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**Understanding the Marginalized: A Quantitative and
Qualitative Analysis of the Economic Issues Facing Latinos in
the 21st Century**



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Economic Issues Facing Latinos in the 21st Century**

by

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I hereby recognize and pledge to fulfill my responsibilities as defined in the Honor Code
and to maintain the integrity of both myself and the College as a whole.

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Abstract

Latinos in the United States, both natural born and immigrants, represent an important and growing segment of the U.S. population and labor force. However, like many minorities, Latinos suffer from a wage gap when compared with White workers. This puts them at an economic disadvantage that has seemingly stalled the economic progress of Latinos. This study attempts to look at the situation through two separate lenses: a quantitative economic analysis and a qualitative cultural study. Previous work on the Latino wage gap suggest that the Immigration Reform and Control Act of 1986 may be having an adverse affect on the Latino wage in addition to standard labor market forces. Indeed, the results of the empirical test in this study suggest that human capital deficiencies, discrimination and government issued fines are still having a negative effect on the Latino wage. Furthermore, it is possible to see the variations in economic outcomes between different nationalities through a cultural study of Mexican-Americans and Cuban-Americans. While the cultural study provides a more detailed perspective of the economic situation of Latinos, in many ways it also reaffirms the findings of the economic analysis. The issues brought to light in the economic analysis are seen clearly in the representation of Mexican-American workers who suffer from wages well below the average Latino salary. In contrast, Cuban-Americans live relatively comfortable lower-middle class lives due to the strong, established Cuban community in the U.S. Together the two analyses expose some of the serious issues afflicting Latino economic progress; however, a possible solution emerges that involves strengthening the less established communities to help current and future generations of Latinos in the U.S.

Introduction

Immigrants are an integral part of the history and the future of the United States of America because they have worked hard to achieve the dream of a better life. In the process, the hard work of immigrants has spawned ingenious ideas that have pushed the country to the forefront of the modern world. Nevertheless, many immigrants in the 20th century have faced profound barriers to success: prejudice, low wages and poor working conditions. Many ethnic minorities, like Irish or Italians, have overcome these obstacles and joined the ranks of America's elite. However, many minorities have suffered from social discrimination as well as a persistent wage gap in comparison to White U.S. citizens. While African Americans are often the focus of studies on socioeconomic inequality, Latinos are perhaps one of the most economically embattled ethnic groups in the U.S. Today as we face a seemingly insurmountable economic crisis that threatens the future of everyone, it is important to examine the economic situation of Latinos whose representation in the labor force is growing exponentially each year.

The purpose of this study is to investigate the economic well being of Latinos in the United States through a quantitative and qualitative analysis. The quantitative analysis will focus primarily on the persistent wage gap between Latino and White workers. While many marginalized minorities suffer from a wage gap caused by human capital deficiencies and discrimination, the Latino wage gap is unique because the Immigration Reform and Control Act (IRCA) of 1986 has been shown to have a negative impact as well. Therefore, the main goal of this section is to determine the implications on the Latino wage gap of employer sanctions implemented by IRCA, human capital and discrimination. This analysis is broken into four parts: a literature review, a theoretical

economic analysis, an econometric analysis of real world data and conclusions as well as policy implications. While the quantitative section looks at the effects of labor market forces on Latinos in general, the qualitative analysis investigates how the impact of these forces varies between Latino nationalities. Through a cultural study of Mexican-Americans and Cuban-Americans, this section focuses on showing how some Latinos are truly suffering from low wages and inferior education, how others have been successful and to what degree communities play in determining the economic outcome of each nationality.

Together the quantitative and qualitative analyses present a clearer picture of the obstacles that are holding many Latino immigrants back as well as some possible solutions. The economic issues are developed in the quantitative analysis while the qualitative analysis reinforces these ideas and at the same time offers a more detailed perspective of the Latino economic situation. Understanding the various facets of the economic problems facing Latinos is vitally important to solving the issues and ensuring the continued growth of the dominant minority segment of the U.S. population.

Chapter 1: An Introduction to the Latino Wage Gap

In 1986, the United States federal government overhauled the nation's immigration policies for the first time in decades. The result was the Immigration Reform and Control Act (IRCA) that was designed to control the influx of illegal immigrants seeking employment in the U.S. It required all employers to verify the identity, and by extension citizenship, of anyone they hired. It also specified fines ranging from \$100.00 to \$1,000.00 that would be imposed on firms found hiring illegal aliens (Office of Human Resources – Boston University, 2008). Further, IRCA sought not only to penalize firms for hiring illegal aliens but also make provisions against discrimination as well as helping the agricultural industry. Unfortunately, these provisions as well as the employer sanctions failed to accomplish the goal of the U.S. government. The sanctions did not curb illegal immigration, and also drove firms to adopt discriminatory practices that negatively impacted Latino wages (Perotti, 1994, p. 32). Thus, the government's attempt at controlling immigration via IRCA failed miserably to achieve the primary goal and simultaneously created new issues that have widened the wage gap between Latinos and their White coworkers.

I. Introduction to Latinos in the United States of America

This study examines the potential long term effects of the employer sanctions implemented by IRCA on the Latino wage while controlling for the impact of human capital deficiencies and labor market discrimination. This topic is very relevant to the modern discussion of labor economics for several reasons as the U.S. moves forward in the 21st century. First, since 1980 there has been a noticeably widening wage gap between White and Latino (Dávila et al, 2006, p. 169). My preliminary research supports

this observation; however, it has revealed two opposing arguments as to why it exists. The first idea explains the gap by attributing it to the lower levels of education and other kinds of human capital to which Latinos are subject, while the second argument attributes the wage gap to the discriminatory hiring practices of employers (Darity, 1998, p. 806). Conventional economic theory favors the human capital theoretical framework because it not only takes into account the language barrier and lower education levels of Latinos, but also stresses that discrimination cannot survive in a profit-maximizing world. On the other hand, the failure of IRCA presents substantial indicators that labor market discrimination indeed factors into the White-Latino male wage gap. Since discrimination acts against Latinos in the U.S. labor force, it is important to understand how it is impacting this minority segment of the population.

Stemming from this argument between economists, the second relevant topic is that of the wage gap in recent times. The wage gap between White and Latino men actually shrank between 2000 and 2006. In 2000, Latino men earned 38% less than White men. In 2006, Latino men earned just 34% less than their white counterparts (BLS, 2001). While this is good news for Latino men, a problem emerges. Research into the wage gap provides evidence that the discrimination theory explains one-half of the wage gap (Mason, 1999, p. 261-299) while human capital differences account for the other half (Schoeni, 1997, p. 684; 716-77). An optimistic view of this situation is that both have decreased, causing the decline in the wage gap. However, a recent study by Alberto Dávila and Marie Mora (2006) shows that Limited English Proficiency (LEP) Latino men in the U.S. labor force actually moved up the earnings distribution compared to English-speaking Latinos. As a result of strong, established Spanish-speaking

communities, increasing opportunities and other factors Dávila and Mora indicate that perhaps the human capital theory has lost some ground in explaining the White-Latino male wage gap (Dávila et al, p. 172). This would suggest that the decline in the White-Latino male wage gap is a result of only a decline in the human capital factor. Thus, discrimination may still be a significant factor acting against Latinos that must be investigated.

Finally, the notion that discrimination may still be pervasive in the labor force is a serious concern when looking at the growing influence of Latinos in the United States and the impact of the illegal population. The number of Latinos grew by 24.3% between 2000 and 2006, which is three times as much as the overall U.S. growth rate for the same period (U.S. Census Bureau, 2006). Likewise, the estimated number of unauthorized immigrants increased 36% to 11.6 million between 2000 and 2006 (Dept. of Homeland Security, 2007). While most minorities in the U.S. are subject to only human capital and labor market discrimination constraints on wage, Latinos are unusual in that their wages are seemingly affected by the threat of employer sanctions as well. While this is not the result of true labor market discrimination, there is evidence that employers to a certain degree discriminate against Latinos that appear illegal, regardless of their true legal status. The U.S. government never intended for Latino wages in general to be negatively impacted at all, let alone for a prolonged period, but nevertheless the fact that Latino wages continue to remain significantly lower than White wages despite the gains in education and English abilities suggests otherwise.

The focus of this study, then, is on examining exactly how these employer sanctions have continued to affect the Latino wage into the new millennium. In order to

do this, it is necessary to not only analyze research on the fines but also on the entire wage gap. The Latino wage gap is a multifaceted issue; therefore, it is impossible to analyze one part without completely exposing the others. Therefore, the remainder of this study will focus on human capital deficiencies, labor market discrimination and employer sanctions as explanatory variables of the Latino wage gap.

II. A Literature Review of the Latino Wage Gap

U.S. economists have been very aware of the wage gap between White and Latino workers. Their interest in the topic has produced two major explanations for the predicament: a difference in the levels of human capital or discrimination against one group. While research indicates that the wage gap is the result of both explanations, conventional economics emphasizes the human capital theory. This is in part because profit-maximizing firms are expected to force discriminatory firms out of the market in the long run (Darity, 1998, p. 806-807). The idea that human capital is the main cause of the wage gap between Latino immigrant workers and U.S. citizens is one favored by many economists; therefore, it is a dominant theme in the early Latino wage gap literature.

Despite the widely held opinion that human capital differences are the major contributing factor to the Latino wage gap, there is much debate as to the real strength of this explanation. Stephen Trejo (1997) researched the underlying causes of the relatively low wages of one segment of Latino immigrant workers, Mexican-Americans. He asserts that three-quarters of the gap seen between Mexicans and Whites is due to language barriers, lower education levels and the younger ages of immigrant workers. He finds no evidence that these workers receive less money as a result of labor force discrimination

(Trejo, p. 1264). Despite his definitive study, other economists have become skeptical of this explanation. In a later study, Richard Fry and Lindsay Lowell (2006) take another look at the neoclassical model and find that only half of the wage gap can be attributed to human capital differences (Fry et al, p. 147-168). Over the years the amount attributable to human capital differences has varied, which poses the question: What else is causing this substantial wage gap between Latino and White workers in the United States? Given the failure of IRCA and other immigration laws, economic research has come to look at this particular situation as a more complex model than simply human capital.

As part of this evolving research, Robert Schoeni (1997) conducted a study on the economic progress of foreign-born men in the United States in which he finds results that would invalidate Trejo's findings that the majority of the gap is related to human capital. He agrees that there is not an instantaneous equalization of wages between foreign and U.S. men because of a difference in returns to experience, in particular for Mexicans and Central Americans. However, his findings show that even when controlling for the difference in years of education there is a fairly large wage gap that persists for Mexicans and Central Americans. Schoeni indicates that there is reason to believe that discrimination is the cause (Schoeni, p. 684; 716-717). This is a very important observation because it opens up the debate, at least for Latino immigrant workers, that discrimination is a serious issue in determining labor market outcomes and that it should be taken into account in future studies.

Given the social perception of Latinos in the United States, it was only a matter of time before economists were influenced by this discrimination theory that Schoeni touches on. In 1999, Patrick Mason put forth a study that took a look at both the

neoclassical model as well as the discrimination theory. His work suggests that the idea of discrimination being a pervasive and damaging force in the workplace is in fact important in explaining the Latino-white wage gap. To further analyze the situation, he looks at two separate empirical methods: a missing variable model and a job competition model. In the end, his conclusion is that the job competition model offered the best view of what was really happening in the labor market. He concludes that only one-half of the Latino wage gap is attributable to discriminatory practices. Besides this figure, Mason shows that not only do White workers tend to receive preferential treatment in competitive job markets, but that if Latinos gain access to these White dominated jobs they can increase their wages (Mason, 1999, p. 261-299). This is quite a reversal from the findings of Trejo three years earlier. This leads to the conclusion that discrimination is an equally important explanatory variable as human capital when studying the Latino wage gap. However, one more question remains: If discrimination is causing one-half of the Latino wage gap, what is the root cause of the discrimination?

Economists have responded to this problem by analyzing possible explanations for the discrimination. Conventional discriminatory wage theory comes from ideas put forth by Gary Becker in his seminal work, *The Economics of Discrimination*. His theory, stemming from racial prejudice, analyzes wage gaps through the disutility an employer or employee may receive from another party (Borjas, 2008, p. 367). While a discriminatory wage gap is certainly working against Latinos in the United States, there is something else that is widening the portion of the gap attributable to discrimination. One of the causes that is commonly discussed in conjunction with Latinos, and is the focus of this

study, is the effect of employer sanctions put into place to curb illegal immigration and the perceived social problems.

In March 1990, the General Accounting Office (GAO) to Congress warned that employer sanctions had created a new form of discrimination against immigrant workers. Their concern stemmed from the number of reports they had received indicating that firms had begun adopting exclusionary hiring practices that rejected job applicants based on their ethnicity, accent or country of birth (Perotti, 1994, p. 36-37). An interesting study of phenotypic discrimination, or the discrimination based on observable traits, of Latinos conducted by Rodolfo Espino and Michael Franz lends support to the argument of the GAO. They concluded that even among Latinos, a minority group that is already discriminated against, there is more profound discrimination against darker skinned Latinos that leads to lower success rates (Espino et al, 2002, p. 612). It can be inferred from these findings that the discrimination reported to the GAO was based solely on the appearance of a worker as Latino and the uncertainty of determining the legal status of that worker. It is because of this discrimination that the wages of all Latinos have been negatively impacted by the employer sanctions, which drives economic research in this area, including this study.

Around the same time that the GAO began warning of the adverse effects of employer sanctions implemented by IRCA, John Hill and James Pearce (1990) researched the industries likely to be most effected by the employer sanctions and exactly how they would impact the wages of Latino workers. At the core of their study is a basic framework for viewing employer sanctions that is shared by many other economists. They treat employer sanctions as a tax on the use of illegal workers that is imposed on

employers (Hill et al, p. 29). Because of this tax effect, employers who frequently employ illegal aliens have an incentive to share this tax with workers. While this minimizes the risk to the firm, all workers are faced with lower wages, theoretically resulting in a reduction of the illegal population. However, Hill and Pearce concluded from their study that employer sanctions would marginally raise the living standards of legal immigrants, perhaps because employers would be less likely to encounter an illegal worker. While this seems to negate the main assumption of this study and the findings of the GAO, there is a caveat to the finding of Hill and Pearce: legal and illegal workers must be highly substitutable, and efforts to curb illegal immigration must reduce the illegal population by at least one-half (p. 43). As mentioned previously, IRCA ultimately failed to curb the flow of illegal immigrants to the United States (Perotti, 1994, p. 32). Thus, while Hill and Pearce's study emphasizes the main goals of IRCA and subsequent employer sanctions, it is invalid in stating that the living standards of legal Latinos have increased as a result of these actions. Simple statistics indicate that the Latino wage gap has diminished in recent years; however, this decrease represents not only the discriminatory effect but also changes in human capital. Therefore, the GAO findings, not Hill and Pearce's, are still important to consider when analyzing this situation because there is no empirical proof disproving the reports of the negative impact of employer sanctions.

While Hill and Pearce showed little evidence of the negative impact on wage that the GAO was observing, several other economists have modeled this effect. Deborah Cobb-Clark, Lindsay Lowell and Clinton Shiells (1995) employed a similar tax model to analyze the effects of the employer sanctions in IRCA but came to a decidedly different

conclusion. Their findings show that because the fines act as a tax, employers pass it along to the workers not by drastically reducing labor demand, but by uniformly lowering wages. They also conclude that the depressed wages are due to the uncertainty of employers regarding the legal status of workers, which can be magnified when employers possess little information regarding legal status. One major obstacle they overcome is finding that employer sanctions are negatively correlated with wages, indicating that employer sanctions do indeed lead to discrimination. However, they feel that as time passes employers will not be quite as sensitive to sanctions if the government does not strictly enforce them (Cobb-Clark et al, p. 476; 495-496). However, their study does not delve into how much of the wage gap can be attributed to employer sanctions, which is important to understand just how damaging the effects of IRCA have been.

Despite this setback in the research of Cobb-Clark et al, other economists have succeeded in capturing the wage gap between two distinct groups of Latinos. In 2001, Cynthia Bansak and Steven Raphael came to similar conclusions as Cobb-Clark et al, using a very different method. They use the exemption of agricultural workers from the regulation of IRCA to analyze how the sanctions affected the wages of non-agricultural Latino workers. They find a decline in wages of non-agricultural workers of 6-7% compared to the agricultural workers after the implementation of IRCA in 1986, which represents an economically significant effect tied to the enactment of the law. They also assert that while this decline is unique to non-agricultural Latino workers as a result of IRCA, it is most likely a short-term problem (Bansak et al, p. 289; 293). Although Bansak and Raphael also lack evidence of how much of the overall wage gap is attributable to employer sanctions, they do find evidence of a wage gap among Latinos

that is being caused directly by IRCA. Bansak and Raphael's conclusion advances the discussion of the impact of employer sanctions on Latino wages by firmly attributing part of the observed gap to a discriminatory effect of IRCA. This finding creates a strong connection between the Latino wage gap and the failures of the United States' major immigration policy, IRCA, which begs to be further analyzed.

III. Moving Forward: The Effects of Increases in Employer Sanctions

The studies by Cobb-Clark, Lowell, Shiells, Bansak and Raphael both focus solely on the short-term effects of employer sanctions as they were imposed by IRCA in 1986. However, Bansak and Raphael leave the discussion with ample room to develop the effects of employer sanctions beyond just the initial reactions of employers in the late 1980s. They assert that the effects in the long run may be much smaller or much larger than what was observed shortly after the implementation of IRCA (Bansak et al, 2001, p. 293). This study seeks to expand this discussion by taking into account the current literature previously discussed as well as some key facts regarding employer sanctions and the White-Latino wage gap.

One of these facts is the Debt Collection Improvement Act of 1996, which ensured an increase in employer sanctions at least once every four years to adjust for inflation (Smith, 2005). To further illustrate this point, a look at how fines have increased is warranted. In September 1999, fines increased from a minimum of \$250 to \$275 while the maximum fines increased from \$2,000 to \$2,200 (Berke et al, 2006). Likewise, a piece of legislation effective 27 March 2008 pushed the minimum fine up to \$375.00 and the maximum to \$3,200.00 with a fine for multiple violations as high as \$16,000.00 (Michaels, 2008). Furthermore, William Finn Bennett reported in 2005 that

government issued “Notices of Intent to Fine” had greatly decreased in recent years, a sign that the government has not been enforcing the fines as strictly (Bennett, 2005). This suggests that perhaps employers have grown immune to the threat of being fined and that employer sanctions are no longer an issue. However, the Latino wage gap still persists despite gains in education and the diminishing language barrier. Therefore, investigation into the long term effects created by the employer sanctions is still relevant

From the beginning this study has sought to analyze the Latino wage gap, especially that part attributed to employer sanctions implemented by IRCA. IRCA is seen as a failed policy mostly because it did not curb illegal immigration; however, further investigation into the effects of employer sanctions is necessary to gauge the full impact of IRCA. Given the challenge of Bansak and Raphael to look at the long term implications, it seems relevant to update this study and account for more recent developments in this field, such as the decreased enforcement efforts in the last decade. A need to analyze the Latino wage gap using economic theory and empirical analysis grows from this literature review. The following sections will develop hypotheses about how human capital deficiencies, discrimination and the fines are affecting Latinos and then put them to the test. Due to the rapidly growing importance of Latinos, this study seeks to extend the discussion of the Latino wage gap literature by looking at the long-term implications of employer sanctions in continuing discriminatory practices among employers of Latino workers.

Chapter 2: A Theoretical Analysis of the Latino Wage Gap

A theoretical model of the Latino wage gap is complex because it is difficult to isolate the effects of the explanatory variables from one another. This section will attempt to develop several hypotheses that explain why Latinos earn a lower wage than their White coworkers. The main goal of this study is to identify a hypothesis to model the effects of employer sanctions implemented by IRCA. To capture these effects, we must also examine the theory behind human capital differences and labor market discrimination, as these are pervasive labor market forces undoubtedly affecting Latinos.

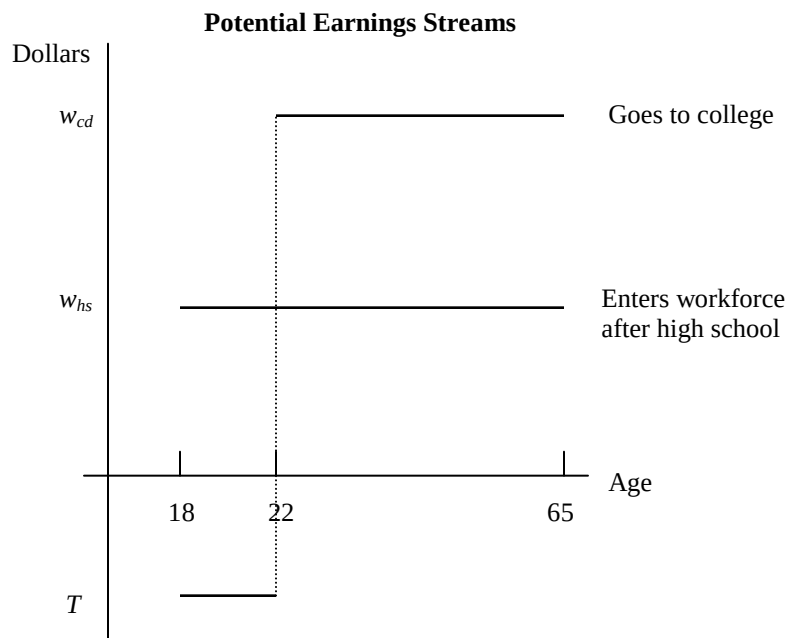
I. The Human Capital Theory

If all jobs and workers were the same, a competitive labor market would be characterized by one equilibrium wage received by all workers. In this market, workers would be arbitrarily sorted to random firms. However, as evidenced by the U.S. labor market, the distribution of workers to firms is not random. Rather, workers and firms only enter into a contractual agreement when both parties are maximizing their utility in the arrangement. The fact that each individual worker offers different skills and preferences while each job itself differs in terms of amenities and preferences in job candidates leads to non-random sorting. Thus, different jobs pay different wages.

One reason for the variation in wages is human capital, or the unique set of skills and abilities that each worker brings to the job (Borjas, 2008, p. 243). Through further education as well as on-the-job training, workers make continual investments that influence skill and the type of labor market opportunities available to them. The varying degrees of education as well as the vast differences in innate ability all impact the wage by creating variation among labor force participants.

In general, workers with a higher level of education or more useful skills will receive a higher wage than other workers. While this is true in the long run, workers that choose early on to invest in attaining more human capital forego wages to do this (Borjas, 2008, p. 243). Young workers must determine their valuation of the future over the wages they could be earning in the present. In order to properly analyze this, assume that over a career the worker's productivity is consistent, that real earnings are constant and that the worker faces a decision between seeking employment upon high school graduation or enrolling in college (247). A similar situation can be created for high school dropouts and graduates – a problem plaguing Latinos. While high school graduates forfeit wages by staying in school, they will earn much more over their career because they graduated from high school. **Figure 2.1** shows how more education ultimately results in the worker earning a much higher wage than if they had entered the workforce immediately after graduating from high school:

Figure 2.1



Workers make the decision to pursue more education by determining their valuation of the future. While workers simply weigh priorities in their life, a theoretical model of this valuation incorporates the wage earned at a given level of education as well as the worker's discount rate of future events. **Figures 2.2 and 2.3** illustrate the mathematics of both decisions:

Figure 2.2
$$PV_{HS} = w_{HS} + \frac{w_{HS}}{(1+r)} + \frac{w_{HS}}{(1+r)^2} + \dots + \frac{w_{HS}}{(1+r)^{46}}$$

Figure 2.3
$$PV_{CD} = -T - \frac{T}{(1+r)} - \frac{T}{(1+r)^2} - \frac{T}{(1+r)^3} + \frac{w_{CD}}{(1+r)^4} + \dots + \frac{w_{CD}}{(1+r)^{46}}$$

These equations show the present value of lifetime earnings for those with only a high school diploma and those with an undergraduate degree. Theory dictates that if the relationship in **Figure 2.4** is true, the worker will choose to continue with school:

Figure 2.4
$$PV_{CD} > PV_{HS}$$

Workers will be incentivized to pursue college by the higher lifetime earnings received from further education. However, a worker cannot stay in school indefinitely in hopes of an extremely high payoff.

Extra education increases wages. However, the rate of increase is not constant as years of education increase and differs by the innate ability of the worker. The slope of the wage-schooling locus, the marginal rate of return to schooling, represents how much the wage increases with an additional year of education. As years of education increase, the marginal rate of return increases at a decreasing rate. Thus, it is not beneficial to continue pursuing education forever, regardless of a worker's discount rate (Borjas, 2008, p. 251). Economic theory shows that the optimal number of years of education is attained when the worker's discount rate, r , equals the marginal rate of return to

schooling, MRR_s because the present value of lifetime earnings is maximized (Borjas, 2008, p. 252). For most workers, including some Latinos, the cut off point is an undergraduate degree; however, many Latinos do not even complete high school. Instead, they enter the workforce at a very young age to begin earning money.

The reason for the high Latino drop out rate comes from not being able to afford further education or the immediate need of money to support a family. Studies have shown that access to financing for further education factors greatly into the discount rate of workers, especially Latinos. When loans or personal wealth are unavailable to students, the discount rate is usually high and they do not attend college (Borjas, 2008, p. 256). This is the major issue facing Latino immigrant workers as well as the low-wage Latino citizens of the U.S. Few Latinos have access to loans or personal wealth to pay for continued education and some are even forced to leave high school early to help their family. As result of this, 38.8% of Latinos in the U.S. do not even possess a high school diploma while only 9.1% of Whites fall into the same category. On the other hand, 19.7% of Whites go on to receive their bachelor's degree while only 8.5% of Latinos do the same (Borjas, 2008, p. 244). Understandably so, a significant portion of the wage gap faced by Latinos in the U.S. can be attributed to these differences in human capital. While human capital is an explanatory variable of the Latino wage gap, this study also focuses on the portion of the wage gap caused by discrimination against Latinos.

II. The Labor Market Discrimination Theory

The human capital theory provides economists with one way to analyze the wage gap between Latinos and Whites, but given the political climate and public's feelings toward Latino immigrants it is reasonable to expect discrimination to be important in the

Latino wage gap. The primary source for the theory of labor market discrimination in economics is from Gary Becker. His work culminated in the 1957 publication, *The Economics of Discrimination*. This framework for analyzing the discriminatory wage gap is termed “taste discrimination” because it essentially quantifies racial prejudice. Using a discrimination coefficient, d , Becker’s theory allows economists to assign utility-adjusted wages to workers based on racial, sexual or age prejudices (Borjas, 2008, p. 367). In this way, economists can model how discrimination lowers the wage a Latino would receive from an unprejudiced firm.

Firms that do not discriminate, known as colorblind firms, will only aim to maximize their profit when hiring employees. These firms can be said to have no discrimination coefficient or one that equals 0 since they do not have a utility preference regarding the ethnicity of their workers. These firms will take into account only the face value of the Latino wage, W_L , and continue hiring until the wage of Latino workers equals the value of their marginal product of labor:

Figure 2.5 $W_L = VMP_L$

Colorblind firms will look at the wages of Latinos and Whites strictly as W_L and W_W ; whereas, discriminatory firms add the discrimination coefficient into their calculation of the wages.

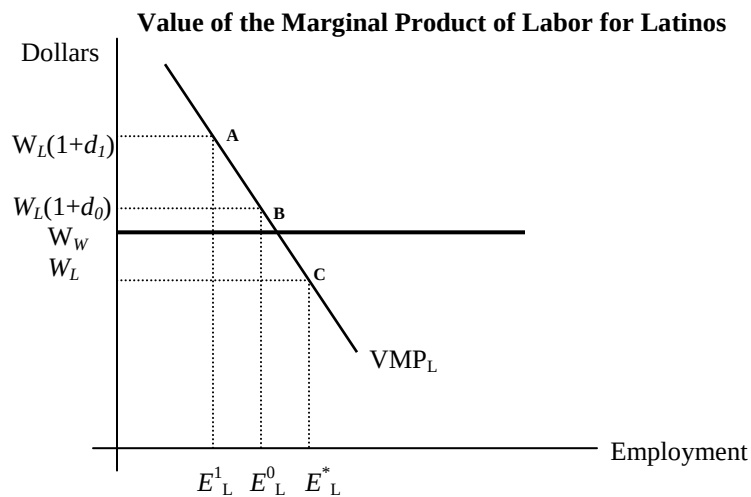
The discrimination coefficient is introduced into the discriminatory firm’s valuation of the Latino wage because the employer receives disutility from hiring Latinos. This coefficient creates a utility adjusted wage to account for the firm’s prejudice. So White workers still receive W_W while the firm views the wage of Latinos as

$W_L(1+d_0)$. A discriminatory firm will stop hiring Latino workers when their utility-adjusted wage equals the value of the marginal product of labor for Latinos:

Figure 2.6
$$W_L(1+d_0) = VMP_L$$

The more prejudiced a firm is, the higher the discrimination coefficient will be (Borjas, 2008, p. 370). Thus, firms will see the total cost of hiring a Latino as much higher than just W_L .

Figure 2.7



Point C on the VMP_L indicates the point where colorblind firms are hiring based on the actual wage. As the discrimination coefficient increases, the utility adjusted wage of Latinos increases so that it becomes more expensive for discriminatory firms to hire Latinos and thus quantity demanded decreases.

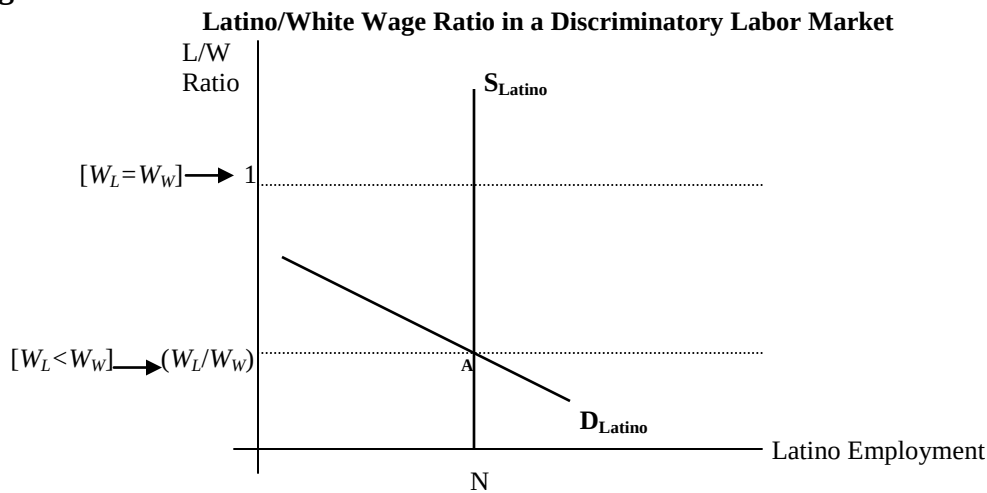
However, the primary concern with the discrimination theory is not that discriminatory firms are eliminating jobs for Latinos but rather that they are drastically lowering the wage offered to Latinos. First, assume that Latinos and Whites are perfect substitutes, discriminatory firms have a constant discrimination coefficient and the initial wage paid to both groups is the same: $W_L = w_0 = W_w$. If discriminatory firms encounter Latino workers they will adjust the Latino wage for disutility by using the discrimination

coefficient. So, the respective wages for Whites and Latinos change from w_0 to W_w and $W_L(1+d_0)$ so that the following statement is true:

Figure 2.8
$$W_L(1+d_0) > W_w$$

Thus, any discriminatory firm will choose not to hire Latinos until the utility-adjusted wage drops below that of Whites. Since the discrimination coefficient is constant, the Latino wage must drop below its initial value, w_0 , in order for the utility-adjusted wage of Latinos to ever drop below the wage of Whites. This will begin to push the demand for Latino workers back up since some discriminatory firms will find that even after adjusting for disutility the Latino wage is lower than the White wage (Borjas, 2008, p. 373). In order for demand to reach the same level as when Latinos and Whites were perfect substitutes and received w_0 the wage would have to drop to a level where the utility-adjusted wage for even the most discriminatory firm was below the White wage.

The Latino wage is a result of the relative number of discriminatory firms as well as the supply of Latino workers. Using the Latino/White wage ratio, simple supply and demand curves can be used to describe the Latino wage gap resulting from discrimination. This ratio simply shows what the relationship is between the White and Latino wages. For instance, if $(w_L/w_w) = 1$ it would indicate that Whites and Latinos receive the same wage. If this were true, the utility-adjusted Latino wage would then be much higher than the White wage, thus making discriminatory employers less likely to hire Latinos (Borjas, 2008, p. 373). In a discriminatory labor market, the Latino/White wage ratio sinks well below 1 in order to reach equilibrium. **Figure 2.9** illustrates how the equilibrium level falls well below 1:

Figure 2.9

In **Figure 2.9**, equilibrium occurs at point A. The theoretical framework suggests that if there are any discriminatory firms then the intersection of the supply and demand curves happens below the point where the Latino wage equals the White wage. This implies that a discriminatory wage gap exists for Latinos.

Because the discrimination coefficient artificially inflates the total cost of hiring Latinos, the actual wage that they are paid must decrease in order to reach an equilibrium on the supply and demand curves. This means that Latinos are earning substantially less than Whites, making discrimination a pervasive force in the labor market. Discrimination obviously puts Latinos at a great disadvantage; however, two different issues arise as a direct result of discriminatory practices. First, Latino labor market opportunities are limited due to possible discriminatory barriers to entry. Second, Latinos will have to settle for a lower wage than their White counterparts in order to be hired by firms that discriminate. This is of extreme interest in this study because discrimination is a major explanatory variable for the observable Latino wage gap. However, there is also a significant population of illegal Latino immigrants that may amplify the discriminatory effects on the wage of all Latinos in certain industries.

III. The Employer Sanctions Theory

While there is an enormous and growing population of Latinos in the United States, there is also a significant illegal Latino population that lives and works in the country. Illegal immigration has been an issue for sometime in the U.S. and it is not surprising that the government has taken measures to prevent the hiring of undocumented workers – hence the implementation of IRCA. In 1990, reports from the U.S. General Accounting Office (GAO) indicated that employers had begun penalizing the wage of not only confirmed illegal workers, but also workers that “appeared” illegal instead of curtailing the hiring of undocumented workers. This suggests that employer sanctions implemented by IRCA in 1986 effectively exacerbated the already wide Latino wage gap, which had resulted from human capital difficiencies as well as discriminatory hiring practices.

A theoretical analysis of this situation is fairly straightforward; the sanctions imposed on employers by IRCA act as a tax imposed on the firm that is then transferred onto the employees by lowering their wage. Further, the imposition of sanctions is expected to decrease the demand for undocumented workers. This study uses a modified payroll tax model to illustrate how theses sanctions affect the Latino wage. A standard payroll tax is shared by the workers and the firm. Thus, the tax assessed on a firm would decrease the wage of workers by the amount of the tax because of a downward shift in demand (Borjas, 2008, p. 172). However, firms do not have to constantly pay the fines; they only pay if inspectors discover undocumented workers. Therefore, the tax framework used to explain the effect of employer sanctions will take into account the probability of an employee being undocumented as well as the amount of the sanction.

The government frequently inspects firms in industries that typically hire undocumented workers. Firms that are caught with illegal employees are faced with paying substantial fines to the federal government. This means that the total cost of employing an undocumented Latino worker increases by the amount of the sanction multiplied by the probability of being inspected:

Figure 2.10

$$W_i = w_0 + \Pi_i S_i$$

where W_i represents the expected labor cost of hiring a worker, w_0 represents the current wage, Π_i represents the probability of being fined and S_i represents the fine per worker per hour. Therefore, the term $\Pi_i S_i$ is the expected potential fines imposed on a firm.

Assuming that the probability of being fined is known, employers will factor this into the wage offered to workers who appear to be illegal. The probability of being illegal differs greatly between Latinos and non-Latinos since the majority of the illegal aliens in the United States are Latino. Therefore, Latinos have a much higher probability of being illegal than non-Latinos. First, assume that documented and undocumented workers both supply the same amount of labor at a give wage rate (Cobb-Clark et al., 1995, p. 475). Now, consider the fact that firms do not always know the legal status of workers. To overcome this, they rely on signals such as a very Latino appearance, a strong accent or Limited English Proficiency to determine if a worker is likely to be undocumented. So, unless firms are completely certain that a Latino worker is legal – meaning the the probability of the worker being undocumented equals zero – the expected cost of hiring any Latino worker increases when sanctions are imposed because the two groups are essentially interchangeable (476). Therefore, the total cost of labor for all Latino workers will increase in the manner described above in **Figure 2.10**.

Hiring undocumented Latino workers can be beneficial but the higher expected cost of labor represents an extra expense to the firm. Unlike the tax sharing seen with payroll taxes, employers transfer the fines to workers via lower wages to preserve their profits. Before the enactment of sanctions, a firm would pay the market wage, w_0 , to workers. This represents the maximum that the firm is willing to pay for a certain number of Latino workers, E_0 . Assuming that firms do not have perfect information about the legal status of workers, all Latinos who have a distinct appearance, strong accent or difficulty speaking English will be treated as an undocumented worker. The total cost of hiring these workers exceeds the maximum that firms are willing to pay, w_0 , so the worker will instead be offered a wage lower than w_0 that also absorbs the cost of the potential fines:

Figure 2.11
$$W_L = w_0 - \Pi_i S_i$$

where W_L is the wage that absorbs the threat of fines and lowers the quantity demanded of Latino workers to E_0 .

Figure 2.12

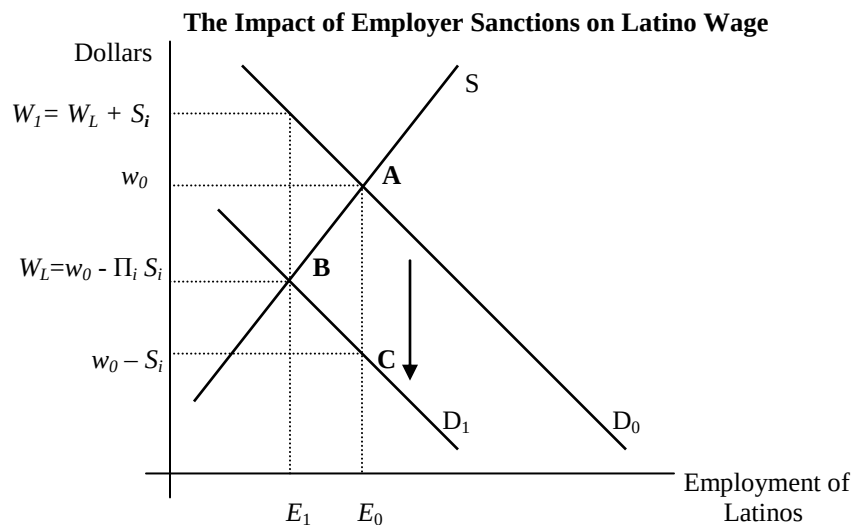


Figure 2.12 shows how employers lower the wage offered to Latinos who appear illegal. As the graph shows, this lower wage lies on a new demand curve, D_1 , which represents a downward shift in demand. This shift illustrates the “wedge” in between the total expected cost a firm pays out to hire a Latino worker and the amount that the worker actually receives. The Latino labor market moves towards an equilibrium at point B on the graph, where the wage Latinos receive is W_L , the total cost of hiring a Latino is now w_0 and the firm demands E_1 Latino workers (Borjas, 2008, p. 171). Since E_1 Latinos are willing to work at this new wage and the firm is not exceeding the maximum it is willing to pay, the labor market remains at this equilibrium without sinking further.

It is important to note that in **Figure 2.12** the wage offered to Latinos never decreases by the full cost of the sanction, $w_0 - S_i$, at point C. As previously mentioned, this is because employers are not constantly paying this amount to the government. Therefore, the decrease in the wage is *only* to cover the extra cost that the firm would incur if they are inspected and caught with illegal employees. However, it was the government’s hope that these sanctions would deter employers altogether from hiring undocumented Latino workers. Instead of following the identification guidelines put forth by IRCA, firms have lowered the wage across the board for Latinos, in part to avoid having to check documentation but also to cover the expense of sanctions when they are caught. Thus, a new portion of the Latino wage gap has emerged, compounding what human capital differences and discriminatory hiring practices created.

The wage gap faced by Latinos in the United States is a complex problem that is financially harming an important and growing segment of the population and labor force. Two major causes of wage gaps for minorities in any labor market are differences in

human capital and discriminatory hiring practices. Latinos are no different; on average they have fewer years of attained education and are also subject to discrimination in the U.S. labor market. However, they may have even lower wages than other minority groups in the U.S. population. In 1986, the Immigration Reform and Control Act issued employer sanctions for firms hiring undocumented workers. As a result of the preceding discussion, I hypothesize that employer sanctions lower the wage of Latino workers in industries that typically hire Latino workers in areas with substantial Latino populations. Likewise, similar hypotheses can be formed for the human capital differences and discriminatory hiring practices. It can be expected that lower levels of attained human capital as well as the presence of discriminatory firms will have a negative impact on the wage of Latinos. While theory does not suggest a relative size for each of these effects, it is certain that the net effect is a pervasive wage gap.

IV. Hypotheses From Theoretical Analysis

Stemming from the previous theoretical discussion, the main hypothesis of this study emerges: if the probability of being fined for hiring illegal workers increases, there is an expected decrease in the Latino wage. Additionally, human capital deficiencies and labor market discrimination are acting against Latinos. Therefore, two more hypotheses form to explain the Latino wage gap. If a worker invests in more years of education, human capital increases and he or she will likely receive a higher wage than those with less education. Finally, if a worker is of an ethnicity other than caucasian in the United States, he or she will likely face labor market discrimination, resulting in a lower wage, on average, than his or her White coworkers. These last two hypotheses are important to

understand exactly how the Latino wage gap is influenced and what other forces are acting on the Latino wage besides employer sanctions.

Now that these hypotheses and the theoretical discussion of the previous three sections have been developed, a suitable econometric model is required to test these hypotheses. While theory often seems sufficient to convey economic concepts, the real world does not always behave in the manner hypothesized by economists. Therefore, the empirical test in Chapter 3 is necessary in order to test the hypotheses discussed above. As theory suggests, the outcome of this test could suggest that human capital deficiencies, discrimination and employer sanctions have a downward impact on the Latino wage. However, nothing is guaranteed; hence the necessity and practicality of testing these hypotheses.

Chapter 3: An Empirical Analysis of the Latino Wage Gap

The purpose of Chapter Three is to use statistical analysis of real world data to analyze the theory discussed in the previous chapter. The main hypothesis put forth in this study is that employer sanctions implemented by IRCA in 1986 are still having a negative impact on the Latino wage in the United States. Additionally, the hypotheses regarding human capital and labor market discrimination will be tested in order to analyze the Latino wage gap in its entirety.

I. Data, Summary Statistics and Econometric Methods

In order to test the main hypothesis it is necessary to investigate how employer sanctions have affected the Latino wage in recent times. Therefore, the cross-sectional data used in this study comes primarily from the 2004 American Community Survey (ACS). In 2004, this survey was sent to roughly 900,000 addresses, a much smaller segment of the population than the decennial census. The actual data set used was extracted from the Integrated Public Use Microdata Series (IPUMS USA) at the Minnesota Population Center at the University of Minnesota. Additionally, data on the number of illegal aliens expelled by twenty-three U.S. Citizenship and Immigration Services (USCIS) field offices in 2004 were obtained from enforcement statistics published online by the Department of Homeland Security.¹

The dependent variable in this study is the natural logarithm of the wage and salary income of workers. To focus the study, those respondents to the 2004 ACS who were not currently working were excluded from the data set. The key explanatory variable is the number of arrests of illegal immigrants per state. Theory calls for probability weighted employer sanctions known by employers to measure the effect of

¹ **Appendix A:** Illegal Aliens Expelled by USCIS Field Office, Fiscal Year 2004

fines. Unfortunately, the U.S. government has not published this information since the Department of Homeland Security assumed the responsibility for immigration enforcement after September 11, 2001.² Therefore, the number of arrests of illegal aliens by USCIS field offices at the state level is used as a proxy for employer sanctions since fines and arrests are closely related enforcement tactics employed by the U.S. government.

The main hypothesis of this study suggests that there will be an expected inverse relationship between wage and the probability that an employer will be fined; thus, as the proxy variable, *arrests*, increases the Latino wage is expected to decrease. To further strengthen the model, three variables are included to control for the effects of human capital on the wage. These dummy variables show three levels of educational attainment: high school, college and graduate programs. Since theory suggests higher wages for workers who also have more experience, variables controlling for potential experience and potential experience squared are included. A second major factor contributing to the Latino wage gap is labor market discrimination. Three dummy variables are used to control for ethnic minorities in the U.S.: Latinos, African Americans and other minorities³. All three ethnic minorities in the U.S. are expected to earn less than White workers. Finally, the study includes controls for worker gender, hours worked, other income, state of residence, occupation and industry. These variables are included in an attempt to include all variables that affect wages, thus resulting in the most representative wage model possible for Latinos in the United States.

² Per Michael Fix, Senior VP & Director of Studies at the Migration Policy Institute, 2/18/09

³ The variable for other minorities captures any person not self-identifying as White, African American or Latino in the 2004 ACS. This includes: Asians, Europeans, Indonesians, Pacific Islanders, etc.

Table 3.1: Summary Statistics

Variable Description	Variable Name	Obs	Mean	Std. Dev.	Min	Max
Wage & Salary	incwage	599,260	36838.95	38865.05	4	322185
Illegal arrests (state)	arrests	599,260	12621.17	19831.03	666	63690
Gender	male	599,260	0.5113707	0.4998711	0	1
State	statefip	599,260	28.26746	15.65635	1	56
Potential experience	potexp	599,260	18.33837	14.15507	-6	75
Squared experience	potexp2	599,260	536.5454	629.4755	0	5625
Other income	incother	599,260	369.2624	2368.404	0	77000
Work hours/week	uhrswork	599,260	38.86444	12.63029	1	99
High school grad	highschool	599,260	0.2692037	0.4435464	0	1
College grad	college	599,260	0.192142	0.3939844	0	1
Graduate degree	mastersplus	599,260	0.1083737	0.310852	0	1
Latinos	latino	599,260	0.0888813	0.2845726	0	1
African Americans	black	599,260	0.0813437	0.2733624	0	1
All other ethnic groups	other	599,260	0.0992741	0.2990299	0	1
Occupation	occ	599,260	0.0111704	0.1050984	1	983
Industry	ind	599,260	435.4667	256.1899	17	987

A closer look at the explanatory variables yields interesting information regarding the state of the U.S. labor market in 2004. In the average state, a USCIS field office arrested 12,621 illegal aliens. While data from DHS only provided numbers for 23 field offices, estimates for each state were made by assigning arrests to states without offices using the arrests from neighboring field offices within the designated USCIS enforcement region in order to capture the most accurate portrayal of arrests across the nation.⁴ The average of the gender dummy variable shows that 51% of the sample is male and 49% is female. The dummy variables measuring ethnic minorities show that 73% of the sample is White, 9% is Latino, 8% is African American and 10% is made up of all other ethnic groups. Further, the average worker has about 18 years experience and works nearly 40 hours a week. As far as education is concerned, 27% of the sample possessed a high school diploma, 19% had earned an undergraduate degree and 11% had continued on to receive a Masters degree, a PhD or some sort of professional degree. That leaves 33% of

⁴ **Appendix B:** USCIS enforcement regions.

the population with less than a high school education. Unfortunately, a large portion of Latinos fall into this category, indicating it may be a significant cause of the wage gap. Given that these numbers represent the mean of each variable observed in a data set of only 599,260 observations, the averages must be interpreted with caution, as they may not be completely representative of the whole U.S. population in 2004.

From the summary statistics presented above in **Table 3.1**, the average wage appears to be \$36,838.95. This is fairly representative of the whole U.S. population given that the median household income in 2004 was \$44,473.00 (Census Bureau, 2004). It also fits well with the average wages for each ethnic group included in this study. By isolating the mean salary for each ethnic group, the data provides telling evidence of the wage structure faced by ethnic groups in the United States. **Table 3.2** shows the mean value of income and salary in 2004 for each ethnic group:

Table 3.2: Mean Wages of Ethnic Groups

Group	Mean	Std. Err.	95% Conf. Interval		n
White	\$38,138.44	57.26897	38026.2	38250.69	437,760
Latino	\$26,740.48	116.7089	26511.73	26969.22	53,263
Black	\$28,481.94	122.2821	28242.27	28721.61	48,746
Other	\$32,960.91	144.3689	32677.95	33243.86	59,491

Based on the mean values of wages for the two groups, the Whites in this sample earned nearly 43% more, on average, than Latinos did in 2004. This provides strong evidence that the Latino/White wage gap does exist and has a serious economic impact on Latinos. However, this is only the first step in testing the main hypothesis; therefore, it is necessary to move beyond mean values and examine the evidence of the relationships discussed earlier via the correlation coefficients associated with the explanatory variables.

Correlation coefficients not only ensure that the explanatory variables are not linearly related, but also provide preliminary evidence that the model is sound. If the absolute value of a coefficient is close to one, it can be said that there is either a strong positive or negative linear relation between those variables. This is a common econometric problem known as multicollinearity, which can cause the coefficients of effected variables to not be statistically significant. Unaffected variables tend to have correlation coefficients closer to zero because there is not a pronounced linear relationship between them. Each correlation coefficient has a p-value, which determines the significance level of the relationship. If the p-value is less than $\alpha=.10$ it can be concluded that there is a significant correlation since the coefficient itself is not close to zero. With a few exceptions, all the coefficients indicate a strong correlation between variables. A detailed list of the correlation coefficients and their p-values can be found in **Appendix C**. It is important to note the correlation coefficient between the dependent variable and the illegal arrests variable is statistically significant, which means that they are highly correlated. Unfortunately, the correlation coefficient for arrests does not have a negative sign as predicted earlier, which would be indicative of a negative relationship between wage and arrests. However, this particular coefficient shows the relationship between the wages of all ethnic groups and the arrests of illegal aliens, not just the relationship between the Latino wage and the arrests. Therefore, the empirical test may still support the main hypothesis that employer sanctions reduce the Latino wage.

Using the selected variables from the 2004 ACS data, this study employs a weighted least squares regression (WLS) to test the impact of employer sanctions on the wage of Latinos. Unlike some WLS regressions that are used to correct a common

econometric problem known as heteroskedasticity, the WLS used in this study is a person weight, which makes the sample more representative of the actual population of the United States. While roughly 900,000 addresses were sent questionnaires for this data set, the data set is limited to only those respondents in the labor force. These leaves a data set of 599,260 people; however, the person weights increase observations to 144,585,507, roughly half of the United States population in 2004.⁵ Not only is there less noise due to the restricted data set, but the weights allow the coefficients to be more accurate because they are more representative of the entire U.S. population.

II. Impact of Human Capital Deficiencies and Discrimination

While the mean values of income presented in **Part I** suggest the existence of the Latino wage gap, it is necessary to model the wage to gauge the separate effects of human capital and discrimination. An econometric model tests the hypotheses that human capital deficiencies and discrimination are factors that increase a wage gap. The following is the WLS equation used in this study:

Equation 3.1

$$\log(\text{wage}_i) = \alpha_i + \beta_1 \text{arrests}_i + \beta_2 \text{male}_i + \beta_3 \text{statefip}_i + \beta_4 \text{potexp}_i + \beta_5 \text{potexp2}_i + \beta_6 \text{uhrswork}_i + \beta_7 \text{incother}_i + \beta_8 \text{highschool}_i + \beta_9 \text{college}_i + \beta_{10} \text{mastersplus}_i + \beta_{11} \text{latino}_i + \beta_{12} \text{black}_i + \beta_{13} \text{other}_i + \beta_{14} \text{occ}_i + \beta_{15} \text{ind}_i + e_i$$

All of the explanatory variables are expected to be statistically significant and to follow the predictions made about their relationship with the annual income and salary.

Appendix D contains descriptions of each variable, its regression name and a predicted sign if it is a key variable in the WLS regression. If the model is correctly specified, this indicates that the right-hand side variables do indeed have a causal effect and are

⁵ The U.S. population in July 1, 2004, was 292,892,127 per the U.S. Census

producing the hypothesized results. Thus, the β s can be interpreted as: a one-unit change in the explanatory variables is expected to cause a $\beta\%$ increase in the *logwage*.

While this first regression tests all three hypotheses put forth in this study, the regression is run on the entire population. Despite the inclusion of the variable *arrests*, its coefficient cannot be interpreted solely as the effect of arrests on the Latino wage but rather the effect on all wages. The primary purpose of this regression is to illustrate the effects of human capital deficiencies and discrimination on wages in general. The following are the results of the WLS regression:

Table 3.3: WLS Regression Results

Number of obs	144,585,507
F(15,144585491)	
Prob > F	0
R²	0.4481
Adj R²	0.4481
Root MSE	0.93709

logwage	Coef.	Std. Err.	t	P> t 	95% Conf. Interval	
arrests	9.20E-07	3.94E-09	233.38	0	9.13E-07	9.28E-07
male	2.10E-01	1.67E-04	1256.44	0	2.10E-01	2.11E-01
statefip	-0.0013212	5.16E-06	-256.24	0	-0.0013313	-0.0013111
potexp	0.0596601	1.92E-05	3115.03	0	0.0596225	0.0596976
potexp2	-0.0010557	4.18E-07	-2524.36	0	-0.0010565	-0.0010549
incother	-0.0000165	3.31E-08	-497.38	0	-0.0000165	-0.0000164
uhrswork	0.0446733	6.87E-06	6497.96	0	0.0116598	0.0446867
highschool	0.1068937	2.84E-04	376.82	0	0.106337	0.1074497
college	0.4707004	3.41E-04	1382.01	0	0.4700329	0.471368
mastersplus	0.6645407	3.94E-04	1688.78	0	0.6637694	0.6653119
latino	-0.0127688	2.65E-04	-48.12	0	-0.0132889	-0.0122487
black	-0.0902547	2.52E-04	-358.23	0	-0.0907485	-0.0897609
other	-0.0345777	2.65E-04	-130.49	0	-0.0350971	-0.0340584
occ	-0.000499	3.56E-07	-1402.82	0	-0.0004997	-0.0004983
ind	-0.0002951	3.24E-07	-911.39	0	-0.0002957	-0.0002944
constant	7.814083	4.94E-04	0	0	7.813115	7.815052

While statistical data can be a powerful explanatory tool, it is important to understand the goodness of fit of the model being used. The adjusted R^2 value indicates that variations in the explanatory variables explain 45% of the variation in the dependent

variable. This is well within an acceptable range for cross-sectional data, thus it is indicative of a good fit of the model. Statistical significance is also important when analyzing the results of the regression because it indicates that the coefficients are different from zero and have a non-random impact on the Latino wage. To determine statistical significance, the t-value for each variable must be greater than 1.65, in absolute value, in order to reject the null hypothesis that $\beta_i=0$. If this hypothesis can be rejected, it is concluded that the coefficient is statistically significant at the 10% level. As seen in **Table 3.3**, all right hand side variables are statistically significant. Most importantly, the variables measuring human capital and discrimination are statistically significant with the absolute value of the lowest t-value being 48.12. However, statistical significance and goodness of fit do not provide information regarding the hypotheses for the variables.

In order to determine whether the hypotheses for human capital and discrimination are supported, it is necessary to look at the signs of the coefficients for the variables. The key variables measuring the separate effects of human capital deficiencies and discrimination on the Latino wage are all dummy variables. Thus, when controlling for all other variables they show the change in wage relative to the excluded category. For human capital, this excluded group is all high school dropouts. Since *highschool*, *college* and *mastersplus* all have positive coefficients, these results support the hypothesis that workers with more education earn a higher wage than those who dropped out of school. For example, a college graduate is expected to earn 47% more than someone without a high school diploma.

Likewise, if all relevant characteristics that affect wages are included in the model, the coefficients of the ethnic minority variables capture the effects of

discrimination. All ethnic minority coefficients are negative, as predicted; therefore, the labor market discrimination theory is supported. For example, results suggest that African Americans earn 9% less than Whites. Similarly, the coefficient on *Latino* is the wage gap due to just discrimination. This analysis suggests that Latinos earn 1.3% less than Whites as a result of labor market discrimination.

As previously mentioned the key variable testing the main hypothesis of this research is *arrests*. Increased enforcement is expected to have a negative effect on the Latino wage because employers will perceive a higher probability of being fined. In **Table 3.3**, the coefficient on the variable is positive; suggesting that increased enforcement increases the wage. However, this regression was run on the entire sample; therefore, the coefficient must be interpreted as increased enforcement is expected to raise the overall wage for every ethnic group. For example, an increase of one standard deviation in the number of arrests of illegal aliens is expected to increase the wage of all workers by 1.8%. This is likely due to employers responding to the expected decrease in illegal immigrants as the government increases enforcement efforts. As illegal aliens are deported, employers are less likely to be fined, thus they are willing to offer a higher wage to all workers. Furthermore, 81% of illegals are Latino (Passel, 2005, p. 4). Therefore, the majority of the population is not affected by the fines implemented by IRCA. While this is important to note, the key findings from the results in **Table 3.3** are the coefficients supporting the human capital and discrimination theories.

While the wage gap caused strictly by discrimination may seem small, it must be understood that *latino* groups all Latinos together despite the varying characteristics among the various nationalities making up “Latinos.” Therefore, more educated and

established Latinos, who in some cases make more than Whites, are not subject to the same discriminatory wage gap as recently immigrated Latinos with broken English – hence the low percentage associated with the gap. The results presented above indicate that discrimination and lower levels of education and experience are major contributing factors to the Latino wage gap observed in **Section I**. The average college graduate, regardless of race, can expect to earn \$17,340.11 more than a high school dropout. Given that Latinos tend to have lower levels of human capital, Latinos are not able to improve their economic circumstances as easily (Borjas, 244). Likewise, if a worker belongs to one of the three ethnic categories, he or she can expect to earn a lower wage than White workers. Compared to Whites, African Americans can expect to earn \$3,324.89 less and other minorities can expect to earn \$1,273.81 less. Also, males can expect to earn \$7,747.01 more than women, indicative of a gender wage gap that could be harming female Latinos as well. This brief analysis on the results in general supports the hypotheses that human capital deficiencies and discrimination are causing wage gaps for minorities. The Latino wage will be examined in detail in **Section IV** of this chapter.

III. Impact of the Latino Wage Gap and Employer Sanctions

In order to analyze the effects of employer sanctions, a second WLS regression is run to isolate the effect of arrests on only Latinos. While the variable *arrests* has a positive coefficient in **Table 3.3**, a negative coefficient when isolating the Latino wage supports the main hypothesis that employer sanctions have a long-run negative effect on Latino wage. In theory, isolating the Latino wage will cause all other ethnic minority variables to drop out. However, the 2004 ACS data measure race in two different ways: a race variable and a Hispanic origin variable. Thus, the Hispanic variable used to create

latino includes some Latinos that are also identified as other ethnic minorities. For example, there are many Latinos that would be classified as African American in the United States because of their skin color. Therefore, the following results from the WLS regression on only Latinos will also include the *black* and *other* ethnic variables:

Table 3.4: WLS On Latino Wage

Number of obs	18,763,804
F(14,18763789)	0
Prob > F	0
R²	0.326
Adj R²	0.326
Root MSE	0.93606

logwage	Coef.	Std. Err.	t	P> t 	95% Conf. Interval	
arrests	-5.09E-08	8.67E-09	-5.88	0	-6.79E-08	-3.39E-08
male	2.48E-01	4.72E-04	526.43	0	2.47E-01	2.49E-01
statefip	-0.0026359	1.29E-05	-203.65	0	-0.0026613	-0.0026106
potexp	0.0569224	6.48E-05	877.76	0	0.0567953	0.0570495
potexp2	-0.001015	1.58E-06	-641.62	0	-0.0010181	-0.0010119
incother	-0.0000189	1.27E-07	-149.06	0	-0.0000191	-0.0000186
uhrswork	0.0415795	2.13E-05	1948.63	0	0.0415377	0.0416213
highschool	-0.063039	6.35E-04	-99.24	0	-0.0642799	-0.0617899
college	0.2958657	9.79E-04	302.27	0	0.2939473	0.2977842
mastersplus	0.4971391	1.31E-03	378.14	0	0.4945624	0.4997159
black	-0.0519684	1.84E-03	-28.28	0	-0.0555707	-0.0483661
other	-0.0053061	4.44E-04	-11.94	0	-0.0061768	-0.0044354
occ	-0.0004337	1.05E-06	-412.97	0	-0.0004358	-0.0004317
ind	-0.0002127	8.25E-07	-257.85	0	-0.0002143	-0.0002111
constant	7.998236	1.37E-03	5828.02	0	7.995546	8.000926

Once again, all regression coefficients are statistically significant and nearly 33% of the variation in the natural logarithm of salary and income is explained by variations in the explanatory variables. The key variable, *arrests*, now carries a negative coefficient, which fits with the predicted sign of the variable. Thus, the results suggest that the employer sanctions implemented by IRCA in 1986 are still exacerbating the Latino wage gap. For example, a one-standard-deviation increase in the number of arrests is expected to lower the Latino wage by 0.1%. While the key variable in this regression is *arrests*, it is also important to note that the human capital and discrimination variables still support

the hypotheses made previously in the study when isolating Latinos. The exception is the variable for *highschool*, which is likely due to measurement error or perhaps the belief among some Latinos that completing high school causes them to lose too much in wages. Nevertheless, the statistical significance of these coefficients means little unless it can be put into a real-world context.

IV. The Economic Significance of the Latino Wage Gap

The results of **Tables 3.3** and **Table 3.4** suggest that the three hypotheses made by this study regarding the Latino wage gap are supported. However, percent increases or decreases are meaningless unless they can be put into an economic context. A common problem confronting Latino immigrants is the large high school dropout rate relative to all other ethnic groups. In comparison to high school dropouts, Latino college graduates are expected to earn \$7,911.59 more and workers with graduate degrees are expected to earn \$13,293.74 more. Since Latinos are below average in terms of pursuing higher education, they are forfeiting a significant amount of money, which has resulted in the wage gap caused by human capital deficiencies. Undeniably, there are certain stereotypes associated with being Latino, such as broken English, unreliability and low education. Thus, Latinos are frequent targets of labor market discrimination. As the results in **Table 3.3** show, Latinos are expected to make almost \$500.00 less than the average wage. However, this lowers the average Latino wage to \$11,897.96 less than the average White wage, indicating that discriminatory practices against Latinos have helped widen the gap.

Unlike other ethnic groups, Latinos are subject to another force depressing their wage: employer sanctions. In **Table 3.4** the results indicate that a one-standard-deviation

increase in the number of arrests results in a \$27.00 reduction of the Latino wage. While this is not very large, it is consistent with theory; following a theoretical tax model, the impact of the fines will be shared and the wage will not decrease by the full amount of the fine. In 2004, the minimum fine was \$275.00 and the maximum was \$2,200.00, thus the decrease is well below the full amount (Berke et al, 2006). However, employers are not concerned about an increase of one standard deviation; they are more interested in the probability of being fined given the area in which they are located. Thus, the amount the Latino wage decreases will vary from state to state. For instance, Maryland is one of the states with the fewest arrests, 666, in the fiscal year of 2004. In comparison, California had 63,690 illegal arrests in the same year. This represents an increase of 63,024 arrests, which translates into a .321% decline in the Latino wage in the state of California relative to Maryland. Economically speaking this is still a rather small decrease, just \$86.00. Still, it follows theory and does not exceed the full amount of the fine.⁶

The findings of this section suggest that these explanatory variables have a serious impact on the economic well being of Latinos. Most importantly, the results suggest that employer sanctions implemented by IRCA in 1986 have had a continuing negative effect on the wage of Latinos. The number of arrests of illegal immigrants is certainly highly correlated with employer sanctions; however, including the employer sanctions themselves at the state level would serve as a better indicator of the effect of the fines. Therefore, the coefficient on *arrests* must be interpreted with caution.

V. Controlling for the Illegal Latino Population in the United States

Thus far this study has succeeded in showing that human capital deficiencies, discrimination and employer sanctions have a negative impact on the Latino wage, which

⁶ **Appendix E:** Effects of Employer Sanctions on Latino Wage in States with the Most Arrests

results in an observable wage gap. However, one issue with **Equation 3.1** is omitted variable bias due to the lack of a variable directly measuring employer sanctions. To improve the model, a variable that controls for the density of illegal Latino workers at the state level, *illegaldensity*, is introduced in **Equation 3.2** below. However, omitted variable bias will still be an issue in this new model.

Equation 3.2

$$\log(\text{wage}_i) = \alpha_i + \beta_1 \text{arrests}_i + \beta_2 \text{illegaldensity} + \beta_3 \text{male}_i + \beta_4 \text{statefip}_i + \beta_5 \text{potexp}_i + \beta_6 \text{potexp2}_i + \beta_7 \text{incother}_i + \beta_8 \text{incother}_i + \beta_9 \text{uhrswork}_i + \beta_{10} \text{college}_i + \beta_{11} \text{mastersplus}_i + \beta_{12} \text{latino}_i + \beta_{13} \text{black}_i + \beta_{14} \text{other}_i + \beta_{15} \text{occ}_i + \beta_{16} \text{ind}_i + e_i$$

The inclusion of this new variable is influenced by the work of Deborah A. Cobb-Clark, Clinton R. Shiells and B. Lindsay Lowell (1995) who theorized that the Latino wage would be lowered by the fine multiplied by the probability that a worker was illegal. Assuming that illegal and legal Latino workers are equally productive at the same wage and have the same preferences, firms use certain signals to determine by how much the wage should be lowered (475). By assembling the signals suggested by their study and the Pew Hispanic Center (Passel, 17), a proxy variable for illegal immigrants is created. The signals included in this variable are: foreign Latino birth, Spanish as the primary language, Limited English Proficiency (LEP), high school dropout and poverty.⁷ Then, using this information the variable *illegaldensity* was created using econometric software isolating the density of illegal Latinos by state. The predicted sign on *illegaldensity* is negative, indicating that a larger number of illegal Latinos in an area is expected to cause employers to lower the wage by a larger percentage of the fine. Its

⁷ Poverty is defined as any salary or income falling below the poverty line for a family of 4, \$18,850.00, per the 2004 U.S. Health & Human Services guidelines

inclusion in the regression equation is expected to produce a better model in terms of the impact of employer sanctions when isolating Latino wage.

Using the same cross-sectional data from the 2004 ACS, another WLS regression is run, this time using **Equation 3.2**. Similar to the previous regression, this WLS will not completely drop the other ethnic minority variables because *latino* captures some mixed-race respondents. The following are the results of the WLS regression when isolating the Latino wage and controlling for illegal Latinos:

Table 3.5: WLS With Illegal Density Variable⁸

Number of obs	18,763,804
F(11,18763792)	
Prob > F	0
R²	0.3261
Adj R²	0.3261
Root MSE	0.93601

logwage	Coef.	Std. Err.	t	P> t 	95% Conf. Interval	
arrests	1.11E-06	2.66E-08	41.52	0	1.05E-06	1.16E-06
illegaldensity	-2.69E-02	5.85E-04	-45.93	0	-2.80E-02	-2.57E-02
male	0.248244	4.71E-04	526.56	0	0.24732	0.249168
statefip	-0.0026814	1.30E-05	-206.58	0	-0.0027069	-0.002656
potexp	0.0569378	6.48E-05	878.04	0	0.0568107	0.0570648
potexp2	-0.0010144	1.58E-06	-641.26	0	-0.0010175	-0.0010113
incother	-0.0000189	1.27E-07	-149.4	0	-0.0000192	-0.0000187
uhrswork	-0.0415818	2.13E-05	1948.84	0	0.04154	416236
highschool	-0.0631596	6.35E-04	-99.44	0	-0.0644046	-0.0619147
college	0.2964308	9.79E-04	302.84	0	0.2945123	0.2983492
mastersplus	0.4976242	1.31E-03	378.52	0	0.4950475	0.5002009
black	-0.0537804	1.84E-03	-29.26	0	-0.0573833	-0.0501775
other	-0.0074671	4.47E-04	-16.72	0	-0.0083426	-0.0065916
occ	-0.0004344	1.05E-06	-413.61	0	-0.0004365	-0.0004324
ind	-0.0002128	8.25E-07	-257.91	0	-0.0002144	-0.0002111
constant	8.023845	1.48E-03	5416.97	0	8.020942	8.026749

While there is not a dramatic increase in the adjusted R^2 of the model, the right hand side variables are still causing roughly 33% of the variation in the annual income and salary. Also, all explanatory variables are statistically significant, including *arrests* and

⁸ Heteroskedasticity is affecting this model as well. Corrected results are in **Appendix F**.

illegaldensity. All of the coefficients have the predicted sign except *arrests*. While this is surprising given the theoretical model developed in Chapter 2, the theory presented by Cobb-Clark et al suggests that employers rely more heavily on the appearance of a worker when determining the probability of being fined than the actual threat of fines. Thus it is possible that the coefficient on *arrests* presented in **Table 3.4** is picking up signaling effects captured in *illegaldensity*. This could explain why the inclusion of the new variable did not greatly affect the adjusted R^2 . Regardless, the inclusion of *illegaldensity* improves the accuracy of the results because the model is now controlling for enforcement as well as the number of illegal Latinos in a given state, two variables highly correlated with the lower wages associated with employer sanctions.

Once again the human capital variables show that more education results in a higher wage for Latinos, with the exception of *highschool*, which has an unexpected negative coefficient most likely due to measurement error. However, a Latino with a college degree can expect to earn 30% more than a high school dropout and a Latino with a graduate degree can expect to earn 50% more. This translates into \$8,022.14 and \$13,370.24 increases in wage respectively. As mentioned, the positive coefficient on *arrests* is unexpected. This could be caused by employers growing indifferent to the enforcement efforts of the government. However, the idea from Cobb-Clark et al indicates that employers will still be sensitive to signals indicating a worker is illegal. Thus, the negative coefficient for *illegaldensity* supports the main hypothesis that employer sanctions result in lower Latino wages. For example, a one-standard-deviation increase in the relative proportion of illegal Latinos in a state results in a 3% decrease in the Latino wage. Economically speaking, this translates into a \$790.13 reduction in the

Latino wage. This amount falls between the minimum fine of \$275.00 and the maximum fine of \$2,200.00. Thus, these findings are still consistent with the theory suggesting that the amount the wage decreases by will not exceed the total cost of the fines.

In conclusion, this second model supports the previous finding that employer sanctions implemented by IRCA in 1986 are still widening the Latino wage gap. The results suggest that the magnitude of the impact of the fines is not nearly as great as those of human capital deficiencies and discrimination. Nevertheless, employer sanctions are a contributing factor to the Latino wage gap that continues to harm Latinos. The reality of the situation is that IRCA is still having a negative impact on the fastest growing minority in the United States eighteen years after its implementation. Additionally, those workers whose legality is questionable are at a severe economic disadvantage, which via theory can be attributed to the connection between ethnic signals and being an illegal worker. Thus, the findings of both **Equation 3.1** and **3.2** support the hypothesis that employer sanctions have a long-run, downward effect on the Latino wage in the United States.

VI. Common Econometric Problems

Despite the desired signs and the goodness of fit of the model, some econometric problems may still be causing bias. Since this bias can result in over- or under-estimates, the results presented in the preceding sections should be interpreted with caution. As previously mentioned, multicollinearity does not seem to be affecting the model. The exception is the correlation coefficient for *arrests* and *illegaldensity*, which is 0.9078. This could be contributing to the wrong signed coefficient on *arrests* when *illegaldensity* is included in the model. Another econometric issue is autocorrelation; however, this

should not be an issue in this analysis since this study employs cross-sectional data, not time-series data.

One major issue seems to be heteroskedasticity, a common issue with cross-sectional data. This problem arises when the variance of the error terms is not constant. While the least squares estimators are still linear and unbiased, they are no longer the best or most efficient estimators. Also, the standard errors are usually incorrect, which throws off confidence intervals and hypothesis tests. A Breusch – Pagan / Cook-Weisberg test was run for all three regression results presented earlier and heteroskedasticity is affecting the models presented in this study. **Appendix F** contains the corrected WLS regression results for **Tables 3.3, 3.4** and **3.5**. Despite the corrections, it is important to note that the corrected regressions are not weighted because a WLS regression cannot be run to correct for heteroskedasticity since the procedure, normally, would correct for this problem. However, the WLS regressions used in this study are weighted to make them more representative of the population and are still subject to this econometric problem. Therefore the original regressions are still presented because they model the entire U.S. population despite being affected by heteroskedasticity.

Endogeneity, or the determination of a variable inside the model, is another potential problem. This may be an issue with the variable *illegals* that was used to produce *illegaldensity* since it factors in low wages. Measurement error is probably causing the unusual interval for potential experience seen in the summary statistics in **Section I**. Finally, specification bias, or omitted variable bias, can cause biased coefficients and artificially low t-statistics. This can be avoided or corrected by including the appropriate variables in the regression. This is most certainly an issue when

constructing the wage equation, especially since there is no variable directly measuring the effect of employer sanctions or worker ability. It is important to keep these econometric problems in mind when interpreting the results despite the representative nature of the WLS regression used in this study. While the findings of this study thus far have supported the hypotheses, they are not fact and must be interpreted with caution.

Chapter 4: Conclusion

The Latino wage gap is a serious issue facing the largest minority group and the fastest growing segment of the population and U.S. work force. Like many minorities, Latino wages are depressed by a combination of human capital deficiencies and labor market discrimination. However, there is reason to believe that the employer sanctions implemented by the Immigration Reform and Control Act of 1986 have had a negative impact on Latino wages as well. Through theoretical and empirical analysis, this study suggests that the fines are in fact still exacerbating the wage gap created by human capital deficiencies and labor market discrimination.

Indeed the 2004 ACS data used in this study reveals that, on average, Whites earn \$38,138.44 per year while Latinos earn just \$26,740.48. That means that Latinos, on average, earn 43% less than White workers. This is a serious issue confronting Latinos, especially as their representation in the U.S. continues to grow. Both human capital deficiencies and labor market discrimination have a hypothesized negative impact on the Latino wage. The results from **Table 3.4** indicate that Latino college graduates earn \$7,911.59 more on average than Latino dropouts, and workers with graduate degrees are expected to earn \$13,293.74 more. This is an important issue considering the high school drop out rate among Latinos is high. Furthermore, labor market discrimination is expected to lower the average Latino wage by \$500.00, which results in the Latino wage being nearly \$12,000.00 less than the average White wage. However, the focus of this study is not on these effects but rather the implications of the part of the gap caused by employer sanctions introduced in 1986 by IRCA.

Shortly after IRCA was implemented, it was realized that employer sanctions were causing a reduction in the Latino wage regardless of legal status, but most economists have concluded that this was probably a short-term issue. However, Cynthia Bansak and Steven Raphael (2001) suggest that the long-term effects could be greater than what was seen after the implementation. Thus, the central hypothesis of this study has been that the effects of employer sanctions are not limited to the short run. The results of the first WLS regression equation suggest that government issued fines are indeed still continuing to suppress the wage of all Latinos. However, the effect of the enforcement is rather small and likely not impacting the market very much. This could result from employers growing desensitized to the fines because they have never had drastic increases that would cut into profit. Also, the results of the third WLS regression suggest that perhaps employers are simply indifferent to government enforcement because it has grown lax over the years. Also, there is the issue that some states have higher densities of illegal immigrants, which may result in more sensitivity to the fines in these areas than in states with lower illegal densities.

The first WLS regression equation produces results that are fairly insignificant in economic terms; the largest decline, .321%, is seen when comparing the largest and smallest number of statewide arrests, California and Maryland. However, the initial WLS regression equation only includes a variable measuring the enforcement efforts of the U.S. government, while the second equation also controls for the density of illegal Latino immigrants in each state. These results suggest, much like the theory of Deborah A. Cobb-Clark, Clinton R. Shiells and B. Lindsay Lowell (1995), that employers in areas with a higher population of undocumented Latinos factor this into the wage offered to

Latinos who appear illegal. This has resulted in a more serious wage reduction for Latinos relative to Whites in states with higher illegal densities:

Table 4.1: Wage Reductions Resulting from Employer Sanctions in CA, TX & FL

	Illegal Density	% Decrease	\$ Decrease	Latino Wage
CA	3.6%	-8%	\$2,229.89	\$24,510.59
TX	3.1%	-7%	\$1,870.23	\$24,870.25
FL	2.0%	-4%	\$1,078.98	\$25,661.50

* The percent decrease is calculated by multiplying the difference between each state and the illegal density for Maryland (.5%, smallest of all 50 states) by the illegaldensity coefficient (-.0269)

Table 4.1 shows the decreases expected in the three states with the largest illegal Latino densities. Although California's expected decrease exceeds the maximum fine in 2004, these decreases are consistent with the 6%-7% decreases found by Cynthia Bansak and Steven Raphael (2001) in their research on the period right after 1986. While the theoretical model of this study suggests that the decreases will not exceed the full amount of fines, it is not inconceivable that in some extreme cases they might. Thus, this study concludes that employer sanctions do in fact have a negative, long-term impact on the wages of Latinos in the United States of America.

Despite the strong support shown in the empirical section for the main hypothesis of this study as well as the human capital and discrimination hypotheses, this model is far from flawless. The first major obstacle in interpreting the results and supporting the main hypothesis is the lack of a variable directly measuring the effect of employer sanctions. In previous studies on the subject, data were available to construct variables measuring the number and dollar amount of the Notices of Intent to Fine issued by the U.S. government. However, as mentioned in Chapter 3, Michael Fix of the Migration Policy Institute confirmed that this information is no longer published for national security

reasons relating to immigration enforcement falling under the duties of the Department of Homeland Security. In future studies, it will be necessary to find a variable more closely correlated with these fines in order to further gauge the effect of employer sanctions in the long-run.

The number of arrests of illegal immigrants is an excellent starting point for a proxy variable, but the one employed in this study has several limitations. First, estimates for each state had to be made in order to create an acceptable variable. Second, not all illegal immigrants arrested are Latino nor does every arrest result in a fine. Despite arrests of illegal immigrants being a good starting point, future studies may want to find a better proxy variable that is more closely correlated with the actual fines handed out by the government. The second WLS regression of the study attempts to improve the quality of the model by including the illegal density variable. While this seemed to produce stronger results, it is a variable assembled by extreme manipulation of the 2004 ACS data set. Therefore the results must be interpreted with the upmost caution since endogeneity is quite possibly affecting the coefficient. Future studies should certainly consider finding a more accurate and representative way to measure the illegal density. Indeed, a variable measuring illegal density by metropolitan area may improve future results since illegal Latinos tend to cluster near established Latino communities. However, including arrests along with the density variable is important because the model then controls for both enforcement and employer perceptions of the illegal population.

Another topic of importance for future research is the effects that being a mixed race Latino has on wages. In both **Table 3.4** and **Table 3.5**, there is evidence that the

latino, *black* and *other* variables are capturing mixed- race respondents to the 2004 ACS. Future studies that are specifically focusing on the effects of IRCA or the Latino wage gap in general should look for better variables so there is no overlap. However, the results of this study suggest an interesting topic that warrants some future investigation. In both WLS regressions controlling for Latinos, the variables *black* and *other* had negative coefficients, indicating that mixed-race Latinos are expected to suffer from even lower wages. Further research into this finding is necessary to determine not only the effects of government policy but also how labor market discrimination and human capital deficiencies are affecting mixed-race Latinos.

The results of this study raise some serious issues regarding the immigration policies of the United States of America, in particular the Immigration Reform and Control Act and the legacy it has left in the twenty-two years since it was implemented. The U.S. government has documented this situation as far back as 1990 when the GAO reported that employers were lowering the wages of legal and illegal Latino workers in response to the act. Yet the conclusion of this investigation is that employer sanctions are still lowering the Latino wage, at least as recently as 2004. Given the already large wage gap attributed to human capital deficiencies and labor market discrimination exposed by the empirical analysis of this study, the pervasive impact of the fines is seen as a failure on the part of the government to prevent further financial strain on an important and growing minority population.

Despite the measures included in IRCA to combat this effect, the damage occurred nonetheless. On the surface it seems that the government has done nothing further to prevent this from affecting Latinos. However, a closer examination reveals that

even in the years following the implementation of IRCA the fines were essentially an empty threat. Cobb-Clark et al theorize that employers grow less sensitive if the government does not enforce the fines. Their summary statistics show that firms fined by the government in the late 1980s only paid about 25% of the actually Notices of Intent to Fine (NOIF) (492). This is seen in recent times as well. From 1999 to 2003, work-site arrests dropped 83% and NOIFs were greatly reduced (Bennett, 2005). It seems that the government in reality has not enforced the fines over the years, which could explain why IRCA largely failed to curb illegal immigration. However, it fails to explain why there is still a negative impact on the Latino wage associated with these fines and employers perceptions of illegal status.

If the government has not been enforcing employer sanctions, why then have the effects of employer sanctions not been limited to the adjustment period after the implementation of IRCA? In implementing IRCA, the U.S. government created a situation where employers were frightened into lowering the wages offered to Latinos to protect profits. While economists predicted this would not last, employers realized that lowering wages kept their profits high. It is entirely possible that employers have grown indifferent to the threat of being fined since the government often does not follow through, as suggested by Cobb-Clark et al. If this is the case, the U.S. immigration policies and enforcement practices have not had a long-term negative impact on the Latino wage. Rather, IRCA opened a door that allowed employers, especially those who frequently hire recent illegal or legal Latino immigrants, the opportunity to further increase their profits.

This is not a mere assumption about IRCA, but rather a policy implication supported by the findings of this study. Recall that the variable measuring the number of illegal aliens arrested per state has a positive sign when controlling for illegal density, suggesting that enforcement efforts are not a major factor contributing to the gap. However, the variable measuring illegal Latino density per state produced 4% – 8% decreases in the Latino wage in the three states with the highest densities when compared to the state with the lowest density. These decreases result from employers in areas with more illegal Latinos who lower the wage based on signals indicating a worker might be illegal. This does not necessarily imply that they are reacting to these signals because they are afraid of being fined. In fact, there is no reason for them to react to the employer sanctions in this way considering there is little historical evidence of enforcement. Thus, the implication of this study is that while IRCA has not directly lowered Latino wages in the long run as initially thought, it has created a situation that enabled employers to lower the wages offered to workers suspected of being illegal under the pretense of protecting profits against the impact of fines.

The policy implications above coupled with the empirical results from **Table 3.5** suggest that perhaps an addition can be made to the theoretical model of employer sanctions. Assuming that employers already lower the wage by the amount that covers the probability of being fined they could lower it further up to the point where the wage earned by illegal Latinos in the U.S. is equal to the wage they could earn in their native country. This means an even higher profit for companies, especially considering the government does not frequently request payment of fines. Thus, the finding in **Table 4.1** showing that the average Latino salary in California decreased by \$2,229.89, a number

exceeding the maximum fine at the time, could in fact be a legitimate result if employers are lowering the wage in order to increase profits instead of protection from the fines.

While this is by no means concrete evidence, the signs of the key coefficients in the second WLS regression equation results along with the lack of serious fine increases over the years and weak enforcement suggest that it is at least a possibility.

This presents an interesting topic for future research because there is ample evidence in the media of firms who openly admit to hiring illegal workers because they are cheap. This theory brought about by analyzing the effects of the policy is not without foundation and should be pursued. The Latino wage gap will not continue to be as pervasive as it is right now. As the Latino segment in the U.S. grows, future generations will most likely pursue further education and will be more accepted. Therefore, research into just how damaging the effects of employer greed are on the Latino wage will be important in minimizing the exploitation of this emerging and economically important ethnic group.

In conclusion this study has at the very least found support for the hypothesis that employer sanctions implemented by IRCA in 1986 have continued lowering the Latino wage, thus exacerbating the Latino wage gap. In addition, it has found evidence supporting longstanding hypotheses suggesting that human capital deficiencies and labor market discrimination are working against the economic well being of Latinos. However, the overall significance of this research seems to be the exposure of the shortcomings of IRCA. While employer sanctions created the problem shortly after 1986, employers of illegal immigrants are actually to blame for the long-term negative impact on Latino wages. It is impossible to determine whether stricter government enforcement would

have increased this effect or would have mitigated it, but it is nonetheless a serious issue in modern times. The Latino population in the U.S. is going to continue expanding at a rapid rate and this country must be prepared to recognize that these men and women are a vast and important economic resource. Given the severe economic recession afflicting the global economy, economic practices and government regulation will inevitably be reformed. To think that Latinos will not play an increasingly important role in the future U.S. economy that emerges from this recession is foolish. Thus, understanding what is holding this segment of the population back economically right now is important to the improvement of not only their well being but also their full incorporation into the U.S. economy in the years to come.

Capítulo 5: Una perspectiva detallada – Un análisis cultural de la situación económica de los latinos

Utilizando los datos económicos que vienen del gobierno, los economistas pueden reconstruir los efectos de los variables determinantes del salario de la gente hispanohablante en los Estados Unidos. Pero la manera en que lo hacen oscurece el hecho de que los problemas de un grupo no necesariamente se enfrentan a otro grupo. En realidad, cada grupo hispanohablante es diferente que los otros en términos del promedio de salario, del nivel de educación y el éxito alcanzado en los Estados Unidos. También los grupos hispanohablantes difieren en la historia de los inmigrantes que vinieron a los Estados Unidos. A causa de la variación entre los inmigrantes anteriores, cada comunidad hispanohablante se ha desarrollado en una manera diferente que las otras y no es justo decir que todos son los mismos. A través de las diferencias económicas e históricas, una hipótesis surge: la comunidad establecida tiene un impacto directo en la vida y el éxito de la gente de cada grupo hispanohablante. Cada comunidad influye en el éxito económico y social de los nuevos inmigrantes. Por eso algunos grupos disfrutan de mucho éxito mientras que otros sufren de los mismos problemas que las primeras olas de inmigrantes enfrentaron. Por eso las investigaciones generales de muchos economistas son insuficientes y más investigación es necesaria para exponer lo que causa el sufrimiento de algunos grupos hispanohablantes.

Hay dos partes claves del análisis de la situación económica de los latinos. Primero, es necesario exponer el problema con los datos y el sistema de clasificación porque los datos detallados del censo estadounidense de 2000 revelan que algunos grupos hispanohablantes son muy exitosos – un hecho que mina la generalización que todos los latinos son pobres y sin educación. Entonces es necesario analizar los efectos de la

comunidad de dos grupos hispanohablantes en tener éxito a través de dos fuentes culturales. El primer grupo analizado es los mexicano-estadounidenses en la película *Bread and Roses* dirigida por Ken Loach. El segundo es los cubano-estadounidenses en el documental *Balseros* dirigido por Joseph M^a Domènech y Carles Bosch. La combinación de las dos partes del análisis revela una conexión posible entre el éxito de un grupo hispanohablante en los Estados Unidos y la ayuda de la comunidad establecida.

El problema con los datos económicos empieza con la manera en que el gobierno clasifica a los latinos. El término “latino/a” implica un lazo social entre toda la gente de Latinoamérica que está en los Estados Unidos. Además, no es una clasificación para todos los hispanohablantes sino una parte específica que viene de los países de Latinoamérica, Centroamérica, el Caribe y México. Por eso no es un origen étnico sino una clasificación usada para capturar una similitud de un grupo de gente diversa. En el 12 de mayo de 1977, la Oficina de la Administración y del Presupuesto (OAP) dictó una orden que se llama la Directiva de OAP 15. Declaró que debía haber una manera de distinguir entre la gente de origen latinoamericano y otra gente para coleccionar los datos económicos. A causa de esta directiva, el censo estadounidense de 1980 incluyó las categorías “hispano” y “no hispano” para que los encuestados pudieran identificarse (Farley et al, 2005, p. 355). Si un caucásico hubiera respondido a la encuesta, habría seleccionado “no hispano” para identificarse mientras que un puertorriqueño o un venezolano habría seleccionado “hispano.” Este sistema de categorización limita los datos coleccionados por el gobierno y las investigaciones que los usan para recrear la situación económica de los hispanos a través de agrupar todos los hispanohablantes en una categoría.

Como la población latina aumentaba durante los 80, otro nombre de clasificación surgió. A pesar de que la década de los 80 es conocida como “la década hispana,” a algunos grupos latinoamericanos no les gustaba la clasificación de hispano/a porque implica un lazo con España (Farley et al, 2005, p. 355). La palabra “latino/a” vino de este movimiento al final de los 80 como otra opción de identificar el origen étnico que también incluye etnicidades latinoamericanas que no hablan español. Según algunos latinos, la palabra “latino” refleja el vínculo cultural que comparte toda la gente de Latinoamérica más que la palabra “hispano” porque esta palabra solamente implica que todos son hispanohablantes. Pero “latino/a” todavía implica un lazo cultural en vez de un origen étnico. No obstante, el movimiento inspiró otros cambios en el censo estadounidense de 1990 que mejoraron el sistema de clasificación un poco. En vez de solamente dos opciones para indicar el origen étnico, el censo permitió que los mexicanos, los puertorriqueños y los cubanos pudieran identificarse mientras que el resto de Latinoamérica, de Centroamérica y de España tenían que identificarse como “otro tipo de español/hispano” [incluido en el censo de 2000 fue la clasificación de “latino/a” también] (p. 355). El resultado del cambio fue una colección de datos más representativa de la complejidad de clasificar y de estudiar a los latinos aunque todavía existe una representación limitada. Sin embargo, la terminología se quedaba en la lengua vernácula y todavía hoy en día los estadounidenses usan la palabra “latino/a” para referirse a todas las personas que hablan español o parecen que son de un país hispanohablante.

Desafortunadamente, la mayoría de los estadounidenses agrupa a la gente hispanohablante en una categoría grande. Como la mayoría de los descendientes de inmigrantes en los Estados Unidos, los inmigrantes y los ciudadanos de origen

latinoamericano prefieren identificarse por su propio origen étnico (Farley et al, 2005, p. 355). Por ejemplo, se conoce a los descendientes de los inmigrantes irlandeses como los irlandés-estadounidenses y a los descendientes de los africanos como los afro-estadounidenses. Por eso se deben referir a los latinoamericanos en la misma manera: los mexicano-estadounidenses, los cubano-estadounidenses, los venezolano-estadounidenses, etc. Quizá este discurso solamente parezca como una simple diferencia semántica pero en realidad este sistema imperfecto de clasificación ha influido en la manera en que los economistas analizan la situación económica de este grupo de gente. Ellos solamente se enfocan en los latinos en general y normalmente no exponen los detalles que revelan una variación entre los grupos hispanohablantes. Esta ignorancia ha contribuido al estereotipo de que todos los latinos son incultos y están en una posición inferior en términos económicos y políticos (Portes et al, 2006, p. 13). Por eso la verdadera situación económica de los latinos no está en la generalización usada por los economistas sino en la comparación de los varios grupos hispanohablantes y otros grupos estadounidenses.

Para desacreditar esta conclusión que todos los latinos sufren de un nivel bajo de vida que existe a causa del sistema general de clasificar a los inmigrantes hispanohablantes, es necesario analizar los datos más concisos que revelan diferencias inherentes entre los varios orígenes étnicos. En los Estados Unidos, una de las áreas más estereotipadas de los inmigrantes hispanohablantes es el nivel de educación. En general el público cree que los latinos poseen un nivel bajo de educación aun hay mucha evidencia en contra de esta generalización. La **figura 5.1** muestra la variación del nivel logrado de educación entre las varias etnicidades:

El gráfico 5.1: El nivel logrado de educación entre los inmigrantes hispanohablantes

	Licenciados hispanohablantes nacidos en el extranjero	Hispanohablantes que han abandonado los estudios entre las edades de 16 y 24
Mexicanos	4.3%	55.4%
Puertorriqueños	10.7%	29.2%
Cubanos	18.4%	22.6%
Dominicanos	9.5%	23.7%
Centroamericanos	8.2%	45.6%
Sudamericanos	23.4%	15.7%
Otro	10.5%	37.7%
El promedio para grupos estadounidenses		
Caucásicos en EEUU	27.0%	8.7%
Afro americanos	14.3%	16.8%
Latinos	10.5%	31.5%

* los datos son de *The American People* p.369, un resumen del censo de 2000

Como los datos muestran, el promedio de licenciados hispanohablantes nacidos en el extranjero es 10.5% mientras que algunos grupos poseen un porcentaje más alto o bajo. También, el promedio del porcentaje de personas hispanohablantes que han abandonado los estudios es 31.5%. En comparación con los caucásicos y los afro-americanos, los latinos, en general, poseen un peor nivel de educación – una señal de generalización. Sin embargo algunos grupos, específicamente los mexicanos, sufren de niveles más bajos que el promedio. Por otro lado, los sudamericanos y los cubanos disfrutan de un nivel de vida más alto que otros latinos. Además, los dos grupos superan a los afro-estadounidenses en el porcentaje de licenciados y los sudamericanos casi tienen el mismo porcentaje como los caucásicos. Esta comparación desacredita el mito que todos los latinos son incultos e incapaces de lograr una educación.

Otra área estereotipada es el salario anual de los latinos. El mito es que todos los latinos sufren de un salario bajo a causa de la falta de educación, oportunidades

económicas y la discriminación. Sin embargo, la **figura 5.2** revela que este no es el caso por todos los latinos:

El gráfico 5.2: Una comparación económica de los latinos

	El sueldo por hora	El salario anual	La tasa de pobreza
Mexicanos	\$8.55	\$31,900	26.0%
Puertorriqueños	\$11.54	\$27,400	25.2%
Cubanos	\$11.72	\$34,600	15.4%
Dominicanos	\$9.62	\$28,350	24.3%
Centroamericanos	\$8.99	\$35,000	19.2%
Sudamericanos	\$11.30	\$40,710	15.9%
Otro	\$9.62	\$33,000	21.9%

El promedio para grupos estadounidenses			
Caucásicos en EEUU	\$14.42	\$45,100	8.9%
Afro americanos	\$12.02	\$29,200	29.1%
Latinos	\$10.00	\$33,800	25.0%

* los datos son de *The American People* p.373, un resumen del censo de 2000

Por el contrario, los datos muestran que el promedio del sueldo para los latinos es \$10.00 por hora y el promedio del salario anual es \$33,800. Sin embargo, hay mucha variación entre los varios grupos hispanohablantes. Por ejemplo, el sueldo para los cubanos es \$11.72 y el salario anual cubano es \$34,600. Ambos datos son más altos que los promedios para todos los latinos. Por otro lado, el promedio del sueldo y el promedio del salario anual de los mexicanos son más bajos que los promedios latinos – \$8.55 y \$31,900 respectivamente. Mientras que el sueldo de los dos grupos es más bajo que el promedio de los caucásicos y los afro-estadounidenses, sus salarios anuales y las tasas de pobreza son más altos que los promedios afro estadounidenses. Obviamente, hay varias explicaciones para las diferencias entre los varios grupos de hispanohablantes pero una teoría sugiere que la comunidad étnica establecida por inmigrantes anteriores ayuda a nuevas olas en mejorar su nivel de vida (Polzer et al, 2006, p. 16). Una mirada más

cercana a la historia de la inmigración de varios grupos revela mucho sobre las diferencias en las comunidades establecidas.

Dos de los grupos hispanohablantes más ejemplares que representan la diferencia extensa entre las comunidades de los hispanohablantes son los cubanos y los mexicanos. A través de la generalización de latinos, la suposición común es que todos los grupos hispanohablantes comparten los mismos problemas económicos y políticos (Portes et al, 2006, p. 13). Sin embargo, un análisis histórico de la inmigración y la fundación de estas dos comunidades revela algunas diferencias obvias que posiblemente han afectado la situación económica de cada grupo. Estas diferencias destacan el problema inherente del estereotipo que todos los hispanohablantes son los mismos.

Un ejemplo perfecto del estereotipo aceptado en los Estados Unidos de los hispanohablantes es el caso de muchos inmigrantes mexicanos. Después de que terminó la Guerra entre México y los Estados Unidos en 1848, había casi 100.000 mexicanos todavía viviendo en el territorio perdido. El Tratado de Guadalupe Hidalgo dio a estas personas la oportunidad de ser ciudadanos después del conflicto. Fue el principio de los mexicanos como una parte de los Estados Unidos (Daniels, 2004, p. 178). No obstante, no había mucha inmigración nueva antes de 1910 cuando las industrias estadounidenses comenzaron a exigir que trabajadores temporales hicieran trabajos de ínfima importancia. A causa de la Revolución Mexicana de 1910, muchos mexicanos inmigraron a los Estados Unidos para buscar estos trabajos temporales (p. 179-180). Entonces la demanda para los trabajadores mexicanos aumentaron, especialmente en la agricultura y la industria de ferrocarriles donde había una competencia intensa para los mexicanos (Portes et al, 2006, p. 14). Durante los años, los mexicanos se han desplegado del oeste y

el suroeste para establecer comunidades a través de todo el país pero la mayoría están en California, Texas e Illinois (p. 41,46). Desafortunadamente, estas comunidades influyen sobre los trabajos que los mexicanos buscan. Por ejemplo, una de seis mujeres mexicanas es una labradora u operativa en los servicios – una probabilidad dos veces más alta que las mujeres caucásicas (Daniels, 2004, p. 181). Este problema de los mexicanos complica su situación económica y refuerza el estereotipo enfrentado por todos los latinos pero hay otros grupos que no sufren de este efecto problemático a causa de las comunidades establecidas.

En comparación, los inmigrantes cubanos han tenido una experiencia diferente que los mexicanos. La primera ola de inmigración cubana empezó en el siglo XIX cuando muchos obreros escaparon de las guerras de independencia en Cuba. La segunda ola empezó en 1960 y continuaba hasta el principio de los 70. El principio de esta ola coincidió con la revolución comunista de Fidel Castro en Cuba que resultó en el sistema político del comunismo en el país. Durante esta época, la mayoría de los inmigrantes que escaparon de las garras del comunismo eran de la clase media o alta y poseían poder económico y político antes de ir a los Estados Unidos (González, 2000, p. 109). Establecieron sus nuevas comunidades a lo largo de la costa este del país, específicamente en Florida y Nueva Jersey, donde tenían éxito como antes (Portes et al, 2006, p. 46). La tercera ola de inmigración cubana coincidió con la Ley de Refugiados de 1980 que permitía la inmigración de gente perseguida políticamente (U.S., 1999). Alrededor de 125.000 cubanos inmigraron en el principio de los 80. Se conocían como los “marielitos” porque salieron del puerto de Mariel en Cuba. En contraste con la primera ola, la mayoría de la segunda era de la clase baja con la piel oscura. Sin embargo

la comunidad establecida en los Estados Unidos ayudaba a los inmigrantes a obtener trabajos y vencer las barreras culturales enfrentadas por los marielitos (González, 2000, p. 109). El resultado de las varias olas de inmigración cubana es una comunidad mezclada pero sin embargo exitosa a causa de los lazos fuertes entre la gente y la ayuda de la comunidad. A causa de esta comunidad exitosa, los cubanos, en general, están en el alto nivel del espectro socioeconómico latino (Daniels, 2004, p.182). Esta desviación de la norma para los latinos, según el estereotipo aceptado en los Estados Unidos, subraya las fallas con los datos económicos presentados en estudios de los latinos en general.

Los economistas han estudiado a la gente de Latinoamérica como si todos los orígenes étnicos son los mismos a causa del sistema de clasificación de la agencia del censo en los Estados Unidos. Obviamente, todos los grupos hispanohablantes no son idénticos porque cada grupo se identifica como un grupo independiente de los otros y los resultados económicos de cada grupo varían. Como la comparación de los dos grupos muestra, había gran diferencias entre ciertos grupos de latinos, especialmente los cubanos y los mexicanos. Por eso, es necesario analizar cómo exactamente la comunidad cubana y mexicana han afectado el éxito de los cubano-estadounidenses y los mexicano-estadounidenses.

A través de las representaciones culturales de los mexicano-estadounidenses y los cubano-estadounidenses, es posible construir una imagen de la vida y las dificultades que enfrentan los varios grupos hispanohablantes. La primera obra cultural es *Bread and Roses*, una película extraordinaria dirigida por Ken Loach y escrita por Paul Laverty. Aunque la película no es directamente de México, la combinación del director y del guionista tiene éxito en presentar una historia ficticia de la huelga de conserjes de 1999

en Los Ángeles, CA, y la lucha de los mexicano-estadounidenses por la justicia. La protagonista es Maya (Pilar Padilla), una inmigrante ilegal. El filme está apoyado por un reparto extraordinario que incluye a Adrien Brody como Sam (el representante de Justice for Janitors), George Lopez como Pérez (el jefe demoníaco) y Elpidia Carrillo como Rosa (la hermana de Maya). Juntos, Maya y el reparto muestran las condiciones difíciles que enfrentan los mexicanos, especialmente los de la profesión de conserje. La obra se estrenó el 22 de septiembre de 2000 y tuvo éxito con los críticos. De veras, ellos dieron a la película varias nominaciones y algunos premios por la contribución de exponer la realidad de las condiciones de trabajo de muchos latinos (IMDB, 2009).

Al principio de *Bread and Roses*, Maya entra ilegalmente a los Estados Unidos con otros mexicanos. Mientras que las familias de los otros inmigrantes pagan por sus familiares, hay alguna complicación con el dinero y la hermana de Maya, Rosa, no puede pagar. Pero Maya escapa de los hombres y llega a la casa de su familia. Rosa ha obtenido un trabajo en un bar para Maya pero no sale bien. Un día, Maya va con Rosa a su trabajo en la ciudad. Rosa es una conserje en un edificio grande del centro de Los Ángeles y trabaja duro porque su esposo sufre de la diabetes y tiene dos hijos. Tiene éxito en obtener otro trabajo para Maya. El nuevo jefe, Pérez, dice que puede fabricar los documentos necesarios para ella porque todavía es una inmigrante ilegal pero pide el salario de Maya del primer mes por este servicio. Además, denigra a los empleados a causa de su ignorancia y su inhabilidad de acabar el trabajo rápidamente.

Un día Maya encuentra a un hombre que se esconde de Pérez y los guardias. Esa noche, el hombre, Sam, viene a la casa de Rosa para hablar con ella de los beneficios de alistarse en el sindicato de conserjes con la ayuda de Justice for Janitors, un sindicato

laboral. Mientras que Rosa se enoja con la idea de poner el bienestar de su familia en peligro, las palabras de Sam interesan a Maya y ellos continúan hablando de los beneficios. A ninguno de los conserjes les gusta la idea pero después de que Pérez echa a una anciana porque llegó tarde sin las gafas, Maya llama a Justice for Janitors. Sam y su asistente desarrollan un plan para convencer a la compañía, Ángel Cleaning, de que necesita dar beneficios y salarios mejores a los trabajadores. Desafortunadamente, Pérez y los guardias descubren el papel en que Sam escribió su plan y el jefe enfrenta a los conserjes. Aunque no les echa, Pérez grita mucho y exige que ellos nunca vayan a unirse a un sindicato. Sin embargo, los trabajadores continúan trabajando con Sam para mejorar su situación.

Maya, Sam y los conserjes organizan varias protestas y demostraciones para provocar el cambio. Eventualmente Pérez despide a algunos trabajadores porque alguien les ha delatado. Alguien sugiere que sea Rosa porque ella ha recibido un ascenso recientemente. Maya regresa a casa para gritarle a Rosa sobre la acusación y Rosa acepta la responsabilidad con calma. Dice que está harta de sufrir tanto para proveer a su familia porque en el pasado ella era una prostituta para comprar la comida. Maya no puede creer lo que oye pero su personalidad cambia. Ahora ella está decidida a mejorar la situación para todos los conserjes para que ellos nunca tengan que sufrir como su hermana. Sam y ella organizan una protesta en el vestíbulo del edificio de Angel Cleaning. Obviamente, la policía viene y les detiene. En la cárcel, Sam recibe la información que Ángel Cleaning quiere acordar con ellos y retirará los cargos contra el grupo. Pero hay una complicación: la policía encaja las huellas digitales de Maya con las de un robo que ella cometió y le deporta a México. Entristecidos, los manifestantes y

Rosa despiden a Maya delante de la cárcel. A pesar de la tristeza, Maya se sonríe porque ellos han logrado la justicia.

Esta película es una representación excelente de los problemas que enfrentan los mexicano-estadounidenses, especialmente los que trabajan por un sueldo bajo. Cuatro personajes importantes surgen de la trama. Los personajes de Pérez, Rosa, Maya y Rubén personifican las varias partes del problema y la solución. Pérez es la manifestación del problema que se enfrenta a los inmigrantes. Rosa es una representación del efecto del aprieto en que están muchos inmigrantes y cómo el círculo continúa. Rubén expone como la falta de la ayuda de la comunidad afecta a las nuevas generaciones mientras que Maya representa la solución a través de perseguir la justicia activamente. A través de estos personajes, *Bread and Roses* refleja la situación de los mexicano-estadounidenses en una manera perfecta.

El problema central de los mexicano-estadounidenses en general es la explotación de los trabajadores de sueldo bajo. La implicación del personaje de Pérez es una crítica de la manera en que muchos empleadores explotan a los mexicano-estadounidenses y otros latinos del sueldo bajo. A las compañías les gustan los inmigrantes de México y otros países latinos porque frecuentemente ellos trabajan por poco dinero. Por eso los trabajadores están en una posición inferior sin una posibilidad de mejorar la situación. A causa de eso, los jefes pueden explotar esta debilidad para satisfacerse. En el caso de Pérez, usa su posición de poder para amenazar a los conserjes para que ellos no cuestionen su autoridad ni las condiciones del trabajo. De verdad, da un trabajo a Maya solamente porque Rosa tuvo sexo con él y también requiere su salario del primer mes para fabricar los documentos. Además, persuade a Rosa de delatar a los organizadores de

las protestas con el soborno de un nuevo trabajo. Pero la película sugiere algo más profundo sobre la cultura de jefes y compañías explotadores.

Hay una escena clave que muestra la falta de respeto de Pérez y Angel Cleaning y a la vez su ignorancia en general. Cuando los conserjes regresan al edificio con los documentos legales que dicen que ellos tienen el derecho de organizarse para mejorar las condiciones del trabajo, Pérez ordena a los conserjes que regresen a limpiar y rasga uno de los documentos. Después de que ellos salen, Pérez lo lee y es obvio que no lo entiende porque pregunta al guardia cómo se dice la palabra “coerced.” Después le pregunta si es una buena cosa y el guardia responde, “No, no lo pienso...” A través de esta escena es obvio que estos jefes y administradores de las compañías explotadores no entienden las restricciones impuestas en ellos ni los derechos inherentes de las personas que emplean. Explotan a los inmigrantes sin pensar en las leyes que protegen a los trabajadores porque creen que estas personas no tienen otra opción y van a trabajar por básicamente nada. La crítica que hace esta película con el uso de Pérez es que mucha de la culpa de los salarios bajos y otras condiciones horribles es de los jefes de las compañías que explotan ciegamente a los inmigrantes. Dentro de este sistema que limita la información sobre los derechos laborales, los trabajadores no tienen la habilidad de mejorar la situación por sí mismos y por eso continúan sufriendo.

La mejor representación del sufrimiento que experimentan los mexicano-estadounidenses es el personaje de Rosa. Al principio de la película, parece como una mujer fuerte que lucha por su familia y trabaja constantemente. Sin embargo hay un lado oscuro de su pasado que se manifiesta en la revelación que ella ha trabajado como una prostituta hace muchos años y todavía tiene sexo para sobrevivir. Obviamente, todos los

mexicano-estadounidenses no sufren de un pasado de prostitución pero es una metáfora de la explotación por los jefes. De la misma manera que Rosa recibió dinero para acostarse con un hombre repugnante, hay un intercambio de dinero y servicios entre los jefes explotadores y los pobres trabajadores. Cuando Maya le acusa de ser traidora, Rosa afirma que sí, es una traidora – es una traidora a sí misma y a su familia a causa de su pasado vergonzoso. Mientras que Rosa se refiere a su propia situación, a la vez resume lo que enfrenta a muchos mexicano-estadounidenses. La prostitución de Rosa sirve como una metáfora del aprieto en que están los inmigrantes mexicanos. Por eso su afirmación de ser traidora tiene implicaciones para todos los inmigrantes de México.

La revelación de Rosa sobre su pasado es una confesión de todo que le aflige en la vida y a la vez una crítica de la actitud de los mexicanos que buscan una vida mejor en los Estados Unidos. La extrema pobreza de que habla Rosa es el catalizador del deseo de ir a los Estados Unidos por muchos mexicanos. Cuando llegan, están dispuestos a hacer cualquier cosa para mejorar la vida de sus familiares y sí mismos. No es prostitución en el sentido tradicional pero a la vez es una nueva forma de la prostitución – el intercambio de dinero por la explotación de habilidad de trabajar para que una compañía pueda mejorar sus ingresos. La buena disposición de muchos mexicanos de trabajar por básicamente el salario mínimo – o en algunos casos menos – es la debilidad que los jefes como Pérez explotan para su beneficio y el de sus compañías. Pero ¿por qué no paran los inmigrantes esta disposición buena de trabajar por nada? En la misma manera que Rosa no puede parar la prostitución, muchos mexicanos de la comunidad establecida en los Estados Unidos no pueden resistir las exigencias de los jefes explotadores sin poner sus familias en peligro. Por eso existe un círculo de explotación que enfrenta a los mexicano-

estadounidenses en el país y las nuevas generaciones, pero no es sin remedio ni esperanza.

El sufrimiento de Rosa y de muchos inmigrantes es un aspecto horrible del capitalismo de los Estados Unidos. Mientras que la mayoría de los mexicano-estadounidenses que tienen trabajos de sueldo bajo están en un círculo de explotación como Rosa, hay una solución para el problema. Como la película muestra, existen varios grupos de apoyo que luchan por la justicia para los trabajadores en los Estados Unidos. En *Bread and Roses* el nombre del grupo con que trabaja Maya es “Justice for Janitors.” Estos sindicatos laborales ofrecen la protección a los trabajadores que la quieren. También, la otra opción es una mejoría a través de la educación como el personaje de Rubén. Estas dos soluciones del aprieto que enfrentan muchos inmigrantes de México ofrecen una esperanza para su futuro pero a la vez subrayan la dificultad de mejorar la vida sin la ayuda de la comunidad establecida.

El personaje de Rubén refuerza el hecho de que las nuevas generaciones sufren porque no hay una comunidad que puede ayudarles. Él trabaja como un conserje para Angel Cleaning pero tiene aspiraciones de ser un abogado y ha ahorrado dinero y ha solicitado una beca para lograr este sueño. En una escena clave, él le dice a Maya que quiere asistir a la universidad para mejorar la vida para los dos. Se da cuenta de que es su única oportunidad para lograr su sueño de no depender del trabajo horrible con Ángel Cleaning. Pero su sueño depende de mantener su trabajo y ahorrar dinero. Es difícil hacerlo porque no gana mucho y después de que Pérez le echa, Rubén básicamente abandona la aspiración. No obstante su suerte cambia cuando Maya roba la tienda y paga por su educación. Aunque la película muestra el extremo al que algunos mexicano-

estadounidenses llegan para sobrevivir, también sugiere que hay una solución del problema que enfrentan. Rubén y otros escapan el círculo de explotación a través de educarse y entrar en el mundo de los profesionales en los Estados Unidos. Sin embargo para muchos mexicano-estadounidenses es difícil pagar por una licenciatura. Mientras que parece que estas personas tienen que sufrir como las generaciones anteriores, la educación no es la única manera en que ellos pueden mejorar su vida.

El personaje de Maya está en una peor posición que muchos inmigrantes porque es ilegal. Por eso representa el candidato perfecto que compañías como Ángel Cleaning quieren emplear porque ella no tiene otras opciones para ganar dinero aparte de los trabajos explotadores de bajo sueldo. Sin embargo aprovecha la oportunidad de mejorar las condiciones del trabajo a través de la ayuda de Sam y Justice for Janitors. Para los mexicano-estadounidenses que no tienen el dinero para la universidad, Maya representa la última solución porque ella desafía todas las amenazas y logra su meta. Al fin, este riesgo vale la pena porque ella fuerza a Pérez y a los jefes a llegar a un acuerdo sobre el sueldo y los beneficios de los conserjes. Este acto requiere la resolución y la creencia de que todo es posible, y el personaje de Maya muestra que con perseverancia otros mexicano-estadounidenses pueden cambiar su vida también.

Aunque parezca imposible, es posible que un inmigrante mexicano, legal o ilegal, no tenga que soportar la explotación de los jefes. A pesar de que es muy difícil, es posible que ellos puedan mejorar su vida y la de las próximas generaciones a través de perseguir la justicia y la educación activamente. Maya y Rubén representan la esperanza en la vida de muchos mexicano-estadounidenses. Simbólicamente, ellos rompen el círculo que hace daño a la comunidad establecida y ponen fin a la explotación en manos

de los jefes como Pérez. La película *Bread and Roses* es exitosa en representar todos los aspectos del aprieto que enfrenta a los mexicano-estadounidenses y es más impresionante al mostrar el efecto que alguna gente considerada sin valor puede tener en mejorar la situación para muchas personas. Pero el filme revela que la infraestructura necesaria para obtener el éxito no existe dentro de la comunidad mexicana en los Estados Unidos, y eso limita a los mexicano-estadounidenses en términos de oportunidades económicas.

Los inmigrantes mexicanos en los Estados Unidos enfrentan muchos problemas que han limitado su desarrollo económico. El resultado es una comunidad menos exitosa que otras comunidades en el país. Es un problema inherente que ha influido en los trabajos, la educación y los bajos salarios de los mexicano-estadounidenses. Por otro lado, la comunidad cubana en los Estados Unidos es más exitosa en ayudar a los nuevos inmigrantes. En la misma manera que *Bread and Roses* trata de la huelga de los conserjes de Los Ángeles en 1999, *Balseros* trata de un evento histórico de la inmigración de los cubanos en los 90. Es un documental que se estrenó el 12 de abril de 2002. Los directores son Joseph M^a Domènech y Carles Bosch, dos periodistas de un canal español. Durante los quince días del éxodo del verano de 1994, captan las experiencias de seis cubanos: Guillermo, Rafael, Juan Carlos, Misclaida, Óscar y Miriam. Además, los directores regresan a la vida de cada refugiado cinco años después del éxodo para ver cómo están. El documental recibió una propuesta de Óscar en 2004 para el mejor documental largo a causa de la importancia del tema. De veras, el documental expone las dificultades que enfrentan los cubanos y a la vez cómo cambia radicalmente su vida cuando llegan a los Estados Unidos a causa de la ayuda recibida de la comunidad (IMDB, 2009).

El documental empieza con imágenes de disturbios y de la pobreza en Cuba en el verano de 1994. El narrador dice que la gente hizo cosas que nunca había hecho antes a causa de la caída de la economía cubana después del fracaso del comunismo en la Unión Soviética. Las personas principales del documental no son diferentes. Hartas de la opresión y la pobreza que sufren en Cuba, deciden tomar el viaje peligroso a los Estados Unidos. Cada persona tiene su propia razón pero todas quieren mejorar su vida. Guillermo quiere reunirse con su esposa y su hija mientras que Óscar deja a su familia en Cuba para ganar dinero para apoyarlos. Rafael simplemente no está contento en Cuba. Los recién casados, Juan Carlos y Misclaida, quieren empezar su nueva vida sin las restricciones comunistas mientras que Miriam busca ayuda médica y una mejor vida para su hija. Son estos deseos básicos que provocan el éxodo de Cuba en las balsas rudimentarias.

Porque faltan muchos recursos, los refugiados construyen las balsas de cualquier material que pueden encontrar. Algunas personas desmontan su casa para construir la balsa mientras que otras compran cámaras de aire y madera. Con la ayuda de familiares y vecinos, las personas tienen éxito en terminirlas y llevarlas al mar. Salen de Cuba y se dirigen hacia Miami. Sin embargo, el presidente estadounidense, Bill Clinton, manda que los guardacostas intercepten a los balseros y los detengan en la base naval de la bahía de Guantánamo. Domènech y Bosch siguen a las personas allí y transmiten mensajes a sus familias. Después de muchos meses, todas las personas del documental reciben visas para ir a los Estados Unidos.

Después de llegar a los Estados Unidos, los balseros tienen algunas dificultades en adaptarse a la nueva cultura. Pero con la ayuda de su familia y varias organizaciones

católicas, todos encuentran trabajo y empiezan a aprender el inglés. La organización católica les ayuda a encontrar trabajo y pagar las facturas mientras que ellos se instalan en la sociedad. Guillermo y Rafael se quedan en Miami con sus familias pero el resto se traslada a otras partes del país. Óscar va a Nueva York donde encuentra un trabajo de conserje. Juan Carlos y Misclaida van a Connecticut donde él trabaja como mecánico y ella es empleada de un supermercado. No obstante, algunos problemas sobrevienen. Primero, una barrera inmensa es el hecho que nadie habla inglés. Segundo, ellos tienen que adaptarse a la idea de capitalismo y al trabajo duro. Sin embargo vencen los problemas poco a poco y tienen éxito en su propia manera.

Domènech y Bosch muestran algo de la vida de cada persona inmediatamente después de llegar a los Estados Unidos pero la evidencia de la importancia de la comunidad es vista en las secuencias de la vida de los balseros cinco años después. Vuelven a visitarles y exponen los cambios extraordinarios de los últimos cinco años. Guillermo es un empleado de una compañía de material de oficina. Su esposa y él tienen una casa pequeña pero hay varios lujos como una parrilla grande, un coche y muebles buenos. También dan a su hija un bello vestido para su fiesta de quinceañera junto con fotografías profesionales. Mientras que no son ricos, Guillermo y su familia viven una vida de la clase obrera y quizás de la clase media baja. También Rafael básicamente es de la misma clase que Guillermo. Él ha trabajado en una fábrica pero la deja para dedicarse a la religión después de un accidente. Mientras que Rafael y Guillermo tienen una vida buena, la vida de los otros balseros es muy diferente.

Juan Carlos y Misclaida llegan a Connecticut y encuentran trabajos pero empiezan a tener problemas con su relación. Juan Carlos se da cuenta de que necesitan

sacrificar las frivolidades para comprar un coche y ahorrar dinero pero a Misclaida no le importan estas cosas. Ella quiere divertirse y comprar ropa cara. Después de un período turbulento, Misclaida tiene un enredo amoroso con un amigo de Juan Carlos y los dos se divorcian. Juan Carlos se queda en Connecticut y comparte una casa grande con un amigo. También tiene un coche y el dinero para divertirse cada noche. Por otro lado, Misclaida va a Arizona y entonces Nuevo México donde empieza a vender drogas. Mientras que tiene la ropa fina y las joyas, ella aparece horrible y menciona el riesgo de muerte o encarcelación a causa de su negocio.

La historia de Óscar es más feliz pero todavía triste. Vino a los Estados Unidos para mejorar la vida de su hija y esposa en Cuba pero pronto las olvida. De verdad, conoce a una mujer en los primeros días en Nueva York y se hacen novios. Es exitoso en sus varios trabajos y tiene lujos: ropa de marca, un reloj de oro, un coche, puros y una casa buena. Pero es evidente que ha tenido varias mujeres en su vida y algunos problemas con la policía como resultado. Sabe que debe disfrutar su nueva vida pero está triste porque su hija no le reconoce como su padre ahora. Se da cuenta de que ha decepcionado a su hija y a su ex esposa y no tiene palabras para expresar su frustración.

Mientras que Óscar ha decepcionado a su hija, Miriam ha luchado por la habilidad de llevar a su hija a los Estados Unidos por cinco años. A llegar al país, no tiene el dinero para pagar a un abogado y por eso busca trabajo. Durante los cinco años ella tiene otra hija y ahorra el dinero suficiente para llevar a su primera hija al país. Finalmente, ella habla de su hija con un abogado y decide que necesita pedir la ciudadanía para que el proceso sea más fácil. A pesar de la tristeza de estar separada de su hija, Miriam disfruta

una buena vida. Ella tiene el dinero para apoyar a dos hijas y también pasar por una manicura y la ropa fina. Como los otros balseros, ella es de la clase obrera o media baja.

En realidad no hay un fin de la historia que cuentan Domènech y Bosch porque estas personas todavía viven en los Estados Unidos y trabajan duro para mantener el nivel de vida. En la superficie, *Balseros* es una historia triste a pesar del cambio positivo en la vida de los inmigrantes. Expone las dificultades de adaptarse a una nueva cultura con otro idioma. Pero dentro de esta historia de éxodo y asimilación hay una revelación sobre los inmigrantes cubanos. Sí, sufren de varias deficiencias cuando llegan como el resto de los inmigrantes latinos que entran en los Estados Unidos pero la ayuda que reciben es muy influyente. A diferencia de los inmigrantes de México o de Centroamérica, los cubanos encuentran trabajos con sueldos competitivos y se adaptan a la cultura rápidamente. Hay dos medios claves que les ayudan: las organizaciones católicas y la comunidad establecida. Sin éstas, los cubanos no tendrían el mismo nivel de vida y probablemente sufrirían como otros grupos hispanohablantes de Latinoamérica.

Algunas de las primeras personas que hablan con los balseros son miembros de algunas organizaciones católicas que ayudan a los inmigrantes cubanos. Localizan trabajos con buenos sueldos para ellos y les ayudan a pagar las facturas mientras se instalan en la comunidad. Este apoyo es sumamente importante en el éxito futuro, que es evidente cuando Domènech y Bosch vuelven a visitarles en 2000. En el caso de Juan Carlos y Misclaida, ellos reciben mucha ayuda: alojamiento en una casa para inmigrantes, trabajos y facturas prepagadas. A causa de esta ayuda, pueden ahorrar dinero para el futuro. Juan Carlos tiene recursos para disfrutar después de trabajar y conoce a algunas personas después de su divorcio. Misclaida, a pesar de su negocio de vender las drogas,

tiene la habilidad de mudarse a través del país y empieza su vida de nuevo. También cuando su hermana, Méricys, y su sobrina vienen a los Estados Unidos, ellas reciben mucha ayuda de la organización en la forma de ropa, un trabajo y un apartamento. Estas organizaciones son sumamente importantes porque ayudan a los cubanos a evitar los problemas a los que se enfrentan los mexicano-estadounidenses. Sin tanto peligro, los cubanos pueden adaptarse rápidamente y aumentar sus oportunidades económicas.

Obviamente el documental muestra la presencia de las organizaciones católicas en la vida de los inmigrantes pero también expone la existencia de una comunidad establecida y exitosa que otras comunidades latinas no tienen. Esta comunidad ayuda a los balseros cuando llegan a los Estados Unidos en la misma manera como la organización católica. Las conexiones de familiares y el sistema de otros inmigrantes cubanos son sumamente influyentes en el éxito futuro de los cubanos. Por ejemplo, el tío de Rafael dice que va a obtener un trabajo para su sobrino que paga \$20 o \$25, un sueldo de la clase media baja. Es un sueldo extraordinario para un inmigrante reciente y le permite tener los lujos vistos en el documental como un coche y ropa buena. Además le ofrece la oportunidad después del accidente de mudarse y buscar una vida fiel a Dios. Óscar también se beneficia del apoyo de una comunidad establecida cuando llega a Nueva York. Su tío le da algunos consejos sobre el capitalismo y la ciudad. Cuando Óscar va a la agencia para aprender el inglés y buscar un trabajo, conoce a otros cubanos e inmigrantes que les ayudan. Esta red permite que los cubano-estadounidenses puedan vencer los problemas comunes a que se enfrentan otros latinos en los Estados Unidos.

Sin la ayuda de la comunidad establecida y las organizaciones católicas, los balseros nunca habrían tenido el éxito visto en las últimas escenas de *Balseros*. A

diferencia de otros latinos, los cubanos en general tienen un nivel alto de vida. Como Polzer, Seidel y Stewart (2000) mencionan en su investigación, la comunidad establecida es sumamente importante en ayudar a los inmigrantes. La comunidad surge como una de las diferencias más grandes entre los dos grupos hispanohablantes de esta investigación también. Mientras que *Balseros* expone la comunidad exitosa y establecida de los cubano-estadounidenses, *Bread and Roses* muestra una comunidad mexicano-estadounidense que todavía sufre de los mismos problemas que enfrentan los primeros inmigrantes. Esta comparación entre los dos segmentos de la población latina es reveladora porque niega la generalización que promueve los estereotipos que todos los latinos son tontos o ilegales. Pero también formula una pregunta: ¿por qué hay un grupo que tiene una comunidad exitosa mientras que otros tienen menos éxito?

Una explicación de esta diferencia está dentro del análisis histórico anterior de los dos grupos. Mientras que se escoge los dos grupos porque representan los dos extremos de los latinos, también tienen historias diferentes que arrojan luz sobre la diferencia económica. Como he mencionado, los mexicanos han vivido en los Estados Unidos por mucho tiempo. En realidad son los primeros pioneros del oeste del país (González, 2000, p. 96). Pero históricamente los mexicanos en los Estados Unidos son obreros sin poca educación, y todavía éste es un problema que enfrenta la población mexicana en el país. Este bajo nivel de educación es evidente en *Bread and Roses* a través del personaje de Rubén y los problemas que tiene en lograr su sueño de ser abogado. Por otro lado la historia de los cubanos en los Estados Unidos es más breve y los inmigrantes, por lo menos las primeras olas, eran más sofisticados que los inmigrantes mexicanos. Esta fundación sólida ha ayudado a los cubano-estadounidenses mucho durante los años y ha

resultado en una comunidad exitosa con conexiones para ayudar a las nuevas olas de inmigrantes. Esta comunidad es evidente en *Balseros* a través de la ayuda de los familiares y el nivel de vida que ellos tienen. También las conexiones con la iglesia católica son extraordinarias y les permiten a los balseros mudarse por el país en búsqueda de trabajo y un sueldo justo. Es fácil decir que los cubanos se instalan en la sociedad fácilmente pero las comunidades vistas en *Balseros* y *Bread and Roses* muestran que hay una diferencia importante entre las dos que influye en el éxito de cada cual.

La separación fundamental es que la mayoría de los mexicano-estadounidenses no han roto el círculo de sueldos bajos y de explotación en manos de las compañías y los jefes maliciosos. Como Rosa en *Bread and Roses*, muchos mexicano-estadounidenses no pueden vencer el círculo de explotación de su trabajo. Una causa es una falta de acceso a información pero otra es que no hay una comunidad fuerte para facilitar el cambio. Por otro lado, los primeros cubano-estadounidenses evitaron este círculo dañoso a través de sus altas posiciones en la sociedad. De hecho, vinieron a los Estados Unidos con dinero e influencia política, especialmente la segunda ola durante los 60. La asimilación de estas olas fue fácil y la gente mantenía su nivel de vida. Mientras que las olas subsiguientes no tenían la misma sofisticación ni los recursos económicos, las conexiones forjadas por la segunda ola les ayudaron evitar el círculo de explotación y los sueldos bajos. Esta idea es evidente en *Balseros* a través de la ayuda de los familiares de Óscar y de Rafael – sin sus tíos los dos hombres nunca habrían logrado el mismo nivel de vida que tienen hoy en día. Por eso la ayuda externa, como la comunidad establecida y la organización católica, que aparece en *Balseros* es sumamente importante en el éxito de nuevas generaciones de inmigrantes.

Este concepto regresa a la idea de las limitaciones de los datos económicos que los economistas usan para estudiar el progreso de los latinos en los Estados Unidos. El uso de “latino” pierde los detalles y contribuye a la formación de estereotipos. Además, a las investigaciones económicas les falta lo que quizás sea la variable más importante en determinar el salario y el éxito de los varios grupos hispanohablantes: la comunidad. Por eso, los resultados que los economistas publican refuerzan los estereotipos porque solamente se enfocan en los latinos en términos generales. Este descuido no solo contribuye a la diseminación de los estereotipos sino no enfoca la poca ayuda que los grupos como los mexicano-estadounidenses reciben en una manera beneficiosa para mejorar el nivel de vida de todos los latinos. La fuente del éxito de los cubano-estadounidenses es tener una comunidad fuerte y por eso la ayuda que se da a los latinos pobres debe ser en la forma de mejorar la comunidad para que ellos puedan mejorar su nivel de vida. No es suficiente darles trabajos o sueldos más justos si ellos no pueden romper el círculo de explotación que enfrentan. La solución se encuentra en la fundación de una comunidad fuerte que sea capaz de ayudar a sus miembros.

Sin embargo, los datos pertinentes del censo de 2000, *Bread and Roses* y *Balseros* niegan la generalización promovida por las investigaciones económicas y ponen fin a los estereotipos populares. La realidad es que los latinos no sufren solamente de un salario bajo a causa de algunas variables económicas sino también por la falta de una comunidad grande que puede ayudar a todos los grupos hispanohablantes. Los grupos exitosos tienen una comunidad establecida que es semejante a la comunidad de los caucásicos en los Estados Unidos: hay conexiones influyentes, lazos con organizaciones que ofrecen ayuda a gente sin suerte y miembros exitosos de la comunidad que abren puertas de

oportunidad. Pero los otros grupos no tienen este sistema de apoyo. Por eso la manera correcta de resolver los problemas económicos de los latinos en los Estados Unidos no es solamente luchar por la justicia como Maya en *Bread and Roses* sino la creación de una comunidad fuerte capaz de evitar el círculo de explotación en la misma manera que los cubano-estadounidenses en *Balseros*. En este sentido la comunidad latina es en parte el problema y a la vez la solución de los problemas económicos a que se enfrentan todos los latinos en los Estados Unidos.

Conclusion

The economic well being of Latinos is a serious concern given their growing importance in both the U.S. population and labor force. From the beginning, this study has sought to explore the intricacies of this situation through a quantitative and a qualitative analysis. The economic analysis used in the first section reveals that Latinos suffer from lower wages resulting from human capital deficiencies, labor market discrimination and the effects of employer sanctions implemented by IRCA. This section also suggests that the situation created by IRCA has led to employers permanently lowering the average Latino wage while reaping the benefit of higher profits. On the other hand, the qualitative analysis moves the focus from all Latinos to the community of each nationality. This section of the study suggests that some Latino communities are nearly as well off as Whites while others fall well below the average numbers seen in the empirical analysis. The quantitative and qualitative analyses employed in this study compliment each other well. The cultural studies of Mexican- and Cuban-Americans provide more detailed information that make up for some limitations with economic data while the quantitative analysis accounts for labor market forces that are not seen in the qualitative section.

While the quantitative and qualitative studies underscore the complicated nature of the Latino economic situation, the study suggests that there is a way to improve their economic well-being. There is little that can be done to combat labor market discrimination, the effects of government laws and employer greed without delving into expensive lawsuits with no guarantee of success. Instead, the solution lies within the community of each Latin American nationality in the U.S. As the cultural study of

Cuban-Americans shows, the quality of the established community is incredibly important to the future economic well-being of the group. If all Latino communities were of a similar quality, the average annual salary and wage for Latinos would be much closer to that of Whites. Therefore, it is necessary to focus adequate resources to troubled communities and provided them with the appropriate support to help lift themselves out of these economic problems. The Cuban immigrants seen in this study are not handed everything; rather, they are supported in their endeavors early on to set them up for future success on their own. In the cultural study of Mexican-Americans, this is seen to a certain degree among low-wage workers who take advantage of the available aid to improve their working conditions. With resources and community support, Latinos will be able to overcome the labor market forces holding them back by raising awareness, pursuing further education and making political and economic connections.

Much like the White immigrants to the United States in the 20th century, the first Latino immigrants as well as the newer generations are hard working people who wish to make their lives better. Barriers such as labor discrimination and the employer sanctions will be overcome in time, just like other minorities have done. However, without the proper support and resources, the less developed Latino communities will continue to remain in low-wage jobs and will be unable to help the next generation. Through quantitative and qualitative analyses, this study has exposed many of the major factors affecting Latinos in the United States and also shown how various communities have prospered. The only way to improve the economic outcome for Latinos is through strong communities capable of improving themselves. Only then will current and future generations of Latinos be able to reap the benefits of their hard work and sacrifice.

Appendices

Appendix A: Illegal Aliens Expelled by USCIS Field Office for Fiscal Year 2004³

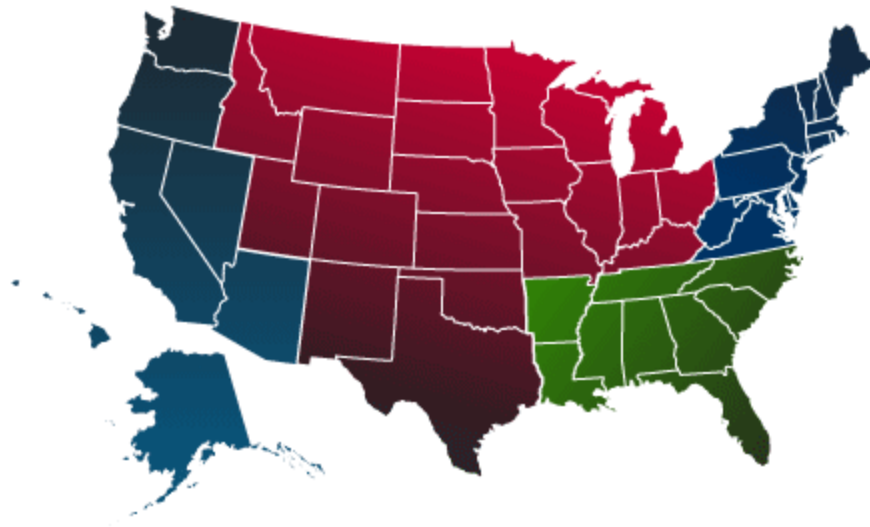
Field office	Formal removals ¹
<i>Total, all field offices</i>	202,842
Atlanta, GA	4,120
Baltimore, MD	666
Boston, MA	2,364
Buffalo, NY	1,583
Chicago, IL	6,588
Dallas, TX ²	6,629
Denver, CO	3,943
Detroit, MI	1,833
El Paso, TX ²	14,660
Houston, TX ²	8,734
Los Angeles, CA ²	13,205
Miami, FL	6,889
New Orleans, LA	4,297
New York, NY	3,575
Newark, NJ	2,902
Philadelphia, PA	3,534
Phoenix, AZ	39,929
San Antonio, TX ²	17,689
San Diego, CA ²	42,494
San Francisco, CA ²	7,991
Seattle, WA	4,088
St. Paul, MN	3,338
Washington, DC	1,791

¹ Formal removals include deportations, exclusions, and removals.

² In order to assign arrests to all 50 U.S. states, the various field offices in CA and TX were summed up. The total arrests in CA in 2004 were 63,690. The total arrests in TX for 2004 were 47,712.

³ Since many states are not represented by their own field office, the values for neighboring states with field offices were assigned to states without them. Beyond just using neighboring states, any state that received values from another state's field office was also in the same USCIS enforcement region. This was done to ensure the most representative national overview of illegal alien arrests.

Appendix B: USCIS Enforcement Regions Map & Field Offices in Each Region



Western Region

- | | | |
|-----------------|-----------------|-----------------|
| - Laguna Niguel | - San Jose | - Phoenix |
| - Seattle | - Fresno | - Las Vegas |
| - Anchorage | - Sacramento | - Reno |
| - Portland | - Los Angeles | - Tucson |
| - Spokane | - San Bernadino | - Honolulu |
| - Yakima | - Santa Ana | - Hagatna, Guam |
| - San Francisco | - San Diego | |

Central Region

- | | | |
|----------------|-----------------|------------------|
| - Dallas | - Kansas City | - Albuquerque |
| - Detroit | - Des Moines | - El Paso |
| - Cleveland | - Omaha | - Harlingen |
| - Cincinnati | - St. Louis | - Denver |
| - Columbus | - St. Paul | - Boise |
| - Indianapolis | - Dallas | - Helena |
| - Louisville | - Oklahoma City | - Salt Lake City |
| - Chicago | - Houston | |
| - Milwaukee | - San Antonio | |

South East Region

- | | | |
|--------------|--------------------|---------------|
| - Orlando | - Charlotte Amalie | - New Orleans |
| - Atlanta | - San Juan | - Ft. Smith |
| - Charlotte | - Tampa | - Memphis |
| - Charleston | - Jacksonville | |
| - Miami | - West Palm Beach | |

North East Region

- | | |
|--------------|-----------------|
| - Burlington | - New York City |
| - Boston | - Newark |
| - Manchester | - Mt. Laurel |
| - Portland | - Philadelphia |
| - Providence | - Pittsburgh |
| - Buffalo | - Baltimore |
| - Albany | - Fairfax |
| - Hartford | - Norfolk |
| - St. Albans | |

Appendix C: Correlation Coefficients and t-statistics for All Variables

	log wage	arrests	illegal density	male	statefip	potexp 2	inoth	uhrs work	high school	college	master s plus	latino	black	other	occ	ind
logwage	1															
arrests	0.024	1														
illegalnsty	0.000		1													
male	0.034	0.908		1												
statefip	0.000	0.000			1											
potexp	-0.025	-0.294	-0.323	-0.002		1										
potexp2	0.000	0.000	0.000	0.135			1									
inoth	0.251	-0.036	-0.036	-0.011	0.009			1								
uhrs work	0.000	0.000	0.000	0.000	0.000											
highschool	0.113	-0.031	-0.031	-0.009	0.006	0.938										
college	0.000	0.000	0.000	0.000	0.000	0.000										
mastersplus	-0.023	0.000	0.001	-0.029	0.003	0.039	0.028									
latino	0.000	0.849	0.514	0.000	0.012	0.000	0.000									
black	0.574	0.013	0.017	0.232	-0.005	0.090	-0.011	-0.009								
other	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000								
occ	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000								
ind	-0.097	-0.035	-0.047	-0.031	0.021	0.213	0.189	0.012	-0.029							
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000							
	0.180	0.012	0.018	-0.010	-0.007	0.040	-0.006	0.000	0.078	-0.577						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.221	0.000	0.012	0.009	-0.015	0.069	0.027	0.906	0.103	-0.413	-0.170					
	0.000	0.738	0.000	0.000	0.000	0.000	0.000	0.002	0.000	0.000	0.000					
	-0.059	0.275	0.293	0.024	-0.083	-0.156	-0.128	0.067	-0.001	-0.030	0.072	-0.060				
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.512	0.000	0.000	0.000				
	-0.049	-0.042	-0.005	-0.043	-0.025	-0.028	-0.030	0.001	-0.015	0.039	-0.043	-0.035	-0.075			
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.364	0.000	0.000	0.000	0.000	0.000			
	-0.028	0.210	0.193	0.008	-0.102	-0.113	-0.099	-0.011	0.000	-0.055	-0.008	0.004	0.356	-0.099		
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.991	0.000	0.000	0.002	0.000	0.000		
	-0.206	-0.021	-0.034	0.145	0.019	-0.083	-0.036	-0.005	-0.054	0.279	-0.278	-0.285	0.086	0.040	0.020	1
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	-0.089	0.006	0.015	-0.278	-0.014	-0.004	-0.001	0.001	-0.144	-0.100	0.080	0.138	-0.039	0.057	0.004	-0.301
	0.000	0.000	0.000	0.000	0.000	0.001	0.537	0.607	0.000	0.000	0.000	0.000	0.000	0.001	0.000	0.000

Appendix D: Variable Descriptions, Regression Names & Predicted Signs

Description	Reg. Name	Sign
Log of wage and salary income	logwage	
Number of illegal aliens arrests by ICE	arrests	-
Gender of workers	male	+
U.S. state of residence	statefip	
Potential experience of a worker	potexp	+
Potential experience squared	potexp2	-
Income other than wage and salary	incother	-
Number of hours worked per week	uhrswork	+
Highest level of education: high school	highschool	+
Highest level of education: undergraduate	college	+
Highest level of education: Masters, Ph.D, professional degree	mastersplus	+
Minority: Latinos	latino	-
Minority: African Americans	black	-
Minority: Asians, Native Americans and all other	other	-
Occupation of worker	occ	
Industry of worker	ind	
Illegal Density Variable used in Eq. 3.2	illegaldensity	-

Appendix E: Effects of Employer Sanctions on Latino in States with the Most Arrests

State	Increased Arrests over MD (total=avg)	% Decrease (total=avg)	\$ Decrease (total=avg)	New Latino Wage (total=avg)	% of Illegal Population
California	63,024	0.32%	\$85.78	\$26,654.70	24.0%
Texas	47,046	0.24%	\$64.03	\$26,676.45	14.0%
Arizona	39,263	0.20%	\$53.44	\$26,687.04	5.0%
Florida	6,223	0.03%	\$8.47	\$26,732.01	9.0%
Illinois	5,922	0.03%	\$8.06	\$26,732.42	4.0%
Louisiana	3,631	0.02%	\$4.94	\$26,735.54	0.3%
Georgia	3,454	0.02%	\$4.70	\$26,735.78	2%
Washington	3,422	0.02%	\$4.66	\$26,735.82	2%
Colorado	3,277	0.02%	\$4.46	\$26,736.02	2%
New York	2,909	0.01%	\$3.96	\$26,736.52	7%
Total	17,817	0.09%	\$24.25	\$26,716.23	69.5%

Appendix F: WLS Regression Results Corrected for Heteroskedasticity

Table 3.3: WLS Regression Results

Number of obs	599,260
F(15,599244)	24205.51
Prob > F	0
R²	0.4692
Root MSE	0.93192

logwage	Robust Error HC3					
	Coef.	Std. Err.	t	P> t	95% Conf. Interval	
arrests	1.21E-06	6.77E-08	17.88	0	1.08E-06	1.34E-06
male	2.14E-01	2.64E-03	80.88	0	2.09E-01	2.19E-01
statefip	-0.0014329	8.12E-05	-17.64	0	-0.0015921	-0.0012737
potexp	0.0603544	3.35E-04	180	0	0.0596972	0.0610116
potexp2	-0.0010714	7.56E-06	-141.79	0	-0.0010862	-0.0010566
incother	-0.0000156	6.74E-07	-23.17	0	-0.0000169	-0.0000143
uhrswork	0.0451895	1.62E-04	279.1	0	0.0448722	0.0455069
highschool	0.1564552	5.62E-03	27.85	0	0.1454449	0.1674655
college	0.5090677	6.22E-03	81.8	0	0.4968702	0.5212652
mastersplus	0.7111164	6.90E-03	103.1	0	0.6975975	0.726352
latino	0.001059	4.90E-03	0.22	0	-0.0085406	0.0106587
black	-0.0890747	4.66E-03	-19.12	0	-0.0982072	-0.0799421
other	-0.0324477	4.56E-03	-7.11	0	-0.0413927	-0.0235028
occ	-0.0004935	5.43E-06	-90.93	0	-0.0005042	-0.0004829
ind	-0.0002874	5.24E-06	-54.88	0	-0.0002976	-0.0002771
constant	7.725793	9.38E-03	823.82	0	7.707413	7.744174

Appendix F (continued): WLS Regression Results Corrected for Heteroskedasticity**Table 3.4:** WLS On Latino Wage

Number of obs	53,263
F(15,545982)	1471.39
Prob > F	0
R²	0.3626
Root MSE	0.94089

logwage	Robust Error HC3					95% Conf. Interval
	Coef.	Std. Err.	t	P> t		
arrests	-9.82E-08	1.63E-07	-0.6	0	-4.17E-07	2.21-e7
male	2.44E-01	9.10E-03	26.77	0	2.26E-01	2.61E-01
statefip	-0.0033464	2.44E-04	-13.69	0	-0.0038254	-0.0028673
potexp	0.0588712	1.33E-03	44.32	0	0.0562675	0.061475
potexp2	-0.0010474	3.22E-05	-32.55	0	-0.0011104	-0.0009843
incother	-0.0000173	3.05E-06	-5.68	0	-0.0000233	-0.0000113
uhrswork	0.042872	6.04E-04	70.98	0	0.0416881	0.0440558
highschool	-0.0611235	1.34E-02	-4.55	0	-0.0874293	-0.0348177
college	0.2930014	1.83E-02	16.03	0	0.2571703	0.3288325
mastersplus	0.5080894	2.29E-02	22.22	0	0.4632753	0.5529035
black	-0.0355862	3.36E-02	-1.06	0	-0.1013732	0.0302008
other	0.0003247	8.34E-03	0.04	0	-0.0160261	0.0166785
occ	-0.0004343	1.95E-05	-22.31	0	-0.0004724	-0.0003961
ind	-0.0002056	1.61E-05	-12.77	0	-0.0002371	-0.000174
constant	7.951115	3.13E-02	253.82	0	7.889715	8.012515

Appendix F (continued): WLS Regression Results Corrected for Heteroskedasticity**Table 3.5:** WLS With Illegal Density
Variable

Number of obs	53,263
F(15,53247)	1374.02
Prob > F	0
R²	0.3627
Root MSE	0.94085

logwage	Coef.	Robust Error HC3 Std. Err.	t	P> t 	95% Conf. Interval	
arrests	9.39E-07	4.64E-07	2.02	0	2.91E-08	1.85E-06
illegaldensity	-2.37E-02	1.01E-02	-2.35	0	-4.34E-02	-3.94E-03
male	0.2434808	9.10E-03	26.76	0	0.2256463	0.2613154
statefip	-0.003402	2.46E-03	-13.84	0	-0.0038837	-0.0029203
potexp	0.0588919	1.33E-03	44.33	0	0.0562878	0.061496
potexp2	-0.0010471	3.22E-05	-32.54	0	-0.0011102	-0.000984
incother	-0.0000173	3.05E-06	-5.69	0	-0.0000233	-0.0000114
uhrswork	0.0428767	6.04E-04	70.97	0	0.0416925	0.0440609
highschool	-0.061353	1.34E-02	-4.57	0	-0.087663	-0.035043
college	0.2932965	1.83E-02	16.05	0	0.2574713	0.321216
mastersplus	0.5082926	2.29E-02	22.24		0.4634964	0.5530888
black	-0.0373409	3.36E-02	-1.11	0	-0.1031737	0.0284919
other	-0.0016693	8.41E-03	-0.2	0	-0.0181459	0.0148073
occ	-0.0004347	1.95E-05	-22.33	0	-0.0004729	-0.0003965
ind	-0.0002056	1.61E-05	-12.77	0	-0.0002372	0.0001741
constant	7.972863	3.29E-02	242.52	0	7.9084027	8.037299

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