

Mexican-born Persons' Earnings and Settlement in New Destinations:
A Decomposition Analysis

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“Mexican-born Persons’ Earnings and Settlement in New Destinations: A Decomposition Analysis”

Scholars of Mexican migration to the United States have recently documented the increased dispersion of Mexican-born persons throughout the country over the past 25 years, particularly during the 1990s. They conclude that the scale of this phenomenon has become so large that Mexican migration is no longer a regional phenomenon confined mostly to traditional destinations in the Southwest (Durand, Massey and Capoferro 2005; Johnson 2000; Passel and Zimmerman 2001; Suro and Passel 2003). In fact, the percentage of Mexican-born persons in the United States living outside the five traditional destination states¹ more than doubled from 10 percent to 25 percent between 1990 and 2000 and accounts for most of the growth of the Mexican origin population in these areas. As a result, new (or newly expanded) communities of Mexican-born persons rapidly grew in the 1990s, both in large urban metropolises such as New York and Atlanta and in small rural towns throughout the Midwest and South. For example, the Mexican-born population in Georgia grew by over 800% between 1990 and 2000 (Ruggles and Sobek 2003; Singer 2004).

What happens to incorporation outcomes at both the group- and individual-levels when large scale geographic dispersion occurs as described? Does settlement in new destinations facilitate (or impede) socioeconomic incorporation for Mexican-born persons nationally? Do individuals who settle in new destinations benefit either with higher absolute earnings or do they improve their relative position to non-Latino whites compared to differences in traditional settlement areas? Much research tends to generate pessimism regarding prospects for Mexican-origin socioeconomic incorporation, particularly in the immigrant generation, due to an abundance of empirical evidence that indicates they face formidable barriers to upward socioeconomic mobility. Studies have consistently found that, although absolute earnings have increased for the Mexican-born, their earnings did not grow as fast as earnings among native-born non-Latino whites, increasing their disadvantage in the 1990s. Borjas (1995; 1999) suggests this is increasingly due to “declining quality” of the migrants in terms of individual attributes such as lower levels of education and higher rates of unauthorized status upon arrival.

¹ Arizona, California, Illinois, New Mexico, and Texas.

Others point to demographic changes and economic restructuring in the United States that have contributed to higher education and better jobs for the native-born population and structural barriers that inhibit socioeconomic mobility for low-skilled labor migrants (Bean and Stevens 2003; Myers 1998; Portes and Rumbaut 2001). As a result, paths to upward mobility are now less clear for low-skilled immigrants than in earlier decades (Massey 1999; Portes and Rumbaut 2001). While debates regarding the causes of such outcomes are sure to continue, there is little doubt that relative gaps between Mexican-born persons and non-Hispanic whites exist. For example, while research shows that Mexican-born persons' earnings increase with more time in the United States (Bean and Tienda 1987; Clark 2003; Saenz 2000), there is near consensus among immigration scholars that this growth has not kept pace with earnings growth among non-Latino whites (Bean and Stevens 2003; Borjas 1995; Myers 1998). These dynamics have kept the Mexican-born population in an increasingly disadvantaged position economically.

Here, we present preliminary results using simple standardization techniques to illustrate how geographic dispersion may have contributed to larger overall gaps in national averages but relative gains for individuals who settled in new destinations. Our completed paper will explore these results more rigorously using decomposition techniques (Das Gupta 1993). Earnings in 1990 and 2000 among Mexican origin and non-Latino white persons are presented in the first table (labeled Table 2). For example, earnings among Mexican-born men increased 5.2 percent in the decade versus 8.5 percent among non-Latino whites. This resulted in an *increase* of 1.5 percentage points in the relative earnings gap of Mexican-born men. Gaps in relative earnings were even greater among Mexican origin men born in the United States and all Mexican-origin women.

Table 2. Average Earnings and Change in the 1990s: Unadjusted National Averages

	1990		2000		% Change in Wages for Decade	Change in Ratio to N-L Whites
	Wages	Ratio to N-L Whites	Wages	Ratio to N-L Whites		
Female						
Mexican						
U.S.-born	14,981	0.82	16,205	0.77	8.2	-0.047
Foreign	10,263	0.56	11,141	0.53	8.5	-0.031
White						
U.S.-born	18,230	1.00	20,924	1.00	14.8	
Male						
Mexican						
U.S.-born	20,246	0.71	20,406	0.66	0.8	-0.050
Foreign	14,309	0.50	15,052	0.48	5.2	-0.015
White						
U.S.-born	28,701	1.00	31,146	1.00	8.5	

Source: IPUMS; Earnings in 2000 adjusted to 1990 dollars

The above results, however, do not consider the geographic concentration of the Mexican origin population. Average earnings among whites include those where few Mexican origin persons reside, which are of less consequence to incorporation than those in areas of Mexican origin concentration. Thus we use standardization to adjust the non-Latino white average earnings relative to the distribution of the Mexican origin population across states at the time of each Census (Table 3). This results in an upward adjustment of more than \$2,000 in the 2000 average that grew by 11.2 percent in the 1990s. Thus non-Latino whites appear to earn more and experienced faster growth of their earnings where Mexican origin persons were geographically concentrated in each decade, *ceteris paribus*, relative to national averages.

Table 3. Average Earnings and Change in the 1990s: N-L White Earnings Standardized to Geographic Distribution of Mexican-born Persons

	1990		2000		% Change in Wages for Decade	Change in Ratio to N-L Whites
	Wages	Ratio to N-L Whites	Wages	Ratio to N-L Whites		
Female						
Mexican						
U.S.-born	14,981	0.77	16,205	0.72	8.2	-0.054
Foreign	10,263	0.53	11,141	0.49	8.5	-0.035
White						
U.S.-born	19,457	1.00	22,630	1.00	16.3	
Male						
Mexican						
U.S.-born	20,246	0.67	20,406	0.60	0.8	-0.062
Foreign	14,309	0.47	15,052	0.44	5.2	-0.025
White						
U.S.-born	30,440	1.00	33,837	1.00	11.2	

Source: IPUMS; Earnings in 2000 adjusted to 1990 dollars

The effects of dispersion on the earnings gap, however, is not clear from the above results because non-Latino white earnings are standardized to Mexican origin geographic distribution within each decade. We standardize non-Latino white earnings in 1990 and 2000 and Mexican origin earnings in 2000 to Mexican origin geographic distribution in 1990 (Table 4). This simulates earnings for both groups under the scenario that the Mexican origin population remained similarly dispersed in 2000 as they were in 1990. Again focusing on Mexican-born men as an example, dispersion appears to have had a negative effect on the group's overall position. Had they not dispersed, average Mexican origin earnings in 2000 would have been \$258 more than what they actually earned (\$15,310 versus \$15,052), meaning their earnings would have grown by 7.0 percent rather than 5.2 percent. Likewise, their relative earnings compared to non-Latino whites would have declined by only 1.9 percentage points rather than 2.5 percentage points. Thus geographic dispersion appears to have negatively impacted both absolute earnings and relative earnings for Mexican-born persons. We use decomposition

techniques disaggregate the relative contribution of geographic, compositional and structural forces in these results.

Table 4. Average Earnings and Change in the 1990s: 2000 Mexican Origin Earnings and 1990 & 2000 N-L White Earnings Standardized to Geographic Distribution of 1990 Mexican-born Persons

	1990		2000		% Change in Wages for Decade	Change in Ratio to N-L Whites
	Wages	Ratio to N-L Whites	Wages	Ratio to N-L Whites		
Female						
Mexican						
U.S.-born	14,981	0.77	16,164	0.71	7.9	-0.057
Foreign	10,263	0.53	11,236	0.50	9.5	-0.032
White						
U.S.-born	19,457	1.00	22,669	1.00	16.5	
Male						
Mexican						
U.S.-born	20,246	0.67	20,345	0.60	0.5	-0.065
Foreign	14,309	0.47	15,310	0.45	7.0	-0.019
White						
U.S.-born	30,440	1.00	33,931	1.00	11.5	

Source: IPUMS; Earnings in 2000 adjusted to 1990 dollars

Finally, socioeconomic incorporation of Mexican origin persons as a group has important implications for individual-level incorporation. Disaggregating Table 3 by region indicates that individuals who migrated between traditional and new destination areas improved their relative socioeconomic position (Table 5). Average earnings for all groups in new destinations are lower in absolute terms than in traditional destinations. Mexican origin persons in new destinations, however, have higher *relative* earnings than those in traditional destinations (0.48 versus 0.44, respectively, for Mexican-born men). Thus although settlement in new destinations in the 1990s implied lower absolute earnings for individuals and contributed to slower growth at the group level, it also resulted in a better relative socioeconomic position for those Mexican origin persons who settled there. These results add a new dimension to previous findings that attribute slow wage growth to structural and compositional factors without considering geographic distribution.

Table 5. Wages and Relative Changes in the 1990s: N-L White Wages Adjusted for Geographic Distribution of Mexican-born Persons

		1990		2000		% Change in Wages for Decade	Change in Ratio to N-L Whites
			Ratio to N-L Whites		Ratio to N-L Whites		
		Wages	Whites	Wages	Whites		
New Destination States							
Female							
Mexican							
	U.S.-born	14,321	0.83	16,028	0.80	11.9	-0.034
	Foreign	10,253	0.60	10,736	0.54	4.7	-0.061
White							
	U.S.-born	17,164	1.00	20,021	1.00	16.6	
Male							
Mexican							
	U.S.-born	20,170	0.75	20,438	0.69	1.3	-0.058
	Foreign	13,552	0.50	14,209	0.48	4.9	-0.023
White							
	U.S.-born	27,050	1.00	29,710	1.00	9.8	
Traditional Destination States							
Female							
Mexican							
	U.S.-born	15,118	0.76	16,251	0.70	7.5	-0.061
	Foreign	10,264	0.51	11,256	0.48	9.7	-0.032
White							
	U.S.-born	19,931	1.00	23,300	1.00	16.9	
Male							
Mexican							
	U.S.-born	20,263	0.65	20,398	0.58	0.7	-0.067
	Foreign	14,415	0.46	15,380	0.44	6.7	-0.022
White							
	U.S.-born	31,181	1.00	34,969	1.00	12.1	

Source: IPUMS; Wages in 2000 adjusted to 1990 dollars

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