The Ethnic Enclave Debate Revisited: An Examination of Human Capital and Acculturation

Much of the theoretical background that drives the ethnic enclave debate was formulated in a different immigrant, economic and geographic landscape. Changes in the socioeconomic composition of the immigrant pool, the maturation of the current service/knowledge economy, and the waning dominance of traditional port-of-entry cities warrant an updated and expanded investigation of the role of ethnic enclaves in the socioeconomic well-being of contemporary immigrants. This study revisits the ethnic enclave thesis and asks whether foreign-educated workers, because of their lack of US-specific skills, are better off in the ethnic enclave. The paper follows earlier typologies of the ethnic enclave by considering both place of work and place of residence, but it also expands on earlier works by offering an intermediary comparison group: the suburban ethnic enclave. This paper also adds to the literature by examining the differential effects of human capital and acculturation on enclave earnings.

Ethnic Enclave Debate

While earlier immigration work has long favored assimilation as a necessary means to economic and social standing in the United States, recent literature has revealed the importance of the retention of ethnic characteristics in immigrant adaptation. Ethnic capital provides strong social networks, information channels and social cohesion and has been shown to lead to beneficial outcomes (e.g. Portes and Zhou 1993). The ethnic economy literature posits that ethnic enclaves shelter immigrants from the competition in the open market. With its relatively low bar for entry, it provides otherwise unavailable and unattainable job opportunities for immigrants (Wilson and Portes 1980).

However, skeptics of the merits of the ethnic enclave contend that the ethnic economy is akin to the secondary sector of the dual labor market, where wages are low and job conditions are poor. Rather than protecting and benefiting immigrant workers, the ethnic enclave actually exploits these workers who are socially and economically vulnerable (Sanders and Nee 1987).

Findings on the effects of the ethnic enclave on earnings thus far have been mixed. Ethnic enclave scholars argue that enclave workers have better returns to their education and experience than their secondary sector counterparts (Wilson and Portes 1980). Opponents of the ethnic enclave thesis find that only employers benefit from the ethnic enclave (Sanders and Nee 1987). A more recent study, however, finds very little support for the enclave thesis (Xie and Gough 2011).

Changes in the Immigrant Pool, Economic Structure and Immigrant Settlements

The earlier works were conducted in an era when the new wave of post-1965 immigrants was just beginning to take shape and when economic restructuring was in its infancy. Since then, the demographic composition of the immigrant pool and the economic structure have changed sharply. The immigrant pool has become increasingly bifurcated: whereas immigrants of "old" were generally low-skilled, the immigrant pool today also consists of high-skilled human capital immigrants. Immigrant skills are much more varied that the past, and as a result, immigrants may respond differentially to ethnic enclaves according to their human capital.

Occurring simultaneously, the manufacturing economy was replaced with a service and knowledge-based economy. This shift in industry has created an "hourglass" economy, where jobs are now concentrated at

both ends of the economic spectrum, leaving the middle, which historically has served as a stepping stone for immigrants, hollow. The new economy places a premium on college education and greatly values specialized skills and knowledge, especially in science and engineering. The economic structure is one that is in high demand for well-trained immigrant labor, and as such, immigrants, especially the highly-skilled, may no longer have to resort to ethnic enclaves for employment, as the lofty bar for the open market has been lifted.

Per immigrant residential assimilation literature, immigrants first enter the United States through traditional port-of-entry cities. As immigrants acculturate and gain socioeconomic status, they gradually move out of urban enclaves and into the suburbs. However, today's immigrants no longer strongly adhere to this residential pattern (Alba et al 1999). Many are bypassing these traditional immigrant entry points and heading straight to the suburbs, greatly altering the boundaries of the ethnic enclave of old. With the aforementioned changes – demographic, economic and residential – the ethnic enclave debate necessitates renewed inquiry.

Current Proposal

This paper revisits a long-standing debate, and it contributes to the literature in a number of ways. Firstly, it reexamines old studies with updated data and redefines the ethnic enclave. Secondly, this study explores the roles of human capital (i.e. education) and acculturation (i.e. English language ability) that differentially determine the wages of workers inside and out of the ethnic enclave.

Research Questions

The research questions for this study are as follows:

1. Do workers benefit from working in the ethnic enclave in relation to their open market counterparts?

2. Does the effect of the ethnic enclave differ by the human capital and acculturation characteristics of the workers?

3. How do the findings differ by the different types of ethnic enclaves (traditional port-of-entry or suburban)?

Data and Methods

As both an update and extension of the work conducted by earlier scholars, this paper will largely follow the same methodology as Sanders and Nee (1987) and Zhou and Logan (1989). Consistent with their studies, Census data are used. The earlier studies used the Census Public-Use Microsample, but the American Community Survey recently replaced the Census long form. Therefore, this study draws from the ACS and because of the restrictions on the sample as detailed below and the focus on small geographies, the 2006-2010 ACS five-year estimates will be used

The sample is restricted to Chinese foreign-born, foreign-educated men between the ages of 25 and 64, able-bodied, not self-employed, working at least 160 hours, and earning at least $5000 in a given year. The analysis is limited to foreign-educated immigrants. Since ethnic enclaves have historically employed

immigrants whose labor market prospects are grim, and since foreign education has been found to be incompatible with the US labor market, ethnic enclaves serve exactly its purported purpose for this population: to provide opportunities for immigrants when the bar for entry into the open labor market is too high.

Following Zhou and Logan's work, the ethnic enclave is defined as both place of residence and place of work. Since Sanders and Nee looked at the Chinese population in San Francisco and Zhou and Logan New York City, both cities will be analyzed in this study. Sander and Nee compared the San Francisco enclave population to the rest of California; Zhou and Logan compared the New York enclave population to the New York Tri-State Area. However, such comparisons would not hold today. Firstly, the "rest of California" today can not be cleanly designated as the non-enclave comparison as Sanders and Nee did because outside of the San Francisco enclave exist other (newer and suburban) enclaves, such as Monterey Park. Secondly, treating the surrounding areas that comprise the metropolitan area as the non-enclave as Zhou did would also be insufficient, as the suburban neighborhoods surrounding traditional ethnic enclaves have become increasingly ethnic. Immigrants today often bypass traditional port-of-entry cities, such as San Francisco and New York with well-defined and geographically-isolated ethnic neighborhoods and move straight into the suburbs. With immigrants moving directly into the suburbs, ethnic businesses have also cropped up outside traditional enclave boundaries. As a result, ethnic enclave lines have expanded and blurred.

Therefore, what the surrounding areas that Zhou and Logan designated as non-enclave may actually represent a new sort of ethnic enclave. San Francisco and New York are the prototypical ethnic enclave where immigrants are generally low-skilled and socially disadvantaged. The surrounding areas – the Bay Area for California, and the Tri-State Area for New York – represent the recent phenomenon of well-to-do immigrants who live and work in the suburbs, which in both popular culture and academic literature, have been considered a marker of making it in American society.

The parameters of the traditional ethnic enclave have eroded. Zhou and Logan's non-enclave is now a satellite enclave, and as mentioned above, Sanders and Nee's non-enclave now also consists of other ethnic enclaves. Therefore, a different comparison area is needed to represent the non-enclave. To that end, the Boston Metropolitan Area is selected as comparison. This area is chosen for its cost-of-living and industrial profile that closely resembles the San Francisco Bay Area and New York City. While the Boston Area also has an ethnic Chinese neighborhood, the percentage of Chinese-owned businesses is low. According to the Survey of Business Owners 2007, close to 10% of the businesses in the San Francisco Bay Area and 5% of the businesses in the New York Tri-State Area were Chinese-owned, but less than 2% of the businesses in the Boston Metropolitan Area were Chinese-owned.

A few comparisons will be made. Firstly, San Francisco and New York City, as representations of traditional ethnic enclaves, will be examined. Then, they will be compared to their respective surrounding areas, which represent the "new" socioeconomically advantaged suburban enclave. Finally, the results will be compared to the non-enclave, Boston Metropolitan Area.

Borrowing from the ethnic enclave human capital model proposed by Sanders and Nee and replicated by Zhou and Logan, log of earnings is a function of ethnic enclave participation, human capital (degree,

work experience), acculturation (English language ability), work characteristics (hours worked per week, weeks worked per year), and geographic region (East, Midwest, South, West).

The primary research question for this study is whether foreign-educated immigrants are better off economically in the ethnic enclave than the open market. However, immigrants today differ greatly by skills and training. Whether immigrants fare better in the enclave or open economy depends largely on their human capital characteristics. For instance, a less-educated, low-skilled ethnic enclave worker may benefit from the support and cohesion of the ethnic enclave and fare well when compared to his less-educated, low-skilled worker in the open market. But a more-educated, high-skilled ethnic enclave worker may fare worse than his open market counterpart. Likewise, a worker's level of acculturation could differentially determine the worker's economic outcomes. As conceptualized, ethnic enclaves provide insulation from the open market; therefore, it is especially beneficial for less-assimilated workers. However, for more-assimilated workers, the ethnic enclave, with its limited network, may block opportunities for upward mobility into the open market. As Wilson and Portes (1980) have found, enclave workers fare better than their secondary sector counterparts. Therefore, the effects of the ethnic enclave differs by the characteristics of the workers.

Human capital and acculturation are the two key components of Chiswick's (1978) immigrant human capital model. To capture the different mechanisms by which workers gain or lose ground in the ethnic enclave by either their human capital or acculturation, two interaction terms are examined. The first is an interaction of participation in the ethnic enclave and highest educational degree (ethnic enclave x degree), and the second is an interaction of participation in the ethnic enclave and level of acculturation (ethnic enclave x English proficiency).

The models thus are

Model 1: Log of earnings = ethnic enclave + human capital characteristics + acculturation + controls, where ethnic enclave = traditional enclave (SF/NYC), suburban enclave (surrounding areas), or non-enclave (Boston).

Model 2: Log of earnings = ethnic enclave x degree + other human capital characteristics + acculturation + controls

Model 3: Log of earnings = ethnic enclave x acculturation + human capital characteristics + controls

Model 4: Log of earnings = ethnic enclave x acculturation x degree + other human capital characteristics + control.

For each of the models above, separate analyses will be run for place of residence and place of work definitions of ethnic enclaves. Separate analyses will also be run for New York and San Francisco.

Limitations

While this paper attempts to capture the earnings differentials between enclave and non-enclave workers by human capital and acculturation, it does not account for the selection of workers into the ethnic enclave. While controlling on observables, such as interacting ethnic enclave with human capital and acculturation – the two pillars of immigrant economic incorporation – provides comparison groups, it does not provide the counterfactual.

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