Immigration and poverty: how are they linked?

The growing immigrant share of the U.S. population was neither the sole, nor even the most important, factor in the relatively flat poverty rate from 1989 to 1999; in fact, poverty rates fell faster for immigrants than for natives

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Recently released data from the 2000 census show that the Nation's poverty rate fell less than 1 percentage point, from 13.1 percent to 12.4 percent, between 1989 and 1999.[1] In some States, including California and New York, the poverty rate was higher in 1999 than in 1989. In addition, some areas of the country posted only small increases in real median family income, even given the strong economy of the latter 1990s. For example, census data reveal that median annual family income in New York grew only $113 (0.2 percent) in real terms over the decade.

Media coverage has attributed the findings regarding poverty chiefly to the effects of a growing immigrant population composed of many low-income families.[2] The idea is that, because the immigrant share of the population increased from 1989 to 1999, and because immigrants' incomes are, on average, lower than natives', overall income growth was subject to a downward pressure over the decade, a phenomenon referred to in this article as the *share effect*. The question, however, is whether the share effect does in fact implicate immigration as the sole, or even the most important, factor behind the census figures. Without more evidence, the role of immigration in what are essentially flat poverty statistics remains open.

The needed evidence is at least twofold. First, the magnitude of the share effect must be quantified; that is, how much did the increase in the share of the immigrant population lower real income or raise the poverty rate? Second, the impact of the share effect can be offset by trends in immigrants' own income and poverty status, here in called the *income effect*. Thus, analysts need to quantify this effect as well, to learn whether and by how much it contributed to changes in real income or the poverty rate.

In a period such as the 1990s, when both the population share and the incomes of immigrants rose, the question of immigration's impact can be viewed as the outcome of a race between the share and income effects. That is, did immigrants' income improve fast enough to offset the downward pressure exerted by their increased share in the population? Without quantifying these two countervailing effects, researchers have little useful authoritative information to bring to the discussion. This article shows that, over the 1994–2000 period, immigrants' rising incomes offset the negative impact of their rising shares.

At the time of this writing, the Census 2000 microdata have not yet been released, and the available data are insufficient to fully explore the issue.[3] Still, the available data introduce a note of caution regarding any interpretation of the census results that depends heavily on increased immigration. To bring out the caution required of any such interpretation, the article examines both national data and data from New York and California—two States in which one might expect immigration to play a large role in the determination of the poverty rate. These States are important to consider because (1) more than 1 in 4 New Yorkers and 1 in 3 Californians are immigrants and (2) both States had poverty rates that were higher in 1999 than in 1989, according

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to Census 2000 data. (See the appendix for the more inclusive definition of *immigrants* used in this article.)

An analysis of the currently available data brings out the following facts:

- Over the 1994–2000 period, poverty rates fell much more quickly for immigrants than for natives. For example, the national poverty rates of recent immigrants (those here for 10 or fewer years) fell about 4 times as fast as that of natives (11.6 percentage points, compared with 2.9 points); the rate for all immigrants fell 2.7 times as fast as that of U.S. natives.
- Immigrant families also experienced greater increases than U.S. natives did in real median family incomes from 1994 to 2000. After adjustment for inflation, the median family incomes of immigrants rose 26.3 percent during the period, while the median family incomes of native U.S. families grew half that fast. For recent immigrants, the growth in real median family income was an even greater 40.5 percent.
- These gains in immigrant income over the 1994–2000 period were substantial enough to offset the negative impact of the share effect.
- A preliminary analysis of the census figures for California and New York from 1989 to 1999 indicated that the increase in immigration added about 1 percentage point to the growth in poverty over the decade. Absent this effect, poverty would have been unchanged in California and would have risen slightly in New York.
- Immigration did not play as large a role as other, more fundamentally economic factors, such as inequality and unemployment, in keeping the poverty rate relatively flat. These factors hurt the economic prospects of all low-wage workers, not just immigrants.

Poverty rates and median family income

As the following tabulation, based on March Current Population Survey (CPS) data shows, immigrants are much more likely to live in poverty than are natives:

	Poverty rate (percent)		*Percentage-point change, 1994–2000*
	1994	*2000*	
All persons	14.5	11.3	–3.3
U.S. natives	13.1	10.2	–2.9
Immigrants	25.7	17.8	–7.9
Recent immigrants	34.0	22.4	–11.6

Indeed, the poverty rate of recent immigrants is more than twice that of U.S. natives. Because of this, at any point in time, the poverty rate would most certainly be lower in the absence of immigration. Also, increasing the immigrant share will raise the poverty rate. However, as noted, this share effect, as well as the offsetting income effect (the impact of faster income growth among immigrants), that occurred over the 1989–99 period needs to be quantified.

As shown in both chart 1 and the preceding tabulation, the national poverty rates of recent immigrants fell about 4 times as fast as they did for U.S. natives from 1994 to 2000; the rates for all immigrants fell 2.7 times as fast as those of U.S. natives during the same period. The following tabulation, again based on March CPS data, shows that the poverty rates of immigrants living in New York and California fell even further than did the poverty rates of U.S. natives:

	New York			*California*		
	1994	*2000*	*Percentage-point change, 1994–2000*	*1994*	*2000*	*Percentage-point change, 1994–2000*
All persons	17.0	13.4	–3.6	17.9	12.8	–5.0
U.S. natives	13.7	11.4	–2.4	12.1	9.1	–3.0
Immigrants	28.3	19.1	–9.2	30.1	20.3	–9.8
Recent immigrants	35.5	22.2	–13.3	39.3	26.8	–12.5

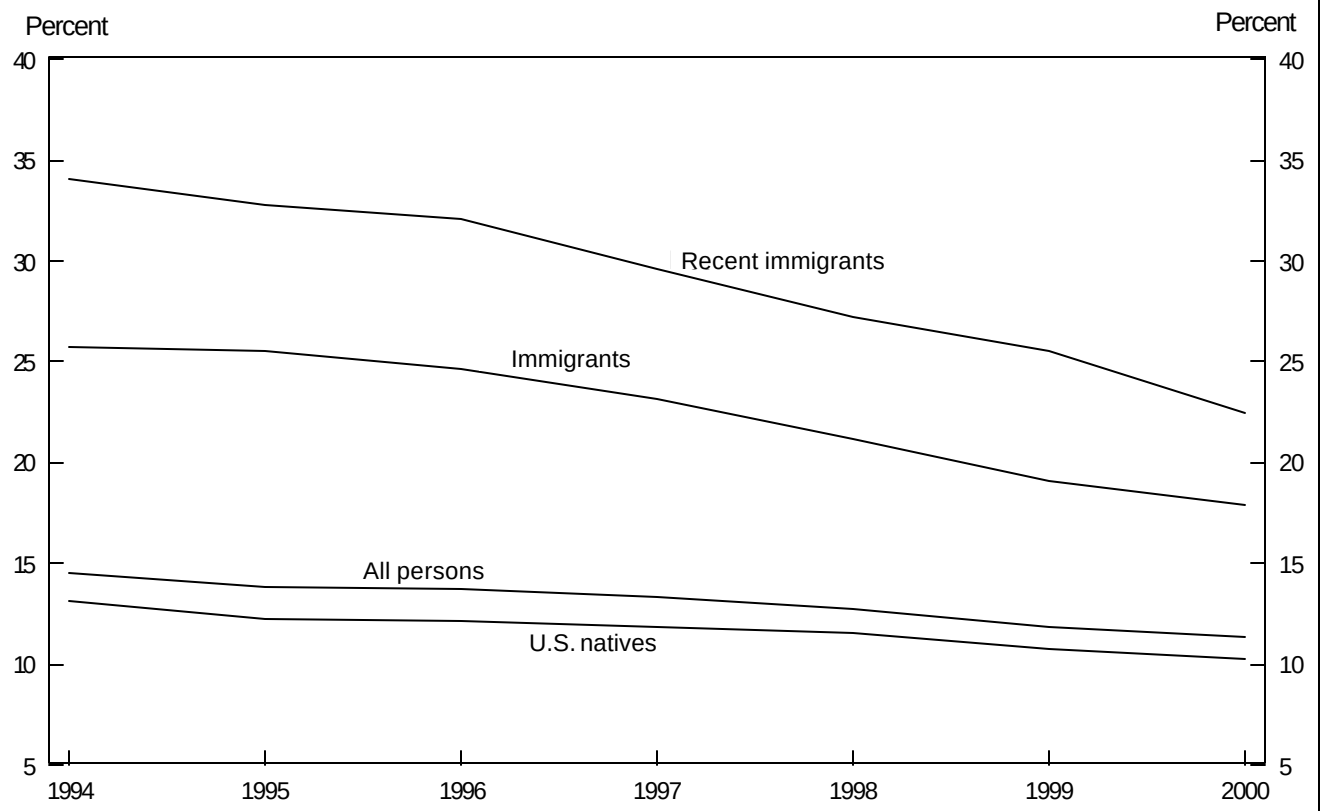
From 1994 to 2000, the poverty rates of recent immigrants fell 13.3 percentage points in New York and 12.5 percentage points in California, while those of natives fell 2.4 points in New York and 3.0 points in California.

Immigrants also experienced greater increases in real median family income during the same period. After adjustment for inflation, the median family income of immigrants rose 26.3 percent from 1994 to 2000, while the median family income of U.S. natives grew half that fast. For recent immigrants, the growth in real median family income was even larger: 40.5 percent, an increase of more than $10,000 over the 1994–2000 period. The following tabulation, based once more on March CPS data, presents income figures for each of the demographic groups examined in this article:

	Real median family income		*Percent change, 1994–2000*
	1994	*2000*	
All persons	$44,573	$50,985	14.4
U.S. natives	46,011	52,057	13.1
Immigrants	33,601	42,440	26.3
Recent immigrants	26,257	36,887	40.5

Because immigrants' income growth outpaced that of natives, we need to measure the extent to which this income effect offsets the share effect in order to assess the census results.

Chart 1. Poverty rates for all persons, U.S. natives, immigrants, and recent immigrants, 1994–2000



The impact of the share and income effects

The share effect is largely driven by the magnitude of the increase in the immigrant share of the population. Nationally, this share grew by 2.6 percentage points between 1994 and 2000. The share of the population consisting of recent immigrants grew less than 1 percentage point during the same period.[4] In New York, the immigrant share of the population grew by 3.6 percentage points, in California by 1.2 percentage points.

In the analysis that follows, a simple shift-share technique decomposes the change in the overall poverty rate, assigning separable contributions to the impact of changes in the population shares of immigrants and natives (holding the poverty rate constant) and to changes in their poverty rates (holding the population shares constant).[5] Table 1 shows that, as expected, the increase in the share of immigrants raised poverty in each case, although in no case by as much as even a percentage point. For recent immigrants, the increase in poverty due to their larger national share was only two-tenths of a percentage point.

The decline in immigrant poverty rates (the income effect), however, as shown in chart 1, more than offset the share effect, so the net result was that immigration *lowered* poverty for each group. Take, for example, the case of California. Although the share effect added three-tenths of a percentage point to the poverty rate, the income effect—the fall in immigrant poverty in California—contributed 3.2 percentage points to poverty's decline. The net impact of immigration on California poverty was to lower the State's rate by 2.9 percentage points. For New York, the result was less dramatic, because, whereas the immigrant poverty rate fell steeply (see the second tabulation on page 3), the share grew more quickly than in California and thus added just under a point to the change in poverty between 1994 and 2000. Here, too, however, the poverty-reducing impact of the income effect more than offset the share effect.

Median incomes do not allow the same type of decomposition as do poverty rates. So, to gauge the relationship between share and income effects, on the one hand, and changes in median income, on the other, a technique is applied that is similar in spirit to the poverty shift-share analysis.[6] The following tabulation shows the growth (in percent) in real median family income from 1994 to 2000 in two ways—the actual growth itself

and the growth with the immigrant share held constant:

	Actual	*Constant shares*	*Difference*
National	14.4	15.0	–0.6
California	10.1	11.7	–1.6
New York	14.4	16.1	–1.6

If the national immigrant population had remained at its 1994 population share in 2000, then real median family income would have been only 0.6 percent higher than it actually was. In both New York and California, the share effect lowered income growth by 1.6 percent. Although we cannot isolate the income effect here, as we could with the poverty rates, the large growth in immigrant income likely offset any share effects of the magnitude shown in the tabulation.

The 1989–99 period: preliminary analysis

As noted earlier, the census data needed to perform an analysis of the full 1990s business cycle are not yet available. To gain some preliminary insight into what these results are likely to show, this section examines the poverty rates and population shares of immigrants and natives in New York and California—in 1989 using the 1990 Census data, and in 1999 using the March CPS.

By crossing data sets in this manner, some error is certainly introduced into the analysis. For example, the 1999 CPS poverty rates for New York and California are 14.1 percent and 13.8 percent, respectively, while the corresponding published census rates are 14.6 percent and 14.2 percent. However, these errors are likely of a relatively small order of magnitude, so that, while the numbers would surely be a bit different if Census 2000 microdata were used, the substance of the results would likely be unchanged. Still, because census and CPS estimates of median family incomes are quite different, the focus here is solely on poverty rates.

Table 2 shows poverty rates in the two periods, along with a shift-share analysis like the one in table 1. According to the analysis of CPS data presented herein, California poverty went up 1.4 percentage points, from 12.4 percent to 13.8 percent, between 1989 and 1999. Poverty rates were essentially unchanged for immigrants in California from 1989 to 1999 and were slightly higher for natives (1.1 percentage points). However, the immigrant share (not shown) rose by 6.2 percentage points, so the question is, again, How quantitatively meaningful are these shifts in determining California poverty rates over the period?[7]

The shift share shows that, with poverty rates held constant, the increase in the immigrant share of the population added 1.3 percentage points to California's poverty over the 1989–99 period. In other words, the strong economy of the 1990s (the impact of which was concentrated in the second half of the decade) failed to reduce California's poverty, even after the impact of a larger immigration share of the population is extracted.

The New York data tell a similar story. Poverty rose 1.3 percentage points on the whole, with natives' poverty up 1.5 points and immigrant poverty down slightly. The immigrant share grew by 4.5 percentage points, which, with poverty rates held constant, added nine-tenths of a percentage point to the growth in poverty. (The decline in immigrant poverty reduced the overall growth slightly, by two-tenths of a percentage point.) Thus, even in the absence of a larger New York immigrant share, poverty rates in that State would have increased from 1989 to 1999.

Given that the analysis shifts between the two data sets, the 1989–99 results are less reliable than the 1994–2000 CPS

Table 1. Shift-share analysis: impact of changes in share and rate of poverty, 1994–2000

[In percent]

Nation or State and category of impact	U.S. natives	All immigrants	Total	U.S. natives	Recent immigrants	Total
National:						
Total	–2.8	–0.4	–3.3	–2.9	–.4	–3.3
Impact of change in share of population	–.3	.6	.3	–.1	.2	.1
impact of change in rate of poverty	–2.5	–1.0	–3.6	–2.8	–.6	–3.4
California:						
Total	–2.1	–2.9	–5.0	–	–	–
Impact of change in share of population	–.1	.3	.2	–	–	–
Impact of change in rate of poverty	–2.0	–3.2	–5.2	–	–	–
New York:						
Total	–2.2	–1.4	–3.6	–	–	–
Impact of change in share of population	–.5	.9	.4	–	–	–
Impact of change in rate of poverty	–1.8	–2.2	–4.0	–	–	–

NOTE: Dash indicates no analysis performed because sample size was too small.

SOURCE: Authors' analysis of March CPS data.

Table 2. Poverty rates and shift-share analysis, California and New York, 1989–99

[In percent]

Poverty rate or shift share	U.S. natives	Immigrants	Total
California			
Poverty rate:			
1989 census rate	9.3	20.6	12.4
1999 CPS rate	10.4	20.5	13.8
Change, 1989–99	1.1	–.1	1.4
Shift share, 1989–99:			
Total	.2	1.2	1.4
Impact of change in share of population	–.6	1.3	.7
Impact of change in rate of poverty	.8	.0	.8
New York			
Poverty rate:			
1989 census rate	10.6	20.1	12.7
1999 CPS rate	12.1	19.5	14.1
Change, 1989–99	1.5	–.7	1.3
Shift share, 1989–99:			
Total	.6	.7	1.3
Impact of change in share of population	–.5	.9	.4
Impact of change in rate of poverty	1.1	–.2	1.0

SOURCE: Authors' analysis of CPS and 1990 census data.

results, but they have the advantage of covering the full business cycle. The 1989–99 analysis shows that the conventional wisdom regarding immigrants' contribution to poverty has some merit in that the increased share of immigrants did place upward pressure on poverty rates in both California and New York.

The results, however, also show that immigration is by no means the whole story in understanding poverty trends over the 1990s. On the basis of a simple shift-share analysis, once the impact of the growth of immigration is extracted, poverty is seen to have been unchanged over the decade in California and to have risen slightly in New York. Given the acknowledged economic prosperity of the 1990s, this finding implies that, as the census data are released and scrutinized, researchers cannot simply cite the increase in immigration as the only or the chief cause of the standstill in poverty rates and leave it at that. Other factors were responsible and need to be understood as well.

ALTHOUGH THE BOOM OF THE LATTER 1990s LIFTED LOW INCOMES, census data reveal that economic progress bypassed some demographic groups, particularly in certain States. With very little analysis, some commentators have cited increased immigration as the sole or the chief causative factor of flat poverty rates. By contrast, while no analysis could completely account for the effects of immigration (both positive and negative), the one presented in this article indicates that poverty rates would have been only slightly lower, and median income only slightly higher, between 1994 and 2000 if immigration rates had remained constant.

The preliminary analysis of the 1989–99 period yields a similar conclusion. Although data limitations suggest that the results be viewed with caution, it is still the case that, had immigration not increased between 1989 and 1999, poverty rates would not have fallen in California and would have increased slightly in New York.

None of the preceding discussion should be taken to imply that immigration plays *no* role in the economic trends of the 1990s, but, thus far, immigration's role appears to have been overstated at the expense of other, more fundamentally economic factors. Both New York and California, for example, saw larger-than-average increases in inequality over the decade, and the incomes of the wealthy pulled far ahead of those at the middle and the bottom of the income scale.[8] In many States, the increase in inequality meant that the growth that did occur went disproportionately to those at the top of the income scale, leaving those at the lower end more vulnerable to poverty, regardless of their status as natives or immigrants.

The 1990s economic boom arrived later in New York and California than it did in the rest of the United States. For example, unemployment in New York City was 8 percent in 1998, compared with 4.5 percent for the Nation. The fact that unemployment remained high for a time in New York City meant that *all* less advantaged workers, not just immigrants, faced a slack labor market. Any defensible accounting of the trends in income and poverty over the 1990s needs to include at least these explanations and probably others as well. □

Notes

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[1] Because the poverty rate tends to rise during recessions and fall during expansions, it is desirable to compare poverty rates at similar points in the business cycle. Fortunately, the years covered by the

2000 census began with one peak and ended in a near peak. (The 1990s recovery went through 2000). The official source for year-to-year estimates of poverty and income is the March Current Population Survey (CPS), the main data source in this article. According to the CPS, the U.S. poverty rate grew from 12.8 percent in 1989 to 15.1 percent in 1993 and then fell to 11.8 percent in 1999.

[2] See, for example, Janny Scott, "Census Finds Immigrants Lower City 's Income," *The New York Times*, Aug. 6, 2002; and "Census Finds Rising Tides, Many Who Missed Boat," *The New York Times*, June 17, 2002. See also "'90s Boom Had Broad Impact; 2000 Census Cites Income Growth Among Poor, Upper Middle Class," *The Washington Post* June 5, 2000.

[3] The Census Bureau will release two sets of microdata: a 1-percent sample and a 5-percent sample. Each of these data sets contains a sample of answers to the long-form survey. For reasons of confidentiality, the Census Bureau does not release the full set of answers to the long-form survey, which was sent to 1 in 6 households.

[4] Data from the 2000 census support these findings. According to those data, the share of the national population that was foreign born increased 3.2 percentage points from 1990 to 2000, and the share of the population that entered the United States recently increased 1.2 percentage points. These figures do not include persons born in U.S. territories or the citizen children of immigrants.

[5] The first component mentioned is the change in population shares for each group, multiplied by the average poverty rate across the 1994–2000 period. The second component is the change in the poverty rates, multiplied by the average population share. The sum of these components equals the change in the overall poverty rate. Note that this technique measures only the share and income effects as described in the text. There is a large literature evaluating the impact of the presence of immigrants on native citizens' incomes, employment, and wages that goes well beyond this simple shift-share analysis.

[6] The approach is to adjust the sample weights in the final year so that the immigrant share of the population is the same as it was in the base year and to recalculate median income in the final year by using these adjusted weights. Because of the share effect, this approach will result in a higher value of median income than the actual level. The difference between the simulated and actual median then represents the impact of the increased share of immigrants on income growth between the base and final year.

[7] The 2000 March CPS weights will be adjusted to reflect data collected from the 2000 census. However, comparing the 2000 census counts of the foreign-born population with the 2000 March CPS counts suggests that the CPS undercounted naturalized citizens and overcounted noncitizens. Because naturalized citizens have a lower poverty rate than noncitizens have, this adjustment should actually *lower* the immigrant poverty rate, *decreasing* estimates of the impact of immigration on poverty and income.

[8] Jared Bernstein, Heather Boushey, Elizabeth McNichol, and Robert Zahradnik, *Pulling Apart: A State-by-State Analysis of Income Trends* (Washington, DC, Economic Policy Institute and Center on Budget and Policy Priorities, 2002).

Appendix: Data considerations

Most of the analysis presented in the text of this article runs from 1994 to 2000, the years for which data are available for examining changes in native and immigrant income trends and their population shares. The widely cited census data, by contrast, provide comparisons between 1989 and 1999. Because the Census Bureau's 2000 microdata are not yet available, that period cannot be fully analyzed, although the article does compare 1990 census data (which cites poverty data for 1989) with March 2000 Current Population Survey (CPS) data for 1999.

The eventual release of the Census Bureau's microdata will allow the researcher to analyze trends in poverty rates from one business cycle peak (1989) to the next (1999, although 2000 was the actual peak). The microdata are also consistent over the 2 years and have large sample sizes. The census-to-CPS comparison used in the analysis presented herein, while meeting the peak-to-peak criterion, introduces some inconsistencies because the data are from two different data sets.

Still, there are numerous advantages to the CPS data. Most importantly, the CPS allows the calculation of income levels and poverty rates for U.S. natives and immigrants from 1994 to 2000, and, while these years do not cover the entire business cycle, they do cover the boom years. If the share effect truly dampened progress against poverty or lowered income growth, these data should reveal it as effectively as the census data. Also, because the main objective of this article is to compare immigrants with natives in respect of poverty (and to measure the extent to which increased immigration kept poverty from falling further), there is somewhat less of a concern with going peak to peak than with comparing the two groups over the same years. Presumably, both groups were affected by the growing U.S. economy over this period, which provides some control over the cycle.

The analysis presented here looks at the Nation as a whole and specifically at New York and California—two States in which one might reasonably expect immigration to play a large role in determining poverty rates. More than 1 in 4 New Yorkers and 1 in 3 Californians are immigrants (as defined in the next paragraph). Also, the poverty rates of these two States were higher in 1999 than in 1989, according to 2000 census data.

The Bureau of Labor Statistics and the Census Bureau define the *foreign-born* population as those persons born abroad to parents who are not U.S. citizens. For the purposes of the current article, persons born in Puerto Rico and other U.S. territories are added, because they share many of the economic characteristics of the foreign born. Children born within the United States are U.S. citizens and are not included in the census statistics on the foreign born. However, given that the income level (and hence poverty status) of children depends on that of their parents, we define children living with only immigrant parents as immigrants. Both Puerto Ricans and the citizen children of immigrants have higher poverty rates than the census-defined foreign-born persons, so including them in the definition thereof should increase estimates of the impact of immigration. Thus, *immigrants* are defined as persons born abroad to parents who are not U.S. citizens, persons born in Puerto Rico or some other U.S. territory, and children living with only immigrant parents. Finally, for the purposes of the article, *recent immigrants* are defined as those immigrants who entered the United States within the last 10 years.