

# IMMIGRATION, MOBILITY AND INEQUALITY



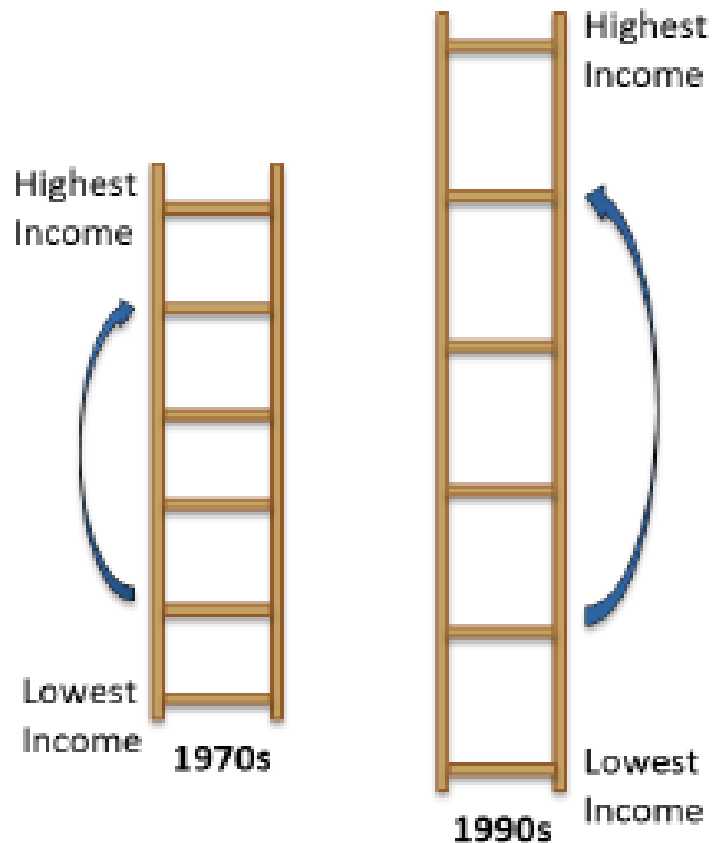
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13<sup>th</sup> Anniversary of El Colegio Tlaxcala  
Presented June 2<sup>nd</sup> 2014

## What is economic mobility? Typical measures

- **Absolute mobility:** How far do children of parents at the 25 percentile in 1980-82 for example, expect to progress up the ladder by 2010-2011?
- **Intergenerational mobility:** correlation between parents & children's education (low is high mobility, high correlation is low) SEDLAC and Hertz (2007)
- **Relative mobility:** How far can someone in the bottom 20% for example expect to progress? Can children expect to have higher incomes than their parents (growth too).
- **Education of parents vs. children**

# Example from Chetty et al. 2014: U.S. inequality increased but mobility same from 1970s to 1990s

## Changes in the Income Ladder in the United States



*The rungs of the income ladder have grown further apart (income inequality has increased)*

*...but children's chances of climbing from lower to higher rungs have not changed.*

# What is inequality? Typical measures

- **Gini Coefficient:** a measure between 1 (one) perfect inequality, one person has all the income (Bill Gates or Carlos slim) and perfect equality (everyone has the same income. NYC has a very high Gini .68 or 68
- **Top 1% or top 10%** Picketty, 2014 Chetty et al. 2014 say that in NYC top 1% take an amazing 53% of total income (high inequality).

## Chutes and ladders

- **Ladders:** migration, education, health, manufacturing jobs, remittances, starting a business
- **Chutes:** war, crime, single parent families, correlation between parents & children's education (low is high mobility, high correlation is low) SEDLAC and Hertz (2007)
- **Relative mobility:** How far can someone in the bottom 20% for example expect to progress? Can children expect to have higher incomes than their parents (growth too).
- **Education of parents vs. children**

Figure 5: U.S Gini coefficient rises from .40 to .48  
1970 to 2012



**inequality rising in the U.S.**

## What is the Gatsby Curve?

- **The idea that higher inequality reduces mobility, came earlier** at Corak and Russell Sage 2010
- **Obama CEA head Alan Krueger now at Princeton** staff member came up with term in 2012, perhaps after seeing Baz Luhrman movie (AK got fame, staff member got a bottle of wine).
- **Why does inequality reduce mobility?** Rungs of ladder farther apart, harder to climb, poor have fewer resources to spend on children relative to rich, so rich kids have unfair advantage.

## What this matters for immigration

- *We argue increased immigration explains about ½ the increase in inequality, but that the share of the FB is also associated with higher mobility....*
- Piketty (2013) argues that population growth through higher fertility or immigration can reduce inequality by reducing the effect of inherited wealth....
- CBO (2013)\*\*immigration reform will at first decrease & then increase overall wages (not of natives).

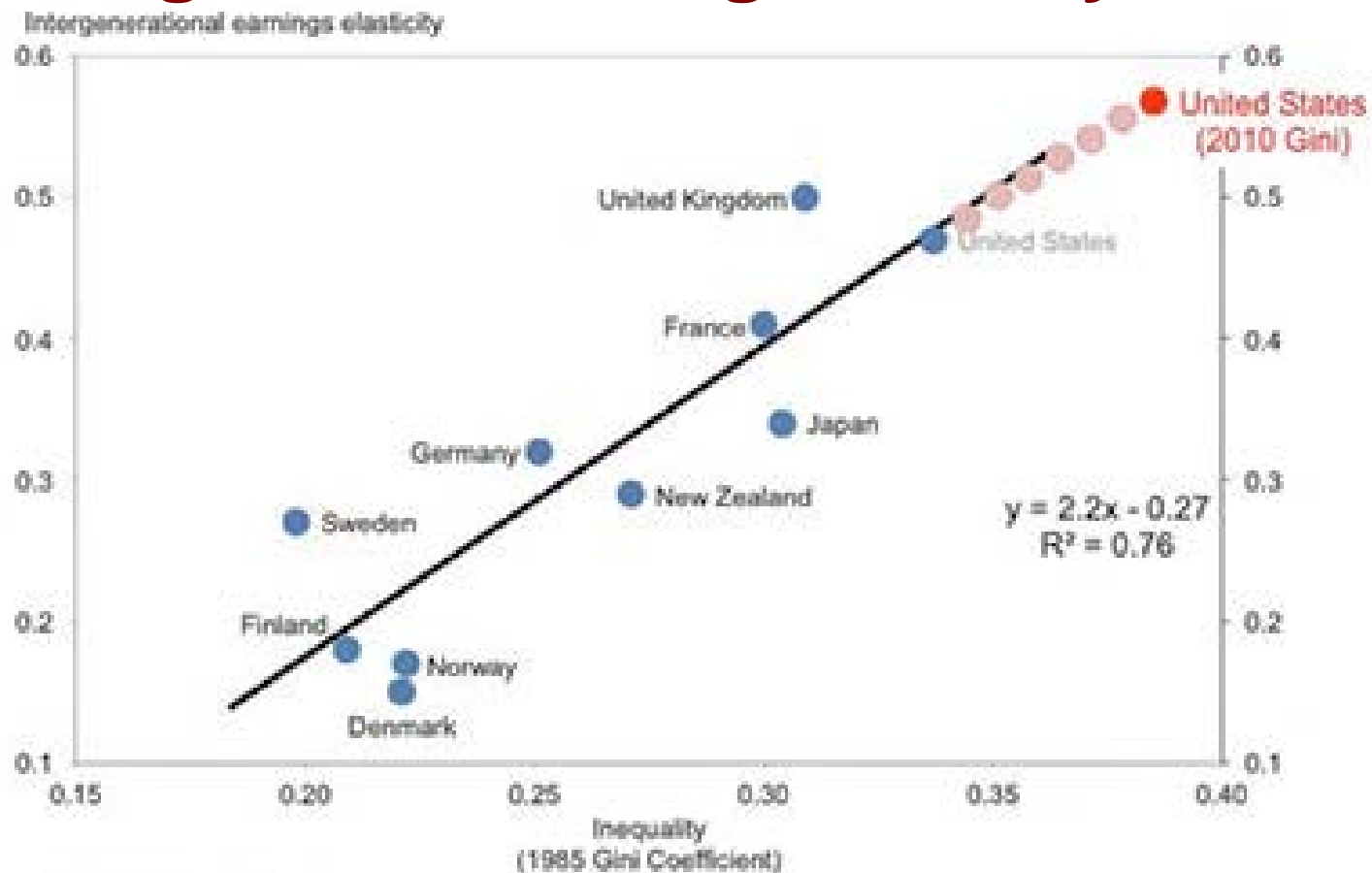
\*\*U.S. Congressional budget Office (2013) The Economic Impact of S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act



# THE GREAT GATSBY CURVE

High Inequality is Associated With Less Economic Mobility

## Original Alan Krueger Gatsby curve

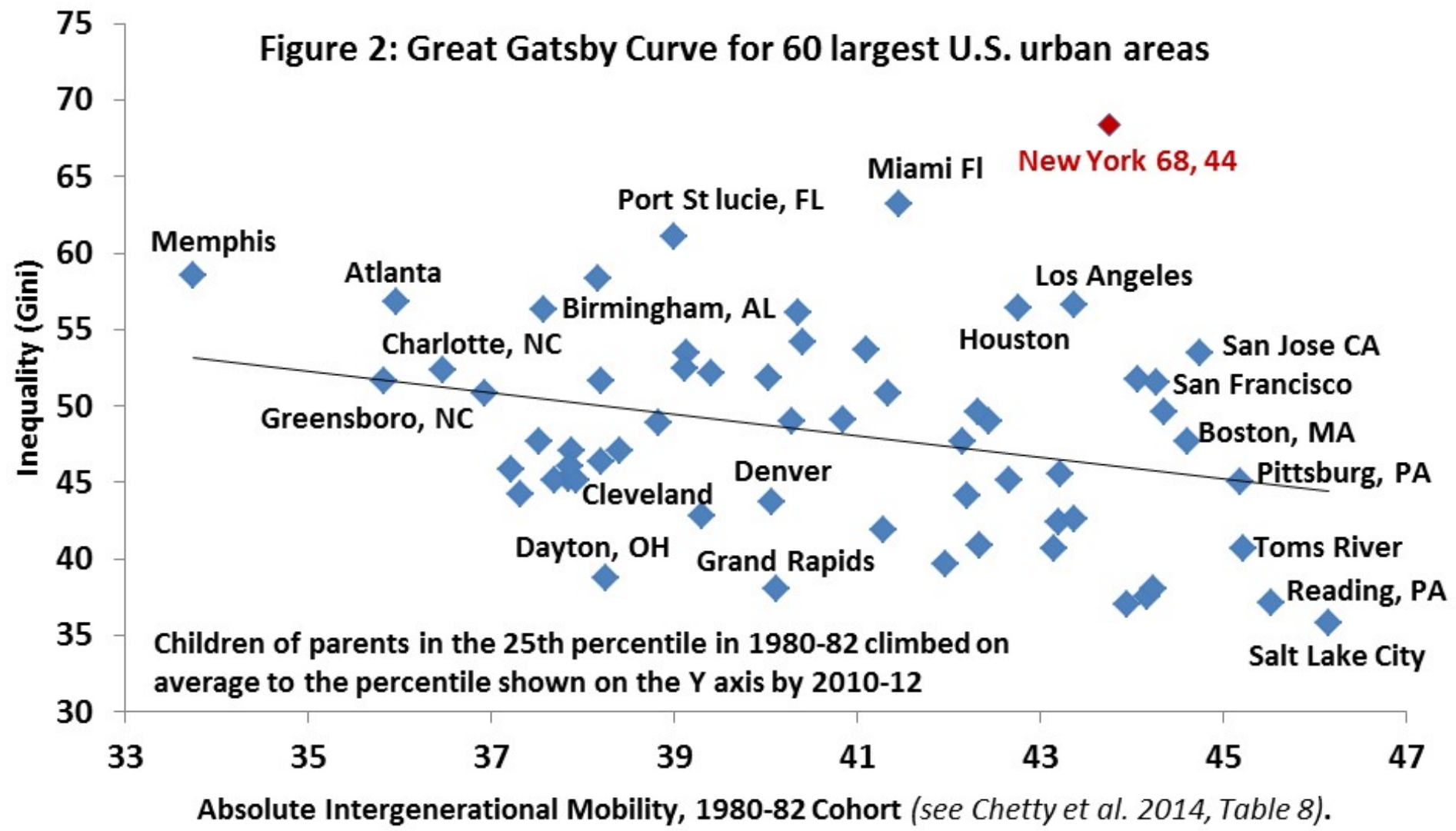


Source: Corak (2011), OECD, CEA estimates.

# Gatsby curve for major cities in U.S.

**NYC an exception:** Highest inequality, but mobility in top 1/4 of U.S. cities: 1980-82 kids in 25th get to 44th in 2010-12

Figure 2: Great Gatsby Curve for 60 largest U.S. urban areas

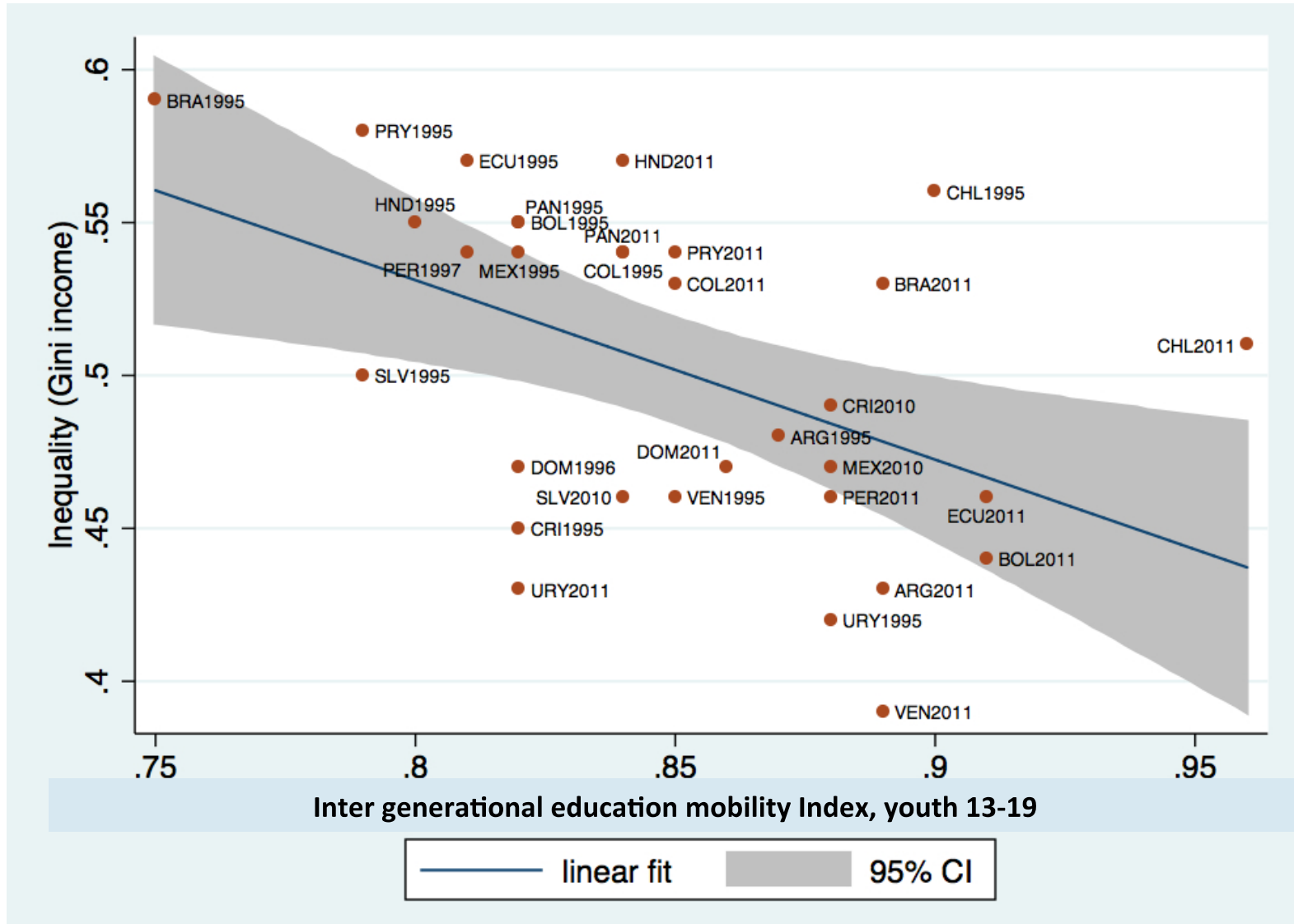


# Gatsby curve also works in LatAm the question is why and will it last?

- Since inequality is falling in LatAm mobility is increasing but why?
- Ali Brahim and McLeod (2013) argue education policy, Conditional Cash transfers and higher minimum wages have reduce wage inequality in Latin America.
- Gasparini et al. (2012) focus on terms of trade: issue will lower inequality and increased mobility

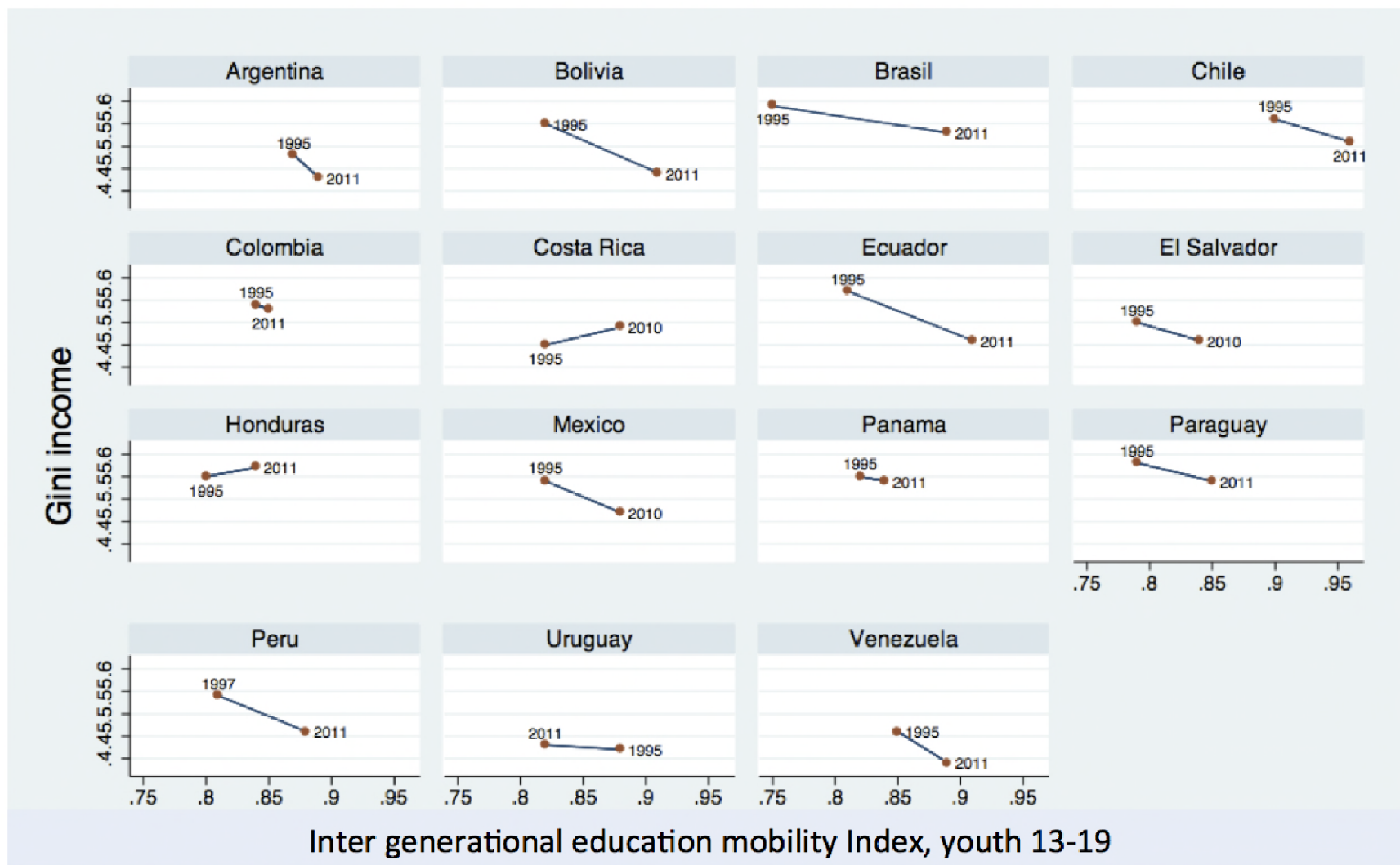
**We find Latin America's lower inequality due to social policies that increase education both reduce inequality and increase mobility of children.**

**Figure 14. Great Gatsby Curve: Gini income vs. Mobility (youths 13-19), 16 Lat Am ctrys, 1995 and 2011**



**Notes:** Mobility (youths 13-19) is defined following Andersen(2001). The dependent variable is the schooling gap, measuring years of missing education. The Educational Mobility Index (EMI) is defined as 1 minus the proportion of the variance of the school gap that is explained by family background. For Peru and Dom.Rep the first observed year is 1997 and 1996, the last observed year for Costa Rica, El Salvador and Mexico is 2010. Source: SEDLAC (CEDLAS and The World Bank database downloaded May 2013).

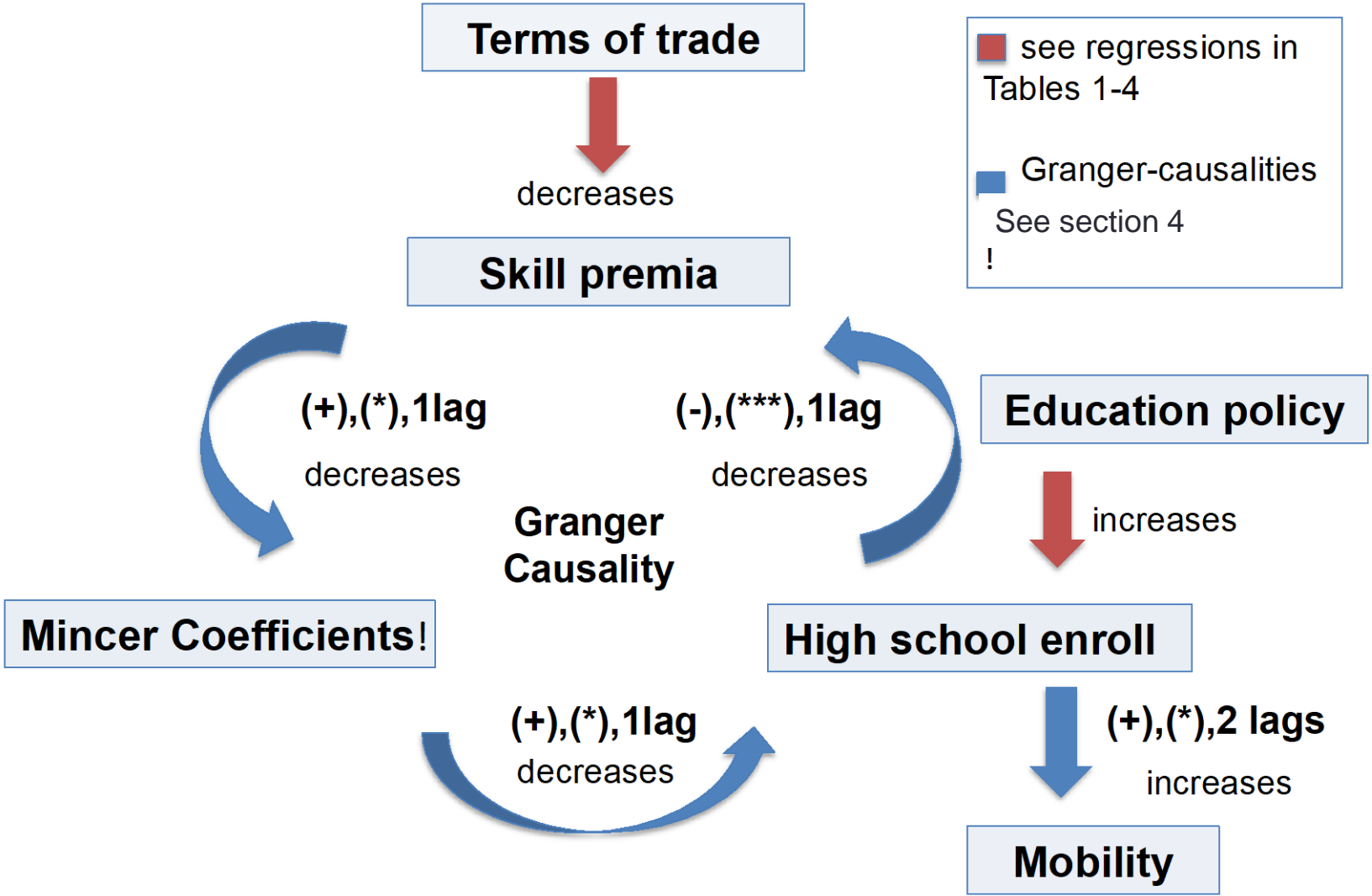
**Figure 13. Great Gatsby Curve: Gini income vs Mobility (youths 13-19), 16 Lat Am ctrys, 1995 and 2011**



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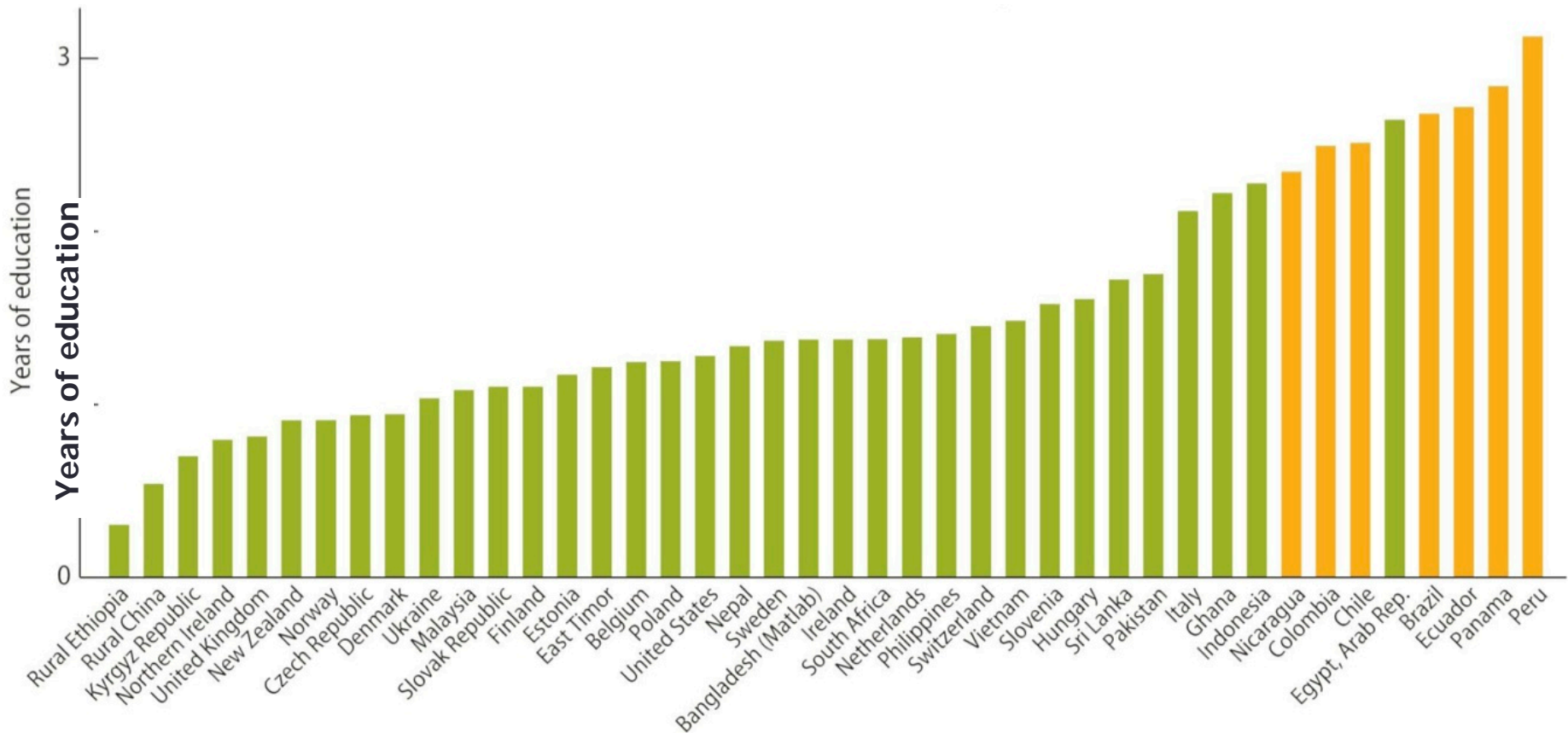
# ..Terms of trade deskilling



■ see regressions in Tables 1-4  
 ■ Granger-causalities See section 4 !

Source: CEPALSTAT and SEDLAC(CEDLAS and World Bank) database downloaded March 2012!

**Figure 11. Impact of parental education on children's years of education**

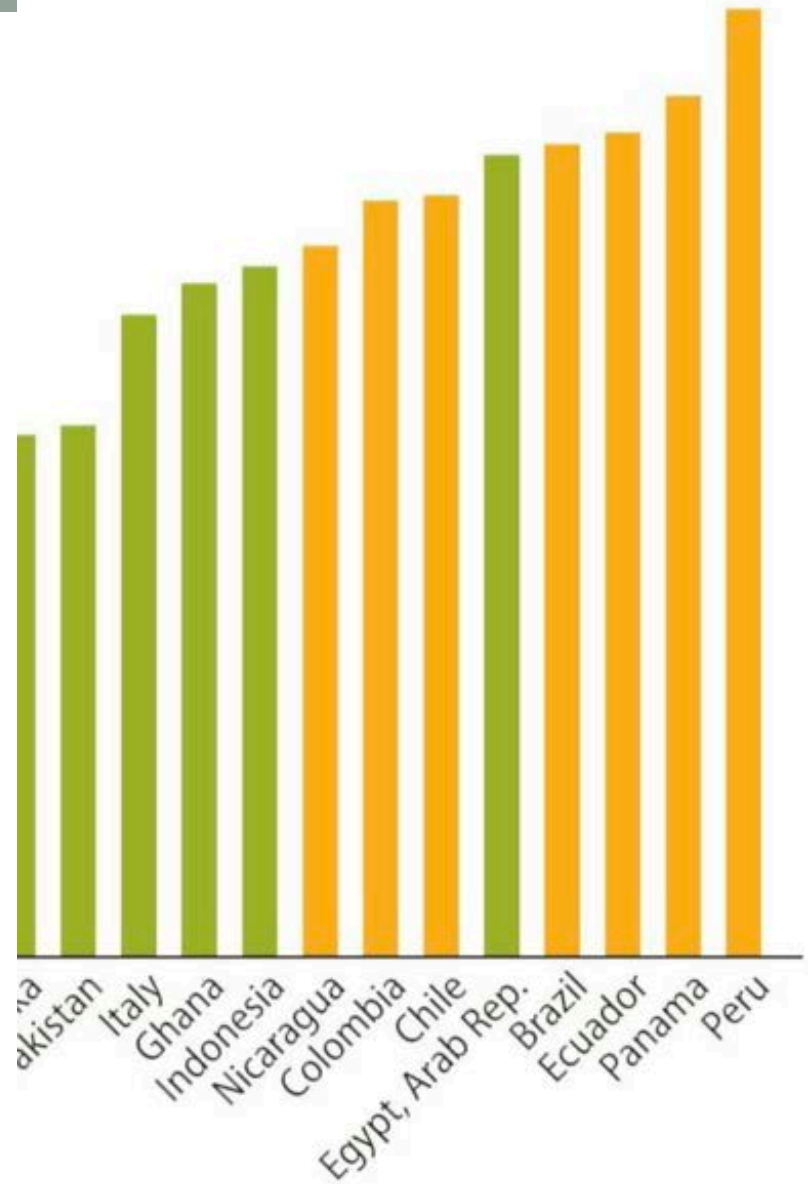


Source: Ferreira et al 2012 based on data from Hertz et al. 2007.

Note: Bars represent the impact of one standard deviation of parental years of schooling on the years of schooling of children.

**Figure 11A**  
**Correlation of parent & children's education; higher indicates lower mobility, so past LatAm had the lowest inter-generational mobility in the world**

Years of education



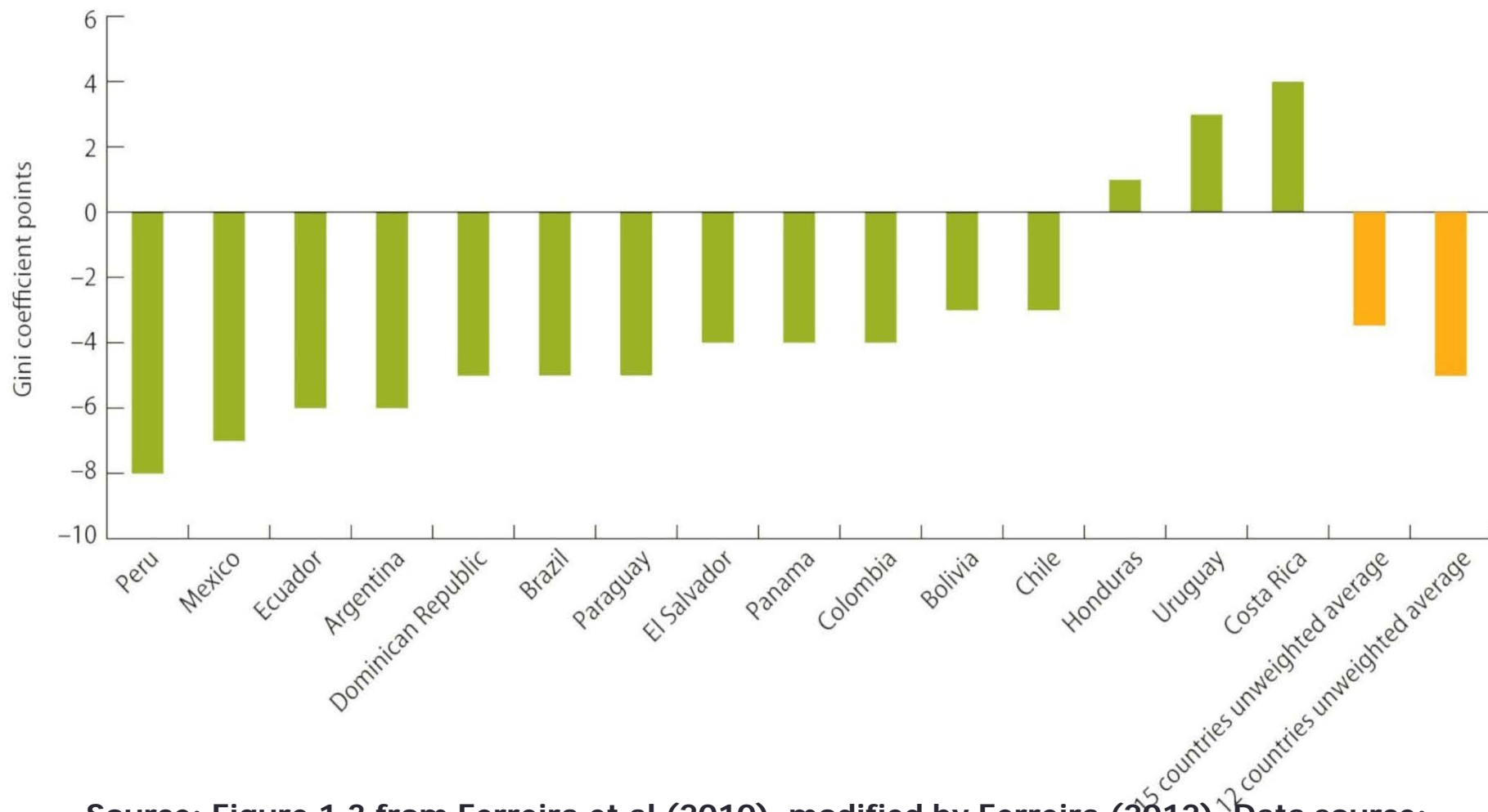
Source: Ferreira et al 2012 based on data from Hertz et al. 2007.

Note: Bars represent the impact of one standard deviation of parental years of schooling on the years of schooling of children.

Source: Hertz et al (2007)



**Figure 12. Change in the Gini index, selected Latin American countries, 2000-2010.**



**Source: Figure 1.3 from Ferreira et al (2010), modified by Ferreira (2012). Data source: World bank 2011**

# Immigration, growth and inequality short term long term

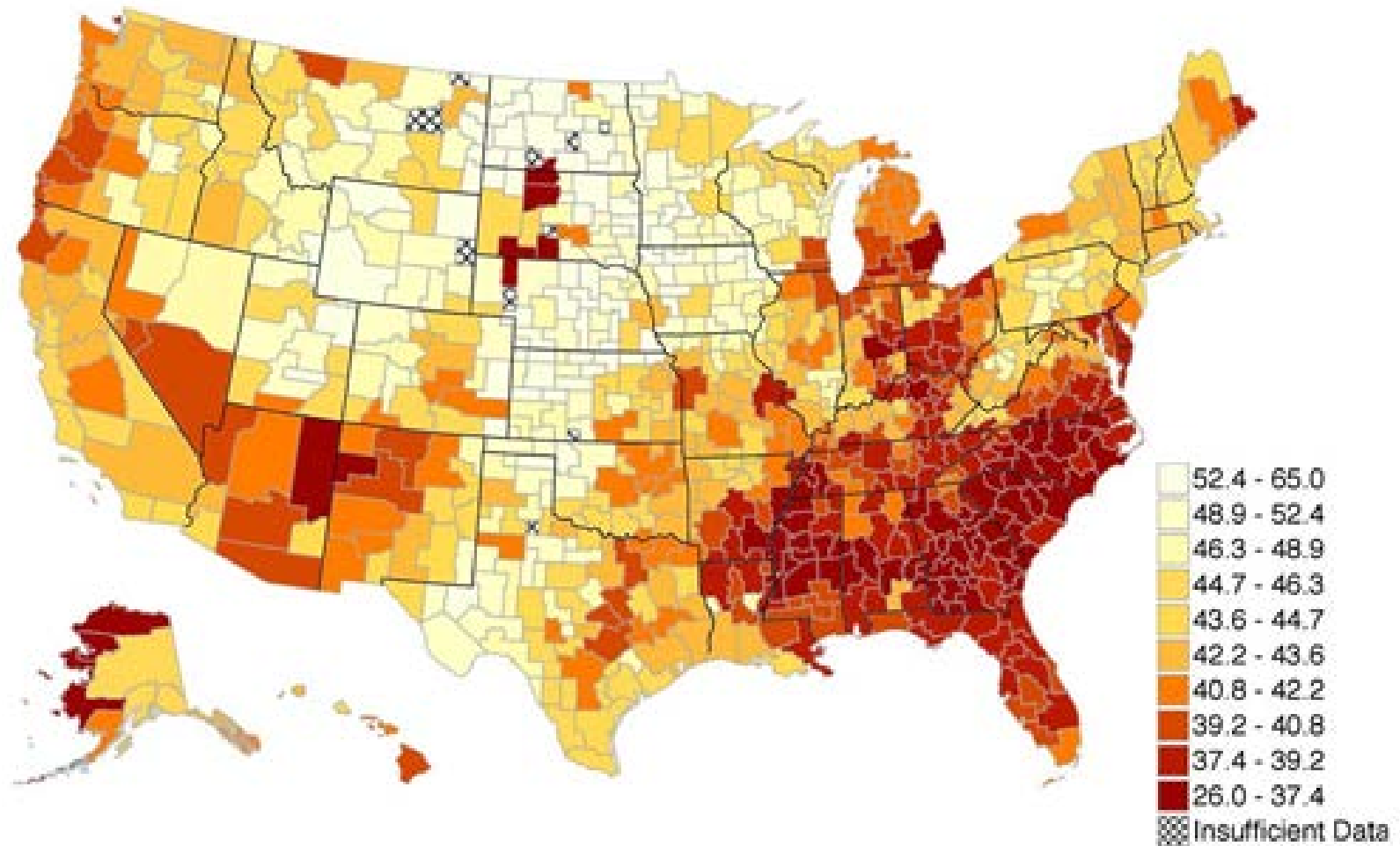
- **Immigration increases inequality in ST** Chetty cities data shows as FB share 4.7% to 13%+ from 1970 to 2010 can explain rise in Gini from 40 to 44 (have the distance to 48)
- **Inequality increases ST** as immigrants compete: Hispanic but not native wages fall with immigration & integration.
- **Immigration increases mobility** vs. LatAm and within the U.S. children of immigrants consistently outperform natives in school this increases Hispanic wages over longer term (CBO, 2013).
- **Financial inclusion & immigration** reform raises growth and asset accumulation by Hispanics, reducing share of inherited wealth, see Piketty, 2014, p. 83-84.

\*\*U.S. Congressional budget Office (2013) The Economic Impact of S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act

# Back to U.S. immigration, Chetty et al 2014 look at U.S. Cities & Counties, lots of variation in Mobility, low mobility in the South

## Geography

*Mobility Varies Substantially Across Places...*



# Gatsby curve for major cities in U.S.

**NYC an exception:** Highest inequality, but mobility in top 1/4 of U.S. cities: 1980-82 kids in 25th aet to 44th in 2010-12

Figure 2: Great Gatsby Curve for 60 largest U.S. urban areas

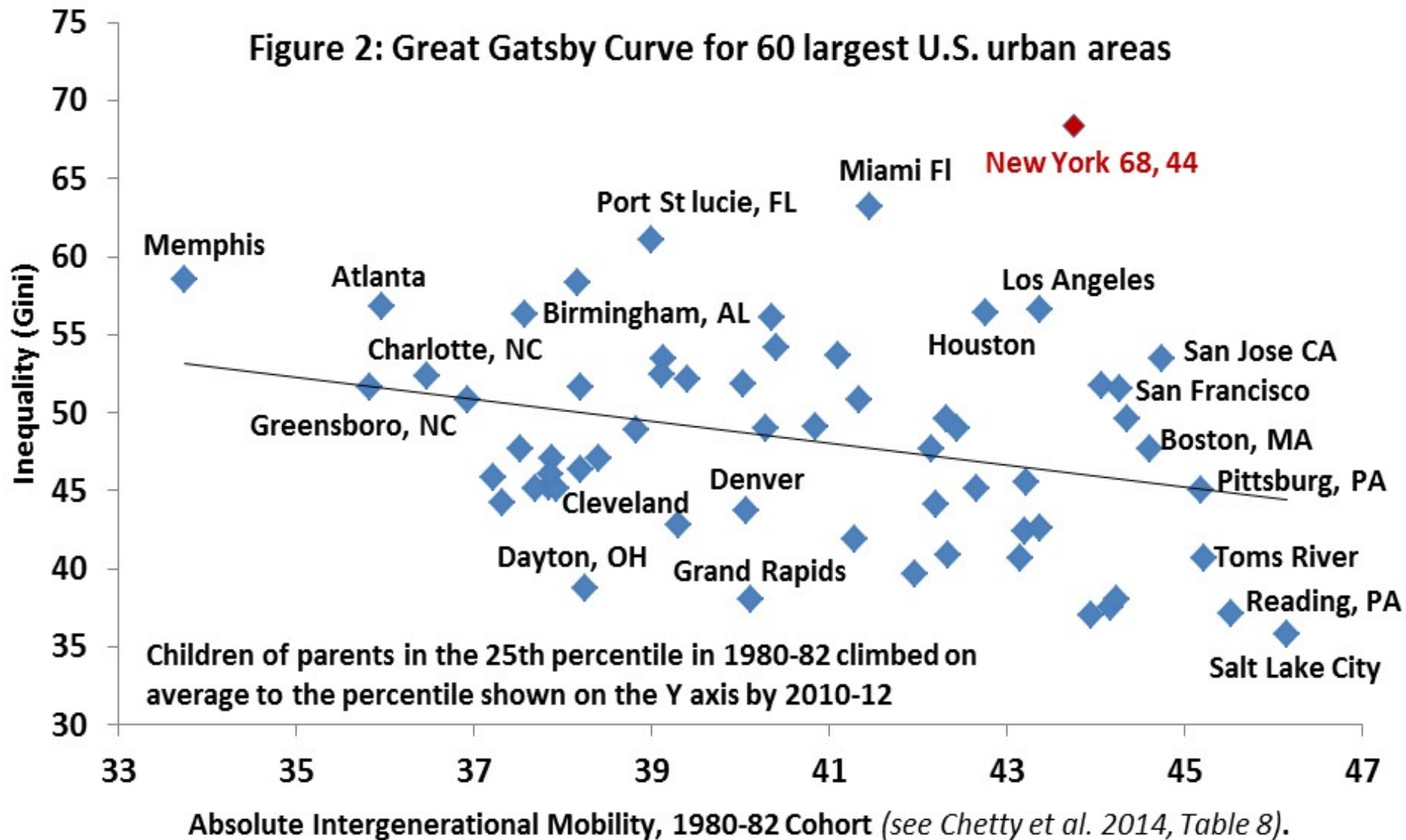
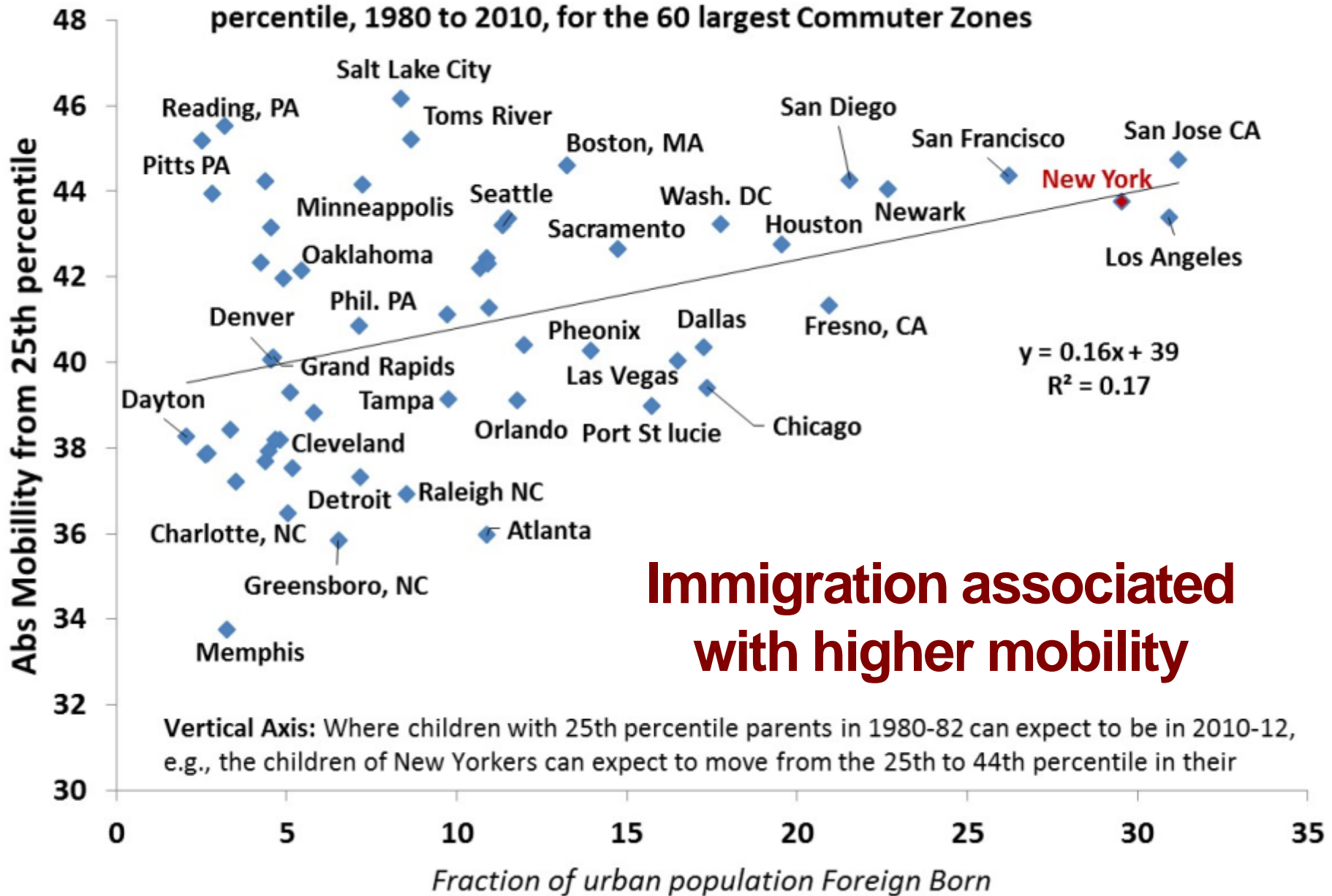
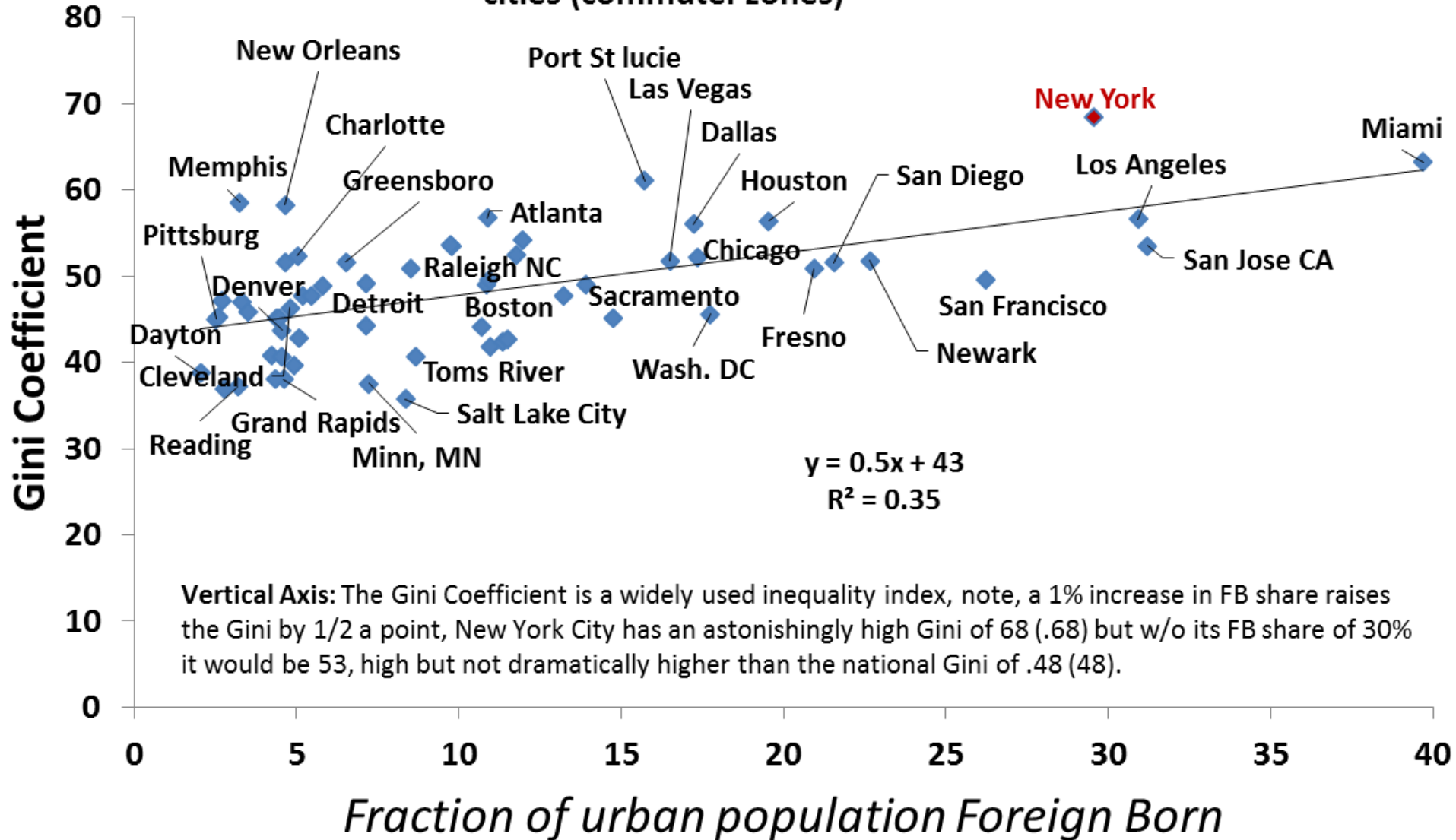


Figure 6B: Fraction of Foreign Born & Absolute Mobility from the 25th percentile, 1980 to 2010, for the 60 largest Commuter Zones



# Immigration associated w/ higher inequality

Figure 6B: Fraction of Foreign Born & Inequality in the 60 largest U.S. cities (commuter zones)

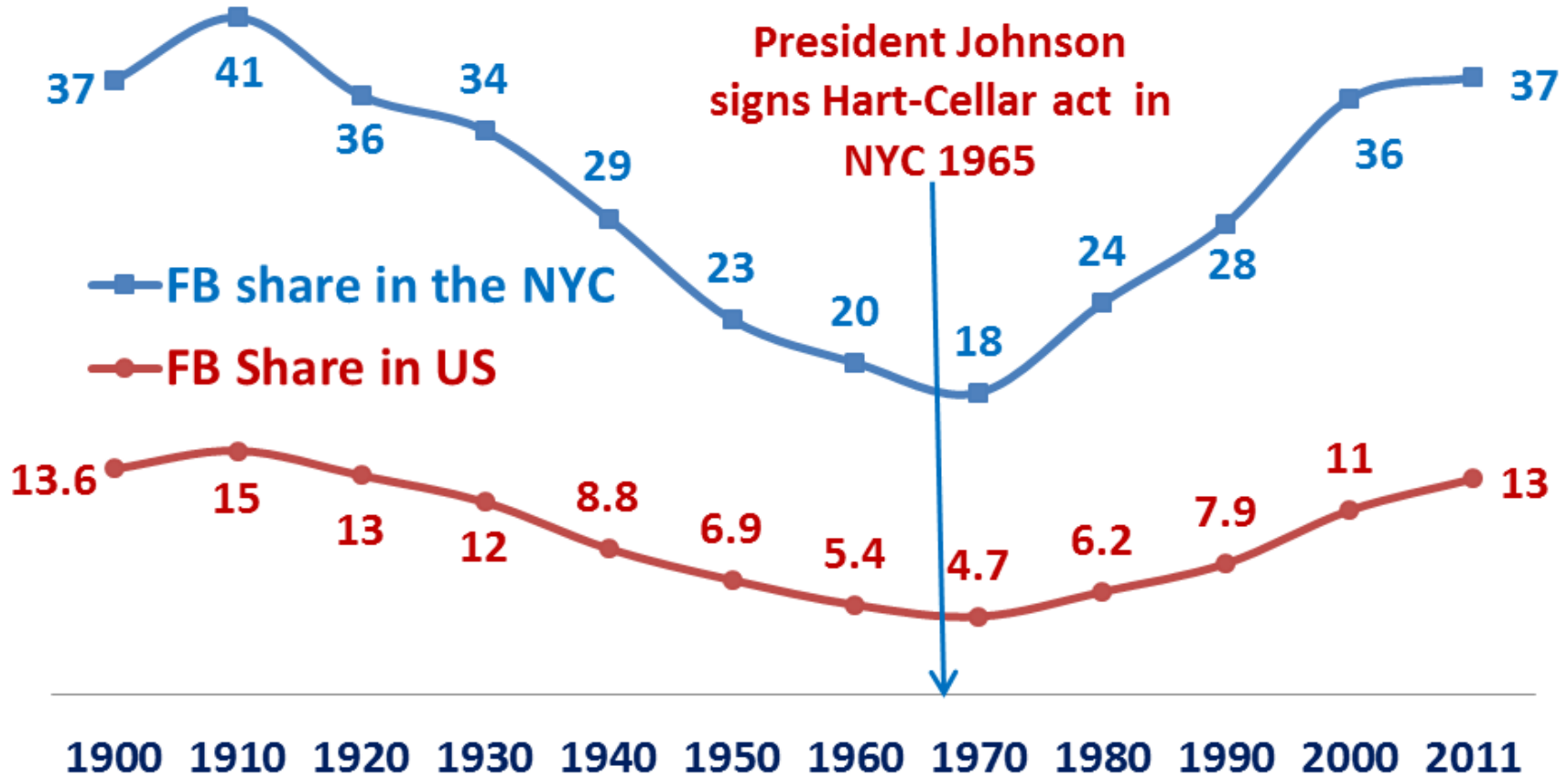


Vertical Axis: The Gini Coefficient is a widely used inequality index, note, a 1% increase in FB share raises the Gini by 1/2 a point, New York City has an astonishingly high Gini of 68 (.68) but w/o its FB share of 30% it would be 53, high but not dramatically higher than the national Gini of .48 (48).

(see Chetty et al. 2014, Table 8, online at <http://www.equality-of-opportunity.org>).

# U.S. FB share rose from 4.7 in 1970 to 13 in 2012, a rise of over about 8 percentage points

Figure FB-1 US and NYC Foreign born back to 1900 share



Source: page 10 Table 2.2 New York Dept of City Planning (2013) *The Newest New Yorkers, 2013 Edition*, NYC DCP-13-10, December NY. [http://www.nyc.gov/html/dcp/pdf/census/nny2013/nny\\_2013.pdf](http://www.nyc.gov/html/dcp/pdf/census/nny2013/nny_2013.pdf)

# Immigration, growth and inequality short term long term

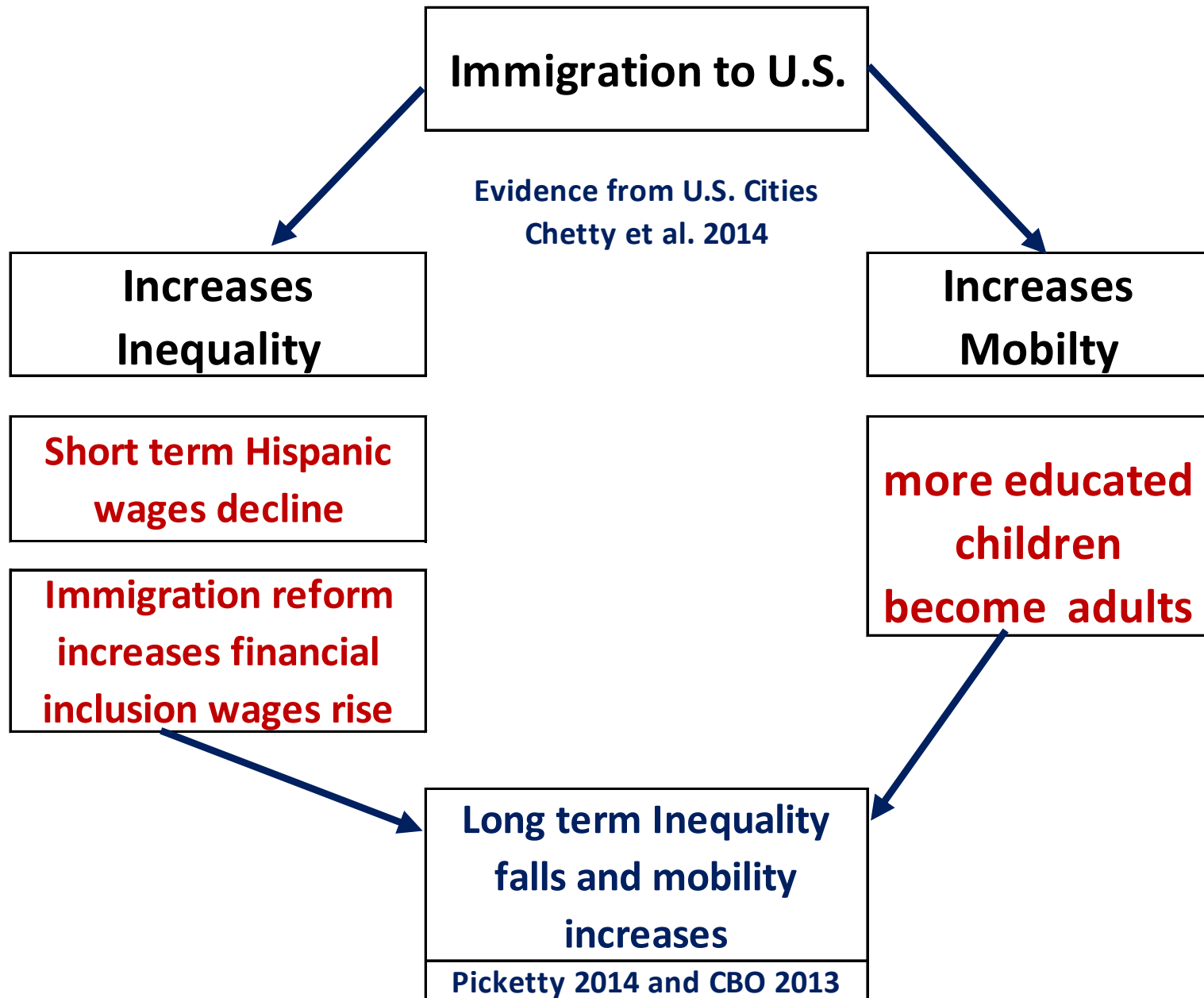
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# Inmigración, crecimiento y desigualdad corto y largo plazo

- **La inmigración aumenta la desigualdad en el corto plazo.** Los datos sobre las ciudades de Chetty muestran cuota FB de 4.7% a 13%+ de 1970 a 2010 explica el aumento de Gini de 40 a 44 (tiene distancia a 48)
- **Desigualdad aumenta en CP** los inmigrantes compiten: Salarios de los hispanos pero no nativos caen con la inmigración y la integración.
- **Inmigración acrece la movilidad** vs. LatAm y adentro los EE.UU. Los hijos de inmigrantes superan constantemente a los nativos en la escuela, este hecho aumenta los salarios de los hispanas en largo plazo (CBO, 2013).
- **Financial inclusion & immigration** reforma eleva el crecimiento y la acumulación de activos por los hispanos, lo que reduce la cuota de la riqueza heredada, ver Piketty, 2014, p. 83-84.



## Mobility and inequality linked in Gatsby Curve

1. **Legalization of work and education:** Native and native wages rise then fall, (See CBO review, Peri, 2010, Card, 2007)
2. **Financial inclusion** among the most financial excluded groups in NYC
3. **How to estimate both effects longer term:**  
***Compare experience of new and old Hispanic cohorts in the NY Tristate region.***

<sup>1/</sup> Card, 2007 reports studies showing natives flee when Hispanic + non-white share hits 15% (Card, 2007)

## Mexicans in the shadows: least documented and most financially excluded of 3 immigrant groups surveyed in NYC OFE Immigrant Financial Services Study

**Table 1: Mexican, Ecuadorian, and Chinese immigrants banked status and gender**

	<b>Mexican (443)</b>	<b>Ecuadorian (417)</b>	<b>Chinese (464)</b>	<b>Total (1,324)</b>
Banked	43	65	95	68
Unbanked	<b>57</b>	<b>35</b>	<b>5.0</b>	<b>32</b>
Men	53	52	50	52
Women	47	48	50	48

Source: NYC OFE (2013). *Immigrant Financial Services Study*, p. 13

## Estimated impacts on tri-state area Mexicans

(349,000 in three states in 2010 see Hinojosa and McLeod, 2014  
Out of the shadows, legalization & financial inclusion)

- **Personal Income increases by \$4.1 billion** as Mexican middle class share expands from 10% to 34% (see Table F-2)
- **Housing sales rise by \$18 billion** as home ownership rate increases from 18% to 47% (about national average, see Figure F-1)
- **Education spending rises by \$15.4 billion** as share of Mexicans with college education increases from 10% to 32% (see Table F-2)

# Moving up inclusion ladders, impacts on CT-NY-NJ 349,000 Mexican residents, age 25-65

**Table F-2: in Mexican status due to Legalization and Financial Inclusion**

<b>Reported Ethnicity</b>	<b>Middle class share</b>	<b>Share owning home</b>	<b>share with 4+ years of College</b>
Before	<b>10</b>	<b>18</b>	<b>10</b>
After	<b>34</b>	<b>47</b>	<b>32</b>
Change in share	<b>24</b>	<b>29</b>	<b>22</b>
Persons Affected	<b>84</b>	<b>101</b>	<b>77</b>

Changes for  
major Hispanic  
groups in Tri-  
state area if  
Cuban-  
Panamanian  
112,000  
becomes the  
norm

**Table F-1: Differences between Mexicans and already legalized Hispanic groups<sup>1/</sup> in Home Ownership, Income and College Education 2007-2011**

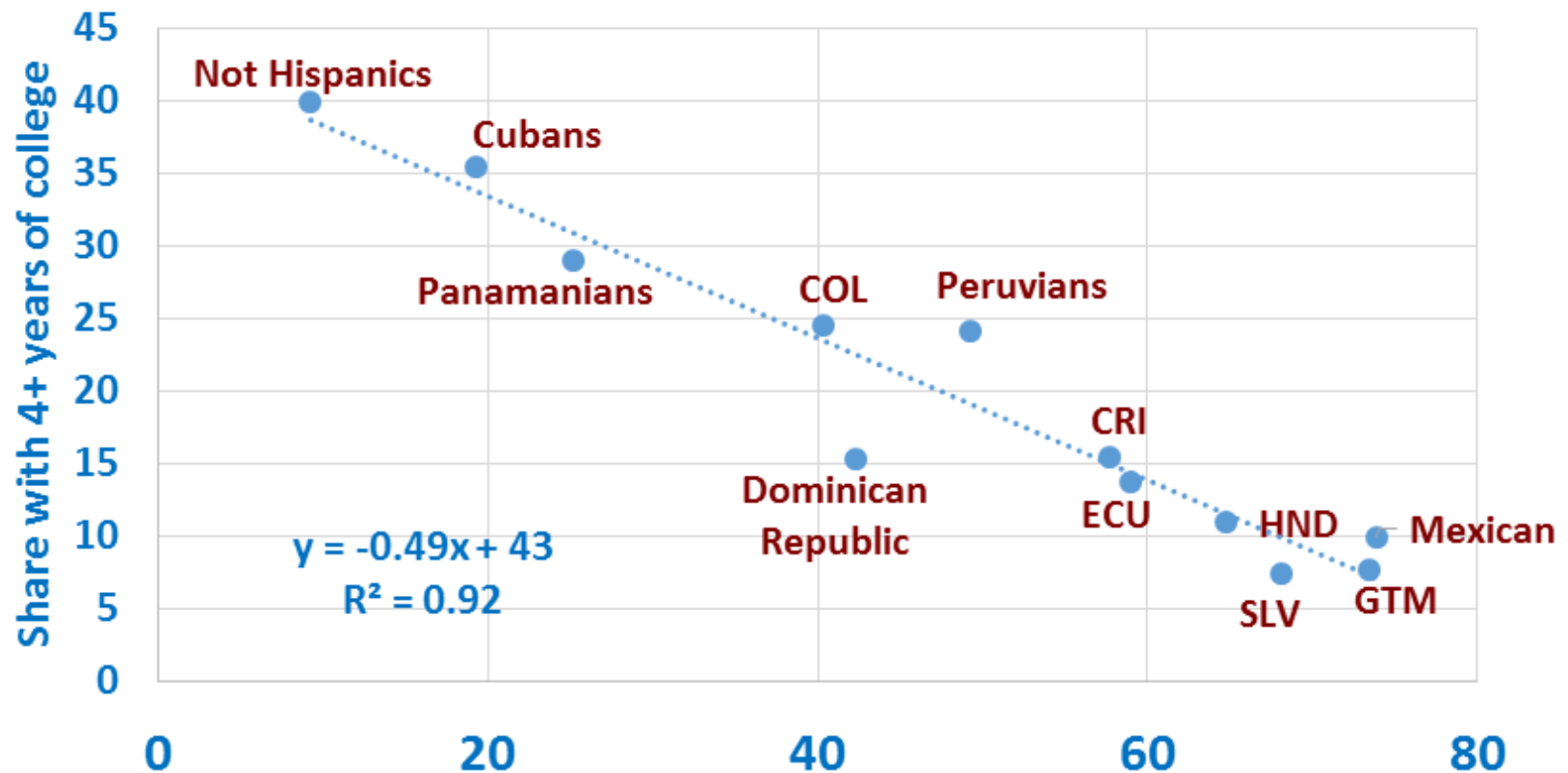
<b>Reported Ethnicity</b>	<b>Middle class share</b>	<b>Poverty Rate</b>	<b>Own Home</b>	<b>4+ years of College</b>	<b>NJ-NY-CT 2007-11</b>
Not Hispanic	-10	2.6	-22	-8	14571
Mexican	24	-12	29	22	349
Cuban	-6.4	-0.6	-8.0	-3.2	86
Costa Rican	18	-4.9	8.7	17	21
Guatemalan	24	-5.6	23	24	74
Honduran	22	-7.8	22	21	64
Panamanian	6.0	-1.9	8.0	3.2	21
Salvadoran	24	-3.6	3.8	25	121
Colombian	11	1.2	3.9	7.7	163
Ecuadorian	20	-3.7	14	19	225
Peruvian	13	1.7	3.9	8.1	99
Dominican	21	-10	22	17	466

<sup>1/</sup>Already legalized groups include 86,000 Cubans and 21,000 Panamanians. Source: Self identified ethnic groups as reported combined 2007-11 5% sample, see Ruggles et al. 2010.

\*Ruggles, et al. 2010, Integrated Public Use Microdata Series: V 5.0, Minneapolis: University of Minnesota, 2010

# Inclusion raises share of mexican college graduates from 10% to 32%

Figure F-5 Inclusion ladder for College education Tri-State Area, adults age 25-65 2007-2011 ACS as predicted by share now citizens

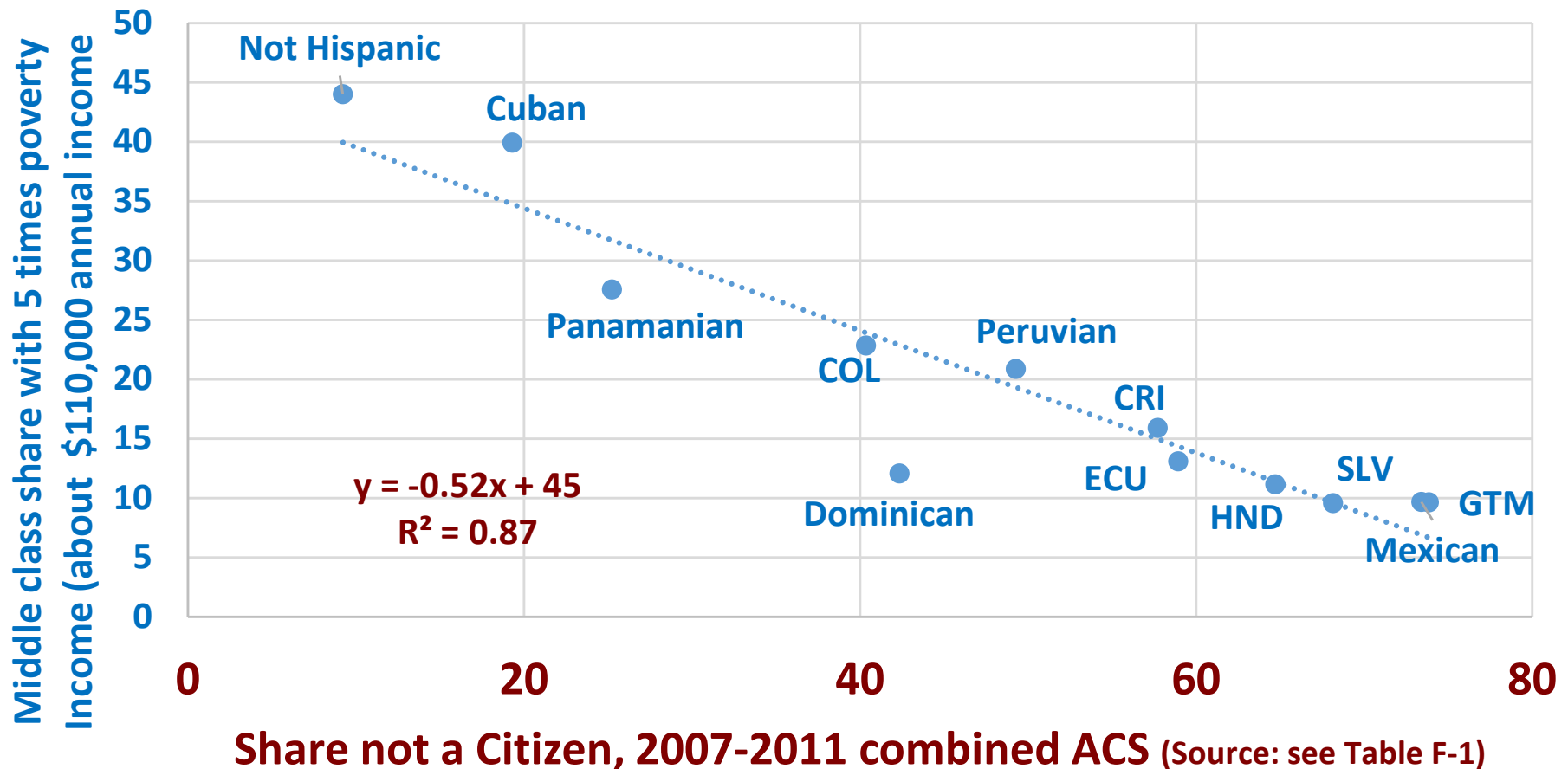


Share not a Citizen, 2007-2011 combined ACS Source: see Table F1



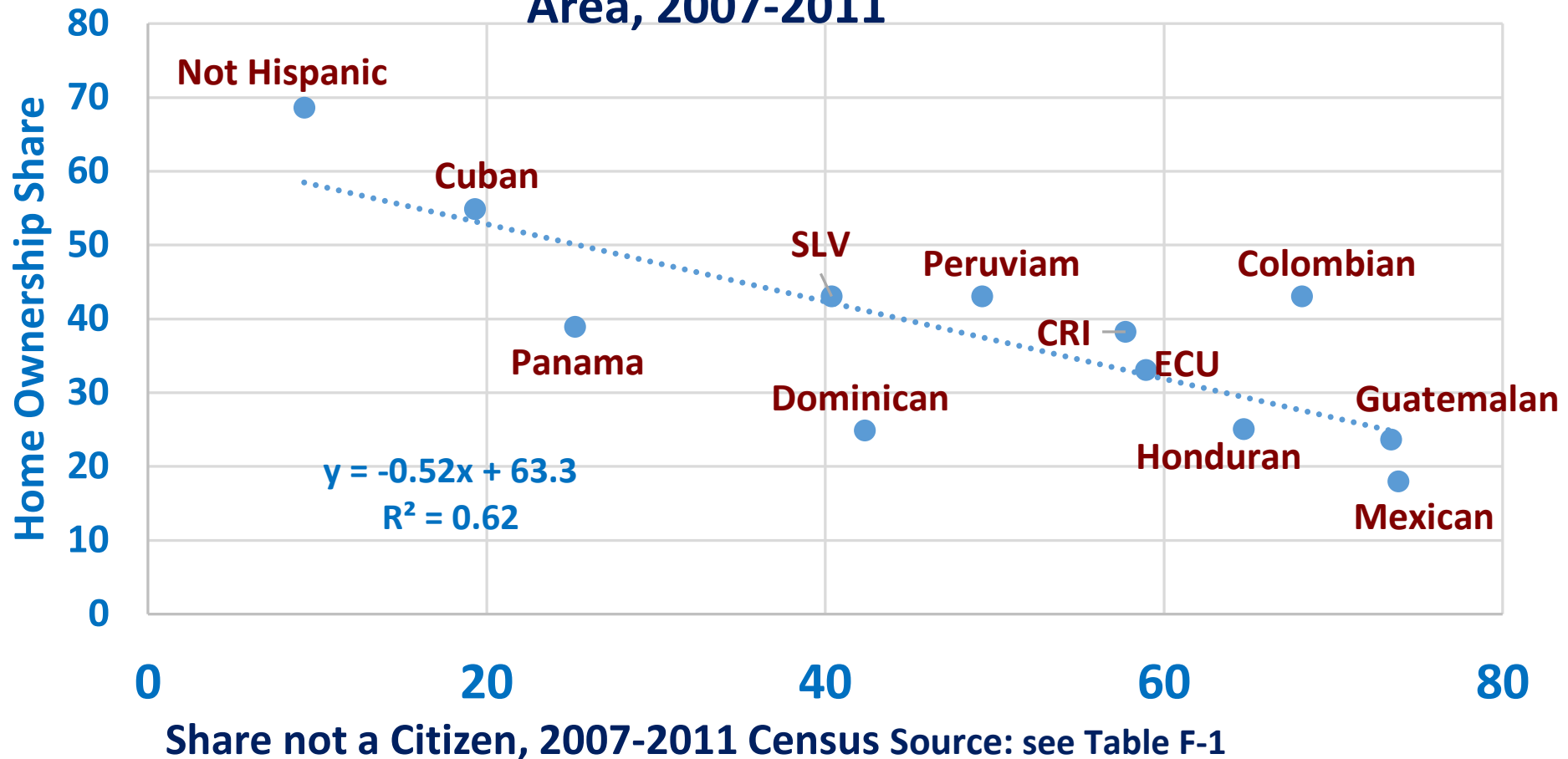
# Mexican middle class share (greater than five times poverty income) rises from 10% to 34%

Figure F-6 Inclusion ladder for Middle class share with incomes >5 times the poverty rates, CT-NJ-NY residents age 25-65 2007-11



# Inclusion ladder raises Mexican home ownership share to 47% up from current 18%

**Figure F-4 Inclusion ladder for home ownership in the Tri-State Area, 2007-2011**

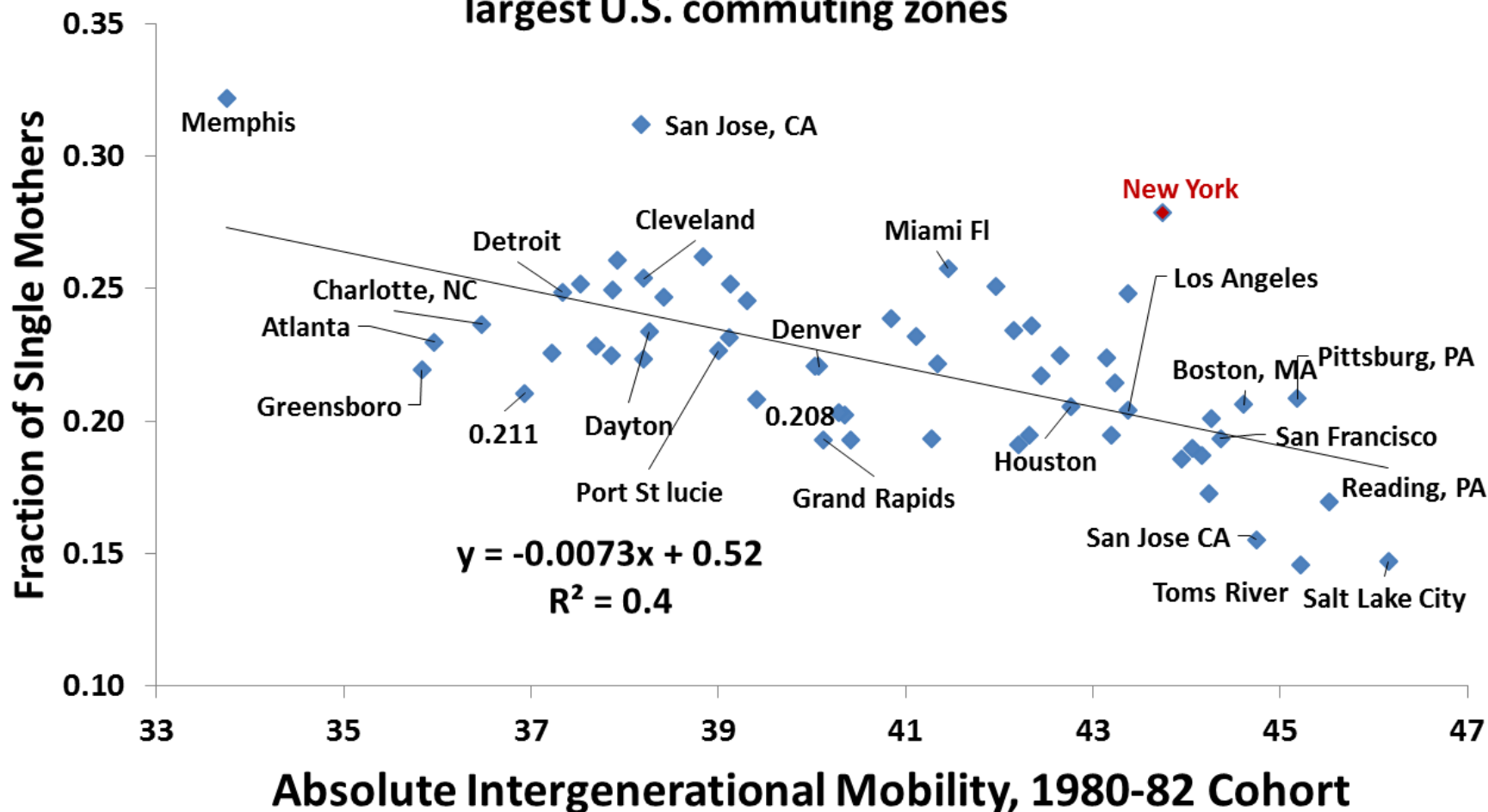


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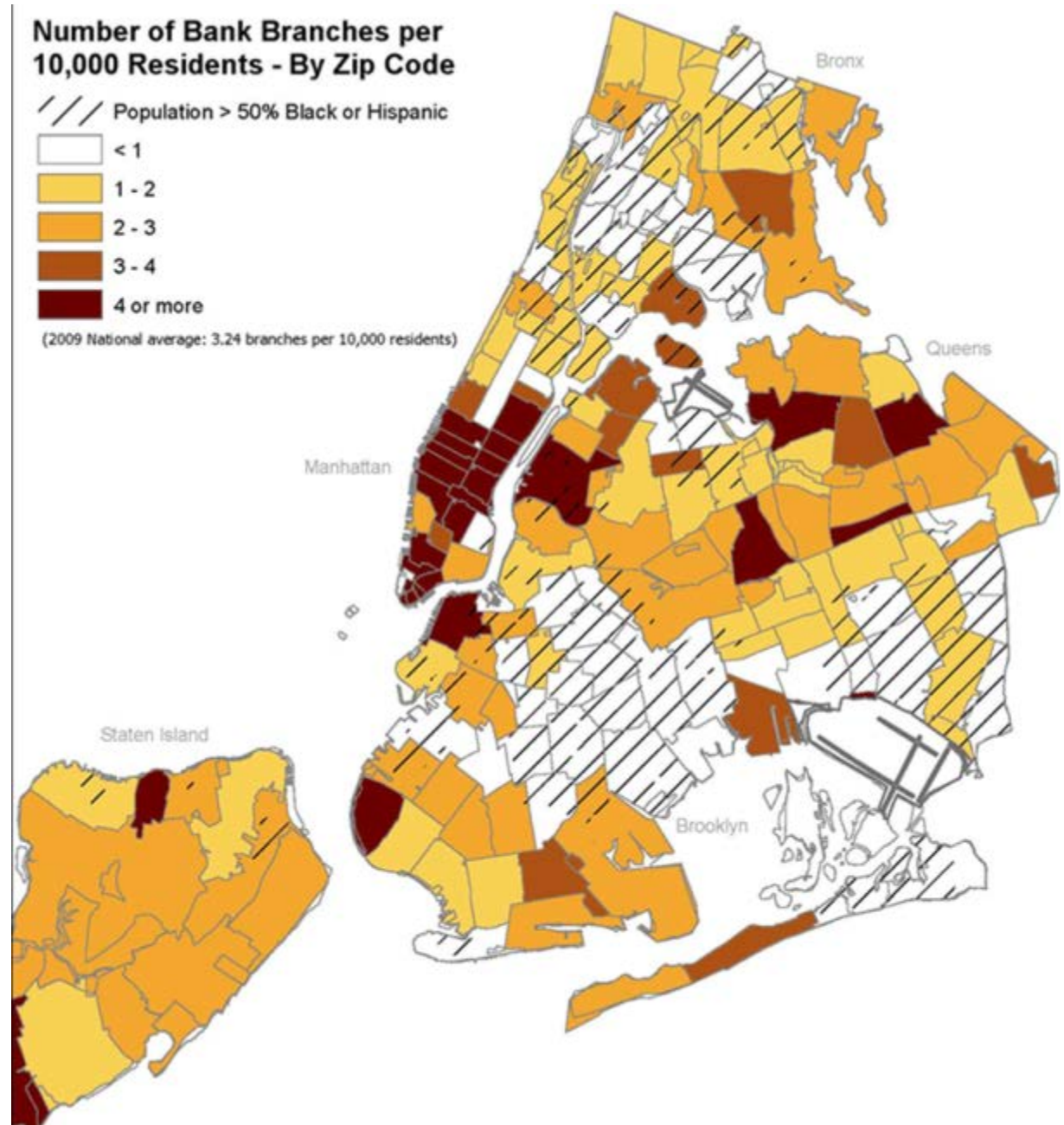
# Family structure and mobility

Figure 6D: Fraction of Single Mothers and Abs Mobility 60 largest U.S. commuting zones

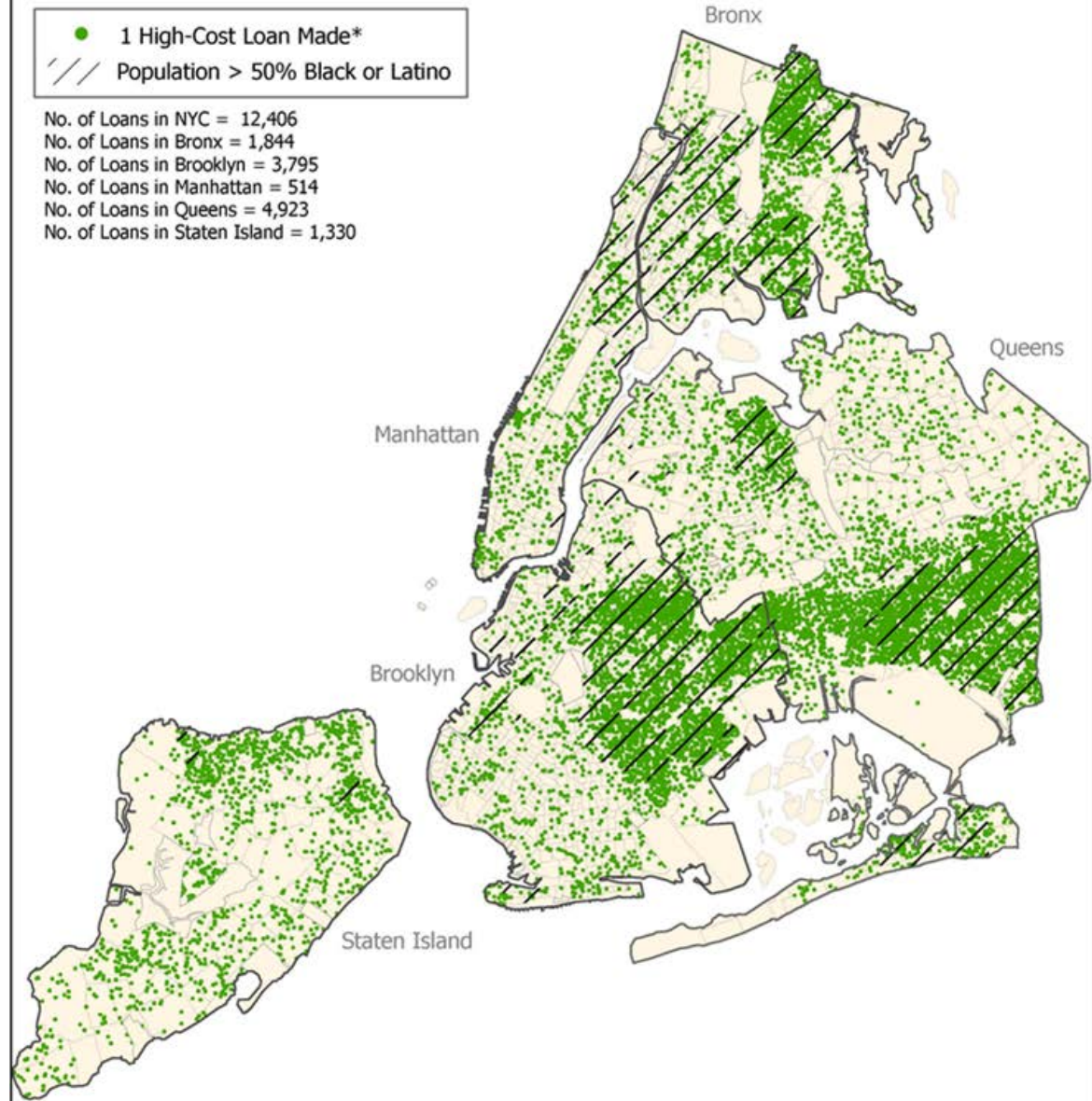


(see Chetty et al. 2014, Table 8).

**Financial Exclusion (FEX) breaks along racial and class lines in New York and LA: NEP- NEDAP Map shows absence of Banks in communities of color...**  
2009 New York City (click map to go to NEP webpage)



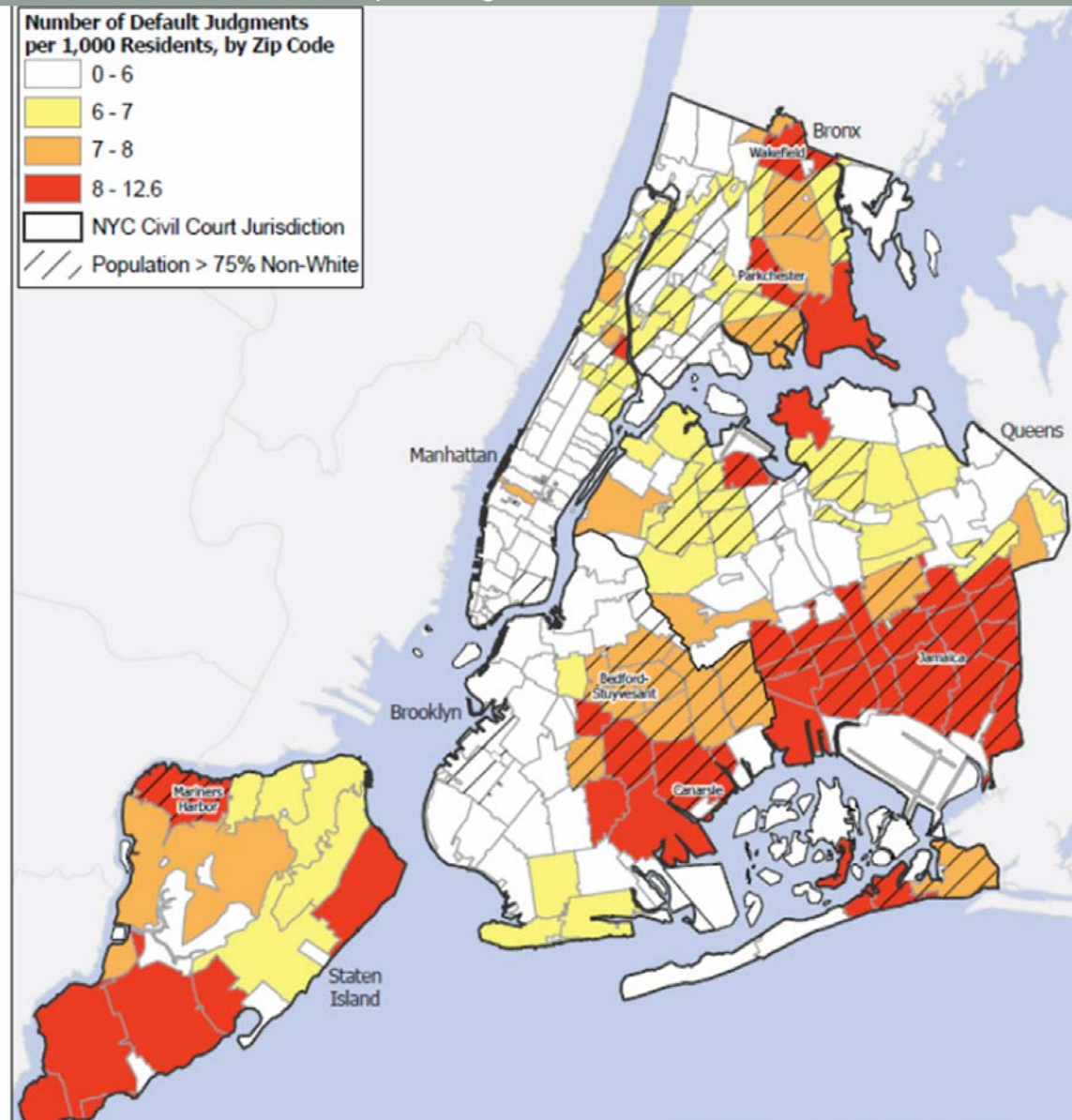
**Poverty and social exclusion leave blacks & Latinos vulnerable to Exploitation:**  
 NEP-NEDAP 2007 map shows high costs loans concentrated in communities of color...  
 2007 New York City  
 (click map to go to NEP webpage)



## Racial and SES exclusion leaves blacks & Latinos vulnerable to Exploitation:

NEP 2013, *The Debt collection Racket*, target black and Latino families hardest, true in LA as well

Shin, Susan and C Wilner (2013) [The Debt Collection Racket in New York: How the Industry Violates Due Process and Perpetuates Economic Inequality](#)



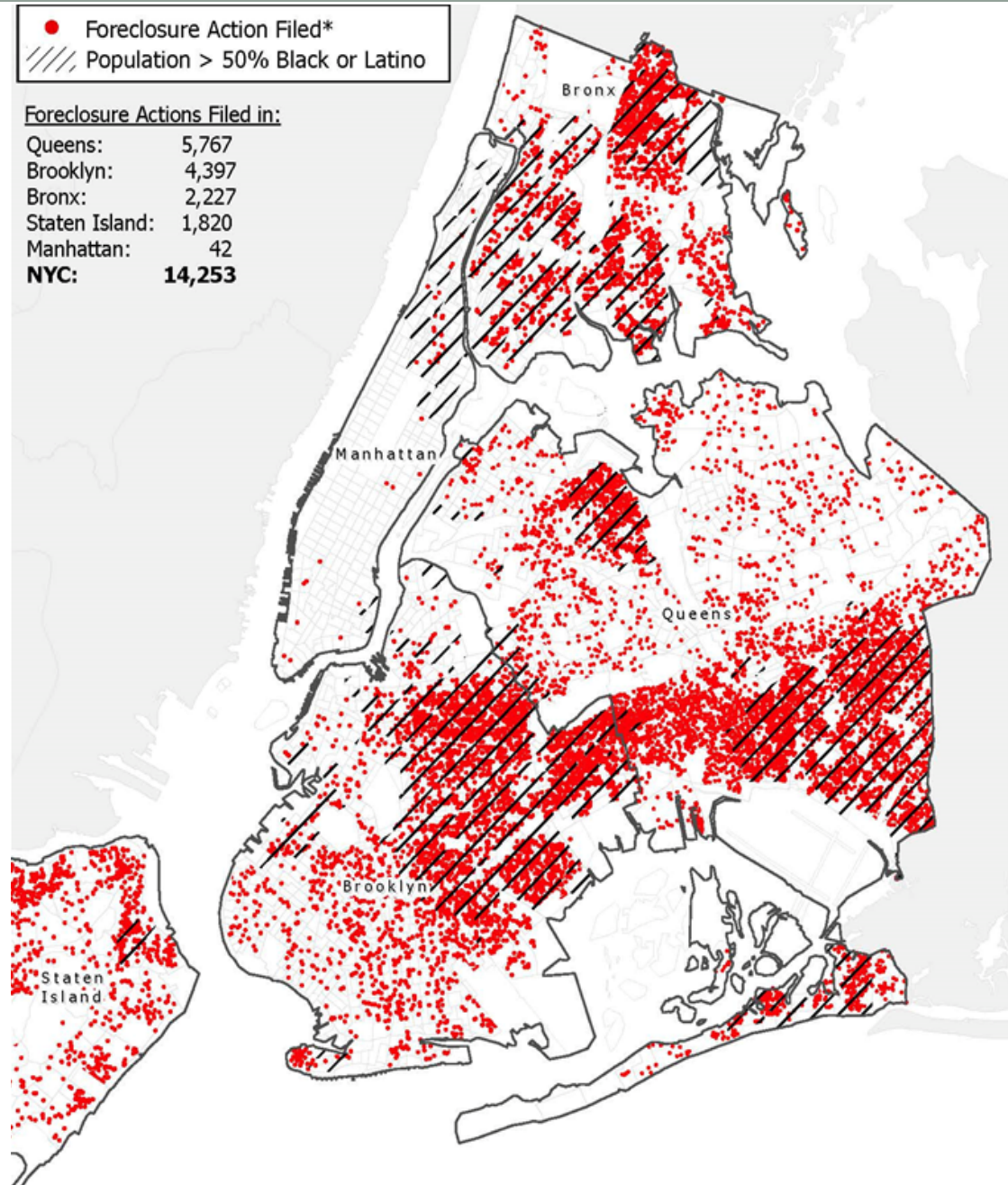
**Foreclosures in 2009**  
**Racial and SES**  
**leaves blacks &**  
**Latinos vulnerable to**  
**Exploitation: NEP-**  
**NEDAP 2009** shows  
 foreclosures hit blacks and  
 Latino families hardest,  
 true in LA as well

(is pendens on 1-4 family homes, 1<sup>st</sup>  
 american core logic & 2000 census data  
 (click map to go to NEP webpage)

● Foreclosure Action Filed\*  
 // Population > 50% Black or Latino

Foreclosure Actions Filed in:

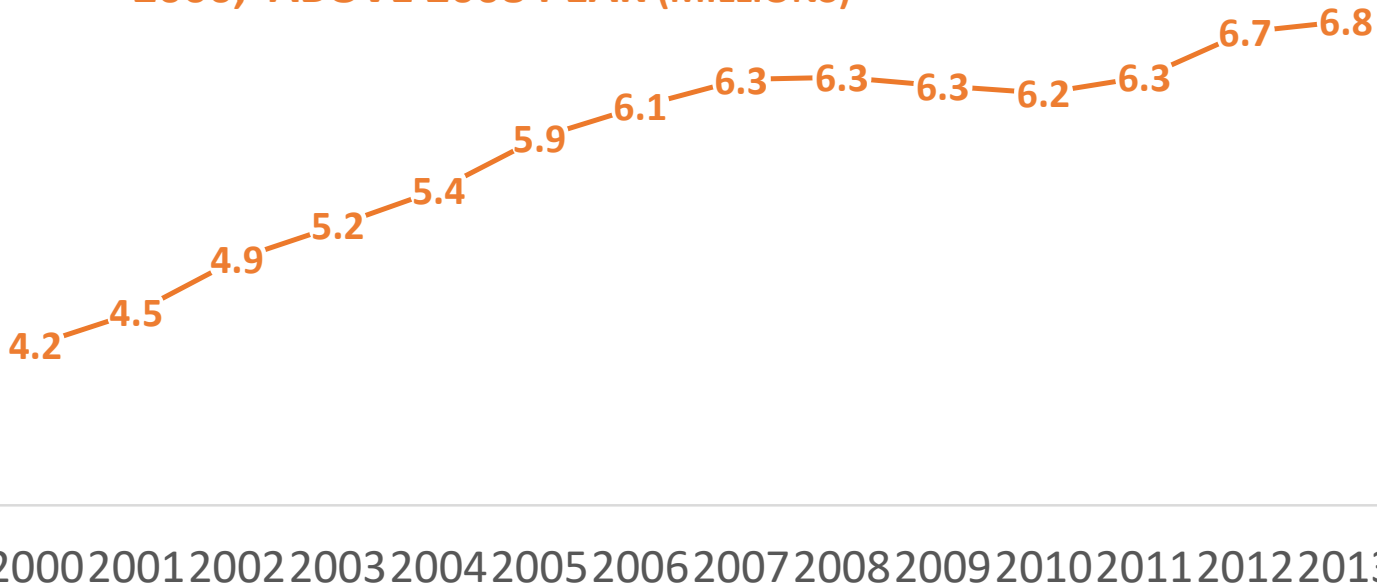
Queens:	5,767
Brooklyn:	4,397
Bronx:	2,227
Staten Island:	1,820
Manhattan:	42
<b>NYC:</b>	<b>14,253</b>





## *Yet despite crisis, demographics, persistence (and financial inclusion) push up # of Hispanic owners*

**PANEL B: # OF HISPANICS HOME OWNERS UP 47% OVER 2000, ABOVE 2008 PEAK (MILLIONS)**



ASource: National Association of Hispanic Real Estate Professionals®  
(NAHREP®) has produced the State of Hispanic Homeownership Report 2013

***Hispanic homeowners account for almost 50% of new homeowners in U.S. since 2000, 1 in 4 children are Hispanic, most HH formation Hispanic,***

## ***Legalization increases***

### ***Savings: Immigrant***

***Financial Services Study (2013)***

***NYC DCA OFE finds large  
impacts on savings controlling  
for other factors...***

[http://www.nyc.gov/html/ofe/downloads/pdf/IFS\\_full\\_report.pdf](http://www.nyc.gov/html/ofe/downloads/pdf/IFS_full_report.pdf)

**Box 1: Documented status is strongly correlated with whether an immigrant is banked.**

An **undocumented** Mexican man with 8 years of education who has been in the United States for 10 years, earns \$600-\$900 per week, and owns a cell phone has a **48 percent** probability of having a bank account.

A **documented** Mexican man with *exactly the same profile* has a **71 percent** probability of having a bank account.

## 4 impacts of financial inclusion.... (literature...)

- **Incomes and savings increase** (NYC OFE, 2013); growth increases due to business investment (Azteca), employment increases, poverty falls
- **Housing investment and mobility increases:** Hispanic groups who have had legal status and financial access for some time own homes.
- **Access and financing for education:** Hispanic groups who have had legal status and financial access for some time own homes
- **Economic justice:** rights to protection against exploitation, interest rate caps, contracts enforced, secure communities families in true sense

**Banks are sometimes not answer, when HH income is low and populations vulnerable (in the Bronx for example) 1008 NYC OFE 2008 Study found for some families “fringe” financial services can be more cost effective, See Servon**

**Table 4:** Potential costs associated with mainstream and “fringe” financial services for a resident considered “most bankable” and a resident with less stable income

	“Most Bankable”		Less Stable Income	
Employment	Full time; \$25,000 per year		Part time; \$10,000 per year	
Direct deposit	Yes		No	
Non-branch ATM usage	Never		4 times per month	
Overdrafts	Never		4 times per year	
Wire transfer usage	Never		2 times per year	
Landlord accepts checks	Yes		No	
<b>Annual Cost</b>	<b>Mainstream</b>	<b>Fringe</b>	<b>Mainstream</b>	<b>Fringe</b>
Annual maintenance	\$0	\$0	\$36	\$0
Accessing cash	\$0	\$425	\$144	\$170
Overdraft fees	\$0	\$0	\$120	\$0
Rent payment	\$5	\$17	\$59	\$17
Utility payment	\$5	\$4	\$5	\$4
Other bills	\$15	\$40	\$15	\$40
International wire transfer	\$0	\$0	\$80	\$50
<b>Total</b>	<b>\$25</b>	<b>\$482</b>	<b>\$459</b>	<b>\$281</b>
Savings		\$458		-\$177

Note: See Appendix H for fee data and table assumptions

**Source:** NYC OFE (2008) Table 7 page 29. “Fringe” financial services providers are check cashers, informal lenders, MTOs, pawn shops, rent-to-own creditors, etc., the same group of nonbank financial service providers referred to in this proposal as “alternative” or “non-traditional” service firms. Payday loans are illegal in New York, but these low income groups actual manage to secure more short term loans (cost unknown) than do residents of similar neighborhoods where payday lending is legal.