



Report

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WORK OR STUDY: DIFFERENT FORTUNES OF U.S. LATINO GENERATIONS

by

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EXECUTIVE SUMMARY

The Latino population is on the cusp of a major generational change. For the past several decades its growth was fueled mostly by immigration. Now, the extraordinary fertility rate of foreign-born Latinos living in the United States is fueling Hispanic population growth at a faster rate than the influx of new immigrants. Soon, the U.S. born children of those immigrants will expand the adult Latino population. This imminent development requires renewed attention to age-old questions in the history of migration: Will the second generation do better than the first? How much advantage comes from being raised and educated in the new land? How well can the children of immigrants compete against contemporaries from non-immigrant families? This report begins to answer those questions by examining the way the different Latino generations perform in the labor market, focusing on the wages and employment of young adults.

The data compiled and assessed here show that the different Latino generations—the immigrants and their U.S.-born offspring—play markedly different roles in the labor force, and they present dissimilar challenges and opportunities to employers and policy-makers.

As teenagers and young adults, Latino immigrants work. Indeed they work more and earn more than anyone else in their age group including native-born whites. But, this advantage is very temporary because immigrant youth are working full-time while their contemporaries are studying, and a lack of education and skills locks immigrants into the low-end of the labor market through adulthood. Thus, the American economy's appetite for young, low-skilled immigrant labor inevitably produces a substantial supply of adult workers with minimal qualifications. So far, during times of economic growth this workforce has found ready employment, but the experience of both the 2001 and the 1990-91 recessions have also shown that they are among the first to be let go in a downturn.

The portrait presented of the children of immigrants is more complex and more troubling. Many in the second generation are in school during their teens and early twenties, acquiring skills and education that boost their earnings in later life. But, they are also very vulnerable during this period. About a quarter of all second-generation Latino youth both work and study at the same time. This is a measure of the extent to which pursuing an education beyond the age of 16 involves an economic sacrifice for the young of immigrant households. This data, combined with the exceptionally high unemployment rates experienced by second-generation Latino youth, has clear implications for the formulation of policy on student loans and other forms of financial aid. This generation holds out much promise, but the data reported here strongly suggest that it will need help to fully realize its potential.

U.S. labor market outcomes vary significantly according to the age of the worker. Earnings rise and employment stabilizes with experience. So, for example, teen unemployment rates are often multiples of the rates experienced by middle-aged adults. When it comes to Hispanics, labor market analysis must recognize the unique age structure of Latino generations. Working age Latino immigrants tend to be mature adults; about 1-in-10 is between the ages of 16 and 24. By contrast, 4-in-10 working age second generation Latinos are between the critical ages of 16 and

24, reflecting the native-born youth boom. Age sensitive labor market analysis reveals that the fortunes of the second generation of Latinos appear very different, depending upon whether we investigate outcomes for youth or focus on adults over the age of 25.

Some of the key findings of this report include:

- Beyond the age of 25, second generation Latinos clearly fare better than similar immigrant Latinos. They are paid better. Their rates of job-holding are at least as high, and they experience similar unemployment rates.
- By the time they reach prime working age—beyond 25 years-old--most second generation Latinos fare at least as well as African Americans, but their labor force outcomes are markedly worse than whites.
- High levels of education seem to be a prerequisite for second generation Latinos to surpass parity with white earnings levels. Indeed, second generation Latinos with college degrees on average earn more than college-educated white prime-age workers.
- For young adult Latinos under the age of 24, labor market well-being by generation is reversed. Foreign-born Latino teens who are new arrivals earn substantially more than second-generation Latino teens. In fact, foreign-born Latino teens are the highest paid workers in the teen labor market, earnings almost twice the amount earned by white and African American teens. This reflects the high work hours of immigrant Latino teens and their much greater attachment to the labor market.
- Second generation Latino teens are paid less, experience higher unemployment, and have much lower rates of job-holding than recently arrived immigrant Latino teens. Fewer of them are in the labor market at all. Instead, many second generation Latino teens are engaged in what white and African Americans teens do: investing in their skills by pursuing formal schooling. Very few immigrant Latino teens who recently arrived in the U.S. are enrolled in school. Latino immigrants who arrived in the U.S. during childhood do not do as well as their U.S.-born kin when they reach adulthood. While Latinos of generation 1.5 may have similar educational experiences to those of native-born Latinos, upon maturity their labor market outcomes are decidedly below second-generation Latino adults. In spite of many years of U.S. residence, “near-native Latinos” experience labor market difficulties associated with their immigrant status.

Overall, the data analyzed in this report present a mixed picture with about as many optimistic indicators as there are troubling ones. Clearly, when the U.S. economy is growing rapidly, as it did in the late 1990's, the labor market affords extraordinary opportunities to immigrant youth. Even those with very little experience in the U.S. labor market can find steady work. When they are in their late teens, immigrant youth do better than the native born. This is a short-lived advantage, however. Wages for immigrant youth start low and stay low through adulthood. By age 25, second generation Latinos eclipse their immigrant counterparts. Lacking

exposure to U.S. schools, the immigrants' narrow focus on the employment world puts them on a sub par earnings path relative to second-generation teens. Meanwhile, the schooling endeavors of second-generation teens likely will reap larger labor market payoffs later in life because rates of return to educational attainment are substantial for native-born Latinos.

In terms of generational advancement and the broad question of whether the second generation will go farther than the first, the news is good. There are strong indications that most of the U.S. born children of Latino immigrants will move beyond the life of working-class poverty that is typical of both their parents and their foreign-born contemporaries. This analysis finds a substantial movement forward from the first generation to the second, but it also finds that this movement forward is not nearly powerful enough to bring the second generation to parity with white workers. Over the next several decades, as the second generation takes its place in the labor market, the overall economic status of the Latino population is likely to improve. And, this new cohort of workers will probably fill different jobs than their immigrant forbearers, jobs that pay more for greater skills or education and a greater mastery of English. But, this large and growing second generation, even though it is native born and the product of U.S. schools, seems likely to fall short of enjoying the kind of employment and the standard of living that most white Americans take for granted.

INTRODUCTION

The Latino labor force is experiencing a major generational shift as increasing numbers of today's young native-born Latino Americans become workers. The fabled baby boom of the 1950s fueled the rapid growth of the white and African American populations. Now, decades later, the number of youthful non-Hispanics is declining while aging baby boomers continue to dominate the labor force. Sizable increases in Latino immigration in the 1970s fueled a rise of first generation workers and now the children of these immigrants are beginning to enter the labor market. In an upcoming report the Pew Hispanic Center will offer a detailed examination of the demographic changes that will reshape the U.S. labor force over the next two decades. This report describes the wage, employment outcomes, and labor market attachment of Latino adults by age and generation during the economic expansion of the late 1990s.

This report's key contribution is generational comparisons by age that show that generational outcomes vary strongly by age. The behavior of teens and young adults diverges sharply from adults over the age of 25. The teenage years appear to be a critical period for Latino youth as they make very important choices on working full-time versus part-time and whether to pursue schooling or not. Of course it is impossible to predict with certainty how the youth of today will perform as adults in the future, but the available data suggest that these teen outcomes and choices have long-term implications for educational attainment, earnings, and overall labor market success. For example, foreign-born Latino teens are very successful in the U.S. labor market relative to their native-born peers, but their teen success likely comes at a very high price in term of long-term labor market opportunity.

The report opens with a review of Latino unemployment experience during the late 1990's economic expansion to show the importance of age for generational analysis. The data source for the analysis is then briefly described. To contrast teen and young adult outcomes, we provide an overview of labor market trends and outcomes for prime-age workers. Substantially different outcomes are apparent among Latino 16-to-19 year-olds depending on their nativity, and thus we focus on the activities pursued by Latino teens across generations and in comparison to white and black youth. Since Latino immigrant and native-born youth are pursuing radically different activities, we gauge the long-term labor market implications of these youth behavior and outcomes.

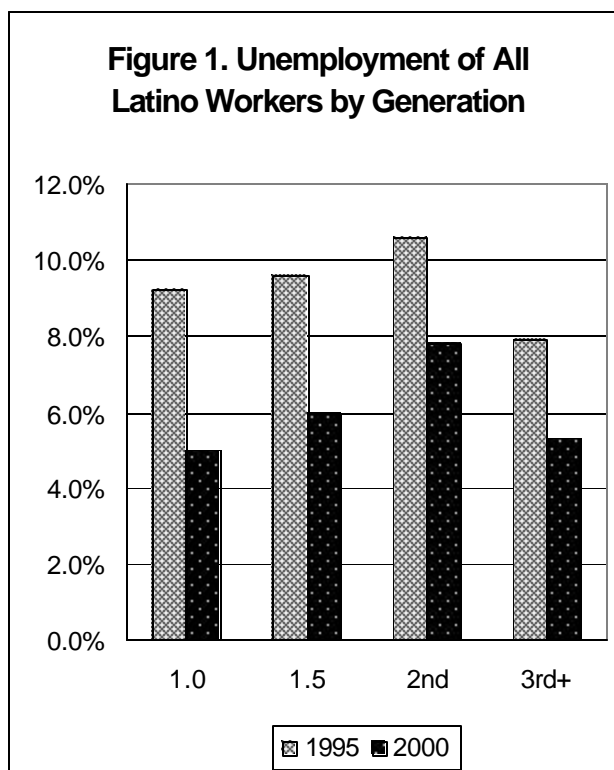
GENERATIONS AND THE YOUTH EFFECT

Along with most U.S. workers, Latinos improved their labor market standing during the latter 1990s, in terms of more employed, declining unemployment rates, and increases in earnings. After a long period of recovery following the recession of 1990-1991, all working-age Latinos saw increases in their labor force participation rates and significant drops in unemployment from 1995 to 2000.

But clear differences stood out among the four generational groups of Latinos at work in the U.S. today (see box), especially when contrasting young workers (16 to 24 years old) and prime age (25 to 66 years old) labor force participants:

- The 1.0 generation is the foreign born who arrived as adults.
- The 1.5 generation is the foreign born who arrived as pre-teens.
- The 2nd generation is the native born with at least one immigrant parent.
- The 3rd+ generation is the native born with two native-born parents.

The immigrant first and 1.5 generations experienced the strongest improvements in labor force participation and the greatest declines in unemployment over the 1995 to 2000 period (see Figure 1). On the other hand, the third-plus generation remained better off in terms of these



indicators than the other generations but experienced less overall improvement from its higher baseline. Unemployment rates declined strikingly for the first generation from over 9 to 5 percent, while the third-plus generation unemployment fell from nearly 8 percent to just over 5. Immigrants saw their labor force participation rates rise by over 4 percentage points, while the third generation saw a 1 percentage point increase in participation rates.

Yet, the second generation had the lowest labor force participation rates and the highest unemployment rates in either 1995 or 2000. They carried this unenviable status into the recession of 2001 when unemployment rates soared at times to more than 10 percent, spikes not

experienced by the other generations (Suro and Lowell, 2002). The most obvious explanation for the greater job losses among second-generation workers is their youth. Lacking seniority, younger workers typically are hurt badly in recessions. The average age of the second generation was only

Table 1. Unemployment Rates by Latino Generation and Age Group, 2000 (in %)

Ages	All Latinos	Generation			
		1.0	1.5	2nd	3rd+
16 - 66	5.7	5.0	6.0	7.8	5.3
16 - 19	15.9	14.2	11.2	20.5	14.7
20 - 24	7.9	6.0	6.7	9.9	8.8
25 - 44	4.7	4.7	5.0	5.2	4.2
45 - 66	3.9	4.7	3.9	3.1	2.4

Source: Current Population Survey

19 in 2001 while immigrants averaged about 37 years of age. Nearly 4-out-of-10 of second-generation Latino adults are young adults less than 25 years of age. By contrast, only 1-in-7 of first generation adults are teens and young adults.

Age differences drive much of the variation among Latino generations. Nowhere is this more evident than for the second generation. The second generation total employment figures are strongly affected by their youthful age composition. Generational averages mask strong age effects (see Table 1). Teens and young adults experience the highest rates of unemployment, and because they are a much larger share of the second generation than of the first, the youth effect causes much of its higher unemployment rate. In fact, if teens and young adults are taken out of consideration, the second generation actually has unemployment rates that are below the Latino average and are also below the rate for first generation's prime age workers.

So, in sum, to understand how generations are faring, we need to look carefully at teens and young adults as compared to the prime working age population. Generational outcomes can be markedly different once age is taken into account. While the second generation's average suggests they are not doing as well as immigrants, this is the case only for the youth. Among prime-age adults, second-generation employment rates and labor market attachment are at least as high as the first generation's and their earnings, on average, are far superior to the immigrant generation's earnings levels.

A NOTE ON CLASSIFYING GENERATIONS

There is nearly universal agreement on the definition of foreign-born, first generation immigrants compared with native-born generation Americans (sometimes referred to as second and higher, see Oropesa and Landale, 1997). Starting with the foreign-born generation, the younger an immigrant arrives, the earlier they begin to learn the skills that help them succeed (Friedberg 1991). We focus here on early versus late arrival immigrants dividing them into the:

- **1.0 Generation**—these are immigrants born outside the U.S. or its territories and whose estimated arrival in the U.S. occurred after 13 years of age. We choose age 13 as the age for late arrival because research suggests individuals who arrive as teens tend not to complete school as often as younger arrivals.
- **1.5 Generation**—these are also immigrants born abroad and whose arrival in the U.S. occurred before 13 years of age inclusive. These one-and-one-half generation immigrants are early or child arrivals.

Some researchers go further dividing the immigrant generation into 1.25, 1.5, and 1.75 depending upon age of arrival (Rumbaut, 1997). We prefer to keep the analysis simple, recognizing that there is a gradation of outcomes depending on age at arrival. Age 13 is a critical divide as immigrants who arrive by the eighth grade complete school at the same rate as natives (NCES, 1998).

The native-born, in turn, are typically broken into at least two major generational groups:

- **2nd Generation**—refers to U.S. native-born persons with at least one parent who is an immigrant born abroad.
- **3rd+ Generation**—these are U.S. native-born persons whose mother and father were both born in the U.S.

To be sure, these generational breaks among the native-born population are to some degree based on data availability and it is possible that the “4th” or even “5th” generation experiences different outcomes. But there is a long tradition of seeing the 2.0 or second generation as being more strongly influenced by their immigrant heritage than is the third generation.

We classified individuals born on the island of Puerto Rico as “foreign-born” in this analysis.

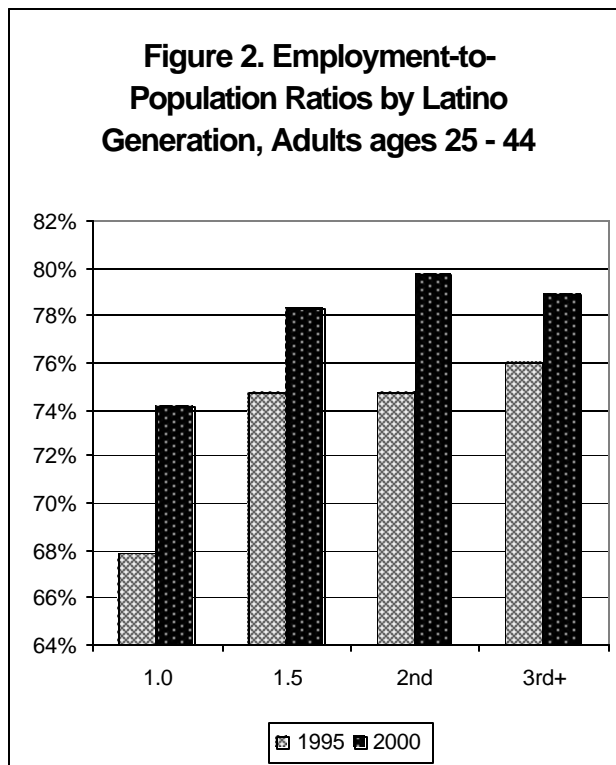
DATA FROM THE CURRENT POPULATION SURVEY

This analysis is based on our tabulations of the Current Population Survey (CPS) data collected by the U.S. Bureau of the Census. Each month the Census Bureau administers the survey to a scientifically selected sample of about 50,000 households. The CPS is a primary source of information on the earnings and employment of the nation’s adults and the state of the nation’s labor market. It provides the basis for the official estimates of the nation’s monthly unemployment rate released by the U.S. Bureau of Labor Statistics.

Each month, the CPS asks detailed earnings and job characteristic questions to one quarter of the sample (the “outgoing rotation group”). For the purposes of examining the labor market outcomes of minority populations, any one monthly CPS outgoing rotation group will lack sufficient sample size. In order to overcome the limitation of the monthly samples, a calendar year’s worth of outgoing rotation groups data have been added together into one data file, and it is these merged outgoing rotation group files that we use for our analysis. This means that our CPS sample is three times as large as the typical monthly CPS and gives us better estimates for Latinos

(see Appendix A for further details on the CPS data). Unlike the decennial Census or the American Community Survey, the CPS asks respondents to state both parents' country of birth and their own country of birth. This enables us to identify persons that are in the second generation separately from other native-born individuals. Appendix B includes several tables that elaborate on the basic findings discussed below.

The choice of 1995 and 2000 as starting and closing points for our analysis was dictated by both labor market considerations and data constraints. The National Bureau of Economic Research officially dated the most recent recession as commencing in March 2001. On an annual basis, 2000 was likely a cyclical peak for the U.S. economy based on employment and real wage levels. In regard to the starting point for the analysis, real wage levels turned up for low wage workers beginning in 1993 (Economic Report of the President, 1999). Ideally, we would have liked to examine the cyclical path of Latino labor market outcomes prior to 1995. Unfortunately, adequate data on labor market outcomes by generation is not available prior to 1995.



ADULTS—SECOND GENERATION LABOR MARKET ADVANTAGE

Native-born Latinos enjoy a distinct advantage in labor market outcomes over their immigrant counterparts among prime working age adults aged 25 and older. Over the course of the late 1990s, this is clearly evident in employment outcomes, as well as in earnings. Although Latino native adults do better than immigrants, they do not fare as well as non-Hispanic whites.

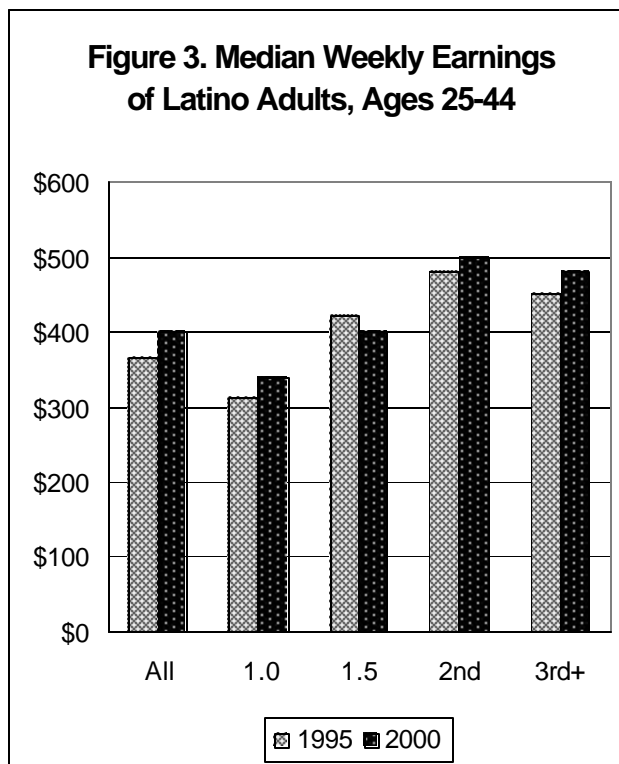
Gains in Adult Employment From 1995 to 2000

Second-generation Latino prime-age adults are more likely to find and keep employment than their immigrant counterparts. In some instances, the difference in second generation and first generation job holding can be quite large. In 2000, for example, 45 percent of island-born, first-generation Puerto Rican 45-to-66 year olds held employment. Meanwhile, about 61 percent of second-generation, mainland-born Puerto Rican 45-to-66 year olds held jobs in 2000.

It is important to define benchmarks for the levels and progress of the Latino labor force by comparing Latino outcomes to those of other non-Latino persons. Prime-age second-generation Latinos land jobs at rates equal to or exceeding their African-American counterparts but slightly lag similarly aged whites. In 2000, about 63 percent of African American 45-to-66 year olds found employment. Sixty-six percent of similarly aged Mexican second generation persons and 61 percent of second generation mainland-born Puerto Ricans held jobs. By contrast, 70 percent of white 45-to-66 year olds held jobs in 2000.

Latino adults benefited from the job expansion of the late 1990s, even more than African American adults. Latinos ages 45-to-66 in particular had very large employment gains. Job-holding by blacks in this age group increased by just 4 percentage points. Latino employment rates increased by nearly 10 percentage points, and the gains were widespread, experienced by second generation Latinos as well as immigrants. For example, among 45-to-66 year olds of Mexican descent, employment shot up from 53 percent to 63 percent of the population among

Mexican immigrants and from 55 percent to 66 percent for second-generation Mexicans in that age range.



Earnings Growth and the Late 1990s Economic Expansion

Economic expansions do not necessarily lift all boats equally. The 1990s expansion is noteworthy in that it benefited low wage workers as well higher skilled workers. Strong employment growth and declining unemployment translated into strong growth in real wages for most workers during 1995 to 2000 including low wage workers and Latinos. The gains experienced since 1993 were the first real wage gains for lower wage workers since the late 1970s (Economic Report of the President, 1999). Latino workers

experienced significant wage growth over the 1995 to 2000 period, keeping up with the gains

experienced by white workers. Even though the Latino workforce as a whole continued to earn far less, the earnings gap between white and Latino workers did not widen during the expansion. Average wages grew similarly for both Latino and white workers from 1995 to 2000.

For all Latino workers, the real median weekly wage rose from \$337 per week in 1995 to \$360 per week in 2000. White median wages rose from \$496 per week to \$541 per week. The one notable exception to the pattern of general wage expansion for Latino workers is among Puerto Rican workers. Average wages for Puerto Ricans were flat over the 1995 to 2000 period. For example, for 25-to- 44 year old second-generation, mainland-born Puerto Ricans, median wages fell from \$505 per week to \$500 per week.

Among prime-age workers, second generation Latino wages are without exception above those for comparable first generation Latino workers. For example, among 25-to-44 year old workers in 2000, median wages were \$480, \$550 and \$500 for second-generation Mexican, Central and South American, and Puerto Rican workers. Median wages for their first generation counterparts were \$323, \$360, and \$400, respectively. The second generation has a sizable wage advantage over first generation workers among prime aged individuals.

Interracial wage patterns are similar to the employment outcomes noted above. Second-generation, prime -aged Latino workers tend to earn more than African American workers, but not without exception. In 2000, the median wage for Mexican second generation 45-to-66 year old workers was \$480 per week, the same as the median wage for 45-to-66 year old African Americans. Among prime-age workers, second generation Latino wages clearly fell below white wages. Among 25-to-44 year old second-generation workers, Central and South American were the highest paid in 2000, with median weekly wages of \$550 per week. White 25-to-44 year olds, by contrast, were paid \$600 per week in 2000.

Unfortunately, our analysis precluded a detailed examination of generational outcomes for Latinos of Cuban descent: these native born may do as well or better in the labor market as whites (Bean et al., 2001). Similarly, highly educated U.S. born female Hispanic workers may have earnings on par with similar female whites (Reimers, 2000).¹ With these possible exceptions, native-born Latinos do not earn as much in today's labor market as non-Hispanic whites.

While it is encouraging that Latino wage growth has been at least as strong as that of whites, a marked differential still remains. Many analyses of Latino earnings note the large schooling gap between native-born Latino and white workers and find that education explains a substantial portion of the earnings differential.

¹ Reimers (2000) tabulates median weekly earnings for full-time U.S.-borne Latinas versus whites. For 1996, median earnings are \$262, \$400, and \$730 per week for U.S.-born Latinas (between the ages of 35 to 64) lacking a high school diploma, with a high school diploma or some college, and for those with at least a bachelor's degree, respectively. Comparable figures for U.S.-born white women are \$294, \$423, and \$730, respectively.

Simple tabulations reveal that education alone cannot account for the entire earnings differential between prime-age whites and Latinos. Within most age and education groups, second generation prime-age adult Latinos earn more than similarly educated African American workers (see Table

Table 2. Median Weekly Earnings by Education for Adults, 2000 (in \$)

	Did not complete high school	High school diploma	Some college	College graduate
<u>Ages 25 - 44</u>				
2nd generation Latinos	350	450	505	769
Non-Hispanic Blacks	310	400	480	692
Non-Hispanic Whites	390	490	560	826
<u>Ages 45 - 66</u>				
2nd generation Latinos	300	490	520	1080
Non-Hispanic Blacks	320	420	519	775
Non-Hispanic Whites	370	500	600	961

Source: Current Population Survey

2). Yet, in most age and education groups, white workers have a significant earnings advantage over second generation Latinos. A noteworthy exception is the much smaller earnings gap among older and better educated second generation Latinos. In fact, second generation Latino college graduates ages 45-66 earn 12 percent more than their white college-educated counterparts. Education goes a long way toward explaining the persistent gap in earnings between Latinos and whites, but it does not explain it completely.

Third Generation Plus Adult Latinos: A Mixed Picture Compared to the Second Generation

Among persons 25 years of age and older, second generation Latinos are paid more and have higher rates of job-holding than the first generation. But if the second generation does better than their immigrant forbears, there is not a strong continuation of this trend into the even more assimilated third-plus generation.

Indicators of labor market attachment reveal that third-plus generation Latino prime-age adults are relatively successful in the labor market. Their unemployment rate is close to the non-Hispanic white rate (see Table 1). Their job holding rate lags that of non-Hispanic whites, but is equal to or surpasses the second generation Latino rate.

Measures of educational attainment and weekly earnings reveal that there is little apparent progress between the second and third-plus generation of Latino adults. Trejo (1997) shows that Mexican American wages are flat between the second and third and higher generations. Among prime-age adults, education and earnings growth seem to stall after the second generation (see Table 3). Rates of high school completion do not seem markedly higher for native-born Latinos with native-born parents than for the second generation and still fall significantly below white rates. Also, college attendance does not improve between the second and third-plus generations.

In fact, there is little earnings advantage for the third-plus over the second generation: Latino average earnings increase 22 percent from first to second, but not quite 5 percent from the second to the third-plus generation.

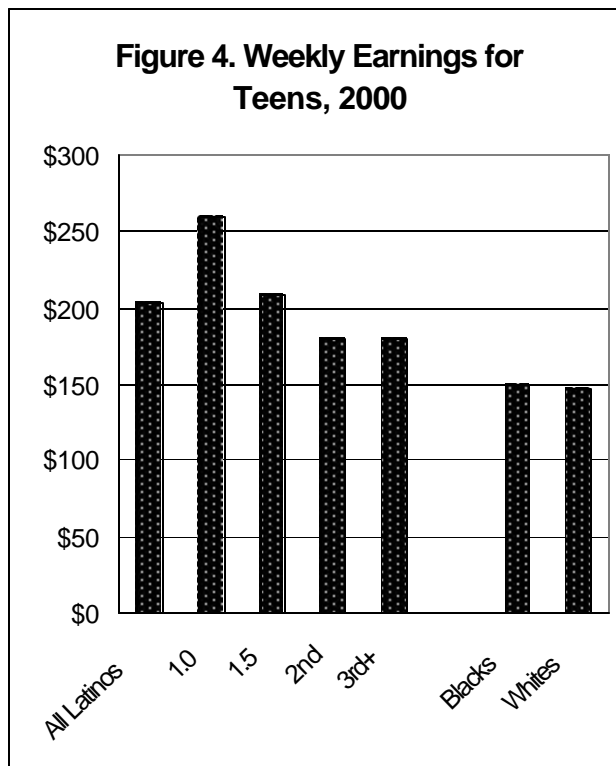
Table 3: Educational Attainment and Earnings of Latino Prime-age Adults, 3rd+ Generation Compared to 2nd Generation, 2000

	Less than High School Completion Rate (in %)	Some College Completion Rate (in %)	Median Weekly Earnings (in \$)
<u>Ages 25 - 44</u>			
Mexicans			
2nd generation	21.6	43.0	480
3rd+ generation	21.3	41.2	467
Central/south americans			
2nd generation	8.8	67.3	550
3rd+ generation	14.7	51.2	560
Puerto Ricans			
2nd generation	20.6	47.9	500
3rd+ generation	12.5	46.9	520
<u>Ages 45 - 66</u>			
Mexicans			
2nd generation	36.4	37.1	480
3rd+ generation	32.2	33.6	485

Source: Current Population Survey

TEENS—THE FIRST GENERATION EMPLOYMENT ADVANTAGE

Among teens age 16-19 the first generation of Latinos fare much better in the labor market than their second-generation counterparts. Immigrant Latino teens outperform white teenagers on some key labor market indicators. First generation Latino teens are the most highly paid members



of their age group in the labor market, earning more than either whites or blacks (see Figure 4). The median wage for Latino first generation teens was \$260 per week in 2000, three quarters more than the \$150 median wage paid to white and black teen workers. The 1.5 Latino generation teens average \$209 per week while, in contrast, median wages for the second generation Latino teen is about \$180 per week. The favorable earnings outcomes for first-generation Latino teens are also apparent in a variety of other labor market indicators (see Table 4). Immigrant Latino teens have much lower unemployment rates than their second-generation peers. For example, among Mexican teens, first-generation teens had an unemployment rate of 11.4

percent, in comparison to an unemployment rate of 21.8 percent for Mexican second-generation teens in 2000. At the same time, the labor force participation rate of first-generation Mexican teens is 64 percent, compared to the white rate of 58 percent.

Immigrant Workers and Second Generation Students

Relative to their native-born Latino counterparts, first-generation Latino teens, and to a lesser extent young adults, have radically better labor market outcomes. Much of this apparent success can be traced to the first generation's different orientation toward work and education.

Schooling is a subsidiary activity for immigrant Latino teens, whereas schooling, and not the labor market and the world of work, is the primary endeavor for most U.S. natives, Latino, African American and white. Thirty eight percent of immigrant Latino youth work full-time (more than 34 hours of work per week). The proportion is even higher for youth of Mexican descent. Forty-four percent of first-generation Mexican 16-to-19 year olds work full-time. Less than 13 percent of their second-generation counterparts work full-time, similar to the 14 percent of white youth who work full-time and 9 percent of black youth who work full-time. Compared to their immigrant contemporaries, second-generation Latino youths are much more likely to be in school. Two-thirds of second-generation Mexican teens are enrolled in school (similar to the 70

Table 4: Labor Market Outcomes and Activities of 16-to-19 Year-olds, 2000

	median weekly earnings (in 2000 \$)	employment to population ratio (in %)	unemploy- ment rate (in %)	labor force participation rate (in %)	full-time employment status ¹ (in %)	average hours worked last week ²	school enrollment status (in %)
All Latinos	203	38	15.9	45.7	16.2	29.8	60.5
NonHispanic Blacks	150	30	23.9	38.9	9.0	26.2	69.6
NonHispanic Whites	147	52	10.6	57.7	14.0	24.6	69.4
All Latinos	203	38	15.9	45.7	16.2	29.8	60.5
1.0 generation	260	50	14.2	58.7	38.0	38.0	23.2
1.5 generation	209	38	11.2	43.0	17.7	30.3	60.1
2nd generation	180	34	20.5	43.3	11.4	27.6	67.8
3rd+ generation	180	40	14.7	46.8	14.2	28.7	63.3
Mexicans	209	40	15.9	47.2	18.0	30.8	57.6
1.0 generation	260	57	11.4	64.1	44.0	39.0	14.1
1.5 generation	230	40	11.0	44.9	20.6	31.6	54.7
2nd generation	195	35	21.8	44.7	12.7	28.4	66.6
3rd+ generation	180	40	14.6	46.6	14.4	29.1	62.6

Source: Current Population Survey

Notes: ¹ Percent of the population working full-time.² Defined for those persons that worked at one or more jobs during the week before the interview.

percent of white and black youth). Only 14 percent of first-generation Mexican origin teens are enrolled in school.

School and work are not mutually exclusive activities. Furthermore, the amount of time and energy that the teen devotes to them can vary. The Current Population Survey asks whether the respondent is pursuing school full-time versus part-time. Using this information, in combination with information on work intensity, youths can be placed into one of nine mutually exclusive school/labor force/work activity categories (see table 5). What is most striking is how rare it is for first-generation youth to be in school. The three most prevalent activities (accounting for over 85 percent of Mexican first-generation teens) do not involve school at all. Mexican first-generation youth may be working or may be out of the labor force, but they are not attending school.

By contrast, the key characteristic of Mexican second-generation youth is that they are not working full-time. In addition, many second-generation Mexican youths are going to school to some extent. While first-generation Latino teens are working rather than studying, second generation Latino youth juggle both. They avoid full-time work in favor of part-time employment or no employment at all, and are much more likely than their immigrant counterparts to be in school.

Table 5. Detailed Activities of Mexican Origin 16-to-19 Year-Olds, 2000 (in %)

Activity	Generation			
	1.0	1.5	2nd	3rd+
Not in Labor Force:				
not in labor force, not at school	25.4	14.4	11.6	12.5
not in labor force, school full-time	9.7	38.5	41.4	40.0
not in labor force, school part-time	0.9	2.3	2.3	0.9
Full Time Labor Force Participants:				
work full-time, not at school	50.7	23.2	14.2	16.3
work full-time, school full-time	1.0	0.9	2.7	2.4
work full-time, school part-time	0.2	1.3	1.8	1.1
Part Time Labor Force Participants:				
work part-time, not at school	9.9	7.7	7.7	8.7
work part-time, school full-time	2.4	10.1	15.0	16.6
work part-time, school part-time	0.0	1.7	3.4	1.5
TOTAL	100.0	100.0	100.0	100.0

Source: Current Population Survey

TEENS TO ADULTS—THE SECOND GENERATION SURPASSES THE IMMIGRANT GENERATION

Although second-generation youth display poorer labor market outcomes during the teenage years in comparison to their first-generation counterparts, in the long run, they typically benefit from their focus on schooling during their teenage years. Current estimated rates of return on education are substantial for all workers, including Latino workers (see Table 6).

Latino high school graduates are paid at least 17 percent more than otherwise similar Latino high school dropouts. Latino college graduates are paid more than a third more than Latino high school graduates. These estimates are for Latinos of both foreign- and native-born generations. And econometric studies typically show that the returns to education are greater for native-born adults than foreign-born adults. Hence, the returns to education are likely greater for native-born Latinos than these figures suggest (Trejo, 2001).

Table 6. Estimated Minimum Payoff to Attaining Education (in %)

	Estimated Earnings Difference	
	High School Graduate Compared with Dropout	College Graduate Compared with High School Graduate
Hispanic Men	17.8	36.5
NonHispanic Men	23.2	35.9
Hispanic Women	16.5	36.2
NonHispanic Women	20.7	34.3

Source: Bradbury (2002)

Tabulations from the Current Population Survey also suggest that second-generation teenagers will likely come out far ahead of their foreign-born counterparts. We compare second-generation 25-to-44 year olds to other groups of 25-to-44 year old workers. We are not be entirely comfortable making judgments about how today's youth are likely to fare in their prime-age adult years using inferences from a statistical snapshot. After all, today's Latino youth will not reach midlife for another 15 years or so. But if today's youth fare as well as today's 25-to-44 year adults are faring, then it is probable that second generation youth will come out far ahead of their first generation counterparts in adulthood.

Many first-generation Latinos in the 25-to-44 year-old range are recently arrived in the United States, so comparisons to second-generation Latinos of that age group are of limited value. It is more productive to compare generations that share more in common inside terms of exposure to the United States. Adult Latinos of the 1.5 generation are immigrants, but by definition they arrived in this country by age 13. The average age-at-arrival of Latino 25-to-44 year olds in the 1.5 generation is 6.9 years of age. So by age 25, the 1.5-generation has been here a long time, been exposed to U.S. schools, and had the benefit of exposure to U.S. norms, institutions, and language during their formative childhood years.²

By adulthood, second-generation Latinos are significantly ahead of their foreign-born 1.5-generation counterparts who have been in the U.S. for a long time (see table 7). Clearly, arriving in the United States at a young age does not assure that members of the 1.5-generation will attain the same rates of school completion as the second generation. The 1.5 generation acquires good English skills and knowledge of U.S. norms, and they do well when they do stay in school. But, they do not go on to complete as much education as the native born. This then carries over into their labor market profile as adults.

Among prime-age adults of Mexican descent, about 20 percent of the second generation lacked a high school diploma (versus 7 percent of the comparable non-Hispanic whites). But

²A significant body of research finds that the 1.5 generation can actually outperform the 2nd generation in U.S. schools. They have higher GPAs than the second generation and apparently retain more of a drive to succeed in school than their native peers (Rumbaut, 1997).

almost half of the Mexican adult 1.5 generation had not finished high school. Second-generation

Table 7. Educational Attainment and Earnings of Latino 25-to-44 Year-olds, 2nd Generation Compared to 1.5 Generation, 2000

	Less than High School Completion Rate (in %)	Some College Completion Rate (in %)	Median Weekly Earnings (in \$)
All Latinos			
1.5 generation	38.3	33.2	400
2nd generation	19.0	48.8	500
Mexicans			
1.5 generation	47.6	23.4	375
2nd generation	21.6	43.0	480
Central/south americans			
1.5 generation	26.0	49.4	456
2nd generation	8.8	67.3	550
Puerto Ricans			
1.5 generation	34.5	36.5	440
2nd generation	20.6	47.9	500

Source: Current Population Survey

Latinos are also significantly more likely to have gone on to college than their 1.5 counterparts. These investments in schooling tend to be rewarded in the labor market. The median pay of second-generation Latino prime-age adults substantially exceeds that of the 1.5 generation in prime-age even though both are born of immigrants and the sole substantial differences between them are where they were born and where they spend their early childhood.³

In short, the economic progress of first generation Latino teens appears confined to their early work life. By age 25, second generation Latinos are substantially ahead of their immigrant counterparts, including 1.5-generation immigrants who have been in the United States for a very long time. Immigrant Latino teens are focused on work and have little involvement with formal schooling. Second generation teens are more marginally attached to the labor market and are much more engaged with formal schooling.

DISCUSSION OF GENERATIONAL OUTCOMES AND THE LITERATURE

Research on Latinos typically focuses either on children and their educational achievement, or adults and their success in the labor market. Because immigrants make up much of the Latino population, investigators' have asked whether or not the foreign-born generation catches up with the native born. Our analysis points out that there are marked differences among

³ Some members of the 1.5 generation are unauthorized to work in the United States. Some research suggests that legal status does affect wages and working conditions.

teens and adults, even within generations defined by place of birth and age of arrival in the United States.

Adult Labor Market Achievement

Research on the labor market has primarily focused on the experiences of adults. Most of it has examined males of Mexican origin and has compared the outcomes of immigrants to natives without distinguishing the characteristics and fortunes of the second generation from those of other native-born Latinos. Data showing that foreign-born Mexicans earn considerably less than their U.S.-born counterparts supports the theory that assimilation improves wage outcomes (Padilla and Glick 2000). Second generation Mexicans are found to earn more than a third more than immigrant Mexicans. This wage growth is correlated with notably better educational attainment and English proficiency in the native generations. Third and later generation Mexicans do not earn significantly more than second generation workers (Trejo, 1997, 2001). Our research corroborates that the earnings of the third generation prime-age adult Latinos are not much greater than those of the second generation.

While this is clearly a story of generational advancement, with natives doing much better than immigrants, it is also a story of a seemingly partial success: the Latino second generation does no better than the third. If the process were simply linear, the third generation should do much better than the second generation, as it is even more established in the United States. Yet, in non-Latino groups, particularly among Asians and whites, the second generation actually does better than the third and later generation for reasons presumably having to do with a strong drive to pursue education and to make the best of the U.S. labor market. Immigrants are well known for their work ethic, and their children often mimic that sense of initiative in ways that help them capitalize on U.S. education and English proficiency.

Research that does not make ethnic distinctions tends to find “other things being equal, being a child of immigrants is associated with greater socioeconomic success in the United States” (Card, Dinardo, and Estes 2000). Among all race/ethnicities, second generation workers earn 7 percent more than the third and higher generation workers (Borjas 1999).

So second-generation adult Latinos are quite successful relative to their immigrant Latino counterparts, but compared with other children of immigrants they are not as successful. Once again, the major cause is lower rates of high school and post-secondary education among Latinos as compared with Asian and white second generation workers. The full range of additional reasons is beyond the scope of the discussion here, but they include English fluency and labor market experience as Latinos are younger than most other U.S. workers. Furthermore, the Latino native generations do not earn as much as white workers which suggests a slow assimilation trajectory. Nevertheless, we have found, as have others, that college-educated second generation Latinos actually earn more than white workers. Among those second generation Latinos who complete higher education there is the same drive to succeed that appears to be unique to second generation workers generally.

Latino Youth and Educational Achievement

There has been significant interest in the fortunes of the children of immigrants and much of the analysis has concentrated on educational outcomes and school-age children and teens (Kao, 1999; Portes and MacLeod, 1996; Kao and Tienda, 1995; Driscoll, 1999). This body of research turns the usual story of “wage assimilation” on its head as immigrant children actually seem to do better educationally than the native born. Our findings that immigrants also do better in the labor market, *during the teenage years*, complements the educational research. But there is a twist to this story that has yet to be fully told.

In fact, our findings demonstrate that a majority of first and even many 1.5-generation immigrant children do not complete high school (Table 7). Those who are doing well in the labor market during the ages of 16 to 19 are those who have abandoned schooling. They do well in the labor market in part because they have opted to work full time. The second generation labor market disadvantage during the teenage years is due, in turn, to the fact that the second generation is enrolled and completing high school at much higher rates than the first or 1.5 generations. As a result, during their teen years the second generation is loosely attached to the labor market and does not do as well as immigrants. In the long run, the second generation is able to capitalize on its education for better earnings than immigrants as adults (Table 7).

Clearly, the apparent labor market advantage of immigrant teens is not at all related to their purported educational advantage, nor is the apparent labor market disadvantage of the second generation during the teenage years persistent. What we are witnessing is investment by some teens (immigrants) in the labor market and in schooling by other teens (natives). Of course, this raises the question of why 1.5 generation educational achievements do not also carry over into adulthood. The answer may well be that not only are there two courses of action, there may be two different populations of immigrant and native teens with distinct characteristics, e.g., those who work and those who stay in school.

This may be a story of what social scientists call “selectivity”—those immigrants who the educational research literature finds to be high achievers are not those who are working (see Rumbaut 1997). Rather, there is a large group of “average-productivity” immigrant teens who choose to work and put in full time hours and a much smaller “highly select” group who chooses to stay in school, achieving high grades. Among the second generation, by contrast, schooling is prevalent and the academic performance of “select” students is watered down by the average, while a smaller “less select or ambitious” group opts for work. If true, this would explain our findings of high unemployment among the second generation. Unemployment is relatively high among second-generation teens because in the labor force we only observe the behavior of the lower-skilled segment of that population. Those with average and above average skills are in school and not in the labor force. Unemployment among immigrant teens is more representative of the entire immigrant teen population because only the most skilled have opted to pursue schooling. Further research is needed to refine this line of analysis.

CONCLUSIONS

Generational analyses of Latinos must be sensitive to the very different age structures of the generations. Second generation Latinos are relatively young, whereas first-generation Latino adults are older. As a result, aggregate outcomes can be skewed by the different age mix of the generations.

Prime-age second-generation Latino adults outperform prime-age immigrant Latinos hands-down in the U.S. labor market. They are considerably better educated and are educated in U.S. schools. They are more literate and their knowledge is rewarded by employers. For example in 2000, the typical prime-age Mexican origin second-generation worker earned \$480 per week, compared with a first-generation counterpart who earned \$320 per week, a 50 percent wage differential.

Labor market outcomes are reversed for 16-to-19 year olds. Foreign-born Latino teens who are new arrivals in the U.S. are the highest paid teens in the labor market in terms of weekly earnings. The average first-generation 16-to-19 year old is paid \$260 per week, significantly outpacing the \$180 per week paid to second-generation teens and the \$150 per week paid to white and African American teens. Mexican origin first-generation teen unemployment averaged nearly 11 percent in 2000, close to the 10.6 percent unemployment of whites and far below the 22 percent unemployment of second-generation Mexican teens and the 24 percent unemployment of African American teens.

The labor market success of foreign-born Latino teens is likely short-lived. Pursuit of a “work only” trajectory often precludes investment in schooling. The proportion of first-generation Latino 16-to-19 year olds pursuing schooling approaches 1-in-5. That is far below the 7-in-10 characteristic of second-generation Latino teens and white teens. The lack of formal U.S. schooling leaves most first-generation teens unprepared for the U.S. labor market. Their lifetime wage profile is flat and by prime-age, their second-generation counterparts have eclipsed them substantially in earnings.

While it is very well known that Latino immigrants on average face difficult prospects in the U.S. labor market, some evidence suggests that Latino immigrants who arrived in the U.S. during childhood might enjoy substantially brighter prospects. Some schooling outcomes for the 1.5 generation or “near natives” reveal that foreign-born Latino children fare as well as or better than second-generation Latino children in U.S. schools. Although further research is needed, the labor market outcomes of the Latino 1.5 generation reveal that a less sanguine assessment is in order. Prime-age foreign-born Latinos who came to the U.S. during childhood do not fare as well as similar second generation Latinos, let alone whites, in the U.S. labor market. Their educational attainment is lower and they are paid less. Arrival in the U.S. during childhood does not assure labor market success for immigrant offspring.

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APPENDIX A: DESCRIPTION OF DATA

We utilize the 1995 and 2000 Current Population Survey “Labor Extract Files” provided by the National Bureau of Economic Research (NBER). The outgoing rotation group of a monthly CPS has demographic and detailed labor force and earnings information for approximately 30,000 individuals. The NBER merged outgoing rotation group files concatenate into one file information from the twelve outgoing rotation groups of each calendar year. Since each outgoing rotation group is about a quarter of the monthly CPS sample, an annual merged outgoing rotation group file has the sample size of approximately 3 monthly CPSs combined. Although CPS respondents are in an “outgoing rotation group” twice during their participation in the CPS, they are never in an outgoing rotation group twice in the same calendar year. Hence, no individuals are “double-counted” in an annual NBER labor extract file.

The NBER files include only persons 16 years and older. Child respondents are not included. Each year’s file has information on 275,000 to 325,000 adults. The CPS is designed to be representative of the noninstitutionalized, civilian population. The NBER produces merged outgoing rotation group files dating back to 1979. The CPS only began asking about respondents’ nativity and parents’ nativity on a regular basis since January 1994. Thus, the NBER Labor Extract Files have only become a rich, useful source of information on the labor market and educational outcomes by generation since 1994. Self-employed individuals are included in the CPS sample. However, NBER strongly advises researchers not to use any earnings information that may be present for self-employed workers. Thus, our median weekly earnings tabulations exclude the self-employed.

Because of the size of the monthly CPS sample, it is difficult to perform generational analyses for Latinos using a monthly CPS sample. An annual NBER Labor Extract file is effectively the sample size of 3 monthly CPSs. The NBER Labor Extract sample sizes are large enough to perform generational analyses for Hispanic origin groups other than Mexicans. Appendix Table A reports the unweighted sample sizes by age and origin group for Latino labor force participants. The CPS question on Hispanic origin does identify Latinos of Cuban origin separately. However, the sample sizes on Cubans in a Labor Extract file are sufficiently small to preclude a detailed generational analysis by age for Cubans.⁴

⁴ Zavodny (2001) examines outcomes for Cuban immigrants using the CPS. She merges 6 March CPS files (1994 to 2000) to derive a sample sufficiently large enough to examine Cuban outcomes.