

Earnings and English Language: Asian Indians and Chinese in the United States

Asian Indians and Chinese are the two largest immigrant Asian groups in the United States. Though, while Asian Indians are heterogeneous with respect to the English language ability, Chinese are more or less homogenous. Past research shows that knowing the language of the receiving country is a crucial variable in determining the extent of assimilation and subsequently the earnings of the immigrants. There have not been however studies comparing the Asian Indians and Chinese in this regard and also none so far among the Indians. This paper using the 1990 and 2000 United States Census data examines the relation between English language ability and the earnings for Chinese and Asian Indians. The dependent variables are; a) household income per year b) income earned by the person per year. The independent variable is English language ability and controls are age at entry, education, years of stay, marital status, occupation

United States has a large immigrant population. In March 2002, the US Census Bureau reports that 32,453,000 foreign born resided in the United States representing 11.56 percent of the total US population. The volume and composition of the immigrant population has been changing too very noticeably. This has expectedly been a subject of debate among policy makers and researchers alike. The motivation for the present study stems from the following a) most of the existing research has focused more on the comparisons of immigrants¹ as a homogenous group with natives; b) the comparison between Asian Indians (Indians henceforth) and Chinese is interesting considering the heterogeneity among Indians and near homogeneity among Chinese as far as the English language ability is concerned; c) there are very few studies on Indians. In specific terms, this paper proposes to examine one aspect of the immigrant population and that is the influence of English language ability on the earnings of two largest Asian immigrant groups – Chinese and Indians.

¹ This is not to deny the numerous studies on migrants from Mexico.

The structure of the paper is as follows. The first section very briefly lays down the review of the existing literature on the subject of migration. The second section describes the research issues and lists the hypotheses. The last section spells out the data set and the dependent and the independent variables.

I

There are two types of theories of international migration; a) why does migration take place and b) why it continues. The former ones can be said to be a) Neo-classical economics –macro and micro theory b) New economics of migration c) Dual labour market theory d) World systems theory . The ones that explain as to why migration continues are: a) Network theory b) Institutional theory c) Cumulative causation d) Migration systems theory (See Massey 1993).

Regardless of the theory or set of theories that one chooses to subscribe to, economic gains from migration is an overwhelming motivation to migrate. This is especially evident from the current migration flows since most of them are from the developing countries with income levels much lower than that of the United States. The labor market experiences of the immigrants therefore becomes crucial. And past research in this area has demonstrated that immigrants and natives have different labor market outcomes (Borjas 1990). The literature uses three theoretical perspectives; a) human capital theory b) immigration/ assimilation theory c) racial discrimination theory. (Iceland 1999).

I briefly describe the three theories in turn. Following human capital theory assumptions, discrimination and rewards are in relation ones' human capital investment (Becker 1964; Iceland 1999). In other words, higher the investment higher are the

rewards .Human capital investment is often considered to be one's educational attainment and work force experience. The immigration assimilation theory proposes that immigrants take time to get themselves familiarized with the American labor market and to absorb the qualities that are necessary to succeed like language proficiency in the short run (Chiswick 1978; McManus, Gould and Welch 1983). The rate at which earnings gap between immigrants and natives narrows with years since migration is called the assimilation rate. But since immigrants are a select group that is those who are motivated ambitious and bright manage to migrate, the migrants as a group do succeed in assimilating in the labor market. Selectivity is particularly an important issue in reducing the costs of assimilation and differs by various ethnic groups. For instance, in an analysis of the earnings of the 3 groups of Asian men –Chinese, Japanese and Filipinos, selectivity was identified as major factor explaining the higher level of earnings of Japanese vis-a-vis Filipinos (Chiswick 1983). Regardless of selectivity, there is enough evidence that immigrants take time to adjust and all immigrants experience the same sluggish relative growth rate in wages. (Borjas 1994). However, there is a gap between the wages of native born and immigrants after controlling for education. There is also a difference among immigrants with immigrants from Europe earning better than the others (Chiswick 1986). There is however conflicting evidence to the fact as to whether, the wages of natives and foreign born converge after a point in time. Some research demonstrates that wages of foreign and native born do not necessarily converge (LaLonde and Topel 1992 as cited in Schoeni 1997). However this finding does not imply a lack of assimilation since it has been shown by a number of studies that earnings growth for immigrants is higher than that for native born. (Chiswick 1978, 1979, 1980; Duleep 1988). The

median wage growth of immigrants is 6.7 percent as compared to 4.4 percent of that of native born. (Duleep and Regets 1997). The higher earnings growth rate fits theoretical explanations as well. One of the theoretical explanations is that migration is an investment that involves both direct and opportunity costs and migration takes place only if the benefits exceed the costs. Hence, there is a positive selectivity for those who migrate. A second theoretical argument that explains higher income growth for immigrants is the ‘skill transferability’. Because of less than perfect international transferability of skills, immigrants begin with low earnings, but have a greater incentive to invest in human capital. This incentive to invest would lead to faster earnings growth for immigrants than for similar native born workers. One can therefore conceptualize a complementary relationship between the skills that an immigrant comes with those that he /she acquires in the United States². Hence following both human capital and assimilation theories, immigrants do assimilate in United States’ labor market and experience growth rates in earnings that are higher than the native born. Wage growth has thus two effects – one is that general labor market conditions and the other one factor is assimilation (Schoeni 1997). There is a relationship between earnings growth and the initial level of earnings. There is a contention put forward that over the years the initial earnings of the immigrants has declined and the growth rate of earnings has been increasing³ (Duleep and Regets 1997). Wage convergence (with native born) is a function of both initial earnings as well as growth rate in earnings. Years since migrated therefore becomes a crucial variable; the relationship being more the number of years of

² There are studies that draw a distinction between the skills acquired in the home country and those in abroad and see how they make their contributions. (Friedberg 2000)

³ The reasoning put forward in this context is that the quality of immigrants is declining, (Duleep and Regets 1997). One possible reason for that is being that the proportion of immigrants entering the United States due to their kinship ties rather than their own skills and abilities (Chiswick 1986).

stay in United States, higher is the socio-economic status of the immigrant communities. (Duleep and Dowhan 2002; Massey 1981).

Language skills are a key aspect of the labor market adjustment. Research on labor market returns, primarily done by economists, has since long identified English language ability as a critical factor affecting earnings of foreign born immigrants particularly those migrating from countries where English is not a native language (Pendakur and Pendakur 2002; Chiswick 1978). It has been shown using the decennial census that immigrants in the United States who are proficient earn 15 to 20 percent more than immigrants who have not mastered the English language. (Chiswick and Miller 1999). This is not just true for immigrants in the United States but for those in other countries as well. The model of dominant language proficiency appears to be robust across countries of origin, countries of destination and the time periods. (Chiswick and Miller, 1999, Friedberg, 2000, Chiswick and Miller, 1995). In a cross national study Chiswick and Miller found that to be true for Australia, Israel The schema of language model is : language = f(economic incentives, exposure, efficiency) where language is a measure of immigrant's proficiency in the dominant language. An empirical estimation of the above would require one to have information on the following variables – duration in the destination, age at migration, education, occupation, country of origin⁴. The length of time in the United States provides a measure of the immigrant's exposure to English. As one can see from above, as length of stay in the United States increases, immigrants adjust to the specific conditions of the United States' economy and society, one of them

⁴ There is also an issue of linguistic distance that may affect the language proficiency . Linguistic distance is how close is the mother tongue of the immigrant to English.(Chiswick and Miller 1995). It does not however apply here because neither of the mother tongue's of Chinese or Indians can be said to be linguistically closer than the other one with English.

being learning English language. Also, longer one is in the United States, more likely is that the person joins English teaching schools etc. The relationship between length of the stay and language is however not linear, since in the largest impact on English language ability is in the first few years and then diminishes later. Age and educational attainment are expected to impact the language learning ability. It is likely that the very young are likely to acquire the language fast and also those who have made other human capital investments in terms of getting education etc. Conceptually marital status at the time of immigration is can have an impact because if the person is married at the time of migrating, then it is very likely that the person shares a mother tongue (other than English) and will therefore is less in need to learn English. Occupation has an impact on the pace at which one learns English is because certain occupations require one to learn the language faster than the others.

II

The above makes it evident that in the context of the immigrant population, the factors apart from education that have been found to have a significant impact on earnings are years of stay in the United States; acquisition of skills; education in the United States; English language ability; and legal status. And immigrants are not a homogenous group as far as the latter characteristics are concerned. The differentials among ethnic groups regarding the various socio-economic characteristics – both outcome and otherwise, can therefore be said at operating at two levels: a) foreign born population with native born b) between the different foreign born population groups. Existing research largely tended to focus on the first level of inequality and those that have examined the differences among the immigrants, have tended to do so by grouping

the immigrants by their geographical region like Asians, Hispanics etc. with few exceptions like Chiswick, 1983; Schoeni 1997; Iceland 1999. The reasons for doing so has been partly a) data driven – there may not be sufficient number of individuals in the data set, particularly to make meaningful gender differences b) the individuals which are grouped together have common experiences and backgrounds. The data can be constraining but people migrating from the same global region but from different countries do have significant differences among them and lumping them in one category may not give an accurate assessment of the labor market experiences of immigrants. For instance by perceptible observation, it may not be wrong to say that Indians and Chinese immigrants are different from one another with respect to the English language ability. The heterogeneity in the English language ability among Indians provides an interesting analytical handle. It would be worthwhile to examine how much the English language ability plays a role in determining earnings for Indians who speak English very well, those who do not speak that well and the Chinese who invariably are not well versed in English. There are no studies comparing Indians with one other on the basis of the language and very few studies comparing Indians as a group relative to others. Since English language from the review of the literature presented in the earlier section is an important factor determining the level of earnings, this paper proposes to investigate how the language ability affects earnings of these two groups. The substantive questions that will be asked are, a) what is the employment and earnings profile of the Indians and Chinese immigrants in the year 2000 relative to the native born white population? b) how does the fact that Asian Indians on an average have an advantage with the English language (relative to Chinese) affect earnings, holding education constant? c) Does not

knowing English well affect both the Indians and Chinese equally. This would mean comparing those Indians who do not speak English well with Chinese. The following testable hypotheses can be said to emerge from the above questions:

Hypotheses 1 : increase in years of stay in the United States is associated with increases in income levels for both the groups but less so as compared to the native born white population.

Hypotheses 2 : holding education constant, Chinese , relative to Indians should experience a greater increase in income levels over time as their English speaking ability increases.

Since 1990s witnessed an unprecedented boom in the technology sector and the employment of Indian and Chinese nationals in former sector, a comparison over the decade from 1990 to 2000 would be provide interesting insights on the prospects of immigrants.

IV Data and Variables

The data source that will be used for the above analysis is the US Census data for the years 1990 and 2000. Household income per year and income earned by the person per year are two key dependent variables. The total income earned by the person is a sum of income wage, which are the pre income tax wage and salary income, pre income tax non farm business and/or professional practice and pre income tax earnings of a tenant farmer, sharecropper or operator of his/ her own farm.

Before going into the variables that will be made use of in the actual analysis, I would like to mention the variables that will determine the status as immigrants. Race

and years of stay in the United States are the variables that determine immigration. Though my groups of interest are Chinese and Indians, I will present descriptive data for various socio-economic characteristics for the following race categories – white, black/negro, Chinese, Japanese, Asian Indian/Hindu, Korean, Pakistani, Sri Lankan⁵. The various independent variables that will be used in the analysis area as follows. Ability to speak English is the variable of interest. English language ability is also key independent variable. The control variables that will be used are educational attainment, length of stay in the United States, occupation, age at entry to the United States, marital status. The analysis will be done for both men and women.

⁵ This analysis is subject to sample size.

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