Racialized Incorporation: The Effects of Race and Generational-Status on Self-Employment Propensities and Industry-Sector Prestige in the United States

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Abstract

This study examines how race and generational status shape self-employment propensities and industry-sector prestige among the self-employed in the United States. It draws on theories of assimilation, racialization and a combined framework, *racialized incorporation*, to guide the analysis and interpret the results. It uses data from the U.S. March Current Population Survey (2000-2010) and is the first nationally representative examination of second-generation self-employment in the U.S. This study investigates three questions. First, do the odds of being self-employed decline in the second and third generations? Second, do generational patterns in self-employment propensities vary by race? And finally, do race and generational status affect the odds of being self-employed in low-, medium- and high-prestige industry sectors? Results offer some support for the assimilation perspective: immigrants are generally more likely than third-generation groups to be self-employed with the exception of Asians, where second-generation Asians have the greatest odds of being self-employed. However, results also reveal that generational patterns in self-employment propensities vary by race and industry-sector prestige. Accordingly, first and second-generation Whites have the greatest odds of being self-employed (across all levels of industry-sector prestige), and third-generation Whites are more likely than all generations of Blacks and Hispanics to be engaged in high-prestige self-employment. These findings suggest that immigrants, their offspring and native-born groups undergo a *racialized incorporation* in which self-employment is organized along hierarchical and racial lines associated with uneven levels of prestige.
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INTRODUCTION

Self-employment is the life-line of the United States economy and is often associated with the economic incorporation of immigrants and racial minorities (Alsaaty 2013; Ma et al. 2013). In the U.S., small business ownership is viewed as evidence of individualism, self-reliance and perseverance. Popular narratives and celebrated ideals describe the U.S. as a land of unlimited opportunities, where hardworking immigrants can use self-employment to achieve socioeconomic success and eventually assimilate into the American mainstream (Butler and Kozmetsky 2004; Zhou 2004; Light and Gold 2000). At the same time, race functions as a structural mechanism in the United States resulting in unequal socioeconomic processes for immigrants, their offspring and native-born racial groups (Valdez 2011; Stewart and Dixon 2010; Bonilla-Silva 2009, 2001; Telles and Ortiz 2008). Given the sustained flows of non-White immigrants to the U.S. and the coming of age of post-1965 children of immigrants, researchers must better understand how race and generational status shape the social organization of economic activities such as self-employment.

Two commonly used analytical perspectives for studying immigrant and racial minority self-employment in the U.S. offer competing perspectives on self-employment proclivities. The

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1 Economists and sociologists generally operationalize entrepreneurship and business ownership as any form of self-employment (Zhou 2004; Davidsson 2004; Fairlie and Robb 2008). I treat self-employment and business ownership as commensurate.

2 Post-1965 immigration refers to migration flows following the 1965 Hart-Cellar Act that relaxed U.S. immigration quotas, paving the way for large flows of Hispanic, Asian and Afro-Caribbean migrants. Researchers generally consider immigration after 1965 to be qualitatively different from earlier waves of European immigration due to demographic, ethnic and racial differences between the pre- and post-1965 immigration periods (Portes and Rumbaut 2006; Alba and Nee 2005).
first, the assimilation approach, consists of classical and segmented varieties.\(^3\) Scholars who utilize this approach argue that elevated rates of post-1965 immigrant self-employment result from low levels of education, lack of language proficiency and exclusionary barriers in the labor market (Valdez 2006; Light and Gold 2000; Beajot et al. 1994). A wealth of literature on ethnic entrepreneurship draws on the assimilation approach and views self-employment as a distinct form of socioeconomic assimilation available to immigrants (Ma et al. 2013; Portes and Shafer 2007; Zhou 2004; Light et al. 1994). According to the assimilation perspective, self-employment participation will decline in later generations as immigrant offspring achieve parity in individual attributes with the third-generation mainstream and find better opportunities in the wage/salary labor market (Kasinitz et al. 2009; Kim 2004).

The second approach, the racialization perspective, maintains that racial group differences in self-employment reflect larger processes of racial inequality and systematic discrimination. It argues that the U.S. is structurally organized as a racial hierarchy in which Whites occupy a superior position to Blacks, Asians and Hispanics in social, political and economic activities (Omi and Winant 2011, 1994; Bonilla-Silva 2009, 2001, 1997; Feagin 2006). According to this view, race functions as a hierarchical structural mechanism responsible for historical and contemporary socioeconomic inequalities such as racial disparities in wealth and assets (Conley 2009; Oliver & Shapiro 2006), income and earnings (Kaufman 2010), housing (Massey and Denton 1993), access to social services (Fox 2012), and self-employment participation (Fairlie and Meyer 2000, 1996). Furthermore, race can be an important predictor of the socioeconomic incorporation of immigrants, their second-generation offspring, as well as native-born racial minorities (Valdez 2011).

\(^3\) For a review of classic and segmented assimilation see Waters and Jimenez (2005) assessment of immigrant assimilation in the United States.
These two approaches have key epistemic differences. The assimilation perspective emphasizes the importance of generational status but under theorizes the effects of race in economic activities. Alternatively, the racialization perspective privileges the effects of race, while ignoring generational variation in socioeconomic processes. Although both the assimilation and racialization perspectives offer important insights into how immigrants, their offspring and native-born groups are incorporated into U.S. society, I argue that understanding contemporary processes of economic incorporation requires an analytical framework that combines both dimensions. A *racialized incorporation* framework allows us to see that, on the one hand, second and later generation groups may experience multiple assimilation trajectories, including a second-generation advantage associated with linear upward mobility (Kasitnitz et al. 2008), as well as downward or stagnant mobility (Haller et al. 2011; Portes and Zhou 1993). On the other hand, the *racialized incorporation* approach allows us to see that immigrants and their offspring may be incorporated into hierarchical, racialized groups associated with uneven socioeconomic rewards and opportunities, regardless of their individual attributes (Valdez 2011; Bonilla-Silva 2009; Merenstein 2008).

Many researchers recognize self-employment as a distinct model of economic incorporation for immigrants and racial minorities, and they seek to understand how increasing immigration, post-industrial economic restructuring and persisting racial and ethnic inequalities impact self-employment in the U.S. (Valdez 2011, 2008; Zhou 2004; Fairlie and Meyer 2003, 2000; Light and Rosenstein 1995; Waldinger et al. 1990). Consistent with the assimilation approach, immigrants generally have higher rates of self-employment compared to those of native-born groups (Ma et al. 2013; Hipple 2010; Portes 2010; Zhou 2004). At the same time, self-employment participation is unevenly distributed across racial groups, with Blacks and
Hispanics having lower rates of self-employment compared to Whites and Asians, regardless of their generational status (Robb and Fairlie 2009; Fairlie and Robb 2007a; Fairlie and Meyer 2000; Bates 1997). More recently, researchers have turned their attention to self-employment among second-generation children of immigrants. Case studies in the U.S. and national-level research from Europe offer contradictory results, finding self-employment decline among some second-generation groups but stable or increasing rates among others (Dhingra 2012; Andersson and Hammarstedt 2011, 2010; Kasinitz et al. 2009; Valdez 2006; Gold et al. 2006).

This observed ambiguity surrounding divergent trends in second-generation self-employment, coupled with the growing numbers of non-White immigrants and second-generation offspring entering the U.S. labor force, require a nationally representative analysis to examine the effects of race on self-employment propensities across multiple generations. Furthermore, there is a need to move beyond analyses of unequal self-employment rates and earnings to understand more fully how race and generational status are associated with different levels of self-employment prestige. While previous research analyzes whether self-employment results in upward mobility (Bates 1997; Fairlie and Meyer 1996; Portes and Zhou 1996; Borjas 1990), few studies examine industry-sector prestige among the self-employed. This study addresses these gaps and examines how race affects self-employment propensities across multiple generations and how the combined effect of race and generational status shape industry-sector prestige among the self-employed.

Using data from the nationally representative U.S. March Current Population Survey, this research draws on the assimilation, racialization and racialized incorporation perspectives to investigate three research questions: 1) do the odds of being self-employed decline in the second and subsequent generations, ceteris paribus? 2) do generational patterns in self-employment
propensities vary by race? and 3) do race and generational status affect self-employment propensities across different levels of industry-sector prestige? Collectively, the results indicate that self-employment declines in later generations for some groups, but that race has a strong effect on generational patterns and the distribution of industry-sector prestige among the self-employed. These findings offer strong support for the *racialized incorporation* perspective, showing that race and generational status both affect self-employment proclivities and industry-sector prestige.

**BACKGROUND**

*Assimilation and Self-Employment*

For the most part, the assimilation approach considers immigrant self-employment to be the result of “blocked mobility” in which immigrants confront barriers or disadvantages in the labor market. Obstacles may include unfamiliarity with the social, political, legal structures of the host society; language barriers; non-recognition of foreign credentials; and discrimination (Light and Gold 2000; Beaujot et al. 1994; Kim et al. 1989). According to the assimilation view, self-employment proclivities will be highest in the immigrant first-generation, and will decrease in the second and third generations. Over time, immigrants and their children will acquire individual-level attributes, behaviors and socioeconomic characteristics similar to those of the third-generation “native” majority (Boyd 2002:1039). Second- and third-generation children of immigrants will, for example, typically obtain higher levels of education and language proficiency than their parents and will have better opportunities in the wage/salary labor market. Eventually, immigrants’ offspring will achieve parity with the native-born third and later-generation American mainstream population in social, political and economic activities (Alba
Several recent case studies provide support for the assimilation perspective. Examinations of the economic incorporation of U.S.-born second-generation adult children of recent immigrants find that self-employment declines for most second-generation respondents; this pattern suggests that American-born children of immigrants do acquire sufficient resources and advantages useful in securing regular employment in the wage/salary labor market (Kasinitz et al. 2009; Kim 2004). Valdez (2006), for example, finds declining rates of self-employment among some second-generation Hispanics in the American Southwest and interprets the decline as a positive trend toward economic incorporation.

A number of studies however, challenge the second-generation self-employment decline hypothesis. Gold et al.’s (2006) analysis of self-employment rates finds divergent trends in self-employment between first and second generations, including declining, increasing and stable rates of second-generation self-employment. These results suggest that business ownership may continue to be advantageous to some second-generation groups. Similarly, Dhingra’s (2012) research on self-employment in the U.S. motel industry finds that some second-generation Indian-Americans choose self-employment after encountering glass ceilings in the wage/salary labor market, and do so to take advantage of the industry-specific opportunities created by their entrepreneurial parents. Other research on the intergenerational transmission of self-employment shows that having a self-employed parent or family member is a strong predictor of second-generation self-employment. Research conducted in Sweden and in the U.S. finds that self-employment is strongly associated with the intergenerational transfer of financial and business-specific human capital from self-employed parents (Andersson and Hammarstedt 2011, 2010; and Nee 2005; Gordon 1964). As a result, self-employment will be less desirable (Kasinitz et al. 2009; Kim 2004).
Fairlie and Robb 2007b). These and related studies suggest the assimilation prediction that second-generation self-employment will decline may only apply to some racial groups and to some industry sectors; yet, it is not clear if the patterns documented in existing research from Europe and case studies of second-generation groups in the U.S. are generalizable to the U.S. second-generation population.

**Racialization and Self-Employment**

The racialization approach contrasts sharply with the assimilation perspective. Racialization refers to the discursive production of perceived characteristics and traits that effectively categorize and sort people into socially constructed racial groups associated with uneven socioeconomic consequences (Omi and Winant 2011, 1994; Castles and Miller 2008; Telles and Ortiz 2008; Valdez 2008). Processes of racialization help reinforce racial hierarchies that strongly correspond to socioeconomic opportunities and privileges for some groups and exclusion for others (Telles 2012; Bonilla-Silva 2009; Feagin 2006). According to the racialization perspective, the U.S. is organized as a racial hierarchy where Whites (or groups perceived to be White) occupy the top positions in the economy, while groups perceived as Black and increasingly, Hispanic, are found in the lowest positions (Omi and Winant 2011, 1994; Valdez 2011; Bonilla-Silva 2009, 2001, 1997). Consistent with this view, race is a strong predictor of disparities in occupational earnings and prestige (Kauffman 2010; Stewart and Dixon 2010; Waldinger and Lichter 2003), education (Carter 2012), housing (Massey and Denton 1993), access to social services (Fox 2012) and individual wealth accumulation (Conley 2009; Keister and Moller 2000; Oliver and Shapiro 2006).

Race is also associated with historical and contemporary self-employment inequities between Whites and Blacks in the U.S. (Fairlie and Robb 2007a; Fairlie and Meyer 1996;
Lieberson 1980; Bonacich 1976). Bonacich’s (1973) classic theory of *middleman minorities* situates immigrant self-employment within a racial framework, arguing that immigrant business owners occupy a middle position between dominant Whites and subordinate Blacks; as a result, Blacks are generally less likely to be self-employed. Other studies examining racial disparities in self-employment highlight the importance of group differences in human capital and overall wealth. Research documents a strong association between education and individual wealth/assets for successfully securing start-up capital for self-employment. Previous research also finds that low rates of self-employment among Blacks and Hispanics are associated with lower levels of education and individual wealth, as well as with discrimination and other barriers to accessing start-up capital in small business lending markets (Lofstrom and Wang 2007; Fairlie 1999; Fairlie and Robb 2007b; Fairlie and Meyer 2000).

*Limitations of Existing Perspectives*

Immigration researchers who use assimilation perspectives frequently acknowledge the unique role of race in America (Kasinitz et al. 2009; Boyd 2002; Reitz 1998; Waters 1999), while studies of racial disparities recognize the ethnic or cultural uniqueness of immigrants (Fairlie and Robb 2008; Bonacich 1976; Light 1972). Yet, researchers working from the assimilation perspective generally emphasize generational status at the expense of race, whereas those working from the racialization perspective typically neglect generational variation and focus solely on the effects of race. Moreover, studies in each theoretical tradition often fail to address the combined effects of race and generational status.

The segmented assimilation variant of assimilation theory is the best attempt at accounting for the role of race in processes of immigrant assimilation in the U.S. (Waters and Jimenez 2005; Portes and Zhou 1993). It highlights the possibility that some second-generation
groups may downwardly assimilate into a large, urban underclass, particularly those that are considered to be racial minorities (Haller et al. 2011; Portes and Rumbaut 2006; Portes and Zhou 1993). However, this literature does not embrace a direct analysis of race and therefore neglects to address the socially constructed and hierarchical nature of racial categories associated with this so-called “urban underclass” in the U.S.

Concomitantly, researchers working with the racialization framework tend to overemphasize the effects of race at the expense of generational status. Studies examining racial disparities in socioeconomic processes and outcomes mostly focus on differences between Blacks and Whites, overlooking generational heterogeneity within these groups or the effects of racialization among Asians or Hispanics (for exceptions see Roth 2012; Valdez 2011; Maira 2009; Waters 1999).

With respect to self-employment, studies adhering to the assimilation perspective dominate the field. Much of this immigration literature on self-employment analyzes the causes and consequences of business ownership, focusing on the effects of generational status and elevated rates of immigrant business ownership (Portes and Shafer 2007; Zhou 2004; Light and Gold 2000). Alternatively, studies examining Black/White racial disparities in self-employment tend to ignore generational variation among Whites and Blacks or the extent to which processes of racialization affect the economic activities of multiple generations of Asian or Hispanic groups (Fairlie and Meyer 2000; Bates 1997).

An Alternative Perspective: Racialized Incorporation

The post-1965 increase in non-White immigrants and their offspring in the labor force coupled with significant changes in the demographic landscape of the United States underscore the need for researchers to move beyond one-dimensional analyses that focus on either race or
Generational status. A more fruitful approach is to combine assimilation and racialization perspectives in a framework I put forward as *racialized incorporation*. The *racialized incorporation* perspective sees both linear and non-linear trajectories in socioeconomic incorporation (i.e., upward, downward and stagnant) while simultaneously acknowledging the hierarchical nature of the socially constructed racialized categories into which groups are incorporated. These racialized categories, in turn, are closely associated with persistent socioeconomic inequality in the U.S. The *racialized incorporation* perspective allows researchers to better understand the uneven economic incorporation of both White and non-White immigrants and their offspring in the U.S. by analyzing processes of socioeconomic incorporation across multiple generations through the lens of race.

The *racialized incorporation* perspective also has several advantages over the segmented assimilation variant of assimilation theory because it allows researchers to simultaneously analyze the combined effects of race and generational status. Researchers adhering to the traditional segmented assimilation approach argue that some groups—first and second-generation Blacks and Hispanics, for example, experience downward mobility and stagnant incorporation into an urban underclass (Haller et al. 2011; Portes and Rumbaut 2006; Portes and Zhou 1993). However, because previous studies do not embrace the centrality of race and processes of racialization in concepts such as “urban underclasses” or stagnant assimilation, this literature does not fully capture the nuances of race and generational status as they shape the incorporation experiences of immigrants and their offspring in the United States. The racialized incorporation builds on theories of segmented assimilation and racialization by recognizing how both perspectives can converge when examining the experiences of immigrants and their offspring in the U.S.
Fortunately, a number of recent studies have attempted to reconcile both assimilation and racialization perspectives through empirical studies of racialized immigrant groups. Valdez’s (2011) study of Latina immigrant business owners in the American Southwest shows how the intersection of race, gender and first-generation immigrant status results in unequal access to start-up capital and concentrations in low prestige self-employment. Similarly, Telles and Ortiz (2008) document the ways in which Mexican Americans occupy a racialized position subordinate to Whites and experience a steady socioeconomic decline among second, third and fourth generations. Concomitantly, Stewart and Dixon (2010) find that both native- and foreign-born Asians, Blacks, and Latinos earn significantly less than their White counterparts.

In sum, these studies provide useful vistas of the intersection of race and generational-status in socioeconomic processes. However, much of this work focuses solely on Latin American groups or in the case of Stewart and Dixon (2010), on comparisons between native and foreign-born groups. Moreover, recent research on the combined effects of race and generational status does not explicitly offer a conceptual framework that can be applied to a wide range of groups and multiple economic activities associated with processes of economic incorporation. The racialized incorporation framework presented here seeks to address this gap in the literature by providing a conceptual tool that can guide analyses which aim to examine the effects of race and multiple generational statuses on socioeconomic outcomes and processes.4

Self-Employment Prestige: A Neglected Analysis

Much of the research literature on self-employment conceptualizes it as a homogeneous activity (Ma et al. 2013; Zhou 2004). However, an examination of self-employment across

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4 While the concept of racialized incorporation can be used to interpret a variety of processes and experiences associated with the incorporation of immigrants, their offspring and racial minorities in the United States, the framework is especially useful for quantitative analyses which focus on the combined effects of race and generational status on any given socioeconomic outcome.
different industry sectors reveals its heterogeneity (see Table 1 and Appendix C). Furthermore, a wealth of existing research documents social status and prestige disparities in the wage/salary labor market. Racial, generational and gender inequalities in the regular labor market are routinely observed in the form of disparities in earnings and prestige across groups with similar levels of human capital (Kaufman 2010; Sakamoto and Kim 2010; Stewart and Dixon 2010; Jonsson et al. 2009; Kim and Sakamoto 2008; England et al. 1994). Yet few studies analyze social status disparities across occupations or industries among the self-employed. Indeed, most research on the consequences of self-employment is restricted to analyses of earnings (Bates 1997; Portes and Zhou 1996; Borjas 1990). Measures of income and earnings, however, do not adequately capture the status hierarchies of occupations and industries embedded in modern economies (Weeden and Grusky 2005; Weeden 2002). This study addresses this gap in the literature by analyzing the combined effects of race and generational status on self-employment propensities across different levels of industry-sector prestige.

**ANALYTICAL STRATEGY**

The analysis is divided into two parts. The first part addresses the first two questions: do the odds of being self-employed decline in the second and third generations, and do generational patterns vary by race? It applies the *racialized incorporation* perspective by simultaneously using the assimilation and racialization perspectives to examine the odds of self-employment across three generational groups (first-, second-, and third-generation), and across four racial groups (Whites, Blacks, Asians, and Hispanics). Four separate models are estimated for each racial group, comparing the first and second-generation’s odds of being self-employed with those of third-generation respondents.\(^5\) The assimilation perspective assumes that individual attributes

\(^5\) The CPS data does not provide information to distinguish between the third and later generations. Therefore, the term third-generation refers to third and all subsequent generations born in the U.S.
and the socioeconomic behaviors in the third and later generations reflect mainstream U.S.
society. As a result, research on immigrant and second-generation incorporation tends to
compare first and second-generation respondents to third and later generation respondents in
order to gauge the extent to which assimilation is occurring (Kasinitz et al 2009; Alba and Farley
2002).  

The second part of the analysis addresses the third question: do race and generational-
status affect the odds of being self-employed in low-, medium- and high-prestige industry
sectors? These models examine the effects of race and generational-status on the odds of being
self-employed across three different levels of industry-sectoral prestige (low-, medium- and
high-prestige). In contrast to the first analysis in which separate models are estimated for each
racial group, the *racialized incorporation* perspective calls for a comparison of all race-
generation groups with third-generation Whites. Third-generation Whites are used as the
reference group because they are the racial and generational group commonly assumed in
theoretical discussions and empirical analysis to constitute the core of the U.S. mainstream (Alba
and Nee 2005; Bonilla-Silva 2001, 1997). Since Gordon’s (1964) classic formulation, third-
generation Whites have been largely considered to represent the mainstream of American society
within immigration research (Kasinitz et al. 2009; Alba and Nee 2005). Furthermore,
racialization studies assume that third-generation and all Whites in general maintain a level of
dominance over non-white groups. Therefore, the analysis of the effects of race and generational
status on self-employment prestige compares all race-generation groups to third-generation
Whites.

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6 Comparing the first and second-generations to the third-generation has been used in previous research looking at
immigrant and second-generation mobility (Reitz et al 2011), education (Boyd 2002) and health disparities
(Hamilton et al. 2011). These studies also consider third-generation Whites in particular to represent the native-born
majority in the United States.
Existing research on self-employment highlights the importance of wealth and start-up capital for self-employment proclivities. Research on wealth in the U.S. documents persistent racial disparities in wealth accumulation between Blacks and Whites (Conley 2009; Oliver and Shapiro 2006). With respect to self-employment, disparities in wealth may very well explain differences in self-employment rates due to the positive association between education, wealth and self-employment. Moreover, researchers studying second-generation self-employment recently report that some immigrant offspring remain self-employed due to intergenerational transmission of wealth and business-specific human capital passed on by their self-employed immigrant parents (Dhingra 2012; Andersson and Hammarstedt 2010; Fairlie and Robb 2007b; Gold et al. 2006). However, this trend has been observed mostly in European national-level data or U.S. case studies, thus it is not clear if similar patterns are generalizable to the U.S. population.

DATA AND METHODS

Data for this study come from an alternating pooled sample of the U.S. March Current Population Survey (2000, 2002, 2004, 2006, 2008, and 2010). The annual March Current Population Survey (CPS) is a nationally representative stratified survey of randomly sampled households jointly conducted by the U.S. Census Bureau and the Bureau of Labor Statistics. The CPS is the best available dataset for exploring self-employment among first-, second-, and third-generation respondents because it is the largest survey of its kind that asks respondents about their parents’ nativity—a key question needed to determine second generational status (Park and Meyers 2010; Gold et al. 2006; Alba and Farley 2002). Due to the relatively young ages of the post-1965 second generation, researchers often encounter small samples of second-generation adult respondents in the labor force in nationally representative data (Alba and Farley 2002;
Portes and Rumbaut 2001). To address this issue, researchers use pooled multiple cross-sections of CPS data (Reitz et al. 2011; Park and Meyers 2010; Alba and Farley 2002). Replicating research designs from previous studies, the sample is constructed by pooling multiple years of alternating data between 2000 and 2010.\textsuperscript{7} To make the data representative at the national level, supplementary weights provided by the CPS are used in the analysis, as has been done in previous studies (Reitz et al. 2011; Alba and Farley 2002).

The pooled-data is also restricted by age (18-50 only) to ensure that the sample consists of working age adult immigrants and second-generation respondents belonging to the post-1965 immigration era.\textsuperscript{8} In the U.S., post-1965 immigration is understood to be qualitatively different from earlier waves of immigration. Prior to 1965, the vast majority of immigrants were from European origins. However, post-1965 immigration to the U.S. has been dominated by migration flows from Asia, Africa, Latin America and the Caribbean (Portes and Rumbaut 2006; Alba and Farley 2002). By restricting the sample to immigrants and second-generation respondents between the ages of 18 and 50, I ensure that all first and second-generation adult respondents from pre-1960’s immigration waves are excluded from the analysis. Furthermore, restricting the total sample by age allows for comparisons of respondents across generations within similar periods of their respective life-courses.

The sample is further restricted to include only full-time workers in the labor force, thereby excluding members of the armed forces, the unemployed, students, retirees and part-time

\textsuperscript{7} The CPS uses a complex sampling design in which households are interviewed each year for four consecutive months, not contacted for eight consecutive months, and then re-interviewed for four consecutive months. This design results in one half of the respondents in any given year being sampled again in the following, consecutive year. As a result, researchers using CPS data often pool multiple cross-sectional samples of alternating years to avoid the possibility of repeat observations (Park and Meyers 2010; Alba and Farley 2002).

\textsuperscript{8} By restricting the sample to respondents ages 18-50, I ensure that a second-generation respondent could not have been born to immigrants who migrated before 1960. The age restriction is applied to the entire sample so that the analysis can be conducted on first, second and third-generation respondents at comparable periods in their respective life-courses.
workers. This restriction is the convention in self-employment research (Fairlie and Robb 2007a; Fairlie and Meyer 1996; Light and Rosenstein 1995) and allows for an analysis of the determinants of self-employment among individuals for whom self-employment is an alternative to wage/salary employment. The final total sample is 380,890, however, models stratified by race/ethnicity, generational status, or aggregate industry sectors are based on smaller samples.

**Key Measures**

The outcome variable for all models is a dummy variable measuring whether a respondent is (1) or is not (0) self-employed. The two key independent variables of interest are generational status and race. The generational-status measure is generated from the CPS nativity question by recoding whether respondents are foreign-born (first-generation), U.S.-born with at least one foreign-born parent (second-generation), or U.S.-born with two U.S.-born parents (third-plus-generation).

Race is used rather than nationality to investigate the effects of non-ethnic structural group ascriptions and to present results and substantive findings commensurate with the racialization perspective. Group categories are generated from self-reported responses to the CPS “race” and “Hispanic” ancestry questions, following U.S. Census classifications of race and ethnicity. Analytically, this approach reflects that the Census is the official lens through which...

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9 Approximately 12.74 percent of the part-time self-employed respondents in the original sample were excluded from the final analysis because they were simultaneously self-employed and employed as wage/salary workers. To keep the analysis consistent with previous studies of self-employment propensities, I restricted the final sample to full-time workers and excluded all part-time workers in both self-employment and wage/salary employment. Coefficients from models that include “part-time workers” differ slightly from the results for the more restricted sample but there is no change in statistical significance.

10 In order to maintain a sufficient number of cases of second-generation respondents, I replicated Alba and Farley’s (2002) procedure and collapsed respondents with two foreign-born parents, and respondents with only one foreign-born parent, into a combined second-generation category. Third-generation is used to describe all U.S.-born individuals with U.S.-born parents. As a result, this category includes third- and all later generations (i.e., fourth, fifth, sixth, etc.). To avoid wordiness, I use third-generation instead of third- and later generations.

11 In addition to the theoretical rationale for using race categories, sample sizes in the second-generation further prevented the use of nationality groups in the analysis. Using nationality groups in the second-generation would result in insufficient samples for statistical analysis.
the U.S. government sees people, and accordingly, grants certain rights and allocates resources across the country.\textsuperscript{12} The final race/ethnicity measure consists of four categories representing each of the primary racial and ethnic groups as defined by the U.S. Census: Non-Hispanic Whites, Non-Hispanic Blacks, Non-Hispanic Asians and Hispanics.\textsuperscript{13}

\textit{Control Variables}

Several control variables are included in order to isolate the effects of the two key variables of interest. Control variables include four demographic measures, age, gender, marital status, and education. Prior research finds that each of these is associated with self-employment. Education is particularly noteworthy because studies find that lower levels of educational attainment explain why racial minorities are underrepresented in self-employment (Thomas 2009). Furthermore, educational attainment is a primary form of human capital that has been found to be strongly associated with accessing small business start-up capital, which is a powerful determinant for self-employment activity (Lofstrom and Wang 2007; Fairlie 1999). To account for the possible effects of educational attainment, the analysis includes a series of dummy variables to control for education and isolate the main effects of race and generational status (definitions, reference categories and the coding for all control variables are presented in Table 1a of Appendix B).

Individual wealth is controlled for by including a measure for homeownership, which serves as a proxy measure. Existing research on self-employment highlights the importance of wealth and start-up capital for self-employment proclivities. Research on wealth in the U.S.

\textsuperscript{12} There is debate as to whether the terms Hispanic or Latino describe racial or ethnic categories (see Roth 2012). For the sake of consistency, from here on, I refer to all four categories as racial groups or races, and refer to each as White, Black, Asian and Hispanic.

\textsuperscript{13} American Indians were excluded from the analysis due to the overall small number of cases and the inappropriateness of assigning generational status categories. Pacific Islanders are merged into the Non-Hispanic Asian category.
documents persistent racial disparities in wealth accumulation between Blacks and Whites (Conley 2009; Oliver and Shapiro 2006). With respect to self-employment, disparities in wealth may very well explain differences in self-employment rates due to the positive association between education, wealth and self-employment. Moreover, researchers studying second-generation self-employment recently report that some immigrant offspring remain self-employed due to intergenerational transmission of wealth and business-specific human capital passed on by their self-employed immigrant parents (Dhingra 2012; Andersson and Hammarstedt 2010; Fairlie and Robb 2007b; Gold et al. 2006).

Unfortunately the CPS does not contain measures of individual wealth, or start-up capital; instead, home-ownership is used as a proxy measure for individual wealth.\(^{14}\) Despite fluctuations in overall net worth, homeownership of a primary residence continues to be the central asset and measure of wealth for most Americans, excluding the extremely wealthy (Keister and Moller 2000). By including a measure for homeownership as a proxy for individual wealth, the analysis isolates the main effects of race and generational status while accounting for the importance of wealth as a determinant for self-employment. Additional controls include place of residence (metropolitan versus rural), as well as particular regions of the country which have been shown in previous research to be associated with self-employment activities among some groups (Smith 2005; Logan et al 1994).\(^{15}\)

The second part of the analysis focuses on how race and generational status impact the odds of being self-employed in low, medium and high-prestige industry sectors. An industry-

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\(^{14}\) Homeownership is commonly used as a proxy for wealth in research on self-employment using unrestricted census data because the CPS contains limited measures of wealth. Additional measures of wealth such as income earned from dividends and rent were included in separate models but were dropped from the final analysis because they were statistically not significant are decreased overall model fit.

\(^{15}\) Metropolitan residence measures whether a respondent lives in a metropolitan area or a rural area. This should not be confused with a metropolitan statistical area.
sector level analysis offers more variation than more commonly used occupational classifications (i.e., professional, managerial, blue collar) because many entrepreneurs argue that their occupations include tasks and duties associated with a management occupation (Davidsson 2004). Focusing on occupations rather than industries may therefore result in a misclassification of self-employed persons in high-status occupations (e.g., if a manager of a small corner store is classified at the same level as a manager of a financial corporation), thus obscuring prestige heterogeneity across industries.

Measures for the industry sector analysis are generated by categorizing all wage/salary and self-employed respondents into aggregate categories based on self-reported three-digit North American Industry Classification (NAIS) codes used by the U.S. Census (see Table 1b, Appendix C). Aggregate industry categories used in previous research on self-employment are replicated for the present study (Fairlie and Robb 2008; Valdez 2006). These categories included Agriculture; Mining and Utilities; Construction; Manufacturing; Wholesale Trade; Retail Trade; Transportation; Information; Finance-Insurance-Real Estate (F.I.R.E.); Professional Services; and Personal Services. Following conventions in self-employment research, the analyses is restricted to non-agricultural respondents and the Mining/Utilities sector is dropped due to an insufficient number of cases.\textsuperscript{16} After categorizing all respondents into industry sectors, the Hauser-Warren Socioeconomic Index (HW SEI) is used to assign prestige scores for all respondents.\textsuperscript{17} The aggregate median HW SEI score for each industry sector is used to rank the remaining sectors into three prestige categories: low, medium and high (See Table 1b, Appendix C).

\textsuperscript{16} The agricultural sector is often excluded from studies on self-employment because farmers make up a large portion of this sector and because their arrangements with the Federal government constitute a very different type of self-employment (See Hipple 2010; Fairlie and Robb 2008).

\textsuperscript{17} The Hauser-Warren Socioeconomic Index is a composite measure of occupational education and occupational earnings, often used to analyze prestige and social status. For more information, see Hauser and Warren (1997).
RESULTS

Descriptive results presented in Figure 1 and Table 1 offer evidence of racialized incorporation within self-employment by showing patterns consistent with both the assimilation and racialization perspectives. As predicted by the assimilation framework, first-generation immigrants have the highest rates of self-employment across all four race groups. The results for Whites and Blacks also support this perspective as their self-employment rates exhibit a linear decline in the second and third generations; however, this is not the case for Asians and Hispanics. Although self-employment participation declines among second-generation Asians and Hispanics, both groups show a slight increase in self-employment participation in the third generation.

(Figure 1 About Here)

The descriptive data also offers support for the racialization perspective: racial disparities exist in self-employment rates, regardless of generational status. Compared to all generations of Asians, Blacks and Hispanics, Whites have higher rates of self-employment across all three generations. The high rates of White self-employment may be indicative of factors identified in previous research such as intergenerational transmission of parental wealth or lower barriers to accessing start-up capital in lending markets (Craig et al. 2007; Fairlie 2004; Fairlie and Meyer 1996).

(Table 1 About Here)

The descriptive data on self-employment rates across different levels of prestige also support a racialized incorporation approach as there are again patterns consistent with both the assimilation and racialization perspectives. Consistent with the assimilation perspective, first-generation immigrants have the highest rates of low-prestige self-employment across all racial
groups, indicating that immigrant groups occupy lower socioeconomic positions when compared to subsequent generations, regardless of race. However, White immigrants have the highest rate of low prestige self-employment at 18.06 percent, rather than non-White groups, challenging the racialization perspective assumption that Whites occupy the highest positions in all spheres of economic life. In the medium-prestige sector, White, Black and Asian immigrants have the highest rates of self-employment, with noticeable declines in their respective second- and third-generations; yet, Hispanics complicate this pattern with the third-generation Hispanics having the highest rate of medium-prestige self-employment, among Hispanics.

The distribution of high-prestige self-employment offers some of the strongest support for the racialization perspective. It appears that high-prestige self-employment reflects a racial hierarchy with Whites having higher rates of high-prestige self-employment when compared to non-White groups (regardless of generational status). At the same time, the data show complex patterns with respect to generational status and hence with regard to the assimilation perspective. Hispanics in high-prestige self-employment show declining rates after the first generation. By contrast, results for Blacks and Asians show an opposite trend, with rates of high-prestige self-employment increasing across generations. Third-generation Blacks and Asians have the highest rates of high-prestige self-employment within their respective racial groups, suggesting that later generations of self-employed Blacks and Asians may have higher levels of education resulting in higher-prestige self-employment. Consistent with the assimilation approach, third-generation Asians appear to reach parity with third-generation Whites as the two race-generation groups have similar rates of high-prestige self-employment. Overall, the descriptive data reveal ambiguous and inconclusive patterns. However, the descriptive results only provide self-
employment rates and do not show how race and generational status impact self-employment propensities after controlling for individual attributes or other contextual factors.

**Self-Employment by Generation across Racial Groups**

Table 2 presents a set of logistic regression models of the effects of generational status on the odds of self-employment across four racial groups. This analysis addresses the first research question: Do the odds of self-employment decline in the second and third-generations? For reasons noted earlier, I use the third generation within each race as the comparison category. Overall, the results from Table 2 support the *racialized incorporation* perspective revealing divergent generational patterns in self-employment propensities and variation across racial groups. Results for Whites offer strong evidence in support of the assimilation perspective. The odds of self-employment are greatest for first-generation Whites, followed by second- and finally third-generation Whites (Model 1, Table 2). As predicted by the assimilation perspective, first-generation Black and Hispanic immigrants have greater odds of being self-employed than do second and third-generation workers in their groups, net of controls (Models 1, 2, and 4, Table 2). However, contrary to this perspective, second-generation Asians, rather than Asian immigrants, have the greatest odds of self-employment among all Asians (Model 3, Table 2). A Wald test of independence confirms that results for second-generation Asians are statistically different from those for first-generation Asians.

The findings for second-generation Asians offer nationally representative evidence of increasing self-employment among some second-generation immigrant offspring. Overall, the linear decline in self-employment predicted by the assimilation perspective is only observed among Whites. Second-generation Asians have the greatest odds of self-employment among Asians, and there is no statistical difference between the odds for second- and third-generation
Blacks and Hispanics. This suggests that the assimilation perspective alone cannot explain self-employment among non-White groups because generational patterns in self-employment appear to vary by race.

(Scene change, perhaps indicated by a table)

(Table 2 About Here)

In regards to the second question, whether or not generational patterns vary by race, results indicate that generational patterns do indeed vary by race. Among Whites, self-employment in subsequent generations declines as predicted by assimilation; however, a similar pattern is not observed among Blacks, Asians or Hispanics. Controlling for other variables, Blacks and Hispanics exhibit convergent behaviors: their first generations are more likely to be self-employed but there is no statistical difference in self-employment proclivities between their second or third generations, indicating a non-linear pattern. Finally, contrary to both the received literature and to popular perceptions of Asian immigrants as entrepreneurial, second-generation Asians – not first-generation Asians – are more likely to be self-employed than third-generation Asians. Apparently, race plays a role, although it does not have as clear an effect as predicted by the racialization perspective, especially in the Asian case. What is clear is that generational patterns in self-employment propensities for Whites are very different from those for non-White groups.

The results in Table 2 also provide evidence of the importance of other demographic characteristics for self-employment. Marriage, age and homeownership are all positively associated with self-employment, while being a woman has a negative effect. Post-graduate education is positively associated with self-employment for all groups except Asians. Metropolitan residence has no effect except for Whites, where rural residence is positively associated with self-employment. Finally, region of the country has mixed effects for different
groups. When compared to the Northeast, Whites are more likely to be self-employed in the South and West. Blacks in South, Mid-West and West are more likely to be self-employed, than Blacks in the Northeast. Southern regional residence is also positively associated with self-employment for Asians and Hispanics.

*Self-Employment Prestige by Race and Generational Status*

The second part of the analysis examines the final question: How do race and generational status affect the odds of self-employment in low-, medium- and high-prestige industry sectors? Table 3 presents four models in which 11 race-generation groups are compared to third-generation Whites. Following the baseline model which includes all prestige levels (Model 1), the following three models are stratified by prestige levels (low, medium, high) which are derived by the HW SEI scores associated with the various industry sectors (see Table 1b, Appendix C).

(Table 3 About Here)

Results from the baseline model appear to support the *racialized incorporation* perspective by revealing patterns consistent with both the assimilation and racialization perspectives in the case of Whites. First- and second-generation Whites are the only race-generation group more likely than third-generation Whites to be self-employed, net of controls (Model 0, Table 3). The three models stratified by prestige offer mixed support for assimilation and racialization predictions. Consistent with assimilation predictions of self-employment decline, results for Whites show a steady generational decline in the odds of being self-employed across all levels of prestige, net of controls (Models 0-3, Table 3). At the same time and consistent with the racialization perspective, all non-White groups, except first-generation Asians, are less likely than third-generation Whites to be self-employed across all levels of
prestige. The exception to this pattern being first-generation Asians who are 32% more likely than third-generation Whites to be self-employed in low-prestige industry sectors (Model 1, Table 3). Furthermore, Hispanics are the least likely to be self-employed among all groups, across all generations and levels of prestige. Turning to the control variables, results from Table 3 appear to replicating results in Table 2, showing that regardless of industry-sector prestige, marital status, age and homeownership are positively associated with self-employment. Gender is again negatively associated with self-employment (but only in two of three prestige levels), indicating that women are less likely than men to be self-employed in low and high-prestige industry sectors.

*Low Prestige Self-Employment*

Consistent with the assimilationist perspectives, White and Asian immigrants have the greatest odds of low prestige self-employment within their respective race groups. When compared to third-generational Whites, first-generation Whites followed by first-generation Asians have the highest odds of being self-employed in the low prestige industry sector, net of demographic controls, homeownership and residence (Model 1, Table 3). The result for White immigrants in particular, suggests that race may not be the only factor contributing to low prestige self-employment. Interestingly, third-generation Blacks and all generations of Hispanics are less likely than third-generation Whites to be self-employed in low-prestige sectors, suggesting that Whites may have advantages over native-born Blacks and all generations of Hispanics in establishing businesses, even within low-prestige industry sectors. Indeed, the advantage held by Whites over all non-White groups is evident across all levels of prestige and generations, although the trend is particularly noteworthy when compared with data for Hispanics. Results from Model 1 are consistent with the assimilation perspective, showing that
White and Asian immigrants have the greatest odds of low-prestige self-employment. At the same time, the results for White immigrants in low-prestige self-employment suggest that generational status, rather than race may be a stronger determining factor contributing to low-prestige self-employment.

*Medium Prestige Self-Employment*

The results for medium-prestige industries show that White immigrants are more likely than third-generation Whites to be self-employed in the medium-prestige industry sector, net of controls (Model 2, Table 3). Second-generation Whites have the next highest odds of medium-prestige self-employment, net of controls. The results for Whites are consistent with the assimilation perspective in that the odds of self-employment decline in the second and third generations, echoing the earlier findings regarding low-prestige self-employment among Whites. At the same time, in keeping with the racialization perspective, third-generation Blacks and Asians, as well as all generations of Hispanics, are less likely than third-generation Whites to be self-employed in the medium-prestige industry sector. One of the key race-generation effects is that third-generation Whites are more likely to be engaged in medium-prestige self-employment than all non-White groups, regardless of the latter groups’ generational status.

*High Prestige Self-Employment*

The results presented in Model 3 for high-prestige self-employment support the assimilation perspective for Whites only, showing a linear generational decline in high-prestige self-employment proclivities, net of controls. However, the linear assimilation prediction is challenged in the case of Blacks, Asians and Hispanics. Consistent with the racialization perspective, third-generation Whites are more likely to be self-employed in the high-prestige industry sector than all generations of Blacks and Hispanics, net of controls (Model 3, Table 3).
Thus the results observed for high-prestige self-employment support the assimilation perspective for Whites and the racialization framework for all generations of Blacks and Hispanics. Overall, there appear to be significant self-employment disparities between all generations of Whites and non-Whites across all levels of industry-sector prestige. Based on the mixed support for both the assimilation and racialization perspectives, results suggest the *racialized incorporation* perspective may best explain how generational patterns follow assimilation trajectories for some groups while race structures the hierarchical distribution of prestige for other groups.

**DISCUSSION**

Results from this study reveal that the *racialized incorporation* approach provides the best explanation of the effects of race and generational status on self-employment proclivities across generations in the U.S. because the two perspectives commonly used to study immigrant and minority entrepreneurship—assimilation and racialization—are not mutually exclusive. In the case of Whites and Asians, results support and challenge the self-employment decline prediction associated with the assimilation approach. As predicted by this perspective, Whites follow a linear pattern of decline in self-employment following the first generation. In addition, White immigrants have the greatest propensity for self-employment across all levels of industry-sector prestige, regardless of their individual attributes. However, results for Asians strongly challenge the assimilation perspective’s assumption that self-employment will decline in the second generation. Second-generation Asians, rather than Asian immigrants, have the greater propensity to be self-employed when compared to third-generation Asians.

Results from this study also suggest that self-employment may remain a preferred strategy among some second-generation groups, offering nationally representative evidence that is consistent with findings from recent case studies concerning second-generation self-
employment in the U.S. (Gold et al 2006). While second-generation groups may gain certain advantages such as higher educational attainment and language proficiency (when compared to immigrant parents), Asian immigrant offspring may also continue to experience discriminatory barriers to upward mobility in the wage/salary labor market, making self-employment the preferable economic strategy (Dhingra 2012). Collectively, results indicate that self-employment propensities follow both linear and non-linear patterns. This simultaneously supports and challenges the assimilation prediction of self-employment decline in the second and subsequent generations.

Turning to the racialization perspective, the results strongly support the view that generational patterns vary by race and that Whites are more likely than non-White groups to be self-employed in medium- and high-prestige industry sectors. Race appears to strongly affect the types of self-employment in which groups are likely to engage. When examining general self-employment propensities across multiple generations, Blacks, Asians and Hispanics do not follow the linear decline seen among Whites. Disaggregating self-employment into different levels of industry-sector prestige lends further support to the racialization perspective. First- and second-generation Whites have the greatest odds of self-employment across all levels of prestige, suggesting that race, rather than generational status, is the strongest determinant of self-employment. Conversely, all generations of Hispanics are less likely than third-generation Whites to be self-employed, once again, regardless of industry-sector prestige. Similarly, all generations of Blacks are less likely than third-generation Whites to be self-employed in high-prestige industry sectors. These results suggest that systematic racial discrimination and barriers to wealth or start-up capital may contribute to the observed disparities in self-employment propensities between Whites and non-White groups.
Racialized incorporation: A Synthesized Framework

The results from this study show that self-employment propensities and industry-sector prestige are determined by both generational status and race. Self-employment declines in a linear pattern across successive generations of Whites, but follows a more ambiguous path among Blacks, Asians and Hispanics. Regardless of whether they are first-, second- or third-generation, Whites dominate the self-employment sector in all industries, while non-White groups are highly unlikely to engage in the most lucrative and prestigious types of self-employment. In other words, the self-employment sector appears to replicate the racial inequality apparent in the regular wage/salary labor market. Regardless of individual characteristics, self-employed immigrants and native-born groups (including those in the second generation) are likely to be sorted along racial lines into hierarchical industry sectors of unequal prestige, regardless of their individual attributes. By using the racialized incorporation perspective to interpret the combined effects of generational status and race, this study shows that self-employment continues to be a preferred strategy for many immigrants and some second-generation groups. At the same time, it illuminates how contemporary self-employment in the U.S. is structurally organized by socially constructed racial hierarchies associated with uneven rewards and social status.

Limitations of the Study

The limitations of this study include the omission of an analysis of several factors related to self-employment such as wealth or start-up capital, gender and an analysis of self-employment variation across ethno-nationality groups. Understanding how racial, ethnic, and cultural differences shape wealth and access to start-up capital is critical for understanding differences in the causes and consequences of self-employment. Previous research finds that self-employment
disparities are associated with different levels of wealth and barriers to start-up capital resulting from discriminatory practices in small business lending markets (see Valdez 2011; Craig et al. 2007; Fairlie and Meyer 2000, 1996). Family background is also associated with wealth and the intergenerational transmission of self-employment. Andersson and Hammarstedt (2010) show the importance of intergenerational transmission of wealth and business-specific capital for second-generation entrepreneurs in the case of Sweden. Unfortunately, the CPS data used for this study does not contain adequate measures of individual’s family background, wealth or parental occupation, thus preventing family-level intergenerational analysis and hence a more thorough investigation of wealth disparities among the self-employed. Additional research is necessary in order to understand the extent to which disadvantages in wealth and start-up capital are responsible for the observed self-employment disparities across different levels of industry-sector prestige.

The present study also provides only a cursory analysis of gender. Results from this study show that gender has a strong effect on self-employment propensities across race, generation and industry sectors. Additional research is needed to better understand why women are consistently less likely than men to be self-employed (across all race and generation groups) and conversely, why men are consistently more likely than women to be so. Understanding how gender structures self-employment could provide the racialized incorporation framework an even greater depth and versatility showing how the intersection of multiple structures and

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18 A more detailed analysis of gender is beyond the scope of this study but is presented in a separate unpublished paper using the same data to analyze the intersection of race, generational-status and gender on self-employment across 280 metropolitan areas.
Hierarchies can produce significantly divergent, non-linear and unequal outcomes for different groups.\textsuperscript{19}

Finally, ethnic and cultural specificity is lost by using aggregated ethnoracial categories. Using ethnoracial categories is a theoretical and statistical necessity in order to analyze self-employment through the \textit{racialized incorporation} framework and to maintain large enough sample sizes in the second generation. Additional case studies of self-employment among particular ethnic or nationality groups within specific industries may offer new insights into the structural and/or cultural mechanisms driving the observed group variation in self-employment propensities and prestige. These limitations notwithstanding, the present study offers theoretical insights and a nuanced and innovative empirical analysis of the ways in which race and generational status impact self-employment propensities, industry-sector heterogeneity and prestige disparities within contemporary self-employment in the United States.

\textit{CONCLUSION}

Immigration is continually transforming the demographic character of the United States. As immigrants and their U.S. born children reshape the U.S. population, they simultaneously transform many sectors of social life, most notably the economy. Throughout the history of immigration in the U.S., race has served as a principal factor of division, distinguishing native-born Whites from Blacks and Mexicans, as well as other European immigrants who were not considered White. With respect to the recent post-1965 immigration of largely non-White groups, race continues to play a major role in determining how newcomers and their children are and will be incorporated into U.S. society.

\textsuperscript{19} An example of research examining the intersection of race, gender and nativity is Valdez’s (2011) study of Latina entrepreneurs in the American Southwest.
This study shows that linear understandings of assimilation are best suited to explaining the incorporation experiences of White immigrants and their offspring, but fail to explain the incorporation processes of Black, Asian and Hispanic immigrants and their offspring. Racial hierarchies embedded in U.S. society sort first-, second- and third-generation groups into socially constructed, hierarchical racial categories which are in turn associated with different levels of prestige within the self-employment sector. Researchers analyzing immigrant incorporation in the U.S. and other host societies (e.g., Australia, Canada and Western Europe) would do well to recognize the power and influence of such hierarchies, as well as the socially constructed nature of the groups into which immigrants and their offspring are incorporated. The results presented in this paper suggest that a combined perspective—here called *racialized incorporation*—offers a comprehensive framework for understanding how multiple assimilation trajectories coupled with the socially constructed and hierarchical nature of race shape economic incorporation processes. This perspective can serve as a useful tool for researchers analyzing the role of race and other markers of distinction in empirical and theoretical scholarship on the socioeconomic incorporation of immigrants and second-generation children of immigrants.
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Portes, A. and S. Shafer  
_____ R. Rumbaut  
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Weeden, K.

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Zhou, M.
# Table 1a: Variables Used in the Analyses

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<tr>
<td>2008</td>
<td>Yes = 1; Else = 0</td>
</tr>
<tr>
<td>2010</td>
<td>Reference Category</td>
</tr>
</tbody>
</table>

Industry-Sector Prestige

<table>
<thead>
<tr>
<th>Industry-Sectors</th>
<th>Median HW SEI</th>
<th>Level of Prestige</th>
</tr>
</thead>
<tbody>
<tr>
<td>F.I.R.E.</td>
<td>45.45</td>
<td>High</td>
</tr>
<tr>
<td>Professional Services</td>
<td>44.40</td>
<td>High</td>
</tr>
<tr>
<td>Information</td>
<td>41.82</td>
<td>High</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>36.09</td>
<td>Medium</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>30.30</td>
<td>Medium</td>
</tr>
<tr>
<td>Construction</td>
<td>28.30</td>
<td>Low</td>
</tr>
<tr>
<td>Transportation</td>
<td>27.84</td>
<td>Low</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>27.07</td>
<td>Low</td>
</tr>
<tr>
<td>Personal Services</td>
<td>24.95</td>
<td>Low</td>
</tr>
</tbody>
</table>


The industry sector categories are used to measure the relative prestige associated with each sector. I obtained an aggregate median Hauser-Warren Socioeconomic Index (HW SEI) score to measure the relative prestige associated with each industry sector. The HW SEI rankings for the nine sectors included in the study range from highest to lowest and are listed in Table 1b, Appendix C. Accordingly, the Finance-Insurance-Real-Estate (F.I.R.E.) sector is at the top (i.e., the most prestigious) followed by Professional Services and Information. Examples of the different types of self-employment within the higher prestige sectors include financial consulting, law, medicine, real estate, software developers; electrical engineers etc. Construction, Personal Services, Retail Trade, and Transportation were ranked at the bottom of the scale. These sectors include self-employed barbers, domestic workers, restaurant owners, “mom and pop shops”, truck drivers, movers, etc. Wholesale trade and Manufacturing were ranked in the middle. These sectors include self-employed wholesale distributors, manufacturers and construction workers. Industry-sectors were then categorized and grouped together based on their levels of prestige. The final analyses used three categories, low-, medium- and high-prestige industry-sectors.
Figure 1: Overall Self-Employment Rate by Race/Ethnicity and Generational Status
Table 1: Unadjusted Self-Employment Proportions by Race, Generational Status and Low, Medium and High Prestige Industrial-Sectors.

<table>
<thead>
<tr>
<th>Race-Generation Groups</th>
<th>White</th>
<th>Black</th>
<th>Asian</th>
<th>Hispanic</th>
<th>Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1stGen</td>
<td>2ndGen</td>
<td>3rdGen</td>
<td>1stGen</td>
<td>2ndGen</td>
</tr>
<tr>
<td>Sample Size by Race-Generation Group</td>
<td>11,777</td>
<td>10,806</td>
<td>236,138</td>
<td>4,283</td>
<td>1,002</td>
</tr>
</tbody>
</table>

All Full-Time Individuals in the Labor Force Ages (18-50)
Table 2: Effects of Generational-Status on the Conditional Odds of Self-Employment across Racial Groups (Odds Ratios)

<table>
<thead>
<tr>
<th>Generational-status (Ref: 3rd Gen)</th>
<th>Whites</th>
<th>Blacks</th>
<th>Asians</th>
<th>Hispanics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Generation Immigrant</td>
<td>1.394***</td>
<td>1.346***</td>
<td>1.106</td>
<td>1.218**</td>
</tr>
<tr>
<td>2nd Generation U.S. Born†</td>
<td>1.227***</td>
<td>1.318</td>
<td>1.432*</td>
<td>1.111</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual-Level Characteristics</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>.5981***</td>
<td>.6319***</td>
<td>.6880***</td>
<td>.6452***</td>
</tr>
<tr>
<td>Ever Married</td>
<td>1.319***</td>
<td>1.221**</td>
<td>1.651***</td>
<td>1.276***</td>
</tr>
<tr>
<td>Age</td>
<td>1.330***</td>
<td>1.200***</td>
<td>1.218***</td>
<td>1.219***</td>
</tr>
<tr>
<td>Age-Squared</td>
<td>.9968***</td>
<td>.9979***</td>
<td>.9981***</td>
<td>.9978***</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proxy for Individual Wealth</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeownership</td>
<td>1.4344***</td>
<td>1.312***</td>
<td>1.461***</td>
<td>1.436***</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No School</td>
<td>.9056</td>
<td>.1184*</td>
<td>1.096</td>
<td>1.484*</td>
</tr>
<tr>
<td>Grade School</td>
<td>.9933</td>
<td>.8296</td>
<td>.8493</td>
<td>.9625</td>
</tr>
<tr>
<td>Some College</td>
<td>1.096***</td>
<td>1.095</td>
<td>1.054</td>
<td>1.041</td>
</tr>
<tr>
<td>College Graduate</td>
<td>1.194***</td>
<td>1.261**</td>
<td>1.022</td>
<td>1.124</td>
</tr>
<tr>
<td>Post-Graduate</td>
<td>1.195***</td>
<td>1.674***</td>
<td>1.009</td>
<td>1.331**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Metropolitan vs. Rural Residence</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Living in Metropolitan Area</td>
<td>.8978***</td>
<td>.9331</td>
<td>.7882</td>
<td>.8925</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regional Residence (ref=Northeast)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>1.109***</td>
<td>1.197*</td>
<td>1.407***</td>
<td>1.258***</td>
</tr>
<tr>
<td>Mid-West</td>
<td>.9598</td>
<td>1.274*</td>
<td>.8104</td>
<td>.9003</td>
</tr>
<tr>
<td>West</td>
<td>1.432***</td>
<td>1.605**</td>
<td>1.159</td>
<td>1.273***</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model Goodness of Fit Statistics</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Log Likelihood</td>
<td>-1111000000</td>
<td>-11826443</td>
<td>-7840550.6</td>
<td>-19118122</td>
</tr>
<tr>
<td>Wald Chi2</td>
<td>9755.86***</td>
<td>864.25***</td>
<td>660.97***</td>
<td>1824.32***</td>
</tr>
<tr>
<td>Degrees of Freedom</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Pseudo R2</td>
<td>.101</td>
<td>.083</td>
<td>.099</td>
<td>.081</td>
</tr>
<tr>
<td>N</td>
<td>258,721</td>
<td>38,579</td>
<td>19,010</td>
<td>64,580</td>
</tr>
</tbody>
</table>

Results are for full-time workers age 18-50 in the labor force only.
† Tests of equality were conducted to ensure that first and second-generation odds ratios are significantly different indicating that all odds ratios for first and second-generation groups are statistically independent.
All models include fixed-effects for survey years included in pooled sample and aggregate industrial sectors.
* p < .05; ** p < .01; *** p < .001 (two-tailed tests)
Table 3. Effects of Race and Generational Status on the Conditional Odds of Self-Employment within Low, Medium and High Prestige Industrial Sectors (Odds Ratios)

<table>
<thead>
<tr>
<th>Models Stratified by Industrial Sectors</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Sectors</td>
<td>Model 0</td>
<td>Model 1</td>
<td>Model 2</td>
<td>Model 3</td>
</tr>
<tr>
<td>Low Prestige</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium Prestige</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Prestige</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Race-Generation Groups**
(Ref: 3rd-plus-Gen Whites)

**Non-Hispanic White**

<table>
<thead>
<tr>
<th>Generation</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Generation</td>
<td>1.372***</td>
<td>1.478***</td>
<td>1.424**</td>
<td>1.235**</td>
</tr>
<tr>
<td>2nd Generation</td>
<td>1.227***</td>
<td>1.261***</td>
<td>1.375*</td>
<td>1.171**</td>
</tr>
</tbody>
</table>

**Non-Hispanic Black**

<table>
<thead>
<tr>
<th>Generation</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Generation</td>
<td>.7232***</td>
<td>.9029</td>
<td>1.275</td>
<td>.5223***</td>
</tr>
<tr>
<td>2nd Generation</td>
<td>.8664</td>
<td>1.363</td>
<td>Omitted^</td>
<td>.5865*</td>
</tr>
<tr>
<td>3rd plus Generation</td>
<td>.5619***</td>
<td>.5978***</td>
<td>.2642***</td>
<td>.5588***</td>
</tr>
</tbody>
</table>

**Non-Hispanic Asian**

<table>
<thead>
<tr>
<th>Generation</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Generation</td>
<td>.9771</td>
<td>1.322***</td>
<td>1.046</td>
<td>.6533***</td>
</tr>
<tr>
<td>2nd Generation</td>
<td>1.046</td>
<td>1.088</td>
<td>1.933</td>
<td>.8731</td>
</tr>
<tr>
<td>3rd plus Generation</td>
<td>.8197*</td>
<td>.8807</td>
<td>.2849**</td>
<td>.8136</td>
</tr>
</tbody>
</table>

**Hispanic**

<table>
<thead>
<tr>
<th>Generation</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Generation</td>
<td>.7432***</td>
<td>.7216***</td>
<td>.6696***</td>
<td>.8972*</td>
</tr>
<tr>
<td>2nd Generation</td>
<td>.7358***</td>
<td>.8270**</td>
<td>1.696*</td>
<td>.6692***</td>
</tr>
<tr>
<td>3rd plus Generation</td>
<td>.6386***</td>
<td>.7083***</td>
<td>.6731*</td>
<td>.5622***</td>
</tr>
</tbody>
</table>

**Human Capital/Individual-Level Factors**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>.5698***</td>
<td>.6199***</td>
<td>.9181</td>
<td>.5058***</td>
</tr>
<tr>
<td>Ever Married</td>
<td>1.321***</td>
<td>1.486***</td>
<td>1.301***</td>
<td>1.185***</td>
</tr>
<tr>
<td>Age</td>
<td>1.308***</td>
<td>1.361***</td>
<td>1.161***</td>
<td>1.242***</td>
</tr>
<tr>
<td>Age-Squared</td>
<td>.9970***</td>
<td>.9965***</td>
<td>.9987***</td>
<td>.9976***</td>
</tr>
</tbody>
</table>

**Proxy for Individual Wealth**

| Homeowner | 1.423*** | 1.589*** | 1.560*** | 1.267*** |

**Education** (Ref: H.S. diploma/GED)

<table>
<thead>
<tr>
<th>Level</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>No School</td>
<td>1.306</td>
<td>1.324</td>
<td>.8848</td>
<td>1.557</td>
</tr>
<tr>
<td>Grade School</td>
<td>.9941</td>
<td>.9365</td>
<td>.8563</td>
<td>1.299***</td>
</tr>
<tr>
<td>Some College</td>
<td>1.052**</td>
<td>1.076**</td>
<td>1.469***</td>
<td>.9594</td>
</tr>
<tr>
<td>College Graduate</td>
<td>1.124***</td>
<td>1.202***</td>
<td>1.775***</td>
<td>.9881</td>
</tr>
<tr>
<td>Post-Graduate</td>
<td>1.155***</td>
<td>1.047</td>
<td>1.199</td>
<td>1.164***</td>
</tr>
</tbody>
</table>

**Metropolitan Vs. Rural Residence**

<table>
<thead>
<tr>
<th>Location</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living in Metropolitan Area</td>
<td>.8946***</td>
<td>.7579***</td>
<td>1.096</td>
<td>1.047</td>
</tr>
</tbody>
</table>

**Regional Residence** (Ref: Northeast)

<table>
<thead>
<tr>
<th>Region</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>1.146***</td>
<td>1.111***</td>
<td>1.183*</td>
<td>1.179***</td>
</tr>
<tr>
<td>Mid-West</td>
<td>.9607</td>
<td>.9294*</td>
<td>.6903***</td>
<td>1.068*</td>
</tr>
<tr>
<td>West</td>
<td>1.387***</td>
<td>1.142***</td>
<td>1.537***</td>
<td>1.649***</td>
</tr>
</tbody>
</table>

**Model Goodness of Fit Statistics**

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Model 0</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log Likelihood</td>
<td>-1.52800008</td>
<td>-70019006</td>
<td>-13558930</td>
<td>-68086132</td>
</tr>
<tr>
<td>Wald Chi2</td>
<td>10986.79**</td>
<td>5582.04***</td>
<td>848.89***</td>
<td>3541.25***</td>
</tr>
<tr>
<td>Degrees of Freedom</td>
<td>32</td>
<td>30</td>
<td>29</td>
<td>30</td>
</tr>
<tr>
<td>Pseudo R2</td>
<td>.087</td>
<td>.101</td>
<td>.079</td>
<td>.069</td>
</tr>
<tr>
<td>N</td>
<td>380,890</td>
<td>151,889</td>
<td>60,804^</td>
<td>168,126</td>
</tr>
</tbody>
</table>

Results are for full-time employed respondents age 18-50 in the labor force only.
Wald tests of equality were conducted to ensure that all race-generation group odds ratios were significantly independent.
*Model 0 includes fixed-effects for medium and high prestige industrial-sectors (not shown).*

^Second-Generation Blacks in Model 2 predicted perfect failure and were dropped by Stata resulting in a loss of 71 cases.

* P<.05   **p<.01   ***p<.001 (two-tailed tests)