

Chapter 3

Economic Diversity

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It is impossible to distill the economic status of Asian Pacific Americans into a single statistic. The prevailing and pervasive stereotype is one of a "model minority," which depicts the population as having successfully overcome numerous obstacles. There is no question that relative to other minority populations and even to the dominant population, Asian Pacific Americans have experienced a noticeable degree of economic success as indicated by measures such as average household or family income. While these indices in their simplest form overstate the relative economic position of Asian Pacific Americans, this population nonetheless has experienced a remarkable degree of economic success. This "success" is rooted in a pattern of selective immigration that has attracted some of the most highly-educated and economically mobile from Asia.

Despite the accomplishments as measured by aggregate numbers, Asian Pacific Americans are not free from poverty and other economic problems. Diversity within the population has meant sizeable affluent and impoverished segments, the "haves" and "have nots." In many ways, this population has experienced the increasing income polarization that has afflicted this nation,¹ which is driven by disparate outcomes in labor-market status and earnings. For convenience, we divided the population into three categories: the highly-educated, the disadvantaged, and the entrepreneurs. These are not mutually exclusive categories nor are they exhaustive, but they represent perhaps the most important groupings.

The economic diversity among Asian Pacific American workers and entrepreneurs is the product of both immigration and a changing structure of opportunity. The 1965 Immigration Act and a restructuring of the economy brought a large number of Asians,

from low-skilled to highly-educated, to this country, creating a bimodalism. Many of those with extensive education have filled the high-wage professional ranks, while those with less skills have filled the low-wage menial positions. For some, operating a business has provided a means to make a livelihood. Restaurants, groceries, gardening, and laundries are still very much a part of Asian-owned businesses, but the range of activities along with financial rewards are much more diverse today.

Our discussion of the economic status of Asian Pacific Americans is organized into four sections: the overall income levels and distribution, the highly-educated, the disadvantaged, and the entrepreneurs.

Overall Income Levels and Distributions

One broad and widely used measure of economic status is the average income, and this measure for households and families shows that Asian Pacific Americans are doing well. While identical statistics are not readily available for every decade, existing statistics reveal a consistent picture of Asian Pacific Americans faring the same as or better than whites, which we can take initially as the standard for comparison. According to the 1970 Census, the median² family income of whites was approximately \$10,000 compared to \$10,600 for Chinese, \$12,500 for Japanese, and \$9,300 for Filipinos (U.S. Bureau of the Census, 1973). In 1980, the median family income for Asian Pacific Americans was \$22,700, higher than that of whites at \$20,800.³ A decade later, the difference was greater, both in absolute and relative terms. The 1992 Current Population Survey shows a similar difference in terms of median family income: \$40,350 for Asian Pacific Americans and \$35,975 for whites (1992, p. 66).

Mainstream media has used these averages to paint an image of a "model minority." Starting in the 1960s, Asian Pacific Americans have been depicted as a "model minority," the non-white group that has "made it" in American society through hard work, dedication, and strong family networks. For example, the December 1966 issue of *U.S. News and World Report* stated that "the nation's 300,000 Chinese Americans is winning wealth and respect by dint of its own hard work" (p. 1). This image of relative affluence was restated in 1982 by *Newsweek*, which

stated "despite years of discrimination — much of it enforced by the federal government — the difficulties of acculturation and a recent backlash against their burgeoning numbers, Asian Americans now enjoy the nation's highest median income" (Kasindorf, p. 39).

More recently, *Commentary* reported that "according to most socioeconomic indicators — income, labor force participation, education, occupational status, family stability and structure — Asian-Americans were now the equals of, or had surpassed, mainstream America" (Winnick, 1990, p. 24). Another report states "like immigrating Jews of earlier generations, they have parlayed cultural emphases on education and hard work into brilliant attainments" (Walsh, 1993, p. 55). Of course, the "model minority" thesis is based on more than just economic status, but nonetheless economic status is one of the most important, if not single most important, point.

A simple comparison of average household income, however, does not account for a number of factors that lead to an overestimate of the overall economic standing of Asian Pacific Americans. Because of the method used by the Census to collect information, the racial category "white" contains Latinos, whose population has grown tremendously over the last few decades. A far better bench mark is the non-Hispanic white (NH-white) population. Because Latinos who are classified as whites fare worse economically than NH-whites, income statistics for whites tend to be lower than that for NH-whites. This discrepancy has grown over time, and is particularly sizeable in geographic areas with large Latino populations.⁴

The national statistics cited are also misleading because they compare populations that are not identically distributed across geographic regions. Asian Pacific Americans are highly concentrated in large metropolitan areas where the cost of living tends to be higher; consequently, it takes more income to maintain a comparable standard of living in these areas. Our market economy operates in such a fashion that the higher cost is partially compensated by higher wages.

Table 1 shows the economic status of Asian Pacific Americans relative to NH-whites and other minority groups, nationally and for the four metropolitan areas with the largest Asian Pacific American populations (Los Angeles, San Francisco,

Oakland, and New York, which together house approximately 30 percent of all Asian Pacific Americans). While the estimated median household income for Asian Pacific Americans at the national level is higher than NH-whites (\$36,000 versus \$31,000), the opposite is true for the combined four metropolitan areas (\$37,200 versus \$40,000).

Even the comparison with NH-white households in the four metropolitan areas overstates the relative economic position of Asian Pacific Americans, who tend to have larger households and whose income does not go as far on a per person basis; consequently, median per person income at a national level for

Table 1. Income and Poverty Levels – 1990

	NH-white	Asian Pacific American	African American	Latino
<u>National</u>				
Median Income	\$31,100	\$36,000	\$19,000	\$24,000
Median Per Person	\$12,000	\$10,500	\$6,600	\$6,200
% above \$75,000	10%	16%	3%	5%
% below \$10,000	13%	14%	30%	20%
Poverty Rate	9%	14%	29%	25%
<u>4 Metro Areas</u>				
Median Income	\$40,000	\$37,200	\$24,100	\$25,600
Median Per Person	\$17,600	\$10,800	\$8,600	\$6,300
% above \$75,000	20%	16%	6%	6%
% below \$10,000	11%	13%	25%	19%
Poverty Rate	7%	13%	22%	24%

Source: Estimates based on observations drawn from the U.S. Bureau of the Census, 1990 1% Public Use Microdata Sample. NH-whites were sampled at a rate of 1 in 10, and African Americans and Latinos were sampled at a rate of 1 in 2.

Asian Pacific Americans is lower than that for NH-whites (\$10,500 versus \$12,000). For the four metropolitan areas, the difference is even larger — \$17,600 for NH-whites and \$10,800 for Asian Pacific Americans. While Asian Pacific Americans still have higher per capita income than blacks and Latinos, their earnings are closer to other minority groups than to NH-whites. The lower per capita income of Asian Pacific Americans cannot be explained merely as a choice to have larger families, although it is true that Asian Pacific families tend to be larger than NH-white families. The larger number per household also represents efforts to pool limited resources. Many households have multiple wage earners because the earnings of each tends to be limited.

Average income statistics give a partial picture, but they mask very important differences among Asian Pacific Americans. For every Asian Pacific American household with an annual income of \$75,000 or more, there is roughly another with an annual income below \$10,000. While the proportion of Asian Pacific American households that can be classified as low-income is of the same magnitude as the proportion of NH-white households, the percentage of Asian Pacific Americans that can be classified as being impoverished is substantially higher. The most widely used measure of impoverishment is the poverty line, roughly three times the cost of the economy food plan, which is the minimum needed for adequate nutrition. The poverty line varies by family size and composition, but not by geographic region. For a family of four, the average poverty line was \$12,674 in 1989, with the number being slightly lower for units with more children than adults. Using the official poverty line, 14 percent of the Asian Pacific American population lived in households with an income below the poverty line in 1989, about one-and-a-half times higher than the rate for NH-whites. The difference is even greater in the four metropolitan areas, where the Asian Pacific American rate is approximately twice as high that for NH-whites.

Median household incomes vary across ethnic and native lines within the Asian Pacific American population. As Table 2 shows, Filipinos and Asian Indians have the highest median household income, both at approximately \$43,000 each. In addition, Asian Indians have a fifth of their households with incomes of \$75,000

and above, which is the highest among all Asian Pacific ethnic groups. On the low end of the income distribution are Southeast Asians with a median household income of \$18,300. Not surprisingly, they also have the highest percentage of Asian Pacific American households with incomes below \$10,000 and the highest rate of persons living below poverty, 26 percent and 46

Table 2. Household Income and Poverty Levels
by Ethnicity and Year of Immigration – 1990

	Median Income	% Income <\$10,000	% Income >\$75,000	Below Poverty*
<u>Ethnicity</u>				
Chinese	\$37,600	15%	19%	14%
Filipino	\$43,300	6%	18%	7%
Japanese	\$42,800	9%	19%	7%
Asian Indian	\$43,000	8%	22%	10%
Korean	\$30,600	17%	11%	15%
Vietnamese	\$31,300	16%	11%	25%
SE Asian	\$18,300	26%	4%	46%
Other Asian	\$32,000	15%	12%	17%
Pac. Islander	\$32,900	13%	10%	20%
<u>Year of Immigration</u>				
US-Born	\$43,000	9%	19%	11%
1985 to 1990	\$23,000	25%	7%	26%
1980 to 1984	\$32,000	13%	11%	17%
1975 to 1979	\$41,100	9%	16%	11%
1970 to 1974	\$46,000	7%	23%	7%
1965 to 1969	\$54,000	5%	28%	5%
Pre 1965	\$44,000	10%	21%	7%

* Poverty rate is based on the proportion of the population that resides in a family with an income below the official poverty line.

Source: Compiled by authors from 1990 1% Public Use Microdata Sample.

percent, respectively.

Household income also varies according to place of birth and year of immigration to the United States. Asian Pacific Americans who entered between the years of 1965 and 1969 have the highest household income at \$54,000, and the highest percentage, 28 percent, of households with incomes of \$75,000 and above. More recent immigrants, those who entered between 1985 and 1990, have the lowest median income (\$23,000), the highest percentage of households with incomes below \$10,000 (25 percent) and the highest number of persons living below the poverty line (26 percent).

To understand the diversity in income, it is necessary to examine how Asian Pacific Americans are performing in the U.S. economy as workers and entrepreneurs. The next section begins this analysis by examining the highly-educated population.

The Highly-Educated

One factor for the proportionately large numbers of Asian Pacific American households with above average incomes is the relatively large number of highly-educated persons. According to the 1990 Census, 37 percent of all Asian Pacific Americans 25 years of age and over had at least a bachelor's degree, and 14 percent had a graduate or professional degree. This is considerably higher than the figures for NH-whites (22 percent and 8 percent, respectively). This high level of educational attainment translates into a population of highly-educated working-age Asian Pacific Americans (24 to 64) of 1.5 million persons, of which 63 percent had only a bachelor's degree, 31 percent had a master's or professional degree, and 6 percent had a doctorate degree. Because of the high employment rates, this highly-educated group constitutes a labor force of 1.3 million workers.

Understanding the source of this highly-educated population is important to examining the accomplishments of Asian Pacific students. One is tempted to point to the high educational achievement among Asian Pacific American students. They are portrayed by the popular media as super students surging to the top of their class. The statistics on school enrollment rates support this image. Compared to other groups, they are more likely to pursue an undergraduate education as indicated by enrollment rates

among those 20 to 21 years of age: 71 percent are enrolled as compared to 42 percent for the total population. Asian Pacific Americans are also more likely to pursue a graduate degree. For those between the ages of 22 and 24, 51 percent of Asian Pacific American and 20 percent of the total population are enrolled. While these statistics include foreign students, it is important to note that roughly two-thirds of those attending school are either U.S.-born or immigrants who were raised in the U.S. Asian Pacific American students are disproportionately overrepresented in the elite public and private universities. For example, they comprise approximately 30 percent of the undergraduates at the University of California, Berkeley, and 34 percent at UCLA. Although the percentages are lower in the private universities, Asian Pacific American students nonetheless have a strong presence. At Harvard and Stanford, they comprise 20 and 22 percent of the undergraduate student population, respectively.

Despite the high numbers attending colleges and universities, the U.S.-born or U.S.-raised do not account for the majority of the highly-educated Asian Pacific American adult population. A far more important source of this highly-educated population is immigration. The 1965 Immigration Act created occupational preferences for highly-skilled workers, which usually meant the highly-educated, particularly those in the engineering and scientific fields, and in the health fields, such as doctors, nurses, and health technicians. (Chapters 7 and 8 provide more details on these immigrants.) While the number of Asians entering through the labor categories accounts for only a small share of total immigration, initial occupational migration set into motion a new chain migration that favors the highly-educated even among those entering through the family reunification provisions (Liu, Ong, and Rosenstein, 1991).

Of course, the 1965 Immigration Act is a necessary but not sufficient factor for the extensive migration of the highly-educated. Forces within the sending country have played a major role. In the case of India, for example, an economic slowdown, the lack of access to domestic higher education, and the inability of that country to fully employ its highly trained labor force all have contributed to the emigration of skilled professionals to the United States (Mazumdar, 1993). To varying degrees, these factors

have been present in other Asian Pacific countries. As a result, most of these countries experienced a "brain drain," where many of their most talented individuals emigrated to the United States seeking better economic opportunity (Ong, Cheng, and Evans, 1993). Some of the highly-educated came with their college and university degrees in hand. We estimate that roughly half of those with only a bachelor's or with a master's or professional degree fall into this category, while only about a quarter of those with a doctorate do.⁵ However, there are also large numbers who initially came as foreign students in higher education, and then adjusted to status as permanent immigrants. While probably only a small fraction of those with only a bachelor's degree and about a quarter of those with a master's or professional degree chose this route, as many as half with a doctorate degree did. When taken together, the foreign-educated and immigrants who started as foreign students constitute about two-thirds to three-quarters of the highly-educated Asian Pacific American population. In other words, selective post-1965 immigration is the primary factor in creating the highly-educated Asian Pacific American group.

The post-1965 immigration of the highly-educated also had indirect effects in expanding the highly-educated population. Immigrant parents with college or university degrees are likely to instill in their children the desire and drive to be academically successful. Moreover, their influence is likely to extend beyond the immediate family, for their presence and prestige provide a model and standard for families where the parents are less well educated. The highly-educated reinforces and validates those norms and values that promote schooling.

College and university training opens the door to participation in the U.S. economy. The labor force participation rate of highly-educated adults is 84 percent.⁶ Their civilian unemployment rate⁷ is 3 percent, which is essentially frictional unemployment,⁸ and two-thirds of the labor force works full-time, full-year. Table 3 provides additional statistics by educational attainment and gender.⁹

Although the level of economic activity of highly-educated Asian Pacific Americans is high, they do not always receive salaries that are commensurate with their level of education. At a national level for 1990, Asian Pacific American adult males

Table 3. Asian Pacific American
Educational Attainment – 1990

	Bachelor's Degree	MA/Prof Degree	Doctoral Degree
<u>Male</u>			
Number	457,800	299,100	69,800
% Recent Imm.	24%	26%	18%
% Employed	87%	88%	94%
% FT/FY* among the empl.	64%	62%	70%
Unempl. Rate	3%	2%	1%
Earnings of FT/FY*			
Median	\$33,000	\$45,700	\$50,000
% >50K	22%	45%	53%
Earnings of All			
Median	\$29,900	\$40,000	\$45,000
% >50K	18%	37%	44%
<u>Female</u>			
Number	519,600	185,600	16,100
% Recent Imm.	24%	22%	25%
% Employed	73%	76%	83%
% FT/FY* among the empl.	43%	42%	56%
Unempl. Rate	3%	4%	4%
Earnings of FT/FY*			
Median	\$27,000	\$35,000	\$34,400
% >50K	7%	24%	23%
Earnings of All			
Median	\$22,100	\$27,000	\$33,000
% >50K	5%	17%	18%

* Full-Time/Full-Year Worker

Source: Compiled by authors from 1990 1% Public Use Microdata Sample.

who work full-time, full-year, earn about 10 percent less than white males, and for the West, the difference is 12 percent (U.S. Bureau of the Census, 1992, P20-459, Table 5). This may understate the difference because Asian Pacific Americans are more likely to have a graduate degree than whites. While there is essentially

no difference between highly-educated Asian Pacific American females and their white counterparts, both suffer from a gender gap, earning about 70 percent of income of white males.

The gender difference can be seen in the figures in Table 3. While both sexes have comparable and relatively low rates of unemployment, there is a large gap in median income for each level of education. Males with a doctoral degree earn a median income of \$50,000, whereas the median income for females is merely \$34,400. In addition, the percentage of males with the higher degree who earn \$50,000 and above is 53; the percentage for females is 23. Furthermore, there tends to be a higher percentage of males (31 percent) in the professional and managerial class than that of females (24 percent).

Along with the variations in earnings, there are substantial occupational differences. While the proportion of the highly-educated in professional occupations is roughly the same for Asian Pacific American males and white males (38 percent and 36 percent, respectively), whites are considerably more likely to hold a job as an executive, administrator, or manager (31 percent versus 23 percent) (U.S. Bureau of the Census, 1992, P20-459, Table 4). Among highly-educated females, 31 percent of Asian Pacific Americans were professionals compared to 48 percent for whites, and 19 percent of Asian Pacific Americans were in the managerial class compared to 23 percent for whites.

The discrepancy in earnings and occupational standings between Asian Pacific Americans and NH-whites is due to three factors: limited-English-speaking ability, lack of transferable skills into the U.S. labor market, and differential treatment based on race. Because a high percentage of the highly-educated received an education abroad, it is not surprising that only 71 percent are either native-English speakers or speak English very well. On the other hand, only 6 percent have a poor command of the English language (either do not speak English well or not at all). The language problem, then, is a hurdle rather than an absolute barrier; however, the hurdle can lower the odds of receiving a professional license and can limit promotions, particularly to managerial positions.

In many cases, the educational training received in their home country is not comparable to that in the United States. Asian Pacific immigrants may not be able to transfer their skills to the

U.S. labor market. In fields such as law and some of the social sciences, the knowledge is specific to each country. The demand for such knowledge is very limited in the United States, although greater economic integration with Pacific Rim countries may increase the demand in the future. As a result of the lack of transferability, this population suffers downward occupational mobility, taking relatively low-paying and low-skilled positions.

Finally, there is discriminatory treatment based on race. It is difficult to isolate the effects of race on employment outcomes from other factors such as English language ability, transferability of knowledge, and variations in the quality of education. One way is to use comparable populations, such as those receiving their undergraduate education in the United States.¹⁰ One study which examines a group of 1983-84 BA/BS graduates and controls for several important factors (e.g., major, school attended, grades), found that Asian Pacific American males earned 10 percent less than white males, and Asian Pacific American females earned 11 to 12 percent less than white males.¹¹ The findings can be interpreted as discriminatory practice, although there may be other unobserved factors correlated with race that influence outcomes.

The limitations encountered by the highly-educated can be summarized by the term "glass ceiling," a promotional barrier against minorities and women. As we have seen, many Asian Pacific Americans, especially the post-1965 immigrants, have experienced "downward occupational mobility," which is in part responsible for their lower income. Despite their educational attainment, they occupy lower status, lower salary positions, most of which are in the technical fields. For others, there are barriers that hinder their progress into the higher ranks of the professional and managerial class.¹² Cracking this glass ceiling has been difficult due to the debates over affirmative action and employment policies. The cost of this barrier is not limited to the individuals for there is also a tremendous loss to the economy as a whole.

The Disadvantaged

Coexisting with the highly-educated is a sizeable population that is disadvantaged. Nationally, 23 percent of Asian Pacific Americans, age 25 and over, have less than a high school degree,

while 21 percent of non-Hispanic whites do. For analysis, this disadvantaged population can be categorized into three groups according to deficiencies in human capital: those with limited English; those with limited education; and those limited by both language and education. Limited English is defined as speaking English not well or not well at all, and limited education is defined as having less than a high school degree. Nationally, there are over a million disadvantaged Asian Pacific American adults, and the size of the three categories is approximately equal.

Although figures show that Asian Pacific Americans have achieved greater levels of education than the general population, there is a large percent with minimal educational training. The difference is even greater in the four metropolitan regions: 24 percent of Asian Pacific Americans have low educational levels, compared to 15 percent for non-Hispanic whites. It is not only low-education attainment that serves as a disadvantage. Over two-thirds of a million adults are handicapped by not having a command of the English language.

As with the highly-educated population, the disadvantaged population is largely a product of immigration. Nine-tenths are immigrants, approximately two-thirds entered this country when they were adults (25 years and older),¹³ and approximately one-third have been in the country five years or less. These percentages are higher than the corresponding percentages for the whole Asian Pacific American population. There is ethnic variation in the proportion of adults who are disadvantaged, with Southeast Asians having the highest percentage with less than a high school degree (64 percent) and with limited-English-speaking ability (55 percent). Although they comprise only a fifth of all disadvantaged Asian Pacific Americans, they are a population with unique problems. They came as political refugees who suffer from additional problems associated with their flight. Chapter 6 examines this group in detail.

The deficiencies in human capital greatly hinder economic opportunities. Compared to the highly-educated, the proportion of disadvantaged Asian Pacific American adults not in the labor force is over twice as high (37 percent versus 16 percent). Among those in the labor market, the civilian unemployment of disadvantaged adults is nearly three times higher (3 percent

versus 8 percent). While a majority (54 percent) of all highly-educated Asian Pacific Americans work full-time/full-year, only a third (32 percent) of all disadvantaged do.

The jobs that disadvantaged workers take are largely limited to low-skill occupations. Among the disadvantaged labor force, 10 percent are in sales occupations, 8 percent are in clerical

Table 4. Profile of Disadvantaged
Asian Pacific Americans – 1990

	Limited English and Education	Limited English	Limited Education
<u>Male</u>			
Number	135,000	159,000	161,000
% Recent Imm.	36%	46%	19%
% Employed	64%	77%	76%
% FT/FY*	35%	46%	47%
Unempl. Rate	10%	4%	7%
Earnings of FT/FY*			
Median	\$14,800	\$20,000	\$18,000
% <10K	21%	11%	12%
Earnings of All			
Median	\$12,000	\$17,000	\$15,000
% <10K	38%	25%	25%
<u>Female</u>			
Number	232,000	196,000	231,000
% Recent Imm.	37%	47%	16%
% Employed	40%	47%	55%
% FT/FY*	19%	23%	31%
Unempl. Rate	11%	9%	8%
Earnings of FT/FY*			
Median	\$12,000	\$15,600	\$15,000
% <10K	32%	20%	14%
Earnings of All			
Median	\$9,000	\$10,700	\$12,000
% <10K	54%	43%	39%

* Full-Time/Full-Year Worker

Source: Compiled by authors from 1990 1% Public Use Microdata Sample.

occupations, 17 percent in restaurant-related occupations such as waiters and cooks, 5 percent are in the menial cleaning occupations (e.g., janitors), and 9 percent work as apparel machine operators. Although a few rise to managerial positions (6 percent), most of these jobs are in the retailing sector.

As Table 4 illustrates, the median income for those with limited English is \$20,000 for males and \$15,600 for females.¹⁴ Similarly, figures are relatively low for males and females with less than a high school degree: \$18,000 and \$15,000, respectively. In contrast, persons with both limited-English-speaking ability and low levels of education suffer the most. For a disturbing portion of this population, even working full-time, full-year brings in less than \$10,000 in earnings.

Joblessness and low wages are not merely the result of low skills. Macro-level changes have increasingly placed those with limited skills at a disadvantage. Increased global competition in manufacturing from developing and newly industrialized economies, including Asian Pacific countries, has pushed down real wages for industrial workers, and where there is increasing demand, it has meant low-wage service jobs. As labor markets have become less regulated due to decreasing union strength and state enforcement of working conditions, firms have incorporated more immigrants (legal and undocumented) as new sources of cheap labor. These changes have led to a real decline in wages in the 1980s of all workers with limited education and job skills (Murphy and Welch, 1993).

It is unknown how many disadvantaged Asian Pacific Americans are trapped at the bottom. Given that this population is primarily immigrant, and disproportionately recent immigrant, acculturation that occurs over time should improve their skills and understanding of the U.S. labor market. We certainly have examples of dramatic improvement within the first few years of living in the United States. Many newly-arrived immigrants are initially dependent on family and friends in finding work, which often translates into the worst jobs within an ethnically defined economy. Within a year or two, they become acquainted with a broader range of employment opportunities and the laws that protect workers, and acquire skills more appropriate to the U.S. economy. Unfortunately, there are limits to how much disadvantaged workers can improve their basic skills.

One indication of these limits is the lack of change in the disadvantaged Asian Pacific American population during the 1980s. In 1980, there were 243,000 immigrants between the ages of 25 and 54 who had less than a high school education, and ten years later, 229,000, or 93 percent of this group, still did not have at least a high school degree.¹⁵ There was improvement in terms of English language proficiency. Of the 232,000 immigrants between the ages of 25 and 54 who did not speak English or spoke it poorly in 1980, only 73 percent fell into this category in 1990. While this drop does indicate that acculturation is occurring, the statistics also reveal that acculturation is very limited, certainly not enough to qualitatively improve the employment opportunities of most immigrants.

There are four factors that limit the opportunities of many Asian Pacific American immigrants.¹⁶ One is the lack of time to learn new skills. Many of the disadvantaged are struggling to survive economically. Consequently, their time is constrained, and they have very little energy after putting in long hours of work and attending to household responsibilities. Second, there is a lack of programs available to these immigrants. Although many are constrained, even those who can find the time and energy often discover a limited number of effective programs. English-language and adult training programs are often oversubscribed, forcing applicants to wait, which could demoralize them. Even the programs that do exist are not always appropriate for Asian Pacific Americans. Third, there are structural barriers that devalue the type of improvements that can be reasonably made by the most disadvantaged. Many operate in an ethnically defined labor market that limits daily on-the-job contact with non-immigrants, which can be important in improving language and other skills. Finally, economic restructuring has raised the hurdles for the disadvantaged. As the returns to a high-school education decline, the economic incentive to acquire this level of education also decreases.

Despite their economic holdings, disadvantaged Asian Pacific Americans retain a value system that stresses schooling and education. Much like the highly-educated families, immigrants in the lower economic sector are likely to instill in their children the drive for academic success. However, while highly-educated parents build their influence upon a foun-

dation of material and tangible wealth, the parents of disadvantaged families base their influence upon aspirations.

The Entrepreneurs

Along with average income and educational attainment, entrepreneurship has been depicted as a part of the Asian Pacific American success story. For some, self-employment serves as a way to circumvent the limitations of the labor market. Owning a business requires hard work and sacrifice — approximately 42 percent work 50 hours or more per week, and 26 percent work 60 or more hours per week. For some, the payoff is a considerable monetary return; however, for others, financial rewards are problematic. For every Asian Pacific American business person who makes a fortune, there are those who struggle daily to eke out a living.¹⁷

The number of Asian Pacific American-owned businesses has grown phenomenally, particularly compared to other minority groups (see Table 5). Asian Pacific American businesses grew nearly ten-fold between 1972 and 1987, far outpacing the growth of the Asian Pacific American population, which increased approximately five times from 1970 to 1990. By 1987, the number of Asian Pacific American businesses was rapidly approaching the number of Latino and African American businesses, and in terms of sales and employees, Asian Pacific-owned businesses fared better.

Despite the phenomenal growth, Asian Pacific Americans are not super entrepreneurs. A more careful examination of the data shows that the outcomes are mixed. The self-employment rate for Asian Pacific Americans is of the same magnitude as that for NH-whites, both at 11 percent in 1990.¹⁸ Asian Pacific American firms accounted for 2.6 percent of all firms in 1987 but only 1.7 percent of all receipts (U.S. Bureau of the Census, 1991). This is due in large part to the smallness of Asian Pacific firms, which had an average receipt of less than \$10,000 in 1987, approximately half the average receipt for businesses owned by non-minority males. Although smaller in size, the total earnings for self-employed Asian Pacific Americans as reported in the 1990 Census is \$23,000, which is slightly higher than for NH-whites (\$20,000). Further, 14 percent of Asian Pacific Americans

Table 5. Minority-Owned Businesses

<u>Year</u>	Asian Pacific American	Latino	African American
1972			
# of estab	33,114	120,108	194,986
sales (millions)	\$2,533	\$5,306	\$7,168
employees (x1000)	68.7	149.7	196.6
1987			
# of estab	355,331	422,373	424,165
sales (millions)	\$33,125	\$24,732	\$19,763
employees (x1000)	351.3	220.5	264.8
% growth			
# of estab	973%	252%	118%
sales	121%	366%	176%
employees	411%	47%	35%

Source: U.S. Bureau of the Census, *1987 Survey of Minority-Owned Business Enterprises*.

who are self-employed earned \$75,000 and more, while only 12 percent of NH-whites fell into this income category. The relative numbers at the lower end of the scale are approximately the same. One-quarter of each group earned less than \$30,000.

Table 6 shows that Asian Pacific Americans share some characteristics with other groups.¹⁹ For example, a sizeable minority of all entrepreneurs had some exposure to the business world through relatives prior to owning their business, either by having a close relative who owned a business or was self-employed, or by having worked for such a relative. Like other groups, the vast majority of Asian Pacific Americans start small, with 53 percent requiring less than \$10,000 in startup capital. When capital is needed Asian Pacific Americans, like others, use a combination of personal savings, personal loans, and commercial loans to raise the startup capital.

However, Asian Pacific Americans also have relied on family and ethnic ties to help raise funds, promote cooperation and

Table 6. Characteristics of Business Owners

	Asian Pacific American	Latino	African American	White Males
Have Entrepreneur Relative	35.3%	30.7%	27.8%	48.0%
Worked for Entrepreneur Relative	17.0%	12.1%	10.0%	23.7%
Required Startup Capital	81.6%	69.4%	69.5%	75.3%
Personal Loans for Startup*	8.5%	5.5%	5.4%	4.1%
Had Commercial Startup Loan	12.2%	8.7%	9.5%	16.0%
Borrowed from Relative(s)	12.3%	6.7%	3.3%	7.2%
Borrowed from Friend(s)	7.7%	2.5%	2.0%	1.7%
Borrowed from Prior Owner	3.9%	0.9%	0.6%	1.9%
Purchased Business	19.1%	9.9%	9.2%	15.4%
Sales to other firms	18.0%	17.0%	12.1%	25.0%

* Personal loans include loans from spouses, personal credit, and refinancing of homes.

Source: U.S. Bureau of the Census, *Characteristics of Business Owners*, 1992.

training between owners and workers, and facilitate transactions among firms of the same ethnicity (Light, 1972; Sowell, 1983; Waldinger, 1985; Kim, 1981). Compared to other minority groups, they appear to have more varied sources to borrow capital needed to start a business. Asian Pacific American entrepreneurs are more likely to have a commercial loan than other minorities, although white males fare even better. Asian Pacific Americans are more likely to borrow from relatives or friends. Where intra-ethnic interactions appear to be important is in the sale and purchase of businesses. Asian Pacific Americans are more likely to have purchased their businesses from a previous owner, and more likely to have received a loan from the seller. Asian Pacific American entrepreneurs also utilize ethnic banks and international investment networks that have played a large role in spurring ethnic entrepreneurial activity in recent years (Horton, 1992; Goldberg 1985; Gold, 1994).

The data indicate that vertical linkages — trade among firms — within the Asian Pacific American community exist but are not extensive. If inter-firm transactions were extensive among Asian Pacific Americans, then we should see a high percentage of firms with sales primarily to other firms. While the proportionate number of Asian Pacific American firms that sell primarily to other firms is higher than that for Hispanic and black firms, it is still considerably lower than for white firms. Unfortunately, there are few Asian Pacific American manufacturers and producers. Vertical linkage is predominantly between wholesalers and retailers.

While familial and social resources are important to Asian Pacific Americans, the statistics reveal that racial differences are a matter of degree than kind. One must acknowledge the unique resources of Asian Pacific Americans, which may help explain their relative economic advantages, but we should not overplay these factors. These resources have not been sufficient to eliminate barriers that keep many operations marginal. Some limitations will be overcome with time. The smallness is due, in part, to the newness of many firms, and the lack of business experience of the owners. As many become more established, they will grow in size and profitability. However, underlying factors will prevent many others from becoming anything more than mom-and-pop operations.

The limitations, as well as the potentials, are defined by the characteristics of Asian Pacific American entrepreneurs. The vast majority of the self-employed (85 percent) are immigrants.²⁰ While the rate of self-employment generally increases with time in the U.S., the greatest increase occurs within the first ten years. The rate is only 6 percent among those who have lived in the country five years or less, but is twice as high among those with between six and ten years of residence. For those with more than ten years of residence, the self-employment rate is around 15 percent. It is reasonable to assume that over time the economic returns from being self-employed increase as individuals become more experienced. This can be seen in the percent of the self-employed who earn at least \$70,000 a year: 7 percent for those in the country ten years or less, compared to 27 percent for those in the country for 25 or more years. However, it should be noted that 33 percent of the latter group had total earnings below \$20,000. This is substantially lower than the percentage for the more recent immigrants (54 percent), but the statistics indicate that time itself cannot lift all Asian Pacific American businesses to prosperity.

One limitation is education. The self-employed is a very diverse group that includes not only the highly-educated but also those disadvantaged by a lack of education and, to a lesser extent, by a lack of English language proficiency. While one in five has a graduate or professional degree, one in six lacks a high school education. Less than two-thirds are proficient in English (native English speakers or speak English very well). In terms of our combined measure of ability, 43 percent fall into the high category, while 25 percent fall into the low category. Education and language skills have a strong influence on earnings. The typical self-employed with low-income (under \$20,000) has a little more than a high school education and is not proficient in English, while the typical self-employed with high-income (\$70,000 and over) has a graduate degree and a strong command of English.

Many Asian Pacific American businesses are also limited by market forces. Because of limited capital and skills, many go into highly competitive, marginally profitable industries such as small markets and restaurants. In fact, one-third of the self-employed are in the retailing sector, with restaurants being the

most common operations. Although manufacturing firms are rare for Asian Pacific Americans, the single largest cluster is in apparel. Personal service firms, which includes hotels and laundries, account for over a tenth of all Asian Pacific American self-employed. Investing in these industries is not only risky, but also offers few opportunities for growth into larger, more profitable operations. Three-quarters of Asian Pacific American firms do not have a single employee — the typical store is a single person or family operation.

Concluding Remarks

The “model minority” image of Asian Pacific Americans is not entirely false, but it does paint a misleading picture. The data show that not all are faring well. Along with more affluent households, there are large numbers of low-income and impoverished ones. While educational attainment helps many move into the professional ranks, others are not rewarded commensurate to their level of education and skill and still others suffer from “downward mobility” and the “glass ceiling.” Despite the high number of entrepreneurs and because of the limitations of small business ownership, few Asian Pacific American business persons have been invited into the boardrooms of corporate America. Among the Fortune 1000 publicly-held companies, Asian Pacific Americans hold only 0.4 percent of the seats on the board of directors (Marumoto, 1993). At the same time, large numbers of disadvantaged workers are trapped in low-wage and low-skilled positions, with a slim chance of moving up the socioeconomic ladder due to limited educational training and English-speaking ability.

The economic diversity within the Asian Pacific American community, with a sizeable bottom end, led Bob Suzuki, one of the earliest critics of the model minority thesis, to argue that “the upward mobility of Asian Americans has been limited by the effects of racism and most of them have been channeled into lower-echelon white collar jobs having little or no decision making authority, low mobility and low public contact” (1977). More recently, Henry Der stated that Asian Pacific Americans “still lag behind whites economically ... per capita income of Asian Pacific Islanders is lower than that of whites; the poverty and

unemployment rates are consistently higher" (1993). Indeed, when one looks at the hard numbers, there is strong evidence supporting this position — Asian Pacific Americans are not free from the troubling problems of poverty, social and cultural isolation, and crime. While we should recognize and honor Asian Pacific American economic accomplishments, we should not be blind to the myriad of problems and unfulfilled potentials.

As Asian Pacific Americans become more visible in all areas of mainstream society, including corporate boardrooms and welfare rolls, policymakers need to grapple with changing demographics and economic diversity. While some Asian Pacific Americans make contributions to this society, there are also low-income, low-skilled individuals.

Asian Pacific Americans are an increasingly diverse group, both demographically and economically. To respond to this growing population, policymakers must address the needs and problems of all Asian Pacific Americans in the areas of education, welfare, health, employment, and labor. By doing so, all Asian Pacific Americans will become fully productive members of our society.

Notes

1. For a discussion on this polarization, see Harrison and Bluestone, 1988.
2. The mean is the weighted algebraic average and is equal to the total income divided by the total number of households or families. The median is the level where half of the households or families have less income and half have more income.
3. This pattern also holds true for median household income. The 1980 figures show that Asian Pacific Americans have median household income of \$20,000 compared to \$17,000 for whites.
4. In the Census, race and Hispanic origins are not mutually exclusive categories. For example, it is possible for a Latino to be white, black or Asian. This creates two problems: 1) double counting when data are presented by both race and Hispanic origins, and 2) potentially downwardly biased estimates of the economic status of the dominant non-minority group, the non-Hispanic whites. The second problem is not severe at a national level because the number of Hispanic whites is relatively small compared to the total white population. But for some areas such as Los Angeles, the statistics for whites are poor substitutes for non-Hispanic whites. When possible, we present statistics separately for non-Hispanic-whites.

5. The Census does not contain data on place of education. We estimate the number of foreign-educated persons by first imputing the age of individuals at the time of entry into the United States. The Census provides information on the exact age at the time of the enumeration but not at time of entry. Information on the number of years in the United States can be used to calculate age at time of entry (age at time of entry = age minus years in the U.S.), but unfortunately, year of entry is recorded by periods that cover two to ten years. We use the midpoint of each category to estimate the number of years in the United States, and then use that to impute the age at time of entry. Based on this method, 59 percent of those with only a bachelor's degree entered this country when they were at least 22-years old, and 50 percent entered when they were at least 24-years old. It is likely that a majority had received their bachelor's degree by age 22, and certainly by age 24. For those with a master's or professional degree, 51 percent were at least 25-years old at the time of entry to this country, and 38 percent were at least 27-years old. For those with a doctorate, 29 percent were at least 30-years old at the time of entry, and 23 percent were at least 32-years old.
6. The labor force consists of those that are employed and unemployed. The labor force participation rate is the number of people currently in the labor force divided by the total population.
7. The unemployment ratio is the number of people unemployed divided by the total number of people who are employed and unemployed in the labor force. Unemployed persons are those who are not working but actively seeking employment.
8. Frictional employment is associated with job changes, inter-firm mobility, new entrants and re-entrants to the labor market, and job search that are all inherent parts of a dynamic economy.
9. The statistics are based on data for persons 24 to 64 years of age. Full-time/full-year (FT/FY) is defined as working 50 or more weeks per year, and 36 or more hours per week. Earnings data for the "all" workers category are based on those who worked at least 100 hours in 1989. Recent immigrants are defined as in the U.S. five years or less. The unemployment rate is based on the civilian labor force.
10. Weinberger (1993) and other studies that use census data to examine this issue have found that American-born Asian men earned less than white men in 1969 (Chiswick, 1983), and that highly-educated American-born Asian men earned less than white men in 1979 after controlling for both personal characteristics and employment sector (industry and occupation) (Duleep and Sanders, 1992).
11. Interestingly, these racial/gender gaps experienced by Asian Pacific Americans are very similar to those experienced by African Americans (10 percent for males and 13 percent for females). However, this is not to say that both groups face the same problems. These racial/gender gaps are based on otherwise similar individuals. Unfortunately, African Americans are highly underrepresented in our

colleges and universities, particularly the more elite, and in majors that lead to higher earnings. One of the major problems facing African Americans, then, is the lack of access to higher education.

12. This is consistent with the findings by Duleep and Sanders (1992) that Asian Pacific American men are less likely than white men to be in managerial positions after controlling for observable personal characteristics, although Asian Pacific Americans are more likely to be in professional occupations. Their study does not look at relative rankings within the professional category.
13. To estimate this statistic, we use the same method used to estimate the place of education for the highly-educated. The estimated number of years in the United States is based on the midpoint of period of immigration, and the age at time of entry is the difference between the reported age in 1990 minus the estimated number of years in the United States.
14. The statistics are based on data for persons 24 to 64 years of age. Full-time/full-year (FT/FY) is defined as working 50 or more weeks per year, and 36 or more hours per week. Earnings data for the "all" workers category are based on those who worked at least 100 hours in 1989. Recent immigrants are defined as in the U.S. five years or less. The unemployment rate is based on the civilian labor force.
15. Although cross-sectional data (data for one point in time) shows that those in the United States tend to have better skills, the difference can be due to either acculturation or systematic differences in the characteristics of groups by time of entry. It is far better to compare cohorts over time, that is, trace changes in skill levels for the same population over two different points in time. Unfortunately, there is no longitudinal data set that allows us to do this for Asian Pacific Americans, but we can use 1980 and 1990 Census data as panel data. The analysis is based on immigrants who entered in 1980 or earlier. To compare roughly the same group, we used those between the ages of 25 and 54 in 1980, and those between the ages of 35 and 64 in 1990. The 1990 sample is smaller, in part because of deaths and outmigration. Nonetheless, the two groups have similar distributions in terms of year of entry and age.
16. This is based on the research reported in Ong et al., 1993.
17. One indicator of the diversity is the variation in income of self-employed Asian Pacific Americans as reported in the 1990 Census. We use total earnings rather than just self-employment income because many of those who own an incorporated firm receive a salary rather than self-employment income as compensation. The data show that the median annual income is \$23,000, but a quarter earn \$10,400 or less. While a quarter earn at least \$47,000, only 1 percent earn over \$200,000.

18. These rates are based upon 1% PUMS sample for 1990 and included workers age 24 to 64 at the time of the Census. The rates for blacks and Latinos are 4 and 7 percent, respectively.
19. Unless otherwise noted, the statistics for the following discussion come from the report, *Characteristics of Business Owners*, U.S. Bureau of the Census, 1992. Unfortunately, this report does not report data for Asian Pacific Americans separately, but instead places this group with "others." However, Asian Pacific Americans owned 93 percent of the firms in this residual category, thus we use the statistics for this category as statistics for Asian Pacific Americans.
20. The statistics on self-employment are based on employed persons between the ages of 24 and 64.