

CBO TESTIMONY

**Statement of
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Director**

The Role of Immigrants in the U.S. Labor Market

**before the
Subcommittee on Immigration, Citizenship, Refugees,
Border Security, and International Law
Committee on the Judiciary
U.S. House of Representatives**

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Madam Chair and Members of the Committee, I am pleased to appear before you today to discuss the role of immigrants in the U.S. labor market. My testimony draws from a paper that the Congressional Budget Office (CBO) issued in 2005.¹ At your staff's request, CBO has updated key findings from that study to incorporate recent data from the Census Bureau.

The United States is known as a nation of immigrants—a characterization that is more appropriate today than at any time since the 1930s. People immigrate to the United States for many reasons: to join family members, to seek better economic opportunities, to escape persecution, or simply to get a fresh start. The presence of so many people from other countries necessarily has important consequences for U.S. society. This testimony concentrates on one aspect of their presence that is of particular importance for the nation's economy: their role in the U.S. labor market.

The testimony addresses three topics, which are covered in more depth in the 2005 CBO report:

- The growth, characteristics, and earnings of the foreign-born workforce;
- The impact of foreign-born workers on the labor market; and
- Implications for the future as the baby boomers exit the labor force.

Foreign-Born Workers

Immigrants are a substantial and growing segment of the U.S. labor force. In 2006, 23 million workers—one in seven workers in the United States—were foreign born, and half had arrived since 1990. During the past decade, foreign-born workers accounted for half of the growth of the U.S. labor force.

In 2006, about 40 percent of foreign-born workers were from Mexico and Central America, and 25 percent were from Asia. To a considerable extent, educational attainment determines the role of immigrants in the labor market. Even as the number of native-born workers without a high school diploma is shrinking, the number of foreign-born workers without a diploma continues to increase. In 2006, among workers age 25 and older who lacked a diploma, nearly half were foreign born, and most were from Mexico and Central America. At the same time, many other immigrant groups were highly educated. The educational attainment of foreign-born workers from other regions was slightly higher than that of workers

1. Congressional Budget Office, *The Role of Immigrants in the U.S. Labor Market* (November 2005). CBO has issued a number of other reports on immigration, available at www.cbo.gov/publications/collections/immigration.cfm.

born in the United States; in particular, a higher percentage of those immigrants had taken graduate courses. Those differences in average educational attainment among immigrants by country of origin appear to reflect the basis on which foreign-born workers were admitted to the United States, rather than differences in educational levels in their home countries. For example, the average educational attainment among workers who came from India is roughly 16 years, even though the average educational attainment of the adult population in that country is well below the high school level; many workers from India were admitted to the United States because they had skills that were in demand.

Many workers from Mexico and Central America were employed in jobs that required little formal education. Workers from that region earned much less, on average, than did the typical native worker. In 2006, three-quarters of workers born in Mexico and Central America were employed in occupations that have minimal educational requirements, such as construction laborer and dishwasher; only one-quarter of native workers held such jobs. On average, the weekly earnings of men from Mexico and Central America who worked full time were 55 percent those of native-born men; women from Mexico and Central America earned about 60 percent of the average weekly earnings of native-born women.

Other foreign-born workers—that is, those who immigrated to the United States from places other than Mexico and Central America—were employed in a much broader range of occupations. A notable exception is their concentration in fields such as computer and mathematical sciences, which generally require at least a college education. For workers from the rest of the world, the average weekly earnings of men and women were similar to those of native-born men and women.

Impact on the Labor Market

The arrival of large numbers of immigrants with little education probably slows the growth of the wages of native-born high school dropouts, at least initially, but the ultimate impact on wages is likely to be modest. Recent estimates of the effect of two decades of growth in the foreign-born workforce on the average earnings of native high school dropouts have ranged from negligible to a reduction of almost 10 percent. The range of those estimates reflects, in part, the uncertainty surrounding what employers and native workers would have done if those foreign-born workers had not been present, either initially or after employers and workers had adjusted to the changes in opportunities that the influx of immigrants produced.

A flexible labor market will adjust over time to the presence of more foreign-born workers. An increased supply of labor should raise the return to investment in the United States, and increased investment, in turn, will tend to raise workers' productivity and earnings. Over time, that effect attenuates the downward pressure on wages for native-born workers. Over even longer time periods, some

of those workers may be motivated to obtain additional education to receive the associated increase in pay.

Implications for the Future

Immigrants have been—and in all likelihood will continue to be—a major source of new workers in the United States. Barring substantial shifts in demographic trends, immigrants and their descendants are expected to provide the majority of the nation’s population growth during the next half century. Who immigrates to the United States and what those immigrants and their descendants do after their arrival will increasingly determine the size and skill composition of the U.S. labor force.

Appendix:

Charts Presented at the Hearing



Congressional Budget Office

The Role of Immigrants in the U.S. Labor Market

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Director



Three Topics

- **Foreign-Born Workers**
- **Their Impact on the Labor Market**
- **Implications for the Future as the Baby Boomers Exit the Labor Force**



Size and Growth of the U.S. Labor Force (Workers age 16 or older), by Nativity, 1994 and 2006

| | Number (Millions) | | Growth, 1994 to 2006 | |
|-------------------------------|----------------------|-------|-------------------------|----------------------|
| | 1994 | 2006 | In Millions | Percentage Change |
| Total | 131.1 | 151.4 | 20.4 | 16 |
| Native | 118.1 | 128.3 | 10.2 | 9 |
| Foreign Born | 12.9 | 23.1 | 10.2 | 79 |
| Mexico and Central America | 4.6 | 9.2 | 4.5 | 98 |
| Rest of World | 8.3 | 13.9 | 5.6 | 68 |



Composition and Educational Attainment of the U.S. Labor Force (Workers age 16 or older), by Nativity, 2006

| | Percentage of Labor Force | Average Years of Education |
|-------------------------------|------------------------------|-------------------------------|
| Total | 100.0 | 13.5 |
| Native | 84.8 | 13.8 |
| Foreign Born | 15.2 | 12.3 |
| Mexico and Central America | 6.1 | 9.6 |
| Rest of World | 9.2 | 14.1 |



Geographic Distribution of Native- and Foreign-Born Workers Age 16 or Older, 1994 and 2006

Percent

| | CA | NY, FL, TX, NJ, IL | Rest of Country | Total |
|-------------------------------|-------|-----------------------|--------------------|-------|
| Distribution in 2006 | | | | |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |
| Native | 66.1 | 78.0 | 91.3 | 84.8 |
| Foreign Born | 33.9 | 22.0 | 8.7 | 15.2 |
| Mexico and Central America | 19.0 | 7.1 | 3.1 | 6.1 |
| Rest of World | 15.0 | 14.9 | 5.6 | 9.2 |
| Distribution in 1994 | | | | |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |
| Native | 72.5 | 84.8 | 95.8 | 90.1 |
| Foreign Born | 27.5 | 15.2 | 4.2 | 9.9 |
| Mexico and Central America | 16.0 | 4.3 | 0.8 | 3.5 |
| Rest of World | 11.5 | 10.8 | 3.4 | 6.3 |



Educational Attainment of the U.S. Labor Force (Workers age 25 or older), by Nativity, 2006

Percent

| | All Levels of Educational Attainment | 8 th Grade or Less | 9 th to 12 th Grade and No Diploma | High School Diploma or GED | Some College or Associate's Degree | Bachelor's Degree | Graduate Courses or Graduate Degree |
|-------------------------------|--|--|---|-------------------------------------|---|----------------------|--|
| Total | 100 | 4 | 6 | 30 | 28 | 21 | 12 |
| Native | 100 | 1 | 5 | 31 | 30 | 22 | 11 |
| Foreign Born | 100 | 17 | 11 | 24 | 16 | 19 | 12 |
| Mexico and Central America | 100 | 36 | 21 | 26 | 11 | 5 | 2 |
| Rest of World | 100 | 5 | 6 | 24 | 20 | 27 | 19 |



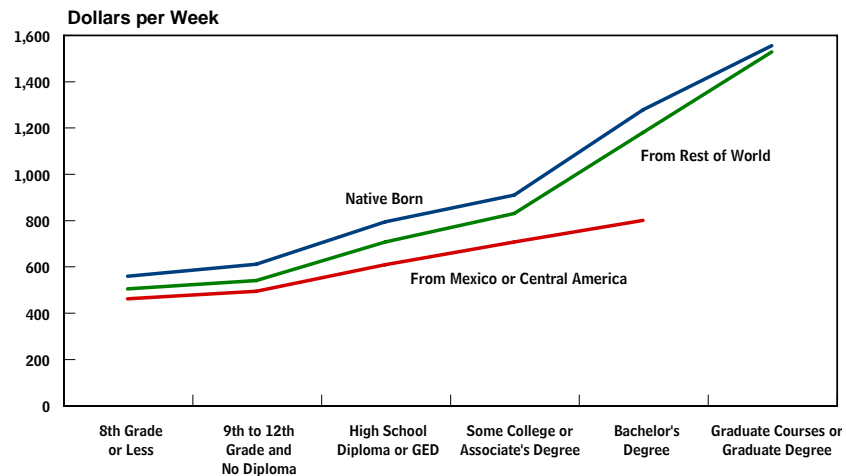
Occupational Distribution of Workers Ages 25 to 64, by Nativity, 2006

Percent

| Occupation Group | Native Workers | Foreign-Born Workers | | |
|---|----------------|----------------------|----------------------------|---------------|
| | | Total | Mexico and Central America | Rest of World |
| Construction, Production, Cleaning, and Maintenance | 14.8 | 29.4 | 49.5 | 16.8 |
| Other Occupations | <u>85.2</u> | <u>70.6</u> | <u>50.5</u> | <u>83.2</u> |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |



Average Weekly Earnings of Full-Time Male Workers Ages 25 to 64, by Educational Attainment, 2006





Differences in Average Weekly Earnings Between Foreign- and Native-Born Full-Time Male Workers Ages 25 to 64, 2006

Percentage Difference from Native-Born Workers with Native-Born Parents

| | Unadjusted | Adjusted for Educational Attainment | Adjusted for Educational Attainment and Experience |
|---|------------|-------------------------------------|--|
| Workers from Mexico and Central America | -45 | -26 | -24 |
| Workers from Rest of World | 0 | -8 | -8 |



Projected Effect of Immigration on Population Growth, 2000 to 2050

