

## **Growth in the foreign-born workforce and employment of the native born**

By Rakesh Kochhar, Associate Director for Research, Pew Hispanic Center

Rapid increases in the foreign-born population at the state level are not associated with negative effects on the employment of native-born workers, according to a study by the Pew Hispanic Center that examines data during the boom years of the 1990s and the downturn and recovery since 2000.

An analysis of the relationship between growth in the foreign-born population and the employment outcomes of native-born workers revealed wide variations across the 50 states and the District of Columbia. No consistent pattern emerges to show that native-born workers suffered or benefited from increased numbers of foreign-born workers.

In 2000, nearly 25 percent of native-born workers lived in states where rapid growth in the foreign-born population between 1990 and 2000 was associated with favorable outcomes for the native born. Meanwhile, only 15 percent of native-born workers resided in states where rapid growth in the foreign-born population was associated with negative outcomes for the native born. The remaining 60 percent of native-born workers lived in states where the growth in the foreign-born population was below average, but those native workers did not consistently experience favorable employment outcomes. The same results emerged from the analysis of data for 2000 to 2004.

When ranked by the growth in the foreign-born population between 1990 and 2000, the top 10 states showed significant variation in employment outcomes for native-born workers in 2000. Native workers in five states had employment outcomes that were better than average and native workers in the other five states had employment outcomes that were worse than average. The pattern also held for the 2000 to 2004 time period.

The size of the foreign-born workforce is also unrelated to the employment prospects for native-born workers. The relative youth and low levels of education among foreign workers also appear to have no bearing on the employment outcomes of native-born workers of similar schooling and age.

The study uses Census Bureau data at the state level to examine the growth of the foreign-born population and the employment outcomes for the native born during two time periods, 1990 to 2000 and 2000 to 2004. The question it addresses is whether above-average growth in the foreign-born population was associated with worse-than-average employment outcomes for the native-born population.

The analysis maps the growth of the foreign-born population in a state over a given time period against three measures for native-born workers — employment rate, labor force participation rate and unemployment rate — at the end of the time period. That establishes the relationship between the pace of immigration and outcomes for the native born. The analysis also explores the relationship between the share of foreign-born workers in the workforce of a given area and the employment rate for native-born workers. That establishes the relationship between the size of the foreign-born presence in a state's workforce and a key outcome for the native born.

### **Among the major findings:**

- Eight states had above-average growth in the foreign-born population from 1990-2000 and below-average employment rates for native-born workers in 2000. Those states, where immigration may

- have had a negative impact, include North Carolina, Tennessee and Arizona and accounted for 15 percent of all native-born workers.
- Fourteen states had above-average growth in the foreign-born population and above-average employment rates for native-born workers in 2000. Those states, where rapid immigration appears to have not harmed native-born workers, included Texas, Nevada and Georgia and accounted for 24 percent of all native-born workers.
  - The growth in the foreign-born population from 1990-2000 was below average in 16 states with above-average employment rates for native-born workers in 2000. Those states, in which the native born may have benefited from the slow pace of growth in the foreign-born workforce, include Illinois, Michigan and Virginia and represented 23 percent of the native-born workforce.
  - The growth in the foreign-born population was below average in 12 states and the District of Columbia with below-average employment rates for native workers in 2000. Those states, in which the slow growth in the foreign-born workforce may not have benefited native workers, include California, New York, New Jersey and Florida and represented 38 percent of the native-born workforce.
  - Between 2000 and 2004, there was a positive correlation between the increase in the foreign-born population and the employment of native-born workers in 27 states and the District of Columbia. Together, they accounted for 67 percent of all native-born workers and include all the major destination states for immigrants. In the remaining 23 states there was a negative correlation between the growth of the foreign-born population and the employment of native-born workers. Those states accounted for 33 percent of the native born workforce in 2004.
  - The share of foreign-born workers in the workforce of a state is not related to the employment rate for native-born workers in either 2000 or 2004.
  - Many immigrant workers lack a college education and are relatively young, but the analysis found no evidence that they had an impact on the employment outcomes of those native-born workers who also have low levels of education and are ages 25-34.

**About the Pew Hispanic Center:** Founded in 2001, the Pew Hispanic Center is a non-partisan research organization supported by The Pew Charitable Trusts, a Philadelphia-based charity. The Pew Hispanic Center's mission is to improve understanding of the diverse Hispanic population and to chronicle Latinos' growing impact on the nation. The Pew Hispanic Center is a project of the Pew Research Center, a non-partisan "fact tank" in Washington, D.C., that provides information on the issues, attitudes and trends shaping America and the world; it does not advocate for or take positions on policy issues.

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## Income inequality has increased in Virginia over the past two decades

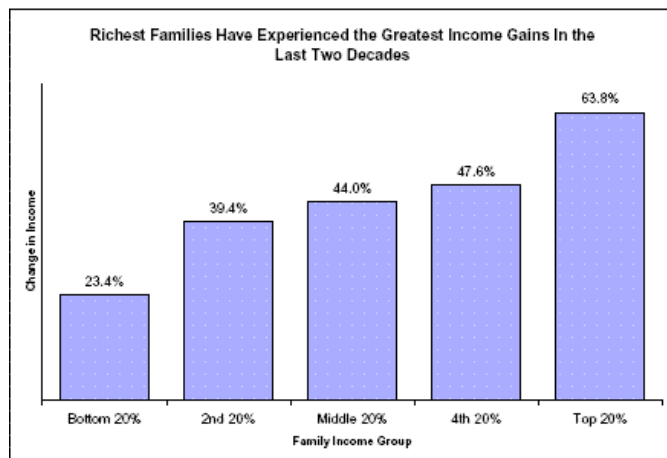
The United States was built on the ideal that hard work should pay off, that individuals who contribute to the nation's economic growth should reap the benefits of that growth. Over the past two decades, however, the benefits of economic growth have been skewed in favor of the wealthiest members of society. In Virginia, the incomes of the richest families climbed substantially, while the incomes of the middle- and lower-income families saw only modest increases.

- In the early 2000s, the richest 20 percent of families had average incomes 7.2 times as large as the poorest 20 percent of families. This is up from a ratio of 5.4 in the early 1980s. This growth in income inequality was the 21st largest in the nation.
- In the early 2000s, the richest 20 percent of families had average incomes 2.4 times as large as the middle 20 percent of families. This is up from a ratio of 2.1 in the early 1980s. This growth in income inequality was the 38th largest in the nation.
- In the early 2000s, the income gap between the richest 20 percent of families and the poorest 20 percent was 14th largest in the nation. The income gap between the richest 20 percent of families and the middle 20 percent was 34th largest in the nation.

Between the early 1980s and the early 2000s, in dollar terms

- The average income of the poorest fifth of families increased by \$3,434, from \$14,676 to \$18,110. This is roughly an increase of \$165/yr.
- of families increased by \$16,628, from \$37,785 to \$54,412. This is roughly an increase of \$790/yr.
- The average income of the richest fifth of families increased by \$50,920, from \$79,824 to \$130,744. This is roughly an increase of \$2,430/yr.

The chart shows these dollar changes in percentage terms.



Source: Economic Policy Institute/Center on Budget and Policy Priorities, *Pulling Apart: A State-by-State Analysis of Income Trends*, January 2006.

## **Moral bankruptcy prevails**

by Chaka Uzundu

it debt slavery or debt peonage: whatever your preference, it has been reinstated.

On October 17, the Bankruptcy Abuse Prevention and Consumer Protection Act went into effect. This new law makes it harder for families suffering from economic hardships to write off their debt. It is the latest example of compassionate conservatism. As wealth and income inequality grows, compassion is reserved only for the extremely wealthy and for corporations.

Of course, the new bankruptcy law is sold to us as something good. According to the credit card, retail, and banking industries, key players in writing this new law, the changes will help control irresponsible spending.

Yes, some people do live beyond their means and incur considerable debt. However, we all know that the vast majority of consumer debt is not because of reckless spending. Most people are going into debt to pay for rising medical, housing, and childcare costs. A recent study by Harvard contends that medical bills account for more than 40 percent of bankruptcy cases. Job loss or divorce account for much of the other cases.

It does not help matters that the wages of the average worker can buy less today than in 1970. With wealth and income inequality growing, it seems likely that the major reason people are going into debt and filing for bankruptcy is because they have no other options.

The credit card, retail, and banking industries also claim that the new law will help lower costs for all consumers. But how exactly does this new law lower costs for all consumers? It does not reduce the high rates and exorbitant late fees that consumers are charged. High late fees are what crippled many people who used credit cards to meet life's challenges.

According to Demos, a pro-democracy think tank, in 1995 fees charged by the credit card industry generated \$8.3 billion in revenue. In 2004, revenue generated by all fees netted the credit card industry approximately \$24 billion, almost three times more. Yet the corporate lobbyists claim the new law will lower costs for consumers. The new law does not curtail irresponsible lending, but it does make it much harder for many people to use bankruptcy protection as a way to get a new start on their lives.

What is the significance of this new law for racial wealth inequality? In 2004, African-Americans held 10 cents and Latinos held 3 cents for every dollar of white wealth. This wealth gap is directly related to the difference in homeownership across racial groups. According to the 2004 Current Population Survey, 49.1 percent of African descended people and 48.1 percent of Latinos own their homes, compared to 76 percent of whites. We know that homeownership remains key for wealth accumulation and financial security in U.S. society. Therefore, examining the likely impact of this law on homeownership may be informative.

Presently, African-Americans and Latinos are disproportionately represented in bankruptcy court. Studies demonstrate that persistent mortgage discrimination, predatory lending, and redlining are key factors that affect these groups. Because the new law makes it harder to save homes, it is likely that African-Americans and Latinos will suffer increasing levels of home loss.

For example, if someone lost their job, went into debt, and failed to make their mortgage payments, they would no longer be able to protect more than \$125,000 of equity in their home using the bankruptcy law unless they had owned their home for over 40 months. Because the new law makes filing for bankruptcy more difficult, it also makes it easier for creditors to repossess some people's homes in order to receive

payments. As a result, the large gap in home ownership between whites and people of other races is likely to increase. Further, because this new law is likely to diminish the capacity of some people of color to preserve this important asset, it also undermines the development of racial wealth equality overall.

The new law may also exacerbate racial wealth inequality in another way. Recent research by the Center for Responsible Lending demonstrates that predatory lending is a serious problem facing African-American and Latino communities. They found that African-Americans were 3.7 times more likely to receive a higher-cost [sub-prime] loan than white borrowers, with similar income. These communities are also more likely to have a higher concentration of payday lenders in their neighborhoods and to receive predatory loans from financial institutions.

Predatory lending — lending practices that exploit lack of access to credit, utilize deceptive marketing, and consumer ignorance — strip wealth from people of color. Payday lending — a practice of providing cash advances at extremely high rates — is another form of wealth stripping. Since the new bankruptcy law does not curb these practices, it leaves people of color at the mercy of predators. Further, it may encourage predatory lenders to practice more irresponsible lending. After all, “bad credit” is what keeps them in business. They make more profits from people who can’t afford to pay than from those who do.

In sum, with both wealth inequality in general and racial wealth inequality in particular on the rise, the majority of people of color are likely to incur higher levels of debt. This is all the more likely since they continue to face systemic and persistent discrimination in housing mortgage lending, the higher levels of unemployment, lower wages, and bear the brunt of regressive taxes. In this context the new bankruptcy law can only be understood as another barrier to economic justice and racial economic justice more specifically. No surprise that it brings back horrifying memories of debt slavery.

After the U.S. Civil War, emancipated African-Americans and some poor whites felt the burden of debt slavery, or debt peonage. At that time, former slave owners used credit as a way to continue and further exploit the labor of poor people, especially African-Americans. Essentially, creditors provided tenant farmers (often emancipated Africans) with their necessary seeds and supplies. However, if the tenant farmer was unable to make payments they were required to continue working on the landlord’s (former slave owners) land until they could pay off the entire debt. Because they had no legal protections and were often compelled to purchase all supplies from the landlord, the tenant farmers became effectively trapped. In this system, landlords could charge high interest rates and raise the price of supplies to keep tenant farmers/share croppers in debt and in a form of bondage similar to slavery. Indebtedness became a way to redistribute wealth from working people to the plantation owners. This system became known as debt peonage or debt slavery. Perhaps, we should call the new bankruptcy law the “debt peonage law”?

If not before, now all is clear. Instead of reducing it, this new law is likely to exacerbate the racial wealth gap. Further, the handling of the Hurricane Katrina disaster, the lowering of wages in New Orleans with the suspension of the Davis Bacon Act (a decision that has since be reversed under popular pressure), and now this new anti-people “debt peonage law” demonstrate that in high places — moral bankruptcy prevails.

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