



LATINO POLICY & ISSUES BRIEF

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WAGE PENALTIES IN BROWN-COLLAR OCCUPATIONS

by

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U.S. immigration policy is ambivalent, driven by powerful competing forces that include nativist sentiments on the one hand and employers' needs for cheap labor on the other. The resulting, sizable flow of poorly educated immigrants has ignited a debate concerning the impact of immigrants on native-born workers—called “immigrant: native competition.” This brief reports on research that clarifies the potential wage effects of immigration for native-born workers and discusses policies to mitigate such influences on earnings.

I have argued elsewhere that analyses of potential effects of immigrants on native wages must attend to local occupations, as wages are often set at this level (Catanzarite 1998). Less-skilled immigrants are highly segregated from native workers and many metropolitan areas (MAs) have witnessed the emergence of “brown-collar” occupations. That is, occupations where immigrant Latinos are overrepresented, largely in low-level service, construction, agriculture, and manufacturing jobs, including waiters' assistants, gardeners and groundskeepers, cooks, farm workers, and painters, in MAs such as Anaheim-Santa Ana, Chicago, Fresno, Jersey City, Los Angeles, New York City, and San Diego. Immigrant Latinos constitute as much as 40–71% of workers in many of these fields. For instance, recent-immigrant Latino men (RILM) (who arrived in the past five years) illustrate a grossly skewed occupational distribution: These men constitute only 1–5% of the labor force in immigrant-receiving MAs, yet account for up to 29% of workers in certain occupations.

What is the wage impact of such concentration for *other* workers in “brown-collar” occupations? In earlier research focused on greater Los Angeles, I found that wages fell over time and were

suppressed in fields identified with low-status immigrant Latinos (Catanzarite 2002; 1998, respectively). Importantly, these wage effects held true for *native-born* workers as well as immigrants.

This brief reports findings from the first study examining occupational effects within multiple (38) MAs,¹ thus allowing an assessment not possible in other research on aggregated local wages (see Borjas 1999 for a review) or on occupation effects in a single market (Catanzarite 2000; 1998). Results show that in occupations with many newcomer Latino incumbents, other workers earn lower wages than would be expected. That is, there are:

- (1) **Substantial wage penalties in local brown-collar occupations;**
- (2) **Significantly larger penalties for minorities than for whites;**
- (3) **Reduced monetary returns to schooling in brown-collar fields.**

DATA AND METHODS

I use the 1990 5% Census Public Use Microdata Sample (PUMS)—the latest detailed data available on U.S.-born white, Black, Latino, and earlier-immigrant Latino men in relatively large immigrant-receiving MAs. Analyses contrast wages for whites with those for minorities; minority groups are combined because some area's occupations have few representatives of a particular minority group. The statistical modeling strategy estimates the dollar penalty associated with RILM representation in one's occupation by MA, taking into account other factors.

FINDINGS

Overall Wage Penalties

Wage penalties at different levels of RILM representation are depicted graphically in figure 1. The pay penalty in occupation-MAs with 25% RILM amounts to \$2,369 per year; at 15% RILM, the penalty is \$1,421, and at 5% RILM, \$474. These are substantial wage discounts, given that annual earnings average \$21,590. In other words, in occupations with 25% RILM, workers earn only 89% as much as workers in comparable fields without RILM.

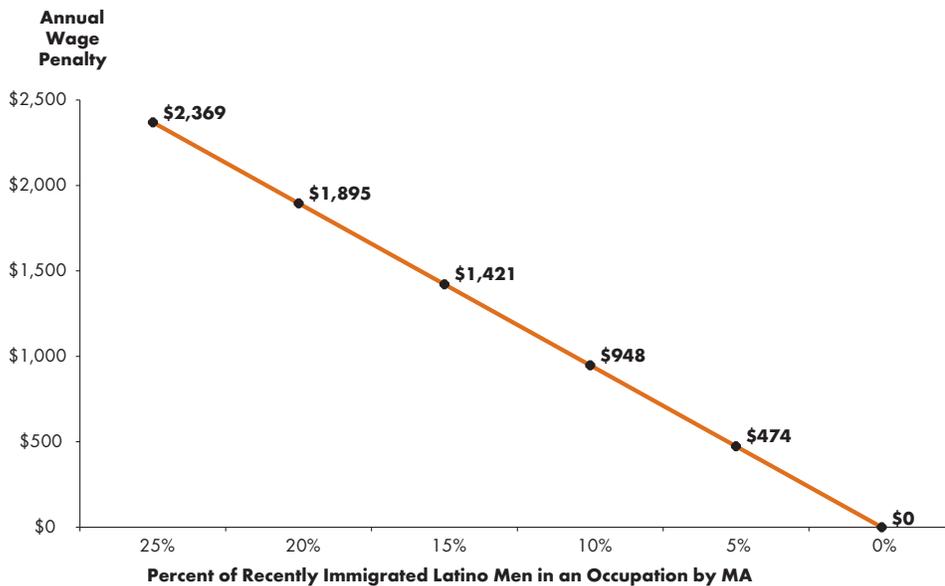


Fig. 1. In US metropolitan areas, the higher the proportion of recently immigrated Latino men in an occupation, the larger the wage loss for other men in the occupation (Source: Census PUMS 5% 1990. Note: Average annual earnings \$21,590.).

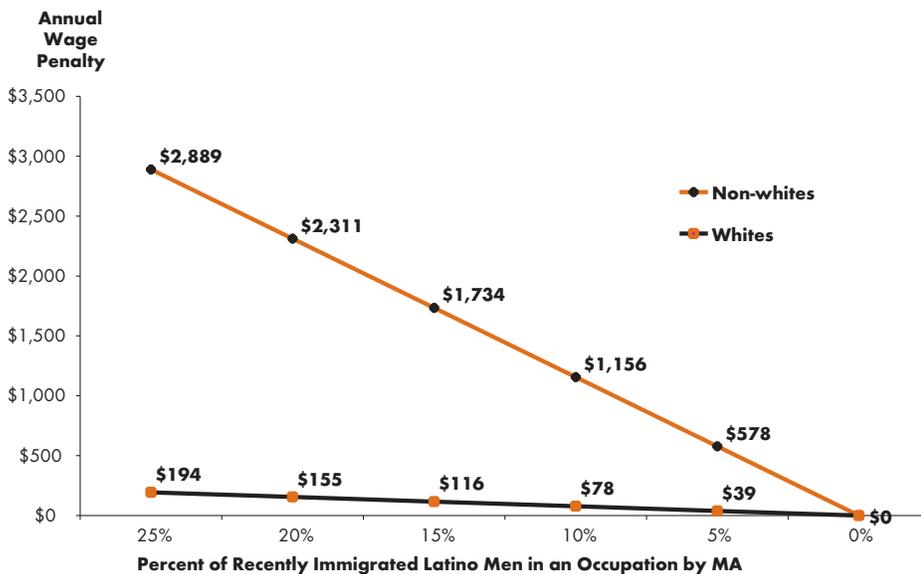


Fig. 2. Minority workers suffer much larger wage losses than do native-born whites in occupations with many recently immigrated Latino men (Source: Census PUMS 5% 1990. Note: Note: Average annual earnings \$21,590.).

Minorities Suffer Larger Pay Penalties

Minorities incur much larger wage penalties than do whites (see fig. 2). For example, in occupation-MAs with 15% RILM, minority men earn \$1,734 less than their counterparts in other, similar fields. For whites, by contrast, the annual penalty is only \$116—a relatively small, but still statistically significant penalty. Thus, nonwhites bear the brunt of brown-collar wage penalties.

Lower Payoffs to Schooling in Brown-Collar Occupations

Brown-collar occupations also carry significant “education penalties” (see fig. 3). Outside of brown-collar occupations, workers earn \$909, annually, per year of schooling. By contrast, in fields with 10% RILM, individuals receive returns of \$774, and only \$573 per year of education in fields with 25% RILM incumbents. Thus, workers with tenth-grade

educations who are employed in occupation-MAs with 25% RILM earn \$3,360 less than comparable workers in occupations with no newcomer Latinos. This represents a 16% annual income loss.

CONCLUSION

The analyses clearly demonstrate that, across 38 immigrant-receiving labor markets, employment in brown-collar occupations carries a significant wage disadvantage for both U.S.-born workers and earlier-immigrant Latinos. The pay penalties hold after taking account of both individuals’ labor market characteristics and of occupations’ skill requirements and employment stability. The fact that pay penalties are larger for minorities than for whites is consistent with past research (Catanzarite 1998) and supports the notion that minorities are more likely than whites to bear any negative consequences of immigration. The brown-collar education penalty represents an added disadvantage for poorly educated workers, who are disproportionately minorities.

Finally, while the focus of these analyses is largely on native workers, it is earlier-immigrant Latinos who take the hardest hit. They are far more likely to be employed in brown-collar fields than are natives and, because they are least segregated from newcomers, are likely to suffer the largest pay penalties. Thus, the pronounced penalties in brown-collar fields suggest not only that (1) immigration lowers wages for some native workers, but also that (2) in the absence of proactive policy, wages for immigrant Latinos—both recent arrivals and long-term residents—will remain disproportionately low.

The findings clarify how immigration impacts brown-collar fields, but by no means endorse the notion that immigration harms natives generally. Many brown-collar fields thrive precisely because of the availability of immigrant labor. For example, if cheap immigrant labor were not abundant, labor-intensive manufacturing would relocate overseas and household cleaning and gardening would be performed by family members.

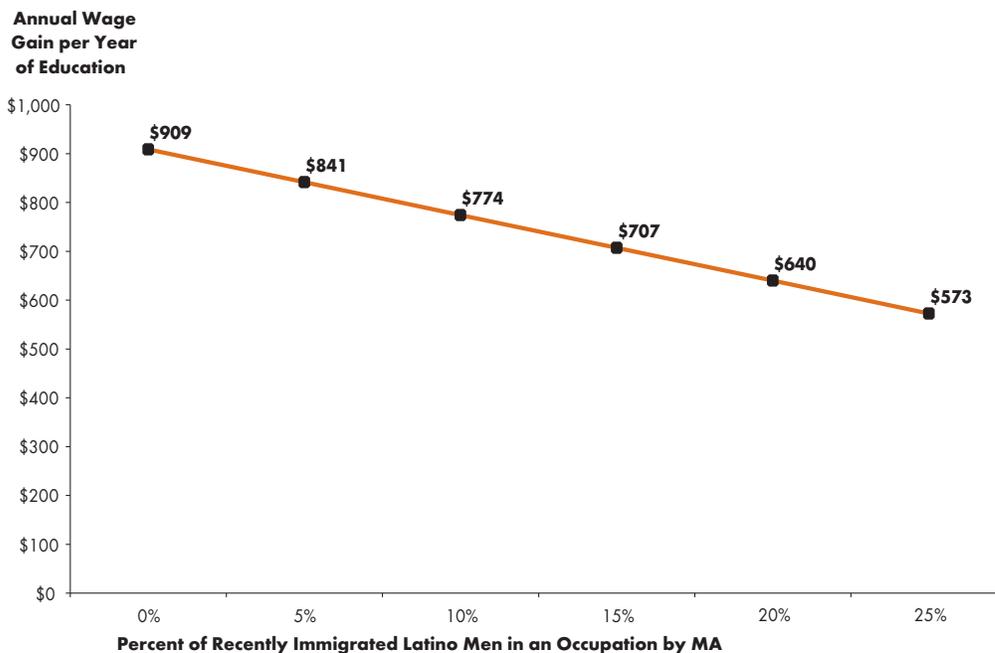


Fig. 3. Workers in occupations with many recently immigrated Latino men received smaller wage gains for each year of their education than do workers in other occupations. (Source: Census PUMS 5% 1990. Note: Average annual earnings \$21,590.).

Further, the population growth associated with immigration creates a broad range of jobs for native-born workers.

It is important to understand the structural underpinnings of brown-collar wage penalties. The literature suggests that wage penalties are caused by: the devaluation of work performed by low-status groups; the poor market position of labor-intensive occupations; the limited political power of low-status workers; and the willingness of low-status workers to accept poor wages. In other words, low-status incumbents—and not immigration in and of itself—make an occupation susceptible to wage suppression. Importantly, wage effects obtain for all workers in vulnerable fields. Thus, policies

to combat pay penalties for native-born workers involve improving the status of immigrants.

POLICY IMPLICATIONS

Insofar as wage suppression in brown-collar fields is fundamentally tied to newcomer Latinos' low status, policies to improve occupational pay dynamics must address the problem at its root. Policies that further marginalize immigrants (e.g., a sub-minimum wage) will only exacerbate wage suppression for immigrant and native workers alike. The recognition that exploitation of immigrants weakens native labor prompted the AFL-CIO's recent, unprecedented call for a new immigrant amnesty. This suggests, somewhat

paradoxically, that policies aimed at raising the social status of immigrants (e.g., extending amnesty or worker protections) would protect native workers from both immigrant competition and brown-collar wage penalties.

RECOMMENDATIONS

- Enforce minimum wage standards for immigrants.
- Provide new immigrant amnesty.
- Extend worker protections in brown-collar occupations.

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NOTE

The 38 MAs discussed in this report are Anaheim-Santa Ana, Austin-San Marcos, Bergen-Passaic (New Jersey), Boston, Chicago, Dallas, El Paso, Fort Lauderdale, Fresno, Hartford, Houston, Jersey City, Las Vegas, Los Angeles-Long Beach, Miami, Middlesex-Somerset-Hunterdon (New Jersey), Nassau-Suffolk, New York City, Newark, Oakland, Orlando, Oxnard-Ventura, Phoenix-Mesa, Portland-Vancouver, Reading, Riverside-San Bernardino, San Antonio, San Diego, San Francisco, San Jose, Santa Barbara-Santa Maria-Lompoc, Santa Rosa, Stockton-Lodi, Tampa-St. Petersburg-Clearwater, Tucson, Vallejo-Fairfield-Napa, Washington (DC), and West Palm Beach-Boca Raton.

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SOURCE

This report is an abbreviated version of "Wage Penalties in Brown-Collar Occupations across Metropolitan Labor Markets," accepted for presentation at the August 2003 American Sociological Association Annual Meeting.

FUNDER

Funding for this study was provided by the Russell Sage Foundation, the Spencer Foundation, and UC MEXUS.

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In occupations with many recently immigrated Latino workers, native-born workers earn lower wages than would be expected. Improving the wages of native workers involves improving the status of newcomer Latinos.

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Series Funding: This series is a project of the CSRC Latino Research Program, which receives funding from the University of California Committee on Latino Research.



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