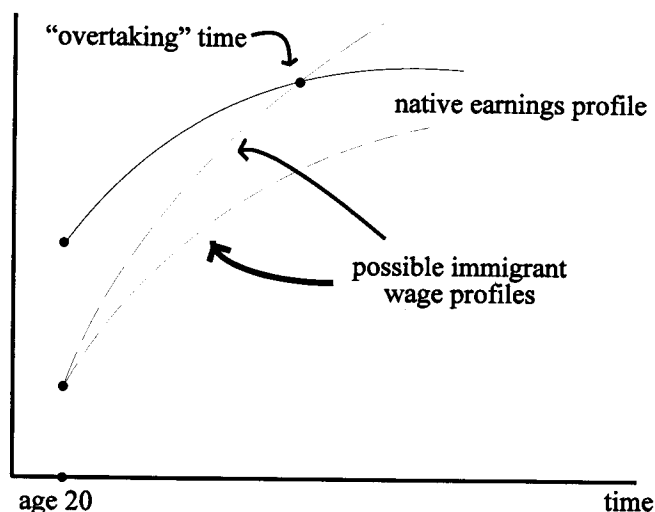


Immigrant Assimilation - Framework and History

→ early work in immigration viewed immigrant adaptation similarly to OJT - during 1st years in country, low earnings due to investing in skills

→ consider earnings of a native versus an immigrant entering at 20 years of age:



Statistical framework:

$$\text{natives: } \log Y_i^N = \alpha^N + \beta^N S_i + \delta_1^N E_i + \delta_2^N E_i^2 + e_i$$

$$\text{immigrants: } \log Y_i^M = \alpha^M + \beta^M S_i + \delta_1^M E_i + \delta_2^M E_i^2 + \gamma_1 YSM_i + \gamma_2 YSM_i^2 + \mu_i$$

→ coefficients on YSM variable capture any extra earnings growth (over and above general experience effects) due to years since immigration [excess returns to age]

1st real paper: Chiswick JPE 1978

→ white male natives and immigrants, US 1970 Census
 - single X section of data; several hundred thousand observations; asks where born, years arrived...

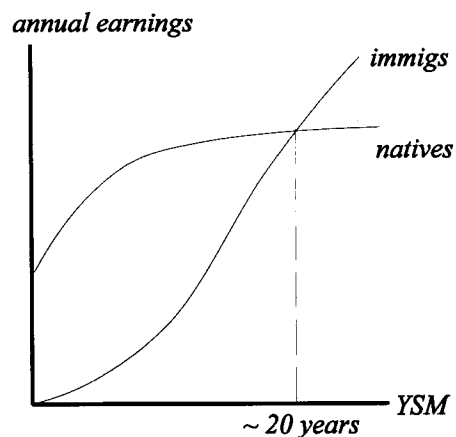
→ imposed same δ 's (rets to experience) on natives / immigrants; found large, positive effects of YSM

- pooled sample; YSM = 0 for native born

→ estimated rapid overtaking times

→ thus, longer you've been in country (as of 1970), the higher are your earnings relative to natives

→ conventional wisdom, on which much government policy was based - rapid assimilation



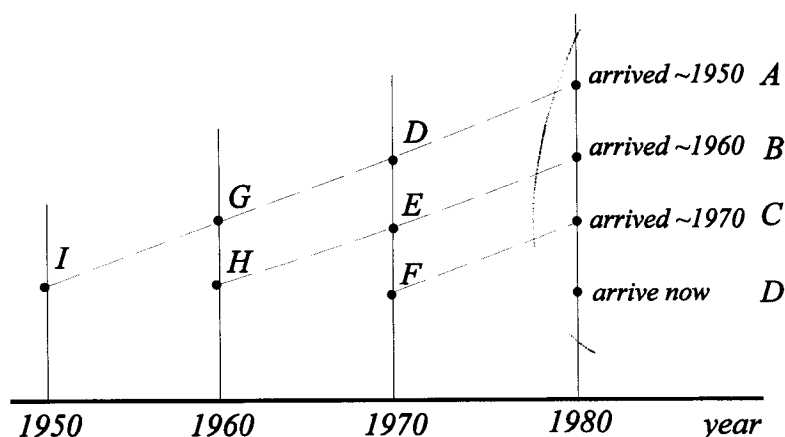
2nd real paper: Borjas, JOLE 1985

→ notes first that, although Chiswick claims to have results about earnings growth, has no actual data on this - single cross-section
- Chiswick infers earnings growth rates over time from point-in-time wage differences between arrival cohorts

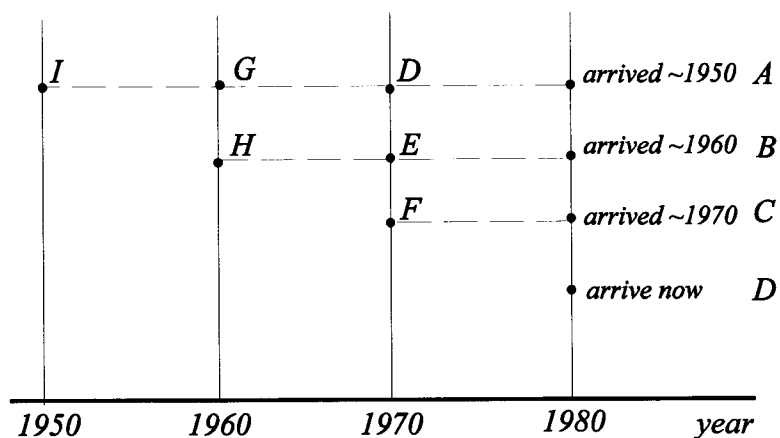
→ next argues that, depending on changing "cohort quality" over time, this may or may not be a correct inference

→ possible scenarios:

i) static immigrant quality, high returns to YSM



ii) declining immigrant quality, low or zero returns to YSM



→ Borjas' empirical study:

1) replicates Chiswick study for 1980 and 1970 cross-section

2) then compares earnings of fixed arrival cohorts in 1970 and 1980 (not same individuals, but random sample: DA, EB, FC)

- need to sift thru Census data to do this: people or kids; foreign born; YSM; annual earnings

- compare what those who arrived 50-55 earned relative to natives in 1970 and 1980

→ findings: results much closer to scenario (ii) than scenario (i)

- some assimilation but much of what we thought was assimilation is not
- declining immigrant "quality" (controlling for age, education, etc.)

Remaining concerns re Borjas:

A. -estimates a **common assimilation rate** for all cohorts. What if the assimilation rate varies across cohorts, or varies systematically with the wage at entry?

B. -use of **synthetic cohorts**, not true panel data. What if composition of the cohort changes systematically over time?

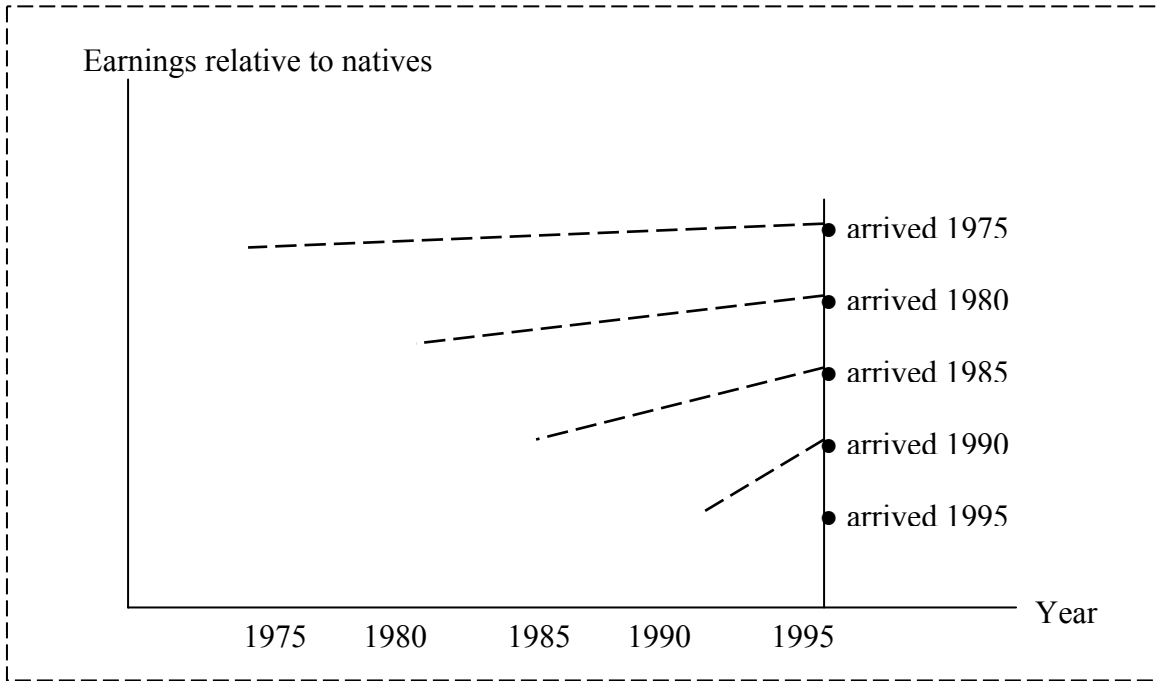
A series of papers by **Duleep and Regets** responds to both of these, but mostly B. Data include matched CPS and social security earnings records.

Findings:

-in true panel data, immigrant earnings year-to-year growth rates *are* greater than natives

-looking across cohorts (or persons within cohorts), cohorts (or persons) who start at low entry wages have, on average, faster earnings growth rates.

Duleep-Regets “synthesis”:



Low entry-level earnings of recent cohorts does not necessarily imply those cohorts will remain far below natives.

The notion of a negative correlation between earnings at entry and earnings growth rates is in fact suggested by human capital theory.