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Vernon M. Briggs
*Cornell University ILR School*, vmb2@cornell.edu

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# Immigration: A Rogue Labor Market Policy

**Abstract**
[Excerpt] As the 21st Century begins, the United States is in the throes of the largest and most prolonged period of mass immigration in its history. In 2003, the foreign-born population totaled 33.5 million people (11.8 percent of the population). Moreover, the Census Bureau projects that two thirds of the nation's anticipated population growth to 392 million persons by the year 2050 will come from immigrants and their children (i.e., 82 million people). Demographic changes are converted into economic variables through labor force participation. Hence, unless there are significant policy changes, the major determinant of labor force growth in the new century will be immigration.

Immigration is a policy-driven phenomenon. The current wave can be dated to the passage of the Immigration Act of 1965. The immigrant population in the United States has mushroomed in scale due to congressional indifference to the unexpected consequences of the 1965 legislation as well as the statutory refinements that followed. Immigrant population growth will continue on its expansive path unless or until public policies are enacted to change course.

**Keywords**
immigration, public policy, labor market, Congress, economic growth

**Comments**

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# IMMIGRATION:
## A Rogue Labor Market Policy

VERNON M. BRIGGS, JR.

As the 21st Century begins, the United States is in the throes of the largest and most prolonged period of mass immigration in its history. In 2003, the foreign-born population totaled 33.5 million people (11.8 percent of the population). Moreover, the Census Bureau projects that two thirds of the nation's anticipated population growth to 392 million persons by the year 2050 will come from immigrants and their children (i.e., 82 million people).[1] Demographic changes are converted into economic variables through labor force participation. Hence, unless there are significant policy changes, the major determinant of labor force growth in the new century will be immigration.

Immigration is a policy-driven phenomenon. The current wave can be dated to the passage of the Immigration Act of 1965. The immigrant population in the United States has mushroomed in scale due to congressional indifference to the unexpected consequences of the 1965 legislation as well as the statutory refinements that followed. Immigrant population growth will continue on its expansive path unless or until public policies are enacted to change course.

### The Return of Mass Immigration

The Immigration Act of 1965 ended a discriminatory national origin admission system that had been in effect for the preceding forty-one years. Its passage was a monumental step forward in the civil rights struggle of the 1960s. There was absolutely no intention in 1965 that the level of immigration would be increased as a result of its passage. The law's legislative supporters assured the nation that this would not happen.[2] The foreign born population had been declining as a percentage of the population since 1914 and in absolute numbers since 1930. In 1965, only 4.4 percent of the population was foreign born (the lowest percentage in U.S. history), and totaled 8.5 million persons (the lowest number since the 1880s). The massive impact of the post-World War II "baby boom" on the labor supply was just beginning. Hence, there was no prospect of a labor shortage on the horizon. Moreover, no one in 1965 wanted to return to the depressed wages, high unemployment, endemic poverty, squalid urban housing, and stifled labor movement that had been the nation's prior experiences with mass immigration in the late 19th and early 20th Centuries. But the 1965 legislation let the Genie out of the lamp. Without any warning, the change-creating force of mass immigration was once more released on the unsuspecting American economy and its labor force.

> The 1965 legislation let the Genie out of the lamp.

By 2003, the U.S. labor force had about 20 million foreign-born workers in its ranks (or 13.4 percent of the civilian labor force). But the importance of the revival of mass immigration is more than a concern over its magnitude. The nation's earlier experiences with mass immigration occurred during periods when agriculture was the nation's largest employment sector. For the most part, however, the immigrants of those eras did not seek employment in that sector. Instead, their impact was primarily associated with the nation's transition from a static agrarian economy to a dynamic and diversified industrial economy. The rapidly evolving urban economy needed workers and mass immigration accomplished this. The prevailing technology of those periods did not require much in the way of human capital from its workforce. Manual work, largely associated with laborer and operative occupations in mostly goods-producing industries, was what was needed. Mass immigration provided the labor supply to meet what labor demand sought: workers who were mostly unskilled, poorly educated, and with no particular need to speak English.[3]

Since 1965, the human capital characteristics of the immigrant inflow continue to resemble those of the earlier eras of mass immigration. The 2000 Census re-

vealed that 57 percent of the adult foreign-born population held only a high school diploma or less. Moreover, 16.6 percent of the foreign-born population lived in poverty in 2003, and 41.5 percent lived on less than 200 percent of the official poverty threshold.[4]

> Cognitive abilities establish the dividing line between the "haves" and the "have-nots."

But the labor market at the beginning of the 21st Century bears no similarity to that at the beginning of the 20th century. The United States has become a service-oriented, information-based economy. Over 81 percent of all jobs are now in the service industries and that percentage is projected to increase over the next decade. Cognitive abilities—reading, writing, and speaking—are stressed over physical abilities, and these human-capital capacities establish the dividing line between the "haves" and the "have-nots" in this new era.

### Labor Market Impact

The mismatch between immigration policy and employment patterns is causing the pool of low-skilled workers to swell. It is estimated that there are 34 million workers in the low-wage segment of the current labor market.[5] Jobs in this sector, however, are either declining or experiencing only slow growth (e.g., farmworkers, laborers, household workers, operatives, and menial service workers). The result is that the unemployment rate for immigrants is consistently much higher than that of native-born workers (7.4 percent versus 6.0 percent in 2003).[6] It also means that the millions of citizens and permanent resident aliens, who are also seeking jobs in the low-skilled sector of the economy, find their wages and income levels suppressed. The result, as the Council of Economic Advisors has noted, is that "immigration . . . appears to have contributed to the increasing inequality of income" in the nation.[7]

The explanation for the continuous incongruity between policy and employment patterns stems from the fact that immigration policy is not accountable for its economic consequences. In 1965, a new admissions system was created based on family reunification. This means that 72 percent of the 675,000 legal immigrants admitted each year enter without any regard for their human resource attributes and their settlement plans (which are usually linked to where their relatives live rather than where workers are needed). All such persons are allowed to have their "immediate family members"—spouses and minor children—admitted with them. But prevailing policy also provides admission preferences for extended family members (i.e., adult brothers and sisters and their dependents), elderly parents, and adult children of citizens and resident aliens as well—all without regard to their human capital attributes. Another 9 percent of all legal immigrants, in the name of diversity, are admitted by the use of a lottery to select applicants who come from countries that have had low emigration levels to the United States in the previous five years. It is only required that they have a high school diploma. The remainder—about 20 percent of legal immigrants (or 140,000 persons)—are admitted on the basis of employment considerations (i.e., employers cannot find citizen or permanent resident alien workers with needed job skills). Included in this limited number of visas, however, are all of the "accompanying spouses and children" of each visa holder so the actual number of needed workers admitted is far less than the number the category permits to enter.

> Immigration policy is not accountable for its economic consequences.

The nation also receives a large infusion of refugees each year. These are foreign-born persons who are outside the United States and usually outside their native land as well. They are unwilling or unable to return to their homeland for fear of being persecuted. The number of refugees admitted is set by the President and varies each year. It has ranged from a high of 273,000 persons in 1980 to a low of 27,000 persons in 2002 (an exceptionally low level due to greater care in screening prospective immigrants after the terrorist attack on the country in 2001).

Since 1980, there is also an admission system for foreign-born persons already in the country who meet the requirements for being a refugee and who contend they will be persecuted if forced to return to their homeland. The annual number of requests for political asylum fluctuates. In 2002, there were 63,400 such applicants. Most were not approved. But, rather than leave, they abscond, become illegal immigrants, and hope that there will be an amnesty in the future that will allow them to adjust their status.

Overwhelmingly, those admitted as asylum seekers and as refugees come from Third World countries. They typically lack training and formal education. Most speak languages other than English. Obviously, there is no labor market qualification test applied to these admissions but that does not mean there are not employment and cost consequences associated with their presence for the local communities in which they settle.

### Illegal Immigration and "Nonimmigrant" Workers

In addition to those admitted legally, there are illegal immigrants. Conservatively estimated in 2003 to number in excess of 9 million persons, these persons do not care about the actual labor market needs of the nation. Most lack skills and have little in the way of formal

education or English-speaking abilities. Because they are desperate to leave their homeland, they will do whatever it takes to secure jobs. They will work harder, longer, and for less than will many citizen workers who have been raised to believe that the pursuit of the American dream is a quest for improving standards of living—not a satisfaction with mere subsistence. Given a choice, employers often prefer illegal immigrants because they are so totally dependent on whatever terms are offered. Illegal immigrants seem less likely to complain about violations of protective labor laws and less likely to join unions. The toleration by the broader public and policymakers of the well-known exploitation of illegal immigrants represents a seamier side of contemporary society. As their numbers continue to rise, the negative influences of illegal immigration spread and undermine the labor protections and institutions intended to undergird a decent society. If conditions for this shadow labor force were to be improved, however, the illegal immigrants would no longer be needed nor sought.

If conditions for the shadow labor force were improved, illegal immigrants would no longer be needed or sought.

Lastly, immigration policy includes a number of provisions that annually put hundreds of thousands of foreign workers in direct competition with citizen workers. Known as nonimmigrant workers, they are permitted to work in specific situations for temporary periods of time—after which they are expected to return to their homeland. Usually, their entry is conditioned on the fact that citizen workers are unavailable. Recent applications of this policy have run the gamut from agricultural workers to nurses to engineers to computer programmers. Although there are certainly legitimate business uses of this policy, its purposes can also be distorted to mask crass efforts by employers to gain access to cheaper sources of labor than if they had to attract and retain citizen workers. Congress sets the requirements and the scale of these nonimmigrant programs. As such, they can be manipulated by politicians to respond to special interest pressures that have nothing to do with real labor market needs. And they have been.

## Out of Control

The nation desperately needs comprehensive immigration reform as well as the conviction to enforce the terms that are set. Over the past twenty-five years, two national commissions have respectively concluded that immigration policy is "out of control" and that it "requires a significant redefinition of priorities." Politicians ignored their pleas. Presently, immigration policy functions as a rogue force in the nation's labor market. There are winners and losers. The "winners" are the immigrants themselves as well as the business community that gains access to lower priced labor. Sometimes consumers benefit but it depends on the monopoly power of employers whether the labor savings are manifested by decreases in prices or increases in profits. The "losers" are the American workers who must compete with the immigrant inflow and the taxpayers of the nation who have to pay to cover the social costs (i.e., education, welfare, medical, and incarceration expenses) associated with the immigrants' presence. There are high human and fiscal costs associated with the continuing pursuit of cheap-labor immigration policies.

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**Vernon M. Briggs, Jr.**

*Vernon M. Briggs, Jr. is professor in the School of Industrial and Labor Relations, Cornell University. He is author of* Mass Immigration and the National Interest, *3rd edition (Armonk, NY: M.E. Sharpe, 2003) and* Immigration and American Unionism *(Ithaca, NY: Cornell University Press, 2001).*