

GAO

Report to the Chairman, Subcommittee
on Income Security and Family
Support, Committee on Ways and
Means, House of Representatives

November 2009

U.S. LABOR FORCE STATISTICS

Illustrative Simulations of the Likely Effects of Underrepresenting Unauthorized Residents



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Abbreviations

ACS	American Community Survey
BLS	Bureau of Labor Statistics
CPS	Current Population Survey
DHS	Department of Homeland Security

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United States Government Accountability Office
Washington, DC 20548

November 30, 2009

The Honorable Jim McDermott
Chairman
Subcommittee on Income Security and
Family Support
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

In times of economic uncertainty as well as in times of stability, policymakers and the public rely on labor force statistics, such as the unemployment rate, to provide important information on the current state of the economy. These statistics, published by the Department of Labor's Bureau of Labor Statistics (BLS), include key figures that are based on data obtained from the Current Population Survey (CPS). The CPS, a household interview survey administered by the Department of Commerce's U.S. Census Bureau, is designed to represent the entire United States civilian noninstitutional population. However, certain U.S. residents—specifically, foreign-born persons who are not authorized to live here, to whom we refer as unauthorized residents in this report—may not be represented in CPS data to the same extent as the general population. Little research has been done on whether potential underrepresentation of the unauthorized population might noticeably affect labor statistics, but policy efforts that depend on valid and reliable labor force statistics would benefit from such information.

We agreed with your office to examine issues concerning unauthorized residents' impact on labor force statistics. We addressed the following key questions:

1. *Extent of underrepresentation:* What is known about the extent of any underrepresentation of unauthorized residents in CPS data used to compile labor force statistics?
2. *Labor force status:* What is known about the likely labor force status of unauthorized residents?
3. *Possible effects:* How might CPS underrepresentation of unauthorized residents affect key labor force statistics?

To answer the first two questions, we examined documents and data from and interviewed officials from the Census Bureau, the Department of Homeland Security, and BLS. We also interviewed and obtained data from immigration and statistical experts outside these agencies (see slide 44 in app. I for a listing of these experts and their roles). Additionally, we reviewed previous GAO work and other studies on unauthorized residents, government surveys, and labor force statistics and interviewed immigration advocates about these topics. To answer the third question, we conducted simulations to illustrate how undercounting unauthorized residents may have affected the unemployment rate, size of the U.S. labor force, and number of employed persons in March 2008. We determined that March 2008 was the most recent time period for which data were available that were sufficiently reliable for the purposes of our main simulations. We created the simulated statistics by first using combinations of assumptions obtained from experts about the extent of underrepresentation of unauthorized residents and their level of unemployment in March 2008. Then, because the estimates obtained from experts were uncertain, we used much broader assumptions to test the robustness of our results. We compared all of the simulated statistics with the margins of error for the original statistics. We also updated these simulations using June 2009 national labor force statistics as a test of whether changing economic conditions might affect our results.¹

We conducted our work from November 2008 to November 2009 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions.

¹After March 2008, the month of our detailed simulations, the U.S. unemployment rate rose, reaching 9.5 percent in June 2009. Declining economic conditions may affect the number of unauthorized residents in the United States, although recent estimates of the size of this population are not available. With this in mind, we performed sensitivity analyses that included *decreasing* the size of the unauthorized labor force (represented in the CPS data) by up to 30 percent. The sensitivity analyses indicated that a decrease of this magnitude would not change our simulation findings.

Results in Brief

On October 2, 2009, we briefed your staff on the results of our work. This report formally conveys the information provided during that briefing (see app. I for the briefing slides). In general, we found the following:

- The extent of CPS underrepresentation of unauthorized residents is unknown, but experts we consulted told us that the CPS data might not represent approximately 10 to 15 percent of unauthorized residents.
- Little information is available about the labor force status of unauthorized residents, but experts we consulted suggested that their approximate unemployment rate in March 2008 may have been 6.5 to 8.5 percent, compared with 5.2 percent nationally.
- Little is known about the effect of underrepresentation of unauthorized residents on labor force statistics. However, using the above information provided by experts, we simulated the likely effects of adding unauthorized residents assumed not represented in March 2008 labor force statistics. Because the expert assumptions were uncertain, we tested our results using a broader range of assumptions. Our simulations showed that adding unauthorized residents not represented in CPS data would likely have a minimal effect on the overall U.S. unemployment rate. The simulations did not, however, rule out the possibility that adding such residents would increase the estimated size of the national labor force and the estimated number of persons employed nationally. Updating these simulations using national labor force statistics for June 2009 revealed similar effects.

Agency Comments and Our Evaluation

Prior to our October 2, 2009, briefing, we provided the Departments of Labor, Homeland Security, and Commerce with a draft of the briefing document and incorporated technical comments provided by the Bureau of Labor Statistics and the Census Bureau as appropriate. Homeland Security had no comments on the slides. Since then, Labor, Homeland Security, and Commerce have reviewed a draft of this report. Homeland Security had no comments, and BLS informally remarked positively on the way that our draft accounted for uncertainty related to unauthorized workers. Commerce provided written comments, reproduced in appendix II, which did not dispute any of our three main findings concerning the possible impacts of underrepresentation of unauthorized residents on national labor force statistics. However, Commerce suggested that we (1) further explicate how survey data are weighted to improve statistical representation and how we conducted our simulations, as well as providing—in this letter—more specifics about the experts we consulted; (2) remove information on the two-card (or “grouped answers”) approach

for estimating the number of illegal immigrants represented in a survey, because including it implies both that this method is appropriate for use in the CPS and that it can be used to estimate underrepresentation;² and (3) reduce the range of underrepresentation in our illustrative simulations, which we vary from 0 to 50 percent, because Commerce stated that using this range gives the range more plausibility than is supported by research.

In response to Commerce's first suggestion, we added some additional information to the slides. One new footnote cites a Census Bureau publication that provides detailed information on how CPS data are weighted, and another new footnote provides a numerical illustration of how we conducted our simulations. We also added a parenthetical note in this letter, indicating the slide that lists the experts we consulted and their roles, and clarified that we consulted experts in both immigration and statistics.

In response to Commerce's second suggestion, we did not change our presentation of information on the grouped answers method for the following reasons:

- Our slide presentation clearly states that the grouped answers method is appropriate for a survey conducted by a *private-sector* organization. Consistent with Commerce's comments, we concluded in our September 2006 report³ on estimating the unauthorized population that the grouped answers method is not appropriate for any existing government-conducted survey, including the CPS; the 2006 report therefore raised the possibility of a new survey designed for the foreign-born population. If the grouped answers method were validated and included in a private-sector survey of the foreign-born, the resulting data logically could be used to help assess statistics based on a government-conducted general population survey such as the CPS, as well as serve various other policy and evaluation purposes.⁴

²The grouped answers method is described in slides 41 to 43 in appendix I of this report.

³GAO, *Estimating the Undocumented Population: A "Grouped Answers" Approach to Surveying Foreign-Born Respondents*, GAO-06-775 (Washington, D.C.: Sept. 29, 2006).

⁴For example, data on a respondent's legal status (such as legal permanent resident or refugee) are not collected by government-conducted general-purpose surveys such as the CPS—but potentially could be collected by a private-sector survey using an approach such as the grouped answers method. Such data are relevant to implementing various laws and evaluating various immigration policies.

-
- While the grouped answers method is not intended to estimate underrepresentation, if validated and used in a new private-sector survey, it could provide information on specific groups within the foreign-born population (such as the number of employed unauthorized workers and the number of unauthorized workers in the labor force). Such data would be useful to the task addressed in this report in at least two ways. First, in the illustrative simulations we conducted, we made assumptions about unemployment levels within the unauthorized worker population because there was no survey estimate of unemployment for this group. The grouped answers method, applied in a new private-sector survey, might provide such an estimate. Second, our illustrative simulations used an indirect estimate of the unauthorized worker population represented in the CPS; this indirect estimate had been produced by a researcher using a subtraction method (see slide 12 of app. I) and various assumptions regarding labor force status in this group. A private-sector survey using the grouped answers method could help researchers using the subtraction method or other indirect methods by, for example, providing a survey estimate of the number of unauthorized workers represented in a private-sector survey.⁵

Regarding Commerce's third suggestion, we did not reduce the range of the test assumptions for underrepresentation of unauthorized workers in the CPS. Our reasons are that this report (1) already presents analyses that use fairly narrow ranges of assumptions deemed most plausible by experts (for both underrepresentation and unemployment among unauthorized workers) and (2) uses much broader ranges of 0 to 50 percent to test results produced using the fairly narrow ranges. We conducted the test simulations because of uncertainty about the narrower expert-based ranges. Specifically, using alternative assumptions of 0 to 50 percent, we tested how far "off the mark" the expert assumptions would have to be for our findings to change. Our tests show that the initial expert-based narrow-range results would hold up even if the expert-based assumptions were rather far off the mark.

⁵Additionally, because the subtraction method estimates the unauthorized population by subtracting estimates of immigrants in specific legal status categories from an overall estimate of the total foreign-born population, researchers using this approach would be helped by grouped answers estimates of foreign-born persons in specific legal status categories (such as the number of legal permanent residents). The grouped answers method could provide direct estimates of these categories.

Finally, Commerce provided additional information about correspondence between GAO and the Census Bureau concerning an open GAO recommendation.⁶ This recommendation dates from 1998 and concerns devising a plan of research for evaluating the quality of census and survey data on foreign-born persons. There have been various communications in addition to the letter referenced by the Census Bureau,⁷ but the Census Bureau has not proposed a strategy or plan of research for evaluating the quality of census and survey data on foreign-born persons. Innovative thinking and collaboration may be required to make progress on this long-term recommendation. For example, one approach may be for the Census Bureau to design research and evaluation options that it might pursue in partnership or coordination with others (such as other federal agencies, universities, or private-sector organizations).

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the report date. We will then send copies of this report to relevant congressional committees, the Secretary of Labor, the Secretary of Commerce, the Secretary of Homeland Security, and other interested parties. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

⁶GAO, *Immigration Statistics: Information Gaps, Quality Issues Limit Utility of Federal Data to Policymakers*, GAO/GGD-98-164 (Washington, D.C.: July 31, 1998).

⁷Perhaps most notably, in addition to the letter mentioned by the Census Bureau, we outlined various possible approaches that Census might take in estimating undercoverage of foreign-born persons, including a new record linkage (data-matching) approach. We shared this information with Census Bureau staff at a meeting and subsequently discussed this and other possible methods with them during 2008. We also made additional suggestions in a February 2009 letter to the Census Bureau.

If you or your staff have any questions about this report, please contact either Nancy Kingsbury at (202) 512-2700 or kingsburyn@gao.gov or Cornelia Ashby at (202) 512-7215 or ashbyc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed on slide 47 of appendix I.

Sincerely yours,



Nancy Kingsbury
Managing Director, Applied
Research and Methods



Cornelia M. Ashby
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Appendix I: Briefing Slides



U.S. Labor Force Statistics: Illustrative Simulations of the Likely Effects of Underrepresenting Unauthorized Residents

Briefing for Staff of Chairman Jim McDermott
Subcommittee on Income Security and Family Support
House Committee on Ways and Means

October 2, 2009

Prepared by GAO's Applied Research and Methods and Education,
Workforce, and Income Security Teams

1



Introduction

Labor force statistics are economic benchmarks for policymakers and the general public.

- The Labor Department's Bureau of Labor Statistics (BLS) produces key statistics, such as the unemployment rate, the size of the labor force, and the number of employed persons.
 - BLS compiles these statistics using data from the Current Population Survey (CPS), a monthly household interview survey that is designed and weighted to represent the U.S. population as measured by updated census counts.
 - The CPS is intended to represent the entire civilian noninstitutional population, including those foreign-born persons who are not authorized to reside in the United States.
-



Introduction (cont.)

CPS data may represent many—but likely not all—unauthorized foreign-born residents.¹

- CPS data differentiate between native and foreign-born persons, but not between the foreign-born who reside here legally and those who reside here illegally (referred to as unauthorized residents in this briefing).
- Indirect analyses suggest that millions of unauthorized residents may be represented in CPS data.²
- Some *additional* unauthorized residents may not be represented in these data.

¹Foreign-born residents include naturalized citizens, other authorized persons, and unauthorized residents.

²See, for example, Jeffrey S. Passel and D'Vera Cohn, *A Portrait of Unauthorized Immigrants in the United States*, (Washington, D.C.: Pew Hispanic Center, Apr. 14, 2009).



Introduction: Effects of Underrepresentation

The effect that underrepresenting unauthorized residents may have on **CPS-based labor force statistics** depends on two key factors:

- **The number of unauthorized residents who are not represented in CPS data.** For example, if this number is small compared with the general population, then omitting data on them would probably have a small effect.
- **The labor force status of unauthorized residents who are not represented in CPS data.** For example, if this group's employment status is similar proportionately to that of the general population, then omitting data on them would have little effect on some statistics, such as the unemployment rate.



Key Questions

For this briefing, we examined these questions:

1. **EXTENT OF UNDERREPRESENTATION:** What is known about the extent of any underrepresentation of unauthorized residents in CPS data used to compile labor force statistics?
2. **LABOR FORCE STATUS:** What is known about the likely labor force status of unauthorized residents?
3. **POSSIBLE EFFECTS:** How might CPS underrepresentation of unauthorized residents affect key labor force statistics?



Scope and Methodology

To obtain background information and answer questions 1 and 2, we:

- Examined documents and data from the Department of Commerce's Census Bureau, the Department of Homeland Security (DHS), and BLS.
- Reviewed existing GAO work.
- Interviewed federal officials, immigration experts, and immigrant advocates about unauthorized residents and employment.
- Examined selected academic and policy institute studies of unauthorized residents, government surveys, and labor statistics.¹

¹We selected studies on the basis of their relevance to our work.



Scope and Methodology (cont.)

- To answer our third question:
 - We conducted simulations to illustrate how underrepresenting unauthorized residents might have affected three BLS statistics in March 2008:¹
 - unemployment rate;
 - size of the U.S. labor force; and
 - number of employed persons.
 - We updated this analysis using the more limited data available for June 2009.
 - For these analyses, we obtained ranges of possible effects by varying our assumptions about the
 - extent of underrepresentation of unauthorized residents and
 - level of unemployment for unauthorized residents who were not represented in CPS data.²
- See appendix A for more information on our methods.

¹March 2008 is the most recent time period for which an expert has published estimates of not only the unauthorized population, but also the number of unauthorized workers.

²We determined that the data we used were sufficiently reliable for the purposes of our simulations.



Scope and Methodology (cont.)

- We did not focus on
 - statistics for local areas, specific occupations, or economic sectors;
 - trends in labor force statistics over time; or
 - other data sources for labor statistics, besides the CPS. (See app. B.)
 - We provided a draft of this briefing to the Departments of Labor, Commerce, and Homeland Security for review. Within these departments, BLS and the Census Bureau provided technical comments that we incorporated as appropriate. DHS had no comments.
 - We conducted our work from November 2008 to October 2009 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions.
-



Summary of Findings

1. **UNDERREPRESENTATION:** The extent to which unauthorized residents are underrepresented in CPS data is unknown, but experts we consulted suggested this might range from 10 to 15 percent.
 2. **LABOR FORCE STATUS:** Little is known about unauthorized residents' labor force status, but experts we consulted suggested that their unemployment rate may have been between 6.5 and 8.5 percent in March 2008, versus a national rate of about 5.2 percent.
 3. **POSSIBLE EFFECTS:** Our simulations for March 2008 and update for June 2009 indicated that, despite uncertainties,
 - adding unauthorized residents not represented in CPS data would likely have a minimal effect on the U.S. unemployment rate, but
 - increases to the estimated size of the U.S. labor force or the estimated number of employed persons cannot be ruled out.
-

Background



Labor Force Statistics

- BLS is the source of government labor force statistics, which include but are not limited to the following:
 - **Unemployment Rate:**
Percentage of the labor force that is not working and is looking for work.
 - **Labor Force Size:**
Number of persons who are working or looking for work.
 - **Employed Persons:**
Number of persons who are working.¹
- BLS bases these three statistics on CPS data.
- BLS reports statistics at the national and state levels.

¹BLS publishes two estimates of employment: (1) the number of persons employed, measured by the CPS, and (2) the number of jobs, measured by the Current Employment Statistics survey. We focus here on the CPS estimate only.

Background



The Current Population Survey (CPS)

- The Census Bureau administers the CPS monthly to approximately 60,000 households.
- The CPS asks a household member to report characteristics of each individual in the household, including country of birth, as well as overall household characteristics. BLS bases its labor force statistics on CPS data for those aged 16 and older.
- The CPS does not ask about authorization to reside or work in the United States. BLS officials told us that asking about legal status could discourage cooperation with the CPS.
- The Census Bureau takes several steps to minimize underrepresentation in the CPS and increase its accuracy. See appendix C for more information.



Background

Almost 12 Million Unauthorized Residents Are Estimated to Reside in the United States

DHS and the Pew Hispanic Center have estimated the number of unauthorized residents by using existing data on foreign-born U.S. residents. Essentially, DHS and Pew have

- begun with an estimate of the number of *all* foreign-born persons residing here (including both those who are and those who are not authorized to live in the United States);¹
- subtracted the number who *are* authorized to reside here;²
- made various assumptions about, for example, the effects of underrepresentation; and
- concluded that in early 2008, almost 12 million residents—approximately one-third of all foreign-born—were unauthorized.

¹The Pew Hispanic Center estimates this using data from the CPS, while DHS uses data from another national survey, the American Community Survey.

²This number, estimated using primarily DHS data, includes persons such as legal permanent residents and refugees.

Background



Previous GAO Work

In 1998, we reported that policymakers need reliable information on foreign-born persons for policy-related activities and decision making, but such data were not available (GAO/GGD-98-164).

- We recommended that the Census Bureau and DHS publish a plan of research to evaluate census and survey data on the foreign-born.
- Given continued interest by Members of Congress in related issues, we continue to follow up on agency efforts in this area.
- We are working with Census Bureau officials to plan a meeting to discuss letters we exchanged in 2008 and 2009 concerning difficulties that the Census Bureau anticipates in implementing some approaches to evaluating representation of the foreign-born.



Background

Previous GAO Work (cont.)

- In 2004, we reported that lack of data precluded us from estimating the cost of educating children who are not authorized to reside in the United States (GAO-04-733).
- In 2006, we reported that foreign-born respondents appear to accept an innovative method of asking about legal status in personal interviews conducted by a nongovernment entity (GAO-06-775).¹

¹This survey approach groups legal statuses in boxes on a flash card. Each foreign-born respondent chooses the box containing his or her legal status, along with other statuses. No one specifically chooses the unauthorized status. See appendix D for more details.



Finding 1: Underrepresentation

The Extent of Underrepresentation Is Unknown, but Some Experts Suggest 10 to 15 Percent

- Information on the number of unauthorized residents who are not represented in CPS data is unavailable.
- Three experts told us that 10 to 15 percent of unauthorized residents might not be represented in CPS data, but these figures are uncertain.¹
- One of the experts, Jeffrey S. Passel of the Pew Hispanic Center, used analytic procedures to estimate that the underrepresentation of unauthorized residents in the March 2008 CPS was approximately 12.5 percent.
 - Passel applied Census Bureau estimates of undercounts for the overall U.S. population in 2000, by race, age, and gender, to foreign-born CPS respondents. He assumed higher undercount rates for recent and unauthorized immigrants.²

¹These experts were Steven A. Camarota, Michael D. Hoefer, and Jeffrey S. Passel. See appendix E.

²We use the term "undercount" when referring to census counts of the population and the term "underrepresentation" when referring to statistics based on data from a sample survey, such as CPS.

Finding 1: Underrepresentation (cont.)



- The figures for the underrepresentation of unauthorized residents cited in this briefing are uncertain, because they rely on inferences based on demographic characteristics and/or a single study with limited scope. For example, the three experts we consulted on underrepresentation all referred to a key study that attempted to measure the size of the census undercount of unauthorized Mexicans in Los Angeles County.¹
- In our analyses, we first simulated underrepresentation as ranging from 10 to 15 percent. Then, because the expert figures were uncertain, we tested the robustness of our results by broadening this range to 0 to 50 percent.
 - Note: The experts estimated the 10 to 15 percent range for the entire unauthorized population. To conduct our simulations, we applied this range to unauthorized residents in the labor force.

¹See Enrico A. Marcelli and Paul M. Ong, *Estimating the Sources of the 2000 Census Undercount among Foreign-born Mexicans in Los Angeles County* (prepared for the Annual Population Association of America meetings, Atlanta, Georgia, May 10, 2002).



Finding 2: Labor Force Status

Little Is Known about the Labor Force Status of Unauthorized Residents

- Labor force status includes
 - having a job (employed);
 - having no job and looking for work (unemployed); and
 - having no job and not looking for work (out of the labor force), such as homemakers, retirees, and “discouraged workers.”
- Limited information is available on whether the labor force status of unauthorized residents who are not represented in CPS data differs from that of
 - unauthorized residents represented in the CPS or
 - the overall, general population of the United States.
- Passel estimated that in March 2008, there may have been about 8.3 million unauthorized residents in the U.S. labor force.¹

¹This estimate includes an upward adjustment for assumed underrepresentation. Passel's figure *before* adjusting for underrepresentation was 7.2 million.

Finding 2: Labor Force Status (cont.)



- Passel and two other experts who provided input on unemployment among unauthorized residents told us the following:
 - The unemployment rate of unauthorized residents is likely to vary over time and be affected by changes in the economy and government policies.
 - The unemployment rate for unauthorized residents might have been between 6.5 and 8.5 percent in March 2008, higher than BLS's reported rate of about 5.2 percent for the general population. However, these figures are uncertain.¹
- In our simulations of the unemployment rate and number employed, we first assumed March 2008 unemployment rates for unauthorized residents of 6.5 to 8.5 percent. Then, because the expert figures were uncertain, we broadened this range to 0 to 50 percent to test the robustness of our results.

¹These experts were Steven A. Camarota, Randy Capps, and Jeffrey S. Passel. The figures they provided are marked by varying degrees of uncertainty because they rely on assumptions and inferences, such as using CPS data on all immigrants from Mexico and Central America as a proxy population for unauthorized residents.



Finding 3: Possible Effects

Experts Do Not Know the Effect of Underrepresentation; Some Suggest It May Be Minimal

- Some experts suggested to us that the effect of underrepresenting unauthorized residents on overall statistics would likely be small. However, due to a lack of data, experts ultimately do not know the effect of underrepresentation on labor force statistics.
- Our simulations focused primarily on three March 2008 statistics:¹
 - unemployment rate (U.S. reported figure: 5.2 percent),
 - size of the labor force (U.S. reported figure: 153.1 million), and
 - number of employed persons (U.S. reported figure: 145.1 million).
- We also conducted rough simulations to determine whether similar patterns of results might hold for June 2009.²
- To test whether including unauthorized residents who were not represented in CPS data would change the three statistics listed above, we recalculated them using various assumptions about
 - (1) the underrepresentation of unauthorized residents and
 - (2) the unemployment rate of those who were not represented.

¹In this briefing, we use labor force statistics that are not seasonally adjusted.

²Our simulations cannot be generalized to other time frames without further analysis.

Finding 3: Possible Effects (March 2008)



Unemployment Rate: Likely Effect of Underrepresentation Was Minimal

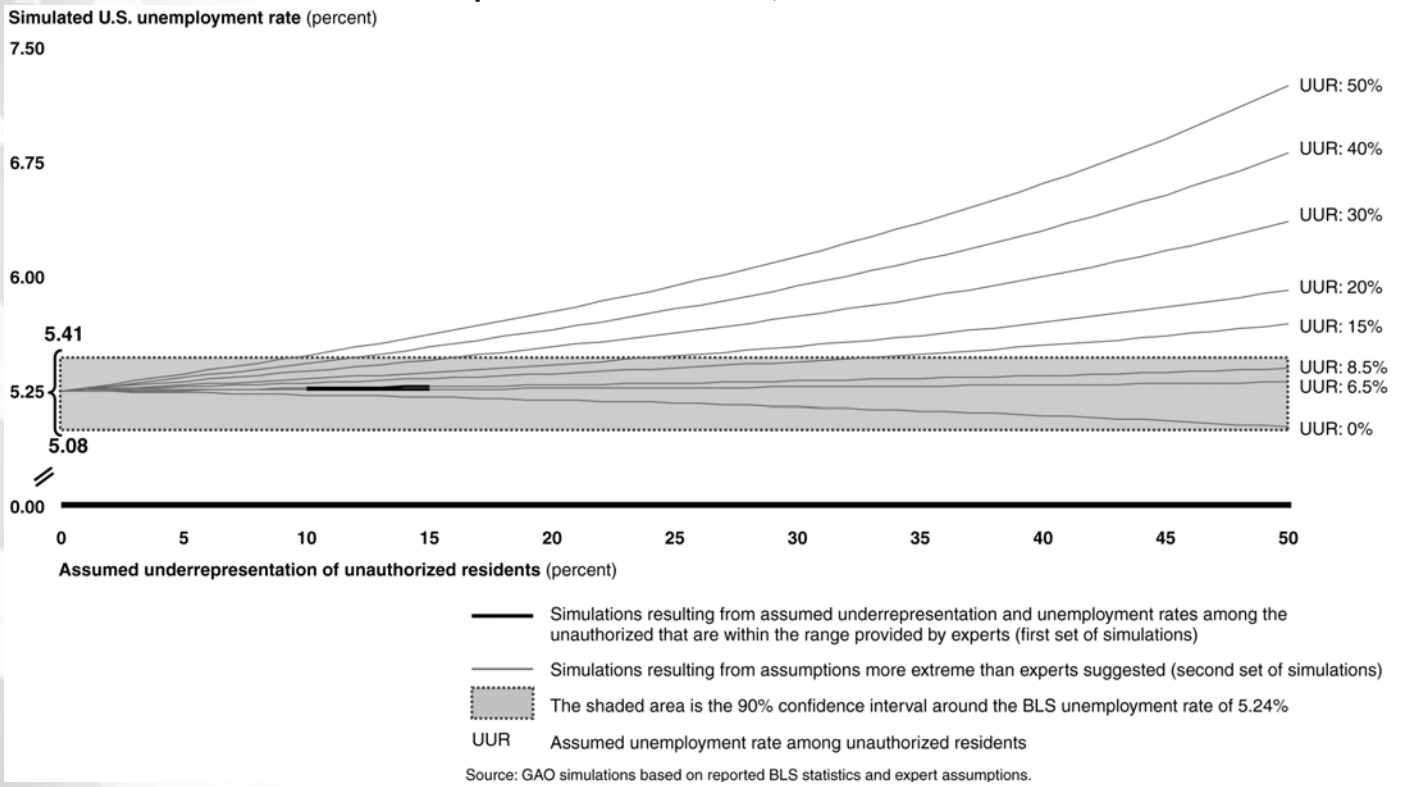
- According to BLS data, the March 2008 national unemployment rate was 5.24 percent. The margin of error for this statistic is +/- 0.17 percent.¹
- We conducted two sets of simulations for March 2008:
 - In the first set of simulations, we varied underrepresentation from 10 to 15 percent and varied unemployment rates for the unauthorized residents not represented in the data from 6.5 to 8.5 percent.
 - In the next set of simulations, we used a broader range for underrepresentation (0 to 50 percent) and unemployment rates (0 to 50 percent) to test the robustness of the initial results.
- The first set produced simulated unemployment rates that fell within the margin of error of BLS's reported rate (5.24 percent, +/-0.17 percent), which we regard as a minimal effect.
- In the second set, only assumptions considerably more extreme than the ranges suggested by experts produced simulated unemployment rates that fell outside BLS's margin of error. See figure 1.

¹BLS' published estimate is 5.2 percent, but we are providing a more precise figure for purposes of comparison with simulated values and margins of error. The margins of error used in this briefing correspond to 90 percent confidence intervals around BLS's reported statistics.

Finding 3: Possible Effects (March 2008)



Figure 1: Simulated U.S. Unemployment Rates after Including Unauthorized Residents Assumed Not Represented in CPS Data, March 2008



Finding 3: Possible Effects (March 2008)



Labor Force: Potential Increases Cannot Be Ruled Out

- BLS estimated that the March 2008 national labor force size was 153 million. The margin of error for this figure is about +/- 506,000.
- For our simulations for March 2008, we assumed that the BLS estimate of 153 million includes 7.2 million unauthorized members of the labor force.
- For our first set of simulations for this time period, we further assumed that the 7.2 million figure underrepresented unauthorized members of the labor force by 10 to 15 percent. The resulting simulations added 800,000 to 1.3 million more unauthorized members of the labor force to the BLS figure of 153 million, for a simulated total of roughly 154 million.
- Our second set of simulations for this time period explored a broader range of assumptions for underrepresentation (0 to 50 percent). These simulations added 0 to 7.2 million to the BLS figure of 153 million, for simulated totals ranging from 153 to 160 million.
- Most simulations produced simulated national labor force sizes that were above the margin of error of BLS's reported labor force size.¹

¹ The simulated labor force size fell within the margin of error only in simulations with assumed underrepresentation of less than 7 percent. We provide this information as an observation; we have not conducted formal tests of significance.

Finding 3: Possible Effects (March 2008)



Employed Persons: Potential Increases Cannot Be Ruled Out

- In March 2008, BLS estimated that there were 145 million employed persons. The margin of error was about +/- 541,000.
- Our simulations for March 2008 assumed, as on the previous slide, that the BLS labor force estimate of 153 million persons included 7.2 million unauthorized residents.
- In the first set of simulations:
 - As on the previous slide, we varied underrepresentation from 10 to 15 percent, adding from 800,000 to 1.3 million unauthorized residents to the labor force.
 - We then assumed that from 6.5 to 8.5 percent of the added unauthorized residents were unemployed, meaning that *91.5 to 93.5 percent were employed*; we applied these percentages to the 800,000 to 1.3 million added to the labor force.
 - Resulting simulations added 700,000 to 1.2 million employed persons to the BLS figure of 145 million, for a simulated total of roughly 146 million.

Finding 3: Possible Effects (March 2008)



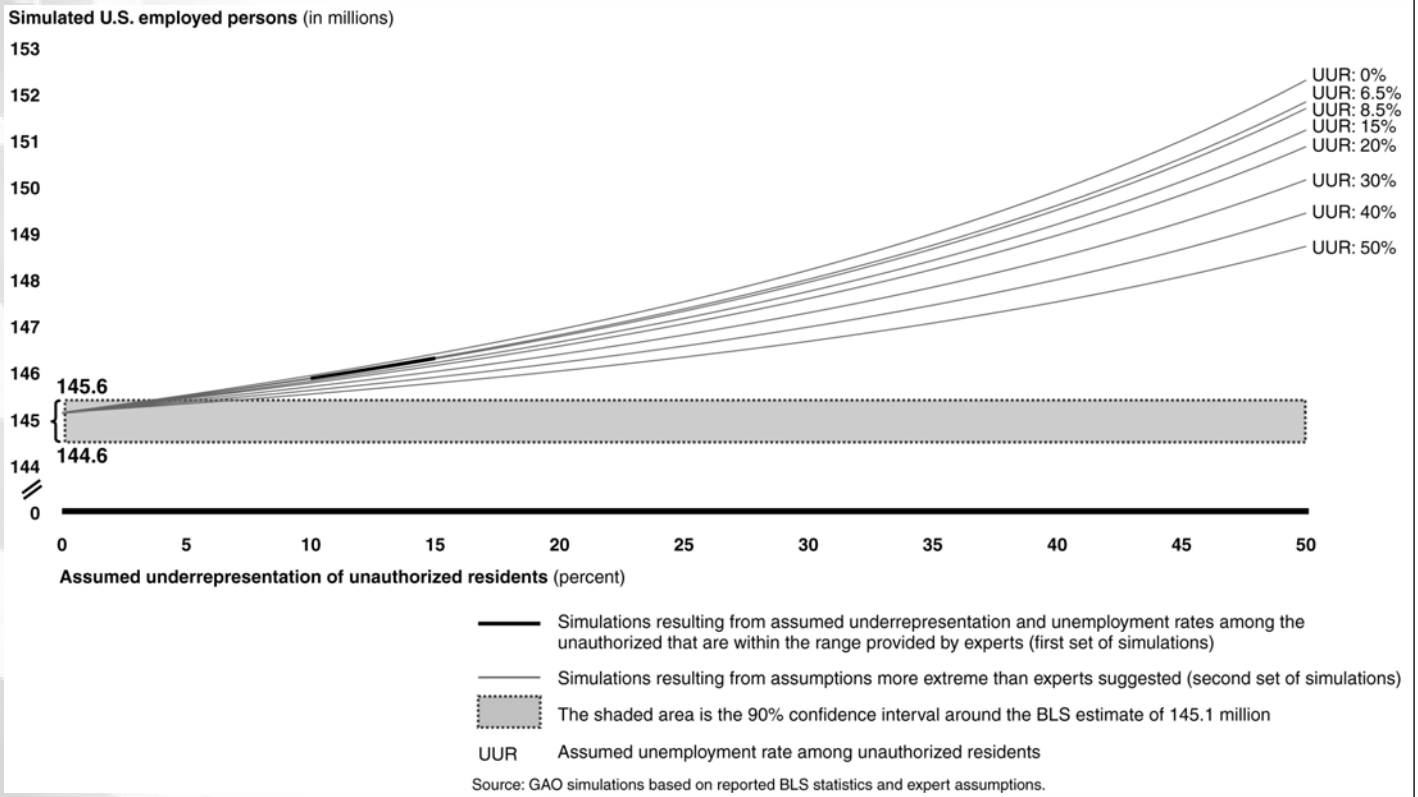
- In the next set of simulations:
 - As before, we used a broader range of assumptions for underrepresentation (0 to 50 percent), adding from 0 to 7.2 million to the labor force.
 - We then assumed that 0 to 50 percent of the added unauthorized residents were unemployed, or that *50 to 100 percent were employed*, and applied these employed percentages to the 0 to 7.2 million added to the labor force.
 - These simulations added from 0 to 7.2 million employed persons to the BLS figure, for simulated totals ranging from 145 to 152 million.
- Most simulations produced simulated numbers of employed persons that were above the margin of error of BLS's reported national figure.¹ See figure 2.

¹The simulated number of employed persons fell within the margin of error of the reported statistic for a fairly narrow range of assumptions, including (1) underrepresentation of less than 8 percent or (2) underrepresentation of less than 9 percent **and** 24 an unemployment rate of more than 13 percent. This is provided as an observation; we did not conduct formal tests of significance.



Finding 3: Possible Effects (March 2008)

Figure 2: Simulated U.S. Employed Persons after Including Unauthorized Residents Assumed Not Represented in CPS Data, March 2008



Finding 3: Possible Effects (June 2009)



Effects of Underrepresentation May Be Similar under More Recent Economic Conditions

- After March 2008, the month of our detailed simulations, the U.S. unemployment rate rose, reaching 9.5 percent in June 2009, and two experts told us that the rate for unauthorized residents may have risen more steeply over this time period, perhaps to 11 or even 15 percent.
- While more recent estimates of size of the overall unauthorized population are not available, one expert believes this population may have decreased due to declining economic conditions, and another thinks its size has stayed roughly the same.¹
- We performed simulations of the effects of underrepresentation on June 2009 labor force statistics for which we assumed no change since March 2008 in the size of the unauthorized labor force represented in CPS data.
 - As a check, we also performed sensitivity analyses in which we increased and decreased the size of the unauthorized labor force (represented in the CPS data) by up to 30 percent. The sensitivity analyses indicated that changes of this magnitude would not change our simulation findings.

¹See Jeffrey S. Passel and D'Vera Cohn, *Mexican Immigrants: How Many Come? How Many Leave?* (Washington, D.C.: Pew Hispanic Center, July 22, 2009), and Steven A. Camarota and Karen Jensenius, *A Shifting Tide: Recent Trends in the Illegal Immigrant Population* (Washington, D.C.: Center for Immigration Studies, July 2009). 26

Finding 3: Possible Effects (June 2009)



- Our simulations for June 2009 were approximate, or rough, in that we used the broad assumptions of 0 to 50 percent underrepresentation of unauthorized residents and 0 to 50 percent unemployment for this group *without* identifying a narrower range of potentially more likely values based on expert opinion.
- We found patterns in our June 2009 simulations similar to our 2008 results.
- Barring extreme assumptions or other differences we were not able to measure, underrepresentation may have had similar effects on 2008 and 2009 statistics.¹

¹Our findings for both years are consistent with much earlier analyses that adjusted for census undercoverage for the overall population. See Courtenay M. Slater, "The Impact of Census Undercoverage on Federal Programs," in *Conference on Census Undercount: Proceedings of the 1980 Conference* (Washington, D.C.: U.S. Bureau of the Census, 1980), 107-111).



Finding 3: Possible Effects (cont.)

Effects of Underrepresentation May Be Larger in Some States

We did not simulate state-level labor force statistics, but our research indicates the following:

- Unauthorized residents probably represent a higher percentage of the population in certain states.
- In some cases (e.g., Arizona, California, and Nevada), the percentage may be about twice as high as the national figure.
- Additionally, some experts believe that the *underrepresentation* of unauthorized residents is greater in certain states.
- Effects on state labor force statistics could be greater in states with more unauthorized residents or higher underrepresentation, especially if, for example, the unemployment rate of unauthorized residents who are not represented in CPS data differs from estimates for the rest of the state population.



Implications

- Although the overall unemployment rate appears not to be sensitive to possible underrepresentation of unauthorized residents, other labor force statistics (such as the size of the labor force) could be. Therefore:
 - Fuller representation of unauthorized residents in the CPS and other surveys would improve the accuracy of some labor force statistics.
 - Fuller representation might be especially important in states with high concentrations of unauthorized residents, where underrepresentation may produce pronounced effects on labor force statistics.¹
- In general, better information about the unauthorized population would help policymakers implement laws and evaluate policies that apply differently to foreign-born persons who reside here legally and to unauthorized residents. We are continuing to monitor federal efforts related to possible approaches for evaluating representation of the foreign-born population in data collected.

¹The same may be true for certain occupational categories, industrial sectors, or local areas, but examinations of the effects for these groups are beyond the scope of this briefing.



Appendix A

Methods for Simulating National Labor Force Statistics

- For our March 2008 detailed simulations, we used publicly available CPS estimates of the U.S. unemployment rate, size of the labor force, and number of employed persons aged 16 and older.¹
 - March 2008 was the most recent time for which we were able to obtain published estimates of the number of unauthorized residents in the labor force (Passel and Cohn, 2009(a)).
- We also used Jeffrey S. Passel's unpublished estimate that 7.2 million unauthorized residents aged 16 and older in the U.S. labor force were *represented* in the March 2008 CPS.²
 - Passel made this estimate *before* he adjusted CPS data for underrepresentation.
 - While we did not vary this figure in our simulations, we performed sensitivity analyses and determined that our findings would not change if we increased or decreased Passel's figure by up to 20 percent.

¹CPS data, which we and Passel used as starting points in our analyses, are weighted to reflect the Census Bureau's national population estimates and to correct for survey nonresponse.

²Passel estimated the March 2008 labor force participation rate of *represented* unauthorized residents to be 76.5 percent.

Appendix A



Methods for Simulating National Labor Force Statistics (cont.)

- We initially simulated national labor force statistics using a range of assumptions based on the opinions of one government and three private sector experts, who suggested that
 - the underrepresentation of unauthorized residents in CPS data might be between 10 and 15 percent and
 - unemployment among unauthorized residents, as of March 2008, might range from 6.5 to 8.5 percent.¹
- Using these values, we simulated revised versions of
 - the national unemployment rate,
 - the number of persons in the U.S. labor force, and
 - the number employed in the United States.
- To test whether more extreme assumptions would change our results, we also calculated additional simulated values for March 2008 using values of 0 to 50 percent for both underrepresentation and the unemployment rate of unauthorized residents.

¹For example, if 7.2 million of the unauthorized resident labor force are represented in the CPS but 10 percent of this population are not represented, the total numbers 8 million, with 800,000 not represented. If the 800,000 have an unemployment rate of 8 percent, 64,000 are unemployed. To recalculate the existing unemployment rate, we add 64,000 to its numerator (number unemployed) and 800,000 to its denominator (total in labor force).

Appendix A



Methods for Simulating National Labor Force Statistics (cont.)

We examined whether the resulting simulated labor force statistics fell within the margins of error for reported BLS statistics.¹

Table 1: March 2008 Labor Force Statistics and Margins of Error (Civilian Noninstitutional Population Aged 16 and Older)

Statistic	CPS Estimate	Lower 90% Confidence Interval	Upper 90% Confidence Interval
Unemployment Rate	5.24%	5.08%	5.41%
Labor Force	153,135,000	152,629,000	153,641,000
Employed Persons	145,108,000	144,567,000	145,649,000

Source: Calculated by GAO using published CPS data.

¹ The margins of error correspond to 90 percent confidence intervals around the reported statistics. We use labor force statistics that are not seasonally adjusted. 32

Appendix A



Methods for Simulating National Labor Force Statistics (cont.)

- To determine whether our results would likely be similar under more recent economic conditions, we updated our analysis using June 2009 CPS data on the unemployment rate (8.7%), labor force (155 million), and employed persons (141 million).
- We assumed that the number of unauthorized residents in the labor force represented in the CPS was unchanged from March 2008 (7.2 million).
- We used the same broad range of assumptions for underrepresentation (0 to 50 percent) and unemployment rate (0 to 50 percent) and compared the results with the 90 percent confidence interval for the June 2009 statistics.

Appendix A



Methods for Simulating National Labor Force Statistics (cont.)

- While this study focused on possible underrepresentation of one specific group, unauthorized residents, it is also possible that CPS data under- or overrepresent the *general population* by a small amount (based on factors such as net undercounting and overcounting in the 2000 census).¹
- Our simulations did not adjust for any *overall* under or overrepresentation in the CPS, but we tested our results to determine whether they would be affected by an overall error of less than one-half of 1 percent in either direction.
- This sensitivity analysis showed that adjusting for a small overall error would not substantially change our results.

¹ For more information on possible overall counting error in the 2000 census, see Mary Mulry, "Summary of Accuracy and Coverage Evaluation for Census 2000," *Research Report Series, Statistics #2006-3* (Washington, D.C.: U.S. Census Bureau, Feb. 28, 2006).

Appendix B



Data Sources for Labor Force Statistics We Examined

- The **Current Population Survey (CPS)**, which is the primary data source for the statistics examined here, is a nationally representative monthly survey of approximately 60,000 households administered by the Census Bureau.
 - BLS uses CPS data to calculate statistics such as unemployment rates, the size of the labor force, and the number of employed persons.
- The **decennial census** (which is not a survey, but a comprehensive household-based count) and the **American Community Survey (ACS)** are not used directly in calculating official labor force statistics.
 - The Census Bureau uses them in calculating the national population estimates, which are used to weight CPS data.¹
- None of these data sources collects information on legal status.

¹See appendix C.

Appendix B



Data Sources for Labor Force Statistics We Did Not Examine

- The **Current Employment Statistics** survey is a monthly survey of approximately 400,000 employers. The results are used in calculating the number of nonfarm jobs, known as payroll employment. Those surveyed are drawn from businesses making unemployment insurance payments.
 - This survey does not collect data on legal status.
- **Unemployment Insurance claims data** are collected by states and used by BLS as supplementary information in calculating some state and local labor force statistics.
 - Unemployment insurance claims data may exclude most unauthorized residents, who are ineligible to collect unemployment benefits.

Appendix C



CPS Data, National Population Estimates, and Underrepresentation

- The Census Bureau weights CPS data to make them consistent with **national population estimates**.
 - The Census Bureau produces the national population estimates (1) using counts from the decennial census and (2) updating these counts based on birth and death records as well as data on net migration from the ACS, a large survey that it conducts every year.¹
 - According to the Census Bureau, the purpose of weighting CPS data is to improve accuracy and help minimize underrepresentation.²
- CPS data distributions—such as Hispanics in defined age groups—thus match the distributions from the national population estimates. However, problems affecting the national population estimates logically “carry over” to the weighted CPS data, including any underrepresentation of unauthorized residents.

¹ For more information on national population estimates, see U.S. Bureau of the Census, *Methodology for the United States Resident Population Estimates by Age, Sex, Race, and Hispanic Origin (Vintage 2008): April 1, 2000, to July 1, 2008*, <http://www.census.gov/popest/topics/methodology/2008-nat-meth.pdf>.³⁷

² U.S. Census Bureau, *Current Population Survey: Design and Methodology*, Technical Paper 66, October 2006. See chapter 10, especially the section on national coverage adjustment.

Appendix C



CPS Data, National Population Estimates, and Underrepresentation (cont.)

- National population estimates may underrepresent a group if, for example, that group is undercounted in the census or partially composed of foreign-born residents who may be underrepresented in the ACS.
- Undercounting in the decennial census is thought to be higher for unauthorized residents than for others.
 - Undercounting in the decennial census occurs when a household is missed or an individual is omitted from the list of persons residing in a covered household.¹
 - To illustrate, if a subpopulation (such as the unauthorized population) numbers 12 million and the census fails to count 1.2 million of them, the undercount would be 1.2 million or 10 percent.

¹For a discussion of undercoverage and related issues, see Groves et al., *Survey Methodology*, 2nd Edition (Hoboken, N.J.: John Wiley & Sons, Inc., 2009).

Appendix C



CPS Data, National Population Estimates, and Underrepresentation (cont.)

- While the Census Bureau uses census data and the national population estimates to improve the accuracy of CPS data, it does not make statistical adjustments to correct for undercounting in the census or underrepresentation in the national population estimates.
- Regarding the issue of statistical adjustment of the census,¹ a topic of discussion among policymakers over the years, the director of the Census Bureau said in a May 15, 2009, testimony before the Senate Committee on Homeland Security and Governmental Affairs:

“I agree fully...that statistical adjustment of the census is eliminated as an option for reapportionment...[or] redistricting. The 2003 decision of [the then Census Bureau] director...assured that no implementation infrastructure for adjustment was put in place for [the] 2010 [census].”

¹The U.S. Supreme Court ruled in 1999 that the use of statistical sampling was statutorily prohibited for purposes of apportioning seats in the House of Representatives, but did not specifically address its use for other purposes. *Dep't of Commerce v. U.S. House of Representatives*, 525 U.S. 316 (1999).

Appendix C



CPS Data, National Population Estimates, and Underrepresentation (cont.)

Underrepresentation of unauthorized residents in CPS data may be caused by factors additional to undercounting in the census, including

- possible underrepresentation of unauthorized residents in the ACS or miscategorization of some members of key groups (e.g., Hispanics)—which would affect how CPS data are weighted, and
- nonresponse in the CPS, which occurs, for example, when no one in a selected household is available to take the survey.¹

¹To correct CPS data for nonresponse, the Census Bureau increases the weights of the answers of respondents who might be similar to nonrespondents, but this may not fully address nonresponse on the part of unauthorized residents.

Appendix D



Grouped Answers Approach to Estimating the Unauthorized Resident Population

- The "grouped answers" approach is a questionnaire method that might be used in private-sector, personal-interview surveys to obtain information about the overall population of unauthorized residents, while ensuring the anonymity of individual survey responses.¹
- This personal-interview approach
 - shows each respondent a flash card with answers grouped in three boxes,
 - asks the respondent to "just pick the box" that contains his or her current legal status (along with other statuses), and thus
 - avoids questioning respondents about whether they are unauthorized.

¹See GAO, *Estimating the Undocumented Population: A "Grouped Answers" Approach to Surveying Foreign-Born Respondents*, GAO-06-775 (Washington, D.C.: Sept. 29, 2006).

Appendix D



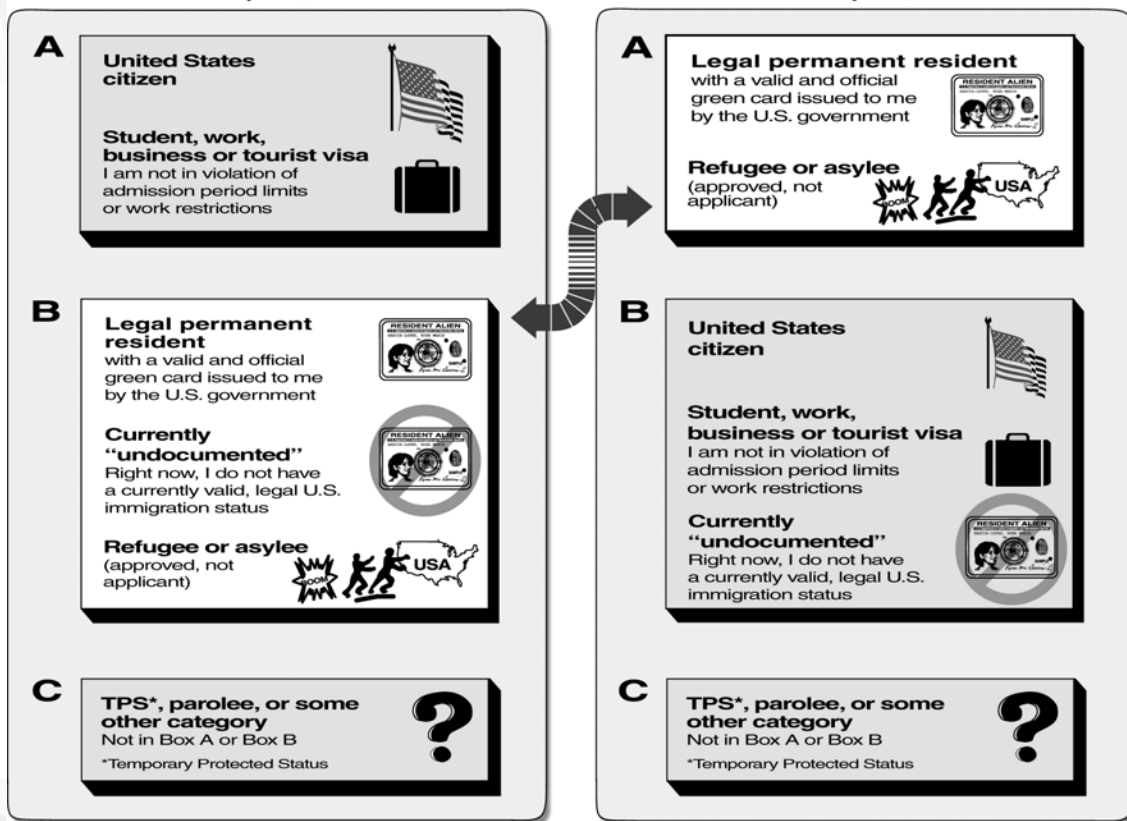
Grouped Answers Approach to Estimating the Unauthorized Resident Population (cont.)

- Estimation for an overall population is possible because the grouped answers approach (two card version)
 - divides respondents into two subsamples;
 - shows subsamples 1 and 2 slightly different cards (see the following slide);¹ and
 - compares the percentages that picked key boxes, as indicated by the arrow on the following slide.
- When the grouped answers approach is applied in a personal interview survey conducted by a university or private-sector organization, it appears to be acceptable to foreign-born respondents and, with certain provisions, to immigrant advocates.

¹No one is asked to respond to both cards. This method (1) has thus far not been developed for mail surveys and (2) is not appropriate for telephone interviewing because respondents must view the flash cards.

Appendix D

Figure 3: Legal Status Cards 1 and 2 Compared
Subsample 1, Card 1



Sources: GAO; Corel Draw (flag and suitcase); DHS (resident alien cards). (The actual size of each card is 8-1/2" by 11.")

Appendix E



List of Experts Consulted

- Experts who suggested parameters for our simulations:¹
 - Steven A. Camarota, Center for Immigration Studies
 - Randy Capps, Migration Policy Institute
 - Michael D. Hoefer, U.S. Department of Homeland Security
 - Jeffrey S. Passel, Pew Hispanic Center
- Experts who reviewed our work:
 - Douglas S. Massey, Office of Population Research, Princeton University
 - Fritz J. Scheuren, National Opinion Research Center, University of Chicago
 - Robert E. Warren, former Director, U.S. Immigration Statistics Division, Immigration and Naturalization Service

¹We chose these four experts on the basis of their recent experience in estimating the unauthorized population. Camarota, Hoefer, and Passel suggested possible underrepresentation levels, and Camarota, Capps, and Passel commented on unemployment levels.



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-



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Staff Acknowledgments:

Gale C. Harris and Judith A. Droitcour, Assistant Directors; Brittni Milam, Analyst-in-Charge; and Susan Aschoff, Eric M. Larson, Rhiannon Patterson, Meredith Trauner, and Monique B. Williams made significant contributions to this report.



Related GAO Reports

- *Estimating the Undocumented Population: A “Grouped Answers” Approach to Surveying Foreign-Born Respondents.* GAO-06-775. Washington, D.C.: September 29, 2006.
 - *Illegal Alien Schoolchildren: Issues in Estimating State-by-State Costs.* GAO-04-733. Washington, D.C.: June 21, 2004.
 - *Overstay Tracking: A Key Component of Homeland Security and a Layered Defense.* GAO-04-82. Washington, D.C.: May 21, 2004.
 - *Survey Methodology: An Innovative Technique for Estimating Sensitive Survey Items.* GAO/GGD-00-30. Washington, D.C.: November 1999.
 - *Immigration Statistics: Information Gaps, Quality Issues Limit Utility of Federal Data to Policymakers.* GAO/GGD-98-164. Washington, D.C.: July 31, 1998.
-

Appendix II: Comments from the Department of Commerce



UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Economic Affairs
Washington, D.C. 20230

NOV 10 2008

Cornelia M. Ashby
Director
Education, Workforce, and Income
Security Issues
United States Government Accountability Office
Washington, DC 20548

Dear Ms. Ashby:

The U.S. Department of Commerce appreciates the opportunity to comment on the United States Government Accountability Office's draft report entitled: *Unauthorized Residents and U.S. Labor Force Statistics: Illustrative Simulations of the Likely Effects of Undercounting* (GAO-10-99). The Department's comments on this report are enclosed.

Sincerely,

A handwritten signature in black ink that reads "Rebecca M. Blank".

Rebecca M. Blank

Enclosure



U.S. Department of Commerce
Comments on the
United States Government Accountability Office
Draft Report Entitled *Unauthorized Residents and U.S. Labor Force Statistics: Illustrative
Simulations of the Likely Effects of Undercounting*
GAO-10-99
November 2009

- The Population Division provided comments on an earlier draft of this report on August 26, 2009. In general, the GAO incorporated corrections, edits, and additional text that addressed many of these comments. However, the GAO did not fully address three comments:
 - First, the presentation still lacks a basic explanation of how surveys in general adjust for statistical representation and how the intercensal population estimates produced by the Census Bureau are used as a final weight to implicitly account for and partially improve coverage. An additional slide with relevant citations would be appropriate.
 - Second, the benefits of the “two-card method” remain overstated. Including Appendix D implies the “two-card method” is a way to estimate the foreign-born population and, by extension, will provide a measure of coverage, which it will not. The method only addresses possible response error, not coverage. The Census Bureau cannot use the two-card method in the Current Population Survey (CPS) for two main reasons. First, many of the surveys administered by the Census Bureau use multiple modes to collect data, including the CPS (phone and in person) and the American Community Survey (mail, phone, and in person), not just face-to-face. Second, even if it were possible, incorporating the two-card method in a government setting would likely generate survey participation issues. Including a detailed description of the two-card method in this report implies it can and should be used by the CPS, which it cannot. Given its lack of applicability to the CPS, we recommend removing Appendix D.
 - Third, the presentation does not provide a thorough enough explanation of the methodology used for the simulation, making it hard to comment on the conclusions. While Appendix A discusses the methodology used, it is quite “high level.” A detailed discussion of the methodology is even more important now that this presentation is to be published by the GAO as a stand-alone report. An additional section for the report, detailing the methodology, would be appropriate.
- Some additional comments:
 - The letter to Representative Jim McDermott mentions that information was obtained from “experts” about 1) under-representation of the unauthorized immigrants in the CPS and 2) the unemployment rates of unauthorized immigrants. However, the letter does not identify who these experts are, what fields of expertise they represent, what institutions they are associated with, and why they were chosen. Rather, that information is provided in an appendix of the presentation. Given that so many of the assumptions were determined by the analyses (and, often, “educated guesses”) of these experts, it would be appropriate to talk about them in the letter. Also, given that the focus of this report is on statistical representation and coverage, it would have been better to have included experts in survey methodology, sampling, and weighting, as well as experts on international migration.

- Including 0 to 50 percent as a range for rates of under-representation of the unauthorized immigrants in the CPS in a published GAO report gives the extreme values of this range plausibility not supported by any research. It invites taking these results out of context and using them as legitimate measures of undercoverage. We recommend reducing this range.
- We would be happy to work with GAO to identify additional survey data on the foreign born that is required to implement laws and evaluate policies, as referred to on slide 29.
- The letter referred to on slide 13 was sent to GAO on February 26, 2008 and explained why the Census Bureau does not estimate coverage of the foreign born in decennial Censuses and why a census post-enumeration survey is not a vehicle that can be used to estimate coverage of the foreign born.

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