LABOR MARKET SEGMENTATION: AFRICAN AMERICAN AND PUERTO RICAN LABOR IN NEW YORK CITY, 1960–1980

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This study examines the determinants of wage differences between African Americans and Puerto Ricans in New York City. The empirical analysis, conducted on census data for 1960, 1970, and 1980, highlights two important patterns. Changes in returns to human capital have been more important for Puerto Ricans than for African Americans; and changes in group segmentation structure have had a positive effect for African Americans, a negative effect for Puerto Ricans. The results are suggestive of the notion that the two groups are pursuing different paths of economic mobility.

This article explores the effect of local labor market structure on inter-minority wage differentials by analyzing the determinants of earnings differentials between African American and Puerto Rican labor in New York City. Published data show that African Americans consistently report higher levels of family income, employment and wages.¹ An interest in examining the potential determinants of this persistent gap motivates this study.

The study seeks to ascertain the relative importance of individual (human capital) and structural (segmentation) factors in the determination of the relative status of individuals within these two groups, both of which have been subject to discrimination. The argument is extended to consider the role of political power in shaping wage differentials among minority groups in racially and ethnically diverse areas. Demographic trends indicate that U.S. urban labor markets will increasingly reflect this heterogeneity.

Segmentation theory posits a historically evolved stratification of the
labor market. For labor in general, important determinants of labor market earnings lie in the characteristics of firms and their job structures, rather than the productivity attributes of workers. The factors influencing annual earnings differ substantially among segments and labor mobility among them is somewhat circumscribed. In its theoretical discussion, this article assumes a tripartite structure of segmentation: independent primary, subordinate primary, and secondary segments.

The independent primary segment is comprised largely of managerial, professional, and technical labor employed in large firms, who exercise considerable autonomy in their jobs. Access to this segment is determined by such factors as higher education, professional training and licensing, and labor force experience. Employees in the subordinate primary segment typically function within a regimented work environment and often belong to unions. Information networks, including family and community ties, facilitate access to jobs in this segment, in conjunction with human capital factors. Earnings levels are determined primarily through the formal wage bargaining process within the context of the management-union relation.

The secondary segment is comprised of workers employed in the marginal and/or highly competitive sectors of the economy and its workers are assumed to be a residual labor force. There are no major differences in the skill levels of secondary and subordinate primary workers. Generally, in the secondary segment are found contingent labor (housewives, part-time workers), new entrants (youth, immigrants) and workers vulnerable to discrimination (race, ethnic, gender). Large differences in human capital endowments and other measures of potential productivity are not expected to exist between secondary and subordinate primary workers. Earnings in the secondary segment are generally determined through an informal wage-setting process in which personal relations and employers' subjective preference play a conspicuous role.

Extension to the case of minority labor induces a consideration of the role of discrimination. Human capital endowments will lag for minority workers if access to schooling and professional training has been limited by institutional discrimination. The quality of a given level of human capital may also differ because of discrimination. This is the case, for example, if minority-dominated school districts receive lower per capita allocations of educational resources. These are indirect mechanisms by which discrimination inhibits minority access to preferred jobs. Access to independent primary jobs may be conditioned by direct discriminatory practices even in the instance of equally credentialed labor. Employers or