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The Role of Social Networks in Determining Earnings: A Comparison Analysis of Four Racial and Ethnic Groups

PDF (Size: 159KB) PP. 235-246 DOI: [10.4236/sm.2012.22031](https://doi.org/10.4236/sm.2012.22031)

Author(s)

Nadia Y. Flores-Yeffal, Li Zhang

ABSTRACT

Previous literature shows that social networks built on weak ties provide greater advantages to individual earnings in the labor market. In this research, we evaluate the effect of social networks on earnings for different racial and ethnic groups by operationalizing social networks to the quality social network scores (QNS). We utilize the Multi-City Study of Urban Inequality (MCSUI) dataset to create the QNS for four different racial and ethnic groups: non-Hispanic Whites, Blacks, Hispanics and Asians. We assess how the earning disparities among these racial and ethnic groups are attributable to the quality of social networks of the subgroups in the US labor market. The findings suggest that significant differences exist among these groups concerning the extent to which the QSN predicts earnings. A positive association between the QSN and earnings is found only among non-Hispanic Whites. In contrast, Blacks and Hispanics gain higher wages from relying on strong ties. They benefit equivalently from the same QSN, whereas Asians earn significantly less than Blacks and Hispanics who have the same QSN. The results suggest that Asians are more likely to rely on human capital rather than social capital to improve earnings.

KEYWORDS

Social Networks; Earnings; MCSUI; Race and Ethnicity; International Migration

Cite this paper

Flores-Yeffal, N. & Zhang, L. (2012). The Role of Social Networks in Determining Earnings: A Comparison Analysis of Four Racial and Ethnic Groups. *Sociology Mind*, 2, 235-246. doi: [10.4236/sm.2012.22031](https://doi.org/10.4236/sm.2012.22031).

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