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## Revisiting Economic Assimilation of Mexican and Central American Immigrants in the United States

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**T**he economic assimilation of immigrants, which economists usually measure by comparing the income and employment status of immigrants with that of similarly skilled natives, is a crucial outcome for several reasons. First, it affects the material and psychological well-being of immigrants. Their gains from migration are larger if they achieve earnings comparable to those of the receiving country's residents. Second, economic assimilation is perceived by natives as a sign of how easily immigrants integrate into their society. A higher degree of assimilation fosters more open and positive opinions about immigrants as well as better attitudes toward immigration. The United States has historically been a place where immigrants, attracted by economic opportunities and the potential of successful careers, have been able to overcome initial difficulties and succeed economically. While differences among national groups exist, the narrative of immigration to the United States prior to the 1980s is that most immigrants converged to natives' economic success and assimilated economically. According to evidence on earlier immigrants, when compared to similar natives, they did not have a significant initial income and employment gap.

However, work by economist George Borjas has pointed out that the recent history of immigrants' assimilation is different. A deterioration in the initial gap between newly

arrived immigrants and natives put this assimilation at risk. Recent evidence suggests that not just the initial gap but the rate of economic assimilation, measured as the average wage convergence of immigrants, has been declining for recent cohorts of arrival. These findings paint a picture of a progressive increase in the initial gap and a decline in the rate of "catching up" between newly arrived immigrants and natives. This would certainly be a worrying sign, as it implies that immigrants arrive with a larger initial disadvantage and do not make up for it. Borjas, however, combines all immigrants into one group and studies their average progress toward economic (wage) assimilation to natives. Different groups of immigrants are present in very different numbers, depending on the cohort of arrival, and the changing gap and wage trajectory of aggregate immigrants relative to natives, over time, is due in part to a composition effect. As migrants of different nationalities have different education levels, ages, and initial skills, the changing composition may give the impression of a changing gap and changing average convergence. A situation in which immigrants earn wages similar to comparable natives but where their composition has changed over time in terms of education, age, and place of origin is very different from a scenario in which immigrants' composition is stable but where they are increasingly lagging behind at arrival and in their assimilation to natives. The first scenario implies stable levels of assimilation for each

group even if the composition of immigrant groups is changing. The second would imply a decrease in assimilation and could indicate increasing difficulties, discrimination, or barriers to participation of immigrants in the labor market, which would call for identifying the causes of such deterioration.

Our research focuses on Mexicans and Central Americans, which represent the largest and least economically affluent group of immigrants to the United States. We follow the labor market assimilation of different arrival cohorts over time, starting with the cohort arriving between 1965 and 1969 and ending with the one arriving between 2005 and 2011. Our first question is whether these immigrants, who are typically characterized as having low educational attainment and being employed in low-paying jobs that require manual labor, have performed poorly in terms of employment probability and earnings relative to natives of the same age and then relative to similarly aged and educated natives. By focusing on this group, we zoom in on assimilation of low-skilled immigrants, and we can ask whether this has deteriorated over time or, rather, if the slow economic progress of this group has simply been a corollary of the stagnant opportunities for low-skilled natives. Second, we look at employment probability besides earnings. Mexican and Central American immigrants have been employed in many low-skilled jobs, and the general perception is that these immigrants work at high rates. Rarely, however, the employment probability has been the focus of analysis for U.S. data. In following the cohorts of arrival, our knowledge of which being constructed with the U.S. Census and American Community Survey (ACS) data, we also provide an idea of the potential attrition for an immigrant cohort, which is often associated with return migration.

Focusing on potential correlates with Mexican and Central Americans' earning gap and growth, we also examine whether the sector and location of employment are associated with the gap and assimilation of these immigrants. Finally, for comparison, we analyze the earnings-convergence behavior of Chinese and Indian immigrants, who have been quite different from Mexicans and Central Americans in terms of skills and whose number has been growing at a faster rate in the past decade.

We have four main findings. First, on arrival the income gap between Mexican and Central American immigrants and natives was around 40 percent of their earnings. This gap was cut only by half in the first two to three decades of their stay, without much progress after that.

Second, we find that both the initial gap and speed of convergence has not worsened with recent cohorts of arrival. In fact, the most recent cohorts (arriving between 1995 and 1999 and between 2005 and 2011) have fared quite well relative to older

cohorts, both in initial gap and in convergence. Importantly, when comparing Mexican and Central American immigrants with natives of similar education level and age, we document smaller initial gaps and better relative performance for recent cohorts. However, in comparison to average U.S. wages, the wages of recent Mexican and Central American immigrants performed poorly. But because wage growth for less-educated and less-experienced U.S. natives has also had slow growth in recent years, the poor relative performance of recent immigrants is caused by wage dynamics affecting all American workers, not a lack of economic assimilation.

Third, we find a very different picture when looking at employment probability. Mexicans and Central Americans have a much smaller gap in employment rate upon arrival. After 20 years in the United States, they overtake natives and show higher probability of employment, both relative to the overall U.S. average and relative to natives with similar schooling. Moreover, the employment probability of this group has become higher for the most recent cohort relative to previous cohorts. This very strong performance of low-skilled immigrants in employment rates distinguishes the United States from Europe and most other countries, where the reverse is true. When decomposing Mexican and Central Americans by the sector of their employment, we find that the initial gaps are smaller and assimilation faster for immigrants in the construction sector, while their worst performance is in the agricultural sector. We also find a somewhat smaller gap and faster assimilation to comparable natives for Mexicans and Central Americans in urban (rather than rural) areas.

Finally, by analyzing the other two largest groups of immigrants in the United States—Chinese and Indians, who show a much higher average educational attainment than Mexicans and Central Americans—we see that even for these groups the relative performance of recent cohorts (those who arrived between 1995 and 1999 and between 2005 and 2011) is better than the performance of those who arrived in the '70s and '80s. Hence we suggest that the aggregate impression of worse initial gap and slower convergence is an artifact of the changing composition of aggregate immigrants and not of the performance of each group.

In finding these results, we introduce a note of caution and some optimism relative to the previous empirical research that looked at the convergence of different arrival cohorts. First, we emphasize the importance of considering a homogeneous group of immigrants when analyzing assimilation, especially when comparing different cohorts. The composition of cohorts of immigrants has changed greatly, and it is important to distinguish changes in types of immigrants

(especially regarding skills and countries of origin) from changes in their ability to integrate into U.S. labor markets for a certain group. Second, we find that focusing on employment probability gives a very different picture, showing immigrants, even very low-skilled ones, outperforming natives in their access to jobs.

**NOTE:**

This research brief is based on Giovanni Peri and Zachariah Rutledge, “Revisiting Economic Assimilation of Mexican and Central American Immigrants in the United States,” IZA Discussion Paper no. 12976, February 2020, <http://ftp.iza.org/dp12976.pdf>.