

IMMIGRANT HETEROGENEITY AND THE EARNINGS DISTRIBUTION IN THE UNITED KINGDOM AND UNITED STATES: NEW EVIDENCE FROM A PANEL DATA QUANTILE REGRESSION ANALYSIS*

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Preliminary: Please do not cite

ABSTRACT. In this paper we use a relatively new panel data quantile regression technique to examine native-immigrant earnings differentials 1) throughout the conditional wage distribution, and 2) controlling for individual heterogeneity. No previous papers have simultaneously consider these factors. We focus on both women and men, using longitudinal data from the PSID and the BHPS. We show that failing to control for individual heterogeneity does indeed generate biased estimates. Country of origin, country of residence, and gender are all important determinants of the differential. For instance, the largest wage penalty occurs in the U.S. among female immigrants from non-English speaking countries, and the penalty is most negative among the lowest (conditional) wages. On the other hand, women in Britain experience hardly any immigrant-native wage differential. We find evidence that suggests that immigrant men in the U.S. and the U.K. earn lower wages, but the most significant results are found for British workers immigrating from non-English speaking countries. The various differentials we report in this paper reveal the value of combining quantile regression with controls for individual heterogeneity in better understand immigrant wage effects.

Keywords: Immigrants; Earnings; Quantile regression; Panel data.

1. INTRODUCTION

It is well-known that immigrants often earn significantly more or less than their native counterparts. Numerous studies highlight the sources of these earnings differentials, noting that human capital and language skills are particularly important. Thus far, empirical work in this area has used relatively basic regression techniques,

*First Version: May 24, 2010.

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including panel data models and quantile regression. It is clear that individual heterogeneity is an important factor in estimating earnings differentials for immigrants. Furthermore, it behooves us to learn about the effect of immigrant status throughout the conditional wage distribution, not simply at the mean. Using a new panel data regression technique, we simultaneously account for individual heterogeneity and generate parameter estimates across the conditional distribution of earnings.

We focus this analysis on data from the United States and the United Kingdom, two countries with sizable immigrant populations and clear value for English language ability. Most previous papers in the immigration literature use Census data, and we contribute to this area using two studies with substantial immigrant subsamples: the U.S. Panel Study of Income Dynamics and the British Household Panel Survey. The extensive longitudinal data enable us to create specifications similar to those in previous papers, while employing a new technique (explained in detail below) in order to determine better estimates of native-immigrant earnings differentials. Furthermore, despite the fact that increasing proportions of women are in the labor force, most previous work focuses only on men, but in this paper we study wages for both men and women.

2. LITERATURE REVIEW

A broad segment of the literature highlights wage differences between immigrants and natives, often citing the specific sources for these differentials. Borjas (1989) provides one of the seminal papers in this area. Using a longitudinal survey of scientists and engineers, he documents the effects of assimilation and cohort on immigrant earnings. With data on immigrants to Israel, Weiss, Sauer, and Gotlibovski (2003) find that lifetime earnings are 57% lower than those for natives. The majority of the wage differential is due to foreign education and experience.

Focusing on returns to human capital, Friedberg (2000) finds that foreign investments generate lower returns than those in the destination country. Using US data, Bratsberg and Ragan (2002) document the higher earnings immigrants receive from obtaining human capital in the US. They further show that this result is not due to ability bias or returns to language ability; instead, greater degree attainment and higher returns result in higher wages for immigrants.

Using Census PUMS data, Chiswick and Miller (2007) find that occupation is significantly correlated with immigrant education and experience. Furthermore, pre-immigration experiences generates higher returns when examined within occupations.

Green (1999) presents multinomial logit models of occupational choice, and finds that Canadian immigrants are generally more skilled than natives, and also more occupationally-mobile. This study provides a clear contrast to findings about the US labor market. Another source of variation within immigrant earnings is race. Clark and Lindley (2006) use a pooled cross-section from the UK Labour Force Survey and find wage differentials among immigrants. Notably, nonwhite immigrants receive lower pay than white immigrants to the UK.

More recent studies use longitudinal data to investigate the role of language fluency and to determine whether wage gaps persist over time. Duleep and Dowhan (2002) use longitudinal social security data to examine earnings growth for men. They find that wage growth was greater in recent years than in the 1960s. Furthermore, over the 1960-1992 period, immigrants experienced more wage growth than natives did. Chiswick, Lee, and Miller (2005) use longitudinal data from Australia and further document the importance of skill and assimilation in improving earnings. The authors contend that longitudinal estimates (generated by an inertia model) mirror those for the cross-section. However, it is possible that a panel longer than 3.5 years could generate differences.

Lubotsky (2007) uses longitudinal social security data to explore the immigrant/native wage gap. Comparing panel data estimates to those from cross-sectional data, Lubotsky finds that the gap is more persistent, suggesting that cross-sectional estimates (such as those from the Census) are biased. Furthermore, his results reveal that assimilation is less prevalent in panel data analyses. Part of the reason for this finding is the likely outmigration of some in immigrant cohorts.

In a unique study that investigates both genders, Butcher and DiNardo (2002) compare wage density estimates using Census PUMS data. The authors find important differences for men and women; for instance, the minimum wage has a great impact on the female distribution than it does for the male. Their results support Lubotsky's (2007) finding that changes in the returns to skill contribute substantially to the growth in the gap between immigrants and natives.

Bleakley and Chin (2004) make an interesting contribution to the literature on language skills by employing IV techniques. They highlight that the time of arrival has an important impact on learning the language of the destination country. By completing education in the US, adults who arrived as children see significant returns to their language proficiency. Chiswick and Miller (1995) explore the endogenous impact of language on immigrant earnings in Australia. They estimate a model for

the determinants of language fluency and incorporate the results into earnings models. Since the estimates do not appear stable, the authors recommend that similar analysis incorporate multiple data sets and careful selection of instruments. In another panel data study, Hum and Simpson (2004) report that omitted variables bias immigration analyses. Using fixed effects and IV techniques, the authors document lasting immigrant/native wage differentials, providing a contrast to other studies that report assimilation over time.

Dustmann and Van Soest (2002) provide a valuable contribution to the literature by investigating unobserved heterogeneity and measurement error. Using German panel data and minimum distance estimation to account for temporal correlation in regression residuals, they report that measurement error in language fluency variables generates pronounced downward bias in the returns to language skill. Important data documenting language proficiency over time highlights the measurement error in survey data. Their identification strategy involves a fixed effects model of language proficiency on a non-linear time trend, in order to generate predictions of fluency. The authors also present IV estimates using leads and lags of language proficiency. In order to address unobserved heterogeneity, they assume assortative mating and include partner and household characteristics in earnings regressions. Combining these techniques as well as alternative instruments based upon parents' education, Dustmann and Van Soest provide evidence that estimates presented in the literature are biased, and that language is even more important in determining immigrant earnings.

Chiswick, Le, and Miller (2008) provide one of few immigration studies that explore the distribution of returns to education and experience. Using quantile regression and data from the US and the Australian Censuses, they find that schooling and experience serve to expand the earnings distribution; i.e., higher returns occur at higher values in the conditional earnings distribution. The authors also find that the adult male native/immigrant wage differential is higher at higher quantiles, suggesting that skill should be particularly valued in immigration policy.

3. QUANTILE REGRESSION MODELS AND METHODS

Quantile regression is a robust estimation approach that offers the possibility of evaluating native-born/immigrant earnings differentials at different quantiles of the conditional earnings distribution. This approach was recently used in Chiswick, Le, and Miller (2008). In this section, we present a newly developed approach that

allows us to explore these differentials while controlling for native-born and immigrant unobserved heterogeneity.

We consider a model of earnings given by,

$$(3.1) \quad w_{it} = \mathbf{x}'_{it}\boldsymbol{\beta} + \alpha_i + u_{it},$$

where w_{it} denotes the logarithm of earnings for individual i at time t , \mathbf{x}_{it} is a $p \times 1$ vector of independent variables that includes an intercept, α_i is a latent term denoting differences in language ability and skills, and u_{it} is the error term independent of \mathbf{x}_{it} .

Given the possibility that the latent individual variable may be correlated with the independent variables, it is natural to estimate a conditional mean model with fixed effects, $\mathbb{E}(w_{it}|\mathbf{x}_{it}, \alpha_i) = \mathbf{x}'_{it}\boldsymbol{\beta} + \alpha_i$. Our approach in this paper builds upon this classical empirical strategy, estimating a fixed effects version of the conditional quantile regression model,

$$(3.2) \quad Q_{W_{it}}(\tau_j|\mathbf{x}_{it}, \alpha_i) = \mathbf{x}'_{it}\boldsymbol{\beta}(\tau_j) + \alpha_i,$$

where $Q(\cdot|\cdot)$ is the τ_j -th conditional quantile function. The parameter $\boldsymbol{\beta}(\tau_j)$ provides an opportunity for investigating how the independent variables influence the location, scale and shape of the conditional distribution of earnings. For instance, if we have an iid error term distributed as F and one covariate, the quantile functions $Q_{W_{it}}(\tau_j|\mathbf{x}_{it}, \alpha_i)$ are parallel lines with parameter $(\beta_0(\tau_j), \beta_1)$ '. The model also include an individual effect α_i . The individual effect represents a pure location shift effect α_i on the conditional quantiles of earnings, implying that the conditional distribution for each individual have the same shape, but different locations as long as language ability and skills are different. Notice that the individual effect does not represent a distributional shift. It may be unrealistic to estimate it when the number of observations on each individual is small (Koenker 2004).

A tentative approach for estimating native-born/immigrant differentials across the conditional distribution of earnings is Koenker and Bassett's (1978) method. However, as in the least squares case, omitting relevant variables may generate biases. It is instructive to derive the omitted variable bias in our quantile regression model, which can be obtained as a direct application of Angrist, Chernozhukov, and Fernandez-Val (2006), Theorem 2. Let $\boldsymbol{\beta}_s(\tau)$ be the slope coefficient in a quantile regression of earnings on \mathbf{x} and $\boldsymbol{\beta}_l(\tau)$ the regression coefficient of earnings on a vector indicating individual effects, \mathbf{z} , and \mathbf{x} . The relation between these coefficients can be written

as,

$$\boldsymbol{\beta}_s(\tau) = \boldsymbol{\beta}_l(\tau) + (\mathbb{E}(\omega_\tau \mathbf{x} \mathbf{x}'))^{-1} \mathbb{E}(\omega_\tau \mathbf{x} \mathbf{z} \alpha)$$

where $\omega_\tau = \int_0^1 f_{e_\tau}(u \Delta_\tau | \mathbf{x}, \mathbf{z}) du / 2$, $\Delta_\tau = \mathbf{x}' \boldsymbol{\beta}_s(\tau) - Q_W(\tau | \mathbf{x}, \alpha)$, and $e_\tau = W - Q_W(\tau | \mathbf{x}, \alpha)$. It is immediately apparent that the pooled quantile regression estimator $\hat{\boldsymbol{\beta}}_s(\tau)$ can be biased if \mathbf{x} and α are not independent.

Although standard panel data methods offer the possibility of estimating conditional mean models while controlling for individual heterogeneity, until recently, few papers have estimated conditional quantile function with individual specific effects. In the next section, we introduce our estimation approaches.

3.1. Panel Data Estimators. We estimate the conditional quantile function for earnings 3.2 employing the class of panel data estimators introduced by Koenker (2004) and Lamarche (2010). Koenker (2004) penalized quantile regression estimator can be obtained as the solution of a problem similar to,

$$(3.3) \quad \min_{\boldsymbol{\beta}, \alpha \in \mathcal{B} \times \mathcal{A}} \sum_{j=1}^J \sum_{t=1}^T \sum_{i=1}^N \omega_j \rho_{\tau_j}(w_{it} - \mathbf{x}'_{it} \boldsymbol{\beta}(\tau_j) - \alpha_i) + \lambda Pen(\alpha)$$

where $\rho_{\tau_j}(u) = u(\tau_j - I(u \leq 0))$ is the standard quantile loss function (see, e.g., Koenker 2005), ω_j is a relative weight given to the j -th quantile, and λ is the tuning parameter.

The method proposes to jointly estimate the parameter $\boldsymbol{\beta}$ and a vector of N individual effects α , because the standard panel data transformations are not available in quantile regression. The strategy will increase the variability of the estimator of the parameter of interest. To attenuate this variability, we minimize over a weighted sum of quantile check functions including an additional (penalty) term $\lambda Pen(\alpha)$. This penalty term shrinks the individual effects toward zero and the degree of shrinkage is controlled by λ . For $\lambda = 0$, we have the fixed effects estimator, while for $\lambda > 0$, the penalized estimator with fixed effects. It is also possible to obtain a quantile regression estimator for the pooled data.

3.1.1. Pooled and fixed effects methods. The method gives the opportunity of estimating the standard quantile regression model, $Q_{W_{it}}(\tau | \mathbf{x}_{it}) = \mathbf{x}'_{it} \boldsymbol{\beta}(\tau)$, by letting λ to be a large number. The quantile regression estimator for the pooled data is defined

as,

$$(3.4) \quad \arg \min_{\beta \in \mathcal{B}} \sum_{t=1}^T \sum_{i=1}^N \rho_{\tau}(w_{it} - \mathbf{x}'_{it} \beta)$$

This method is convenient because it allows one to estimate time-invariant effects. However, it may produce biased results as illustrated before. It is possible to control for unobserved heterogeneity by introducing individual effects,

$$(3.5) \quad \arg \min_{\beta, \alpha \in \mathcal{B} \times \mathcal{A}} \sum_{j=1}^J \sum_{t=1}^T \sum_{i=1}^N \rho_{\tau_j}(w_{it} - \mathbf{x}'_{it} \beta(\tau_j) - \alpha_i)$$

Although this method allows us to address the possibility of endogenous covariates, its use is limited if the interest is on time-invariant native-born/immigrant earnings differentials.

3.1.2. *Penalized quantile regression.* The penalized estimator with fixed effects gives us the possibility of estimating these differentials while controlling for language ability and skills. The estimator is defined as,

$$(3.6) \quad \arg \min_{\beta, \alpha \in \mathcal{B} \times \mathcal{A}} \sum_{j=1}^J \sum_{t=1}^T \sum_{i=1}^N \rho_{\tau_j}(w_{it} - \mathbf{x}'_{it} \beta(\tau_j) - \alpha_i) + \lambda \sum_{i=1}^N \rho_{0.5}(\alpha_i).$$

It is immediately apparent that for obtaining $\hat{\beta}(\tau, \lambda)$, we will need to select the parameter λ . This choice helps to reduce the additional variability introduced by the estimation of the individual effects. Following Lamarche (2010), we select λ considering a simple variance minimizing strategy:

$$(3.7) \quad \hat{\lambda} = \arg \inf_{\lambda} \{tr \Sigma\},$$

where $tr \Sigma$ is the trace of the asymptotic covariance matrix. Alternatively, we consider a method that is similar to the classical cross validation approaches (e.g., CV, GCV). We tentatively select the tuning parameter following a procedure motivated by the standard AIC-type approach, $\hat{\lambda} = \arg \inf \|\hat{u}(\tau, \lambda)\|_1 + df_{\lambda}/(2NT)$, where $\hat{u}(\tau, \lambda) = w - \mathbf{x}' \hat{\beta}(\tau, \lambda) - \hat{\alpha}(\lambda)$ and df_{λ} is the number of nonzero estimated parameters. The number of nonzero estimated coefficients represents a simple estimate of the degrees of freedom. This λ selection device is time consuming and needs to be implemented by considering a grid.

4. DATA

In this analysis we use samples from the U.K. and the U.S. The U.K. data are from the British Household Panel Survey (BHPS), and our sample of 2254 natives and immigrants is from 1991 through 2002. The BHPS provides gross weekly earnings for all employed individuals, and we convert these amounts to real 2002 pounds using the U.K. Consumer Prices Index. We would prefer to analyze hourly wages, and made a simple conversion from weekly to hourly using reported hours worked. Unfortunately, such a conversion yields spurious correlation and measurement error, so we focus on weekly wages instead. The U.S. data are from the Panel Study of Income Dynamics (PSID) that is administered on odd years. Our sample of 3776 workers begins in 1997 and continues every other year through 2005. Hourly earnings are converted to real 2005 dollars using the Consumer Price Index for all urban consumers.

Descriptive statistics for our samples are listed in Table 6.1, separately by gender and immigrant status. Average weekly wages in the U.K. are £459 and £255 for natives, and £542 and £304 for immigrants. In the U.S., native men earn \$26 per hour on average, and women earn \$18, compared to \$15 for immigrants. The gender wage gap appears greater in the U.K., but it is important to remember that the British data are reported weekly, not hourly. Furthermore, immigrants in the U.K. have higher average earnings than their native counterparts, while the opposite is true in the U.S.

To aid comparison across the BHPS and PSID surveys, we attempt to match education variables. Intermediate qualifications involve a roughly equivalent amount of study time in the U.S. and U.K., for example, yielding a high school diploma through BA degree in the US or O level through 1st Degree in the U.K. Among natives, 85% of men and 84% of women have this level of education in Britain, and 81% of men and 85% of women have this in the States. Advanced qualifications are defined as professional and doctoral degrees in the U.S. or Higher Degree in the U.K. Native-born Americans have achieved this level of education at the rates of 11% of men and 10% of women, while Britains have attained at 5% of men and 2% of women. Immigrants are comparably well-educated in the U.K., and males have more schooling than their native peers; 13% of men and 9% of women have advanced qualifications. Unsurprisingly, immigrants to America have substantially lower levels of education, with only 45% of men and 63% of women holding intermediate qualifications.

Average experience levels are roughly equivalent across the surveys, though the women in our sample have slightly higher (potential) job tenure, as measured by age minus education minus 5. Marital rates are quite high in our sample, with a clear majority in all subgroups. In each subcategory, women work fewer hours per week than men do, and Americans work more hours than Britons. It also appears that immigrants work more hours on average than natives do. We know that unionization is more prevalent in the U.K. than in the U.S. However, in Britain women are more likely than men to be in union jobs. Immigrants comprise a small proportion of our samples, with quite equal gender divisions in the UK, but more men in the US. We also see that the vast majority of immigrants to both countries originate from non-English speaking nations. Finally, within our samples, U.K. immigrants have been in the country for more than 25 years on average, while years since migration is about 17 in the U.S.

5. EMPIRICAL RESULTS

This section presents results from two basic specifications. We first estimate a model similar to Chiswick et al. 2007, and we mainly focus on the differences between classical quantile regression estimates and panel data quantile regression estimates. The results seem to indicate that unobserved heterogeneity, possibly associated with language ability and skills, plays an important role and needs to be accounted for in the regressions. We then estimate panel data models augmented by other covariates typically considered in the literature.

5.1. BHPS sample. Table 6.2 presents quantile regression results obtained from employing the penalized quantile regression approach. The upper block of the table shows quantile regression results and the lower block shows penalized quantile regression results. We do not include (fixed effects) results for $\lambda = 0$ because the time-invariant effects of interest are not identified. Moreover, the last column presents estimates of the classical mean regression model that is most closely associated with the quantile regression approach. For instance, the results shown in the upper block correspond to simple OLS and the results shown in the lower block correspond to random effects models.

The first column in Table 6.2 presents our choice for the tuning parameter λ . As discussed before, the selection of the tuning parameter is a fundamental aspect of the method. One may see the shrinkage mechanism as a model selection device. To

illustrate the point, we plot the number of estimated individual effects as a function of the tuning parameter in Figure 6.1. The first panel illustrates how the degree of shrinkage represented by the number of non-zero individual effects changes with λ in our BHPS sample of male workers. For $\lambda \rightarrow 0$, $\hat{\alpha}_i(\lambda) \approx \hat{\alpha}_i(0) \approx \hat{\alpha}_i$, and the estimated conditional quantile function is,

$$\hat{Q}_{W_{it}}(\tau|\mathbf{x}_{it}, \alpha_i) = \mathbf{x}'_{it}\hat{\boldsymbol{\beta}}(\tau, \lambda) + \hat{\alpha}_i(\lambda) = \mathbf{x}'_{it}\hat{\boldsymbol{\beta}}(\tau, 0) + \hat{\alpha}_i(0),$$

which represents an estimated quantile regression model with individual effects. On the other hand, for $\lambda \approx 12$, we have that $\hat{\alpha}_i(\lambda) = 0$ for all male workers in our BHPS sample, implying that the estimated quantile regression model is,

$$\hat{Q}_{W_{it}}(\tau|\mathbf{x}_{it}, \alpha_i) = \mathbf{x}'_{it}\hat{\boldsymbol{\beta}}(\tau, \lambda) + \hat{\alpha}_i(\lambda) = \mathbf{x}'_{it}\hat{\boldsymbol{\beta}}(\tau) = \hat{Q}_{W_{it}}(\tau|\mathbf{x}_{it}).$$

This model corresponds to employing classical quantile regression techniques on a panel data model. This range of values of λ 's and the associated $\boldsymbol{\beta}$'s raises the following question: What is the value of λ ? The modified AIC approach and the optimal shrinkage method agree that λ should be relatively small. The values of $\hat{\lambda} = \{0.5, 0.2\}$ shown in the lower part of Table 6.2 are obtained by the optimal shrinkage method described in equation 3.7 and the modified AIC method.

When we turn to the results for male workers in the BHPS in the upper block of Table 6.2, we see that the mean results are relatively informative on the effects of the intermediate and advanced qualifications on earnings. For instance, while the mean difference between earnings of workers with intermediate qualifications and no qualifications is $\exp(0.207) - 1 \approx 0.230$ or 23.0 percent, the difference at the 0.1 quantile is 17.1 percent. The real advantage of the approach in this context can be seen however when we investigate the effect of being born in an English speaking country. The mean effect suggests a 35.7 percent earnings differential between workers born in an English speaking country and natives, while the effects at the 0.1 quantile and 0.9 quantiles indicate a significantly different 11.8 percent and 61.3 percent. It is interesting to see that the earnings differentials change sign by country of origin. The effect of being born in a non-English speaking country is negative and significant across the quantiles of the conditional distribution of earnings, but the estimated effect of being born in an English-speaking country is positive and significant across quantiles of the conditional distribution. We are cautious in interpreting this result, because unobserved language ability could be correlated with these independent variables.

We introduce individual effects and reestimate the models. The results are presented in the lower block of Table 6.2. We continue to see negative signs for the effect of being born in a non-English speaking country, and positive signs of the effect of being born in an English-speaking country. We note, however, that some of the effects are not significant. The results suggest that the effect of language on earnings is important at the lower tail of the conditional distribution of earnings. While being born in a non-English speaking country is associated with a reduction of 17.4 percent in earnings, being born in an English speaking country is associated with an increase in 48.4 percent in earnings. Moreover, it is interesting to see that while the effect of being born in an English speaking country tends to increase across quantiles in a model without individual effects, it tends to slightly decrease across quantiles in a model with individual effects.

Table 6.3 presents results for female workers. The results from pooled methods indicate no differences between immigrants born in non-English speaking countries and native-born workers. However, there seem to be significant positive differences between immigrants from English speaking countries and natives at the 0.25, 0.5 and 0.9 quantiles of the conditional distribution of earnings. These results are robust to the inclusion of individual effects in the model. The effect of being born in English speaking countries on earnings changes from a positive and significant 28.4 at the 0.1 quantile to a significant 21.4 percent at the 0.9 quantile.

Turning to the effects of the other independent variables, it is interesting to observe that the effects of intermediate and advanced qualifications are reduced at the upper tail when we introduce individual effects. The earnings differential attributed to intermediate qualifications relative to no qualifications is 60.0 percent at the 0.9 quantile, which is dramatically reduced to 23.9 percent in the model estimated in the bottom part of Table 6.3.

Tables 6.4 and 6.5 offer panel data estimates based on a model that incorporates additional covariates typically considered in the literature. We introduce, in addition to the independent variables used before, indicators for time of arrival to the U.K., years since migration to the U.K., controls for workers race, hours worked, number of children and union membership. Our primary focus continues to be the native-born/immigrant earnings differentials. The results in Table 6.4 suggest that male immigrants from non-English speaking countries are heavily penalized in terms of earnings, while immigrants from English speaking countries do not experience any wage differential. This penalty tends to decrease as we go across the quantiles of the

conditional earnings distribution. On the other hand, Table 6.5 suggest that there is no native-born/immigrant differential on earnings among female workers.

Further examining the results for men, we see that additional controls do not substantially alter the returns to education or experience, but in the full model we realize that the prior positive effect of marriage reflects a bias due to omitted variables. On the other hand, additional variables yield lower returns to schooling for women at the upper and lower quantiles. Experience generates significant benefits and the marital penalty disappears. We have also included immigrant cohort indicators and years since migration quadratically. These controls have no marked effect for women or men. We also see no real wage penalty for nonwhite racial groups. Increasing hours worked benefits women far more than men, as does union status. Perhaps unsurprisingly, children have no effect on men’s earnings, but yield approximately 7% lower wages for women.

5.2. PSID sample. Tables 6.6 and 6.7 show results for the PSID sample. Table 6.6 presents results for male workers and Table 6.7 presents results for female workers. These tables are similar to the tables presented before. The upper block shows results from models that include results for the effects of interest, location dummies, and year dummies. The lower part of the table shows results for models with the same covariates, location dummies and year dummies, as well as individual effects. In the last column, we present conditional mean results that are most closely associated with the quantile regression results.

We now discuss the selection of the tuning parameter λ in the PSID sample. As before, we plot the number of individual effects that are not equal to zero in the bottom panels of Figure 6.1. Notice that for $\lambda \approx 5.5$, we have that $\hat{\alpha}_i(\lambda) \approx 0$ for all male and female workers. These results correspond to classical quantile regression techniques, because the method ignores individual heterogeneity. On the other hand, for $\lambda \rightarrow 0$, $\hat{\alpha}_i(\lambda) \approx \hat{\alpha}_i(0) \approx \hat{\alpha}_i$, representing a quantile regression version of the fixed effects model. The estimated model includes approximately 2000 estimated parameters in the regression corresponding to the sample for male workers, and approximately 1700 estimated parameters in the sample for female workers. The optimal value of the shrinkage parameter is 0.5 in Tables 6.6 and 6.7, similar to the value obtained by the AIC-type approach.

Table 6.6 shows larger earnings differentials attributed to educational qualifications than in the BHPS. The effects of intermediate qualification is positive and significant

across quantiles, ranging from 38.9 percent at the 0.1 quantile to 70.1 percent at the 0.9 quantile. The differences at the quantiles of the conditional distribution associated with advanced qualifications imply a 104.6 percent at the 0.1 quantile and 176.2 percent at the 0.9 quantile. When individual effects are included, the estimated effects at the lower tail are increased, suggesting a relatively constant gap across quantiles of the earning distribution.

In the PSID, the immigrant/native earnings gap is negative and significant. For instance, workers on non-english speaking countries have earnings 43.3 percent lower than the native worker at the 0.1 quantile, and 31.4 percent lower than natives at the 0.9 quantile. Additionally, workers born in English speaking countries earn 22.6 percent less than natives at the 0.1 quantile, and 36.2 percent at the 0.9 quantile. These estimated earnings differentials continue to be negative and significant in the models with individual effects.

It is interesting to examine the sensitivity of the results to the choice of the tuning parameter λ . We briefly investigate the effect of the tuning parameter λ on the estimates corresponding to the coefficient associated with non-English speaking countries in our sample of male workers. By increasing λ , we can examine the results corresponding to different ways of addressing individual heterogeneity: from a fixed effects approach for $\lambda \approx 0$, to a classical quantile regression approach for $\lambda \geq 5.5$. For simplicity, we present in Figure 6.2 the effects corresponding at the $\{0.1, 0.5, 0.9\}$ quantiles of the conditional distribution of earnings distribution. The pooled quantile regression results indicate heterogeneous effects across the quantiles of the conditional earnings distribution, although this heterogeneity seems be attributed to unobserved differences in language ability and unobserved skills. The estimated differentials are smaller when the tuning parameter λ tends to zero.

Finally, it is also interesting to see that the earnings differential associated with country of origin appears to be gender specific. Table 6.6 shows that immigrants earn less than natives, but Table 6.7 suggests that only the effect associated with being born in a non-English speaking country is significant at standard levels. When we estimate a model with additional covariates (Tables 6.8 and 6.9), we find that this result is robust to the inclusion of additional variables.

The findings of Table 6.9 suggest that native-immigrant earnings differentials are not associated with immigrant status. The estimated effects associated with being born in a non-English country are negative and significant across the quantiles of the conditional distribution of earnings. The evidence suggests that immigrants who have

weak English proficiency receive lower wages. The estimated effects associated with being born in an English speaking country also suggest that immigrants earn lower wages, although English proficiency seems to erase the differentials between natives and immigrants among relatively high paid workers.

As with the British data, the full model reveals very similar returns to education and experience for men in the U.S. In contrast to the British sample, we see significant cohort effects in the U.S. The cohort penalty is less for younger groups. However, immigrants with more years since immigration see higher earnings, particularly in the upper quantiles. High-earning immigrant men appear to have gained U.S.-specific skills that are valued in the labor market. The U.S. data show significant wage differences across racial and ethnic groups, as expected. Male workers in the U.S. earn higher wages when they have children and if they belong to a union.

Turning to women in the U.S., the returns to schooling are lower again in the full model. Here, marital status yields no penalty, but each child lowers a woman's wage by an average of 4% at the lowest quantiles. Cohort effects are often negative, as they were for men, but the actual penalties are much smaller in magnitude. The return to years since migration is also higher for women than men in the U.S. These results suggest circumstances by which the female immigration penalty is mitigated for some. Racial and ethnic wage differentials persist. Union status benefits women a great deal, except at the top quantile of conditional earnings.

6. CONCLUSIONS

We use a relatively new panel data quantile regression method to explore immigrant-native wage differentials throughout the conditional earnings distribution, while controlling for individual heterogeneity. With data from the United Kingdom, we find that male immigrants from non-English-speaking countries often earn significantly lower wages than natives consistently throughout the (conditional) wage distribution. Immigrants who have weaker English proficiency receive substantially lower wages. Our tests reveal that individual heterogeneity is important in determining earnings, and our panel data methods reveal robust earnings differentials at the mean and some additional points in the wage distribution. For instance, at the tenth decile of earnings, the impact of immigrating from a non-English speaking country is 17.4 percent lower earnings. This could highlight the importance of language skills among low-earners, that these immigrants select into lower-wage jobs, and/or the presence of wage discrimination. We also see that the parameters on immigrating

from an English-speaking country become much less significant in our full model. This likely reveals that unobserved characteristics (not their immigrant status) explain high wages among these workers. The results for the female sample are quite different, revealing hardly any significant differential.

We also explore differentials among American immigrants and natives. In the U.S. immigrant men receive lower wages in nearly every case, regardless of country of origin. Furthermore, the effect of immigrating generally increases monotonically throughout the distribution, suggesting that immigration serves to expand the income distribution in the U.S. It is particularly interesting to note the results from the panel data model; controlling for individual heterogeneity reveals that immigrants from English-speaking countries receive a larger wage penalty than those from countries like Mexico. Turning our attention to women in the U.S., we see that high-paid women from English countries receive earnings much like their native counterparts. Immigrant women from non-English countries earn much lower wages, substantially so in the panel data model. These negative differentials rise monotonically as wages rise, suggesting that perhaps these women face poor job prospects. Given the prevalence of women in the service sector, it is easy to believe that language ability is particularly important.

There are continuing debates about the effects of immigration and the role of immigrants in host countries. To aid our ongoing discovery about the work-life experiences of immigrants, we employ a new technique to more carefully understand earnings differentials. It is clear that wage differences remain, and vary a great deal among men and women, by country of origin, and across the earnings distribution.

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Variables	BHPS		PSID	
	Males	Females	Males	Females
Native-born workers				
Wage rate	459.246 (255.905)	255.306 (184.795)	26.450 (27.442)	18.296 (14.860)
Intermediate qualifications	0.854 (0.354)	0.842 (0.365)	0.813 (0.390)	0.848 (0.359)
Advanced qualifications	0.054 (0.226)	0.024 (0.154)	0.112 (0.316)	0.102 (0.303)
Experience	20.676 (8.99)	22.311 (9.658)	24.363 (8.670)	24.546 (8.482)
Married	0.676 (0.468)	0.686 (0.464)	0.844 (0.363)	0.705 (0.456)
Hours	39.118 (6.881)	29.378 (10.845)	45.966 (10.360)	39.035 (10.640)
Union	0.432 (0.495)	0.448 (0.497)	0.200 (0.400)	0.159 (0.366)
Immigrant workers				
Wage rate	541.532 (385.899)	303.991 (230.052)	15.278 (12.683)	14.898 (13.180)
Intermediate qualifications	0.873 (0.333)	0.799 (0.401)	0.449 (0.498)	0.632 (0.483)
Advanced qualifications	0.127 (0.333)	0.090 (0.286)	0.087 (0.281)	0.088 (0.284)
Experience	18.491 (8.867)	22.058 (9.089)	27.050 (9.635)	24.865 (8.451)
Married	0.770 (0.421)	0.606 (0.489)	0.872 (0.334)	0.668 (0.472)
Hours	39.343 (6.068)	32.530 (9.650)	46.074 (11.773)	40.015 (9.674)
Union	0.351 (0.478)	0.480 (0.500)	0.148 (0.355)	0.135 (0.343)
Non-English Speaking Foreign-Born	0.651 (0.477)	0.740 (0.439)	0.937 (0.243)	0.824 (0.382)
English Speaking Foreign-Born	0.349 (0.477)	0.260 (0.439)	0.063 (0.243)	0.176 (0.382)
Years since migration	27.946 (9.805)	26.423 (10.138)	17.433 (7.558)	16.779 (7.234)
Number of workers	1004	1251	1918	1758
Number of observations	8366	10373	10090	8790

TABLE 6.1. *Descriptive statistics for the samples from the U.K. and U.S. We presents descriptive statistics by gender and immigrant status. The data are from British Household Panel Survey (BHPS) and Panel Study of Income Dynamics (PSID).*

	$\hat{\lambda}$	Quantiles					Mean
		0.10	0.25	0.50	0.75	0.90	
Pooled Methods							
Intermediate qualifications	12	0.158* (0.028)	0.177* (0.022)	0.209* (0.021)	0.235* (0.026)	0.225* (0.028)	0.207* (0.040)
Advanced qualifications	12	0.566* (0.043)	0.617* (0.033)	0.578* (0.032)	0.564* (0.039)	0.486* (0.043)	0.556* (0.059)
Experience	12	0.040* (0.004)	0.034* (0.003)	0.037* (0.003)	0.034* (0.003)	0.034* (0.004)	0.038* (0.006)
Experience Squared/100	12	-0.099* (0.009)	-0.083* (0.006)	-0.086* (0.006)	-0.073* (0.007)	-0.077* (0.007)	-0.091* (0.012)
Married	12	0.172* (0.018)	0.169* (0.014)	0.148* (0.013)	0.127* (0.016)	0.145* (0.018)	0.153* (0.027)
Non-English Speaking Foreign-Born	12	-0.136* (0.047)	-0.242* (0.036)	-0.170* (0.035)	-0.105 [†] (0.043)	-0.169* (0.046)	-0.181 [†] (0.079)
English Speaking Foreign-Born	12	0.112 [‡] (0.065)	0.243* (0.050)	0.294* (0.049)	0.328* (0.060)	0.478* (0.064)	0.305 [†] (0.139)
Location Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects		No	No	No	No	No	No
Observations		8432	8432	8432	8432	8432	8432
Panel Data Methods							
Intermediate qualifications	0.5 [0.2]	0.225* (0.052)	0.222* (0.048)	0.209* (0.048)	0.202* (0.047)	0.197* (0.055)	0.221* (0.040)
Advanced qualifications	0.5 [0.2]	0.628* (0.087)	0.639* (0.065)	0.610* (0.063)	0.600* (0.061)	0.561* (0.068)	0.606* (0.071)
Experience	0.5 [0.2]	0.057* (0.007)	0.047* (0.004)	0.040* (0.004)	0.037* (0.005)	0.038* (0.006)	0.052* (0.003)
Experience Squared/100	0.5 [0.2]	-0.127* (0.017)	-0.102* (0.010)	-0.088* (0.010)	-0.083* (0.011)	-0.086* (0.012)	-0.115* (0.007)
Married	0.5 [0.2]	0.076* (0.024)	0.050* (0.018)	0.041* (0.018)	0.040 [†] (0.019)	0.048 [†] (0.021)	0.055* (0.013)
Non-English Speaking Foreign-Born	0.5 [0.2]	-0.191 [‡] (0.112)	-0.177 (0.111)	-0.149 (0.102)	-0.144 (0.103)	-0.110 (0.106)	-0.137 [‡] (0.083)
English Speaking Foreign-Born	0.5 [0.2]	0.395* (0.119)	0.429* (0.117)	0.423* (0.116)	0.406* (0.112)	0.384* (0.113)	0.331* (0.098)
Location Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects		Yes	Yes	Yes	Yes	Yes	Yes
Observations		8366	8366	8366	8366	8366	8366

TABLE 6.2. Comparison of pooled and panel data results from a BHPS sample of male workers. Mean refers to OLS and random effects estimators. The model also includes an intercept, age, and a quadratic term on age. The symbols [‡], [†], * denote statistically different from zero at the 0.10, 0.05, and 0.01 level of significance. The standard errors are obtained after 1000 panel bootstrap repetitions.

	$\hat{\lambda}$	Quantiles					Mean
	0.10	0.25	0.50	0.75	0.90		
Pooled Methods							
Intermediate qualifications	12	0.488* (0.050)	0.419* (0.040)	0.320* (0.024)	0.354* (0.023)	0.470* (0.020)	0.404* (0.056)
Advanced qualifications	12	1.395* (0.108)	0.984* (0.090)	0.890* (0.055)	0.892* (0.053)	0.919* (0.046)	1.067* (0.108)
Experience	12	0.000 (0.008)	-0.023 (0.007)	-0.008 [†] (0.004)	0.010 (0.004)	0.029* (0.003)	-0.003 (0.007)
Experience Squared/100	12	-0.015 (0.017)	0.025 (0.014)	-0.003 (0.008)	-0.041* (0.008)	-0.079* (0.007)	-0.011 (0.016)
Married	12	-0.290* (0.038)	-0.332* (0.030)	-0.203* (0.018)	-0.107* (0.017)	-0.112* (0.015)	-0.193* (0.037)
Non-English Speaking Foreign-Born	12	0.136 (0.085)	0.114 (0.071)	0.030 (0.043)	0.060 (0.041)	0.021 (0.036)	0.095 (0.082)
English Speaking Foreign-Born	12	0.195 (0.137)	0.424* (0.114)	0.146 [‡] (0.069)	0.020 (0.066)	0.165* (0.056)	0.209 (0.151)
Location Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects		No	No	No	No	No	No
Observations		10437	10437	10437	10437	10437	10437
Panel Data Methods							
Intermediate qualifications	0.4 [0.6]	0.351* (0.093)	0.313* (0.085)	0.275* (0.078)	0.247* (0.075)	0.214* (0.073)	0.406* (0.059)
Advanced qualifications	0.4 [0.6]	1.176* (0.180)	0.988* (0.177)	0.925* (0.168)	0.883* (0.166)	0.826* (0.159)	1.111* (0.110)
Experience	0.4 [0.6]	0.008 (0.007)	0.006 (0.005)	0.000 (0.005)	-0.002 (0.005)	-0.004 (0.007)	0.001 (0.004)
Experience Squared/100	0.4 [0.6]	-0.019 (0.013)	-0.022* (0.008)	-0.019* (0.009)	-0.019* (0.009)	-0.017 (0.013)	-0.018* (0.007)
Married	0.4 [0.6]	-0.179* (0.031)	-0.129* (0.019)	-0.084* (0.015)	-0.066* (0.015)	-0.048 [†] (0.020)	-0.135* (0.018)
Non-English Speaking Foreign-Born	0.4 [0.6]	0.001 (0.163)	0.080 (0.122)	0.081 (0.117)	0.091 (0.114)	0.071 (0.108)	0.150 (0.101)
English Speaking Foreign-Born	0.4 [0.6]	0.250 [‡] (0.137)	0.227 [‡] (0.113)	0.196 [‡] (0.111)	0.186 [‡] (0.108)	0.194 [‡] (0.098)	0.238 [†] (0.135)
Location Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects		Yes	Yes	Yes	Yes	Yes	Yes
Observations		10373	10373	10373	10373	10373	10373

TABLE 6.3. Comparison of pooled and panel data results from a BHPS sample of female workers. Mean refers to OLS and random effects estimators. The model also includes an intercept, age, and a quadratic term on age. The symbols \ddagger , \dagger , $*$ denote statistically different from zero at the 0.10, 0.05, and 0.01 level of significance. The standard errors are obtained after 1000 panel bootstrap repetitions.

	Quantiles					
	0.10	0.25	0.50	0.75	0.90	Mean
Panel Methods						
Intermediate qualifications	0.227* (0.085)	0.231* (0.072)	0.214* (0.069)	0.202* (0.074)	0.201* (0.094)	0.238* (0.041)
Advanced qualifications	0.630* (0.142)	0.643* (0.113)	0.613* (0.106)	0.590* (0.110)	0.575* (0.138)	0.634* (0.072)
Experience	0.054* (0.012)	0.045* (0.007)	0.038* (0.005)	0.036* (0.007)	0.036* (0.011)	0.049* (0.003)
Experience Squared/100	-0.118* (0.028)	-0.097* (0.016)	-0.083* (0.009)	-0.081* (0.015)	-0.081* (0.023)	-0.107* (0.007)
Married	0.068 (0.056)	0.044 (0.027)	0.034 (0.022)	0.035 (0.030)	0.035 (0.052)	0.048* (0.013)
Non-English Speaking	-1.067 [‡] (0.460)	-1.115* (0.430)	-0.954 (0.949)	-0.849 [†] (0.431)	-0.875 [‡] (0.455)	-0.982* (0.392)
Foreign-Born	-0.690 (0.539)	-0.693 (0.493)	-0.553 (0.975)	-0.463 (0.486)	-0.537 (0.518)	-0.573 (0.416)
English Speaking	0.896 (1.482)	1.293 (1.074)	0.945 (1.150)	0.787 (0.715)	0.649 (1.036)	1.210* (0.500)
Arrived in 1946-1962	1.186 (1.581)	1.274 (0.986)	0.918 (1.125)	0.677 (0.712)	0.489 (0.951)	1.197* (0.492)
Arrived in 1963-1972	0.807 (1.311)	0.846 (0.847)	0.597 (0.178)	0.411 (0.601)	0.234 (0.698)	0.884 [‡] (0.454)
Arrived in 1973-1989	-0.002 (0.114)	0.003 (0.057)	0.016 (0.024)	0.023 (0.036)	0.040 (0.055)	-0.001 (0.018)
Years since migration	0.003 (0.196)	-0.022 (0.082)	-0.040 (0.033)	-0.056 (0.057)	-0.086 (0.083)	-0.017 (0.027)
Years since migration ²	0.017 (0.482)	-0.007 (0.343)	0.002 (0.342)	0.085 (0.342)	0.041 (0.344)	0.377 [‡] (0.194)
Black	-0.100 (0.260)	-0.098 (0.236)	-0.094 (0.300)	-0.040 (0.282)	0.027 (0.264)	-0.110 (0.164)
Indian, pakistani, or blangadeshi	0.100 (0.337)	0.099 (0.345)	0.134 (0.209)	0.157 (0.239)	0.147 (0.267)	-0.008 (0.154)
Chinese and other groups	0.007* (0.003)	0.006* (0.002)	0.005* (0.001)	0.005* (0.002)	0.006* (0.003)	0.012* (0.001)
Hours	0.009 (0.023)	0.012 (0.014)	0.010 (0.007)	0.009 (0.011)	0.013 (0.022)	0.008 (0.006)
Number of children	0.052 (0.036)	0.025 (0.020)	0.010 (0.012)	-0.001 (0.018)	-0.013 (0.042)	0.034* (0.010)
Union	Yes	Yes	Yes	Yes	Yes	Yes
Location Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8366	8366	8366	8366	8366	8366

TABLE 6.4. *Panel data estimates from a BHPS sample of male workers. Mean refers to random effects estimators. The model also includes an intercept and the optimal shrinkage estimate is $\hat{\lambda} = 0.4$. The symbols $\ddagger, \dagger, *$ denote statistically different from zero at the 0.10, 0.05, and 0.01 level of significance. The standard errors are obtained after 1000 panel bootstrap repetitions.*

	Quantiles					
	0.10	0.25	0.50	0.75	0.90	Mean
Panel Methods						
Intermediate qualifications	0.217*	0.264*	0.264*	0.265*	0.255*	0.289*
	(0.058)	(0.049)	(0.049)	(0.049)	(0.052)	(0.033)
Advanced qualifications	0.716*	0.749*	0.778*	0.804*	0.826*	0.789*
	(0.115)	(0.102)	(0.101)	(0.100)	(0.105)	(0.075)
Experience	0.025*	0.023*	0.020*	0.021*	0.018*	0.025*
	(0.004)	(0.004)	(0.004)	(0.004)	(0.006)	(0.003)
Experience Squared/100	-0.061*	-0.060*	-0.056*	-0.059*	-0.052*	-0.067*
	(0.009)	(0.008)	(0.009)	(0.008)	(0.011)	(0.006)
Married	-0.002	-0.013	-0.010	-0.015	-0.022	-0.002
	(0.019)	(0.014)	(0.014)	(0.015)	(0.018)	(0.013)
Non-English Speaking	0.028	0.052	0.120	0.152	0.153	-0.020
Foreign-Born	(0.273)	(0.245)	(0.232)	(0.222)	(0.224)	(0.182)
English Speaking	0.179	0.078	0.100	0.121	0.082	0.055
Foreign-Born	(0.234)	(0.212)	(0.195)	(0.180)	(0.181)	(0.145)
Arrived in 1946-1962	0.223	0.076	-0.000	-0.012	-0.010	0.122
	(0.494)	(0.345)	(0.320)	(0.304)	(0.317)	(0.308)
Arrived in 1963-1972	0.162	-0.092	-0.168	-0.193	-0.303	0.015
	(0.427)	(0.319)	(0.296)	(0.283)	(0.294)	(0.258)
Arrived in 1973-1989	0.145	0.102	0.077	0.048	-0.034	0.149
	(0.331)	(0.247)	(0.229)	(0.215)	(0.224)	(0.224)
Years since migration	-0.013	0.002	0.002	0.002	0.010	-0.002
	(0.027)	(0.019)	(0.018)	(0.018)	(0.019)	(0.016)
Years since migration ²	0.014	-0.009	-0.006	-0.007	-0.025	0.005
	(0.042)	(0.031)	(0.030)	(0.028)	(0.029)	(0.027)
Black	0.167	0.120	0.166	0.202	0.192	0.197 [‡]
	(0.169)	(0.156)	(0.151)	(0.143)	(0.142)	(0.106)
Indian, pakistani, or blangadeshi	-0.065	-0.100	-0.116	-0.128	-0.144	-0.162
	(0.147)	(0.144)	(0.145)	(0.150)	(0.149)	(0.129)
Chinese and other groups	0.021	-0.015	-0.020	-0.044	-0.036	0.020
	(0.208)	(0.215)	(0.218)	(0.216)	(0.218)	(0.113)
Hours	0.039*	0.038*	0.037*	0.034*	0.031*	0.038*
	(0.002)	(0.001)	(0.001)	(0.002)	(0.003)	(0.001)
Number of children	-0.087*	-0.067*	-0.056*	-0.051*	-0.044*	-0.073*
	(0.015)	(0.010)	(0.012)	(0.015)	(0.018)	(0.007)
Union	0.095*	0.051*	0.028	0.019	0.006	0.071*
	(0.019)	(0.016)	(0.024)	(0.029)	(0.033)	(0.011)
Location Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	10373	10373	10373	10373	10373	10373

TABLE 6.5. *Panel data estimates from a BHPS sample of female workers. Mean refers to random effects estimators. The model also includes an intercept and the optimal shrinkage estimate is $\hat{\lambda} = 0.4$. The symbols $\ddagger, \dagger, *$ denote statistically different from zero at the 0.10, 0.05, and 0.01 level of significance. The standard errors are obtained after 1000 panel bootstrap repetitions.*

	$\hat{\lambda}$	Quantiles					Mean
		0.10	0.25	0.50	0.75	0.90	
Pooled Methods							
Intermediate qualifications	5.5	0.329* (0.038)	0.350* (0.026)	0.358* (0.022)	0.424* (0.023)	0.531* (0.036)	0.396* (0.035)
Advanced qualifications	5.5	0.716* (0.048)	0.801* (0.032)	0.824* (0.028)	0.881* (0.029)	1.016* (0.046)	0.851* (0.049)
Experience	5.5	0.027* (0.005)	0.030* (0.004)	0.036* (0.003)	0.038* (0.003)	0.033* (0.005)	0.038* (0.005)
Experience Squared/100	5.5	-0.049* (0.011)	-0.053* (0.008)	-0.063* (0.007)	-0.063* (0.008)	-0.058* (0.011)	-0.069* (0.010)
Married	5.5	0.256* (0.029)	0.226* (0.020)	0.202* (0.017)	0.205* (0.017)	0.215* (0.028)	0.224* (0.028)
Non-English Speaking Foreign-Born	5.5	-0.568* (0.048)	-0.461* (0.032)	-0.404* (0.028)	-0.366* (0.029)	-0.377* (0.046)	-0.418* (0.050)
English Speaking Foreign-Born	5.5	-0.257 [‡] (0.146)	-0.422* (0.105)	-0.423* (0.091)	-0.413* (0.093)	-0.450* (0.145)	-0.370* (0.116)
Location Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects		No	No	No	No	No	No
Observations		10090	10090	10090	10090	10090	10090
Panel Data Methods							
Intermediate qualifications	0.5 [0.2]	0.412* (0.067)	0.380* (0.054)	0.385* (0.052)	0.385* (0.053)	0.375* (0.061)	0.402* (0.039)
Advanced qualifications	0.5 [0.2]	0.840* (0.082)	0.816* (0.068)	0.825* (0.065)	0.838* (0.067)	0.868* (0.083)	0.858* (0.052)
Experience	0.5 [0.2]	0.064* (0.011)	0.049* (0.008)	0.041* (0.005)	0.035* (0.007)	0.031* (0.010)	0.050* (0.004)
Experience Squared/100	0.5 [0.2]	-0.118* (0.023)	-0.088* (0.015)	-0.074* (0.010)	-0.062* (0.013)	-0.054* (0.019)	-0.091* (0.008)
Married	0.5 [0.2]	0.113* (0.053)	0.076 [†] (0.034)	0.056 [†] (0.024)	0.055 [‡] (0.032)	0.022 (0.049)	0.102* (0.021)
Non-English Speaking Foreign-Born	0.5 [0.2]	-0.368* (0.082)	-0.381* (0.068)	-0.359* (0.066)	-0.323* (0.066)	-0.327* (0.074)	-0.394* (0.046)
English Speaking Foreign-Born	0.5 [0.2]	-0.469 (0.315)	-0.491 [†] (0.211)	-0.445 [‡] (0.210)	-0.451 [†] (0.233)	-0.341* (0.315)	-0.382* (0.126)
Location Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects		Yes	Yes	Yes	Yes	Yes	Yes
Observations		10090	10090	10090	10090	10090	10090

TABLE 6.6. Comparison of pooled and panel data results from a PSID sample of male workers. Mean refers to OLS and random effects estimators. The model also includes an intercept, age, and a quadratic term on age. The symbols [‡], [†], * denote statistically different from zero at the 0.10, 0.05, and 0.01 level of significance. The standard errors are obtained after 1000 panel bootstrap repetitions.

	$\hat{\lambda}$	Quantiles					Mean
		0.10	0.25	0.50	0.75	0.90	
Pooled Methods							
Intermediate qualifications	5.5	0.396* (0.047)	0.339* (0.035)	0.356* (0.031)	0.368* (0.031)	0.388* (0.048)	0.376* (0.047)
Advanced qualifications	5.5	0.960* (0.057)	0.924* (0.043)	0.932* (0.038)	0.890* (0.038)	0.828* (0.059)	0.892* (0.058)
Experience	5.5	0.009 (0.006)	0.013* (0.005)	0.015* (0.004)	0.009† (0.004)	0.015‡ (0.006)	0.011* (0.005)
Experience Squared/100	5.5	-0.015 (0.012)	-0.025* (0.009)	-0.029* (0.008)	-0.019† (0.008)	-0.033* (0.012)	-0.022* (0.011)
Married	5.5	0.064† (0.026)	0.097* (0.020)	0.068* (0.018)	0.067* (0.017)	0.073* (0.026)	0.064* (0.024)
Non-English Speaking Foreign-Born	5.5	-0.296* (0.063)	-0.359* (0.047)	-0.315* (0.042)	-0.297* (0.042)	-0.262* (0.065)	-0.301* (0.072)
English Speaking Foreign-Born	5.5	0.123 (0.343)	0.011 (0.097)	-0.191† (0.087)	-0.332* (0.086)	0.002 (0.133)	-0.031 (0.149)
Location Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects		No	No	No	No	No	No
Observations		8790	8790	8790	8790	8790	8790
Panel Data Methods							
Intermediate qualifications	0.5 [0.6]	0.452* (0.087)	0.423* (0.072)	0.360* (0.065)	0.333* (0.064)	0.305* (0.076)	0.381* (0.056)
Advanced qualifications	0.5 [0.6]	1.050* (0.106)	1.043* (0.084)	0.991* (0.079)	0.963* (0.078)	0.941* (0.091)	0.911* (0.068)
Experience	0.5 [0.6]	0.037* (0.011)	0.032* (0.008)	0.028* (0.006)	0.019* (0.008)	0.011 (0.010)	0.019* (0.004)
Experience Squared/100	0.5 [0.6]	-0.065* (0.022)	-0.056* (0.016)	-0.050* (0.019)	-0.035† (0.015)	-0.021 (0.020)	-0.039* (0.008)
Married	0.5 [0.6]	0.038 (0.041)	0.040 (0.034)	0.026 (0.028)	0.021* (0.030)	0.032 (0.039)	0.037‡ (0.021)
Non-English Speaking Foreign-Born	0.5 [0.6]	-0.395* (0.103)	-0.396* (0.090)	-0.359* (0.088)	-0.363 (0.085)	-0.334* (0.098)	-0.274* (0.059)
English Speaking Foreign-Born	0.5 [0.6]	-0.110 (0.175)	-0.179 (0.187)	-0.197 (0.188)	-0.179 (0.174)	-0.197 (0.185)	-0.005 (0.097)
Location Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies		Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects		Yes	Yes	Yes	Yes	Yes	Yes
Observations		8790	8790	8790	8790	8790	8790

TABLE 6.7. Comparison of pooled and panel data results from a PSID sample of female workers. Mean refers to OLS and random effects estimators. The model also includes an intercept, age, and a quadratic term on age. The symbols ‡, †, * denote statistically different from zero at the 0.10, 0.05, and 0.01 level of significance. The standard errors are obtained after 1000 panel bootstrap repetitions.

	Quantiles					
	0.10	0.25	0.50	0.75	0.90	Mean
Panel Methods						
Intermediate qualifications	0.393* (0.056)	0.367* (0.047)	0.364* (0.046)	0.370* (0.044)	0.367* (0.040)	0.359* (0.039)
Advanced qualifications	0.794* (0.078)	0.794* (0.066)	0.795* (0.065)	0.807* (0.059)	0.837* (0.057)	0.786* (0.052)
Experience	0.066* (0.006)	0.051* (0.004)	0.042* (0.003)	0.038* (0.003)	0.036* (0.003)	0.051* (0.004)
Experience Squared/100	-0.119* (0.011)	-0.088* (0.007)	-0.072* (0.006)	-0.066* (0.007)	-0.062* (0.008)	-0.093* (0.009)
Married	0.095* (0.034)	0.043 [‡] (0.023)	0.030 (0.019)	0.030 (0.019)	-0.004 (0.030)	0.079* (0.021)
Non-English Speaking	0.654* (0.267)	0.631* (0.243)	0.554 [†] (0.256)	0.512 [‡] (0.267)	0.384 (0.452)	0.390 [†] (0.182)
English Speaking	0.375 (0.268)	0.271 (0.216)	0.197 (0.225)	0.121 (0.233)	0.041 (0.524)	0.245 (0.183)
Foreign-Born	-1.281* (0.419)	-1.213* (0.293)	-1.109* (0.306)	-1.074* (0.300)	-1.108* (0.489)	-1.092* (0.225)
Arrived in 1966-1979	-1.188* (0.381)	-1.160* (0.270)	-1.011* (0.287)	-1.038* (0.277)	-1.037* (0.476)	-1.018* (0.198)
Arrived in 1980-1988	-1.108* (0.335)	-1.120* (0.230)	-1.003* (0.259)	-0.978* (0.259)	-1.007* (0.458)	-0.955* (0.192)
Arrived in 1989-1996	0.017 (0.029)	0.027 [‡] (0.015)	0.019 (0.014)	0.027 [†] (0.013)	0.044* (0.019)	0.027 [†] (0.012)
Years since migration	-0.001 (0.070)	-0.054 (0.041)	-0.028 (0.039)	-0.053 (0.036)	-0.093 [‡] (0.049)	-0.037 (0.032)
Years since migration ²	-0.278* (0.033)	-0.275* (0.031)	-0.262* (0.030)	-0.235* (0.030)	-0.234* (0.033)	-0.280* (0.030)
Black	0.204 (0.135)	0.306* (0.102)	0.294* (0.100)	0.281* (0.109)	0.304 [†] (0.136)	0.218 [‡] (0.113)
Asian	-0.292* (0.081)	-0.299* (0.081)	-0.275* (0.070)	-0.268* (0.075)	-0.226* (0.084)	-0.296* (0.098)
Latino	0.087 (0.248)	0.063 (0.155)	0.039 (0.160)	0.005 (0.164)	-0.045 (0.159)	-0.204 (0.241)
Native american	-0.091 (0.146)	-0.076 (0.147)	-0.053 (0.143)	-0.037 (0.150)	-0.028 (0.141)	-0.062 (0.084)
Other races	-0.007* (0.001)	-0.009* (0.001)	-0.010* (0.001)	-0.011* (0.001)	-0.011* (0.001)	-0.008* (0.001)
Hours	0.001 (0.010)	0.014* (0.006)	0.019* (0.005)	0.021* (0.005)	0.025* (0.007)	0.020* (0.007)
Number of children	0.153* (0.026)	0.102* (0.018)	0.073* (0.017)	0.051* (0.017)	0.009 (0.022)	0.104* (0.019)
Union	Yes	Yes	Yes	Yes	Yes	Yes
Location Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	10090	10090	10090	10090	10090	10090

TABLE 6.8. Panel data estimates from a PSID sample of male workers. Mean refers to random effects estimators. The model also includes an intercept and the optimal shrinkage estimate is $\hat{\lambda} = 0.4$. The symbols [‡], [†], * denote statistically different from zero at the 0.10, 0.05, and 0.01 level of significance. The standard errors are obtained after 1000 panel bootstrap repetitions.

	Quantiles					
	0.10	0.25	0.50	0.75	0.90	Mean
Panel Methods						
Intermediate qualifications	0.365* (0.086)	0.335* (0.074)	0.281* (0.062)	0.252* (0.061)	0.258* (0.056)	0.322* (0.056)
Advanced qualifications	0.883* (0.096)	0.898* (0.082)	0.857* (0.071)	0.836* (0.071)	0.849* (0.073)	0.827* (0.068)
Experience	0.041* (0.007)	0.031* (0.004)	0.027* (0.004)	0.019* (0.004)	0.012* (0.006)	0.022* (0.005)
Experience Squared/100	-0.079* (0.014)	-0.062* (0.008)	-0.055* (0.008)	-0.040* (0.009)	-0.029* (0.012)	-0.048* (0.009)
Married	0.014 (0.030)	0.012 (0.020)	-0.002 (0.016)	-0.003 (0.019)	0.004 (0.027)	0.007 (0.021)
Non-English Speaking	-1.091* (0.167)	-0.525* (0.131)	-0.552* (0.122)	-0.182 (0.122)	-0.282 [†] (0.134)	-0.446 (0.634)
Foreign-Born	-0.831* (0.191)	-0.362 [†] (0.181)	-0.387* (0.156)	0.000 (0.151)	-0.058 (0.182)	-0.173 (0.642)
English Speaking	0.503 (0.357)	0.162 (0.262)	0.156 (0.209)	-0.357 (0.245)	-0.340 (0.298)	-0.065 (0.668)
Arrived in 1966-1979	0.169 (0.349)	-0.057 (0.233)	-0.156 (0.204)	-0.565* (0.226)	-0.607* (0.263)	-0.245 (0.659)
Arrived in 1980-1988	0.471 [‡] (0.279)	0.119 (0.182)	0.038 (0.164)	-0.338 [‡] (0.180)	-0.365 (0.234)	-0.032 (0.652)
Arrived in 1989-1996	0.050 (0.032)	0.028 (0.022)	0.041 [†] (0.018)	0.034 [‡] (0.020)	0.048 [‡] (0.028)	0.045 [†] (0.021)
Years since migration	-0.134 (0.085)	-0.083 (0.063)	-0.122 [†] (0.056)	-0.078 (0.059)	-0.106 (0.086)	-0.112 [‡] (0.058)
Years since migration ²	-0.143* (0.036)	-0.134* (0.033)	-0.137* (0.032)	-0.126* (0.032)	-0.084* (0.034)	-0.117* (0.027)
Black	0.468 [†] (0.231)	0.412 [‡] (0.221)	0.399 [‡] (0.223)	0.429 (0.248)	0.564 [†] (0.272)	0.479* (0.114)
Asian	-0.171 (0.131)	-0.244* (0.115)	-0.182 [‡] (0.107)	-0.170 (0.105)	-0.151 (0.110)	-0.229* (0.079)
Latino	-0.329 (0.303)	-0.286 (0.330)	-0.143 (0.292)	-0.107 (0.305)	-0.228 (0.277)	-0.114 (0.189)
Native american	-0.104 (0.121)	-0.138 (0.097)	-0.101 (0.090)	-0.056 (0.089)	-0.043 (0.082)	-0.144 [‡] (0.083)
Other races	-0.006* (0.001)	-0.007* (0.001)	-0.008* (0.001)	-0.010* (0.001)	-0.013* (0.001)	-0.008* (0.001)
Hours	-0.043* (0.012)	-0.032* (0.009)	-0.017* (0.007)	-0.013 [‡] (0.007)	-0.005 (0.008)	-0.027* (0.008)
Number of children	0.102* (0.029)	0.097* (0.020)	0.074* (0.018)	0.047* (0.018)	0.027 (0.019)	0.091* (0.019)
Union	Yes	Yes	Yes	Yes	Yes	Yes
Location Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Individual Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8790	8790	8790	8790	8790	8790

TABLE 6.9. Panel data estimates from a PSID sample of female workers. Mean refers to random effects estimators. The model also includes an intercept and the optimal shrinkage estimate is $\hat{\lambda} = 0.5$. The symbols [‡], [†], * denote statistically different from zero at the 0.10, 0.05, and 0.01 level of significance. The standard errors are obtained after 1000 panel bootstrap repetitions.

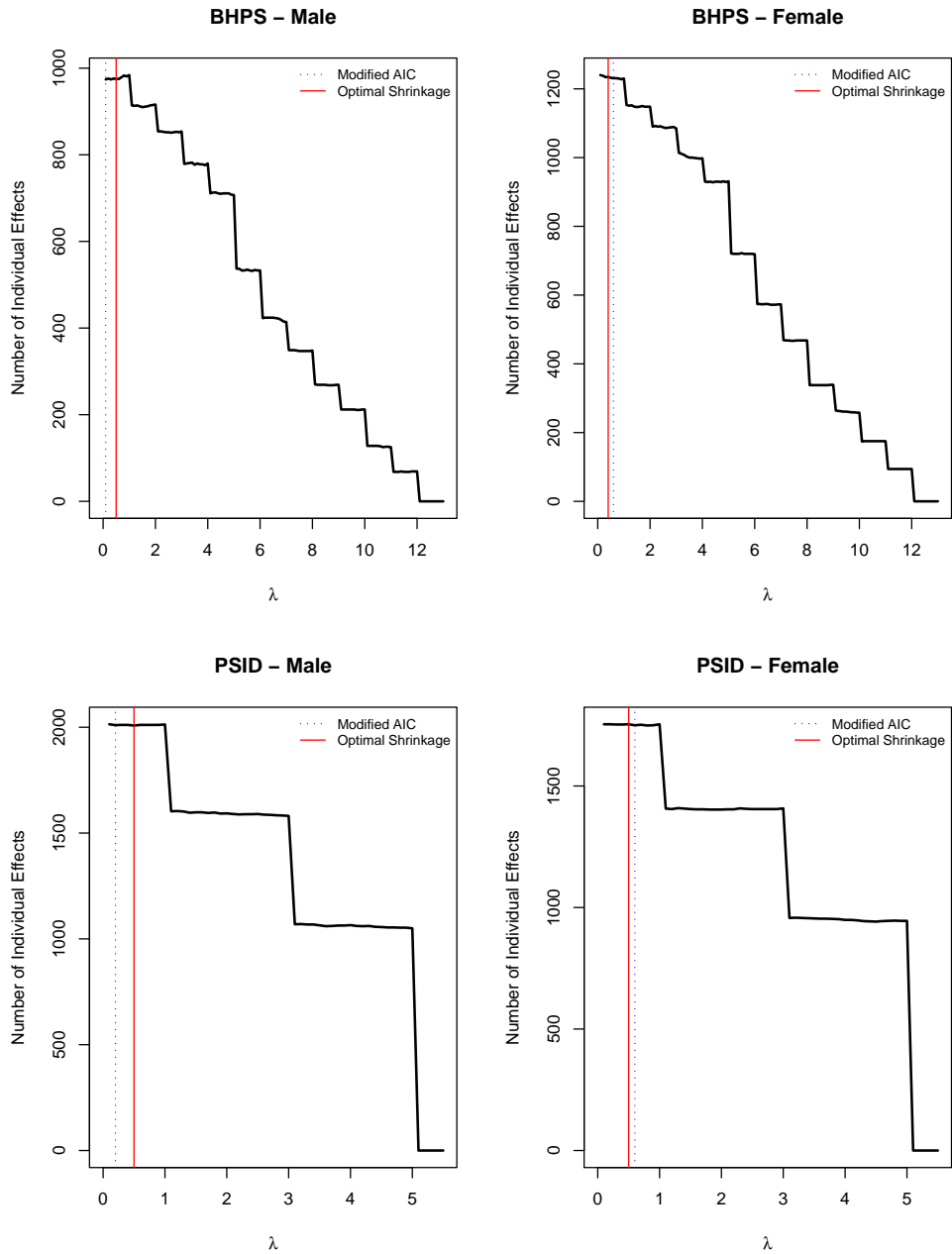


FIGURE 6.1. *Shrinkage and tuning parameter selection.* The figure shows the number of nuisance parameter estimated in the models as a function of the shrinkage parameter λ . The two alternative ways of selecting the shrinkage parameter are indicated by the vertical lines.

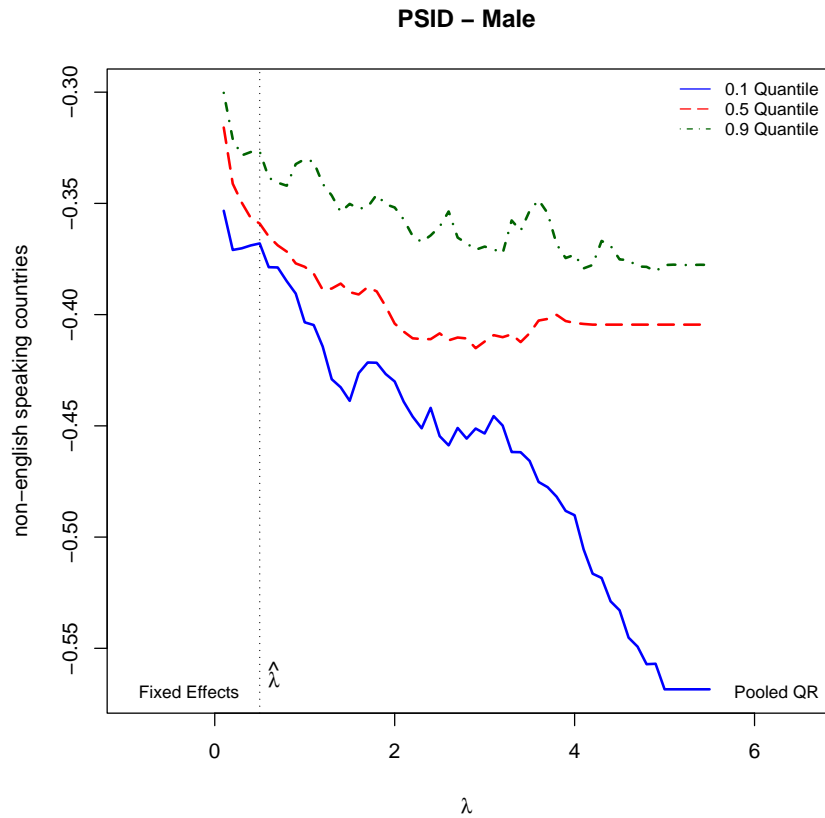


FIGURE 6.2. *The role of immigrant unobserved heterogeneity in the PSID sample. The figure shows the profile of the estimated effect of being born in non-English speaking countries as a function of the tuning parameter. Fixed effects estimates are shown at $\lambda = 0$ and pooled quantile regression estimates at $\lambda = 5.5$. The optimal shrinkage parameter estimate is indicated by $\hat{\lambda}$ and is 0.5. The figure shows that the native-born/immigrant differentials across quantiles suggested by the pooled approach could be attributed to unobserved differences in language skills and ability.*