



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.



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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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