

Race and immigration

Three panelists presented new research on issues related to race and immigration. Brian Cadena shared outcomes from a study of geographic mobility during the Great Recession done jointly with Brian Kovak, concluding that immigrants help balance local labor markets by moving to areas that have relatively strong economies. Liliana Garces presented findings from a study of the effect of affirmative action bans on the medical school enrollment rates of historically underrepresented students of color done with David Mickey-Pabello, concluding that the bans do cause these students to enroll at lower rates. Sandra Smith examines some of the potential implications of traumatic loss in low-income communities of color. This set of articles summarizes their presentations.

Immigrants balance local labor markets

Brian Cadena and Brian Kovak

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The labor market for low-skilled workers in the United States has changed dramatically over the past few decades. Technological change, growing international trade, and the rise of the service-based economy have all substantially altered the landscape for workers with at most a high school diploma. In addition to facing risks from these structural changes to the labor market, these workers are also subject to greater volatility as the overall strength of the economy fluctuates.¹ Importantly, each of these factors has a substantial impact on the geographical location of demand for low-skilled workers in addition to affecting the overall level of demand. Unfortunately, research has consistently found that, in comparison to college-educated workers, workers with lower levels of schooling are much less likely to make long-distance moves in response to labor market conditions.² This lack of mobility is troubling because migration is a key mechanism through which geographical inequality of opportunity is reduced.³ In recent years, however, the low-skilled portion of the labor force is increasingly composed of immigrants. By 2011, roughly one in five workers with at most a high school education were born abroad. These individuals have revealed a willingness to make long-distance moves in search of better jobs and wages because many of them have lower personal attachment to particular locations within the United States. As suggested by George Borjas, immigration may reduce geographical inequality between labor markets when new immigrants choose locations with relatively strong wage and employment prospects.⁴ Recent empirical evidence finds that immigrants perform precisely this balancing role in the labor market.⁵

The study summarized in this article builds on this earlier work by examining geographical mobility among Mexican-born immigrant men and native-born men, during the Great

Recession.⁶ We use a sample of low-skilled men, defined as those with at most a high school diploma.

Geographical mobility during the Great Recession

The Great Recession was a time of particularly severe declines in the demand for low-skilled workers, with substantial variation from place to place across the United States. In our study, we ask two key questions about low-skilled Mexican-born immigrant men. First, how did individuals' location choices respond to geographic variation in the depth of the local downturn? Second, did immigrants' willingness to move to stronger labor markets help equalize employment rates across geography? To answer these questions, we take advantage of the fact that employers adjusted to changing conditions by cutting jobs rather than wages.⁷ As a result, the severity of the local recession can be observed directly through employment data.⁸

Immigrant populations adjust to employment demand

Consistent with the previous literature, our results reveal that people with at least a bachelor's degree are highly responsive to differences in employment changes across locations. A one percentage point change in the employment growth rate is associated with a 0.53 percentage point change in the same direction in the population growth rate among these workers. Also as found in previous work, our survey responses among less-educated native-born workers were much smaller; in fact, there was no statistically significant evidence that these workers move toward better labor markets at all.

In sharp contrast, the Mexican-born population shifted dramatically toward locations with relatively stronger job prospects. This difference in response between the two populations is illustrated in Figure 1. Here, each circle represents a city, with the size proportional to its population. The scale of the x-axis serves as a reminder that the changes in locations were primarily away from locations with very severe job losses and toward places with relatively mild job losses. The

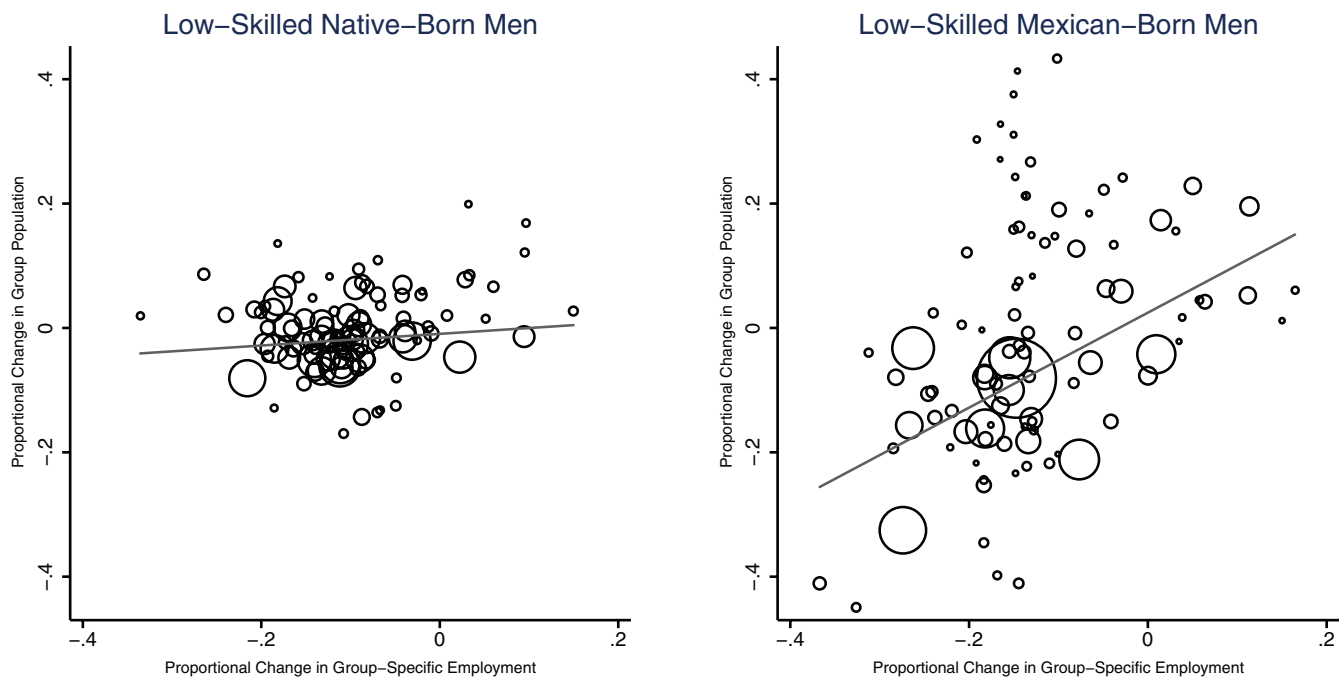


Figure 1. Population responses to employment shocks: Native-born and Mexican-born low-skilled men.

Note: Each marker represents a city, with marker size proportional to the city's population.

relatively flat slope of the line for native-born men shows that there is no clear indication that when these workers move, they are moving to areas with stronger labor markets. The strong upward slope of the line in the second graph indicates that Mexican-born men are very likely to move to locations where they are more likely to find work. We found this result to be robust, and were able to rule out a number of potential alternative interpretations.⁹

Mexican mobility and native outcomes

We found that the population adjustments among Mexican-born workers improve their chances of finding employment, at least on average. The remaining question, therefore, is how their mobility affects the geographic distribution of employment rates among native-born workers, who were much less responsive. To answer this, we examined the relationship between the change in employment in a city and changes in the employment rate of individuals who live there. In the absence of mobility, job losses should affect local workers, and cities with more severe downturns should experience much larger declines in employment rates. With mobility, however, changes in employment rates will be less closely linked to local job losses and more similar across cities. We split the sample of cities into those that had large and small Mexican-born populations prior to the onset of the recession. The primary result, shown in Figure 2, is that the set of cities with more Mexicans had smoother outcomes in terms of employment rates. Thus, workers in cities with the most severe job losses were better off when they lived in cities with more Mexican-born workers, while those in cities with the least severe job losses were better off if their city

had fewer Mexican-born workers. Importantly, there is no evidence that employment rates were any smoother among high-skilled workers, which helps rule out the possibility that cities with more Mexican-born immigrants were more dynamic or flexible on some other dimension. Instead, we conclude that mobility among the low-skilled Mexican-born population helped balance the low-skilled labor market across locations.

Pathways of population adjustment

Turning to the question of how the Mexican-born population adjusted, we found that only 20 percent of the adjustment occurred through newly arriving immigrants selecting locations with relatively strong labor markets. The remainder occurred through city-to-city migration within the United States, and through return migration back to Mexico. Our evidence suggests that each of these two more common pathways was an important adjustment mechanism.

Finally, we examine potential explanations for the stronger responses among the Mexican-born population. We find that the results are not simply due to demographic differences; native workers of similar age, marital status, and homeownership status are no more responsive than are native workers as a whole. Instead, we find that Mexican-born workers have a stronger labor force attachment, likely because of differences in labor market motivations and in eligibility for safety net programs. Mexican immigrants also have access to a much stronger and more diffuse social network than native workers, which can provide information and material support for workers planning long-distance moves.

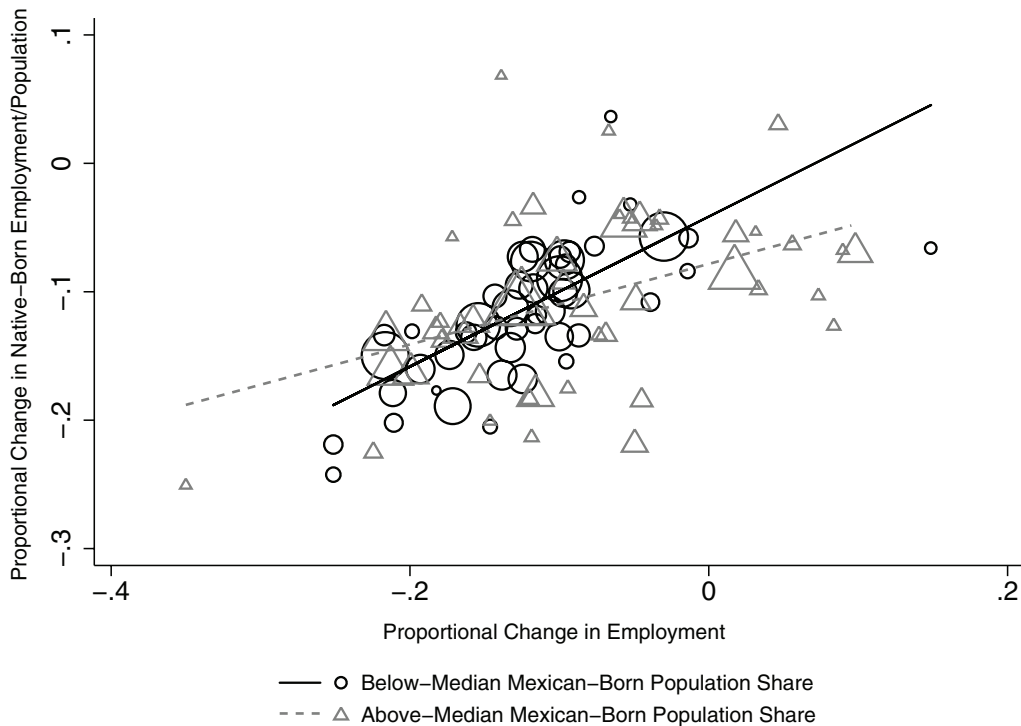


Figure 2. Change in native male low-skilled employment to population ratio compared to change in low-skilled employment.

Note: Each marker represents a city, with marker size proportional to the city's population.

Implications for policymakers and future research

This paper adds to a growing literature that shows that immigrants help balance local labor markets by moving to areas with relatively strong economies. This result has a number of implications for both policy and research. First, the smoothing provides a benefit to native-born workers by reducing the earnings and employment variability they face. This influence of immigrants on the labor market has received relatively little attention in the policy debate. Importantly, the proposed W visa in the Senate-passed immigration reform bill would allow temporary low-skilled workers to move from employer to employer and from location to location during their eligibility period. The expanding literature suggests that this feature would benefit both immigrant and native-born workers holding similar jobs.

On the other hand, this consistent finding that immigrants help balance local labor markets by moving to where the jobs are implies that programs designed to affect the low-skilled population are likely to have spillover effects on populations not targeted directly by the policy. For example, Cadena finds that, for every ten U.S.-born women who left the welfare rolls and entered the workforce in a city, five fewer immigrants settled there.¹⁰ This response can help explain why cross-location comparisons of the effects of welfare reform on nonrecipients tend to find relatively small differences. Similarly, immigrants prefer to locate in states with stagnant rather than rising minimum wages.¹¹ Because some immigrants choose alternative work locations when the

minimum wage increases, the observed employment effects of the minimum wage are smaller among teen workers in states where immigrants are a greater share of the low-skilled workforce.

Finally, these studies suggest that immigration inflows are highly sensitive to economic conditions. This is a particular concern for the literature examining the effect of immigration on labor market outcomes for native-born workers. When immigrants choose locations with stronger demand for their type of labor, it becomes difficult to separate the influence of immigrants from the influence of other unobservable economic forces affecting native-born workers' wages and employment. Researchers have typically used a single instrumental variables methodology to address this concern, and further investigation of its properties is likely warranted.¹² Importantly, even approaches like Borjas's national-level analysis may fail to find the true effect of immigration on native-born workers' outcomes when the total inflow of new immigrants falls during recessions and rises during expansions.¹³ ■

¹⁰H. W. Hoynes, "The Employment, Earnings, and Income of Less Skilled Workers Over the Business Cycle," in *Finding Jobs: Work and Welfare Reform*, eds. D. Card and R. Blank (New York: Russell Sage Press, 2002); H. W. Hoynes, D. L. Miller, and J. Schaller, "Who Suffers During Recessions?" *The Journal of Economic Perspectives* 26, No. 3 (2012): 27–47.

¹¹J. Bound and H. J. Holzer, "Demand Shifts, Population Adjustments, and Labor Market Outcomes during the 1980s," *Journal of Labor Economics* 18, No. 1 (2000): 20–54; A. Wozniak, "Are College Graduates More Respon-

sive to Distant Labor Market Opportunities?" *Journal of Human Resources* 45, No. 4 (2010): 944–970.

³T. J. Bartik, *Who Benefits from State and Local Economic Development Policies?* (Kalamazoo, MI: Upjohn Press, 1991); O. J. Blanchard and L. F. Katz, "Regional Evolutions," *Brookings Papers on Economic Activity* 1992, No. 1: 1–75.

⁴G. J. Borjas, "Does Immigration Grease the Wheels of the Labor Market?" *Brookings Papers on Economic Activity* 2001, No. 1: 69–133.

⁵B. C. Cadena, "Native Competition and Low-Skilled Immigrant Inflows," *Journal of Human Resources* 48, No. 4 (2013): 910–944; and B. C. Cadena, "Recent Immigrants as Labor Market Arbitrageurs: Evidence from the Minimum Wage," *Journal of Urban Economics* 80 (2014): 1–12.

⁶For more detail on the study, see B. C. Cadena and B. K. Kovak, "Immigrants Equilibrate Local Labor Markets: Evidence from the Great Recession," NBER Working Paper 19272, National Bureau of Economic Research, 2013.

⁷M. Daly, B. Hobijn, and B. Lucking, "Why Has Wage Growth Stayed Strong?" FRBSF Economic Letter 2012-10, Federal Reserve Bank of San Francisco, 2012; M. C. Daly, B. Hobijn, and T. S. Wiles, "Dissecting Aggregate Real Wage Fluctuations: Individual Wage Growth and the Composition Effect," FRBSF Working Paper 23, Federal Reserve Bank of San Francisco, 2012; J. Rothstein "The Labor Market Four Years into the Crisis: Assessing Structural Explanations," *Industrial and Labor Relations Review* 65, No. 3 (2012): 467–500.

⁸We use high-quality employment data from the County Business Patterns to construct a measure of the relevant job losses for multiple demographic groups based on education, gender, and nativity. We then relate changes in population (calculated from the American Community Survey) to changes in jobs for 97 metro areas from 2006–2010.

⁹First, we controlled directly for diffusion away from traditional enclaves (e.g. cities in California and Texas) and for simultaneous local anti-immigrant legislation. Further, these differential growth rates are not simply part of a pre-existing trend. If anything, it appears that population growth from 2000–2005 among those born in Mexico was stronger in locations that would experience more negative job growth from 2006–2010. Finally, we addressed the possibility of reverse causality using two separate instrumental variables strategies.

¹⁰Cadena, "Native Competition and Low-Skilled Immigrant Inflows."

¹¹Cadena, "Recent Immigrants as Labor Market Arbitrageurs."

¹²D. Card, "Immigrant Inflows, Native Outflows, and the Local Market Impacts of Higher Immigration," *Journal of Labor Economics* 19, No. 1 (2001): 22–64.

¹³G. J. Borjas, "The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market," *The Quarterly Journal of Economics* 118, No. 4 (2003): 1335–1374.