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# The Economic Integration of Immigrants in the United States: Long- and Short-Term Perspectives

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# THE ECONOMIC INTEGRATION OF IMMIGRANTS IN THE UNITED STATES: Long- and Short-Term Perspectives

By Aaron Terrazas

July 2011



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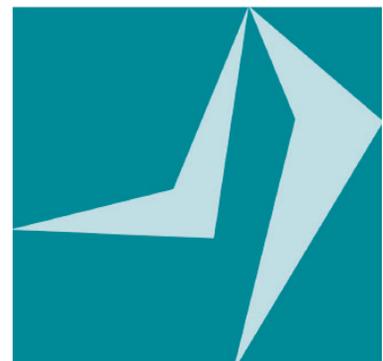
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## Executive Summary

Immigrants make up a large and growing share of the US labor force. The number of immigrants in the US workforce has increased steadily since the 1970s and is now approaching rates last experienced at the peak of the previous great wave of immigration at the turn of the 20<sup>th</sup> century. As the baby boom generation moves gradually toward retirement, immigrants and their children will assume a critical role in sustaining US output and productivity against the backdrop of an increasingly competitive global economy.

The United States has historically offered unparalleled economic opportunity to successive generations of immigrants and their children and, in the absence of explicit policies aimed at integrating newcomers, the workplace has arguably been one of the country's most powerful immigrant-integrating institutions. In contrast to other major immigrant-receiving countries, immigrants in the United States tend to be strongly attached to the labor force and typically experience low unemployment. But they are also more likely to work in low-wage and low-status occupations. Even among highly skilled immigrants, skill underutilization is widespread.

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*As the baby boom generation moves gradually toward retirement, immigrants and their children will assume a critical role in sustaining US output and productivity.*

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The 2007-09 global economic crisis accentuated immigrants' vulnerability in the labor market and in its wake, it is not clear if past trends in immigrants' economic integration will continue. The lasting impact of job loss and poverty in the context of a weak, protracted recovery could realign the economic and social forces that have historically propelled immigrants' upward socioeconomic mobility. Over the next decade the US economy is expected to grow more slowly than in the past. Inevitably, slower growth will translate into fewer opportunities for all workers and as is frequently the case, immigrants may prove the most vulnerable.



## I. Introduction

Immigrants and their families make up a large and growing share of the US labor force. By 2009, one in eight US residents and one in six US workers was foreign born.<sup>1</sup> Over the past two decades immigrants have accounted for about half of the growth in the civilian labor force, and nearly one-quarter of US youth projected to enter the labor force over the next decade have a foreign-born parent. By 2050, the children of immigrants — including both foreign-born and native-born children with one or more immigrant parent — are expected to account for over one-third of all US children compared to about one-quarter in 2009 and less than 10 percent in 1980.<sup>2</sup> In some parts of the country, such as in California and in the New York and Miami metropolitan areas, more than half of all children have one or more immigrant parents.<sup>3</sup> As the baby boom generation moves inexorably toward retirement, immigrants and their children will play a critical role in sustaining US output and productivity against the backdrop of increasing competition from emerging-market workers and corporations. More than ever, immigrants and their children are the future of the American workforce. Their integration into the US labor force — or lack thereof — is a key component of any long-term strategy to maximize the productive potential of the current and future US workforce.<sup>4</sup>

The immigrant population in the United States is extremely diverse, as are immigrants' economic prospects and labor-market integration. Some groups fare better than the US born and others fare worse. On balance, the degree of economic integration varies substantially with immigrant workers' education and skill levels, language ability, duration of residence, and the entry route through which they reached the United States. Of course, immigrants face some common challenges in the US labor market. Many arrive with few skills and limited education, filling low-wage jobs with few prospects of upward mobility. Other more highly educated immigrants arrive with academic and professional qualifications, but are unable to exercise their professions due to difficulty translating their credentials, limited English language skills, lack of legal status, or other barriers. Women in immigrant families may face particular cultural barriers to labor market participation or may lack access to affordable child care allowing them to work. More entrepreneurial immigrants may have marketable business ideas, but frequently are unable to secure start-up capital or regulatory approval to launch their ventures. This leads to widespread informality (and the resulting limits on enterprise growth and productivity) among immigrant-owned small business.<sup>5</sup>

Despite these barriers, the United States has historically offered unparalleled economic opportunity to successive generations of immigrants and their children.<sup>6</sup> During the 19<sup>th</sup> century, immigration was driven largely by push factors in Europe combined with the aim to settle a largely unsettled territory. However, since at least the late 19<sup>th</sup> century, growing public US investments in education have propelled a shift in labor demand toward skill-intensive industries.<sup>7</sup> These investments helped establish the foundation of US industrial competitiveness and global leadership during the 20<sup>th</sup> century. The upward shift toward knowledge-based industries also generated substantial opportunities in many of the less-skilled or menial occupations necessary to support the knowledge economy. During the early 1900s,

1 American Community Survey (ACS), 2009.

2 Jeffrey S. Passel, "Demography of Immigrant Youth: Past, Present and Future," *The Future of Children*, 20, no. 1 (Spring 2011): 20-41.

3 ACS, 2009.

4 For a review, see Michael Fix, ed., *Securing the Future: Immigrant Integration Policy, A Reader* (Washington, DC: Migration Policy Institute, 2007).

5 For a review of the relationship between informality and business growth, see William J. Baumol, Robert E. Litan, and Carl J. Schramm, *Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity* (New Haven, CT: Yale University Press, 2007).

6 See Alejandro Portes and Ruben Rumbaut, *Immigrant America: A Portrait* (Berkeley and Los Angeles: University of California Press, 2006).

7 See Claudia Goldin and Lawrence F. Katz, *The Race between Education and Technology* (Cambridge, MA: Belknap Press of Harvard University, 2008).



internal migrants — primarily African Americans from the rural South — and immigrants from Eastern and Southern Europe filled these occupations,<sup>8</sup> but by the late 20<sup>th</sup> century, almost all growth in the less-educated labor force was due to immigration, particularly from Mexico and Central America.<sup>9</sup>

The workplace has arguably been one of the most powerful immigrant-integrating institutions in the United States. In contrast to other immigrant-receiving countries across the advanced industrial world, immigrants in the United States are strongly attached to the workforce: unemployment among immigrants is no higher, on average, than among the native born and labor force participation is typically much higher among immigrants than among natives. The US labor market offers ample work opportunities for immigrants, a trend that has accelerated due to slowing population growth among the native born. However, many immigrants work in low-wage and low-status jobs with little access to the social safety net. In many instances, this reflects their low levels of formal education and limited English skills compared to natives, but it also reflects the low social value that the United States places on these jobs. Many relatively well-educated immigrants — including naturalized citizens — also work in jobs that undervalue their technical knowledge or are perceived as mundane or unappealing by native-born workers.<sup>10</sup>

Immigrant integration has historically occurred at the local level through the efforts of families, employers, schools, churches, and communities. Perhaps the most distinctive feature of the US model of immigrant integration is the lack of public institutions mandated with enhancing immigrants' economic outcomes. Beyond limited social assistance and job placement services available to resettled refugees and agricultural workers, the most powerful public policies and programs that promote immigrant integration today were, in fact, designed as anti-poverty programs during the Great Society reforms of the 1960s and initially targeted toward promoting socioeconomic mobility among African Americans. Legislative reforms during the 1990s limited immigrants' access to many federal anti-poverty programs but empowered state governments to grant certain social benefits to immigrants.<sup>11</sup>

In the long-term perspective, this integration model — driven largely by civil society with minimal engagement by government — has proven effective and distinct in character from any other nation. Continued public investment in education coupled with robust economic growth ensured that immigrants laboring at the bottom of the US labor force could realistically nurture higher aspirations for their children and grandchildren (at least prior to the recent economic crisis). Immigrants are often cited as a critical exception to the surprising lack of intergenerational economic mobility in the United States compared to other advanced industrial countries (in contrast to widespread perception otherwise).<sup>12</sup>

This report examines immigrants' economic integration in the United States, focusing on the demographic and socioeconomic characteristics of immigrants and natives in the labor market and, subsequently, on their labor market outcomes. To address the considerable differences among segments of the extremely diverse immigrant population, the report compares different immigrant groups in several instances. Finally, any discussion of immigrants' economic integration in the United States would be incomplete without addressing the macroeconomic forces that have shaped employment trends over the past decade — chiefly the consumption boom of the first half of the decade and the ensuing recession and protracted period of debt deleveraging. Unless otherwise indicated, data presented in this report are from Migration Policy Institute (MPI) analysis of US Census Bureau data.

8 For a review, see Michael J. Piore, *Birds of Passage: Migrant Labor in Industrial Societies* (New York: Cambridge University Press, 1980).

9 See Harry J. Holzer, *Immigration Policy and Less-Skilled Workers in the United States: Reflections on Future Directions for Reform* (Washington, DC: Migration Policy Institute, 2010), [www.migrationpolicy.org/pubs/Holzer-January2011.pdf](http://www.migrationpolicy.org/pubs/Holzer-January2011.pdf)

10 Jeanne Batalova and Michael Fix with Peter A. Creticos, *Uneven Progress: The Employment Pathways of Skilled Immigrants in the United States* (Washington, DC: Migration Policy Institute, 2008), [www.migrationpolicy.org/pubs/BrainWasteOct08.pdf](http://www.migrationpolicy.org/pubs/BrainWasteOct08.pdf).

11 Michael Fix, ed., *Immigrants and Welfare: The Impact of Welfare Reform on America's Newcomers* (New York: Russell Sage Foundation, 2010).

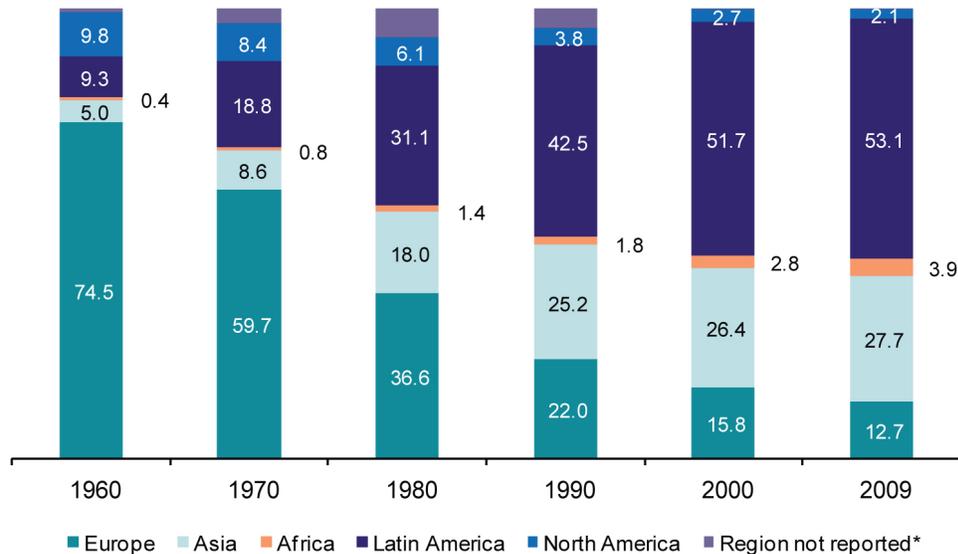
12 See Bhashkar Mazumder, *Upward Intergenerational Economic Mobility in the United States* (Washington, DC: Economic Mobility Project, 2008) and Chapter 1 in Ron Haskins and Isabel V. Sawhill, *Creating an Opportunity Society* (Washington, DC: The Brookings Institution, 2009).



## II. Characteristics of Immigrants in the US Labor Force

Over the past four decades, the foreign-born population of the United States has steadily increased, both in numerical terms and as a share of the total population. In relative terms, the foreign-born share is currently approaching, but remains below, levels recorded during the peak of the last great wave of immigration at the end of the 19<sup>th</sup> century and first decade of the 20<sup>th</sup> century. During the 1920s, immigration to the United States slowed as a result of restrictive legislative measures. Over the next two decades, the European countries that had been the sources of most immigration to the United States experienced a period of rapid economic and social development, leading to lower emigration. The United States again liberalized its immigration laws during the late 1960s and immigration increased, gradually at first and then dramatically. By the 1980s, broad swaths of Latin America and Asia were being integrated into the global economy and immigration to the United States from these regions increased substantially: In 1970, 27.4 percent of immigrants came from Latin America and Asia while 59.7 percent came from Europe; by 2009, 80.8 percent came from Latin America and Asia while 12.7 percent came from Europe (see Figure 1).

**Figure 1. Foreign-Born Population by Region of Birth as Share of Total Foreign-Born Population, 1960 to 2009**



*Note:* \*The category “not reported” includes Oceania. In contrast to 1960 through 1990, the US Census Bureau allocated non-responses to the question on country or region of birth in both 2000 and 2009. In 2000, the “not reported” category includes only 316 individuals who were born at sea. For 2009, persons born at sea were excluded from the total estimate.

*Source:* US Census Bureau, Decennial Censuses 1960 to 2000 and the 2009 American Community Survey (ACS). Available on the Migration Policy Institute (MPI) Data Hub, “US Historical Immigration Trends,” [www.migrationinformation.org/DataHub/historicaltrends.cfm](http://www.migrationinformation.org/DataHub/historicaltrends.cfm).

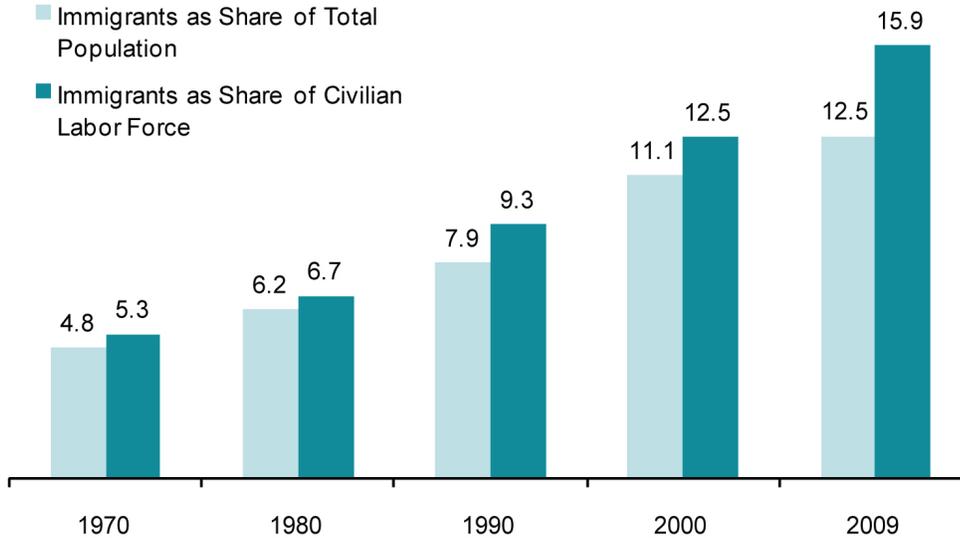
Since 1970, the share of immigrants in the US labor force has increased more rapidly than the overall immigrant population (see Figure 2). By 2009, immigrants were 12.5 percent of the total US population, but 15.9 percent of the US labor force. Perhaps more interestingly, the labor force participation rate among the foreign born has been increasing since the 1970s while the labor force participation rate for the native born increased from 1970 to 1990, but has stabilized and perhaps even declined since then (see Figure 3). There are multiple explanations for these diverging trends in labor force behavior among the native- and foreign born. Different demographic groups have driven US labor force growth at various points during the past half-century: Between the 1940s and the 1970s, the entry of women into the work force drove labor force growth. From the 1970s through 1990, the entry of the baby boom generation drove this growth, and during the 1990s and 2000s, immigrants assumed this role. Simultaneously, economic restructuring generated ample employment opportunities for better-educated workers and contributed to restraining real wage growth among the less educated.<sup>13</sup> Policy also played an important role. Legal and administrative reforms

<sup>13</sup> David Autor, *The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings* (Washington, DC: Center for American Progress and The Hamilton Project, April 2010), [www.brookings.edu/papers/2010/04\\_jobs\\_autor.aspx](http://www.brookings.edu/papers/2010/04_jobs_autor.aspx).



in 1990 expanded the avenues available to highly educated immigrants to enter for employment motives. In addition, efforts to more strictly enforce border controls increased the costs and risks associated with illegally immigrating to the United States, with the inadvertent result of deterring many migrants who could not afford to recover those up-front costs in the US labor market.

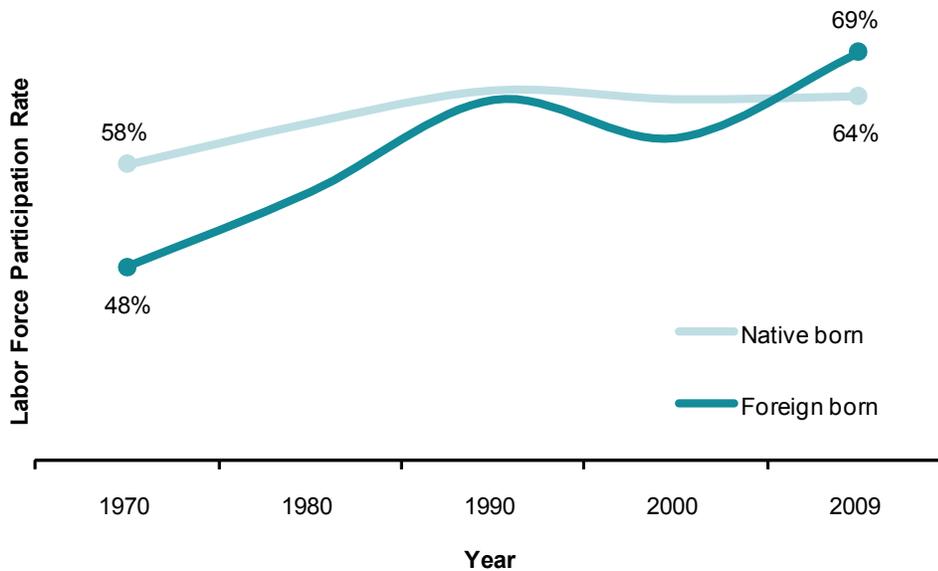
**Figure 2. Foreign Born as a Share of the Total Population and Civilian Labor Force**



*Note:* Includes individuals age 16 and older.

*Sources:* The 1970 to 2000 data are from the decennial censuses and the 2009 data are from the 2009 American Community Survey. The data were downloaded from the Integrated Public Use Microdata Series (IPUMS). Steven Ruggles, Matthew Sobek, Trent Alexander, Catherine A. Fitch, Ronald Goeken, Patricia Kelly Hall, Miriam King, and Chad Ronnander. *Integrated Public Use Microdata Series: Version 3.0* [Machine-readable database]. Minneapolis, MN: Minnesota Population Center [producer and distributor], 2009. Prepared by Jeanne Batalova for the MPI Data Hub.

**Figure 3. Labor Force Participation Rate among the Native Born and Foreign Born, 1970-2009**

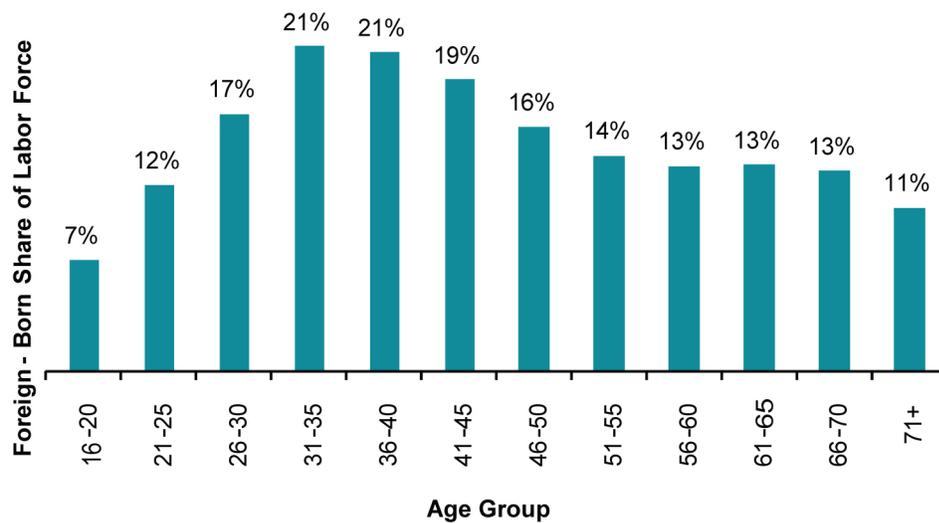


*Note:* Includes individuals ages 16 and older.

*Sources:* The 1970 to 2000 data are from the decennial censuses and the 2009 data are from the 2009 ACS. The data were downloaded from IPUMS. Prepared by Jeanne Batalova for the MPI Data Hub.

Foremost among the reasons for immigrants' high rate of labor force participation is age structure. Immigrant workers are particularly prevalent among the prime working-age adult population, accounting for about one-fifth of workers between the ages of 31 and 45 but a smaller share of younger and older cohorts. Labor force participation rates are roughly similar for immigrants and natives across age groups although immigrants tend to have longer working lives than natives: they tend to enter the full-time labor market somewhat earlier and tend to retire somewhat later compared to natives. As Figure 4 illustrates, as older cohorts of native-born workers retire over the next three decades, larger cohorts of immigrants will enter their prime working and earning years becoming critical contributors to the country's public pension systems and general public revenues. The research base on the savings and retirement planning of immigrant workers is extremely limited, but available studies suggest that immigrants are less likely than natives to save for long-term goals such as retirement.<sup>14</sup>

**Figure 4. Foreign-born Share of the Labor Force by Age Group, 2009**



Note: Ages 16 and older.

Source: MPI analysis of data from the 2009 ACS. The data were downloaded from IPUMS.

A second contributing factor is gender. Immigrant men in the labor force outnumber women by a much larger margin (58 percent male) than among the native born (52 percent male) and the gap is even larger among Hispanic immigrants (63 percent male). Labor force participation rates among immigrant men tend to be higher than among native-born men — especially among Hispanic immigrant men — while immigrant women are less likely than their native-born peers to participate in the labor force. This observation points to a critical immigrant integration challenge for the years ahead that could contribute to labor force growth in the context of lower overall immigration: How to encourage greater labor force participation among immigrant women, many of whom have young children.

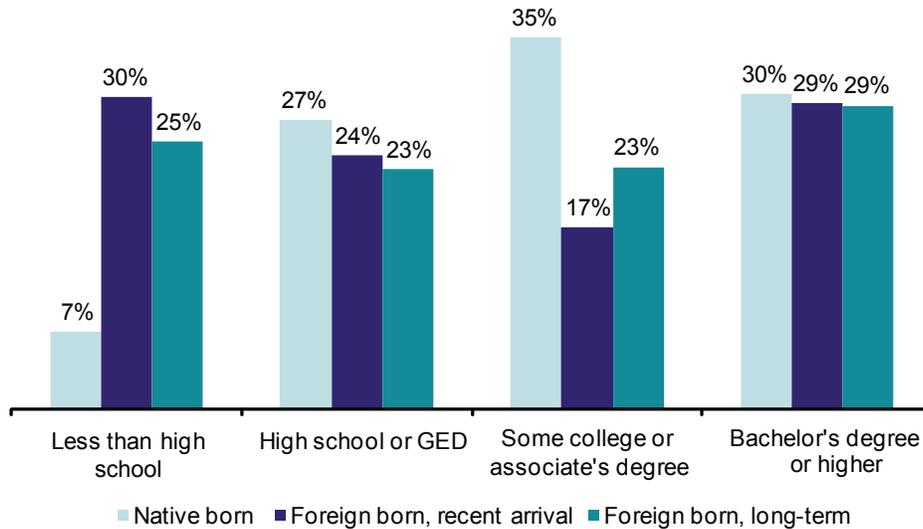
In terms of education — one of the key determinants of immigrants' prospects in the labor market — conventional wisdom has long suggested that immigrants tend to concentrate at the extremes of the education spectrum (i.e., they tend to be both highly educated and less educated). In part, this reflects the bias of the US immigration system, which favors the admission of well-educated immigrants through legal channels while admitting substantial numbers of typically less highly educated immigrants through family unification channels and (at least until relatively recently) essentially tolerating the entry of less-skilled immigrants through informal channels. While this “bimodal” distribution of immigrants by education level remains true for recent immigrants, research suggests that over time many immigrants are able to acquire

14 Purvi Sevak and Lucie Schmidt, “How Do Immigrants Fare in Retirement?” (Working Paper 2007-169, University of Michigan Retirement Research Center, October 2007), <http://deepblue.lib.umich.edu/handle/2027.42/57433>.



skills and credentials and gradually move up the education continuum. In a study, Randy Capps, Michael Fix, and Serena Yi-Ying Lin found that prior to the recent economic crisis, a growing number of immigrants worked in “middle-skill” occupations.<sup>15</sup> As Figure 5 shows, the educational distribution of immigrants who arrived prior to 2000 is much flatter compared to post-2000 arrivals.

**Figure 5. Education Level of Foreign-Born Workers by Period of Arrival, 2009**



*Note:* Ages 16 and older. Recent arrivals include those entering the United States in 2000 or later.  
*Source:* MPI analysis of data from the 2009 ACS. The data were downloaded from IPUMS.

About half of all immigrants in the labor force are Limited English Proficient (LEP), a fact that crucially affects their economic integration.<sup>16</sup> (In addition, an unknown number of immigrants have limited literacy in their native language.) Admittedly, not all well-paying occupations require full English proficiency. For instance, about one-third of foreign-born mathematicians and chemists in the labor force in 2009 self-reported being LEP. Other industries and occupations, most notably in construction, employed large numbers of immigrants with little formal education but who have substantial tacit knowledge or trade skills.<sup>17</sup> Beyond these important exceptions, there is little doubt that English proficiency is essential to accessing well-paying jobs, particularly for middle- and less-skilled immigrant workers. Limited English skills are particularly common among less-skilled immigrants in the labor force, of whom 83 percent were LEP in 2009, compared to 58 percent of immigrants with a high school degree, 35 percent of immigrants with some college education or an associate’s degree, and 25 percent of immigrants with a bachelor’s degree or higher. Nevertheless, there is substantial evidence of English acquisition over time. About two-thirds of immigrant workers who arrived between 2000 and 2009 reported being LEP compared to about one-third of immigrant workers who arrived in the 1970s and about half who arrived in the 1980s and 1990s.

The age at which immigrants arrive in the United States is a critical determinant of how they fare in the labor market. By 2009, the median age at arrival for immigrants to the United States was 22 years, and about half of immigrants had arrived between the ages of 16 and 30 — key years for labor market entry. Hispanic immigrants tend to arrive slightly earlier than other immigrants. The median age at arrival in the United States for Hispanic immigrants in the labor market was 20 years old whereas for non-Hispanics it was 24 years old. Research suggests that immigrants who arrive as children (before ages 12 to 14) tend

15 Randy Capps, Michael Fix, and Serena Yi-Ying Lin, *Still an Hourglass? Immigrant Workers in Middle-Skilled Jobs* (Washington, DC: Migration Policy Institute, 2010), [www.migrationpolicy.org/pubs/sectoralstudy-Sept2010.pdf](http://www.migrationpolicy.org/pubs/sectoralstudy-Sept2010.pdf).

16 Includes individuals who self-report their English speaking ability as less than “very well.”

17 Natasha Iskander, Nichola Lowe, and Christine Riordan, “The Rise and Fall of a Micro-Learning Region: Mexican Immigrants and Construction in Center-South Philadelphia,” *Environment and Planning A*, 42, no. 7 (2010): 1595-1612.



to fare similarly to (and, indeed, often better than) their native-born peers while immigrants who arrive as adolescents or young adults prior to labor market entry face greater barriers to academic success.<sup>18</sup> Immigrants who arrive in the United States as young adults and directly enter the labor market face much greater challenges in the labor market. This is true for both immigrants who arrive with little formal education and those who arrive with higher degrees or credentials received abroad but which are not easily interpreted or accepted by US employers. On balance, obtaining a degree or credential from a US educational establishment — including both secondary and postsecondary institutions — substantially enhances the labor market opportunities for immigrants.

Finally, immigrants in the US labor force differ from the native born in that they tend to concentrate in the largest and fastest-growing (in economic terms) states. For instance, California is home to 26 percent of all immigrants but just 9 percent of natives in the US labor force. Similarly, New York is home to 11 percent of all immigrants, but 6 percent of all natives. The share of immigrants in the labor force is highest in California (34 percent), New York (26 percent), New Jersey (26 percent), Nevada (25 percent), Florida (24 percent), and Texas (21 percent). By contrast, the share of immigrants in the labor force is lowest — below 4 percent — in Maine, Mississippi, Montana, North Dakota, South Dakota, Vermont, West Virginia, and Wyoming. The foreign-born population has also grown rapidly in states such as Arizona, Arkansas, Georgia, Nevada, North Carolina, and South Carolina, which all experienced rapid economic growth and development over the 1990s and 2000s. While there are many factors that contribute to immigrants' selection of a place of residence in the destination country, a booming local economy doubtlessly plays an important role.<sup>19</sup> This trend, of course, becomes a critical issue for policymakers if local economic booms collapse.<sup>20</sup>

### III. Employment and Unemployment

The demographic and socioeconomic characteristics of immigrants have broad implications for their labor market outcomes, ranging from the industries and sectors where immigrants tend to work to the incidence of unemployment and underemployment in immigrant communities. This section explores how immigrants fare in the US labor market along a range of indicators. In the long-term perspective, immigrant workers are subject to the same global, national, and local forces that shape the fortunes of native-born workers. However, in the short term, immigrants are often more vulnerable to cyclical fluctuations.<sup>21</sup> The experience of the past decade vividly illustrates these trends.

Between 2000 and 2007, when total US employment peaked just above 146 million, the number of foreign-born workers in the US labor force grew from 19 million to 24.1 million; as a share of the total labor force, immigrants increased from 13 percent to 16 percent. Most of the newly arriving workers quickly found jobs. From 2002 to 2007, the US economy created about 10 million jobs, with immigrants filling about two-fifths (42 percent) of them; Mexican and Central American immigrants alone accounted for about one-fifth (21 percent) of all new workers over the period. Domestic consumption — fueled

18 See Ruben G. Rumbaut and Golnaz Komaie, "Immigration and Adult Transitions," *The Future of Children*, 20, no. 1 (Spring 2010): 43-66.

19 For various perspectives on this debate, see Darren M. Scott, Paul A. Coomes, and Alexei I. Izyumov, "The Location of Choice of Employment-Based Immigrants Among US Metro Areas," *Journal of Regional Science*, 45, no. 1 (2005): 113-45; and Kao-Lee Liaw and William Frey, *Choices of Metropolitan Destinations by the 1995-2000 New Immigrants Born in Mexico and Canada: Characterization and Multivariate Explanation* (US Census Bureau Center for Economic Studies, Paper No. CES-WP-08-27, September 2008).

20 A notable example from abroad is the case of immigration to Spain over the past decade. See Ruth Ferrero-Turrión, "Migration and Migrants in Spain After the Bust," in Demetrios G. Papademetriou, Madeleine Sumption, and Aaron Terrazas, eds., *Migration and the Great Recession: The Transatlantic Experience* (Washington, DC: Migration Policy Institute, 2011): 86-105.

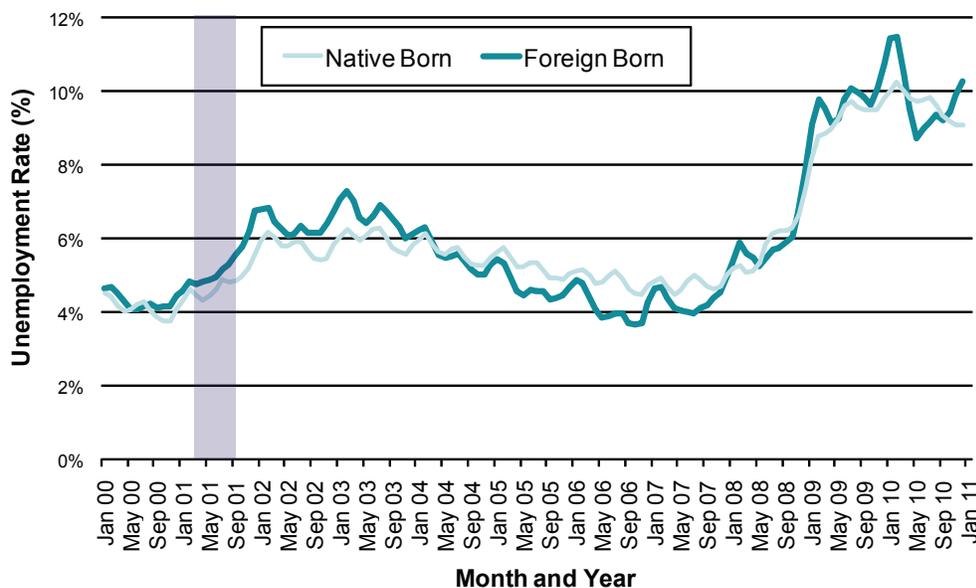
21 Pia Orrenius and Madeline Zavodny, *Tied to the Business Cycle: How Immigrants Fare in Good and Bad Economic Times*, (Washington, DC: MPI, 2009), [www.migrationpolicy.org/pubs/orrenius-Nov09.pdf](http://www.migrationpolicy.org/pubs/orrenius-Nov09.pdf).



in part by loose monetary policy in the United States but also by structural fiscal surpluses combined with investment risk aversion in many developing and emerging economies — drove much of this job creation. Immigrants filled many of the middle- and less-skilled service jobs created during the boom.

The global economic crisis that erupted in mid-2008 reversed many of these gains. As the crisis deepened, unemployment increased dramatically for both the native- and the foreign born. In contrast to many European countries, US immigrant and native unemployment rates track each other very closely.<sup>22</sup> This is largely the result of immigrants' strong attachment to the labor force despite other characteristics making them more vulnerable to job losses. As Figure 6 illustrates, the unemployment rates among native- and foreign-born workers have tracked each other remarkably closely for much of the past decade. The unemployment rate among both the native born and immigrants steadily declined following the end of the last recession in 2001-02 (see Figure 6) before starting to rise rapidly in late 2007 for immigrants and in mid-2008 for native workers.

**Figure 6. Monthly Unemployment Estimates by Nativity, January 2000-December 2010**



*Note:* Estimates are based on a three-month moving average.

*Source:* MPI analysis of US Census Bureau, Basic Current Population Survey (CPS), January 2000 to December 2010 in Demetrios G. Papademetriou and Aaron Terrazas, "Vulnerability, Resilience, and Adaptation: Immigrants over the US Economic Crisis and Recovery" in *Migration and the Great Recession: The Transatlantic Experience*, Demetrios G. Papademetriou, Madeleine Sumption, and Aaron Terrazas, eds. (Washington, DC: MPI, 2011).

In general, unemployment increased much more rapidly among the less educated, among men, and among youth. As described above, certain immigrant groups — particularly Hispanics — are much more likely to have these demographic and socioeconomic characteristics and, as a result, suffered disproportionate job losses during the recession. For instance, the unemployment rate among immigrant LEP immigrant workers increased from 7 percent in 2006 to 11 percent in 2009 while it rose from 5 percent to 8 percent among their non-LEP peers over the same period. However, the median age of unemployed immigrants in 2008 was 38 compared to a median age of 33 among unemployed natives.

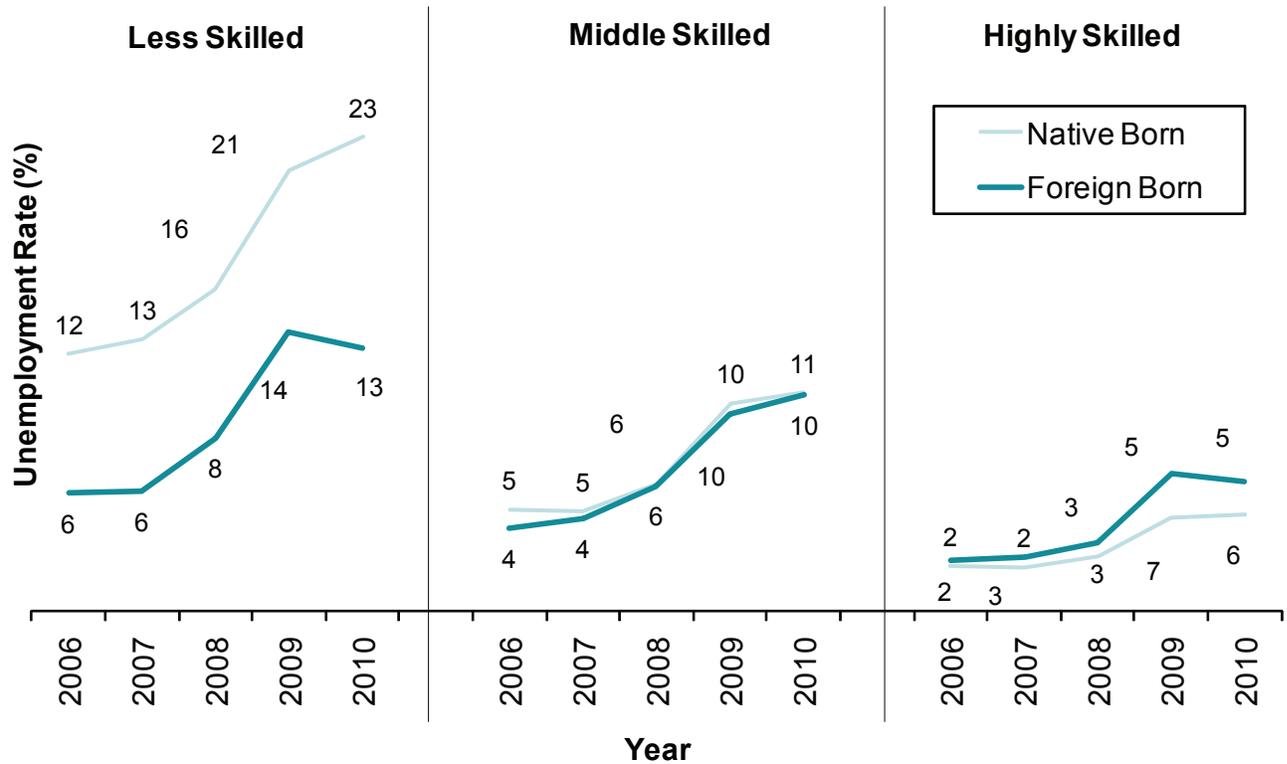
<sup>22</sup> The data for this and other charts on the United States are taken from the monthly Basic Current Population Survey (CPS) microdata made available by the US Census Bureau. The data are pooled into quarters. The CPS is known to undercount unauthorized immigrants, many of whom are not sampled because they move frequently, live in nonstandard housing, or are hesitant to interact with US government representatives; the data should accordingly be interpreted with caution. However, the CPS remains the most useful and detailed periodic source of information on immigrants in the US labor market.



This points to an important difference in the profile of the newly unemployed as a result of the recession: unemployed natives have increasingly become young workers who face important challenges to entry into the labor force<sup>23</sup> while unemployed immigrants were more likely to be in their prime working years and displaced from formerly booming industries, notably construction.

When the immigrant workforce is broken down by education level, several interesting trends become apparent as well. Among the highly educated, immigrants suffered greater increases in unemployment than natives while among the less educated, unemployment among natives increased much more dramatically than among immigrants. Interestingly, middle-skilled immigrants — those with more than a high school education but less than a bachelor’s degree — fared almost the same as their native-born counterparts (see Figure 7). This is in part a function of the fact that many middle-skilled immigrants in the labor force initially arrived as youth or received some of their education in the United States. Nevertheless, examining unemployment rates by age at arrival alone can be misleading. In general, immigrants who arrive as young children or as postsecondary students tend to more closely resemble natives in the level of education and choice of occupation. Immigrants who arrive as adolescents tend to have high labor force participation rates, but often enter the workforce directly (or drop out of school) leading to lower-wage and lower-status occupations in the long term.

**Figure 7. Unemployment Rates by Nativity and Education, 2006-10**



*Note:* Includes workers ages 16 and older. “Less skilled” includes workers without a high school education. “Middle skilled” includes workers with a high school degree but less than a bachelor’s degree. “Highly skilled” includes workers with a bachelor’s degree or higher.

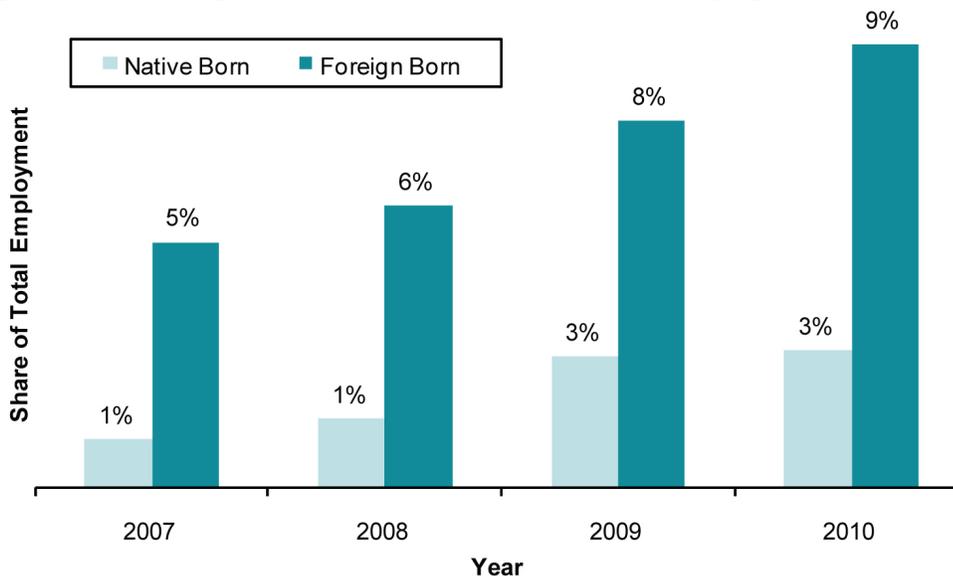
*Source:* MPI analysis of US Census Bureau, monthly Basic CPS, 2006-10 in Papademetriou and Terrazas, “Vulnerability, Resilience, and Adaptation: Immigrants over the US Economic Crisis and Recovery.”

<sup>23</sup> The population of unemployed natives also includes a non-negligible cohort of older workers displaced from contracting industries such as manufacturing.



On balance, the evidence suggests that less-skilled immigrants were extremely adaptive in responding to the recent economic crisis, often accepting part-time work or lower-paying jobs. The share of workers who are in “involuntary part-time” employment (and would prefer full-time employment) increased for both immigrants and native workers over the recession. But the increase was more notable among the foreign born. About 9 percent of employed immigrants in 2010 were involuntary part-time workers compared to just 3 percent of employed natives (see Figure 8). Similarly, real wages were constant or even increased slightly between 2006 and 2009 for prime working-age natives (ages 25 to 55) who were employed (due to productivity increases), but the same was not true for immigrants. Between 2007 and 2009, inflation-adjusted wages and salaries declined by 7 percent for employed prime working-age immigrants.

**Figure 8. Involuntary Part-Time Workers, Share of Total Employment, 2006-10**



Source: MPI analysis of US Census Bureau, Basic CPS, various year, in Papademetriou and Terrazas, “Vulnerability, Resilience, and Adaptation: Immigrants over the US Economic Crisis and Recovery.”

Similar to most major immigrant destinations in the advanced industrial world, immigrants in the US labor market tend to concentrate in a handful of occupations — some are characterized by low wages and require only limited education or training while others require lengthy human-capital investments and are typically better remunerated. For instance, immigrant workers were more likely than natives to work in information technology and in health care, but they were also much more likely to work as seasonal agricultural laborers and in construction. By contrast, native workers were more concentrated in management, business, and finance; legal and social services; education, training, media, and entertainment; sales; and administrative support occupations.

This distribution reflects not only the relative human-capital endowments of native- and foreign-born workers, but also the tendency of many employers to view immigrants as a contingent workforce capable of responding to marginal shifts in demand. As a result, immigrants are less likely than natives to participate in employer-sponsored benefits or skills development programs. For instance, among service-sector workers in 2009, 53 percent of natives but only 33 percent of immigrants received employer- or union-sponsored health insurance. Similarly large (or larger) gaps in health insurance coverage are observable in sales, agriculture, construction, and manufacturing. The gap is smaller, although still between 8 and 10 percent, in many more white-collar occupations such as administrative support, education and training, social and legal services, and management and business occupations. Foreign- and native-born workers are equally likely to receive employer-provided health insurance in the IT, scientific,



and health care industries.

Finally, a constant — if difficult to assess — undercurrent throughout the research literature on immigrants' integration in the US labor market is the impact of legal status. It is widely assumed that immigrants who arrive through any of the country's employment-based immigration channels — both temporary and permanent — or as students, tend to fare better in terms of labor market attachment than immigrants who arrive through family sponsorship. For instance, Ilana Redstone Akresh finds that over half of legal immigrants in the 2003 New Immigrant Survey experienced occupational downgrading with their first job in the United States, but that the rate of occupational downgrading was much lower among employment-based immigrants.<sup>24</sup> Immigrants who arrive through humanitarian channels (i.e., refugees and successful asylum seekers) are known to face substantial barriers to labor market integration despite targeted assistance programs.<sup>25</sup> Finally, it is difficult to assess the labor market outcomes of unauthorized immigrants given the general lack of information regarding this population. Despite high labor force participation rates and almost no access to the social safety net (beyond emergency services), unemployment tends to be higher among unauthorized immigrants than among other immigrant groups or natives. However, this tends to be frictional rather than structural unemployment (i.e., job turnover rather than long-term unemployment) as unauthorized workers shift between temporary jobs. Unsurprisingly, unauthorized immigrants tend to work in low-paying and low-status jobs with substantial occupational risks.

## IV. The Long-Term Outlook

The fate of immigrants in the United States and their integration into the labor market are impossible to separate from the state of the overall US economy and the fate of all US workers. During periods of economic expansion and relative prosperity, upward economic mobility among the native born generates opportunities for immigrants to gain a foothold in the US labor market and to gradually improve their status over time. In many respects, a growing economy during the 1990s and early 2000s provided ample opportunity for immigrants — and especially their children — to gradually improve their status over time. However, the story of immigrants' integration into the US labor force during the years leading to the recession was also mixed: In general, the foreign born had high labor force participation, but they were also more likely to occupy low-paying jobs. The most notable advances toward economic integration occur over generations, due in large part to the openness of US educational institutions to the children of immigrants and the historic lack of employment discrimination against workers with an immigrant background.

In the wake of the global economic crisis, there is substantial uncertainty regarding the future trajectory of the US economy and labor market. Most forecasts suggest that the next decade will be substantially different from the past<sup>26</sup> and it is not clear if previous trends in immigrants' economic integration will continue. The recession, weak recovery, and prospect of prolonged stagnation as a result of continuing high public debt, could realign the economic and social forces that have historically propelled the intergenerational upward mobility of immigrants (and natives). Wages and employment prospects for

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24 Ilana Redstone Akresh, "Occupational Mobility Among Legal Immigrants to the United States," *International Migration Review*, 40, no. 4 (December 2006): 854-84.

25 See for example, Church World Service, *Impact of the Recession on Refugee Resettlement* (New York: Church World Service, 2009), [www.rcusa.org/uploads/pdfs/Final%20CWS%20Economy%20Survey%2005.28.09.pdf](http://www.rcusa.org/uploads/pdfs/Final%20CWS%20Economy%20Survey%2005.28.09.pdf).

26 See Carmen M. Reinhart and Vincent R. Reinhart, "After the Fall" (National Bureau of Economic Research Working Paper 16334, September 2010), [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1672586](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1672586); and Joseph E. Gagnon with Marc Hinterschweiger, *The Global Outlook for Government Debt over the Next 25 Years: Implications for the Economy and Public Policy* (Washington, DC: Peterson Institute for International Economics, 2011). For a longer-term perspective, see Gordon C. Bjork, *The Way It Worked and Why It Won't: Structural Change and the Slowdown of US Economic Growth* (New York: Praeger Publishers Ltd., 1999).



the less-educated labor force have been dismal for decades. In some respects, the recession accelerated these trends. While the prospect of greater demand for US manufactured goods from emerging markets might slow gradual decay of the US manufacturing industry, the outlook for the industry remains weak. Steady educational gains throughout the developing world have simultaneously increased downward wage pressure on highly skilled workers who, in the past, generated substantial secondary demand for services that immigrants often provide.

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*In the wake of the global economic crisis ... it is not clear if previous trends in immigrants' economic integration will continue.*

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Perhaps more critically, the recession exposed an underlying weakness in the longstanding assumption that, as in the past, a dynamic labor market alone would effectively integrate the latest wave of immigrants. A growing body of research points to the importance of the social safety net in limiting the intergenerational transmission of poverty among less-educated natives.<sup>27</sup> But the deep budget cuts experienced by state and local governments over the past three years, and cuts to the federal budget starting in fiscal year 2011, have considerably weakened the public and community-based institutions and programs that historically promote upward intergenerational mobility among the children of immigrants. Relatively few publicly funded programs at the state and local levels explicitly aim to promote immigrant integration, but integration is a welcome consequence of broader programs designed to alleviate poverty and promote economic opportunity.<sup>28</sup> Since state budgets tend to focus primarily on education and health care, all states have scaled back on these critical human-capital investments; the impact of such retrenchment always falls disproportionately on less-affluent communities.<sup>29</sup> Investing in the future and managing integration in an age of austerity is clearly emerging as a critical challenge for US policymakers over next decade.

In the long-term perspective, there are important reasons to question whether the United States' historical experience integrating earlier waves of immigrants is likely to repeat itself. As described above, immigrants are inevitably tied up in the broader economic fortunes of their country of destination. In this sense, the selection of a destination can be viewed as an investment in a country's future. For much of the 20<sup>th</sup> century, the United States was an almost risk-free investment vehicle for the hopes and aspirations of generations of immigrants. The country's dominant global economic position and societal openness toward immigrants guaranteed upward socioeconomic mobility if not for immigrants themselves, then almost certainly for their children. This calculus is clearly altered by an evolving global economic landscape in which global growth is expected to be driven by countries that have not traditionally been major immigrant recipients and that have little policy experience with immigrant integration.

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27 See the work of the Economic Mobility Project, [www.economicmobility.org](http://www.economicmobility.org). See also Ron Haskins, Julia B. Isaacs, and Isabel V. Sawhill, *Getting Ahead or Losing Ground: Economic Mobility in America* (Washington, DC: Brookings Institution, Economic Mobility Project, 2008), [www.brookings.edu/reports/2008/02\\_economic\\_mobility\\_sawhill.aspx](http://www.brookings.edu/reports/2008/02_economic_mobility_sawhill.aspx).

28 For a review, see Fix, *Securing the Future: Immigrant Integration Policy, A Reader*.

29 See Michael Leachman, Erica Williams, and Nicholas Johnson, *Governors are Proposing Further Deep Cuts in Services, Likely Harming their Economies* (Washington, DC: Center on Budget and Policy Priorities, 2011), [www.cbpp.org/files/2-4-11sfp.pdf](http://www.cbpp.org/files/2-4-11sfp.pdf), and Randy Capps, Margie McHugh, Monica Arciga, Michael Fix, and Laureen Laglagaron, "The Economic Crisis and Funding for Immigrant Integration in the United States," in *Prioritizing Integration*, eds. Bertelsman Stiftung and Migration Policy Institute (Gütersloh, Germany: Verlag Bertelsman Stiftung, 2010).



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