

The Nation's Temporary Guest Worker Program,
the New Immigrant Workforce, and
The Steep Deterioration in the Nation's Youth Labor Markets:
The Case for Comprehensive National Policy Reform

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Introduction

Today's hearing on the nation's temporary worker visa programs (including H2A and H2B) needs to be placed in the broader context of overall labor market developments and workforce development policies affecting the employment of teens and young adults (20-24 years old) in the U.S., especially those without post-secondary degrees.¹ America's teen and young adult labor markets have been devastated over the past seven years. Employment levels and rates of employment among all teens and most young adult subgroups (20-24 years old) have declined markedly since 2000, especially males, those with no post-secondary schooling, and youth from low income families.² (See Charts 1 and 2).

A variety of demand, supply, and institutional forces have been at work in reducing young employment opportunities. Unprecedented levels of legal, illegal and temporary immigration have been one of the factors underlying this deterioration in youth labor markets.³ Declines in youth employment have been matched almost one for one with increased employment of new arrivals over the past 7 years. This summer we project that U.S. labor markets will have the lowest rate of teen employment since we have kept data going back to 1948. Summer seasonal jobs as a proportion of all jobs in the U.S. economy will also be the lowest over the past 30 years. In other words, the relative increase in aggregate employment during the summer months of June-August in recent years is the lowest over the past 30 years.

¹ Some of our policy recommendations for H2B reform apply with equal force to the nation's older workers (55 and older), especially less educated and low income older workers.

² See: Andrew Sum, Joseph McLaughlin, Ishwar Khatiwada, et. al., The Collapse of the Nation's Teen Job Market and the Outlook for the 2008 Summer Job Market for Teens, Report Prepared by the Center for Labor Market Studies, Northeastern University, Boston, April 2008. An earlier version of this paper was presented in testimony to a Hearing of the U.S. House of Representatives, Subcommittee on Labor, Health, and Human Services, Education and Related Agencies, Washington, D.C., March 11, 2008.

³ For recent studies examining the impacts of new immigrant arrivals on the employment experiences of teens, young adults, and less educated male adults in the U.S.,

See: (i) Chris Smith, Dude, Where's My Job? The Impact of Immigration on the Youth Labor Market, Ph.D. Dissertation in Economics, MIT, Cambridge, November 2007; George Borjas, "The Demand Curve for Labor is Downward Sloping," Quarterly Journal of Economics, October 2003, pp.1335-1371; (iii) Steven A. Camorata, Dropping Out: Immigrant Entry and Native Exit from the Labor Market, 2000-2005, Center for Immigration Studies, March 2006; (iv) Andrew Sum, Tim Barnicle, Ishwar Khatiwada, Joseph McLaughlin, et. al., Educational and Labor Market Outcomes for the Nation's Teens and Young Adult: Since the Publication of America's Choice: A Critical Assessment, National Center on Education and the Economy, Washington, D.C., 2006; (v) Andrew Sum, Paul Harrington, Ishwar Khatiwada; et. al., New Immigrant Workers in the U.S., 2000-2005 Their Estimated Numbers, Gender-Age Characteristics, Legal Status and Their Impacts on Native Born Young Workers and the Changing Job Structure, Report Prepared for the Center for Immigration Studies, Washington, D.C., May 2006.

Chart 1:
Trends in the Teen Summer Employment Rate, U.S., Selected Years 1989-2007
(Annual Averages, in %)

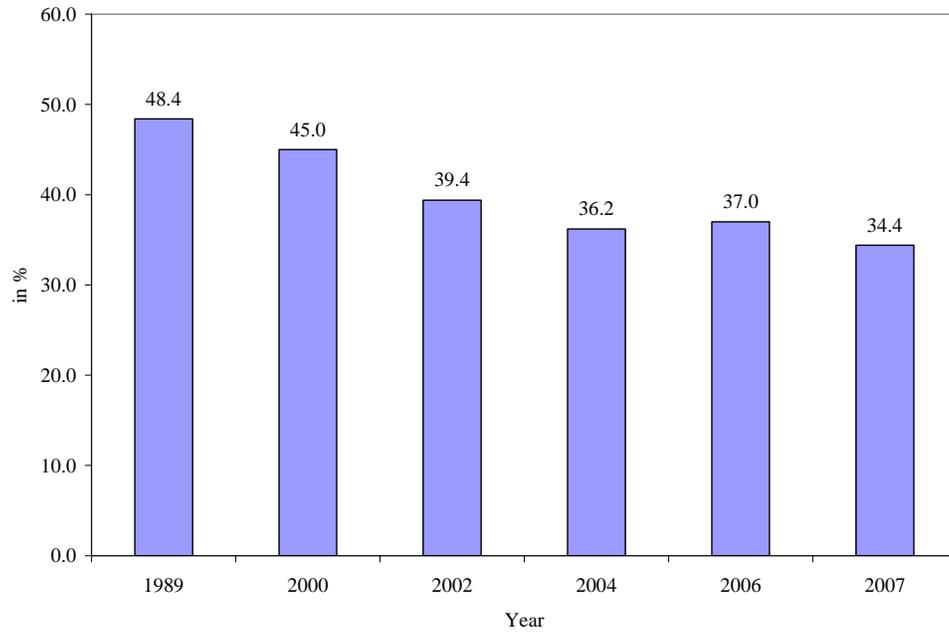
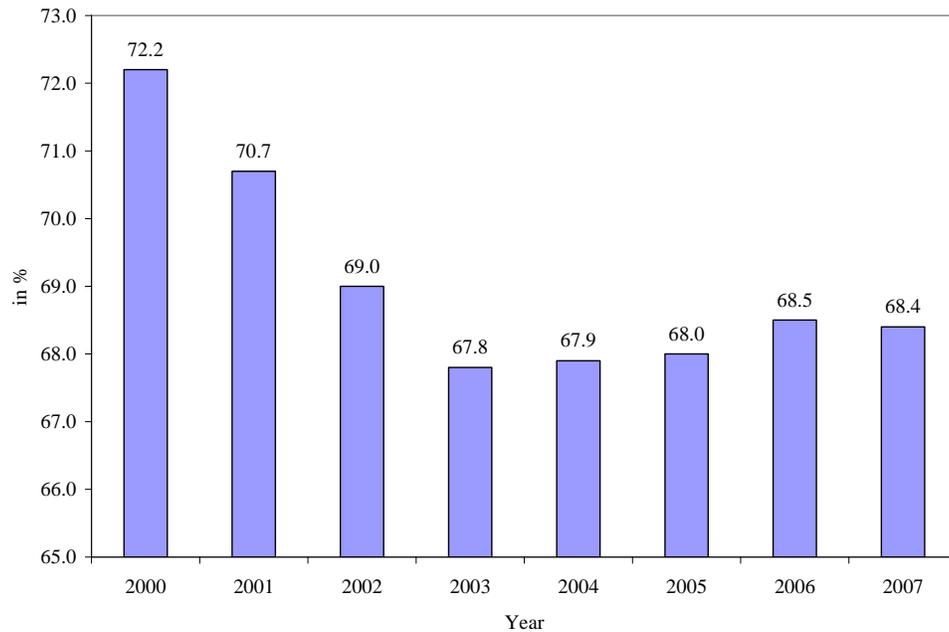


Chart 2:
Trends in the Employment/Population Ratio of 20-24 Year Old Adults, U.S., 2000-2007
(Annual Averages in %)



The aggregate size of the “summer job market” in the U.S. appears to have declined considerably in both an absolute and relative sense since the late 1970s. Over the 1978-79 period, there were 3.62 million more persons (16+) employed in the summer months of June – August than in the February – April period of these two years.⁴ (Table 1). This “summer employment market” was equivalent to 3.8% of the number of persons employed between February and April. By the late 1980s, the absolute number of “summer jobs” fell only modestly to 3.48 million, but in relative terms this represented only 3.05% of the February-April pool of employed persons. By the late 1990s, however, both the absolute and relative size of the summer job market had declined considerably, falling to only 2.14 million or 1.63%. Finally, by 2006-2007, the relative number of “summer jobs” had fallen to only 1.50%, a ratio below 40 percent of its relative size at the end of the 1970s. These findings indicate that the nation’s employers have revamped the seasonal pattern of their hiring to employ far fewer workers during the summer months alone (Table 1).

Table 1:
Changes in Total, Civilian Employment (Persons 16+) Between the February –
April and June – August Months of Selected Years from 1978-79 to 2006-2007
(Numbers in Million, Not Seasonally Adjusted)

Time Period	(A) Change in Number of Employed Persons (2 Year Averages, in Millions)	(B) Change in Employment During Summer as % of Employment in February – April
1978-79	3.618	3.80
1988-89	3.480	3.05
1992-93	3.561	2.97
1998-99	2.138	1.63
2006-2007	2.168	1.50

Source: U.S. Bureau of Labor Statistics, web site, www.bls.gov, tabulations by authors.

It is in these inauspicious circumstances that the U.S. Congress is considering the reform of the H2B program to bring temporary guest workers to fill summer jobs for which it is claimed that there are insufficient native teens or young adults or older workers available to fill these openings. And, it must also be assumed that the hundreds of thousands of U.S. workers, including both native born workers and immigrants who have been laid-off over the past 12

⁴ The late 1970s were characterized by an above average number of federally-funded summer job opportunities for the nation’s teens under the CETA legislation and the Youth Employment and Demonstration Projects Act of 1977. A separate federally-funded summer youth employment program existed through the summer of 2000.

months will not take them. Or the hundreds of thousands of older workers who have returned back into the labor force partly due to an economic necessity to take lower-end jobs to meet rising costs of living and local property taxes.

An economist would assume that, in a national labor market downturn including a comparative depression for youth and young adults, and with a surging reserve army of unemployed adults some of whom are desperate to find work on any job paying a competitive wage that these jobs could be readily filled. An economist might also assume that any job paying a non-competitive wage could also be filled by workers from other countries where standards of living and job options are often considerably lower.

An observant labor market economist might also assume that there would be a shortage of native applicants for any job where for which there was little or no open recruiting, where the jobs were traditionally filled by foreigners, where there were no informal referral networks for natives, where work conditions had been adapted to compliant foreign temporary workers, where workers were recruited in early April when school for most teenagers did not let out in June, or where decisions were made at the last minute as to how many H2Bs would be let in and how many native workers needed to be recruited.

In past decades, millions of teens and young adults would have flooded into the labor market during the summer to take such jobs. During my teen years from 13 to 19, I delivered newspapers, cut lawns, stocked grocery shelves, unloaded food trucks, and worked as an operative and production recorder for U.S. Steel. My colleague Bob Taggart's wife worked every summer as a teen on Cape Cod cleaning hotel rooms. Some of today's teens may be less inclined to work or might be viewed by some observers as even lazy, but on average, there are still many more youth able and willing to fill the declining number of seasonal and summer jobs. Go to Iowa, Maine, North Dakota, Idaho, and Nebraska where there are relatively few guest workers or immigrants, and you will find much higher rates of teen employment (in the mid to high 50s), as well as teens working in the types of jobs that it is claimed no one wishes to take.

Trends in the Nation's Youth Labor Markets

Employment opportunities for the nation's 16-24 year olds have been very limited over the past seven years, especially for teens and 20-24 year olds with limited to no post-secondary

schooling. In 2007, the total number of employed 16-24 year olds in the U.S. was still 449,000 below its level in 2000, a decline of somewhat over 2%. The steep decline in the number of employed teens (-1.187 million) accounted for all of the net decline in the pool of employed 16-24 year olds. Yet, over this same seven year period, the nation's employers hired nearly 1.2 million new young immigrant workers (16-24).⁵ These new immigrant workers, a substantial majority of whom were 20-24 year old males with limited schooling, had arrived in the U.S. sometime between 2000 and the time of the monthly CPS household surveys in 2007. The nation's private sector employers were bypassing the available pool of native born and established immigrant youth to hire new immigrants.

Table 2:
Trends in the Number of Employed 16-19 and 20-24 Year Olds in the U.S., 2000 to 2007
(Annual Averages, in 1000s)

	(A)	(B)	(C)
Age Group	2000	2007	Absolute Change
16-19	7,245	6,058	-1,187
20-24	13,224	13,962	+738
16-24	20,469	20,020	-449

Source: 2000 and 2007 Current Population Survey, public use files, tabulations by authors.

The drop in the number of employed 16-24 year olds in the nation took place at a time when the total number of 16-24 year olds in the civilian non-institutional population was increasing steadily throughout this seven year period. The growth in the number of 20-24 year olds (2.116 million) was particularly strong. Overall, the 16-24 year old population increased in size from 34.2 million in 2000 to 37.4 million in 2007, a rise of nearly 3.2 million or close to 10 percent (Table). Despite this substantial rise in the young adult population, the total number of employed 16-24 year olds actually declined.

⁵ As will be revealed below, there was a substantial gap in the difference between the growth in the estimated number of employed persons in the U.S. (16+) in private sector, wage and salary jobs and the growth in the reported number of wage and salary workers on the payrolls of the nation's private, nonfarm employers between 2000 and 2007. This gap indicates a rise in the number of workers being hired off the books or as independent contractors.

Table 3:
Growth in the Number of 16-24 Year Olds in the
Civilian Non-Institutional Population of the U.S., 2000 to 2007
 (Annual Averages, in 1000s)

	(A)	(B)	(C)
Age Group	2000	2007	Absolute Change
16-19	15,924	16,982	1,058
20-24	18,311	20,427	2,116
16-24	34,235	37,409	3,174

Source: 2000 and 2007 Current Population Survey, public use files, tabulations by authors.

Changes in the Employment Rates of the Nation’s 16-24 Year Olds by Nativity Status

Between 2000 and 2007, the employment rates of the nation’s teens and young adults had dropped considerably. To identify how different demographic groups of teens and young adults were affected by these changing demographic developments, we classified members of each age group into the following three nativity groups: the native born, established immigrants (foreign born individuals who had arrived in the U.S. prior to calendar year 2000, and those who arrived in the U.S. from 2000 onward.⁶ The former group of foreign born persons will be referred to as “established immigrants” while the latter group will be categorized as “new immigrant” arrivals. Estimates of the 2000 and 2007 employment rates of teenagers and young adults (20-24 years old) in each of these three nativity groups are displayed in Table 4.

⁶ The monthly CPS questionnaires collect information on the country of birth of each sample respondent and the timing of their arrival in the United States.

Table 4:
E/P Ratios of Teens and 20-24 Year Olds in the U.S., All and by
Nativity Status, 2000 to 2007
(in Percent)

	(A)	(B)	(C)
Age Group/ Nativity Status	2000	2007	Percentage Point Change
16-19			
All	45.5	35.7	-9.8
Native Born	46.3	35.9	-10.4
Established Immigrants	35.3	31.4	-3.9
New Immigrants	42.0	34.6	-7.4
20-24			
All	72.2	68.4	-3.8
Native Born	73.3	69.0	-4.3
Established Immigrants	68.2	64.0	-4.2
New Immigrants	64.0	65.0	+1.0

Among teens, employment rates declined among all three nativity status groups between 2000 and 2007 with an especially large decline among native born teens (-10.4 percentage points) (Table 5). Both native born male (-11 percentage points) and female teens (-9.5 percentage points) experienced very substantial declines in their employment rates over this 7 year period. Among 20-24 year olds, the employment rate in 2007 was approximately four percentage points below that of 2000, with native born and established immigrants in this age group accounting for all of the decline in the E/P ratio among this age group. The 2007 employment rate of 20-24 year old new immigrants was actually one percentage point above that of 2000. Among 20-24 year old native born youth and established immigrants, the employment rate declines were much higher among men than among women. Native born, young males with no post-secondary schooling encountered the largest drops in their employment rates. They were the ones facing the most direct competition from newer immigrant arrivals since 2000. This evidence suggests that there were substantive job displacement effects among less educated, native born males and established immigrant males from new immigrant labor inflows over the past seven years.

Table 5:
E/P Ratios of Male Teens and 20-24 Year Olds in the U.S.,
All and by Nativity Status 2000 to 2007
(in %)

	(A)	(B)	(C)
Age Group/ Nativity Status	2000	2007	Percentage Point Change
16-19, Male			
All	45.5	34.9	-10.6
Native Born	45.7	34.6	-11.1
Established Immigrants	37.2	33.5	-3.7
New Immigrants	49.4	44.2	-5.2
20-24			
All	76.5	71.7	-4.8
Native Born	76.3	70.8	-5.5
Established Immigrants	77.1	72.5	-4.6
New Immigrants	78.7	80.4	+1.7

Estimates of Hypothetical Employment Levels Among the Nation's Teens and Young Adults in 2007 and Comparisons with the Flow of New Immigrant Arrivals

The sharp decline in the employment rates of the nation's teens and young adults (both native born and established immigrants) between 2000 and 2007 took place at a time when their overall population levels were rising substantially reduced their potential employment levels. To estimate the magnitude of these hypothetical employment declines, we calculated the levels of employment among teens and young adults for the native born and established immigrants that would have prevailed in 2007 if they had maintained their 2000 employment rates. The results are summarized in Table 6 for teens and young adults in each age group and each nativity status groups and for all 16-24 year olds combined.

If teens had matched their year 2000 employment rates in 2007, there would have been 7.727 million teens at work in that year versus the actual 6.058 million workers, a difference of approximately 1.67 million or 27%, a very sizable gain. These employment gains would have been overwhelmingly concentrated among native born teens (96%). Among 20-24 year olds, the net gain in employment from maintaining employment rates at their 2000 values would have been 786,000 or nearly 6%. The native born and established immigrants (those arriving in the

U.S. before 2000) would have accounted for all of the net gain in employment among 20-24 year olds. Combining the results for teens and young adults yields a net hypothetical gain in employment of just under 2.5 million, with the native born and established immigrants accounting for nearly 99 percent of the hypothetical change in employment among 16-24 year olds.

Table 6:
Number of Additional Teens (16-19) and Young Adults (20-24) that Would Have Been Employed in 2007 if They Had Matched Their E/P Ratios of 2000, All and by Nativity Status
(in Millions)

	(A)	(B)	(C)
Age Group/ Nativity Status	Actual Employed	Hypothetical Employed	Hypothetical – Actual
16-19			
All ⁽¹⁾	6.058	7.727	1.669
Native Born	5.587	7.198	1.611
Established immigrants	.246	.276	.030
New immigrants	.225	.273	.048
20-24			
All ⁽¹⁾	13.962	14.748	.786
Native Born	12.08	12.838	.756
Established immigrants	.911	.972	.061
New immigrants	.968	.952	-.016
16-24			
All	20.020	22.475	2.455
Native Born	17.669	20.036	2.367
Established immigrants	1.157	1.248	.091
New immigrants	1.193	1.225	.032

Note: Totals for teens and 20-24 year old will not automatically equal the sum of the three subgroups due to compositional shifts in nativity status over time.

The nation's 25-29 year olds also did not recapture their 2000 employment rate by 2007. If their 2000 employment rate had been maintained, there would have been an additional 520,000 adults (25-29 years old) employed in 2007. The sum of the hypothetical employment gains of 16-19, 20-24, and 25-29 year old native born and established immigrant adults in 2007 would have been just under 3 million (Table 7). Over the 2000-2007 period, the number of 16-29 year old new immigrant arrivals that became employed by 2007 was 2.461 million, equivalent to 83 percent of the hypothetical job loss of the nation's 16-29 year olds who were native born or

established immigrants. These results clearly suggest a rather high degree of job displacement of young native born and established immigrant adults by newly arrived immigrants.⁷ There is a high degree of overlap in the industrial and occupational employment distributions of the jobs held by the native born/established immigrants and new immigrant arrivals. In a growing number of cases, new immigrant workers appear to have become the preferred source of employees by private businesses across the country. The informal hiring network for many young immigrant workers appears to be quite efficient especially among less educated males. For example, the employment rate of 16-24 year old immigrant males with no high school diploma is well above that of native born male dropouts especially Black workers.

Table 7:
Numbers of New Immigrant Workers Aged 16-29 in 2007 and the Number of
Additional Native Born and Established Immigrant Persons that Would Have Been
Employed in 2007 if They Had Maintained Their 2000 E/P Ratio
(in 1000s)

Age Group	(A) New Immigrant Workers	(B) Additional Number of Native Born and Established Immigrants Who Would Have Been Employed in 2007
16-19	225	1,641
20-24	966	817
25-29	1,270	520
16-29, Total	2,461	2,978

⁷ In an earlier research study by several of the authors of this paper, we estimated that each one percentage point rise in a state's resident labor force due to new immigrants would significantly reduce the probability of employment among 16-24 year olds in the state by 1.2 percentage points. For states with a large influx of new immigrants between 2000 and 2003, this reduction in employment could be quite substantial. Job displacement effects were largest for men, in –school youth, males with no post-secondary schooling, and Black dropouts.
See: Andrew Sum, Paul Harrington and Ishwar Khatiwada, op. cit.

The Character of the New Jobs Created in the U.S. Economy Over the Past Seven Years: A Growing Informal Labor Market

Growing concerns over the changing nature and quality of employment relationships in the U.S. have been expressed by a number of labor market analysts in recent years.⁸ The apparent growth of the informal labor market involving independent contractors, outsourcing, and off-the-books work, has been accompanied by declining real wages, employee benefits, and job quality. To identify trends in the structural features of recent employment growth, we compared the growth of civilian employment from the CPS household survey with growth in the number of nonfarm wage and salary jobs from the U.S. Department of Labor's monthly payroll survey of the nation's nonfarm employers, both public and private over 2001 I to 2007 IV time period.⁹

There are some important differences in the underlying employment concepts and measures from these two national surveys. We will make a number of adjustments to both surveys' employment estimates to make them more compatible with each other. The estimates of overall employment growth from both surveys over this seven year period are displayed in Table 8. According to the findings of the national CPS household survey, total employment of persons 16 and older, including legal and illegal immigrants, rose by 8.567 million while the monthly payroll survey yielded a gain of only 5.530 million nonfarm wage and salary jobs over this same time period.¹⁰ There is a major difference of 3.037 million between these two employment growth estimates with the CES survey indicating a 35% lower level of employment growth than the CPS survey.¹¹ The CPS household survey's employment count includes the self employed,

⁸ For a recent review of changing job quality in the U.S. over recent decades, See: (i) John Schmitt, "The Decline of Good Jobs," in Challenge: The Magazine of Economic Affairs, January – February 2008, pp. 5-25; (ii) David Howell and Mamadon Diallo, "The Importance of Accounting for Job Quality", Challenge: The Magazine of Economic Affairs, January – February 2008, pp. 26-44.

⁹ The CPS household survey measures the number of employed civilians 16 and older including the self-employed and unpaid family members who work 15 or more hours in a family owned business. Each employed person is counted only once regardless of the number of jobs held. The CES payroll survey measures the number of wage and salary jobs on the payrolls of nonfarm, private sector firms and government agencies, It excludes the self-employed and unpaid family members but will count multiple wage and salary jobs held by the employed. See: U.S. Bureau of Labor Statistics, Employment and Earnings, January 2007, "Appendix A and B", U.S. Government Printing Office, Washington, D.C., 2007.

¹⁰ If we substitute the CPS employment series adjusted for population controls over this time period, the gain in CPS employment falls to slightly below 8 million and the gap between the two series falls to 2.5 million.

¹¹ For an earlier review of gaps in CPS/CES employment growth estimates, See: Andrew Sum, Paul Harrington, and Ishwar Khatiwada, New Immigrant Workers in the U.S., 2000-2005, Report Prepared for the Center for Immigration Studies, Washington, D.C., 2006.

farm workers, and unpaid family workers while the CES excludes these individuals from their jobs universe. After excluding these groups from the CPS employment count, the gap between the two surveys' employment growth estimates rises to 3.244 million, with the CES estimate of job growth being 37% below that of the CPS. This implies the existence of a large number of new wage and salary workers on the CPS survey that are not being reported by employers as being on their official payrolls. This group would include workers being hired as independent contractors often in violation of existing contractor law and those hired off the books including undocumented immigrants.

Table 8:
Comparisons of Changes in Total, National Civilian Employment from the CPS
Household Survey and Changes in Nonfarm Payroll Employment from the
Current Employment Statistics Program, 2001 I – 2007 IV
(in Thousands, Seasonally Adjusted)

Employment Measure	(A) CPS Survey	(B) CES Payroll Survey	(C) CES – CPS	(D) CES – CPS as % of CPS Change
Total employment	8,567	5,530	-3,037	-35.4%
Nonfarm wage and salary employment	8,774	5,530	-3,244	-37.0%
Nonfarm, private sector wage and salary employment	7,301	4,136	-3,165	-43.3%

Sources: (i) U.S. Bureau of Labor Statistics, CPS household survey, www.bls.gov; (ii) U.S. Bureau of Labor Statistics, CES payroll survey, www.bls.gov.

Most employees reported to be working for the federal, state, or local government in the CPS survey would be expected to appear on the official payrolls of those government agencies.¹² Our last comparison excludes all government workers from both surveys. The CPS estimate of growth in nonfarm, private sector wage and salary employment was 7.30 million versus only a 4.13 million gain in CES private sector, wage and salary employment. The difference between these two surveys' estimates of employment growth was equal to 3.165 million or 43%, a very large gap whose origins need to be more fully understood to properly interpret structural changes in U.S. labor markets over the past seven years.

¹² Persons working for the government as a paid consultant or as an independent contractor will not appear on their official payrolls.

A high share (62%) of employment growth from the CPS survey in the U.S. over the past seven years was attributable to new foreign immigrant arrivals, a relatively high share of whom have been estimated to be undocumented workers.¹³ Among males, the new important share was 75% of the net change in male employment. Many of these undocumented workers will obtain work in the informal labor market including off-the-books jobs. If this hypothesis is generally correct, one would expect that the largest gaps between the CPS and CES employment growth estimates at the state level would prevail in those states with largest numbers of new immigrant workers. For the 2000-2007 period, we estimated the absolute size of the gaps between the estimates of employment growth from the CES payroll survey and the CPS-based estimates of resident employment for each state. We then ranked each state by the size of its gap between the CPS-CES employment growth estimates and compared these gaps to the number of new immigrant workers in the state as of 2007. Fifteen states had a CPS-CES employment growth gap of 100,000 or more (Table 9). Most of these states were quite large from a population perspective. They included California, Texas, Florida, New York, Ohio, Michigan, and Georgia. In these 15 states combined, the CPS-CES employment growth gap was 3.319 million. In these same 15 states, there were 4.216 million new immigrants at work in 2007 (“new immigrants” are those who arrived in the U.S. from 2000 onward and were working at the time of the 2007 CPS surveys). There, thus, appears to be a strong link between the growth of the informal labor market and the growth of the new immigrant worker population across many states over the 2000-2007 period. Jobs in this informal/black labor market are typically filled through informal, word of mouth recruitment methods rather than through formal listings with the general public.

¹³ Based on a methodology for identifying the number of newly arrived unauthorized immigrants, we earlier estimated that 65% of new immigrant workers between 2000 and 2005 were undocumented. Estimates of the number of unauthorized immigrants by region of the world as of 2005 were generated by Jeffrey Passel of the Pew Hispanic Center, See: Jeffrey S. Passel, The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the March 2005 Current Population Survey, Pew Hispanic Center, Washington, D.C., March 2008.

Table 9:
Comparisons of Changes in CES Payroll Employment and
CPS Household Survey Employment at the State Level and
Employment Levels of New Immigrants by State, 2000 to 2007

CES-CPS Gap Rank	State	(A)	(B)	(C)	(D)
		CES	CPS	Net Difference (B – A)	New Immigrant Employment in 2007
1	California	675,000	1,277,366	602,366	1,070,220
2	Ohio	-200,200	178,688	378,888	73,432
3	Georgia	197,700	550,780	353,080	210,039
4	Florida	971,900	1,287,275	315,375	647,570
5	Texas	927,200	1,162,815	235,615	607,328
6	Illinois	-63,400	142,282	205,682	260,141
7	Colorado	116,400	320,453	204,053	76,476
8	Washington	220,700	383,690	162,990	124,891
9	New York	99,600	246,758	147,158	430,342
10	Virginia	244,200	379,397	135,197	171,585
11	Arizona	423,300	552,806	129,506	138,514
12	Pennsylvania	104,500	232,306	127,806	89,730
13	North Carolina	230,600	339,764	109,164	155,275
14	Tennessee	67,700	176,561	108,861	90,396
15	Michigan	-414,900	-311,398	103,502	70,380
	Fifteen State Total	3,600,300	6,919,543	3,319,243	4,216,219

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics Survey, and Current Population Survey Data Seasonally Adjusted Quarterly Average Data, Downloaded from WWW.BLS.GOV May 18, 2006.

Another statistical analysis of the links between the size of the CPS-CES employment gaps and the hiring of new immigrants, especially undocumented immigrants, involves comparisons of the relative size of the gaps between CPS/CES employment growth estimates by major industry group with the industrial distribution of new immigrant workers across the country between 2000 and 2007. Our analysis revealed that the following major industries were among those characterized by the largest relative differences between CPS and CES employment growth estimates over the 2000-2007 time period.

- Retail trade 3.83
- Transportation and warehousing 2.87
- Construction 2.33

- Business services (including labor leasing/temporary held/office cleaning)1.65

Many of the industries in which CPS employment growth substantially outpaced that from the CES were substantial employers of new immigrants, especially young, non-college educated male immigrants with country of origin backgrounds that would place them at a high probability of being undocumented. Many of the jobs they held in recent years were in the same types of occupations and industries that male teens and young adults with no post-secondary schooling would have held in prior years. America's "Forgotten Half" has largely been forgotten by the nation's economic policymakers in formulating immigration policy.¹⁴

Assessing the Local Labor Markets In Which H2B Programs Operate

Many of the labor markets in which H2B workers find employment are local rather than national in scope; i.e., the firms hiring H2B workers primarily recruit in the local labor market rather than engaging in regional or national recruitment. H2B employers, however, may find that unutilized workers in surrounding local labor markets may be willing to accept temporary employment in these job slots if transportation can be arranged and competitive wages are offered.

Some of the local labor markets in which the H2B program has operated at a reasonable scale such as the Cape Cod area of Massachusetts, have been characterized by a combination of highly seasonal employment patterns and changing demographics that have created some mismatches between the seasonal growth in demand for labor and the available local supply of labor. For example, in Barnstable County, the geographic area encompassing Cape Cod, total payroll employment in recent years rose from approximately 92,000 wage and salary workers in the winter months of January-March to more than 112,000 workers in the peak summer months (June-August), a gain of more than 20,000 or 22% versus a seasonal employment gain of only 97,000 or 3% for the state as a whole. Over the past few decades, Cape Cod has gradually become more of a retirement community. In 2006, 23% of the regular resident population were 65 and older versus only 13% of the state's resident population.¹⁵ Both teens (16-19) and young

¹⁴ The term "Forgotten Half" was originally applied in the late 1980s by the W.T. Grant Foundation to those American youth who did not complete any years of post-secondary schooling. For a more recent update on their educational and economic well-being,

See: Samuel Halperin, "Today's Forgotten Half: Still Losing Ground," in The Forgotten Half Revisited, American Youth Policy Forum, Washington, D.C., 1998.

¹⁵ These estimates are based on the findings of the 2006 American Community Survey.

adults (20-24) are under-represented among the Cape Cod population. Workers in these age groups would normally be a primary source of labor for many of the jobs for which local employers have sought H2B immigrant recruits. A labor market rationale for the H2B program can be found here, but much more can be done by local employers and workforce development agencies to recruit and attract teens, young adults, and older adults (60+) residents of surrounding communities, and college students from across the state to fill more of these H2B positions. Our recommendations for reforming the existing H2B program to help achieve the desired goals of employing more teens, young adults, and older workers are presented below.

What Can Be Done?

Efforts to reform the existing H2B worker visa program should be designed to encourage the employment of more American teens and young adults (as well as older adults) in the summer and winter months. This should be seen as the first step in a comprehensive series of reforms that are needed to set long-term employment and training policies to start rebuilding our youth labor markets. Among the primary goals of such policies should be to substantially raise the year-round and summer employment rates of teens and young adults and to increase their access to jobs in a wide array of industries and occupations. Strategies for achieving these goals should include the following:

1. The U.S. Congress should set a multi-year declining goal for H2B permits and reform the program to be more like the H1B program where the employer will put up \$1,500 or more for each slot. These funds could be used for youth training and recruiting. When the allocated slot is filled with a native-born worker instead, the employer gets the \$1,500 back, giving them an incentive to hire natives and permanent legal immigrants.
2. The federal government must enforce the collection of all employer social security and unemployment insurance taxes, roll them into a single tax fund for each H2B hire, and put these monies plus the worker's social security contribution into a youth training and recruitment fund. This also will assure that employers pay the same taxes for H2Bs as they do for native workers and legal immigrants.
3. The federal government must guarantee that the hourly wages and housing and food benefits paid to H2B workers are in compliance with existing wage and hours laws. We

should calculate the real wage value of that package. Such a wage package would be on offer for native workers who do not need housing and food to support themselves.

4. We should use public revenues from the two above tax sources to recruit both out-of-school youth and young adults from high schools and colleges under a cooperative education arrangement for early release where necessary, with academic credit for work, with summer learning options, and with scholarship and trainingship accrual at the end of the summer.
5. The U.S. Congress should establish a new earned income education and training credit (EIETC) that would be implemented for all youth (under 25 years of age) so they would have a greater incentive to begin work early and often and use these funds to finance their college education or post-secondary training.
6. All native workers, including legal immigrants, employed as “replacements” in H2B slots would be enrolled in a local WIA career center and be given follow-up services for transition into full-time jobs and training. WIA would also be used to perform recruitment, screening, and guaranteed job filling for this program.

These are only recommendations to address this one narrow area of concern: what to do about addressing the labor market issues surrounding the H2B program. But this is a good place to get started. As a nation, we have to strengthen youth labor markets across the board. We can continue to consciously recruit foreign workers in the midst of a severe jobs recession for youth and just call it a day for youth employment, or we can begin to rebuild a youth jobs network that has been torn down over the last few decades.

Let us conclude with a paraphrase of the views of the late Senator and Vice-President Hubert Humphrey on the moral test of a nation’s government¹⁶:

“ The moral test of a nation’s workforce development policy is how it treats those who are in the dawn of their working life (teenagers and young adults), those who are in the twilight

¹⁶ The original quotation of Senator Humphrey appears on the walls of a hearing room in the U.S. House of Representatives, Rayburn House Building.

of their work lives (the older workers), and those who are in the shadows of the labor market (the dislocated, the discouraged, and the working poor).”¹⁷

We need to begin to coordinate and reform our workforce and immigration policies to help us pass this crucial moral test, especially for the nation’s youngest workers.

¹⁷ This revised quotation of Senator Humphrey was developed by one of the authors in a previous research monograph on youth labor market issues, see: Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 2000.