

The Role of Gender in Asian American-White Wage Differences

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Discussions of the role of race in the U.S. labor market have often tended to overlook Asian Americans. Most scholars who have studied this topic agree that Asian Americans have largely reached economic parity with whites, although there are notable differences by ethnicity and nativity. Asian Americans are exceptional in that they are the only minority group whose average wages and family incomes surpass those of non-Hispanic whites (DeNavas-Walt, Cleveland, and Webster 2002). The reasons for this success have been the subject of debate. Some argue that Asian Americans “overachieve” in education in order to compensate for racial discrimination (Hirschman and Wong 1984). In support of this view, past research suggested that Asian Americans’ earnings were lower than would be expected, given their high levels of educational attainment (Hurd and Kim 1989). More recent studies, however, have shown that there is very little net difference between the wages of whites and Asian Americans once relevant characteristics have been controlled for (Sakamoto 2000, Mar 2000, Iceland 1999). Broadly, the literature leads to two main conclusions: Racial discrimination against Asian Americans has probably lessened over time, and Asian Americans’ high economic achievement is largely a result of having characteristics that are rewarded in the labor market, particularly education.

One facet of Asian Americans’ labor market outcomes that has gone largely without commentary is the interaction between race, gender, and wages. A recent analysis by Xie and Goyette (forthcoming) shows that the wages of Asian Americans relative to those of whites have been strongly mediated by gender since at least 1960. Specifically, among those born in the U.S., Asian American women’s wages relative to those of white women have historically been higher than those of Asian American men relative to white men. Among full-time, full-year workers in 2000, native-born Asian American men earned 14% more than white men, while native-born Asian American women earned a full 32% more than white women. While the vast majority of Asian American men’s wage advantage was due to education and experience (with a remaining advantage of only 4% with those characteristics controlled), Asian American women still retained at 17% wage advantage after these controls (Xie and Goyette forthcoming).

Current Investigation

This paper will investigate why Asian American women have more favorable wage outcomes than Asian American men relative to whites of the same sex. Many of the factors that have been found to contribute to Asian American men’s high wages, such as greater education and geographic concentration in high-wage regions within the United States, apply equally to Asian American women. Thus it is not obvious why racial wage differences should be so much greater for one sex than the other. I propose two basic reasons why Asian American women might have higher relative wages than Asian American men: First, the difference between Asian American and white women’s characteristics (for example, occupational distribution) may be larger than the difference

between Asian American and white men's characteristics. I call this type of reason a "difference in characteristic effect." Second, the effect of a certain characteristic on wages may be dependent upon sex. I call this a "sex interaction effect."

This paper tests hypotheses that fall into both categories. The "difference in characteristic effect" that I think is most likely to account for the gap in relative wages between Asian American men and women is occupational distribution. That is, I test the hypothesis that there is a larger difference between the occupational distributions of Asian American women and white women than between Asian American men and white men. Past studies have indicated that this is likely, because some of the fields that Asian Americans are most overrepresented in (science and engineering) are the same fields that women are *least* represented in. If Asian American women are disproportionately likely to have jobs in such fields, this may explain their wage advantage over white women. I recognize, of course, that this finding would merely lead to another question – namely, why Asian American women and white women with similar levels of education enter different occupations.

I also test the hypothesis that there is an interaction effect between sex and having children in the household, and that this interaction effect may contribute to the sex gap in relative wages among Asian Americans. Having children has been demonstrated to lower women's wages (Budig and England 2001, Waldfogel 1997). The literature on the effect of children on men's wages, however, generally finds no effects or small positive effects (Lundberg and Rose 2000). Thus, there are strong reasons to believe that the effect of children on wages is sex-specific. Furthermore, Asian American women have lower fertility than white women (Bachu and O'Connell 2001). This means that both Asian American men and Asian American women probably live with fewer children than white men and women. But this difference may affect wages only for women. If having more children lowers white women's wages but does not lower white men's wages, this could explain why the Asian-white wage gap is larger among women than men.

Data and Methods

I use data from the 2000 PUMS data to investigate these hypotheses. Because immigration exerts strong and difficult-to-quantify effects on wages (Xie and Goyette forthcoming, Zeng and Xie forthcoming), I restrict my sample to native-born Asian American and non-Hispanic white adults between the ages of 25 and 64. Because of its large sample size, the 2000 PUMS is an excellent source of information about the Asian American population. I first investigate the gender gap in relative wages among all Asian Americans. Next, because of substantial variation among Asian ethnic groups, I examine several major ethnic groups separately (Filipino, Chinese, Japanese, Asian Indian, and Southeast Asian). The gender gap in relative wages exists in each of these groups individually as well as among all Asian Americans, but it varies considerably in size.

To test my hypotheses, I will estimate separate OLS regression equations for men and women. My dependent variable will be annual earnings. My primary independent

variables of interest will be dummy variables for being Asian American, occupation, and an indicator of the presence and ages of children in the household. I will then test whether there is a statistically significant difference between the value of the Asian American dummy variable before and after adding my other independent variables, one at a time, to the equation. If my hypothesis is correct that there is a greater difference between the occupational distributions of Asian American and white women than between Asian American and white men, I would expect to see a greater change in the value of the Asian American dummy variable in the women's equation than the men's following the addition of the occupation variables. Similarly, if my hypothesis is correct that the presence of children helps explain the wage gap between Asian American and white women but is not an important component of the wage gap between Asian American and white men, I would expect to see the coefficient on the Asian American dummy change more in the women's equation than the men's following the addition of this variable. I will use appropriate tests of statistical significance to determine if such differences in differences are significant.

There are obviously many factors that influence wages other than those above (e.g. hours and weeks worked per year, education, potential experience (unfortunately, Census data do not contain a measure of actual experience), region, urban residence, and marital status), and I will be careful to control for as many of these as the data permit.



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