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# The Triennial Comprehensive Report on Immigration

## Part II

### Economic Impacts:

#### The Effects of Immigration on the U.S. Labor Market

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## Executive Summary

### Background

This section of the Triennial Report examines the effect of immigrants on the U.S. labor market. In the current economic environment, there is substantial public concern regarding competition from immigrants for U.S. employment opportunities. Moreover, many immigrants are low-skilled, and there has been a debate, fueled by economic research, about whether or not the newest waves of immigrants have fewer skills and are less productive.

### Labor Market Assimilation

Successful economic integration sustains the strength of immigrant communities and that of the wider U.S. economy. Research is increasingly exploring which factors contribute to immigrant integration.

### English and Community Context

Education is one of the more important factors contributing to a person's earning potential because it determines the type of job for which a person can qualify. English proficiency is also a critical determinant of immigrant earnings, although measuring the appropriate dimensions of English ability is difficult. It is clear, nonetheless, that the need for English skills varies by where the immigrant works and lives.

Research only recently has begun to explore the influence of community context. It remains an open question whether a concentration of immigrants in a labor market helps, hinders, or has no bearing on, the earnings assimilation of other immigrants. Certain authors have concluded that new waves of immigrants tend to compete with older and settled immigrants. If this finding is correct, then the size and composition of future immigrant cohorts could directly affect the economic progress of others already resident in the United States.

### Admission Status

Recent research indicates that, whatever initial earnings advantage employment-based immigrants may have over other immigrants, it is small and short-lived. With time, the earnings of family-based immigrants converge toward, and may catch up with, those of employment-based entrants. If, on average, refugees do not perform as well as other legally admitted immigrants, this shortfall is to be anticipated because the purpose of this category is humanitarian rather than economic. On the other hand, unauthorized workers appear to fill jobs at the lower end of the job market and, legalization notwithstanding, their earnings growth is relatively slow.

### Declining Immigrant Integration?

Successive cohorts of immigrants arriving from certain countries over the past three decades appear to have experienced slower wage assimilation than their conationals who arrived earlier. This decrease has been associated with a clear, observable decline in the level of schooling and quality of jobs held by the immigrants from those countries. The precise reasons for this shift are subject to dispute. They may include changes in both the immigrants themselves and the character of the U.S. labor market. Because of methodological problems and a simultaneous growth in high-skilled immigration, it is difficult to draw conclusions about "vintage" effects. However, it appears that across-the-board statements about declining immigrant "quality" are unwarranted.

## Immigration's Labor Market Impact

The overall conclusion of macroeconomic research is that, at the national level, the net impact of immigration on the earnings and employment of U.S. workers is rather small. Most of these studies show very little net effect on native-born workers, of any race or ethnicity, either positive or negative. They find a somewhat greater negative effect of immigrants on the already resident foreign-born population.

Although the work lives of most Americans do not appear to have been adversely affected by immigration, the risks are proportionately greater for those living or working in areas of high-immigrant concentration. A few quantitative studies have found that during the 1980's, a period of intense economic restructuring, certain low-skilled workers did experience adverse wage effects. While immigration and restructuring continue unabated, comparable assessment of the net effects of recent immigration (that is, during the 1990's), will require data from the U.S. Census for the year 2000. Until that time, bold generalizations about the positive and negative effects of immigration remain unsupported by existing quantitative research.

## Case Studies on Immigration and Low-Wage Labor Markets

To avoid sweeping statements, it is sometimes useful to adopt a case study approach that relies on in-depth interviews of the people involved. Case studies point to a variety of different dynamics that may develop and suggest seemingly contradictory hypotheses.

The "successive ethnic niche" hypothesis maintains that immigrants do not usually drive native workers out of the labor market but rather they enter the market as natives move up to better jobs. Through ethnic succession, new immigrant arrivals subsequently replace earlier immigrant groups who are voluntarily departing as they too experience upward mobility. Ethnic loyalty induces skilled immigrant workers to form ethnic niches in the open economy from which they can help their coethnics gain access to opportunities for advancement.

Conversely, the "successive ethnic displacement" hypothesis maintains that immigrant networks are often unable to form self-sufficient enclaves fostering ethnic advancement. Instead, many migrants find themselves continuously taken advantage of by employers, often aided by middlemen from that ethnic group seeking to exploit their labor.

Case studies provide ample evidence that both situations can, and often do, occur. Immigration policy and labor policy are improved by a better understanding of these different types of immigrant networks and how each affects the larger labor market. Information about those groups who may be adversely affected by immigration provides insights that can be valuable in improving worker protections and enforcement within these labor markets, as well as retraining and reemploying displaced workers.

## Immigration and Professional Labor Markets

Labor attestation/certification requirements and certain annual numerical limits notwithstanding, highly skilled aliens have relatively little difficulty entering the U.S. labor market. Various nonimmigrant visas enable thousands of well-educated aliens to enter this country or complete the transition from academic to professional life in the United States. The Immigration Act of 1990 (IMMACT90) significantly increased the annual numerical limitation for employment-based permanent immigration and at the same time tipped the scale further toward professional entries.

The effects of these developments are perceived differently by those who employ and those who seek employment. Universities, research institutions, and the business community contend there is a compelling need for such access. The technical skills, determination, and strong work ethic of foreign-born students and professionals are often highly esteemed. Nonetheless, a growing number of highly trained native scientists and engineers contend that ready access to foreign professionals has reduced their own job opportunities, slowed job placement, increased average time spent in postdoctoral positions, and/or forced them to leave the field for which they spent both years and considerable financial resources in training.

## Conclusions

Today there are mounting pressures for new policies on immigrant admissions. The setting in which these policies must operate has grown increasingly complex. Globalization and the reduced costs of travel have increased the sheer number and variety of immigrant groups. This profusion of groups may create more issues and points of potential conflict. Public opposition to immigration typically peaks during recessions and diminishes with economic recovery. However, the prolonged restructuring of today's nonrecessionary economy also has undercut many jobs in ways that may fuel claims of unfair competition.

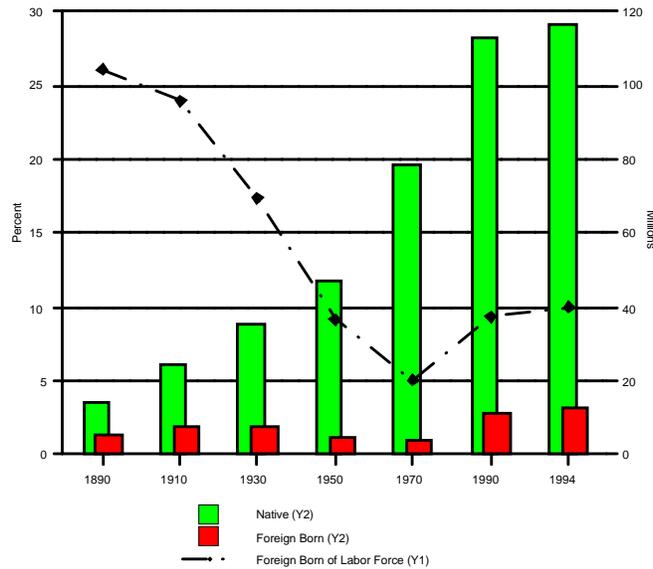
Consensus on the effects of immigration is difficult to achieve because of the lack of detailed data, variations in disciplinary emphasis, constant refinements in methods of analysis, disagreements about the appropriate level of analysis, philosophical differences, and the intrusion of noneconomic concerns. While there has been unprecedented interest in immigration, the situation has not changed much since the last Comprehensive Report on Immigration: Any single, simple, and definitive answer to the questions posed by immigration continues to remain "essentially elusive."

## Introduction

Although there has been an increase in the level of immigration to the United States in recent decades, it is important to view the absolute levels of immigrant admissions in the context of the growing U.S. population and economy. From FYs 1988-1994, the years covered in this report, the total number of immigrants admitted to the United States averaged 729,000 per year.<sup>1</sup> However, during the first decade of the 20th century, immigrant admissions averaged about 880,000 per year. The current total U.S. population is about three times larger than it was at the turn of the century, and the foreign-born persons' share of the total population is significantly less than it was at that time. The country now also hosts a growing number of temporary foreign entrants, many of whom—like permanent immigrants—play an important role in today's labor market. Nonetheless, it seems unlikely, given the powerful economic dynamics of both U.S. and international economies, that the effects of immigration today match those experienced by this nation a century ago.

Graph 1 shows that rising immigrant entries in the 1970's and 1980's translate into a growing share of foreign-born workers in the U.S. labor force, although today's share is nowhere near the U.S. record. In 1890, 5.1 million foreign-born workers made up fully 26.1 percent of the labor force. In 1990, 11.6 million foreign-born workers made up 9.3 percent of the labor force. As of 1994, the 12.0 million foreign-born workers accounted for 10.0 percent of the U.S. labor force.

GRAPH 1.—The U.S. Labor Force and Percentage of Foreign-Born Workers, 1890-1994



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Source: 1850-1980: U.S. Department of Commerce, Bureau of the Census, *Census of Population*; 1990: U.S. DOC, Bureau of the Census, *1990 Census of Population. The Foreign-Born Population in the United States (1990 CP-3-1)*, 1993. 1994: U.S. DOC, Bureau of the Census, *The Foreign-Born Population: 1994 (P20-486)*, 1995.

<sup>1</sup> Excludes those persons receiving immigrant status under the legalization programs of IRCA.

Both the skill composition of migrants and their relative contribution to year-to-year changes in labor supply are just as important as their absolute numbers. Given the maturation of the postwar baby boom and the slowing growth in female labor force participation, the increased number of migrants over the past two decades has resulted in immigration becoming an increasing component of year-to-year labor force growth. Immigrants contributed more than one-quarter to the labor force growth during the 1980's, double their contribution in the 1970's, and Urban Institute demographers project that under current immigration law (and absent any significant changes in employer demand for the labor inputs of migrants), immigration will account for approximately one-third of the labor force growth during the 1990's.<sup>2</sup>

Today's immigration to the United States has been accompanied by a renewal of interest in, and debate over, immigration on the part of policymakers, scholars, and the American public. This interest and resulting debate encompasses a variety of economic, social, cultural, and foreign-policy issues. Informed public decisions concerning these issues require a base of theoretical and factual knowledge regarding the effects of immigration on the American economy, society, and political institutions.

Recognizing the need for this information, Congress mandated, in the Immigration Reform and Control Act (IRCA) of 1986, a series of comprehensive Presidential reports on the impact of immigration. Section 401(b)(3) of IRCA requires that these reports include "a description of the impact of admissions and other entries of immigrants, refugees, asylees, and parolees during the period on the economy, labor and housing markets, the educational system, social services, foreign policy, environmental quality and resources, the rate, size, and distribution of population growth in the United States, and the impact on specific States and local units of government of high rates of immigration resettlement." This section of the report focuses on the effects of immigration on the U.S. labor market.

## The U.S. Admission System and Immigrant Type

Three categories of migrants are legally admitted<sup>3</sup> into the United States: (1) immigrants, who receive legal permanent resident status; (2) refugees and asylees (most of whom later adjust to immigrant status); and (3) nonimmigrants, aliens admitted temporarily to the United States for specific purposes. Only a limited number of migrants are admitted for the specific purpose of performing a particular kind of work or meeting a particular skill need.

**Immigrants** are admitted for legal permanent residence in the United States. They generally become eligible for U.S. citizenship after 5 years of residence in this country. All immigrants are authorized to work in the United States. Following are two types of immigrants:

- Family-based immigrants include the relatives of U.S. citizens or of permanent resident aliens. There are no numerical limitations on the admission of immediate relatives (that is, spouses, children, and parents) of U.S. citizens. Admissions of other family-based immigrants are numerically limited.
- Employment-based immigrants are generally admitted based on their high level of knowledge or skill, or to fill jobs that U.S. employers have been unable to fill with U.S. workers. Most of these immigrants are subject to a preadmission labor certification procedure, conducted under the auspices of the Department of Labor (DOL). Employers seeking to hire a particular foreign worker must show that they have unsuccessfully attempted to recruit U.S. workers for the job in question and that they will pay the foreign worker at least the prevailing wage for the job.

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<sup>2</sup> D.G. Papademetriou, et al., 1989, *The Effects of Immigration on the U.S. Economy and Labor Market*. Division of Immigration Policy and Research, Report 1. Washington, DC: U.S. Department of Labor, and Michael Fix and Jeffrey Passel, 1994, *Immigration and Immigrants: Setting the Record Straight*, Washington, DC: The Urban Institute.

<sup>3</sup> Admission is a legal concept that is not synonymous with arrival in the United States. Although many of the immigrants admitted in any given year are new arrivals, some adjusted their status having already been in the United States as temporary migrants, while others (chiefly those legalized under IRCA) were previously in this country illegally.

**Refugees and asylees** are persons who demonstrate that they are unwilling or unable to return to their countries of nationality because they face persecution or a well-founded fear of persecution on account of race, religion, nationality, membership in a particular social group, or political opinion. The difference between refugees and asylees is based on the location of the alien at the time of application. Asylees are already in the United States or at a port-of-entry; and refugees are outside the United States. Refugees may adjust to immigrant status after 1 year in the United States and are permitted to work.

An approved asylee must reside in the United States for 1 year following his or her approval to be eligible to apply for adjustment to immigrant status. Asylum applicants are not permitted to work until asylum is granted or until a claim remains pending for 180 days.

**Nonimmigrants** are individuals admitted temporarily to the United States for specific purposes: for example, tourism, business, temporary employment, or study. Some of these nonimmigrant categories authorize work in the United States. Although most nonimmigrants remain in the United States for a limited period of time, there is a continual flow of new arrivals. Therefore, nonimmigrants as a group are a permanent feature of the United States economy, and nonimmigrants who are legally allowed to work in the United States have become a permanent feature of our labor market.

**Illegal aliens** are those persons who entered the United States illegally or who overstayed or otherwise violated the terms of their nonimmigrant visas. These migrants are not authorized to work within the United States. While many illegal migrants may enter the United States each year, the majority return to their countries of origin after a relatively brief sojourn in the United States. Despite the majority of illegal migrants leaving the United States, it is estimated that the resident illegal alien population still grew by an annual average of about 300,000 persons from October 1988 to October 1992.<sup>4</sup>

## Immigration Policy in the Late 1980's and Early 1990's

Several major pieces of immigration legislation have been enacted since the mid-1980's, including IRCA, IMMACT90, and the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRIRA). IRCA, enacted in 1986, was intended to reduce the numbers of illegal migrants in the United States by means of a combination of (1) the legalization of certain unauthorized migrants present in the United States, (2) enhanced border interdiction, and (3) a prohibition against, and fines for, the hiring of aliens who are not authorized to work in the United States.

While IRCA was directed at the problem of illegal immigration, IMMACT90 reformed the U.S. legal immigration system. IMMACT90 made extensive changes in the categories of legal admission and the numerical limits on admissions. Among the most important of these, from the perspective of labor market impact, were the following.

- IMMACT90 increased the employment-based immigration limit from 54,000 to 140,000 persons per year. This increase was driven by projections that the U.S. labor market was facing, or would in the future face, shortages of skilled workers that could not readily be alleviated by our system of education and training. It also recognized the demand for specialized labor in an increasingly competitive and global economy.
- IMMACT90 created several new nonimmigrant visa categories to accommodate perceived U.S. needs for several classes of temporary foreign workers. These classes include performing artists and entertainers, religious workers, workers admitted as participants in international cultural exchange programs, and aliens of extraordinary ability in the sciences, arts, education, business, or athletics.

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<sup>4</sup> Jeffrey S. Passel, "Recent Efforts to Control Illegal Immigration to the United States," paper presented to the Hoover Institution, October 1996, in Stanford, California.

- IMMACT90 placed an annual numerical ceiling of 65,000 on admissions of temporary “specialty occupation” workers (aliens entering under the H-1B nonimmigrant visa to fill jobs requiring a baccalaureate degree or equivalent work experience). It also required employers seeking to hire these workers to attest to DOL that, among other things, the workers would be paid the prevailing wage, that their working conditions would not adversely affect the working conditions of other similarly employed workers, and that no strike or lockout was in progress in the relevant occupation and workplace.

IMMACT90 was debated and enacted in an economic environment of macroeconomic expansion combined with substantial industrial restructuring. The relative decline in manufacturing, the growth in the service sector, and the decline in union representation—all of which began before the 1980’s—continued and intensified during that decade.

Despite economic restructuring, the dominant influence on immigration policy in the late 1980’s and, in particular, the dominant influence on the employment-based immigration provisions of IMMACT90, was the macroeconomic expansion that lasted from 1983-1990. This long period of sustained economic growth fueled perceptions that the United States would need higher levels of employment-based immigration to alleviate future labor shortages, especially in highly skilled occupations.

Beginning with the 1990-1991 recession, the economic environment changed considerably from that in which IMMACT90 was passed. The close of the Cold War accelerated downsizing of the defense industry nationwide. This downsizing, together with a wave of corporate mergers, eliminated thousands of professional and managerial jobs. For the first time in several decades, not only production workers but professionals and managers faced rising unemployment.<sup>5</sup> The economic restructuring that began during the 1980’s continued into the 1990’s and spread to additional sectors of the economy. The early stages of recovery from this recession were characterized by relatively slow job growth.

In this environment, initial concern that increased immigration might be needed to alleviate shortages of skilled labor turned to concern regarding immigrant-native competition for jobs and social services. This concern has been greatest for low-skilled U.S. workers who have been most adversely affected by the restructuring economy. Many immigrants are also low-skilled, and there has been a debate, fueled by economic research, about whether or not the newest waves of immigrants have fewer skills and are less productive than earlier waves of immigrants. In addition, some observers have raised concerns regarding the effect of highly skilled foreign-born workers on professional labor markets. This report examines recent research findings on the integration of immigrants in the labor market and the effects of immigrants on U.S. workers.

## Organization of Part II

The following four chapters taken together, provide a review of the current research findings on the effects of immigration to the U.S. labor market. These chapters survey the recent analytical and quantitative literature on the impact of the foreign-born population. The survey does not aim to exhaustively cover the many recent studies dealing with the foreign-born population’s relationship with the labor market. Apparent research convergences are identified, and the major research themes and debates are illustrated. Within that perspective, the chapters provide a description of the major means by which immigration can affect the U.S. labor market.

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<sup>5</sup> See, e.g., Jennifer M. Gardner, “Worker Displacement: A Decade of Change,” *Monthly Labor Review* 118, no. 4 (April 1995): 45-57.

Chapter 3, *The Labor Market Integration of Immigrants*, reviews the literature on the economic progress of immigrants in the U.S. labor market. Chapter 4, *Immigration's Impact on the Labor Market Outcomes of Natives*, deals with the effect of immigration on the wages and employment opportunities of native workers. The analysis in the first two chapters is cast mainly at the national level and highlights the results of the recent econometric studies of immigrant assimilation and the sensitivity of native-born residents' labor market outcomes and behavior to increased immigration. Chapter 5, *The Impact of Immigrants on Low-Wage Earners: The Case Study Research*, provides a brief overview of the case study literature on the foreign-born worker's role and impact on low-wage U.S. labor markets. Chapter 6, *Professional Labor Markets and Immigration*, highlights the growing literature on the role of highly skilled immigrants in selected professional labor markets as well as the program abuses in some of the admission classes heavily used by employers seeking highly skilled foreign-born workers.

## The Labor Market Integration of Immigrants

How well do immigrants fare once in the United States? Are they able to support themselves economically? Are they as productive as natives? Traditional economics has examined these questions from the vantage of earnings assimilation and asks if immigrants, over time in the United States, reach earnings equity with similarly skilled natives.

Of course, earnings assimilation is only one aspect of a broader process of immigrant adaptation to institutions such as the labor market. The overall economic success of new arrivals is at once a benchmark of the promise of opportunity, as well an indirect gauge of their influence on the prosperity of those residents already here. Successful economic integration sustains the strength of immigrant communities and that of the wider U.S. economy.

In fact, it is widely accepted that today's immigrants earn more the longer they remain in the United States. However, there is an ongoing debate regarding if the earnings of the newest waves of immigrants will ever catch up to the earnings of natives. While much evidence suggests that recent immigrants' wages, compared with those arriving in the 1960's, take longer to catch up to natives' wages, there is considerable uncertainty about how much longer and for which groups. There are also questions regarding how skills, such as English-speaking and reading ability, serve to integrate immigrants. And how do admission statuses affect earnings outcomes?

### English Ability and Community Effects

The earnings of newly arrived immigrants are often low compared with the earnings of natives. One of the most important reasons for this difference is that schooling and skills from abroad are not entirely transferable to the United States. Research has examined standard human capital variables, such as schooling and English language ability, as determinants of immigrants' earnings. It has also looked into the community context of integration.

For example, researchers have asked if the country where the education took place is important. Some research finds that schooling completed abroad is significantly less valuable than that received in the United States (Schoeni, 1996), but other studies find little or no wage differences by education abroad or in the United States (Kossoudji, 1989 and Reimers, 1984). While the literature is unclear if foreign or U.S. schooling is more advantageous, it does show that instruction in the English language facilitates the transfer of education received abroad to the U.S. labor market.

The inability to speak English appears to be confined to the foreign-born population. Carliner (1995) reports on the prevalence of spoken English proficiency among native-born Americans. In 1990, more than 98 percent of native adults were fluent, the principal exception being certain native adolescents. "Even among ethnic groups who have come to the U.S. in large numbers within the last generation, lack of English fluency does not seem to be a significant problem for teenage or adult natives" (p. 11).

Research supports the theory that English-speaking ability plays a key role in labor market success, although it affects some foreign-born groups more than others. For example, English proficiency increases the wages of Hispanics and Asians proportionately more than it does for the European foreign-born population. Foreign-born Hispanic males who lack English skills earn 23 percent less than similar Hispanics who speak English well (Jasso and Rosenzweig, 1990). English appears to play a role in which type of job individuals are hired,

that is, poor ability may lead to lower-skilled work and thus lower wages. At the same time, certain lower-skilled occupations may not require fluency.

Furthermore, researchers have recognized that “language capital” is not unidimensional but includes the skills of reading and writing as well as spoken English. Chiswick (1991) examines the influence of reading and speaking English on earnings among a sample of 800 apprehended illegal aliens in Los Angeles. He finds that “reading fluency is more important than speaking fluency as a determinant of earnings” (p. 149).

Over time immigrants tend to improve their English on the job, but their incentive to learn the language may be less if they reside in non-English-speaking communities. A number of studies show that English skills are less important to immigrants if they work in areas or occupations where persons of the same language group are concentrated. Some researchers speculate that employment in ethnic-dominated communities can provide a “bridging” environment that facilitates earnings assimilation.

In part, the effect of a community on earnings varies according to the opportunities that the community offers. Ethnic communities that develop beyond simple population concentrations to encompass many economically integrated business enterprises are known as “ethnic enclaves.” The prevalence of ethnic entrepreneurs in certain locales may create job opportunities for coethnics, that is, persons of the same ethnic background. Enclaves apparently can create sizable internal labor markets that foster upward mobility. However, recent research suggests that some members of the dominant language group may not share the benefits of this ethnic economy. In Miami, the labor market prospects of Spanish-speaking Mexicans do not appear to have been enhanced by access to the larger Cuban economy (Zsembick, 1996). Moreover, there are relatively few full-scale ethnic enclaves in the United States. Hence, they do not represent a dominant pathway for the economic progress of individual immigrants.

Finally, certain authors have concluded that new waves of immigrants tend to compete with older and settled immigrants. If this finding is correct, then the size and composition of future immigrant cohorts could directly affect the economic progress of others already resident in the United States.

## Summary of English and Community Context

Education is one of the more important factors contributing to better earnings because it determines the type of job for which a person can qualify. English proficiency is also a critical determinant of immigrant earnings, although measuring the right kind of English ability is difficult. It is clear, nonetheless, that the need for English skills varies by where the immigrant works and lives.

Research has only recently begun to explore the influence of community context. It remains an open question whether concentrations of immigrants in a labor market help, hinder, or have no bearing on their earnings assimilation.

## Differences by Admission Status

The literature on economic integration only has begun to examine if the earnings of migrants differ by their admission status. This serious problem should be kept in mind when casual reference is made regarding the progress of immigrants. While the term immigrant is defined in U.S. immigration law as those persons granted lawful permanent resident status, it is often used by others to refer to, or to include, other populations such as legal temporary workers and/or illegal aliens. Aggregate data typically do not identify these statuses. Given that the earnings patterns may differ across groups, this nomenclature can result in misleading conclusions about immigrants.

## Hidden Information in Census Data

Broadly speaking, arriving foreign nationals are classed under one of the following admission statuses:

- Family-based immigrants reunifying with relatives.
- Employment-based immigrants admitted for skills or upon petition by a U.S. employer.
- Refugees or asylees fleeing persecution.
- Temporary-legal workers, students, or visitors (that is, nonimmigrants).
- Illegal aliens with no official status.

In Census data, all these statuses are initially grouped under noncitizen aliens, until such time as individuals become naturalized U.S. citizens. However, the skills of individuals in one admission status can vary markedly from those in the next. In particular, refugees and unauthorized migrants often have fewer skills and earn less than other entry groups.

Although neither the Census nor other major data sources collect information on admission status, the data they provide form the basis for public debates on immigration policy. Earnings estimates from these sources cover the entire foreign-born population. The inclusion of illegal migrants and refugees lowers the estimated average wage. Legal permanent entrants usually have higher skills and earnings. Therefore, the standard classifications of the Census do not permit the direct evaluation of the relationship between U.S. policy on admissions and the subsequent earnings of foreign-born workers.

The misleading effects of averaging admission statuses can be inferred by using proxies for various admission types (Fix and Passel, 1994).<sup>1</sup> If all immigrants entering during the 1980's are grouped together it appears that, of those 25 years and older, fully 41 percent had not completed high school.

Yet, if characteristics (such as nationality) are used as a proxy for admission status, the following conclusions are reached:

- 75 percent of the proxy-illegal entrants had not completed high school.
- 46 percent of the proxy-refugee entrants had not completed high school.
- 27 percent of the remaining entrants (proxy-nonrefugee legal) had not completed high school.

In fact, 33 percent of the proxy-nonrefugee legal entrants had completed a college degree, 10 percentage points higher than the native population. Likewise, this exercise demonstrates substantial income differences between these entry categories, with legal entrants (excluding refugees) performing better on average than natives. Thus, the aggregate Census data on the foreign-born population most likely under-represent the human capital characteristics of those persons entering the United States as family-based and employment-based immigrants.

## Employment- and Family-Based Entrants

The widespread assumption that employment-based immigrants have greater success in the labor market than family-based immigrants has received remarkably little study. The occupations of employment- and family-based immigrants do not differ as markedly as sometimes imagined. Only the principal employment-based immigrant must meet the requirements of the generally highly skilled employment-based visa. Often, the accompanying beneficiaries, that is, spouse and children, tend to be less skilled. Family-based immigrants, who are sponsored by related U.S. citizens or lawful permanent residents, may or may not possess labor

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<sup>1</sup> The proxies are based upon 1990 Census data for immigrants who arrived during the 1980's. Comparing INS legal entry records with the Census data suggests that about two-thirds of recent immigrants from Mexico, El Salvador, and Guatemala are illegal entrants. Those from 11 selected countries are likely to have entered as refugees. The balance most likely entered under one of the family/employment or temporary categories.

market skills. Regardless, family-based immigrants are likely to have the benefit of close ties to family and community in the United States, which can provide valuable resources upon arrival.

Recent research suggests that if employment-based immigrants enjoy an earnings advantage initially, it is small and diminishes over time. A study of Koreans and Filipinos found that while family-based immigrants do not perform as well initially, the employment-based immigrants also experienced problems in transferring their skills to the U.S. labor market. A study linking Immigration and Naturalization Service (INS) records with Social Security earnings records as of 1980 found that the occupational and earnings advantages of employment-based individuals are not particularly sizable (Sorensen et. al., 1992).

One study using indirect measures of admission status finds that the initial earnings disadvantage of family-based immigration decreases because of their faster earnings growth over time (Duleep and Regets, 1992). In fact, family-based immigrants appear likely to catch up with the earnings of their employment-based peers. Another study concluded that “the distinction between family-reunification immigration and immigration based on labor market needs in terms of the contributions of immigrants to the economy may be less important than is commonly thought” (Jasso and Rosenzweig, 1995: 109).

## Refugees

With certain clear exceptions, refugees tend to have less education than either family- or employment-based immigrants. They also may have more difficulty finding appropriate employment, either because they arrived hurriedly, without first undertaking a job search, or because their skills are not readily transferable. Even skilled refugees are at risk of doing poorly when they first arrive. Limited research suggests that, at arrival, refugees experience greater downward occupational mobility than do other immigrants.

The composition of refugee influx from a given country may vary over time, often evolving from affluent to less affluent groups. When this variation happens, the labor market achievements of successive cohorts may differ substantially. For instance, the initial cohorts of Cuban arrivals are known to have had higher levels of education and occupational attainment than those arriving in the 1980's, who were often from the lower-skilled sectors of the Cuban economy. Such variation (sometimes referred to as “vintage effects”) can create differences in how well refugee groups adapt. The availability of training programs, strong refugee communities, and access to welfare can also have marked impacts on how well refugee groups progress economically. Overall, each refugee population is unique.

## Illegal Migrants and Work Authorization

Although, on average, illegal migrants have low levels of education, the assumption that these workers earn less than lawfully admitted workers with otherwise identical characteristics is not uniformly supported by research. Many studies find that, without controlling for other determinants, illegal workers have lower average earnings. However, once other factors are controlled for, most quantitative studies suggest either that legal status has no independent role or that legal status affects earnings by changing the manner in which experience is accumulated (Tienda and Singer, 1995).

Following IRCA, the introduction of work authorization requirements may have reduced the labor market prospects of illegal workers. Studies show that since IRCA, illegal migrants have experienced significantly lower wages and a deterioration in working conditions (Donato and Massey, 1993). The Act also appears to have lengthened job search time for illegal workers. Conversely, there is some evidence that IRCA may have led to subsequent increases in the demand for, and earnings of, legal workers (Papademetriou et al., 1991).

Under IRCA, close to 3 million formerly illegal workers were legalized. There is dispute over whether or not they had economically benefited from this change in status. It was anticipated that legalization would give newly authorized workers greater opportunities in the workplace and lead to increased wages. Recent research suggests, however, that 5 years after legalization, few of these workers had yet experienced notable occupational or wage mobility (Kossoudji and Cobb-Clark, 1996; Cobb-Clark and Kossoudji, 1996; Smith, et

al., 1996). Those who enter illegally may find it difficult to escape the labor market niches to which they were recruited: for example, farm labor, meat packing, poultry processing, or the garment industry.

## Summary of Admission Types

Recent research indicates that, despite the presumed superior skills of employment-based immigrants, family-based immigrants may catch up to the earnings of the employment-based immigrants after several years. If refugees do not, on average, perform as well as other legally admitted immigrants, this shortfall is to be anticipated because the purpose of this category is humanitarian rather than economic. On the other hand, unauthorized workers appear to fill jobs at the lower end of the job market and, legalization notwithstanding, their earnings growth is relatively slow.

## Changes in Immigrant Cohorts and Assimilation

Over time, immigrants acquire skills and human capital relevant to the U.S. labor market. As U.S.-specific human capital is accumulated, immigrants' earnings rise also, and may even surpass those of natives with similar socioeconomic characteristics. Some believe that immigrants may be favorably selected from their national-origin populations in the sense that they have greater innate ability and motivation.

Skills and motivation, for which immigrants are often under compensated when they first arrive in this country, may eventually lead to an unusually high rate of earnings growth. This accelerated growth rate of immigrant earnings is referred to as the "immigrant premium" and has been demonstrated with U.S. Census data: "On average, labor market assimilation is an important feature of the immigrant experience in the United States" (Borjas, 1990: 108).

## New Vintage Immigrants: Declining Labor Market Performance?

The general process of economic integration, that of low wages at entry followed by a higher rate of earnings growth relative to natives, continues to describe the immigrant experience. But will immigrants arriving today do as well over their lifetimes as immigrants who arrived three decades ago? Do new immigrants of the 1970's and 1980's perform as well as those who came in the 1950's and 1960's? Will they equal the earnings of similar natives within their working lifetime?

A body of work by Borjas (1995) suggests a vintage effect whereby earlier cohorts possess higher wages relative to natives than more recent cohorts at any point of the immigrants' stay in the United States (that is, for the same number of years in the United States, earlier immigrant cohorts generally did better relative to natives than later cohorts). The immigrant premium appears to yield increased earnings growth over time for those who entered before 1965 and a declining premium for each successive cohort. Borjas describes this change in earnings growth as a decline in the "quality" of recent immigrant cohorts to the United States. In fact, his research on the 1970, 1980, and 1990 Censuses suggests that "it is likely that the relative wages of post-1970 immigrants will remain about 15-20 percentage points below those of natives throughout much of their working life" (Borjas, 1995: 239).

Other studies lend some support to the observation that the labor market performance of immigrant cohorts, relative to natives, has fallen over the postwar period. Borjas (1992) shows that the mean years of the immigrants' schooling on arrival has decreased relative to the natives. Fry (1996) uses Census data to detail the labor market activities of working-age immigrants and natives throughout the postwar period. The data reveal that, after the same number of years in the United States, 1980's immigrants are more likely to be institutionalized (that is, be incarcerated or in a drug treatment or mental health facility), relative to natives, than immigrants that arrived in the 1950's. In addition, 1980's immigrants are more likely to remain persistently outside the labor market than earlier immigrant arrivals.

As to whether today's immigrants will ever catch up to the earnings of natives, Schoeni (1996) demonstrates the tremendous diversity in the rates of economic progress across sending countries and education levels: "Europeans have entered with relatively high wages and have earned wages comparable to natives over their life course. Japanese, Koreans, and Chinese have entered with lower wages but have quickly caught up with native-born workers. Mexicans, on the other hand, have entered with low wages, and the wage gap between themselves and native born workers has not shrunk. Central Americans have had a somewhat similar experience as Mexicans." (p. 27).

## Problems With Vintage or "Quality"

The contention that recent immigrant cohorts do not adapt as readily as earlier cohorts has been challenged on a number of grounds. Research has uncovered some methodological problems that complicate the "quality" inference based on Census data. These methodological problems are briefly discussed in the subsequent sections.

### Age-At-Arrival

There is evidence that immigrants who migrate as children or receive U.S. education have a labor market experience more like that of U.S. natives than do adult immigrants. Thus, failing to account for age-at-arrival may lead to biased observations. Friedberg (1992) finds that, controlling for age-at-arrival, the earnings trajectories of earlier and more recent immigrant cohorts are less dissimilar. Once age-at-arrival is taken into account, Friedberg finds no evidence of a decline in the earnings trajectory of immigrant cohorts from Mexico or East Asia, but some evidence of decreasing cohort earnings by other Hispanics and Europeans.

### Lowest-Wage Catch Up

In exploring the "elusive concept of immigrant quality," Duleep and Regets (1996) find that those immigrants who earn the least upon arrival tend to experience the greatest incremental increase in earnings over time. What causes the poorest paid immigrants to lessen the gap with their better-off compatriots is not fully known, but with time these immigrants may learn skills necessary to enter higher-paying occupations. In fact, because lower initial earnings are associated with more rapid earnings growth, future Census data may discover that recent cohorts do better than currently projected.

### Which Comparison Group?

Most research has generally compared immigrants with native whites, or with natives of the same race/ethnic group. There is debate against which standard immigrant earnings should be measured. Naturally, an appropriate comparison requires that immigrants and the base group be similarly affected by changes in the larger economy. It is well known that relative wage growth since the 1970's has favored better-educated workers in the United States. Research involving comparisons to base groups with relatively stable earnings indicate that there has been little change in immigrant "quality" since the 1960's (LaLonde and Topel, 1992).

### Changing Rates of Census Coverage

The comparability of data collected under different censuses may be questioned. For example, some research indicates that the illegal population was not well counted in 1970, but by 1980 perhaps two-thirds or more were enumerated. Research by Lindstrom and Massey (1994) indicates that comparisons of earlier data (under-representing illegal migrants) with later data (including more illegal migrants) misrepresents the true earnings trajectory of Mexican immigrants.

### Selective Emigration

Finally, and perhaps most importantly, compositional changes occur in any cohort over time. The original foreign-born cohort counted in one census is represented in any subsequent census only by those who remain. If successful and high-income members of a cohort emigrate, the cohort may appear to have made little progress on average, even if the low-income members have progressed substantially. Conversely, outmigration of the unsuccessful would lead to an overestimate of the economic progress achieved by the

cohort. Estimates suggest that at least one-third of all immigrants return to their home countries. Given such high rates of emigration, the observed earnings differentials might be because of differences between immigrants who stayed and those who left. Little research exists on this issue and, ultimately, longitudinal data may be required.<sup>2</sup>

## Summary of the Vintage Debate

Successive cohorts of immigrants arriving from certain countries over the past three decades appear to have experienced slower wage assimilation than their conationals who arrived earlier. This distinction has been associated with a clear, observable decline in the level of schooling and quality of jobs held by the immigrants from those countries. The precise reasons for this shift are subject to dispute. It is important to recognize that during the period in question, the character of the U.S. labor market has also changed markedly. As manufacturing demand has weakened, demand for service workers has grown. Also, the number of workers from these countries has expanded significantly over time. Moreover, there has been a corresponding rise in admissions of highly skilled aliens. These factors, together with the methodological problems already enumerated, make it difficult to draw conclusions about vintage effects. However, it appears that generalized statements about declining immigrant “quality” are unwarranted.

## Conclusions

The literature on economic assimilation is growing increasingly sophisticated and answers to some key questions now appear closer at hand. Certainly, much more is known today about the major factors responsible for the diversity of immigrants’ integration into the labor market. Future research must address several methodological problems: for example, the lack of information on immigrant admission status and the need for robust measures of changes in the earnings of cohorts over time. However, comparable assessment of the net effects of recent immigration—that is, during the 1990’s—will require data from the U.S. Census for the year 2000.

Nonetheless, certain intermediate conclusions can be drawn regarding the major policy-relevant aspects of immigrant labor market integration today. Summary conclusions regarding the declining labor market attainments of immigrants over the postwar period are that: (1) immigrants arriving in the 1970’s and 1980’s have had lower skill levels and lower starting wages relative to natives than those observed in earlier cohorts of immigrants; (2) the degree of this decline has been associated with some lessening of the assimilation premium—that is, the tendency for immigrants to increase their earnings faster than similar natives; (3) new research implies that the degree of declining “quality” is not truly significant for many immigrant groups and that there is substantial variation according to the community context in which immigrants find themselves; and (4) simply increasing the relative share of employment-based immigrants may not significantly enhance the labor market integration of the foreign-born population.

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<sup>2</sup> One study of Mexican immigrants and emigrants found no significant bias caused by selective emigration in a single cross-section of 1990 Census data (Lindstrom and Massey, 1994). However, a study with at least two censuses, and/or with other origin groups, would appreciably strengthen this finding.

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## Immigration's Impact on the Labor Market Outcomes of Natives: Macroeconomic Findings

One of the most fundamental and divisive debates concerning immigration has centered on its impact on the U.S. labor market. Do immigrants compete with U.S. workers, reducing domestic wages and displacing workers from jobs? Conversely, do they supply a valuable source of labor and consumption demand that benefits everyone? One conclusion is certain: There are no casual and simple answers to these questions.

The debate must be finely nuanced by complications of place, industry, occupation, economic cycle, legal status, country of origin, and a host of other important qualifiers. Yet, because most immigrants can earn more here than they did in their home countries, many observers argue that immigrants will work for lower wages and compete unfairly with residents already here. Still other observers note that the immigrants' drive for economic attainment is such that they work hard and that the entire nation profits from the immigrants' productivity.

These issues have been addressed primarily with studies that measure the direct effects of immigrants on the earnings of other workers. The results are in agreement regarding the small national-level impact of immigrant groups on native workers. Still more recent research raises the issue of whether or not geographic displacement occurs and, if so, whether it interferes with the measurement of national-level wage effects. Research is required concerning the net effects of multiple economic impacts, for various groups, at both the national and local levels.

### Production Theory and Research on All Immigrants

The customary approach to studying the economic consequences of immigration has been that of production theory. As economic actors, how do employers mix various combinations of workers and capital to produce goods and services for sale? Do immigrants "complement" U.S. workers and raise their average wage, or are immigrants "substituted" for natives, thereby decreasing native wages?

#### Wage Impacts as of 1980

The bulk of available research has been conducted using 1980 Census data and, therefore, taps the initial effects of increasing immigration in a restructuring U.S. economy. Because of the retrospective nature of this type of analysis, even data from the 1990 Census—which is reviewed later in this chapter—reflects what occurred during the 1980's. While immigration and restructuring have accelerated since that time, a full analysis of immigration's effect during the 1990's will not become available until data from the 2000 Census are examined.

Most studies (reviewed by Borjas, 1994 and Friedberg and Hunt, 1995) reveal only small national-level effects of all immigrants on the wages of U.S. residents in 1980. As of that date, immigrants' greatest wage impact had been to decrease the wages of the foreign-born population already in the United States. Because workers tend to compete with others having similar skills, immigrants tended to compete most directly with other immigrants.

This situation was replicated in six metropolitan areas with high concentrations of foreign-born persons: Chicago, Houston, Los Angeles, Miami, New York, and San Francisco. Whether considering all natives or young blacks and Hispanics separately, workers in these cities did not experience a strong impact of immigration in the 1970's. The largest impact was on new immigrants themselves and "a sustained doubling of the rate of new immigration may reduce relative earnings of new immigrants by about 3 percent" (LaLonde and Topel, 1991:190).

One study has measured impact by considering the skill composition of immigrant and native groups, simulating wage effects by varying their relative supply of skills to the labor market (Rivera-Batiz and Sechzer, 1991). Twenty-one native and 12 immigrant groups were examined using 1980 data. The overall results indicate small effects of immigrants on natives. For example, it was estimated that at that time a 10-percent increase in Latin American immigrants would reduce the wages of white, black, and Mexican Americans by approximately one-half of one percent. Although the largest impacts on native wages appeared to come from Mexican immigrants, a 10-percent increase in immigration of this group would reduce the wages of Mexican and black Americans and Puerto Ricans by less than 1 percent. These general results held through the decade of the 1980's (Enchautegui, 1994).

## Wage Impacts as of 1990

A growing empirical literature is examining what occurred during the 1980's. Research tends to use successive censuses to gauge changes over the period. The available national-level studies indicate that immigration's net impact did not increase between 1980 and 1990. On average, natives in areas of medium to high immigration actually experienced increases in real wages. "Between 1980 and 1990, there were no significant changes in the effects of immigration on natives. Moreover, immigration had no negative effects on natives in either year. This suggests that no reduction in the capacity to absorb immigrants has occurred." (Enchautegui, 1995).

Many observers have begun to look beyond aggregate impacts to examine the effects on workers with various levels of education. During the 1980's the number of foreign-born workers increased by about 4.1 million, or 63 percent. Although the fraction of workers that are foreign-born persons increased among all schooling groups during the 1980's, the increase was particularly pronounced among the immigrants with the least amount of schooling. As of 1990, foreign-born workers increased the stock of workers lacking a high school diploma by about 25 percent, whereas foreign-born workers raised the number of workers with college diplomas by 11 percent, and that of other workers by about 7 percent. As of 1990, 21 percent of workers lacking a high school diploma were foreign-born persons, as compared with only 11 percent in 1980 (Jaeger, 1996: Table 1). These declines in the educational levels of the most recent immigrant streams have led some to believe that immigrants have contributed to wage losses of low-skilled natives.

Schoeni (1996) employs the conventional cross-metropolitan area methodology to examine the impact of immigration during the 1970's and 1980's on the labor market outcomes of 16 native demographic/schooling groups of workers. In regard to the impact of immigration during the 1980's, he concludes "there is little evidence that immigrants affected the wages of any native workers in the 1980's" (p. 25). Among schooling groups, natives with more than a high school degree have not been substantially adversely affected with regard to either wages or employment. However, Schoeni did find that non-Hispanic white and non-Hispanic black native males who have dropped out of high school experienced substantive employment declines in areas of greater immigration.

Jaeger (1996) examines the impact of the large relative increase in the supplies of immigrant workers on both the absolute and relative wages of various native skill groups in the 50 largest metropolitan areas of the United States. He finds that, in the aggregate, immigration during the 1980's had a "relatively small" impact on the wages of natives: "Immigration accounts for only 4 to 9 percent of the increase in the college-high school wage gap during the decade, and had comparatively small effects on the [absolute] wage levels of natives with a high school education or more" (p. 23). However, he does find that immigration substantially affected the wage levels of high school dropouts, with immigration accounting for about half the decline in their wage

level during the 1980's; that is, immigration accounted for a 3- to 5-percentage point decline. This effect is not surprising, given that foreign-born adults are about three times more heavily concentrated in the population that did not complete high school than in the total population. In 1994, foreign-born adults made up nearly 33 percent of the non-high school graduate population in the United States whereas they accounted for only 11 percent of the overall adult population (USDOL, 1996, pages 2-3).

## Impacts by Race/Ethnicity and Legal Status

Restricting the analysis to specific groups may uncover impacts that are obscured when all immigrants and all natives are examined. Narrowly defined subclasses of immigrant workers, especially by legal status, can have markedly different skill characteristics and may have varied impacts. Likewise, subclasses of natives may experience differential impacts from immigration.

### Race/Ethnic Impacts

Several studies have examined the impact of various immigrant groups on the major racial and ethnic groups of U.S. workers. It is noteworthy that only minor impacts, if any, were found even when the population is broken down by racial and ethnic groups. The one exception, was the finding of negative impacts of newly-arriving immigrants on the wages of earlier-arriving cohorts. From these studies, the general finding is that immigrants have had little or no impact on the black native-born population, a finding that runs counter to some popular impressions.

Bean et al. (1996) examine the impact of concentrations of Western Hemisphere immigrants (who are mostly Latino) on the employment outcomes of African Americans. The results for both 1980 and 1990 indicate that Western Hemisphere immigrants do not have an adverse impact on the unemployment or labor force participation of African-American men.

### Illegal Migrants

Because of their low skill levels and their incentive to work, even for low wages, the illegal alien population is oftentimes thought to have the greatest adverse wage impacts. In fact, while the case study literature (see Chapter 5, *The Impact of Immigrants on Low Wage Earners: The Case Study Research*) frequently finds negative impacts, national-level studies find only small effects.

Demographic estimates of the unauthorized population have been made using the 1980 Census count of all aliens and INS counts of legal aliens. Many believe that unauthorized workers may adversely affect women, blacks, and U.S. workers of Mexican descent who are thought to work in the same sectors of the labor market. Yet, when 1980 Census counts of the undocumented are used to infer the link between undocumented migration and native earnings, econometric models suggest that the wages of these native groups have not been adversely affected in any consequential way (Bean et. al., 1987). Similar data are unavailable to replicate this analysis for 1990.

Growth of the unauthorized population through the 1980's and 1990's may mean that their impact differs today and that particular subgroups may now be more affected by illegal migration. However, some 2.7 million undocumented migrants have recently achieved legal status as a result of IRCA's legalization programs, an "accounting shift" that may complicate future comparisons of the wages of legal and illegal migrants.

### Family- and Employment-Based Immigrants

Even legal immigrants vary by their skill levels and in the type of employment they find. Different entry groups may impact the economy differently. Only one research effort to date has analyzed this possibility using a unique 1980 database that permits estimates of the metropolitan populations of employment- and

family-based immigrants and of naturalized foreign-born citizens (Sorensen et al., 1992). The findings indicate that family-based aliens increased the earnings of U.S. workers, whereas employment-based aliens decrease the earnings of U.S. workers. Only over time and the transition to naturalized citizenship, do all foreign-born workers compete directly with U.S. workers.<sup>1</sup> All effects are small.

## Summary of Group Wage Impacts

The various studies described above have attempted to control for many of the variables influencing impacts: for example, country of immigrant origin, legal status of the migrants, and specific groups of native workers affected. Overall, the studies suggested that the measured adverse wage effects on the aggregate U.S. population were rather small. However, most of the studies were based on data for the 1980's. Therefore, it remains to be seen if this impact will remain throughout the 1990's given the significant levels of immigration in recent years, combined with the continued restructuring of the U.S. economy that places certain native groups and localities at greater risks.

## Immigrants and the Internal Migration of Natives

Workers are often highly mobile and move between labor markets. If immigrants increase unemployment or reduce wages in certain labor markets, domestic workers might choose to leave. What evidence of this phenomenon exists, how convincing is it, and what are its implications?

### Migration and Job Creation: Chicken or the Egg?

Do people follow jobs, or do jobs follow people? A few studies have estimated the number of migrants attracted by local employment creation and, concurrently, the number of jobs induced by an additional migrant to a labor market. Although the relationships may differ by region and over time, research indicates that the opening of 100 new jobs in a given locality leads to the employment of 40 to 70 migrants (native and foreign) from other localities, with the balance of the job openings going to local residents. Conversely, the employment of 100 in-migrants (native and foreign) brings with it increased demand that translates into 100, or slightly more, additional jobs (Greenwood and Hunt, 1984).

Only one study has explored the separate employment effects of immigrants and native migrants (Enchautegui, 1992). It uses cross-sectional 1980 U.S. county data on population and employment. County-level results indicate that during the 1970's, on average, 100 native in-migrants created 124 additional jobs, while 100 foreign immigrants created 150 additional jobs. While the magnitude of these estimates seem to conform with the general literature, this research needs to be replicated with better and more recent data. Still, it appears most likely that immigrants moving into an area did not diminish native employment opportunities, but rather they created enough jobs to employ themselves as well as others.

### Research on Immigration and Internal Migration

There is a yet more subtle possibility. If immigrants directly compete with U.S. workers, the movement of immigrants to a locality could place downward pressure on wages and might lead natives to move elsewhere. Research on the 1980 Census appears to support this hypothesis, especially for lower-skilled workers: at that time, 100 immigrants were associated with a net out-migration of 14 native blue-collar workers (Walker et al., 1992).

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<sup>1</sup> It may be that employment-based immigrants, in part because their admission depends on links to U.S. employers, may find work in the more formal and competitive sectors of the labor market. Conversely, the jobs that are initially filled by family-based immigrants, because they are not as tightly linked to the primary labor market, may mean that family-based immigrants compete less with U.S. workers. Over time immigrants may increase their integration into the primary market and, as marked by the act of naturalization, come into greater competition with U.S. residents.

There is evidence that immigrant and native migration patterns have continued to flow in opposite directions during the past decade. Frey (1994) has analyzed 1990 U.S. Census data and examined mobility patterns for many metropolitan areas and major States. His general findings show that high immigration areas have high rates of native out-migration, particularly among low and middle income groups and noncollege graduates. However, better educated interstate migrants do not appear to be deterred from moving to high-immigrant States.

A few studies have constructed panel or time-series data. These models are preferable for estimating the potentially countervailing flows of immigrants and internal migrants. Research on the 1970's does not "find much evidence for the substitution hypothesis" (White and Imai, 1994:202). While immigration may reduce native in-migration marginally, the result is not statistically significant. The studies indicate no real impact of foreign immigration on out-migration. Time-series models on States for the 1980's likewise find very small associations between immigration and native internal mobility.

### Critique of Migration Studies

Taken together, the migration impact research does not offer strong support for the hypothesis that immigrant/native job competition is a prominent cause for natives to out-migrate. Concern regarding labor market competition should focus on measures of employment creation rather than on indirect inferences from migration. In fact, available research on employment creation does not appear to be consistent with the notion that native out-migrants were first displaced by foreign immigrants.

Additionally, the most robust analyses have found that immigration has a small association, either absolutely or relative to other causal factors, with native internal migration. The results may be sensitive to which metropolitan areas are included in the mobility analysis. Except in the cases of New York City, Los Angeles, and Miami, "native in-migration flows during the 1980's were actually positively correlated with inflows of recent immigrants" (Butcher and Card, 1991).

Some economists argue that a migration impact offsets our ability to measure substantial wage effects: Displaced workers might spread effects thinly across the country "arbitrating" or obscuring wage impacts. But immigration has been substantial and concentrated on certain areas for more than two decades. Are markets so efficient as to dissipate those effects more or less immediately? Many regional studies indicate that adjustments occur over a number of years and, therefore, the "small wage impacts" finding of the literature reviewed above should be reliable.

## Additional Channels of Immigrant Influence

One of the major problems with many of the studies described above is their focus on a single channel of immigrant influence. They evaluate only the direct effects of immigrants on other workers in the production process or infer employment relationships from migration patterns. However, there are a number of other mechanisms through which immigrants can have indirect and cumulative effects on the domestic labor force.

Among other channels of influence are local demand for final goods and services (including demand generated by immigrant wealth), indirect and induced demands for factors of production, demand for fixed capital (for example, housing) and land, technological change, scale and agglomeration economies, unemployment, labor force participation, inflation, balance of payments, regional and national net exports, internal migration, remittances, public goods and services, externalities, and fertility patterns.

Only one study to date has estimated the net effect of immigrants on natives' wages and labor market outcomes through multiple channels of influence using 1980 Census data (Greenwood and Hunt, 1991). It incorporates several channels through which immigrants may affect natives, including production theory,

local demand (involving immigrant demand separately), net export demand, labor force participation, and migration. Both capital and labor are assumed to be mobile.

After estimating all parameters in their model, various simulations are performed allowing each channel of influence to operate one at a time. The results indicate that immigrants and natives are, in fact, substitutes in production; that is, immigrants lower native wages. However, when other channels of influence are taken into account, the negative effects stemming from substitutability in production are substantially mitigated. Moreover, under certain conditions the effects on native wages and employment are actually positive, which in turn leads to a positive correlation between native internal-migration and immigration.

These results are important because they demonstrate how cumulative effects on the labor market can produce a net result that is different from impacts in the production process alone. This observation should be kept in mind when evaluating the findings of studies that estimate immigration's direct impact on single outcomes, such as wages, unemployment, employment creation, or internal migration.

## Conclusions

The overall conclusion of macroeconomic research is that, at the national level, the net impact of immigration on the earnings and employment of U.S. workers is rather small. Most macroeconomic studies show very little net effect on native-born workers, of any race or ethnicity, either positive or negative. They find a somewhat greater negative effect of immigrants on the already-resident foreign-born population.

However, the effects of immigration are most palpable in the communities and industries where the entrants settle. The pace of immigration, and therefore the size of the immigrant population, has been growing for several decades. Because of the geographic and industrial concentration of immigrants and the simultaneous changes in the structure of the U.S. economy, some native groups and certain localities now find themselves particularly vulnerable to immigrant impacts.

Macroeconomic studies do not always detect localized effects. Greenwood and Hunt have demonstrated that while immigration does have adverse effects on certain workers, those effects are frequently mitigated (in a statistical sense) by corresponding positive effects. Statistical models that quantify net effects necessarily understate the magnitude of both negative and positive consequences. For a closer examination of these consequences, it is therefore useful to review the case study literature.

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## The Impact of Immigrants on Low-Wage Earners: The Case Study Research

Case study research on the impacts of low-wage immigrants is distinguished from other approaches by its local focus and by its eclectic methods. Case study researchers investigate the influence of immigrants on a circumscribed environment and normally study the role of immigrants in one industrial sector in one location at a time. The most distinguishing characteristic of this research is its reliance on in-depth interviews with all parties involved, including the employed immigrants, similarly employed U.S. workers, employers, participants in ancillary activities, trade unions, and employer associations. Usually the work uses quotes from the economic actors to highlight its points.<sup>1</sup>

The case study approach suffers from many limitations. Its main problem is the difficulty of generalizing findings to a societywide level from individual cases.<sup>2</sup> Also, competition among groups participating in a sector is easier to observe in a case study while complementary interactions may be hidden because they occur throughout a community. It is hard to determine with precision who gains and loses as a result of immigrant incorporation into the studied labor market because researchers normally cannot follow up on those who depart the subsector of employment. The only certain losers are observed workers who stay behind at depressed conditions after immigrants enter a labor market. Nor can case studies usually identify the ripple effects beyond the sector under study. Even in cases where wage depression can be unequivocally demonstrated within a sector, the impact on other participants outside the immediate labor market is not clear. Impacts on workers in ancillary occupations who are affected by the production level and costs of the sector under study (for example, wholesalers, packers, and truck drivers associated with the production of fruits) are not usually adequately reported by the case studies.

On the other hand, case studies have many advantages in studying immigrant impacts on low-wage sectors. The mechanisms of group interaction and processes of incorporation can be probed by talking to the actual participants, who can explain from their point of view the role of immigrants in the evolution of the sectoral labor market. These interested parties can identify with precision the mechanisms of ethnic replacement and succession, and they provide insight into what actions resulted in some groups benefiting while others did not. The researcher, of course, must be able to balance the often contrasting views of people with distinct interests in order to leave readers with a balanced perspective (Waldinger, 1996).

One unique advantage of this close-up, fine-grained approach is that powerful hypotheses emerge, which help analyze the impacts of immigrants on low-wage sectors. The first step is to be conversant with these hypotheses if the case study approach is to be beneficial. The hypotheses focus on the basic issue of this chapter: whether or not, with all else being equal, immigrants have a negative or positive effect on the principal groups at risk (that is, low-skilled Americans and previously arrived legal immigrants). This chapter begins with a hypothesis that stresses the positive or neutral role of immigrants and then turns to one that focuses on the more negative side.

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<sup>1</sup> There are four main sources of these case studies. The University of California at San Diego, Center for U.S.-Mexican Studies, did a series of case studies in its Government Interventions Project in 1982-1985. Roger Waldinger and Thomas Bailey studied various sectors in New York City throughout the 1980's; Waldinger has continued doing case studies in Los Angeles in the 1990's. The Commission on Agricultural Workers sponsored a series of case studies on farmworkers in 1992. And, finally the U.S. Department of Labor's International Labor Affairs Bureau sponsored industrial sector case studies in the 1987-1988 period. Many of them are summarized in U.S. General Accounting Office (1988) and U.S. Department of Labor (1989).

<sup>2</sup> A case study can pinpoint a negatively affected group such as unskilled black janitors in Los Angeles. However, it cannot tell if immigration's overall effect on blacks in Los Angeles was negative. Any economic expansion that may have resulted from immigration could have indirectly opened up many public service jobs (which are often barred to immigrants) for blacks.

## Hypotheses on Immigrants and Low-Wage Sectors

### The Successive Ethnic Niche Hypothesis<sup>3</sup>

First, under this proposition, there is not direct substitutability between immigrants and natives. Although foreign and domestic labor groups may share some common traits—for example, their low skill level—differences in their expectations and work objectives outweigh these apparent similarities. Second, the newcomers do not usually drive native workers out of the labor market, but rather, they enter as the natives move up to better jobs. Through ethnic succession, the immigrants replace earlier immigrant groups who are voluntarily departing. Third, some immigrant groups establish potent ethnic markets through the development of culture-specific autonomous ethnic enclaves or by forming subgroups in the open economy.

For some groups within these economic enclaves and subgroups, both entry and the acquisition of skills are largely restricted to coethnics. The immigrant groups under this model are socially closed and complete: Families immigrate with adequate numbers of “leadership” individuals possessing human and financial capital. These better-off individuals in the ethnic group form an entrepreneurial elite that hires later arriving coethnics and provides them with skills. This process allows unskilled members of immigrant ethnic groups to achieve occupational mobility and form small firms of their own.<sup>4</sup>

Under this model, when long-resident ethnic groups such as Irish, Italians, and Jews leave low-wage job slots, the new immigrant groups succeed in filling the openings. However, this immigrant incorporation does not constitute a displacement of groups of native Americans because these latter groups either were never dominant in, or voluntarily departed from, the now immigrant-reliant sectors.

### The Successive Ethnic Displacement Hypothesis<sup>5</sup>

Under this model, labor markets are undermined by successive waves of newcomers. The ethnic groups in this situation are better characterized as job-seeking networks dependent on the larger overall labor market than as self-sufficient groups that provide newcomers opportunities for learning skills and opening small businesses. The community networks are not complete groups that include members with high skills and financial resources. Rather, they are truncated networks consisting of predominantly unskilled, poor immigrants in which solo males are a significant and constantly replenished subgroup.<sup>6</sup> Moreover, the networks are often transnational in character. For example, a large proportion of farmworkers who do seasonal jobs go back and forth to the United States from their foreign base or home community.<sup>7</sup>

Often the larger economy uses middlemen of the same ethnic group to mediate the transactions with the unskilled newcomers. Individual sending communities mature over time, first sending male pioneers to the United States. After time, some of these earlier arrivals get decent jobs, bring their families, and set up settlement communities. The settled family migrants, although their skill levels remain low, have more familiarity with U.S. labor customs than the recently arrived migrants. As a result, over time the settled immigrants make demands on employers to improve wages and working conditions. But these demands often backfire on the settled immigrants because the ethnic middlemen have access to more recently arrived migrants whom they use to replace the incumbent workers.

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<sup>3</sup> The contributors to this formulation are Roger Waldinger (1996), Thomas Bailey (1987), and Alejandro Portes and Robert Bach (1985).

<sup>4</sup> The best examples of these successful ethnic niches are Jews, Japanese, Cubans, and recently Koreans (Portes and Bach, 1985:268).

<sup>5</sup> This hypothesis can be found in Zabin et al. (1993:91), Mines and Avina (1992), and Mines and Anzaldúa (1982). The national groups most closely associated with this type of network are Mexicans and Salvadorans.

<sup>6</sup> In agriculture, one of the sectors most cited by the proponents of this model, about 64 percent of the workers are unaccompanied workers (U.S. DOL's National Agricultural Workers Survey).

<sup>7</sup> About 46 percent of foreign-born farmworkers return abroad each year (Gabbard et al., 1994:17).

## Evidence for Hypotheses on Immigrants and Low-Wage Sectors

### Evidence for the Successive Ethnic Niche Hypothesis

Thomas Bailey and Roger Waldinger conducted a series of case studies in the 1980's in New York City that provide support for the first hypothesis of successive ethnic niches. Despite appearances to the contrary,<sup>8</sup> African-American New Yorkers were not displaced by foreigners. Waldinger demonstrates clearly that the white ethnic groups in New York City who left low-skilled employment in the period after 1950, and especially after 1970, did so voluntarily (Waldinger, 1996:93). Although the low-wage sectors shrank somewhat as education requirements for employment increased and industries left the inner city, the demand for low-skilled workers remained strong in New York City. However, in the manufacturing sector, construction, hotels, and restaurants—where the immigrants entered in large numbers—blacks had never had a large presence. As a result, there was no direct displacement of blacks, just the replacement of whites.

Waldinger presents evidence that the main barrier to blacks becoming the replacement group instead of the immigrants was the lack of upwardly mobile jobs in these sectors.<sup>9</sup> According to Waldinger, opportunity for upward mobility would have drawn blacks into these sectors; however, African Americans, as second- and third-generation immigrants from the South, were not interested in essentially dead-end menial jobs. In the garment industry, the unions and incumbent workers of white ethnic groups made it difficult for African Americans to gain access to the skilled positions (Waldinger, 1996:108). In construction, despite extensive protest and pressure, trade unionists were able to keep African Americans away from most of the skilled trades. Finally, in hotels and restaurants, the front-of-the-house jobs (like waiters and receptionists) which often lead to skill acquisition opportunities, were difficult for African Americans to obtain. While blocked from numerous upwardly mobile private-sector jobs, many blacks, especially the educated, began to build their own labor market niches in government and large companies. Similarly, many of the low-paid immigrants established ethnic niches and advanced as a group through skill acquisition and small business activity.<sup>10</sup>

Waldinger (1992) compares hotel workers in Philadelphia, a city with a low concentration of immigrants, with New York City where immigrants are numerous. Despite there being a greater presence of immigrants in the hotel industry in New York City, hotel wages in that city are higher. This demonstrates that the presence of immigrants by itself may not have a negative impact on wages. Moreover, immigrant hotel workers in New York have not been limited to the menial tasks, but have moved up in a hotel environment that has allowed them to refer their coethnics to better job slots.<sup>11</sup>

Meanwhile, the native minority workers have not broken the barriers to upward mobility in the industry. Waldinger identifies discrimination as a contributing factor. In his surveys of hotel managers, he finds that they tend to stereotype African Americans and demonstrate a preference for immigrants. Moreover, front-of-the-house jobs tend to be monopolized by whites. Hotels actively recruit in colleges to fill these positions. At best, African Americans find themselves competing against immigrants for jobs in the lower-wage, less prestigious back-of-the-house management slots. For all these reasons, native minority workers, seeing no

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<sup>8</sup> The immigrants took over many of the niches in low-wage employment in New York City at a time when black employment, especially for the unskilled, was dropping. Native African-American employment in New York City for men aged 25-64 fell from 81 percent to 66 percent between 1970 and 1990 according to the Census (Waldinger, 1996:54).

<sup>9</sup> The arguments regarding the reasons that African-Americans did not occupy the economic niches being vacated by whites (which are principally attributed to anti-black discrimination) are developed in Waldinger's recent book (Waldinger, 1996). These arguments were not part of the original hypothesis developed by Waldinger and Bailey in the 1980's and are not a necessary part of the successive ethnic niche hypothesis presented here.

<sup>10</sup> In the 1970's and 1980's, overall garment production in New York City fell, while the Chinese manufacturing niche in this sector grew. Small Chinese firms were able to bring skilled opportunities to their coethnics. However, native workers referred by the Employment Service complained that they could not obtain these skilled jobs. The Chinese owners claimed that it was not worth their time to train the natives because they knew they would not last (Waldinger, 1996:265).

<sup>11</sup> These include cooks, maitre d's, food service managers, and cleaning managers.

chance for meaningful mobility in the hotel industry, tend not be attracted to entry-level jobs like room cleaners, which are increasingly being occupied by immigrants.

The main difference Waldinger finds between the two cities is a faster exit rate of whites from the hotel industry in New York than in Philadelphia. The need for replacement of these exiting white ethnic workers gave the immigrants their opportunity in New York, of which they took advantage (Waldinger, 1992:112).

Bailey (1987), in a case study on New York City restaurants, presents evidence that immigrants are occupying niches peculiarly suited to them. However, the fast-food industry is an exception because American teenagers can tolerate part-time, short-term employment, thus making good recruits for these enterprises. In fact, this fast expanding sector has absorbed few immigrants while offering many job opportunities to U.S. workers. Furthermore, in the fast food sector, corporations offer chances for job mobility for domestic workers by offering training programs for managers.

On the other hand, in the full service (white tablecloth) and ethnic food sector, the back-of-the-house jobs are dominated by immigrant ethnic workers. Bailey argues that immigrant job objectives are more consistent with the conditions and opportunities in this sector than is the case for domestic workers. The firms are small, and the job ladders are limited. The back-of-the-house workers who begin as dishwashers may have to wait years before a job such as sous-chef becomes available. Moreover, there are limited opportunities for back-of-the-house immigrant workers (and native minorities) to take bartender and waiter jobs that require direct contact with the public.<sup>12</sup> The immigrants, who are often target earners trying to save either to return home or start a business, are willing to tolerate the long and erratic hours of tedious work in the kitchen. Domestic workers who dislike the long hours and the lack of near-term upward mobility believe they have better options than these back-of-the-house jobs. As a result, restaurant owners experience higher turnover rates with domestic workers and develop a preference for immigrants. At the same time, opportunities for advancement for immigrants exist because those immigrants who have the patience to learn the back-of-the-house skills are well positioned to take skilled jobs or open their own restaurant, after they gain several years of experience.<sup>13</sup>

This presentation of the restaurant industry example points out the complementarity of immigrant and domestic workers' labor. According to Bailey, if the supply of immigrants were lessened, there would have to be a shift away from full-service restaurants either to fast food restaurants or to grocery stores. This transition would occur because higher worker turnover would make the full-menu, labor-intensive service more expensive and demand for such service would necessarily decline. Whether such a change benefited fast food establishments or grocery stores, employment for native youth (and some fast food managers) would probably increase. However, employment of front-of-the-house workers in the full-service restaurant, largely well-paid Americans, would decline. In other words, under this scenario, a reduction in immigration would benefit low-wage Americans at the expense of higher-wage Americans.

There is another pair of case studies that tend to give support to the successive ethnic niche hypothesis. The first is the Los Angeles shoe industry. As the white workers in this sector left in the 1950's, a group of skilled shoe workers entered the industry from Guanajuato, Mexico. As a result, the Los Angeles industry was able to maintain its employment level relative to other areas where imports have made greater inroads. However, the wage levels of the workforce fell below that of shoe workers elsewhere in the United States (Runsten, 1985). The second case is the textile industry in Lowell, Massachusetts. This sector began to hire skilled loom fixers from Medellin, Colombia, when the number of domestic artisans in this field dwindled. The skilled Colombians occupied a minority of the slots in the industry but were viewed as vital to its survival (Glassel-Brown, 1988).

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<sup>12</sup> This limitation does not apply to immigrants in the ethnic restaurant sector where front-of-the-house jobs sometimes go to coethnics.

<sup>13</sup> It should be noted that restaurants, especially ethnic ones, absorbed immigrants as the sector expanded. Obviously, no direct displacement of domestic workers occurs in that part of the sector that expanded.

## Evidence for the Successive Ethnic Displacement

The critical potential negative impacts of immigrants are displacement of incumbent worker groups from their jobs and wage depression for those who remain in the affected sectors. These negative outcomes sometimes occur as a result of intentional employer actions, while at other times they evolve without a precise employer decision. The most basic approach is for the employer simply to switch from current workers to newcomer networks. Unless the employer speaks the language of the immigrant group, hiring is often done by a bilingual intermediary, either a current employee or a hired middleman. Because the employer is working through the middleman and does not deal directly with the labor force, the employer may not even know that new workers are replacing incumbents.

Another strategy involves immigrant-using low-cost firms underbidding high-cost firms that use a lower proportion of recently immigrated workers. A closely related practice is to subcontract out activity to immigrant-using firms, which leads to the laying off of domestic or incumbent immigrant workers in the primary job-site of the firm. Other firms reorganize their production or technology in a way that tends to exclude or put competitive pressure on U.S. workers. Finally, some firms move geographically to take advantage of low-wage immigrants while others use immigrants to weaken unions. Below, the case study evidence is reviewed to provide historical examples of these practices and the negative outcomes for incumbent workers.

### Direct Changing of Networks

The most current case study example of this practice involves Mixtec farmworkers in California and Oregon. The Mixtecs are a minority indigenous non-Spanish-speaking group from the state of Oaxaca, Mexico, who entered the United States in the early 1980's. Because of their lack of education, inability to speak Spanish well, and their ethnic minority status in Mexico, they have come to occupy the bottom rung of the employment ladder in western U.S. agriculture. Estimates have put them at about 10 percent of California farmworkers (Zabin, et al., 1993). The workers being replaced are primarily Mestizos from sending areas in North Central Mexico, whose mother tongue is Spanish.

A case study was held of Mixtec workers in the raisin grape industry of California. The labor force in this crop has several segments. At the bottom are the workers employed by farm labor contractors (FLCs) who sometimes charge for obligatory services such as rides. Above that rung are workers who can get short-term seasonal jobs directly from the grower. Finally, there is full-time work for workers who maintain the vineyards year round.

The Mixtec tend to enter at the lowest rung of the job ladder and many remain there. Evidence from the case study demonstrates that the Mixtec crews are less expensive for the FLC than Mestizo crews. Their labor cost is about 85 percent of that of a Mestizo crew (Zabin, et al., 1993:107). The FLCs who use Mixtecs tend to increase their market share because they can offer the grower the same service for less cost. The result is that the incumbent Mestizo workers lose work. It may be that some of these Mestizos are leaving voluntarily not only because they do not like the depressed wages but also because they have better alternatives. However, growers studied by the case study researchers were turning to direct hires of Mixtecs (without intermediaries). The study provides proof of the direct layoff of Mestizos to make room for the less costly Mixtecs. The study observes that the Mixtecs "have driven the Mestizo workers out of the market" (Zabin et al, 1993:113).

The story of group displacement in California agriculture is not unique to Mixtecs in the raisin grape harvest. Another case of clear displacement occurred among tomato pickers in San Diego County in the early 1980's. A group of unionized legal border crossers who lived in Tijuana picked the "fresh market" tomato crop for many years in San Diego County. They were making \$4.00 per hour by 1980. However, in the early 1980's, growers switched to an unauthorized crew of workers and lowered the wage to \$3.35 (Nalven and Fredrickson, 1982; U.S. General Accounting Office, 1988:38). Almost all the veteran workers who were unwilling to work at the reduced rate disappeared from San Diego County's tomato fields.

There are many other examples of switching to newcomer workers in agriculture from the case study literature. Hispanic migrants have replaced the native African-American peach workers in South Carolina and Georgia. Usually, the newcomer migrants take over the harvest tasks first and only later replace the native workers in the preharvest and packing shed jobs (Amendola, et al., 1993). The same phenomenon also has occurred in Michigan where recent Mexican immigrants have replaced incumbent migrant workers from Texas (Kissam and Garcia, 1993). Although there is no proof from these case studies that incumbent workers were forced out of farmwork for they may have been departing for reasons unrelated to the new entrants, accounts of stagnant wages and surplus labor of newcomers were reported in 9 out of 10 case studies conducted for the Commission on Agricultural Workers (1993). These conditions may contribute to native workers' decisions to leave these labor markets.

### The Underbidding of Competitors and the Use of Subcontractors

The organized janitorial workers of Los Angeles had achieved favorable Service Employees International Union (SEIU) contracts by the early 1980's. The labor force in the downtown high-rise office buildings was a stable group of native African Americans who were paid \$12 per hour, including benefits. At that time, new firms were formed that hired a labor force of new arrivals from Mexico and El Salvador and paid these newcomers the then minimum wage of \$3.35 per hour. Because janitorial work does not require much training, employers were able to reorganize the work by using roaming crews of workers rather than the previous system of stationing janitors in each building. This new labor process was made possible because the new migrants provided an ample and easily replenishable workforce that accepted these much lower wages and less desirable working conditions.

Some of these new firms were run by the previous managers of the unionized firms who were familiar with the required level of service and had contacts with the building managers. In a period of 2 years, the union firms had been displaced by the new firms. The incumbent native-born workers lost their jobs as recent immigrants filled those positions. The going wage for janitors in the large office buildings had been reduced to a fraction of what it was before (Mines and Avina, 1992). The displaced African Americans did not find other work. According to a black business representative, "a very small percentage of these worker(s) have found jobs. They are unskilled people; they don't know anything but janitorial..."(Mines and Avina, 1992:440).

A similar scenario occurred in Ventura County citrus in the late 1970's and early 1980's. A group of harvesting associations had, since the end of the Bracero Program in 1965, opted for a stabilized Mexican labor force. In effect, the associations legalized the former Mexican Bracero workers and their relatives. The settled workers, after adapting to life in the United States, grew to expect improved conditions and eventually became protected by a union contract. But, after conditions improved for the workers, alternatives to the grower associations began to appear in the form of FLCs using recently arrived immigrants. In the space of a couple of years, the grower associations had dissolved themselves, and the union lost all its contracts. The workers either worked for the new contractors with greatly reduced wages and benefits or they left the industry (Mines and Anzaldua, 1982).

In a more recent example, Los Angeles hospitals have been switching to subcontractors to do janitorial tasks (Lichter and Waldinger, 1996). African Americans make up many of the regular hospital employees who are being put at risk by this development. The subcontractors are paying \$4.50 per hour instead of the \$7.90 going rate for in-house workers. "The result is the likely replacement of many long-term hospital workers, especially African Americans" (Lichter and Waldinger, 1996:50). Even if native-born blacks wanted to work at the reduced wage, they do not have access to the jobs because the work is controlled by Spanish-speaking crew leaders. African Americans have had greater success obtaining work in large firms or in the government where there are formal hiring structures. In the smaller firms and in the subcontractor environment, those workers connected to ethnic networks have a better chance.

## Reorganizing the Production Process, Geographic Relocation, and the Weakening of Unions

Over the past 20 years, the meat-packing industry reorganized its production techniques to shift much of the cutting and packaging of meat from unionized butchers in grocery stores to lower cost packing houses. This move was accompanied by geographic shifts of production from Midwestern cities to small towns in rural areas of the Midwest and High Plains region (Stanley, 1988). The management was willing to take the risk because networks of immigrants—first Southeast Asian refugees and later Mexican immigrants—were available to perform this work (Lamphere et. al., 1994). IBP, the nation's leading meat packer, recruits Mexican workers directly from Mexico and along the border. The gains for the company in reduced labor costs and increased speed of production have been remarkable. Both the proportion of the labor force protected by union contracts and the proportion of domestic workers involved in cutting meat have been greatly reduced (Grey, 1995).

Another example of geographic shift occurred in the Northern California furniture industry in the 1980's. The competition of low-cost labor plants in Southern California forced the closing of some plants, while others moved from the unionized San Francisco Bay Area to California's Central Valley. Before the geographic shift, wages were well above those of Southern California, and the Northern firms had a mixed workforce with many U.S. born and long-settled immigrants (Mines, 1985a).

The melon industry in Northern California in the early 1980's changed its production process without any apparent efficiency advantage. It greatly reduced its fully mechanized packing house activities and moved its melon packing to the field. In the sheds, a unionized crew of mostly U.S.-born workers was eliminated while the predominantly Mexican field crews earning much lower wages were assigned the extra work (Runsten and Archibald, 1992).

Unions have also been weakened directly by the use of recent immigrants. The Mission Foods tortilla factory strike of 1982 saw management first lower wages by 40 percent. Then, when the U.S.-born and settled immigrant workforce went on strike, the Mexican managers intentionally brought in recently arrived strikebreakers and defeated the strike. Some of the former workers returned to work at the reduced rate but most left (Mines, 1985b). Another example of manipulation of unions with the use of immigrants occurred in the Los Angeles hotel industry in the early 1980's. To lower costs, management switched from a Teamsters union local made up mostly of native black crews to Seafarers Local whose members were mostly recent immigrant crews (Mines and Runsten, 1985). Despite these case study findings, the immigrant status of workers cannot always be used to weaken union strength. In a case study of undocumented workers in a waterbed factory in Los Angeles in the late 1980's, Delgado (1993) relates how a successful union campaign was launched, and a contract was won.

## Conclusions

Case study work does not support a single summary conclusion. In fact, its practitioners have formulated two seemingly contradictory hypotheses from their work. The effects of immigration may well vary significantly with the attributes of the workers—both native and foreign—involved, and the context into which immigrants move.

Waldinger illustrates that labor market reconfiguration is a dynamic process. At a given point in time, specific ethnic groups (native or foreign) may dominate particular labor markets. But forces such as domestic and international migration, differential population growth, and the aging of the dominant group gradually alter the composition of the incoming labor supply. As this happens, control of those markets may pass voluntarily from one subgroup to the next.

Immigrant groups that are well endowed with human and financial capital are often able to form self-help mechanisms, allowing them to defend themselves well in the new environment. The entrepreneurial class

within such groups can provide employment and training opportunities to its coethnics. Ethnic loyalty allows merchants a natural market for its unique products. This same loyalty leads to schemes of rotating credit that can permit skilled but resource-scarce immigrants a chance to start their own businesses. The ethnic loyalty also induces skilled workers to form ethnic niches in the open economy from which they can help their coethnics gain access to opportunities for advancement.

However, some immigrant networks operate without the benefit of their religious and business leaders. These groups are often characterized by a constantly replenished influx of solo male newcomers, particularly in the agricultural sector. This type of flow is unable to form a self-sufficient enclave from which ethnic advancement can occur. Instead, the migrants find themselves continuously taken advantage of by employers aided by coethnic middlemen. Many of the immigrants in these networks cannot achieve mobility out of depressed work environments.

There is ample evidence that both types of networks, completely integrated communities and solo immigrant recruitment, exist. The ethnic succession and ethnic displacement hypotheses are not necessarily contradictory. Instead, they help explain the different roles played by immigrant networks in different circumstances. Both the make-up of the network itself—namely its cohesiveness, educational level, and resources—and the outside environment in which it finds itself determine the immigrant group's ability to advance and its affect on competing or complementary population groups.

Immigration policy and labor policy can be improved by better understanding the distinct behavior of different types of immigrant networks. Information about those groups who may be adversely affected by immigration provides insights that can be valuable in improving worker protections and enforcement within these labor markets, as well as retraining and reemploying displaced workers.

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## Professional Labor Markets and Immigration

The changes brought about by immigration may have both positive and negative repercussions. For example, to the extent that immigrants agree to wage offerings deemed unacceptable by similarly employed natives, producers and even consumers may perceive the impact as positive: that is, lower costs. If, however, those competing natives subsequently experience eroding wages and working conditions, they will perceive the impact as decidedly negative during the period of adjustment. The ripple effects of cost reduction may be felt by consumers thousands of miles from the site of immigrant concentration. Eroding wages and working conditions will presumably be most palpable to natives living near, and competing with, immigrant workers that have a lower reservation wage. Whether or not increased immigration affects the broader aggregate outcomes in a labor market, a comprehensive assessment of the labor market impacts of immigration must also emphasize the effects on resident workers in the particular locality, industry, and/or set of occupations.

Econometric studies employ relatively large data sets, such as the decennial census or major national surveys. Although such sources distinguish between citizen and noncitizen aliens, lawful permanent residents cannot be distinguished from temporary entrants, let alone those in specific categories of entry.<sup>1</sup> Sensitivity to the impacts of specific entry groups—the basic building blocks of immigration law—requires greater precision. This requirement necessitates data on the actual stock of entrants in specific geographic, industrial, and occupational labor markets, as well as the terms under which those entrants were admitted to participate in U.S. labor markets and if those terms are being met.

Regrettably, the existing Federal data system is not designed to monitor the stocks of foreign workers resident in this country who are permanent resident aliens or temporary nonimmigrants. This data gap is significant and seriously constrains quantitative analysis of migratory impacts.

Despite this dearth of key information, interest in the numbers and potential impacts of various immigrant groups has continued to grow. The passage of IMMACT90 turned the spotlight on a group whose entry had previously gone largely unchallenged: immigrant professionals. A decade ago, it was widely believed that this nation faced an impending shortage of scientific personnel (Hudson Institute, 1987; National Research Council, 1984; National Research Council, 1988). Leading scientists' projections helped persuade Congress to enact the 1990 legislation.<sup>2</sup> IMMACT90 altered the terms of admission for temporary professional workers under the H-1B visa covering persons in "specialty occupations"—defined as occupations requiring a baccalaureate degree—and increased the number of skilled, permanent, immigrant workers admissible each year. Immigration researchers have recently become more interested in the role of high-skilled immigrants in the U.S. economy. This new inquiry concerns the number and characteristics of workers in affected professional labor markets and, in some instances, how those labor markets have performed since the enactment of IMMACT90.

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<sup>1</sup> Empirical researchers do attempt to impute entry-status (see Chapter 2), but such procedures are inferior to information on admissions class.

<sup>2</sup> Hearing before the Subcommittee on Science, Research and Technology of the Committee on Science, Space and Technology, U.S. House of Representatives, One Hundred First Congress, July 31, 1990.

## Recent Literature on Foreign Professionals

Despite the well-documented link between higher education and job quality, college graduates cannot be assured of finding college-level jobs. In 1992, 23 percent of all workers whose highest degree was a BA held noncollege level jobs (Hecker, 1995). Fully 20 percent of those with bachelor's degrees, 11 percent of those with master's degrees, and 7 percent of those with doctorates earned less than the median earnings reported by high school graduates. Recent studies suggest that in some professional fields, job prospects for new graduates may fall short of expectations and that one factor contributing to potential job uncertainty may be immigration.

Employment within universities and research institutions has been a subject of many recent studies (Casals and Associates, 1996; National Academy of Sciences, 1995; Commission on Professionals in Science and Technology, 1995; Finn et.al., 1995; North, 1995). Because the number of immigrants and nonimmigrants in this sector is both large and growing, the scholars contributing to this literature are often, themselves, interested parties. Given their training, networks of communication within and across disciplines, contractual relationships with private industry and government, and their celebrated penchant for writing, academics have much to contribute to the immigration policy debate. The fields they represent often recruit both nationally and internationally and conduct annual surveys that have become a source of "new" data on trends in immigrant stocks and flows. In some instances, their analyses resemble statistical case studies of national labor markets.

## Nativity of U.S. Professionals

One study that provides a useful baseline is that of Bouvier and Simcox (1994), which explored 1990 Census data regarding the nativity of professionals in various fields. Although the authors could not identify categories of entry or immigrant status, they did look closely at the infusion of foreign talent into specific areas of potential impact. They found that within the professional population, broadly defined, only 8.2 percent of workers were foreign-born persons. Yet, immigrants held a disproportionate share of certain highly coveted professional jobs. For example, in 1990, more than 20 percent of U.S. physicians were foreign-born persons. Bouvier and Simcox concluded from census data that, in many of the professions studied, immigrants had completed more years of schooling and had far more technical training than did their native counterparts.

A sample of 215,000 of the individuals first studied by Bouvier and Simcox have since been tracked by the National Science Foundation's (NSF) National Survey of College Graduates (NSCG). The NSCG sample follows the educational and labor market experiences of persons whose 1990 Census response indicated they had a college or higher degree. Like the census, this survey enumerates population stocks without differentiating by class of entry or immigrant status. However, it brings the profile of foreign-born professionals substantially closer to the present.

NSCG data reveal that, as of April 1993, two out of three foreign-born persons in the United States who held doctorates in sciences and engineering (S&E) had attained them in the United States (NSF, 1995a). Just 9.8 percent of all S&E bachelor's degrees, 18 percent of all master's degrees, and fully 23 percent of all doctorates were held by the foreign-born persons. The percentage of Ph.D.s who were foreign-born persons varied tremendously across fields as the following figures show: nonscientific fields and medicine (12.4), social sciences (13.1), life sciences (21.3), physical sciences (25.9), mathematics and computer sciences (33.6), and engineering (40.3). Slightly more than half (50.6) of the nation's civil engineers at that time were foreign-born persons.

Because the Ph.D. is essentially a teaching and research degree, NSCG examined the share of all Ph.D. scientists and engineers engaged in research and development activities. It showed that in 1993—in every major field of S&E—immigrants were more likely than natives to be engaged in research and development. Just 44.8 percent of native S&E doctorates, as compared with 58.4 percent of the foreign-born doctorates (and 62.4 percent of the foreign-born persons who had received Ph.D.s from U.S. universities), were engaged in research and development activities in 1993.

Such statistics are frequently cited as evidence of the vigor of U.S. educational institutions and the fact that the “best and brightest” scientists and engineers are frequently foreign-born persons. A growing share of all new U.S. doctorates in a wide range of science and engineering fields are, in fact, foreign-born persons. The reasons for this phenomenon, and its labor market implications, are the subject of numerous studies (National Research Council, 1988; North, 1995; U.S. General Accounting Office, 1995).

While there is evidence that many educators intentionally favor native over foreign students (North, 1995), the opposite may be true in certain important labor markets. Employers, including some administrators of academic and research programs, often willingly discuss what they consider to be their justifiable preference for foreign-born applicants over native job candidates (Casals and Associates, 1996). Academicians and researchers often criticize native scientists and engineers for their “weak” technical backgrounds. Employers in private industry sometimes view native candidates as overly specialized (NAS, 1995). There are also complaints that native workers expect higher wages for a given job than do their foreign-born peers. The lower wage demand of a foreign worker is hardly surprising; however, if an implicit part of the compensation package is the highly prized but nonpecuniary benefit—the prospect of U.S. citizenship.

Many employers who petition on behalf of foreign candidates say they do so to obtain quick access to technical skills. In fields such as software development, technology is changing so rapidly that specific skills quickly become obsolete. Employers often see their international competitiveness as being dependent on timely access to recent graduates in those fields—whatever their national origin. They also see employment of foreign workers as a means of enlarging foreign markets and enhancing cultural diversity in the workplace.

## Flows of Immigrants Within the Professional Workforce

The stock of workers in any discipline is dynamic. While new graduates, immigrant admissions, and nonimmigrant entries continually add to the total, growth is slowed by emigration, retirements, and death. A number of recent studies have looked into specific aspects of this process.

NSF’s annual report, *Immigrant Scientists, Engineers, and Technicians*, looks at the attributes of scientists and engineers who immigrate to the United States on permanent immigrant visas each year (NSF, 1995b). Admissions of scientists and engineers, as defined by the INS, increased by 62 percent between 1991 and 1992, a change NSF attributed in part to IMMACT90. More than two-thirds of all S&E permanent admissions in 1992 were engineers. Another 14.8 percent were mathematicians, while natural and social scientists accounted for the remaining 12.2 and 4.8 percent, respectively.

The contribution of nonimmigrants to the stock of professionals is considerably more difficult to measure. The data are weak, often counting the number of individual entries into the United States rather than the number of individuals having nonimmigrant visas.

The lack of information on nonimmigrants makes their overall impact difficult to assess. One prime example is the H-1B category covering workers in specialty occupations. Assumptions about the share of the Labor Condition Application-requested temporary workers who actually fill jobs, the length of their stays in that status (whether on each visit or in the aggregate), and the number of entries per individual can lead to quite different conclusions about the stock of H-1Bs resident at any time.

Classifications by job title only adds to the quantification problem. For example, estimates of the impact of immigrants within the software development and information technology fields—a highly contested area—will depend on whether or not the researcher considers the potentially affected occupations to include all engineers, electrical engineers, software engineers, computer scientists, computer systems analysts, and/or computer programmers.<sup>3</sup>

One unpublished analysis, by the Software Professionals Political Action Committee (SOFTPAC), considers migrants in the software industry to adversely affect engineers—the term being broadly defined (SOFTPAC, 1995). SOFTPAC concluded that 30,000 foreign-born temporary engineering workers entered the U.S. workforce in 1993 and that “the entire demand for engineers in the 1990-1993 period could have been met by new college graduates, and still left over 75,000 unemployed engineers” (p. 7). Citing a recent decline in college engineering enrollments as evidence that new students realize job prospects in that field are eroding, SOFTPAC warns that “the Immigration Act of 1990 may, in the end, create the very skill shortage it was designed to address” (p. 8).

The international mobility of nonimmigrant aliens is especially difficult to measure. The INS recently published new estimates of duration of stay based on departure records of nonimmigrants in various visa categories (U.S. INS, 1996). Two analytical limitations of these data result from the way they are collected. The published means and medians (1) measure periods of U.S. residence between international trips rather than over the lifetime of the visa and (2) they do not take into consideration residential durations of aliens who remain continuously resident in the United States. Therefore, estimates of the length of time aliens remain in this country on a particular type of visa are downwardly biased.

Finn, et al. (1995) have calculated “stay rates” of foreign-born science and engineering Ph.D.s following graduation from U.S. universities. Looking at Social Security records of members of the class of 1984, they found that, of the S&E graduates who received Ph.D.s while on temporary visas, about 42 percent held jobs in the United States in 1992. In the physical and engineering sciences, the stay rate was even higher (46 and 48 percent, respectively).

Another approach was taken by the General Accounting Office (GAO), which in 1992 looked at the permanence of jobs for which nonimmigrants workers were requested (U.S. GAO, 1992). One question at issue in this study was the extent to which employers petitioned for temporary alien skilled workers to fill permanent jobs—a practice that is permissible under the law. Based on pre-IMMACT90 data (October 1988-March 1990), GAO determined that about half of the jobs filled by nonimmigrants holding H-1 visas (the precursor to the H-1B) were permanent jobs. Of the 1,647 H-1 nonimmigrants sampled within the telecommunications industry, all held permanent jobs.

There has been little or no research concerning nativity differentials in retirement and death. Nonetheless, the relative youth of international migrants, when coupled with the growing pace of international entries, suggests that in the near future the incidence of retirement and death will fall heaviest on native-born professionals, further increasing the share of foreign-born workers in these fields.

## Disciplinary Introspection

The prominence of foreign-born professionals in their ranks is frequently cited as evidence that U.S. universities, research institutions, and the business community need, and should therefore be granted, free access to the world’s “best and brightest” minds. However, other observers point to the repercussions for this country’s own best and brightest, and their conclusions are considerably less optimistic.

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<sup>3</sup> Also at issue is if petitioners list job titles incorrectly on labor condition applications, or if these titles really connote entirely different functions.

The Commission on Professionals in Science and Technology (CPST), a private nonprofit organization whose primary mission is to collect and disseminate data, recently examined trends in the labor market conditions confronting young researchers. Their study tapped data from three important surveys: the annual Survey of Earned Doctorates (SED),<sup>4</sup> the biennial Survey of Doctorate Recipients (SDR), and the annual Survey of Graduate Students and Postdoctorates in Science and Engineering<sup>5</sup> (CPST, 1995).

At the time of graduation, new Ph.D.s are asked about their plans for the immediate future. These studies show that between 1973 and 1993 there has been a decline in the share of S&E doctoral recipients having commitments to work coupled with a rise in the share having commitments to further study: for example, in postdoctoral positions. While the share of permanent resident aliens planning to remain in the United States has changed little (from 85 to 90 percent), there has been a substantial increase in the share of nonimmigrant graduates with similar plans (from 31 to 55 percent). Although the Commission encountered considerable interest in the link between immigration and employment prospects in these fields, it was unable to examine this link directly because of a shortage of pertinent immigration statistics.

Findings of surveys conducted by six major professional societies were included in the CPST report. These studies noted the following indications of slack labor markets for young professionals:

- **The American Chemical Society** determined that 38 percent of the Ph.D. graduates in the class of 1994 had found full-time employment by the fall following their graduation (down from 40 percent in 1993). The share holding full-time jobs outside their field at that point was 2.3 percent (up from 1.7 percent in 1993). The share of new Ph.D. chemical engineers taking postdoctoral positions increased from 8 percent in 1991 to 15 percent in 1992, to 16.7 percent in 1993, and to 40 percent in 1994.
- **The Computer Research Association** found that the share of new Ph.D.s employed in academia had declined from 39 percent in 1990-91 to 36 percent in 1993. Of the 36 percent with academic jobs, 8 percent were in departments other than computer science or computer engineering.
- **The American Geological Institute** national survey revealed that total employment of geoscientists has decreased from 83,469 in 1988 to 70,245 in 1991.
- **The American Mathematical Society** found that U.S. citizens, who accounted for 76 percent of total Ph.D.s graduating from mathematics program in 1976-77, accounted for just 44 percent of the total in 1994. The percentage of doctorates still seeking jobs in the fall following their graduation rose steadily from 2 percent in 1990, to 5 percent in 1991, to 6.7 percent in 1992, and to 8.9 percent in 1993. For the fourth consecutive year, there was a decrease in recruitment of faculty.
- **The American Institute of Physics** reported that, largely because of the increase in foreign students receiving graduate degrees, the number of new physics Ph.D.s grew by 60 percent between 1982 and 1994. Between 1980 and 1993, the number of new Ph.D.s finding permanent positions dropped by almost half. Of those working full-time 6 months after graduation, the share who had taken less than 6 months to find jobs dropped from 94 to just 77 percent. Also, the number of first-year graduate students in physics dropped by 20 percent over the last 3 years of this period.
- **The American Psychological Association** reported that in 1993 doctoral unemployment was relatively low, and there had been no significant rise in time required to locate employment following graduation. More than half of the Ph.D.s. graduating in 1993 had found jobs before graduation and another 15 percent did so within 6 months. However, in some subfields the share occupying postdoctoral positions had risen substantially between 1986 and 1993.

Because it attracts relatively few immigrant scientists (just 1 percent of all S&E permanent immigrants in 1992), the field of psychology is an interesting control. These data illustrate the complexity of the issue. Increases in lower-paying postdoctoral activity appear to be occurring even in markets with relatively few foreign entrants.

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<sup>4</sup> Funded by the National Research Council.

<sup>5</sup> Sponsored jointly by the National Science Foundation and the National Institutes of Health.

Certain unique features of the educational system, together with immigration policy, may enable universities to expand without regard to local (U.S.) market conditions. For example, the number of graduating native-born Ph.D. physicists has remained fairly constant at about 700 per year for most of the 1982-1994 period. However, the number of foreign degrees increased from approximately 200 to 700 during this period (Czujko, 1996). This ballooning supply of Ph.D. physicists has likely contributed to the destabilization of employment prospects for new graduates.

These reports of recent graduates having longer and less successful job searches may indicate that supply is beginning to exceed demand. Given the large proportion of foreign students who express intentions to remain in the United States, their growing numbers may lead to weak labor markets and wage stagnation, making these fields less attractive for U.S. students to enter.

In recent years, Congress has publicly questioned the motives of some of IMMACT90s most ardent academic supporters.<sup>6</sup> Federal programs, expert panels, and individual researchers alike are evaluating U.S. immigration policies designed to admit a growing number of foreign professionals as nonimmigrant and/or immigrant workers (U.S. Commission on Immigration Reform, 1995; NAS, 1995; CPST, 1995; North, 1995).

Among analysts detecting deterioration in the employment prospects for natives in the S&E fields, reasons put forward to explain the destabilization of the S&E job market are varied. Some analysts fault antidiscrimination regulations and affirmative action for tipping the balance in favor of foreign applicants (Robb, 1995). Others cite evidence that funding mechanisms require U.S. natives to incur more educational debt than their foreign-born classmates, a disincentive to native graduate enrollment (U.S. GAO, 1995; North, 1995). As the result of the growing graduate enrollment of foreign students in the fields of science and engineering, the pool of qualified candidates is increasingly comprised of foreign-born persons. NAS' Committee on Science, Engineering, and Public Policy (NAS, 1995) found that:

"The increase in foreign graduate students with temporary visas accounted for 65.5% of the net increase in annual science and engineering Ph.D. awards 1986 to 1993, and an increase in the number of foreign-citizen Ph.D.s with permanent visas contributed almost another 11% to the increase. Foreign citizens achieved a majority of science and engineering postdoctoral appointments in the United States in 1991." (p. 69)

"...If graduate programs are filled with foreigners, the programs do not have to make adjustments in enrollments or in content to make them more relevant to U.S. students. Nor do businesses have to increase salaries to increase their supply of American students" (p. 71).

Other observers trace the avowed destabilization to the longstanding "special handling" provisions of immigration law<sup>7</sup> that can place natives at a disadvantage relative to equally qualified foreign-born applicants when competing for teaching positions in colleges and universities (Weinstein, 1996).

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<sup>6</sup> Hearing before the Subcommittee on Investigations and Oversight of the Committee on Science, Space and Technology, U.S. House of Representatives, One Hundred Second Congress, April 8, 1992.

<sup>7</sup> Section 212(a)(5) of the Immigration and Nationality Act. The final rule implementing this provision States "In most occupations, U.S. workers are considered available for the job opportunity if they are able, willing, and at least minimally qualified for the job offered to the alien. In the cases of job opportunities as college and university teachers, U.S. workers must be at least as qualified or more qualified than the alien..." *Federal Register*, December 19, 1980, p. 83931 (emphasis added).

Most significantly, in recent years, the three principal sites of employment for Ph.D. scientists and engineers—colleges and universities, private industry, and government—have undergone simultaneous downsizing. Stagnation or cutbacks in recruitment for tenure-track positions have occurred even as the number of graduating Ph.D.s in these fields rises (Czujko, 1996; McClure, 1995). Downsizing of private industry has forced recent graduates into competition with experienced S&E professionals, to their mutual disadvantage (Czujko, 1996). Federal downsizing has had both direct employment and indirect contracting implications.

Although the relative importance of these individual factors is subject to dispute, expert panels have weighed their collective implications. NAS (1995) has concluded that:

“Although many recent graduates are frustrated by their inability to find basic-research positions, it appears that the growth in nonresearch and applied research and development positions is large enough to absorb most graduates” (p. 3).

The CPST (1995) sees the implications as more serious.

“The current labor market for researchers recently granted their doctorates has deteriorated over the past 5 years. It is taking new doctorates longer to find permanent positions and a growing number are taking temporary, low-paying post-doctoral positions for some number of years while they await an opening. This trend should be of concern for three major reasons.

First, as a nation we make substantial investments in the education and training of these doctorates through government support to both individuals and universities. Second, as individuals, these doctorates make substantial personal investments... While these doctorates will eventually find employment, it may not be the employment they had expected. ...Third, the “shelf” or “half” life of knowledge in these fields is likely to introduce additional difficulties for scientists who are out of the lab for relatively long periods of time. They may at some point cease to be employable in their fields” (p. 23).

The Administration is aware of this growing body of literature and the many arguments presented in favor of, and against, restricting admissions of certain foreign-born professionals. The issues are complex and deserve close and continuing scrutiny. In particular, attention needs to be paid to permanent employment-based immigration and the temporary nonimmigrant worker programs.

## Evidence of Abuse Within the H-1B Nonimmigrant and Permanent Labor Certification Programs

While the vast majority of those employers using the H-1B program do not misuse it, there have been several documented cases of abuse. Evidence of such abuse has been gathered by investigators of the Employment Standards Administration’s Wage and Hour Division (ESA/WHD) and auditors of DOL’s Office of the Inspector General (OIG).

WHD investigators have identified several situations in which employment of H-1B nonimmigrants has occurred at the expense of comparable U.S. workers. Two particularly egregious cases illustrate this point.

Syntel, Inc., a company in Troy, Michigan, providing computer personnel and services on contract to other companies, had a workforce of more than 80 percent H-1B immigrants, most of whom were computer analysts from India. Syntel had entered into a contract with American International Group, Inc. (AIG), a large insurance company headquartered in Livingston, New Jersey, to provide AIG with computer services. Consequently, nearly 250 of AIG's U.S. workers were then laid off. Some of these U.S. workers charged that they were required to train their H-1B nonimmigrant replacements during their last few weeks of employment. Such displacement is, incidentally, perfectly legal under current U.S. immigration law.

In its effort to cut costs, however, Syntel went still further, violating the already quite permissive terms of this law. Syntel management had attested in writing that the company would pay its H-1B workers the prevailing wage—a requirement established to protect U.S. workers' wages from erosion. WHD found that Syntel, in its operations in New Jersey, had willfully paid its Indian computer programmers \$34,000 per year rather than the prevailing rate of \$41,000 required by law—underpayment of nearly 20 percent. As a result, Syntel agreed to pay nearly \$78,000 in back wages to 40 H-1B employees and to take other steps to develop U.S. workers to reduce its dependence on nonimmigrant workers.

To date, WHD has handled 24 such cases involving H-1B workers in computer-related occupations. Underpayment of the 89 H-1B nonimmigrant workers in these cases, most of whom worked for contractors, amount to more than \$200,000.

In the healthcare field, Rehab One, another Michigan company, went into business providing temporary physical therapists—in this case exclusively from Poland—to health care facilities, most of which were in Texas. Following WHD's investigation of a complaint against Rehab One, the company agreed to pay back wages of more than \$460,000 to 54 therapist employees. Although it was required to pay a prevailing wage of as much as \$2,800 per month, in certain periods the company had actually paid its Polish therapists as little as \$500 per month.

To date, WHD has handled 13 such cases involving employers of H-1B physical and occupational therapists, nearly all of them contractors. Together, these companies owed more than \$885,000 in back wages to 242 temporary foreign workers in physical and occupational therapy, evidence that these H-1B workers were being used to exert downward pressure on the prevailing wage in this occupation.

Altogether, WHD investigators have identified 87 cases in which a total of 397 H-1B workers have been underpaid a collective sum of \$1,800,000.

OIG's audit (U.S. DOL, 1996) tracked the outcome of cases in which DOL has issued Permanent Labor Certifications (PLC) or accepted temporary H-1B Labor Condition Applications (LCA) during FY1993. OIG auditors had the authority to check the veracity of statements made in the initial applications, examine the actual behavior of petitioning employers and employees, and consider other issues over which DOL has little or no authority. Their findings pertain exclusively to successful applicants: that is, those whose applications for PLCs or LCAs were approved by DOL during FY1993 and subsequently led to admission, adjustment of status, or INS approval for their H-1B job petition. These included 24,184 permanent resident aliens and 61,250 H-1B workers.

This audit revealed several disquieting facts about the H-1B program. During the survey period, the OIG found that 75 percent of the H-1B aliens studied worked for employers that did not adequately document that the wage specified on the labor condition application was the appropriate prevailing wage. In cases where the H-1B worker's actual wage could be determined, 19 percent were being paid below the wage specified on the LCA. Four percent of H-1B workers studied did not appear to be employees of the petitioning employer. Some were being paid as independent contractors; others, for whom colleges or universities had petitioned, were actually on postdoctoral fellowships.

OIG determined that “the LCA program has become a stepping stone to obtain permanent resident status not only for the ‘best and brightest’ specialists but also for students, relatives and friends” (p. 3).

OIG’s investigation of the permanent certification program likewise revealed a number of disquieting facts. OIG found that at the time employers applied for labor certification on behalf of the perspective immigrant, 99 percent of the aliens in question were already living in the United States, 74 percent were already working for the sponsoring employer, and 16 percent were working out of status (p. 2).

Employers had signed sworn statements indicating that no U.S. worker could be found to fill the job in question and that they had to offer permanent residence to ensure the alien’s availability. Yet when OIG auditors examined company records after the aliens had received permanent residence, they found that 4 percent of the alien employees had terminated their jobs with the petitioning employer even before adjusting status, another 11 percent never worked for the petitioning employer after receipt of permanent residence, 17 percent left the petitioning employer within 6 months of status adjustment, and 7 percent never worked for the employer who petitioned on their behalf (p. 16).

At the time OIG auditors spoke with petitioning employers, 41 percent of the certified immigrants had already left the jobs for which they had been granted lawful permanent residence to fill. Of the jobs thus vacated, 57 percent had not been refilled, 39 percent had been refilled—3 out of 4 by U.S. citizens—and information was lacking on the status of the remaining 4 percent.

The elaborate “labor market test” associated with the permanent certification program was found to be severely flawed. In the last 6 months of 1994, the State Employment Security Agencies referred 28,682 U.S. workers to employers to be considered for the jobs they were petitioning to fill with permanent resident aliens. Only 5 Americans were actually placed—a 0.02 percent hire rate.

In sum, OIG found that the permanent labor certification program “is being used to satisfy the needs of the aliens—the attainment of the green card—rather than to provide employers access to foreign labor where sufficient U.S. workers are not available” (p. 16).

## Conclusions

The international mobility of skilled professionals has grown apace with educational opportunities, international trade, high-speed communications, and low-cost transportation. Hundreds of thousands of foreign students now enter U.S. universities each year, most pursuing professional degrees, particularly in S&E. In addition to tuition, these students give their host universities a well prepared student body, cultural diversity, academic strength, and a cadre of low-cost teaching and research assistants. After completing their initial degrees, many remain to pursue additional degrees and/or postdoctoral or academic appointments. Others move into the world of business, where their technical skills, determination, and strong work ethic are often highly esteemed. Access to the world’s best and brightest talent has become a mainstay of the U.S. academic and business communities. Many businesses now contend that without this access they would lose their competitive edge and be forced to move operations, as well as thousands of jobs, abroad.

Labor certification/attestation requirements and certain annual numerical limits notwithstanding, highly skilled aliens have relatively little difficulty entering the U.S. labor market. Various nonimmigrant visas enable thousands of well educated aliens to enter this country and/or complete the transition from academic to professional life in the United States. IMMACT90 significantly increased the annual numerical limitation for employment-based permanent immigration, at the same time tipping the scale further toward professional entries.

The effects of these developments are perceived differently by those who employ and those who seek employment. Universities, research institutions, and the business community contend there is a compelling need for such access. The technical skills, determination, and strong work ethic of foreign-born students and professionals are often highly esteemed. Nonetheless, a growing number of highly trained native scientists and engineers contend that ready access to foreign professionals has reduced their own job opportunities, slowed job placement, increased average time spent in postdoctoral positions, and/or forced them to leave the field for which they spent both years and considerable financial resources in training.

The literature on this issue is still largely deductive. A number of factors have helped slow the growth of demand for scientists and engineers, an erosion whose magnitude is itself subject to dispute. Nonetheless, review of the available employment statistics from a wide range of fields suggests that job-search problems have been particularly acute in fields that attract large numbers of foreign professionals: that is, engineering, mathematics, computer, and physical sciences. Given the “shelf life” of technical knowledge in these fields, lengthy periods of unemployment or underemployment may permanently derail the career paths of native Ph.D.s who are unable to apply and continually enhance their training.

DOL’s WHD has identified numerous violations of labor and immigration law involving college-educated temporary foreign workers, particularly in the fields of computer science and physical therapy. Many of these involve illegal employment practices of job contractors. DOL’s OIG has likewise found evidence of widespread abuse within the H-1B temporary and DOL’s PLC programs. Therefore, it is no longer appropriate to assume that high-skilled immigration has entirely beneficial or, at worst, innocuous effects. The implications of such entries must be closely monitored.

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## Conclusion to Part II

The number of immigrant admissions to the United States has fluctuated widely during the 20th century. At both the beginning and end of this century, this country has admitted more foreign nationals than at any other time in its history, while the immigration policies and poor economic conditions of the 1930's and 1940's resulted in near-record lows. For Americans who have lived through this period, perceptions of immigrant impact must be particularly vivid. It is important to recognize that despite their size, today's immigrant population and workforce play a much smaller role relative to overall population and employment than was the case a century ago.

Nonetheless, the demographic and labor market implications of immigration for the 21st century are likely to be impressive. Demographers at the Urban Institute project that, under current immigration law, roughly 70 million post-1990 immigrants and their offspring will be added to the U.S. population by 2040 (Fix and Passel, 1994). They project that the U.S. population will grow from 249 million in 1990 to 355 million by 2040, with post-1990 immigrants and their children accounting for almost two-thirds of the net population growth over this period. Under these projections, the foreign-born population will account for about 14 percent of the population by 2040 (from about 9 percent today) and more than one in four U.S. residents is projected to be either an immigrant or the child of an immigrant as of 2040.

Based on these population projections and present labor force participation behavior, these demographers predict that an additional 6 million new immigrants will join the labor force during the 1990's and another 6 million in the first decade of the 21st century. Immigration's contribution to labor force growth is thereby projected to be one-third of the labor force expansion over these decades, up from about one-quarter during the 1980's.

This report addresses the need for an ongoing evaluation of U.S. immigration policy. Both public and private sectors have long recognized the value of social impact assessment and program evaluation. Yet, the profusion of new temporary entry categories, multiple entries by nonimmigrants on one visa, and the rapid pace at which laws have changed challenge the validity of existing concepts, data systems, and research methods. Systematic and cumulative research on immigration is just beginning to keep pace with the growth and diversity of the immigration flow itself. A body of literature is now accumulating that employs increasingly sophisticated methods to explore a variety of new and pressing issues.

One simple conclusion that can be drawn from the macroeconomic literature to date is that, at the national level, the net effects of immigrants on U.S. workers are small. This synopsis echoes that of Friedberg and Hunt's (1995) conclusion:

"Despite the popular belief that immigrants have a large adverse impact on the wages and employment opportunities of the native-born population, the literature on this question does not provide much support for this conclusion. Economic theory is equivocal, and empirical estimates in a variety of settings and using a variety of approaches have shown that the effect of immigration on the labor market outcomes of natives is small...Even those natives who should be the closest substitutes with immigrant labor have not been found to suffer significantly as a result of increased immigration." (p. 42)

At the same time, several case studies, as well as simple observations, indicate that immigrants have real and sometimes substantial impacts at the State and local levels. But case studies do not necessarily show the net effects on the larger economy. We must also examine the extent to which industries, occupations, States and/or localities experience adverse labor market impacts as a result of immigration.<sup>1</sup> Clearly, there remains a need for empirical work with quantitative data and field observation on this question. Local studies will need to take into account unique selectivity patterns and regional effects. Detailed and systematic research is sorely lacking for specific skill and race/ethnic groupings and in particular industries and regions.

In conclusion, today there are mounting pressures for new policies on immigrant admissions. The setting in which these policies must operate has grown increasingly complex. Globalization and the reduced costs of travel have increased the sheer number and variety of immigrant groups. This profusion of groups may create more issues and points of potential conflict. Public opposition to immigration typically peaks during recessions and diminishes with economic recovery. However, the prolonged restructuring of today's nonrecessionary economy also has undercut many jobs in ways that may fuel claims of unfair competition.

Consensus on the impacts of immigration is difficult to come by given the lack of detailed data, variations in disciplinary emphasis, constant refinements in methods of analysis, disagreements about the appropriate level of analysis, philosophical differences, and the intrusion of noneconomic concerns. While there has been unprecedented interest in immigration, the situation has not changed much since the last Comprehensive Report on Immigration. Any single, simple and definitive answer to the questions posed by immigration continues to remain "essentially elusive."

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<sup>1</sup> It is wrong to assume that effects will be adverse wherever immigrants concentrate. Research on immigrants has uncovered favorable effects as well under these conditions.

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