

# Post-Degree Dollars: The Ethnicity Twist

AUTHORS

XIANGLIN LI

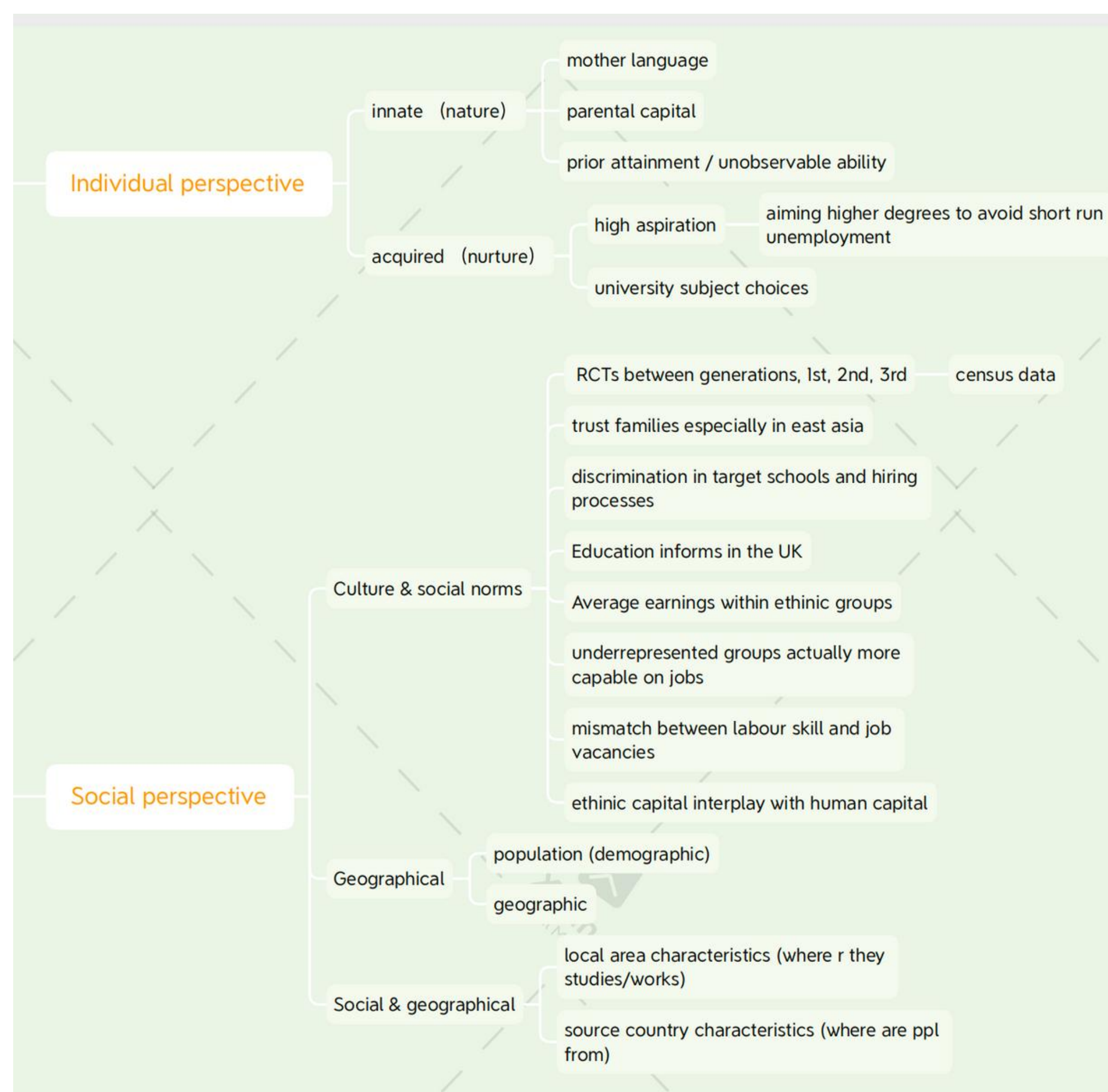
AFFILIATIONS

LSE

## INTRODUCTION

An important issue

- The study on the labor market of college graduates indicates that degree completion has signaling effects on employers, implicitly revealing their abilities.
- However, based on a field experiment in the labor market for college graduates, black applicants are approximately 14% less likely to receive interview requests than their white peers with the same degree.
- This project aims to identify the factors that prevent ethnic groups from converting human capital to wage earnings in different contexts.



## METHODOLOGY

- A mixed methodology can help.....  
first stage-quantitative approach  
Measure the heterogeneous signaling effects of graduates among ethnic groups within the UK and the US in private sectors over time by controlling individual-level differences.
- second stage-qualitative approach  
a systematic review of the literature regarding immigration, human capital formation, discrimination, and segregation in the UK and US to understand why potential discrepancies may appear among different ethnicities in the same location and why similar ethnicities in different places may show different impacts over time.

## HYPOTHESIS

What to expect?

- The signaling effects of college degrees differ across different ethnic groups in private sectors of the same city after controlling for ability, aspiration, health outcomes, major, parental income, and ability. The disparity may be caused by social and geographical factors.
- The size of signaling effects by ethnic groups are different in the UK and US, caused by different immigration history, post-colonialism effects, and political movements across the two cities.
- The difference between the UK and the US is evolving, bracketed by the changing economic and political environment within cities.

## ANALYSIS

### What contributes to the differences ?

- At the Individual level: Nature vs. nurture
  - Nature: parental and unobservable abilities
  - Nature: aspiration levels, mother language, health conditions, and university major choices.
- Bigger pictures
  - social factors: average earnings within ethnic groups, cyclical unemployment in the labor market, discrimination in hiring processes against ethnic groups.
  - geographical factors: population levels and other demographic factors.
  - The combined effects: the local area characteristics of where people in different ethnic groups study and work, and the source country characteristics of different ethnic groups.

### Does the context matter?

- UK: The expansion of the UK's higher education (time: 1970s, 1980s, 1990s)  
The HE expansion is not been equally distributed across different backgrounds. It has disproportionately benefited children from relatively rich families.
- US: Federal antidiscrimination policy resulted in a significant improvement in black economic status between 1965 and 1975

although there is still strong evidence of racial discrimination in the hiring decision, with estimates of white preference ranging from 50% to 240%

## CONCLUSION

Potential usages of the research include.....

- facilitating the development of more equal labor markets  
eg: designing policies more specifically targeting inclusion within race in the labor market instead of general policy against discrimination in the hiring processes if ethnic capital like the ratio of a certain race in a specific industry is central to why the discrepancy emerged

but wait.....is that the whole story?.....

- future research  
how would individual-level characteristics interact with the big environment? What are the dynamics?