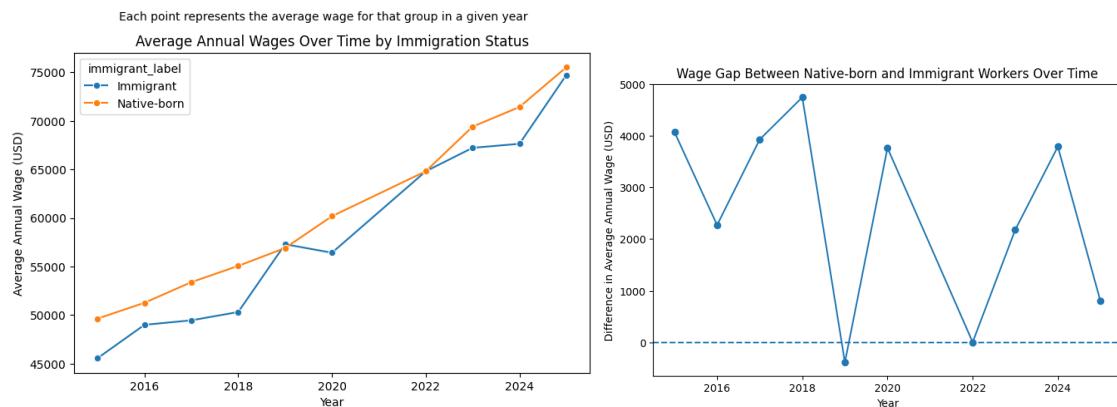


Introduction:

Immigration is often discussed when talking about wage inequality in the United States. Many people believe immigrants earn less than native-born workers. However, wage differences may be caused by other factors such as education, age, or changes in the economy over time. In this project I wanted to know: Do immigrants earn different wages than native-born workers once these factors are taken into account?

Data and Methods

To answer this question, I used data from the Current Population Survey (CPS), accessed through IPUMS CPS. The data includes annual wage income, immigration status, education, age, and survey year. I removed individuals with zero or negative wages and limited the sample to 18-65 year olds. Immigration status was coded as a binary variable indicating whether someone is immigrant or native-born.



The two figures show that average wages increase over time for both immigrants and native-born workers. While wages differ slightly from year to year, there is no clear or consistent pattern showing a large difference between the two groups over time.

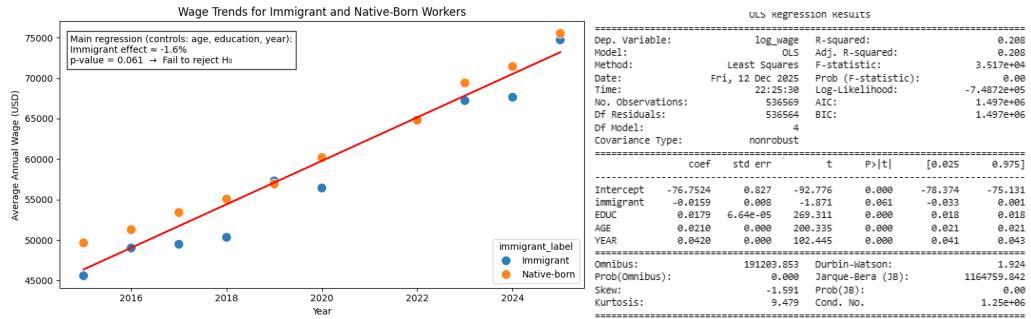
Statistical Methods:

To test the relationship between immigration status and wages, I used an Ordinary Least Squares (OLS) regression. The model predicts log wages using immigration status while controlling for education, age, and year.

$$\log(\text{Wage}) = \beta_0 + \beta_1(\text{Immigrant}) + \beta_2(\text{Education}) + \beta_3(\text{Age}) + \beta_4(\text{Year}) + \varepsilon$$

The null hypothesis is that immigration status has no effect on wages once these controls are included

Results



The regression results show that immigrants earn about 1.6 percent less than native-born workers after controlling for education, age, and year. However, this result is not statistically significant, with a p-value of 0.061. This means the observed difference could occur by chance more than 5 percent of the time, so I fail to reject the null hypothesis. A residual plot shows no strong pattern, suggesting the linear model is reasonable. However, this model does not control for occupation or location, which may also affect wages.

Conclusion:

I found that while wages increase over time for both groups, immigration status alone does not have a statistically significant effect on wages once education, age and year are taken as control. This means that the difference in wages is more likely due to other factors that are not immigration status.

Sources

IPUMS CPS. *Current Population Survey Microdata*.

<https://ipums.org>

U.S. Census Bureau. *Current Population Survey Technical Documentation*.