

Trends in the Low-Wage Immigrant Labor Force, 2000–2005

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Immigrants are playing an increasingly important role in the U.S. labor force—at both the lower-skilled and higher-skilled ends. Much of the debate around illegal immigration and comprehensive immigration reform during the past few years has centered on lower-skilled immigration and its effect on the U.S. economy. Researchers have studied the wage and employment effects of immigration on U.S. workers, especially those with fewer skills and less education. Some economists have attributed rising unemployment rates and stagnating wages among lower-skilled native workers to immigration, but there is no consensus about the extent of the impact (Borjas 2006; Borjas and Katz 2005; Card 2005; for literature review, see Murray, Batalova, and Fix 2006). For instance, Borjas (2003) found that wages of native workers declined by 3 percent, and by 9 percent among the least educated workers, due to immigration between 1980 and 2000. In contrast, Ottaviano and Peri (2006) predict that long-run wages of native workers will actually *rise* by 1.8 percent, while the least educated workers will experience a small decline of 1.1 percent, as a result of immigration that occurred between 1990 and 2004 (Ottaviano and Peri 2006).

Currently, there is also no consensus on the overall economic and fiscal impact of immigrants. There are concerns about the burden on public coffers from the large influx of lower-skilled immigrants (Camarota 2004), but there are also positive assessments, with

recent research suggesting significant economic activity due to immigration, even in states with high shares of immigrants that are recent arrivals and low skilled (Kasarda and Johnson 2006).

In this brief, we focus on immigrants' role in the low-wage and lower-skilled labor force and examine trends over the first half of this decade. Between 2000 and 2005, the U.S. immigrant population increased from 31.1 to 35.7 million,¹ and foreign-born shares of the U.S. population and labor force increased slightly. At the same time, the number of unauthorized immigrants—the focus of the debate surrounding immigration reform—rose past 11 million (Passel 2006). The number and share of immigrants, especially the unauthorized, increased most rapidly in low-wage, lower-skilled jobs in key areas of the economy, such as agriculture, construction, manufacturing, and services. Concurrently, the numbers of native-born low-wage and lower-skilled workers fell substantially, giving at least the appearance that immigrants were filling the demand for lower-skilled labor and/or displacing some of the least-educated native workers. During this period, employment and labor force participation rates fell for the least-educated native-born workers, both men and women. But improvements in the educational attainment of natives, especially women, contributed to the declining numbers of native workers in the low-wage workforce. Thus, the demographic evidence

regarding the impact of immigrants on the low-wage, native-born labor force remains mixed and ambiguous.

Approach and Data

Except where noted, the data in this brief come from the March 2000 and 2005 Current Population Survey (CPS).² Following the methodology for our previous work on the low-wage immigrant labor force (Capps et al. 2003), we define “workers” as people ages 18 to 64 who are in the civilian workforce, report positive wage and salary earnings for the prior year, and have worked at least 25 weeks or 700 hours (i.e., the full-time equivalent for 20 weeks) during the prior year. We define the workforce as broadly as possible but exclude students and other casual part-time workers. Using other definitions of the labor force does not substantially affect the overall results.

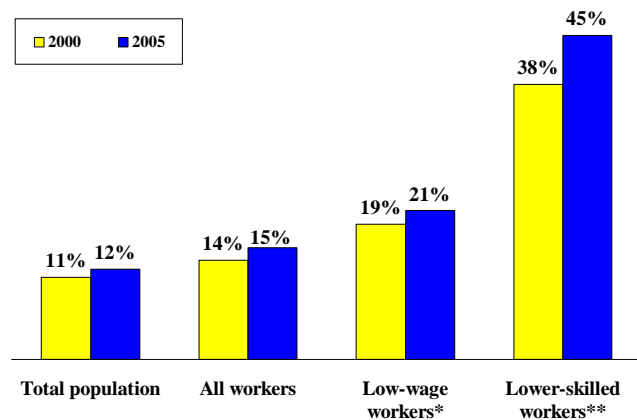
We define *low-wage workers* as those earning less than 200 percent of the federal minimum wage.³ We define *lower-skilled workers*, following our previous work, as those with less than a high school education.

Immigrants include all foreign-born noncitizens, as well as naturalized citizens. Persons born inside the United States, its territories (e.g., Puerto Rico), or abroad to U.S. citizen parents are considered natives. Unauthorized immigrants are those who entered the country illegally, overstayed valid visas, or otherwise violated the terms of their U.S. residency. Legal immigrants include all noncitizens who entered legally or have adjusted their legal status (e.g., legal permanent residents, refugees, asylees, and temporary workers) as well as those who have naturalized to become U.S. citizens.⁴

Immigrants Compose Over One-Fifth of Low-Wage Workers and Almost Half of Lower-Skilled Workers in 2005

Immigrants are a large and growing share of U.S. workers and are disproportionately represented at the low-wage and lower-skilled end of the labor force. In fact, their share of workers is growing most rapidly among the low skilled. In 2005, immigrants represented 12 percent of the U.S. population, but 15 percent of workers, more than a fifth (21 percent) of low-wage workers, and almost half (45 percent) of workers without a high school education (figure 1). By 2005, there were 9 million low-wage and 6 million lower-skilled immigrant workers out of a total of 20 million immigrant workers.

Figure 1. Foreign-Born Shares of the Total Population and Total, Low-Wage, and Lower-Skilled Labor Forces, 2000 and 2005



Source: Urban Institute tabulations from modified March 2000 and 2005 Current Population Survey, Annual Social and Economic Supplement.

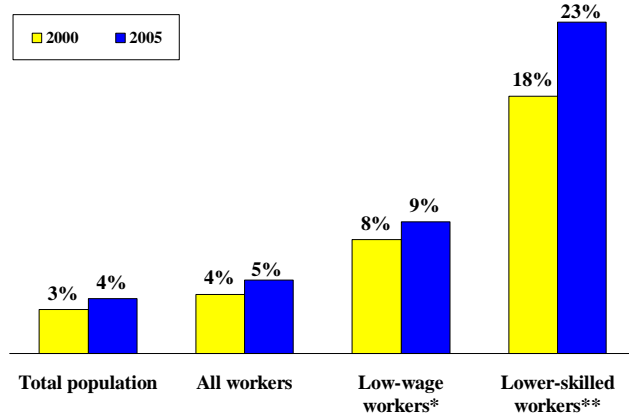
* Low-wage workers earned less than twice the minimum wage in 1999 or in 2004.

** Lower-skilled workers have less than a high school education.

Unauthorized Immigrants Compose Almost One-Tenth of Low-Wage Workers and Almost One-Quarter of Lower-Skilled Workers

While unauthorized immigrants are still only a small share of the total population and labor force, they are even more overrepresented than immigrants generally in the low-wage and lower-skilled labor force. In 2005, about 30 percent of all immigrants were unauthorized (Passel 2006), and they composed just 4 percent of the U.S. population and 5 percent of the workforce (figure 2). But unauthorized immigrants were nearly a tenth (9 percent) of low-wage workers and almost a quarter (23 percent) of lower-skilled workers. Their share of lower-skilled workers rose by 5 percentage points between 2000 and 2005. In 2005, there were a total of 6.4 million unauthorized immigrant workers, and half of all lower-skilled immigrant workers (3.1 million) were unauthorized.

Figure 2. Unauthorized Immigrant Shares of the Total Population and Total, Low-Wage and Lower-Skilled Labor Forces, 2000 and 2005



Source: Urban Institute tabulations from modified March 2000 and 2005 Current Population Survey, Annual Social and Economic Supplement.

* Low-wage workers earned less than twice the minimum wage in 1999 or in 2004.

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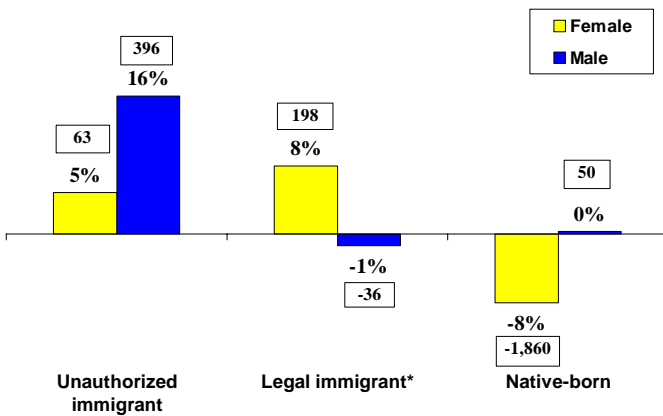
Immigrants Partially Offset a Decline in the Number of Low-Wage Workers

The number of low-wage workers nationally is falling, and immigrants are offsetting some of this decline. The total number of low-wage workers declined by 1.2 million between 2000 and 2005, with immigrants offsetting about a third of the decline in the native-born low-wage workforce. The total number of native-born low-wage workers fell by about 1.8 million, while the number of immigrants rose by 620,000. Unauthorized workers contributed most of this gain (460,000).

Most of the decline in low-wage workers occurred among native-born women, and most of the offsetting gain occurred among unauthorized men and legal immigrant women (figure 3). Between 2000 and 2005, the number of native-born women in the low-wage labor force fell by about 1.86 million (8 percent), while the number of native-born men rose by only 50,000 (0.3 percent). The number of unauthorized immigrant men rose by almost 400,000 (16 percent), whereas the number of legal immigrant men declined slightly. The numbers of both legal and unauthorized immigrant women in the low-wage workforce increased, but the size of the increase (200,000) was larger for legal immigrant women than unauthorized women (60,000).

These patterns show that the composition of the low-wage labor force is changing in terms of both gender and legal status. If the current trends continue, the low-wage workforce will become increasingly immigrant—and somewhat more unauthorized—but also less female, as undocumented men show by far the largest percentage growth.⁵

Figure 3: Growth in the Number of Low-Wage Workers, by Gender, Nativity and Legal Status, 2000 to 2005



Source: Urban Institute tabulations from modified March 2000 and 2005 Current Population Survey, Annual Social and Economic Supplement.

Note: Figures in thousands.

The decline in the share and number of low-wage, female native workers occurred because native women became better educated and moved to higher paying jobs, but also because labor force participation declined for the least educated women (those without high school degrees). Overall, the low-wage share for female native workers declined from 44 to 40 percent between 2000 and 2005. This decline occurred most rapidly among better-educated women. The number of the least educated native-born women in the low-wage labor force declined by almost 500,000, but the share of low-wage workers in this educational group remained as high as before, at 79 percent. Both the number and share of women in the low-wage labor force with high school degrees but no college declined: by 1.5 million (from 51 to 48 percent).

Increasing Educational Attainment of Natives Leaves Gaps in the Lower-Skilled Labor Force

One explanation for the higher share of immigrants among the low-wage and lower-skilled workers lies in the improving skills, as measured by educational attainment, of the native-born population. As more and more native-born adults are earning high school and college degrees, there is an increasing demographic—if not economic—demand for lower-skilled immigrants.

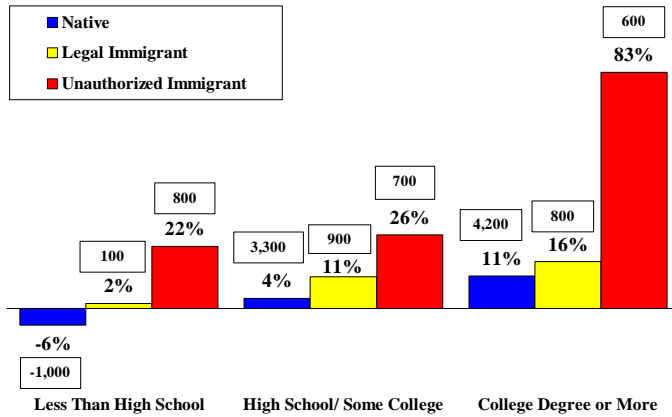
Overall, the native-born working-age population (ages 18 to 64) grew slightly between 2000 and 2005 (by 4 percent), but the number of working-age immigrants shot up 16 percent. The highest growth occurred among unauthorized immigrants (30 percent), while the growth for legal immigrants was more modest (10 percent).

But when we look at working-age adults without high school degrees, we see a large drop among natives and an offsetting rise among immigrants. Between 2000 and 2005, the number of native-born adults in this group fell by about 1 million, while the number of immigrants rose by 900,000 (figure 4). Almost all of the growth in immigrant numbers occurred among unauthorized immigrants—who saw their numbers increase by 800,000.

It is also worth noting that over this period both the immigrant and native-born populations became better educated. The highest growth rates were experienced by the most educated adults: those with a four-year college degree or more (11 percent for natives, 16 percent for legal immigrants, and 83 percent for unauthorized immigrants⁷). The number of adults with a high school education but not a four-year college degree grew more slowly (by 4 percent for natives, 11 percent for legal immigrants, and 26 percent for unauthorized immigrants). The only group to show a decline was natives without a high

school degree (6 percent). Thus, the overall U.S. labor force is becoming better educated, despite the entry of so many less-educated immigrants.

Figure 4. Growth in the Number of Adults Ages 18 to 64, by Nativity, Legal Status, and Educational Attainment, 2000 to 2005



Source: Urban Institute tabulations from modified March 2000 and 2005 Current Population Survey, Annual Social and Economic Supplement.

Note: Figures in thousands.

Less-Educated Natives Participate in the Labor Force at Low and Declining Rates

Another plausible explanation for the increasing share of immigrants in the low-wage and lower-skilled labor pools lies in the low and declining labor force participation (LFP) of natives. Overall LFP declined slightly for both immigrants and natives between 2000 and 2005, a time of mild recession and slow growth in the U.S. economy. But at both points in time, the least-educated immigrants were much more likely to participate in the labor force than their native-born counterparts. In 2005, the LFP rate for immigrants with less than a 9th-grade education was 70 percent, compared with just 44 percent for natives in 2005 (table 1).

Among those with a 9th-grade education but no high school degree, the LFP rate was 71 percent for immigrants, but only 59 percent for natives. Among adults who had attended at least some college, however, the pattern was the reverse: LFP was higher among natives than immigrants.

From 2000 to 2005 LFP fell overall and across almost all educational-attainment categories for immigrants and natives. But the declines were slightly larger (by 1 to 2 percentage points) for natives than for immigrants, especially among those with the least education. Thus, it seems that the economic downturn following 2000 drove more working-age natives than immigrants out of the labor force by 2005. It appears, though, that most younger nonworking native men and women—as well as immigrant men—were enrolled in high school or college.⁸

Table 1. Labor Force Participation Rates, by Nativity and Educational Attainment, 2000 and 2005 (percent)

Year	Overall	Less than 9th grade	9th grade to 12th grade	High school diploma	Some college	College degree
<i>Immigrants</i>						
2000	76	71	72	77	74	82
2005	75	70	71	75	76	80
<i>Natives</i>						
2000	79	46	62	79	81	88
2005	77	44	59	76	78	86

Source: Urban Institute tabulations from modified March 2000 and 2005 Current Population Survey, Annual Social and Economic Supplement.

Unemployment Rose and Was Highest among the Least Educated Natives

Unemployment rose somewhat and is high among natives without high school degrees and among those with high school but no college degrees—two groups that also have low and declining labor force participation. In fact, between 2000 and 2005, the unemployment rate for native-born adults in the labor force rose across all educational attainment groups except for those with four-

year college degrees (table 2). It rose most rapidly for natives with 9th grade but no high school educations (from 11 to 15 percent).

At the same time, unemployment *fell* for the least educated but rose among better-educated immigrants. Between 2000 and 2005, unemployment fell slightly from 9 to 7 percent for immigrants with less than 9th-grade educations, and from 8 to 7 percent for immigrants with 9th grade but no high school educations. College graduates were the only group of immigrants with unemployment higher than that for comparably educated natives in 2005.

Table 2. Unemployment Rates, by Nativity and Educational Attainment, 2000 and 2005 (percent)

Year	Overall	Less than 9th grade	9th grade to 12th grade	High school diploma	Some college	College degree
<i>Immigrants</i>						
2000	5	9	8	4	3	2
2005	5	7	7	5	4	3
<i>Natives</i>						
2000	4	7	11	5	3	2
2005	5	8	15	7	5	2

Source: Urban Institute tabulations from modified March 2000 and 2005 Current Population Survey, Annual Social and Economic Supplement.

Note: Share unemployed among labor force participants.

Rising unemployment and falling LFP among the least educated natives suggest that the falling number of natives without a high school degree is only part of the story. Clearly, there are a large number of native-born adults at the low end of the labor market who are not working. Immigration may offer an explanation, but the results presented here are ambiguous in this regard.

Immigrants Earned Less than Natives; The Gap Was Narrower for Women

Higher shares of immigrant than native workers work in low-wage jobs. Moreover, the gap in low-wage shares between natives

and immigrants is higher for men than women (table 3).⁹ Shares of workers earning below the minimum wage in 2004 were also higher for both immigrant men and women than for the native-born. (In 2004, 13 percent of immigrant women and 9 percent of foreign-born men earned less than the minimum wage.)

Immigrant median earnings were lower than native earnings for both men and women. But the gender gap in earnings was higher among natives than among immigrants, and the immigrant–native gap in earnings was higher for men than women. In 2004, median annual earnings were the highest for native men (\$38,000), the same for native women and immigrant men (\$25,000), and lowest for immigrant women (\$21,000).¹⁰

Immigrants Composed Large Shares of Workers in Several Major Low-Wage Occupations

As their absolute number and share of the low-wage labor force have risen, immigrants have become an important component of several low-wage occupations. Immigrants composed a higher share of low-wage workers than workers overall in almost all occupations with at least 50,000 low-wage workers. In 2004, they represented 15 percent of the overall labor force and 21 percent of the low-wage labor force. Immigrants were over-represented among low-wage workers in six major occupational categories (table 4). Agriculture, forestry and fishing occupations led the list.¹¹

Table 3. Wage Levels and Median Annual Earnings, by Nativity and Gender, 1999 and 2004

Wage level	1999		2004	
	Female	Male	Female	Male
Foreign-born workers				
Less than minimum ^a	13%	10%	13%	9%
100-199% of minimum ^a	41%	39%	38%	35%
<i>Median annual earnings</i> ^b	\$17,500	\$22,000	\$21,000	\$25,000
Native-born workers				
Less than minimum ^a	11%	6%	10%	7%
100-199% of minimum ^a	33%	21%	30%	21%
<i>Median annual earnings</i> ^b	\$21,500	\$34,000	\$25,000	\$38,000

Source: Urban Institute tabulations from modified March 2000 and 2005 Current Population Survey, Annual Social and Economic Supplement.

Notes:

- a. Hourly wages are annual earnings divided by total hours worked during the year. In 1999 the minimum wage was \$5.15, and we adjusted it for inflation in 2004 using the Consumer Price Index, Urban Consumers, Research Series.
- b. Annual earnings are total wage and salary income for the previous year (1999 for the 2000 CPS and 2004 for the 2005 CPS). These are nominal median annual earnings (not adjusted for inflation).

Table 4. Foreign-Born Shares and Earnings in Selected Occupations, 2004

Occupation group ^a	Percent foreign-born		Median earnings ^b	
	All workers	Low-wage workers	Foreign-born	Native-born
All occupations	15%	21%	\$24,000	\$31,000
Farming, fishing and forestry	47	49	16,000	18,000
Construction	27	40	20,800	32,000
Building and grounds maintenance	36	40	15,000	18,000
Production (manufacturing)	23	33	20,800	30,000
Food preparation and serving	24	24	15,000	12,000
Transportation	18	22	22,900	27,800
Personal care and service	18	18	15,100	15,000
Installation, maintenance and repair	13	18	30,000	37,000
Healthcare support	18	18	20,000	18,500
Sales	12	13	24,000	27,000
Management	10	11	52,000	55,700
Arts, entertainment and sports	11	11	34,000	35,000
Office and administrative support	10	11	25,000	25,000
Protective service	8	10	30,000	39,000
Business and finance	11	10	43,000	42,800
Healthcare practitioner	12	8	52,000	42,000
Education, training and library	7	8	28,000	34,000

Source: Urban Institute tabulations from modified March 2005 Current Population Survey, Annual Social and Economic Supplement.

Notes: a. Occupations are sorted by the share foreign-born of low-wage workers. The selected occupations have at least 50,000 low-wage foreign-born workers. Occupations were reported for the longest job in the previous year (2004 for the March 2005 CPS).

b. These are nominal median annual earnings.

In all of these occupational categories except two, immigrants had median annual earnings substantially below those for natives. Immigrants earned more than native workers in food preparation and serving jobs and in health care practitioner jobs.

More than 2 million foreign-born workers were employed in each of the construction and production/manufacturing occupational categories in 2004.

Summary and Discussion

The findings in this brief highlight the growing importance of immigrant workers in the lower-skilled U.S. labor force and in several major occupations. In 2005, immigrants comprised more than a fifth of workers earning below twice the federal minimum wage and nearly half of all workers without a high school degree. Unauthorized immigrants were almost a tenth of low-wage workers and almost a quarter of lower-skilled workers. Between 2000 and 2005, there was substantial growth of 620,000 low-wage immigrant workers (most of which occurred among the unauthorized), but this growth did not offset even half of the decline (around 1.8 million) in the number of low-wage, native-born workers. The number of low-wage, native-born workers declined for two main reasons. First, the absolute number of native-born women ages 18 to 64 without a high school degree fell substantially, as native women became better educated. Second, larger shares of native-born men and women—especially those without a college degree—were unemployed or not in the labor force in 2005 than in 2000.

Some of the decline in the number of natives in the lower-skilled and low-wage labor forces seems attributable to improvements in their educational attainment. But among native-born men, especially younger men, it seems that a larger number left the labor force altogether. While immigration may have played some role in these declines, the data presented here do not permit us to say

so definitively. Moreover, the growth in the number of employed natives at the higher-skilled end of the labor force is also partially attributable to immigration, through indirect effects on economic growth and job creation. Native-born women seem to have benefited more than men from 2000 to 2005, as they experienced higher educational attainment growth.

Whether or not immigrants affected the employment of native-born workers, their large shares of low-wage workers in key occupations—almost half in agriculture, around 40 percent in construction and building and grounds maintenance, a third in manufacturing, and more than a fifth in food preparation and transportation—testify to their importance in the U.S. economy. As Congress and the public debate reforms to the U.S. immigration system, a deeper understanding of the dynamics of entry and exit at the low and high ends of the labor market will be needed to make correct policy choices.

NOTES

1. These figures are based on the 2000 U.S. Census of Population and Housing, and the 2005 American Community Survey.
2. We show trends between 2000 and 2005, using the CPS March Annual Social and Economic Supplements (ASEC) for 2000 and 2005.
3. Hourly wages are based on total earnings for the previous calendar year (1999 for the March 2000 CPS and 2004 for the 2005 CPS), divided by the total number of hours worked for that year. In 1999 and 2004, the federal minimum wage was \$5.15, and our definition of “low-wage workers” includes those averaging below \$10.30 per hour. To keep our low-income threshold constant in real terms, we adjust the federal minimum wage for inflation in 2004, using the Consumer Price Index, Urban Consumers, Research Series (U.S. Department of Labor, Bureau of Labor Statistics, <http://www.bls.gov/cpi/cpiurstx.htm>, retrieved November 2005).
4. For a description of how we assigned legal versus unauthorized status to immigrants in the CPS data, see Passel and Clark (1998) or Passel (2006).
5. Women represented 57 percent of low-wage workers regardless of nativity in 2000, and 55 percent in 2005.

6. The share male of the adult population without a high school education, regardless of nativity, was 52 percent in 2000 and 54 percent in 2005.
7. The number of unauthorized immigrants ages 18 to 64 with four-year college degrees increased from 700,000 to close to 1.4 million between 2000 and 2005. Despite this increase, only 15 percent of unauthorized immigrants had four-year degrees in 2005, compared with 30 percent of legal immigrants and 27 percent of natives.
8. In the native-born population, most of the drop in labor force participation occurred among younger men (ages 18 to 34)—some of whom may have left the labor force while others may have delayed entry, for instance by staying in school. In contrast, for native-born women, most of the drop in the LFP occurred among ages 45 to 64, ages at which school enrollment was unlikely to be a significant factor.
9. The figures in the text here and in table 3 are based on earnings for the year before the CPS was administered: 1999 earnings for 2000, and 2004 earnings for 2005.
10. The figures in the text here and in table 3 are nominal annual earnings. Real median earnings—that is, earnings adjusted for inflation—increased slightly between 1999 and 2004 for all workers with the exception of native-born men, whose real median earnings fell slightly.
11. Occupations are not directly comparable between 2000 and 2005 due to changes in the classification system used in the Current Population Survey.

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