

# Hispanic Economic Outlook

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The Report of the Hispanic Economic Outlook Committee

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The American Society of Hispanic Economists (ASHE)—a member of the Allied Social Science Association—is a professional association of economists and other social scientists who are concerned with the under-representation of Hispanic Americans in the economics profession and with the lack of research generated on Hispanic American economic and policy issues. Our primary goals include:

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2. Promoting rigorous research on economic and policy issues affecting U.S. Hispanic communities and the nation as a whole; and
3. Engaging more Hispanic Americans to effectively participate in the economics profession.

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## Determinants of Higher Poverty among Hispanics

Pia Orrenius, Madeline Zavodny and Yingda Bi\*

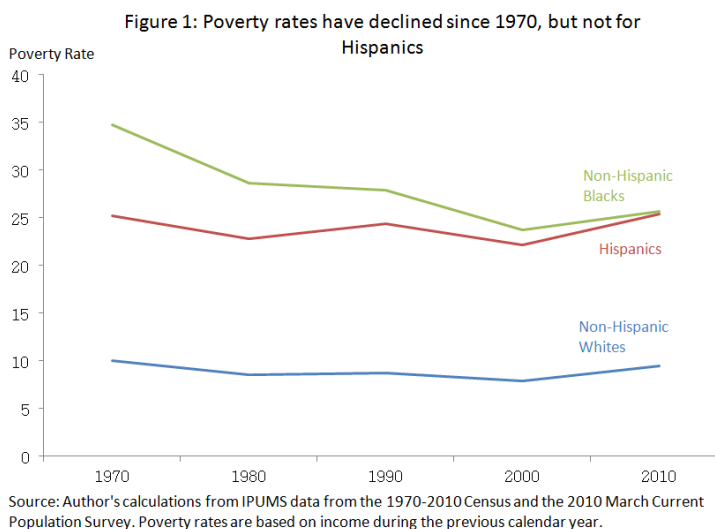
The poverty rate among Hispanics remained virtually unchanged at around 25 percent during the past 40 years (Figure 1).<sup>1</sup> Meanwhile, poverty declined significantly among non-Hispanic blacks. Both groups are considerably more likely to be poor than non-Hispanic whites. In 2009, the poverty rate was almost 16 percentage points higher among Hispanics and blacks than among non-Hispanic whites.

Hispanics have made little economic progress as a whole because of the youthfulness of the population, low educational attainment, and the high rate of Hispanic immigration. As the fastest-growing demographic group in the United States, Hispanic economic wellbeing matters for future U.S. prosperity. In a recent article, we looked at Hispanic poverty and the factors that help explain the poverty gap.<sup>2</sup>

While the overall numbers suggest little progress for Hispanics, they mask an important difference between the native-born and immigrants. Native-born Hispanic poverty rates have fallen over time while foreign-born Hispanic poverty rates have risen (Figure 2). In 2009, the poverty rate was 8 percentage points lower among native-born Hispanics than among foreign-born Hispanics. It bears noting, however, that poverty rates would be considerably higher among native-born Hispanics, particularly in the 2010 data, if native-born children were classified based on their own place of birth instead of the household head's.

The poverty rate among foreign-born Hispanics stood at 29 percent in 2009, up from about 26 percent in 1970. The increase reflects a relative decline in education levels among inflows of Hispanic immigrants and a shift toward poorer immigrants. Both trends are related to the rise in immigration from Mexico and Central America.

The rise in poverty among foreign-born Hispanics partly reflects the recency of the immigrant influx. For immigrants, the likelihood of being in poverty falls over time as they become established and assimilated in the U.S.



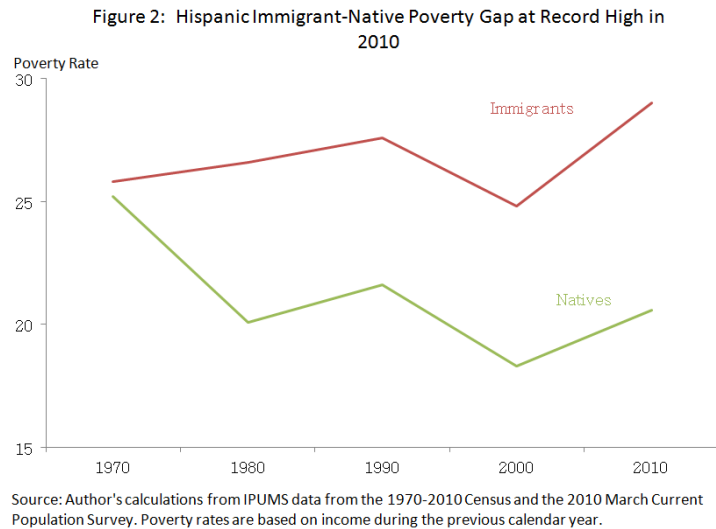
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<sup>1</sup> Poverty is determined by comparing family income in the prior year with a poverty threshold based on family size and the age of family members. Hispanics may be of any race. In this analysis, we classify all individuals based on the race/ethnicity, nativity, and poverty status of the head of household.

<sup>2</sup> Orrenius, Pia and Madeline Zavodny. "Trends in Poverty and Inequality among Hispanics" forthcoming in Robert Rycroft, ed., *The Economics of Inequality, Poverty, and Discrimination in the 21<sup>st</sup> Century*. ABC-CLIO.

Many factors contribute to relatively high poverty among Hispanics. We use a Blinder-Oaxaca decomposition to examine what factors underlie the 12 percentage point difference in the poverty rate between Hispanics and non-Hispanic whites in 2009 (Figure 3).<sup>3</sup>

Limited ability to speak English is the most important factor underlying why Hispanics are more likely to be poor than non-Hispanic whites. Differences in self-reported English ability among household heads explain 5.7 percentage points of the poverty gap for all Hispanics. In results not shown here, differences in English ability explain over half the gap for Hispanic immigrants. Interestingly, differences in English ability also matter, albeit less so, for native-born Hispanics.



Surprisingly, differences in immigrant status explain little of poverty gap between Hispanics and non-Hispanic whites once we control for English fluency.

Lower educational attainment among Hispanics household heads contributes to the poverty gap. The gap would be about 10 percent smaller (1.2 percentage points less) if Hispanics had the same distribution of educational attainment as non-Hispanic whites. This probably understates the role of education in poverty among Hispanic immigrants because it treats all education the same regardless of where it was acquired even though education acquired abroad typically has lower returns.<sup>4</sup>

Hispanic household heads are about eight years younger on average than non-Hispanic white household heads, and this youthfulness is at least as important as education in explaining the poverty gap. Also, differences between Hispanics and non-Hispanic whites in the proportion of heads employed year-round boosts the relative poverty rate among Hispanics by about 1.6 percentage points.

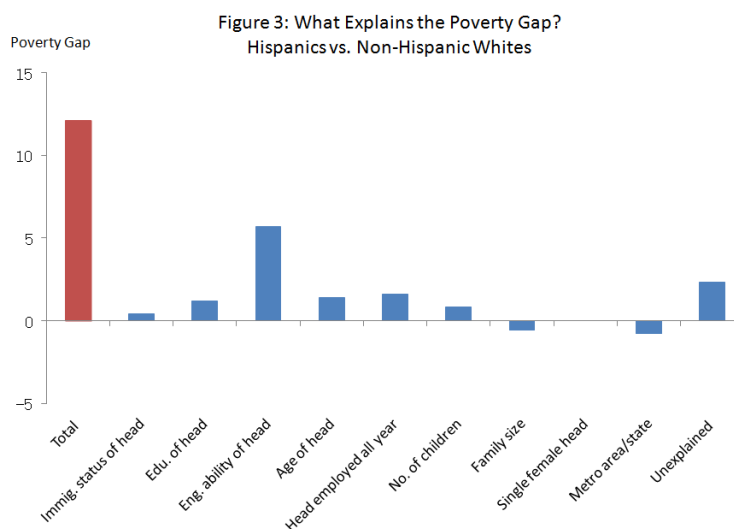
<sup>3</sup> A Blinder-Oaxaca decomposition reveals how much of the difference in poverty between groups is explained by the differences in their characteristics and how much cannot be explained. To decompose poverty, we estimate a probit model of poverty status among household heads. The model includes variables measuring whether the household head is an immigrant, the head's education, English ability, and age (and age squared), the number of people (age 16 and older) working in the family, whether the head was employed all year, the number of people and number of children in the family, whether the head is a single female, and the family's metropolitan status and state of residence. We use data from the 2009 American Community Survey because it includes self-reported English ability, which the Current Population survey does not ask about. Economic variables refer to the 2008 calendar year. Education is measured in four categories: no high school diploma or equivalent, high school diploma or equivalent, some college, and college graduate. English ability is measured using the five categories for self-reported English ability: only speak English, speak English very well, well, not well, and not at all.

<sup>4</sup> Duncan, Brian, V. Joseph Hotz, and Stephen J. Trejo (2006). "Hispanics in the U.S. Labor Market." Pp. 228-290 in Marta Tienda and Faith Mitchell, eds., *Hispanics and the Future of America*. Washington, D.C.: National Academies Press.

The average Hispanic family has 0.6 more children than the average non-Hispanic white family, which accounts for 0.8 percentage point of the poverty gap with non-Hispanic whites. Family size, on the other hand, acts to reduce poverty among Hispanic families once the number of children is controlled for. Female headship makes little contribution to the Hispanic poverty gap.

Differences between Hispanics and non-Hispanics whites in urban status and state of residence actually lower the poverty gap. This likely reflects Hispanics' tendency to locate in regions of the country that have experienced strong economic growth during the 1990s and 2000s, such as the South, Southwest, and Mountain West.

Other contributing factors, which are not captured by the decomposition, include less work experience and living in states with relatively low minimum wages and rates of unionization. More notably, the lack of legal status and the Great Recession contribute to Hispanic poverty. About half of foreign-born Hispanics are undocumented. They earn less, change jobs more often, and have less access to government programs than other Hispanics. In addition, the Great Recession hit Hispanics hard because of their prevalence in cyclical industries, especially construction.



Source: Author's calculations from IPUMS data from the 2009 American Community Survey

The native-born make up over three-fifths of all Hispanics. With native-born Hispanics growing quickly as a share of the Hispanic population, future progress likely depends on them. There are some bright spots. There has been considerable intergenerational progress in educational attainment and earnings among Latinos.<sup>5</sup> While 49 percent of Hispanic immigrants lack a high school degree, only 20 percent of second-generation Hispanics and 18 percent of third generation and higher Hispanics lack a high school degree. However, only 8 percent of non-Hispanic whites lack a high school degree.

There are two troubling trends among native-born Hispanics that deserve attention. First, unmarried women account for over one-half of births among Hispanics.<sup>6</sup> This is worrisome given the high rate of poverty for female-headed households. More positively, however, the birthrate for Hispanic teens has been declining.<sup>7</sup> Second, the growing elderly Hispanic population is relatively unlikely to have a pension or receive Social Security benefits and therefore have high poverty rates.<sup>8</sup> Poverty among the Hispanic elderly may eventually decline as the Hispanic population becomes increasingly native-born and eligible for Social Security and other government programs.

<sup>5</sup> Smith, James P. (2003). "Assimilation across the Latino Generations." *American Economic Review Papers & Proceedings* 93(2): 315-319.; Smith, James P. (2006). "Immigrants and the Labor Market." *Journal of Labor Economics* 24(2): 203-233.

<sup>6</sup> Hamilton, Brady E., Joyce A. Martin, and Stephanie J. Ventura (2010). "Births: Preliminary Data for 2009." *National Vital Statistics Reports* 59(3): 1-29.

<sup>7</sup> Hamilton et al. 2010. See footnote 6.

<sup>8</sup> Reimers, Cordelia W. (2006). "Economic Well-Being." Pp. 291-361 in Marta Tienda and Faith Mitchell, eds., *Hispanics and the Future of America*. Washington, DC: National Academies Press.

Hispanic immigrants have relatively high poverty rates, but they experience considerable progress soon after migration and have high labor force participation rates, high geographic mobility, high marriage rates, and low nonmarital birth rates. The economic position of Hispanics in the U.S. would likely improve if fewer low-skilled immigrants entered and if a large-scale legalization program were enacted. The future for Hispanics depends crucially on whether such changes occur and on whether today's Hispanic youth can boost their educational attainment and English ability while retaining some of the positive attributes of Hispanic immigrants' lifestyle noted above.

## Health and Health Habits among Mexicans Immigrants to the United States: A Time Use Perspective

Andres J. Vargas\*

The health status of Mexican Immigrants has important repercussions on their economic well-being and that of their families and the areas they live. There is extensive scientific literature documenting the health status of Mexican immigrants but not its causes. Acculturation, assimilation to the labor market, and changes in the composition of the household generate new behaviors that might have a direct effect on the immigrant's health status. In this study, I analyze the determinants of the health status of this large segment of the US population from a time use perspective. In particular, I examine how their eating and physical activity habits vary with time since arrival in the U.S.

For this purpose, I use the Health and Eating Module of the American Time Use Survey Data Extract Builder for the years 2006 to 2008, and compare the health status and eating and physical activity habits of Mexicans who migrated to the US at age 16 or older to those of non-Hispanic whites.<sup>1</sup> The health status variable is self-reported and measured on a scale ranging from 1 (representing "excellent" health) to 5 (representing "poor" health). Regarding eating behaviors, I examine the minutes per day allocated to the following five activities: primary eating and drinking, secondary eating, secondary drinking, food preparation and cleanup, and grocery shopping. In addition, I consider two separate indicator variables of whether the respondent usually does the grocery shopping or the meal preparation for the household.<sup>2</sup> Finally, for the levels of physical activity, I consider the minutes per day the respondent allocates to active leisure activities such as sports, exercise, and recreation; and the amount of time devoted to passive leisure activities such as socializing, relaxing, and watching television.

Table 1 presents the sample averages of self-reported health status for men and women by immigration status. The sample has a total of 19,426 non-Hispanic whites and 941 first generation Mexican immigrants. The estimates show that Mexican immigrants, especially women, have the poorest health status of all the groups considered. The difference between immigrants and non-Hispanic whites is approximately half a standard deviation. In addition, Table 1 shows the health status of immigrants by years since arrival in the US. These estimates point towards healthy assimilation for immigrant men for the first 15 years in the country, followed by a health decline for the ensuing 15 years. These sample averages indicate that after 20-30 years in the country the self-reported health status of immigrant men is not statistically different from the one reported at the time of arrival. On the other hand, there is evidence of unhealthy assimilation for immigrant women. The health status for this group rapidly deteriorates within the first 10 years after arrival, remains constant for the next 10 years, and deteriorates again in the subsequent decade. Estimates indicate that after 20-30 years in the country their self-reported health has declined by 0.6 points, approximately 60 percent of a standard deviation. These estimates, however, do not account for the different socio-economic characteristics of immigrants and natives.

To identify the assimilation profile with respect to the immigrant's own time in the U.S., I use a regression analysis where I account for immigrant-native differences in age, education, marital status, number of adults and children

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<sup>1</sup> Katharine G. Abraham, Sarah M. Flood, Matthew Sobek, and Betsy Thorn. 2008. American Time Use Survey Data Extract System: Version 1.0 [Machine-readable database]. Maryland Population Research Center, University of Maryland, College Park, Maryland, and Minnesota Population Center, University of Minnesota, Minneapolis, Minnesota.

<sup>2</sup> Secondary drinking measures the amount of time people spent drinking liquids other than water while doing another activity.

in the household, the presence of children younger than six years, employment status, hours of work, hourly wages, family income level, metropolitan area size, and region of the country. Table 2 shows the assimilation profiles of Mexican immigrant men compared to non-Hispanic whites. Estimates suggest that males born in Mexico start with a poorer health status than non-Hispanic whites at the time of arrival, with a difference of 0.53 points (approximately half a standard deviation). The gap closes with time in the U.S., however, becoming insignificant after 12 years in the country. What changes in behavior are associated with this trend?

**Table 1: Self-reported Health by Gender and Immigration Status**

	Males			Females		
	No. Obs	Mean	Std. Err.	No. Obs	Mean	Std. Err.
Non-Hispanic Whites	8,569	2.38	0.01	10,857	2.37	0.01
Mexican Immigrants	409	2.89	0.06	532	2.99	0.05
Years Since Migration						
0-5	29	3.01	0.17	57	2.75	0.11
5-10	101	2.81	0.13	148	2.90	0.08
10-15	68	2.74	0.13	99	2.82	0.11
15-20	60	2.89	0.17	93	2.92	0.10
20-30	95	2.90	0.13	71	3.34	0.17
30-60	56	3.13	0.21	64	3.66	0.13

Source: Author Computations, American Time Use Survey 2006-2008

Note: Self-reported Health Status is measured on a scale of 1 to 5: 1=excellent, 2=very good, 3=good, 4=fair, and 5=poor

Regarding eating behavior, Table 2 shows that immigrant men devote on average 9 minutes more to primary eating and drinking within the first 4 years after arrival. However, this difference narrows gradually and turns statistically insignificant after 12 years in the U.S. On the other hand, newly arrived immigrant men devote the same amount of time as non-Hispanic whites to secondary eating and drinking. As their years since migration increase, however, Mexican men allocations of time to these activities gradually decrease. For example, 16 years after migration Mexican men devote 9 and 50 minutes less to secondary eating and drinking, in that order. My estimates also indicate that immigrant and native men devote the same amount of time to grocery shopping and food preparation, and that they have the same odds of usually doing the meal preparation, regardless of the immigrants' years in the U.S. I find, however, that immigrant men have approximately 3 times higher odds of usually doing the grocery shopping than non-Hispanic whites, and that this difference remains steady with time in the U.S.

Concerning levels of physical activity, I find that at the time of arrival immigrant men exercise 19 minutes less than non-Hispanic whites and devote the same amount of time to socializing, relaxing and leisure. As their years in the U.S. increase, immigrant men exercise more and devote less time to passive leisure activities. For example, after 24 years in the country immigrant men enjoy 71 minutes less passive leisure time than their native counterparts, while they show no significant differences in the amount of time spent in sports, exercise, and recreational activities.

Table 3 estimates indicate that women born in Mexico do not have differences in self-reported health status relative to non-Hispanic at the time of arrival in the U.S. Their health gradually deteriorates with years since migration, however. The difference in self reported health becomes significant after 16 years in the country and

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reaches 0.23 points (one fourth of a standard deviation) after 24 years. What adjustments in behavior are associated with this change?

Concerning eating behavior, estimates reported in Table 3 show that immigrant women devote on average 17 minutes more to primary eating and drinking than non-Hispanic whites. Furthermore, they allocate 7 and 85 minutes less to secondary eating and drinking than non-Hispanic whites, in that order. These gaps remain roughly constant with time in the U.S. Moreover, women born in Mexico allocate 51 minutes more than non-Hispanic whites to food preparation and clean up at the time of arrival, but this gap closes slightly with years since migration. Although I find no difference in the amount of time devoted to grocery shopping, immigrant women have 11 and 13 times higher odds of usually doing the meal preparation and the grocery shopping than non-Hispanic whites at the time of arrival, in that order. These odd differences decrease with years since migration, but remain significant.

Regarding levels of physical activity, I find that immigrant and native women spend the same amount of time in sport, exercise, and recreational activities, regardless of the immigrants' time in the country. Mexican women, however, devote significantly less time to passive leisure activities. This gap gradually widens with years since migration and reaches 110 minutes after 24 years in the country.

To summarize, my results show evidence of healthy assimilation for Mexican men. In particular, I find that Mexican men report a poorer health status than non-Hispanic whites at the time of arrival, but the gap closes and becomes insignificant after 16 years in the country. There are some changes in behavior associated with this improvement in self-reported health status. Immigrant men gradually devote less time to secondary drinking and passive leisure activities and more time to sports, exercise, and recreation as their years since migration increase. Men born in Mexico do experience a reduction on the odds of usually doing the grocery shopping, however, a change that is associated with a deterioration of their health status.

On the other hand, I find evidence of unhealthy assimilation for Mexican women. Their health status is not significantly different from that of natives at the time of arrival, but it deteriorates with years in the U.S. There are some changes in behavior associated with this decline in health status. In particular, Mexican women decrease the amount of time devoted to food preparation and cleanup and primary eating and drinking as their years since migration increase. Furthermore, they experience a reduction in the odds of usually doing the grocery shopping and the meal preparation of the household. It is important to mention, however, that not all their changes in behavior are negative. Immigrant women also increase the amount of time devoted to secondary eating and allocate less time to passive leisure activities as their American experience accumulates.



**Table 2: Assimilation Profiles of Health Status and Behavior  
Mexican Men Compared to Non-Hispanic Whites**

Years Since Migration		0	4	8	12	16	20	24
Health Status	Coef.	0.53	0.37	0.23	0.11	0.03	-0.03	-0.06
	Std. Err.	0.16	0.11	0.09	0.08	0.09	0.10	0.11
	P> t	0.00	0.00	0.01	0.16	0.75	0.78	0.59
Primary Eating and Drinking	Minutes	9.99	8.93	7.76	6.48	5.08	3.58	1.97
	Std. Err.	6.58	4.65	3.34	2.88	3.16	3.74	4.31
	P> t	0.13	0.06	0.02	0.03	0.11	0.34	0.65
Secondary Eating	Minutes	0.43	-2.70	-5.25	-7.23	-8.64	-9.48	-9.75
	Std. Err.	7.28	5.87	4.85	4.25	4.04	4.09	4.28
	P> t	0.95	0.65	0.28	0.09	0.03	0.02	0.02
Secondary Drinking	Minutes	-19.38	-30.29	-39.04	-45.63	-50.05	-52.30	-52.39
	Std. Err.	34.85	26.69	20.02	15.01	11.88	10.63	10.77
	P> t	0.58	0.26	0.05	0.00	0.00	0.00	0.00
Food Preparation and Cleanup	Minutes	-2.98	-4.06	-4.75	-5.04	-4.95	-4.46	-3.58
	Std. Err.	5.91	4.02	2.93	2.73	3.02	3.34	3.53
	P> t	0.62	0.31	0.11	0.07	0.10	0.18	0.31
Grocery Shopping	Minutes	-0.84	0.06	0.76	1.25	1.54	1.62	1.49
	Std. Err.	2.22	1.62	1.41	1.51	1.70	1.86	1.94
	P> t	0.71	0.97	0.59	0.41	0.37	0.39	0.44
Usually Does the Meal Preparation	Odds Ratio	0.74	0.78	0.83	0.88	0.95	1.02	1.11
	Std. Err.	0.33	0.25	0.19	0.18	0.20	0.23	0.27
	P> t	0.50	0.43	0.42	0.54	0.79	0.92	0.67
Usually Does the Food Shopping	Odds Ratio	4.32	3.63	3.18	2.91	2.77	2.75	2.85
	Std. Err.	1.98	1.20	0.79	0.63	0.63	0.69	0.80
	P> t	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sports, exercise, and recreation	Minutes	-18.77	-12.96	-7.96	-3.78	-0.40	2.15	3.90
	Std. Err.	5.79	4.50	3.88	3.87	4.18	4.58	4.95
	P> t	0.00	0.00	0.04	0.33	0.92	0.64	0.43
Socializing, relaxing, and leisure	Minutes	-23.33	-32.82	-41.73	-50.05	-57.79	-64.94	-71.51
	Std. Err.	26.21	18.77	13.95	12.17	12.73	14.16	15.58
	P> t	0.38	0.08	0.00	0.00	0.00	0.00	0.00

Source: Author Computations, American Time Use Survey 2006-2008

**Table 3: Assimilation Profiles of Health Status and Behavior  
Mexican Women Compared to Non-Hispanic Whites**

Years Since Migration		0	4	8	12	16	20	24
Health Status	Coef.	-0.15	-0.06	0.02	0.09	0.14	0.19	0.23
	Std. Err.	0.12	0.09	0.07	0.07	0.07	0.08	0.09
	P> t	0.24	0.51	0.79	0.20	0.05	0.02	0.01
Primary Eating and Drinking	Minutes	17.25	16.71	16.12	15.48	14.79	14.05	13.26
	Std. Err.	4.71	3.48	2.88	2.84	3.08	3.37	3.58
	P> t	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Secondary Eating	Minutes	-6.72	-6.73	-6.69	-6.60	-6.46	-6.27	-6.04
	Std. Err.	2.82	2.33	2.03	1.91	1.91	1.96	2.02
	P> t	0.02	0.00	0.00	0.00	0.00	0.00	0.00
Secondary Drinking	Minutes	-85.13	-87.78	-89.39	-89.95	-89.47	-87.94	-85.36
	Std. Err.	11.57	10.14	10.23	11.27	12.62	13.92	15.02
	P> t	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Food Preparation and Cleanup	Minutes	51.00	49.43	47.71	45.85	43.85	41.71	39.43
	Std. Err.	9.99	7.23	5.59	5.27	5.86	6.72	7.50
	P> t	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grocery Shopping	Minutes	0.27	1.04	1.72	2.28	2.75	3.11	3.37
	Std. Err.	3.30	2.24	1.67	1.71	2.07	2.48	2.81
	P> t	0.94	0.64	0.31	0.18	0.19	0.21	0.23
Usually Does the Meal Preparation	Odds Ratio	10.77	8.87	7.34	6.09	5.08	4.25	3.57
	Std. Err.	7.99	4.86	3.13	2.37	2.10	1.96	1.79
	P> t	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Usually Does the Food Shopping	Odds Ratio	12.96	9.19	6.73	5.09	3.97	3.20	2.66
	Std. Err.	8.93	4.78	2.72	1.78	1.38	1.20	1.08
	P> t	0.00	0.00	0.00	0.00	0.00	0.00	0.02
Sports, exercise, and recreation	Minutes	-0.32	-0.90	-1.30	-1.52	-1.56	-1.42	-1.10
	Std. Err.	5.57	4.06	3.13	2.81	2.92	3.17	3.41
	P> t	0.95	0.83	0.68	0.59	0.59	0.66	0.75
Socializing, relaxing, and leisure	Minutes	-27.99	-48.54	-66.33	-81.35	-93.60	-103.08	-109.80
	Std. Err.	20.76	15.63	12.88	12.56	13.77	15.45	17.03
	P> t	0.18	0.00	0.00	0.00	0.00	0.00	0.00

Source: Author Computations, American Time Use Survey 2006-2008

## State Level Legislation against the Hiring of Unauthorized Immigrants

Sarah Bohn, Magnus Lofstrom and Steven Raphael\*

The United States is home to a large number of unauthorized immigrants, the most recent estimates showing that this population increased from about 3 million in the late 1980s to 11 million in 2009 (although 2009 was a decline from 2007).<sup>3</sup> The size and long-run growth of the unauthorized immigrant population is the source of much controversy within immigration policy circles. Efforts in Congress to address this issue and to reform the country's immigration policy failed in 2006 and 2007, and its failure to pass the Dream Act in 2010 was the most recent example of Congressional gridlock on immigration. In both the recent efforts and the last major immigration reform, the 1986 Immigration Reform and Control Act (IRCA), policymakers recognize that employment is the primary draw for most unauthorized immigrants. Instituting employer sanctions for hiring unauthorized immigrants was a key component of IRCA. However, the sanctions were rarely enforced, and this contributed to the failure of IRCA to curtail the flow of unauthorized workers.

While the reform efforts appear to have stalled at the federal level, states have increasingly instituted their own measures for controlling unauthorized immigration. Responding to a growing and large unauthorized immigrant population, Arizona is the state leading this charge.<sup>4</sup> Years before passing the highly publicized and controversial Senate Bill 1070 in April 2010, Arizona introduced legislation targeting employers hiring unauthorized immigrants. The Legal Arizona Worker Act (LAWA) was passed in July 2007 and implemented in January 2008. The arguably most important feature of LAWA is the requirement that all employers use the federal E-Verify online work authorization system for all new hires; a system designed to verify workers' Form I-9 information against Social Security Administration (SSA) and Citizenship and Immigration Services (USCIS) databases. A number of states have since implemented similar mandates (Utah, South Carolina, Mississippi, and Oklahoma) and other states have proposed or discussed similar measures. The likelihood of other states following the example of Arizona is even more likely given the May 2011 U.S. Supreme Court decision upholding the legality of LAWA.

Arizona provides an important test case for understanding the impacts of state legislation on employment of unauthorized immigrants. Here we provide a summary of our recent report published by the Public Policy Institute of California - where we analyze whether LAWA achieved its primary aims of reducing the state's population of unauthorized immigrants, deterring their employment opportunities, and improving employment outcomes of competing authorized workers.<sup>5</sup>

To assess the impact of LAWA on the population and employment in Arizona, we analyze recent comprehensive data sources from the U.S. Census Bureau. Our primary source is the Current Population Survey (CPS) for 1998–

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<sup>3</sup> Passel, Jeffrey, and D'Vera Cohn. 2010. "U.S. Unauthorized Immigration Flows Are Down Sharply Since Mid-Decade." Washington DC: Pew Hispanic Center.

<sup>4</sup> Arizona's unauthorized population was estimated by the Department of Homeland Security to be around 500,000 in 2006, or roughly one-half of the state's one million total immigrant population.

<sup>5</sup> Our report and the accompanying Technical Appendix can be found at <http://www.ppic.org/main/publication.asp?i=915>

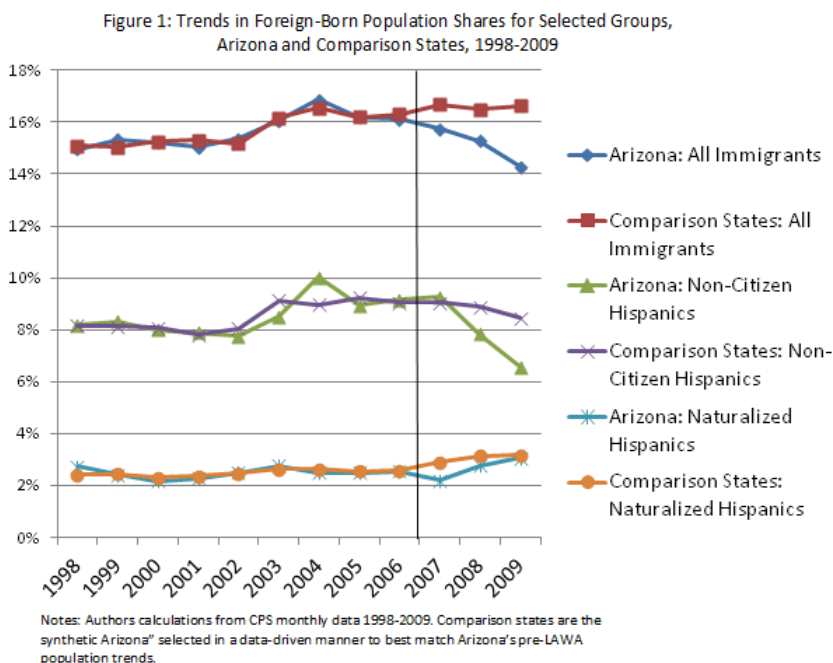
2009. These data provide detail on the employment of individuals in each state as well as information on race/ethnicity, education, age, and other demographic characteristics including immigration status (native-U.S. born or foreign-born naturalized citizen, or not a citizen).

Ideally, we would like to examine directly the changes in the population and employment of unauthorized workers. But neither the Current Population Survey (CPS) nor any other suitable data allow for precise identification of unauthorized immigrants at the individual level. Nonetheless, among certain identifiable population groups, the likelihood of being unauthorized is substantially elevated. In particular, there should be no unauthorized immigrants among those who report being “naturalized immigrant” or U.S.-born. Further, research by the Pew Hispanic Center shows that unauthorized immigrants are particularly likely to be men of working age with relatively few years of formal education and of Hispanic origin (80% of unauthorized nationwide). Thus we expect a significantly higher portion of the subgroup Hispanic non-citizen immigrant men of working age with no more than a high school diploma to be unauthorized than in any other group.

To obtain estimates of LAVA population and employment effects we compare population and employment trends of Hispanic non-citizen immigrants in Arizona to those of Hispanic non-citizen immigrants in states that have not passed legislation against the hiring of unauthorized immigrants and, importantly, states that display very similar pre-LAVA characteristics and trends. To identify suitable comparison states we employ a data-driven search (referred to as a synthetic control approach) for comparison states based on pre-LAVA population and employment characteristics and trends. To assess spillover effects of LAVA on workers other than the unauthorized, we do a similar analysis for groups defined to include no unauthorized immigrants. Lastly and importantly, our approach is designed to disentangle the effects of Arizona’s legislation from exogenous factors such as the recent severe recession.

Our empirical analysis shows that the legislation reduced the population of unauthorized immigrants. Specifically, we identify a LAVA induced decline in Hispanic non-citizen immigrants, the demographic group home to the highest proportion of unauthorized immigrants in Arizona.

Figure 1 displays the population trends in Arizona and the comparison states. The data reveal no evidence of difference before LAVA between Arizona and the comparison states for all of the population shares shown in the figure. However, after LAVA we observe sizable and growing gaps (on the order of 1 to 2.5 percentage points) between Arizona and the comparison states in proportions of immigrants. For the share of all immigrants, the gap begins to open up in 2007 (the year LAVA was passed) and widens in each year thereafter. For Hispanic non-citizen immigrants, the gaps do not widen until 2008, and are wider still by 2009. The trend in the share of Hispanic naturalized immigrants in Arizona remains close to that of the comparison states even after LAVA was enacted. Hence, LAVA has not—at least not yet—had

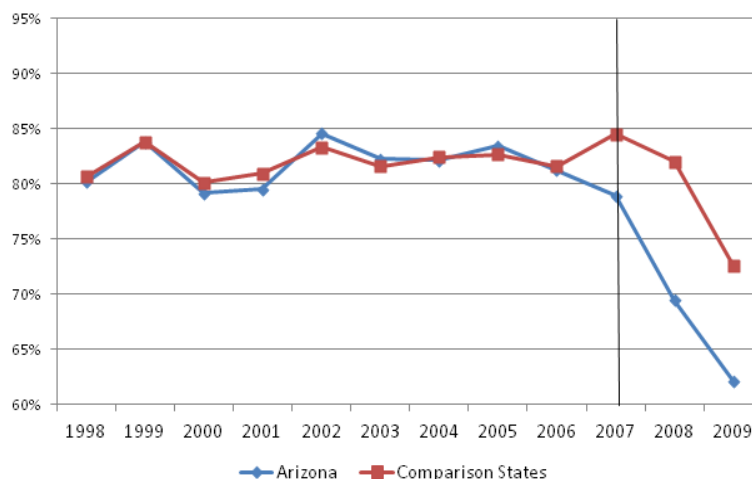


a chilling effect on naturalized Hispanic immigrants in Arizona. This also shows that the decline in unauthorized immigration in Arizona is not driven by an overall decrease in the state's population of Hispanic immigrants.

We estimate LAWA's impact to date to be a loss of approximately 92,000 unauthorized immigrants, representing a decline of about 17 percent. Furthermore, we observe corresponding increases in rental vacancy rates that are quite close to what one would expect based on our estimates of the net population loss. Two caveats apply. This decline is measured relative to the hypothetical unauthorized population that would have resided in Arizona were it not for LAWA. Second, we re-emphasize that there is no precise measure of unauthorized immigrants, and we only examine the group—Hispanic non-citizen foreign-born—that is home to the largest proportion of unauthorized. Thus our estimated decline, like all estimates, includes some degree of error.

We also find strong evidence that LAWA significantly hampered formal employment opportunities among unauthorized workers. Figure 2 shows that before LAWA, the employment rates of low-skilled non-citizen Hispanic men in Arizona matched those of non-citizens in the comparison states. In the two post-LAWA years, the non-citizen Hispanic employment rate was 11 to 12 percentage points lower than in the comparison states. However, we find no convincing evidence that low-skilled authorized minority workers have yet benefitted from the LAWA-induced reduction in unauthorized immigrants. Nor do we find evidence of similar employment changes for other low-skilled workers, although overall trends go in the same direction. The estimated drop in the employment rate of low-skilled non-citizen Hispanic men in Arizona is larger than that of this group's employment rate in any other state, including those states similarly hurt by the housing related recession. In summary, these findings provide strong evidence that the estimated formal employment rate decline - of about 11 percentage points - in Arizona is due LAWA.

Figure 2: Wage/Salary Employment Rates for Hispanic Non-Citizen Men with High School or Less, Arizona and Comparison States, 1998-2009



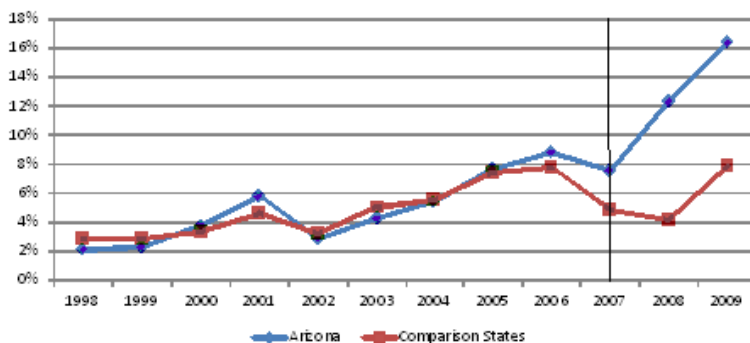
Notes: Author's calculations from CPS 1998-2009. Comparison states are the "synthetic Arizona" selected in a data-driven manner to best match Arizona's pre-LAWA trends. "Employment" here includes only work in wage and salary arrangements.

We find evidence that Arizona's legislation induced a shift towards self-employment among unauthorized immigrants. LAWA's E-Verify mandate includes only licensed businesses within its employer definition, and also specifically excludes independent contractors from its definition of an employee. Thus, one way to avoid E-Verify is to enter into independent contractor arrangements instead of formal wage and salary employment. With this in mind, it is not too surprising to find that self-employment among non-citizen Hispanic immigrants increased substantially. Figure 3 indicates that the self-employment rate among low-skilled Hispanic non-citizen men was rising before LAWA in both Arizona and the comparison states. However, the rise between 2007 and 2009 is substantially greater in Arizona. Our estimate of the magnitude of LAWA's self-employment effect is about 8 percentage points, roughly a doubling of the historical rate. Our analysis does not reveal any statistically significant evidence of LAWA induced changes to any other group's self-employment rate and raises important questions about the unintended effect of LAWA in expanding underground economies.

There are a few caveats to extrapolating LAWA's effects to other states or time periods. As we noted, LAWA occurred at the time of the most severe recession in recent U.S. history; while we show that this does not drive the differential trends in Arizona, results could be different in a growing economy.

Further, because LAWA is a state-level policy, unauthorized immigrants targeted by the law have the option of leaving for employment in other states. At the time of LAWA's enactment, no other state had a comprehensive E-Verify mandate, so migrating to another state was a plausible option. However, as more states enact mandates, the alternatives for unauthorized workers diminish; if the federal government enacted a full E-Verify mandate (as recently proposed), there would be no such alternatives. With fewer options, broader E-Verify mandates would likely diminish unauthorized migration flows, lead to more emigration but also increase the shift toward less formal employment.

Figure 3: Self-Employment Rates for Hispanic Non-Citizen Men with High School or Less, Arizona and Synthetic Arizona, 1998-2009



Notes: Author's calculations from CPS 1998-2009. Comparison states are the "synthetic Arizona" selected in a data-driven manner to best match Arizona's pre-LAWA trends.

## Hispanic Employment Conditions: QI & QII 2011

Marie T. Mora\*

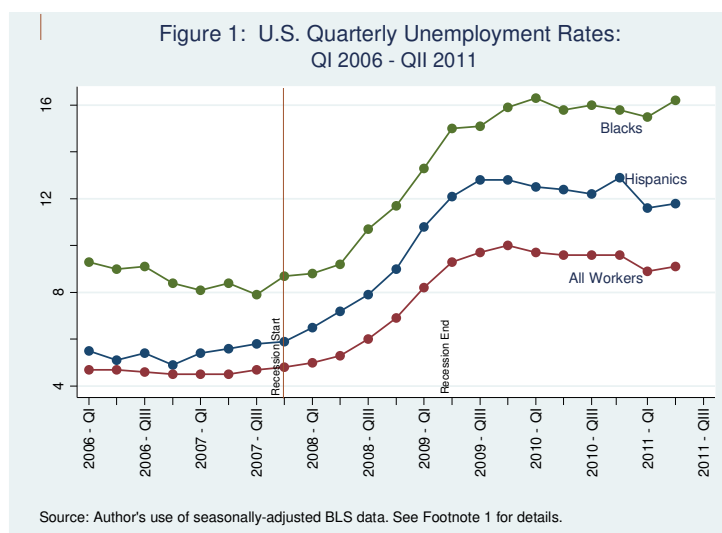
Between the first two quarters of 2011, the number of “officially” unemployed Hispanic workers rose by 51,000, from 2,634,000 to 2,685,000.<sup>1</sup> This increase translated into a 0.2 percentage-point rise in the quarterly Hispanic unemployment rate, from 11.6% to 11.8%. Despite this increase, the Hispanic unemployment rate in the first half of 2011 was more than percentage point below their QIV 2010 unemployment rate of 12.9%—their highest quarterly rate since QII 1983. It was also below their 12.1% unemployment rate that existed in QII 2009, the quarter when the last recession ended.<sup>2</sup>

At the same time, the Hispanic unemployment rate in the first two quarters of 2011 stood twice as high as before the recession started (see Figure 1), given the large numbers of Hispanics who became unemployed during the recession. Indeed, between the beginning of the recession (QIV 2007) and its end (QII 2009), the number of unemployed Hispanics rose by over 1.4 million workers, and their unemployment rate more than doubled, from 5.9% to 12.1%.

On a monthly basis, June 2011 represented the 29th consecutive month of double-digit Hispanic unemployment, a pattern which had not occurred since the early 1980s. Hispanic unemployment fell to 11.6% in June 2011, after it had risen 0.1 percentage points (to 11.9%) the month before.

The 0.2-percentage-point increase in the Hispanic quarterly unemployment rate between QI and QII 2011 mirrored the increase in the unemployment rate for civilian workers in general (from 8.9% to 9.1%). Figure 1 shows that the unemployment-rate gap between Hispanics and the overall workforce has remained fairly stable since the recession ended, after widening during the recession.

Blacks also experienced an increase in their quarterly unemployment rate between the first two quarters of 2011, from 15.5% to 16.2%, or 0.7 percentage points. Unlike Hispanics and workers in general, the quarterly unemployment rate among Blacks was higher in QII 2011 than in QIV 2010. On a monthly basis, the U.S.



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<sup>1</sup> This report parallels previous articles on Hispanic Employment Conditions published in this *Outlook*. The labor force statistics discussed here were downloaded from the Bureau of Labor Statistics website ([www.bls.gov](http://www.bls.gov)) during September 2011. They might differ slightly from those presented in earlier versions of this report, given that the BLS updates its statistics. Unless otherwise noted, these statistics are seasonally adjusted. Because the BLS treats ethnicity separately from race, Hispanics can be of any race, and the statistics for Blacks do not exclude Black Hispanics. See Table 1 (at the end of this section) for some of the recent statistics.

<sup>2</sup> The quarters for the most recent recession identified here uses the National Bureau of Economic Research's dates.



unemployment rate increased (from 8.8% to 9.2%) between March and June 2011, as it did for Blacks (whose monthly unemployment rate rose by a larger magnitude, from 15.5% to 16.2%).

The rising unemployment rate among Hispanics between the first two quarters of 2011 occurred in conjunction with a falling labor force participation (LFP) rate of 0.1 percentage points, from 66.5% to 66.4%. As seen in Figure 2, this was the fifth consecutive decline in the quarterly LFP rate among Hispanics. Their QII 2011 LFP rate was two percentage points below the 68.4% LFP rate that existed when the recession ended (in QII 2009). In fact, QII 2011 represented the lowest Hispanic quarterly LFP rate in 15 years, suggesting a continuation of the deterioration of Hispanic labor market conditions despite the end of the recession.

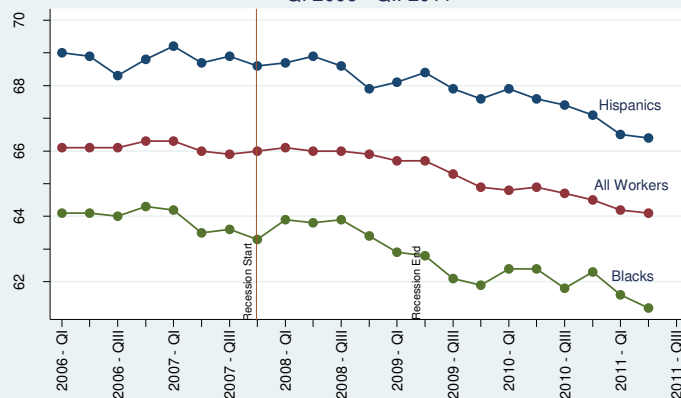
Between the first two quarters of 2011, the LFP rates also fell for the nation as a whole by 0.1 percentage points (from 64.2% to 64.1%), reaching its lowest level since QI 1984. For Blacks, the decline in their quarterly LFP rate of 0.4 percentage points (from 61.6% to 61.2%) during this time was of a greater degree than for other workers, with QII 2011 having the lowest Black LFP rate in 27.5 years.

On a monthly basis, the LFP rate remained steady at 66.3% for Hispanics between May and June 2011, after falling from 66.6% in April. For Blacks and for the overall workforce, LFP rates fell between May and June 2011 (from 61.1% to 61.0% for Blacks, and from 64.2% to 64.1% for workers in general).

The quarterly employment/population (EP) ratios further suggest weakening employment conditions between the first two quarters of 2011 for Hispanics, as their EP ratios fell by 0.2 percentage points, from 58.8% to 58.6% during this time. Still, the Hispanic EP ratio in QII 2011 was 0.2 percentage points higher than the 58.4% ratio in QIV 2010. On a monthly basis, the Hispanic EP ratio fell from 58.7% to 58.4% between April and May 2011, rising to 58.6% in June 2011.

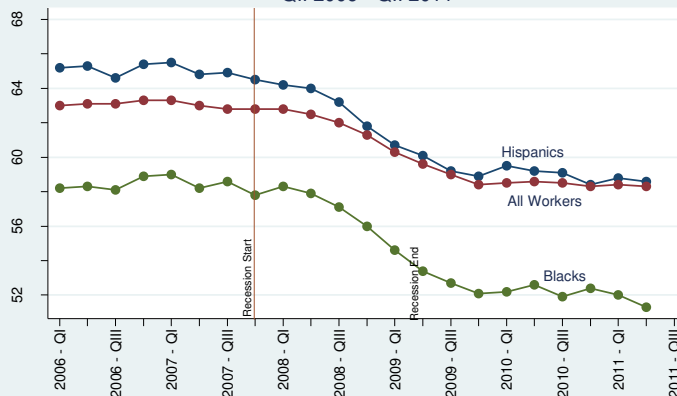
As indicated in this *Outlook* before, Hispanic workers experienced relatively large losses in their EP ratios during the recession. In fact, throughout most of the 2000s, Hispanics had higher EP ratios than the national average, but the relatively acute deterioration in their employment rates during and shortly after the recession narrowed this gap (see Figure 3).

Figure 2: U.S. Quarterly LFP Rates:  
QI 2006 - QII 2011



Source: Author's use of seasonally-adjusted BLS data. See Footnote 1 for details.

Figure 3: U.S. Quarterly Employment/Population Ratios:  
QII 2006 - QII 2011

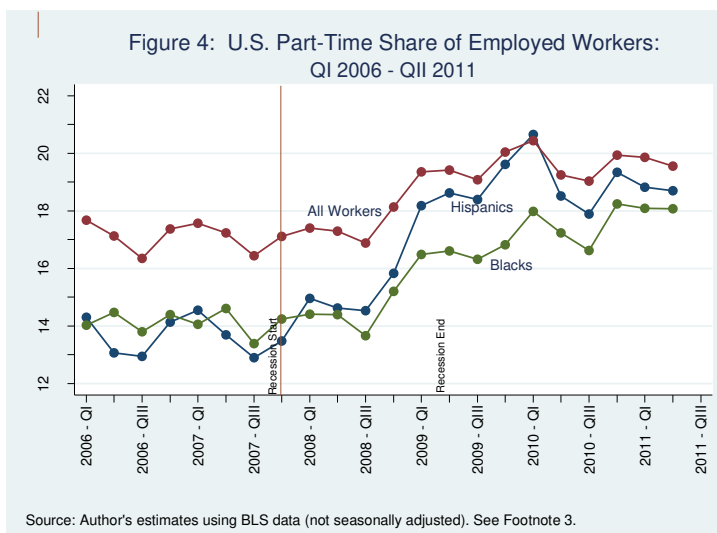


Source: Author's use of seasonally-adjusted BLS data. See Footnote 1 for details.



The quarterly EP rates also fell for workers in general (from 58.4% to 58.3%), and particularly for Blacks (from 52.0% to 51.3%—the lowest since Q1 1984) between the first two quarters of 2011. The monthly EP ratios for the U.S. workforce fell from 58.4% in April and May 2011 to 58.2% in June 2011. Among Blacks, the monthly EP ratios consecutively declined during this time, from 51.5% in April to 51.1% in June 2011. The disproportionate decline in the employment rates of Blacks indicates that they continued to lose ground relative to the overall workforce.

The share of part-time workers among employed Hispanics fell by 0.1 percentage points (from 18.8% to 18.7%) between Q1 and QII 2011, after falling from 19.3% between QIV 2010 and Q1 2011.<sup>3</sup> Considering the increase in the unemployment rate that occurred between Q1 and QII 2011, these figures suggest a relative reduction in the number of part-time positions filled by Hispanics. Previous issues of this *Outlook* noted that Hispanics experienced a disproportionate increase in the share of part-time workers during the recession. The QII 2011 part-time worker share (PTWS) among Hispanics in QII 2011 was 5.2 percentage points above the 13.5% PTWS in QIV 2007—the quarter when the recession began. While the declines in their part-time worker share (PTWS) in the first half of 2011 countered some of their recent PTWS increases, this share remained above the level that existed even at the end of the recession (see Figure 4).



Employed civilians in general also experienced a decrease in their PTWS (from 19.9% to 19.6%) between Q1 and QII 2011, while these shares remained steady at 18.1% for employed Blacks. As with Hispanics, the PTWS for Blacks (and for employed workers overall) in the first part of 2011 remained considerably higher than the pre-recession levels.

<sup>3</sup> The data discussed here on part-time worker shares are not seasonally adjusted, as seasonally-adjusted data on part-time and full-time workers by race/ethnicity were not readily available from the BLS website when this report was written. These shares were estimated by the author by dividing the number of part-time workers by part-time plus full-time workers.

**Table 1: Selected Labor Market Statistics for Hispanics, Blacks, and All Civilian Workers in the U.S.**

Measure	Mar 2011	Apr 2011	May 2011	June 2011	QIV 2010	QI 2011	QII 2011
<i>Unemployment Rate:*</i>							
Hispanics	11.3%	11.8%	11.9%	11.6%	12.9%	11.6%	11.8%
Blacks	15.5%	16.1%	16.2%	16.2%	15.8%	15.5%	16.2%
U.S.	8.8%	9.0%	9.1%	9.2%	9.6%	8.9%	9.1%
<i>Labor Force Participation Rate:*</i>							
Hispanics	66.4%	66.6%	66.3%	66.3%	67.1%	66.5%	66.4%
Blacks	61.5%	61.5%	61.1%	61.0%	62.3%	61.6%	61.2%
U.S.	64.2%	64.2%	64.2%	64.1%	64.5%	64.2%	64.1%
<i>Employment/Population Ratio:*</i>							
Hispanics	58.9%	58.7%	58.4%	58.6%	58.4%	58.8%	58.6%
Blacks	51.9%	51.5%	51.2%	51.1%	52.4%	52.0%	51.3%
U.S.	58.5%	58.4%	58.4%	58.2%	58.3%	58.4%	58.3%
<i>Part-Time/Full-Time Worker Ratio:**</i>							
Hispanics	---	---	---	---	19.3%	18.8%	18.7%
Blacks	---	---	---	---	18.2%	18.1%	18.1%
U.S.	---	---	---	---	19.9%	19.9%	19.6%

Notes: Hispanics can be of any race. These BLS data pertain to non-institutionalized civilians ages 16 and above.

\* Seasonally adjusted; see Footnote 1. \*\* Not Seasonally adjusted; see Footnote 3.

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***About the Hispanic Economic Outlook Committee of the American Society of Hispanic Economists –***

Formed in early 2009, this Committee was designed to monitor and report on a host of Hispanic economic issues on a regular basis. Contributions from other ASHE members are also contained in these reports. The views expressed in these reports are those of the authors, and do not necessarily represent the views of their respective employers or of ASHE. All errors in fact or interpretation belong to the authors.

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