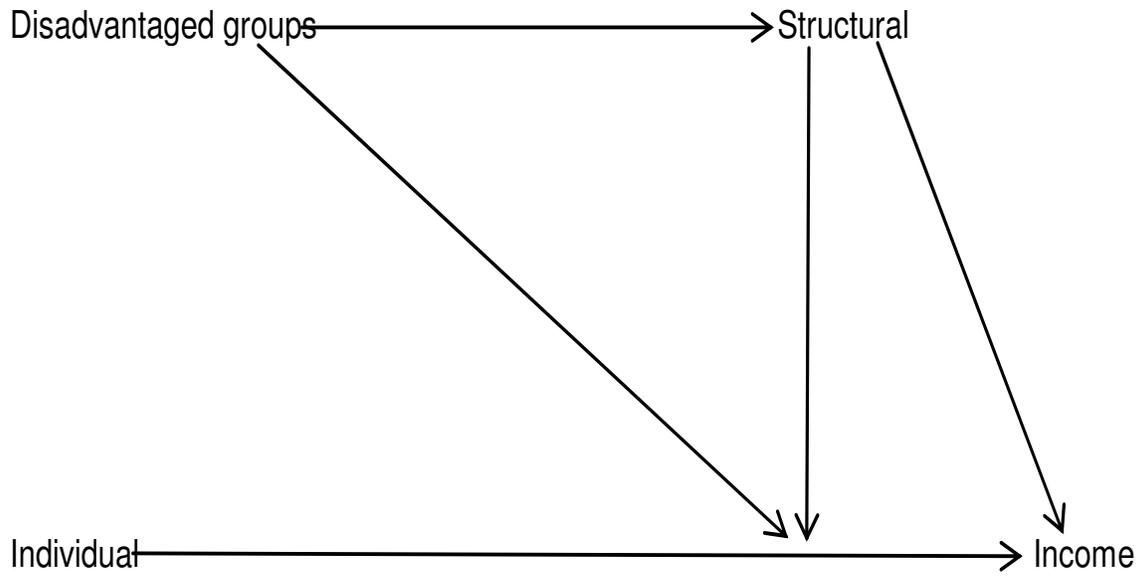
**OLS REGRESSION ANALYSIS FOR THE
INCOME DETERMINATION MODEL**

Variable:	Full Sample		Non-Immigrant		²	Immigrant	
	Unstd. ¹	Std.	Unstd. ¹	Std.		Unstd. ¹	Std.
Individual-level:							
Age (years)	\$311 ***	0.139	\$318 ***	0.144	<>	\$253 ***	0.106
Age Squared	-\$11.28 ***	-0.060	-\$11.26 ***	-0.060	<>	-\$9.69 ***	-0.049
Post Graduate (0,1)	\$26,761 ***	0.285	\$25,103 ***	0.264	<>	\$28,542 ***	0.330
College Graduate (0,1)	\$16,999 ***	0.245	\$15,919 ***	0.231	<>	\$16,389 ***	0.230
Some College (0,1)	\$8,789 ***	0.145	\$7,660 ***	0.129	<>	\$8,402 ***	0.118
High School Diploma (0,1)	\$4,464 ***	0.073	\$3,346 ***	0.055	<>	\$4,199 ***	0.068
Less HS (0,1)	ref group		ref group			ref group	
Rural (0,1)	-\$5,821 ***	-0.074	-\$6,062.78 ***	-0.081		-\$2,874 **	-0.019
South (0,1)	-\$2,040 ***	-0.035	-\$2,100.38 ***	-0.036	<>	-\$2,010 ***	-0.034
Structural-level:							
Annual Hours	\$15.75 ***	0.382	\$16.05 ***	0.394	<>	\$13.82 ***	0.315
Union Member (0,1)	-\$229 *	-0.006	-\$236 *	-0.006		-\$238	-0.006
Government (0,1)	\$6,420 ***	0.051	\$6,482 ***	0.054	<>	\$3,791 **	0.021
Good-Producing (0,1)	\$3,254 ***	0.047	\$3,632 ***	0.051	<>	\$2,118 ***	0.035
White-Collar High Skilled (0,1)	\$14,169 ***	0.244	\$13,626 ***	0.236		\$17,980 ***	0.299
White-Collar Low Skilled (0,1)	\$6,854 ***	0.107	\$6,733 ***	0.106		\$7,171	0.099
Blue-Collar High Skilled (0,1)	\$1,203 ***	0.016	\$1,629 ***	0.021	<>	-\$308 ***	-0.005
Blue-Collar Low Skilled (0,1)	ref group		ref group			ref group	
Disadvantaged group-level:							
Immigrant(0,1)	-\$2,187 ***	-0.028					
Female (0,1)	-\$6,294 ***	-0.113	-\$6,586 ***	-0.118		-\$4,617 ***	-0.084
Occ. Sex-Seg Index	-\$5,850 ***	-0.136	-\$5,764 ***	-0.132	<>	-\$5,619 ***	-0.136
Married (0,1)	\$3,720 ***	0.066	\$3,855 ***	0.069		\$3,314 ***	0.059
With child under 6 (0,1)	\$1,087 ***	0.022	\$1,243 ***	0.025	<>	\$548 *	0.013
Minority (0,1)	-\$2,662 ***	-0.045	-\$2,452 ***	-0.037	<>	-\$3,693 ***	-0.052
(Constant):	-11,559		-11,259			-8,161	
Adjusted R-sq	0.528		0.530			0.524	
n=	85,941		72,604			13,337	

¹ ***p<0.001; **p<0.01; *p<0.05

² significant difference between non-immigrants and immigrants at the .05 level or higher

FIGURE 1
CONCEPTUAL MODEL



(Adapted from
Wright, 1992)

FIGURE 2

SHARES OF UNIQUE VARIANCE EXPLAINED

