

# Making It in America: Social Mobility in the Immigrant Population

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## Summary

In his survey of research on social mobility and U.S. immigration, George Borjas underscores two insights. First, most immigrants are at a sizable earnings disadvantage, relative to native-born workers. Second, the earnings of different groups of immigrants vary widely.

The children of immigrants “catch up” to native-born workers slowly. The jump in relative wages between the first and second generations is somewhere between 5 and 10 percentage points. Of particular concern is that the age-adjusted relative wage of both immigrants and second-generation workers has been falling—a trend with bleak implications for the children of immigrants.

The wide ethnic variation in the earnings of immigrants has equally important implications. National origin groups from advanced economies, such as Canada, do much better in the U.S. labor market than those from poorer countries, such as Mexico. And the initial ethnic differences tend to persist. In rough terms, about half of the difference in relative economic status persists from one generation to the next. Thus a 20 percentage point wage gap among ethnic groups in the immigrant generation implies a 10 point gap among second-generation groups and a 5 point gap among third-generation groups. Again in rough terms, Borjas attributes about half of that persistence to the ethnic environment in which children are raised.

Borjas cautions that the rate of social mobility that immigrants enjoyed over much of the twentieth century may not continue in the future. The employment sectors seeking immigrants today are unlikely to provide the same growth opportunities as did the rapidly expanding manufacturing sector a century ago. And in contrast to the many and diverse ethnic groups that made up early twentieth-century immigrants, the large ethnic groups of immigrants today may develop separate economies and social structures, in effect hindering their social mobility.

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**T**he ultimate impact of immigration on the United States depends not only on the economic, social, political, and cultural experiences of the immigrants themselves, but also on how their households fare in those areas over several generations. The resurgence of large-scale immigration to the United States in recent decades has raised the foreign-born share of the population from 4.7 percent in 1970 to 12.7 percent in 2003 and is expected to drive up the population share of the second generation (those born in the United States with at least one foreign-born parent) from 10.5 percent in 2004 to nearly 14 percent by 2050. The grandchildren of current immigrants will make up an additional 9 percent of the population by mid-century.<sup>1</sup>

The traditional view of the social mobility of immigrant households across generations is vividly encapsulated by the melting pot metaphor. In that view, immigrants from an array of diverse countries blend into a homogeneous native population relatively quickly, perhaps in two generations. Although many analysts have questioned the relevance of the melting pot image to the experience of many ethnic groups in the United States, it seems to have a magnetic and intuitive appeal that often confounds its detractors.<sup>2</sup> As a result, the “assimilationist” perspective has long dominated the thinking of many observers of the immigrant experience.

Ironically, and from a purely economic perspective, it is not clear that the United States would be better off if a melting pot quickly blended the new immigrants, making them indistinguishable from native-born workers. After all, the productivity gains from immigration are maximized when the immigrant population differs most from the native pop-

ulation and immigrants have skills that the native workforce lacks—or, in the commonly used phraseology, when “immigrants do jobs that natives do not want to do.” As a result, the productivity gains from immigration would be larger if the United States were to pursue policies that hampered and delayed the assimilation of immigrants. If the melting pot bubbled away efficiently, the only way for the country to replenish the productivity gains from immigration would be to admit more and more immigrants.

Of course, this perspective is much too narrow and misses the point. Most available estimates suggest that the net productivity gains from immigration are quite small even in the first generation, when the immigrants differ most from native workers.<sup>3</sup> Moreover, the economic, social, and political consequences of delaying assimilation could be disastrous. The ethnic conflicts in many regions of the modern world, for instance, often originated centuries ago, and their consequences still fester. One does not have to be a very astute observer of the human condition to discern the value of a cohesive social fabric. Therefore, it is probably in the national interest of the United States to pursue policies that both spur substantial intergenerational progress by immigrant households and reduce the importance of ethnicity in determining how well future generations fare.

In what follows I summarize research on social mobility in the immigrant population and draw out some of the lessons implied. The evidence suggests that there is significant economic “catching up” from the first to the second generations, with the relative wage of the second generation being, on average, about 5 to 10 percent higher than that of the first. At the same time, the socioeconomic status of the immigrant generation and that

of their children are strongly correlated, as is also, though more weakly, that of their grandchildren. In rough terms, about half of the differences in relative economic status across ethnic groups in one generation persist into the next. As a result, the very large ethnic differences in economic status among today's immigrants will likely dominate American society—and discussions of American social policy—for much of the twenty-first century.

### **An Economic Perspective on Social Mobility**

From a broad perspective, social mobility in immigrant households includes the cultural adaptation that immigrants and their children make to their new environment, their adoption of social norms and attitudes that may differ widely from those in their home countries, and their accumulation of “human capital investments,” such as education, language skills, and geographic relocation, which improve their economic status in their new country. In this paper I focus exclusively on this economic aspect of social mobility—the rate at which the economic status of the immigrant household improves from one generation to the next—and thus provide only a limited picture of the intergenerational changes that immigrant households inevitably experience in the United States.

There is, however, an important link between the economic notion of social mobility and the cultural issues traditionally emphasized in the immigration debates in the United States and many other countries. To make economic gains, an immigrant will often have to acquire skills that are valued by American employers, such as learning English and adopting the norms of the American workplace, and will often have to move to economically vibrant areas far from the ethnic enclave. Each of these steps helps weaken

the link between the immigrant's foreign past and his or her American future.

Many immigrants, therefore, face an important trade-off: they may have to discard some of their native attributes, habits, and cultural characteristics and pick up new ones that enhance their chances of success in the American economy. Put differently, economic and noneconomic forms of social mobility may often complement each other: there will be more mobility of one type when there is more mobility of the other.

Research on immigrant economic performance has provided two insights that are widely accepted in the immigration debate. First, upon arrival in the United States, the typical immigrant worker suffers a sizable earnings disadvantage (relative to native-born workers), a disadvantage unlikely to disappear during his or her working life. Second, the many national origin groups that make up the first-generation population vary widely in socioeconomic status and earnings.<sup>4</sup>

Even within the boundaries provided by the narrow economic definition of social mobility, any study of intergenerational economic progress in immigrant households needs to examine two related, but distinct, phenomena. First, to what extent does the initial economic disadvantage of the immigrants narrow across generations? Put differently, do the children (or grandchildren) of immigrants “catch up” to the average economic status of native-born workers? It seems reasonable to suspect that the children of immigrants enjoy a “head start” in their earnings capacity that is not experienced by any other previous generation. After all, they are typically the first of the immigrant household to graduate from American schools, the first to benefit from having English as a native tongue, and the first to know about the

internal workings of the U.S. labor market before getting their first job.

Second, it is well known that the relation between the earnings of parents and children, regardless of whether the parents are foreign- or native-born, is driven by a phenomenon known as regression toward the mean. Even though the children of highly successful parents are themselves likely to be successful, they are not likely to be as successful as their parents. Their economic performance will probably revert downward toward the population average. Similarly, even though the children of low-skill parents are themselves likely to be low-skilled, they are unlikely to be as unskilled as their parents; again there is a reversion upward toward the population average. Regression toward the mean acts like a double-sided magnet: it pulls the economic status of the children in outlying groups toward the mean of the population, *regardless* of where the parents start out.

The explanation for this phenomenon is that parental skills and family background are not alone in influencing the transmission of skills from one generation to the next. Because many other unknown and random factors, such as luck and imperfect genetic transmission of ability, motivation, and drive, are also at work, children of parents at either tail of the wage distribution will probably lie closer to the middle of that distribution as adults.

The concept of regression toward the mean is crucial in understanding social mobility in the immigrant population. Some ethnic groups who enter the United States do very well in the labor market, while other groups perform poorly. Part of these ethnic differences will likely be passed on to their offspring. The melting pot metaphor argues that these differences disappear relatively quickly,

leaving ethnic groups indistinguishable. In terms of the economic status of different ethnic groups, the melting pot suggests that regression toward the mean is an important phenomenon. Economic differences among ethnic groups in the first generation are fleeting, and an immigrant's ethnic background will have little effect on his descendants' economic well-being.<sup>5</sup>

## The Economic Performance of the Children of Immigrants

It is widely perceived that, on average, the children of immigrants far outperform their parents in economic terms. This perception originated in the early studies of Barry Chiswick and Geoffrey Carliner that compared the earnings of various generations of U.S. workers at a particular time, such as in the 1970 decennial census.<sup>6</sup> Table 1 summarizes the evidence for three such cross-sections: the 1940 census, the 1970 census, and the pooled 1994–2003 Current Population Surveys (which, for convenience, I will refer to as the 2000 cross-section).<sup>7</sup>

Each of these cross-section data files allows the precise identification of two generations of Americans: the immigrant generation (those born abroad) and the second generation (those born in the United States with at least one parent born abroad). It is impossible to determine precisely the generation of the rest of the sample (those born in the United States with American-born parents), but they are typically referred to as “third-generation” Americans—an extremely broad group ranging from grandchildren of immigrants to descendants of the Mayflower pilgrims.

For each of the available data cross-sections, table 1 reports the (age-adjusted) percentage wage differential between the average worker in the first and third generations, as well as

**Table 1. Wage Differentials across Generations**

Log weekly wage differential (relative to 3rd generation)	1940	1970	2000
<b>Age-adjusted</b>			
Male			
1st generation	0.058	0.014	-0.197
2nd generation	0.178	0.146	0.063
Female			
1st generation	-0.007	0.068	-0.102
2nd generation	0.115	0.101	0.088
<b>Age- and education-adjusted</b>			
Male			
1st generation	0.107	0.028	-0.106
2nd generation	0.189	0.124	0.029
Female			
1st generation	0.106	0.101	-0.034
2nd generation	0.164	0.101	0.057

Source: Author's calculations using data from the 1940 and 1970 censuses and the pooled 1995–2003 March Current Population Surveys. The log wage differential, when multiplied by 100, can be roughly interpreted as the percentage wage differential between the groups.

between the average worker in the second and third generations.<sup>8</sup> In every cross-section, the second generation earns more than both the first and the third generation. In 1970, for example, second-generation working men earned about 14.6 percent more than men in the third generation, while the first generation earned 1.4 percent more. Even though trends in the relative wage of working women are potentially influenced by selection biases associated with rising female labor force participation, the intergenerational pattern for women is exactly the same. The typical second-generation working woman earned 10.1 percent more than women in the third generation, while the typical immigrant working woman earned about 6.8 percent more. In 1940 second-generation working men earned 17.8 percent more than the baseline third generation, while immigrants earned 5.8 percent more. In 2000 second-generation working men earned 6.3 percent more than the baseline third generation, while immigrants earned 19.7 percent less.

The wage superiority of the second generation workforce in each cross-section snapshot seems to imply—and has been interpreted as implying—that second-generation Americans earn more than both their parents and their children. A common explanation is that the children of immigrants are “hungry” and have the drive and ambition to ensure economic success in the U.S. labor market—and that this hunger is lost once the immigrant household becomes fully Americanized, by the third generation. If this interpretation were correct, concern over the relatively low skill level of the immigrants of the past three decades would be misplaced. If historical patterns were to hold in the future, the children of these immigrants would outperform not only their parents but the rest of the workforce in only a few decades.

It turns out, however, that the evidence summarized in table 1 does not necessarily justify this inference. After all, the family ties among the three generations identifiable in any one

cross-section of data are very tenuous. It is *biologically impossible* for most second-generation workers in a particular cross-section to be the direct descendants of the immigrants in the same cross-section. For instance, working-age immigrants in the 2000 cross-section (most of whom arrived in the 1980s and 1990s) typically cannot have American-born children who are also of

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working age. Second-generation Americans of working age can be the descendants only of immigrants who have been in the country for at least two or three decades. Put differently, most of the second-generation workers in the 2000 cross-section are unlikely to be the children of the immigrant workers in the same cross-section. Because of skill differences across immigrant cohorts—and because some of these differences could easily be transmitted to their children—the wage gap between first- and second-generation workers in a cross-section does not correctly portray intergenerational social mobility.

In short, the fact that second-generation workers earn more than other workers at a particular time does not necessarily imply that they earn more than either their parents or their children. To calculate the improvement in economic status between the first

and second generations, one must link the economic performance of parents and children, rather than compare the economic performance of workers in different generations at a particular time.

Making the correct intergenerational comparison requires tracking the immigrant population over time.<sup>9</sup> For instance, the 1970 census provides information on the economic performance of immigrants in 1970, many of whom are the parents of the second-generation workers in the 2000 cross-section. Similarly, the 1940 census provides information on the economic performance of immigrants in 1940, who are, in turn, probably the parents of the second-generation workers in the 1970 census. Only by comparing the economic performance of immigrant workers in 1940 with that of second-generation workers in 1970—or that of immigrant workers in 1970 with that of the second generation in 2000—can one correctly determine the economic progress made by the children of immigrants.

To illustrate, consider again the wage information summarized in table 1. If one (incorrectly) used only the information provided by the 2000 cross-section, we would conclude that because second-generation workers earn 6.3 percent more than the baseline third generation and because first-generation workers earn 19.7 percent less than the baseline, second-generation workers earn 26.0 percent more than first-generation workers. A correct calculation, however, reveals much less intergenerational improvement. After all, the typical immigrant in 1970 earned 1.4 percent more than the typical third-generation worker. And the typical second-generation worker in 2000 (who is presumably the descendant of the immigrants in 1970) earns 6.3 percent more than the baseline. In short, the true in-

tergenerational growth in relative wages was only on the order of 5 percent—rather than the 26 percent implied by the intergenerational wage differences observed in 2000.

Similarly, the 1970 census seems to imply that the children of immigrants earn 13.2 percent more than their parents (14.6 percent minus 1.4 percent). But the economic status of the parents of these second-generation workers can be observed only in the 1940 census, where the immigrants had a relative wage advantage of 5.8 percent. The intergenerational wage improvement between 1940 and 1970 is then on the order of 8.8 percent (14.6 percent minus 5.8 percent). Again, immigrant households saw *less* wage growth across generations than would be implied by looking at the intergenerational wage differentials in a single cross-section. Still, however, the 5 to 10 percent intergenerational wage growth between the first and second generations is a substantial improvement in economic opportunity.

The bottom panel of the table reports the wage differences among the generations after the data are also adjusted for differences in workers' educational attainment. For both working men and women, much of the intergenerational progress in the "raw" data disappears. Put differently, much of the progress between the first and second generations (which leads to the 5 to 10 percent wage increase in the second generation) can be explained by differences in schooling between these two generations, as the native-born children of immigrants go through the American education system.

Finally, the evidence summarized in table 1 reveals a second potentially important pattern. In particular, note that the age-adjusted relative wage of immigrants has declined

steadily since 1940. In 1940, the typical immigrant working man earned 5.8 percent more than workers in the third generation; by 1970, this economic advantage had fallen to 1.4 percent; by 2000, it had become a sizable *disadvantage* of 19.7 percent. Although this decline in the relative economic status of the immigrant workforce has been well documented, the data in table 1 also show a concurrent (and much less studied) decline in the relative wage of the second-generation workforce. In 1940, the typical second-generation working man earned 17.8 percent more than workers in the baseline third generation; by 1970, the wage advantage had fallen to 14.6 percent, and by 2000, to 6.3 percent. In short, the relative economic status of second-generation workers has been falling over time—just as that of the foreign-born workforce has been.

Put differently, the second-generation workers in the 2000 cross-section (whose parents made up the immigrant workforce in 1970) have a lower economic status than the second-generation workers in the 1970 cross-section (whose parents made up the immigrant workforce in 1940). If these historical trends continue for the next few decades, the forecast for the economic performance of the children of today's wave of immigrants could be bleak. Today's immigrants have a substantial wage disadvantage of 19.7 percent. If the intergenerational jump in relative earnings between the first and second generation is between 5 and 10 percent, their children will experience a 10 to 15 percent wage *disadvantage* around 2030. This remarkable turnaround in the economic status of the second generation highlights an important historical insight: the long-term trend in the relative economic performance of the second-generation workforce tracks that of the first generation, but with a generational lag.<sup>10</sup>

**Table 2. Age-Adjusted Relative Wage (to the Third Generation) for Selected Ethnic Groups, 1970–2000**

Country of origin	Relative wage of immigrants in 1970	Relative wage of second generation in 2000
Canada	0.185	0.168
Cuba	-0.202	0.044
Dominican Republic	-0.370	-0.189
El Salvador	0.066	-0.043
France	0.198	0.059
Germany	0.249	0.195
Greece	-0.019	0.139
Haiti	-0.217	-0.106
India	0.308	0.271
Ireland	0.243	0.170
Italy	0.029	0.131
Jamaica	-0.228	0.012
Mexico	-0.316	-0.147
Nicaragua	-0.184	-0.043
Norway	0.278	-0.032
Philippines	-0.119	0.014
Poland	0.119	0.269
Portugal	-0.234	0.042
Spain	-0.074	0.141
Switzerland	0.252	0.422
United Kingdom	0.033	0.239

Source: Author's calculations from the 1970 census and the pooled 1995–2003 March Current Population Surveys. The log wage differential, when multiplied by 100, can be roughly interpreted as the percentage wage differential between the groups.

## The Persistence of Ethnic Wage Differences

As noted, ethnic groups vary widely in socioeconomic status both in the first generation and in the second. Some national origin groups, typically those from advanced economies, do quite well in the U.S. labor market, while others, typically those from poorer countries, fare much worse. Table 2 shows some of this variation for selected groups.<sup>11</sup> In 1970, for instance, immigrants from Canada earned 18.5 percent more than

the typical worker in the baseline third generation, while immigrants from Mexico earned 31.6 percent less. By 2000, second-generation workers from Canada earned 16.8 percent more than the typical third-generation worker, while second-generation workers from Mexico earned 14.7 percent less.

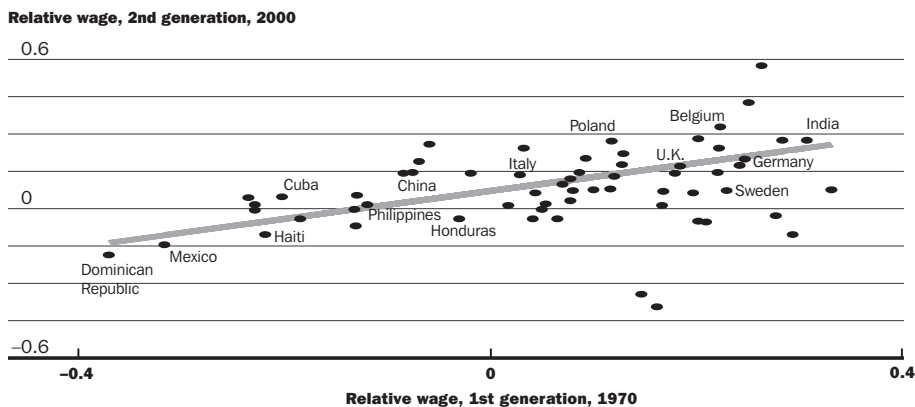
To determine the extent to which ethnic wage differences among immigrants persist into the second generation, some studies estimate statistical models that relate the relative wage of a second-generation national origin group to that of its first-generation counterpart.<sup>12</sup> These analyses account for the fact that first- and second-generation workers in a single cross-section of data have little biological connection by linking the relative earnings of second-generation workers at a particular time (for example, the 2000 cross-section) to the earnings of first-generation workers a few decades past (for example, the 1970 census).

Before summarizing the evidence, I will illustrate the nature of the exercise. Figure 1 shows the intergenerational link for male workers from many national origin groups between 1970 and 2000.<sup>13</sup> The horizontal axis gives the age-adjusted relative wage of men in the immigrant generation, using data from the 1970 census. The vertical axis gives the age-adjusted relative wage of men in the second generation, using data from the 2000 cross-section. The correlation between the average wages of workers in the two generations is obviously strong and positive; the groups that fared well economically in the first generation also did well in the second.

The upward-sloping line in figure 1 summarizes the statistical relationship that links the relative wages of particular national origin groups across the two generations. The slope of this line, often called the intergenerational



**Figure 1. Social Mobility between 1st Generation (1970) and 2nd Generation (2000)**



Source: Author's calculations from the 1970 census and the pooled 1995–2003 March Current Population Surveys. The relative wage gives the age-adjusted log weekly wage differential between a particular group and the typical third-generation worker in the labor market at that point in time. The log wage differential, when multiplied by 100, can be roughly interpreted as the percentage wage differential between the groups.

correlation in relative wages, measures the extent of regression toward the mean across generations. A relatively flat line would show little connection between the average skills of the ethnic groups in the second generation and those of the immigrant groups. Put differently, all second-generation groups would have relatively similar wages, regardless of the economic performance of their parents. The intergenerational correlation would be near zero, and the regression toward the mean would be complete. A relatively steep line, by contrast, would show a close link between relative wages in the first and second generations. If the intergenerational correlation were equal to one, for example, the relative status of the ethnic groups in the two generations would be identical and the line would have a 45 degree slope. In an extreme case, if the typical worker in a particular immigrant group earns 30 percent more than a third-generation worker, the typical second-generation descendant of that group would also earn 30 percent more than the third generation. There is no regression toward the mean because the ethnic differences remain the same from generation to generation.

Table 3 reports the estimated intergenerational correlations over both 1940–70 and 1970–2000. Among working men, the correlation (row 2) is 0.511 for 1940–70 and 0.560 for 1970–2000. Among working women (row 3), the correlations are smaller: 0.242 for 1940–70 and 0.280 for 1970–2000. As noted, however, the intergenerational changes in the relative wage of women may reflect the dramatic increase in the rate of female labor force participation over these six decades.

The bottom panel of table 3 reports the estimated intergenerational correlations after earnings are also adjusted for differences in schooling. This adjustment weakens the correlations: the correlation in the sample of working men, for example, drops by nearly half to 0.287 during 1940–70 and to 0.245 during 1970–2000. In short, a primary reason why ethnic wage differences persist across generations is the persistence of ethnic differences in schooling.

The estimated correlations for working men reported in the top panel of the table suggest two important conclusions. First, the inter-

**Table 3. Intergenerational Correlation in Relative Wages**

	1940–70	1970–2000
<b>Age-adjusted</b>		
All workers	0.416 (0.113)	0.434 (0.089)
Male	0.511 (0.127)	0.560 (0.066)
Female	0.242 (0.091)	0.280 (0.123)
<b>Age- and education-adjusted</b>		
All workers	0.202 (0.088)	0.128 (0.022)
Male	0.287 (0.101)	0.245 (0.034)
Female	0.061 (0.070)	-0.007 (0.042)

Sources: Author's calculations from the 1970 census and the pooled 1995–2003 March Current Population Surveys. Standard errors are reported in parentheses. The regressions estimated for 1940–70 include thirty national origin groups, while those for 1970–2000 include sixty-one groups. The regressions are weighted by the size of the ethnic group in the second generation.

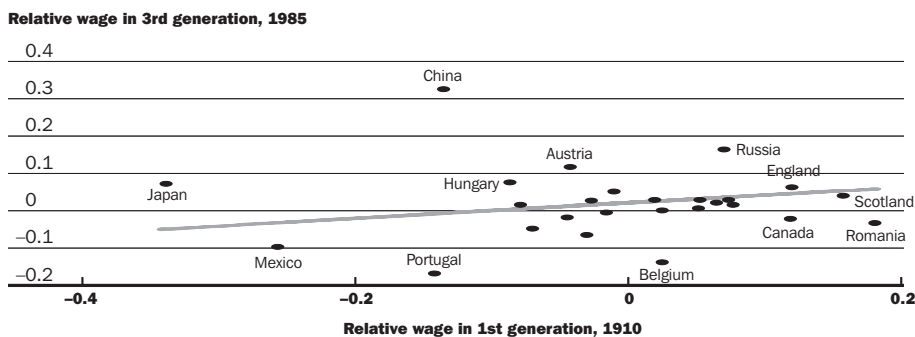
generational correlation between the skills of the first and second generations is about halfway between zero and one. A correlation of 0.5 implies that half of the wage difference between any two national origin groups in the first generation persists into the second generation. If the average wage of two ethnic groups is 30 percentage points apart in the first generation, it is expected to be about 15 percentage points apart in the second. There is some social mobility, therefore, but ethnicity continues to have a large effect on labor market outcomes in the second generation.

Second, the estimates of the intergenerational correlation between 1940 and 2000 are remarkably stable. The process linking the economic performance of first- and second-generation ethnic groups was quite similar

over those six decades, despite major changes in economic and social conditions, as well as in immigration policy.<sup>14</sup>

It is also important to determine whether the ethnic wage differences that remain in the second generation are transmitted to the immigrants' grandchildren. To establish how long a person's ethnic background matters for wage outcomes, one can track the economic performance of the grandchildren of the immigrants who entered the United States during the "first" Great Migration, at the beginning of the twentieth century.<sup>15</sup> One would use data from the 1910 census to get information on the skill level of the national origin groups that made up the first Great Migration and use the General Social Surveys to get information on the sample of American-born workers (around 1985) with at least one grandparent born outside the United States.

Figure 2 summarizes some of the data and shows clear differences in relative wages among third-generation ethnic groups—although the differences are far smaller than those in the first generation. Nevertheless, even after three-quarters of a century, a positive correlation remains between the relative wage of the original immigrant groups and that of the corresponding third-generation ethnic groups. The slope of the line linking the relative wage of the first and the third generations implies an intergenerational correlation of 0.22, meaning that 22 percent of the wage gap between any two groups in the immigrant generation persisted into the third. Recall that roughly half of the wage gap between any two immigrant groups disappears between the first and second generations. It seems that about half of what remains in the second generation disappears between the second and the third.<sup>16</sup>

**Figure 2. Social Mobility between 1st Generation (1910) and 3rd Generation (1985)**

Source: George J. Borjas, "Long-Run Convergence of Ethnic Skills Differentials: The Children and Grandchildren of the Great Migration," *Industrial and Labor Relations Review* 47, no. 4 (July 1994): 561–62. The relative wage gives the log wage differential between a particular group and the typical worker in the labor market at that point in time. The log wage differential, when multiplied by 100, can be roughly interpreted as the percentage wage differential between the groups.

The historical record suggests one broad generalization. The “half-life” of ethnic skill differences is roughly one generation: about half of the ethnic differences in relative wages disappears in *each* generation. Put differently, a 20 percentage point wage gap among ethnic groups in the immigrant generation implies a 10 point gap among second-generation groups and a 5 point gap among third-generation groups.

### Ethnic Capital and Social Mobility

The finding that the intergenerational correlation in the relative wage of ethnic groups is around 0.5 raises an important puzzle. Many studies conclude that about 20 to 40 percent of the skill differences among parents are typically transmitted to their children.<sup>17</sup> Ethnic wage differences thus seem more persistent than one would expect simply from the intergenerational correlation between parents and children.

To solve this puzzle, some have argued that a person’s ethnic background—in *and of itself*—may affect social mobility.<sup>18</sup> In particular, the skills of the next generation depend not only on what parents do, but also on “ethnic capital,” or the characteristics of the eth-

nic environment where the children are raised. A highly advantaged ethnic environment—one where most parents are college graduates, for example—imbues children with valuable characteristics that enhance their socioeconomic achievement later in life. In contrast, disadvantaged ethnic environments—those where most parents may be high school dropouts or welfare recipients—imbue children with characteristics that may impede future socioeconomic achievement. In effect, the ethnic environment is like glue in the process of social mobility, ensuring that the average characteristics of the ethnic group do not change much from generation to generation.

To illustrate the link between ethnic capital and social mobility, consider the children of hypothetical Mexican and Korean families. Suppose the parents in these two families have a similar socioeconomic status. Even though the parents are, say, high school graduates, the child in the Mexican household will likely grow up in an ethnic enclave where many of the neighbors are high school dropouts and where few of the child’s friends go on to college. In contrast, the child in the Korean household will likely grow up in an

area where many neighbors have some college education and where many of the child's friends will go on to college.

If ethnic capital matters—in other words, if exposure to different types of ethnic influences has an effect on social and economic development—the two children in this hypothetical example are on different socioeconomic paths that will lead to very different life experiences. The Mexican child will be continually exposed to cultural and economic contacts common among low-educated workers, while the Korean child will be exposed to contacts that are common among college graduates. The ethnic capital hypothesis argues that continual exposure to a particular type of ethnic capital tends to “pull” the child toward the average or norm in that ethnic group. In other words, ethnic capital is like a magnet—attracting the child toward the socioeconomic outcomes experienced by the typical person in the particular ethnic group. In effect, ethnic capital increases the persistence of ethnic wage differences across generations.

Many studies have shown that ethnicity seems to have an independent effect—above and beyond that of parental socioeconomic status—on the outcomes of children in particular ethnic groups and that much of that effect can be directly linked to the importance of ethnic enclaves, which tend to cluster workers with relatively similar socioeconomic characteristics into a very compact geographic area.<sup>19</sup> In rough terms, about half of the persistence in the relative wage of different ethnic groups seems to be attributable to ethnic capital.

It is worth emphasizing that the mix of factors that makes ethnic capital socially important may differ significantly across ethnic

groups and across ethnic enclaves. A recent study of ethnic neighborhoods in Los Angeles found that local social organizations and businesses in Chinatown and Koreatown are dominated by the respective ethnic groups, while those in Pico-Union (a Mexican–Central American immigrant neighborhood) tend to be much more mixed.<sup>20</sup> The Chinese and Korean owners of small businesses tend to attend local churches in their respective ethnic enclave, eat at local restaurants, and shop at local stores alongside the working class Chinese and Korean immigrants. Such interactions, however, are rarer in Pico-Union. Because the social and economic consequences of these different types of interactions are not fully understood, much work remains to be done in delineating how ethnic capital helps or hampers the assimilation process for different ethnic groups.

### **Do Current Conditions Promote or Hinder Social Mobility for Immigrants?**

Research on social mobility can be summarized by two general insights. First, the historical trend over much of the twentieth century suggests that the “jump” in relative wages between the first and second generations is somewhere between 5 and 10 percentage points. If this trend were to continue, the low relative wage of today's immigrant workforce suggests that tomorrow's second-generation workers, who will make up an important part of the workforce in 2030, may have a sizable wage disadvantage of around 10 to 15 percent.

Second, the conclusion that ethnic skill differences have a half-life of one generation has important implications for ethnic inequality throughout the next century. For example, Canadian immigrants in 2000 earned 22.6 percent more than the baseline third

generation, while Mexican immigrants earned 45.1 percent less. If the historical pattern were to hold, the third-generation descendants of today's Canadian immigrants would earn about 17 percent more than the third-generation descendants of today's Mexican immigrants toward the end of the twenty-first century.

These glimpses into the crystal ball, however, rely crucially on the assumption that the same forces that promoted (or hindered) social mobility in the past century will continue indefinitely into the future. Although the intergenerational correlation for ethnic wage differences was around 0.5 for much of the twentieth century, this rate of social mobility was shaped by unique historical events and by social and economic circumstances that may not hold in the future.

In the first place, the immigrants who entered the United States at the beginning of the twentieth century faced dramatically different economic conditions than do today's immigrants. In the early 1900s, the low-skill immigrant workforce helped build America's manufacturing sector. Three-quarters of the workers at the Ford Motor Company in 1914 were foreign born, and more than half came from the less developed areas of southern and eastern Europe. These manufacturing jobs evolved into stable and well-paying economic opportunities for many immigrants and their descendants. It is far from clear that the employment sectors seeking immigrants today—particularly in a labor market that increasingly rewards high-skill workers—can provide the same growth opportunities that the rapidly expanding manufacturing sector offered a century ago.

Second, in some respects there is *less* ethnic diversity among the “new” immigrants than

there was among early twentieth-century immigrants. Current immigration is much more dominated by a single ethnic group. In 2000, for example, Mexicans made up almost 30 percent of the immigrant population. In contrast, the largest two national origin populations in the 1920 census were Germans and Italians, and together they constituted only

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24 percent of the foreign-born population at the time. The relative lack of ethnic diversity in post-1965 immigration may greatly reduce the incentives for assimilation by allowing the largest ethnic groups to develop separate economies and social structures, interacting little with the economic mainstream. These ethnic enclaves may well create obstacles to social mobility.

Third, the political reaction to the social and economic dislocations associated with the first Great Migration was swift and severe. By 1924, the United States had adopted strict limits on the number and types of people who could enter the country. This policy shift, combined with the poor economic op-

portunities available during the Great Depression, created a de facto moratorium on immigration. During the 1920s, 4.1 million people entered the United States; by the 1930s, that number was down to only half a million. This “breathing period” may have facilitated immigrant social mobility by cutting off the supply of new workers to ethnic enclaves and by reducing the economic and social contacts between the immigrants and their countries of origin.

Fourth, in an important sense some of the large immigrant groups that arrived in the United States before 1924 were “encouraged” to assimilate by changes in social attitudes and in tolerance toward particular national origin groups associated with the two World Wars. The *Harvard Encyclopedia of American Ethnic Groups* reports that “by summer 1918 about half of the [U.S.] states had restricted or eliminated German-language instruction, and several had curtailed freedom to speak German in public. . . . The total number of German language publications declined from 554 in 1910 to 234 in 1920.”<sup>21</sup> Surely these unique and sudden shifts in social attitudes had a distinctive effect on the social mobility of Germans in the United States.

Finally, the ideological climate that boosted social pressures for assimilation and acculturation throughout much of the twentieth century has all but disappeared. Put differently, the consensus summarized by the motto of the United States seal, “*E pluribus unum*” (out of many, one), no longer exists. The radical shift in the paradigm is best illustrated by Vice President Albert Gore’s 1994 ruminations on the melting pot—and his illuminating mistranslation of the motto: “We can build a collective civic space large enough for all our separate identities, that we can be *E pluribus unum*—out of one, many.”

Hence there is no certainty that today’s immigrants will experience the same degree of social mobility as the immigrants who arrived a century ago. It is still too early to know whether the dramatic shifts in the U.S. social, political, and economic climates will prove important enough to slow the rate at which the new immigrants are assimilated economically. Nevertheless, these shifts may signal that ethnic differences among immigrants will prove more enduring in future generations than they have in the past.

## Notes

1. Barry Edmonston and Jeffrey S. Passel, "Immigration and Immigrant Generations in Population Projections," *International Journal of Forecasting* 8, no. 3 (1992): 459–76.
2. Classic expositions of the melting pot hypothesis are given by Robert Park, *Race and Culture* (Glencoe, Ill.: Free Press, 1975); and Milton Gordon, *Assimilation and American Life* (Oxford University Press, 1964). The revisionist literature that questions the empirical validity of the hypothesis includes the studies of Nathan Glazer and Daniel P. Moynihan, *Beyond the Melting Pot: The Negroes, Puerto Ricans, Jews, Italians, and Irish of New York City* (MIT Press, 1963); Stanley Lieberson and Mary C. Waters, *From Many Strands: Ethnic and Racial Groups in Contemporary America* (New York: Russell Sage, 1988); Joel Perlmann, *Ethnic Differences: Schooling and Social Structure among the Irish, Italians, Jews, and Blacks in an American City, 1880–1935* (Cambridge University Press, 1988); and Alejandro Portes and Min Zhou, "The New Second Generation: Segmented Assimilation and Its Variants," *Annals of the American Academy of Political and Social Science* 530 (1993): 74–96. A good survey of the competing hypotheses is given by Min Zhou, "Segmented Assimilation: Issues, Controversies, and Recent Research on the New Second Generation," *International Migration Review* 31, no. 4 (1997): 825–58.
3. George J. Borjas, "The Economic Benefits from Immigration," *Journal of Economic Perspectives* 9, no. 2 (1995): 3–22; and Donald R. Davis and David E. Weinstein, "Technological Superiority and the Losses from Migration," Working Paper 8971 (Cambridge, Mass.: National Bureau of Economic Research, 2002).
4. George J. Borjas, "The Economics of Immigration," *Journal of Economic Literature* 32, no. 4 (1994): 1667–717; and David Card, "Is the New Immigration Really So Bad?" *Economic Journal* 115, no. 507 (November 2005): F300–23.
5. Note that the second generation may experience an increase in earning capacity—relative to that of the first generation—even if there were no regression toward the mean (each second-generation national origin group would then simply earn  $x$  percent more than the corresponding group in the immigrant generation, but there would be no narrowing of ethnic wage differentials). Although these two sources of economic mobility are sometimes confused in the literature, they capture different phenomena.
6. Barry R. Chiswick, "Sons of Immigrants: Are They at an Earnings Disadvantage?" *American Economic Review* 67, no. 1 (1977): 376–80; and Geoffrey Carliner, "Wages, Earnings, and Hours of First, Second and Third Generation American Males," *Economic Inquiry* 18, no. 1 (1980): 87–102.
7. The data sources are the 1940 and 1970 Integrated Public Use Microdata Series (IPUMS) of the decennial U.S. Census, as well as the pooled 1994–2003 IPUMS-CPS files of the March Current Population Surveys.
8. The log wage differential is calculated in the sample of workers aged eighteen to sixty-four who do not reside in group quarters, work in the civilian sector, are not enrolled in school, and report a valid measure of earnings for the calendar year prior to the survey. The adjusted wage differences were calculated by estimating a log weekly earnings regression model that includes dummy variables indicating the worker's generation, as well as a vector of dummy variables indicating the worker's socioeconomic characteristics (such as age and education). The regressions using pooled CPS data also include a vector of dummy variables indicating the year of the survey.
9. George J. Borjas, "The Intergenerational Mobility of Immigrants," *Journal of Labor Economics* 11, no. 1, pt. 1 (1993): 113–35.

10. See also Joel Perlmann and Roger Waldinger, "Second Generation Decline? Children of Immigrants, Past and Present—A Reconsideration," *International Migration Review* 31, no. 4 (1997): 893–922.
11. The ethnic background of second-generation Americans in the calculations presented in this section is determined by the mother's country of birth (unless only the father is foreign-born, in which case it is determined from the father's country of birth).
12. Borjas, "The Intergenerational Mobility of Immigrants" (see note 9); David Card, John DiNardo, and Eugena Estes, "The More Things Change: Immigrants and the Children of Immigrants in the 1940s, the 1970s, and the 1990s," in *Issues in the Economics of Immigration*, edited by George J. Borjas (University of Chicago Press, 2000), pp. 227–70.
13. The figure provides information for sixty-one national origin groups. Each group satisfies the sample restriction that there were at least twenty observations in both the 1970 and 2000 cross-sections to calculate the wage of the ethnic group in each respective generation.
14. As noted in the previous section, the relation between the relative economic status of first and second generations depends not only on the rate of regression toward the mean, but also on whether the second generation has a head start relative to the first generation. The intercept of the regression line illustrated in figure 1 measures this intergenerational head start (that is, it measures the wage growth exhibited by the descendants of an immigrant group that had the same relative wage as the baseline third generation). The intercept (with standard error) is 0.107 (0.021) in the 1940–70 regression and 0.069 (0.014) in the 1970–2000 regression.
15. George J. Borjas, "Long-Run Convergence of Ethnic Skill Differentials: The Children and Grandchildren of the Great Migration," *Industrial and Labor Relations Review* 47, no. 4 (1993): 553–73.
16. In a recent study, Richard Alba, Amy Lutz, and Elena Vesselinov question whether the correlation between the first and third generations illustrated in figure 2 correctly portrays the experience of European immigrant groups. They show that it is easy to reduce the measured intergenerational correlation to nearly zero by selectively excluding particular ethnic groups from the analysis. In particular, they show that the statistical significance of the intergenerational correlation vanishes if the regression analysis drops Mexicans, Chinese, Japanese, Austrians, Hungarians, Poles, Yugoslavs, and Russian Jews from the sample. The wisdom of this selective pruning of the statistical evidence is highly questionable. The magnitude (and sign) of *any* statistical correlation can be changed at the researcher's whim by selectively screening the data; in this instance, by dropping observations of groups that do either too well or too poorly. See Richard D. Alba, Amy Lutz, and Elena Vesselinov, "How Enduring Were the Inequalities among European Immigrant Groups in the U.S.?" *Demography* 38, no. 3 (2001): 349–56; and George J. Borjas, "Long-Run Convergence of Ethnic Skill Differentials, Revisited," *Demography* 38, no. 3 (2001): 357–61.
17. See Kenneth A. Couch and Thomas A. Dunn, "Intergenerational Correlations in Labor Market Status: A Comparison of the United States and Germany," *Journal of Human Resources* 32, no. 1 (1997): 210–32; Gary Solon, "Intergenerational Income Mobility in the United States," *American Economic Review* 82, no. 3 (1992): 393–408; and David J. Zimmerman, "Regression toward Mediocrity in Economic Status," *American Economic Review* 82, no. 3 (1992): 409–29.
18. George J. Borjas, "Ethnic Capital and Intergenerational Mobility," *Quarterly Journal of Economics* 107, no. 1 (1992): 123–50.



19. George J. Borjas, "Ethnicity, Neighborhoods, and Human Capital Externalities," *American Economic Review* 85, no. 3 (1995): 365–90. See also David M. Cutler, Edward L. Glaeser, and Jacob L. Vigdor, "Ghettos and the Transmission of Ethnic Capital," in *Ethnicity, Social Mobility and Public Policy: Comparing the US and UK*, edited by Glenn Loury, Tarig Modood, and Steven M. Teles (Cambridge University Press, 2005), pp. 204–22; and Alexis Leon, "Does 'Ethnic Capital' Matter? Identifying Peer Effects in the Intergenerational Transmission of Ethnic Differentials," Working Paper (University of Pittsburgh, 1995).
20. Min Zhou, "How Neighborhoods Matter for Immigrant Adolescents," CPRC Brief (Berkeley, Calif.: California Policy Research Center, December 2002); see also Min Zhou and Susan S. Kim, "Community Forces, Social Capital, and Educational Achievement: The Case of Supplementary Education in the Chinese and Korean Immigrant Communities," *Harvard Educational Review* (2006, forthcoming).
21. Kathleen M. Conzen, "Germans," in *Harvard Encyclopedia of American Ethnic Groups*, edited by Stephen Thernstrom (Harvard University Press, 1980), p. 423.

