

New Foreign Immigrant Workers and the Labor Market in the  
U.S.: The Contributions of New Immigrant Workers to Labor  
Force and Employment Growth and Their Impact on Native  
Born Workers, 2000 to 2005

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Prepared for:

National Center on Education and the Economy  
Washington, DC

*August 2005*

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## Introduction

Foreign immigration into the U.S. has become one of the most powerful demographic, social, and economic forces in the nation over the past two decades; however, substantial controversy over its labor market, economic, and social impacts, both favorable and unfavorable, remains.<sup>1</sup> While immigrants were becoming a more important source of labor in the U.S. during the 1980s, they were largely ignored by most national studies of labor markets, social welfare policies, and workforce development policies during that period, including America's Choice: High Skills or Low Wages, the Ford Foundation's report on The Common Good in the late 1980's, the WT Grant Commission report on non-college bound youth The Forgotten Half, and the Cuomo Commission's reports on American economic competitiveness, including America's Agenda: Rebuilding Economic Strength.<sup>2</sup>

During the decade of the 1990's, foreign immigration played a very important but largely unrecognized role in generating population, labor force, and employment growth in the United States.<sup>3</sup> Over the decade, 13.65 million new immigrants arrived in the United States and were living in the nation at the time of the 2000 Census, accounting for 41 percent of the growth in the nation's resident population.<sup>4</sup> This group of new immigrants constituted

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<sup>1</sup>For examples of such studies on the impacts of foreign immigration on American workers and society, See: (i) Michael Barone, The New Americans: How the Melting Pot Can Work Again, Regency Publishing Inc., Washington, D.C., 2001. (ii) Roy Beck, The Case Against Immigration, W.W. Norton and Company, New York, 1996; (iii) Patrick J. Buchanan, The Death of the West, St. Martin's Press, New York, 2002; (iv) Nicolaus Mills, Arguing Immigration: Are New Immigrants A Wealth of Diversity or A Crushing Burden?, Simon and Schuster, New York, 1994; (v) James P. Smith and Barry Edmonston (Editors), The New Americans: Economic, Demographic, and Fiscal Effects of Immigration, Washington, D.C., 1997; (vi) Andrew Sum, W. Neal Fogg, et.al., The Changing Workforce: Immigrants and the New Economy in Massachusetts, Massachusetts Institute for A New Commonwealth and Citizen's Bank, Boston, 1999; (vii) Sanford J. Ungar, Fresh Blood: The New American Immigrants, Simon and Schuster, New York, 1995; (viii) George J. Borjas, Heaven's Door: Immigration Policy and the American Economy, Princeton University Press, Princeton, New Jersey, 1999; (ix) George Borjas, Increasing the Supply of Labor Through Immigration: Measuring the Impact on Native-Born Workers, Center for Immigration Studies, Washington, D.C., May 2004; (x) Andrew Sum, Ishwar Khatiwada, Johan Uvin and Dana Ansel, The Changing Face of Massachusetts, The Massachusetts Institute for A New Commonwealth, June 2005.

<sup>2</sup> See: (i) National Center on Education and the Economy, America's Choice: High Skills or Low Wages, Rochester, New York, 1990; (ii) The William T. Grant Foundation Commission on Work, Family, and Citizenship, The Forgotten Half: Non-College Youth in America, Washington, D.C., 1988; (iii) Ford Foundation Project on Social Welfare and the American Future, The Common Good: Social Welfare and the American Future, Ford Foundation, New York, 1989; (iv) Cuomo Commission on Competitiveness, America's Agenda: Rebuilding Economic Strength M.E. Sharpe, Armonk, NY, 1992 and (v) The Cuomo Commission on Trade and Competitiveness, A New American Formula for A Strong Economy, Simon and Schuster, Inc., New York, 1988.

<sup>3</sup> Our definitions of the immigrant or foreign born population and labor force include persons born in the outlying territories of the U.S., including Puerto Rico, the American Virgin Islands, Guam, and Samoa. While immigrants from the outlying territories are citizens, persons migrating to the U.S. from one of the territories add to the population and labor force of the nation as any other foreign immigrant would.

<sup>4</sup> See: (i) Andrew Sum, Neeta Fogg, Paul Harrington, et al., Immigrant Workers and the Great American Job Machine: The Contributions of New Foreign Immigration to National and Regional Labor Force Growth in the

the largest pool of immigrants ever to arrive on our shores during a given decade, substantially exceeding the numbers of immigrants who came to the U.S. during the Great Wave of immigration from 1890-1910. The contributions of foreign immigration to population growth over the 1990's, however, varied quite considerably across the nation by geographic region, state, and metropolitan area. In the Mid-Atlantic, New England, and Pacific regions, new immigration generated between two-thirds and 120 percent of the growth in the resident population while it accounted for only 11 to 20 percent of population growth in the East South Central and Rocky Mountain regions.<sup>5</sup>

New immigration played an even more powerful role in generating growth in the nation's resident civilian labor force and its employed population over the 1990's. An analysis of findings from the 1990 and 2000 Censuses of Population and Housing revealed that 47 percent of the increase in the nation's civilian labor force between 1990 and 2000 was due to new foreign immigrants, with nearly two-thirds of the growth in the male labor force being produced by new male immigrant workers.<sup>6</sup> The influence of immigration on labor force growth also varied considerably by geographic region, with the Pacific, New England, and Middle Atlantic divisions being entirely dependent on new waves of immigration for their labor force growth over the decade.<sup>7</sup>

The 1990's decade was characterized by nine consecutive years of real economic growth (from 1991-2000), strong increases in both civilian employment and wage and salary payroll employment especially from 1993-2000, and declining levels of unemployment that ultimately pushed the nation's overall unemployment rate down to 4.0% in 2000 for the first time in 31 years. However, both real output and employment growth came to an immediate halt in early 2001. A national recession set in during March of 2001, lasted through November of that year, and was followed by continued losses in the number of wage and

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1990s, Report Prepared for The Business Roundtable, Washington, D.C., August 2002; (ii) Andrew Sum, Ishwar Khatiwada, Nathan Pond and Jacqui Motroni, The New Great Wave: Foreign Immigration in Massachusetts and the U.S. During the Decade of the 1990s, Paper Prepared for the Teresa and H. John Heinz III Foundation, Washington, D.C., 2002.

<sup>5</sup>See: Andrew Sum, Ishwar Khatiwada, Kamen Madjarov, et al., The Impacts of Foreign Immigration on Population Growth, the Demographic Composition of the Population, Labor Force Growth, and the Labor Markets of the Northeast Region During the Decade of the 1990s, Report Prepared by the Center for Labor Market Studies, Northeastern University, Boston, for Fleet Bank, October 2003.

<sup>6</sup>See: Andrew Sum, Neeta Fogg, Paul Harrington, et al., Immigrant Workers and the Great American Job Machine....

<sup>7</sup>In both the New England and the Mid-Atlantic divisions, the resident labor force would have declined over the past decade in the absence of new immigration. More research, however, is needed into the impacts of new foreign immigration on the labor force behavior of the native born and established immigrants.

See: Andrew Sum, Ishwar Khatiwada, Kamen Madjarov, et al., The Impacts of Foreign Immigration on the Population Growth.....

salary jobs and rising unemployment through the summer of 2003. Between 2002 and January-June 2005, total civilian employment (seasonally adjusted number of persons 16+) increased by 4.365 million persons, and the number of nonfarm wage and salary jobs has grown by 2.764 million over the same time period.

What role has new immigration played in generating the change in civilian employment across the nation since 2000? How did the growth of the nation's new immigrant labor force and the number of employed new immigrants change over the past five years; i.e., from 2000 to early 2005? What share of the nation's labor force and employment growth in recent years was generated by new immigrant arrivals, i.e., those coming into the U.S. since 2000? Who were these new immigrant labor force participants? What do we know about their demographic and socioeconomic characteristics and their countries of origin? How did these new immigrants fare in obtaining employment when they did seek work and what types of jobs did they secure? What industries and occupations absorbed these new immigrants? How do human capital and demographic factors influence the earnings of America's young immigrant workers? How has their arrival affected the employment opportunities of key subgroups of native-born workers, especially young adults? Building on previous research work on immigrant labor force developments by the Center for Labor Market Studies, this research paper is designed to provide answers to these key labor market research questions.

### **An Overview of the Report**

The study will begin with a review of the key definitions, measures, and data sources underlying the estimates of the new immigrant population, labor force, and employed population appearing in the paper. This will be followed by estimated findings on the contributions of net international migration (foreign immigration-emigration) to U.S. population growth over the 2000-2004 period and to the growth of the resident population of selected states over the same four years. The third section of the paper will examine the age composition of the new immigrant population (those arriving in the U.S. between 2000 and 2005) and their labor force behavior at the time of the monthly CPS surveys in 2005. The fourth section of the paper will present estimates of the share of national civilian labor force and employment growth over the 2000-2005 period that was generated by new immigrants and provide similar estimates for selected states.

The fifth section will examine the demographic and socioeconomic characteristics of new immigrant labor force participants in 2005 and describe the patterns of labor force

participation rates and unemployment rates of new immigrants by educational attainment subgroup. The sixth section will review key findings of our analysis of the characteristics of the jobs held by employed new immigrants (class of worker status,<sup>8</sup> industries of their employers, occupations) and compare their job characteristics with those of native-born workers across the nation. The seventh section will compare the weekly wages and annual earnings of young immigrant workers with those of their native-born counterparts and analyze the determinants of the annual earnings of employed foreign-born workers. The eighth section will present findings of the impacts of foreign immigration on the employment rates of selected groups of young native-born workers (16-24). The final section will provide a brief summary of key findings of our analysis and assess a few of their implications for future labor market, immigration, and workforce development policies.

### **Key Definitions and Data Sources**

This paper frequently refers to “foreign immigrants” and “new foreign immigrants” and their labor force behavior. The definition of a “foreign immigrant” in this paper is an individual who was born outside of the 50 states and the District of Columbia.<sup>9</sup> Persons born in one of the outlying territories of the United States (U.S. Virgin Islands, Puerto Rico, Guam) are categorized as “foreign born”. This treatment is justified for the following reasons. A person who emigrates from Puerto Rico to the United States adds to the population of the nation in the same manner as an immigrant from Canada, Mexico, or Brazil. Besides, previous analyses of the demographic/socioeconomic characteristics and labor market, income, and poverty problems of immigrants from the U.S. territories have revealed that they are quite similar to those of many other immigrants from Central and South America and the Caribbean.<sup>10</sup> The report also frequently refers to “new immigrants”. A “new immigrant” is a foreign born person who arrived in the U.S. between 2000 and the time of the monthly CPS household surveys in calendar year 2005.<sup>11</sup>

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<sup>8</sup> Class of worker status refers to the type of employment relationship of the worker (self-employed, wage and salary worker, unpaid family member) and the public/private characteristics of the employers of the immigrant wage and salary workers.

<sup>9</sup> Persons born outside the U.S. but to U.S. parents temporarily living abroad are classified as native born individuals in this paper.

<sup>10</sup> See: Andrew M. Sum, W. Neal Fogg, et.al., The Changing Workforce: Immigrants and the New Economy in Massachusetts, Massachusetts Institute for a New Commonwealth, Boston, 1999.

<sup>11</sup> The monthly CPS questionnaire collects information from each foreign born person on the timing of their arrival in the United States. Persons arriving from 2000 onward can be identified on the public use tapes provided by the U.S. Bureau of Labor Statistics.

The estimates of the numbers, demographic characteristics, and labor force behavior of new immigrants over the 2000-2005 period are based on the findings of the monthly CPS household surveys for the January-April period of 2005. The CPS survey public use files are provided by the U.S. Bureau of Labor Statistics.<sup>12</sup> The CPS household survey is a national labor force survey of approximately 60,000 households that is conducted monthly by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. It is the basis for the monthly national estimates of the size of the U.S. civilian labor force and the employed and unemployed populations. The U.S. Census Bureau's estimates of the annual size of the resident population of the nation and individual states and the sources of population change are the basis for our estimates of the contribution of net international migration to population growth over the 2000-2004 period.

#### **Foreign Immigration's Impacts on Population Growth, 2000-2004**

Each year, the U.S. Census Bureau provides estimates of the size of the resident population of the nation, geographic regions and divisions, and individual states. Growth of the population is tracked annually as well as components of population growth. At the national level, population growth is generated by an excess of births over deaths (i.e., natural increase) and net international migration, i.e., the difference between the flows of foreign immigrants into the U.S. and emigrants from the U.S. to countries abroad. At the regional and state level, population change is also generated by net domestic migration, the difference between the number of migrants into a state from other states and out-migration to other states.

For the nation as a whole, between April 2000 and July 2004, the U.S. Census Bureau has estimated that the population increased from 281.4 million to nearly 293.7 million, a gain of 12.3 million or 4.3% (Table 1). Net international migration was 5.330 million over the same four-year period, contributing nearly 44 percent of the growth in the nation's population. Nearly half of this immigrant population growth, however, is believed to be due to undocumented immigration, i.e., illegals.<sup>13</sup> Population estimates for the two most recent years (July 1, 2002 – July 1, 2003 and July 2003 – July 2004) indicate a very similar role

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<sup>12</sup> For details on the key design features of the CPS survey, See: U.S. Bureau of Labor Statistics, Employment and Earnings, January 2005, "Appendix A", U.S. Government Printing Office, Washington, D.C., 2005.

<sup>13</sup> See: (i) Steven A. Camarota, Economy Slowed, But Immigration Didn't: The Foreign-Born Population, 2000-2004, Center for Immigration Studies, Washington, D.C., November 2004; (ii) Jeffrey S. Passel, Estimates of the Size and Characteristics of the Undocumented Population, Pew Hispanic Center, Washington, D.C., March 2005.

played by net international immigration. Net immigration is estimated by the U.S. Census Bureau to have generated 45 percent of the nation’s population growth over the 2002-2003 period and 43 percent of the nation’s population growth over the 2003-2004 period (Table 1).

Table 1:  
The Contributions of Net Foreign Immigration to Population Growth in the  
U.S., April 2000 – July 2004 (Numbers in 1000s)

Time Period	Base Period Population	Ending Period Population	Change in Population	Net International Immigration	Net Immigration as % of Population Change
April 2000 – July 2004	281,422	293,655	12,233	5,330	43.6
• July 2002 – July 2003	287,941	290,789	2,848	1,286	45.2
• July 2003 – July 2004	290,789	293,655	2,866	1,221	42.6

Source: U.S. Census Bureau, web site, “Annual Estimates of the Components of Population Change for the United States, April 2001 – July 2004, and July 2002 – July 2004.”

Net international immigration represents the difference between the flow of new foreign immigration into the country and emigration abroad (movement of both the native born and the foreign born to other countries during a given time period). Earlier, we noted that during the decade of the 1990s 41 percent of the nation’s population growth came from new foreign immigration alone, excluding the effects of emigration abroad. Our estimate of the number of new immigrants into the U.S. between 2000 and October 2004 who were living in the U.S. at the time of the January-October 2004 CPS survey is 6.184 million.<sup>14</sup> This group of new immigrants, thus, accounted for 50 percent of the growth of the U.S. population between 2000 and 2004, a new historical high for the nation. During the Great Wave of Immigration in the 1890-1900 and 1900-1910 decades, new immigrants contributed only 25 and 35 percent of the nation’s population growth, respectively.<sup>15</sup>

As was the case in the 1990s, the share of population growth due to net international immigration over the April 2000-July 2004 period varied considerably across the 50 states (Table 2). In the 10 states most dependent on foreign immigration for their population growth over the 2000-2004 period, immigration contributed 59 to 224 percent of population

<sup>14</sup> The midpoint of our estimates for 2004 are June 1, 2004, and we are capturing new immigrants from January 2000 onward. Our time period is, thus, only two months longer than the April 1, 2000 – July 1, 2004 population estimates of the U.S. Census Bureau.

<sup>15</sup> See: Andrew Sum, Ishwar Khatiwada, Nathan Pond, and Jacqui Motroni, The New Great Wave: Foreign Immigration in Massachusetts and the U.S. During the Decade of the 1990s, Paper Prepared for the Teresa and H. John Heinz Foundation, Washington, D.C., June 2002.

growth. States in the Northeast region and in the Midwest dominated this top ten list.<sup>16</sup> Most of these states also were large states in terms of population. All of the population growth in Massachusetts and New York was due to new foreign immigration. Both states experienced high levels of domestic out-migration over the past four years and would have faced population declines in the absence of these new waves of immigration. In Connecticut, New Jersey, and Pennsylvania, two-thirds to 86 percent of resident population growth over the 2000-2004 period was generated by new foreign immigration. In the Midwest region, Iowa and Illinois had 90 percent or more of their population's growth produced by foreign immigration while Michigan and Ohio had 60 percent of the increase in their resident population generated by new immigrants. California was the only state in the Western region to make the top ten list, with 59 percent of its growth being the result of new foreign immigration. Not one state in the South made the top ten list on this immigrant population growth measure. However, Georgia, Florida, North Carolina, and Texas were major recipients of new immigrants over the 2000-2004 period.

Table 2:  
Foreign Immigration's Contributions to the Population  
Growth of Selected States, April 2000 – July 2004

State	Percent of Population Growth Due to Net International Immigration
California	59
Connecticut	65
Illinois	94
Iowa	89
Massachusetts	204
Michigan	60
New Jersey	86
New York	224
Ohio	60
Pennsylvania	69

Source: U.S. Census Bureau, "Cumulative Estimates of the Components of Population Change for the United States and States: April 1, 2000 to July 1, 2004".

### **The Age Structure of the New Immigrant Population**

The impacts of new immigrants on the labor force of the nation will be heavily dependent on the age characteristics of these new immigrants and their labor force participation behavior. The civilian labor force statistics of the U.S. Bureau of Labor Statistics are based upon the working-age population; i.e., those persons 16 and older. Of the

<sup>16</sup> The Northeast region as defined by the U.S. Census Bureau consists of the six New England states and the three Mid-Atlantic states of New Jersey, New York, and Pennsylvania.

7.58 million new immigrants residing in the U.S. between January – April of 2005, nearly 6.12 million of them or 81% were of working-age (Table 3). Many of these working-age immigrants were quite young. Fifty percent of the working-age new immigrants were under age 30, and two-thirds of them were under the age of 35 (Table 4). Only six percent of these new immigrants were 55 years of age or older. Thus, not only were the vast majority of these new immigrants of working-age, but many of these working-age individuals were in those age groups where labor force participation rates are typically the highest. For example, 70 of every 100 new immigrants between the ages of 25-34 were actively participating in the civilian labor force in 2005 versus only 35 of every 100 new immigrants 55 and older.<sup>17</sup>

Table 3:  
Estimates of the Number of New Immigrants and Working-Age Immigrants in the U.S., 2005  
(January – April Averages)

Group	Number	Percent of New Immigrants
All new immigrants <sup>(1)</sup>	7,583,471	100.0
Working-age immigrants	6,119,951	80.7

Source: January – April 2005 CPS surveys, public use files, tabulations by authors.

Note: <sup>(1)</sup> New immigrants are those who arrived in the U.S. between 2000 and April 2005. Immigrants include persons who arrived from Puerto Rico, Guam, the U.S. Virgin Islands, and other outlying territories of the United States.

Table 4:  
The Age Distribution of the Working-Age New Immigrant Population in the U.S., 2005  
(January – April Averages)

Age Group	Number in 1000s	Percent
All	6,119,951	100.0
16 – 24	1,741,220	28.5
25 – 29	1,324,808	21.6
30 – 34	1,022,172	16.7
35 – 44	1,131,813	18.5
45 – 54	538,693	8.8
55 – 64	197,450	3.2
65+	163,800	2.7

Source: January – April 2005, CPS surveys, public use files, tabulations by authors.

### **The Labor Force Behavior of New Immigrants and their Contributions to U.S. Labor Force Growth Between 2000 and 2005**

The monthly CPS surveys are used to collect information on the labor force behavior of all working-age respondents at the time of the survey. The January-April 2005 CPS

<sup>17</sup> These estimated civilian labor force participation rates were based upon immigrants' behavior during the January-April period of 2005.

survey data were analyzed to identify the labor force status of new working-age immigrants over this four-month period. Of the 6.12 million new immigrants of working age, we estimate that approximately 4.02 million were actively participating in the civilian labor force, on average, during the first four months of 2005, yielding a civilian labor force participation rate of 65.6% (Table 5). Of the 4.02 million immigrants in the civilian labor force, 3.76 million were employed, producing an unemployment rate of 6.4% for the first four months of 2005. While this unemployment rate was slightly more than 1 percentage point higher than that of the native-born labor force, a substantial majority of these new immigrant labor force participants were able to secure some type of job. Findings indicate that 94 of every 100 new immigrants actively participating in the civilian labor force in 2005 were able to find employment.

Table 5:  
The Civilian Labor Force Participation Status of New Working Age Immigrants in the U.S., 2005  
(January – April Averages in 1000s)

Working Age Population (16+)	Civilian Labor Force	Labor Force Participation Rate (in %)	Employed	Unemployed	Unemployment Rate
6,119.9	4,017.2	65.6	3,760.2	256.9	6.4%

Source: January – April 2005, CPS public use files, tabulations by authors.

How did the arrival of these new immigrants over the past five years influence the growth of the U.S. labor force? To begin to answer this question, we first compared the number of new immigrant labor force members with the growth of the overall civilian labor force of the U.S. between 2000 and the January-April period of 2005. Between 2000 and the first four months of calendar year 2005, the aggregate number of participants in the U.S. civilian labor force increased by 5.115 million (Table 6). During those same four months in 2005, there were 4.015 million new immigrants in the U.S. labor force, representing slightly more than 78% of the growth in the U.S. civilian labor force over the past five years (Table 6).

Table 6:  
Comparisons of Growth in the Overall U.S. Civilian Labor Force with the  
Number of New Immigrant Labor Force Participants, 2000 – 2005  
 (With and Without adjustments for 2000 Arrivals)

Scenario	Overall Civilian Labor Force Growth, 2000 – 2005	New Immigrants In Civilian Labor Force	Percent of Labor Force Growth Due to New Immigrants
Base Scenario	5,115	4,017	78.5
Alternative Scenario #1	5,115	3,348	65.5
Alternative Scenario #2	5,115	3,443	67.3

Sources: (i) U.S. Bureau of Labor Statistics, web site.  
 (ii) CPS monthly surveys, January – April 2005, tabulations by authors.

Features of Alternative Scenarios on New Immigrant Labor Force Growth

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- Alternative Scenario #1: The distribution of the number of new immigrant labor force participants in 2005 by year of arrival in the U.S. was the same for all five years over the 2000 – 2005 period.
- Alternative Scenario #2: The number of new immigrant labor force participants who remained in the U.S. by year of arrival in the U.S. fell by five percentage points per year between 2000 and 2005.
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The 4.017 million new immigrants in the resident labor force of the nation in 2005 include all persons who claimed in the CPS interview that they had arrived in the U.S. at some time between 2000 and 2005. Some of these immigrants would have come to the U.S. in 2000 and joined the labor force in that same calendar year. Thus, they would have been included in the 2000 civilian labor force totals. We, thus, need to adjust the 4.017 million new immigrant estimate to exclude those individuals who arrived in the U.S. in 2000 and joined the labor force that same year. We make these adjustments under two sets of assumptions about the timing of the arrival and departure of these new immigrants who came to the U.S. between 2000 and 2005. Under the first set of assumptions (Alternative Scenario #1), we distribute the 4.017 million labor force participants evenly across the six years from 2000 to 2005. The U.S. Census Bureau’s estimates of annual net international migration over the 2000-2004 period suggest a fairly uniform annual level of net immigration. Under this assumption, we allocate one sixth of new immigrant labor force participants to calendar year 2000 and re-estimate the number of new immigrants in the labor force in 2005 at 3.348 million. They represent 65% or nearly two-thirds of the increase in the nation’s entire civilian labor force between 2000 and 2005 (Table 6).

Under the second set of assumptions, we assume that a percentage share of the new immigrants will leave the nation each year. Reliable, independent estimates of emigration levels and rates are difficult to come by since there is no worldwide data base that tracks arrivals of emigrants from the U.S. to other countries. The U.S. Census Bureau had estimated annual emigration levels of about 280,000 in the late 1990s or somewhat less than one percent of the nation's overall immigrant population.<sup>18</sup> Immigration rates are likely to vary considerably by country of origin and regions within those countries. Independent estimates of return migration by Mexican immigrants from the Western region of the country reveal very high return rates of nearly 40 percent over a two year period.<sup>19</sup> Given that newer arrivals are much more likely to leave than long established immigrants, we assume under Alternative Scenario #2 that 5% of the new immigrants leave each year during their first five years following their initial arrival in the U.S. Thus, only 75% of those who arrived in 2000 will still be here in 2005 versus 90% of those who arrived in 2003 and 100% of those who came in 2005. Under this set of assumptions, there were 3.443 million new immigrants in the civilian labor force in 2005. They represented nearly 67% of the growth in the nation's civilian labor force between 2000 and 2005 (Table 6). Whether one uses the findings from Alternative Scenario #1 or #2, the results are quite similar: somewhere between 65 and 67 percent of the nation's labor force growth between 2000 and first four months of 2005 was attributable to new foreign immigration. This share substantially exceeds the estimated 47% share of labor force growth accounted for by new immigrants over the decade of the 1990s. At no time since the end of World War II and likely since the beginning of the twentieth century have new immigrants produced such a large share of the nation's labor force growth.<sup>20</sup> Unfortunately, a high share (50 percent) of this recent immigrant labor force growth is believed to be due to undocumented immigrants who have contributed to a growing informal labor market in the U.S.

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<sup>18</sup> The U.S. Census Bureau estimate of 280,000 emigrants per year for the 1998-99 period would represent an annual leaving rate of slightly below 1% of the nation's total immigrant population. Recent arrivals are more likely to return home each year. For a review of the U.S. Census Bureau's estimates of emigration from the U.S.,

See: U.S. Census Bureau, Population Division, Measurement of Net International Migration to the U.S., 1990 – 2000, Washington, D.C., December 2001.

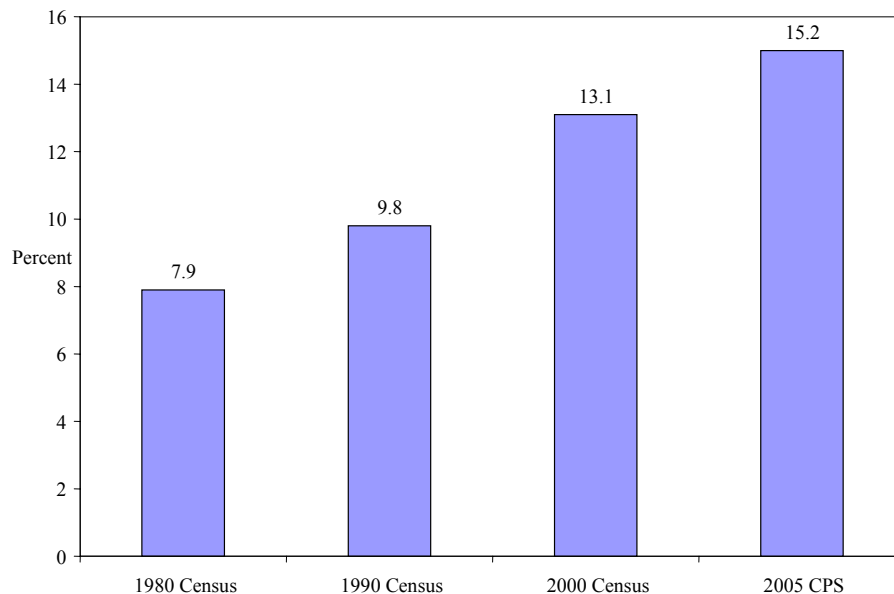
<sup>19</sup> Previous studies of Mexican immigrants in the U.S. reveal that nearly half of the immigrants from Western Mexico return home in two years.

See: Public Policy Institute of California, Vast Majority of Mexican Immigrants to the United States Do Not Stay, Study Finds, January 1997, Press Release.

<sup>20</sup> Labor force statistics from the decennial Censuses have only been available since 1940. Some of the prior censuses had collected data on the gainful employed, but estimates of new immigrants in the gainful employment pool are not available.

As a consequence of high and rising levels of foreign immigration into the U.S. over the past few decades, the immigrant share of the nation's civilian labor force has grown steadily and sharply (Chart 1). At the time of the 1980 Census, only 8 percent of the members of the U.S. labor force were estimated to be immigrants. Their share of the nation's labor force rose to nearly 10 percent by 1990, to 13% by 2000, and to 15.2% during the first 4 months of 2005. This 15.2% share is the highest at any time since the end of World War II.

Chart 1:  
Foreign Born Labor Force Participants as a Percent of the  
U.S. Civilian Labor Force, Selected Years, 1980 – 2005



The impact of new foreign immigration on labor force growth over the 2000-2005 period varied widely across states. In 14 states, new foreign immigrants generated 60 percent or more of their labor force growth between 2000 and 2005, with six states (New York, New Jersey, Delaware, California, Maryland, and Oregon) being totally dependent on immigration for their labor force growth over the past five years (Table 7). In addition to these 14 states, there were six other states and the District of Columbia whose resident labor forces are estimated to have declined between 2000 and the first four months of 2005 despite new foreign immigration.<sup>21</sup> These states included Tennessee, Illinois, Massachusetts, Wisconsin, the District of Columbia, Michigan, and Alabama. The population growth of several of these states over the past four years was strongly dependent on new foreign immigration.

<sup>21</sup> The estimated sizes of their labor force declines ranged from a low of -12,000 in Wyoming to -38,000 in Illinois and Massachusetts.

Table 7:  
Fourteen States with 64 Percent or More of Their Labor Force Growth  
Between 2000 and 2005<sup>(1)</sup> Due to New Immigrants

State	Percent of Labor Force Growth
New York	255.0
New Jersey	141.1
Delaware	131.3
California	120.2
Maryland	109.4
Oregon	103.2
Missouri	91.1
Pennsylvania	86.4
Connecticut	81.1
Rhode Island	77.0
North Carolina	74.7
Georgia	68.0
Ohio	64.5
Kentucky	64.5

Note: <sup>(1)</sup> Civilian labor force estimates for 2005 are based on the findings of the CPS household surveys for January – April 2005. These estimates are not seasonally adjusted.

### **New Immigrants and Their Share of the Gains in Civilian Employment in the U.S., 2000-2005**

From 1992 to 2000, the U.S. economy generated large and steady gains in employment. In early 2001, the U.S. economy entered a recession that, according to estimates of the National Bureau of Economic Research, lasted from March through November of that year. Though real output as measured by constant dollar GDP began to recover in the last quarter of 2001, the number of employed civilians continued to decline through most of 2002, and the nation's aggregate unemployment rate rose from 4.0% in 2000 to a peak of 6.3% in June of 2003. Total national civilian employment (16+) began to increase in late 2002.<sup>22</sup> During the first four months of 2005, civilian employment in the U.S. averaged 139.892 million, a rise of 2.990 million over the 2000 annual average employment level of 136.9 million (Table 8). Yet, the number of new immigrants employed in the first nine months of 2005 was 3.760 million, equivalent to 126% of the gain in national employment between 2000 and the first four months of 2005. In other words, all of the modest net increase in the number of employed civilians over the past four to five years was attributable to the employment of immigrants who arrived in the U.S. between 2000 and 2005. This is an astonishing finding, with similar results reported for an earlier period by the authors of this

<sup>22</sup> We distinguish CPS estimates of civilian employment from the CES payroll employment count. Payroll employment as measured by the number of wage and salary jobs on the official payrolls of nonfarm private sector firms and government agencies continued to decline through the late summer of 2003 before recovering. Nearly 3.42 million wage and salary jobs were added between August of 2003 and April 2005.

report and in many key respects by Steven Camarota of the Center for Immigration Studies, but until recently largely ignored by the national media and both political parties.<sup>23</sup>

Table 8:  
The Estimated Share of the Gain in National Civilian Employment (16+)  
Between 2000 and 2005 Attributable to New Immigrants in the U.S. Under  
Alternative Assumptions About the Timing of Their Arrival in the U.S.  
(2000 to 2005 January – April)

Assumptions about the Timing of Arrival of Immigrant Employment	2000 Total Employed (in 1000s)	2005 Total Employed (in 1000s)	Change in Employment, 2000 – 2004 (in 1000s)	Number of New Immigrant Employed (in 1000s)	New Immigrant Share of Gain in Employment (%)
Baseline	136,902	139,892	2,990	3,760	126
Scenario #1	136,902	139,892	2,990	3,133	105
Scenario #2	136,902	139,892	2,990	3,223	108

The estimated 3.760 million new immigrants employed in 2005 include some immigrants who arrived in the U.S. in 2000 and became employed during that year. As was the case for our earlier estimates of immigrants’ contributions to national labor force growth, we need to adjust the estimates of the new immigrant employed to exclude those individuals who would have been counted in the ranks of the employed in 2000. Using the same two sets of assumptions as in our earlier estimates of the contributions of new immigrants to national labor force growth between 2000 and 2005, we estimate that the number of new immigrants employed in 2005 was some where between 3.133 million and 3.223 million (Table 8). Under either of these two scenarios or under the baseline scenario, all of the growth in national civilian employment between 2000 and 2005 was due to the hiring of new immigrants. For the first time in the post-WWII era, new immigrants accounted for all the growth in employment over a four to five year period. Over the same time period, the number of employed native born and established immigrant workers is estimated to have declined by anywhere between 143,006 and 770,000 (Table 8).<sup>24</sup>

While these new immigrant workers can be found in every state across the country, they are heavily concentrated in a number of large states. The ten states with the largest

<sup>23</sup> See: (i) See: Andrew Sum, Paul Harrington, and Ishwar Khatiwada, New Foreign Immigrants and the Labor Market in the U.S.: The Unprecedented Effects of New Foreign Immigration on the Growth of the Nation’s Labor Force and Its Employed Population, 2000 to 2004, Center for Labor Market Studies, Northeastern University, Boston, 2004, (ii) Andrew Sum, Ishwar Khatiwada, and Paul Harrington, New Foreign Immigrant and the Labor Market: The Unprecedented Effects of New Foreign Immigration on the Growth of the Labor force and its Employed population, 2000-2004, Center for Labor Market Studies, Northeastern University, Boston, report prepared for the House Subcommittee on Immigration, Border Security and Claims, May 2005; (iii) Steven A. Camarota, A Jobless Recovery? Immigrant Gains and Native Losses, Center for Immigration Studies, Washington, D.C., 2004.

<sup>24</sup> Established immigrants are those who arrived in the U.S. prior to 2000. Their unemployment rates rose between 2000 and 2004, reducing their E/P ratios and employment levels.

numbers of new immigrant workers are displayed in Table 9. The number of new immigrant workers in these ten states ranged from 102,000 in Maryland to nearly 789,000 in the state of California. Four states (New York, Florida, Texas, and California) were home for 277,000 to 789,000 more new immigrant workers in 2005. The combined number of new immigrant workers in these ten states was 2.596 million, accounting for more than two-thirds of the total number of new immigrant workers across the entire country.

Table 9:  
Ten States with the Largest Number of New Immigrant Workers in 2005  
(January – April Averages, Not Seasonally Adjusted)

State	Number
California	788,892
Texas	390,409
Florida	342,232
New York	277,389
New Jersey	163,213
Illinois	153,085
Georgia	140,139
North Carolina	135,539
Virginia	102,850
Maryland	102,161
Grand Total	2,595,909

Source: Monthly CPS surveys, public use files, January-April 2005, tabulations by authors.

The contributions of new foreign immigrant workers to employment growth over the past five years also varied widely by state. Not all states had achieved resident civilian employment levels in 2005 that were above those prevailing in 2000. Twelve states (including Alabama, Illinois, Indiana, Massachusetts, Michigan, Missouri, Ohio, and Tennessee) and the District of Columbia still had not recovered their 2000 peak employment levels despite increases in new immigrant employment, clearly suggesting the displacement of some native born workers in those states. There were 13 other states where new immigrant workers accounted for all of the growth in resident employment between 2000 and 2005. Among these thirteen states were five of the nine Northeastern states (Connecticut, New Jersey, New York, Pennsylvania, and Rhode Island) but also three Southern states, including, Maryland, Georgia, and North Carolina.

Table 10:  
Thirteen States Where New Immigrant Workers Accounted for 100% or  
More of the Growth in Employment Between 2000 and 2005

State	Share of Employment Growth Due to New Immigrants (in %)
Connecticut	886.7
New York	588.5
Oregon	517.9
Pennsylvania	217.8
New Jersey	214.7
Delaware	200.7
Maryland	162.6
California	155.8
North Carolina	124.1
Rhode Island	122.5
Nebraska	114.0
Maine	109.3
Georgia	108.2

Source: CPS monthly public use files, January – April 2005, tabulations by authors.

### **The Demographic Characteristics of New Immigrant Labor Force Participants in the U.S.**

Who are these new immigrant members of the nation’s civilian labor force? The monthly CPS questionnaire collects information on the demographic and socioeconomic characteristics of all household members in the sample. We have combined this set of demographic and socioeconomic background data with information on the labor force status of the working-age new immigrant population to produce a demographic profile of the new immigrant labor force. Findings of our analysis of the gender, age, race-ethnic, and educational attainment backgrounds of these new immigrant workers are displayed in Table 11.

Table 11:  
Gender, Age, Race-Ethnic and Educational Attainment  
Characteristics of the New Immigrant Labor Force in the U.S., 2005  
 (January – April Averages)

Demographic Traits	Percent
<b>Gender</b>	
• Men	67
• Women	33
<b>Age Group</b>	
• 16 – 24	25
• 25 – 34	41
• 35 – 44	21
• 45 – 54	10
• 55 – 64	3
• 65+	<1
<b>Race-Ethnic Origin</b>	
• Asian	17
• Black	9
• Hispanic	56
• Other, mixed race	1
• White, not Hispanic	17
<b>Educational Attainment</b>	
• <12 or 12 no diploma	35
• High School diploma/GED	25
• 13 – 15 years, including Associate’s Degree	13
• Bachelor’s or Higher Degree	27

Of the 4.017 million new immigrants who were actively participating in the nation’s civilian labor force in the first four months of 2005, 2.695 million, or slightly more than two-thirds, were men. The high share of immigrant workers who are male is due in large part to the substantial gender difference in labor force participation rates among new immigrants. The male share of new immigrant labor force members was well above that for the native born labor force among whom men were only 52 percent of the civilian labor force in 2005. The gender composition of these new immigrant labor force participants, however, varied considerably by country of origin. Overall, there were 204 immigrant men in the labor force for every 100 women. Among new immigrant workers from the top ten countries sending the highest number of immigrants to the U.S., the number of males per 100 females ranged from lows of 64 for the Philippines and 106 for Vietnam to highs of 319 for Mexico and 431 for Honduras.

Most of these new immigrant workers were relatively young and few were older than 55. Twenty-five percent of these new labor force participants were under the age of 25 and

two-thirds were under age 35. There appears to be substantial competition for many entry-level jobs between younger native born workers and immigrants. There has been a substantial drop in the employment/population ratios of teens and young adults (20-29 year olds) without college degrees in the U.S. since 2000, indicating job displacement of some native born workers by newly employed immigrants.<sup>25</sup> Relatively few (3%) of these new immigrant workers were 55 and older. Native born workers in this age group (55+), particularly among women, were the only demographic group in the nation to experience a rise in its E/P ratio over the past five years.

Given the high levels of new immigration from Mexico, Central America and South America, it comes as no surprise to discover that Hispanics were the largest race-ethnic group of new immigrant labor force participants (Table 11). A majority (56%) of the new immigrant workers were reported to be Hispanic. Asians (17%) and non-Hispanic Whites (17%) were the second largest groups. Only 9% of these new immigrant workers were Black, non-Hispanics from the Caribbean and Africa.

Similar to earlier findings from the 1990s, the educational attainment levels of these new immigrant labor force participants were quite diverse (Table 11). The largest single group (35%) consisted of those immigrants who lacked a high school diploma from both their native country and the U.S. Another one-fourth of these immigrant labor force participants reported that they had graduated from high school but did not complete any years of post-secondary schooling. At the upper end of the educational attainment distribution, 27 percent of the new immigrant labor force members held a Bachelor's or more advanced academic degree.

To examine the simple statistical associations between the educational attainment of these new immigrants and their labor force behavior, we estimated the 2005 labor force participation rates, unemployment rates, and employment/population ratios of new 20-65 year old immigrants in six educational subgroups, ranging from those lacking a high school diploma to those holding a Master's or higher academic degree (Table 12). For members of both gender groups combined, 70 percent were actively participating in the civilian labor force. Surprisingly, there were typically only modest differences in the labor force participation rates of these new immigrants across educational groups. New immigrants with

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<sup>25</sup> See: Andrew Sum, Ishwar Khatiwada, with Sheila Palma, "The Age Twist in Employment Rates, 2000-2004", Challenge: The Magazine of Economic Affairs, Vol. 48 No. 4, July-August 2005, pp.-68, ME Sharpe Publication, New York.

a high school diploma were modestly more likely than those lacking a high school diploma (72% vs. 70%) to be actively participating in the civilian labor force in 2005 and were just as likely to be doing so as their peers with a Master's or other advanced degree.<sup>26</sup> Overall 6.1% of these new immigrant labor force participants were unemployed. Immigrants without any post-secondary education typically encountered the highest unemployment rates (6.8%) while the unemployment rate of immigrants with a Master's or higher degree was only 3.5%.

Table 12:  
Labor Force Participation Rates, Unemployment Rates, and Employment/Population Ratios of 20-65 Year Old New Immigrants in the U.S., by Educational Attainment, 2005  
(January – April Averages)

Educational Attainment	Labor Force Participation Rates	Unemployment Rates	E/P Ratios
<12 or 12, no diploma/GED	70.4	6.8	65.6
H.S. Diploma/GED	72.2	6.8	67.3
13 – 15 Years, no Degree	67.8	4.8	64.5
Associate's Degree	73.8	6.9	68.7
Bachelor's Degree	67.8	5.5	64.1
Master's or Higher Degree	71.1	3.5	68.6
All 20-65 Year Olds	70.3	6.1	66.0

Source: January – April 2005 CPS public use files, tabulations by authors.

During the first four months of 2005, sixty-six percent of the working-age new immigrants were employed, with these E/P ratios ranging from a low of 64 percent among those with a Bachelor's degree to a high of nearly 69 percent for those with an Associate's or Master's degree. Among these new immigrants, E/P ratios of men and women varied considerably, both overall and across educational subgroups. Eighty-five of every 100 immigrant males were employed in 2005, including 87 percent of male immigrants lacking a high school diploma, versus only 38 of every 100 immigrant women, a near 49 percentage point difference. The 87 percent employment rate for immigrant males with no high school diploma is extraordinarily high, particularly in comparison to the E/P ratios for native born, male dropouts. Only 57 of every 100 male dropouts under 30 and only 34 of every 100 Black male dropouts under 30 were employed in 2004. The high levels of employment among poorly educated and young immigrant males accompanied by sharp declines in the E/P ratios of native born males in similar schooling and age groups also provide evidence of labor market displacement effects from new immigration in recent years. For example, the male teen E/P ratio in the U.S. had declined by nearly 10 percentage points between 2000 and

<sup>26</sup> The below average participation rate of those immigrants with a Bachelor's degree is partly related to their higher college enrollment rate in 2004. We can identify the school enrollment status of immigrant youth under age 25, but not for those 25 and older.

2004, and male 20-24 year olds lacking a four year college degree saw their E/P ratio drop by nearly six percentage points over the same time period.<sup>27</sup>

Table 13:  
Employment/Population Ratios of 20-65 Year Old  
New Immigrants by Gender and Educational Attainment, 2005  
(January – April Averages, Numbers in %)

Educational Attainment	Men	Women	Men – Women
<12 or 12, no diploma/GED	87.2	38.4	48.8
High school diploma/GED	85.3	48.1	37.2
13-15 years, no degree	84.5	42.7	41.8
Associate’s degree	87.0	55.1	31.9
Bachelor’s degree	81.2	47.6	33.6
Master’s or higher degree	82.6	51.8	30.8
All	85.0	45.1	39.9

Source: January – April 2005 CPS public use files, tabulations by authors.

### **The Countries of Origin of New Immigrant Labor Force Participants in 2005**

The monthly CPS questionnaire also captures information on the countries of origin of foreign immigrants as well as the timing of their arrival in the U.S. A substantial majority (60%) of the new immigrant workers had come from Mexico, Central America, and South America, with Mexico alone accounting for 37% of the group (Table 14). Another 20 percent of the new immigrant workers came from Asia. Only 8 percent of these new immigrants migrated from Europe, including Russia. Africa was home for another 4 percent and only 1 percent came from Canada.<sup>28</sup>

Table 14  
Percentage Distribution of New Immigrant Labor Force Participants in the U.S. by  
Region of World from Which They Migrated, 2005 (January – April Averages)

Region of World	Percent of Immigrant Workers
Latin America, including Mexico	60
Asia	20
Europe, excluding Russia	7
Africa	4
Outlying territories of U.S.	2
Canada	1
Russia	1
All Other	4

Source: CPS surveys, January – April 2005 public use files, tabulations by authors.

<sup>27</sup> See: Andrew Sum, Ishwar Khatiwada, and Sheila Palma, “The Age Twist in Employment Rates...”

<sup>28</sup> As noted earlier, we classified immigrants from the outlying territories of the U.S. (Puerto Rico, U.S. Virgin Islands, Guam) as foreign born. Only 2% of the new immigrant labor force members were from one of the outlying territories.

The individual countries from which these new immigrants had originated were identified and ranked in order by size from highest to lowest. The names of the top ten sending countries together with estimates of the number of labor force participants from each of these ten countries are displayed in Table 15. As expected, Mexico tops the list, with 1.481 million labor force participants, representing 3 of every 8 new immigrant labor force members. Of the nine remaining countries, four (India, the Philippines, China, and El Salvador) sent between 108 and 215 thousand workers to the U.S. Of these nine other countries, three were from Central America (El Salvador, Guatemala, Honduras), two from South America (Brazil and Peru), and three from Asia (China, India, the Philippines). Not one European country, the dominant source of new immigrants into the U.S. during the Great Wave of Immigration (1890-1914), made the top ten list.

Table 15:  
Ten Countries Accounting for the Largest Number of  
New Immigrant Labor Force Participants, U.S.: 2005  
(January-April Average)

Country	Number (in 1000s)
Mexico	1,481
India	215
Philippines	139
China	130
El Salvador	108
Brazil	96
Guatemala	94
Honduras	81
Vietnam	79
Peru	67
<u>Total, Top 10</u>	<u>2,489</u>

Source: CPS surveys, January – April 2005 public use files, tabulations by authors.

The educational backgrounds of the new immigrants varied dramatically across regions of the world and individual countries. Of the new immigrant labor force participants arriving from Latin America (including Mexico), a majority (50%) had not graduated from high school. Slightly over one-fifth of those arriving from the outlying territories (Puerto Rico, the Virgin Islands, Guam) also lacked a high school diploma. In sharp contrast, only 4 to 8 percent of those coming from Russia, Western Europe, and Asia had failed to complete high school. At the upper end of the educational distribution, slightly under 10 percent of the Latin American immigrants had obtained a Bachelor's or higher degree versus 52 to 65 percent of those emigrating from Europe, Canada, and Asia. A recent study based on the 2000 Mexico Census revealed that Mexican migrants to the U.S. tend to be less educated than

non-migrants. The evidence in that study supports the view that greater economic returns to skills as measured by educational attainment in Mexico provide an incentive for better skilled Mexicans to remain in Mexico and for lower-skilled Mexicans to migrate to the United States.<sup>29</sup> The character of this immigration from Mexico thus substantially impacts the labor market fortunes of less educated native born workers in the U.S.

Table 16:  
Educational Attainment of New Immigrant Labor Force Participants by  
Region of World from Which Migrated, U.S.: 2005  
(January – April Averages)

Region of World	<12 or 12, no Diploma	High School Graduate, No College	1 – 3 Years of College, Including Associate Degree	Bachelor’s or Higher Degree
All	34.5	24.8	14.4	26.3
Asia	8.3	16.5	10.9	64.3
Canada	4.0	11.3	22.9	61.9
Europe	4.7	21.5	21.8	52.0
Latin America	50.0	27.5	12.7	9.8
Russia	16.8	17.7	17.6	47.9
U.S. Outlying Territories	20.5	37.6	17.9	24.0

To illustrate the diversity of the educational backgrounds of new immigrant workers from individual countries, we analyzed the findings on educational attainment for the top five sending countries: Mexico, India, China, Philippines, and El Salvador (Table 17). Among immigrants from Mexico and El Salvador, 61 to 66 percent had not completed high school. In contrast, only 7 to 9 percent of immigrant workers from the Philippines and India lacked a high school diploma. Very few of the new immigrant workers from El Salvador (5%) and Mexico (12%) held a Bachelor’s or higher degree versus 56 to 65 percent of those from China and the Philippines and 79 percent of those from India. Clearly, the geographic mix of new immigrants has profound implications for the educational attainment of new immigrant workers, which in turn influence employment and earnings outcomes for native born workers. Other national research has shown quite convincingly that native born workers with limited schooling and occupational skills were the most adversely affected by high levels of immigration in the 1980s and 1990s.<sup>30</sup>

<sup>29</sup> See: (i) Pablo Ibrarraran and Darren Lubotsky, Mexican Immigration and Self-Selection: New Evidence from the 2000 Mexican Census, National Bureau of Economic Research (NBER), May 2005; (ii) George J. Borjas and Lawrence F. Katz, The Evolution of the Mexican-Born Workforce in the United States, National Bureau of Economic Research, Cambridge, Massachusetts, April 2005.

<sup>30</sup> See: (i) Steven A. Camarota, The Wages of Immigration: The Effect on the Low-Skilled Labor Market, Center for Immigration Studies, Washington, D.C., 1998; (ii) George Borjas, “The Labor Demand Curve Is

Table 17:  
Percentage Distribution of New Immigrant Labor Force Participants Who Arrived in the U.S.  
Between 2000 and January-April 2005 by Their Educational Attainment Level, 2005  
 (January-April Averages)

Country	Less than 12 or 12 Years, No Diploma	High School Graduate	1-3 Years of College Including Associate's Degree	Bachelor's or Higher Degree
Mexico	62.7	24.0	8.2	5.1
India	7.2	8.2	5.8	78.9
China	24.1	13.2	11.1	51.6
Philippines	9.0	8.5	17.6	64.9
El Salvador	61.1	22.1	4.7	12.0

### **The Characteristics of the Jobs Held by the New Immigrant Employed**

What types of jobs do these new immigrant workers hold and how do they differ, if at all, from those held by the native-born? To identify the types of jobs held by new immigrant workers, we analyzed national CPS data for the January-April 2005 period on three sets of job characteristics: their class of worker status, the industrial sectors of their jobs, and the major occupational categories of their jobs. Findings of an analysis of their class of worker status revealed that an above average share of immigrant jobs were private sector, wage and salary positions, with new immigrants heavily under-represented in government jobs and among the self-employed (Table 18). These findings are consistent with the class of worker status of the jobs held by those immigrants who arrived in the U.S. during the 1990s.<sup>31</sup> Nearly 9 out of 10 new immigrants in early 2005 were working in private sector wage and salary positions. Not all of these jobs, however, will appear on the official payrolls of non-farm employers as reported by surveys of the U.S. Bureau of Labor Statistics. A relatively high share of these immigrant workers appear to be employed as contract workers or work in the informal labor market, frequently paid in cash on a daily or weekly basis. Only 5 percent of these new immigrants were employed by the government at the federal, state, or local level in comparison to 15.4 percent of native born workers who were employed in the government sector. Only five percent of the new immigrants reported themselves to be self-employed in 2005 compared to 11 percent of native born workers. More established immigrants (those arriving in the U.S. prior to 2000) were more likely to be self-employed.

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Downward Sloping: Re-examining the Impact of Immigration on the Labor Market," Quarterly Journal of Economics, November 2003, pp. 1335-1374.

<sup>31</sup> See: Andrew Sum, Neeta Fogg, Paul Harrington, et al., Immigrants and the Great American Job Machine.....

Table 18:  
Percentage Distribution of New Immigrant and Native Born Workers in  
the U.S., by Class of Worker Status, 2005  
 (January-April Averages)

Class of Worker	New Immigrant	Native Born
Private Sector, Wage and Salary	89.9	73.4
Government Worker	5.0	15.4
Self-Employed	5.0	11.1
Family Worker Without Pay	0.1	0.1

Source: January-April 2005 CPS Surveys, public use files, tabulations by authors.

The monthly CPS labor force questionnaire also collects data on the industries of the employers of all persons working at the time of the survey. The U.S. Bureau of Labor Statistics assigns NAICS industry codes to these employers.<sup>32</sup> We have combined all jobs held by new immigrants into fifteen major industrial sectors. While new immigrant workers can be found in every industrial sector, they are concentrated in three sectors: construction and manufacturing, leisure/ hospitality, and professional / business services.

In 2005, slightly more than 29 percent of these new immigrant workers were employed in construction and manufacturing industries while only 18% of native born workers were employed in these same two industrial sectors (Table 19). New immigrants are heavily over-represented in the construction sector. One in every six new immigrant workers was employed in the construction sector versus only 7 percent of their native born counterparts. Nearly 306,000 new immigrants also obtained employment in the nation's manufacturing industries at a time when total wage and salary employment in these industries declined by more than 2.9 million positions.<sup>33</sup> Approximately another one-fourth of these new immigrants were employed in leisure / hospitality and other service industries. This industrial sector includes eating and drinking establishments, hotels and motels, museums, entertainment, and personal and laundry services. New immigrants were twice as likely as the native born to work in this sector in 2005. Nearly 28% of new immigrants were employed in finance and insurance, professional, business, education, and health services. Their share, however, was 11 percentage points below the share of native-born workers employed in this sector. New immigrants were over-represented in agriculture/forestry/fishing industries

<sup>32</sup> The NAICS acronym refers to the North American Industrial Classification System, which replaced the Standard Industrial Classification System (SIC) as the basis for classifying employment by industry in 2003.

<sup>33</sup> Between 2000 and 2004, the estimated number of wage and salary positions in the nation's manufacturing industries fell by 2.9 million.

See: U.S. Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics Survey, May 2005.

(twice the native-born share), but they were substantially under-represented in public administration. Only 1 percent of employed new immigrants worked in public administration (a segment of government) versus 5 percent of their native born peers.

Table 19:  
Percentage Distribution of New Immigrant and Native Born Workers in the  
U.S., by Major Industrial Sector, 2005  
(Jan.-Apr. Averages)

Industry	New Immigrant	Native- Born	New Immigrant- Native-Born
Agriculture, forestry, fishing, and hunting	2.4	1.4	1.0
Mining	0.2	0.5	-0.3
Construction	16.5	6.9	9.6
Durable-Manufacturing	7.3	7.3	0.0
Non-Durable Manufacturing	5.4	4.0	1.4
Wholesale Trade	2.7	3.2	-0.6
Retail Trade	10.5	12.3	-1.8
Transportation and Utilities	2.4	5.2	-2.9
Information	0.9	2.5	-1.5
Finance and Insurance	3.4	7.6	-4.1
Professional and Business Services	12.4	9.9	2.6
Educational and Health Services	12.1	21.8	-9.7
Leisure and Hospitality	15.5	7.7	7.8
Other Services	7.1	4.7	2.4
Public Administration	1.2	5.1	-3.9

Source: January-April 2005 CPS Surveys, public use files, tabulations by authors.

The top ten industries of employment for new immigrant workers and native-born workers were characterized by substantial overlap (six out of ten), but their relative shares of employment varied markedly in a number of cases (Table 20). New immigrant workers were much more likely to be employed in such industries as construction, food eating and drinking places, administrative and support services, accommodation, and food manufacturing.

Table 20:  
Top 10 Individual Industries with the Highest Concentration of  
New Immigrant Workers and Native-Born Workers, 2005  
 (January-April Averages)

Industry of New Immigrant Workers	% Dist.	Industry of Native-Born Workers	% Dist.
Construction	16.5	Retail trade	12.3
Food services and drinking places	11.8	Educational services	9.7
Retail trade	10.5	Construction	6.9
Administrative and support services	7.7	Professional and technical services	6.3
Educational services	5.1	Health care services, except hospitals	6.0
Professional and technical services	4.5	Public administration	5.1
Health care services, except hospitals	3.5	Food services and drinking places	5.0
Wholesale trade	2.7	Transportation and warehousing	4.3
Accommodation	2.6	Hospitals	4.1
Food manufacturing	2.6	Finance	3.3

Source: January-April 2005 CPS Surveys, public use files, tabulations by authors.

We also examined the occupational fields of the jobs held by employed new immigrants in 2005. We combined all individual occupations into 22 major occupational groups (Table 21). Again, new immigrants are employed in every major occupational group, casting serious doubt on the claims of some analysts that immigrants are only taking jobs that American workers will not perform. Slightly more than 37% of these new immigrants were employed in blue collar occupations such as farming, forestry, fishing, construction, extraction, installation, maintenance, repair, production, transportation and material moving. The share of native-born workers in these occupations was only 22%. New immigrants also were over-represented in service occupations (29% versus 15%). Within these service occupations, new immigrants were over-represented in food preparation and building and ground cleaning and maintenance occupations and were under-represented in protective service occupations. New immigrants also were substantially under-represented in management-related occupations. The share of the native-born who were employed in management-related occupations (15.4%) was more than two and one half times as high as that of new immigrants (5.8%), and new immigrants held clerical/office support positions at a rate only one-third as high as that of the native-born, reflecting their more limited formal schooling and limited English-speaking skills and the lower share of women in the new immigrant worker ranks. While new immigrants also were under-represented in all professional occupations combined (12% versus 20%), they tended to obtain an above average share of jobs in a few professional specialties, including computer and mathematical science occupations.

Table 21:  
Percentage Distribution of New Immigrant and Native Born Workers in  
the U.S., by Major Occupational Category, 2005  
(January-April Averages)

Occupation	New Immigrant	Native-Born	New Immigrant- Native-Born
Management	3.5	10.9	-7.4
Business and financial operations	1.7	4.4	-2.7
Computer and mathematical science	3.4	2.2	1.3
Architecture and engineering	2.1	1.9	0.2
Life, physical, and social science	1.2	0.9	0.3
Community and social service	0.8	1.6	-0.9
Legal	0.3	1.2	-0.9
Education, training, and library	3.8	6.5	-2.7
Arts, design, entertainment, sports, and media	1.2	2.0	-0.9
Healthcare practitioner and technical	2.4	4.9	-2.4
Healthcare support	2.3	2.1	0.2
Protective service	0.7	2.2	-1.5
Food preparation and serving related	12.0	4.8	7.3
Building and grounds cleaning and maintenance	10.1	2.7	7.4
Personal care and service	3.6	3.1	0.5
Sales and related	6.9	12.2	-5.3
Office and administrative support	6.6	14.6	-8.0
Farming, fishing, and forestry	2.8	0.5	2.4
Construction and extraction	15.7	5.4	10.3
Installation, maintenance, and repair	2.6	3.8	-1.2
Production	9.9	6.2	3.8
Transportation and material moving	6.5	6.0	0.4

Source: January-April 2005 CPS Surveys, public use files, tabulations by authors.

### **New Immigrants in Computer Science, Engineering, Biology/Health/Medical/Nursing Occupations**

A more detailed analysis of the presence of new immigrants in selected high technology and health care professional occupations was undertaken. The share of new immigrants in computer-related occupations – ranging from software/hardware engineers, computer scientists and systems analysts, to computer programmers etc. – was 3.8 percent, which was 1.4 percentage points higher than that of their native born counterparts. Job opportunities for native-born workers in these occupations had been on the decline since early 2001. The share of new immigrants in engineering occupations was nearly identical to that of the native-born (1.6% versus 1.8%). (Table 22). In the field of engineering, new immigrants were modestly over-represented in mechanical, environmental, industrial, petroleum, and civil engineering occupations. The shares of new immigrant and native-born workers in the field of electrical / electronics engineering were identical (0.2%). In the fields

of biological sciences and dentistry occupations, new immigrants had a share that was identical to that of their native-born counterparts.

Table 22:  
Share of New Immigrant and Native-Born Workers in Selected Computer, Engineering, Biology, Health, Medical, Nursing and Health Related Occupations, 2005 (Jan.-Apr. Average)

<b>Computer Related Occupation</b>	New Immigrant	Native Born	New- Immigrant- Native-Born
Computer software engineers	1.9	0.5	1.4
Computer programmers	0.7	0.4	0.3
Computer hardware engineers	0.2	0.0	0.1
Computer scientists and systems analysts	0.6	0.5	0.1
Computer control programmers and operators	0.0	0.0	0.0
Computer, automated teller, and office machine repairers	0.2	0.3	-0.1
Computer operators	0.0	0.1	-0.1
Computer and information systems managers	0.1	0.3	-0.1
Computer support specialists	0.1	0.3	-0.2
<i>Total Computer Occupations</i>	<i>3.8</i>	<i>2.4</i>	<i>1.4</i>
<b><u>Engineering Related Occupation</u></b>			
Mechanical engineers	0.4	0.2	0.2
Environmental engineers	0.1	0.0	0.1
Industrial engineers, including health and safety	0.2	0.1	0.1
Petroleum engineers	0.1	0.0	0.1
Civil engineers	0.3	0.2	0.1
Electrical and electronic engineers	0.2	0.2	0.0
Operating engineers and other construction equipment operators	0.2	0.3	-0.1
Engineering managers	0.0	0.1	-0.1
Aerospace engineers	0.0	0.1	-0.1
Engineers, all other	0.1	0.2	-0.1
Stationary engineers and boiler operators	0.0	0.1	-0.1
Aircraft pilots and flight engineers	0.0	0.1	-0.1
<i>Total Engineering Occupations</i>	<i>1.6</i>	<i>1.8</i>	<i>-0.2</i>
<b><u>Biology/Health/Medical/Nursing Occupations</u></b>			
Biological scientists	0.1	0.1	0.0
<i>Total Biological Related Occupations</i>	<i>0.1</i>	<i>0.1</i>	<i>0.0</i>
Dental assistants	0.3	0.2	0.1
Dentists	0.1	0.1	0.0
Dental hygienists	0.0	0.1	-0.1
<i>Total Dentistry Related Occupations</i>	<i>0.4</i>	<i>0.4</i>	<i>0.0</i>
Medical scientists	0.4	0.1	0.3
Nursing, psychiatric, and home health aides	1.4	1.2	0.2
Physicians and surgeons	0.6	0.5	0.1
Medical assistants and other healthcare support occupations	0.5	0.6	0.0
Medical, dental, and ophthalmic laboratory technicians	0.0	0.1	-0.1
Medical records and health information technicians	0.0	0.1	-0.1
Pharmacists	0.1	0.2	-0.1
Health diagnosing and treating practitioner support technicians	0.1	0.3	-0.2
Medical and health services managers	0.0	0.4	-0.3
<b>Total Occupations</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

## The Weekly and Annual Earnings of Young Immigrant Workers

How well do young immigrant workers fare in the labor market in terms of their wages and earnings from employment? How are their earnings influenced by their human capital characteristics, such as their years of schooling, their cumulative work experience, and their English speaking proficiencies, their length of stay in the U.S., and the industrial attachment of their jobs?<sup>34</sup> To answer these questions, we analyzed both the findings of the monthly CPS surveys for calendar year 2004 with respect to the weekly earnings of full-time wage and salary workers and the findings of the 2003 American Community Survey (ACS) with respect to the annual earnings of full-time, year-round native-born and immigrant workers.<sup>35</sup>

The monthly CPS survey collects data on the hourly/weekly wages of employed respondents holding wage and salary jobs.<sup>36</sup> We have used these data to estimate the median weekly earnings of full-time employed immigrant and native-born workers ages 20-29 during 2004. Findings are presented for all full-time workers and for gender and educational attainment subgroups of foreign and native-born workers. The median weekly earnings is that earnings level which divides the distribution of weekly earnings into two equal parts. One half of the workers will earn more than this wage, and one half will earn less.

The median weekly earnings of 20-29 year old males employed full-time during 2004 are displayed in Table 23. The median weekly earnings of foreign-born male workers was only \$400, which was \$134 below that of native-born males, a relative difference of 25 percent. A considerable part of this wage difference, however, was due to the lower educational attainment of immigrant males. The absolute and relative size of these differences fall considerably once workers are matched by educational attainment. Foreign born male workers' weekly earnings ranged from 83% of those of the native born for high school graduates, 86% for high school dropouts, and to highs of 97 to 99 percent for those with a Bachelor's or more advanced degree. The more newly arrived male immigrants with limited schooling did not fare as well. Male immigrants lacking a high school diploma who

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<sup>34</sup> For a recent comprehensive analysis of the earnings experiences of immigrant workers in Massachusetts at the end of 1990s decade, See: Andrew Sum, Ishwar Khatiwada, Johan Uvin, and Dana Ansel, et. al., The Changing Face of Massachusetts, The Massachusetts Institute for a New Commonwealth, Boston 2005.

<sup>35</sup> The American Community Survey (ACS) involved interviews with nearly 600,000 households across the country during 2003. The ACS survey uses a questionnaire very similar in content to the long form questionnaire that was used by the U.S. Census Bureau in conducting the 2000 Census of Population and Housing. Annual earnings data are reported by all household members 15 and older.

<sup>36</sup> The hourly and weekly wage data are collected from only one fourth of sample households each month. The questions are asked of those respondents in households in the outgoing rotation groups, i.e., those that are leaving the sample.

arrived in the U.S. from 2000 onward obtained median weekly earnings of only \$320, or 80% as high as those of native born workers in the same educational group. When these newly arrived immigrants obtained a bachelor's degree, however, they received weekly earnings that were 95% as high as those of their native born peers.

The median weekly earnings of full-time employed immigrant women 20-29 year old were close to those of native born women overall, and, in fact, exceeded those of native-born women in two of the three highest educational subgroups (Table 24). The median weekly earnings for all full-time employed immigrant women were \$400 versus \$462 for native born women in the same age group, a difference of \$62 or 13%. Within the five educational subgroups, however, immigrant women obtained weekly earnings that varied from 93% to 104% of those of the native born. In every educational group with some post-secondary schooling, the median weekly earnings of immigrant women either just about matched or modestly exceeded those of the native born. For most subgroups of immigrant women, the CPS wage evidence does not suggest that employers have economic incentives to hire immigrant women at the expense of native born women to lower costs.<sup>37</sup> Among less educated males, however, there are larger differences in the weekly wages of immigrant and native-born workers. These wage differences would supplement perceived productivity differences by employers in favor of less skilled immigrant males.

Table 23:  
Median Weekly Earnings of 20-29 Year Old Male Full-Time Wage and Salary Workers by  
Educational Attainment and Nativity Status, U.S.: 2004  
(Annual Averages, in \$)

Educational Attainment	Native Born	Foreign Born	Foreign Born- Native Born	Foreign Born as % of Native Born
All	\$534	\$400	-134	75
Less than 12 or 12/ no diploma or GED	\$400	\$346	-54	86
H.S. Graduate/GED Holder	\$481	\$400	-81	83
13-15 years, including Associate's degrees	\$500	\$462	-38	92
Bachelor's degree	\$712	\$690	-22	97
Master's or higher degree	\$878	\$865	-13	99

Source: Monthly 2004 CPS public use files, tabulation by authors.

<sup>37</sup> The incentives to hire immigrants for jobs also depend on productivity differences and differences in employee benefit costs. There is evidence that young immigrant workers are less likely than their native-born counterparts to report receiving health insurance benefits and pension benefits from their employers. Anecdotal evidence from the field also indicates higher employment of immigrant workers off the books, thereby avoiding payroll taxes, including Social Security and UI taxes.

Table 24:  
Median Weekly Earnings of 20-29 Year Old Female Wage and  
Salary Workers by Educational Attainment and Nativity Status, U.S.: 2004  
(Annual Averages, in \$)

Educational Attainment	Native Born	Foreign Born	Foreign Born-Native Born	Foreign Born as % of Native Born
All	\$462	\$400	-62	87
Less than 12 or 12/ no diploma or GED	\$320	\$296	-24	93
H.S. Graduate/GED Holder	\$394	\$375	-19	95
13-15 years, including Associate's degrees	\$423	\$438	+15	103
Bachelor's degree	\$615	\$600	-15	98
Master's or higher degree	\$769	\$800	-31	104

Source: Monthly 2004 CPS public use files, tabulation by authors.

Estimates of the median annual earnings of employed 20-29 year old native-born and foreign born workers are displayed in Table 25 for men and Table 26 for women. During 2003, the median annual earnings of employed immigrant males 20-29 years old were \$20,000 versus \$27,000 for native born males. The difference in median annual earnings between these two groups of male workers was \$7,000 or 26%. Again, however, a substantial portion of the annual earnings difference was attributable to differences in the educational attainment of these two groups, with immigrants much more likely to lack a high school diploma. Within four of the five educational subgroups of male workers, the median annual earnings of immigrants were equal to 90% or more of the annual earnings of native born workers. Among those male workers with at least some post-secondary schooling, the median annual earnings of immigrant workers either came close to matching those of the native-born (a 96% ratio for those with 13-15 years of schooling) or exceeded those of the native born (a 104% ratio for foreign born bachelor's degree recipients). The findings in Table 26 also reveal the existence of very high economic payoffs to immigrant males from completing some post-secondary schooling and acquiring Bachelor degrees. The median annual earnings of immigrant, male bachelor degree recipients were \$37,500 versus \$20,000 for their peers with only a high school diploma, a relative earnings difference of 87%.

Immigrant female workers fared even better than their male counterparts in matching or exceeding the annual earnings of native born women. The median annual earnings of employed immigrant women was \$20,000, which was equivalent to 87% of the earnings of native born young women during calendar year 2003. The median annual earnings of immigrant women in each educational subgroup, except high school graduates, were equal to 93% or more of those of native born women. In those cases where the workers had completed

at least some post-secondary schooling, the median annual earnings of young immigrant women exceeded those of their native born counterparts. The relative sizes of these earnings gaps in favor of immigrant women were quite large for Bachelor degree (15%) and Master's and higher degree recipients (38%). The sources of these annual earnings advantages of highly-educated immigrant women need to be better understood. The role of higher annual hours of work among immigrant women and differences in occupational attachment between foreign and native born women need to be examined. Findings of our earnings function analyses can provide some insights into sources of these differences.

Table 25:  
Median Annual Earnings of Employed 20-29 Year Old  
Women in the U.S. by Educational Attainment and Nativity Status, 2003

Educational Attainment	Native Born	Foreign Born	Foreign Born-Native Born	Foreign Born as % of Native Born
All	\$24,000	\$20,800	-3,200	87
Less than 12 or 12/ no diploma or GED	\$15,900	\$14,872	-1,028	93
H.S. Graduate/GED Holder	\$20,000	\$17,105	-2,895	86
13-15 years, including Associate's degrees	\$22,000	\$22,500	+500	102
Bachelor's degree	\$30,500	\$35,000	+4,500	115
Master's or higher degree	\$40,000	\$55,000	+15,000	138

Source: March 2004 CPS, Annual Supplement on Work Experience and Income, tabulations by authors.

Note: Earnings estimates apply to all those with some paid employment during the year including self-employment income.

Table 26:  
Median Weekly Earnings of Employed 20-29 Year Old Males in  
the U.S. by Educational Attainment and Nativity Status, 2003

Educational Attainment	Native Born	Foreign Born	Foreign Born-Native Born	Foreign Born as % of Native Born
All	\$27,000	\$20,000	-7,000	74
Less than 12 or 12/ no diploma or GED	\$20,000	\$18,000	-2,000	90
H.S. Graduate/GED Holder	\$25,000	\$20,000	-5,000	80
13-15 years, including Associate's degrees	\$27,000	\$26,000	-1,000	96
Bachelor's degree	\$36,000	\$37,500	+1,500	104
Master's or higher degree	\$44,000	\$48,000	+4,000	109

Source: March 2004 CPS, Annual Supplement on Work Experience and Income, tabulations by authors

Note: Earnings estimates apply to all those with some paid employment during the year including self-employment income.

## **The Underlying Determinants of the Annual Earnings of Immigrant Workers: Findings of the 2003 ACS Surveys**

Given the continued rapid growth of the immigrant population since 2000 and the relatively young ages of new immigrant workers, we thought it desirable to identify the underlying determinants of the annual earnings of immigrant workers. Using annual earnings data and an array of demographic and human capital background data from the 2003 ACS surveys for immigrant workers, we estimated Mincerian human capital earnings function for young immigrant men and women in the 18-29 age group.<sup>38</sup> The dependent variable in this analysis is the natural log of the annual earnings of 18-29 year old immigrant men and women who were employed for 40 or more weeks on a full-time basis in the year preceding the ACS interview.<sup>39</sup> The predictor variables in these models included years of schooling completed (five categories), years of potential work experience, the self-reported English speaking proficiencies of the respondents, their race-ethnic group, and the timing of their arrival in the United States. The base group for the analysis in both the male and female earnings functions was a high school graduate with no completed years of post-secondary schooling, who only spoke English, was White, non-Hispanic, had no years of prior paid work experience, and arrived in the U.S. prior to 2000. The estimated independent, percentage point impacts of formal schooling, English speaking proficiencies, years of potential work experience, and timing of arrival in the U.S. on the earnings of these immigrant workers are displayed in Table 27.<sup>40</sup>

For immigrant men, the completion of additional years of formal schooling beyond high school had large positive impacts on their expected earnings. Failure to graduate from high school, *ceteris paribus*, will reduce expected annual earnings for young men by approximately 11%. Obtaining a bachelor's degree will raise their expected annual earnings over and above a high school diploma by a very substantial 67%, and obtaining a Master's degree will raise expected earnings by 119%. Limited English-speaking skills tend to reduce the expected earnings of men by to a substantial degree. Those immigrant men who reported that they spoke English "well" would earn 8% less than their peers who only spoke English while those who did not speak English at all would be expected to earn 16% less than their

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<sup>38</sup> For a review of the theoretical foundations and econometric estimation of these earnings function, see: (i) Solomon Polachek and W. Stanley Siebert, *The Economics of Earnings*, Cambridge Press, Cambridge, 1993; (ii) Jacob Mincer, *Schooling, Experience, and Earnings*, Columbia University Press, New York, 1974.

<sup>39</sup> The interviews took place in each month during calendar year 2003; thus, the earnings of this 52 week period will vary across individuals in the sample.

<sup>40</sup> The estimated percentage point impacts are based on the anti-logs of the coefficients for each of these variables in the earnings function. With the exception of the educational variables representing the attainment of a Bachelor's or a Masters and higher degree, the anti-logs are quite close to the estimated coefficients.

employed counterparts who only spoke English. Other national research on immigrant earnings experiences reveals that their actual test scores on English literacy and numeracy assessments have large positive effects on their earnings.<sup>41</sup>

Years of potential work experience have large positive but diminishing effects on the expected annual earnings of immigrant males. The first year of work experience would raise expected earnings by 8.7%, the third year by another 8.3%, and the tenth year by an additional 1.9%. The cumulative effect of 10 years of work experience was estimated to be 62%. Those immigrants who arrived in the U.S. after 2000 had poorer earnings prospects than their peers who arrived before 2000. Those male immigrants who arrived from 2000 onward would have expected earnings about 8% less than their peers who had lived in the U.S. before 2000.

Findings of the earnings function analyses for immigrant women also reveal very large earnings effects for obtaining bachelor's and advanced academic degrees. Employed immigrant women who had not received a high school diploma earned 10% less than their counterparts with a high school diploma.<sup>42</sup> In contrast, those women with a bachelor's degree had expected annual earnings 67% higher than high school graduates while those with a Master's or higher degree would earn 107% more. English-speaking proficiencies of immigrant women also significantly improved their earnings prospects. Those women who only spoke English "well" had expected annual earnings 16% below those of their peers who only spoke English while those who either could not speak English or speak it well would earn 23% less than their counterparts who only spoke English.<sup>43</sup> A combination of limited schooling and limited English-speaking skills has a very large negative impact on the annual earnings of immigrant women.

The earnings of immigrant women also were strongly linked with their cumulative years of work experience although the marginal returns to years of work experience also diminished with years of experience. The first year of work experience would add 9.1% to earnings, the fifth year would at the margin add 6.4% percentage points. Nine years of cumulative work experience would increase earnings by 53% relative to the base group with

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<sup>41</sup> See: Andrew Sum, Irwin Kirsch, and Kentaro Yamamoto, *A Human Capital Concern: The Literacy Proficiency of U.S. Immigrants*, Educational Testing Service, Princeton, New Jersey, 2004.

<sup>42</sup> Immigrant women with no high school diploma also were somewhat less likely to have worked full-time for 40 weeks during the prior year than their peers with high school diplomas (46% versus 51% for high school graduates). This employment gap was, however, much larger among native-born women (29% versus 47%).

<sup>43</sup> The coefficient on the variable "speaks English very well" was negative but not statistically significant.

no prior years of work experience. Similar to the findings for men, we find that immigrant women who arrived in the U.S. from 2000 onward would earn 7% less than their peers with the same characteristics who arrived in the U.S. prior to 2000. Other regional and national research has revealed that immigrant workers' earnings improve as they increase their length of stay in the U.S. acquiring more U.S. work experience.

Earlier, we compared the 2003 median annual earnings of young immigrant workers, both men and women, by years of schooling completed. With the ACS survey data for 2003, we estimated earnings functions for all 18-29 year old men and women, including both the native born and the foreign born. To test whether being an immigrant worker had a statistically significant, independent impact on the earnings of employed young adults, we included two variables representing the immigrant status of the worker in the model. The first variable is a dummy variable representing a foreign born person who entered the U.S. prior to 2000 while the second variable represents a foreign born person who entered the U.S. from 2000 onward. Our hypothesis was that more recent arrivals would earn significantly less due to lower U.S. based work experience.

Table 27  
Estimated Percentage Point Impact of Selected Human Capital Traits of  
18-29 Year Old Immigrant Workers and Their Timing of Arrival in the  
U.S. on Expected Annual Earnings in 2002-2003, by Gender

Trait	Men	Women
<u>Educational Attainment</u>		
Base group, H.S. Graduates		
• HS Dropout	-10.8	-10.3
• 13-15 years of school	11.3	10.9
• Bachelors degree	67.0	67.0
• Master's or higher degree	119.0	107.3
<u>English-Speaking Proficiency</u>		
Base group, English only		
• Speaks English very well	0	0
• Speak English well	-7.8	-15.7
• Does not speak English or does not speak it well	-15.6	-23.0
<u>Years of Potential Work Experience*</u>		
• Experience	8.8	9.2
• Experience squared	-4	-5
<u>Timing of Arrival in U.S.</u>		
• 2000-2003	-7.6	-7.3

\*Estimates for these two variables are based on their actual coefficients.

Findings in Table 28 present estimates of the impacts of immigrant status and timing of arrival in the U.S. on the expected annual earnings of those 18-29 year olds who worked 40 or more weeks full-time in the year prior to the ACS survey. Estimates are presented for men and women separately. For both gender groups, we estimate that the earnings of immigrants were significantly lower than those of the native born with otherwise identical human capital and demographic characteristics but that the impacts were larger for more recent arrivals (Table 28). For men, immigrants who had arrived in the U.S. prior to 2000 earned only 5% less than the native born, *ceteris paribus*, while more recent arrivals earned 14% less.<sup>44</sup> Similar results prevailed for women. Those employed immigrant women who entered the U.S. prior to calendar year 2000 earned 6% less than comparable native born women while more recent immigrant arrivals were estimated to earn approximately 20 percent less than their native born counterparts.

Longer lengths of stay in the U.S. allow immigrant workers to acquire more U.S. based work experience which has a higher economic payoff than work experience obtained abroad. In addition, numerous studies have shown that the English-speaking, writing, and reading skills of immigrants also tend to improve with their length of stay in the U.S., thereby enabling them to move into higher level white collar jobs and knowledge intensive jobs where English-speaking and writing skills are needed for successful job performance.<sup>45</sup> Longer stays in the U.S. also allow immigrant workers to acquire other communication and behavioral skills that enable them to become more assimilated into U.S. labor markets.<sup>46</sup> The overall evidence from the earnings functions for young immigrant workers clearly indicates that the human capital traits of these workers, including years of formal schooling, English-speaking proficiencies, literacy and numeracy proficiencies, and cumulative years of work experience, have powerful effects on their expected earnings from employment. Public policies to boost the employability and earnings of legal immigrant workers should emphasize improvements in their basic English-speaking, writing, and reading proficiencies

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<sup>44</sup> Some preliminary evidence suggests that foreign born men who had arrived in the U.S. prior to 1995 had nearly the same earnings as native born young men with similar characteristics.

<sup>45</sup> For evidence on the positive associations between length of stay in the U.S. and English speaking proficiencies and English prose and document literacy, see: (i) Geoffrey Carliner, "The Language Ability of U.S. Immigrants: Assimilation and Cohort Effects," *NBER Working Paper Series #5222*, Cambridge, 1995. (ii) Arturo Gonzales, "The Acquisition and Labor Market Value of Four English Skills: New Evidence from NALS," *Contemporary Economic Policy*, July 2000, Vol. 18, No. 3, pp. 259-269.

(iii) Andrew Sum, Irwin Kirsch, and Kentaro Yamamoto, *A Human Capital Concern*...

<sup>46</sup> There is some ethnographic evidence that concentrations of immigrants in enclave economies can limit their acquisition of English speaking, writing, and literacy skills.

and formal educational attainment. ESL programs tied to workplace literacy seem to hold the greatest promise for linking language skills acquisition with higher wages and productivity.

Table: 28  
Estimated Percentage Point Impact of Being an Immigrant on the Expected Annual Earnings of 18-29  
Year Old Employed Adults\* in the U.S. by Timing of Arrival and Gender, 2002-2003

Timing of Arrival	Men	Women
Before 2000	-5	-6
2000-2003	-15	-20

Source: 2003 ACS Surveys, public use files, earnings function analyses, tabulations by authors.  
 \*Findings are confined to those adults who were employed for 40 or more weeks on a full-time basis in the year preceding the survey.

**The Impact of New Immigrant Labor on the Employment Rates of Young Adult Workers (16 – 24) in the U.S.**

Most studies of the economic impacts of immigration on native-born workers have focused on wage and earnings impacts rather than employment impacts. There is a general tendency among labor market analysts to assume that there are few job displacement effects on native-born workers, citing older studies to backup these opinions. Several recent statistical studies, however, indicate that less educated native-born workers, teenagers, and Black males do suffer employment declines as a result of immigrant labor inflows.<sup>47</sup> Ethnographic research work in Boston, Chicago, New York City, and other large central cities across the nation has revealed that young immigrant workers are often preferred by employers to poorly educated native-born workers, especially from inner city neighborhoods characterized by high poverty rates.<sup>48</sup> Analyses of CPS household data and a set of baseline household surveys conducted by Westat for the U.S. Department of Labor on employment rates of young adults (16-24) in central cities and high poverty neighborhoods have revealed considerably higher employment rates among young immigrant workers than native-born workers with no post-secondary schooling, especially males.<sup>49</sup>

<sup>47</sup> For recent statistical evidence on the links between immigrant worker inflows and the employment of native born workers,

See: (i) George Borjas, “The Demand Curve for Labor is Downward Sloping,...” (ii) Paulo Tobar, The Employment Experiences of Teens in Central City Labor Markets: The Influence of Demographic/Human Capital Traits, Family Background, and Environmental Factors, M.A. Workshop Paper, Department of Economics, Northeastern University, Boston, 2004.

<sup>48</sup> See: (i) William Julius Wilson, When Work Disappears, Alfred Knopf, New York, 1996; (ii) Katherine S. Newman, No Shame in My Game: The Working Poor in the Inner City, Russell Sage Foundation, New York, 1999.

<sup>49</sup> See: Andrew Sum and Mykhaylo Trubs’kyy, The Nation’s Young Adult Immigrant Population: A Profile of Their Demographic and Educational Characteristics and Recent Labor Market Experiences, Center for Labor Market Studies, Northeastern University, Boston, September 2002.

One might well expect the displacement effects of immigration to be low in periods of full employment, such as the conditions of many labor markets at the end of the 1990s decade; however, in more slack labor market environments, one might well expect that a rise in the supply of immigrant labor could generate displacement impacts on native-born workers, especially among those in most direct competition for jobs with newly arrived immigrant workers, such as young, native-born adults with limited formal schooling. During the 2000-2004 period, the age structure of employment rates in the U.S. shifted dramatically. Both teens (16-19) and young adults (20-24), especially those with no post-secondary schooling, incurred steep declines in their employment rates while the nation's older adults (55 and older) actually boosted their employment rates over the same four year period.<sup>50</sup> The pattern of changes in employment rates by age group and educational attainment closely mirrors the age and educational characteristics of the inflow of new immigrants over the same time period. It is difficult to argue that these steep reductions in the employment rates of teens and young adults were not at least partly due to the substantial influx of new immigrant workers over this four year period, particularly given the age and educational characteristics of the new immigrant workers. The nation's teen employment rate in 2004 reached a new historical low for the nation during the post-World War II era.<sup>51</sup>

To test whether the influx of new immigrant workers over the 2000-2003 period had an adverse effect upon the employment prospects of the nation's young adults (16-24 years old) in 2003, we estimated a series of employment models for young adults, including a variable representing the relative size of new immigrant inflows into the labor force of the state in which the young adult resided at the time of the ACS survey.<sup>52</sup> The relative size of these new immigrant labor force flows varied markedly across states between 2000 and 2003. The size of these immigrant inflows ranged across the 50 states and D.C. from a low of .2 to a high of 3.9 percent with a mean of 1.63 percent.

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<sup>50</sup> See: Andrew Sum, Ishwar Khatiwada, and Sheila Palma, "The Age Twist in Employment Rates, 2000-2004," *Challenge: The Magazine of Economic Affairs*, July – August 2005, pp. 51-68.

<sup>51</sup> National CPS teen employment data are available from 1948 onward. The 2004 annual average teen E/P rate was the lowest ever achieved over the past 57 years.

<sup>52</sup> The immigration variable is defined as the ratio of the number of new immigrant labor force participants in the state between 2000 and 2003 to the size of the resident civilian labor force of the state in 2003.

Table 29:  
The Shares of the New Immigrant Labor Force as a Percent of the  
Resident Labor Force in Individual States as of 2003  
(in Percentage Points)

Variable	Value
Minimum	.20
Maximum	3.9
Mean	1.63
Standard Deviation	.89

Sources: (i) ACS surveys 2003, tabulations by authors  
(ii) LAUS estimates of the size of the 2003 resident civilian labor force by state, BLS website.

The dependent variable in these models is the employment status of a 16-24 year old at the time of the ACS survey. The variable is a dummy variable that takes on the value of one if the respondent is employed (either part-time or full-time) and the value of zero if he/she was not employed at the time of the ACS survey. The predictor variables include the gender, age, race-ethnic group, and educational attainment of the respondent, the unemployment rate of the state in which they resided in 2003, and the relative size of new immigrant labor inflows into the state since 2000. We have estimated these employment probability models for all 16-24 year olds and for a variety of gender, nativity, gender and schooling, and school enrollment subgroups.<sup>53</sup> Findings in Table 30 display the estimates of a one percentage point increase in the state labor force due to new immigration on the probability of employment among young adults.

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<sup>53</sup> The models are linear probability models estimated by ordinary least squares regression techniques. The coefficient on the foreign immigrant labor force variable indicates the percentage point change in the likelihood of employment among the designated group from a 1 percentage point increase in the state's civilian labor force due to new immigration.

Table 30:  
The Estimated Impact of a One Percentage Point Increase in the State Labor Force  
Due to New Immigration Since 2000 on the Predicted Probability of  
Employment Among 16-24 Year Olds in 2003, U.S.

Group	(A) Estimate Percentage Point Impact	(B) Sig. Of Coefficient
All 16-24 year olds	-1.2	.01
16-24 year old native born	-1.1	.01
16-24 year old men	-1.6	.01
16-24 year old women	-.9	.01
16-24 year old in-school youth	-1.8	.01
16-24 year old males with 12 or fewer years of school	-1.6	.01
16-24 year old men with 13 or more years of schooling	-1.6	.01
16-24 year old women with 12 or fewer years of school	-1.3	.01
16-24 year old women with 13 or more years of school	-.4	Not significant at .05
16-24 year old Black youth, no high school diploma	-2.4	.05

Source: 2003 ACS surveys, tabulations by authors.

For the entire sample of 16-24 year olds,<sup>54</sup> a one percentage point increase in the state labor force due to new foreign immigration would have lowered the predicted employment rate of such youth by 1.2 percentage points, a statistically significant impact. For a state with a recent large influx of new immigrants (a 3 percentage point rise in the civilian labor force of the state), the probability of employment among all 16-24 year olds would have declined by a substantial 3.6 percentage points. The estimated impacts of new immigrant workers on the employment rates of 16-24 year olds were approximately the same for the native-born as they were for all 16-24 year olds, but were larger for men than for women (-1.6 percentage points for men versus -.9 percentage points for women),<sup>55</sup> and were larger for less educated women than for women with some post-secondary schooling.<sup>56</sup> The finding of larger adverse employment impacts for men than for women is not surprising, given the relatively high share of new immigrant workers that were men (66%). Larger adverse impacts for less educated workers were also expected given the above average share of new immigrant workers that lacked a high school diploma and the weaker national labor market for less

<sup>54</sup> There were 127,151 16-24 year old youth in the ACS sample.

<sup>55</sup> The difference between the coefficients of the new immigrant labor force variable in the male and female employment models was large enough to be statistically significant at the .01 level.

<sup>56</sup> In fact, the coefficient on the new immigrant labor force variable was not statistically significant at the .05 level in the model for women with 13 or more years of schooling.

educated native-born workers. The results in Table 30 provide substantive evidence that the recent influx of new immigrant workers has resulted in job losses for many subgroups of young adults in the nation, especially in those states that were more heavily impacted by new immigrant labor. Males, in-school youth, less educated workers, and Black dropouts appear to have been more adversely affected than other demographic subgroups of young adults.

Table 31:  
Comparisons of the Full-Time, Year-Round Employment Rates of 18-29 Year Old  
Foreign Born and Native-Born Men by Educational Attainment, U.S.: 2003  
(in %)

	(A)	(B)	(C)
Educational Attainment	Foreign Born	Native-Born	Foreign – Native Born
All	68.9	58.1	+10.8
1-12, no diploma	71.8	43.3	+28.5
H.S. diploma/GED, no college	71.2	61.1	+10.1
1-3 years college, no degree	67.0	59.3	+7.7
Associate’s degree	54.9	52.6	+2.3
Bachelor’s degree	70.6	73.0	-2.4
Master’s or higher	68.4	74.7	-6.3

Source: 2003 ACS surveys, tabulations by authors.

Table 32:  
Comparisons of the Full-Time, Year-Round Employment Rates of 18-29 Year Old  
Foreign Born and Native-Born Women by Educational Attainment, U.S.: 2003  
(in %)

	(A)	(B)	(C)
Educational Attainment	Foreign Born	Native-Born	Foreign – Native Born
All	50.0	48.4	+1.6
1-12, no diploma	46.6	28.9	+17.7
H.S. diploma/GED, no college	50.8	47.1	+3.7
1-3 years college, no degree	41.8	47.2	-5.4
Associate’s degree	45.6	44.1	+1.5
Bachelor’s degree	58.0	65.0	-7.0
Master’s or higher	61.8	68.7	-6.9

Source: 2003 ACS surveys, tabulations by authors.

### **The Summary and Public Policy Implications of Key Findings**

This research report was designed to track changes in the levels and demographic composition of new foreign immigration into the U.S. over the 2000-2005 period and to estimate the influence of this new wave of immigration on population, labor force, and employment growth in the nation and in selected industries and occupations. Among the main findings of this research report were the following:

(i) Net international immigration in the U.S. between April 2000 and July 2004 was estimated by the U.S. Census Bureau to be 5.33 million, accounting for 44% of the growth in the resident population of the nation over this four year period. In each of the past two years, net international immigration generated between 43 and 45 percent of the nation's population growth. These results on immigrant contributions to population growth represent new historical highs for the nation.<sup>57</sup> The contributions of net international immigration to regional and state population growth, however, varied markedly across regions and states. In two large states (Massachusetts and New York), net international migration generated more than 100 percent of the state's population growth, and in three other states (Illinois, Iowa, and New Jersey), nearly all of the population growth between 2000-2004 was generated by net international migration. In contrast, only 7 to 14 percent of the population growth of such states as Idaho, Maine, and Montana was generated by foreign immigration.

(ii) The vast majority (81%) of the new immigrants arriving in the U.S. between 2000 and early 2005 were of working-age. Among those of working-age, a slight majority were under the age of 30, and more than two-thirds were under the age of 35. Few of the new immigrant arrivals were 55 and older.

(iii) Slightly over 65% of the new immigrants of working-age were actively participating in the civilian labor force during 2005. Participation rates of new immigrants were much higher for men than for women. On average, there were 4.017 million new immigrants in the nation's civilian labor force during the January-April period of 2005. These new immigrant labor force participants contributed somewhere between 65 and 67 percent of the nation's net growth in its civilian labor force over the 2000 – 2005 period, the highest such share at any time since the end of World War II.

(iv) There were 14 states (including six of the nation's most populous 13 states) where new immigrants produced 60 percent or more of their labor force growth over the past five years, and six other states whose resident labor force declined despite the presence of new immigrants in their work force.

(v) There were somewhere between 3.13 and 3.22 million new immigrants employed in the U.S. during the January – April period of 2005. The number of new immigrant employed generated all of the net growth in the number of employed civilians over the past

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<sup>57</sup> Between 2000 and mid-2004, the number of new immigrants arriving in the U.S. was estimated to be 6.184 million, accounting for 50% of the nation's population growth versus 41% in the 1990s, which represented a historical high for the twentieth century.

five years. At no time in the past 60 years has the country ever failed to generate any net new jobs for native born workers over a four year period. Based on evidence from other immigrant research studies, including the Pew Hispanic Research Center and the Center for Immigration Studies, approximately one-half of these new immigrant workers were undocumented. Ten states accounted for 2.596 million of these new immigrant workers or more than two-thirds of the total. Four states (New York, Florida, Texas, and California) each attracted 277,000 or more new immigrant workers between 2000 and 2005.

(vi) Men accounted for a substantial majority (two-thirds) of the new immigrant labor force participants. Most of these new immigrant workers were young. Twenty-five percent were under age 25, and nearly 65 percent were under age 35. Fewer than three percent of these immigrant labor force participants were 55 or older. A majority (56%) of the new immigrant labor force members were Hispanic, reflecting the large influx of immigrants from Mexico, Central America, and South America. Asians accounted for another 17 percent of the immigrants while White, non-Hispanics represented only 17%. The educational attainment backgrounds of these new immigrant work force members were quite varied. The largest share of these immigrants (35%) lacked a high school diploma while 27% reported that they held a Bachelor's or higher degree. Many of the less educated immigrants compete directly with poorly educated native-born workers for jobs. The educational attainment of these new immigrants varied considerably by country of origin with a sizable majority of Mexican and Central American immigrants lacking a high school diploma. In contrast, a majority of Asian, European, and Russians immigrants held a bachelor's or higher degree. These immigrant workers from different countries compete in quite different labor markets across the country.

(vii) Similar to findings during the 1990s, the vast majority of the new immigrant employed (90%) held wage and salary positions in the private sector. New immigrants were under-represented relative to the native born in government jobs (5 vs. 15 percent) and among the self-employed (5 vs. 11 percent). While immigrant workers found jobs in every major industrial sector, they were heavily over-represented in construction and leisure and hospitality industries (restaurants/hotels/motels). One of every three new immigrant workers was employed in one of the above two industrial sectors.

(viii) Immigrant workers also gained employment in every major occupational group, including professional, management-related, and technical occupation, but they were heavily over-represented in service occupations and in key blue-collar occupations (especially

construction, extraction, and production occupations). Given their more limited formal schooling and English language proficiencies, they were under-represented in management, business and financial, sales, and office and administrative support occupations (19% of new immigrants versus 42% of the native born).

(ix) The median weekly and annual earnings of young immigrant workers, on average, lag behind those of their native-born counterparts, both male and female. Within educational groups, however, the weekly and annual wages of most groups of foreign born workers closely match or exceed those of the native-born, especially among those with some post-secondary schooling.

(x) The annual earnings of young immigrant workers are strongly linked to their human capital traits, including years of post-secondary schooling, years of cumulative work experience in the U.S., and their English-speaking abilities. The impacts of human capital traits on earnings are quite substantial for both immigrant men and women.

(xi) The substantial influx of new immigrant workers over the 2000-2003 period appears to have reduced net employment opportunities for the nation's young workers (16-24), especially men, those without any post-secondary schooling, and in-school youth. The E/P ratios of most subgroups of native-born young workers have declined sharply over the 2000-2003 period.

What are the implications of these findings for future immigration, labor market and workforce development policy in the U.S.? First, the findings on the continued high levels of immigration into the U.S. despite the existence of a recession in 2001 and a largely jobless recovery through the summer of 2003 clearly indicate that immigration has taken on a life of its own, independent of national labor market conditions. If national immigration policy were labor market driven, then immigration would have slowed considerably over the 2000-2003 period. This clearly did not happen. Now is an opportune time for the U.S. Congress to reflect on the shortcomings of our existing immigration policies and develop a labor market based set of immigration policies that would meet the needs of the economy, provide jobs for immigrants with required skills, and not reduce economic opportunities for native born workers. Second, the findings that new foreign immigration contributed nearly two-thirds of national labor force growth and all of the net gains in civilian employment over the past four years reveal the importance of identifying changes in native born and immigrant employment in the national labor force statistics. The official monthly and annual CPS statistics on

employment and unemployment developments should provide separate breakouts of the data on the native born and immigrant work force to inform both policymakers and the general public as to who is obtaining the new jobs generated by the economy and how immigrant employment coincides with the labor needs of the country.

Third, a high fraction (at least 50 percent) of the new immigrant employed are believed to be undocumented workers by most national analysts. Combined with the existence of high overall levels of immigration, this finding clearly reveals the existence of a fundamental breakdown in the enforcement of laws regarding the hiring of illegal workers. At a minimum, over 1.5 million additional illegal immigrants have been hired by U.S. employers over the past four years.<sup>58</sup> Fourth, in contrast to the nation's labor market experiences during the mid to late 1990s when the economy was generating many millions of net new jobs for both the native born and immigrants, the existence of slack labor market conditions in recent years has created more direct competition for available jobs between immigrants and many subgroups of native born workers. Given large job losses among the nation's teens, 20-24 year old adults with no four year degree, Black males, and poorly educated, native born men, it is clear that native born workers have been displaced from jobs in recent years. These displacement effects are higher in states subject to higher levels of immigration over the past three years. It is extremely difficult to justify such a redistribution of jobs on economic grounds. Finally, many of the new immigrant workers and jobless working-age immigrants have limited educational attainment and English-speaking proficiencies that will reduce their future employability, occupational mobility and earnings potential. For legal immigrants, workforce development policies will be needed to boost their access to basic education, English-as-Second Language, and occupational skills training to improve their longer term employability and earnings. Such ESL, education, and training programs need to be more labor market driven and tied to workplace literacy programs. WIA employment and training programs and adult basic education programs also need to be more closely coordinated with one another and more rigorously evaluated.

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<sup>58</sup> Given the flows of immigrants into and out of jobs over time, the gross number of new hires of illegal immigrants well exceeds this conservative 1.5 million estimate.