Black immigrants are as much as 21 percent more likely to be employed and have earnings that are as much as 20 percent greater than African Americans¹ (Dodoo 1997, Hamilton 2014, Model 2008).² Scholars have typically explained these disparities in terms of group differences in labor market quality, including hard and soft skills (Heckman and Kautz 2012). Some argue that the greater success of Black immigrants results from the fact that they have a greater value for work than African Americans (e.g., Portes and Zhou 1993, Sowell 1978). Others have argued that to compare African Americans to Black immigrants is not to compare ‘African American culture’ to the culture of Black immigrants, but to compare the attributes of migrants to non-migrants (Chiswick 1978, Hamilton 2014, Model 2008). These immigrant selectivity theorists argue that people who migrate are self-selected on characteristics that shape success in the US labor market – e.g., greater motivation than the non-migrant population. However, in the case of labor market disparities between African Americans and Black immigrants, recent studies raise serious questions regarding the viability of explanations that rely on group differences in labor quality, or hard and soft skills (Ifatunji 2015a, Ifatunji 2015b).

Thus far, scholars have paid insufficient attention to the potential role that contextual factors might play in the production of black ethnic disparities.³,⁴ These factors are located within the employment setting and influence the employment trajectory of any given individual or set of workers. For instance, few have speculated on how the preferences of white managers might shape the greater success of Black immigrants vis-à-vis African Americans (Bryce-Laporte 1972, Waters 1999). That said, studies that include in-depth interviews with white managers show a stated preference for what they perceive to be the greater labor quality of Black immigrant workers (Waters 1999). However, these investigations have not adequately probed workplace accounts of differences between African Americans and Black immigrants. If these employer observations are rooted more deeply in a positive perceptual bias toward Black immigrants than in objective realities, the greater labor market success of Black immigrants might be more attributable to differential returns to approximately similar labor qualities, than to actual differences in labor quality. Indeed, at least one study shows that – net measures of hard and soft skills – Black immigrants with white managers earn 22 percent more than Black immigrants without white managers; and that this ‘white employer effect’ is not observed for African Americans (Ifatunji 2012).

Studies that allude to the labor market context as a potential factor in black ethnic disparities are limited in three important ways. First, almost all of the research in this area is ethnographic and focuses on Black immigrants in the Northeast (Kasinitz 1992, Rogers 2006, Vickerman 1999, Waters 1999). Therefore, much of what we currently know is restricted to this specific region of the US. Second, to the extent studies have explored the role of bias and differential returns, they are restricted by their use of cross-sectional datasets which mask the role of differences between firm-level characteristics in the production of the ‘white employer effect’ (Ifatunji 2012). That is, this approach does not parse the potential role of self-selection into higher paying firms among Black immigrants. Finally, analyses that provide support for the ‘white employer effect’ are focused on differences in wage levels as opposed to differences in wage growth. In this study, we

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¹ In this abstract, we term native-born Blacks, ‘African Americans.’ Those Blacks currently living in the US, but that were born outside of the US we refer to as ‘Black immigrants.’
² These percentages are unadjusted estimates from the US Census.
³ We use the term ‘black ethnic disparities’ to refer to various disparities between African Americans and Black immigrants.
⁴ We use the term ‘black ethnicity’ to refer to black populations with divergent nativities or different countries or regions of birth or ancestry. In this study we consider two ‘black ethnicities,’ African Americans and Black immigrants. In some ways, it is more accurate to use the term ‘black nativity’ because it assumes less about the nature of group differences, but this is not the current practice in the literature.
provide further exploration into the relationship between the presence of white managers and the relative earnings of whites, African Americans and Black immigrants.

We use panel data from the 1992-2008 *Longitudinal Employer-Household Dynamics* data (LEHD). The LEHD is an administrative data set with linked employer-employee data based on quarterly unemployment insurance reports. The LEHD provides longitudinal data on earnings for all workers covered by unemployment insurance, which represents about 97 percent of the workforce. The version of the LEHD that we use has data on 30 states covering over 100 million workers. In the LEHD, individual workers are identified over time with a scrambled version of their social security number (the Protected Information Key, or “PIK”) and the data identifies firms using their State Employer Identification Number (SEIN). The LEHD includes basic demographic information, such as race, gender, and age from the Social Security Administrations’ NUMIDENT file. For our purposes, the key advantage of the LEHD is that the data allows us to estimate firm-level fixed effects models where we estimate differences in wage growth by race and nativity compared to peer groups of workers at the same firm. As mentioned above, this improves upon previous research based on cross-sectional data that is unable to net out firm level heterogeneity – or firm level differences in average wage growth. Overall, our working dataset includes 4.5 million African American, 644,000 Black immigrant and 12.7 million white workers.

We construct our data by first selecting a 50 percent random sample of all Black immigrants in the LEHD, resulting in 644,000 workers that we follow over time. We calculate their yearly earnings growth, and identify the firms that they are working in during each year. Since the LEHD does not have data on worker occupation, we divide the workers into earnings quintiles and use workers in the same earnings quintile at the firm as a proxy measure of workers with comparable skill levels. More specifically, we use the firm identifiers to construct comparison groups of up to 50 randomly selected African American and white workers in the same firm and earnings quintile of each Black immigrant in our sample for each year. Our baseline fixed effects models compare the relative wage growth of workers within these comparison groups by differencing out the average earnings growth in each ‘peer group’ – defined by membership in a specific firm, earnings quintile and year. In other words, our models estimate how well a worker is doing compared to how the ‘peer group’ is doing (at the firm, in that earnings quintile and year). We argue that this approach comes close to picking up differences in wage growth compared to ‘peer group’ members – or those with comparable levels of skill and firm selection preferences.

In this study, we operationalized what has been termed the ‘white employer effect’ (Ifatunji 2012) by composing a measure of ‘percentage of top management that are identified as white’ (or percent white management; PWM) and then observing the relationship between PWM and the relative earnings growth of white, African American and Black immigrant peer group workers. Using the LEHD, we are able to infer the proportion of top management of the firm that is identified as white based on the race of the top earners of the firm. We therefore operationalize PWM as the proportion of the top 10 earners that are identified as white in any given firm. Across firms, the average PWM was 82 percent. We then construct three categories of PWM – 0 to 50 percent, 50 percent to 85 percent and 85 percent or more – and used a spline function to observe the rate of wage growth within any given category of PWM. That is, by interacting each of these three categories of PWM with African American and Black immigrant workers (whites

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5 In firms with less than 100 workers, we identify the race of the top 10 percent of earners in the firm.
6 We also did sensitivity analyses that included spine knots at PWM=0.7 and 0.9. Our findings are robust against these two different operationalizations of PWM. We report findings for the spine knots referenced in this sentence.
were the omitted category) we observe the rate of wage growth for these two black ethnic groups vis-à-vis their white peer group, within each category of PWM.

Given speculation on the nature of racial prejudice and how such prejudice may be differentially experienced by African Americans and Black immigrants (Bryce-Laporte 1972, Ifatunji 2012), we surmise that firms with a PWM at the far right hand side of the distribution (i.e., ranging from 85 to 100 percent) may be firms that hold more negative views of African Americans vis-à-vis Black immigrants (Ifatunji 2012). We hypothesize that, within each category of PWM, as PWM increases the wage growth of Black immigrants will be greater than that of African Americans. That is, the interaction term (which indicates rate of wage growth) for each category of PWM and being an African American will be more negative than for Black immigrants.

Our findings extend and revise previous research on the ‘white employer effect’ (Ifatunji 2012). Although we find support for this view, we also observe unexpected and important nuances, which may point to a more complex set of workplace dynamics undergirding the greater labor market performance of Black immigrants vis-à-vis African Americans. Unexpectedly, the effect of increases in PWM within the first part of the spline (where PWM ranges from 0.0 to 0.5) is associated with negative wage growth for both African Americans (\(b = -.010, p < .01\)) and Black immigrants (\(b = -.027, p < .001\)), vis-à-vis whites in their peer group.\(^7\) Therefore, as PWM increases from 0 to 50 percent, all black workers experience a wage penalty vis-à-vis comparable white workers; with black immigrant workers experiencing a greater penalty than African Americans. Said another way, it appears as though all black workers experience greater wage growth when working in firms with top management that is majority non-white and as PWM increases, from 0 to 50 percent, black wage growth relative to whites decreases, with the wage growth of Black immigrants decreasing more sharply than it does for African Americans.

While the above observation does not fit within our expectations, observations for the second two categories of PWM are in line with previous work on the ‘white employer effect.’ When PWM is between 50 and 85 percent, we continue to observe a wage penalty for African Americans (\(b = -.005, p < .05\)) vis-à-vis whites in their peer group, but we no longer observe such a penalty for Black immigrants (\(b = -.004, p < .05\)). This pattern also obtains when PWM ranges between 85 and 100 percent. In the percentage group contains the far right portion of the distribution of PWM, we observe a wage penalty for African Americans (\(b = -.015, p < .001\)) vis-à-vis whites and no penalty for Black immigrants (\(b = -.002, p > .05\)). That is, the wage growth of Black immigrants within the second (PWM=0.50 to 0.85) and third (PWM=0.85 to 1.00) groupings of PWM approximates that of their white peers, while the wage growth of African Americans continues to decrease relative to their white peers (as the percentage of white managers increases within the separately considered second and third groupings).

These findings support the notion of a ‘white employer effect,’ in that Black immigrants may be benefiting from bias among whites in firm leadership. However, this effect appears to also be present in firms where the percentage of whites in leadership positions is between 50 and 85 percent as opposed to only in firms where the percentage of white managers is greater than the national average. While findings for firms with 50 percent or more of white managers are in line with our expectations, findings for firms with majority non-white management fall outside of our expectations. This suggests that – yet to be theorized – ethnoracial politics may be at play in such firms. Future research that focuses on percentage non-white and percentage black managers is required to gain greater insight into these labor market dynamics.

\(^7\) White peer group workers were the omitted group in our fixed effect models.
REFERENCES


