



Immigrant Labor and the American Recovery:
A Brief Memo

By Manuel Pastor and Justin Scoggins

About CSII

The Center for the Study of Immigrant Integration's (CSII) mission is to remake the narrative for understanding, and the dialogue for shaping, immigrant integration in America. Our intent is to identify and evaluate the mutual benefits of immigrant integration for the native-born and immigrants and to study the pace of the ongoing transformation in different locations, not only in the past and present but projected into the future. CSII thus brings together three emphases: scholarship that draws on academic theory and rigorous research; data that provides information structured to highlight the process of immigrant integration over time; and engagement that seeks to create new dialogues with government, community organizers, business and civic leaders, immigrants and the voting public.

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Introduction

The Pew Hispanic Center has a long and established reputation of providing research reports that are well-regarded by both academics and policy makers. Last year, it continued that tradition with a series of carefully done reports, including *After the Great Recession: Foreign Born Gain Jobs; Native Born Lose Jobs* by Rakesh Kochhar, Associate Director for Research, with the assistance of two interns, C. Soledad Espinoza and Rebeca Hinze-Pifer.¹

The punchline of the Pew study was straightforward and well-captured in the title: according to the authors, in the year following the official end of the Great Recession in June 2009, foreign-born workers gained 656,000 jobs while native-born workers lost 1.2 million. Interestingly, those dramatic numbers were not quite matched by equally wild swings in the unemployment rate, which fell for immigrant workers by 0.6 percentage points in this period while rising by 0.5 percentage points for native-born workers.

Despite the puzzling mismatch in the scale of the employment shifts and the changes in unemployment rates – and despite the admonition of the Pew authors that immigrant gains were to be expected since immigrants were especially hard-hit by the downturn – the main message picked up in the media was that immigrants were taking jobs from U.S. citizens.

But are they? As it turns out, the picture is a bit more complicated: 1) partly because the data used has some problematic anomalies, 2) partly because the time period that the Pew report studied may not be representative of the employment experience, and 3) partly because the message that immigrants are causing labor market damage to U.S. citizens – again, not pushed by the Pew researchers but rather by pundits reacting to the news – may be misleading.

Missing in Action

One anomaly in the data was first spotted and articulated by our colleague Dowell Myers: the Current Population Survey (CPS) data used to construct the employment and unemployment series in the Pew report see-saw up and down in ways that may lead the actual job gains and losses to be potentially exaggerated, particularly in terms of the effects on native- and foreign-born workers.

As Myers pointed out in a series of e-mails to colleagues, the CPS figures provided in the report suggested that the growth in the native-born population of working age (16 and older) adults plunged by just over 900,000 from 2009 to 2010 (shrinking from an increase of 2,503,000 in 2009 to an increase of 1,581,000 growth in 2010, as reported in Table 9 of the report). Note that this change refers not to just those deemed to be in the labor force, a figure that one might have expected to slip as the lingering recession led to discouraged workers who then gave up the search for employment; rather this is apparently a sharp drop in the growth rate of the population base itself. Given that the size of the entering cohorts of 16 year olds is not likely to have changed by much, this implies that deaths of the U.S.-born rose by almost a million in one year – a phenomenon that might have generated as much public interest as immigrants taking jobs.

¹ See Rakesh Kochhar, C. Soledad Espinoza and Rebecca Hinze-Pifer, “After the Great Recession: Foreign Born Gain Jobs; Native Born Lose Jobs,” Pew Hispanic Center, Washington, D.C. (October 29, 2010).

The growth of the foreign-born varied dramatically in an opposite way, reversing from a loss of 95,000 who were working age in 2009 to a gain of 709,000 in 2010. That is an effective increase in the rate of immigrant population growth of 804,000, again something that might have captured the attention of both the media and the public imagination – and that doesn't square with a general sense that immigration slowed down in the wake of difficult economic conditions.

Every data set has problems and the Current Population Survey is no exception. In a query to the authors about the underlying population numbers in the CPS, the blame was rightly placed with the Census Bureau and the way in which it counts and weights the surveys. However, one might have expected Kochhar and colleagues to address this issue to some degree in the report, particularly since an unexpected and anomalous drop in the native-born population and an equally unexpected and anomalous increase in the foreign-born population is likely to drive the respective employment numbers in the same direction (if 900,000 U.S.-born individuals of working age drop out of the population base, so do whatever jobs we might have expected them to have).

Indeed, these data problems might help explain why the changes in the numbers employed were so much more dramatic than the changes in unemployment rates: in each year, even as the working age base shifts, all the employment and unemployment figures should move in tandem with the overall population. This suggests that we may wish to focus on the unemployment experience in order to avoid the issue of a shifting base.

Again, this a general problem with working with datasets, and it is a particular challenge given that the authors had to use the monthly CPS survey; even their efforts to pool the data for three months to derive a more reliable quarterly figure is still not likely to eliminate all sampling problems. But given how large the population swings were in these quarterly comparisons, we wondered if these were especially problematic quarters for doing the analysis. We also wanted to see, particularly with more data having been collected since the time of the Pew report, whether the results were sensitive to the selection of time periods.

Timing the Recovery

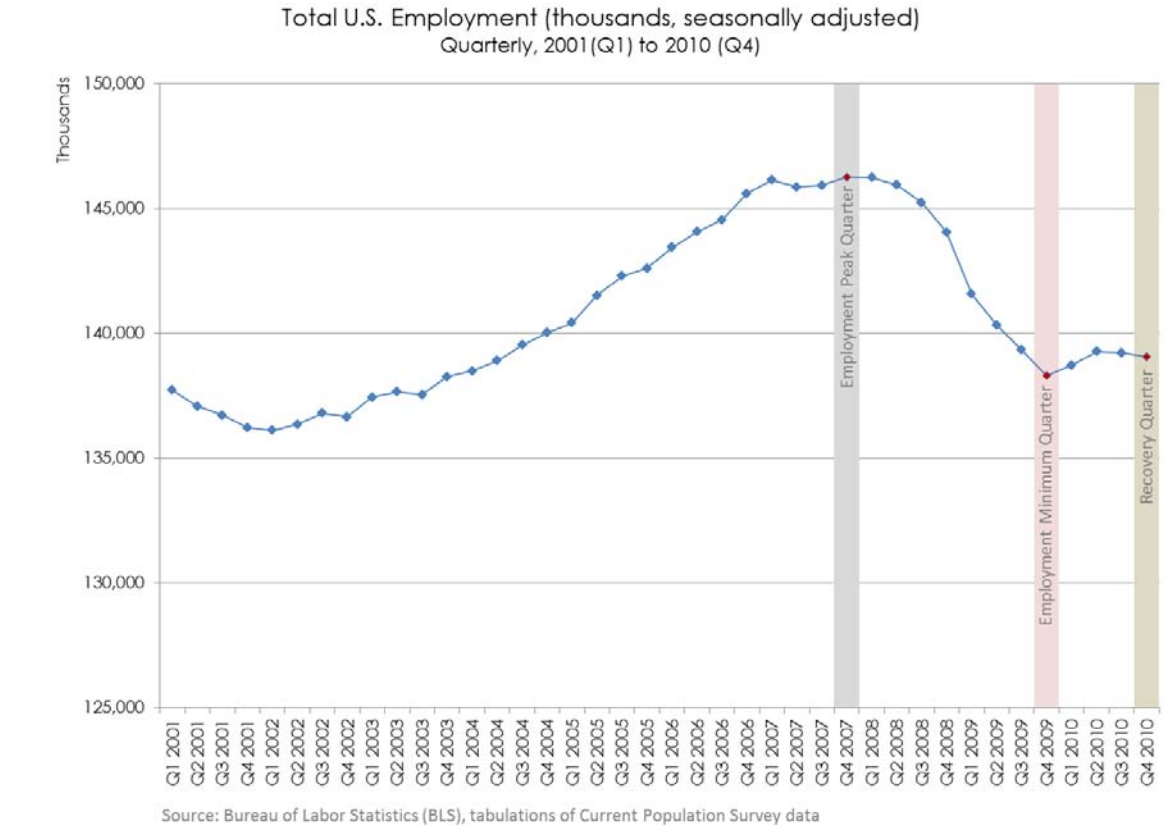
Kochhar and colleagues chose to focus on the year following the beginning of the American economic recovery, and so compared the employment experience going from second quarter of 2009 to the second quarter of 2010 (with occasional reference to a starting point in the second quarter of 2008). This was a reasonable choice as it followed the official timing of the business cycle – as indicated by the declaration of the National Bureau of Economic Research (NBER) that the recession was over in June 2009. The timing also made sense for a report being completed over the summer and released in fall.

But as many of the still-unemployed know, an economic recovery is not the same as a jobs recovery. The NBER Committee that dates business cycles uses a wide range of economic activity indicators, including real gross domestic product and real income. Another alternative choice is to date recovery by focusing on the behavior of just the variable being investigated: jobs.

Figure 1 below shows the pattern of employment recorded by the Current Population Survey. The CPS focuses on surveying workers but the timing of job recovery is very similar if we look at establishment data on employment. The chart makes clear one important fact: the peak of employment occurred in the fourth

quarter of 2007, the trough occurred in the fourth quarter of 2009 and the last quarter for which we have data (and which shows a rise from the trough) is the fourth quarter of 2010.

Figure 1



We think that making use of the employment shifts is a better approach and we take that below. But in order to gauge how much difference that makes, we first tried to use the timing adopted by Kochhar, et al., and replicate their results. As it turns out, we cannot completely duplicate their numbers, partly because the Pew report includes some sophisticated adjustments to the weights that were beyond the scope of this quick cross-check on the results.²

However, using the weights that are made available by the CPS, including the December 2007 revised weights available on the CPS website, we come relatively close, with the U.S.-born experiencing a job loss of 1.5 million and the foreign-born experiencing a job gain of nearly half a million. While those numbers are somewhat different than those in Kochhar, et al. analysis, the gap between the two – indicating a relative gain in foreign-born employment – is very close to that reported by Kochhar and colleagues.

Our estimated increase in unemployment is also very close: for the U.S.-born, we see an increase in the unemployment rate of 0.5 percentage points, a figure that is identical to that found by Kochhar, et al. The

² For a full discussion, see Jeffrey S. Passel and D’Vera Cohn, “U.S. Unauthorized Immigration Flows Are Down Sharply Since Mid-Decade,” Pew Hispanic Center, Washington, DC (September 1, 2010).

decrease in the unemployment rate for immigrants over this time period is just over 0.4 percentage points, a bit less than the 0.6 percentage point improvement Kochhar and colleagues find. This difference may have to do with the superior weights Pew researchers have been using in their extensive work with CPS data but again, it is not large.

Finally, using the Kochhar, et al. timing, we are able to replicate the rather odd swing in the working age population when comparing changes between 2008 and 2009 with those between 2009 and 2010. Our swings showed the 2009-2010 change for the native-born down 873,000 from the 2008-2009 change, while that for the foreign-born was up 871,000. This is fairly close to the Pew estimates for this time period – and remains a troubling sign that perhaps these particular quarters are not as representative as one might hope.

Moving From Peak to Trough to Recovery

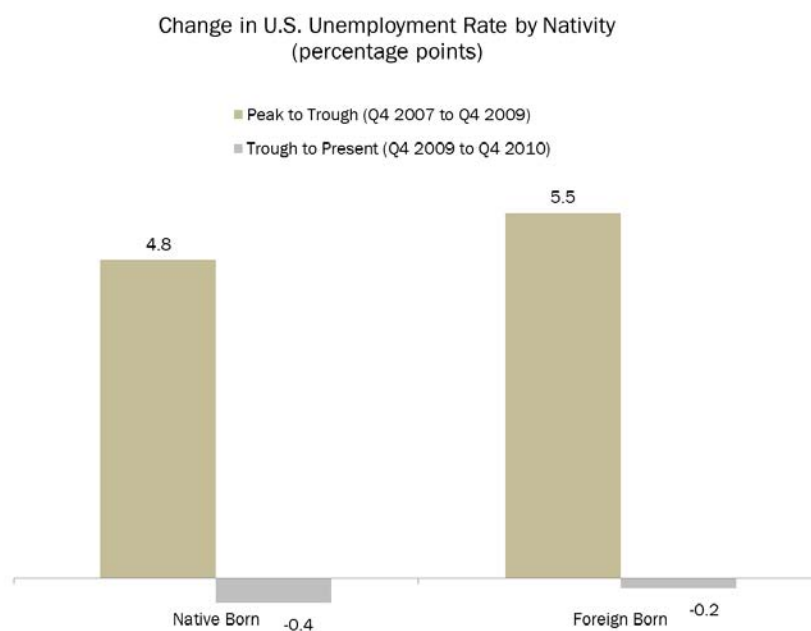
What happens if we adopt a timing that takes advantage of the actual behavior of employment – that is, that considers the shifts from the fourth quarter of 2007 to the fourth quarter of 2009, and then to the most recent data, the fourth quarter of 2010?

The first thing to note is that the growth in the working age population over that period seems a bit more stable: the native-born rose by 1.9 million in 2008 (over the previous year), by 1.6 million in 2009, and by 1.3 million in 2010 while the foreign-born working age population rose by less than 300,000 in both 2008 and 2009 and then increased by around 700,000 in 2010. Again, the Pew-adjusted weights would likely yield even better numbers, particularly given the use of the 2007 data, and we remain a bit worried about the volatility in the series – note that the annual growth rate fell by 300,000 for the U.S.-born in 2010 and rose by 400,000 for immigrants in that same year. Still, this beats the implied fall of in growth of more than 900,000 for natives and the implied rise in growth of just over 800,000 for immigrants in the Pew report between the second quarters of 2009 and 2010. Clearly, we all need better data.

Working with the data we have, we can see a story close to that of Pew: foreign-born workers did gain more jobs in the recovery than native-born workers. The numbers, however, are far less extreme – while Kochhar and colleagues had a gap in job gains of 1.85 million (with the native-born losing 1.2 million and foreign-born gaining nearly 656,000 jobs), the gap we show over this time period is still in favor of the foreign-born but by only 339,000.

Since some of that difference in gains may be driven (as with Kochhar, et al.) by the odd swings in the baseline working age population, it is important to also look at the unemployment rate for native-born and foreign-born workers. When we do, we find that foreign-born workers were much harder hit by the recession, with their unemployment rate going up by 0.7 percentage points more than that for the U.S.-born (see Figure 2). In the recovery, their unemployment rate fell by 0.2 percent points *less* than that for U.S.-born workers.

Figure 2



Source: CSII analysis of the Current Population Survey

One troubling trend in the data is that the labor force participation rate fell more dramatically for the native-born, suggesting that U.S.-born workers may have been more likely to become discouraged and drop out of the labor market altogether. When broken down by age, the data suggest that the fall-off in labor participation is most pronounced in U.S.-born workers between the ages of 18 and 34; this is the sign of a poor labor market and a clear policy imperative for the future.

Further exploration of the data, including the extensive sub-group provided by Kochhar and colleagues, is beyond the scope of this short memo but is surely needed for a full understanding of the employment picture for all workers in the U.S. labor market. However, the point here is that timing is important: focusing on the employment peaks and troughs rather than the NBER dates for the economic recovery, we do not find as sharp of job displacement effects as noted in the Pew report and indeed find that the unemployment rate for the U.S.-born rose less in the recession and fell just a bit more in the recovery.

Breaking Out U.S. Citizens

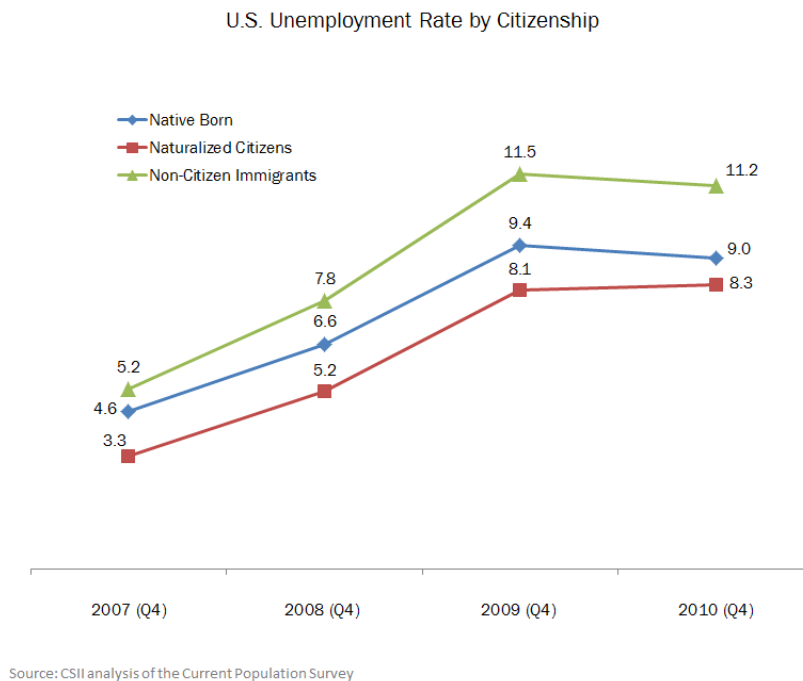
A final nuance in the data is worth considering – the experience of American citizens and non-citizens. After all, the popular media story is that immigrants are taking jobs from U.S. workers. What is often forgotten – not by those in the research world like Kochhar and his colleagues at Pew but rather by reporters and pundits – is that some of those born in other countries and laboring in our borders are actually American citizens (in fact, just under half of the foreign-born working age population consists of naturalized citizens).

Indeed, when we first sought to understand the Pew results and examine different experiences in the labor market, we did our initial breaks by citizens and non-citizens, including all those who had naturalized in the former category. When you do that – which seems logical enough given the tenor of the public debate – you

find that from the trough in 2009 to the fourth quarter of 2010, both citizens and non-citizens had an identical improvement (that is, reduction) of 0.3 percentage points in their unemployment rates.

Figure 3 shows what we find when we profile separately the experience of the U.S.-born, naturalized citizens and non-citizen immigrants. We focused on unemployment rates rather than the number of jobs held by each group because of a particular wrinkle: naturalization is, of course, a status that can change over time and so the number of those who are naturalized (and hence hold jobs) tends to always rise.

Figure 3



The results indicate that the gap between the unemployment rates of the native-born and non-citizen immigrants rose from 0.6 percentage points in 2007 to 1.2 percentage points in 2008 to 2.1 percentage points in 2009 to 2.2 percentage points in 2010. What is also interesting is the consistently lower unemployment rate for naturalized Americans, coupled by the failure to see the unemployment rates for that group fall thus far in the recovery.

This pattern may be occurring because individuals who were unemployed chose to naturalize, swelling those numbers. However, it is also the case that those facing the most competition from immigrants in the labor market are often older immigrants in the same sorts of occupations and industries. In any case, those who saw their unemployment rates rise in the context of the recovery were foreign-born American citizens; U.S.-born citizens actually saw improvements relative to all foreign-born and to foreign-born non-citizens.

Telling the Story

Those who know the world of media recognize that what a report says is not always how it is read. Kochhar and colleagues offered a well-researched and balanced snapshot of what survey data had to say about different experiences in the labor market. They properly nuanced their work by pointing to the sharp rise in immigrant unemployment during the recession, by noting all the difficulties of interpretation with survey sample volatility, and by making reference to the voluminous economic literature debating whether immigrant labor is more a complement than a substitute for U.S.-born workers.³ In press interviews, Kochhar also rightly noted that the trend they were noting might not persist (which is, of course, the case with the numbers we present as well).

All that nuance got lost a bit in the headlines, of course. But it is also the case that the underlying population numbers in the Pew report are so volatile as to make focusing on employment gains perhaps less apt than a focus on unemployment rates and that the dating of the “recovery” in this particular instance should probably focus on the trajectory of jobs and not the pronouncements of the NBER.

If you shift the timing to track employment and focus on the unemployment rates that may be more accurately measured, you find that foreign-born workers have not gained more than U.S.-born worker in terms of unemployment reductions and that the gap between lower unemployment rates for U.S.-born workers and higher unemployment rates for non-citizen immigrants has grown over time. This is likely an uncontroversial outcome since newcomers generally understand that their labor market experience may be more tumultuous – it is part of the price of entry to the great American economy and jobs machine.

Keeping that jobs machine moving forward is going to require creative policies and effective collaborations. The economic research generally tells us that while there are certain negative effects on less-skilled workers, immigrants are generally good for the economy and will be an important part of any long-term recovery. Keeping that in mind would be good for policy makers dedicated to making a stronger and more inclusive America.

³ For a very good and very recent review, see Harry Holzer, *Immigration Policy and Less-Skilled Workers in the United States: Reflections on Future Directions for Reform*, Washington, DC: Migration Policy Institute, January 2011.