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# Institutional Barriers to Effective Employment Policy: The Case of the United States

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**Institutional Barriers to Effective Employment Policy:  
The Case of the United States**

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Despite the political rhetoric espoused by both major political parties in the United States, there are economic policies that could lessen the magnitude of unemployment in the nation but neither party will permit them to be included within the policy arsenal. It is not because they are "radical" or that they in anyway challenge the established norms of what constitutes labor market policy in a free society. For purely domestic political reasons, they are not part of the dialogue pertaining to nation's efforts to achieve full employment. They both can be effectively implemented only at the federal government level. The two omitted policies are publicly-assisted voluntary labor relocation and immigration policy reform.

It is, of course, a fact of life in economic policy making that proposals must be filtered through the nation's political institutions before they can be implemented. Regardless of their conceptual merits, there must be political acceptance. The issue of institutional barriers to the development of employment policy is not new. One can recall that the entire notion that the federal government had any role to play in combating unemployment was resisted throughout most of the nation's economic history. President Grover Cleveland's admonition in 1893 that "it is the duty of the people to support the government, not the duty of the government to support the people" held sway until the Great Depression of the 1930s shattered that syllogism.<sup>1</sup> The New Deal's direct job creation policies ushered in a new political era whereby the federal government became directly involved in using fiscal policy to combat unemployment. The Employment Act of 1946 codified that responsibility for the future.

Likewise, the entire issue of equal employment opportunity in the labor market was long perceived as being beyond the role of government to address despite the obvious limitations that overt discrimination imposed on job placement efforts and job preparation activities of many workers. Indeed, it took World War II with its acute civilian labor shortages and direct appeals to patriotism by President Franklin Roosevelt in the 1940s to begin the process of making equal employment opportunity politically acceptable in the 1960s.<sup>2</sup> Title VII of the Civil Rights Act of 1964 codified that policy responsibility for the future.

## The Absence of a Labor Relocation Policy

The idea that employment policy should include specific measures to encourage job development in geographic areas that have inordinately high unemployment has long been accepted in political circles; the corollary that it would be beneficial to help unemployed persons move out of such areas has not. The economic logic for government intervention to support one of these ideas is the same as that which supports the other. But the political logic that supports the former proposition opposes the latter.

The idea that government policy can take jobs to where unemployed people are can be traced back at least as far as the “distressed areas” proposals by Senator Paul Douglas (D-Ill.) in the 1950s. His idea, however, was opposed by the Eisenhower Administration and it was not implemented. It was picked-up by candidate John F. Kennedy in the 1960 presidential campaign and, when elected, he made it the first legislative priority of his new administration with the passage of the Area Redevelopment Act of 1961.<sup>3</sup> This legislation was expanded in 1965 by the Economic Development Act during the Johnson Administration. These laws set up ways of identifying certain geographic areas with high unemployment rates and targeting federally financed loans for capital construction at subsidized low interest rates for private firms who would agree to expand present facilities into these areas or to relocate their production facilities to these designated areas. The “enterprise zone concept” of the Reagan and Bush Administrations (which was ultimately enacted by the Clinton Administration in 1993) is cut from the same cloth. The only difference is that this concept relies upon reductions in taxes and relaxed governmental regulations as the enticing carrots used to lure private business enterprises to high unemployment areas.

The attraction of these ideas to politicians is obvious. Government programs are being used to keep their political constituents where they are even when economic market signals are indicating that the former jobs of a particular region are no longer competitive. Since the clear enunciation of the “one man, one vote” doctrine by the U.S. Supreme Court in 1962 [Baker v. Carr] as the basis for legislative redistricting at the local level and with the long-standing, constitutional requirements for federal reapportionment after each 10 year census, however, regional political power is at stake. Hence, politicians favor programs that bring jobs to their districts but none favor proposals to assist unemployed persons to relocate to other regions where jobs may be available. The reason, of course, is that programs to help unemployed workers move out of regions where their job prospects are slim to non-existent may help the workers but they do not help the politicians.<sup>4</sup> Indeed, such programs would contribute to the population attrition that subsequent redistricting and reapportionment activities would later translate into reductions in local power and regional influence. Hence, it is not unusual to hear politicians criticize unemployed persons who turn to welfare or food stamps or who spend prolonged periods receiving unemployment compensation but to learn that the same politicians are adamantly opposed to my idea that these people

should be afforded opportunities to move elsewhere where their job prospects might be better.

To be sure, the absence of a formal worker relocation policy does not keep unemployed people from moving on their own and, historically, many have done just that. But there is evidence that geographic mobility in the United States has been declining in recent years. Urban mobility has been especially hampered by the revival of mass immigration which has distorted internal migration from patterns that which existed during the 50 years (from 1914 to 1964) when immigration was declining.<sup>5</sup> Such mobility is more common among young people and those who are better educated and more skilled. For those who are less skilled and poorly educated, they tend to move on the basis of kinship connections. They move to areas where they have relatives rather than on the basis of informed judgments about where there are realistic job opportunities.

With a formal relocation program that is based on the use of computer job banks to provide information as to where jobs may be available; that is tied to financial assistance to defray some of the actual moving costs; and that includes the location of housing in destination cities, some of the barriers to efficient labor search could be mitigated. Participation in such programs, of course, would be voluntary.

There is a lengthy history of support by non-politicians for the inclusion of a worker relocation program in the arsenal of publicly induced weapons needed to reduce unemployment and to pursue full employment. The National Commission on Technology, Automation and Economic Progress in its final report on the policies that the nation needs to adjust to the change-creating effects of automation recommended in 1966 "that present experimentation with relocation assistance to workers and their families stranded in declining areas be developed into a permanent program".<sup>6</sup> Likewise, the only comprehensive study of southern rural labor markets in the U.S., done in the mid-1970s, not only recommended that labor relocation policy was "needed" to assist in reducing the uncertainty and hardship for job seekers in the rural South to move to other rural or urban areas where job prospects were better, but it also suggested that such a policy could be used to "import" persons who have skills that are in short supply into economically depressed communities.<sup>7</sup> Furthermore, the National Commission for Employment Policy concluded in a 1988 study of worker mobility in the U.S. economy that there has been a decline in geographic mobility of U.S. workers and that "there is a conspicuous absence of efforts to facilitate the relocation of workers."<sup>8</sup>

Although job relocation policies were not specifically included in any of the human resource policies of the 1960s, the U.S. Department of Labor did sponsor several experimental programs between 1965 and 1968. These generally involved efforts to provide financial assistance to unemployed and underemployed rural workers to move to labor shortage areas. Their efforts "were generally regarded as successful" and they demonstrated the need to provide a range of supportive services to families and the necessity to link relocatees to specific jobs before they are relocated."<sup>9</sup>

Nonetheless, when the panoply of human resource legislation of the 1960s was replaced in 1973 by the Comprehensive Employment and Training Act (CETA), there was again no mention of a relocation program. Once more, however, the U.S. Department of Labor conducted a major demonstration project in the 1970s known as the Job Search and Relocation Assistance Pilot Project. It used a computer job bank to provide job leads about out-of-area job openings to state employment service offices in 30 different local areas who, in turn, gave the information to unemployed persons in their home areas who expressed an interest in relocating to find employment. The study did show the “feasibility” of the idea and concluded that it “could be implemented nationally”.<sup>10</sup>

In the 1980s, CETA was replaced by a scaled-down piece of legislation known as the Job Training Partnership Act of 1983. This, legislation, as well as earlier special legislation enacted to address specifically the worker adjustment consequences of free trade, the Trade Adjustment Assistance Act of 1974, both authorized migration assistance as an element of public policy. Unfortunately, the National Commission on Employment Policy found that these provisions are “not used very often by program enrollees nor is it advocated by program operators”.<sup>11</sup> The study cited the fact that migration assistance was still “unpopular” with politicians who opposed the idea of out-migration from their areas. But, the report also reaffirmed the view that “relocation assistance can be an effective means for ensuring that unemployed workers become re-employed in jobs that make maximum use of their skills”.<sup>12</sup>

Some policy scholars are more blunt about the need for such a program. Tom Joe, director of the Center of Social Policy in Washington, D.C. for example, has observed about the effectiveness of various policy interventions for unemployed workers in inner cities as follows: “I hate to say it but the programs that work, the ones that really work, are those that get people out of the inner city”.<sup>13</sup>

Thus, it seems clear that there are no economic or programmatic reasons for not including voluntary worker relocation policies among the nation’s employment policies.

### **Adoption of a Labor-Market Immigration Policy**

Unlike most public policy interventions designed to influence labor market outcomes, immigration policy is a special case. The admission of immigrants to the United States is purely a discretionary act of the federal government. The nation is under no obligation to allow foreign nationals into the country on either a temporary or permanent basis to live or to work. There is no “right” to immigrate. Indeed, the word “immigration” or any reference to the concept is not to be found anywhere in the U.S. Constitution. Hence, how many immigrants, refugees, and foreign temporary workers are annually admitted and under what terms depends entirely on the immigration policy that Congress puts in place at any particular time and the funding levels it provides for its enforcement.

In general, immigration policy prior to World War I was consistent with the economic development trends and the prevailing labor force requirements of the United States.<sup>14</sup> Throughout its first century as an independent nation, the country had neither ceilings on the number nor screening restrictions as to the type of people permitted to enter for permanent settlement. From purely an efficiency standpoint, the mass immigration of that era was consistent with the labor market needs of the nation. Most of the immigrants were men. The jobs they filled during this expansive era typically required little in the way of skill, education, literacy, numeracy, or fluency in English from the workforce. The enormous supply of immigrants who came during this time generally lacked these human capital attributes but they reasonably matched the prevailing demand for essentially manual labor.

Beginning with the outbreak of World War I in Europe in 1914, however, there was a sharp contraction in immigration. After the war, when it appeared that mass immigration might resume, the nation imposed its first quantitative restrictions on the number of immigrants who could be admitted. A ceiling of about 164,000 immigrants (plus their immediate family members) a year from the countries of the Eastern Hemisphere was established in 1924. Moreover, the pervasive negative social reactions to the pre-World War I immigrants from Eastern and Southern Europe also led to the adoption of overtly discriminatory qualitative screening to reduce their prospects for entry. Both of these restrictive actions were embodied in the Immigration Act of 1924 (often called the National Origins Act). Ethnic screening standards were enacted that favored immigrants from the nations of Western and Northern Europe, disfavored all other Europeans, and ignored most Africans. Immigration from most Asian countries by this time had already been banned by legislation or informal agreement.

With mass immigration from the Eastern Hemisphere curtailed, employers had to turn to domestic labor surpluses to meet their needs for unskilled labor in the new era of assembly-line production. Finally, the pools of underutilized native born workers in the nation's massive rural economy were tapped. Among the new supply of workers to respond to these urban job opportunities were large numbers of the native-born blacks of the rural South who finally began their exodus to the urban cities of the North and the West Coast.

The world-wide depression of the 1930s, with its massive surplus of unemployed job seekers, caused immigration to plummet. Full employment returned with World War II during the 1940s but immigration did not resume. Would-be immigrants could not leave the countries of Western and Northern Europe and would-be immigrants from the Western Hemisphere, whose numbers were not restricted, fearing the military draft, were deterred from coming. The labor market was very tight. In this economic environment, the federal government initiated unprecedented public policy measures to reduce the artificial barriers to the employment of women, the disabled, youth, older workers, and minority groups.

The pent-up demand for products and the forced-savings of the World War II era led to economic prosperity in the postwar era of the late 1940s and the 1950s. It was during these years of general affluence that the organized civil rights movement launched its assault on all aspects of overt racial discrimination within the U.S. society. What is often overlooked in reviewing the evolution of the civil rights legislation in the 1960s is that they were enacted at a time when immigration levels were still sharply restricted.

As for the external manifestation of discrimination (i.e., the “national origins system”) it was only natural that it too – in this period of heightened domestic concern over civil rights – would be a target for reform. It was. But the immigration reform movement of the early 1960s did not include any plans for significantly raising the overall level of immigration. It was focused entirely on purging the immigration statutes of the explicit racism inherent in the national origins admission system. What happened afterwards with respect to the level immigration was entirely unanticipated. Namely, this legislation set in motion forces that, over the ensuing years, accidentally triggered the renewal of the mass immigration experience.<sup>15</sup>

The Immigration Act of 1965 ended the era of using immigration for racial and ethnic discrimination purposes. But instead of seizing the opportunity to craft a new immigration policy to meet some positive definition of the public interest, Congress created a new admission policy aimed primarily at fulfilling the private interests of some of its legal residents. The social goals of the national origins admission system were replaced with a politically popular new admission system based on the concept of family reunification. Seventy-four percent of total visas available each year were reserved for various categories of adult relatives and extended family members of U.S. citizens and permanent resident aliens (in 1980, this percentage was raised to 80 percent). In addition, immediate family members of each adult visa holder were exempt from all quotas.

The dynamo that has generated the revival of mass immigration has been the design and implementation of the separate components of the nation’s immigration policy, without any attention being given to their collective effects, as well as an appalling indifference by policymakers to the unexpected outcomes of their legislative actions. Specifically, the relevant policy components are those that pertain to the entry of legal immigrants, illegal immigrants, refugees, asylees, and foreign workers who are temporarily permitted to work in the United States. Collectively, they constitute the mass immigration phenomenon of the post-1965 era whose aggregate numbers now approach 1.5 million persons a year.

Regardless of the reasons for specifically admitting or indifferently permitting the mass entry of foreign born persons for permanent to temporary residence in the United States, all immigrants must support themselves by their own work or by that of others. Hence, there are economic consequences associated with their presence, whether intended or not.



Within a decade of the passage of the Immigration Act of 1965, it was clear that immigration policy had gone serious awry. In 1978, Congress established the Select Commission on Immigration and Refugee Policy (SCIRP) to study the effects of what had transpired. When it issued its comprehensive report in March 1981, the Select Commission concluded that immigration was “out of control;” that the nation must accept “the reality of limitations;” and that “a cautious approach” should be taken in the design of any reform measures.<sup>16</sup>

In the wake of the SCIRP report, Congress enacted three major immigration statutes. They were the Refugee Act of 1980, the Immigration Reform and Control Act of 1986, and the legislative capstone, the Immigration Act of 1990. The result has been to dramatically raise the already high levels of immigration to even higher plateaus. Indeed, a 1991 study by the Urban Institute concluded that these statutory changes “have reaffirmed the United States’ role as the principal immigrant-receiving nation in the world.”<sup>17</sup>

The Select Commission specifically warned of the growing influence of special interest groups with private agendas who were influencing the policymaking process. It rejected their myopic proposals. As its report unequivocally stated, “the commission has rejected the arguments of many economists, ethnic groups, and religious leaders for a great expansion in the number of immigrants and refugees”.<sup>18</sup> It added that “this is not the time for a large-scale expansion in legal immigration – for resident aliens or temporary workers”.<sup>19</sup> The warnings proved to be of no avail. Congress chose to appease the special interest groups.

There would be little reason to worry about the employment consequences of such a politically driven policy, if immigration were insignificant in its size and if the human capital characteristics of those entering were generally consistent with contemporary labor market trends. But neither condition is present. The scale of immigration is without historical precedent. Most of the immigrants regardless of mode of entry, have been from less economically developed nations. Many lack skills, training, basic education, and the ability to speak English. The post-1965 immigrants have been found to have lower labor force participation rates, higher incidences of poverty, less schooling, lower earnings, and greater utilization of welfare than earlier waves of immigrants at similar stages of assimilation into the country.<sup>20</sup> They have also been found to have higher unemployment rates and considerably lower levels of educational attainment than the native born workers.<sup>21</sup> The vast majority have tended to settle in urban enclaves.<sup>22</sup> They have contributed to a widening income disparity among the population, undermined unionization efforts, and distorted internal labor migration patterns.<sup>23</sup>

Moreover, the accidental revival of mass immigration re-emerged just as the nation’s labor market entered a period of transformation. New forces that are restructuring the nation’s employment patterns are altering the demand for labor. They

are associated with the pace of technological change, the expansion of international trade, shifts in consumer spending preferences, and the readjustment employment effects associated with reduced defense expenditures as the result of the end of the Cold War. The consequences of these influences are reshaping the nation's occupational, industrial, and geographic employment patterns. Employment in most goods-producing industries and in many blue-collar occupations is declining, while it is increasing in most service industries and many white-collar occupations. Regional employment trends are extremely unbalanced. At the same time, the labor supply is in a period of rapid growth in size (due to the demographic positioning of the "baby boom" generation) and unprecedented changes in its gender and racial composition. Women have accounted for two-thirds of the increase in workers since the mid-1970s and are projected to do the same during the 1990s. Minorities are sustaining growth rates that greatly exceed those of whites, which means that their respective proportions of the labor force are increasing while the proportion of non-Hispanic whites is shrinking. Black males continue to experience significant employment difficulties: they have the lowest male labor force participation rate and the highest male unemployment rate. Blacks are the only racial or ethnic group in which the absolute number of female workers exceeds that of male workers – a pattern that is projected to worsen.

Accordingly, the nation needs an immigration policy that is responsive to economic needs and not one that is the product of political goals of self-interest groups. Tragically, there are far too many native born persons in these same urban labor markets where the current wave of immigrants are congregating. Many of these citizens are from minority groups. The last thing they need is more competition for jobs and access for scarce education and training programs. There are also other groups – such as the disabled and the older worker populations who are seeking access to the labor market as well as the unemployed and underemployed native born citizens whose ranks remain consistently large. The Commission on Workforce Quality and Labor Market Efficiency warned in 1989 that "by using immigration to relieve shortages, we may miss the opportunity to draw additional U.S. workers into the mainstream."<sup>24</sup> In its report, it stated that public policy should embrace the principle that the nation should "always try to train citizens to fill labor shortages."<sup>25</sup> Immigration to fill labor shortages should always be a policy of last resort.

The key reforms that are needed would require that annual legal immigration levels be made flexible so that the annual number of admissions is linked directly to prevailing labor market conditions (as they are in Canada and Australia). The admission criteria should be shifted from its present nepotistic focus to become one that is selectively designed to fill demonstrated labor shortages until such time as domestic human resource development programs can provide qualified citizen workers. The administration of immigration policy should be shifted from the Department of Justice to the Department of Labor (as was historically the case up until World War II) to reflect the need to focus on the economic effects of immigration as opposed to its political mollification role. Enhanced deterrent measures to address the mass violation of existing laws by illegal immigration are essential. Obviously, the admission of refugees

will continue to be done without regard to labor market criteria but the federal government should be firm and even-handed in its denial of entry of those seeking to improve their economic circumstances while admitting only those who strictly qualify as legitimate political refugees.

As a discretionary policy, it is essential that the component parts of the nation's immigration policy be as consistent with the emerging labor force needs to the country as possible. The prevailing immigration policy of the nation does not meet that standard.

### **Concluding Observations**

Two important policy measures that could be taken to reduce unemployment in the United States – the addition of a worker relocation policy and the changing of the nation's immigration policy from being a political policy to one that is accountable for its economic consequences – are seldom mentioned when it comes to unemployment reduction and prevention. Hampered by political considerations from being placed on the national agenda for discussion or action, the issues they raise constitute a sizable void in any effort to design a comprehensive full employment strategy for the nation.

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