Is There a Labor Market Rank Premium? Quantifying the Racial Gap in Occupational Prestige.

Dr. Iris Buder, David Fields, Dr. Karl Geisler, Gwyneth Donahue, & Aiden Parker

Introduction

- Wage disparities are linked to factors including gender, race/ethnicity, occupational selection.

- Theoretical explanations of the wage gap:
  - Neoclassical (i.e., human capital & productivity differences)
  - Political economy (historically-specific significance of discrimination & social belonging to specific social groups)

Sources: Borjas, 2005; Albelda et al., 2010

Introduction

- Social division of labor is the kernel of social inequality (Ganzeboom & Treiman, 1996).
  - Subjective consensus: pertinent indicator of how general valuations of work provide specific socioeconomic advantages that, in turn, dictate one's social standing (Blau and Duncan, 1967; Magnusson, 2010).
  - Status of one's occupation constitutes a particular dimension of systemic disparity (Ganzeboom & Treiman, 1996).

Introduction

- Intersubjective social processes of social perception:
  - Means by which social positions of rank are perpetuated, reinforcing uneven social role sets and expectations that undergird social class divisions.
- The degree to which occupations are praised underpins how society determines what work, and who performs such work, is deemed not worthy of plaudit (Leuze and Strauß, 2016).

Introduction

- Cultural valuations -> social ranking of occupation -> social status hierarchies -> class/social structure -> income and wealth inequality.

- Empirically, quantifying how occupational prestige impacts wages indicates the degree to which social stratification translates into social inequality

Background

- Studies indicate racial/ethnic and gender income differentials arise due to
  - Productivity and human capital differences (Black, et al., 2006)
  - Occupational choices related to gender (O'Neill & O'Neill, 2005)
  - Occupational segregation (Equitable Growth, 2017)
- Occupational prestige is often overlooked.

Background

- Occupational prestige differences are seen between racial/ethnic groups (Xu & Leffler, 1992).

- Of the studies that have attempted to quantify the gap:
  - Higher wage returns to occupational prestige for married/cohabiting men or men with children (Magnusson, 2010)
  - Some of the gender wage gap can be explained by gender preferences for prestige (Kleinjan et al., 2017)

Data

- American Community Surveys (IPUMS USA):
  - Pooled cross-sectional data (2017-2019).
  - ACS samples around 3 million households each year.
  - Survey weights are constructed to adjust for mixed geographic sample rates, nonresponse adjustments and individual sample probabilities (Ruggles et al., 2021).

Data

- Data restrictions:
  - Working-age population (i.e., those aged 18-64).
  - Within 3 standard deviations from the mean of wages.
  - Usual hours worked restricted to 0-60.
  - Those with missing data.
- **Final sample size: 3,956,426**

Statistical Analyses

"Standard" Wage gap	• Weighted least squares analysis. • Excluded occupational prestige.
Occupational prestige gap	• Nakoa-Treas "pure" prestige scores. • Standardized Nakoa-Treas scores to 0-100.
"Prestige" Wage Gap	• Controlled for all relevant covariates. • Included Nakoa-Treas occupational prestige.

$$\boldsymbol{Y} = \beta_0 + \boldsymbol{X}_i\boldsymbol{\beta}_i + \delta_i(prestige) + \varepsilon_i$$

Results: Descriptive Statistics

- Average wages: $44,409 & average number of hours worked: 39/week.
- Average Nakoa-Treas prestige scores: 40.14
- Race/ethnicity: White NH (62%); Hispanic (20%); Black NH (12%): Asian NH (6%), and American Indian/Alaskan Native NH (<1%).
- Gender: 48% are female & average age: 40.30.
- Citizens (91%); married (50%), has attended college for up to four years (48%), and lives in the South (37%).

"Standard" Wage Gap by Race/Ethnicity and Gender	Coefficient
Black Non-Hispanic	-10,681**
Asian Non-Hispanic	2,604**
Hispanic	-8,554**
American Indian/Alaskan Native NH	-11,698**
Female	-13,530**
Black Non-Hispanic Female	8,828**
Asian Non-Hispanic Female	2,134**
Hispanic Female	5,698**
AIAN Non-Hispanic Female	6,252**
….(all else constant)	
R^2	0.31
F-statistic	55,228

Occupational Prestige Gap by Race/Ethnicity and Gender	Coefficient
Black Non-Hispanic	-5.45**
Asian Non-Hispanic	2.51**
Hispanic	-3.38**
American Indian/Alaskan Native NH	-3.84**
Female	1.60**
Black Non-Hispanic Female	2.68**
Asian Non-Hispanic Female	-2.11**
Hispanic Female	-1.07**
AIAN Non-Hispanic Female	0.35
….(all else constant)	
R^2	0.31
F-statistic	53,675

Wage Gap by Race/Ethnicity and Gender INCLUDING Prestige	Coefficient
Black NH	-7,990**
Asian NH	1,362**
Hispanic	-6,885**
American Indian/Alaskan Native NH	-9,798**
Female	-14,319**
Black NH Female	7,504**
Asian NH Female	3,176**
Hispanic Female	6,225**
American Indian/Alaskan Native NH Female	6,078**
Occupational Prestige	494**
R^2	0.36
F-statistic	59,546

Disaggregation of Wage Gap (Men)

	Standard Wage Gap	Wage Gap Prestige	Difference in Wage Gap	Prestige Gap	Quantifying Prestige
Black NH	-10,681**	-7,990**	$2,691	-5.45**	-$2,692
Asian NH	2,604**	1,362**	$1,242	2.51**	$1,240
Hispanic	-8,554**	-6,885**	$1,669	-3.38**	-$1,670
AIAN NH	-11,698**	-9,798**	$1,900	-3.84**	-$1,897

Disaggregation of Wage Gap (Women)

	Standard Wage Gap	Wage Gap Prestige	Difference in Wage Gap	Prestige Gap	Quantifying Prestige
White NH	-13,530**	-14,319**	$789	1.60	$790
Black NH	-15,383**	-14,805**	$578	-1.17	-$578
Asian NH	-8,792**	-9,781**	$989	2.00	$988
Hispanic	-16,386**	-14,979**	$1,407	-2.85	-$1,408
AIAN NH	-18,976**	-18,039**	$937	-2.24	-$1,107

Conclusions:

- Significant occupational prestige differences present by race/ethnicity, which significantly contribute to the observed wage gap.
  - However, differences in occupational prestige observed with the interaction of race/ethnicity and gender contribute less to the observed wage disparity.

- Majority of the wage differentials stem from race/ethnicity and differences in prestige rankings while the gender wage gap only slightly contributes to the wage gap.

Conclusions:

- Occupational prestige rankings account for:
  - 25% of wage differentials for Black men, 19.5% for Hispanic men, 16% for AIAN men, and 47.60% for Asian men, compared to White men.
  - 5.84% of wage differentials for White women, 6.57% for Black women, 8.59% for Hispanic women, 5.83% for AIAN women, and 11.24% for Asian women, compared to White men.