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COMMENT ON PORTES AND JENSEN,
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PROBLEMS IN RESOLVING THE ENCLAVE ECONOMY DEBATE*

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Debates in the social sciences frequently go unresolved — they persist as long as the debating parties sustain independent research programs and secure outlets for their publications (Alexander and Colomy forthcoming). In part, this reflects the discursive character of theoretical discourse between and within academic traditions and schools of thought. Yet even when social scientists attempt to verify hypotheses through empirical tests, resolution of differences are often difficult to achieve. Debate over the enclave economy hypothesis exemplifies this dilemma. Notwithstanding, we believe that the current exchange moves the enclave economy debate toward an empirically-grounded resolution.

Portes and Jensen (1989) considered four hypotheses in their defense of the enclave economy hypothesis. The first and third of these hypotheses address issues that were previously debated in the *ASR*. Our comments focus on Hypotheses I and III.

DESCRIPTIVE ANALYSIS

The first hypothesis considered by Portes and Jensen (1989) is:

There is no difference in the economic effects of enclave participation, whether measured by where members of an ethnic minority live or where they work. (p. 931)

Portes and Jensen use the 1980 5 percent census sample (PUMS) for Florida to examine Hypothesis I. The organization of their Table 1, however, fails to directly address the question raised by their hypothesis. The question is whether a comparison between workers in and out of the enclave differs when the enclave is defined by: (1)

place of work or (2) place of residence. Their first table separates the sample into four groups. This comparison shows that those who work in the enclave but live in the suburbs tend to be advantaged over those who live and work in the cities of Miami and Hialeah and county group 48. Nobody questions this; it reflects middle-class suburbanization, a pattern found in virtually every American city. The important thing to understand is that this observation does not seriously address Hypothesis I.

To consider whether a comparison between workers in and out of the enclave changes when the enclave is defined by place of work or residence, all (advantaged and disadvantaged) cases in the enclave should be compared to all cases out of the enclave. This requires two comparisons: one that uses place of work to define the enclave, and one that uses place of residence. These comparisons are shown in Table 1 of this comment. Regardless of whether the enclave is defined by place of work or residence, employees in the enclave report lower earnings, less education, a lower rate of U.S. citizenship, a higher incidence of recent immigration, a lower level of English mastery, and a smaller concentration in executive, administrative, or managerial occupations. When place of residence defines the enclave, the likelihood of holding professional specialty occupations is also greater outside the enclave. When place of work defines the enclave, these occupations are more common in the enclave. This pattern is identical for the self-employed.

The enclave/nonenclave differences tend to be statistically significant when place of residence defines the enclave. When place of work defines the enclave, however, several differences are not significant. There are two reasons for this. First, the sample is more than twice as large when place of residence is the criterion. Second, the magnitudes of the enclave/nonenclave differences are smaller when place of work is the criterion. That smaller differences resulted when place of work is the criterion is partially due to the different definitions of the enclave and partially due to selection bias incurred when 60 percent of the cases are not coded for place of work. The subsample for whom place of work is coded is significantly higher in earnings, years of schooling, percent holding a college degree, and proportion of executive, administrative, and managerial occupations than the subsample for whom place of work is uncoded ($p < .05$). Similarly, those for whom place of work is coded are significantly less likely to be

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Table 1. Socioeconomic Characteristics of Cuban-Born Men and Women Aged 18 to 64 Who Worked at Least 20 Hours Per Week and Earned \$500 or More in 1979: State of Florida

Variable	Sector Employees			
	Enclave Defined by Place of Residence		Enclave Defined by Place of Work	
	(1) Enclave Workers	(2) Nonenclave Workers	(3) Enclave Workers	(4) Nonenclave Workers
N	4,358	3,750	2,036	1,307
Education in years	10.6 ^{††}	12.1	11.4	11.6
Percent college graduate	9.8 ^{††}	16.3	12.9	14.6
Percent in professional specialty occupations	3.2 ^{††}	6.3	5.0	4.7
Percent in executive, administration, managerial occupations	7.5 ^{††}	12.9	11.1	11.4
Percent speaking English well	27.7 ^{††}	48.8	36.2 ^{††}	41.3
Percent U.S. citizen	39.8 ^{††}	57.7	48.2	50.3
Percent immigrated before 1970	71.7 ^{††}	83.4	76.8 ^{††}	80.9
Mean 1979 earnings ^a	\$9,042 ^{††}	\$11,729	\$10,710 [†]	\$11,218
Mean 1979 earnings ^b	\$9,096 ^{††}	\$11,852	\$10,838	\$11,325

Variable	Self-Employed			
	Enclave Defined by Place of Residence		Enclave Defined by Place of Work	
	(1) Enclave Workers	(2) Nonenclave Workers	(3) Enclave Workers	(4) Nonenclave Workers
N	502	567	276	170
Education in years	10.9 ^{††}	12.8	11.9	12.4
Percent college graduate	15.5 ^{††}	29.8	23.6	27.6
Percent in professional specialty occupations	10.2 ^{††}	16.9	13.4	12.9
Percent in executive, administration, managerial occupations	20.5	22.6	18.8	24.7
Percent speaking English well	20.7 ^{††}	44.3	25.4 ^{††}	37.6
Percent U.S. citizen	48.0 ^{††}	66.7	56.9	60.6
Percent immigrated before 1970	77.3 ^{††}	87.3	81.5	82.9
Mean 1979 total earnings	\$14,688 ^{††}	\$22,351	\$19,237	\$21,711

[†] $p < .10$, difference between columns 1 and 2 or 3 and 4 ^{††} $p < .05$, difference between columns 1 and 2 or 3 and 4

^a Omits any additional earnings from self-employment during the year. This is the measure of earnings Portes/Jensen and Sanders/Nee use in their regression analyses of employees.

^b Includes additional earnings from self-employment. This is the measure of earnings that is used by Portes and Jensen (1989) and Jensen and Portes in their "Correction" (Table 1).

recent immigrants (1970 to 1979) or to live in Miami and Hialeah (including county group 48). In other words, the 60 percent reduction of sample size resulted in an inadvertent selection bias because fewer disadvantaged enclave workers were coded relative to wealthier suburbanites. Restricting the sample to cases coded for place of

work systematically overrepresents advantaged suburbanites and underrepresents disadvantaged Cubans in the core of the enclave. These biases throw a misleadingly favorable light on the enclave. Contrary to Portes and Jensen (1989) and the Jensen and Portes "Correction" published here, the descriptive data indicate that we *cannot* reject

Hypothesis I (a null hypothesis). Moreover, the data show that the enclave tends to be associated with disadvantage.

EXPLANATORY ANALYSIS

Portes and Jensen's (1989) third hypothesis is:

Participation in an ethnic economy may yield significant economic gains for entrepreneurs, but not for workers. Relative to individuals of similar qualifications in outside employment, enclave workers receive lower earnings. (p. 931)

This hypothesis is attributed to Sanders and Nee (1987). The analyses reported in the Jensen and Portes "Correction" (henceforward JP) are based on weighted regressions. JP applied the weighting in an effort to correct for an undersampling of a small minority of the Cuban-born population that occurred when the data file was constructed (by others who had different sampling needs) from the 1980 5 percent PUMS for Florida.

The relevant analyses are reported in Portes and Jensen's (1989) Tables 6 and 7, and they discuss corrected analyses in their "Correction." Under the fully corrected specification, they find that enclave employment for men associates with a 5.6 percent disadvantage in earnings with a two-tail probability of .06 (Table 6). We re-estimated their model on the complete PUMS sample (with no undersampling and therefore no weighting) and found that male employees in the enclave experience a 6 percent disadvantage in earnings with a two-tail probability of .05. We also estimated the model with place of residence defining the enclave, and the significant negative enclave effect on male earnings was replicated. (Our analyses are available on request.) The findings, including those of JP, suggest the existence of a negative enclave effect on the earnings of men.

The weighted regressions reported by JP reveal no important interactions involving human capital (and individual characteristics in general) and working in or out of the enclave. That is, beyond the net enclave disadvantage for men discussed above, there appears to be no additional disadvantages associated with the enclave. In re-estimating their model on the complete PUMS sample (no undersampling), however, we found that the earning return to years of schooling is lower in the enclave (2.32 percent versus 0.92 percent); the two-tail probability of this difference is .05. This finding is replicated when place of residence defines the enclave.

CONCLUSIONS

The argument of Portes and Jensen that their first and third hypotheses can be rejected is unconvincing. As for Hypothesis I, their organization of Table 1 obscures a systematic pattern of disadvantage in the enclave. The pattern holds whether the enclave is defined by place of work or residence. With respect to Hypothesis III, both the unweighted and weighted regressions indicate that men in the enclave experience a net disadvantage in earnings. Further, unweighted regressions on the complete PUMS sample (no undersampling) reveal that earning returns to years of schooling are lower in the enclave. These findings are replicated when the enclave is defined by place of residence. The lower earning return to years of schooling, however, is not replicated when JP apply weighted regression to their sample in which there is a small undersampling of people born in Cuba.

Though disagreements will likely persist, this exchange should facilitate a resolution of the enclave economy debate. The weight of the evidence provided by Sanders and Nee (1987), Portes and Jensen (1987, 1989), Nee and Sanders (1987), the Jensen and Portes "Correction" that corrects mistakes reported in Portes and Jensen (1989), and our reanalyses (discussed in this comment) indicates that employment in the enclave economy is associated with some disadvantaged earning returns among employees. Our main point in all of this is that whether defined as place of residence or place of work, results reported by both research teams are similar enough to confirm disadvantages in the enclave economy for employees, but not for entrepreneurs. This is what Sanders and Nee (1987) showed. The scholarly community, to which the enclave economy debate has been addressed, may assess on the basis of this empirically-grounded discourse, whether or not we are correct in suggesting a resolution of this debate.

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REPLY TO SANDERS AND NEE

DISPROVING THE ENCLAVE HYPOTHESIS*

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The long-running debate of which this exchange is part is not about trivial issues. If our position on ethnic entrepreneurship is correct, there is an unorthodox, but important avenue for economic mobility of ethnic minorities that can help explain the "success" of some of these groups and suggest alternative policies for those still mired in poverty. If our critics are right — that the ethnic economy is really a mobility trap — then there is no alternative for minorities than seeking entry into the mainstream labor market on the basis of commonly scarce and devalued human capital.

In the first part of their commentary, Sanders and Nee (henceforward SN) continue to mix two different questions: (1) the theoretical definition of ethnic enclave and (2) the empirical conse-

quences of this phenomenon. There are two definitions of the ethnic enclave: the "everyday" definition, as a place where a particular group happens to live; and the definition used in our previous work, as a concentration of ethnic firms in physical space — generally a metropolitan area — that employ a significant proportion of workers from the same minority (Wilson and Portes 1980). Definitions are *not* hypotheses and are *not* subject to empirical tests of accuracy. They serve to delimit *a priori* the scope to which a particular hypothesis is expected to apply. If SN wish to define ethnic residential areas as "enclaves," that is their privilege; but results based on such a definition are irrelevant to the phenomenon that we studied and which is delimited by the second definition above.

In our earlier paper (Portes and Jensen 1989), we sought to demonstrate that a residential definition of enclaves is inappropriate, even as an empirical approximation to our theoretical definition of the concept. This was done by showing that many members of the relevant minority — Cubans in this case — who work in the area where ethnic firms concentrate (and thus are likely to be "enclave workers" according to our definition) do not live in the same area. They would be excluded from the definition of "enclave worker" if it were based on place of residence. Conversely, many others who live in the area of ethnic concentration do not work there and would be erroneously included as "enclave workers" according to a residential definition.

Now SN collapse these distinctions into a comparison of all enclave workers *versus* all enclave residents. By showing what they believe to be a common "pattern of disadvantage" (Sanders and Nee 1992, p. 4), they conclude that the two categories are essentially equivalent. Not so, according to what an elementary analysis of their composition shows (see Table 1 of our preceding "Correction" on page 412). A definition of "enclave participant" by place of residence results in a very different sample from that which our theoretical definition of the concept calls for. For this reason, we interpret as interesting the results based on the everyday definition of enclaves as places of residence but do not believe they have a bearing on the issue of ethnic enclaves as entrepreneurial clusters.

The second and different question is whether the enclave, defined by ethnic business concentration, is associated with significant economic disadvantages for its workers. Our Table 1 (p. 412) shows that on the average this is not the

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