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Abstract
[Excerpt] In one of his most memorable public addresses, President John F. Kennedy spoke to the 1962 Graduating Class at Yale University the following words:

"For the great enemy of the truth is very often not the lie—deliberate, contrived, and dishonest—but the myth—persistent, persuasive and unrealistic. Too often we hold fast to the cliches of our forebears. We subject all facts to a prefabricated set of interpretations. We enjoy the comfort of opinion without the discomfort of thought."

In no other area of public policy today are Kennedy's words more appropriate than as they relate to the subject of immigration and its impact on the U.S. economy. Immigration policy has been captured by special interests who peddle the notion that immigration is an unmitigated benefit to the nation and that it is relatively costless. Nothing could be further from the truth. The immigration myth is based on the premise that attention need only be paid to the benefits while the costs can be totally ignored. Only with respect to the formulation of immigration policy is such an unbalanced perspective tolerated as conventional wisdom.

Keywords
policy, immigration, reform, rogue, U.S. labor, force, population, worker, unskilled

Comments

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and the Plight of Its Unskilled Workers

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This paper has not undergone formal review or approval of the faculty of the ILR School. It is intended to make results of Center research available to others interested in preliminary form to encourage discussion and suggestions.

U.S. Immigration Policy and the Plight of Its Unskilled Workers

In one of his most memorable public addresses, President John F. Kennedy spoke to the 1962 Graduating Class at Yale University the following words:

> "For the great enemy of the truth is very often not the lie—deliberate, contrived, and dishonest—but the myth—persistent, persuasive and unrealistic. Too often we hold fast to the cliches of our forebears. We subject all facts to a prefabricated set of interpretations. We enjoy the comfort of opinion without the discomfort of thought."[i]

In no other area of public policy today are Kennedy's words more appropriate than as they relate to the subject of immigration and its impact on the U.S. economy. Immigration policy has been captured by special interests who peddle the notion that immigration is an unmitigated benefit to the nation and that it is relatively costless. Nothing could be further from the truth. The immigration myth is based on the premise that attention need only be paid to the benefits while the costs can be totally ignored. Only with respect to the formulation of immigration policy is such an unbalanced perspective tolerated as conventional wisdom.

If the scale of immigration to the United States was small—as it was from the 1930s through to the mid-1960s—the nation could live with the myth that immigration yields only benefits. But it is not. In 1965, the foreign-born accounted for only 4.4 percent of the population—the lowest percentage since such data started being collected prior to the Civil War. The percentage had been falling for over 50 years. By 1997, however, the percentage had risen to 9.7 percent(plus some unknown additional increment of statistical undercount of the estimated 6 million illegal immigrants currently in the country). Until there are legislative changes, the percentage will continue to rise. Thus, about one of every ten Americans in 1997 was foreign-born. In absolute terms, the foreign-born population grew from 8.6 million persons in 1965 to 25.8 million persons in 1997. In the process, immigration has again become a key feature of American life. Indeed, the U.S. Bureau of the Census has projected that immigration will be the most important factor influencing the growth of the American population over the next 50 years.[ii] Given its momentum, the welfare of the nation can ill-afford to live with the "unrealistic" immigration myth—no matter how "persistent" and "persuasive" are the voices of its proponents.

The Point of Focus

Although the subject of immigration involves multiple considerations, they all have one common juncture point: the labor market. It is a truism that immigrants must work or they must be supported by those who do. So no matter how many other issues are thrown into the immigration caldron, the critical issue is what are the labor market consequences of what immigration policy produces or tolerates. For it must always be remembered that immigration is entirely a discretionary act. The mass immigration that the United States is currently experiencing is entirely a policy-driven phenomenon.[iii] No one has a right to immigrate or to seek refuge in the United States—legally or illegally. The "costs" of immigration need to be taken into account as much as do the "benefits" when it comes to designing the appropriate policy. The concerns of the "losers" are as relevant as those of the "winners." Such is especially the case when those most adversely impacted are the least economically advantaged persons in the population and labor market.

Labor Market Effects

Due to differences in the age and gender distribution of the foreign-born population from the native-born population, immigrants comprise a larger portion of the labor force than they do of the population as a whole.[iv] In 1997, foreign-born workers comprised 11.5 percent of the U.S. labor force (or almost one of every eight U.S. workers). In absolute numbers, 15.5 million workers were foreign-born. These are big numbers and, when concentrated in specific segments and regions of the labor market, they have significant influences.

As in the past, post-1965 mass immigration is geographically concentrated. In 1997, five states (California, New York, Florida, Texas, and Illinois) accounted for 65 percent of the entire foreign-born population and 66 percent of the entire foreign-born labor force. The foreign-born are also overwhelmingly concentrated in only a handful of urban areas—especially in their central cities. These particular labor markets, however, are among the nation's largest in size: Los Angeles, New York, San Francisco, Miami, and Chicago. Collectively, these five cities accounted for 51 percent of all foreign-born workers. Although somewhat less numerous, immigrants also comprise significant percentages of the labor force of a number of other cities and, increasingly, in some rural towns.

The most significant labor market characteristic of the foreign-born labor work force, however, is the fact that it is disproportionately characterized by workers with low human capital endowments. The 1990 Census revealed that 25 percent of foreign-born adults who were 25

years and older had less than a ninth-grade education (compared with only 10 percent of native-born adults). Moreover, 42 percent of the foreign-born adult population did not have the equivalent of a high school diploma (compared to 23 percent of the native-born adult population). Thus, it is the low-skilled, low wage sector of the nation's major urban labor markets that are the most impacted by immigrant job-seekers. Not only do low-skilled immigrants compete with each other for whatever opportunities exist at the bottom of the nation's job hierarchy, but they also compete with the low-skilled native-born workers. Indeed, in a study conducted by the National Research Council (NRC) of the National Academy of Sciences that was commissioned by the U.S. Commission on Immigration Policy (CIR), the NRC reported in 1997 that immigration provides a net "benefit" to the U.S. economy of from $1 to 10 billion a year.[v] But the "benefit" was based largely on the result of the suppression of the wages of low-skilled workers whose wages are lower than they would have otherwise been. This, of course, is only a "benefit" that an economist can appreciate. It is certainly no "benefit" to low-skilled workers who are already at the bottom of the nation's income distribution. It is an artificially imposed hardship imposed by government policy on native-born low-skilled workers. The only actual wage "benefit" in this process is received by the immigrant workers themselves who typically earn considerably more at the bottom of the U.S. wage scale than they would have earned in his/her homeland. Low-skilled native-born workers lose; low-skilled foreign-workers benefit. Whose interests are U.S. policymakers supposed to protect?

To make matters worse, the NRC report catalogued the steady decline of the educational attainment levels of post-1965 immigrants over the years. As a consequence of this prolonged decline in worker human capital, foreign-born workers earn on average less than native-born workers and the earnings gap between them has widened over the years. Immigrants from Latin America, who in 1997 accounted for over half of the entire foreign-born population of the nation, earn the lowest wages.[vi] The NRC, however, found no evidence of discriminatory wages being paid to immigrants.[vii] Rather, it states that immigrant workers are paid less than native-born workers because, in fact, they are far less skilled and more poorly educated. The relative decline in both skills and wages of the foreign-born population was attributed to the fact that most immigrants are coming from the poorer nations of the world, where average education, wages, and skill levels are far below those in the United States. As a direct consequence, post-1965 immigrants are disproportionately increasing the segment of the nation's labor supply that has the lowest human capital endowments. In the process, they are suppressing the wages of all workers in the lowest skill sector of the labor market.

While the low-skilled labor market is substantial in size—constituting perhaps as much as one-third of the U.S. labor force—it is confronted by the paradox that it is experiencing very little employment growth.[viii] Rather, employment growth is overwhelmingly occurring in the occupations in virtually all industries that have jobs requiring high skill and education requirements.

Thus, while the national unemployment rate has fallen in the 1990s to levels not seen since before 1970, unemployment rates for unskilled workers remain almost three times the national rate. Given the disproportionately low education levels of the adult foreign-born population, it is no surprise that the unemployment rate of the foreign-born exceeds that of the native-born by about 50%. To be specific, in 1997 (the last year for which all of the relevant data is presently available), the national unemployment rate was 4.9 percent but the unemployment rate for the foreign-born was 7.4 percent. The unemployment rate for foreign-born without a high school diploma was 9.8 percent and for the native-born it was 14.5 percent. These figures should dispel the notion that there is a shortage of unskilled workers in the nation and they also vividly demonstrate that immigration's greatest impact on the labor market is in the least skilled segment of the labor force that is already having the greatest difficulty finding employment.

High unemployment, combined with the extensive differences in the human capital characteristics between the native-born and the foreign-born population, means there is also a significant variation in the incidence of poverty between the two groups. In 1997, 13.6 percent of the nation's total population were classified as living in poverty. For the foreign-born population, however, 20.9 percent were living under poverty conditions compared to 12.9 percent of the native-born population. Thus, it is not surprising that immigrant families rely more heavily on the use of both cash and non-cash welfare programs than do native-born families.[ix] This should be no surprise. If immigration policy is going to allow wages for low income workers to be suppressed, they will need to find additional income from the public sector to meet the disproportionately high costs of living that characterizes life in most large cities. Thus, when the NRC calculated the net fiscal costs of public services to immigrants (e.g., those associated with increased education, medical, welfare, incarceration, and public housing) beyond what they pay in taxes, it found the cost to taxpayers ranged from $14.8 to $20.2 billion a year.[x] Obviously, these fiscal costs are disproportionately distributed among the communities and states depending on the size of the foreign-born population in their respective jurisdictions. In California, for example, the NRC calculated that it costs every native-born household $1,178 a

year in added taxes to cover the costs of government services provided to immigrants in the state in excess of the taxes the immigrants pay.

Collectively, all of these concerns translate into the bigger societal issue of the effect on income inequality.[xi] It is the Achilles Heel of the nation's prosperity in the 1990s. In 1994, the President's Council of Economic Advisers formally acknowledged that "immigration has increased the relative supply of less-educated labor and appears to have contributed to the increasing inequality of income in the nation."[xii] Although their report claims that the aggregate effect is "small" on the national distribution of income, immigration is a major factor in the deterioration of wages and incomes for low-skilled workers and low income families. Indeed, in 1995 the Bureau of Labor Statistics reported that immigration accounted of approximately 20 to 25 percent of the increase in the wage gap between low and high-skilled workers during the 1980s in the 50 largest metropolitan areas of the United States.[xiii] Likewise, the NRC study revealed that almost half of the decline in real wages for native-born high school dropouts from 1980-1994 can be attributed to the adverse competitive impact of unskilled foreign workers.[xiv] Hence, just because the effects of immigration are dissipated when the perspective is at the national level does not mean that they are insignificant in those large local labor markets where mass immigration is a reality.

Lastly, there is the distortion effects of prevailing immigration policy on internal labor mobility patterns—especially those workers with low skills. Research on this crucial issue has disclosed that the higher the concentration of immigrants in a local labor market, the less attractive is the locality to native-born workers.[xv] It has also revealed that foreign-born workers are less likely to move out of states where they are concentrated than are native-born workers.[xvi] But, most importantly, unskilled native-born workers—those who are losing out in the competition for jobs with low-skilled immigrants—are more likely to leave their former communities to find jobs elsewhere.[xvii]

What Should Be Done?

To mitigate the adverse impacts of immigration policy on the low-skilled labor market requires change in *all* components of the nation's immigration policy. It is *not* simply an issue of the adverse effects of continuing illegal immigration and the need to combat the ongoing hemorrhage of the nation's borders. Reforms must also include the reduction of the immigration admissions categories that are not specifically linked to the possession of human capital attributes in need by the labor market.

The starting point should be the enactment of the principal recommendations made in 1997 by the U.S. Commission on Immigration Reform (CIR): (1) the elimination of the extended family preferences for legal admission; (2) the elimination of the entry of "unskilled workers" under the employment-based immigration admission category; (3) the elimination of the "diversity immigration" category; (4) the inclusion of refugees within the total number of immigrants annually admitted each year; (5) the verification of the authenticity of social security numbers of all job hires; and (6) far more attention and resources given to enforcement at interior job sites of employer sanctions and other workplace labor standards.[xviii]

I would add to this list: (1) the need to reject all proposals for non-immigrant labor programs involving unskilled labor in general and agricultural workers in particular; (2) the end of the practice of reducing fines on employers who are found to have violated the employer sanctions provisions of the law; (3) maximum publicity given to the names of employers who are found to be in violation of the employer sanctions provisions; (4) the creation of a reliable and verifiable identification system for employment that includes a photograph and other personal identifiers (if I have to show a picture photo of myself from a state-issued document to board a plane in the United States, why should I not have to do the same to be hired for a job?); (5) and the entire political asylum system that is being massively abused as a cover by human smugglers of illegal immigrants who become essentially "slave labor" for restaurants, garment manufacturers, hotels, adult entertainment, and other low wage enterprises needs to be carefully reviewed and extensively overhauled with emphasis given to expedited decision making and verification that persons who are denied asylum actually leave the country.[xix]

Concluding Comments

In assessing the political debacle of the immigration reform movement in the mid-1990s, political scientists James Gimpel and James Edwards wrote in 1998: "The voice of the people has had little impact on the tone or direction of the immigration debate in Washington."[xx] They point out that despite the extensive research findings that show the need for significant legislative changes and that public opinion polls consistently show that the citizenry want these changes to take place, it makes no difference to the professional politicians. They have been entranced by the myth that immigration has only benefits which has been perpetuated by special interest groups who manifest no concern for the national interest.

Immigration reform, however, is not going to go away. The issue continues to fester. For as George Borjas and Richard Freeman, the key authors of the labor market portion of the aforementioned NRC report, have written:

> Immigration creates winners and losers. Low income workers and taxpayers in immigrant states lose; those who employ immigrants or use immigrant services win, as do the immigrants themselves. The critical issue is how much do we care about the well-being of immigrants compared with the Americans who win and the Americans who lose?[xxi]

Their open letter to the *New York Times* was a response to what they felt were a number of public statements by politicians and media accounts that misrepresented the earlier findings of the NRC report by neglecting to mention the costs while boasting of the benefits of immigration.[xxii]

Immigration policy is causing employment, wage and income inequities in the labor market of the United States. Immigration is not a “free lunch.” Neither are its consequences fair. Its costs are disproportionately borne by the poor and the most vulnerable in the labor force. It is past time to rein-in this rogue instrument of public policy.

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