



ECONOMIC MOBILITY OF IMMIGRANTS IN THE UNITED STATES

EXECUTIVE SUMMARY

ECONOMIC MOBILITY
DESCRIBES THE ABILITY
OF PEOPLE TO MOVE
UP OR DOWN THE
ECONOMIC LADDER
WITHIN A LIFETIME
OR FROM ONE
GENERATION TO
THE NEXT.

The idea of economic mobility in America often evokes a personal story. For many Americans, it is one of immigrant parents or grandparents, or even one's own journey and arrival. In recent decades, immigration has been rising steadily, with nearly one million legal immigrants entering the country per year throughout the 1990s and in the early years of this century, compared to only about 300,000 per year in the 1960s. In addition to legal immigrants, it is estimated that about 500,000 illegal immigrants now arrive each year.

These numbers clearly show that the allure of the American Dream is alive and well. But is it actually working for today's immigrants? How has immigrant economic mobility changed over time? And is immigrant economic mobility similar to that of U.S. citizens?

This report explains that the American engine of economic assimilation continues to be a powerful force, but the engine is incorporating a fundamentally different and larger pool of immigrants than it did in earlier generations. The shifting educational and economic profile of today's immigrants is provoking difficult and important questions about the economic prospects for immigrants in America today.¹

In the post-war period, immigrants have experienced strong upward economic mobility between generations.

- ★ Immigrants continue to realize significant gains in upward mobility between the first and second generation, although those gains have narrowed for the latest generation.
 - A comparison of first generation immigrants in 1970 and second generation immigrants in 2000 reveals that average wages increased by 5 percentage points relative to non-immigrant wages. Between 1940 and 1970, there was an increase of nearly 9 percentage points. In both cases, second generation immigrants continue to have higher wages than non-immigrants.



An Initiative of The Pew Charitable Trusts

¹ The data presented here are based on analysis of the U.S. Census Bureau Current Population Survey that includes both legal and illegal immigrants in the sample. However, the survey does not allow researchers to identify the legal status of immigrants and therefore cannot be used to analyze legal versus illegal immigrants.

Wages of first and second generation immigrants have been declining over the last 60 years, relative to non-immigrant Americans.

- ★ Today, first generation immigrants are earning less compared to non-immigrant Americans than they have at any other time since World War II; and there has been a sharp decline in the last 30 years.
 - In 2000, first generation immigrants earned 20 percent less than the typical non-immigrant worker, compared to 1970, when recent arrivals were still earning 1.4 percent more than their non-immigrant counterparts. In 1940, new immigrants were earning almost 6 percent more than non-immigrant workers.
 - The impact of low-wage immigrants on wages of non-immigrant workers is the subject of active and unresolved debate.
- ★ Second generation immigrant workers continue to earn higher wages than non-immigrant workers, though that difference has narrowed as well.
 - In 2000, second generation immigrants made 6.3 percent more than non-immigrant workers, compared to 14.6 percent more in 1970, and 17.8 percent more in 1940.

In one generation, the American economy tends to moderate differences in first generation immigrant income, based on country of origin.

- ★ Upon first arriving in the United States, first generation immigrants from industrialized nations tend to earn more than average non-immigrant workers, while immigrants from non-industrialized nations tend to earn less.
- ★ But by the second generation, wages for the vast majority of immigrants from both industrialized and non-industrialized nations move toward average non-immigrant wages.
 - Second generation immigrants from industrialized nations are more likely to experience decreases in wages relative to average non-immigrant wages, while second generation immigrants from non-industrialized nations are more likely to experience increases in wages relative to U.S. averages.
 - > For example, in the case of Mexico, relative earnings moved from 32 percent less than non-immigrant workers in the first generation (1970) to 15 percent (2000) less than non-immigrant workers in the second generation, thereby making up more than half the deficit in wages earned by the first generation.

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Just as with non-immigrants, second generation immigrant wages are closely correlated with the first-generation's income and education levels.

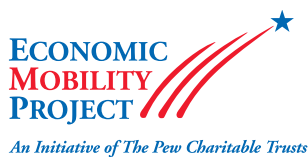
- ★ Wages of second generation immigrants are correlated to first generation immigrant wages in a similar manner to non-immigrant parents and children.
 - Based on 61 national origin groups, the correlation between first and second generation earnings in 1940 and 1970 is .42 for all immigrant workers (compared to .47 for non-immigrants). This means that approximately 40 percent of the difference in relative economic status for immigrants from various nations passes to the second generation.
- ★ Although immigrant groups show considerable economic mobility both up and down the income ladder in the second generation, the correlation between national origin and income in the second generation is considerably diminished when education is taken into consideration.
 - This finding suggests that the likely pathway by which the correlation in wages is passed on through generations is through educational attainment.

Immigrants entering the United States today are a diverse group, with education levels varying greatly by country of origin.

- ★ As compared to the 1960s, the percentage of immigrants who are from European nations or Canada has declined, while the percentage from Asia, Latin America, and the Caribbean has increased from about half to nearly three quarters of all incoming immigrants.
- ★ Overall, the educational attainment of immigrants upon arrival in the United States has remained fairly constant. The proportion of immigrants with advanced degrees and those with a high school degree or less has stayed approximately the same since before 1970. However, the large net increase in immigration levels means that many more immigrants with low education enter the United States now than in the past.
- ★ Educational attainment varies significantly based on an immigrant's region of origin: almost half of immigrants from Latin America arrive with less than a high school diploma, while about half of immigrants from Asia arrive with a bachelor's degree or higher.

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All Economic Mobility Project materials are guided by input from the Principals' Group and the project's Advisory Board. However, the views expressed in this report represent those of the author and not necessarily of any affiliated individuals or institutions.

ABOUT THE PROJECT

The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from four leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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IMMIGRATION: WAGES, EDUCATION AND MOBILITY

BY RON HASKINS, THE BROOKINGS INSTITUTION

Most economists believe that immigration, like trade, is on balance good for America. But the term “on balance” masks an important issue: whether immigration, like trade, hurts some Americans while helping others. More specifically, what is the impact of immigration on inequality and economic mobility in America?

Trends in Immigration

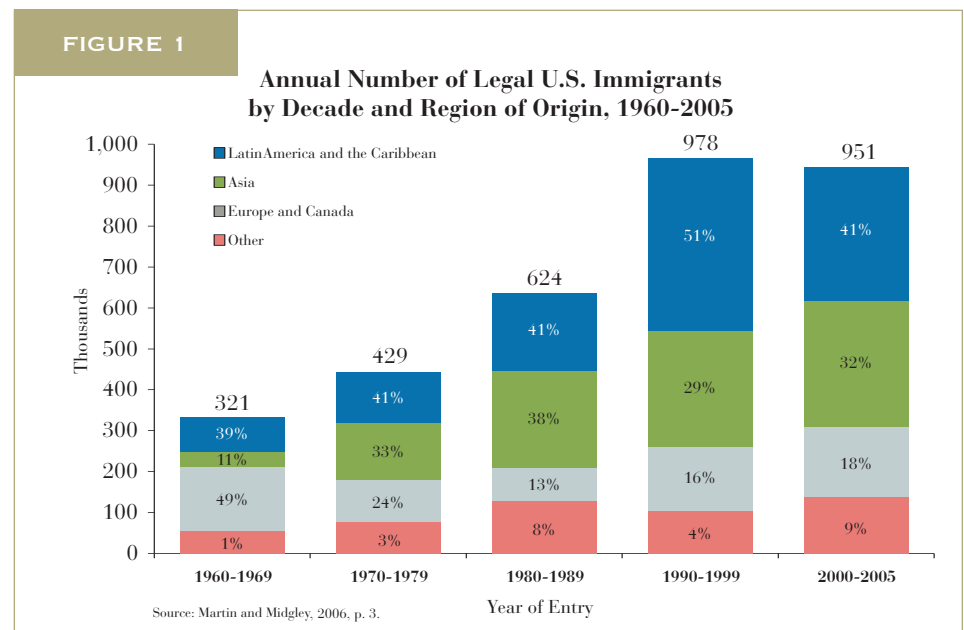
Recent debate reflects that many Americans are concerned about both the scale and character of immigration to the United States. As Figure 1 shows, according to the U.S. Census Bureau, the number of legal immigrants has been rising steadily since the 1960s, from about 320,000 per year to nearly a million per year in both the 1990s and 2000s. In addition to these legal entrants, over 500,000 immigrants arrive or remain illegally in the United States each year.¹ So, in recent years, a total of about 1.5 million immigrants have arrived in the United States annually, more than a third of them illegally.² One result of these high immigration rates is that the percentage of U.S. residents who are foreign-born increased from 4.7

percent in 1970 to 12.7 percent in 2003.³ Because many immigrants tend to be in their prime child-bearing years, and because they tend to have more children than non-immigrants, the percentage of resident children who have foreign-born parents is even higher, at about 20 percent.⁴

In addition to major increases in the number of immigrants, the source countries of immigrants have been changing. As compared with the 1960s, the share of immigrants from European nations or Canada has declined from about half to under 20 percent, while the

fraction from Asian, Latin American, and Caribbean nations has increased from about half to nearly three-quarters.⁵ Relative to the average American worker, immigrants from Latin America and the Caribbean are poorly educated, largely unskilled, and earn low wages when they enter the United States.

Even so, the overall mix of educational attainment of immigrants upon arrival in the United States has remained fairly constant over the last four decades. Figure 2 shows that the proportion of immigrants with a bachelor's degree has actually increased over the last 35 years; but

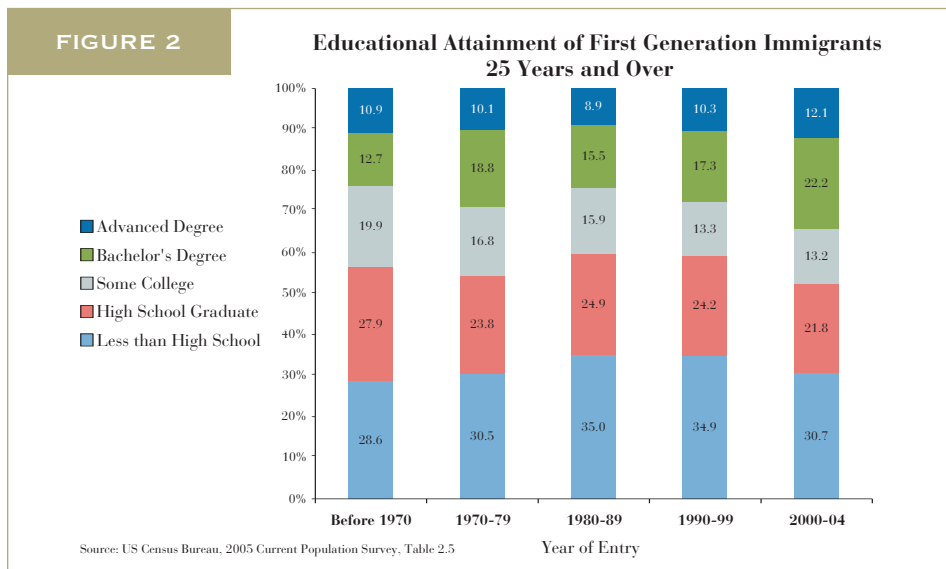


otherwise the proportion of immigrants with advanced degrees and those with a high school degree or less has stayed approximately the same since before 1970. In the last four years, the percent of immigrants with a bachelor's degree or higher has increased, while those with a high school diploma or less has decreased.

4 provides such a comparison.⁶ The first set of bar graphs shows that about six times as many first generation immigrants, as compared with non-immigrants, have less than a ninth grade education. The second set of bar graphs shows that first generation immigrants are also less likely to have a high school degree.

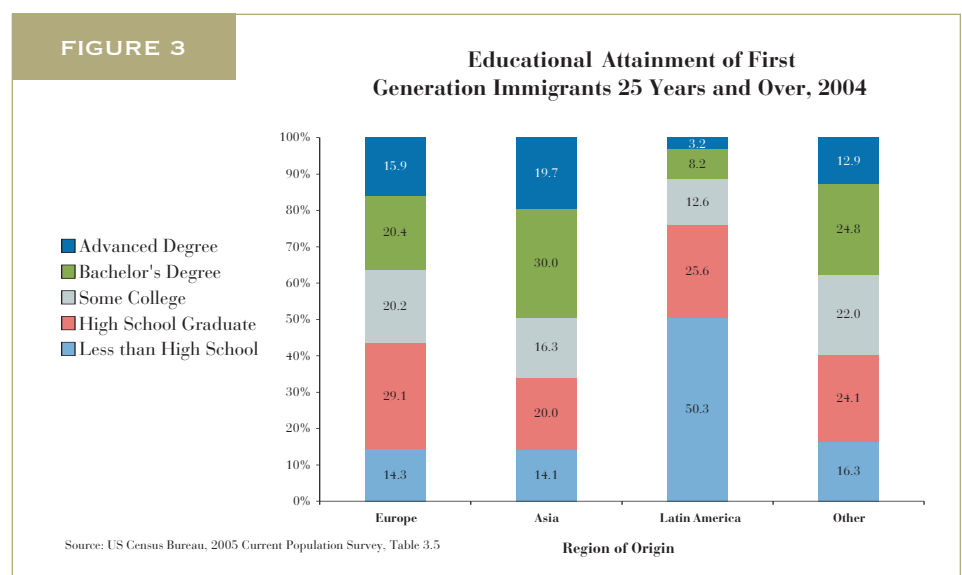
to have advanced degrees than non-immigrants. Clearly, the distribution of immigrants' educational attainment is complex: while nearly one third of recent arrivals have less than a high school diploma, more than 10 percent have an advanced degree.

Another remarkable part of the immigrant experience depicted in Figure 4 is that second generation immigrants exceed the educational attainment of the first generation by a considerable margin.⁷ In the case of advanced degrees (above the bachelor's degree), they actually exceed the attainment of both first generation immigrants and non-immigrants. As we will see, education is one vehicle that immigrants use to help their children get ahead.



However, as seen in Figure 3, educational attainment varies significantly based on an immigrant's region of origin. Educational attainment for immigrants from Latin America stands in stark contrast to the other regions of origin, with half arriving with less than a high school diploma. By contrast, about half of immigrants from Asia arrive with a bachelor's degree or higher.

A major question regarding immigrant education is how their educational attainment compares with that of non-immigrants. Figure

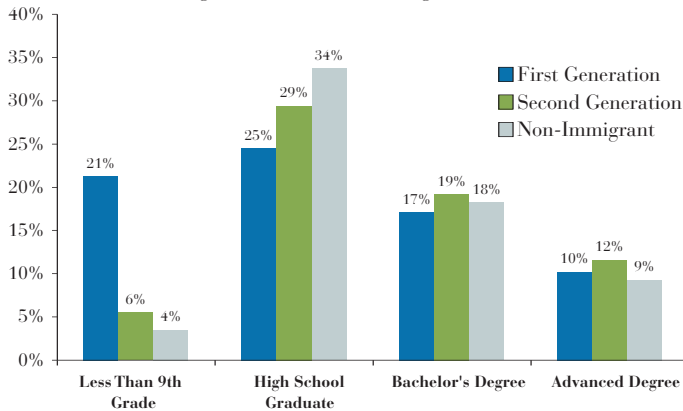


However, as shown in the last set of bar graphs, first generation immigrants are actually more likely

Further, education is one of the most important determinants of wages and income in the United States.

FIGURE 4

Educational Attainment for First and Second Generation Immigrants and Non-Immigrants, 25 Years and Over 2004



Source: US Census Bureau, 2005 Current Population Survey, Table 5.5
 Note: Percentages for each generation do not sum to 100. Data for "some high school" and "some college" are not included here.

According to the Census Bureau, in 2005 high school graduates earned about \$8,000 more than high school dropouts, college graduates earned about \$19,000 more than high school graduates with no college, and those with professional degrees earned about \$36,000 more than those with a bachelor's degree.⁸

Immigrant Wages

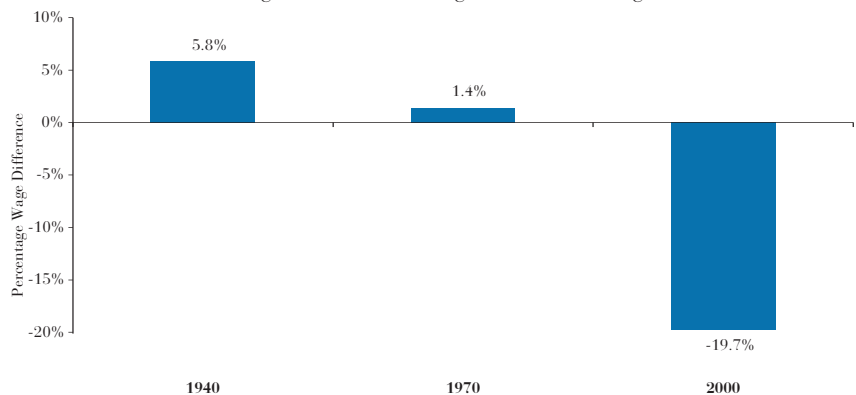
Given the low educational attainment of a large number of immigrants, it is not surprising that average immigrant wages are low and falling relative to those of non-immigrants. Figure 5, developed from recent work by George Borjas of Harvard University, shows the average hourly wages of first generation immigrants relative to non-immigrant workers in selected years covering six decades.

Relative wages of the first generation show steady decline. In 1940 the average first generation immigrant earned 5.8 percent more than the

average non-immigrant worker, but relative wages fell to only 1.4 percent more in 1970, and then dropped precipitously by 2000 to almost 20 percent less than those of the typical non-immigrant worker.⁹

FIGURE 5

First Generation Age-Adjusted Wages Relative to Wages of Non-Immigrants



Source: Borjas, 2006, p. 59.

Figure 6 reveals another striking wage pattern, already suggested by the improved educational attainment of second generation immigrants illustrated in Figure 4: second generation immigrants not only exceed the wages of first generation immigrants

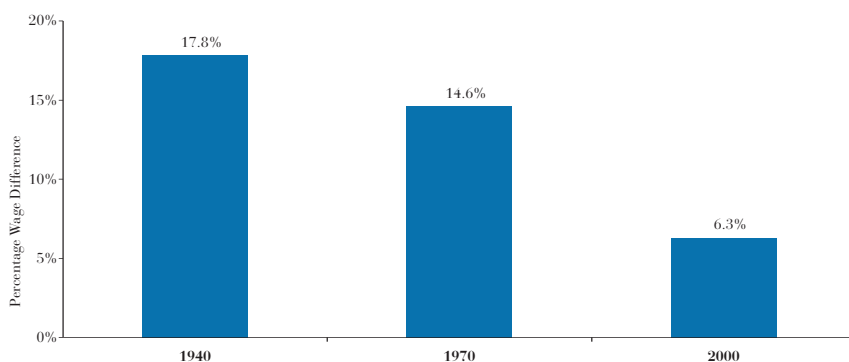
but also exceed the wages of non-immigrant workers. This pattern demonstrates clearly that there is impressive upward economic mobility from the first to the second immigrant generation.¹⁰

But before we conclude that the great American wage escalator for immigrants is working well, we should note the pattern of relative wages for the second generation across the three time periods shown in Figure 6.¹¹ More specifically, relative wages of the second generation dropped consistently over the period from 17.8 percent to 6.3 percent above those of non-immigrant workers. Thus, the pattern of declining relative wages

of first generation immigrants is associated with a similar pattern of declining relative wages in the second generation. Second generation mobility is still in operation, but the second generation is earning relative wages that are lower than

FIGURE 6

Second Generation Age-Adjusted Wages Relative to Wages of Non-Immigrants



Source: Borjas, 2006, p. 59.

those of previous second generation workers.

If the relative wages of both first and second generation immigrants are falling, the question arises: where might this pattern lead in the future? Figure 7 compares the relative wages of first generation immigrants in 1940 and 1970 with wages of workers in the second generation who are in the same cohort as the children of the respective 1940 and 1970 first generation workers.¹²

The first set of bar graphs, for example, compares the relative wages of the generation of foreign-born workers who were in the United States in 1940 with the relative wages of second generation workers who were in the United States 30 years later and were roughly the same age as the children of the 1940 cohort of first generation workers. Comparing the heights of the bars shows that the second generation in 1970 exceeded the relative

wages of the parent-generation by almost 9 percentage points.

However, three decades later, the relative wages of second generation workers were greater than those of the 1970 first generation workers by less than 5 percentage points.

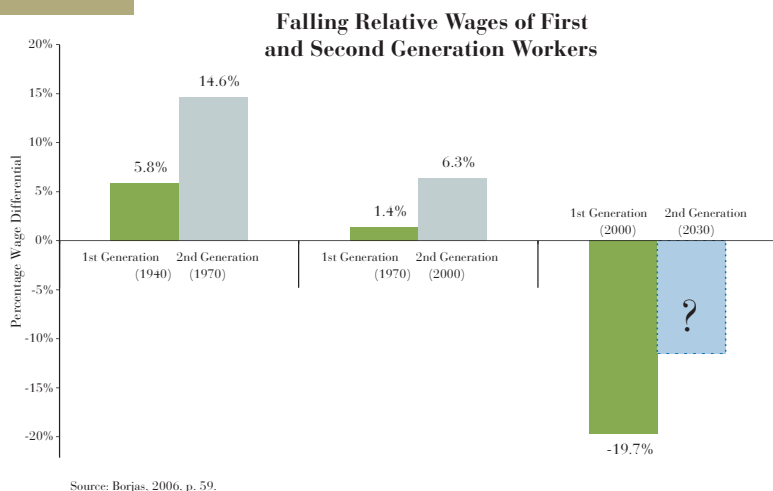
If the decline in second generation relative wages continues apace with the decline in first generation wages, we can expect that second generation workers in 2030 will earn substantially less than non-immigrants just as workers in their 2000 parent cohort did. If low wages persist into the second and subsequent generations for substantial numbers of immigrants, economic hardship may persist beyond the first generation and assimilation into American society may become more difficult.

A contentious debate has emerged over whether immigrants have an impact on the wages or employment levels of non-immigrants. The

respective sides in the debate are led by Borjas, who argues that low-wage immigrants have a negative impact on poor non-immigrant workers, especially blacks, and David Card of Berkeley who argues that they do not.¹³ The crux of the argument for Card and economists who agree with him is that immigrants not only supply labor, but they also consume goods and services. It follows, based on the economic theory of supply and demand, that there is no inherent reason why immigrants should hurt non-immigrant workers. In a word, the great American job machine can accommodate millions of immigrants because their consumption will further stimulate the economy and the job machine.

Another important argument on Card's side of the debate is that the American economy needs immigrants. A recent report by Rob Paral of the Immigration Policy Center shows that immigrants are a major presence in about one-third of U.S. job categories and that most of these job categories would have contracted during the 1990s if it had not been for immigrants.¹⁴ And as pointed out in a recent *New York Times Magazine* feature about the Borjas-Card debate, there are 21 million immigrants who hold jobs in the United States and only 7 million unemployed workers.¹⁵ Thus, it cannot be the case that the overwhelming majority of immigrants took jobs away from Americans.

FIGURE 7



But the real issue, responds Borjas, is not the overall impact of immigrants on the economy; the issue is their impact on particular segments of the job market. Because recent years have seen an increase in immigrants (especially from Mexico) with low education and low skill levels relative to those of non-immigrants, the low-wage portion of the U.S. job market is disproportionately affected. Card responds with data showing that some cities with a large influx of immigrants actually saw increased wages at the bottom of the wage scale.

The most recent entrant in this ongoing and lively argument is a study published this year by Borjas along with his colleagues Jeffrey Grogger of the University of Chicago and Gordon Hanson of the University of California at San Diego, based on 40 years of U.S. Census Bureau data.¹⁶ Examining the census employment data within skill groups and controlling for a

number of factors that might affect their results, the authors found that “as immigrants disproportionately increased the supply of workers in a particular skill group, the wage of black workers in that group fell, the employment rate declined, and the incarceration rate rose.” Linking immigrants with both black unemployment levels and incarceration rates, already delicate topics among scholars and policy makers, is likely to raise the volume of the Borjas-Card debate.

When economists who are greatly respected by their colleagues disagree sharply over an issue like the impact of immigration on employment and wages, it seems wise for outsiders to resist forming a strong conclusion and simply say, instead, that the jury is still out. Thus, we make no claims about whether immigrants have an impact on the wages of low skilled non-immigrants.

Impacts of Immigration on Inequality

Given that average relative wages of immigrants are falling, it seems likely that immigrants are contributing to widening income inequality in the United States. But as Robert Lerman of American University has argued, this standard view of the impact of immigrants on inequality is somewhat misleading because it ignores the impact of immigration on the economic status of immigrants themselves.¹⁷ Economists typically measure growth in income inequality by comparing some measure of the distribution of income at two points in time. These calculations invariably reveal that the growing income inequality in the United States is aggravated by the declining wages of each succeeding wave of immigrants. However, because these calculations are based on random samples of the U.S. population at two points in time, they ignore the condition of immigrants before they arrived in the United States. Because of the rapid increase in immigration, the more recent sample will include more immigrants than earlier samples. Moreover, because immigrants are increasingly from low-wage countries like Mexico, the immigrants selected in the more current sample will have, on average, lower education levels and lower relative wages than immigrants in the earlier sample. Thus, immigrants contribute to the growing economic inequality in the United States.

But Lerman's point is that if we had a measure of the new immigrants' wages in their native country, we would find that, on average, they have greatly improved their wages by entering the United States. The economist Mark Rosenzweig, for example, has recently estimated that Mexican workers with a high school degree earn seven times as much in the United States as in Mexico.¹⁸ Lerman recommends calculating the impact of the American economy on changes in measures of economic well-being and inequality by including estimates of the income immigrants would have received in their home country.¹⁹ According to Lerman, such a calculation reveals that the growth of income inequality is about two-thirds less than it would have been if the income immigrants would have earned in their home country had been ignored.

Immigrant Mobility

By considering immigrants' income before they enter the country we may conclude that the American economy provides a huge boost to the mobility of first generation immigrants. Indeed, this conclusion is consistent with the most basic rationale of immigration between nations throughout human history; namely, that the prospect of greater economic opportunity is a prime motivator of immigration.

But what about the mobility of immigrants from various nations and their children once they reach the United States? To examine

this question, we turn again to the seminal work of Borjas, who has developed a useful method for examining the intergenerational mobility of immigrant groups from various nations. First, he computes the relative wages (again, relative to non-immigrant workers) of male immigrants from selected nations in 1970 based on U.S. Census Bureau data. Then he repeats the computation for second generation

nations had moved closer to the average of non-immigrant workers. In other words, they experienced downward relative mobility in the second generation.

By contrast, first generation immigrants from less industrialized countries earned less than typical non-immigrant workers. For example, immigrants from Mexico earned almost 32 percent less than non-

TABLE 1

Age-Adjusted Relative Wages of Immigrants from Selected Countries

Country of Origin	Relative Wage of Immigrants in 1970	Relative Wage of Second Generation in 2000	Wage Improvement or Decline in Second Generation (Percentage Points)
Canada	18.5	16.8	-1.7
France	19.8	5.9	-13.9
India	30.8	27.1	-3.7
Germany	24.9	19.5	-5.4
Dominican Republic	-37.0	-18.9	18.1
Haiti	-21.7	10.6	32.3
Mexico	-31.6	-14.7	16.9
Jamaica	-22.8	1.2	24.0

Source: Borjas, 2006, p62

immigrants 30 years later for the same national origin groups. Table 1 compares the results for both generations of immigrants from selected countries.²⁰

Borjas finds that immigrant groups from industrialized nations tended to earn more than average non-immigrant workers. Immigrants from France, for example, earned 19.8 percent more than average non-immigrant workers. By the second generation in 2000, the relative wages of workers from industrialized

immigrants in 1970. Thirty years later, second generation workers from less industrialized nations had also moved closer to the average wages of non-immigrant workers, but in this case by rising above relative first generation wages. In the case of second generation immigrants from Mexico, for example, their relative wages moved from 32 percent less than non-immigrant workers in the first generation to only 15 percent less than non-immigrant workers in the second generation. With few exceptions, first

generation immigrants from various nations start at different levels in the U.S. wage distribution and second generation workers from the respective nations show wage mobility by moving in the direction of mean wages—moving down if the first generation had wages above the mean and moving up if the first generation had wages below the mean.

Despite the considerable movement of wages between first and second generation immigrants, the question arises of whether the characteristics of first generation immigrants influence the wages of the second generation. To examine the relationship between the wages of first and second generation immigrants, Borjas computes the intergenerational correlation between the relative wages of first generation workers from selected nations and those of second generation workers from the same nations.

He finds that, based on 30 national origin groups, the intergenerational correlation between the 1940 and 1970 generations is .42. The correlation between the 1970 and 2000 cohorts, based on 61 national origin groups is similar.²¹ These correlations across generations are comparable to those reported for native-born American families. In other words, non-immigrants and immigrants pass along approximately the same degree of economic advantage or disadvantage to their children. In common sense terms, according to Borjas, correlations

of this magnitude mean that about 40 percent of the wage differences between any two national groups in the first generation persists into the second generation.

But what happens to these correlations if they are adjusted for the education level of the various national groups? Borjas finds that the correlations in wages between the first and second generations are considerably diminished when adjusted for the education level of the various national groups. This finding suggests that one pathway by which the correlation in wages is passed on through the generations among the national groups is educational achievement. Given the low educational achievement of many immigrants now arriving in the United States, it might be expected that average wages in the second generation will continue to drop in the future.

Although today's immigrant population is arriving with a mix of educational backgrounds that are similar to the mix of earlier immigrants, the increase in the absolute number of immigrants with low levels of education, coupled with the relatively high correlation between the wages of first and second generation immigrants, suggest that it may be increasingly difficult for second generation immigrants to surpass the wages of non-immigrants. First generation immigrants certainly experience economic mobility by coming to the

United States, but the mobility of second generation immigrants is constrained by the characteristics of first generation immigrants that are passed to second generation immigrants, primarily education.

Conclusion

It is a remarkable achievement, considering the low wages immigrants would have made in their own countries, that America offers such rich opportunities for immigrants to improve their income and standard of living. Further, second generation immigrants continue to earn more than first generation immigrants, though wages of second generation immigrants have been falling relative to those of non-immigrants over the last three generations. Moreover, the economic prospects of second generation immigrants are very much tied to the characteristics of first generation immigrants, most notably to level of educational attainment.

Economic assimilation appears to be working well, although the country is now in the process of incorporating a distinctly different, and lower-wage, immigrant population from that of previous generations. With wages in the United States strongly correlated to both education levels and to parental incomes, the children of low-wage, poorly educated immigrants may well have an uphill climb to continue reaching economic parity with non-immigrants.

NOTES

¹ Martin and Midgley, 2006, p. 3. Most researchers who have tried to estimate the number of illegal entrants or the total number of illegal residents who live in the U.S. at any given moment would agree that it is impossible to get an exact count. Even so, some estimates are more reasonable than others. Most observers seem to agree that the most reliable numbers have been produced by Jeffrey Passel (2006) of the Pew Hispanic Center in Washington, D.C. Martin and Midgley use Passel's estimates. Although it receives little attention, the United States also has emigration. The Census Bureau estimates that between 1995 and 1997, 220,000 foreign-born residents emigrated to other countries each year. See U.S. Citizenship and Immigration Services, 2004.

² All data presented in this report, unless otherwise noted, are based on analysis of the U.S. Census Bureau Current Population Survey that includes both legal and illegal immigrants in the sample. However, the survey does not allow researchers to identify the legal status of immigrants and therefore cannot be used to analyze legal versus illegal immigrants.

³ Borjas, 2006.

⁴ Non-immigrants include residents of the United States who are third generation immigrants, as well as generations subsequent to the third generation. Reardon-Anderson, Capps, and Fix, 2006.

⁵ Martin and Midgley, 2006.

⁶ As noted above, non-immigrants include residents of the United States who are third generation immigrants, as well as generations subsequent to the third generation.

⁷ During each of the years shown in Figures 4 through 7, the Census Bureau interviewed random samples of people residing in the United States. Because the interviews of first and second generation immigrants were conducted during the same year, the second generation in each year cannot represent the children's generation of first generation immigrants. However, as shown in Figure 7, it is possible to compare the first generation in a given year with the second generation several decades later to gain a rough idea of how the offspring cohort of the earlier cohort of first generation immigrants are doing.

⁸ U.S. Census Bureau, 2007, "Educational Attainment in the United States, 2006: Detailed Tables," Table 8.

⁹ The data points in Figure 5 are log wage differentials multiplied by 100 to convert them to percentages. Borjas and Friedberg (2006) show that the relative wages of immigrants have increased somewhat in the last half of the 1990s due primarily to an increase in highly-educated immigrants such as engineers and doctors and to a decline in the wages of non-immigrant workers at the bottom of the wage distribution, primarily high school dropouts.

¹⁰ Given that the years between 1940 and 2000 saw significant changes in the relative education, country of origin, and other characteristics of immigrants, the wage differences between first and second generation immigrants in Figures 5 through 7 reflect many differences between the two samples.

¹¹ The data points in Figure 6 are log wage differentials multiplied by 100 to convert them to percentages.

¹² Workers in the sample of second generation workers are not the actual children of the particular individuals in the first generation sample. In the year they were interviewed they were roughly the same age as children of first generation workers. The data points in Figure 7 are log wage differentials multiplied by 100 to convert them to percentages.

¹³ Card and Lewis, 2007.

¹⁴ Paral, 2005.

¹⁵ Lowenstein, 2006.

¹⁶ Borjas, Grogger, and Hanson, 2006.

¹⁷ Lerman, 1999; Lerman, 2003.

¹⁸ Rosenzweig, 2006. There appears to be some disagreement among economists about these U.S.-Mexican wage differentials. Gordon Hanson (2006), for example, has estimated that the wages of Mexican high school graduates who come to the United States are around three times greater than the wages of high school graduates who stay in Mexico. Even so, there is no disagreement that by moving to the United States, Mexicans and other workers from Latin American nations (and most other nations as well) can greatly increase their wages.

¹⁹ Lerman's approach involves estimating immigrants' income at time 1 in relation to average income in their country adjusted for education and other individual characteristics. As his measure of inequality in the United States, Lerman uses Census Bureau data to compute the ratio of incomes at the 10th percentile to incomes at the 90th percentile; lower ratios indicate higher income inequality. For all families, the traditional approach of ignoring the income of immigrants at time 1 (in this case 1979) yields a Gini coefficient of .299 at time 1 and .344 at time 2 (1997), representing a substantial increase in inequality. By contrast, using Lerman's method of estimating what the income of immigrants would have been in their home country at time 1 reveals that the Gini coefficient at time 1 was .329, only slightly lower than the .344 at time 2.

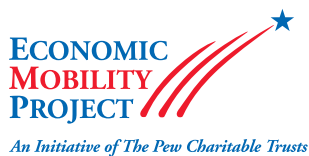
²⁰ The data in Table 1 show a clear pattern of what statisticians call "regression to the mean." This term simply means that if the parent's generation has scores above or below the population mean, scores of the children's generation would tend to be closer to the mean. Thus, we would expect the relative wages of second generation workers from selected countries to be closer to the mean of all workers than the relative wages of the parent's generation. The probability of regression to the mean increases as average relative wages in the parent generation depart further from the mean of all workers. The countries presented in Table 1 are selected from a larger set of countries studied by Borjas. Not all the countries in Borjas's samples show regression to the mean.

²¹ Borjas, 2006, p. 64.

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The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from four leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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