Earnings Inequality and Immobility for Hispanics and Asians: An Examination of Variation Across Subgroups

Randall Akee[†], Sonya R. Porter[‡], Emilia Simeonova[*]

[†]UCLA, Brookings Institution and NBER
[‡]U.S. Census Bureau
[*]Johns Hopkins University and NBER

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Abstract

Our analysis provides the first detailed examination of earnings inequality and immobility within the Hispanic and Asian ethnic and racial groups in the U.S. over the period of 2005-2015. Our disaggregated analysis differentiates between long-term immigrant and native-born Hispanics and Asians relative to recent immigrants to the U.S. (post 2005) and new labor market entrants. Our results show that for the Asian and Hispanic population aged 18-45, earnings inequality is constant or slightly decreasing for the long-term legal resident and native-born populations. However, including new labor market entrants and recent immigrants to the U.S. contributes significantly to the earnings inequality for these groups at both the aggregate and disaggregated race or ethnic group levels. These findings have important implications for the measurement of inequality for racial and ethnic groups that have higher proportions of new immigrants and new labor market entrants in the U.S.

Keywords: Earnings immobility, earnings inequality, race, ethnicity, data disaggregation
JEL classification: J1 J61

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1 Introduction

There is a growing body of literature that documents the evolution of income inequality for racial and ethnic groups (Akee et al., 2019; Budiman et al., 2019; Horowitz et al., 2020; Kochhar and Fry, 2014; Snipp and Cheung, 2016). However, less is known about the experiences of racial and ethnic subgroups within these larger groups primarily due to the fact that reliable analysis of subgroups requires a large amount of observations.

We provide the first detailed analysis of earnings inequality and immobility within subgroups for Asians and Hispanics in the U.S. We focus on these two groups as they are often unreported in standard inequality analyses because of data limitations, yet they are also of interest due to the relatively large flows of immigrants in recent decades and because of their relatively young populations as compared to non-Hispanic whites. Our research explores two avenues of data disaggregation: along subgroups of race and ethnicity as well as between established workers and new immigrants and new labor market entrants.

We link confidential-use individual records from the American Community Survey to the Internal Revenue Service W2 and 1099 forms. We create a novel panel data set that follows the evolution of earnings within disaggregated Hispanic ethnicity groups and the Asian race groups in the U.S. over the time period 2005-2015. We disaggregate the Hispanic category into individuals of Mexican, Central American, Puerto Rican, Cuban, Spanish, and South American descent; these are the largest sub-categories in the aggregated Hispanic ethnic group. We disaggregate the Asian race category into Asian Indians, Chinese, Filipino, Japanese, Korean, Vietnamese and Other Asians.

Our process for linking administrative records starts with the 2005 American Community Survey. This representative survey is conducted annually for approximately 2-3% of the U.S. population. Individual-level records are assigned a protected identification key (PIK) number which is unique across individuals and based on a person's name, birth date, address, and social security number (Wagner et al., 2014). The PIK is then used to identify an individual in the W2 or 1099 data from the IRS. We use both survey weights and inverse probability weights of PIK assignment in the analyses that follow.

We make two contributions to the literature. First we show that new Asian and Hispanic labor market entrants and recent immigrants to the U.S. drive the upward trend in earnings inequality for the Asian and Hispanic populations. Omitting those new labor market entrants, and considering only a panel of established workers, results in a flat or slightly downward trend in earnings inequality over the period 2005-2015. These results suggest that increases in earnings inequality for the Asian and Hispanic population, relative to non-Hispanic whites, is driven primarily by new labor market entrants and immigrants.

Second, we find that earnings immobility has been increasing over the 2005-2015 period for all subgroups within the Asian racial group and the Hispanic ethnic group. We also find evidence that the various Hispanic subgroups have slightly lower levels of earnings immobility, on average, as compared to non-Hispanic whites. Asian subgroups have approximately similar levels of earnings immobility to that of non-Hispanic whites.

We are interested in the evolution of earnings inequality and immobility, and thus our analysis will focus on individuals in the formal labor force and will not include those working in informal activities that do not result in recorded taxable earnings. We also cannot identify undocumented immigrants as they, by definition, will not have administrative records and will be less likely to have been assigned a

PIK.

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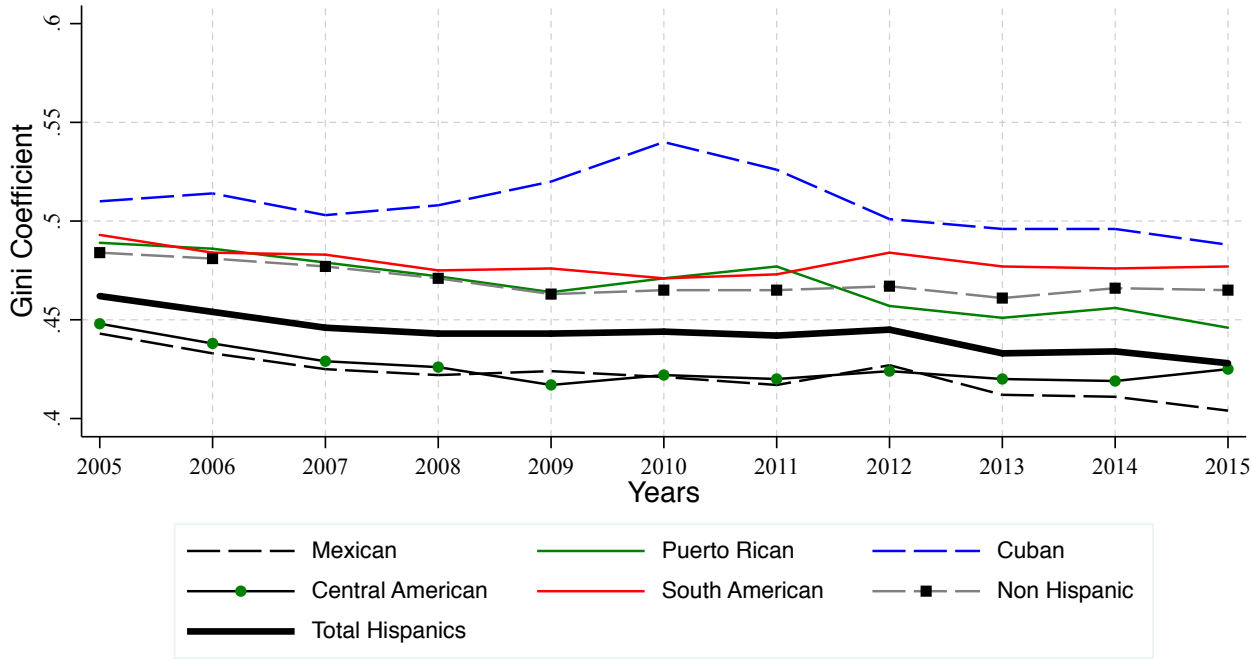
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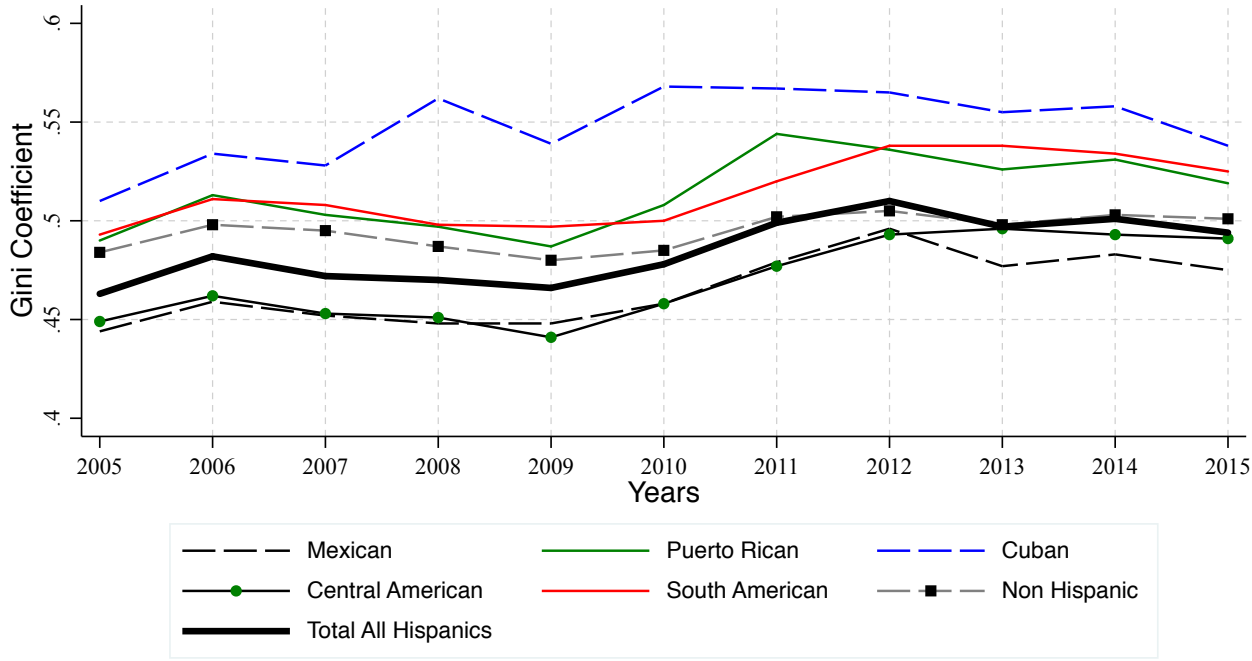
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Figure 1: Gini Coefficients for Hispanics

Panel A: Gini Coefficients for Hispanics Panel Data



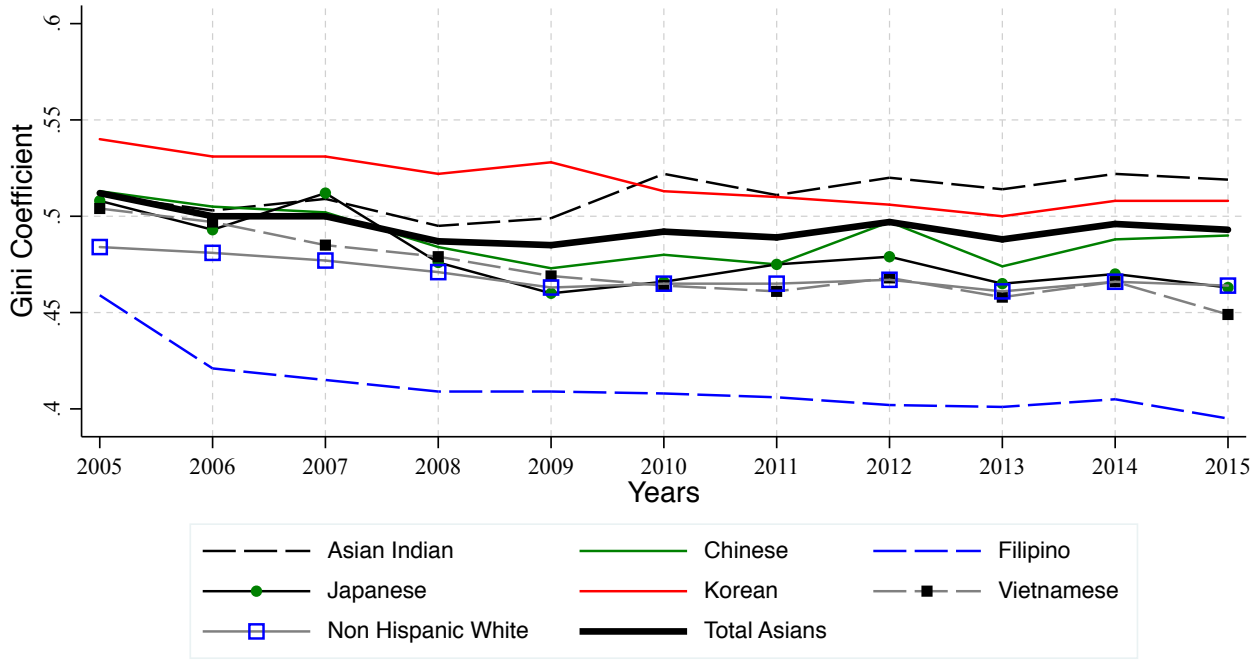
Panel B: Gini Coefficients for Hispanics Cross Section



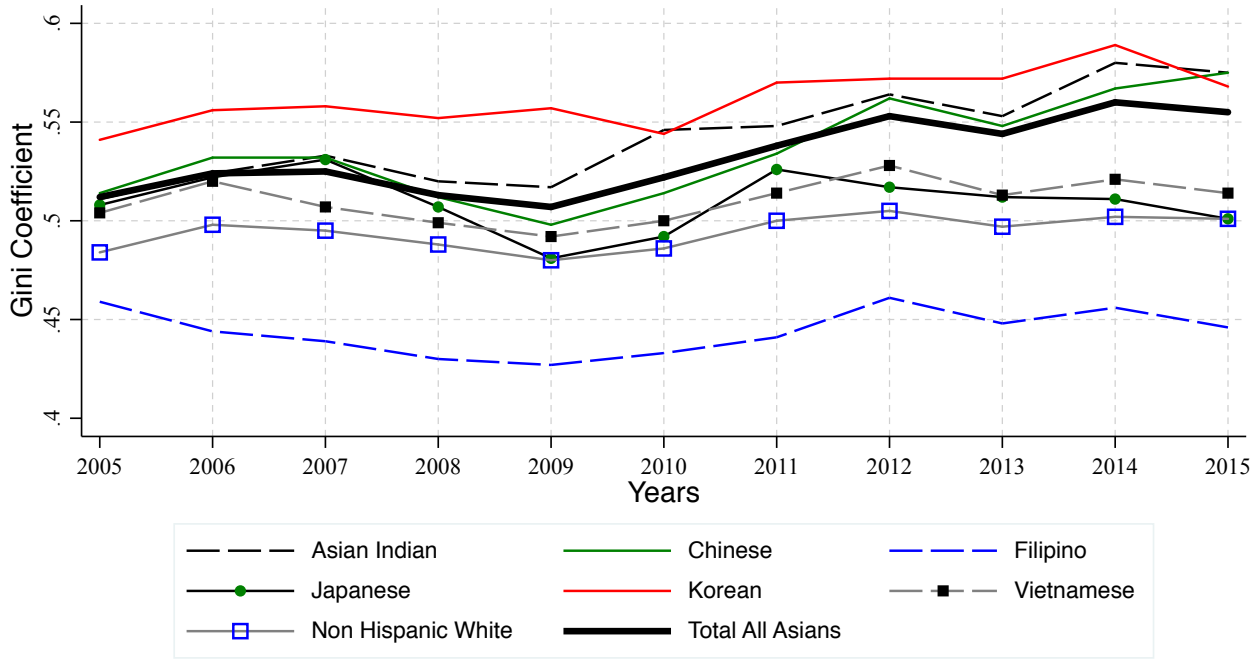
Notes: Gini coefficients are calculated within each year separately and plotted for each race or ethnic subgroup. The category of non-Hispanic white is provided as a comparison; the Total Hispanic category indicates what would typically be shown with disaggregated data. The first panel includes observations for individuals continually included in the data for all years 2005-2015; the second panel includes the observations from the prior panel plus new labor market entrants and any new immigrants as well.

Figure 2: Gini Coefficients for Asians

Panel A: Gini Coefficients for Asian Panel Data



Panel B: Gini Coefficients for Asian Cross Section



Notes: Gini coefficients are calculated within each year separately and plotted for each race or ethnic subgroup. The category of non-Hispanic white is provided as a comparison; the Total Asian category indicates what would typically be shown with disaggregated data. The first panel includes observations for individuals continually included in the data for all years 2005-2015; the second panel includes the observations from the prior panel plus new labor market entrants and any new immigrants as well.