CHAPTER 12

Income, Earnings, and Poverty: A Portrait of Inequality Among Latinos/as in the United States

Alberto Dávila
Marie T. Mora
Alma D. Hales

INTRODUCTION AND BACKGROUND

Poverty rates are higher and income levels are lower on the average for Latinos than for non-Hispanic Whites.[1] In the year 2000, more than 1 out of every 5 Latinos lived below the poverty line in the United States in contrast to 1 out of 13 non-Hispanic Whites. Also, the median household income of non-Hispanic Whites was over one third greater than that of Hispanics in 2000. Figures 1 and 2 provide these poverty and household income statistics from 1975 to 2004 for these two demographic groups.

A cursory comparison of Figures 1 and 2 predictably shows that the poverty and income numbers mirror each other. The sources of the income gap between Latinos and non-Hispanic Whites arguably provide one means to understand the poverty differentials between these two groups. Indeed, a host of studies indicates that the high poverty rates and low income levels of Latinos can be largely explained by their relatively low levels of human capital, including education, work experience, and English-language proficiency [for a recent example, see Duncan, Hotz, and Trejo (2006)]. Stemming from such studies, the general policy prescription implies that an increase in the human capital wealth of Hispanics should enhance their socioeconomic status.

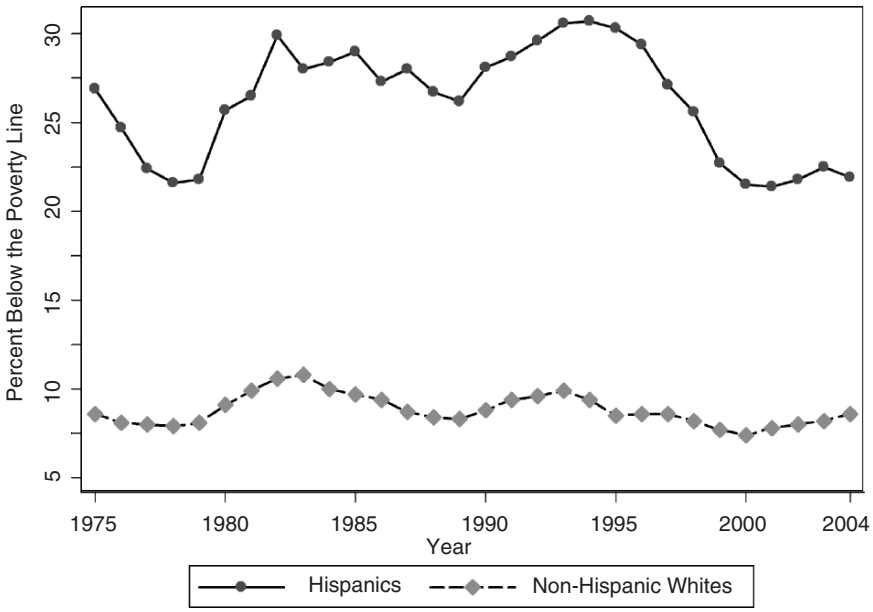

FIGURE 1. Percentage of Hispanic and Non-Hispanic White Populations Living Below the Poverty Line in the United States: 1975–2004. ***Note*****. This figure is based on the U.S. Census Bureau estimates reported in Table B-1 by DeNavas-Walt, Proctor, & Lee (2005).**

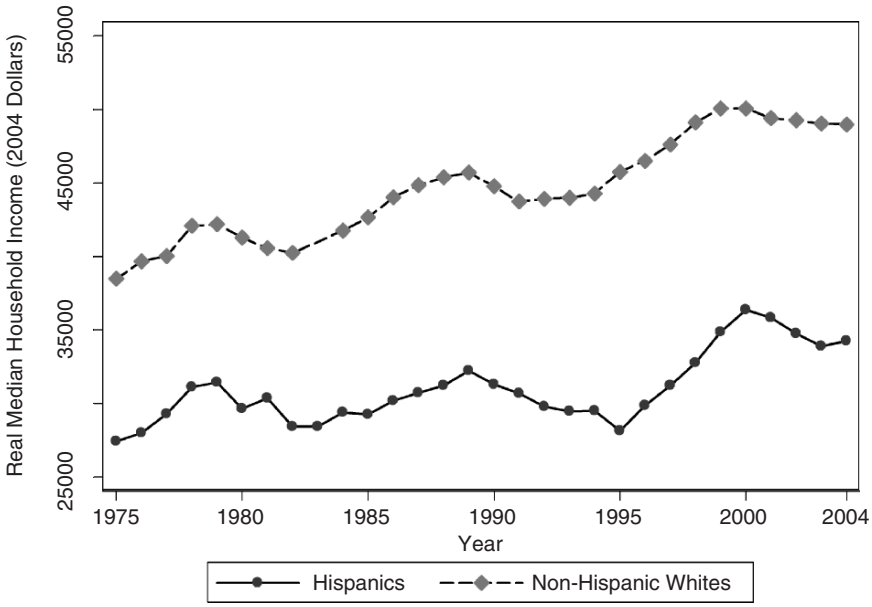

FIGURE 2. Real Median Income (in 2004 Dollars) for Households Headed by Hispanics and Non-Hispanic Whites in the United States: 1975–2004. ***Note*****. This figure is based on the U.S. Census Bureau estimates reported in Table A-1 by DeNavas-Walt et al. (2005).**

However, there appears to be more to this policy story, particularly when one considers that the vast majority of recent reports on the earnings and poverty status of Latinos rely on data from the year 2000. Consider that, according to the trends reported in Figures 1 and 2, Latinos made progress relative to non-Hispanic Whites with respect to income growth and poverty reduction between the mid-1990s and 2000. However, such progress tapered off thereafter, with Latinos experiencing a slightly larger decline in real median household income than non-Hispanic Whites between 2000 and 2003. The salient observation of this point highlights the temporal dynamics of these differentials and the importance of continued empirical analysis of the labor market outcomes of Hispanic populations in the United States.

To be sure, analyzing the socioeconomic status of Latinos using the most recent available data relates to policy. Consider that the size of Latino populations in the United States has increased dramatically in recent years, as illustrated by the rise in their population share of nearly two percentage points—from 12.6% to 14.4%—between 2000 and 2005 (see the U.S. Census Bureau, 2006). Their rising presence has led to a variety of policy debates on Hispanic-oriented issues. For example, the current immigration (and national security) discourse stems partly from the growing presence of Latinos in this country. Also, the recent (re)surgence of the "English-only" debate, including H.R. 997 (the English Language Unity Act—legislation with 161 cosponsors as of July 2006 and pending in the U.S. House of Representatives) and the growing public support, even among Latinos, that immigrants should learn the English language (Pew Hispanic Center, 2006), seem to be spun from the perceived increasing prevalence of the use of the Spanish language in a variety of settings.

Insight into how these recent demographic changes have affected the socioeconomic status of Latinos can be garnered using a relative supply/relative demand framework. An implication of the growing Latino population is that, under the same relative labor-demand conditions, the earnings disparity between Latinos and non-Hispanic Whites should have widened after 2000.

However, there are reasons to suspect that the relative demand for Latino workers did not stay the same after 2000, although the direction of this change is ambiguous. If the rising demand for skilled workers that occurred during the 1980s and 1990s (e.g., Juhn, Murphy, & Pierce, 1993; Welch, 1999, 2000) continued in the early 2000s, the wages of Latino workers conceivably fell vis-à-vis non-Hispanic Whites since 2000, as Latinos have lower skill levels on average. Compounding this potential earnings decline is the possibility that growing xenophobia and national security concerns in the aftermath of the terrorist events of September 11 reduced the demand for Hispanic immigrant labor (Orrenius & Zavodny, 2006). However, countervailing events could have put upward pressure on the relative demand for Latino workers after 2000. First, as noted by Mora and Dávila (2006b, 2006c), the demand for Hispanic-related products, including entertainment, clothing, and food, has increased in recent years. Because the demand for labor comes from product demand, this evidence implies that the relative demand for Latino workers has been rising, given their comparative advantage (e.g., their inherent knowledge of the culture) over non-Hispanic Whites in producing such goods and services. Second, Latino men have been disproportionately shifting into construction jobs and Latinas into services, compared to non-Hispanic Whites (Kochhar, 2005). Construction and services represent two of only four occupational categories projected to have above-average employment growth between 2002 and 2012 (Hecker, 2004), such that the relative demand for Latino workers might be rising in particular industries.

Without empirical insight, it is unclear how these potential changes in relative labor demand and supply have affected the socioeconomic status of Hispanics since 2000. This framework provides a benchmark to empirically analyze the labor market earnings of Latinos after 2000, as we will explore in the remainder of this chapter.

In all, this chapter seeks to address two related questions. First, after accounting for human capital levels, what happened to the Latino/non-Hispanic White earnings disparity after the year 2000? Second, and following from the first question, to the extent that this earnings disparity changed, did it similarly affect (1) immigrants and natives as well as (2) low- versus high-income Hispanics?

THE CHARACTERISTICS OF LATINO WORKERS IN 2000 AND 2004

We analyze recent labor market earnings of Latinos using data collected by the U.S. Census Bureau and provided by Ruggles, Sobek, Alexander, Fitch, Goeken, et al. (2004) in the Integrated Public Use Microdata Series (IPUMS). Specifically, we employ the 1/100 Public Use Microdata Sample (PUMS) from the 2000 decennial census as well as the 1/239 sample from the 2004 American Community Survey (ACS)—the most recent large-scale dataset available at the time this chapter was written. To maintain the national representation of the samples, all of our analyses will utilize the IPUMS-provided statistical weights.

Our sample of interest includes U.S.- and foreign-born Latinos and U.S.-born monolingual-English non-Hispanic Whites between the ages of 25 and 64 who report wage and salary income. The use of this non-Hispanic White sample is standard in the literature, under the assumption that it represents the most assimilated population in the United States. To obtain a sample committed to labor market activities, we only include individuals who worked at least 32 weeks in the previous year and were not enrolled in school at the time of the survey. Moreover, all of the analyses separate men and women, given that gender affects a variety of labor market outcomes.

Table 1 provides selected mean characteristics of Latino and U.S.-born non-Hispanic White workers in 2000 and 2004.[2] Similar to Figure 2, Latinos earned less on average than non-Hispanic Whites in both years, regardless of measuring wage and salary income annually or on an hourly basis (estimated by annual wage and salary income divided by usual weekly work hours times weeks worked).

Table 1 also reports the growth rate of hourly earnings between 2000 and 2004. Note that the wages of Hispanic men and women increased by the same proportion (10.7%) between 2000 and 2004, such that the gender-related earnings gap for this group did not change. However, the wages of non-Hispanic Whites grew by a larger percentage than for Latinos (13.5% for men and 15.5% for women), causing the Hispanic/non-Hispanic-White wage differential to widen during this relatively short time period.

This relative deterioration of the wages of Latinos vis-à-vis non-Hispanic Whites after 2000 could be related to a continuation of the increasing returns to skill mentioned earlier. As Table 1 shows, the average education of non-Hispanic Whites exceeded that of Latinos by nearly 3 years for men (14 vs. 11 years) and 2 years for women (14 vs. 12 years). Although this schooling gap narrowed slightly between 2000 and 2004, an increase in the returns to education during this time might have overshadowed the growth in the average schooling levels of Latino workers. The potential labor market experience (defined here using the *age–education–5* convention) of non-Hispanic Whites also exceeded the average experience levels of Latinos, particularly in 2004.

Table 1 further indicates an increase in the presence of immigrants among Latino workers in the United States, particularly among men. This observation is consistent with the rise in immigration from Latin America in the early 2000s. It also relates to the higher proportion of the limited-English-proficient (LEP, defined here as individuals who do not speak the English language "well") in 2004 than in 2000 among Latinos.

Table 1. Mean Characteristics of Latino and U.S.-Born Monolingual-English Non-Hispanic White Workers in 2000 and 2004

	Men		Women	
Characteristic	2000	2004	2000	2004
Latino workers				
Annual wage & salary income	30,980 (29,290)	34,602 (28,829)	24,003 (22,510)	27,375 (22,562)
Natural log of hourly earnings	2.464 (0.640)	2.571 (0.670)	2.334 (0.619)	2.441 (0.667)
Earnings growth	10.7%		10.7%	
Education	10.697 (4.077)	11.214 (3.796)	11.564 (3.718)	12.158 (3.432)
Experience	22.726 (10.477)	22.518 (10.483)	22.912 (10.630)	22.931 (10.585)
LEP	0.276	0.309	0.211	0.236
Foreign-born	0.609	0.623	0.487	0.493
Years in U.S. if foreign-born	16.176 (10.013)	16.217 (10.573)	18.335 (10.750)	18.532 (11.416)
N (unweighted)	52,754	19,221	35,026	13,968
N (weighted)	5,615,531	7,297,092	3,718,912	4,562,737
U.S.-born monolingual-English non-Hispanic White workers				
Annual wage & salary income	51,652 (50,158)	58,201 (47.489)	30,873 (27,580)	36,516 (30,853)
Natural log of hourly earnings	2.867 (0.681)	3.002 (0.722)	2.567 (0.612)	2.722 (0.656)
Earnings growth	13.5%		15.5%	
Education	13.752 (2.468)	14.045 (2.405)	13.812 (2.291)	14.105 (2.265)
Experience	23.736 (10.202)	24.329 (10.334)	23.976 (10.397)	24.838 (10.579)
N (unweighted)	356,112	157,211	299,107	138,948
N (weighted)	35,409,184	34,430,566	29,355,955	29,305,434

Notes: The parentheses contain the standard deviations of the continuous variables. The reported time immigrants have spent in the United States is only estimated for the foreign-born. These figures reflect the appropriate sampling weights to preserve the national representation of the IPUMS samples, which are from the 2000 1% PUMS and the 2004 ACS. See the text for sample selection.

Table 2 presents the average characteristics of Latinos when partitioning this population between those born in the United States (including its territories) and those born abroad. Consistent with conventional wisdom, Latino immigrants earn less on average than their U.S.-born counterparts. Moreover, Table 2 indicates that the immigrant/native wage differential rose between 2000 and 2004, especially for women, where the hourly earnings of U.S.-born Latinas grew by more than twice the rate experienced by foreign-born Latinas (14.8% vs. 7.1%).

When comparing Tables 1 and 2, the wage gap between U.S.-born Latinos and non-Hispanic White men remained fairly constant between 2000 and 2004. For U.S.-born Latinas, although losing ground to non-Hispanic White women, the male/female wage gap narrowed in these 4 years. This finding suggests that the earnings trends for Latinas vis-à-vis Latinos and female non-Hispanic

Table 2. Mean Characteristics of U.S.- and Foreign-Born Latino Workers in the United States: 2000 and 2004

	U.S.-born latinos		Foreign-born latinos		U.S.-born latinas		Foreign-born latinas	
Characteristic	2000	2004	2000	2004	2000	2004	2000	2004
Annual wage & salary income	35,952 (29,310)	42,349 (33,142)	27,794 (28,830)	29,910 (24,718)	26,790 (22,458)	31,999 (25,095)	21,070 (22,191)	22,715 (18,552)
Natural log of hourly earnings	2.614 (0.621)	2.750 (0.749)	2.368 (0.633)	2.463 (0.592)	2.448 (0.595)	2.596 (0.659)	2.213 (0.621)	2.284 (0.637)
Earnings growth	13.6%		9.5%		14.8%		7.1%	
Education	12.431 (2.792)	12.814 (2.735)	9.586 (4.373)	10.245 (4.015)	12.838 (2.491)	13.285 (2.423)	10.408 (4.338)	11.021 (3.893)
Experience	21.493 (10.356)	21.266 (10.426)	23.516 (10.479)	23.277 (10.445)	21.339 (10.231)	21.409 (10.360)	24.568 (10.788)	24.463 (10.589)
LEP	0.038	0.044	0.428	0.469	0.031	0.029	0.400	0.444
N (weighted)	2,193,382	2,752,693	3,422,149	4,544,399	1,906,996	2,290,242	1,811,916	2,272,495
N (unweighted)	20,488	8,116	32,266	11,105	18,033	7,519	16,993	6,449

Notes: The parentheses contain the standard deviations of the continuous variables. These figures reflect the appropriate sampling weights to preserve the national representation of the IPUMS samples, which are from the 2000 1% PUMS and the 2004 ACS. See the text for sample selection.

Whites observed in earlier data (e.g., Browne, 1999; Mora & Dávila, 2006b) continued for U.S. natives in the early 2000s.

Education differences likely explain part of the relatively low wage growth accrued by foreign-born Latinos between 2000 and 2004. The immigrant/non-Hispanic White education differential was nearly 4 years for men (10 years for Latino immigrants vs. 14 years for non-Hispanic White men) and 3 years for women (11 years for Latina immigrants vs. 14 years for non-Hispanic White women). Foreign-born Latinos also had less labor market experience on average than non-Hispanic Whites and had a higher share of the LEP in 2004 than in 2000. In an era of increasing returns to skill, these relative low levels of human capital presumably widened the earnings disparity between Latino immigrants and U.S. natives.

EMPIRICAL METHODOLOGY AND RESULTS

Thus far, we have attributed changes in the relative earnings of Latinos between 2000 and 2004 to increasing returns to skill. We now turn to a more in-depth analysis by estimating the following earnings function:

$$\ln(\text{Wage}) = \textit{Latino}\ \beta + XB + e, \tag{1}$$

where ln(Wage) denotes the natural logarithm of hourly earnings. *Latino* represents a vector that includes (1) a binary variable equal to 1 for U.S.-born Latinos (and equal to zero otherwise), (2) a binary variable equal to 1 for Latino immigrants (and equal to zero for workers born in the United States), and (3) a continuous variable for the number of years immigrants have resided in the United States (which equals zero for U.S. natives). β is the vector of coefficients for the variables in *Latino*—the coefficients of interest to this study. Vector X contains other observable socioeconomic characteristics related to earnings (including education, experience,

experience-squared, being LEP, being married, geographic region, and a constant term), and B serves as the coefficient vector for X. Finally, e is the Normally distributed error term.

Table 3 presents the results from estimating Eq. (1) for 2000 and 2004 for men and women. To determine if the coefficients significantly changed, we also estimate an extended version of Eq. (1) that pools individuals from both years and interacts a binary variable equal to 1 for those in 2004 (zero otherwise) with all of the right-hand-side variables. *t*-Tests on these 2004 interaction terms provide the levels of the statistical significance for the changes in coefficients from 2000 to 2004.

United States-born Latinos in both years earned significantly less—about 9% less—on average than non-Hispanic Whites,[3] *ceteris paribus*. The average wages of U.S.-born Latinas were also less than those accrued by female non-Hispanic Whites when controlling for other characteristics, but the difference is considerably smaller (with U.S.-native Latinas earning about 2.4% less than non-Hispanic White women in 2004). This finding is consistent with other studies using data from previous years, in that observable characteristics explain a large portion of observed female Hispanic/non-Hispanic White wage differentials (e.g., Antecol & Bedard, 2002). Note also that the Latino earnings "penalty" did not significantly change for U.S.-born Hispanics between 2000 and 2004 for either men or women.

Table 3. Earnings Regression Results for Latinos and Non-Hispanic Whites (Dependent Variable = Natural Logarithm of Hourly Earnings)

	Men			Women		
Characteristic	2000	2004	Significantly different?	2000	2004	Significantly different?
U.S.-born Latino	−0.092[a]	− 0.091[a]	No	−0.009[c]	− 0.024[b]	No
	(0.005)	(0.013)		(0.005)	(0.010)	
Foreign-born Latino	−0.268[a]	−0.335[a]	Yes[a]	− 0.187[a]	−0.280[a]	Yes[b]
	(0.009)	(0.016)		(0.013)	(0.026)	
Immigrants′ years in U.S.	0.008[a]	0.009[a]	No	0.008[a]	0.008[a]	No
	(0.0004)	(0.001)		(0.001)	(0.001)	
LEP	−0.012	0.005	No	0.047[a]	0.003	Yes[c]
	(0.008)	(0.013)		(0.011)	(0.021)	
Education	0.086[a]	0.094[a]	Yes[a]	0.101[a]	0.107[a]	Yes[a]
	(0.0005)	(0.001)		(0.001)	(0.001)	
Experience	0.029[a]	0.031[a]	Yes[b]	0.016[a]	0.018[a]	Yes[c]
	(0.0005)	(0.001)		(0.0005)	(0.001)	
Experience^2/100	−0.041[a]	−0.048[a]	Yes[a]	− 0.024[a]	−0.028[a]	Yes[b]
	(0.001)	(0.002)		(0.001)	(0.002)	
Married	0.194[a]	0.187[a]	No	−0.006[a]	0.016[a]	Yes[a]
	(0.002)	(0.005)		(0.002)	(0.004)	
Constant	1.146[a]	1.158[a]	No	0.989[a]	1.000[a]	No
	(0.009)	(0.017)		(0.010)	(0.019)	
R^2	.201	.213		.184	.191	

Note: The parentheses contain robust standard errors. These regressions employ the appropriate sampling weights to preserve the national representation of the samples. Other binary variables in the regressions include the geographic region: New England, Middle and South Atlantic, North Central, South Central, Mountain, and Pacific (base). These IPUMS samples are from the 2000 1% PUMS and the 2004 ACS. The unweighted (weighted) sizes of the samples are 408,866 (41,024,715) men and 334,133 (33,074,867) women in 2000, and 176,432 (41,727,658) men and 152,196 (33,868,171) women in 2004. See the text for the sample selection as well as for the discussion of the estimation of the statistical significance of the change in the coefficients between 2000 and 2004.

[a, b, c] Statistically significant at the 1%, 5%, or 10% level, respectively.

However, Table 3 shows that Latino *immigrants* lost significant ground to U.S.-born Latinos and non-Hispanic Whites in the early 2000s with respect to labor market earnings when controlling for human capital. Indeed, Latino immigrants without U.S. tenure earned 27% less on average than otherwise similar U.S.-born men in 2000; by 2004, the magnitude of this earnings penalty significantly increased to over 33%. Foreign-born Latinas experienced an even greater deterioration in their relative earnings during this time, with their wage penalty vis-à-vis U.S.-born women rising from almost 19% in 2000 to 28% 4 years later. Although U.S. tenure offset part of these immigrant earnings penalties, the returns to such tenure (0.8% per year of U.S. residence) did not significantly change during this time period.[4]

Table 3 further indicates that the returns to education and experience increased between 2000 and 2004 for both men and women. For example, each year of schooling enhanced the earnings of men by 8.6% in 2000 and 9.4% in 2004. It therefore appears that, similar to the 1980s and 1990s (e.g., Welch, 1999, 2000), increasing returns to skill continued in U.S. labor markets in the early 2000s. Moreover, these results indicate that observed differences in human capital, and changes in their returns, do not fully account for the observed earnings penalty or relatively low average wage growth of foreign-born Latinos between 2000 and 2004.

Table 3 also shows that limited English-language proficiency per se did not dampen the average earnings of Latino workers in 2000 or 2004. This finding is consistent with Mora and Dávila (2006a, 2006c), who report that the well-known LEP earnings penalty observed in the 1980s and 1990s (e.g., McManus, Gould, & Welch, 1983) dwindled for Hispanic men by 2000.[5] These results imply that policies aimed at improving the socioeconomic status of Latinos might be more effective if they focused on enhancing the levels of traditional forms of human capital, such as education.

In all, the results in Table 3 indicate that *something* happened to reduce the relative earnings of foreign-born Latinos in the United States between 2000 and 2004. Such a reduction is consistent with a declining relative demand for, and/or increasing supply of, Latino immigrants during this time period. If a decline in their relative labor demand explains this finding, it would indicate that the growing xenophobic sentiments in the United States in the early 2000s more than offset the potential labor demand effects caused by the rising demand for Latino-related products described earlier.

Of course, it might be possible that this relative earnings decline simply reflects a decrease in the unobservable skills of recent arrivals; that is, perhaps immigrants who migrated after 2000 had lower unobservable skill levels, thus reducing the average quality (hence the earnings) of foreign-born Latino workers by 2004. This possibility does not appear to be the case, however. When reestimating Eq. (1) while excluding immigrants who arrived to the United States after 2000 (results not shown to conserve space), we continue to observe a significant decline in the relative wages of Latino immigrants between 2000 and 2004. Excluding the post-2000 arrivals from the 2004 sample, the estimation of the earnings function yields the coefficients (standard errors) of −0.317 (0.017) for Latino immigrants and −0.270 (0.029) for Latina immigrants; both of these coefficients are significantly larger in magnitude than the respective 2000 coefficients. It follows that a decreasing quality of recent immigrants from Latin America was not the driving force behind the growing wage disparities between foreign-born Latinos and other workers in the early 2000s.

The Earnings of Specific Latino Ethnic Groups

Another question that arises from this analysis is whether the loss in relative earnings among Latino immigrants between 2000 and 2004 only occurred for a particular Hispanic-ethnic group. Other studies, including some of the chapters in this volume, have illustrated that specific Latino

populations do not always experience the same labor market conditions (see, also Bansak, 2005; Dávila, Pagán, & Grau, 1998; Mora & Dávila, 2006b). We therefore reestimate Eq. (1) while partitioning Latinos into the seven largest distinct Latino ethnic groups in our sample: Mexican Americans, Puerto Ricans, Cubans, Guatemalans, Salvadorans, Dominicans, and Colombians. We combine the remaining Latino populations into a composite group of "Other" Latinos.

Table 4 reports the coefficients for the U.S.- and foreign-born members of these Latino populations in 2000 and 2004; the remaining results (similar to those observed in Table 3) can be obtained from the authors. As with Table 3, in this exercise we estimate an additional version of Eq. (1) pooling both years while including a *2004* binary variable (1 for those in 2004, zero otherwise) interacted with all of the right-hand-side variables. *t*-Tests on these interaction terms reveal whether the coefficients significantly changed between 2000 and 2004.

Table 4 shows that many of the specific U.S.-born Latino groups earned statistically similar wages to their non-Hispanic White counterparts in both years. For example, among men, only three groups of U.S.-born Latinos (Mexican Americans, Puerto Ricans, and Other Latinos) earned less on average than non-Hispanic Whites (8–11% less—similar to the penalty observed in Table 3 for U.S.-born Latinos as a group). Among U.S.-born Latinas, only a few of the ethnic coefficients are statistically significant, and many exhibit *positive* signs. It therefore appears that combining all U.S.-born Hispanic populations into one composite category masks important earnings differences that exist among specific Latino groups. These results further suggest that differences in human capital represent a major source of the earnings penalties accrued by many U.S.-native Latino workers.

Moreover, with the exception of U.S.-born Salvadoran women, none of the U.S.-born Latino populations, male or female, lost significant ground relative to non-Hispanic Whites between 2000 and 2004. *F*-Tests on the group of Latino categories (see the footnote to Table 4) provide further support for this observation. As such, the general pattern observed in Table 3 that U.S.-born Latinos did not gain or lose ground in the early 2000s holds for almost all of the specific Latino groups. The dramatic decline in the relative earnings of U.S.-born Salvadoran women in the early 2000s is, on the surface, an intriguing finding. However, a closer perusal of our data indicates that the sample of female U.S.-born Salvadorans is quite small ($N = 33$ in 2000, and 17 in 2004), raising questions about the reliability of this finding.

Focusing on foreign-born Latinos, although varying in magnitude, all but one of the coefficients for the different populations are negative and statistically significant (the exception being foreign-born Puerto Rican women in 2004). These results affirm a host of studies using data from previous years, which finds that Latino immigrants, regardless of their country of origin, earn less on average than non-Hispanic Whites even when controlling for human capital and U.S. tenure. Foreign-born Salvadoran men and women accrued the smallest earnings penalty out of the eight Latino populations in 2000, whereas male Dominican immigrants and Cuban-born women accrued the largest penalty that year relative to U.S.-born workers of the same gender.

Of particular interest, the coefficients on all of the Latino immigrant ethnic groups increased in magnitude between 2000 and 2004 (with the exception, again, being foreign-born Puerto Rican women), and in many cases, the changes are statistically significant. *F*-Tests (provided in the footnote to Table 4) also indicate that, as a group, the relative earnings of the eight Latino immigrant populations significantly changed between 2000 and 2004. It follows that, similar to the above discussion that combined Latino immigrants into one population, something adversely affected their average labor market earnings relative to U.S. natives between 2000 and 2004.

In all, Table 4 provides evidence that the use of a "generic" Latino label imprecisely reflects the actual labor market outcomes of specific ethnic populations, indicating the importance of

Table 4. Earnings Regression Results for Specific Latino Groups (Dependent Variable = Natural Logarithm of Hourly Earnings)

	Men			Women		
Characteristic	2000	2004	Significantly different?	2000	2004	Significantly different?
U.S.-born Mexican American	−0.094[a]	−0.087[a]	No	0.002	−0.011	No
	(0.006)	(0.018)		(0.006)	(0.011)	
U.S.-born Puerto Rican	−0.105[a]	−0.112[a]	No	−0.016	−0.060[b]	No
	(0.010)	(0.025)		(0.010)	(0.026)	
U.S.-born Cuban	0.004	−0.001	No	0.078[b]	0.078[c]	No
	(0.041)	(0.049)		(0.031)	(0.043)	
U.S.-born Guatemalan	−0.057	0.010	No	0.088	0.045	No
	(0.079)	(0.124)		(0.084)	(0.111)	
U.S.-born Salvadoran	−0.052	−0.135	No	−0.008	−0.327[b]	Yes[c]
	(0.088)	(0.143)		(0.086)	(0.163)	
U.S.-born Colombian	−0.042	0.030	No	0.094	0.086	No
	(0.089)	(0.071)		(0.066)	(0.065)	
U.S.-born Dominican	−0.091	0.008	No	0.006	−0.083	No
	(0.063)	(0.089)		(0.062)	(0.077)	
U.S.-born Other Latino	−0.083[a]	−0.094[a]	No	−0.033[a]	−0.023	No
	(0.010)	(0.029)		(0.010)	(0.023)	
Foreign-born Mexican American	−0.244[a]	−0.301[a]	Yes[a]	−0.161[a]	− 0.230[a]	Yes[b]
	(0.010)	(0.017)		(0.014)	(0.026)	
Foreign-born Puerto Rican	−0.347[a]	−0.438[a]	No	−0.188[a]	0.003	Yes[c]
	(0.073)	(0.097)		(0.072)	(0.087)	
Foreign-born Cuban	−0.385[a]	−0.414[a]	No	−0.293[a]	−0.382[a]	Yes[c]
	(0.019)	(0.030)		(0.022)	(0.042)	
Foreign-born Guatemalan	−0.256[a]	−0.281[a]	No	− 0.174[a]	−0.225[a]	No
	(0.026)	(0.046)		(0.036)	(0.055)	
Foreign-born Salvadoran	−0.213[a]	−0.256[a]	No	− 0.118[a]	−0.235[a]	Yes[c]
	(0.019)	(0.031)		(0.028)	(0.057)	
Foreign-born Colombian	−0.350[a]	−0.494[a]	Yes[a]	− 0.244[a]	−0.380[a]	Yes[a]
	(0.027)	(0.040)		(0.028)	(0.041)	
Foreign-born Dominican	−0.409[a]	−0.535[a]	Yes[b]	− 0.285[a]	−0.366[a]	Yes[c]
	(0.023)	(0.056)		(0.027)	(0.040)	
Foreign-born Other Latino	−0.297[a]	−0.401[a]	Yes[a]	−0.207[a]	−0.321[a]	Yes[a]
	(0.012)	(0.022)		(0.016)	(0.039)	
R^2	.201	.214		.184	.191	

Note: The parentheses contain robust standard errors. These regressions employ the appropriate sampling weights to preserve the national representation of the samples. Foreign-born Puerto Ricans include individuals reporting Puerto Rican ethnicity but were born outside of the U.S. mainland, Puerto Rico, and other U.S. territories. Other variables in the regressions include education, experience, experience-squared, U.S.-tenure, limited-English-proficiency, being married, binary variables for geographic region, and a constant term. These IPUMS samples are from the 2000 1% PUMS and the 2004 ACS. The unweighted (weighted) sizes of the samples are 408,866 (41,024,715) men and 334,133 (33,074,867) women in 2000 and 176,432 (41,727,658) men and 152,916 (33,868,171) women in 2004. See the text for the sample selection as well as for the discussion of the estimation of the statistical significance of the change in the coefficients between 2000 and 2004. *F*-Tests reveal that between 2000 and 2004, the coefficients on the eight Latino populations did not significantly change for U.S.-born Latinos as a group (where $F = 0.25$ for men and 0.94 for women), but they did for foreign-born Latinos as a group (where $F = 3.34$ for men and 2.3 for women).

[a, b, c] Statistically significant at the 1%, 5%, or 10% level, respectively.

analyzing different Latino populations rather than focusing on one pan-Latino group. However, particularly among the foreign-born, studies using the latter approach have value with respect to capturing overall labor market trends affecting many Latino groups in the United States.

Earnings Results by Occupations

Another issue worth exploring relates to the occupational profiles of Latino immigrants. Recall from earlier that construction and service occupations are projected to have some of the fastest employment growth between 2002 and 2012. These sectors have also witnessed a rapid increase in their workforce representation of Latinos (construction for men and services for women). Did foreign-born Latinos in these high-growth sectors experience a relative wage decline between 2000 and 2004?

For insight, we estimate Eq. (1) for Latino and non-Hispanic White men in construction and then for Latina and non-Hispanic White women in service occupations. The results from this exercise (available from the authors) indicate that foreign-born Latino construction workers (and Latina service workers), despite accruing statistically significant earnings penalties in 2000, did *not* experience significant wage declines on average between 2000 and 2004. Indeed, holding U.S. tenure constant, foreign-born Latinos earned 27.5% less than non-Hispanic white construction workers in 2000 and 26.9% less in 2004—penalties statistically indistinguishable between the 2 years. Similarly, the earnings penalty (about 11%) accrued by Latina immigrants among service workers did not significantly change between 2000 and 2004. Also, the influence of U.S. tenure on earnings statistically remained the same in both years.

When estimating Eq. (1) for men outside of construction and for women outside of services (results available from the authors), however, the same pattern emerges as in Table 3: The wage disparity between foreign-born Latinos and non-Hispanic Whites in non-construction (and for women, in non-service) professions significantly widened between 2000 and 2004. In fact, these estimated earnings disparities are similar in magnitude to those in Table 3 (with the foreign-born Latino coefficients in 2000 and 2004 equal to respectively −0.287 and −0.361 for men outside of construction and respectively −0.173 and −0.274 for women in nonservice occupations).

These ancillary findings suggest that the relative demand for Latino immigrants did not change "across the board." In some occupational segments, this relative demand seems to have increased enough to offset their rising relative labor supply. Despite the overall increasing returns to skill observed in the U.S. labor market after 2000, foreign-born Latinos in construction (men) or services (women) did not lose further ground to their non-Hispanic White counterparts with respect to earnings.

Earnings Quantiles

We next consider whether Latino immigrants at the lower end of the wage distribution experienced the same loss in relative earnings as those at the high end between 2000 and 2004. The results from focusing on construction and service workers indicate that the growing wage disparities between foreign-born Latinos and non-Hispanic Whites were not evenly dispersed among the Latino immigrant workforce. We therefore use conditional quantile regression as discussed by Koenker and Hallock (2001) to estimate a series of earnings functions [based on Eq. (1)] for nine distinct wage deciles in 2000 and 2004.[6] Estimates of the coefficients for foreign-born

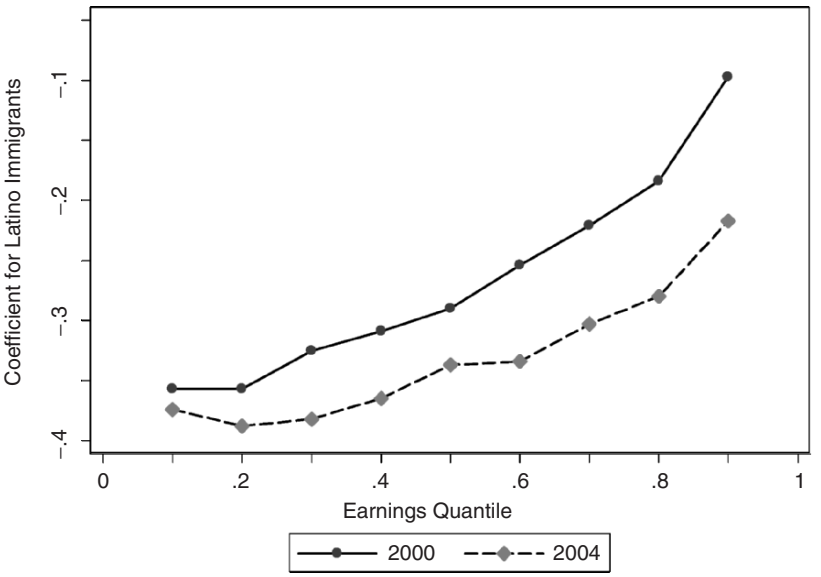

Figure 3. Quantile Regression Results for the Earnings "Penalties" of Latino Immigrants in 2000 and 2004. *Note.* **These figures provide the estimated coefficients on the Latino immigrant variable using quantile regression analysis; the base group of comparison is non-Hispanic White men. Other variables in the regressions include U.S.-born Latinos, immigrants' years in the United States, being married, being LEP, education, experience, experience-squared, and binary variables for geographic region. These IPUMS samples are from the 2000 1% PUMS and the 2004 ACS. The unweighted (weighted) sizes of the samples are 408,866 (41,024,715) in 2000 and 176,432 (41,727,658) in 2004. See the text for the sample selection.**

Latinos by earnings quantile are presented in Figures 3 and 4, where the horizontal axes display the quantile and the vertical axes display the coefficients on the Latino immigrant binary variable. (The authors will provide other results from these regressions upon request.) As the sample sizes of some of the specific Latino populations in each earnings decile are quite small, we conduct this analysis combining Latinos into one population. However, as datasets with larger samples of Hispanic ethnic groups become available, future studies should investigate differences across these populations with respect to their locations in earnings distributions.

At least three points should be made with respect to Figures 3 and 4. First, foreign-born Latinos faced larger earnings penalties in the lower wage quantiles than in the higher ones, particularly in 2000. For example, holding U.S- tenure constant, in 2000 foreign-born Latino men earned about 36% less than U.S.-born men, and Latina immigrants earned 24% less than U.S.-born women at the bottom tenth of the conditional wage distribution. However, at the ninth decile, male Latinos earned about 10% less than other men, and Latinas earned about 7% less than other women. This observation corresponds to the fact that the relative labor supply of Latinos is largest in low-wage jobs.

Second, consistent with the increase in the relative labor supply of Latino workers after 2000, the downward shift in the coefficient curves show that foreign-born Latinos at all wage deciles experienced a decline in their relative earnings between 2000 and 2004. This finding parallels the above results, in that Latino immigrants lost ground to U.S. natives with respect to earnings, emphasizing the importance of analyzing Hispanic labor markets beyond the year 2000.

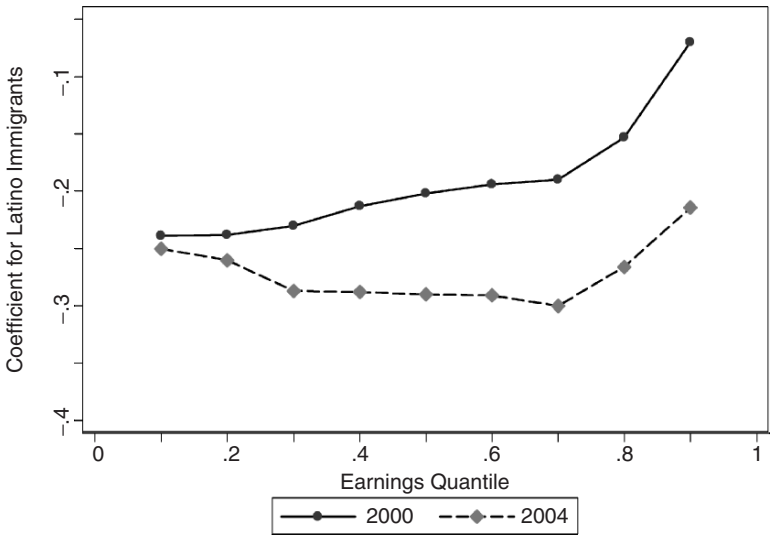

FIGURE 4. Quantile Regression Results for the Earnings "Penalties" of Latina Immigrants in 2000 and 2004. *Note.* **These figures provide the estimated coefficients on the Latina immigrant variable using quantile regression analysis; the base group of comparison is non-Hispanic White women. Other variables in the regressions include U.S.-born Latinas, immigrants' years in the United States, being married, being LEP, education, experience, experience-squared, and binary variables for geographic region. These IPUMS samples are from the 2000 1% PUMS and the 2004 ACS. The unweighted (weighted) sizes of the samples are 334,133 (33,074,867) in 2000 and 152,196 (33,868,171) in 2004. See the text for the sample selection.**

Third, this decline was not parallel; indeed, Latino immigrants lost more ground at the higher end of the wage distribution than at the lower end. To illustrate, the earnings of foreign-born Latinos (Latinas) negligibly fell by less than two (one) percentage points vis-à-vis U.S. natives at the first wage decile between 2000 and 2004, but they decreased by 12–14 percentage points at the ninth decile.

This latter observation is of particular interest to this study and reinforces the occupational results discussed earlier. Both relative demand and supply forces appear to have influenced the earnings of foreign-born Latino workers after 2000. However, these quantile regression results suggest that the relative labor demand for foreign-born Latinos increased more in low-wage jobs than in high-wage ones.

CONCLUDING COMMENTS

This chapter's primary aims were to investigate the recent earnings experience of Latinos in the United States and to determine if this experience varied according to immigration status and along the income distribution. Our empirical results show that while U.S.-native Latinos maintained their labor-market standing relative to non-Hispanic Whites between 2000 and 2004, Latino immigrants, particularly at the high end of the income distribution, lost ground relative to this group. We interpret these results using a relative demand-and-supply framework.

Future research should continue to investigate the relative earnings of Latino populations by further exploring the links among labor market earnings, total personal income, and poverty.

Indeed, despite being highly correlated, earnings are not the same metric as income. A quick perusal of 2000 and 2004 data indicates that the ratio of wage and salary income to total personal income for individuals between the ages of 25 and 64 years varies across Latino populations. To illustrate, we estimate this ratio to be 80.4% for U.S.-born Latinos in the 2004 ACS but 89.7% for Latino immigrants. Although additional work on this issue is clearly warranted, on the surface it appears that earned income represents a higher share of the wealth portfolio of Latino immigrants than U.S. natives. It follows that changes in the labor market outcomes of Latino populations would not evenly impact their overall socioeconomic outcomes (such as poverty).

In all, our findings in this chapter point to the importance of continued analyses of the socioeconomic status of Latinos in the United States. With the wide range of policy issues being currently debated—from immigration reform to national language policies—that might have long-term impacts on U.S. labor markets, it behooves policy makers to go beyond labor market evidence based on decennial census data for Latino populations. Extant research provides keen insights into how Latino labor markets work, but the dynamic nature of this ethnic group's earnings experience, as evidenced in this chapter for some Latino subpopulations, arguably requires updated research on this topic.

Indeed, as national datasets with larger specific Latino populations become available, future research should explore the underlying mechanisms driving the labor market outcomes and socioeconomic profiles of the different Latino groups in the United States. Issues that would be particularly fitting to meet this aim include patterns in net migration flows between specific Latin American countries and the United States, as well as the geographic distributions, human capital characteristics, and wealth and asset-accumulation patterns of Latino populations in the United States.

NOTES

1. In this chapter, we use the term "Latino" interchangeably with "Hispanic." We realize that, technically, "Latino" is a male term, but to facilitate the discussion, the reader should consider this term as gender neutral.
2. We report two sample sizes in Table 1: unweighted (the size of our IPUMS sample) and weighted (the estimated population size reflected by the sample). The decrease in the weighted size of the non-Hispanic White population between 2000 and 2004 reflects their declining employment levels and labor force participation (see the Bureau of Labor Statistics at www.bls.gov).
3. For ease of interpretation, we discuss the estimated coefficients on the binary variables as the actual effects of these variables on earnings. The reader should be aware that, given the semi logarithmic construction of Eq. (1), more precise effects can be obtained using the method discussed by Kennedy (1981).
4. Recall that our sample includes individuals who worked at least 32 weeks in the previous year. When further restricting the sample to those working full time (i.e., 35 or more hours per week), the results observed in Table 3 continue to hold. To illustrate, the coefficients (standard errors) on U.S.-born Latinos did not statistically change between the two years: −0.098 (0.005) and −0.094 (0.013) for Latino men and −0.026 (0.005) and −0.038 (0.010) for women, in 2000 and 2004. The coefficients (standard errors) for foreign-born Latinos significantly were significantly larger in magnitude in 2004 [−0.335 (0.016) for men and −0.296 (0.026) for women] than in 2000 [−0.284 (0.009) for men, and −0.231 (0.013) for women].
5. Despite being outside of the scope of this chapter, an issue in Table 3 worth noting is the change in the signs on the "married" variable for women. Standard in the literature, a negative relationship between marital status and the labor market earnings of women is assumed to reflect the time-allocation pressures that married women experience. In 2004, however, Table 3 suggests that married women earned slightly more (1.6% more) than their unmarried peers, ceteris paribus. Welch (1999) suggested in passing that an increase in the "marriage premium" is consistent with greater wage dispersion, as such dispersion relates to the timing of marriage and the incidence of divorce. Future research should address whether temporal changes in wage-dispersion differentials between Latinos and non-Hispanic Whites have spillover effects with respect to their marriage market outcomes and female labor force participation.
6. Clearly, 10 wage deciles exist, but when using quantile regression for the wage deciles, workers in the top decile have no comparison group by definition.

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