Employment Research Newsletter

Volume 25 | Number 3 Article 3

7-1-2018

Employment Research, Vol. 25, No. 3, July 2018

Citation

W.E. Upjohn Institute. 2018. Employment Research. 25(3). https://doi.org/10.17848/1075-8445.25(3)

JULY 2018 • VOL 25, NO 3

W.E. UPJOHN INSTITUTE

EMPLOYMENT RESEARCH

Immigration Policy Today

Susan Pozo

ARTICLE HIGHLIGHTS

- *Migration scholars can help to steer the debate over immigration policy—which is big on rhetoric and small on evidence—toward more productive areas.*
- *Immigrant apprehensions—a reasonable indicator of unauthorized immigrant inflows—have fallen dramatically over the past two decades.*

ALSO IN THIS ISSUE

In the 1980s, following a sustained shift in the source of U.S. immigrants, academics, the U.S. public, and legislative officials engaged in healthy debate about the U.S. immigration system. The discussion eventually led to the passage of the Immigration Reform and Control Act (IRCA) of 1986. This legislation contained two major provisions. First, it provided legal residency status for some undocumented immigrants who had continuously resided in the United States for a period of time. Its second provision was to impose sanctions on employers that knowingly hired undocumented immigrants. The IRCA's intention was to bring undocumented immigrants "out of the shadows" while putting an end to the pull of unauthorized immigrants from employers.

We are currently experiencing another intense period of debate about immigration. The discussion today is broader and pertains to both illegal and legal immigration. It has transcended geographic borders and even extends beyond immigration to Brexit (the withdrawal of the United Kingdom from the European Union), the contributions of the international trading system to poverty and prosperity, and the costs and benefits of social uniformity versus diversity. In short, current conversations focus on finding the ideal balance between globalization and tighter borders. Of concern, however, is the tone of these debates taking place at home and abroad. It is more visceral, more extreme, more emotional, and more uncomfortable than 30 years ago when IRCA was passed.

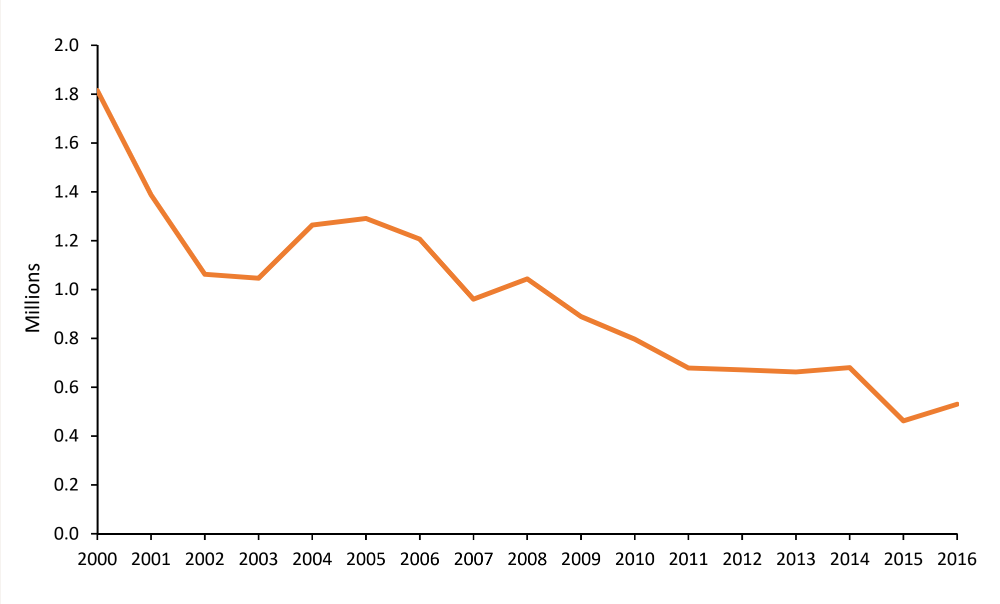
The public today is fiercely divided about U.S. immigration. On one side, immigrants are characterized as undeserving, taking advantage of a generous welfare system, and criminal in nature. Another side appeals to American ideals and lauds the U.S. immigration system as the foundation for our present-day society—a melting pot giving rise to American ingenuity and creativity through diversity. A huge gulf exists between the two sides, as is evidenced by intransience in the Congress on the question of immigration policy, by the series of presidential executive orders and their reversals from court rulings, and by vocal public opinion.

The current debate is big on rhetoric and small on evidence, with the issues having been framed in terms of the personal, making true discourse difficult at best. Migration scholars, however, can help to steer the discussion toward more productive areas. One way they can provide more clarity is with respect to very basic information concerning the alleged surge in illegal immigration. According to the current administration, the United States is experiencing a deluge in undocumented immigrant inflows. In fact, basic data—specifically, reports from the U.S. government—show otherwise. One indicator of the levels of illegal immigration today are tallies of the apprehension levels by the border patrol and other immigration officials. Figure 1 presents this data from the Department of Homeland Security from 2000 to the present. The chart clearly shows that apprehensions, an imperfect yet reasonable indicator of variations in the level of inflows, have in fact fallen dramatically over the past two decades. Current apprehension levels are less than one-third of their levels in 2000. Levels this low were last observed in 1972, even though dollar and personnel resources devoted to the U.S. Customs and Border Protection, and to U.S. Immigration and Customs Enforcement, have risen substantially from 2000 to the present (see American Immigration Council [2017]).

While the Department of Homeland Security data suggest that the flow of undocumented immigrants has been declining overall, this is not true of the number of undocumented immigrants already in the United States. The common

Barriers to mobility converted the undocumented from a circular and temporary population in the U.S. into a permanent feature.

Figure 1 Undocumented Immigrant Apprehensions, 2000–2016



SOURCE: Department of Homeland Security, https://www.dhs.gov/immigration-statistics/yearbook/2016/table33 (accessed July 20, 2018).

perception is that, after undocumented crossings became more onerous and risky because of enhanced border enforcement, the existing stock of unauthorized immigrants tended to permanently settle in the United States. Instead of periodically visiting home and maintaining roots there, with expectations of an eventual permanent return, the undocumented dug in more deeply. Barriers to mobility converted the undocumented from a circular and temporary population in the United States into a permanent feature, as outlined by Massey, Durand, and Pren (2016). Data are supportive of this idea, with the stock of undocumented steadily rising in concert with increases in immigration enforcement (Krogstad, Passel, and Cohn 2017). Immigrants became more entrenched by longer continuous tenure due to the larger costs of periodically returning home, which in turn resulted in more U.S.-born children and greater commitments to making the United States home.

The general public's lack of basic education about immigration contributes to an unproductive discussion about immigrants. A recent poll by the Pew Research Center (2018) reveals that a majority of Americans believe there are more undocumented than documented immigrants in the United States today, when in fact only about one-quarter of all immigrants are unauthorized.

Why are immigrants, whether documented or not, less welcome today? Why has chain migration—the concept that settled immigrants will attract other family to migrate—become a dirty phrase? Several factors and significant levels of misinformation have likely contributed to rolling up the welcome mat. A common charge is that immigrants take jobs away from the native born. There exists an extensive literature that attempts to measure the degree to which immigrants compete with the native-born in the job market (see National Academies of Sciences, Engineering, and Medicine [2017], specifically Chapter 5, for a review of the studies). A common finding is that the recent low-skilled immigrants do tend to compete with existing low-skilled workers, particularly with more seasoned immigrants, but also with a small segment of the U.S. native-born labor force—high school dropouts. Other studies find that the presence of immigrant workers raises the productivity of native-born workers along with their earnings. The dynamic contributions of immigration to the economy—providing a source of labor in an era of declining birth rates—are increasingly recognized. With a few exceptions, there is little evidence that native workers are disadvantaged by immigration.

An important reason for relatively low competition between immigrants and the native born involves mobility by immigrants—particularly those who are low-skilled—who tend to exhibit high degrees of geographic mobility (Cadena and Kovak 2016). They are less stuck to a particular geographic area, moving to fill job vacancies in more distant areas, in areas where economic growth is highest and greater excess demand for workers exists. Table 1 presents evidence of this greater mobility, with information on the percentage of those born within the 50 U.S. states (native-born) and the percent of nonnaturalized immigrants, who moved to their current location from a noncontiguous U.S. state in the past year.

Two points are worth noting. First, immigrants are more apt to move, as revealed by the percentages displayed. For example, in 2001, only 1.6 percent of natives moved to a noncontiguous state, whereas 2.1 percent of nonnaturalized immigrants did. Immigrants "grease" the labor market, possibly permitting the economy faster economic growth by more efficiently allocating workers to where they are needed. This also explains perhaps why immigrants are not directly competing with natives, as they quickly tend to move onward if the labor market is slack. Second, over the past two decades there has been a gradual reduction in the mobility of nonnaturalized immigrants. Using this metric, 2.1 percent of the nonnaturalized population in 2001 moved between noncontiguous states while only 1.6 percent did in 2016. This could be because of changes in the vintages of the immigrants (and their characteristics) or because of the greater scrutiny immigrants are experiencing. The increases in interior enforcement might be tying down immigrants more firmly to current locations where they may more easily blend.

Another concern about immigrants that may be contributing to greater animosity is the charge that immigrants—both documented and undocumented—and refugees display more criminal behavior than the native born. Here again, migration scholars can offer carefully crafted studies that use representative data in place of anecdotes to ascertain the actual contributions of refugees, immigrants, and the undocumented to crime in the United States. Those studies provide ample evidence that runs counter to the notion that these groups exhibit higher rates of criminality. Chalfin (2015), for example, shows that recent immigration flows have contributed toward driving *down* crime rates. And in specifically analyzing refugee flows into the United States, Amuedo-Dorantes, Bansak, and Pozo (2018) find no causal evidence that refugees have impacted violent crime rates in the United States.

More attention must be paid to serious analysis of immigration and data about immigrants and their influence on the economy. The forthcoming book titled *The Human and Economic Implications of Twenty-First Century Immigration Policy* (Upjohn Press) presents the findings of prominent immigration scholars who use data and theory to help unravel facts concerning immigration. This book provides a framework that helps move us from the personal to the analytical, to facilitate a more systematic appraisal of immigration and the policies before us. The authors document and provide careful analyses along several dimensions, from the fiscal impacts of immigrants in the United States, assimilation along generational lines, the effects of enhanced immigration enforcement at the interior of the United States, and alternative blueprints for allocating refugees. The authors also offer suggestions on the use of tools of international trade to assess immigration policy today. The public must be better informed to more effectively debate immigration, and this volume can help set us on that path.

Table 1 Mobility of U.S.-Born and Noncitizens Aged 25–64

	Percent who moved from a noncontiguous state in the past year	
	U.S.-born	Noncitizens
2001	1.6	2.1
2005	1.7	1.9
2010	1.5	1.6
2015	1.6	1.7

NOTE: Individuals born in U.S. territories (e.g., Puerto Rico) were excluded from the analysis.
SOURCE: Computed from ACS one-year samples, IPUMS-USA, University of Minnesota, www.ipums.org.

REFERENCES

American Immigration Council. 2017. "The Cost of Immigration Enforcement and Border Security." Washington, DC: American Immigration Council. https://www.americanimmigrationcouncil.org/sites/default/files/research/the_cost_of_immigration_enforcement_and_border_security.pdf (accessed July 17, 2018).

Amuedo-Dorantes, Catalina, Cynthia Bansak, and Susan Pozo. 2018. "Refugee Admissions and Public Safety: Are Refugee Settlement Areas More Prone to Crime?" IZA Discussion Paper 11612. Bonn: IZA.

Cadena, Brian C., and Brian K. Kovak. 2016. "Immigrants Equilibrate Local labor markets: Evidence from the Great Recession." *American Economic Journal: Applied Economics* 8(1): 257–290.

Chalfin, Aaron. 2015. "The Long-Run Effects of Mexican Immigration on Crime in US Cities: Evidence from Variation in Mexican Fertility Rates." *American Economic Review* 105(5): 220–225.

Krogstad, Jens Manuel, Jeffrey S. Passel, and D'Vera Cohn. 2017. "5 Facts about Illegal Immigration in the U.S." Fact Tank: News in the Numbers. Washington, DC: Pew Research Center. http://www.pewresearch.org/fact-tank/2017/04/27/5-facts-about-illegal-immigration-in-the-u-s/ (accessed July 17, 2018).

Massey, Douglas S., Jorge Durand, and Karen A. Pren. 2016. "Why Border Enforcement Backfired." *American Journal of Sociology* 121(5): 1557–1600.

National Academies of Sciences, Engineering, and Medicine. 2017. *The Economic and Fiscal Consequences of Immigration*. Washington, DC: The National Academies Press. https://doi.org/10.17226/23550

Pew Research Center. 2018. "Shifting Public Views on Legal Immigration into the U.S." Washington, DC: Pew Research Center. http://www.people-press.org/2018/06/28/shifting-public-views-on-legal-immigration-into-the-u-s/ (accessed July 17, 2018).

Ruggles, Steven, Katie Genadek, Ronald Goeken, Josiah Grover, and Matthew Sobek. 2017. Integrated Public Use Microdata Series: Version 7.0 [dataset]. Minneapolis: University of Minnesota. https://doi.org/10.18128/D010.V7.0 (accessed July 17, 2018).

This article draws on concepts highlighted in the forthcoming book The Human and Economic Implications of Twenty-First Century Immigration Policy, *soon to be published by the Upjohn Institute. Visit https://upjohn.org/publications/upjohn-institute-press/human-and-economic-implications-twenty-first-century-immigration for more information.*

Susan Pozo is a professor at Western Michigan University.

The Economics of Job Search

New Insights from an Upjohn Institute–Federal Reserve Bank of Chicago Conference

Brad Hershbein and Claudia Macaluso

The W.E. Upjohn Institute for Employment Research and the Federal Reserve Bank of Chicago jointly conducted the first Job Search and Vacancy Workshop in Chicago on April 21–22, 2018. The two-day conference convened economists from several top research and policy institutions, including the University of California, Santa Barbara; Columbia University; the University of Chicago; Georgetown University; George Washington University; Northeastern University; the University of Toronto; and the Federal Reserve Banks of New York, San Francisco, and the Federal Reserve Board.

Intended to be a balanced mix of theoretical and empirical research on the "inner workings" of hiring in labor markets, the workshop featured six presentations and discussions and gathered many more participants from the sponsoring institutions and Chicagoland universities. The discussion centered on advances in research on the matching of workers to jobs, made possible in part by the increased availability of firm-level data on job postings. These data, typically produced by the private sector through online job boards and hiring platforms, describe in detail and in real time the specific positions and skills businesses advertise and recruit for.

Indeed, the availability of firm-level job postings is a major breakthrough, as no comparable data have been or are currently produced by government statistical agencies. However, the nonofficial nature of the data also exposes them to questions of accuracy and reliability, as online job markets do not necessarily reflect the labor market as a whole, and the exact processes in which the data are collected are usually proprietary.

Among IT jobs, 80 percent of jobs ads receive most of their applications in the first week of posting.

Labor economists are well aware of the challenges and opportunities these innovative data provide. In work with Brenda Samaniego, **Steven J. Davis**, the William H. Abbott Professor of Economics at the University of Chicago Booth School of Business, uses job postings from an online platform for IT occupations, Dice.com, to learn about the life cycle of a job ad. Davis and Samaniego find that posting duration is fairly short: 80 percent of job ads receive most of their total applications within one week of their first appearance; many have been removed by one month from their initial posting. Though the typical vacancy on Dice .com attracts only about five applicants, the typical applicant competes with many other job seekers because a small share of postings receive the bulk of applications. In particular, job seekers disproportionately target new job postings.

The observation that workers are more likely to apply to new job ads was the start of a novel model with "phantom vacancies" for **James Albrecht** and **Susan Vroman**, professors of economics at Georgetown University, and their colleague, Bruno Decreuse, from Aix-Marseille University. A phantom vacancy is a job posting that remains on a job board, thus looking like an open employment opportunity, even though the position advertised is no longer available. Because there can be little incentive for employers to take down old ads on third-party job boards, the researchers find that many seemingly valid postings are in fact phantom vacancies. Albrecht, Decreuse, and Vroman conclude that the presence of old ads that may not be true vacancies is an example of search frictions in the labor market that can hinder job finding.

Peter Kuhn, a professor of economics at the University of California, Santa Barbara, studies another, more explicit, type of friction:

ARTICLE HIGHLIGHTS

- *The availability of firm-level job postings is a major breakthrough, as no comparable data have been or are currently produced by government statistical agencies.*
- *It is crucial to compare job postings data with officially published statistics to determine their representativeness, accuracy, and their appropriate use in policymaking and forecasting.*

the existence of "gendered" ads. Using job board data from a Chinese employment platform, Kuhn and coauthor Kailing Shen show that there is high, but not total, compliance by applicants to jobs stating an explicit preference for male or female workers. The practice—illegal but sometimes occurring informally in the United States—results in remarkable segregation across occupations and often discourages women from applying to "male jobs" that have higher pay or benefits. In addition, as noted during the lively Q&A that followed the presentation, it appears that men applying to "female jobs" have a greater likelihood of being interviewed for the position than women applying to "male jobs," even after controlling for level of skill.

Andreas Mueller, an assistant professor of economics at Columbia University, uses administrative data on employers, applications, and matches from the Austrian Labor Statistics Agency. His work with Andreas Kettemann and Josef Zweimüller focuses on the relationship between the posted wage and the rate at which vacancies are filled. Surprisingly, they find only moderate evidence that high-wage vacancies are filled faster than low-wage ones, suggesting that the wage is only one piece of information job seekers use to guide their applications. However, as pointed out in the discussion, there is a caveat: the data cover only workers who looked for a job through the Austrian unemployment assistance office. Jobs available to unemployed workers are likely to be lower-skilled than the average job in the economy, and may display less variation in wages; thus, there may be a smaller role for the wage signal in recruiting.

Because employers have little incentive to take down old job ads on other sites, many of these postings are 'phantom vacancies.'

Ronald Wolthoff, an assistant professor of economics at the University of Toronto, and his colleagues Xiaoming Cai and Pieter Gautier, derive a mathematical condition that describes the extent to which the "best" firms hire the "best" workers and studies how deviations from this optimal matching affect aggregate productivity. Their work highlights how the availability of detailed data on the matching between workers and firms helps economists build more accurate models of the labor market.

Tara Sinclair is an associate professor of economics at George Washington University and a senior fellow at Indeed.com, a job search services company that serves as an aggregator of job postings. Along with Martha Gimbel, she uses data on the flows of postings and applications at Indeed to describe potential mismatch between the demand and supply of labor. In her talk, Sinclair underlined another challenge that awaits economists wanting to take advantage of data from large online job boards: the technical difficulties involved in manipulating data that are derived from text, and the subsequent need for a constant dialogue between the economists using the data and the engineers and computer scientists producing them. In short, there is still a lot to learn from the data and *about* the data.

In general, data on job postings allow researchers to study in unprecedented detail the demand for different skills and types of workers, and what firms do to attract workers, including posting a wage or specifying the length of time a job ad is active. However, a common theme emerged from the discussion at the workshop: the need to compare the different data sources, as each data set has strengths and weaknesses to be assessed with respect to the specific research question at hand. It is also crucial to compare job postings data with officially published statistics to determine their representativeness, accuracy, and, ultimately, their appropriate use in policymaking and forecasting.

'Gendered' job ads can discourage women from applying to 'male jobs' that have higher pay or benefits.

The study of job postings also helps characterize firms' recruiting and workers' job search activities, in ways that may help lead to more successful efforts on both fronts. Though research in this field is just beginning, the Upjohn-Chicago Fed Workshop proved to be a fruitful environment for economists, data scientists, and decision makers to come together, present and interpret research results, and discuss common concerns about the functioning of labor markets.

Brad Hershbein is an economist and director of information and communications services at the Upjohn Institute. Claudia Macaluso is a postdoctoral scholar at the Institute.

Recent Working Papers and Reports

"But For" Percentages for Economic Development Incentives: What Percentage Estimates Are Plausible Based on the Research Literature?"

Tim Bartik
Upjohn Institute Working Paper
No. 18-289
DOI 10.17848/wp18-289

This paper reviews the research literature in the United States on effects of state and local "economic development incentives." Such incentives are tax breaks or grants, provided by state or local governments to individual firms, that are intended to affect firms' decisions about business location, expansion, or job retention. Incentives' benefits versus costs depend greatly on what percentage of incented firms would not have made a particular location/expansion/retention decision "but for" the incentive. Based on a review of 34 estimates of "but for" percentages, from 30 different studies, this paper concludes that typical incentives probably tip somewhere between 2 percent and 25 percent of incented firms toward making a decision favoring the location providing the incentive. In other words, for at least 75 percent of incented firms, the firm would have made a similar decision location/expansion/retention decision without the incentive. Many of the current incentive studies are positively biased toward overestimating the "but for" percentage. Better estimates of "but for" percentages depend on developing data that quantitatively measure diverse changes in incentive policies across comparable areas.

"Why Leave Benefits on the Table? Evidence from SNAP"

Colin Gray
Upjohn Institute Working Paper
No. 18-288
DOI 10.17848/wp18-288

Studies of take up in social insurance programs rarely distinguish between initial enrollment and retention of beneficiaries. This paper shows that retention plays a meaningful role in incomplete take up: despite knowledge of and eligibility for a near-cash public benefit, many participants exit the program rather than complete administrative requirements. Using administrative data on the Supplemental Nutrition Assistance Program (SNAP) for multiple states, I show that over half of entering households exit SNAP within one year of entry. Exits are concentrated in key reporting and recertification months, when participants must submit substantial paperwork in order to remain on the program. Combining administrative SNAP and Unemployment Insurance (UI) records from the state of Michigan, I provide evidence that mechanical eligibility changes cannot explain the extent of program exit. Finally, I demonstrate a substantial effect of administrative requirements on retention by studying the staggered rollout of Michigan's online case management tool, which reduced exits for likely eligible applicants by approximately 10 percent around these key dates.

Evaluation of the Battle Creek Jobs Fund

George A. Erickcek, Jim Robey, Claudette Robey, Brian Pittelko, Marie Holler, and Don Edgerly
http://research.upjohn.org/reports/234

This report provides an evaluation of the Battle Creek Jobs Fund (BCJF), a job-creation initiative created in 2012 by a grant from the W.K. Kellogg Foundation to Battle Creek Unlimited (BCU). The purpose of the $1,000,000 fund was to encourage manufacturers, through wage subsidies, to expand jobs for economically disadvantaged individuals in the Battle Creek area and to see whether the greater presence of successful economically disadvantaged individuals in the workplace could improve workplace perceptions and attitudes toward these individuals. The wage subsidies were intended for hires that would add to the total number of workers at a company and ranged from $2,500 to $10,000 per new hire. The BCJF also required that participating manufacturers designate an employee of the company to act as an employer champion to help workers hired under the program deal with workplace issues. During its period of operation from 2013 through the first quarter of 2017, five employers participated in the program and hired a total of 60 individuals, who met the criteria of living in households with incomes below 200 percent of the federal poverty guidelines and residing in impoverished neighborhoods in the Battle Creek area. Yet, by the end of the one-year period, only 43 positions remained filled with an eligible worker.

Forthcoming Book

Investing in America's Workforce
Improving Outcomes for Workers and Employers

Investing in America's Workforce
Improving Outcomes for Workers and Employers

This new three-volume book will be released on November 9, 2018. It includes the voices of more than 100 contributing authors who share research, best practices, and resources on workforce development. The book is part of a two-and-a-half-year initiative of the Federal Reserve System, the Heldrich Center for Workforce Development at Rutgers University, the Ray Marshall Center at the University of Texas at Austin, and the W.E. Upjohn Institute for Employment Research.

See www.investinwork.org for more information on the initiative and to read a chapter from the book: "Results and Returns from Public Investments in Employment and Training." This chapter, by Demetra Nightingale and Lauren Eyster, provides evidence about what job training strategies work well, the role of public investment in worker training, and how the Workforce Innovation and Opportunity Act provides a framework for determining "what works" in improving worker training and employment opportunities. It is part of a broader section of the book called "Government Investments in Workforce Development."

Recent Journal Publications by Institute Staff

"The Effect of Public Pension Wealth on Saving and Expenditure"

by Marta Lachowska and Michal Myck
American Economic Journal: Economic Policy (10)3: 284–308.

This article examines the degree of substitution between public pension wealth and private saving by studying Poland's 1999 pension reform. The analysis identifies the effect of pension wealth on private saving using cohort-by-time variation in pension wealth induced by the reform. The estimates, which are based on the 1997–2003 Polish Household Budget Surveys, show that 1 Polish zloty (PLN) less of pension wealth increases household saving by 0.3 PLN. Among highly educated households, pension wealth and private saving appear to be close substitutes.

"Do Recessions Accelerate Routine-Biased Technological Change? Evidence from Vacancy Postings"

by Brad Hershbein and Lisa B. Kahn
American Economic Review 108(7): 1737–1772

We show that skill requirements in job vacancy postings differentially increased in MSAs that were hit hard by the Great Recession, relative to less hard-hit areas. These increases persist through at least the end of 2015 and are correlated with increases in capital investments, both at the MSA and firm levels. We also find that effects are most pronounced in routine-cognitive occupations, which exhibit relative wage growth as well. We argue that this evidence is consistent with the restructuring of production toward routine-biased technologies and the more-skilled workers that complement them, and that the Great Recession accelerated this process.

W.E. UPJOHN INSTITUTE
FOR EMPLOYMENT RESEARCH

300 S. Westnedge Avenue
Kalamazoo, MI 49007-4686

Nonprofit Org.
U.S. POSTAGE
PAID
Kalamazoo MI
Permit No. 756

Connect with us

W.E. Upjohn Institute for Employment Research | @UpjohnInstitute | WEBSITE upjohn.org | INSTITUTIONAL REPOSITORY research.upjohn.org

Vol. 25, No. 3
Employment Research *is published quarterly by the W.E. Upjohn Institute for Employment Research. Issues appear in January, April, July, and October.*

The Institute is a nonprofit, independent research organization devoted to finding and promoting solutions to employment-related problems at the international, national, state, and local levels.

W.E. Upjohn Institute for Employment Research
300 S. Westnedge Avenue, Kalamazoo, MI 49007-4686
(269) 343-5541 • www.upjohn.org
Randall W. Eberts, President