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Findings

- The low-skilled, low-wage workforce is increasingly Hispanic, driven mainly by the large influx of immigrants with low levels of educational attainment. In 1980, roughly 14 percent of male workers who were high school dropouts were Hispanic. By 2000, 44 percent were Hispanic.
- The wage gap among Hispanics and whites has increased dramatically in the last 20 years. Wage gaps between whites and blacks, and whites and Asians, have changed little.
- The large influx of immigrants between 1980 and 2000 lowered wages for the typical male worker by about 3 percent.
- The "typical" Hispanic in America looks different today than in the past. Today, the typical Hispanic is increasingly more likely to have dropped out of high school and is earning lower wages.

The New Face of the Low-Wage Workforce

Prepared from a paper by George Borjas, Harvard University.

Recent immigration to the United States has significantly altered the composition of the country's low-skilled workforce. Today, Hispanics represent a larger share of immigrants, and recent immigrants overall tend to have lower earnings potential than preceding generations. As a result, the typical low-wage worker in the U.S. is now more likely to be Hispanic and a recent immigrant.

George Borjas, in an article for the National Poverty Center, "Wage Trends among Disadvantaged Minorities,"¹ documents the shifting demographic make-up of the low-wage and less-skilled workforce. He also identifies three factors that influence wage trends among these mostly minority workers, including changes in national origin and immigration status within racial-ethnic groups; the excess sensitivity of low-skilled minorities, particularly low-skilled immigrants, to business cycle fluctuations; and the continuing entry of large numbers of less-skilled immigrants who compete directly in the labor market with low-wage native workers.

Data and Method

Borjas uses the 1980–2000 Integrated Public Use Microdata Samples (IPUMS) of the U.S. decennial census for data on native and immigrant (legal and illegal) whites,

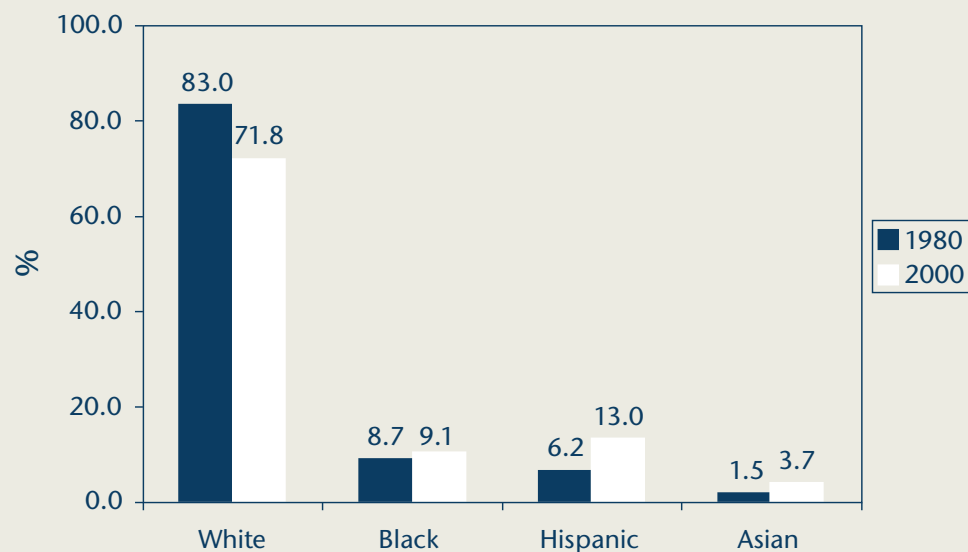
blacks, Asians, and Hispanics of working age (18–54).² To document wage trends, he examines within-group and across-group wage gaps, accounting for socioeconomic status (education, age, and years in the United States), race, immigrant status, and state employment characteristics.

Historically, low-skilled minorities have felt the effects of business fluctuations more keenly than other groups. Borjas accounts for the effect of changes in a state's unemployment rate on the proportion of weeks worked in a year, weekly wages, and annual earnings to test whether the current group of low-skilled workers continues to be sensitive to the business cycle. To estimate the effect of continued immigration on wages, which in theory should lower wages for all low-skilled workers and heighten competition, he uses a novel approach based on national data, instead of the inter-city comparisons used in past research.

Changing Racial-Ethnic Composition of Low-Skilled

Borjas describes in detail how the U.S. workforce has changed in recent decades. In 1980, 83 percent of working men were white. By 2000, this group comprised only 71.8 percent of the male workforce (see Figure 1). The proportion of black men in the male workforce, meanwhile, remained steady at about

Figure 1: Changing Racial-Ethnic Composition of U.S. Male Workers



9 percent. In contrast, Hispanic men now make up 13 percent of the male workforce, roughly double the 1980 rate, and Asians also experienced a sizable increase, to 3.7 percent from 1.5 percent in 1980. Immigration played the central role in this growth, with the immigrant share of the male workforce more than tripling for both Asians and Hispanics.

About the Author

George Borjas is the Robert W. Scrivner Professor of Economics and Social Policy at the Kennedy School of Government, Harvard University. He is a Research Associate at the National Bureau of Economic Research.

E-mail: gborjas@harvard.edu

Changing Skill Levels in the Workforce

Borjas uses educational attainment to delineate three skill levels in the male workforce, identifying high school dropouts, high school graduates, and those with more than a high school education. In 1980, 13.8 percent of male workers who dropped out of high school were Hispanic. By 2000, Hispanics accounted for 44.2 percent of male workers who were high school dropouts (see Figure 2). In contrast, the growth of the Asian low-skilled male workforce has been less dramatic, with workers remaining more evenly distributed across the skill levels. Black males have made strong advances in education, and reflecting these advances, their proportions in the high-skill ranks nearly doubled, from 5.7 percent in 1980 to 7.6 percent in 2000. By 2000, the low-skilled workforce had become nearly majority Hispanic.

The author also uses wages as an indicator of skill. In 1982, 72.2 percent of those whose wages put them in the bottom one-fifth of earners were white males. By 2000, their

representation had declined to 55.4 percent. Black male workers saw more modest declines, from 15.1 percent to 13.5 percent of low wage workers. In contrast, the fraction of males in the bottom ranks who were Hispanic more than doubled, from 10.2 percent to 24.6 percent, with much of the increase attributable to immigration. There was also a rise in the Asian male share in the bottom quintile, from 1.5 percent to 3.4 percent.

Wage Gaps

Reflecting these fairly dramatic changes in workforce composition, the wage gap between Asians, blacks, Hispanics and

whites has also changed. The wage gap between Hispanics and white men, for example, widened significantly, while the gap between white and black men remained steady. White and Asian males earned similar salaries, with no evident wage gap between them.

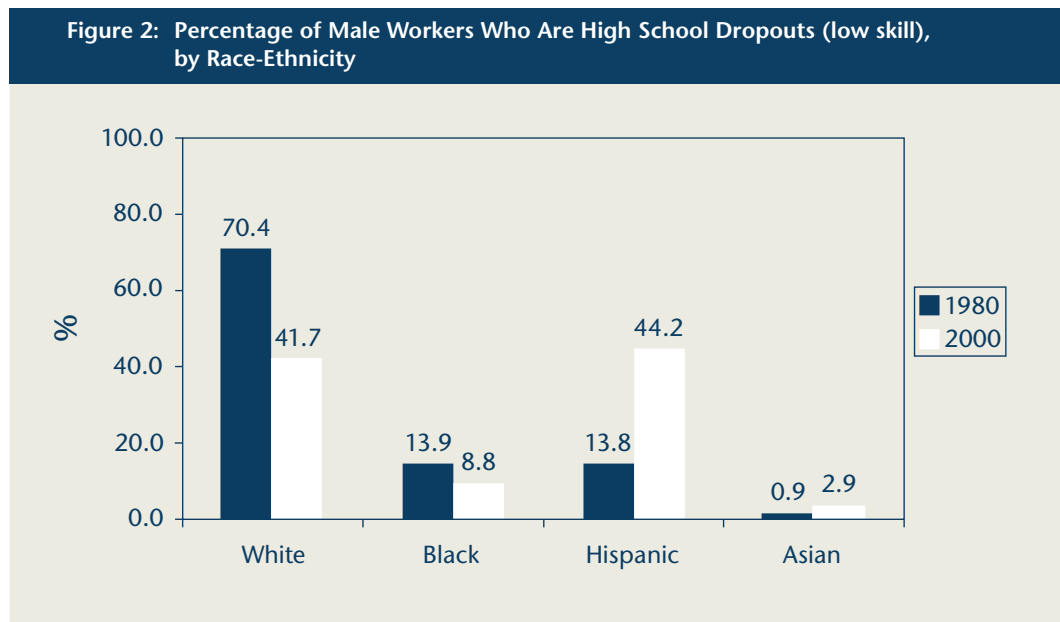
The growing gap between Hispanic and white males was driven mainly by immigrants' wage disparities. In fact, the wage gap between male Hispanic immigrants and white native-born males widened at a rate more than double that between Hispanic natives and native-born whites. Education played a key role in this divergence. Socio-economic characteristics, in particular the low educational attainment of immigrants, explained between one-half and two-thirds of the immigrant-native differential in 2000. Education, in fact, plays a much larger role in the Hispanic male wage gap than it does for Asians or blacks. While all groups experienced a decline in numbers of high school dropouts, the dropout rate for Hispanics and Asians declined at a slower pace. As a result, a male high school dropout in 2000

was more likely to be Hispanic than in 1980. Borjas goes on to note the difficulty in generalizing from these trends to the whole Hispanic workforce, as economic outcomes vary greatly by the particular subgroup of Hispanics – namely, by native-born versus immigrant, and by national origin.

Sensitivity to Business Cycles

In addition to the changing composition of the workforce, Borjas’ research examines how business cycles affect wage trends among low-skilled men. Low-skilled workers in general, and especially blacks, have historically been hard-hit by economic downturns—they tend to be the first to be laid off and the last to be rehired. Borjas uses changes in a state’s unemployment rate to determine whether business cycles affect immigrants and natives differently, measuring the number of weeks worked in a year, weekly wages, and annual earnings. He accounts for education, age, and immigrant status in his analysis.

He finds that black native-born males, especially low-skilled workers, continue to be more sensitive to economic downturns than white or Hispanic males. Among black native-born low-skilled men, a 2 percentage point rise in the state unemployment rate lowers the probability of employment by 4 percentage points. The same 2 percentage point rise in state unemployment lowers the likelihood of employment among male native-born low-skilled Hispanic males by 2.8 percent and among white males by 2.4 percent. Low-skilled male Hispanic immigrants are actually less sensitive than native-born Hispanic males to business fluctuations. This is also true among white immigrants.



Although labor force participation among minorities is sensitive to business cycles, there is little evidence to suggest that the wages of low-skilled minorities exhibit greater sensitivity than that of other workers. Nevertheless, the business cycle significantly affects wages for low-skilled minority males. Among low-skilled workers, for example, a 2 percentage point rise in the unemployment rate reduces annual earnings among male Hispanic natives by 9.2 percent and among male Hispanic immigrants by 11.4 percent. This compares with a 9.8 percent reduction among native white males and a 4.8 reduction among white immigrants.

The Effects of Immigration on the Overall Labor Market

Borjas explores both the potential long-term and short-term implications of continued immigration on wages. Previous studies have found that immigration exerts a small effect on the wages of native workers. Using national data rather than city-level data, however, Borjas finds that in the short-run, the 1980–2000 influx of immigrants lowered the wages of the typical working male by about 3.4 percent. The implication of this influx for

lower-educated, male native workers was a reduction in wages of 7 percent in the short-run and 3.6 percent in the long run. When he examines race, Borjas discovers that the effect on wages was larger for blacks (4.1 percent) and largest for Hispanic males (5.2 percent). These wage-lowering effects are more pronounced among low-skilled native workers.

Social and Policy Implications

This analysis raises several relevant policy questions, particularly in the current public discussions about immigrants and their role in the U.S. economy. Perhaps one of the most important issues, however, is determining lower-skilled immigrants’ current prospects for economic mobility. New immigrants are entering a vastly different economy than immigrants in the past, one in which well-paying jobs with benefits elude low-skilled workers as unionized manufacturing jobs disappear and are replaced by low-wage jobs in less secure industries such as the service sector. These trends are likely to affect demand for government social services, the well-being of these immigrants’ children, and more generally, the nature of future immigrant assimilation in the U.S. ■

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The National Poverty Center

About the NPC

The National Poverty Center is charged with promoting high-quality research on the causes and consequences of poverty, evaluating and analyzing policies to alleviate poverty, and training the next generation of poverty researchers.

Rebecca M. Blank and Sheldon H. Danziger, Co-Directors

Major funding for the National Poverty Center is provided by the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services.

Any opinions, findings, conclusions, or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the view of the National Poverty Center or any sponsoring agency.

National Poverty Center
Gerald R. Ford School of Public Policy
University of Michigan
Joan and Sanford Weill Hall
735 South State Street, Suite 5100
Ann Arbor Michigan 48109-3091
734-615-5312
npcinfo@umich.edu

Visit us online: www.npc.umich.edu

Endnotes

¹ This brief is adapted from a chapter from the volume, *Working and Poor: How Economic and Policy Changes Are Affecting Low-Wage Workers*, edited by Blank, Danziger and Schoeni. It can be ordered from the Russell Sage Foundation: <http://www.russellsage.org/publications/books/060711.765292>

² The census data contain information from the many illegal immigrants who answer the census questionnaire. Illegal immigrants now make up an estimated one-fourth of the foreign-born population enumerated in the census.



National Poverty Center
Gerald R. Ford School of Public Policy
University of Michigan
Joan and Sanford Weill Hall
735 South State Street, Suite 5100
Ann Arbor Michigan 48109-3091