

NEW JOBS IN RECESSION AND RECOVERY: WHO ARE GETTING THEM AND WHO ARE NOT

HEARING BEFORE THE SUBCOMMITTEE ON IMMIGRATION POLICY AND ENFORCEMENT OF THE COMMITTEE ON THE JUDICIARY HOUSE OF REPRESENTATIVES ONE HUNDRED TWELFTH CONGRESS FIRST SESSION

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NEW JOBS IN RECESSION AND RECOVERY: WHO ARE GETTING THEM AND WHO ARE NOT

THURSDAY, MARCH 10, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON IMMIGRATION
POLICY AND ENFORCEMENT,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:13 a.m., in room 2141, Rayburn House Office Building, the Honorable Elton Gallegly (Chairman of the Subcommittee) presiding.

Present: Representatives Gallegly, Smith, Gohmert, Poe, Conyers, Lofgren, and Pierluisi.

Staff present: (Majority) George Fishman, Subcommittee Chief Counsel; Marian White, Clerk; and Tom Jawetz, Minority Counsel.

Mr. GALLEGLY. Six years ago, the Subcommittee held a hearing entitled “New Jobs in Recession and Recovery: Who Are Getting Them and Who Are Not.” At that time, Chairman Hostettler, the former Chairman of the Subcommittee, stated that, “There is a sense among many Americans that the job opportunities they and their parents once enjoyed are no longer available to them and their children.”

We will hear from the authors of two studies that have both concluded that all of the increase in employment in the United States over the last few years has been attributed to large increases in the number of employed immigrants, while the number of employed natives have actually declined.

Six years later, we are again in a “jobless” recovery. And we again hear about the studies finding that all the net new jobs created are going to immigrant workers.

Anyone who knows me knows I am a strong proponent of legal immigration. I am equally a strong opponent of illegal immigration. We are a Nation of immigrants. We are also a Nation of laws.

Many of the studies we are going to hear about today do not make that distinction because the methodology and data to do so does not exist. But I ask the panelists, whenever possible, to make that distinction. It is really an important distinction between illegal and legal immigration.

For instance, the Center for Immigration Studies has found that in 2008 and 2009, over 2 million new immigrants settled in the United States. At the same time, over 8 million jobs were lost. What the study doesn’t note is that of the 2 million new immi-

grants, at least one-third illegally entered the country as illegal immigrants.

The Center for Labor Market Studies at Northeastern University has found that between 2008 and 2010, the average number of employed persons in America decreased by over 6 million, while over a million immigrants who arrived between 2008 and 2010 were able to find jobs.

The center has also found that the percentage of teenagers employed has plummeted so far so fast that last June less than 30 percent were employed for the first time in the post World War II era. Many of those jobs that students used to work in—in the fast food and landscaping industry, for example—are now held by illegal immigrants.

We in Congress have an obligation to look after the well-being of American workers. We have a special obligation to look after the most vulnerable American workers, those with lower levels of education who have borne the brunt of today's harsh job market.

Therefore, we must ask what is the driving force here? Is there a connection between the loss of jobs by natives and the increasing number of employed immigrants, particularly illegal immigrants?

At today's hearing, we will look at these issues. We will evaluate the reasons why the employment of American workers keeps decreasing in the midst of ever-increasing numbers of immigrant workers. We will examine the roles of the American immigration policy and immigration enforcement practices and the way they play in this outcome.

We certainly don't want to be here 6 years from now and, again, asking why there are fewer and fewer jobs for American workers.

That is our focus on today's hearing. And now I would yield to my good friend from California, the Ranking Member, Ms. Lofgren.

Ms. LOFGREN. Thank you, Mr. Chairman.

Before I make my opening statement, I wanted to make a comment about the so-called Northeastern report that has been discussed at several hearings and referenced again this morning.

At the Subcommittee's first hearing, Mark Krikorian cited to a "report" several times in support of his arguments. And when I questioned him about it, he made clear that he had never seen the report and had not analyzed it. He said he had tried to get it, but he didn't think it was publicly available.

Then at our last hearing, last week, Frank Morris also discussed this report. And I asked him if he had seen the report and if he would share it with us, and he said he would. And I am sure the Chairman recalls my dialogue with Mr. Morris, where he promised to send it to us.

We have not received anything from Mr. Morris. But the majority has provided us with a sheet of paper with three tables that they received from a researcher at Northeastern. We understand this is all that the majority has. And clearly, this is not a report.

So I asked my staff to contact the center to see what they would give us, and my staff spoke directly to Andrew Sum, the director of the center. According to Mr. Sum, there is no report at this time, and there never was a report.

A report of some kind may be issued one day in the future. But until now, it has not been published, and it is not available for peer

review or critique. Once it is published, of course, I expect many bright minds will review the data and the conclusions.

Just to be sure, I had my staff send the page of tables we got from the majority to several economists. Each of those economists expressed serious concerns with the methodology apparently used by the author. I say “apparently” because the tables did not provide enough information for accurate analysis.

In any event, the economists believe that Mr. Sum may have juxtaposed two different methodologies, leading to a distorted view of reality. Now, again, they can’t say that this is what actually happened because neither the data, nor the analysis of the data, is being made publicly available. And without that, I can’t see how we can justifiably rely on this.

I raise this because I certainly do not accuse the witnesses or the majority with deception, but I think there was testimony provided to the Committee that was false. And I don’t think it was knowingly false. I don’t mean to say that. But I think it is important that we correct the record that there is no report that has been cited to us in two hearings and ask that this “nonreport” not be cited again in the future.

And I would ask unanimous consent to add this statement, along with the analysis, to the record.

Mr. GALLEGLY. Without objection.

[The information referred to follows:]

Material submitted by the Honorable Zoe Lofgren, a Representative in Congress from the State of California, and Ranking Member, Subcommittee on Immigration Policy and Enforcement

We've been hearing a lot of references to a purported study or report by the Center for Labor Market Studies at Northeastern University. At this Subcommittee's first hearing, Mark Krikorian cited to a "report" several times in support of his arguments. When I questioned him on it, he made it clear that he had never seen the report and had not analyzed it. He said he had tried to get it, but he didn't think it was publicly available. At our last hearing, Frank Morris also discussed this report. I asked him if he had seen the report and if he would share it with us, and he said he would. We have not received anything from Mr. Morris, but the Majority later provided us with a sheet of paper with 3 tables that they received from a researcher at Northeastern. We understand that this is all they have. This is clearly not a report.

Again, I asked my staff to contact the Center to see what they would give us. My staff spoke directly to Andrew Sum, the director of the Center. According to Mr. Sum, there is no report at this time and there never was one. A report of some kind may be issued one day in the future, but until now, it has not been published and it is not available for peer review or critique. Once it is published, of course I expect many bright minds will review the data and the conclusions.

Just to be sure, I had my staff send the page of tables we got from the Majority to several economists. Each of those economists expressed serious concerns with the methodology apparently being used by the author. I say "apparently" because the tables did not provide enough information for an accurate analysis. In any event, the economists believed that Mr. Sum may have juxtaposed two different methodologies, leading to a distorted view of reality. Now again, they can't say that this is what actually happened, because neither the data nor the analysis of the data is being made publicly available. And without that, I can't see how we can justifiably rely on this.

Table:
Role of New Foreign-Born Immigrants in Employment Growth in the U.S. Over the
2000-2010 Period (Annual Averages)

Year	Number of Employed
2006	144,731,691
2010*	139,379,959
Absolute Change, 2006-2010 (A)	-5,351,732
New Immigrant* (B)	2,270,977
Growth Attributable to New Immigrant (B/A)	NA

Note: * New immigrants are those who arrived in the U.S. between 2006 and 2010

Year	Number of Employed
2008	145,629,178
2010*	139,379,959
Absolute Change, 2008-2010 (A)	-6,249,219
New Immigrant* (B)	1,103,507
Growth Attributable to New Immigrant (B/A)	NA

Note: * New immigrants are those who arrived in the U.S. between 2008 and 2010

Year	Number of Employed
2000	137,101,254
2010*	139,379,959
Absolute Change, 2007-2010 (A)	2,278,705
New Immigrant* (B)	7,064,028
Growth Attributable to New Immigrant (B/A)	310.00%

Note: NA- cannot be computed due to decline in overall employment.

*New immigrants are those who arrived in the U.S. between 2000 and 2010

Source: Monthly Current Population Survey (CPS), public use files, U.S. Census Bureau, tabulations by Center for Labor Market Studies, Northeastern University.

Ms. LOFGREN. Thank you.

Now, rather than actually attempting to fix our broken immigration system, we are now holding the fourth hearing in a row on the exact same topic. Each of these hearings seems to have the same goal—to convince us that immigrants, both legal and illegal, are bad for our economy.

I say “convince” because the actual research in this area clearly shows that immigration is a net boon to our economy and to American workers. Let me say that again. Whatever you may hear from the other side of the aisle, independent economists agree that im-

migration has generally improved the wages and job opportunities of U.S. workers.

There is some disagreement on the effect on a small segment of the lowest-skilled workers. But there is no disagreement on immigration's positive effect on the vast majority of U.S. workers. We can't just ignore that.

Nor can we ignore what we have known for years, that immigrants can help our economy create huge numbers of jobs. It is widely known that they create jobs in the technology sector. I come from Silicon Valley, where more than half of the startups have at least one immigrant as a key founder.

But this sort of entrepreneurship is not limited to high-skilled immigrants. On Monday, the Wall Street Journal reported on a new report by the Ewing Marion Kauffman Foundation, which found that immigrants are creating new business ventures at unprecedented rates.

Critical for today's hearing is the report's conclusion that 'immigrants were more than twice as likely to start businesses each month in 2010 than were the native-born.'

I would ask unanimous consent to enter the article and the report into the record, Mr. Chairman.

Mr. GALLEGLY. Without objection.

[The information referred to follows:]

Material submitted by the Honorable Zoe Lofgren, a Representative in Congress from the State of California, and Ranking Member, Subcommittee on Immigration Policy and Enforcement

THE WALL STREET JOURNAL

In Charge: Immigrant Entrepreneurs Top List

MARCH 7, 2011, 4:37 P.M. ET

Posted by Emily Maltby

Business creation has increased in the recession. But one group is clearly outpacing other sectors of the population: Immigrants.

This is according to an entrepreneurship study released Monday from the Ewing Marion Kauffman Foundation, an entrepreneurship advocacy group in Kansas City, Mo. The study looked at start-up activity over a 15-year period, analyzing trends in the overall entrepreneurship arena and in cross-sections of the population.

Several noticeable trends bubbled up from the collection of data. For example, the rate of new ventures is highest in Western and Southern states. Entrepreneurial activity has increased substantially for those lacking a high-school degree--the least-educated group in the report.

And immigrants, very noticeably, are creating new business ventures at unprecedented rates.

Each month last year, 0.34% of adults in the U.S. created a new business, totaling some 565,000 start-ups per month. That is about the same as 2009's rate, continuing the highest level of start-ups over the past 15 years. (By comparison, the highest rate before 2008 was 0.31%.) The report indicates that those born outside the U.S. are pulling a lot of that weight.

The immigrant share of new entrepreneurs is 13.4% higher from 1996. While that group grew tremendously in the last two years, the native-born rate of entrepreneurship declined in the same period, thereby widening the gap.

"The result of these contrasting trends is that immigrants were more than twice as likely to start businesses each month in 2010 than were the native-born," the study concluded.

There is a catch, however. Not all those businesses can stay in the U.S. because of immigration restrictions. A start-up visa bill, aimed at helping job-creating entrepreneurs secure a green card, is moving through Congress right now. But it is a contentious issue that may not receive enough support to pass.

KAUFFMAN INDEX OF

**entrepreneurial
activity**

1996-2010

Robert W. Fairlie
March 2011

KAUFFMAN
The Foundation of Entrepreneurship

Robert W. Fairlie is a
Professor of Economics and the
Director of the Master's Program in
Applied Economics and Finance at
the University of California,
Santa Cruz.

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executive summary

The Kauffman Index of Entrepreneurial Activity is a leading indicator of new business creation in the United States. Capturing new business owners in their first month of significant business activity, this measure provides the earliest documentation of new business development across the country. The percentage of the adult, non-business-owner population that starts a business each month is measured using data from the Current Population Survey (CPS). In addition to this overall rate of entrepreneurial activity, separate estimates for specific demographic groups, states, and select metropolitan statistical areas (MSAs) are presented. The index provides the only national measure of business creation by specific demographic groups.

New 2010 data allow for an update to previous reports, with consideration of trends in the rates of entrepreneurial activity over the fifteen-year period between 1996 and 2010. The Kauffman Index reveals important shifts in the national level of entrepreneurial activity, and shifts in the demographic and geographic composition of new entrepreneurs across the country. Key findings for 2010 include:

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- In 2010, 0.34 percent of the adult population (or 340 out of 100,000 adults) created a new business each month, representing approximately 565,000 new businesses per month. The 2010 entrepreneurial activity rate is the same as the 2009 rate, but represents an increase from 2007, and represents the highest level over the past decade and a half.
- The recent upward trend in entrepreneurship rates contrasts with a recent downward trend in employer business creation. From 2007 to 2010, the quarterly employer establishment birth rate dropped from 0.13 percent to 0.10 percent. Over this same period, the monthly entrepreneurship activity rate increased from 0.30 percent to 0.34 percent. These opposing trends may be due to the Great Recession and its high unemployment rates pushing many individuals into business ownership. These individuals probably were more likely to start sole proprietorships and other non-employer firms instead of starting more costly employer firms.
- The entrepreneurial activity rate among Latinos increased from 0.46 percent in 2009 to 0.56 percent in 2010, reaching the highest level over the past decade and a half.
- The Asian entrepreneurial activity rate also increased substantially in 2010 (from 0.31 percent to 0.37 percent).
- The African-American and non-Latino white entrepreneurial activity rates decreased from 2009 to 2010.
- Immigrants were more than twice as likely to start businesses each month than were the native-born in 2010. The immigrant rate of entrepreneurial activity increased sharply, from 0.51 percent in 2009 to 0.62 percent in 2010, further widening the gap between immigrant and native-born rates. The native-born rate is 0.28 percent.
- The youngest age group (ages twenty-five to thirty-four) experienced an increase in entrepreneurial activity from 2009 to 2010 (0.24 percent to 0.26 percent).

- Over the past decade and a half, Latinos, Asians, immigrants, and the oldest age group (ages fifty-five to sixty-four) experienced rising shares of all new entrepreneurs, partly because of rising rates of entrepreneurship, but also because of increasing populations.
- Entrepreneurship rates increased the most for high school dropouts (0.49 percent to 0.59 percent), and decreased the most for high school graduates (0.38 percent to 0.34 percent) in 2010, also signaling that opposing trends may be due to the Great Recession pushing many individuals into business ownership because of high unemployment rates.
- The construction industry had the highest rate of entrepreneurial activity of all major industry groups in 2010 (1.60 percent). The second-highest rate of entrepreneurial activity was in the services industry (0.44 percent).
- The entrepreneurial activity rate increased in the West from 0.38 percent in 2009 to 0.41 percent in 2010. Business-creation rates decreased in the Northeast and Midwest and remained the same in the South.
- The states with the highest entrepreneurial activity rates were Nevada (510 per 100,000 adults), Georgia (510 per 100,000 adults), California (470 per 100,000 adults), Louisiana (460 per 100,000 adults), and Colorado (450 per 100,000 adults). The states with the lowest entrepreneurial activity rates were West Virginia (170 per 100,000 adults), Pennsylvania (180 per 100,000 adults), Wisconsin (180 per 100,000 adults), South Dakota (190 per 100,000 adults), and Indiana (190 per 100,000 adults).
- The states experiencing the largest increases in entrepreneurial activity rates over the past decade were Georgia (0.23 percentage points), Nevada (0.19 percentage points), Tennessee (0.14 percentage points), Massachusetts (0.13 percentage points), California (0.11 percentage points), Texas (0.11 percentage points), Kentucky (0.11 percentage points), and Florida (0.10 percentage points). The states that experienced the largest decreases in their rates were Wyoming (-0.18 percentage points), New Mexico (-0.14 percentage points), and Alaska (-0.13 percentage points).
- Among the fifteen largest MSAs in the United States, the highest entrepreneurial activity rate in 2010 was in Los Angeles (0.52 percent). The large MSA with the lowest entrepreneurial activity rate was Philadelphia (0.15 percent).

Introduction

The Kauffman Index of Entrepreneurial Activity measures the rate of business creation at the individual owner level. Presenting the percentage of the adult, non-business-owner population that starts a business each month, the Kauffman index captures all new business owners, including those who own incorporated or unincorporated businesses, and those who are employers or non-employers. The Kauffman Index is calculated from matched data from the Current Population Survey (CPS), a monthly survey conducted by the U.S. Bureau of the Census and the Bureau of Labor Statistics. This report updates previous accounts of the Kauffman Index, incorporating new data from 2010.

To create the Kauffman Index, all individuals between ages twenty and sixty-four who do not own a business as their main job are identified

in the initial survey month. By matching CPS files for the subsequent month to create a two-month survey pair, it then is determined if these individuals own a business as their main job with fifteen or more usual hours worked per week in the following survey month. These monthly entrepreneurial activity rates then are averaged to calculate an average monthly estimate for each year. More details about the datasets and measures used and where to access the microdata for research are provided in previous reports and in the Appendix.¹ The Kauffman Index of Entrepreneurial Activity improves over other possible measures of entrepreneurship because of its timeliness, dynamic nature, inclusion of all types of business activity, exclusion of “casual” businesses, and information on owner demographics.

The Kauffman Index of Entrepreneurial Activity measures the rate of business creation at the individual owner level.

Trends in Entrepreneurial Activity

In 2010, an average of 0.34 percent of the adult population, or 340 out of 100,000 adults, created a new business each month.² This business-creation rate translates into 565,000 new businesses being created each month during the year. The average number of existing self-employed business owners over 2010 was 11.9 million, representing 6.5 percent of the adult population. The entrepreneurial activity rate was the same as in 2009, which is consistent with economic conditions not changing substantially over the two years. Although the official end of the recession is June 2009, the national unemployment rate did not decrease and remained near 10 percent throughout 2010.³

The entrepreneurship rate is higher than before the recession started. In 2007, the entrepreneurship rate was 0.30 percent. Over

the past decade and a half, the business-creation rate fluctuated between 0.27 percent and 0.31 percent, but then rose above this level in the past three years. Figure 1 and Table 1 report average monthly estimates of the Kauffman Index by year from 1996 to 2010.⁴ While there are, without a doubt, divergent patterns in business creation below the surface here, with many high-potential businesses starting and many people being forced into entrepreneurship because they lack other job opportunities, unfortunately, it is impossible to cleanly disaggregate those trends.

The recent upward trend in entrepreneurship rates contrasts with a recent downward trend in employer business creation. Figure 1B reports average quarterly estimates of employer establishment birth rates, in addition to the average monthly estimates of the Kauffman index by year

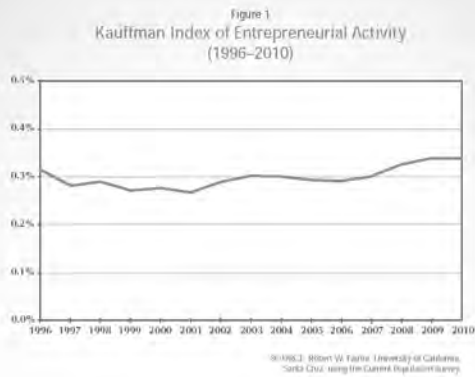


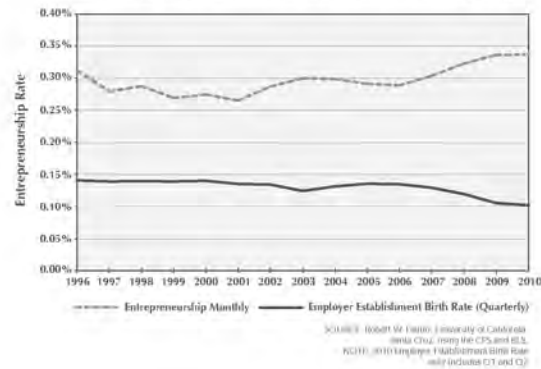
TABLE 1
KAUFFMAN INDEX OF
ENTREPRENEURIAL ACTIVITY (1996–2010)

Year	MALE		FEMALE		TOTAL	
	Index	Sample Size	Index	Sample Size	Index	Sample Size
1996	0.37%	243,368	0.26%	287,639	0.31%	531,007
1997	0.35%	244,863	0.22%	286,266	0.28%	531,129
1998	0.33%	245,820	0.25%	286,476	0.29%	532,296
1999	0.32%	246,225	0.22%	286,765	0.27%	532,990
2000	0.34%	246,522	0.21%	284,901	0.27%	531,423
2001	0.31%	264,693	0.23%	304,765	0.26%	569,458
2002	0.36%	288,595	0.22%	334,562	0.29%	623,157
2003	0.38%	284,391	0.22%	330,166	0.30%	614,557
2004	0.37%	279,373	0.24%	323,314	0.30%	602,687
2005	0.35%	276,836	0.24%	320,362	0.29%	597,198
2006	0.35%	274,825	0.23%	316,781	0.29%	591,606
2007	0.41%	271,807	0.20%	314,441	0.30%	586,248
2008	0.42%	272,218	0.24%	312,167	0.32%	584,385
2009	0.43%	276,445	0.25%	315,254	0.34%	591,699
2010	0.44%	277,387	0.24%	315,884	0.34%	593,271

Notes: (1) Estimates calculated by Robert W. Fagline, University of California, Santa Cruz, using the Current Population Survey. (2) The entrepreneurship index is the percent of individuals (ages twenty to sixty-four) who do not own a business in the first survey month (are not a business owner) the following month with fifteen or more hours worked. (3) All observations with allocated labor force status, clerical worker, and major business variables are excluded.

Visit www.kauffman.org/pubs to download the data files.

Figure 16
Kauffman Index of Entrepreneurial Activity (1996–2010)
and Employer Establishment Birth Rate (1996–2010)



from 1996 to 2010. The employer establishment birth rate is the ratio of the average quarterly number of establishment births divided by the average number of non-business owners. The number of establishment births is from the Business Employer Dynamics (BED) compiled by the U.S. Bureau of Labor Statistics (BLS), and the number of non-business owners is estimated using cross-sectional CPS data. The employer establishment birth rate was 0.10 percent, or ten out of 100,000 people per quarter in 2010 (only the first two quarters of data were available for 2010 at the time of this report). This rate translates into an average of 172,000 employer establishment births per quarter in 2010 Q1–Q2. This number and rate of business creation are substantially smaller than the number and rate of business creation from the Kauffman index, especially after taking into account that the KIA is a monthly rate. The large difference is primarily because the employer establishment birth rate only captures new establishments with employees, indicating that they represent only a small share of all new businesses.

From 2007 to 2010, the quarterly employer establishment birth rate dropped from 0.13 percent to 0.10 percent. Over this same period, the monthly entrepreneurship activity rate increased from 0.30 percent to 0.34 percent. These opposing trends may be due to the Great Recession and its high unemployment rates pushing many individuals into business ownership. These individuals probably were more likely to start sole proprietorships and other non-employer firms instead of starting more costly employer firms.

ENTREPRENEURIAL ACTIVITY BY DEMOGRAPHIC GROUPS

The detailed demographic information available in the CPS and large sample sizes allow for the estimation of separate indices by gender, race, immigrant status, age, and education. Large, nationally representative business-level datasets typically provide either no or very limited demographic information on the owner. Entrepreneurial activity increased slightly for men and decreased slightly for women from 2009 to

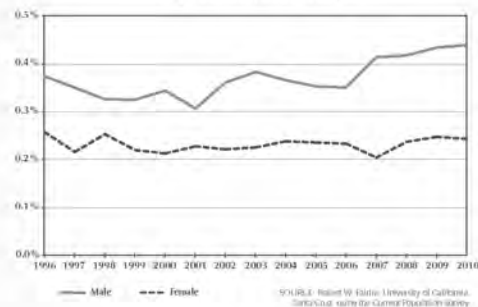
2010. For men, the entrepreneurial activity rate increased from 0.43 percent in 2009 to 0.44 percent in 2010, continuing an upward trend over the past few years. The entrepreneurship rate decreased from 0.25 percent to 0.24 percent for women. Figure 2 reports estimates of the Kauffman Index by gender from 1996 to 2010. Overall, men are substantially more likely to start businesses each month than are women. The average rate of entrepreneurial activity for men over the fifteen-year period was 0.37 percent. The average rate for women was lower, at 0.23 percent.

Latinos experienced the largest increase in entrepreneurial activity rates between 2009 and 2010. Figure 3 and Table 2 report estimates of the Kauffman Index by race and ethnicity. The Latino business-creation rate increased from 0.46 percent in 2009 to 0.56 percent in 2010, which was the

highest rate over the fifteen years of reported data. The increase in entrepreneurship rates for Latinos continued an upward trend that started in 2006. Asians also experienced a large increase in entrepreneurship rates, resulting in the highest rate in the past decade and a half of available data. The Asian entrepreneurial activity rate increased from 0.31 percent in 2009 to 0.37 percent in 2010. In contrast to these patterns, both African-Americans and non-Latino whites experienced declines in entrepreneurial activity rates. The African-American entrepreneurial activity rate decreased from 0.27 percent in 2009 to 0.24 percent in 2010, and the white entrepreneurial activity rate decreased from 0.33 percent in 2009 to 0.31 percent in 2010.

Reflecting the trends showing rising rates of entrepreneurship and a growing share of the

Figure 2
Kauffman Index of Entrepreneurial Activity
by Gender (1996–2010)



2010 KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY

Figure 3
Kauffman Index of Entrepreneurial Activity by Race
(1996–2010)

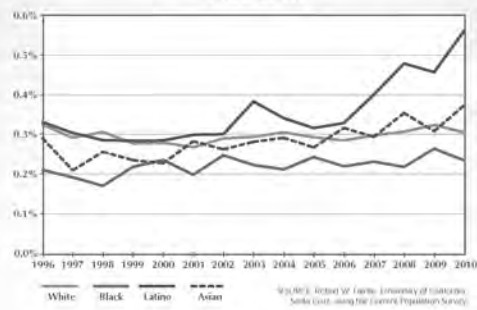


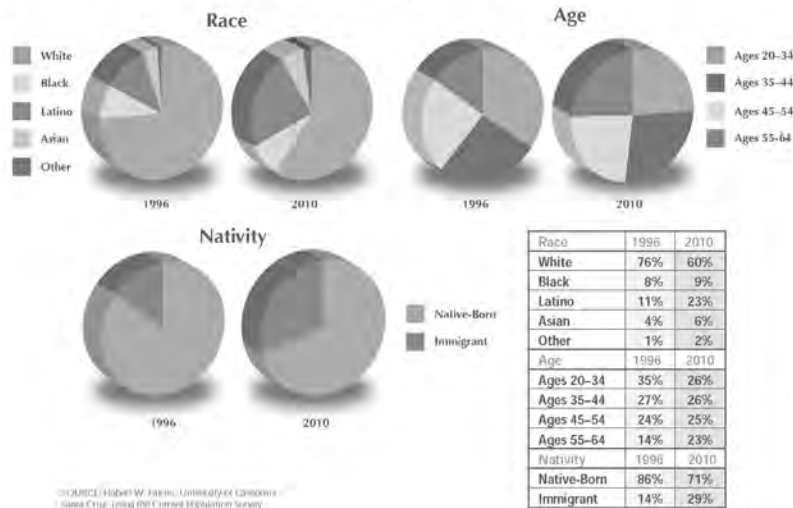
TABLE 2
KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY BY RACE
(1996–2010)

Year	WHITE		BLACK		LATINO		ASIAN		TOTAL	
	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size
1996	0.33%	405,007	0.21%	54,799	0.33%	44,033	0.29%	20,489	0.31%	531,007
1997	0.29%	402,519	0.19%	55,300	0.30%	45,537	0.21%	20,711	0.28%	531,129
1998	0.31%	402,681	0.17%	54,669	0.29%	46,940	0.26%	21,099	0.29%	532,296
1999	0.28%	401,712	0.22%	54,241	0.29%	49,074	0.24%	21,256	0.27%	532,990
2000	0.28%	394,524	0.24%	55,249	0.29%	52,428	0.23%	21,897	0.27%	531,423
2001	0.27%	425,149	0.20%	58,250	0.30%	54,155	0.26%	23,895	0.26%	569,459
2002	0.29%	469,626	0.25%	61,083	0.30%	57,514	0.26%	26,373	0.29%	623,157
2003	0.29%	455,554	0.22%	58,797	0.38%	59,676	0.28%	24,011	0.30%	614,557
2004	0.31%	444,321	0.21%	56,587	0.34%	59,170	0.29%	24,227	0.30%	602,687
2005	0.29%	437,420	0.24%	55,069	0.32%	60,828	0.27%	25,690	0.29%	597,198
2006	0.29%	428,021	0.22%	55,532	0.33%	64,204	0.32%	26,578	0.29%	591,606
2007	0.30%	422,369	0.23%	56,529	0.40%	63,900	0.29%	27,128	0.30%	586,248
2008	0.31%	419,454	0.22%	56,311	0.48%	64,470	0.35%	28,097	0.32%	584,385
2009	0.33%	423,378	0.27%	57,564	0.46%	65,514	0.31%	28,961	0.34%	591,699
2010	0.31%	418,536	0.24%	60,550	0.56%	67,853	0.37%	30,243	0.34%	583,271

Notes: (1) Estimates calculated by Robert W. Fainio, University of California, Santa Cruz, using the Current Population Survey. (2) The Kauffman Index of Entrepreneurial Activity is the percent of individuals (age twenty to sixty four) who do not own a business in the first survey month that start a business in the following month with fifteen or more hours worked. (3) Race and Spanish codes changed in 2003. Estimates for 2003 only include individuals reporting one race. (4) All observations with allocated labor force status, class of worker, and hours worked variables are included.

Visit www.kauffman.org to download the data files.

Figure 3B
Big Changes in Composition of New Entrepreneurs
Share of All New Entrepreneurs (1996, 2010)



total U.S. population, the Latino share of all new entrepreneurs rose from a little more than 10 percent in 1996 to 23.4 percent in 2010. The Asian share of new entrepreneurs also rose substantially from 1996 to 2010, but remains relatively small at 5.8 percent. The white share of new entrepreneurs declined over the past decade and a half, while the African-American share remained essentially the same. Figure 3B reports estimates of the share of new entrepreneurs by race from 1996 to 2010.

The entrepreneurial activity rate increased substantially for immigrants in 2010 and declined slightly for the native-born. These trends further widened the large positive gap between immigrant and native-born rates. Figure 4 and Table 3 report

estimates of the Kauffman Index by nativity. The entrepreneurial activity rate for immigrants rose from 0.51 percent in 2009 to 0.62 percent in 2010. The large increase in entrepreneurship rates continued an upward trend starting in 2005. The native-born rate declined from 0.30 percent to 0.28 percent from 2009 to 2010. The result of these contrasting trends is that immigrants were more than twice as likely to start businesses each month in 2010 than were the native-born. For immigrants, 620 out of 100,000 people started a business each month, compared with 280 out of 100,000 people for the native-born.

A growing immigrant population and rising entrepreneurship rate contributed to a rise in

the share of new entrepreneurs that are immigrant. Figure 3B reports estimates of the share of new entrepreneurs by nativity. The immigrant share of new entrepreneurs is 29.5 percent, which is up from 13.4 percent in 1996.

Figure 5 and Table 4 report estimates of entrepreneurial activity rates by age group. The youngest age group (ages twenty to thirty-four) experienced an increase in business-creation rates from 2009 to 2010, rising from 0.24 in 2009 to 0.26 in 2010. From 2009 to 2010, both the forty-five to fifty-four and fifty-five to sixty-four age groups experienced slight drops in rates, and the thirty-five to forty-four age group experienced no change in entrepreneurial activity. Over the entire period, business creation was lowest among the youngest group. Figure 3B reports estimates of the share of new entrepreneurs by age group. An aging population and increasing rate of entrepreneurship among older adults has led to a rising share of new entrepreneurs in the fifty-five to sixty-four age group. This age group represented 14.5 percent of new entrepreneurs in 1996, whereas it represented 22.9 percent of new entrepreneurs in 2010. The youngest age group (ages twenty to thirty-four) experienced a declining share of new entrepreneurs over the period.

Entrepreneurial activity rates increased substantially in 2010 for the least-educated group and are the highest among all education

Figure 4
Kauffman Index of Entrepreneurial Activity
by Nativity (1996–2010)

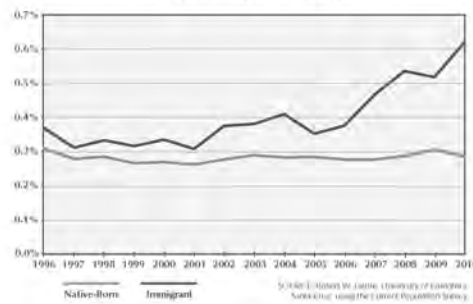


TABLE 3
KAUFFMAN INDEX OF
ENTREPRENEURIAL ACTIVITY BY NATIVITY
(1996–2010)

Year	NATIVE-BORN		IMMIGRANT		TOTAL	
	Index	Sample Size	Index	Sample Size	Index	Sample Size
1996	0.30%	474,984	0.36%	56,021	0.31%	531,007
1997	0.27%	473,208	0.31%	57,921	0.28%	531,129
1998	0.28%	472,458	0.33%	59,838	0.29%	532,296
1999	0.26%	472,107	0.31%	60,883	0.27%	532,990
2000	0.27%	466,150	0.33%	65,273	0.27%	531,423
2001	0.26%	500,292	0.30%	69,166	0.26%	569,458
2002	0.27%	549,356	0.37%	73,801	0.29%	623,157
2003	0.29%	539,914	0.38%	74,643	0.30%	614,557
2004	0.28%	528,881	0.41%	73,806	0.30%	602,687
2005	0.28%	521,967	0.35%	75,231	0.29%	597,198
2006	0.27%	513,386	0.37%	78,220	0.29%	591,606
2007	0.27%	507,985	0.46%	78,263	0.30%	586,248
2008	0.28%	505,911	0.53%	78,474	0.32%	584,385
2009	0.30%	511,798	0.51%	79,901	0.34%	591,699
2010	0.28%	510,631	0.62%	82,640	0.34%	593,271

Notes: (1) Estimates calculated by Robert W. Faria, University of California, Santa Cruz, using the Current Population Survey. (2) The entrepreneurship index is the percent of individuals (ages twenty to sixty-four) who do not own a business in the first survey month that start a business in the following month with full-time or more hours worked. (3) All observations with allocated labor force status, class of worker, and hours worked variables are excluded.

Visit www.kauffman.org/data to download the data files.

Figure 5
Kauffman Index of Entrepreneurial Activity by Age
(1996–2010)

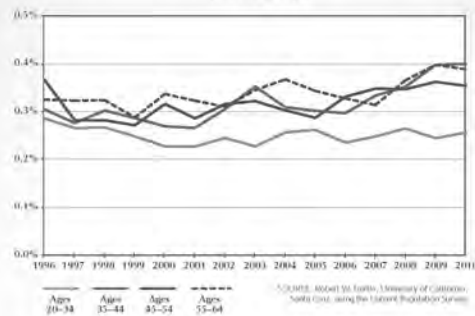


TABLE 4
KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY BY AGE
(1996–2010)

Year	AGES 20–34		AGES 35–44		AGES 45–54		AGES 55–64		TOTAL	
	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size
1996	0.28%	193,242	0.30%	148,251	0.36%	113,187	0.32%	76,327	0.31%	531,007
1997	0.26%	189,631	0.28%	149,034	0.28%	115,371	0.32%	77,093	0.29%	541,129
1998	0.27%	185,691	0.30%	147,669	0.28%	119,502	0.32%	79,435	0.29%	532,296
1999	0.25%	180,102	0.29%	146,808	0.27%	123,993	0.29%	82,087	0.27%	532,990
2000	0.23%	178,854	0.27%	144,969	0.31%	125,619	0.34%	81,981	0.27%	531,323
2001	0.23%	187,883	0.27%	153,012	0.28%	139,228	0.32%	89,335	0.26%	559,458
2002	0.24%	203,569	0.30%	164,997	0.31%	152,841	0.31%	101,750	0.29%	623,157
2003	0.23%	198,248	0.35%	158,205	0.32%	152,447	0.34%	105,657	0.30%	614,557
2004	0.26%	193,373	0.31%	150,221	0.30%	150,743	0.37%	108,350	0.30%	602,687
2005	0.26%	190,271	0.30%	147,905	0.29%	149,119	0.34%	109,903	0.29%	597,198
2006	0.23%	186,939	0.30%	142,910	0.33%	149,117	0.33%	112,640	0.29%	591,606
2007	0.25%	184,710	0.33%	138,016	0.35%	147,387	0.31%	116,135	0.30%	586,248
2008	0.26%	184,338	0.35%	133,968	0.35%	147,230	0.36%	116,849	0.32%	584,385
2009	0.24%	187,073	0.40%	133,289	0.36%	149,073	0.40%	122,264	0.34%	591,699
2010	0.26%	190,232	0.40%	130,670	0.35%	147,479	0.39%	124,890	0.34%	593,271

Notes: (1) Estimates calculated by Robert W. Fairis, University of California, Santa Cruz, using the Current Population Survey. (2) The entrepreneurial index is the percent of individuals (ages twenty to sixty-four) who do not own a business in the first survey month and start a business in the following month with fifteen or more hours worked. (3) All observations with allocated labor force status, size of weekly paid hours worked variables are excluded.

Visit www.kauffmanindex.org to download the data files.

groups, as indicated in Figure 6 and Table 5. The entrepreneurship index increased from 0.49 percent in 2009 to 0.59 percent in 2010 for those with less than a high-school degree, suggesting an increased number of people entering entrepreneurship out of necessity. The largest decrease in entrepreneurship rates occurred for high school graduates. The entrepreneurship rate decreased from 0.38 percent in 2009 to 0.34 percent in 2010. Entrepreneurship rates changed only slightly for the other two educational groups. Although rates are highest for the least-educated group, previous research that controls for other correlated factors such as race, ethnicity, and unemployment status indicates increasing rates of entrepreneurship with higher levels of education.⁶

Figure 6
Kauffman Index of Entrepreneurial Activity
by Education (1996–2010)

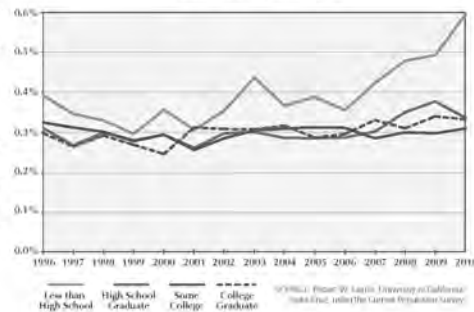


TABLE 5
KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY BY EDUCATION
(1996–2010)

Year	LESS THAN HIGH SCHOOL		HIGH SCHOOL GRADUATE		SOME COLLEGE		COLLEGE GRADUATE		TOTAL AGES 25–64	
	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size
1996	0.39%	64,210	0.31%	162,390	0.32%	126,376	0.30%	121,451	0.32%	474,427
1997	0.35%	62,653	0.27%	162,088	0.31%	126,570	0.26%	123,904	0.29%	475,245
1998	0.33%	60,824	0.30%	160,574	0.30%	126,861	0.29%	128,391	0.30%	476,650
1999	0.30%	58,617	0.28%	158,787	0.28%	128,497	0.27%	131,801	0.28%	477,702
2000	0.36%	57,710	0.29%	155,477	0.29%	129,658	0.25%	131,932	0.29%	474,777
2001	0.31%	60,007	0.26%	164,765	0.26%	140,562	0.31%	144,419	0.28%	509,753
2002	0.35%	63,257	0.30%	179,230	0.29%	153,908	0.31%	161,682	0.30%	558,077
2003	0.44%	61,472	0.30%	175,389	0.30%	151,086	0.31%	161,841	0.32%	549,788
2004	0.37%	59,907	0.29%	170,234	0.31%	148,945	0.32%	160,064	0.31%	539,150
2005	0.39%	59,405	0.29%	166,435	0.31%	147,920	0.29%	159,962	0.31%	533,722
2006	0.36%	58,330	0.29%	162,751	0.31%	146,951	0.30%	161,102	0.30%	529,134
2007	0.42%	55,143	0.30%	159,239	0.28%	146,639	0.33%	163,843	0.32%	524,864
2008	0.48%	53,574	0.35%	156,810	0.30%	147,302	0.31%	166,125	0.34%	523,811
2009	0.49%	53,791	0.38%	158,573	0.30%	149,708	0.34%	168,737	0.36%	530,809
2010	0.59%	53,366	0.34%	157,939	0.31%	149,218	0.33%	170,832	0.36%	531,355

Notes: (1) Estimates calculated by Robert W. Fairlie, University of California, Santa Cruz, using the Current Population Survey. (2) The entrepreneurship index is the percent of individuals (ages twenty-five to sixty-four) who do not own a business in the first survey month that start a business in the following month; with fifteen or more hours worked. (3) All observations with adjusted labor force status, rates of worker, and hours worked equalities are excluded.

Visit www.kauffman.org/kia to download the data files.

ENTREPRENEURIAL ACTIVITY BY INDUSTRY

Entrepreneurial activity rates differed substantially by major industry groups. Figure 7 and Table 6 report estimates of entrepreneurial activity by major industry. In 2010, entrepreneurial activity rates were highest in construction at 1.60 percent. Entrepreneurial activity rates in services also were high (0.44 percent). Manufacturing had substantially lower entrepreneurial activity rates than all other industries, with only 0.08 percent of non-business owners starting businesses per month in this industry in 2010.

Figure 7
Kauffman Index of Entrepreneurial Activity
by Industry (1996–2010)

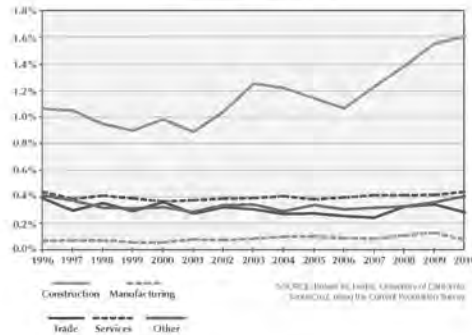


TABLE 6
KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY BY INDUSTRY
(1996–2010)

Year	CONSTRUCTION		MANUFACTURING		TRADE		SERVICES		OTHER	
	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size
1996	1.06%	23,693	0.07%	71,120	0.39%	60,144	0.44%	205,664	0.41%	55,604
1997	1.05%	23,694	0.08%	71,152	0.30%	59,480	0.38%	208,199	0.47%	55,302
1998	0.95%	23,961	0.07%	69,792	0.35%	59,763	0.41%	211,337	0.32%	55,124
1999	0.90%	24,754	0.06%	66,960	0.29%	59,935	0.39%	213,046	0.31%	54,331
2000	0.98%	25,771	0.06%	65,676	0.36%	59,445	0.37%	212,927	0.32%	53,941
2001	0.89%	28,472	0.08%	67,844	0.27%	63,069	0.36%	231,570	0.29%	56,704
2002	1.04%	31,212	0.08%	70,348	0.32%	69,660	0.39%	257,048	0.18%	61,376
2003	1.25%	31,542	0.09%	65,494	0.31%	69,037	0.39%	254,486	0.44%	58,302
2004	1.22%	31,726	0.10%	62,079	0.27%	67,839	0.41%	248,391	0.29%	56,946
2005	1.14%	32,179	0.10%	59,476	0.28%	67,491	0.38%	246,875	0.34%	57,671
2006	1.06%	32,760	0.09%	57,677	0.26%	65,244	0.40%	247,242	0.31%	57,386
2007	1.23%	31,860	0.08%	56,828	0.24%	62,789	0.41%	245,946	0.32%	57,394
2008	1.38%	30,406	0.11%	55,262	0.33%	62,200	0.41%	247,636	0.33%	57,592
2009	1.55%	29,465	0.13%	53,267	0.34%	62,662	0.42%	252,851	0.36%	57,527
2010	1.60%	27,827	0.08%	51,537	0.28%	62,895	0.44%	253,068	0.41%	58,028

Notes: (1) Estimates calculated by Robert W. Lurie, University of California, Santa Cruz, using the Current Population Survey. (2) The index of entrepreneurial activity is the percent of individuals (ages twenty to sixty-four) who do not own a business in the first survey month that start a business in the following month with fifteen or more hours worked per week. (3) All observations with allocated labor force status, time of worker, and hours worked variables are excluded.

Note: All data for 2010 are preliminary.

Entrepreneurial activity generally is highest in Western and Southern states, and lowest in the Midwestern and Northeastern states.

ENTREPRENEURIAL ACTIVITY BY STATE

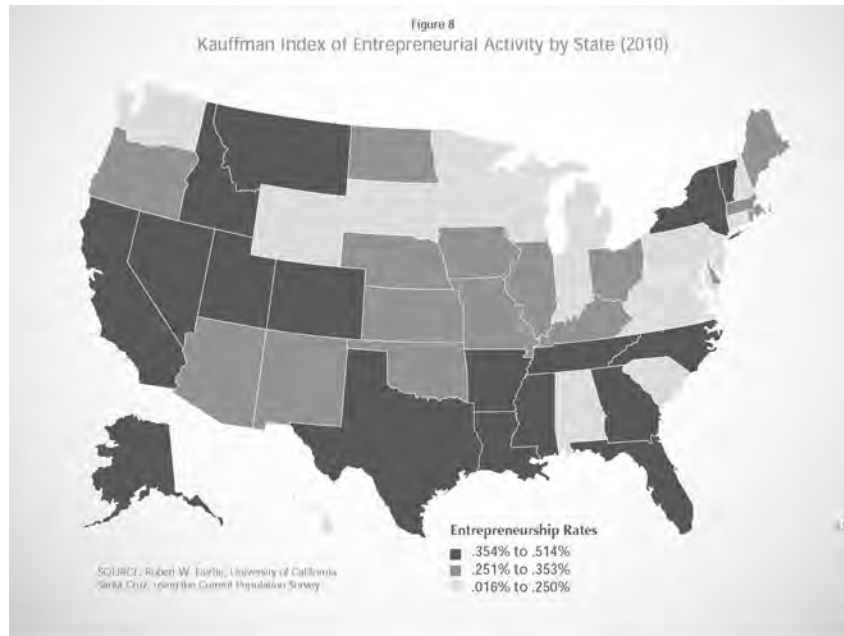
Entrepreneurial activity rates varied significantly across states in 2010. West Virginia exhibited the lowest entrepreneurial activity rate, with 170 per 100,000 adults starting new businesses each month. Nevada and Georgia had the highest entrepreneurial activity rate, with 510 per 100,000 adults creating businesses each month. Table 7 reports estimates of the Kauffman Index for all fifty states and the District of Columbia, as well as sample sizes and approximate 95 percent confidence intervals for each state.

TABLE 7
KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY BY STATE (2010)

State	Index	Confidence Lower	Interval Upper	Entrepreneurs per 100,000 People	Sample Size
U.S. Total	0.34%	0.32%	0.35%	360	593,271
Alabama	0.25%	0.13%	0.37%	250	6,786
Alaska	0.43%	0.28%	0.58%	430	7,640
Arizona	0.33%	0.19%	0.46%	330	7,070
Arkansas	0.37%	0.21%	0.54%	370	6,212
California	0.47%	0.41%	0.54%	470	49,766
Colorado	0.45%	0.33%	0.57%	450	12,665
Connecticut	0.24%	0.15%	0.32%	240	13,329
Delaware	0.22%	0.12%	0.32%	220	8,735
District of Columbia	0.31%	0.18%	0.45%	310	7,553
Florida	0.40%	0.31%	0.48%	400	22,438
Georgia	0.51%	0.36%	0.64%	510	12,946
Hawaii	0.24%	0.13%	0.34%	240	8,657
Idaho	0.39%	0.23%	0.55%	390	6,332
Illinois	0.26%	0.18%	0.33%	260	18,859
Indiana	0.19%	0.11%	0.28%	190	9,176
Iowa	0.30%	0.19%	0.40%	300	11,136
Kansas	0.35%	0.22%	0.48%	350	8,506
Kentucky	0.29%	0.17%	0.40%	290	9,078
Louisiana	0.46%	0.26%	0.64%	460	5,519
Maine	0.29%	0.19%	0.39%	290	11,457
Maryland	0.24%	0.16%	0.33%	240	13,692
Massachusetts	0.32%	0.20%	0.44%	320	8,996
Michigan	0.25%	0.16%	0.33%	250	14,295
Minnesota	0.21%	0.14%	0.29%	210	14,662
Mississippi	0.44%	0.26%	0.62%	440	5,644
Missouri	0.29%	0.19%	0.40%	290	10,438
Montana	0.39%	0.22%	0.57%	390	5,246
Nebraska	0.30%	0.19%	0.41%	300	9,135
Nevada	0.51%	0.36%	0.67%	510	8,833
New Hampshire	0.25%	0.16%	0.34%	250	12,995
New Jersey	0.25%	0.16%	0.33%	250	12,428
New Mexico	0.32%	0.17%	0.46%	320	5,015
New York	0.36%	0.29%	0.44%	360	25,512
North Carolina	0.35%	0.25%	0.45%	350	12,020
North Dakota	0.30%	0.17%	0.42%	300	7,525
Ohio	0.30%	0.21%	0.39%	300	16,919
Oklahoma	0.32%	0.18%	0.45%	320	7,194
Oregon	0.32%	0.20%	0.44%	320	8,452
Pennsylvania	0.18%	0.11%	0.24%	180	17,887
Rhode Island	0.25%	0.15%	0.35%	250	10,134
South Carolina	0.23%	0.13%	0.34%	230	8,012
South Dakota	0.19%	0.10%	0.29%	190	9,102
Tennessee	0.41%	0.27%	0.55%	410	8,154
Texas	0.40%	0.33%	0.47%	400	30,971
Utah	0.37%	0.22%	0.51%	370	7,057
Vermont	0.45%	0.31%	0.59%	450	8,617
Virginia	0.24%	0.15%	0.32%	240	12,948
Washington	0.24%	0.14%	0.33%	240	10,503
West Virginia	0.17%	0.07%	0.27%	170	5,903
Wisconsin	0.18%	0.10%	0.26%	180	11,816
Wyoming	0.22%	0.11%	0.32%	220	8,104

Notes: (1) Estimates calculated by Robert W. Lurie, University of California, Santa Cruz, using the Current Population Survey. (2) The entrepreneurship index is the percent of individuals (age twenty to sixty four) who do not own a business in the first survey month but start a business in the following month(s). (3) All observations with allocated labor force status, class of worker, and hours worked variables are included. (4) Approximate 95 percent confidence intervals are reported for the entrepreneurship index.

*Visit www.kauffman.org/files/for_download/010_data.html

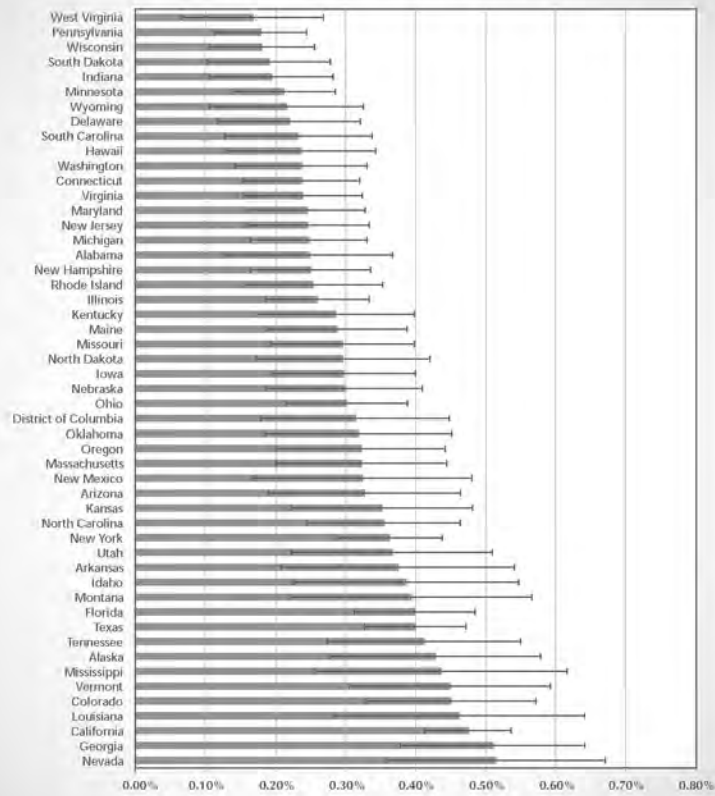


Entrepreneurial activity rates follow strong geographical patterns. Entrepreneurial activity generally is highest in Western and Southern states, and lowest in the Midwestern and Northeastern states. Figure 8 illustrates variation in entrepreneurial activity levels across the United States, and Figure 9 ranks states by levels of entrepreneurial activity, with 95 percent confidence intervals for each state. The five states with the highest entrepreneurial activity rates were Nevada (510 per 100,000 adults), Georgia (510 per 100,000 adults), California (470 per 100,000 adults), Louisiana (460 per 100,000 adults), and Colorado (450 per 100,000 adults). The five states

with the lowest entrepreneurial activity rates were West Virginia (170 per 100,000 adults), Pennsylvania (180 per 100,000 adults), Wisconsin (180 per 100,000 adults), South Dakota (190 per 100,000 adults), and Indiana (190 per 100,000 adults).

From 2009 to 2010, entrepreneurial activity rates increased in the West, further widening the gap between the West and other regions. The business-creation rate in the West increased from 0.38 percent in 2009 to 0.41 percent in 2010. Estimates of the Kauffman Index by region are reported in Figure 10 and Table 8. In contrast to rising rates in the West, entrepreneurial activity

Figure 9
Kauffman Index of Entrepreneurial Activity by State
with 95 Percent Confidence Intervals, 2010



SOURCE: Robert W. Tinnin, University of California, Santa Cruz, using Kauffman Index data from 2009.

2010 KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY

Figure 10
Kauffman Index of Entrepreneurial Activity
by Region (1996–2010)

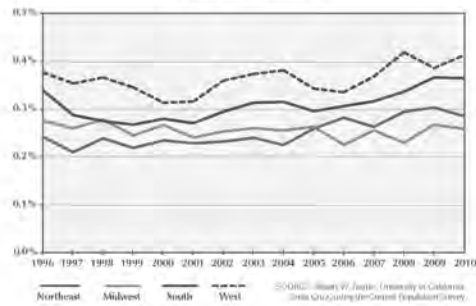


TABLE 8
KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY BY REGION
(1996–2010)

Year	NORTHEAST		MIDWEST		SOUTH		WEST		TOTAL	
	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size
1996	0.24%	114,486	0.27%	126,402	0.34%	164,415	0.38%	125,704	0.31%	531,007
1997	0.21%	113,819	0.26%	125,603	0.29%	164,277	0.35%	127,430	0.28%	531,129
1998	0.24%	114,246	0.28%	125,411	0.27%	164,190	0.36%	128,449	0.29%	532,296
1999	0.22%	112,804	0.24%	125,372	0.27%	164,416	0.34%	130,398	0.27%	532,990
2000	0.23%	111,319	0.27%	126,975	0.28%	163,720	0.31%	129,409	0.27%	531,423
2001	0.23%	122,399	0.24%	139,538	0.27%	169,480	0.31%	138,041	0.26%	569,458
2002	0.23%	135,033	0.25%	156,223	0.29%	179,221	0.36%	152,680	0.29%	623,157
2003	0.24%	132,855	0.28%	153,953	0.31%	177,302	0.37%	150,447	0.30%	614,557
2004	0.22%	128,536	0.25%	149,380	0.31%	178,789	0.38%	145,982	0.30%	602,687
2005	0.26%	123,177	0.26%	144,081	0.29%	183,966	0.34%	145,974	0.29%	597,198
2006	0.28%	120,283	0.22%	140,195	0.30%	185,136	0.33%	145,992	0.29%	591,606
2007	0.26%	117,828	0.25%	139,827	0.31%	183,035	0.37%	145,558	0.30%	586,248
2008	0.29%	119,172	0.23%	139,301	0.33%	181,221	0.42%	144,691	0.32%	584,385
2009	0.30%	121,081	0.27%	141,705	0.36%	183,661	0.38%	145,252	0.34%	591,699
2010	0.28%	121,555	0.26%	141,571	0.36%	184,805	0.41%	145,340	0.34%	593,271

Notes: (1) Estimates calculated by Robert W. Jais, University of California, Santa Cruz, using the Current Population Survey. (2) The index of entrepreneurial activity is the percent of individuals (ages twenty to sixty-four) who do not run a business in the first survey month but start a business in the following month with fifteen or more hours worked per week. (3) All observations with missing labor force status, race, or gender and (overemployed) variables are excluded.

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rates decreased in the Northeast and Midwest, and remained the same in the South. These differential trends in entrepreneurial activity by region from 2009 to 2010 are captured by differential trends by states across regions. Table 9 reports estimates of entrepreneurial activity rates by state from 2009 to 2010. Estimated rates for some smaller states, however, can vary somewhat between the two years because of imprecise estimates instead of actual changes in economic conditions for entrepreneurship.

Trends in state entrepreneurship rates over the past decade are reported in Table 10. To increase sample sizes and precision, the three-year period 2008–2010 is compared to the three-year period 1998–2000.⁷ Georgia experienced the largest positive change in its entrepreneurial activity rate over the past decade, increasing from 0.27 percent to 0.51 percent, or 0.23 percentage points. Other states experiencing large entrepreneurial activity rate increases were Nevada (0.19 percentage points), Tennessee (0.14 percentage points), Massachusetts (0.13 percentage points), California (0.11 percentage points), Texas (0.11 percentage points), Kentucky (0.11 percentage points), and Florida (0.10 percentage points). States that experienced large entrepreneurial activity rate decreases were Wyoming (-0.18 percentage points), New Mexico (-0.14 percentage points), and Alaska (-0.13 percentage points). All of these changes over time are statistically significant at the 0.05 or 0.10 level of confidence.

From 2009 to 2010, entrepreneurial activity rates increased in the West, further widening the gap between the West and other regions.

TABLE 9
KAUFFMAN INDEX OF ENTREPRENEURIAL
ACTIVITY BY STATE (2009, 2010)

State	Index	2009			Sample Size	2010			Sample Size
		Confidence Lower	Interval Upper			Confidence Lower	Interval Upper		
U.S. Total	0.34%	0.32%	0.35%		591,000	0.34%	0.32%	0.35%	401,271
Alabama	0.21%	0.11%	0.32%		8,704	0.25%	0.13%	0.37%	6,786
Alaska	0.34%	0.21%	0.47%		7,784	0.43%	0.28%	0.58%	7,440
Arizona	0.46%	0.30%	0.62%		6,665	0.33%	0.19%	0.46%	7,070
Arkansas	0.36%	0.21%	0.52%		6,234	0.37%	0.21%	0.54%	6,212
California	0.41%	0.35%	0.47%		48,140	0.47%	0.41%	0.54%	49,265
Colorado	0.38%	0.27%	0.49%		12,782	0.45%	0.33%	0.57%	12,265
Connecticut	0.29%	0.19%	0.38%		13,193	0.24%	0.15%	0.32%	13,329
Delaware	0.30%	0.19%	0.41%		8,865	0.22%	0.12%	0.32%	8,735
District of Columbia	0.32%	0.19%	0.45%		7,580	0.31%	0.18%	0.45%	7,583
Florida	0.44%	0.35%	0.52%		22,279	0.40%	0.31%	0.48%	22,438
Georgia	0.44%	0.32%	0.56%		12,553	0.51%	0.38%	0.64%	12,345
Hawaii	0.27%	0.16%	0.37%		8,831	0.24%	0.13%	0.34%	8,657
Idaho	0.45%	0.28%	0.63%		6,451	0.39%	0.23%	0.55%	6,442
Illinois	0.24%	0.17%	0.32%		16,762	0.26%	0.18%	0.33%	16,059
Indiana	0.28%	0.17%	0.38%		8,424	0.19%	0.11%	0.28%	9,774
Iowa	0.23%	0.14%	0.32%		11,430	0.30%	0.19%	0.40%	11,136
Kansas	0.23%	0.13%	0.34%		8,504	0.35%	0.22%	0.48%	8,506
Kentucky	0.25%	0.14%	0.36%		28,941	0.29%	0.17%	0.40%	30,070
Louisiana	0.43%	0.24%	0.62%		5,814	0.46%	0.28%	0.64%	5,519
Maine	0.34%	0.22%	0.44%		11,417	0.29%	0.19%	0.39%	11,457
Maryland	0.29%	0.20%	0.38%		13,479	0.24%	0.16%	0.33%	13,802
Massachusetts	0.33%	0.22%	0.45%		9,046	0.32%	0.20%	0.44%	8,936
Michigan	0.30%	0.21%	0.39%		14,141	0.25%	0.16%	0.33%	14,285
Minnesota	0.22%	0.15%	0.29%		14,092	0.21%	0.14%	0.29%	14,662
Mississippi	0.17%	0.06%	0.28%		5,557	0.44%	0.26%	0.62%	5,444
Missouri	0.27%	0.17%	0.38%		10,308	0.29%	0.19%	0.40%	10,438
Montana	0.47%	0.29%	0.65%		5,494	0.39%	0.22%	0.57%	6,246
Nebraska	0.20%	0.11%	0.29%		8,430	0.30%	0.19%	0.41%	8,335
Nevada	0.38%	0.25%	0.50%		9,126	0.51%	0.36%	0.67%	6,883
New Hampshire	0.28%	0.19%	0.38%		13,389	0.25%	0.16%	0.34%	12,955
New Jersey	0.33%	0.23%	0.44%		12,087	0.25%	0.16%	0.33%	12,478
New Mexico	0.26%	0.12%	0.39%		5,095	0.32%	0.17%	0.48%	5,315
New York	0.34%	0.27%	0.42%		25,007	0.36%	0.29%	0.44%	25,312
North Carolina	0.25%	0.16%	0.34%		11,989	0.35%	0.25%	0.46%	12,020
North Dakota	0.32%	0.18%	0.45%		7,243	0.30%	0.17%	0.42%	7,525
Ohio	0.27%	0.19%	0.35%		17,351	0.30%	0.21%	0.39%	16,910
Oklahoma	0.47%	0.31%	0.64%		7,131	0.32%	0.18%	0.45%	7,194
Oregon	0.38%	0.24%	0.52%		6,579	0.32%	0.20%	0.44%	6,452
Pennsylvania	0.20%	0.13%	0.27%		11,824	0.18%	0.11%	0.24%	17,067
Rhode Island	0.24%	0.15%	0.34%		10,065	0.25%	0.15%	0.35%	10,243
South Carolina	0.23%	0.13%	0.34%		8,000	0.23%	0.13%	0.34%	8,012
South Dakota	0.43%	0.29%	0.57%		8,771	0.19%	0.10%	0.28%	8,702
Tennessee	0.36%	0.23%	0.50%		8,146	0.41%	0.27%	0.55%	8,154
Texas	0.45%	0.38%	0.53%		30,465	0.40%	0.33%	0.47%	30,921
Utah	0.36%	0.22%	0.51%		7,060	0.37%	0.22%	0.51%	7,052
Vermont	0.37%	0.24%	0.50%		8,719	0.45%	0.31%	0.59%	8,617
Virginia	0.27%	0.18%	0.36%		12,636	0.24%	0.15%	0.32%	12,940
Washington	0.24%	0.14%	0.34%		10,424	0.24%	0.14%	0.33%	10,805
West Virginia	0.35%	0.21%	0.48%		7,350	0.17%	0.07%	0.24%	6,902
Wisconsin	0.30%	0.20%	0.40%		11,629	0.18%	0.10%	0.26%	11,810
Wyoming	0.33%	0.19%	0.46%		7,865	0.22%	0.11%	0.32%	8,718

Notes: (1) Estimates calculated by Robert W. Taylor, University of California, Santa Cruz, using the Current Population Survey. (2) The entrepreneurship index is the percent of individuals (age twenty to sixty-four) who do not own a business in the last survey month that start a business in the following month with either six or more hours worked. (3) All observations with allocated labor force status, class of worker, and hours worked variables are included. (4) Approximate 95 percent confidence intervals are reported for the entrepreneurship index.

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TABLE 10
KAUFFMAN INDEX OF ENTREPRENEURIAL
ACTIVITY BY STATE (1998–2000 and 2008–2010)

State	1998–2000 Period				2008–2010 Period			
	Index	Confidence Lower	Interval Upper	Sample Size	Index	Confidence Lower	Interval Upper	Sample Size
U.S. Total	0.28%	0.27%	0.28%	1,507,131	0.33%	0.32%	0.34%	1,170,640
Alabama	0.19%	0.14%	0.25%	23,270	0.22%	0.16%	0.29%	20,161
Alaska	0.52%	0.41%	0.64%	18,168	0.40%	0.30%	0.49%	23,190
Arizona	0.34%	0.27%	0.42%	24,186	0.44%	0.34%	0.53%	21,127
Arkansas	0.31%	0.24%	0.39%	21,181	0.38%	0.29%	0.48%	18,070
California	0.33%	0.29%	0.36%	133,147	0.44%	0.40%	0.47%	141,246
Colorado	0.40%	0.32%	0.49%	23,332	0.42%	0.35%	0.49%	37,897
Connecticut	0.21%	0.14%	0.28%	16,900	0.27%	0.22%	0.33%	39,353
Delaware	0.17%	0.10%	0.23%	16,352	0.23%	0.17%	0.28%	26,389
District of Columbia	0.28%	0.19%	0.38%	14,815	0.32%	0.24%	0.39%	22,764
Florida	0.30%	0.25%	0.34%	72,721	0.40%	0.35%	0.45%	86,908
Georgia	0.27%	0.21%	0.34%	29,020	0.51%	0.43%	0.58%	39,007
Hawaii	0.27%	0.18%	0.36%	16,750	0.23%	0.17%	0.29%	26,232
Idaho	0.40%	0.31%	0.49%	23,087	0.39%	0.30%	0.49%	19,067
Illinois	0.23%	0.19%	0.28%	67,864	0.27%	0.22%	0.32%	55,963
Indiana	0.30%	0.22%	0.38%	25,386	0.25%	0.19%	0.31%	27,792
Iowa	0.31%	0.23%	0.39%	29,364	0.24%	0.19%	0.30%	34,136
Kansas	0.28%	0.21%	0.35%	29,492	0.27%	0.21%	0.34%	25,416
Kentucky	0.19%	0.13%	0.25%	22,154	0.30%	0.23%	0.37%	27,019
Louisiana	0.31%	0.23%	0.38%	21,431	0.38%	0.29%	0.46%	16,891
Maine	0.36%	0.27%	0.46%	17,696	0.32%	0.26%	0.39%	13,741
Maryland	0.29%	0.21%	0.38%	17,354	0.25%	0.20%	0.31%	41,013
Massachusetts	0.16%	0.12%	0.20%	26,872	0.29%	0.23%	0.36%	27,178
Michigan	0.24%	0.20%	0.28%	57,817	0.27%	0.22%	0.33%	42,495
Minnesota	0.28%	0.21%	0.35%	23,695	0.22%	0.18%	0.27%	44,353
Mississippi	0.38%	0.29%	0.47%	16,309	0.33%	0.24%	0.42%	16,363
Missouri	0.25%	0.18%	0.32%	16,335	0.23%	0.18%	0.29%	39,842
Montana	0.48%	0.39%	0.56%	11,171	0.48%	0.37%	0.60%	16,146
Nebraska	0.30%	0.22%	0.37%	20,985	0.26%	0.20%	0.33%	27,257
Nevada	0.23%	0.17%	0.30%	22,833	0.42%	0.34%	0.50%	27,009
New Hampshire	0.26%	0.18%	0.34%	11,127	0.26%	0.21%	0.31%	19,552
New Jersey	0.23%	0.19%	0.28%	48,529	0.28%	0.23%	0.34%	36,013
New Mexico	0.53%	0.42%	0.63%	21,434	0.39%	0.29%	0.49%	15,450
New York	0.30%	0.26%	0.34%	59,202	0.36%	0.32%	0.41%	74,889
North Carolina	0.30%	0.24%	0.35%	92,287	0.29%	0.23%	0.34%	25,748
North Dakota	0.38%	0.29%	0.47%	19,600	0.29%	0.22%	0.37%	22,008
Ohio	0.24%	0.19%	0.28%	62,124	0.25%	0.21%	0.30%	50,938
Oklahoma	0.30%	0.23%	0.38%	25,181	0.35%	0.27%	0.43%	21,907
Oregon	0.43%	0.34%	0.53%	19,021	0.36%	0.28%	0.43%	25,146
Pennsylvania	0.15%	0.12%	0.18%	63,659	0.17%	0.13%	0.21%	54,280
Rhode Island	0.15%	0.09%	0.22%	12,103	0.25%	0.19%	0.31%	26,087
South Carolina	0.25%	0.17%	0.32%	18,051	0.24%	0.17%	0.30%	23,966
South Dakota	0.39%	0.30%	0.48%	20,070	0.30%	0.23%	0.37%	25,229
Tennessee	0.24%	0.17%	0.30%	27,006	0.37%	0.29%	0.45%	24,137
Texas	0.29%	0.25%	0.33%	80,351	0.40%	0.36%	0.45%	98,755
Utah	0.32%	0.25%	0.40%	22,262	0.35%	0.27%	0.43%	21,472
Vermont	0.37%	0.27%	0.48%	15,460	0.37%	0.30%	0.45%	26,725
Virginia	0.18%	0.13%	0.24%	25,636	0.24%	0.19%	0.29%	38,081
Washington	0.26%	0.19%	0.33%	21,510	0.25%	0.19%	0.31%	31,625
West Virginia	0.21%	0.14%	0.28%	22,167	0.22%	0.16%	0.29%	23,714
Wisconsin	0.28%	0.20%	0.35%	25,178	0.22%	0.17%	0.27%	35,042
Wyoming	0.46%	0.36%	0.56%	20,164	0.28%	0.20%	0.35%	23,732

Notes: (1) Estimates calculated by Robert W. Fairlie, University of California, Santa Cruz, using the Census Population Survey. (2) The entrepreneurship index is the percent of individuals (ages twenty to sixty-four) who do not own a business in the first survey month but start a business in the following month with fifteen or more hours worked. (3) All observations with allocated labor force status, class of worker, and hours worked variables are included. (4) Approximate 95 percent confidence intervals are reported for the entrepreneurship index.

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ENTREPRENEURIAL ACTIVITY BY METROPOLITAN AREA

An index of entrepreneurial activity also was created for the fifteen largest metropolitan areas in the United States (Table 11).⁶ Among these metropolitan areas, Los Angeles had the highest entrepreneurial activity rate at 620 per 100,000 adults. Houston (580 per 100,000 adults), Atlanta (580 per 100,000 adults), and San Francisco (550 per 100,000 adults) also had high rates of entrepreneurial activity. The metropolitan areas with the lowest entrepreneurial activity rates in this group of large MSAs were Philadelphia (150 per 100,000 adults) and Seattle (220 per 100,000 adults).

Among the fifteen largest metropolitan areas in the United States, Los Angeles had the highest entrepreneurial activity rate. Houston, Atlanta, and San Francisco also had high rates of entrepreneurial activity.

TABLE 11
KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY
FOR THE FIFTEEN LARGEST MSAs (2010)

Metropolitan Statistical Area	2010 Index	Confidence Interval		Entrepreneurs per 100,000 People	Sample Size	2008–2010 Index	Sample Size
New York-Northern New Jersey-Long Island, NY-NJ-PA	0.36%	0.29%	0.44%	360	25,311	0.41%	73,573
Los Angeles-Long Beach-Santa Ana, CA	0.62%	0.51%	0.74%	620	18,001	0.62%	53,535
Chicago-Naperville-Joliet, IN-IN-WI	0.29%	0.20%	0.39%	290	11,862	0.30%	39,681
Dallas-Fort Worth-Arlington, TX	0.26%	0.15%	0.37%	260	6,673	0.33%	24,944
Houston-Baytown-Sugar Land, TX	0.58%	0.40%	0.77%	580	6,706	0.51%	19,582
Miami-Fort Lauderdale-Miami Beach, FL	0.54%	0.36%	0.72%	540	6,159	0.54%	19,979
Philadelphia-Camden-Wilmington, PA-NJ-DE	0.15%	0.06%	0.23%	150	12,481	0.16%	27,614
Washington-Arlington-Alexandria, DC-VA-MD-WV	0.36%	0.25%	0.46%	360	17,711	0.31%	52,811
Atlanta-Sandy Springs-Marietta, GA	0.58%	0.40%	0.76%	580	7,462	0.60%	22,136
Boston-Cambridge-Quincy, MA-NH	0.33%	0.19%	0.47%	330	10,161	0.27%	30,768
San Francisco-Oakland-Fremont, CA	0.55%	0.36%	0.73%	550	6,016	0.50%	17,616
Detroit-Warren-Livonia, MI	0.28%	0.15%	0.41%	280	6,217	0.29%	18,838
Phoenix-Mesa-Scottsdale, AZ	0.36%	0.18%	0.54%	360	8,609	0.49%	14,374
Riverside-San Bernardino, CA	0.32%	0.16%	0.48%	320	8,941	0.30%	14,745
Seattle-Tacoma-Bellevue, WA	0.22%	0.10%	0.35%	220	8,629	0.19%	16,986

Notes: (1) Estimates calculated by Robert W. Frazee, University of California, Santa Cruz, using the Current Population Survey. (2) The entrepreneurship index is the percent of individuals ages twenty to sixty-five who did own a business in the first survey month that start a business in the following month, divided by the total survey population. (3) All respondents with allocated three-digit status, class of worker, and three-digit occupation are included. (4) Approximately 95 percent confidence intervals are reported for the entrepreneurship index.

Visit www.kauffman.usjfkia.us to download the data files.

Summary

The Kauffman Index measures the monthly business-creation rate at the individual owner level, reporting the percentage of non-business-owning adults who start businesses with more than fifteen hours worked per week. The matched basic monthly files from the Current Population Survey (CPS) provide a uniquely large, nationally representative panel dataset for measuring this entrepreneurial activity. The total adult population sample size for the period from 1996 to 2010 is more than ten million. Detailed demographic information available in the CPS and large sample sizes also allow for estimates of separate indices by gender, race, immigrant status, age, and education. Indices for all states and the largest MSAs also are calculated. In 2010, 0.34 percent of the adult population, or 340 out of 100,000 adults, created a new business each month, representing approximately 565,000 new businesses per month. This total rate of business creation increased from 0.30 percent in 2007.

In 2010, there are some interesting differences in changes in entrepreneurial activity rates for population subgroups. First, Latinos experienced a large entrepreneurial activity rate increase in 2010. The rate of 0.56 percent represents the highest rate for this group over the past decade and a half. Asians also experienced a large increase from 2009 to 2010. African-Americans and whites experienced declines in entrepreneurial activity rates. A related finding is that the rate of entrepreneurial activity among immigrants increased sharply in 2010, further widening the gap between immigrant and native-born rates. The youngest age group (ages twenty to thirty-four) experienced an increase in entrepreneurial activity rates from 2009 to 2010. Finally, entrepreneurial activity rates increased for those without a high school degree and dropped for high school graduates from 2009 to 2010.

Entrepreneurial activity rates reflect strong regional patterns. Rates of new business creation are highest in the West and South. The West experienced the largest increase in rates from 2009 to 2010 (0.38 percent to 0.41 percent). The Northeast and Midwest experienced declines in entrepreneurial activity rates from 2009 to 2010.

Entrepreneurial activity rates varied substantially across states, from a low of 0.17 percent in West Virginia to a high of 0.51 percent in Nevada and Georgia. Entrepreneurial activity rates also were high in California (470 per 100,000 adults), Louisiana (460 per 100,000 adults), and Colorado (450 per 100,000 adults). In addition to West Virginia, the lowest entrepreneurial activity rates were found in Pennsylvania (180 per 100,000 adults), Wisconsin (180 per 100,000 adults), South Dakota (190 per 100,000 adults), and Indiana (190 per 100,000 adults). The states experiencing the largest increases in entrepreneurial activity rates over the past decade were Georgia (0.23 percentage points), Nevada (0.19 percentage points), Tennessee (0.14 percentage points), Massachusetts (0.13 percentage points), California (0.11 percentage points), Texas (0.11 percentage points), Kentucky (0.11 percentage points), and Florida (0.10 percentage points). States that experienced the largest decreases in entrepreneurial activity rates were Wyoming (-0.18 percentage points), New Mexico (-0.14 percentage points), and Alaska (-0.13 percentage points).

Analysis of the fifteen largest metropolitan areas in the United States reveals that Los Angeles (0.62 percent) had the highest entrepreneurial activity rate in 2010. Philadelphia (0.15 percent) had the lowest entrepreneurial activity rate.

Appendix

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Appendix

DATA

The underlying datasets used in this analysis are the basic monthly files to the Current Population Survey (CPS). These surveys, conducted monthly by the U.S. Bureau of the Census and the Bureau of Labor Statistics, represent the entire U.S. population and contain observations for more than 130,000 people each month. By linking the CPS files over time, longitudinal data are created, allowing for the examination of business creations. Combining the 2010 monthly data creates a sample size of 700,000 adults ages twenty to sixty-four. The dataset built for the analysis of the entire fifteen-year period between 1996 and 2010 has a sample size of more than ten million adults.

Households in the CPS are interviewed each month over a four-month period. Eight months later they are re-interviewed in each month of a second four-month period. Thus, individuals who are interviewed in January, February, March, and April of one year are interviewed again in January, February, March, and April of the following year. The CPS rotation pattern makes it possible to match information on individuals monthly and, therefore, to create two-month panel data for up to 75 percent of all CPS respondents. To match these data, the CPS-provided household and individual identifiers are used. False matches are removed by comparing race, sex, and age codes from the two months. After removing all non-unique matches, the underlying CPS data are checked extensively for coding errors and other problems.

Monthly match rates generally are between 94 percent and 96 percent (see Fairlie 2005). Household moves are the primary reason for non-matching. A somewhat non-random sample (mainly geographic movers) will, therefore, be lost due to the matching routine. Moves do not appear to create a serious problem for month-to-month matches, however, because the observable

characteristics of the original sample and the matched sample are very similar (see Fairlie 2005).

The microdata used in this report and a codebook are available for downloading at <http://www.kauffman.org/research-and-policy/kiea-data-files.aspx>. The dataset includes the entrepreneurial index as well as many additional variables for analysis.

DETAILED DEFINITIONS

The CPS microdata capture all business owners, including those who own incorporated or unincorporated business, and those who are employers or non-employers. To create the Kauffman Index, all individuals who do not own a business as their main job are identified in the first survey month. By matching CPS files, it is then determined whether these individuals own a business as their main job with fifteen or more usual hours worked in the following survey month. Reducing the likelihood of reporting spurious changes in business ownership status from month to month, individuals are asked by survey-takers whether they currently have the same main job as reported in the previous month. If the answer is yes, the interviewer carries forward job information, including business ownership from the previous month's survey. If the answer is no, the respondent is asked the full series of job-related questions. Survey-takers ask this question at the beginning of the job section to save time during the interview process and improve consistency in reporting.

The main job is defined as the one with the most hours worked. Individuals who start side businesses, therefore, will not be counted if they are working more hours on a wagesalary job. The requirement that business owners work fifteen or more hours per week in the second month is imposed to rule out part-time business owners and very small business activities. It may, therefore, result in an understatement of the percent of individuals creating any type of business.

The Kauffman Index also excludes individuals who owned a business and worked fewer than fifteen hours in the first survey month. Thus, the Kauffman Index does not capture business owners who increased their hours from less than fifteen per week in one month to fifteen or more hours per week in the second month. In addition, the Kauffman Index does not capture when these business owners changed from non-business owners to business owners with less than fifteen hours worked. These individuals are excluded from the sample but may have been at the earliest stages of starting a business. More information concerning the definition is provided in Fairlie (2006).

The Kauffman Index also may overstate business creation in certain respects because of small changes in how individuals report their work status. Longstanding business owners who also have salaried positions may, for example, report that they are not business owners as their main jobs in a particular month because their wage/salary jobs had more hours in that month. If the individuals then switched to having more hours in business ownership the following month, it would appear that a new business had been created.

The main sample used to calculate the Kauffman Index includes only adults between the ages of twenty and sixty-four. For estimates of entrepreneurial activity rates by education level, the population between the ages of twenty-five and sixty-four is used instead to capture completed formal education. Older individuals (ages sixty-five and over) are removed from the sample because retirement in this age group leads to lower rates of entrepreneurial activity. There were major changes in race and industry coding over the 1996 to 2010 period. Although every effort was devoted to creating consistent coding, definitions are not perfectly consistent over time.

For the definition of entrepreneurial activity discussed in this report, all observations with allocated labor force status, class of worker, and hours worked variables are excluded.

Entrepreneurial activity is substantially higher for allocated or imputed observations. These observations were included in the first Kauffman Index report (Fairlie 2005). See Fairlie (2006) for a complete discussion of the issues and comparisons between unadjusted and adjusted rates of entrepreneurial activity.

The CPS sample was designed to produce national and state estimates of the unemployment rate and additional labor force characteristics of the civilian, non-institutional population ages sixteen and over. The total national sample size is drawn to ensure a high level of precision for the monthly national unemployment rate. For each of the fifty states and the District of Columbia, the sample also is designed to guarantee precise estimates of average annual unemployment rates, resulting in varying sample rates by state (Polivka 2000). Sampling weights provided by the CPS, which also adjust for non-response and post-stratification raking, are used for all national and state-level estimates.

STANDARD ERRORS AND CONFIDENCE INTERVALS

The analysis of entrepreneurial activity by state includes confidence intervals that indicate confidence bands of approximately 0.15 percent around the rates of entrepreneurial activity. While larger states have smaller confidence bands, the smallest states have larger confidence bands of approximately 0.20 percent. Oversampling in the CPS ensures that these small states have sample sizes of at least 5,000 observations, and, therefore, provides a minimum level of precision.

The standard errors used to create the confidence intervals reported here may understate the true variability in the state estimates. Both stratification of the sample and the raking procedure (post-stratification) will reduce the variance of CPS estimates (Polivka 2000 and Traill, Cahoon, and Maken 1978). On the other hand, the CPS clustering (i.e., nearby houses on the same block and multiple household members) leads

to a larger sampling variance than would have been obtained from simple random sampling. It appears as though the latter effect dominates in the CPS, and treating the CPS as random generally understates standard errors (Poliyka 2000). National unemployment rate estimates indicate that treating the CPS as a random sample leads to an understatement of the unemployment rate variance by 23 percent. Another problem associated with the estimates reported here is that multiple observations (up to three) may occur for the same individual.

All of the reported confidence intervals should be considered approximate, as the actual confidence intervals may be slightly larger. The complete correction for the standard errors and confidence intervals involves obtaining confidential replicate weights from the U.S. Bureau of Labor Statistics and employing sophisticated statistical procedures. Corrections for the possibility of multiple observations per person, which may create the largest bias in standard errors, are made using statistical survey procedures for all reported confidence intervals. It is important to note, however, that the estimates of entrepreneurial activity rates are not subject to any of these problems. By using the sample weights provided by the CPS, all entrepreneurial activity rate estimates are correct.

ADVANTAGES OVER OTHER POSSIBLE MEASURES OF ENTREPRENEURSHIP

The Kauffman Index of Entrepreneurial Activity has several advantages over other possible measures of entrepreneurship based on household or business-level data. First, the CPS data are available only a couple of months after the end of the year, whereas even relatively timely data such as the American Community Survey (ACS) take more than a year to be released. Second, the index includes all types of business activities (employers, non-employers, unincorporated, and incorporated businesses), but does not include small-scale

business activities such as consulting and casual businesses. For example, the County Business Patterns data include only employer firms, and the Survey of Business Owners and underlying non-employer data include any business activity with at least \$1,000 in annual sales. Third, the panel data created from matching consecutive months of the CPS allow for a dynamic measure of business creation, whereas most datasets only allow for a static measure of business ownership (e.g., ACS). Finally, the CPS data included detailed information on demographic characteristics of the owner, whereas most business-level datasets contain no information on the owner (e.g., employer and non-employer data).

COMPARISON TO SELECTED DATASETS

The main difference between the Kauffman Index and possible measures of entrepreneurial activity from the ACS (and related decennial Census of the Population) is that the index measures flows into business ownership rather than the number of existing business owners at a specific point in time. Cross-sectional datasets, such as the ACS, do not provide information on business creation. Static measures of business ownership based on cross-sectional data do not capture the dynamic nature of entrepreneurial activity that the Kauffman index illustrates.

The Kauffman Index differs from the 2007 Survey of Business Owners (SBO), conducted by the U.S. Census Bureau, in several major ways. First, the Kauffman Index is based on household survey data and measures individual business owners. The SBO includes all firms operating during 2007 that filed tax forms as individual proprietorships, partnerships, or any type of corporation. Second, the Kauffman Index captures business creation, whereas the SBO captures the number of existing businesses at a point in time. Third, the Kauffman Index only includes individuals starting businesses as their main work activity with a substantial hours commitment. The SBO includes all firms with receipts of \$1,000 or more, which may

include side or "casual" businesses owned by wage/salary workers, the unemployed, or retired workers. Finally, the Kauffman Index includes all new business owners, whereas the SBO excludes agricultural and a few other types of businesses.

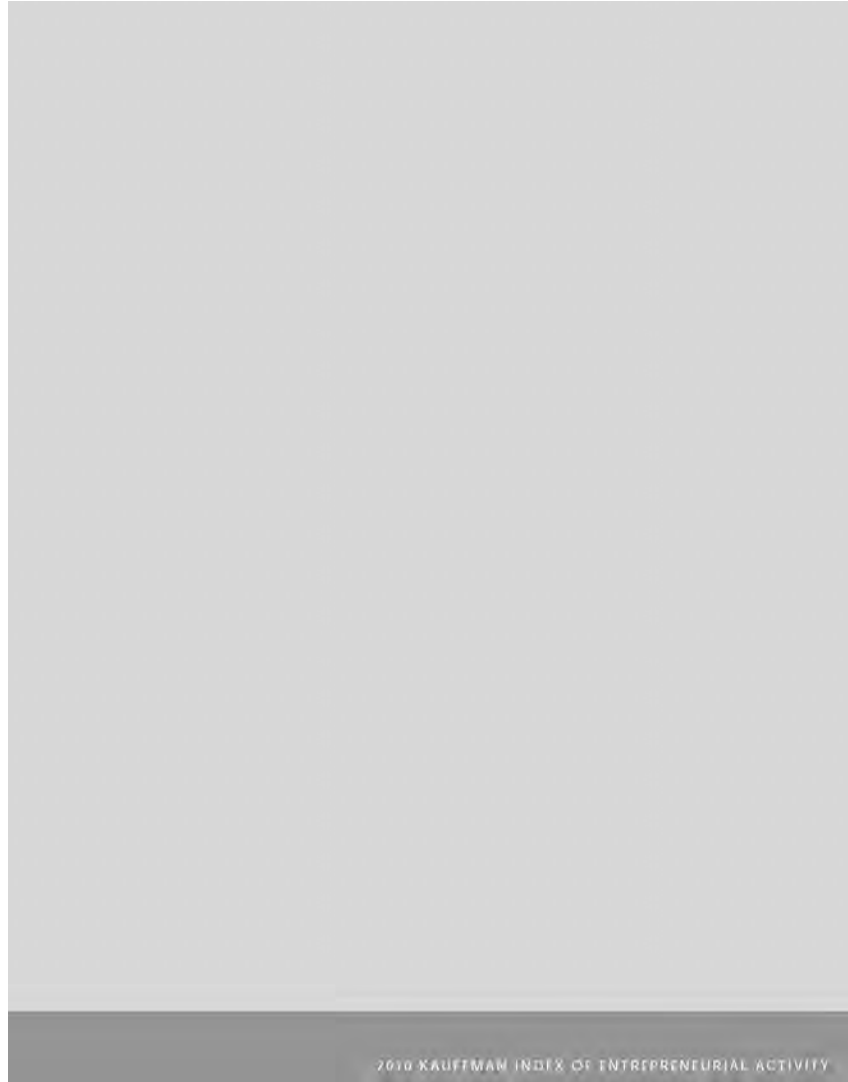
The Kauffman Index captures a broader range of entrepreneurial activity than do the national- and state-level firm or establishment birth data from the Business Employer Dynamics (BED) or the Statistics of U.S. Businesses (SUSB). The BED data are compiled by the BLS from existing quarterly state unemployment insurance records through the Quarterly Census of Employment and Wages or ES-202 program. The SUSB data are collected by the U.S. Census Bureau and summarized by the U.S. Small Business Administration, Office of Advocacy. Both of these datasets include only employer firms. Employer firms represent only approximately one-fourth of all firms, and many firms start with no employees. These data, therefore, are likely to lead to a substantial undercount in the entrepreneurial activity rate, particularly for certain industries and regions. Finally, the BED and SUSB data are business-level data containing essentially no information on the owner's characteristics, while the CPS is person-level data containing very detailed information on the owner.

For comparison, the Kauffman Index indicates that 0.34 percent of the adult non-business-owner population created a new business each month in 2010, representing 565,000 new businesses each month. CPS estimates using similar definitions indicate that the number of self-employed business owners was 11.9 million in 2010. The BED data indicate an average of 172,000 employer establishment births per quarter in 2010 Q1-Q2. Dividing this number by the non-business-owner population, the employer establishment birth rate was 0.10 percent per quarter in 2010. The SUSB data indicate that there were 668,395 employer firm births from 2006 to 2007.¹⁰ Dividing this number by the non-business owner population, the SUSB employer birth rate was 0.04 percent

per year. Using the same underlying data sources, the total number of employer firms in the United States was 6,049,655 in 2007, representing 22 percent of all firms (employer plus non-employer). The Kauffman Index also differs from the Total Entrepreneurial Activity (TEA) index used in the Global Entrepreneurship Monitor. The TEA captures individuals ages eighteen to sixty-four who are involved either in the startup phase or managing a business that is less than forty-two months old (Reynolds, Bygrave, and Autio 2003). This measure of nascent entrepreneurship, therefore, includes individuals who are still in the startup phase of business creation and are not necessarily captured in the Kauffman Index because they may not be working on the new business for fifteen hours each week. In addition, the Kauffman Index captures entrepreneurs only once when they first create their businesses.

Endnotes

1. The U.S. Census Bureau notes that the definitions of nonemployers and self-employed business owners are not the same. Although most self-employed business owners are non-employees, about a million self-employed business owners are classified as employee businesses. <http://www.census.gov/econ/nonemployer/index.html>.
2. See "Kauffman Index of Entrepreneurial Activity, 1989-2009" (8 June 2010) and <http://www.kauffman.org/research-and-policy/kauffman-index-of-entrepreneurial-activity.aspx> for previous reports.
3. Estimates of annual business-creation rates would be approximately six to eight times higher. Annual rates are not twelve times higher than monthly rates because individuals can potentially start and exit from business ownership multiple times within the same year. Additionally, because of the broader definition of new business owners used in the Kauffman Index, it is not possible to directly compare the monthly statistics in the Kauffman Index with the quarterly and annual statistics of new employer businesses produced by the U.S. Census Bureau and U.S. Bureau of Labor Statistics.
4. National Bureau of Economic Research, 2010. Business Cycle Expansion and Contractions. <http://www.nber.org/cycles.html>.
5. Starting in 2009, the annual entrepreneurship rate is calculated using data from December to December. In previous years, annual entrepreneurship rates are calculated using data from January to January. See Farticle (2010) for more details.
6. For evidence of the relationship between education and entrepreneurship from a multivariate analysis that controls for other factors, see Farticle (2007): "Entrepreneurship in Silicon Valley during the Boom and Bust." University of California, Santa Cruz Working Paper at <http://econ.ucsc.edu/~farticle/papers/ucscw07.pdf>.
7. Annual estimates of state-level entrepreneurship rates are available for downloading at www.kauffman.org/kauffmanindex.
8. As there is no oversampling of metropolitan areas in the CPS, only the largest metropolitan areas have sufficient observations to calculate reasonably accurate rates of entrepreneurial activity. All MSAs reported in Table 1.1 have at least 4,600 observations.
9. The ratio of households sampled for each state ranges from one in 100 households to one in 3,000 households (Pohorac 2000).
10. See Data on Small Business, U.S. Small Business Administration, Office of Advocacy. <http://www.sba.gov/advocacy/BA912162>.



KAUFFMAN
The Foundation of Entrepreneurship

4801 ROCKHILL ROAD
KANSAS CITY, MISSOURI 64110
816-932-1000
www.kauffman.org

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Ms. LOFGREN. Completely ignoring these facts, some have tried to paint a very different picture of immigrants in America. The last hearing was particularly contentious because it pitted immigrants, both lawful and unlawful, against American minorities. Rather than focusing on the real issues that are weighing down those communities, the hearing sought to simply blame immigrants.

This week, we again seem to be pitting one group against another, placing the foreign-born against the native-born. By focusing on the foreign born writ large, my colleagues on the other side of the aisle are no longer confining their argument to the undocumented.

When we discuss the foreign born in today's hearing, we must keep in mind that 44 percent of them are U.S. citizens. An additional third are lawful permanent residents and other legal immigrants, most of whom are on track to become U.S. citizens in the near future.

By pitting the foreign born against the native born, we are largely pitting one group of citizens against another. That is a dangerous place to go.

Today's hearing comes as our country is facing its greatest economic challenge since the Great Depression. People are right to be concerned about the pace of economic recovery and high unemployment rates, but we need to focus on facts and actual solutions, not sound bites.

It is obvious to everyone that our immigration system is broken. And because the laws don't work, we are left with two entirely unsatisfactory immigration systems—the laws on the books and the reality on the ground.

We can keep ignoring that duality. My colleagues continue to argue that if we simply step up enforcement by stepping harder on the gas, we will somehow fix our broken system and cure the rest of society's problems. But let us be honest. You can't keep enforcing a broken system without doing real and lasting damage.

This Subcommittee has already covered in great detail the incredible damage that we would inflict on the American economy if we simply removed 11 million consumers, homeowners, renters, employers, and entrepreneurs from this country. We agree that we need to end illegal immigration, but we disagree on how to accomplish that.

My colleagues on the other side of the aisle think we can do that with increased enforcement and without otherwise reforming our immigration laws. I fundamentally disagree. I think the American people disagree. Enforcement without reform won't work, but it will do lasting damage to our economy.

But let us put that aside for the moment. Illegal immigration is not the only problem in our current immigration system. Our current legal immigration system should be designed to respond to the needs of our economy and American workers, but that isn't the case. And enforcement alone will not fix that.

Economic experts agree that immigration is a net positive for our country, but they also agree that it would be a much greater asset if it were designed to actually adjust to our economic needs. Right now, in spite of a massive 20 percent unemployment in construction, our legal system permits employers to bring in foreign construction workers on H-2B visas. That doesn't make any sense at all. And no amount of enforcement will fix this.

Even if we can't agree on what to do with the undocumented, we should be able to agree that H-2B visas in the construction industry should not be available when we have 20 percent unemployment in that very industry.

My colleagues have also pointed out in the last few hearings that if we simply reduce immigration, both legal and illegal, employers would be forced to pay higher wages to attract U.S. workers. But I am not sure how to reconcile that with repeated efforts on the

other side of the aisle to lower wages for legal foreign workers, which makes it easier to undercut American workers.

I must point out that it was the Bush administration that dramatically lowered wages and protections in the H-2A and H-2B programs, and it was the Obama administration that has been reversing those changes since taking office.

In any event, everyone seems to agree that we need to protect American workers. So let us focus on changes that we should all be able to agree on.

I introduced a bill in the last Congress that would have reformed the H-2B program to prevent employers from undercutting U.S. workers with H-2B workers. No one on the other side of the aisle joined me then, but perhaps we can agree to work on this bill again. I will be introducing a similar bill in this Congress.

I look forward to hearing from the witnesses today, and I yield back the balance of my time.

Mr. GALLEGLY. I thank the gentlelady.

At this time, I would yield to the Chairman of the full Committee, my friend from Texas, Mr. Smith?

Mr. SMITH. Thank you, Mr. Chairman.

There is no more important issue this Subcommittee can address than that of preserving jobs for American workers.

The threshold question is how can we best align our immigration policy with the needs of American workers? How can we best meet the needs of those workers who are unemployed or underemployed? The answer is not to keep adding to the supply of low-skilled workers during a severe recession and its aftermath.

The combined rate of joblessness and underemployment for native-born teens is over 40 percent. The rate for native workers without a high school degree over 32 percent. For native-born workers with no more than a high school degree over 20 percent.

How often do we read about the long-term unemployed or the working poor or single mothers with no mention of the serious impact of immigration on their employment, wages, and working conditions? We cannot ignore the adverse impact of mass low-skilled immigration and the lack of enforcement of our immigration laws.

At the Subcommittee's last hearing, we focused on the negative effects of cheap foreign labor on American minorities. Let me mention another group of Americans who are especially hard hit—teenagers. In June of 2000, a majority of the Nation's teens were employed. Ten years later, in June of 2010, less than 29 percent of the Nation's teens were employed.

Mr. Chairman, we need to protect the jobs and wages of struggling Americans and legal immigrants. This includes teenagers new to the workforce and seasoned workers with years of valuable experience. We should design our immigration policy so that it enhances, rather than diminishes, opportunities for American workers.

Mr. Chairman, I look forward to today's hearing and yield back.

Mr. GALLEGLY. I thank the gentleman.

The gentleman from Michigan, the Ranking Member, my good friend, Mr. Conyers.

Mr. CONYERS. Thank you, Chairman Gallegly.

I have a statement I will put in the record. But Chairman Smith raised to me the most significant question that has to guide all of us in all the Committees. What can we do to create jobs and keep wages up for all citizens in the country? And on that, Lamar, I couldn't agree with you more.

The one thing we could do here is to get the Patent and Trademark Office rolling, where the innovation that is so remarkable in the American system, functioning so that it doesn't take years to get a patent. Because many of the smaller inventors end up going out of business while waiting to get the protection that they need.

And so, the other body, I am told, has done that for the PTO, and I think we will be looking at it carefully since our Committee on Judiciary has worked together throughout the last three Congresses on putting out a bipartisan bill in that regard. So I join you with this.

But as we have had three hearings on essentially the immigrant issue, and there is a certain nagging feeling that we are, either by implication or inadvertently, pitting immigrants against American workers, non-immigrants in this examination of how we fight joblessness. And what gets mixed up in it is the fact that we further subdivide the legal immigrants from those who are foreign born and are not legal.

But the whole thing comes down as somehow the immigrants are responsible in some part for the high unemployment rate. And I hope we examine that as carefully and fairly as we can.

Because even this morning, in another Committee, there is a hearing that is quite undisguised in its objective, going right on at the same time as this one, which claims to examine the radicalization of American Muslims, and that has created quite a ruckus. And it ends up with the worst of the things that I fear may be inadvertently going on with this fourth Subcommittee hearing on immigration and unemployment.

Now we don't have direct jurisdiction over unemployment. And so, that is why all the Members will get shortly the bill that goes to the Education and Labor Committee as an answer to this problem more directly, and that is the revised Humphrey-Hawkins Act that has been introduced that creates a way of triggering Government hiring when the unemployment hits roughly over 10 percent, training and hiring for direct employment. And I would bring that to the attention of my colleagues.

With that, I will introduce the rest of my statement, and thank you, Chairman Gallegly.

[The information referred to follows:]

Prepared Statement of the Honorable John Conyers, Jr., a Representative in Congress from the State of Michigan, and Ranking Member, Committee on the Judiciary

**Statement of Ranking Member John Conyers, Jr.
Hearing on “New Jobs in Recession and Recovery”
Subcommittee on Immigration Policy
and Enforcement
March 10, 2011**

We come here today under the guise of protecting American workers. But let's be clear, we've had no action on the House floor, and no action in this committee, to actually create jobs or to help unemployed and low income Americans.

Instead, this is the fourth hearing that this subcommittee has held in which my colleagues will try to argue that immigration is the reason for widespread unemployment.

1. January 26, 2011: Hearing on “ICE Worksite Enforcement—Up to the Job?”
2. February 10, 2011: Hearing on “E-Verify —Preserving Jobs for American Workers”
3. March 1, 2011: Hearing on “Making Immigration Work for American Minorities”

Rather than looking at the much deeper issues that have lead to a weakened economy, unemployment, and continued inequities, we are trying to blame all of our problems on immigrant workers.

And today's hearing, pitting the foreign-born against the native-born, may go even further than past hearings. We know that 44% of the foreign-born are United States citizens. About another third are lawful permanent residents and legal immigrants, most of whom will soon become U.S. citizens.

Right now, the Homeland Security Committee is holding a hearing on the so-called radicalization of American Muslims. That is another divisive hearing led by our Republican colleagues that only seeks to scapegoat one group of people, pitting that group against everyone else.

This country has rightly rejected the idea that some citizens should be second-class citizens. The Civil Rights Act of 1964 prohibits discrimination based on national origin—it is right there alongside prohibitions against discrimination on the basis of race, color, religion, and sex.

Our focus should be on jobs, but instead of proposing real workable solutions, the Republican jobs plan is to simply deport 11 million people.

We do need to fix our broken immigration system, but rounding up and deporting 11 million people is not a realistic plan. And even if it were, it would further drive our economy into a ditch. These are 11 million active consumers in local economies - they buy goods, patronize local businesses, rent homes, and many pay taxes.

If my colleagues really care about American workers, they should focus on real solutions that will improve job prospects, wages, and working conditions. Yet Republicans consistently oppose programs aimed at addressing those problems-such as increasing the minimum wage, health care reform, equal pay for women, and foreclosure relief. And the Republican majority just recently passed a budget that has been estimated to destroy 700,000 jobs, while also decimating Head Start and the Pell Grants program.

In closing, I would remind my colleagues that immigrants have always played a vital role in our society and have helped to build the most dynamic economy in the world. Let us not forget the millions of jobs created by immigrants like Andy Grove of Intel and Sergey Brin of Google. Indeed, more than half of Silicon Valley startups had one or more immigrants as a key founder. Immigrants also start small businesses at two to three times the rate of US-born Americans. These small businesses create millions of other job opportunities that we cannot stand to lose.

I thank the witnesses for their participation today and look forward to their testimony.

Mr. GALLEGLY. Thank you, Mr. Conyers.

This morning, we are fortunate to have four very distinguished members of the panel as our witnesses. And for the record, each

of the witnesses' written statement will be entered into the record in its entirety.

The four witnesses come from different parts of our society, and I am anxious to hear their testimony. The first is Dr. Steven Camarota. Dr. Camarota is director of research at the Center for Immigration Studies. He has been with the center since 1996, and his area of expertise is economics and demographics.

Mr. Camarota has often testified before Congress and has written numerous published articles on the impact of immigration. He holds a Ph.D. from the University of Virginia in public policy analysis and a master's degree in political science from the University of Pennsylvania.

Our second witness is Dr. Rakesh Kochhar. He is an associate director of research at the Pew Hispanic Center. Dr. Kochhar's work at the center focuses on the labor market outcomes of Hispanic workers. His study on the wealth of Hispanic households, ownership among minorities and immigrants, and the trends in the income and employment of Latino workers have received widespread coverage in the media.

He received his bachelor's and master's degrees from the University of Delhi, India, and completed his doctoral studies in economics at Brown University.

Our third witness is Greg Serbon. He is State director of the Indiana Federation of Immigration Reform and Enforcement. He has served as a union pipefitter since 1988. Prior, he was a Teamster. He was elected as an Indiana Democratic State delegate in 2010.

And our fourth witness this morning is Dr. Heidi Shierholz. She is an economist at the Economic Policy Institute. In 2007, she previously worked as assistant professor of economics at the University of Toronto. Her areas of expertise include labor markets, economic inequality, and minimum wage. She earned her Ph.D. in economics and master's in economics from the University of Michigan.

I think we have a very distinguished panel. I look forward to your testimony. We will start with you, Dr. Camarota.

TESTIMONY OF STEVEN CAMAROTA, Ph.D., DIRECTOR OF RESEARCH, CENTER FOR IMMIGRATION STUDIES

Mr. CAMAROTA. I would like to thank the Committee for inviting me to talk about this extremely important topic.

Obviously, we talk about this topic not to pit immigrants and natives against each other but to figure out what has been the impact of past immigration so that then we can see what we might want to do in the future. That is the only really tool we have.

So when we try to think about who to allow in, what numbers, we have to look at what has been happening in the past. And then we also have to think about what has been happening if we want to decide what to do about the illegal immigrants here.

Now I would like to start my comments by pointing out something everybody knows. Everyone agrees the last recession was extremely hard on American workers. The dearth of jobs has been enormous. Unemployment, nonwork have become extremely common in a way that they haven't for basically any other period in the post war era.

But something was happening even before the current recession in the U.S. labor market that is very troubling. And my testimony will focus on what can only be described as an astonishing decline in work among native-born Americans over the last decade, not just the last few years.

The bar chart to my right here shows this extraordinary development. The green bars in the figure show the native and the immigrant share of population growth among potential workers. That is the 18- to 65-year-old population. The figures show that about a third, or 34 percent, of the increase in the number of 18- to 65-year-olds in the United States was among immigrants.

But what the bar chart on the right shows—or the figure, the bar on the right shows, the black bar, is that all of the growth in employment between 2000 and 2005 went to immigrants, even though they were only one-third of the increase in the number of potential workers. This is extraordinary.

Looking at the numbers between 2000 and 2010, the number of immigrants holding a job increased by 4.5 million, while the number of natives holding a job actually declined by 1.1 million. Even though the native-born population grew dramatically by nearly 14 million people, there were actually fewer of them working by the end of the decade.

Now all of this means that the share of native-born people holding a job has declined significantly. Again, focusing on the working-age population, 18 to 65, or we could say the adult working-age population.

What we see in the line charts here, and it is also Figure 4 in my testimony, is that the share of native-born Americans 18 to 65 holding a job declined dramatically throughout the decade. But it didn't happen for the immigrants in the same way. Their rate held roughly constant at around 70 percent, but the share of natives holding a job went from 76 percent to 69 percent, really a dramatic change.

Now the question is, is this just the recession? Is this just a statistical artifact of what has happened, say, since 2007 when the economy went into recession? But we find that, no, that is not the case.

When we look at the period between 2000 and 2007, the share of native-born Americans holding a job actually declined as well. Now that, since 2007 is a peak year, that shouldn't have happened if we compare it to a peak year of 2000. Now, among immigrants, the share holding a job actually went up, and I have the figures in my report.

So, basically, we are at a situation where the share of working-age Americans who hold a job is now at historic lows, and the number not working is at historic highs.

If we wish for the share of native-born Americans to get back to where it was in, say, 2000, we would need to add 12 million new jobs for the native born. And the situation is actually much worse for those with relatively little education. And again, starkly, their labor force participation was actually lower in 2007 than it was in 2000, quite a bit lower, and it is in Figure 7 of my report.

And we see that for Americans without a high school education. We see that for Americans who have only a high school education, and we see it for American-born teenagers.

Now let me add something about the decline in teenagers' work. It is very troubling, and it is long term. And it is troubling because there is a lot of research showing you need to work as a teen often to develop the skills necessary to hold a job gainfully later in life.

Now there are a number of studies that have found that immigration has reduced labor market opportunities for the native born. A 2006 study published by the National Bureau of Economic Research by Borjas, Grogger, and Hagan, showed that—I should say Hanson—showed that immigration declined for about 20 to 60 percent—I am sorry, 25 percent of the work among less-educated Black men.

A 2010 paper by Federal economist Christopher Smith suggested a third or half of the decline in teenage work is due to immigration. And another study by Andrew Sum, not the one that you were talking about before—this is a 2006 study, it is available at our Web site—also found, using multivariate analysis, immigration has a very significant negative impact on workers under the age particularly of 25 who don't have a lot of education.

Now, given the abysmal labor market situation for American workers, it is very difficult to justify the continued high level of legal unskilled immigration and allowing all the illegal immigrants to stay in the country. Now, obviously, there are many things to consider. But given this situation and given a reasonable amount of evidence that immigration is hurting the least educated in particular, we might want to consider our current course of action.

Thank you.

[The prepared statement of Mr. Camarota follows:]

**Immigrant Gains and Native Losses in
the U.S. Job Market, 2000 to 2010**

**Testimony Prepared for House Judiciary,
Subcommittee on Immigration, Border Security,
and Claims
United States Congress
March 10, 2011**

By Steven A. Camarota
Director of Research
Center for Immigration Studies
1522 K St. NW, Suite 820
Washington, DC 20005
(202) 466-8185
fax: (202) 466-8076
sac@cis.org
www.cis.org

Despite an abysmal jobs picture, Census Bureau data collected in 2010 show that the decade just completed may have been the highest for immigration in our nation's history, with more than 13 million new immigrants (legal and illegal) arriving. What happened during the last decade in terms of employment of native-born Americans is astounding. Even though native-born Americans accounted for the overwhelming majority of growth in the adult working-age population (18 to 65), all of the net gain in employment went to immigrants. It may not be too surprising that over a short period like one quarter or even a year. But it is remarkable that over a 10-year period (2000 to 2010) all the net increase in jobs went to immigrants.

In 2008 and 2009, 2.4 million new immigrants (legal and illegal) settled in the United States, even though 8.2 million jobs were lost over the same period.¹

Immigrants come to America for many reasons. As a result, the overall level of new immigration can remain high even in the face of massive job losses.

Immigrants accounted for just 34 percent of the growth in the working age population (18 to 65) between 2000 and 2010, but 100 percent of the net increase in jobs went to immigrants during the entire decade.

The growth in the native-born working-age population, coupled with their decline in the number working, created a dramatic decline in share of natives holding a job during the decades — from 76 percent in 2000 to 69 percent in 2010.

While the share of working-age natives holding jobs fell dramatically during the decade, the share of working-age immigrants holding jobs remained roughly constant at 70 percent.

Less-educated natives have been especially hard hit. The share of working-age native-born high school dropouts holding a job fell from 52 percent in 2000 to 41 percent in 2010. For those native with only a high school education, the share working fell from 74 percent to 65 percent.

A significant share of the decline in work among natives is attributable to the current recession. However, the share of natives working was declining even before the current recession began.

If past patterns hold, employment levels will recover for the native-born, but they will not return to pre-recession levels, while those of immigrants will.

For the native employment rate to reach the 2000 level, it would require 12 million new jobs.

¹ The arrival data is from the public use file of the 2010 March Current Population Survey. The employment data is from the Bureau of Labor Statistics' survey of employers.

Introduction

My testimony will focus on two issues, first I will discuss the extraordinary developments in the U.S. labor market over the last decade, whereby all or almost all of the net growth in jobs went to immigrants. Second, I will discuss some of the newest research showing that immigrants are displacing native-born workers, particularly less-educated workers. I will not discuss other ways immigration can impact natives, such as their potential effect on wages or benefits.

In the discussion that follows I use the words immigrant and foreign-born synonymously. Following the Census Bureau definition, immigrants or the foreign-born are persons who were not U.S. citizens at birth. This includes naturalized U.S. citizens, legal immigrants (green card holders), illegal immigrants (those in the country without authorization), and those on temporary visas. We also use the terms native and native-born to mean persons who are U.S. citizens at birth. This includes those born in the United States, those born abroad of American parents, and persons born in outlying territories of the United States, such as Puerto Rico.

All of these individuals are included in decennial Census data and government surveys such as the Current Population Survey (CPS), which is the nation's primary source of information on the U.S. labor force. Unless otherwise indicated, all the data cited in my testimony is from the CPS. The figures at the end of my testimony are based on a quarterly analysis of the public-use CPS from the first quarter of 2000 to the second quarter of 2010. The CPS is extremely useful for looking at the labor force because it distinguishes immigrants and native-born Americans.

Immigrant Gains and Native Losses

The grey bars in Figure 1 at the end of this testimony report the growth in the adult working-age population — 18 to 65 years of age. (Figure 1 and all subsequent figures discussed in this testimony are included at the end of the document.) The vast majority of workers in the United States fall into the 18- to 65-year-old age group. Therefore, the total 18- to 65-year-old population represents the total number of potential adult workers in the country. Figure 1 shows the total working-age population in the United States increased by 20.4 million between the first quarter of 2000 and the second quarter of 2010. Put a different way, there were 20.4 million more potential adult workers in 2010 than in 2000. The figure also shows that immigrants accounted for 6.9 million of the increase in the number of potential adult workers, while natives accounted for 13.5 million of this increase. Thus, both the immigrant and native-born adult working-age population grew, but the number of potential native-born workers grew twice as much as the number of potential immigrant workers.

Despite natives accounting for most of the growth in the number of potential workers, Figure 1 shows that all of the net gain in employment went to immigrant workers. The black bars in the figure show the change in the number of 18- to 65-year-olds actually holding a job. The bars show that in 2010 there were 4.5 million more immigrants holding jobs than was the case in 2000. But among natives something extraordinary happened. The figure indicates that, although the number of potential native-born workers increased by 13.5 million, the number of those actually working fell by 1.1 million. This means that to the extent there was any increase

in the number of people working in the United States in the last decade, all of that increase went to immigrants.²

Figure 2 shows the same basic information as Figure 1, except the trends in immigrant and native employment are represented proportionally. The grey bars in Figure 2 show the immigrant and native shares of population growth among those of working age. Thus, the 6.9 million increase in the number of working-age immigrants accounted for 34 percent of the total increase in this population. The 13.5 million increase in the size of the native-born working-age population accounted for 66 percent of the total increase in working age population. Yet Figure 2 shows that all of the net gain in employment during the decade went to immigrant workers. Since natives accounted for two-thirds of the growth in the number of potential workers, it would be expected that they would account for something like two-thirds of the increase in the number of actual workers. But this is not the case. Natives account for none of the net increase in the number of workers. Natives actually lost jobs, despite accounting for most of the net increase in the number of potential workers.

Some who do not know demography might mistakenly think that natives accounted for none of the growth in employment during the decade because the working-age (18 to 65) native-born population is not growing. But Figures 1 and 2 make clear that the working-age native population is growing significantly. In fact, numerically it is growing much faster than the foreign-born population. As we have seen, two-thirds of the increase in the number of potential workers during the past decade was among natives. But they did not get any of the net increase in jobs.

² It should be noted that the survey of employers that is reported by the Bureau of Labor Statistics shows no net job growth for the decade. Immigrants cannot be distinguished in the employer survey. The CPS, which is a survey of households, is the basis for the figures found at the end of this report.

Figure 3 shows the total number of foreign-born and native-born workers in 2000 and 2010. The figure shows that from 2000 to 2010 the number of immigrants working increased from 17 to 21.5 million — a 4.5 million increase. In contrast, the number of natives holding a job fell from 112.5 to 11.4 million — a 1.1 million decline. Taken together Figures 1, 2, and 3 have important consequences for the share of native working, which are reported in Figure 4.

Figure 4 shows a dramatic decline in the share of adult working-age natives holding a job. In 2000, 76 percent of 18- to 65-year-old natives held a job; by the middle of 2010, it was just 69 percent. This represents a massive decline in work. In contrast, the immigrant population experienced no such decline. The share of working-age immigrants holding a job fell only slightly from 71 to 70 percent. A much smaller fraction of natives worked in 2010 than worked in 2000. But among immigrants the share working held relatively constant. If the findings in Figure 4 were only due to the recession, native and immigrants should have experienced roughly similar declines in work. This is not the case. For what ever reason, native employment fell dramatically while immigrant employment did not.

It should be noted that the total size of the native-born 18- to 65-year-old population averaged 155 million during the decade just completed and stood at 162 million in 2010. Thus, each 1 percent decline in the share holding a job represents roughly 1.5 to 1.6 million fewer natives working. A decline from 76 to 69 percent in the share of working age native holding a job affects at least 10 million natives. This means that if the native employment rate had held roughly constant, more than 10 million native born workers should have been employed in 2010. This is a huge number and suggests that natives clearly lost out in the labor market during the last decade. This decline in native work can only be described as massive. But what is most

striking is that there is not a parallel decline among immigrants. Their employment growth has roughly kept up with their population growth.

Is it the recession?

There are of course many ways to look at data. When we compare 2000 to 2010, we get the results found in Figures 1 through 4. If we examine the data by year before the recession of the late-2000s, also sometimes referred to as the “Great Recession,” we get the results shown in Figure 5. The figure shows the share of population growth accounted for by immigrants and their share of job growth for each year 2000 to 2007. The Great Recession began at the end of 2007. Figure 5 shows that the share of job growth that went to immigrants was disproportionately large compared to their share of population growth in six of the eight years before the most recent recession. That is, the share of job growth that went to immigrants was larger than their share of population growth in most years before the recession. For example, immigrants accounted for 32 percent of population growth among those of working age in 2001, yet 75 of the net growth in jobs went to immigrants. In 2002 they were 34 percent of population growth and 98 percent of the net increase in employment for that year went to immigrants. Only in 2000 did the immigrant share of new jobs fall sharply below their share of population growth. Also, in 2003, immigrants got a share of new jobs in rough proportion to their share of job growth. In all the other years, the share of job growth that went to immigrant was much higher than their share of employment growth.

Figure 5 makes clear that immigrants gained a disproportionate share of jobs even before the current steep economic downturn that began in 2007. However, the results are not as stark as those in Figures 1 through 4. Natives did receive a disproportionately low share of jobs relative

to their share of population growth, but they still gained jobs. This is an indication that the recession explains some of the startling results in Figures 1 through 4.

If we look at the entire period from the first quarter of 2000 to third quarter of 2007 (the recession began in the fourth quarter of 2007), we find that 57 percent of the net growth in jobs for 18- to 65-year-olds went to immigrants, while they accounted for 40 percent of population growth. Again, a disproportionate share of jobs went to immigrants.

We can also look at the employment rate of natives by quarter. Figure 6 reports the share of working-age natives and immigrants holding a job for each quarter from 2000 to the third quarter of 2007, which was the peak before the Great Recession began. Employment rates are in part cyclical. They rise and fall with the economy. But what Figure 6 shows is that, as expected, the share of both natives and natives working declined during the 2001 recession and then there was a recovery for both groups. However, the employment rate of natives never made it back up to where it was in 2000, even when the economy recovered. For immigrants on the other hand, the employment rate was actually higher in 2006 and 2007 than it had been at the start of the decade. Native employment was two percentage points lower in 2007 than in 2000, while immigrant employment was three percentage points higher. If the same pattern holds after this recession, immigrant employment will return to pre-recession levels, while the native employment rate, when it recovers, will not make it back to where it was in 2007 during the last peak let alone back to 2000 levels. If we did wish to make it back to 2000 level it would require a net gain in jobs of 12 just for natives. This figure does not include population growth that will occur in the future or the millions of new immigrant workers who will arrive in coming years, assuming no change in immigration policy.

Less-Educated Workers

So far we have looked at all native-born workers. But the situation is actually much worse for those with relatively little education. Adults who have not graduated high school or who have only a high school education are the ones most likely to compete for jobs with illegal immigrants. There is large body of research showing that illegal immigrants are employed at the bottom end of the labor force in occupations requiring modest levels of formal education. My own research indicates that roughly three-fourths of illegal immigrants have no education beyond high school.³ The Pew Hispanic Center has estimated a similar percentage.⁴ Thus it is the least-educated natives who are most likely to be impacted by competition with illegal immigrants.

Figure 7 reports the share of working-age natives without a high school education holding a job and the same information for natives with only a high school education. These two groups together will be referred to as the “less-educated” population for the remainder of this testimony. The figures show that in 2000 the share of natives without a high school diploma holding a job declined from 2000 to 2007 by four percentage points. The share of those with only a high school education, and no additional school, also declined by four percentage points. The third quarter of 2007 represents a peak in the post-2001 expansion. But a smaller fraction of less-educated natives were working in 2007 than in 2000. By 2010, the deterioration for both groups is dramatic. Just 41 percent of native-born high school dropouts were working. The share of natives with only a high school degree working declined from roughly three-fourths in

³ Steven A. Camarota, “Immigrants in the United States, 2007: A Profile of America’s Foreign-Born Population,” Center for Immigration Studies *Backgrounders*, http://www.cis.org/immigrants_profile_2007.

⁴ Jeffrey S. Passel and D’Vera Cohn, “A Portrait of Unauthorized Immigrants in the United States,” Pew Hispanic Center, 2009, <http://pewhispanic.org/files/reports/107.pdf>.

2000 to two-thirds by 2010. Figure 7, when compared to Figure 4, shows that less-educated natives have fare even worse in the labor market than natives generally.

By the middle of 2010 there were 26.6 million working-age less-educated natives not employed. That is, they were unemployed or were not even in the labor force. This represents a 5.6 million increase from 2000 and a 4.6 million increase since the third quarter of 2007. It is very difficult to make the case, based on these numbers, that the country has a shortage of less-educated workers.

Teenagers (16 to 19) are another population that has fared very poorly recently. Summer has traditionally been when most teenagers worked. In a recent study we found that even before the current recession, the summer labor force participation of U.S.-born teenagers was deteriorating. Between the summers of 1994 and 2000, a period of significant economic expansion, the labor force participation of U.S.-born teens actually declined from 64 percent to 61 percent. After 2000, the summer labor force participation of U.S.-born teenagers declined from 61 percent to 48 percent by 2007. Thus, even before the current recession fewer teens were in the labor force.⁵

This decline in work is especially troubling for teens because there is a growing body of literature showing that those who do not work as teenagers have more difficulty working later in life. It seems that one needs to learn the skills and habits necessary to function in the world of work at a young age. Because it is more difficult to learn these skills later in life, those who do not work as teenagers are at a significant disadvantage in the labor market as they grow older.

⁵ Steven A. Camarota, Karen Jensenius, "A Drought of Summer Jobs: Immigration and the Long-Term Decline in Employment Among U.S.-Born Teenagers," Center for Immigration Studies *Backgrounders*, <http://www.cis.org/articles/2010/teen-study.pdf>.

Recent Research

There is simply no question that the first decade of this century was very bad for the employment of native-born workers, particularly the less-educated. In fact, less-educated natives had been doing poorly in the labor market for a long time. While most economists would agree that immigration has played some role in reducing wages or employment among natives, there is debate about how much immigration reduces labor market opportunities for less-educated natives. Andrew Sum and his colleagues at Northeastern University have been among those who have raised concerns about the impact of immigration on U.S.-born workers. Using multivariate statistical analysis, they found that the probability of teens and young adults (20-24) being employed was negatively affected by the number of new immigrant workers (legal and illegal) in their state. The negative impacts tended to be larger for younger workers, for in-school youth compared to out-of-school youth, and for native-born black and Hispanic males compared to their white counterparts.⁶ A 2006 National Bureau of Economic Research report, by Borjas, Grogger, and Hanson found that immigration explained 20 to 60 percent of the decline wages for low-skilled black men and 25 percent of the decline in employment. Based on the figures in the report, this means immigration reduced their employment by eight percentage points.⁷

A 2010 paper by D.C. Federal Reserve economist Christopher Smith concludes that immigration has considerably reduced youth employment rates. Findings in the report indicate that immigration reduced the employment rate of native-born teenagers by seven percentage

⁶ Andrew Sum, Paul Harrington, and Ishwar Khatriwada, "The Impact of New Immigrants on Young Native-Born Workers, 2000-2005," Center for Immigration Studies *Background*, <http://www.cis.org/articles/2006/back806.html>.

⁷ George J. Borjas, Jeffrey Grogger, and Gordon H. Hanson, "Immigration and African-American Employment Opportunities: The Response of Wages, Employment and Incarceration to Labor Market Shocks," Working Paper #12518, National Bureau of Economic Research, www.nber.org/papers/w12518.

points.⁸ These results are similar to a 2010 report published by myself and Karen Jensenius. Our research indicates that immigration accounted for from one-third to one-half of the decline in summer employment among native-born teenagers between 1994 and 2007.

Conclusion

In this testimony I have focused on jobs. There are other possible ways of measuring the impact of immigration on native-born workers, such as looking at wages or benefits. But given the current recession, it seems appropriate to focus on employment. The trends over the last decade of immigrant employment gains and native losses are both stark and startling. First, the number of working-age adult natives increased significantly, but the number actually holding a job was lower in 2010 than in 2000. Most importantly, the share of working-age natives holding a job declined from 76 percent in 2000 to 69 percent in 2010. Second, the decline in work has been particularly pronounced for the less-educated and teenagers. The share of working-age adult natives without a high school education holding a job went from 52 percent in 2000 to 41 percent in 2010. For natives with only a high school education there was a decline from 74 percent to 65 percent over this same period. Third, immigrants fared better over the course of the decade than natives. The number holding a job increased and the share holding a job held roughly the same. Because of the divergent trends, all of the job growth in the last decade went to immigrants.

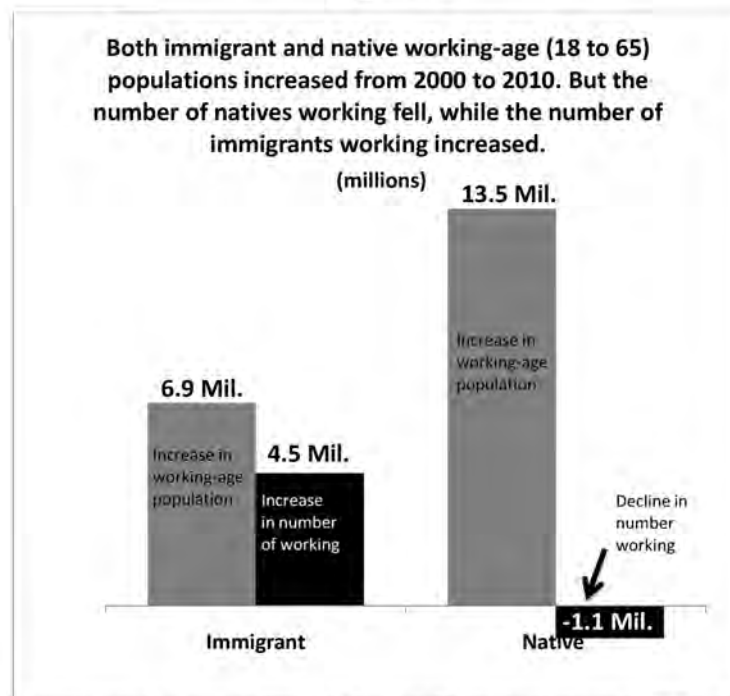
While the above facts are not in dispute, there is debate about their meaning. Did immigrants displace natives? There is certainly research indicating that immigration is adversely impacting the employment of some native-born Americans. But other factors likely matter as

⁸ See Christopher L. Smith, "The Impact of Low-Skilled Immigration on the Youth Labor Market," Finance and Economics Discussion Series, Divisions of Research & Statistics and Monetary Affairs, Federal Reserve Board, Washington, D.C., <http://www.federalreserve.gov/Pubs/Feds/2010/201003/201003pap.pdf>.

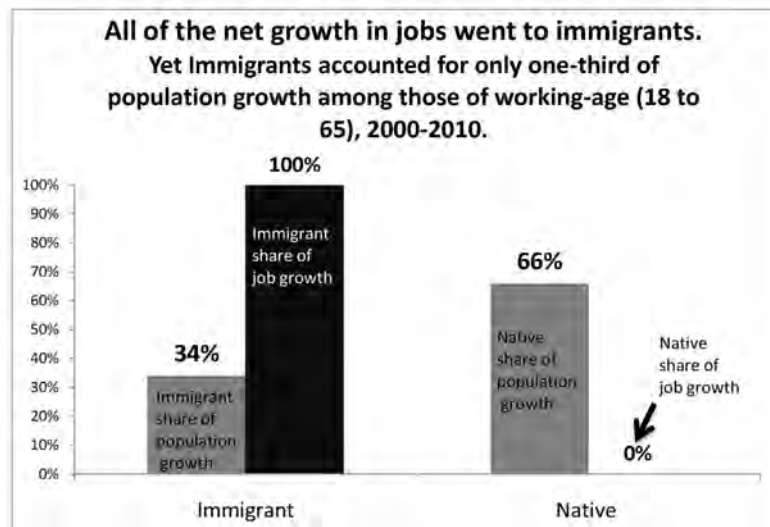
well. There is also no question that the current economic downturn explains some of the results discussed above. But work among native-born Americans has been in decline for some time. For example, the share of working-age adult natives without a high school education working was 48 percent in 2007 at the peak of the last expansion. This is much lower than the 54 percent in 2000 at the peak of the prior expansion. The same pattern exists for those with only a high school education. The share of less-educated natives holding a job was in decline even before the current economic downturn.

Given the abysmal labor market for American workers generally and less-educated workers in particular, it is very difficult to argue that there is shortage of workers in this country. Tolerating the presence of illegal immigrants and allowing legal immigration to run at or near record levels is difficult to justify if one is concerned about the employment of native-born Americans and legal immigrants already here.

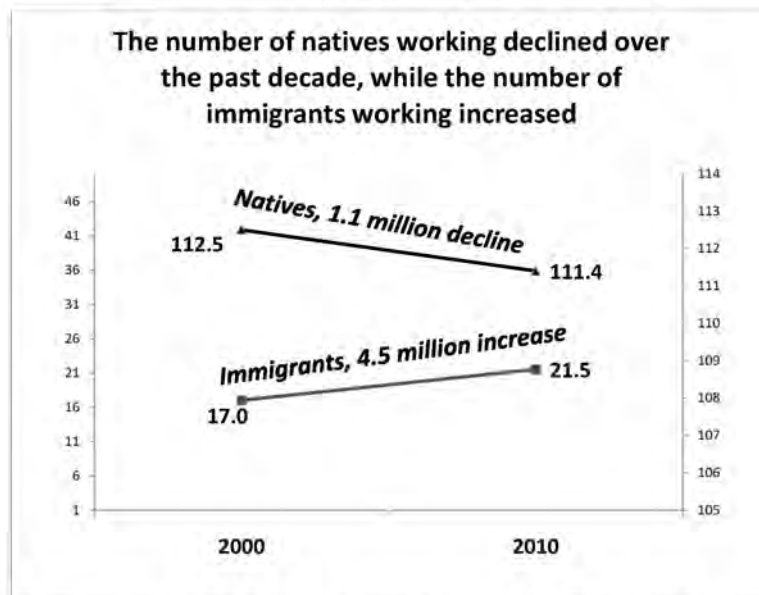
Of course, there are many factors to consider when thinking about immigration. For example, the immigrants themselves benefit greatly by coming to our country. But it does seem clear that in the current situation, we need a national debate about whether to allow illegal immigrants to stay. We also need a debate about whether the current high level of legal immigration makes sense. My hope would be that today's hearing will start such a debate.

Figure 1

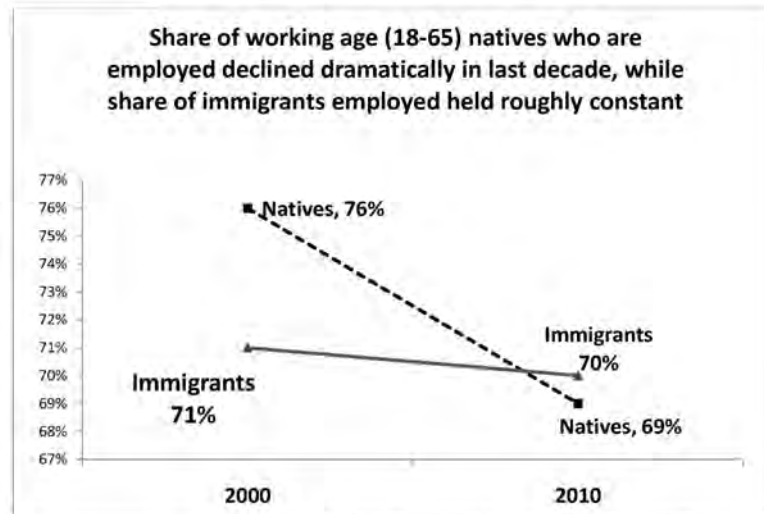
Figures compare first quarter of 2000 to 2nd quarter of 2010 using the Current Population Survey.

Figure 2

Figures compare first quarter of 2000 to 2nd quarter of 2010 using the Current Population Survey.

Figure 3

Figures compare first quarter of 2000 to 2nd quarter of 2010 using the Current Population Survey.

Figure 4

Figures compare first quarter of 2000 to 2nd quarter of 2010 using the Current Population Survey.

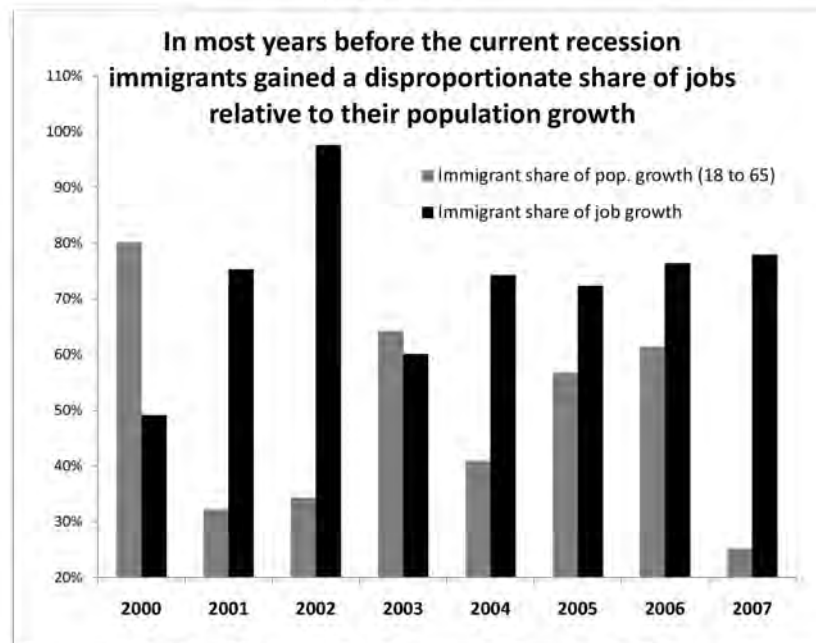
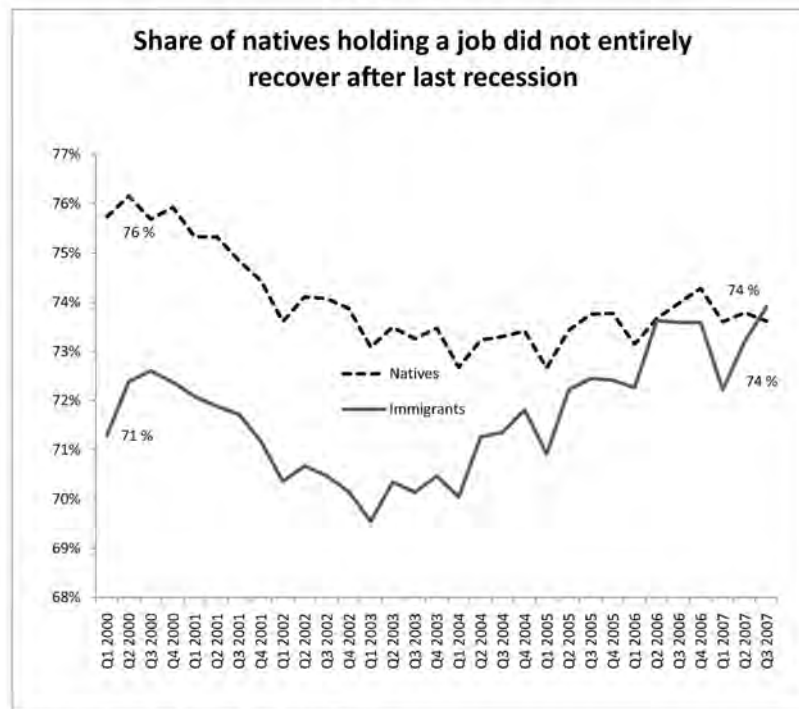
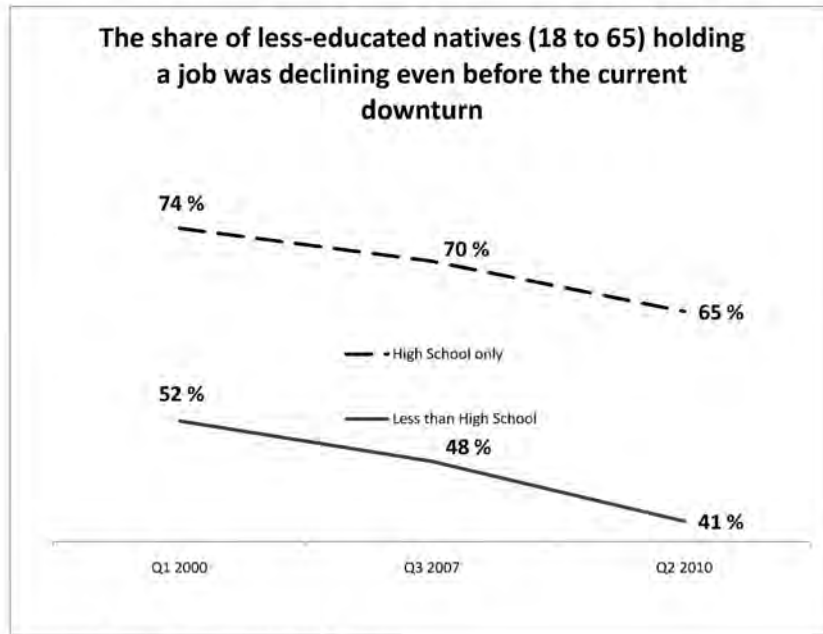
Figure 5

Figure compare the first and last quarter of each year using the Current Population Survey.

Figure 6

Figures are from the Current Population Survey.

Figure 7

Figures are from the Current Population Survey.

Mr. GALLEGLY. Thank you, Mr. Camarota.

And I appreciate you recognizing the light. We really have a lot of folks who want to ask questions and a limited amount of time. And any additional statement you have will be made part of the record of the hearing. Dr. Kochhar?

And please pronounce your name for me. I know I am not doing it right.

**TESTIMONY OF RAKESH KOCHHAR, Ph.D., ASSOCIATE
DIRECTOR FOR RESEARCH, PEW HISPANIC CENTER**

Mr. KOCHHAR. No, you are doing great. The trouble is my name has two sounds that don't exist in English. So you are doing great.

So, Chairman Gallegly, Ranking Member Lofgren, and Members of the Committee, thank you for the invitation to testify at this hearing.

I am here today as the principal author of a report the Pew Hispanic Center released in October 2010, entitled "After the Great Recession: Foreign Born Gain Jobs; Native Born Lose Jobs." My testimony summarizes and updates some of the key findings of our report. The Pew Hispanic Center, a project of the Pew Research Center, does not take positions on policy issues.

The 2010 report focused on the period from the second quarter of 2008 to the second quarter of 2009, when most of the job losses during the great recession occurred, and the period from the second quarter of 2009 to the second quarter of 2010, the first year of recovery from the recession.

We found that in the year following the official end of the recession, in June 2009, immigrant workers, who make up about 16 percent of the labor force, gained 656,000 jobs while native-born workers lost 1.2 million. As a result, the unemployment rate for immigrant workers fell from 9.3 to 8.7 percent, while for native-born workers, it rose from 9.2 to 9.7 percent.

Now, because 5 months have passed since the release of our report, I have taken this opportunity to update the results through the fourth quarter of 2010. The updated results show that the economic recovery is now offering more widespread job opportunities for both native-born and foreign-born workers.

More specifically, in the 1-year period from the fourth quarter of 2009 to the fourth quarter of 2010, immigrants gained 657,000 jobs and native-born workers gained 685,000 jobs. The unemployment rate dropped for both groups during this period. For immigrants, it fell from 10.1 to 9.9 percent, and for the native born, it decreased from 9.5 to 9.0 percent.

The fourth quarter of 2010 is the first period since the middle of 2008 that native-born workers have experienced positive jobs growth. For immigrants, the fourth quarter of 2010 marks the third successive period of jobs growth. Thus, the economic recovery now appears to be benefiting all workers, although the gains to native born have been a bit later in coming.

But the jobs recovery has been far from complete for either group of workers. From the beginning of the recession in the fourth quarter of 2007 to the fourth quarter of 2010, native-born workers have lost 6.1 million jobs, and foreign-born workers lost 262,000 jobs. The unemployment rate for the native born is up from 4.6 to 9 percent, and for immigrants, it is up from 4.5 to 9.9 percent.

The reasons that the initial stage of the recovery has proceeded differently for native-born and foreign-born workers are not entirely clear. I will summarize some possible reasons and expand on each later in response to questions that you may have.

One factor might be greater flexibility on the part of immigrants. Research by others suggests that immigrants are more mobile than

native-born workers, moving more fluidly across regions, industries, and occupations.

But the flip side of flexibility can be jobs instability and a loss in earnings. And we have observed some of that happening.

Another reason might be that we are simply observing the greater volatility that typifies the employment patterns of immigrants. That means they are subject to greater extremes, both good and bad, registering sharper losses in the early stages of recessions but rebounding quicker in the recovery.

The downward trajectory of job losses during this recession was steeper for immigrants, and now they are seemingly on a steeper climb out of the recession.

Demographic changes, both short term and long term, might also be a factor. The ebb and flow of immigration is sensitive to the business cycle, with economic expansions tending to boost inflows. A recent report from the Pew Hispanic Center found that the number of unauthorized immigrants in the United States fell during the recession, but that the decline seems to have stopped during the economic recovery.

As economic volatility diminishes, longer-term demographic trends are more likely to reassert themselves in the jobs market. The immigrant share of the U.S. working-age population has been on the rise for several decades.

Because the immigrant population has been growing faster than the native-born population, the number of immigrants in the labor force and the number employed have tended to rise faster than for the native born. The observed pattern during the current recovery is consistent with the long-run demographic trend.

Thank you.

[The prepared statement of Mr. Kochhar follows:]

Written testimony submitted to
The Judiciary Subcommittee on Immigration Policy and Enforcement

Title of the Hearing:

New Jobs in Recession and Recovery:
Who Are Getting Them and Who Are Not

Submitted by:

Rakesh Kochhar
Associate Director for Research
Pew Hispanic Center

March 10, 2011

Chairman Gallegly, Ranking Member Lofgren and members of the Committee, thank you for the invitation to testify at this hearing on jobs in the recession and recovery. I am appearing before you today as the principal author of a report the Pew Hispanic Center released in October 2010 entitled "After the Great Recession: Foreign Born Gain Jobs; Native Born Lose Jobs." My testimony today summarizes and updates some of the key findings of our report. The Pew Hispanic Center, a project of the Pew Research Center, does not take positions on policy issues.

The 2010 report focused on the period from the second quarter of 2008 to the second quarter of 2009, when most of the job losses during the Great Recession occurred, and the period from the second quarter of 2009 to the second quarter of 2010, the first year of recovery from the recession. We found that in the year following the official end of the recession in June 2009, foreign-born workers, who make up 15.7% of the labor force, gained 656,000 jobs while native-born workers lost 1.2 million. As a result, the unemployment rate for immigrant workers fell 0.6 percentage points during this period (from 9.3% to 8.7%), while for native-born workers it rose 0.5 percentage points (from 9.2% to 9.7%).

Because five months have passed since the release of our report, I have taken this opportunity to update our results through the fourth quarter of 2010. The updated results show that the economic recovery is now offering more widespread job opportunities for both native-born and foreign-born workers.

More specifically, in the one year period from the fourth quarter of 2009 to the fourth quarter of 2010, foreign-born workers gained 657,000 jobs and native-born workers gained 685,000 jobs. The unemployment rate dropped for both groups during this period. For immigrant workers it fell 0.2 percentage points (from 10.1% to 9.9%) and for native-born workers it decreased by about 0.5 percentage points (from 9.5% to 9.0%).

The fourth quarter of 2010 is the first period since the middle of 2008 that native-born workers have experienced positive jobs growth (growth being measured as the change over the same quarter in the previous year). For foreign-born workers, the fourth quarter of 2010 marks the third successive period of jobs growth. Thus, the economic recovery now appears to be benefiting all workers, although the gains to native-born workers have been a bit later in coming.

But the jobs recovery has been far from complete for either group of workers. From the beginning of the recession in the fourth quarter of 2007 to the fourth quarter of 2010, native-born workers lost 6.1 million jobs, a drop of 4.9%, and foreign-born workers lost 262,000 jobs, or a drop of 1.2%. The unemployment rate for native-born workers is up from 4.6% to 9.0% and for immigrants it is up from 4.5% to 9.9%.

The reasons that the initial stage of the economic recovery has proceeded differently for native-born and foreign-born workers are not entirely clear. One factor might be greater flexibility on the part of immigrants. Research by others suggests that immigrants are more mobile than native-born workers, moving more fluidly across regions, industries and occupations. The flip side of flexibility can be jobs instability and a loss in earnings. Our own (unpublished) research finds that immigrants are more likely to exit from and enter into employment on a month-to-month basis. Our October 2010 report also noted a sharper decline in earnings for immigrant workers from mid-2009 to mid-2010. Our review of the data for the final two quarters of 2010 suggests that this differential persisted through the end of last year.

Another reason that immigrants found greater success in regaining jobs at the start of the recovery might simply be that their employment patterns are more volatile over the business cycle. Statistically, that means they are subject to greater extremes—both good and bad. In other words, immigrants register sharper losses in the early stages of recessions but rebound quicker in the recovery. That pattern played out in the 2001 recession and recovery, and it appears to be repeating now. The downward trajectory of job losses during the recession was steeper for immigrants and now they are seemingly on a steeper climb out of the recession.

Demographic changes, both short term and long term, might also be a factor in determining employment trends in the recession and recovery. The ebb and flow of immigration is sensitive to the business cycle, with economic expansions tending to boost inflows. A February 2011 report from the Pew Hispanic Center estimated that, coincidental with the economic downturn, the number of unauthorized immigrants in the U.S. labor force fell from 8.4 million in March 2007 to 7.8 million in March 2009. As of March 2010 there were 8.0 million unauthorized immigrants in the U.S. labor. Thus, it appears that the decline in the number of unauthorized workers in the U.S. has stopped.

As economic volatility diminishes, longer-term demographic trends are more likely to reassert themselves in the jobs market. The immigrant share of the U.S. working-age population (ages 16 and older) has been on the rise for several decades, especially since 1990. Slightly more than 15% of the working-age population is foreign born, up from a little less than 10% in 1995. Because the foreign-born working-age population has been growing faster than the native-born population, the number of immigrants in the labor force and the number employed have tended to rise faster than for the native born. The pattern during the current recovery is consistent with the long-run demographic trend—from the fourth quarter of 2009 to the fourth quarter of 2010, the foreign born labor force increased by 668,000, while the native-born labor force increased by 146,000.

Citations for Pew Hispanic Center reports referenced in the written testimony:

Kochhar, Rakesh, C. Soledad Espinoza and Rebecca Hinze-Pifer. "After the Great Recession: Foreign Born Gain Jobs; Native Born Lose Jobs," Pew Hispanic Center, Washington, D.C. (October 29, 2010).

<http://pewhispanic.org/reports/report.php?ReportID=129>

Passel, Jeffrey S. and D'Vera Cohn. "Unauthorized Immigrant Population: National and State Trends, 2010," Pew Hispanic Center, Washington, D.C. (February 1, 2011).

<http://pewhispanic.org/reports/report.php?ReportID=133>

Supplementary Figures and Tables for
written testimony submitted to
The Judiciary Subcommittee on Immigration Policy and Enforcement

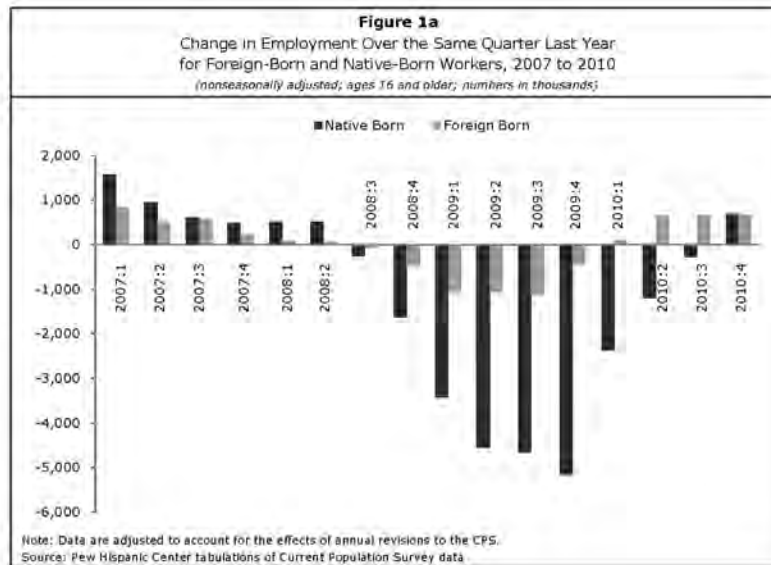
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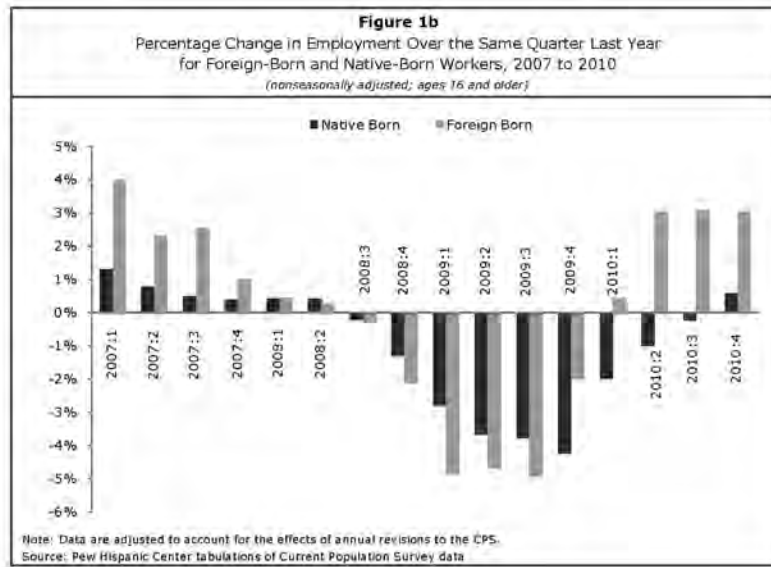
New Jobs in Recession and Recovery:
Who Are Getting Them and Who Are Not

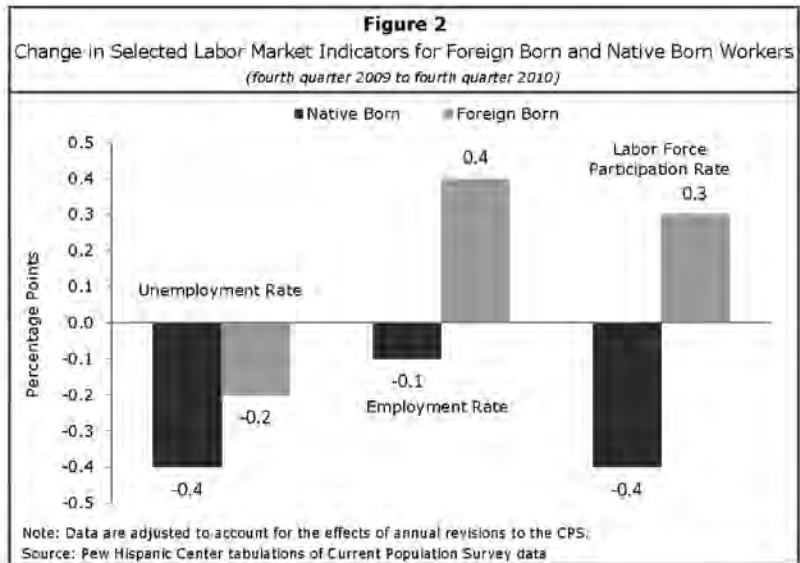
Submitted by:

Rakesh Kochhar
Associate Director for Research
Pew Hispanic Center

March 10, 2011







	YEAR AND QUARTER				CHANGE		
	2007:4	2008:4	2009:4	2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4
All Workers							
Population	231,604	234,089	236,436	238,668	2,485	2,346	2,233
Labor Force	153,289	154,302	153,141	153,955	1,013	-1,160	814
Labor Force Participation Rate (%)	66.2	65.9	64.8	64.5	-0.3	-1.1	-0.3
Employment	146,192	144,088	138,484	139,626	-2,104	-5,604	1,142
Employment Rate (%)	63.1	61.6	58.6	58.6	-1.6	-3.0	0.0
Unemployment	7,088	10,207	14,657	14,129	3,120	4,450	-528
Unemployment Rate (%)	4.6	6.6	9.6	9.2	2.0	3.0	-0.4
All Native Born							
Population	197,035	199,053	200,886	202,279	2,018	1,833	1,393
Labor Force	129,656	130,626	129,067	129,213	969	-1,558	146
Labor Force Participation Rate (%)	65.8	65.6	64.2	63.9	-0.2	-1.4	-0.4
Employment	123,637	122,013	116,848	117,533	-1,624	-5,165	685
Employment Rate (%)	62.7	61.3	58.2	58.1	-1.5	-3.1	-0.1
Unemployment	6,017	8,612	12,222	11,680	2,595	3,610	-542
Unemployment Rate (%)	4.6	6.6	9.5	9.0	2.0	2.9	-0.4
All Foreign Born							
Population	34,569	35,037	35,550	36,390	467	513	840
Labor Force	23,632	23,676	24,074	24,742	44	398	668
Labor Force Participation Rate (%)	68.4	67.6	67.7	68.0	-0.8	0.1	0.3
Employment	21,554	22,075	21,636	22,293	-479	-439	657
Employment Rate (%)	65.2	63.8	60.9	61.3	-2.2	-2.1	0.4
Unemployment	1,071	1,596	2,435	2,449	524	840	14
Unemployment Rate (%)	4.5	6.7	10.1	9.9	2.2	3.4	-0.2

Note: All numbers and percentages are rounded; after-year-to-year changes or shares have been computed. Data are adjusted to account for the effects of
should be noted to the CPS.

Source: Pew Hispanic Center; (Projections of Current Population Survey) data.

	YEAR AND QUARTER				CHANGE		
	2007:4	2008:4	2009:4	2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4
Hispanics							
Population	31,034	32,057	33,075	34,092	1,024	1,018	1,016
Labor Force	21,349	21,819	22,476	22,994	470	657	518
Labor Force Participation Rate (%)	68.8	68.1	68.0	67.4	-0.7	-0.1	-0.5
Employment	20,089	19,900	19,651	20,094	-188	-249	443
Employment Rate (%)	64.7	62.1	59.4	58.9	-2.7	-2.7	-0.5
Unemployment	1,253	1,914	2,824	2,900	661	910	76
Unemployment Rate (%)	5.9	8.8	12.6	12.6	2.9	3.8	0.0
Native-Born Hispanics							
Population	14,623	15,561	16,110	16,785	938	549	675
Labor Force	9,699	10,243	10,382	10,702	544	139	320
Labor Force Participation Rate (%)	66.3	65.8	64.4	63.8	-0.4	-1.4	-0.7
Employment	9,034	9,260	8,967	9,226	226	-293	259
Employment Rate (%)	61.8	59.5	55.7	55.0	-2.3	-3.8	-0.7
Unemployment	653	981	1,415	1,476	328	434	61
Unemployment Rate (%)	6.7	9.6	13.6	13.8	2.8	4.1	0.2
Foreign-Born Hispanics							
Population	16,410	16,497	16,965	17,306	86	469	341
Labor Force	11,659	11,576	12,093	12,292	-84	518	198
Labor Force Participation Rate (%)	71.0	70.2	71.3	71.0	-0.9	1.1	-0.3
Employment	11,055	10,640	10,604	10,866	-415	44	104
Employment Rate (%)	67.4	64.5	63.0	62.8	-2.9	-1.5	-0.2
Unemployment	601	933	1,409	1,424	332	476	15
Unemployment Rate (%)	5.2	8.1	11.6	11.6	2.9	3.6	-0.1

Note: All numbers and percentages are rounded since year-to-year changes or changes have been computed. Data are adjusted to account for the effects of Census Bureau's 2000 Census of the U.S.

Source: New Hispanic Center, tabulating of Current Population Survey data.

	YEAR AND QUARTER				CHANGE		
	2007:4	2008:4	2009:4	2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2008:4 to 2010:4
Non-Hispanics							
Population	200,571	202,032	203,360	204,577	1,461	1,328	1,216
Labor Force	131,940	132,483	130,665	130,961	543	-1,818	295
Labor Force Participation Rate (%)	65.8	65.6	64.3	64.0	-0.2	-1.3	-0.2
Employment	126,103	124,108	118,832	119,732	-1,915	-5,356	899
Employment Rate (%)	62.9	61.3	58.4	58.5	-1.4	-3.0	-0.1
Unemployment	5,835	8,294	11,833	11,229	2,459	3,540	-604
Unemployment Rate (%)	4.4	6.3	9.1	8.6	1.8	2.8	-0.5
Native-Born Non-Hispanics							
Population	182,412	183,492	184,776	185,493	1,080	1,284	717
Labor Force	119,967	120,383	118,685	118,511	415	-1,698	-174
Labor Force Participation Rate (%)	65.8	65.6	64.2	63.9	-0.2	-1.4	-0.3
Employment	114,603	112,753	107,880	108,307	-1,851	-4,872	427
Employment Rate (%)	62.8	61.4	58.4	58.4	-1.4	-3.1	0.0
Unemployment	5,364	7,631	10,807	10,204	2,267	3,176	-603
Unemployment Rate (%)	4.5	6.3	9.1	8.6	1.9	2.8	-0.5
Foreign-Born Non-Hispanics							
Population	18,159	18,540	18,584	19,084	381	44	499
Labor Force	11,973	12,100	11,981	12,450	128	-120	469
Labor Force Participation Rate (%)	65.9	65.3	64.5	65.2	-0.7	-0.8	0.8
Employment	11,500	11,435	10,952	11,425	-65	-483	473
Employment Rate (%)	63.3	61.7	58.9	58.9	-1.7	-2.7	0.9
Unemployment	470	663	1,028	1,025	192	364	-1
Unemployment Rate (%)	3.9	5.5	8.6	8.2	1.5	3.1	-0.3

Note: All numbers and percentages are rounded after year-to-year changes or ratios have been computed. Data are adjusted to account for the effects of annual revisions to the CPS.

Source: New Hispanic Center; calculations of Oxford Population Policy data.

	YEAR AND QUARTER				CHANGE		
	2007:4	2008:4	2009:4	2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4
All Workers							
Population	231,604	234,089	236,436	238,668	2,485	2,346	2,233
Labor Force	153,289	154,302	153,141	153,955	1,013	-1,160	814
Labor Force Participation Rate (%)	66.2	65.9	64.8	64.5	-0.3	-1.1	-0.3
Employment	146,192	144,088	138,484	139,826	-2,104	-5,604	1,342
Employment Rate (%)	63.1	61.6	58.6	58.6	-1.6	-3.0	0.0
Unemployment	7,088	10,207	14,657	14,129	3,120	4,450	-528
Unemployment Rate (%)	4.6	6.6	9.6	9.2	2.0	3.0	-0.4
Hispanics							
Population	31,034	32,057	33,075	34,092	1,024	1,018	1,016
Labor Force	21,349	21,819	22,476	22,994	470	657	518
Labor Force Participation Rate (%)	68.8	68.1	68.0	67.4	-0.7	-0.1	-0.5
Employment	20,089	19,900	19,631	20,094	-188	-249	443
Employment Rate (%)	64.7	62.1	59.4	58.9	-2.7	-2.7	-0.5
Unemployment	1,253	1,914	2,824	2,900	661	910	76
Unemployment Rate (%)	5.9	8.8	12.6	12.6	2.9	3.8	0.0
Non-Hispanics							
Population	200,571	202,032	203,360	204,577	1,461	1,328	1,216
Labor Force	131,940	132,483	130,665	130,961	543	-1,818	295
Labor Force Participation Rate (%)	65.8	65.6	64.3	64.0	-0.2	-1.3	-0.2
Employment	126,103	124,186	118,832	119,732	-1,915	-5,356	899
Employment Rate (%)	62.9	61.5	58.4	58.5	-1.4	-3.0	0.1
Unemployment	5,835	8,294	11,833	11,229	2,459	3,540	-604
Unemployment Rate (%)	4.4	6.3	9.1	8.6	1.8	2.8	-0.5

Note: All numbers and percentages are rounded after year-to-year changes or ratios have been computed. They are adjusted to account for the effect of gross migration to the CPS.

Source: New Hispanic Center tabulations of Current Population Survey data.

	YEAR AND QUARTER				CHANGE		
	2007:4	2008:4	2009:4	2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4
Hispanics							
Population	31,034	32,057	33,075	34,092	1,024	1,018	1,016
Labor Force	21,349	21,819	22,476	22,994	470	657	518
Labor Force Participation Rate (%)	68.8	68.1	68.0	67.4	-0.7	-0.1	-0.5
Employment	20,089	19,900	19,651	20,094	-188	-249	443
Employment Rate (%)	64.7	62.1	59.4	58.9	-2.7	-2.7	-0.5
Unemployment	1,253	1,914	2,824	2,900	661	910	76
Unemployment Rate (%)	5.9	8.8	12.6	12.6	2.9	3.8	0.0
Whites, Non-Hispanic							
Population	159,375	160,047	160,600	160,988	672	553	389
Labor Force	105,496	105,676	103,958	103,507	179	-1,717	-452
Labor Force Participation Rate (%)	66.2	66.0	64.7	64.3	-0.2	-1.3	-0.4
Employment	101,556	99,918	95,653	95,807	-1,648	-4,265	153
Employment Rate (%)	63.7	62.4	59.6	59.5	-1.3	-2.9	0.0
Unemployment	3,931	5,759	8,305	7,700	1,827	2,546	-607
Unemployment Rate (%)	3.7	5.4	8.0	7.4	1.7	2.5	-0.6
Blacks, Non-Hispanic							
Population	26,587	27,054	27,452	27,668	467	398	216
Labor Force	16,808	17,068	16,904	17,280	260	-164	376
Labor Force Participation Rate (%)	63.2	63.1	61.6	62.5	-0.1	-1.5	0.9
Employment	15,361	15,115	14,277	14,639	-246	-838	362
Employment Rate (%)	57.8	55.9	52.0	52.9	-1.9	-3.9	0.9
Unemployment	1,448	1,955	2,630	2,641	507	675	11
Unemployment Rate (%)	8.6	11.5	15.6	15.3	2.8	4.1	-0.3
Asians, Non-Hispanic							
Population	10,733	10,977	11,204	11,707	244	226	503
Labor Force	7,175	7,247	7,388	7,571	72	41	282
Labor Force Participation Rate (%)	66.9	66.0	65.1	64.7	-0.8	-1.0	-0.4
Employment	6,905	6,903	6,711	6,936	-3	-192	285
Employment Rate (%)	64.3	62.9	59.9	59.8	-1.5	-3.0	-0.1
Unemployment	266	341	574	575	75	233	1
Unemployment Rate (%)	3.7	4.7	7.9	7.6	1.0	3.2	-0.3

Note: All numbers are percentages and rounded after year-to-year changes or shares have been computed. Data are adjusted to account for the effects of annual revisions to the CPS.

Source: New Hispanic/Gutierrez tabulations of Current Population Survey data.

Table 6
Employment Gains and Losses, by Industry, Fourth Quarter 2007 to Second Quarter, 2010
(Seasonally adjusted, ages 16 and older, numbers in thousands)

	ALL WORKERS				NATIVE-BORN				FOREIGN-BORN			
	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4
Total	-2,104	-5,604	1,342	-1,624	-5,165	685	-479	-439	-439	-439	-439	657
Agriculture, Forestry, Fishing, Mining	196	-262	223	217	-252	150	-21	-30	72	-30	-30	72
Construction	-1,223	-1,195	-539	-724	-933	-441	-499	-261	-98	-261	-261	-98
Manufacturing - Durable Goods	-342	-1,450	297	-221	-1,263	193	-122	-187	104	-122	-187	104
Manufacturing - Non-durable Goods	-690	-252	469	-615	-344	418	-75	92	51	-75	92	51
Wholesale/Retail Trade	-298	-1,137	568	-195	-1,091	376	-104	-36	192	-104	-36	192
Transportation and Warehousing	-439	-311	25	-414	-224	-73	-24	-87	98	-24	-87	98
Utilities	-46	-24	8	-76	-3	7	30	-21	0	30	-21	0
Publishing/Broadcasting/ Communication/Information Services	-21	-186	-140	-14	-165	-146	-7	-1	9	-7	-1	9
FIRE	-390	-503	-306	-295	-360	-371	-96	-135	65	-96	-135	65
Other Business Services/Professional Business Services	-326	-144	-61	-412	-163	-21	66	19	-40	66	19	-40
Educational Services	590	-102	-91	531	-237	-82	59	135	-9	59	135	-9
Hospitals/Other Health Services	474	-232	16	384	100	160	90	132	-143	90	132	-143
Social Services	100	-68	317	45	-67	139	55	-1	179	55	-1	179
Arts and Entertainment	46	21	8	75	24	-13	-28	-2	21	-28	-2	21
Eating, Drinking, and Lodging Services	301	-279	359	161	-231	294	120	-46	65	120	-46	65
Repair and Maintenance Services	-174	47	131	-162	61	19	-12	-14	112	-12	-14	112
Personal and Laundry Services/Private Household Services	62	26	-42	8	18	-5	53	6	-36	53	6	-36
Public Administration	78	-18	102	61	-6	87	16	-2	15	16	-2	15

Note: Data are adjusted to account for the effects of annual revisions to the CPS.
Source: Pew Hispanic Center, Institute of Current Population Survey, data.

Table 7
Employment Gains and Losses for Hispanics, by Industry, Fourth Quarter 2007 to Second Quarter, 2010
(Seasonally adjusted; ages 16 and older; numbers in thousands)

	ALL HISPANICS			NATIVE-BORN HISPANICS			FOREIGN-BORN HISPANICS		
	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4
Total	-188	-349	443	236	-293	259	-415	44	184
Agriculture, Forestry, Fishing, Mining	12	-44	95	38	-12	8	-26	-32	86
Construction	-370	-320	-34	-52	-115	4	-318	-204	-38
Manufacturing - Durable Goods	-60	-155	76	37	-44	49	-97	-111	27
Manufacturing - Nondurable Goods	-49	64	21	-36	-33	58	-13	97	-37
Wholesale/Retail Trade	58	14	23	66	-68	-42	-8	82	65
Transportation and Warehousing	15	-181	78	48	-141	16	-32	-41	61
Utilities	42	-38	-17	19	-12	-6	23	-26	-11
Publishing/Broadcasting/ Communication/Information Services	-2	-8	-11	-4	-7	-14	2	-1	2
FIRE	-100	-54	-7	-72	-30	-3	-36	-24	-4
Other Business Services/Professional Business Services	5	171	-42	-37	39	-16	42	132	-26
Educational Services	66	53	58	15	34	25	50	19	33
Hospitals/Other Health Services	120	176	-29	126	95	21	-6	81	-50
Social Services	-10	-44	150	-6	-56	89	-4	11	61
Arts and Entertainment	-45	28	35	-1	1	28	-44	27	8
Eating, Drinking, and Lodging Services	42	-79	98	25	-84	106	18	5	-8
Repair and Maintenance Services	11	31	43	6	11	-25	5	20	69
Personal and Laundry Services/Private Household Services	45	44	-87	25	29	-20	30	16	-67
Public Administration	39	93	-7	29	99	-19	10	-5	12

Notes: Data are adjusted to account for the effects of annual revisions to the CPS.
Source: San Francisco Center for Urban Population Survey data

Table 8
Employment Gains and Losses for Non-Hispanics, by Industry, Fourth Quarter 2007 to Second Quarter, 2010
(nonseasonally adjusted; ages 16 and older; numbers in thousands)

	ALL NON-HISPANICS			NATIVE-BORN NON-HISPANICS			FOREIGN-BORN NON-HISPANICS		
	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4
Total	-1,915	-3,366	899	-1,051	-4,072	427	-63	-403	473
Agriculture, Forestry, Fishing, Mining	184	-238	128	179	-241	142	6	2	-14
Construction	-853	-875	-505	-672	-818	-445	-181	-57	-60
Manufacturing - Durable Goods	-262	-1,294	221	-258	-1,219	145	-25	-76	77
Manufacturing - Nondurable Goods	-641	-315	448	-579	-311	360	-62	-4	88
Wholesale/Retail Trade	-356	-1,141	545	-260	-1,023	418	-96	-118	127
Transportation and Warehousing	-454	-130	-53	-462	-83	-90	8	-47	37
Utilities	-89	14	24	-95	9	14	6	5	11
Publishing/Broadcasting/ Communication/Information Services	-19	-176	-129	-10	-178	-136	-9	0	7
Fire	-263	-450	-299	-222	-338	-368	-60	-111	69
Other Business Services/Professional Business Services	-331	-315	-19	-375	-202	-5	44	-113	-14
Educational Services	525	-155	-149	516	-271	-107	9	116	-42
Hospitals/Other Health Services	353	56	45	258	5	139	95	51	-93
Social Services	110	-23	166	51	-11	49	59	-12	117
Arts and Entertainment	92	-7	-28	75	23	-41	16	-30	13
Eating, Drinking, and Lodging Services	258	-200	261	156	-147	188	102	-82	73
Repair and Maintenance Services	-185	16	88	-168	50	44	-17	-34	44
Personal and Laundry Services/Private Household Services	16	-19	45	-17	-11	14	33	-8	31
Public Administration	38	-101	108	32	-105	106	6	4	3

Notes: Data are adjusted to account for the effects of annual revisions to the CPS.
 Source: New Hispanic Demographic Estimates of Current Population Survey data.

Table 9
Median Weekly Earnings in 2010 Dollars, Fourth Quarter 2007 to Fourth Quarter 2010
(Inflation-adjusted; ages 16 and older)

	YEAR AND QUARTER				CHANGE		
	2007:4	2008:4	2009:4	2010:4	2007:4 to 2008:4	2008:4 to 2009:4	2009:4 to 2010:4
All Workers	\$621	\$651	\$641	\$634	4.7%	-1.4%	-1.2%
Native Born	\$655	\$667	\$673	\$666	1.8%	1.0%	-1.0%
Foreign Born	\$516	\$556	\$521	\$515	7.7%	-6.3%	-1.2%
All Hispanics	\$476	\$488	\$481	\$475	2.5%	-1.4%	-1.2%
Native Born	\$523	\$559	\$561	\$550	6.8%	0.4%	-2.0%
Foreign Born	\$434	\$447	\$409	\$424	3.1%	-8.6%	3.7%
All Non-Hispanics	\$669	\$684	\$681	\$673	2.3%	-0.4%	-1.2%
Native Born	\$662	\$684	\$674	\$668	3.4%	-1.4%	-0.9%
Foreign Born	\$715	\$732	\$721	\$685	2.4%	-1.4%	-5.0%

Note: Those without pay and unincorporated self-employed are excluded. Numbers and percentages are rounded after year-to-year changes have been computed. The median wage divides workers into two equal groups, with half earning more than the median.
Source: Pew Hispanic Center tabulations of Current Population Survey data.

Mr. GALLEGLY. Thank you very much, Dr. Kochhar.
Mr. Serbon, or it "Ser-bone"?
Mr. SERBON. Serbon.
Mr. GALLEGLY. Serbon. Thank you.
Hit your button there. No, on the microphone, please. There we go.

**TESTIMONY OF GREG SERBON, STATE DIRECTOR, INDIANA
FEDERATION FOR IMMIGRATION REFORM AND ENFORCE-
MENT**

Mr. SERBON. There we go.

Thank you, Congressman, for giving me the chance to speak on behalf of the working-class Americans.

A lot has changed since the last time I spoke before some of you in 2007. In 2007, we had plenty of jobs, the housing market was booming, and it seemed Americans were happy and working for the most part. Fast forward to today with unemployment or underemployment numbering as high as 20 million Americans, and the immigration floodgates are still wide open.

Being a union member and an immigration activist, I am in a unique position because I travel to many different job sites and have the opportunity to speak with coworkers about immigration, legal and illegal.

We are creating a permanent underclass in our country driven by immigration and the people who are supposed to represent the American citizens first, in my opinion. How many poorly educated, or even highly educated, do we allow into our country while millions of our citizens languish on unemployment? I think it is 99 weeks at the present time. It could be more.

While I was doing some research for this hearing, I discovered we have at least 29 visa programs we give non-immigrants to come and work in America. At this point in time, 40 percent of illegal immigration in our country occurs when these non-immigrant visa holders overstay their visas.

The visa programs you created are too numerous and too fraud laden, yet this issue is not being addressed properly, in my opinion. We have IT workers out of work, yet we issue around 85,000 I believe they are H-1B visas to these high-tech workers.

The son of one of our members is an IT worker and couldn't find a job for a year. This person possesses an MBA and had plenty of experience. Nobody wanted to pay him what he was worth because they know that cheaper labor is a visa away.

I have personally witnessed immigrants being put in dangerous situations at the work sites I have been on. I have watched as employers had immigrants use power tools—such as saws, chipping hammers—without any eye or face protection. One occasion, take notes, OSHA came out to the job site for an inspection, and most of the immigrants left until the inspection was completed.

Now I had to stop and think. Why would they leave a job site when only a safety inspector was present? Was it because the employer didn't want to take a chance that they might perform a task unsafely or maybe without their required safety equipment, thereby causing a fine for the employer?

On construction sites, where communication is critical and a safety issue, I have run into people on the job who couldn't speak a word of English. I worked at a factory in late fall of '99. The building had no heat, and the women that I saw working there were dressed in winter clothing.

The only people in the factory that spoke English were the supervisors, and of the 30 or so workers, maybe one or two spoke some broken English. I had to find an interpreter while I am at work

from time to time just to keep the workplace safe, and this is not the way it should be.

It has become increasingly difficult to find a job, and there are many good people I have worked with over the years who have not worked for months. We need an immigration time-out. The people calling for more immigration do not care one iota about the working person in this country.

The founder of the AFL, Samuel Gompers, wrote a letter to Congress in 1924 concerning immigration. In that letter, Mr. Gompers stated, "America must not be overwhelmed." As far as I can see, the employers want cheap and subservient labor, and it would be fair to say we are giving it to them.

Now some of the job sites that I am on. They use the I-9 or the E-Verify programs to make sure their workers are legal citizens or are able to work in the country legally. And you will find that the amount of immigrants drops significantly on these job sites that use these two programs. So I am saying we need to make E-Verify mandatory for everybody.

And also, I see a lot of numbers thrown out around here by economists, but they are all working. So it is hard to say when you are on the other end of the deal, "Look at this number," while you have got someone that is maybe in their 98th week of unemployment? I mean, something is not jiving here, you know?

Thank you.

[The prepared statement of Mr. Serbon follows:]

The Testimony of Greg Serbon
State Director
Indiana Federation for Immigration Reform and Enforcement
Speaking before the Judiciary Subcommittee on Immigration
Policy and Enforcement.

Thank you congressmen for letting me speak on behalf of the working class Americans.

A lot has changed since the last time I spoke before some of you in 2007.

In 2007 we had plenty of jobs and the housing market was booming and it seemed Americans were happy and working for the most part.

Fast forward to today with the unemployed or underemployed numbering as high as 20 million Americans, and the immigration floodgates are still wide open?

We are creating a permanent underclass in this country driven by immigration and the people who are suppose to represent the American citizen first.

How many poorly educated or even highly educated people do we allow into our country while millions of our own citizens languish on unemployment?

While I was doing some research for this hearing I discovered we have at least 29 visa programs that we give nonimmigrants to come and work in America.

At this point in time 40% of the illegal immigration in our country occurs when these nonimmigrant visa holders overstay their visas. These visa programs you created are too numerous and too fraud laden, yet this issue is not being addressed properly in my opinion.

We have IT workers out of work yet we issue around 85,000 H1B visas. The son of one of our members is an IT worker and couldn't find a job for a year.

This person possesses an MBA and has plenty of experience. Nobody wanted to pay him what he was worth because they know that cheaper labor is just a visa away.

I have personally witnessed immigrants being put in dangerous situations at work. I have watched as employers had immigrants use power tools such as saws and chipping hammers without any eye or face protection.

On one occasion OSHA came out to the jobsite for an inspection and most of the immigrants left until the inspection was completed. I had to stop and think...why would they leave the jobsite when a safety inspector was present? Was it because the employer didn't want to take a chance that they might perform a task unsafely? Or maybe without their required safety equipment, thereby causing a fine for the employer?

On construction sites where communication is critical and a safety issue, I run into people on the job who can't speak a word of English

I worked at a factory in late Fall 99. The building had no heat and the women that I saw working were dressed in winter clothing. The only people in that factory that spoke any English were the supervisors and of the 30 or so workers maybe one or two spoke English.

I have to find an interpreter while I'm at work from time to time just to keep the workplace safe and this is not the way it should be.

It has become increasingly difficult to find a job, and there are many good people I have worked with over the years who have not worked in months.

We need an immigration time out! The people calling for more immigration do not care one iota about the working person in this country.

As far as I can see all these employers want is cheap subservient labor.

Thank you
Greg Serbon

Mr. GALLEGLY. Thank you, Mr. Serbon.
Dr. Shierholz?

**TESTIMONY OF HEIDI SHIERHOLZ, Ph.D., ECONOMIST,
ECONOMIC POLICY INSTITUTE**

Ms. SHIERHOLZ. Good morning, Mr. Chairman, Ranking Member Lofgren, and distinguished Members of the Subcommittee.

I appreciate the opportunity to appear before you today to share my views.

As we all know, over the last 4 years, this country has faced and continues to face a labor market crisis like nothing we have seen since the Great Depression. In this environment, all demographic groups have seen substantial increases in their unemployment rate.

The latest aggregated labor market data available from BLS came out last Friday. So we now have employment and unemployment numbers by nativity for last month. What the data show is that both immigrants and native-born workers saw their unemployment rates more than double since the start of 2007—or more than double, excuse me, between the start of 2007 and the end of 2009. And both have seen only modest improvement since then.

Last month, the unemployment rate of immigrant workers was 9.8 percent, up 5 percentage points from where it was 4 years ago. Native-born workers have fared just slightly better, with an unemployment rate of 9.5 percent, up 4.6 percentage points over the last 4 years.

Okay. That is unemployment. But what about jobs? Using the same BLS data, we find, like Dr. Kochhar, that while immigrants and native-born workers have experienced somewhat different timing of employment changes brought on by the great recession, their broad experience of breath-taking job deficits has been remarkably similar.

Last month, immigrants and natives earned roughly the same place, with immigrant employment 4.3 percent below where it was 4 years ago, and native-born employment 4.4 percent below where it was 4 years ago. So that answers the larger question of how native-born and immigrant workers are doing relative to each other in this national calamity of the great recession and its aftermath.

But I would also like to step back and answer the broader question of what is known in general about the effect of immigration on the labor market outcomes of native workers. While Mr. Camarota clearly documented the decline in native employment over the last 10 years and the increase in immigrant employment over the last 10 years, we, of course, know that two trends happening at the same time does not mean that one caused the other.

So, first and foremost, I think it is important to point out that in the ongoing debate on immigration, there is broad agreement among academic economists who research this that in the long run, immigration has a small, but positive impact on the labor market outcomes of native workers.

Let me say that again. There is broad agreement among researchers who study this that in the long run, immigration has a small positive effect on the labor market outcomes of native workers.

The real debate is around whether, within that overall positive effect, certain groups are harmed, in particular native-born workers with low levels of education. Importantly, the most recent work on the effect of immigration on wages, which updates and refines some of the methodology that had found sizable negative effects of immigration on native workers with low levels of education, now finds extremely modest effects.

One report I would like to highlight is a 2010 paper by Giovanni Peri that addresses an issue that is particularly important to keep in mind today. Peri finds, consistent with the literature, that in the long run, immigrants do not reduce native employment rates. But he finds that in the short run, immigration may slightly reduce native employment rates because the economy takes time to adjust.

Importantly, this effect varies according to the broader economic environment. When the economy is strong and the labor market is adding jobs, new immigration creates enough jobs, even in the short run and even for less-educated workers, to cause no harm to the employment of native-born workers.

But during downturns, things don't adjust as quickly. When the economy is weak, new immigration has small negative impacts on the employment of native-born workers in the short run.

This finding underscores the fact that the U.S. could benefit enormously from an immigration system that is more responsive to economic conditions. In our current immigration system, legal immigrant flows are essentially unresponsive to the business cycle. In particular, Congress has set a yearly limit on the number of new immigrants who may enter the country legally in order to work.

These limits don't fluctuate based on the state of the labor market. As Ms. Lofgren pointed out, in 2010, the unemployment rate in construction was 20 percent. But the Department of Labor, nevertheless, certified thousands of H-2B visas for construction workers.

To remedy this logic-defying situation, an independent Federal agency could be established to evaluate U.S. labor markets and annually make recommendations to Congress on the levels of permanent and temporary immigrant labor. This would better allow the U.S. economy to respond to the needs of employers during expansions while avoiding the potential crowding out of native-born workers in the short run when the unemployment rate is high.

Thank you.

[The prepared statement of Ms. Shierholz follows:]

**Prepared Statement by Heidi Shierholz
Economist, Economic Policy Institute**

**Hearing on “New Jobs in Recession and Recovery:
Who Are Getting Them and Who Are Not”**

**U.S. House of Representatives
Committee on the Judiciary
Subcommittee on Immigration Policy and Enforcement**

**Thursday, March 10th, 2011, 10:00 a.m.
Room 2141 of the Rayburn House Office Building**

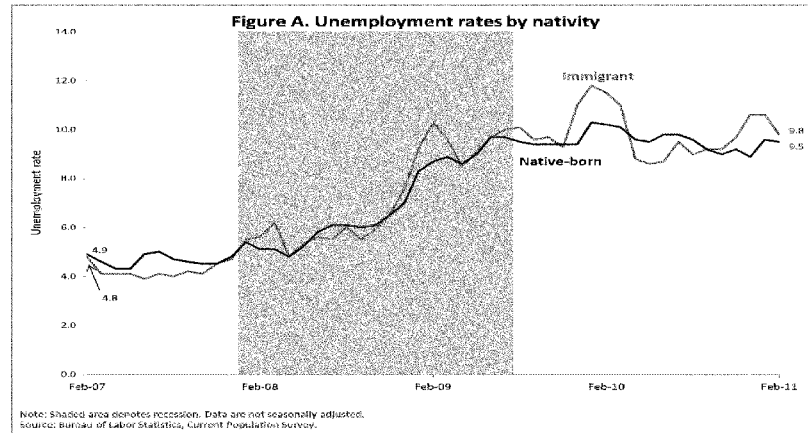
Good Morning Chairman Gallegly, Vice-Chairman King, Ranking Member Lofgren, and distinguished members of the Subcommittee on Immigration Policy and Enforcement. My name is Heidi Shierholz and I am a labor market economist at the Economic Policy Institute. I appreciate the opportunity to appear before you today to share my views.

The context

The Great Recession—which officially lasted from December 2007 to June 2009—began with the bursting of an 8 trillion dollar housing bubble. The resulting loss of wealth led to sharp cutbacks in consumer spending. This loss of consumption, combined with the financial market chaos triggered by the bursting of the bubble, also led to a collapse in business investment. As consumer spending and business investment dried up, massive job loss followed. From December 2007 to February 2010, the U.S. labor market lost 8.7 million jobs, or 6.3% of all payroll employment. This was the most dramatic employment contraction (by far) of any recession since the Great Depression. By comparison, in the deep recession that began in 1981, job loss was 3.1%, or less than half as severe.

Even since the economy stopped contracting in the summer of 2009, its growth has not been nearly strong enough to create the jobs needed simply to keep pace with normal population growth, let alone put back to work the backlog of workers who lost their jobs during the collapse. In February 2011, 20 months after the official end of the recession, the economy still had 5.4% fewer jobs than it did before the recession started. Thus, the Great Recession has brought the worst of both worlds: extraordinarily severe job loss, combined with an extremely sluggish jobs recovery.

In this crisis, all demographic groups have seen substantial increases in their unemployment rates. **Figure A** shows unemployment rates by nativity. One thing to note is that these data display large swings over short periods, particularly among the foreign born. This is due largely to the fact that the data are not seasonally adjusted, and also because the sample sizes are relatively small, particularly among the foreign born, which leads to a great deal of month-to-month variability. Because the data are not seasonally adjusted, in order to make appropriate comparisons over time, it is important to compare the same *month* in different years, for example comparing the most recent data available, February 2011, to February 2007, which is the February before the Great Recession started. As the figure shows, both immigrants and native-born workers saw their unemployment rates more than double between the start of 2007 and the end of 2009, and both have seen only modest improvement since then. In February 2007, foreign born workers, at a 4.8% unemployment rate, had a slightly lower unemployment rate than native born workers, who had an unemployment rate of 4.9%. Four years later, the unemployment rate of foreign born workers, at 9.8%, is 5 percentage points higher than it was. Native born workers have fared only slightly better, with a 4.6 percentage point increase in their unemployment rate over the last four years, to 9.5%.



An update to the findings in the October 2010 Pew Hispanic Center study “After the Great Recession: Foreign Born Gain Jobs; Native Born Lose Jobs”

The Pew Hispanic Center study from October 2010 titled “After the Great Recession: Foreign Born Gain Jobs; Native Born Lose Jobs,” addresses the relationship between nativity and employment changes brought about by the Great Recession. In the study, the latest data the authors were able to use were from the second quarter of 2010, but we are now able to update a portion of their analysis to the most recent data, February 2011. Furthermore, as shown in Figure A above and Figure B below, it is very important to look at employment trends over the broad span of the downturn when examining this issue. This is important for two reasons – one, even year-over-year changes appear to be displaying strange swings in these data, possibly due to sample size issues. For example, as seen in Table 1 below and in Table 9 of the Pew study, native-born working-age (age 16+) population growth dropped by around one million from 2009 to 2010, something that cannot be easily explained. Furthermore, because the timing of employment changes over the downturn varies by nativity, looking at sub-periods may inadvertently distort the picture of the relative impact of the Great Recession and its aftermath on these two groups. For these reasons, while I present the interim periods, I focus on changes from February 2007 to February 2011.

Figure B looks at employment growth by nativity. Again, the data are not seasonally adjusted, so they display large swings over short periods and therefore, to make comparisons over time, it is important to compare the same month in different years. Since the latest data available are from February 2011, the data for both series are indexed to 100 in February 2007 to provide the best sense of how these two groups compare today relative to before the Great Recession began. (This is a standard way of comparing employment trends of different groups; to read the figure, note that each point on a line tells you how many jobs that group had at that time as a percentage of how many jobs that group had in February 2007.) We find

that while immigrants and native-born workers have experienced somewhat different *timing* of employment changes, their broad experience of breathtaking job deficits has been remarkably similar. Immigrants saw larger losses than native-born workers in 2007 and 2008, while they fared better than native-born workers in 2009 and 2010. This is typical, as groups that see the biggest losses in downturns also tend to see the biggest bouncesbacks, as they have greater losses to make up. In the latest data available, February 2011, immigrants and natives are in roughly the same place, with immigrant employment 4.3% below where it was in February 2007, and native-born employment 4.4% below where it was in February 2007.

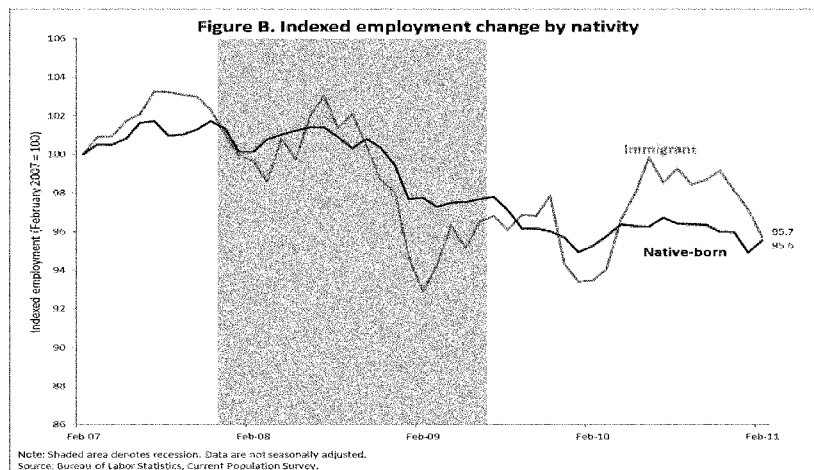


Table 1 elaborates further on employment changes over time, and includes breakdowns by gender. It should be noted that among both immigrants and native-born workers, men have been hit particularly hard. Male immigrant employment is 6.3% below where it was in February 2007, which translates into 848,000 fewer immigrant men being employed today than before the recession started. Immigrant women have fared better, with female immigrant employment down by 1.3%. Among native-born workers, male employment is down by 5.2%, and female employment is down by 3.7%.

The final three rows in Table 1 show that over the last four years, the working age population (age 16+) has grown at roughly the same rate on average for both immigrants and natives, with the native-born population growing 3.5% over the last four years, while the immigrant population grew by 3.3% over the same period. In other words, the share of the working-age population that is foreign born is roughly the same now as it was four years ago, 15.1%.

	Feb-07	Feb-08	Feb-09	Feb-10	Feb-11	Change from February 2007 - February 2011	
						Level	Percent
Employment (thousands)							
Native	121,900	122,047	119,129	116,102	116,478	-5,422	-4.4%
Male	63,402	63,469	61,104	59,201	60,123	-3,279	-5.2%
Female	58,498	58,579	58,025	56,901	56,355	-2,143	-3.7%
Immigrant	22,579	22,502	20,976	21,102	21,614	-965	-4.3%
Male	13,521	13,385	12,337	12,365	12,673	-848	-6.3%
Female	9,058	9,117	8,639	8,737	8,942	-116	-1.3%
Working-age population (thousands)							
Native	195,967	197,711	200,199	201,683	202,825	6,858	3.5%
Immigrant	34,868	35,098	34,714	35,315	36,026	1,158	3.3%
Immigrant share	15.1%	15.1%	14.8%	14.9%	15.1%	0	

Note: Data are not seasonally adjusted.
Source: Bureau of Labor Statistics, Current Population Survey.

What is known about the effect of immigration on the labor market outcomes of native workers

Immigration and wages In the ongoing debate on immigration, there is broad agreement among academic economists that in the long run, immigration has a small but positive impact on the wages of native-born workers overall. The real debate among these researchers is whether a large influx of a particular type of worker has the potential to have a negative impact on the wages of existing workers who are also of that type, since workers who are highly substitutable for new immigrants stand to lose when there is a large influx of new immigrants. There have been two main methodological strategies for studying the effect of immigration on the wages of native workers. The “Area approach,” dominated by the work of David Card, exploits the fact that there are large differences across regions of the U.S. in the relative size of the immigrant population. Essentially, this approach compares the wages of native workers in U.S. metropolitan areas with small immigrant inflows to the wages of native workers in U.S. metropolitan areas with large immigrant inflows. Research using this approach generally finds very modest – and sometimes modestly positive -- effects of immigration on the wages of native workers, including workers with low levels of education.

The second main approach in this literature is the “national approach.” Scholars using this approach often contend that it is impossible to suitably account for the fact that there may be movement of capital and native-born labor between metropolitan areas in response to immigration, and therefore an analysis of the effect of immigration on native wages must use national level data. This approach is dominated by the work of George Borjas, and tends to use a production function framework which combines workers of different skills, estimates the degree of substitutability between workers of different skills using national data, and simulates

the impact on wages of relative labor supply shifts due to immigration. Historically, research using this approach found small positive effects on the wages of native-born workers overall, but relatively large negative effects of immigration on the wages of native workers with low levels of education.

Until recently, that is where the main divide in the literature stood – with researchers using the “area approach” finding no or little effect of immigration on the wages of native workers, including workers with low levels of education, and researchers using the “national approach” finding a relatively large negative effect on workers with low levels of education. However, in the last couple of years there have been two important advancements in the literature on immigration and wages that help shed light on the differences in results between these two approaches. First, researchers have identified a small but detectable level of imperfect substitution between immigrant and native workers who have the same levels of education and experience. In other words, immigrant and native workers with the same levels of education and experience are not perfectly substitutable. This may arise, for example, among workers with low levels of education if native workers are more likely to be concentrated in jobs that require strong English skills and immigrant workers are more likely to be more concentrated in jobs that don’t (for example, waitstaff versus line cooks). Previous “national approach” estimates of the effect of immigration on wages have assumed that immigrants and natives of similar education and experience levels are perfectly substitutable. Correctly characterizing the degree of substitutability between immigrants and natives is of enormous importance, because if natives and immigrants are perfectly substitutable, an increase in immigration in a particular education/experience class will tend to reduce the wages in the entire education/experience class, including native workers in that class. However if, as has been shown to be the case, immigrants and natives within the same education/experience class are imperfect substitutes, then an increase in immigration in a particular class will have a strong adverse effect on the wages of *earlier immigrants* in that class – since they are direct substitutes, or competitors -- but will have a smaller effect on the native workers in that class.

The second recent advancement has been the application to the immigration and wages literature of something that was already accepted as fact in the rest of the labor economics literature – that the degree of substitutability between workers in two different education categories is not constant *across* education categories. Previous “national approach” estimates of the effect of immigration on wages have incorrectly assumed that they are. It turns out that incorporating different degrees of substitutability between different pairs of education categories is enormously important to estimates of the effect of immigration on native wages. The main problem with ignoring this point arises with what it implies -- that workers without a high school degree and workers with a high school degree have very low levels of substitutability. This is strongly refuted by the literature, and ignoring this fact distorts the estimated effects of immigration on workers without a high school degree, since it suggests that an increase in immigration among workers without a high school degree affects only workers without a high school degree, which is a very small portion of the labor force (less than 10%), so that essentially the entire impact of “less than high school” immigration is assumed to be felt by the relatively small number of “less than high school” workers. If, on the other hand, we recognize that workers without a high school degree are relatively substitutable for workers with a high school degree, then the impact of “less than high school” immigration is more

diffused across the much larger share of the workforce that has a high school degree or less (over 35%), greatly reducing the impact on the least educated American workers.

Importantly, these new innovations in the “national approach” literature essentially solve the earlier divide between the “national approach” and the “area approach”. When substitutabilities between different groups are correctly accounted for in the “national approach” methodology, the results using that approach come in line with the results from the “area approach”, namely that the effects of immigration on native workers is modest, including the effect on native workers with low levels of education. In other words, Americans are right to worry about the declining quality of jobs over the last few decades, but for native-born workers at all levels of education, immigration had very little to do with it.

Immigration and employment The literature on the effect of immigration on the employment of native born workers is somewhat less extensive than the literature on the effect of immigration on wages. Some have tried to pin down the effect of immigration on employment in specific instances. For example, in a May 2010 Center for Immigration Studies paper titled “A Drought of Summer Jobs: Immigration and the Long-Term Decline in Employment Among U.S.-Born Teenagers,” the authors examine the relationship between immigration and the decline in teen summer labor force participation. Using a simple regression analysis, they attempt to determine whether there is a connection between the decline in teen summer labor force participation and the growth in immigration between 1994 and 2007. Importantly, they also note that summer school enrollment increased dramatically over the same period. In a straightforward shift-share analysis they find that “the increases in enrollment accounted for 28.7% ... of the decline in labor force participation.” However, in their regression analysis that concludes that increasing immigration caused very large declines in teen summer labor force participation, they also find that “the model does not find that the increase in school enrollment played a statistically significant role in the decline in teen labor force participation.” The authors themselves appear to find this strange, concluding that “it seems likely to us that the increase in school enrollment did play some role in reducing labor force participation for U.S.-born teenagers, but factors other than increased school enrollment were much more important”. Their lack of confidence in their regression findings related to enrollment deeply undermines their general empirical strategy and calls into question their broader results of a very large negative response to immigration of teen summer labor force participation.

As in the immigration and wages literature, the most rigorous studies show very modest effects of immigration on employment, which is unsurprising given that these two labor market outcomes (wages and employment) are highly interconnected. A 2010 paper by Giovanni Peri titled “The Impact of Immigrants in Recession and Economic Expansion”, however, addresses an issue that is particularly important to keep in mind in the current labor market environment. Peri finds that *in the long run*, immigrants do not reduce native employment rates, but they do increase productivity and therefore average income. This is consistent with the broad existing literature. He finds that in the short run, however, immigration may slightly reduce native employment and average income, because the economy takes time to adjust to new immigration. Importantly, this effect varies according to the broader economic environment. In particular, when the economy is growing and the labor market is adding jobs,

new immigration creates enough jobs even in the short run (and even for less-educated native-born workers) to cause no harm to the employment of native-born workers. But during downturns, things do not adjust as quickly. When the economy is weak, new immigration has a small negative impact on the employment of native-born workers *in the short run*. In other words, while the labor market outcomes of native-born workers are unambiguously improved by immigration in the long run, the adjustments can be difficult and have small negative impacts in the short run *if the economy is weak*.

Making immigration more responsive to the US labor market

The finding that if the economy is weak, immigration may have negative effects on the labor market outcomes of native-born workers in the short run underscores the fact that the US could benefit enormously from an immigration system that is more responsive to economic conditions. It should be noted that immigration already responds to some extent to economic conditions. This is especially true of unauthorized immigration. In a report from the Pew Hispanic Center titled "Unauthorized Immigrant Population: National and State Trends, 2010," the authors find that the unauthorized immigrant population was around 800,000 smaller in 2010 than it was in 2007. A Department of Homeland Security study shows a decline of 1 million over the same period. But in our current immigration system, *legal* permanent and temporary immigrant flows are essentially unresponsive to the economic cycle. In particular, Congress has set a yearly limit on the number of new immigrants who may enter the country legally in order to work, and these limits do not fluctuate based on the state of the labor market. For example, in 2010, the unemployment rate in construction was over 20%, but the Department of Labor nevertheless certified thousands of H-2B visas for construction workers. This defies logic.

To remedy this, an independent federal agency with a professional staff of economists, demographers, statisticians, and immigration experts could be established to evaluate the U.S. labor market and economic conditions, and annually recommend to Congress the levels of permanent and temporary immigrant labor. The recommended levels would fluctuate with the strength of the labor market, allowing the U.S. economy to respond to the needs of employers during expansions while avoiding the potential crowding-out of native-born workers in the short run when the unemployment rate is high. A commission that makes employment-based immigration responsive to the economic cycle would be a sensible nonpartisan reform to help ensure that the national interest governs our immigration policy.

Mr. GALLEGLY. Thank you. Thank you very much Dr. Shierholz. Before I ask a couple of questions of the witnesses, I would just like to respond to a comment that my good friend Mr. Conyers, the Ranking Member and former Chairman of the full Committee, who

has been my neighbor and a man, as I have said, I have great respect for. And that will not change.

But one of the things that goes on around here is we do have differences of opinions from time to time, and I think that is healthy. I would just like to remind the Ranking Member that for the past 4 years when the minority was in the majority, you had a different approach to dealing with immigration. And while I disagree with it, I respected that right to disagree.

And in 4 years, the issue of illegal immigration and immigration in general did not change any for the better. We have been here for 2 months, and we have taken a little different approach. I happen to believe that our approach will be more effective. Only time will tell.

But give us a chance. We have only had 2 months, and I would really like to work with you.

Having said that, now I would like to ask Mr. Serbon a question. You obviously have a different background, and you have been in the trenches. You work shoulder-to-shoulder with the people that have been dramatically affected with the unemployment across this country probably most of your life.

And as a union worker, I don't know whether this is a fair question to ask you, but I am going to ask it anyway. Do you believe that the American unions, labor unions, have abandoned what I have always thought was their longstanding policy to oppose illegal immigration?

Mr. SERBON. Well, they take a different view on certain issues about the immigration debate. I know that they are totally against the guest worker program, at least the construction workers are.

You know, like I said, any company that uses the I-9 or E-Verify, there is very few immigrants working in that field. And I don't know why. Maybe there is a lot of illegals in the construction, I am sure.

But I have had a couple of unions reach out, and they said that they do support the—we got a bill, Senate bill 590 in Indiana, dealing with illegal immigration. And they do support it.

They just don't, some of them don't come out and join on the bandwagon with me and get out there in the trenches and push the issue. So as far as the hierarchy, I don't know what they are thinking.

Mr. GALLEGLY. Do you think the motivation could possibly be an increase in the brotherhood?

Mr. SERBON. Somewhat, yes.

Mr. GALLEGLY. Probably on a more important issue, there has been a lot of discussion, and during the debate, we continue to hear that illegals only take the jobs that American workers will not take. Do you believe that there are jobs out there that American workers have and would like to have today that are and have been taken by people that have no legal right to be in the United States?

Mr. SERBON. Well, they have had numerous raids a few years back in food processing plants, like chicken and beef processing plants. And every time they did a raid and actually arrested the illegals that were working there, Americans filled the gap.

And even there was an automotive plant that did I think it was either axles or transmissions in southern Indiana. And just the

rumor that ICE was going to raid the plant sent hundreds of their workers scurrying from the shift they were working on, and the plant ended up hiring some American citizens.

And they actually quoted in the newspaper that—they actually interviewed the citizens, and they said we have been trying to get into this plant for a couple of months now, and it was just full. And then after just the threat of ICE coming, they had positions opened up.

So Americans will take these jobs. You may have a different outlook as far as picking crops, but we do have visa programs to address that issue.

Mr. GALLEGLY. Dr. Camarota, could you take a shot at that same question?

Mr. CAMAROTA. It sort of builds on something Dr. Shierholz said. The idea that she advocated is that, look, even the unskilled immigrants and the unskilled natives do very different things.

But as my other panelist pointed out, when we have had raids and the illegal immigrants were removed from the labor market, what do you know? Natives got a large fraction of the new jobs. Sometimes they had to pay more and treat workers better. This happened at plants for Swift and at another plant in Tar Heel, North Carolina. We have done some work on that.

What seems to have happened or the argument goes like this. Well, there are fewer natives, say, in construction as a share of unskilled natives in construction and more and more immigrants. And this suggests to some people that, well, the natives move out of construction and do something that requires more skill.

The argument would be more persuasive is at the same time, we haven't seen this dramatic decline in work. In other words, lots of natives used to work in construction. They may work less there. But they haven't gone over to other occupations. They just work a whole lot less.

And this is a very long-term trend. As immigration has increased over the last three decades, the share of less-educated teenagers—the share of teenagers, I should say, and less-educated adults working has just continually declined.

So what may seem to be happening is it is not so much that they are moving and sort of just not competing with immigrants, those that are, are just dropping out of the labor market.

Mr. GALLEGLY. Thank you very much.

I would just like to express an observation I have made over the last few years. As a parent of four grown young adults and a grandparent, when my children were in high school and college they worked in the fast food business. They all worked in high school and college, flipping burgers. I know that many young people today are trying to get these jobs and are having a tough time.

I have made a personal observation of several food chains in my area or fast food chains in my area, where I happen to know a large percentage of the workers are undocumented. I happen to know of at least one food chain where there is almost no undocumented and doing exactly the same work, flipping the same hamburgers and principally the same product. But the only difference is about \$2 an hour in the beginning wage.

At this time, I would yield to the Ranking Member, Ms. Lofgren.

Ms. LOFGREN. Thank you, Mr. Chairman.

As I listened to everyone, I was reminded of the phrase, "There is lies, darned lies, and statistics." And here we are with a variety of statistics being cited to reach dramatically different conclusions.

I am wondering, Dr. Shierholz, I mean, we have got whenever there is a chart, you know, must be true. But your testimony really somewhat puts a different analysis on this. Really, the assumption that is being made here is that it is sort of a one-for-one simple math issue in terms of immigrants coming in.

And I am wondering if you could explain why that simple math is not the case. I am thinking about, for example, migrant farm workers. I mean, we have done some analysis on that. We have not seen Americans willing to go out and become a migrant farm worker. I mean, very few.

I think some of it is the conditions of the work. Some of it is the pay. But also it is being a migrant worker and having to live in dormitories away from your family, and we just haven't seen Americans sign up for that. And yet we know that for every field job, there is three upstream and downstream jobs in terms of marketing and the like that Americans are holding.

And if you were to do the wages high enough to lure Americans into a barracks, you probably wouldn't be able to compete with farms across our border, in New Zealand or Australia or Mexico or the like.

Can you explain why this one-for-one doesn't work?

Ms. SHIERHOLZ. Yes. You know, as a labor market economist, I like this question because it lets me talk about something that I think is a big misperception when thinking about labor markets and immigration. I think there is this idea out there that immigrants are just working machines that are doing work that could have been done by someone else, period.

And what that does is it misses this whole other side of the equation that workers, immigrant workers are also people. They spend their wages on goods and services. They are buying cars and groceries and paying rent. So that is paying the wages of other people and generating jobs.

So, in an economy that has more people, be it immigrants or native-born workers, in an economy that has more people, we intuitively understand that that doesn't necessarily mean higher unemployment rates. It is just a bigger economy. We do not think that because New York has a bigger population than Denver that New York is going to have a higher unemployment rate than Denver. It is just a bigger economy.

So immigrants—there are both sides of the equation. They just make the situation bigger.

Ms. LOFGREN. Let me ask you this. I think we don't really know, but there are people have estimated that there are 11 million, in the neighborhood of 11 million individuals who are in the United States without the proper documentation. Some of them have been here for 20 years. Some of them came last year.

I think some of my colleagues on the other side of the aisle have indicated that it would probably be impossible to round up 11 million people and deport them. But that by hammering down on enforcement that there would be sort of an attrition, that people

would leave. Although there is no evidence that that is, in fact, happening.

Can you describe, in your judgment as an academician and someone who studies this, what would happen if we actually did pull 11 million people out of the economy? If we pulled them out next month, go to wherever you were born, what would happen to the American economy?

Ms. SHIERHOLZ. So, okay, I have to think about this. Obviously, if we all of a sudden rounded up 11 million people, there would be a national disaster that would cause—you know, that would cause a huge economic shock that would ripple around and cause dramatic job loss.

So the transition would be very difficult, but let us ignore the transition and just say, all right, magically, we have 11 million fewer workers in this country. That would just reduce the labor market by 11 million workers. It wouldn't mean there would be 11 million job openings.

You have just shrunk the whole pie. So you have lost workers, but you have also lost consumers. So in the same way adding immigrants just sort of absorbs new people and makes the economy bigger, subtracting them does the same thing.

So you had a bigger place, and now it is 11 million smaller. But you didn't necessarily—you are not going to have a whole bunch more job openings. You are not going to necessarily reduce the unemployment rate by doing that.

Ms. LOFGREN. I thank you for that answer.

I would just—this is a complicated question, and we all see it from our own life experiences. But I think when I think about foreign-born employers, I often think about Sergey Brin. And I am glad that Google is in Mountain View, instead of in Moscow, and it employs tens of thousands of my constituents. And I am glad that he did what he did.

Thank you. I yield back.

Mr. GALLEGLY. The gentleman from Texas, Mr. Gohmert?

Mr. GOHMERT. Thank you, Mr. Chairman.

And thank you to the witnesses for being here today.

This is an intriguing area, and as Ms. Lofgren points out, statistics point to unusual things. Let me ask with regard to the statistics, Mr. Kochhar, that you have cited in your paper, "After the Great Recession," the employment of foreign-born Hispanics increased by 435,000 while employment of native-born Hispanics decreased by 43,000.

You found that employment of foreign-born Blacks increased by 81,000 while employment of native-born Blacks decreased by 142,000. You found that foreign-born Hispanics gained 98,000 construction jobs while 133,000 native-born Hispanics lost construction jobs.

What is your explanation for this anomaly? The foreign born gain jobs. The native born lose jobs.

Mr. KOCHHAR. You are referring to the report I submitted?

Mr. GOHMERT. It was your paper "After the Great Recession."

Mr. KOCHHAR. Right. So that was the period from the middle of '09 to the middle of 2010.

Mr. GOHMERT. Yes.

Mr. KOCHHAR. The first year of the recovery where, in the aggregate, the native born still had a significant job loss, and the foreign born were starting to recover in terms of jobs. And so, what you describe by race and ethnicity, it just filtered down the pipeline.

Mr. GOHMERT. But do you have any explanation for that emergence—

Mr. KOCHHAR. Your question is why one is gaining and the other isn't gaining?

Mr. GOHMERT. Yes.

Mr. KOCHHAR. I alluded to some of those. Well, all of those reasons that I feel are relevant in my testimony having to do with greater flexibility on the part of migrant workers, the fact that we are catching them at a point of time of volatile economic trend, and we happen to be catching one on the up and the other, yes, on the up, but not quite across the line.

And also the demographic trends. So those are some of the factors I refer to.

Mr. GOHMERT. Mr. Serbon, American labor unions, if you look over the entirety of the 20th century, had a history and policy of being opposed to illegal immigration because they were protecting or attempting to protect those American citizens who had jobs, and it seemed to make sense.

Do you know why the American labor unions have abandoned that longstanding policy of opposition to illegal immigration and have now embraced illegal immigration as somehow being helpful to their union members?

Mr. SERBON. Well, I really can't speak for the hierarchy of our unions. I know a majority of union members, I think it was 58 percent in one poll I had read, want the enforcement aspect of our immigration laws enforced.

Mr. GOHMERT. But that is rank-and-file union members.

Mr. SERBON. Right. Right.

Mr. GOHMERT. Yes. Do you have any polling of union leaders to see how much different they are than union members?

Mr. SERBON. I have talked to some of the State leaders on some groups, some of our labor groups, and they do support the regular immigration aspect of our immigration policy.

Mr. GOHMERT. But the policies seem to embrace illegal immigration.

Mr. SERBON. Some of the higher-ups embrace it. I—

Mr. GOHMERT. And that is why I am asking. Why do the higher-ups of unions differ from their membership?

Mr. SERBON. I have no clue what they are thinking.

Mr. GOHMERT. Okay. But you do you think they are thinking something? [Laughter.]

All right. I see my time has expired.

Mr. SERBON. Yes, I think they are thinking about something. I don't know what it is.

Mr. GOHMERT. Well, that is why I am wondering if maybe they are more concerned about forsaking the interests of their current members in order to pursue or lure future members. But anyway, I am glad to know they are thinking something.

I yield back my time.

Mr. GALLEGLY. Thank you.

The gentleman from Michigan, do you have some questions, Mr. Conyers?

Very well. Mr. Conyers?

Mr. CONYERS. Thank you, Chairman.

One of the things that we are trying to do to stem the illegal entries is take care of the border there, and we have what is known as the "wall builders" in the Congress. Just a build a wall high enough and put enough guards on it. Are you a wall builder?

Mr. SERBON. Me?

Mr. CONYERS. You.

Mr. SERBON. I support their cause, but I don't—my main issue is that you do the, like I said, E-Verify, I-9. Once they get past the border, they are home free. That is my opinion, and we need to do this for every employer.

You eliminate the job magnet, you eliminate the illegals.

Mr. CONYERS. Yes, but you can't eliminate the job magnet if you have got in Detroit the unemployment rate is not 9 percent, but 38 percent. So we are trying to create a job magnet. So when we create one for inside the U.S., don't worry. There will be people trying to get here by any means necessary.

Mr. SERBON. Oh, I understand. Just the Doctor here had pointed out that if you bring in more people, it will create jobs. You know, they start their own businesses.

And in the construction field, before, I have been on projects where you get a multiple layer of employers, you will find that one employer, maybe he is an immigrant contractor. And what they do is they hire all their own people. So I have been on job sites where the whole crew was Romanian.

We have American electricians everywhere. That is a high-skilled job. They did a very good job. But what I am saying is if you are going to allow someone in here to create a job, immigrant wise, and then they hire all their own people from their own country, what does that do for the American people? Other than bag their groceries when they come to buy them.

Mr. CONYERS. Well, Congresswoman Lofgren has a bill in that wants to relate the unemployment rate in building to allowing people who do building to come in. It is a pretty simple thing, but it is not being done. It is being ignored. We almost—we will probably have to pass a law to get it done.

How is the new president of AFL-CIO doing, in your judgment? Is he one of the ones up at the top that don't get it, or is he an improvement, in your view?

Mr. SERBON. I think he needs some more enlightening on the issue. I can't speak for him. You know, maybe you should have another hearing and invite him.

Mr. CONYERS. Well, we may do that. But I was just reacting to your comment about the fact that some of the people at the top of collective bargaining in the country have different views from people in the middle and lower ranks of collective bargaining.

Mr. SERBON. Well, if you are seeing like in my area where unemployment for tradesmen was 28 or 30 percent, and we are continuing to bring in immigrants, skilled or unskilled, and I really don't see the leaders of the AFL-CIO saying stop. I haven't heard

it myself. Maybe you have. I think they need to maybe voice their opinions for the American workers more.

Mr. CONYERS. Well, I can help you because James Hoffa comes out of Detroit there at national headquarters, and we fly regularly on Delta. So if you don't mind, I will communicate our discussion to him for you.

Mr. SERBON. Oh, sure. I would love to speak to him.

Mr. CONYERS. Okay. Well, I speak to him pretty regularly.

Now the big discussion here among our distinguished panel is that there is a causal connection between immigration numbers and unemployment. And some say that there isn't any direct causal connection. What do you think about that, sir?

Mr. SERBON. Well, I just look—you know, everyone does numbers here and—

Mr. CONYERS. Yes.

Mr. SERBON.—I see if there is 20 million people unemployed and you are still bringing in 1 million, 1.5 million, 2 million a year, something has got to give. And I think if we just stop legal immigration for a couple of years and let the market sort itself out—

Mr. CONYERS. Stop it altogether, right.

Mr. SERBON.—I think we would be in a far better position. I mean, at 99 weeks unemployment, like I said, when you are coming up to 98 weeks and you just can't leave your home, travel a couple hundred miles. Some tradesmen do. But if you are not skilled, to travel somewhere out of your comfort zone to go find another job.

Mr. CONYERS. Can I get an additional minute, Mr. Chairman?

Mr. GALLEGLY. Without objection.

Mr. CONYERS. Thank you, sir.

What about sending back all the illegals, period?

Mr. SERBON. That would be pretty difficult.

Mr. CONYERS. What is it, about 11 million?

Mr. SERBON. It would be very difficult to send them all back. But if you, like Ms. Lofgren stated before, immigration or enforcement through attrition, if you start enforcing certain laws and actually step it up, they will leave on their own.

I mean, I just read that Mexico's unemployment rate is 4.9 percent. So that is quite a bit less than ours.

Mr. CONYERS. Could I ask, Dr. Camarota, are you willing to agree that there may not be a direct causal connection between immigration rates and unemployment?

Mr. CAMAROTA. Well, I think that what the research suggests and both common sense is it is never one-for-one, an immigrant arrives, and an American loses his job. Certainly, I have never suggested that. That would just be simply silly, of course.

But on the other hand, 45 percent of the maids in the United States and 35 percent of the construction laborers in the United States are foreign born now. In each case, about half is illegal. To suggest that that kind of massive increase in the supply of workers has no impact on those occupations is equally silly as a kind of one-for-one.

Some occupations are largely unaffected. Only 5 percent of lawyers in the United States. So I don't think immigration has almost any effect in that occupational category.

Mr. CONYERS. Thank you.

What about this business of people will take any job? Seasonal labor, that is almost all immigrant work. I mean, people just don't go for working in the field. Stoop labor isn't getting it. Besides, the pay is terrible, and the working conditions are onerous. And that is why immigrants do the work, get the work. That is the only jobs they can get.

Mr. CAMAROTA. Well, remember, and even if we focused on illegal immigrants, the Pew Hispanic Center estimates 5 percent, a very small fraction of all illegal immigrants, work in agriculture. It is almost irrelevant to the illegal immigration debate.

There is about three times or four times as many illegal immigrants in things like construction and food service and food preparation. And they are the jobs that are still overwhelmingly done by natives, where immigrants have made all these gains.

So if you want to have a special program for agriculture, we could talk about that. I might be amenable. But again, it is a tiny fraction of the illegal workforce.

Mr. CONYERS. Thank you very much.

Thanks, Chairman.

Mr. GALLEGLY. Thank you, Mr. Conyers.

I want to thank all the witnesses this morning. Thank you for your testimony and for answering the questions, and look forward to working with you as we continue our efforts dealing with this issue in the days and months to come.

Without objection, all Members will have 5 legislative days to submit to the Chair additional written questions for the witnesses, which we will forward and ask the witnesses to respond as promptly as they can so the answers can be made a part of the record of the hearing.

Without objection, all Members will have 5 legislative days to submit any additional materials for inclusion in the record.

And with that, again, I thank you for being here today. And with that, the hearing stands adjourned.

[Whereupon, at 11:25 a.m., the Subcommittee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

Press Release from the American Immigration Lawyers Association (AILA)



FOR IMMEDIATE RELEASE:
Thursday, March 10, 2011

CONTACTS:
George Tzamaras or Jenny Levy
202-507-7649 202-507-7628
gtzamaras@aila.org jlevy@aila.org

AILA CALLS ON CONGRESS TO FOCUS ON VIABLE IMMIGRATION SOLUTIONS THAT CREATE JOBS AND DRIVE THE ECONOMY FORWARD

WASHINGTON, DC – The American Immigration Lawyers Association (AILA) calls on Congress to show leadership by creating viable immigration policy that can create more jobs and push the economy forward. Unfortunately today's House Judiciary Subcommittee on Immigration Policy and Enforcement's hearing, "New Jobs in Recession and Recovery: Who Are Getting Them and Who Are Not" is a refrain of last week's divisive hearing that attempted to pit immigrants against minorities.

"At a time when America needs solutions on immigration, jobs, and our economic security, our Congress appears more interested in scapegoating than providing leadership and answers," said David Leopold, President of AILA. "Our elected officials are allowing themselves to become distracted from accomplishing those critical tasks by believing in the myth that immigrants take away jobs and depress wages when in fact, study after study show that immigrants have a positive impact on the economy and job growth. Just this past Monday, the *Wall Street Journal* reported that immigrant entrepreneurs are rapidly creating new businesses and more jobs."

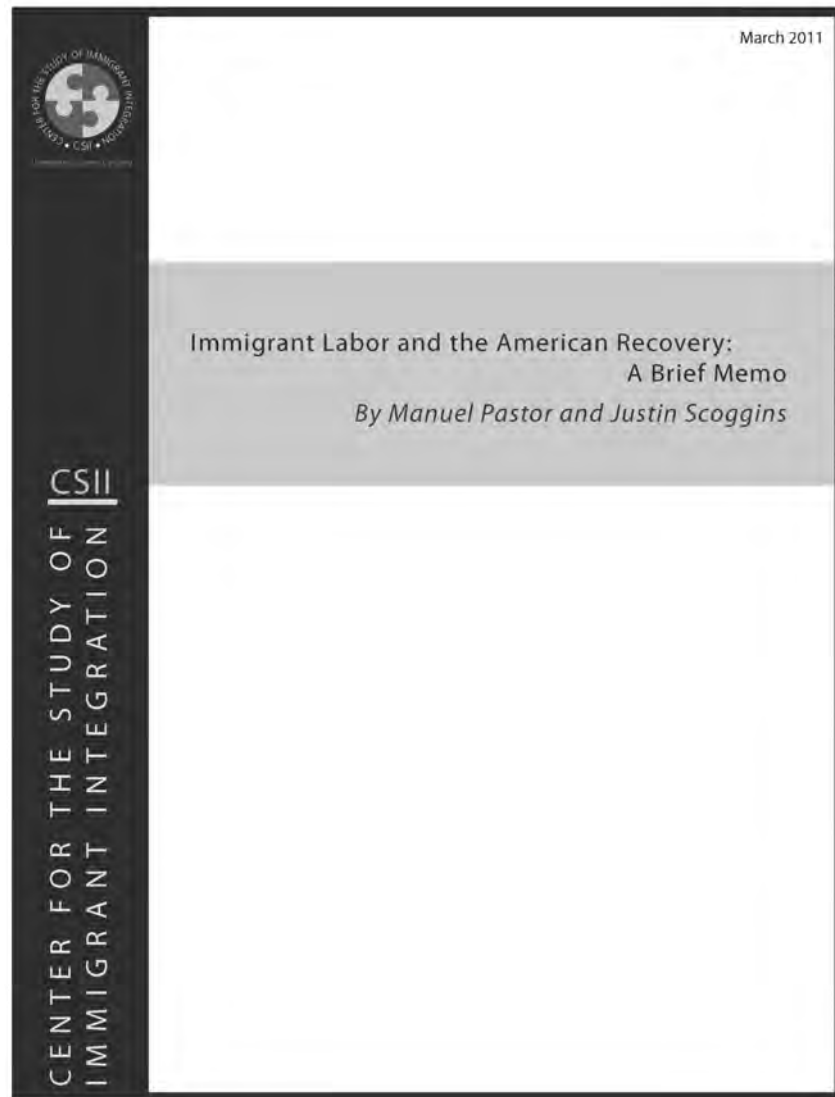
Leopold added, "The article stated that immigrants, 'very noticeably, are creating new business ventures at unprecedented rates.' The WSJ article also correctly noted that our current immigration laws do not allow these immigrant entrepreneurs to stay, thrive, and innovate here in the U.S. Consequently, they either shut down their business or move it out of the country resulting in lost jobs and dollars for American workers. This is the ugly truth facing our nation right now and what we need are solutions such as a start-up visa, to help bring *and keep* immigrant businesses to the United States," said Leopold.

AILA contends that America must pursue immigration policies that serve the interest of *all* workers. Congress can consider smart, workable reform that creates better avenues to compliance for the millions of undocumented immigrants currently living and working in the U.S. which would add billions of dollars to the economy.

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The American Immigration Lawyers Association is the national association of immigration lawyers established to promote justice, advocate for fair and reasonable immigration law and policy, advance the quality of immigration and nationality law and practice, and enhance the professional development of its members.

Submission from the Center for the Study of Immigrant Integration (CSII)



About CSII

The Center for the Study of Immigrant Integration's (CSII) mission is to remake the narrative for understanding, and the dialogue for shaping, immigrant integration in America. Our intent is to identify and evaluate the mutual benefits of immigrant integration for the native-born and immigrants and to study the pace of the ongoing transformation in different locations, not only in the past and present but projected into the future. CSII thus brings together three emphases: scholarship that draws on academic theory and rigorous research; data that provides information structured to highlight the process of immigrant integration over time; and engagement that seeks to create new dialogues with government, community organizers, business and civic leaders, immigrants and the voting public.

Visit us at <http://csii.usc.edu>

Acknowledgements

We thank the James Irvine Foundation and the Evelyn and Walter Haas, Jr. Foundation for their support of the USC Center for the Study of Immigrant Integration (CSII), including the maintenance of the databases and research staff used in drafting this brief memo. Thanks also to Dowell Myers, Steve Levy and Karthick Ramakrishnan for their comments and insights on the issues discussed in this note.

Introduction

The Pew Hispanic Center has a long and established reputation of providing research reports that are well-regarded by both academics and policy makers. Last year, it continued that tradition with a series of carefully done reports, including *After the Great Recession: Foreign Born Gain Jobs; Native Born Lose Jobs* by Rakesh Kochhar, Associate Director for Research, with the assistance of two interns, C. Soledad Espinoza and Rebeca Hinze-Pifer.¹

The punchline of the Pew study was straightforward and well-captured in the title: according to the authors, in the year following the official end of the Great Recession in June 2009, foreign-born workers gained 656,000 jobs while native-born workers lost 1.2 million. Interestingly, those dramatic numbers were not quite matched by equally wild swings in the unemployment rate, which fell for immigrant workers by 0.6 percentage points in this period while rising by 0.5 percentage points for native-born workers.

Despite the puzzling mismatch in the scale of the employment shifts and the changes in unemployment rates – and despite the admonition of the Pew authors that immigrant gains were to be expected since immigrants were especially hard-hit by the downturn – the main message picked up in the media was that immigrants were taking jobs from U.S. citizens.

But are they? As it turns out, the picture is a bit more complicated: 1) partly because the data used has some problematic anomalies, 2) partly because the time period that the Pew report studied may not be representative of the employment experience, and 3) partly because the message that immigrants are causing labor market damage to U.S. citizens – again, not pushed by the Pew researchers but rather by pundits reacting to the news – may be misleading.

Missing in Action

One anomaly in the data was first spotted and articulated by our colleague Dowell Myers: the Current Population Survey (CPS) data used to construct the employment and unemployment series in the Pew report see-saw up and down in ways that may lead the actual job gains and losses to be potentially exaggerated, particularly in terms of the effects on native- and foreign-born workers.

As Myers pointed out in a series of e-mails to colleagues, the CPS figures provided in the report suggested that the growth in the native-born population of working age (16 and older) adults plunged by just over 900,000 from 2009 to 2010 (shrinking from an increase of 2,503,000 in 2009 to an increase of 1,581,000 growth in 2010, as reported in Table 9 of the report). Note that this change refers not to just those deemed to be in the labor force, a figure that one might have expected to slip as the lingering recession led to discouraged workers who then gave up the search for employment; rather this is apparently a sharp drop in the growth rate of the population base itself. Given that the size of the entering cohorts of 16 year olds is not likely to have changed by much, this implies that deaths of the U.S.-born rose by almost a million in one year – a phenomenon that might have generated as much public interest as immigrants taking jobs.

¹ See Rakesh Kochhar, C. Soledad Espinoza and Rebecca Hinze-Pifer, “After the Great Recession: Foreign Born Gain Jobs; Native Born Lose Jobs,” Pew Hispanic Center, Washington, D.C. (October 29, 2010).

The growth of the foreign-born varied dramatically in an opposite way, reversing from a loss of 95,000 who were working age in 2009 to a gain of 709,000 in 2010. That is an effective increase in the rate of immigrant population growth of 804,000, again something that might have captured the attention of both the media and the public imagination – and that doesn't square with a general sense that immigration slowed down in the wake of difficult economic conditions.

Every data set has problems and the Current Population Survey is no exception. In a query to the authors about the underlying population numbers in the CPS, the blame was rightly placed with the Census Bureau and the way in which it counts and weights the surveys. However, one might have expected Kochhar and colleagues to address this issue to some degree in the report, particularly since an unexpected and anomalous drop in the native-born population and an equally unexpected and anomalous increase in the foreign-born population is likely to drive the respective employment numbers in the same direction (if 900,000 U.S.-born individuals of working age drop out of the population base, so do whatever jobs we might have expected them to have).

Indeed, these data problems might help explain why the changes in the numbers employed were so much more dramatic than the changes in unemployment rates: in each year, even as the working age base shifts, all the employment and unemployment figures should move in tandem with the overall population. This suggests that we may wish to focus on the unemployment experience in order to avoid the issue of a shifting base.

Again, this is a general problem with working with datasets, and it is a particular challenge given that the authors had to use the monthly CPS survey; even their efforts to pool the data for three months to derive a more reliable quarterly figure is still not likely to eliminate all sampling problems. But given how large the population swings were in these quarterly comparisons, we wondered if these were especially problematic quarters for doing the analysis. We also wanted to see, particularly with more data having been collected since the time of the Pew report, whether the results were sensitive to the selection of time periods.

Timing the Recovery

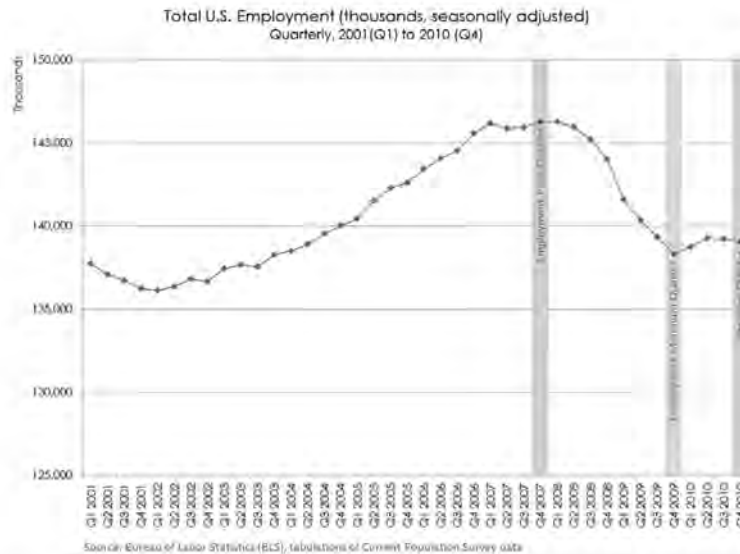
Kochhar and colleagues chose to focus on the year following the beginning of the American economic recovery, and so compared the employment experience going from second quarter of 2009 to the second quarter of 2010 (with occasional reference to a starting point in the second quarter of 2008). This was a reasonable choice as it followed the official timing of the business cycle – as indicated by the declaration of the National Bureau of Economic Research (NBER) that the recession was over in June 2009. The timing also made sense for a report being completed over the summer and released in fall.

But as many of the still-unemployed know, an economic recovery is not the same as a jobs recovery. The NBER Committee that dates business cycles uses a wide range of economic activity indicators, including real gross domestic product and real income. Another alternative choice is to date recovery by focusing on the behavior of just the variable being investigated: jobs.

Figure 1 below shows the pattern of employment recorded by the Current Population Survey. The CPS focuses on surveying workers but the timing of job recovery is very similar if we look at establishment data on employment. The chart makes clear one important fact: the peak of employment occurred in the fourth

quarter of 2007, the trough occurred in the fourth quarter of 2009 and the last quarter for which we have data (and which shows a rise from the trough) is the fourth quarter of 2010.

Figure 1



We think that making use of the employment shifts is a better approach and we take that below. But in order to gauge how much difference that makes, we first tried to use the timing adopted by Kochhar, et al., and replicate their results. As it turns out, we cannot completely duplicate their numbers, partly because the Pew report includes some sophisticated adjustments to the weights that were beyond the scope of this quick cross-check on the results.²

However, using the weights that are made available by the CPS, including the December 2007 revised weights available on the CPS website, we come relatively close, with the U.S.-born experiencing a job loss of 1.5 million and the foreign-born experiencing a job gain of nearly half a million. While those numbers are somewhat different than those in Kochhar, et al. analysis, the gap between the two – indicating a relative gain in foreign-born employment – is very close to that reported by Kochhar and colleagues.

Our estimated increase in unemployment is also very close: for the U.S.-born, we see an increase in the unemployment rate of 0.5 percentage points, a figure that is identical to that found by Kochhar, et al. The

² For a full discussion, see Jeffrey S. Passel and D'Vera Cohn, "U.S. Unauthorized Immigration Flows Are Down Sharply Since Mid-Decade," Pew Hispanic Center, Washington, DC (September 1, 2010).

decrease in the unemployment rate for immigrants over this time period is just over 0.4 percentage points, a bit less than the 0.6 percentage point improvement Kochhar and colleagues find. This difference may have to do with the superior weights Pew researchers have been using in their extensive work with CPS data but again, it is not large.

Finally, using the Kochhar, et al. timing, we are able to replicate the rather odd swing in the working age population when comparing changes between 2008 and 2009 with those between 2009 and 2010. Our swings showed the 2009-2010 change for the native-born down 873,000 from the 2008-2009 change, while that for the foreign-born was up 871,000. This is fairly close to the Pew estimates for this time period – and remains a troubling sign that perhaps these particular quarters are not as representative as one might hope.

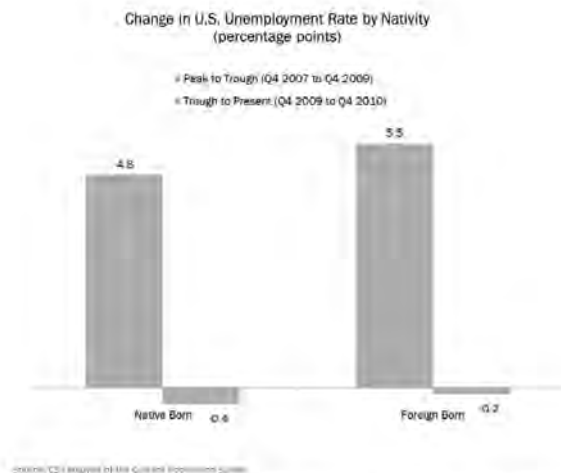
Moving From Peak to Trough to Recovery

What happens if we adopt a timing that takes advantage of the actual behavior of employment – that is, that considers the shifts from the fourth quarter of 2007 to the fourth quarter of 2009, and then to the most recent data, the fourth quarter of 2010?

The first thing to note is that the growth in the working age population over that period seems a bit more stable: the native-born rose by 1.9 million in 2008 (over the previous year), by 1.6 million in 2009, and by 1.3 million in 2010 while the foreign-born working age population rose by less than 300,000 in both 2008 and 2009 and then increased by around 700,000 in 2010. Again, the Pew-adjusted weights would likely yield even better numbers, particularly given the use of the 2007 data, and we remain a bit worried about the volatility in the series – note that the annual growth rate fell by 300,000 for the U.S.-born in 2010 and rose by 400,000 for immigrants in that same year. Still, this beats the implied fall of in growth of more than 900,000 for natives and the implied rise in growth of just over 800,000 for immigrants in the Pew report between the second quarters of 2009 and 2010. Clearly, we all need better data.

Working with the data we have, we can see a story close to that of Pew: foreign-born workers did gain more jobs in the recovery than native-born workers. The numbers, however, are far less extreme – while Kochhar and colleagues had a gap in job gains of 1.85 million (with the native-born losing 1.2 million and foreign-born gaining nearly 656,000 jobs), the gap we show over this time period is still in favor of the foreign-born but by only 339,000.

Since some of that difference in gains may be driven (as with Kochhar, et al.) by the odd swings in the baseline working age population, it is important to also look at the unemployment rate for native-born and foreign-born workers. When we do, we find that foreign-born workers were much harder hit by the recession, with their unemployment rate going up by 0.7 percentage points more than that for the U.S.-born (see Figure 2). In the recovery, their unemployment rate fell by 0.2 percent points *less* than that for U.S.-born workers.

Figure 2

One troubling trend in the data is that the labor force participation rate fell more dramatically for the native-born, suggesting that U.S.-born workers may have been more likely to become discouraged and drop out of the labor market altogether. When broken down by age, the data suggest that the fall-off in labor participation is most pronounced in U.S.-born workers between the ages of 18 and 34; this is the sign of a poor labor market and a clear policy imperative for the future.

Further exploration of the data, including the extensive sub-group provided by Kochhar and colleagues, is beyond the scope of this short memo but is surely needed for a full understanding of the employment picture for all workers in the U.S. labor market. However, the point here is that timing is important: focusing on the employment peaks and troughs rather than the NBER dates for the economic recovery, we do not find as sharp of job displacement effects as noted in the Pew report and indeed find that the unemployment rate for the U.S.-born rose less in the recession and fell just a bit more in the recovery.

Breaking Out U.S. Citizens

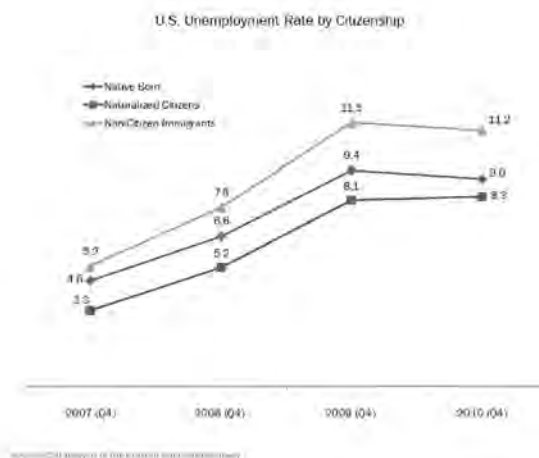
A final nuance in the data is worth considering – the experience of American citizens and non-citizens. After all, the popular media story is that immigrants are taking jobs from U.S. workers. What is often forgotten – not by those in the research world like Kochhar and his colleagues at Pew but rather by reporters and pundits – is that some of those born in other countries and laboring in our borders are actually American citizens (in fact, just under half of the foreign-born working age population consists of naturalized citizens).

Indeed, when we first sought to understand the Pew results and examine different experiences in the labor market, we did our initial breaks by citizens and non-citizens, including all those who had naturalized in the former category. When you do that – which seems logical enough given the tenor of the public debate – you

find that from the trough in 2009 to the fourth quarter of 2010, both citizens and non-citizens had an identical improvement (that is, reduction) of 0.3 percentage points in their unemployment rates.

Figure 3 shows what we find when we profile separately the experience of the U.S.-born, naturalized citizens and non-citizen immigrants. We focused on unemployment rates rather than the number of jobs held by each group because of a particular wrinkle: naturalization is, of course, a status that can change over time and so the number of those who are naturalized (and hence hold jobs) tends to always rise.

Figure 3



The results indicate that the gap between the unemployment rates of the native-born and non-citizen immigrants rose from 0.6 percentage points in 2007 to 1.2 percentage points in 2008 to 2.1 percentage points in 2009 to 2.2 percentage points in 2010. What is also interesting is the consistently lower unemployment rate for naturalized Americans, coupled by the failure to see the unemployment rates for that group fall thus far in the recovery.

This pattern may be occurring because individuals who were unemployed chose to naturalize, swelling those numbers. However, it is also the case that those facing the most competition from immigrants in the labor market are often older immigrants in the same sorts of occupations and industries. In any case, those who saw their unemployment rates rise in the context of the recovery were foreign-born American citizens; U.S.-born citizens actually saw improvements relative to all foreign-born and to foreign-born non-citizens.

Telling the Story

Those who know the world of media recognize that what a report says is not always how it is read. Kochhar and colleagues offered a well-researched and balanced snapshot of what survey data had to say about different experiences in the labor market. They properly nuanced their work by pointing to the sharp rise in immigrant unemployment during the recession, by noting all the difficulties of interpretation with survey sample volatility, and by making reference to the voluminous economic literature debating whether immigrant labor is more a complement than a substitute for U.S.-born workers.³ In press interviews, Kochhar also rightly noted that the trend they were noting might not persist (which is, of course, the case with the numbers we present as well).

All that nuance got lost a bit in the headlines, of course. But it is also the case that the underlying population numbers in the Pew report are so volatile as to make focusing on employment gains perhaps less apt than a focus on unemployment rates and that the dating of the “recovery” in this particular instance should probably focus on the trajectory of jobs and not the pronouncements of the NBER.

If you shift the timing to track employment and focus on the unemployment rates that may be more accurately measured, you find that foreign-born workers have not gained more than U.S.-born worker in terms of unemployment reductions and that the gap between lower unemployment rates for U.S.-born workers and higher unemployment rates for non-citizen immigrants has grown over time. This is likely an uncontroversial outcome since newcomers generally understand that their labor market experience may be more tumultuous – it is part of the price of entry to the great American economy and jobs machine.

Keeping that jobs machine moving forward is going to require creative policies and effective collaborations. The economic research generally tells us that while there are certain negative effects on less-skilled workers, immigrants are generally good for the economy and will be an important part of any long-term recovery. Keeping that in mind would be good for policy makers dedicated to making a stronger and more inclusive America.

³ For a very good and very recent review, see Harry Holzer, *Immigration Policy and Less-Skilled Workers in the United States: Reflections on Future Directions for Reform*, Washington, DC: Migration Policy Institute, January 2011.

Letter from John L. Ghertner, MD

Migrant Support Services of Wayne County
6055 Robinson Rd.
Sodus, New York 14551

March 9, 2011

To whom it may concern:


In this rural farming community where the main agricultural products are fruit and onion and potatoes, we are in need of a large influx of migrant labor for harvest season. The fruit growers estimate the need for a temporary work force of 8000 for the short harvest season of approximately 6 weeks.

This labor demand, because it is for a short season and because of the historically low numbers of a local labor force, cannot be met by American citizens or legal residents. And because of the short duration of need, it would not create a positive effect on long-term job growth.

Having been the medical director for our public health department for many years, it is clear that the labor force needs require reform of our immigration policy to allow more people to work in this environment legally.

Sincerely,

John L. Ghertner, MD



Prepared Statement of the National Immigration Forum

**Statement for the Record****House Subcommittee on Immigration Policy and Enforcement****"New Jobs in Recession and Recovery: Who Are Getting Them and Who Are Not"****March 10, 2011**

The National Immigration Forum works to uphold America's tradition as a nation of immigrants. The Forum advocates for the value of immigrants and immigration to the nation, building support for public policies that reunite families, recognize the importance of immigration to our economy and our communities, protect refugees, encourage newcomers to become new Americans and promote equal protection under the law.

We are submitting our views about the subject of this hearing, "New Jobs in Recession and Recovery: Who Are Getting Them and Who Are Not." We regret that the Subcommittee has chosen to look at jobs in recovery as a fixed pie in which immigrant workers are pitted against native-born workers.

A more interesting approach would be to look at the entrepreneurial activity in the immigrant community. This week, the Ewing Marion Kauffman Foundation released its annual index of entrepreneurial activity. This report shows that, while businesses have been slow to hire workers as the economy comes out of recession, the level of business creation is the highest it has been in 15 years. It also shows that more than other demographic groups, immigrants were the drivers of business creation. In each month of 2010, immigrants were more than twice as likely to start a business than were the native born. The percentage of immigrants who became entrepreneurs grew dramatically in 2010 over the previous year.

The Subcommittee leadership looks at the jobs immigrants hold as something that is a negative for native-born workers. This view ignores the fact that immigrants create businesses. In fact, the combination of a growing immigrant population and the increasing tendency of immigrants to become entrepreneurs is good news for our economy.

Our economy must grow in order for the unemployed and for new entrants into the workforce to find jobs. Immigrants are increasingly the font of new businesses in America. The Subcommittee would better spend its time inquiring how it might modify our policies to encourage that trend, and to encourage those new businesses to hire more American workers.

Thank you for the opportunity to provide our view on this matter.