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Income Distribution: The Adverse Effects of Immigration Policy

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In the Economic Report of the President: 1994, it is stated that "immigration has increased the relative supply of less educated labor and appears to have contributed to the increasing inequality of income" in the United States (p. 120). This is the first official government statement, to my knowledge, that recognizes the adverse economic effects that contemporary U.S. immigration policy is exerting on the U.S. economy since mass immigration was accidentally revived in 1965. This acknowledgment of what has transpired was followed by a qualifying observation the "the effect has been small." Unfortunately, as everyone who studies the post-1965 immigration experience knows, the macro level (i.e., national level), is the wrong perspective for the analysis of the phenomenon. Immigration is highly concentrated in its geographic and labor force impacts. If the negative effects of immigration show-up at the national level, it can be safely concluded that the local effects of immigration have to be significantly worse in their consequences to offset the aggregation effects of the domination of economic indices by the majority of persons who are not immigrants. Hence, whether the effect on the distribution of income is "small" or not is a matter of contention; that its effects are adverse to the national interest are not.

The human capital attributes of the immigrant flow of the 1980s and the early 1990s are completely out of synchronization with emerging labor demand trends. The 1990 Census data confirm what some labor economists have been saying for some time: the flow of immigrants is disproportionately and significantly characterized by person who are unskilled and poorly educated. It disclosed that 25 percent of the adult foreign born population (those over the age of 25) had less than a 9th grade education (compared to only 10 percent of the native born adult population) and that 41 percent of the adult foreign born population had less than a twelfth grade education (compared to 23 percent of the native born adult population). The unemployment rates of both of these low educational attainment groups are considerably above the unemployment rates of the better educated. Hence, the flow of immigrants is disproportionately and significantly impacting the segment of the labor force that is having the greatest difficulty adjusting to the rapidly changing labor market conditions currently affecting the U.S. economy.

It is not surprising, therefore, to find that the unemployment rate for foreign born workers was 7.8 percent in 1990 (10 percent for foreign born workers who have arrived since 1980) compared to 6.2 percent for native born workers in 1990. The fact that a disproportionate number of the nation's native born black and Hispanic populations are concentrated in these same low skilled segments of the labor market should not be ignored either. Other elements of the nation's social policies have manifested concern for the economic status of these groups. It is ironic, that immigration policy has been allowed to undermine the effectiveness of these efforts.

The 1990 Census also disclosed that 79.1 percent of the foreign born population (5 years old and over) speak a language other than English (compared to 7.8 percent of the native born) and that 47.0 percent of the foreign born (5 years old and over) reported that they do not speak English "very well". The ability to speak English in a service-oriented economy has been definitively linked to the ability to advance in the labor market of the post-1965 era. For these reasons and others, it should come as no surprise that incidence of poverty among families of the foreign born population in 1990 was fifty percent higher than that of native born families or that 25 percent of the families with a foreign born householder who entered the country since 1980 were living in poverty in 1990.

As for immigrant children, the U.S. General Accounting Office reported in 1994 that two million immigrant youth enrolled in U.S. public schools in the 1980s. It found that they are "twice as likely to be poor as compared to all children" and that many, "including those of high school age, have had little or no schooling and are often illiterate even up in their own language." Children raised in poverty have a bleak future in the labor market of the 1990s and of the next century.

There is also a strong pattern of geographic concentration associated with the post-1965 immigration experience. The 1990 Census revealed that 66 percent of the foreign born population resided in only six states (California, New York, Florida, Texas, New Jersey, and Illinois). Furthermore, within all states, the foreign born population tends to be concentrated in urban centers and especially in their respective central cities. The current immigration phenomenon is overwhelmingly an urban experience. Indicative of this urban concentration is the fact that 24 percent of the foreign born population of the nation in 1990 lived in only seven cities. These cities and the percentage of their respective populations who were foreign born in 1990 is as follows: New York (28 percent); Los Angeles (38 percent); Chicago (17 percent); Houston (18 percent); San Francisco (34 percent); San Diego (21 percent); and Miami (60 percent). The real percentages are certainly higher if allowances are made for uncounted illegal immigrants. The unemployment rates in these cities in the 1990s have been consistently above the rates for the states of which they are a part and have generally exceeded those of the nation as a whole.

It is time for real immigration reform. There should be no effort to try to patch-up the hodge-podge of laws that currently constitute the nation's immigration policies. An entirely new approach is required. To do this, it is necessary to recognize that immigration is primarily an economic policy, not a political or social policy. Immigrants must work to support themselves or be supported by those who do. Even the children of immigrants have economic consequences by their presence because they represent future workers. The economic conditions under which such children are raised can have significant intergenerational effects that affect the opportunities for preparation for the future labor force. The perspective for the design of immigration policy, therefore, must be its congruence with emerging labor market needs. The extant policy does not meet that standard.