

Shifts in the Ethnic Division of Labor under Conditions of Growth and Stagnation: Los Angeles in the 1980s and 1990s

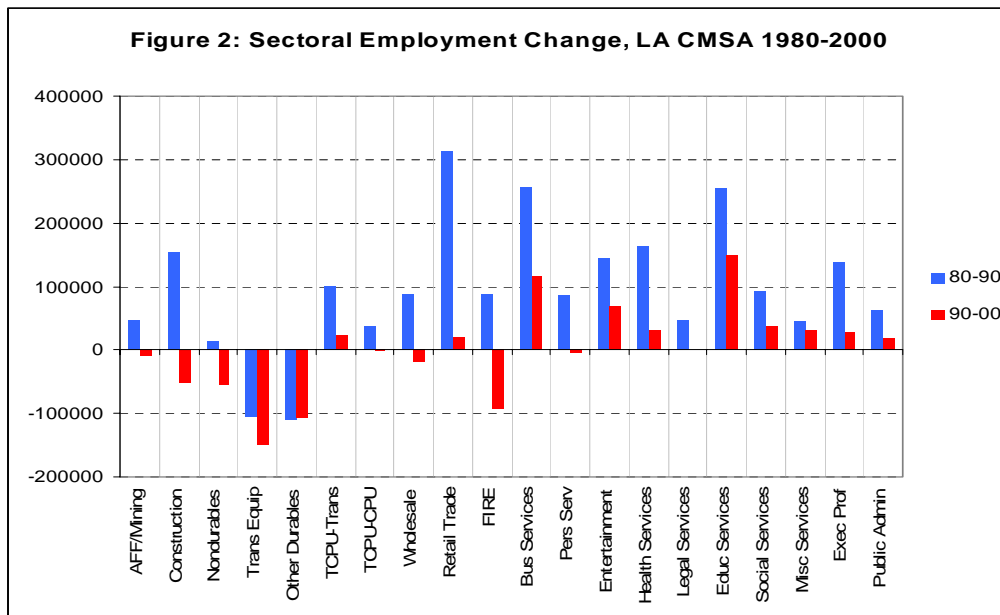
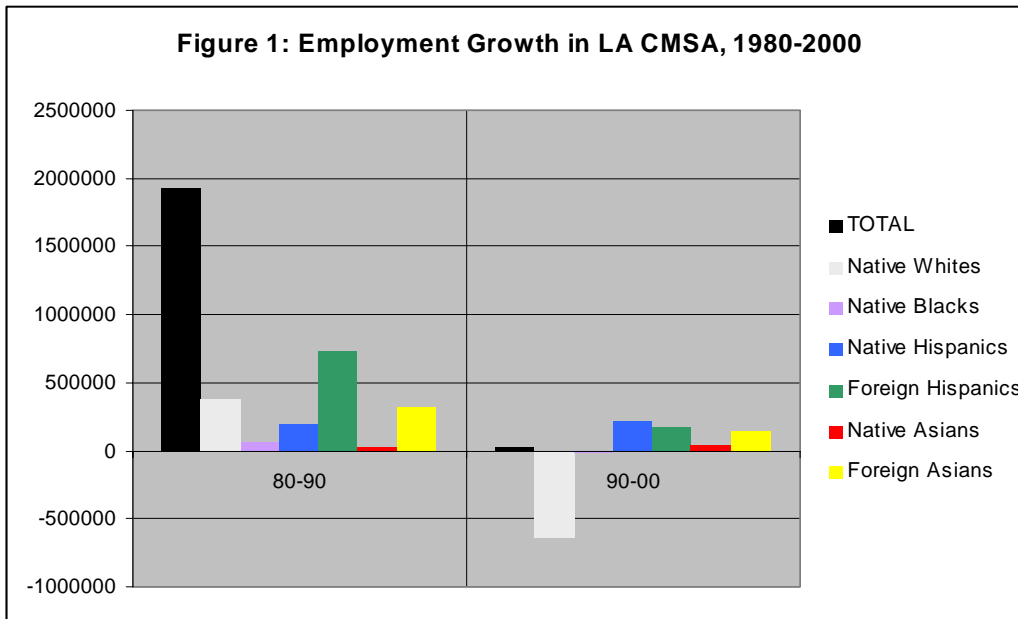
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Introduction

Throughout the 1970s and 1980s the Los Angeles CMSA enjoyed a remarkable period of economic growth fueled by a varied array of manufacturing and service industries. In the 1970s the employment base increased by 30%; job growth accelerated in the 1980s to 38%. This expansion stands in marked contrast to New York, which absorbed immigrants despite anemic job growth at best. New York's ethnic division of labor was transformed by immigrants and non-white natives replacing native-born whites who either retired or left the city's labor force for greener pastures. LA, on the other hand, saw its native born white labor force increase through the 1970s and 1980s even as immigration mushroomed.

The 1990s saw a dramatic reversal of fortunes for the LA CMSA. The number of jobs held steady through the decade as the region absorbed crushing blows from post cold war defense industry restructuring and its knock on effects. LA's aerospace and electronics industries crumbled leading to estimates that over half the manufacturing jobs lost in the early 90s recession was from LA and Orange Counties alone (LA Times). This collapse, coupled with the effects of the mass civil disturbances that followed the Rodney King trial in 1992 and the Northridge earthquake in early 1994, meant that the region's economy remained tepid through the mid 1990s. Thus California's prosperity in the 1990s came largely from the booming economy of the Bay Area at least until the end of the decade. In effect, the job market in LA came to resemble that of New York in terms of the way it absorbed newcomers: the process has become one of immigrant and native-born minority replacement for native-born whites than differential rates of job expansion enjoyed by all groups. Figure one charts the overall change in jobs between 1980 and 2000 alongside job increases and decreases for specific groups. Figure two charts employment change by sector. The only bright spots in the economy in the 1990s were in educational and business services and, to a lesser extent in entertainment services. All other sectors added few jobs or declined.

With this economic transformation as the backdrop, we explore shifts in employment by major industrial sector for a variety of native-born and immigrant groups. We are especially interested in where native-born whites exited the labor force and which groups replaced them. Did these replacement job gains result in decent jobs for immigrants or native-born minorities? Or is the replacement labor process reinforcing the position of some of these groups on the bottom rungs of LA's economy?



Data

The data come from the 1980 and 1990 5% public use microsamples (PUMS) of the US Census, and the 2000 1% (PUMS). We compared aggregate employment growth estimates between the 2000 1% PUMS and the combined 98-02 CPS. They are within half of one percent of each other.

We focus on six main groups – four native-born(Whites, Blacks, Latinos and Asians) and two foreign-born groups (Latinos and Asians). Obviously, the use of aggregate groups masks subgroup and national origin group trends. More detailed groups and industries would reveal variations from these trends, although sample sizes would limit the extent of such disaggregation. We feel these aggregate categories, when subdivided by nativity, capture the broad-brush trends in LA’s ethnic division of labor. In addition their use conforms to the existence of the racialized hierarchy underpinning segmented assimilation theory.

The Changing Demography of LA's Labor Force

We start by reviewing the changing demography of LA's labor force. The six panels of figure three show the racial and ethnic composition of LA's labor force by age cohort from 1980 through 2000. A number of trends stand out. First, the native white share of the labor force is diminishing as Whites age out of jobs and their children leave the region. The loss of younger whites is especially evident by 2000 and it has impacts on the age structure of LA's labor force. The modal age of workers has increased as younger whites have left the region and older whites hang on until retirement. Other notable changes include the massive expansion of native Latinos in younger cohorts – an X% increase overall and a rise of Y % for those under 30 – but a decline in the younger cohorts of foreign-born Latinos. The stagnant economy may account for this as immigrants sought work in other areas of the country enjoying job growth.

Breaking this down by education reveals the dominance, but accelerating decline of whites at the upper echelons of the labor market. To reveal this, figure four repeats the panels in figure two but restrict the sample to those with four years of college. Older college educated workers are overwhelmingly white. No doubt, these are the workers who manage LA's economy and are for the most part amply rewarded for it. Younger cohorts show more balance with native whites only comprising half of the college graduates in the work force under 30 by 2000. It's too early to tell whether this expansion of non-white college graduates will play itself out into greater managerial control and earning power. Some such transformation appears inevitable although the in-migration of skilled whites could severely limit this trend in decades to come.

Sources of Change

The next phase of the study analyzes changes in the sectoral division of labor in concert with racial and ethnic shifts in employment. The questions it asks are: Have some groups gained jobs because they were well-positioned to take advantage of these shifts? Did others groups lose jobs because they were disproportionately concentrated in sectors that collapsed?

We can answer these questions by decomposing each group's employment growth or decline into three different sources. (See Wright and Ellis 1996; 1997 for more details.) The first subcomponent we define as employment change attributable to the overall economy.¹

This component measures the effect of the strength of the metropolitan economy as a whole. It tests the hypothesis: "Does a rising tide raise all boats?" It projects employment growth for each group based on region wide job growth, assuming that this growth will be shared equally by all groups.

¹ We can formally express this "metropolitan growth effect" as: $MGE_{r,i} = E_{t,r,i} (g_m)$ where $E_{t,r,i}$ is employment in time t of group r in sector i and g_m is the growth rate for total employment for the metropolitan area over the time period in question.

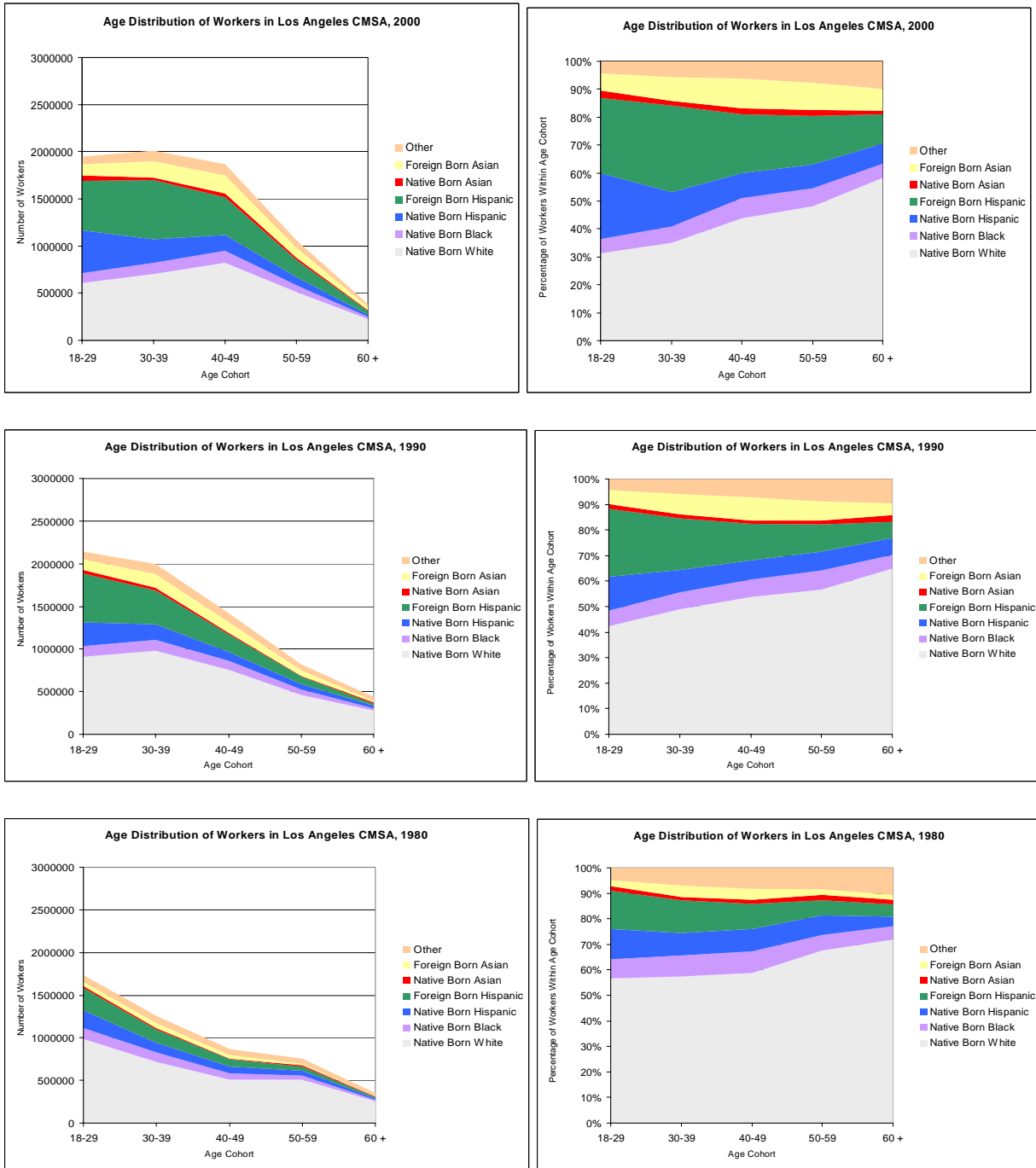


Figure 3

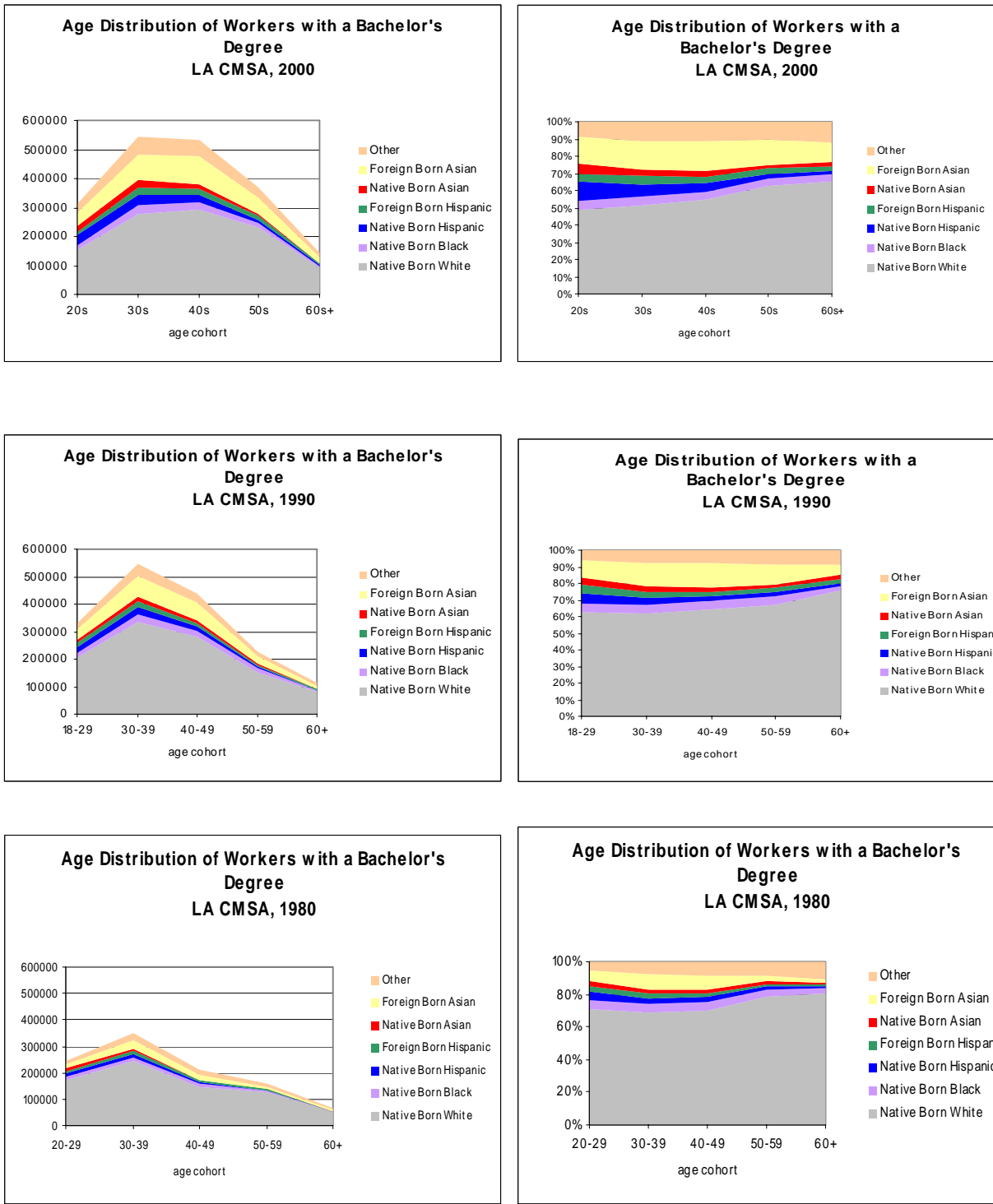


Figure 4

A second subcomponent of employment change measures whether a particular group gained or lost employment because of an unusual concentration in a particular sector. This subcomponent speaks directly to the theory of employment mismatch – the idea that some groups are penalized because they concentrate in declining sectors of the economy. William

Julius Wilson's claims these mismatch effects account for the predicament of central city African Americans (Wilson 1987; see also Warf 1990; Fainstein 1993).²

The remaining portion of employment change is not attributable to overall metropolitan performance or the particular industrial mix of a racial/ethnic group.³ Ettliger and Kwon (1994) note that immigrants frequently fashion their own opportunities in urban labor market. They utilize Porter's (1990) term "competitive advantage" to refer to the potential for actors "to create job opportunities not necessarily given by the structure of the economy and/or by ethnic identity" (Ettliger and Kwon 1994, 418). This advantage can originate in the competitive strength of the group in leveraging jobs in individual sectors, an advantage that often lies in the ability of group networks to channel co-ethnics into job openings. This competitive advantage does not necessarily result in *better* jobs, measured either in terms of job quality or remuneration. Rather, it allows some groups to do better than others in terms of developing and expanding niches in specific economic activities (e.g., Light and Bonacich 1988; Light and Gold 2000; Zhou and Portes 1995).⁴ The expansion of a group's employment in any industry also depends on growth in the overall size of a group's workforce regardless of any inherent sector-specific group competitive advantage. Therefore, unlike the first two components that isolate demand influences on employment change, this last component measures the effect of group characteristics. Accordingly, we refer to this component as the group shift effect. This effect identifies disproportionate "shifts" in group employment after accounting for city-wide economic conditions and sector-specific shares of jobs. Groups with positive shifts gain employment in a sector at a rate above that expected from the average for all groups for that sector. Groups with negative shifts obtain jobs under the expected sectoral rate.

We can calculate these three subcomponents for either a particular industry by racial/ethnic group or as a sum over all industries for a particular group. The panels of Figure 5 show these components of change in conjunction with actual sectoral growth and decline in jobs for both the 1980s and 1990s.

Native-born whites enjoyed growth in several sectors in the 1980s, especially, FIRE, construction, and Executive and Professional Services. The 1990s saw most sectors lose white employment; only Entertainment and Education Services made modest gains. FIRE turned from the biggest gain in the 1980s to the biggest loss in the 1990s, alongside big losses in retail trade and manufacturing. The decomposition reveals that whites gained in the 1980s largely because the economy as a whole prospered.

² This is the amount of employment change attributable to the differences in the sectoral makeup of the nativity/ethnic group versus that of the metropolitan region as a whole. An "industrial mix effect" can be expressed algebraically as: $IME_{r,i} = E_{t,r,i} (g_{im} - g_m)$ where g_{im} is the growth rate in sector i for the metropolitan area over the time period.

³ This residual is usually called the "competitive effect" and can be formally stated as: $CE_{r,i} = E_{t,r,i} (g_{ir} - g_{im})$ where g_{ir} is the growth rate in sector i for the ethnic group over the time period. As this effect measures the impact of changes in group size as well as sector-specific competitive advantage we prefer to call it the "group supply effect".

⁴ Each of these three components can be calculated for a given sector or summed over all sectors for a group. The complete (shift-share) identity for the analysis of intra-metropolitan employment change can be formally expressed as follows: $E_{t+1,r,i} - E_{t,r,i} = \Sigma E_{r,i} = MGE_{r,i} + IME_{r,i} + CE_{r,i}$

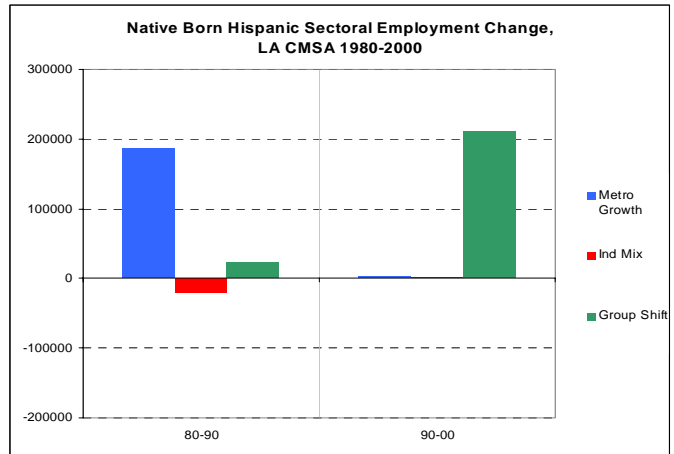
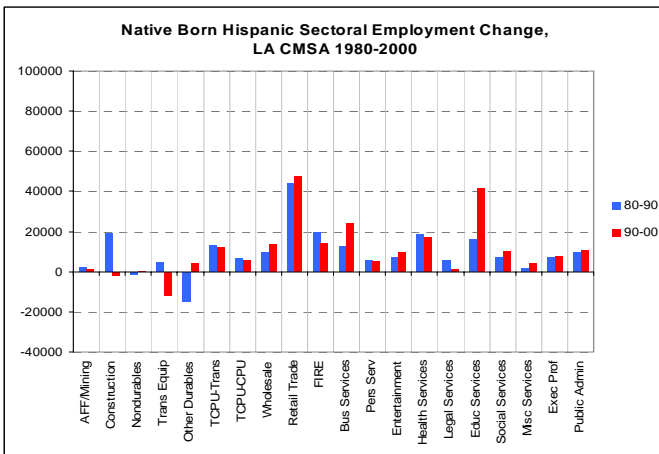
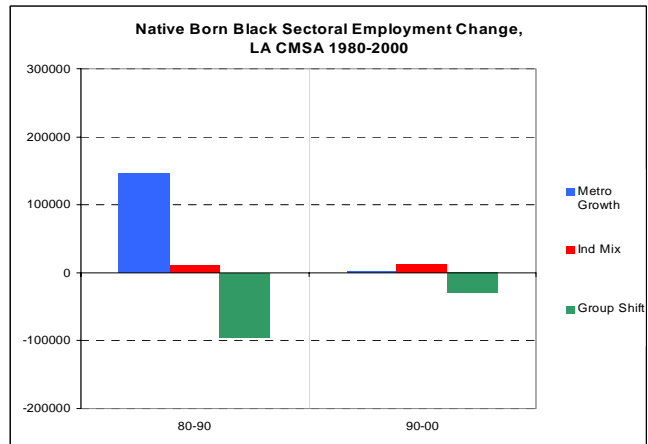
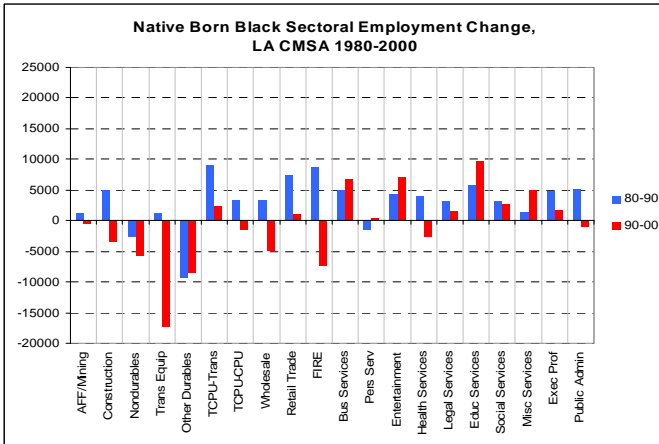
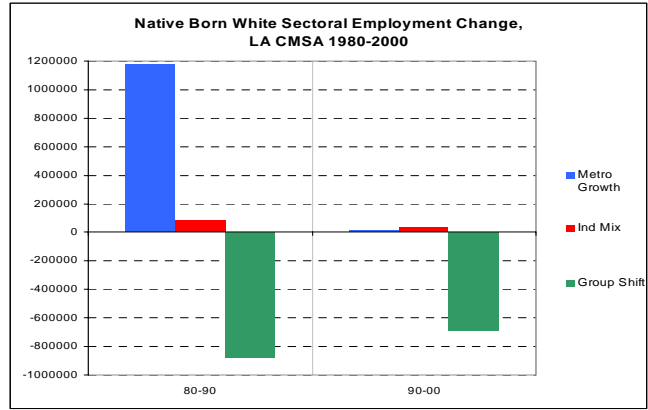
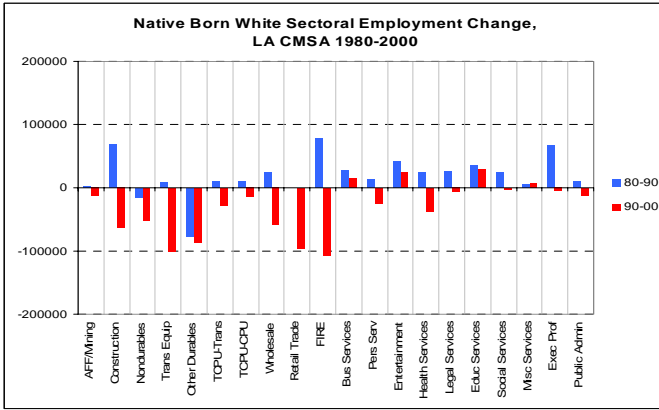


Figure 5

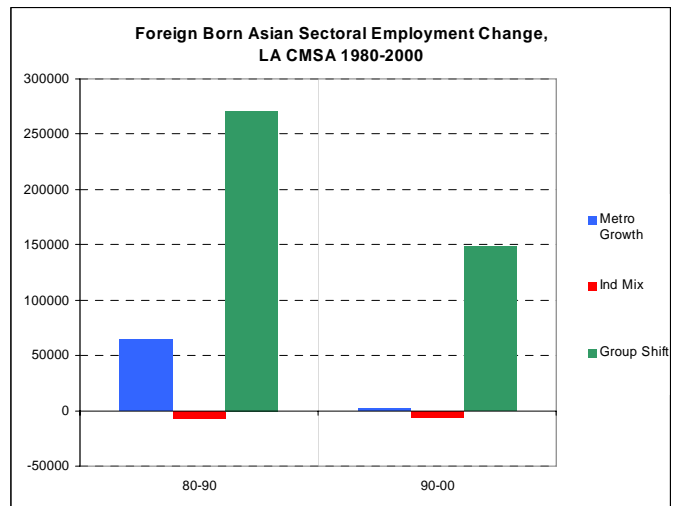
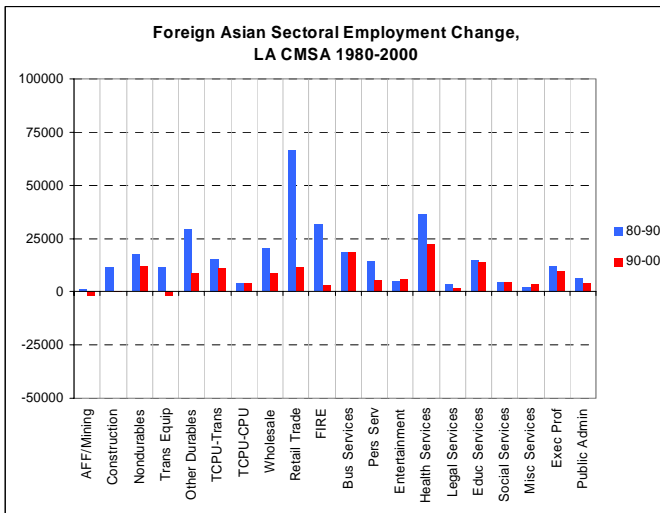
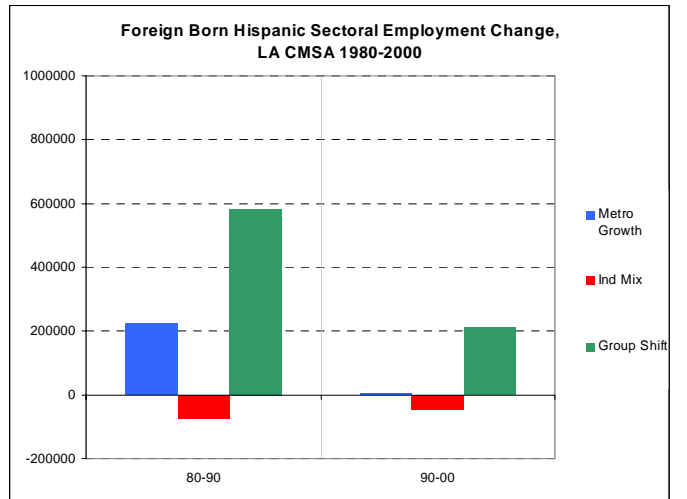
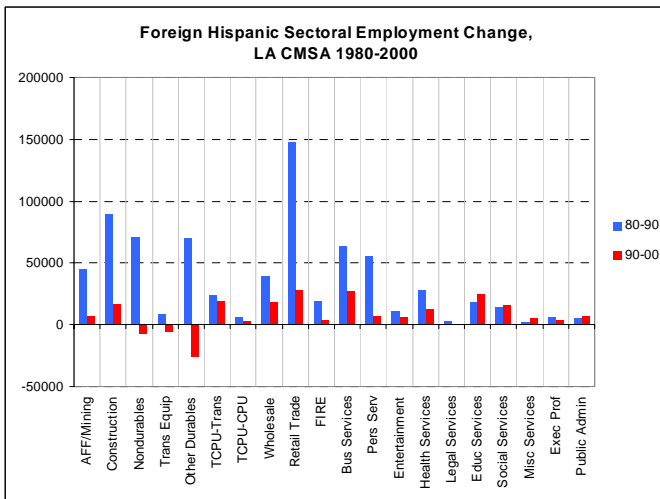
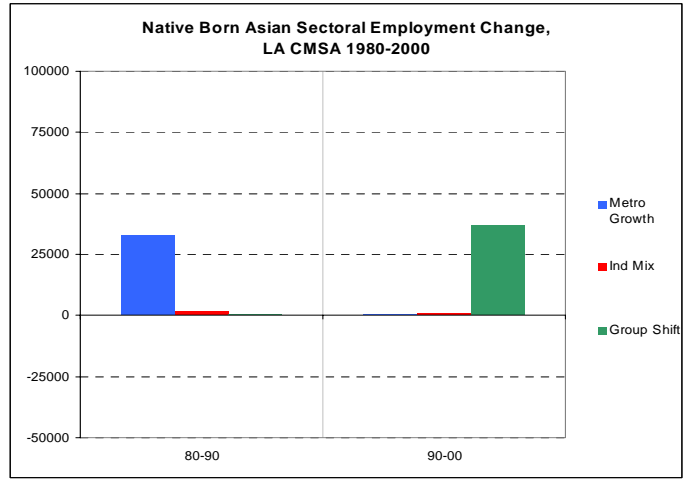
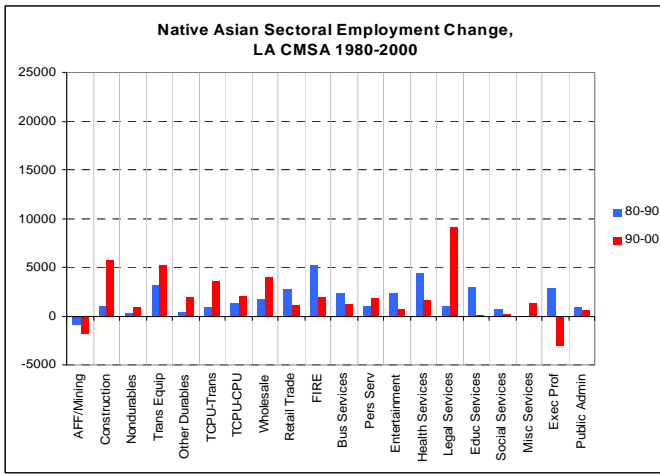


Figure 5 continued

The group shift effect remained constant in the both decades but with the absence of any region-wide economic boost whites exited from the labor market. White employment, then, seems sensitive to general economic conditions. With an LA turnaround in employment growth we may expect to see white employment change become positive.

Native-born blacks gained in every sector but manufacturing and personal services in the 1980s. In the 1990s, big losses were experienced in manufacturing, especially transportation equipment, but also in FIRE. Health services, long a sector known for employing blacks actually saw its black employment numbers decline in the 1990s. These losses are not attributable to a mismatch. In fact black industrial mix is slightly positive in both the 1980s and 1990s. Rather, black employment change is like that of whites, heavily dependent on general economic conditions: the booming economy of the 1980s led to job gains; the flat economy of the 1990s accounts for the job losses of that decade.

Native-born Hispanics grew in every sector in both decades but manufacturing and construction and in these sectors the losses were modest relative to the gains elsewhere. Retail trade was the largest source of new jobs in the 1980s and 1990s. Education and business services saw gains in the 1990s surpassing those of the previous decade. Job increase in the 1990s is all due to group shift – the entry of native-Hispanics into the labor market in the 1990s. In contrast, gains in the previous decade were much in accord with region-wide growth – group shift being cancelled out by poor industrial mix in the 1980s..

Native-born Asians grew in almost all sectors in the 1990s, especially legal services. Surprisingly, their employment fell in executive and professional service industries. Unlike other groups, they actually expanded in manufacturing, even making more gains in transportation equipment in the 1990s than in the 1980s. What appeared to be a disaster for native-whites and blacks turned into opportunity for native Asians, even if the absolute size of the increase is small. In terms of the components of growth, the 1980s was all about the general state of the economy – native Asian employment growth expanded at the same rate as the economy as a whole. But in the 1990s its all about group shift – making gains as other groups lose jobs.

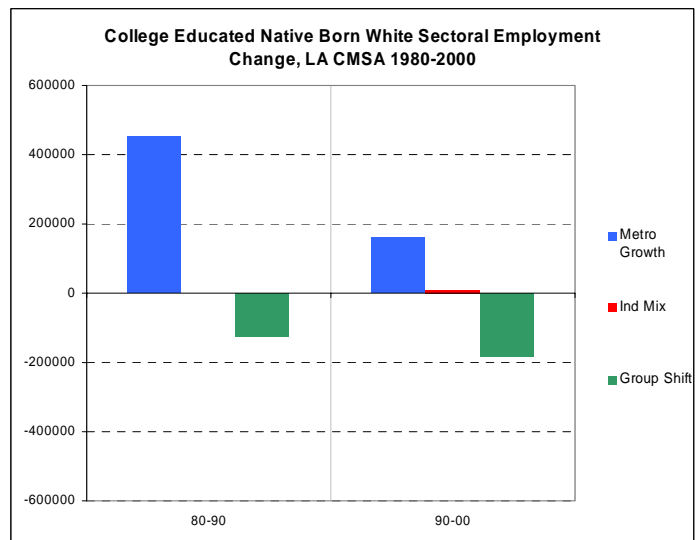
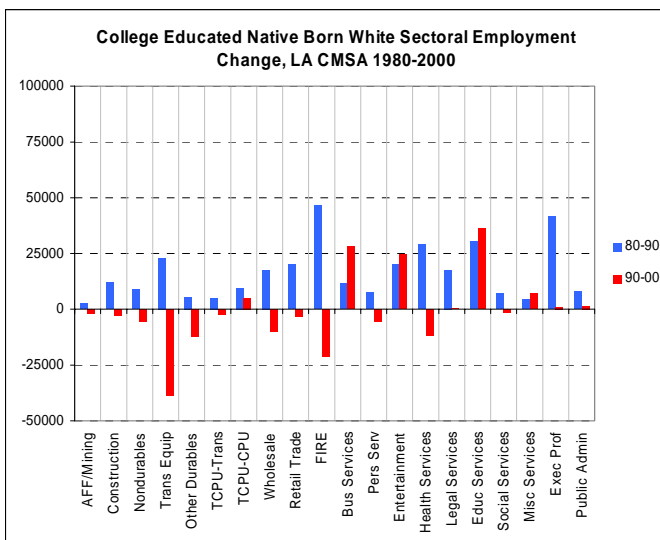
Foreign-born Hispanics made huge gains in every sector in the 1980s, especially in retail trade and manufacturing (except for trans. equip). The 1990s saw mostly positive change too but the gains are much smaller, and manufacturing even saw declines. In the 1980s foreign-born Hispanics made inroads into the region's labor market at a rate surpassing that of overall job growth (thus the group shift component is very large in that decade). In the 1990s group shift remains positive but has diminished, reflecting a decline in the number of young foreign-born Hispanics in the labor market (see Figures 1,3). If any group experienced mismatch effects in both decades it is foreign-born Hispanics. In the 1980s this effect amounted to a loss of 50,000 jobs; in the 1990s it yielded a smaller but still substantial loss of 30,000 jobs.

Foreign-born Asians experienced job growth in all sectors in the 1980s and in almost all in the 1990s. Biggest gainers in the 1980s were retail trade, health services, FIRE and durable manufacturing. Retail trade yielded few employment gains in the 1990s but FIRE and health services continued to employ more Asian immigrants. The employment growth of this group is all about group shift, dwarfing the positive region wide growth effect in the 1980s and remaining very strongly positive in the 1990s.

We repeat these sectoral analyses and decompositions focusing only on college educated native born groups to a sense of how these transformations are playing themselves out in the upper echelons of the labor market (see Figure 6). Where are the highly educated of these groups making gains? Are the segmented patterns we see in overall group employment repeated for the college educated? There are distinctive patterns and we just highlight a few here.

White college graduates made gains across the board in the 1980s but experienced heavy losses in transportation equipment, FIRE, wholesale trade, and health services in the 1990s. FIRE was the largest gainer in the 1980s; its shift to a loss in the 1990s is dramatic. The biggest gains in the 1990s came from educational, business and entertainment services. The pattern for black college graduates is somewhat similar over the decades. As with whites, it is business, educational and entertainment services adding black college graduates; but this group also gains in other service sectors, including public administration. Blacks, had made group shift gains in the 1980s, but group shift turned negative in the 1990s, mimicking the situation for native whites.

Native Hispanic and Asian college graduate employment trends offer us a glimpse at the job experiences of these rapidly rising (although still relatively small) groups. Both have positive group shift effects in both decades, but the growth in college educated native-born Hispanics is especially large in the 1990s, producing a spectacular group shift effect. Much of the growth in employment for this native-born Hispanic college graduates comes from just one sector – education services. Native-born Asian college grads have more even employment growth, making gains in business, education, and executive and professional services.



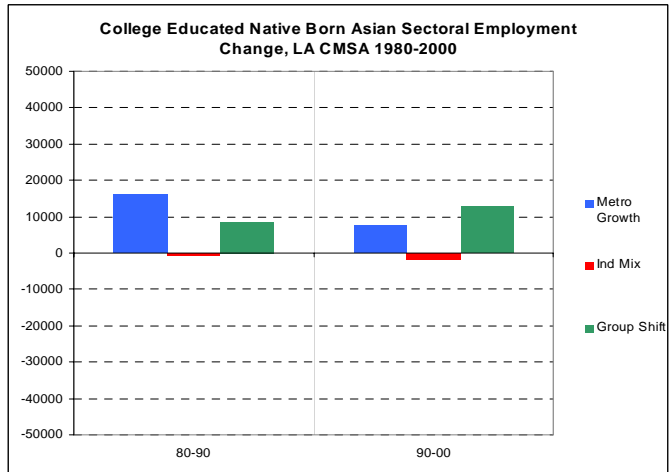
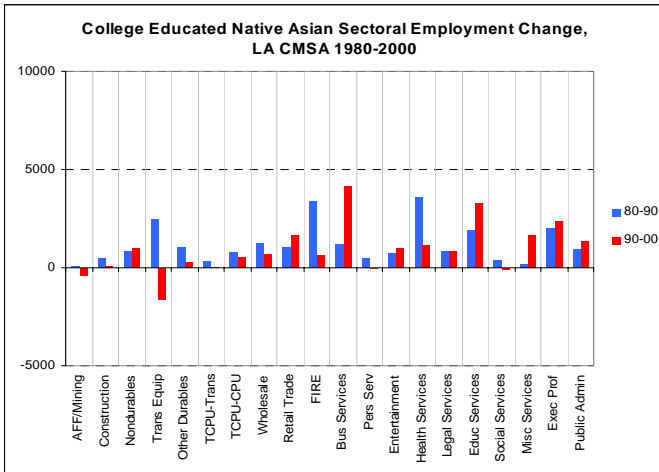
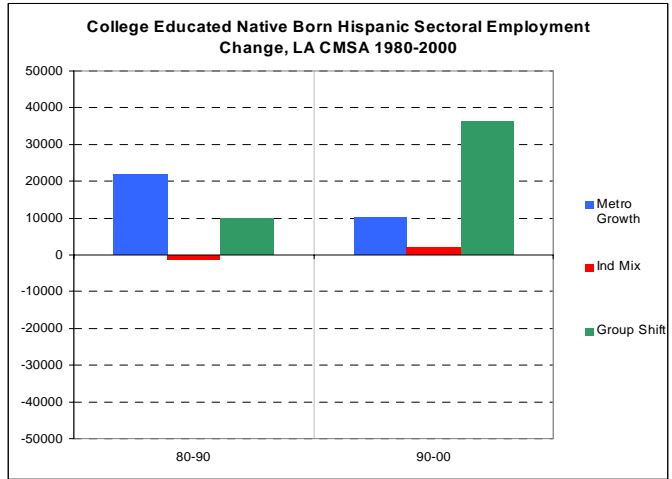
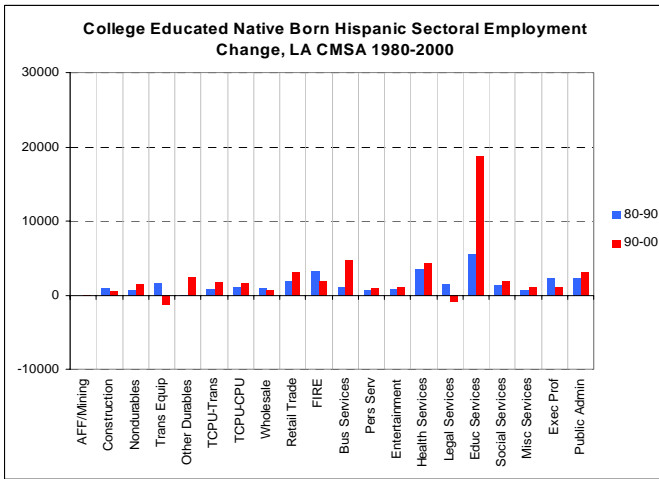
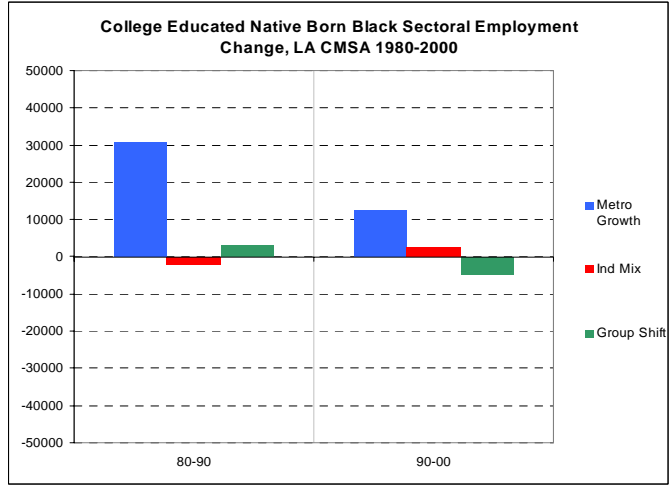
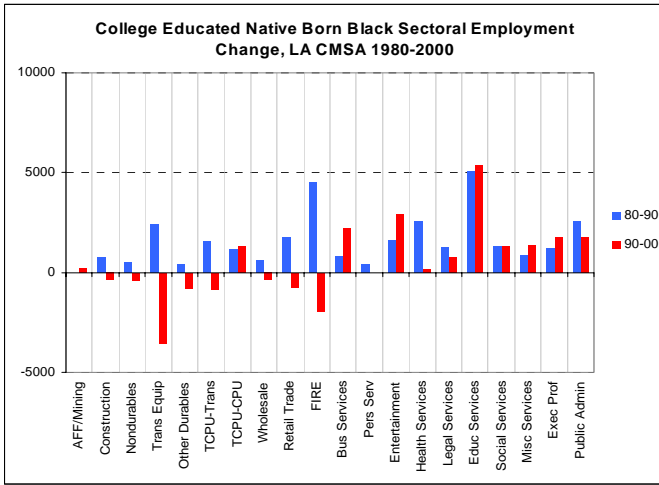
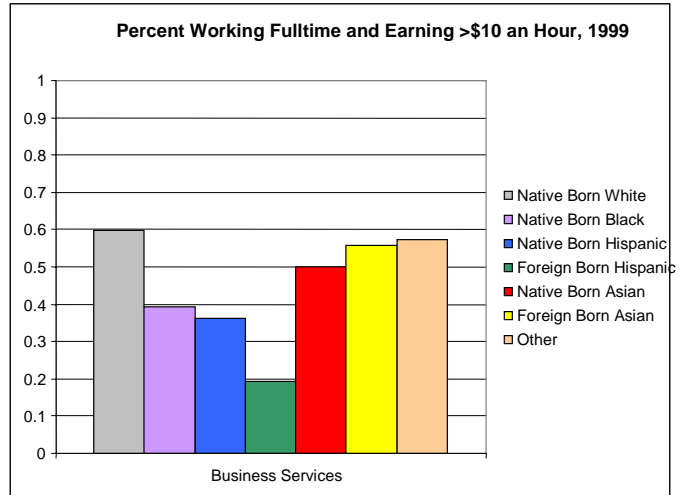
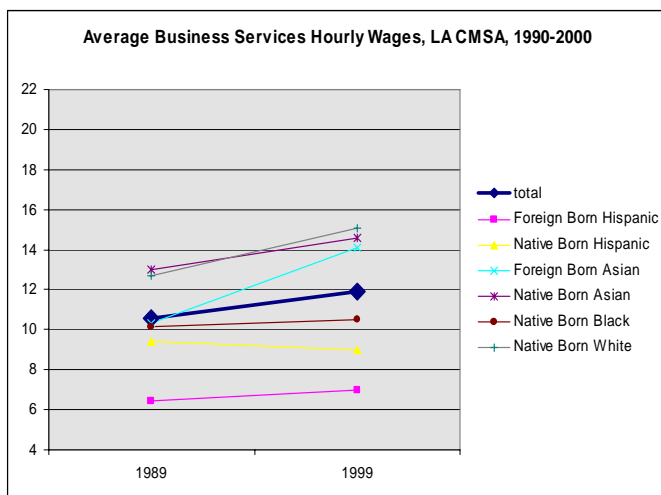
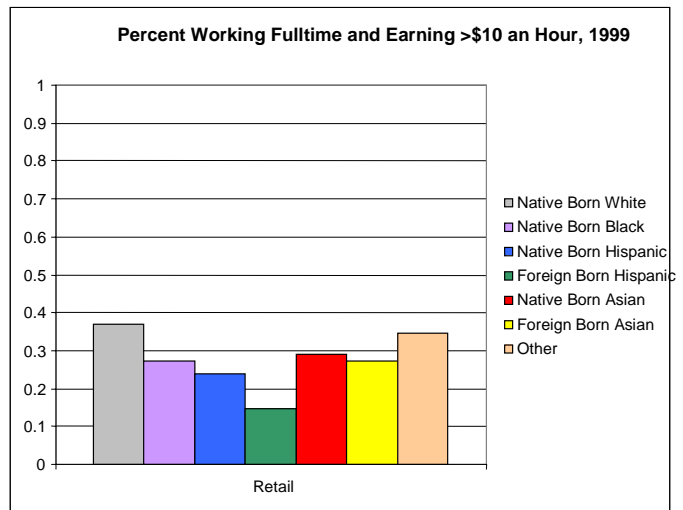
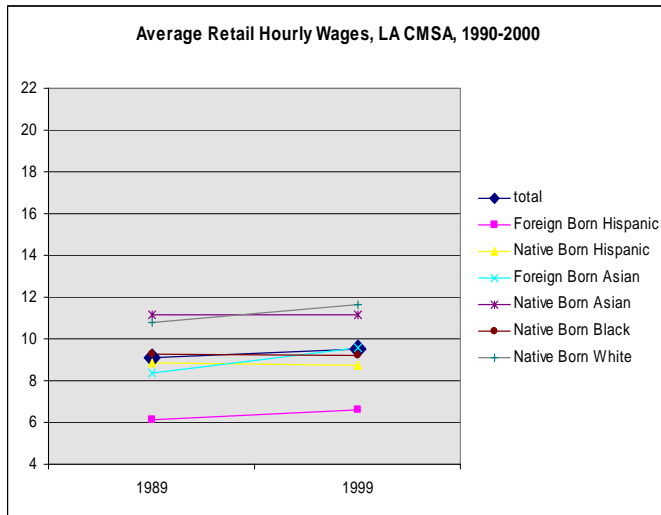


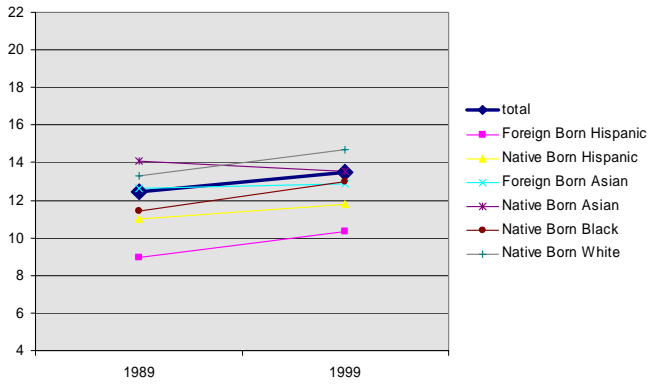
Figure 6

Wages

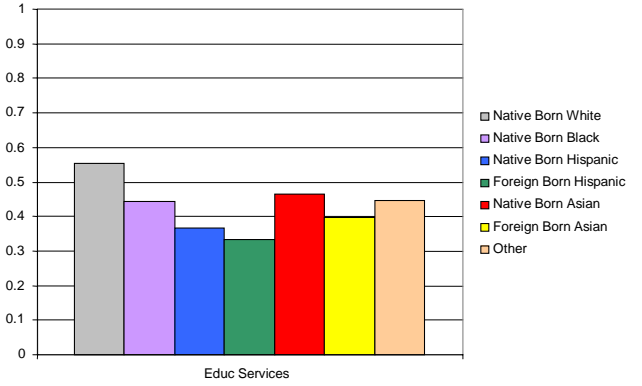
The last section focuses on wage trends for our six groups in five representative sectors (See figure 7). What we report are mean hourly wages (in 1990 dollars) for fulltime workers who are not self employed (>35 hrs a week for > 50 weeks a year). We report the antilog of the average log hourly wage or the geometric mean. These wages are not standardized for education and experience (possibly something we might do). Nevertheless, they give some idea as to the relative trends in remuneration for groups. We also report for the same sectors the proportion of fulltime workers in each group that earned more than \$10 an hour in 1999. This figure is above both minimum wage and the living wage in Los Angeles but it is a target for current living wage activists to provide a bare minimum for basic necessities



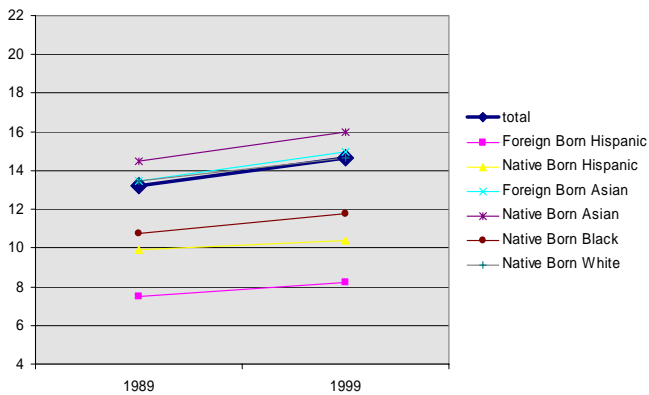
Average Education Services Hourly Wages, LA CMSA, 1990-2000



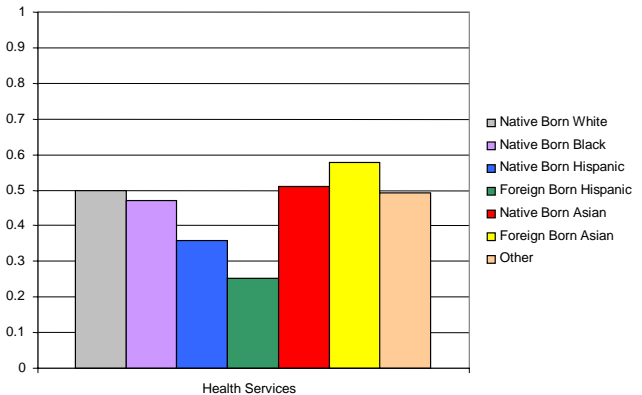
Percent Working Fulltime and Earning >\$10 and Hour, 1999



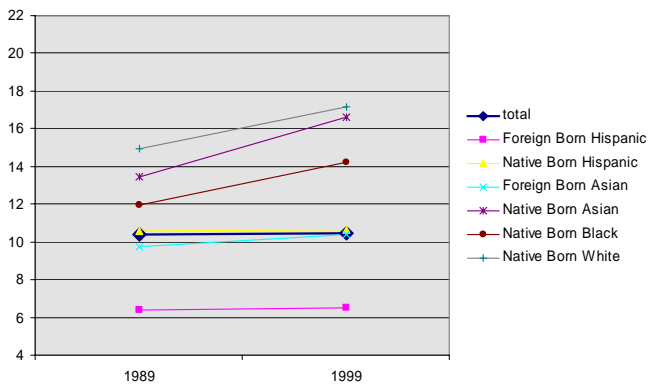
Average Health Services Hourly Wages, LA CMSA, 1990-2000



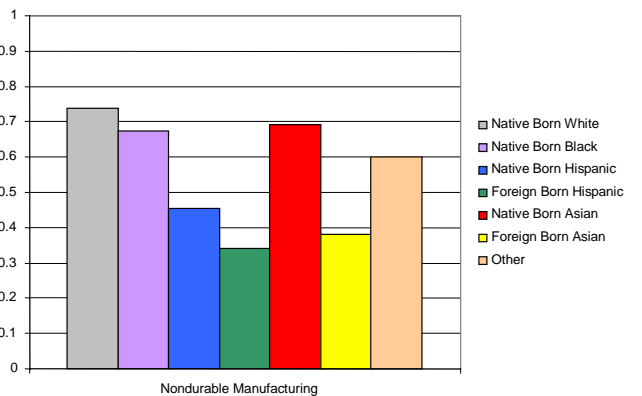
Percent Working Fulltime and Earning >\$10 and Hour, 1999



Average Nondurables Hourly Wages, LA CMSA, 1990-2000



Percent Working Fulltime and Earning >\$10 and Hour, 1999



Four of these sectors saw total average real wages increase; one – non-durables- saw wages held flat. Generally, the expected patterns of segmentation occur: foreign-born Hispanics are at the bottom and their wages rise (or fall) at or below the rate of change in average wages for the sector; whites and Asians (foreign and native-born) generally occupy the top slots, maintaining their above average wage rates throughout the decade.

Education services and retail trade were both substantial sources of employment growth for native-born Hispanics in the 1990s. However, these growth sectors did not translate into income gains. In fact in retail, the wages of native-born Hispanics actually fell, slipping from a position of being paid at the average to being below. Similarly in business services, native-born Hispanics experienced declining wages falling even further behind the average in 1999 than in 1989. Only in education did their wages maintain pace with the average increase. Education services you will recall was by far the biggest source of employment growth for college educated native-born Hispanics. So it seems that this group, although they are paid less than the average, are at least maintaining their ground in this sector.

In some cases employment gain (loss) does seem tied to income gains (losses). For example, business services were a big source of new jobs for foreign-born Asians and their wages in this sector rose much faster than the average. The wages for native-born Asians in educational services actually fell during the 1990s and, as one would expect, this sector did not attract new native-born Asian employees. The wages of native-born blacks rose faster than the average wage increase in educational services, the sector in which they made the greatest employment gains. In other sectors black wages failed to catch-up and in some cases fell even further behind despite growth in the number of black employees (e.g. entertainment services – not shown here). The big three gainers for whites (business services, education services, and entertainment services), especially the college educated, all saw faster than average wage increase for this group. This is the only group for which growth in employment is always tied to improving absolute and relative wage increases.

The parallel sets of figures on proportions earning greater than \$10 an hour in 1999 cast more light on the inadequate nature of jobs in growth sectors for Hispanics. Barely 20% of native Hispanics earn more than this meager amount in retail. In education services this rises to a little shy of 40%.

Conclusions

The 1980s and 1990s represent a stark contrast in economic conditions in Los Angeles. From a labor market that had gained almost 40 percent more jobs in the 1980s, LA fell flat in the 1990s, ending the decade with only a fractional increase in employment. Native whites and blacks, but especially whites, managed to increase employment in the 1980s despite the arrival of immigrants largely because the size of the economic pie kept increasing. But with the stagnant economy of the 1990s these two groups faced job losses as many sectors replaced departing black and white employees with workers from other groups, immigrants and native born.

The story of the future of LA's labor market seems clear from figures 2 and 3. Whites are aging out of the labor market with the younger generation of whites having gone off to seek jobs elsewhere. If the LA economy rebounds and starts to add jobs then it is possible that this decline will be reversed, or at least slowed down. But the long term

scenario seems likely to be one in which foreign-born groups and their descendents continue their shift into sectors once dominated by whites and to a lesser extent blacks.

Young native-born Hispanics entered the labor market in huge numbers in the 1990s. Young foreign-born Hispanics did too although their numbers are off quite a bit from those in the 1980s, probably as a reflection of the weak regional economy. Networks continued to pump Latino immigrants into LA but even they could not make up for the fact that prospects for immigrants are not what they once were. Such a story is consistent with accounts of Hispanic immigrant growth in non traditional immigrant but economically vibrant states in the south and elsewhere. The Asian share, both foreign and native, although smaller, also continued to grow. All four of these groups added workers to the LA economy despite the absence of growth overall. As such, the situation in Los Angeles has come to resemble that in New York with non-white immigrant groups and their children are acting as replacements for whites and to a lesser extent blacks, especially in jobs requiring less than a college education. The wage data suggest that job gains for these groups, however, do not necessarily entry into good jobs. Whites are still the top earners and with one or two exceptions Hispanics and blacks are not catching up. Replacement or group shift within sectors does not mean adequate employment.