



United States Department of Agriculture

# The Role of Social Capital in Labor Market Outcomes and Migration

Julie Hotchkiss, Federal Reserve Bank of Atlanta, and  
Anil Rupasingha, USDA/Economic Research Service

Presentation at AAEA Post-Conference Workshop on Making the Most of Federal Data: Combining Data for Economic Analysis, 2018, Washington, DC.

*The Findings and Conclusions in This Preliminary Presentation Have Not Been Formally Disseminated by the U. S. Department of Agriculture and Should Not Be Construed to Represent Any Agency Determination or Policy.*



# Motivation

- What is the relationship between the degree of a person's social and civic engagement, labor market outcomes, and migration?
- Numerous studies across various disciplines have established that social capital plays a positive role in economic and social outcomes
- Labor market literature has been more concerned with the operation of social and professional networks and job contacts (who knows who), rather than on social and civic activities and engagement
- A few other labor market studies use social ties through family, friends, and acquaintances
- Our research expands upon this last group of studies by investigating the relationship between the degree of a person's social and civic engagement and specific labor market outcomes and migration



# Data

- There is no one dataset that contains information on employment, migration, and social capital
- The confidential Decennial Census (DC) and Current Population Survey (CPS) are the most suitable to investigate labor market and migration outcomes
  - Tens of millions of observations in DC and 85,000 in CPS
  - Social capital is not observed in the DC (or CPS)
- Use data from Social Capital Community Benchmark Survey (SCCBS)
  - Conducted by the Saguaro Seminar at Harvard's Kennedy School of Government, and disseminated by Roper Center for Public Opinion Archives
  - Covers many dimensions of social capital
  - 28,648 respondents in 2000 survey
  - No labor market and migration outcomes



# Problem: Linking DC (or CPS) with SCCBS

- Basic strategy: Two-sample, two-stage least squares (2S2SLS), made popular by Angrist and Krueger (1992, 1995)
  - Use estimated parameters from one data set to predict a missing variable (social capital) in the second
  - SCCBS contains similarly defined demographics to DC (& CPS)
    - This is fortunate, since we are restricted to those variables that are found in both surveys in order to use the estimated parameters from one data set to predict social capital in the second
  - Estimate social capital using SCCBS as a function of variables that are common to SCCBS and DC (or CPS), then predict social capital in the DC and CPS data
  - Create six dimensions of social capital and also create tract-level measures by averaging individual level measures in a tract



# How Do Two data Sets Compare?

- How the two samples (DC or CPS and the SCCBS ) compare in their distributions across demographics—we want them to be similar
- Both the surveys contain individual weights designed to generate a random national sample
  - Using these sample weights, 91% of the weighted means of the common variables in the DC and SCCBS were statistically different from one another
- Need to estimate the social capital equation on a sample that is more representative of the DC (or CPS)
  - Use inverse probability weighting (DiNardo et al., 1996), in order to create a counterfactual distribution of the SCCBS that is much more similar to the DC (CPS)
  - Combine SCCBS and DC (or CPS) and make sure that the DC (or CPS) and the SCCBS have the same variables and variable definitions
  - Run logit using combined data for SK (SCCBS=1, 0 otherwise) measures on X and capture predicted probability (PrdP)
  - $SCCBS \text{ weights} * (1-PrdP)/PrdP$  is the new weight that we used in the social capital equations estimated using the SCCBS
  - 84% of the re-weighted means of all variables being significantly closer to the DC mean than they were using the survey supplied weights



# A Brief Summary of Findings

- Wage Determination in Social Occupations - the Role of Individual Social Capital
  - Workers in social occupations possess higher levels social capital compared to non-social occupations
  - Social capital results in higher wages
- Social Capital and Migration
  - Higher individual social capital is a negative predictor of migration
  - Higher levels of community social capital act as positive pull-factor
  - The importance of that amenity differs across urban/rural locations





# Related Research Outputs

- Hotchkiss, Julie, and Anil Rupasingha. "Wage Determination in Social Occupations: the Role of Individual Social Capital," *Research in Labor Economics*, vol. 46 (2018): , 127-181.
- Hotchkiss, Julie, and Anil Rupasingha. Individual Social Capital and Migration, Working paper, available at <https://ideas.repec.org/p/cen/wpaper/18-14.html>
- Hotchkiss, Julie, and Anil Rupasingha. In-migration and Dilution of Community Social Capital, Working paper, available at <https://ideas.repec.org/p/cen/wpaper/18-32.html>



# Questions?

Anil Rupasingha  
Economic Research Service/USDA  
[anil.rupasingha@ers.usda.gov](mailto:anil.rupasingha@ers.usda.gov)  
[\(202\)694-5227](tel:(202)694-5227)

USPS address:  
1400 Independence Ave., SW, Mail Stop 1800  
Washington, DC 20250-0002

