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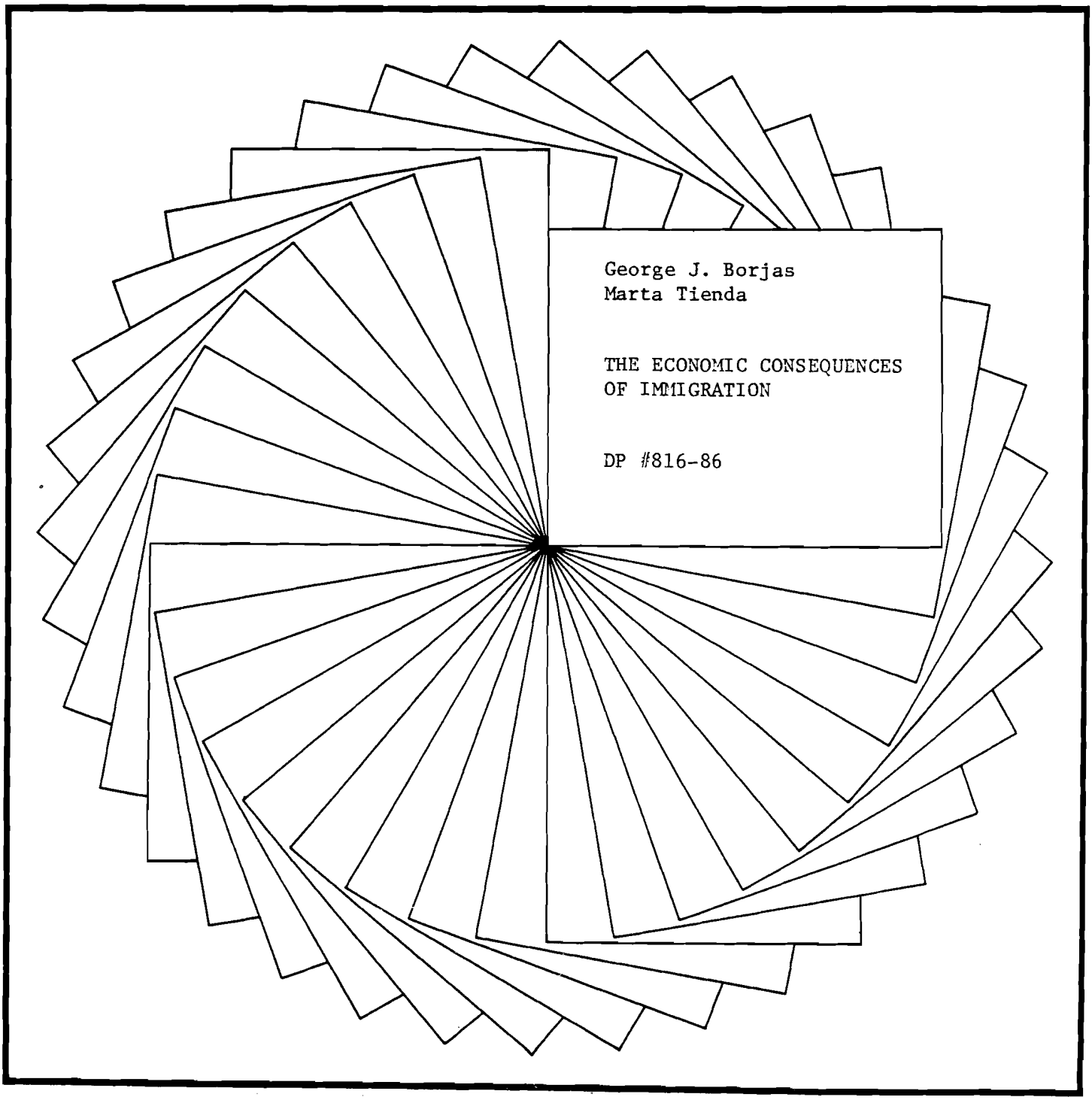

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THE ECONOMIC CONSEQUENCES OF IMMIGRATION

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Abstract

This paper assesses the empirical evidence bearing on three questions that have fueled contemporary debates about the economic consequences of immigration: (1) What impact do immigrants have on the U.S. labor market? (2) How well do immigrants fare in the U.S. labor market? and (3) How much do immigrants cost the U.S. taxpayers? Statistical facts show that while the volume of immigration has increased appreciably in recent decades, it does not appear to have exceeded the growth rate or absorptive capacity of the U.S. labor force. On the labor market impacts of immigrants we concluded that the negative impacts of foreign workers on the earnings and employment of native workers are quite small. However, they may be more substantial for selected population subgroups and within high-ethnic-density labor markets. Regarding the labor market experiences of recent immigrants, the empirical evidence shows that immigrants who arrived during the 1970s are less skilled than those who arrived earlier, and that their earnings do not rise as rapidly as previously claimed. Finally, on the issue of immigrants' receipt of public assistance income, there is some agreement that households with foreign heads are less likely to receive transfer income compared to (statistically) similar natives, but it is unclear whether social expenditures on immigrants exceed their tax contributions of all kinds.

The Economic Consequences of Immigration

> I must needs say, even the present Encouragements are very great and inviting, for Poor People (both Men and Women) of all kinds, can here get three times the Wages for their Labour they can get in England or Wales.
>
> --Gabriel Thomas, An Account of Pennsylvania, 1698

> ...we condemn the fallacy of protecting American labor under the present system which opens our ports to the pauper and criminal classes of the world, and crowd out our wage earners...and demand the further restriction of undesirable immigration.
>
> --People's Party Platform, 1892

1. Introduction

History repeats itself. The familiar ring of these opening quotes conveys past concerns about immigration. The prospect of a better life in the United States continues to draw large numbers of immigrants to our shores. And as the volume and composition of recent (1965-1985) immigrant flows change, the Congress, the academic community, and the public are re-assessing whether the costs of immigration outweigh the benefits. Contemporary concerns hinge on four perceived "facts" about the economic consequences of immigration,[1] namely: (1) that the immigrant volume has increased beyond the absorptive capacity of the U.S. labor market; (2) that new immigrants displace native workers and lower their wages; (3) that new immigrants are less easily assimilated compared to earlier arrivals; and (4) that immigrants drain tax revenues through their participation in entitlement programs. Proponents of

restrictive immigration policies also argue that the consequences of immigration transcend economic considerations and influence not only the distribution of political power, but also the nature of race and ethnic relations in the United States.[2]

Although no one questions the sovereign right of nations to decide how many immigrants to admit and what criteria to use in doing so, it is fair to ask which diagnoses of the immigration "problem" are supported by compelling empirical evidence. Accordingly, in this paper, we assess the empirical evidence bearing on three questions that have fueled contemporary debates about the economic consequences of immigration: (1) What impact do immigrants have on the U.S. labor market? (2) How well do immigrants fare in the U.S. labor market? and (3) How much do immigrants cost the U.S. taxpayers? Our emphasis on economic considerations is not intended to underplay the importance of social and political issues. Rather, space constraints compel us to address a single set of problems. Our focus on labor market and welfare issues reflects their prominence in the contemporary debate.

2. U.S. Immigration in Historical Perspective

Two distinguishing features of post-World War II immigration are increasing volume and diversity. Recent inflows, however, are not historically unprecedented. Table 1 shows that between 1901 and 1910 8.8 million immigrants arrived on U.S. shores--the all-time record for a single decade--and 5.7 million arrived in the following decade. Immigration reached an all-time low during the period of the Great Depression, but since then has increased steadily by approximately one million additional persons per decade since 1950. As the size of the 1981-1985 flow exceeds the 1971-1980 flow by

over one million, it is conceivable that the 1980s will set a new record for admissions during a single decade.

Immigration currently is not the largest component of U.S. demographic growth. U.S. Census Bureau counts show that the foreign-born population grew from 9.6 million in 1970 to 14 million in 1980.[3] In percentage terms this represents an increase of 1.5 percentage points, from 4.7 to 6.2 percent.[4] This is relatively low compared to earlier periods, as Table 1 demonstrates. Over the last three decades immigration has contributed a growing share of net population increase, rising from approximately 11 percent of growth during the 1950s to 20 percent during the 1970s.[5] But even these figures are well below those for the turn of the century, when immigration accounted for almost 40 percent of net population growth. From this evidence it would appear that the contemporary demographic implications of immigration have been exaggerated somewhat. Nevertheless, the tendency for immigrants to concentrate in a few geographic areas makes the demographic impacts as salient as the social and economic consequences.

During the early 1960s immigration became a political issue as national concerns over civil rights highlighted the discriminatory admission criteria underlying the U.S. Immigration and Nationality Act of 1954. Largely owing to the provisions of the 1965 Amendment to the Act, coupled with the fall of U.S.-supported governments in Cuba and Southeast Asia, the socioeconomic and regional composition of immigrants underwent a striking change. Whereas Europeans made up 53 percent of all persons admitted between 1951-1960, during the 1970s Europeans comprised less than 20 percent of new arrivals,[6] and persons from Asia and the Americas increased their shares of immigrant flows, respectively, to 35 and 44 percent. Because the volume of immigration was

Table 1

IMMIGRATION TO THE UNITED STATES: 1901-1985

	Mid-Period U.S. Population ('000s)	Immigrants Admitted[a] ('000s)	Immigrants Admitted[a] % of Mid-Period Population	Foreign Born[b] % of Mid-Period Population
1901-1910	83,822	8,795	10.5	14.2
1911-1920	100,546	5,736	5.7	13.6
1921-1930	115,829	4,107	3.5	12.1
1931-1940	127,250	528	0.4	10.1
1941-1950	133,434	1,035	0.8	8.2
1951-1960	165,931	2,515	1.5	6.0
1961-1970	194,303	3,322	1.7	5.0
1971-1980	215,973	4,493	2.1	5.5
1981-1985[c]	234,193	5,598	2.4	6.0

Sources: Statistical Abstract of the United States, 1986, 106th Edition; 1983 Statistical Yearbook of the Immigration and Naturalization Service; U.S. Census of Population: 1960, Final Report PC(2)-1A, Subject Reports, "Nativity and Parentage."

[a]Gross flows unadjusted for mortality.

[b]All persons born abroad residing in U.S. at mid-period (based on a linear approximation to mid-decade foreign population). Foreign born differs from immigrants in that the former is a flow measure, and the latter is a stock measure based on cumulative number admitted net of emigration and mortality.

[c]Mid-period estimates are based on 1983. See Statistical Abstract of the United States, 1984, 104th edition.

growing by approximately one million per year (Table 1), the absolute numbers of Asians and Latin Americans admitted also were larger than the numbers of Europeans admitted in the recent past.

More significant than the changes in the national origins of recent immigrants are the selection effects of the 1965 Amendment on the skill level of new arrivals. The more stringent labor certification requirements coupled with an emphasis on family reunification as a basis for legal admission has resulted in a bifurcated skill mix which roughly corresponds to national origins.[7] That is, immigrants from Latin America and the Caribbean predominate among the lowest-skilled entrants, whereas those from Asia, Europe, and other regions are more heavily represented among the highest-skilled arrivals destined for high-status occupations. Furthermore, in comparison to previous cohorts, the post-1965 arrivals are more diverse in terms of social, economic, and demographic characteristics. Many scholars have attributed this outcome to the 1965 Amendment, noting that the emphasis on family reunification as the main basis for admission compromises our ability to monitor the socioeconomic composition and labor market impact of the flow.[8] The 1965 legislation may also have exacerbated differences that have been found to persist in the occupational achievements of immigrants from different countries of origin.[9] And as immigrants continue to gravitate toward high-ethnic-density labor markets, the potential for confusing class tensions with ethnic conflicts may increase in the future.

Assessing the economic consequences of immigration is a complicated endeavor because the perception of gains and losses depends on the conditions of the U.S. economy. Immigration can contribute to economic welfare under conditions of rapid growth and when unemployment is low, as was true during the 19th and early 20th centuries.[10] But conditions of low growth and high

unemployment prevailing in the 1970s have generated fears that immigrants displace domestic workers, depress wages, and lower the quality of working conditions. Nevertheless, aggregate statistics show that the rate of employment growth has been faster than the increase in the rate of immigration. Between 1951 and 1980, the U.S. labor force grew by 7.6 million, 12.3 million, and 22.5 million during each successive decade.[11] Based on the immigrant flows for each of these periods, and assuming that all those admitted entered the labor force, recent immigrants could have accounted for at most 33 percent of this increase in employment during the 1950s, 27 percent during the 1960s, and 20 percent during the 1980s. In reality, only about half of all immigrants admitted entered the labor force upon arrival.[12]

That immigrants accounted for a decreasing share of labor force growth during the past three decades does not mean their labor market impacts are trivial, or diminishing, for these depend on several other factors, including the changing industrial composition of employment, the pace of economic growth, and the availability of native workers.

Profound changes in U.S. labor supply have taken place during the past three decades, as the baby-boom cohorts entered the market and unprecedented numbers of women secured paid jobs.[13] These changes in the supply of native workers coincided with a sharp increase in illegal immigration, owing largely to the termination of the Bracero program, a contract wage labor program in effect from 1941 through 1964.[14] Recent estimates indicate that the number of illegal aliens apprehended rose from 87,000 in 1964 to 788,000 in 1974, and that the number of apprehensions has exceeded one million each year since 1977.[15] However, these absolute figures are misleading because they include double counts of individuals apprehended in a calendar year, and because the labor market impacts of illegal immigrants are not necessarily related to the

numbers apprehended. Despite its importance in the current immigration controversy, the net impact of illegal alien workers on domestic employment conditions, including unemployment rates and wage levels, is unknown because the available evidence is inconclusive.[16]

3. The Impact of Immigrants on the U.S. Labor Market

Do immigrants compete with and displace native workers? One school of thought assumes that for every immigrant who finds employment, a native-born worker is displaced[17] Two demonstrably false assumptions are built into this argument. The first is that the number of jobs is fixed.[18] The second is that displacement occurs because native and foreign workers are perfect substitutes in the production process. In other words, employers see incoming immigrants as persons who can carry out the jobs currently performed by the domestic labor force. Since immigrants presumably are willing to accept lower wages, profit-maximizing employers respond by laying off native workers and replacing them with immigrants.

Another school of thought argues that the entry of foreign workers into the labor market does not result in significant displacement because immigrants "take a distinct set of jobs, jobs that the native labor force refuses to accept."[19] The operational assumption in this position is that the American labor market is segmented such that "good" jobs can be clearly distinguished from "bad" jobs. The native labor force, for the most part, works in the good jobs available in the primary sector, while immigrants--at least those who are unskilled--are relegated to the low-paying jobs in the secondary sector.

This argument, too, is logically flawed. First, the breakdown of the economy into two types of jobs is fundamentally arbitrary and the existence (and demarcation) of the two sectors has been difficult to establish

empirically.[20] Second, if workers refuse jobs in the "secondary" sector, would not economic competition raise the wages in these jobs, thereby making them more attractive to native workers? Finally, the possibility of alternative forms of economic organization along ethnic lines, as illustrated by the Cuban enclave in Miami or several Asian immigrant enterprises, shows that labor market dynamics between native and immigrant workers are more complex than can be portrayed by a dual economy model.[21]

Recent economic research has moved beyond the simple conceptualizations of labor market dynamics based on these extreme models, and has begun to analyze the interactions between foreign and native labor using the basic theory of labor demand by profit-maximizing firms as a point of departure.[22] Employers combine inputs in the production process--such as capital and different types of labor--to produce an output valued by consumers, and the various inputs in the production process are paid the value of their marginal contribution to the firm. Using this approach, the relevant question thus becomes: What happens to the productivity of native workers when the supply of immigrants increases? The answer to this key question is theoretically ambiguous. On the one hand, foreign and native workers may be substitutes in the production process in that they perform the same types of jobs and have the same kinds of skills. Under these circumstances an increase in the supply of immigrants would lower the native wage rate (and level of employment). Conversely, foreign and native workers may be complements in production, that is, they perform complementary, but interdependent, jobs and have complementary skills. As the supply of immigrants rises, native workers can gain by specializing in those industries and occupations in which they have a comparative advantage. As a result, their wages (and employment levels) rise.

The empirical question of whether immigrants and native workers are substitutes or complements in production is fundamental for ascertaining the labor market consequences of immigration. A number of recent studies (see Table 2) provide some empirical evidence on the nature of this relationship.[23] The methodology in these studies involves a comparison of the earnings of native workers across labor markets. If the two types of labor are substitutes (complements), economic theory predicts that the earnings of native workers would be lower (higher) in those labor markets in which the supply of immigrants is relatively high, holding constant other variables that determine worker productivity and wage levels.

The growing consensus in these studies is that the native labor force as a whole and foreign workers are substitutes in production, but that the correlation is weak. That is, an increase in the size of the immigrant work force lowers the wage rate of native workers, but only by a small amount. Available estimates suggest, for example, that a 10 percent increase in the number of immigrants reduces the native wage rate by at most two-tenths of one percentage point. These studies also suggest that when the native labor force is disaggregated by race the same weak correlations tend to recur. In fact the degree of substitution between foreign and native workers appears to be stronger for white than for black workers. The one group of workers who are strongly and negatively affected by an increased supply of new immigrants is the stock of foreign workers already in the United States. Specifically, a 10 percent increase in the number of new immigrants reduces the average wage of resident foreign workers by 2 to 9 percent.

Available evidence, therefore, is inconsistent with claims that immigrants impose a major cost on the United States because they reduce the earnings and employment opportunities of native workers. There are, however, three

Table 2

IMPACT OF IMMIGRANTS ON EARNINGS: A SUMMARY OF EMPIRICAL EVIDENCE[a]

Study	Methodology and Data	Effect of a 10% Increase in the number of immigrants on:[b]	
Borjas, 1986	Comparison of earnings across SMSAs in 1980 Census, as a function of the size of male immigrant population.	Native-Born White Male Wage: Native-Born Black Male Wage: Immigrant Wage:	-.08% +.2% -9.2%
Grossman, 1982	Comparison of shares of incomes accruing to demographic groups across SMSAs in 1970 Census, as a function of the size of the immigrant population.	Native-Born Wage: Immigrant Wage:	-.2% -2.3%
DeFreitas and Marshall, 1984	Comparison of 1972-1977 wage growth in manufacturing across SMSAs, as a function of the number of immigrants employed in the manufacturing sector.	Manufacturing Wage:	-.04%
Muller and Espenshade, 1985	Comparison of black family income across SMSAs in 1980 Census, as a function of the size of the Mexican immigrant population.	Black Family Income (in U.S.): Black Family Income (in Southwestern States):	-.1% +.1%

[a]Full citations in note 23.
[b]Calculations by authors from results in original studies.

important qualifications to this generalization. First, the studies for the most part aggregate over large and diverse groups of native workers. It may well be that immigrants have relatively large impacts on the earnings of only a few, small (and as yet empirically unidentified) subgroups of the native labor force. Second, even though a 10 percent increase in the number of immigrants has a small impact on the average native worker, this conceptual experiment is not truly representative of what goes on in the labor market. Immigrants tend to concentrate in a small number of geographic areas (over half of all immigrants, for example, reside in New York, California, Florida, and Texas).[24] A 10 percent increase in the number of immigrants will, therefore, have a significantly larger impact on native workers in the few labor markets where foreign workers are disproportionately concentrated. Finally, most of the studies summarized here use the 1970 and 1980 Census data in their analyses, and thus measure the impact of the "typical" immigrant who arrived in the 1950s or 1960s on the earnings of native workers. As the following section shows, because of the changed skill composition of immigrant flows during the last 10 to 15 years, the empirical results based on past flows cannot be used to infer the extent and nature of labor market competition between foreign and native workers in the future.

4. The Assimilation of Immigrants

Perhaps no single aspect of the immigration process has received more attention than the process of adaptation and integration into the U.S. society. So voluminous are the writings on this subject[25] that space restrictions force us to limit our discussion to a small part of the literature, namely that concerned with labor market "assimilation," or adaptation.[26] In very general terms, assimilation refers to a process whereby immigrants acquire skills, including English proficiency and knowledge

about the U.S. labor market and other social institutions, which ultimately will enhance their socioeconomic success and their earnings in particular.

Assimilation has two economic implications that can be measured. First, the contributions of an immigrant cohort to the U.S. economy grow over time, as the initial costs associated with the disruptive effects of immigration are offset by increased productivity. Second, because immigrant earnings may grow rapidly over time, the likelihood of immigrants becoming permanent "public charges" diminishes over time.

To what extent do immigrant earnings rise as U.S. labor market experience is accumulated? Initial research on this question involved a comparison of the earnings of immigrants and native men using census data.[27] The analysis of these cross-section data sets (i.e., data sets consisting of many individuals observed at a given point in time) led to three fundamental discoveries: (1) the earnings of immigrants upon arrival to the United States were substantially lower than the earnings of native men with similar demographic and social characteristics; (2) the earnings of immigrants who have resided in the United States for many years were substantially greater than the earnings of recent immigrants; and (3) the earnings of immigrants who have resided in the United States for 10 to 15 years or longer exceed the earnings of comparable native workers.[28]

By way of explaining these results, researchers argued that because recent immigrants lacked a variety of skills valued by U.S. employers, they were motivated to recover migration costs partly through intensive training or human capital investments (e.g., learning a new language), thereby acquiring the needed skills. The initial lack and subsequent acquisition of this human capital presumably explained why immigrant earnings were relatively low upon arrival and subsequently grew faster than those of comparable native workers.

This interpretation fails to explain why, in the long run, immigrant earnings surpass those of similar native workers. To address the anomaly of immigrant earnings "overtaking" the earnings of native workers, several researchers argued (but did not demonstrate) that immigrants are a select group of individuals who on average, are "more able and more highly motivated"[29] than the native U.S. population. In other words immigrants were assumed to be a nonrandom, positively selected sample of their respective origin countries. This interpretation did not, however, indicate why the earnings of some immigrant groups rose faster than others, except to suggest that discrimination might be involved.[30]

Three inferences were drawn from these cross-sectional studies of immigrant earnings. First, assimilation was an inevitable aspect of the immigration process, and its outcomes were uniformly favorable, if somewhat uneven among groups. Second, the assimilation process occurred in such a relatively short period of time that gains for the receiving communities could be considerable. Third, the relatively low economic status of recent immigrants provides no basis for concern, since their earnings inevitably would rise as they gained experience relevant to the U.S. market.

There is, however, a serious logical flaw in these inferences made from cross-section studies. A single cross-section of data cannot separate aging (or assimilation) and cohort effects.[31] The fact that immigrant earnings and length of U.S. residence are strongly and positively correlated may result either from assimilation or a cohort effect, or both. The cohort effect captures earnings differences between immigrant waves, which may reflect differences in the skills of the cohorts.

Two empirically important factors can generate sizable skill differentials across immigrant cohorts. The first is selective return migration, whereby as

many as 30 percent of a specific immigrant cohort return to the country of origin within ten years.[32] Since emigration propensities are nonrandomly distributed, immigrants from early waves surviving to the observation date (e.g., the Census week) represent a nonrandom sample of the original cohort. If, for example, persons who "fail" in the U.S. labor market return to their countries of origin, earlier waves will overrepresent successful immigrants, and comparisons to the more recent immigrants (who presumably form a more representative sample) lead researchers to conclude that immigrant earnings grow as U.S. labor market experience is accumulated even if no assimilation effect truly exists.

Second, changes in immigration policy and in economic and political conditions in the sending countries may have led to a shift in immigration toward less-skilled workers.[33] As discussed in section 2, the 1965 Amendment to the Immigration and Nationality Act practically ensures that pre-1965 and post-1965 cohorts vary in average skill. This compositional shift has two major implications for the economic status of foreign workers in the United States. First, since recent immigrants are disproportionately from less industrialized countries, they are likely to possess less information about, and fewer skills which are easily transferable to, the advanced U.S. economy.[34] Also, because income inequality in the countries of origin now providing immigrants may be greater than in the dominant sending countries in the past, persons from the high tail of the income distribution (who presumably are the most able and highly motivated) have less incentive to emigrate, while the persons in the bottom tail of the income distribution have increased incentives to emigrate.[35] Finally, the shift of emphasis for immigrant admission away from occupation or skill qualifications to a "family

preference" system altered the selection rules from higher to lower skill levels.[36]

Since a single cross-section data set cannot resolve the question of whether assimilation will take place, more recent research has analyzed pooled census cross-sections or longitudinal data sets. For example, the 1970 and 1980 U.S. Censuses have been used to "track" synthetic immigrant cohorts over the decade.[37] In contrast to the results from single cross-section data sets, this research showed that the earnings growth experienced by specific immigrant cohorts over the 1970-1980 period did not greatly exceed that experienced by the native labor force.[38] Another finding is that (for many immigrant groups) the more recent waves earned less <u>at every point of their life cycle</u> than earlier cohorts. In other words, the more recent cohorts of immigrants are of substantially lower skill level than earlier cohorts.

Table 3 illustrates these research findings. Consider the cohort of immigrants who arrived between 1960 and 1969. Column 1 of Table 3 presents the rate of assimilation (i.e., the rate at which the earnings of the cohort grew <u>relative</u> to the native work force) experienced by this immigrant cohort between 1969 and 1979.[39] These results show clearly that, for most immigrant groups (the exception being non-Hispanic white immigrants), earnings assimilation rates are "small" and perhaps even negative! The second column of Table 3 presents the magnitude of the cohort effect, which is measured by the percentage wage advantage (relative to the native-born) of the 1960-1969 cohort vis-à-vis the 1970-1979 cohort. Not only are cohort effects sizable, but the earnings potential of the 1960s immigrant cohort was significantly greater than the earnings potential of the 1970s cohort (the exception, again, being non-Hispanic white immigrants). Finally, the third column presents the wage gap existing between the foreign born who arrived in 1975-1979 and the

Table 3

ASSIMILATION AND COHORT EFFECTS ON IMMIGRANT EARNINGS
(Relative to Native Earnings)[a]

Group	1969–1979 Percentage Wage Growth (Relative to Native) for 1960–1969 Immigrant Cohorts (1)	Percentage Wage Advantage (Relative to Native) of 1960–1969 Cohort over 1970–1979 Cohort, at Time of Arrival in U.S. (2)	Percentage Wage Differential Between 1975–1979 Immigrant Cohort and Natives as of 1979 (3)
Asian	4.1	6.5	-30.3
Black	-2.3	29.8	-22.3
Mexican	5.8	12.3	-25.7
Other Hispanic	-11.8	28.7	-29.2
Non-Hispanic, Non-Asian White	10.0	3.6	-8.4

Source: Borjas, Jour. of Labor Econ. (1985), Tables 1, 4, 5, 6.
[a]The native base refers to persons who are in the same ethnic/racial group as the immigrants. The wage differentials reported control for differences in socioeconomic characteristics between immigrants and natives.

native population as of 1979, showing that most recent immigrant groups have a significant disadvantage in the labor market upon arrival. Even if their earnings rose at rates equal to those experienced by the more skilled cohort of the 1960s, these immigrants would require many decades to reach parity with (let alone surpass) the earnings of comparable native workers.

These findings thus raise a substantive policy problem: the major changes in immigration policy (as well as the recurring political and economic crises in sending countries) have generated an inflow of immigrants into the United States who seem to fare less well relative to the native workers. In addition, the empirical evidence shows that assimilation rates (in terms of earnings growth as U.S. labor market experience is accumulated) for recent immigrants are smaller than previously assumed. Thus, the potential exists for the creation of a permanent class of low-income immigrants, with little prospect of becoming fully integrated into the U.S. labor market or society. True, low-income immigrants may be preferred workers in some sectors of the U.S. economy precisely because they are unskilled: the use of immigrant labor in U.S. agriculture is a case in point. But concerns about the tax burdens imposed by immigrants challenge the view that immigrants of any class or national origin are preferred to native workers.

5. The Impact of Immigrants on Social Expenditures

As in the past, looming large in the recent policy debates is the question of whether immigrants become public dependents. On this topic only spotty empirical analysis exists. The few studies, while diverse in their methodologies, data, and subgroup comparisons (see Table 4),[40] concur that immigrants are less likely to use transfer payments than are (statistically) similar native persons, and that the likelihood of receipt of welfare income is lower for recent immigrants than it is for earlier arrivals. This

Table 4

IMMIGRANTS' USE OF TRANSFERS: A SUMMARY OF EMPIRICAL EVIDENCE[a]

Study	Data and Sample	Methodology	Immigrants' Use of Transfers
			Ever Use Measures
North and Houston, 1976	1975 survey of 793 apprehended aliens at 19 detention centers	Descriptive univariate tabulations	Welfare, <1% Food Stamps, <2% Unemployment Insurance, <4%
Massey, 1986	Random survey of 4 Mexican communities, former and current migrants, both legal and illegal	Descriptive tabulations by legal status and length of U.S. residence	Documented Migrants Ever Using: Food stamps and welfare, 10-13% Unemployment insurance, 55% Social Security, 14% Undocumented Migrants Ever Using: Food stamps and welfare, 2-3% Unemployment insurance, 14% Social Security, 2%
			Relative Use Measures
North, 1983	Multiple secondary studies about refugees, legal immigrants and illegal immigrants	Approximate appraisal of utilization relative to hypothetical U.S. norms	Refugees: much greater than natives Legal Immigrants: same as natives Illegal Immigrants: much less than natives
Blau, 1984	1976 Survey of Income and Education: families headed by couples or single women	Maximum likelihood (probit) estimates of probability of receipt of public assistance income and social security income	Welfare Income: 20-40% lower use rate[b] Social Security Income: 6-30% lower use rate for recent cohorts, and 10-22% higher use rate for earlier immigrants[b]
Simon, 1984	1976 Survey of Income and Education, households with foreign-born heads versus households with native heads	Estimation of average value of services used by successive cohorts from cross-sectional data	Lower use of all types of public services for first 12 years following entry, relative to natives
Tienda and Jensen, 1985	1980 Census Microdata Files, 5:100 sample: families whose heads are black white, Hispanic, Asian	Maximum likelihood (logit) estimates of probability of receipt of public assistance income	Asian immigrants: 2-4% higher use rate[c] White immigrants: 1-2% lower use rate[c] Hispanic immigrants: 6-9% lower use rate[c] Black immigrants: 9-18% lower use rate[c]

[a]Full citations in note 40.
[b]Comparisons to native whites.
[c]Comparisons to natives of like ethnicity.

generalization is critical, because it is at variance with public perception of the problem.

Assessments of immigrants' propensity to use transfer income relative to natives with similar characteristics has involved descriptive tabular analyses of survey data and the estimation of statistical models using census-type micro-data. These models express the probability of receipt of public assistance income (or social security income), as a function of individual, household, and locational variables which govern economic need and eligibility for receipt of transfers. Since immigrants are more likely to have incomes below the poverty line,[41] a higher proportion are eligible for public assistance. Thus, in the aggregate, the share of foreign households who actually received public assistance was marginally higher than that of natives. However, standardized comparisons (i.e., adjusted for social and economic characteristics which determine need and eligibility) showed that immigrants were significantly <u>less</u> likely to receive welfare income than native families. The robustness of this result is impressive, for it obtained when derived from single equations in which households of all national origins were pooled, and from multiple equations in which immigrants were compared to natives of like national origin.[42]

Despite the apparent consensus about the lower propensity of immigrants to utilize transfer payments relative to their native counterparts, some caution must be exercised in making inferences about economic consequences. On the one hand, these findings should dispel fears that recent immigrants will drain the public coffers through their disproportional utilization of transfer income. However, if future immigration waves are composed of individuals with low skill levels and whose income prospects are limited, then it is conceivable that the aggregate public dependency burden of immigrants could

increase both because the share of eligible participants and their potentially greater need levels could rise. That is, even with standardized rates of welfare participation below those of statistically similar natives, the total use of transfer income by immigrants may exceed that of natives. Furthermore, the residential concentration of immigrants means that the tax burdens are not evenly shared by political and administrative units; hence the assessment of net average impacts, while accurate at the national level, may not adequately portray the distribution of welfare costs across areas.

But this is only one side of the story. Assessing the impact of immigrants on social expenditures also involves factoring their tax contributions into the system of costs and benefits. The economic contributions immigrants make through their high rates of labor force participation,[43] even at incomes below the national average, offset their impact on social expenditures, including medical, educational, and other publically financed services. Also, the intergenerational dimensions of financing social expenditures as the offspring of immigrants enter the labor market and contribute to the public coffers will pay for part, if not all, of the social expenditures associated with assimilation. Unfortunately, available evidence on this question is even sparser than that about immigrants' participation in social entitlement programs, so that even preliminary estimates which suggest that immigrants' demands on social and public services relative to their statutory contributions of all kinds do not exceed those of the native population are questionable.[44]

6. Summary and Conclusion

In assessing the economic consequences of immigration, we examined statistical facts about the size of contemporary flows and critically reviewed existing evidence about labor market impacts and welfare utilization.

(1) While the volume has increased appreciably in recent decades, there is no basis for concluding that it has exceeded the growth rate or absorptive capacity of the U.S. labor force.

(2) The negative impacts of immigrants on the earnings and employment of native workers are quite small, though they may be nontrivial for selected subgroups (e.g., previous immigrants) and within high-ethnic-density labor markets. Perceptions of the labor market consequences of immigration, however, are heavily colored by changing labor market conditions and the general state of the U.S. economy. As long as unemployment remains high, immigrants serve as a convenient scapegoat for the ills of the U.S. economy, as they have in the past.

(3) Our assessment of the existing empirical literature about earnings growth called into question the conventional view based on cross-sectional analyses of earnings growth, that rapid economic assimilation of immigrants is inevitable. Recent reanalyses of census data show that immigrants who arrived during the 1970s are less skilled than those who arrived earlier and that their earnings do not rise as rapidly as previously claimed. This interpretation is consistent with descriptive historical accounts about the changing socioeconomic and demographic composition of immigrants admitted since 1965. Two qualifications must be reiterated. First, the labor market experiences of recent immigrants, if judged to be different from those of earlier arrivals, may also reflect the sluggish character of the U.S. economy during the 1970s, particularly during the mid-period recession. Second, it does not necessarily follow that the influx of unskilled foreign workers is necessarily a detriment to the U.S. economy. The willingness of recent cohorts to accept unskilled and dead-end jobs--as much ethnographic evidence

shows--may render them preferred workers even under conditions of high unemployment and slow economic growth.

(4) Finally, although immigrants are significantly less likely to receive transfer income than otherwise similar natives, recent immigrants are more likely to be poor and to qualify for transfer income than natives. In answer to the question of whether immigrants' higher rates of labor force participation and their taxes based on lower average incomes are sufficient to offset their consumption of goods and services supported by public expenditures, the limited evidence suggests that the net benefits probably accrue to the natives, but this conclusion is highly tentative.[45]

Contemplating the policy implications of these findings brings us full circle to our opening quotes and a reaffirmation that history has repeated itself. Contemporary worries about immigrants taking jobs from native workers, about their potential drain on social expenditures, and their prospects for becoming assimilated into the U.S. labor market are reminiscent of those which were pervasive at the turn of the century, and before. But, just as history is repetitive, it is instructive.

It is unlikely that any reforms--whether sweeping or superficial--will resolve the irreconcilable conflicts inherent in an immigration policy which strives to balance political, economic, social, humanitarian, and philosophical considerations. The policy dilemma does not admit simple solutions, as Abrams and Abrams note, "...(I)f we emphasize the economic role of immigration and admit more and more skilled workers, we sacrifice the goal of reuniting families; if we stress (as is now the case) the admission of relatives, we lose control of the effect of immigration on our labor markets. If we admit highly skilled immigrants, we may be hurting their home countries and our own less privileged citizens; if we fail to admit the highly skilled

applicants, we deprive our country of their badly needed talents."[46] But the worry over immigration has been exaggerated. Overall, the historical record shows that immigration has in the past been a positive economic force, and the evidence reviewed here does not provide any reason to expect this will change in the future.

Notes

1. P.S.J. Cafferty, B.R. Chiswick, A.M. Greeley, T.A. Sullivan, The Dilemma of American Immigration: Beyond the Golden Door (Transaction Books, New Brunswick, NJ, 1983).

2. M. Teitlebaum, Foreign Affairs 59, 21-59 (1980).

3. The difference between stocks and flows causes some confusion. A flow is a gross measure, while stock is a measure resulting from the cumulative number admitted minus deaths and exits via emigration.

4. R.L. Bach, Western Hemisphere Immigration to the United States: A Review of Selected Research Trends (Occ. Paper Series, Ctr. for Immigr. and Refugee Assist., Georgetown Univ., Washington, D.C., 1985), p. 8.

5. R.L. Simon, Public Opinion and the Immigrant: Print Media Coverage, 1880-1980 (Lexington Books, Lexington, Mass., 1985), p. 4.

6. Origins of Immigrants: 1951-1980

	1951-1960	1961-1970	1971-1980
Europe	52.7	33.8	17.8
Asia	6.1	12.9	35.3
Americas	39.6	51.7	44.1
Other	1.6	1.6	2.7
	100.0	100.0	99.9

Source: U.S. Department of Justice. 1983. Statistical Yearbook of the Immigration and Naturalization Service.

7. D.S. Massey, Annual Rev. of Soc. 7, 57-85 (1981); M. Tienda, in U.S. Immigration and Refugee Policy: Global Trends and Domestic Issues, M. Kritz, Ed. (Lexington Books, Lexington, Mass., 1983), pp. 211-231; R.L. Bach and M. Tienda, in Immigration: Issues and Policies, V.M. Briggs, Jr. and M. Tienda, Eds. (Olympus Press, Salt Lake City, Utah, 1984), pp. 37-82.

8. The number of persons who entered outside of the numerical quota has risen from 86,043 in 1970 to 104,633 in 1975 and 241,160 in 1980. During this period the share of persons admitted under 3rd preference or 6th preference categories--i.e., with labor certification--hovered between 4 and 8 percent. See Statistical Yearbook of the INS, 1978, 1980, and 1983 .
9. G.J. Borjas, "Immigration and Self-Selection: An Analysis of Intercountry Differences" (1986), unpub. manuscript; G. Jasso and M.R. Rosenzweig, in Research in Human Capital and Development 5 (in press, 1986).
10. M. Teitlebaum, 1980, p. 37.
11. Data are from the 1986 Economic Report of the President.
12. See R.L. Bach, 1985, for discussion of these details.
13. L.F. Bouvier, Population Bulletin 35 (April 1980); L.J. Waite, Population Bulletin 36 (May 1981).
14. The Bracero program, established in 1941, was a formal arrangement between the governments of the U.S. and Mexico that provided guarantees on working conditions and steady employment for short periods of seasonal farm work in the U.S. The Bracero program, or Mexican labor program, was initiated as a war emergency measure both during World War II and the Korean conflict. After much pressure from Congress, the U.S. Department of Labor terminated the program December 31, 1964.
15. A. Portes and R. Bach, Latin Journey: Cuban and Mexican Immigrants in the United States (Univ. of Calif. Press, Berkeley, 1985), Table 8, p. 63.
16. U.S. General Accounting Office, Illegal Aliens: Limited Research Suggests Illegal Aliens May Displace Native Workers, Briefing Report (April 1986). In light of the inconclusive state of existing studies, it is surprising that the GAO titled their report to suggest that evidence of market displacement is clear.

17. A current summary of this debate is provided in M.J. Greenwood and J.M. McDowell, "The Factor-Market Consequence of U.S. Immigration, " Jour. of Econ. Lit. (in press, 1986).

18. This assertion violates one of the most fundamental tenets of economic theory: the level of employment in a competitive economy is determined by the interaction of the supply of and the demand for labor. Hence, the observed level of employment depends on such factors as output prices, worker productivity and skills, the state of technology, the value of the worker's alternative uses of time, and the size of the immigrant flow itself.

19. M. Piore, Birds of Passage: Migrant Labor and Industrial Societies (Cambridge Univ. Press, Cambridge, 1979), p. 3.

20. For a critical review of the "segmented labor market" hypothesis, see G. Cain, Jour. of Econ. Lit. 14, 1215-1257 (1976). See also W.T. Dickens and K. Lang, Amer. Econ. Rev. 75, 792-805 (1985).

21 A. Portes and R.L. Bach, Latin Journey: Cuban and Mexican Immigrants in the United States (Univ. of Calif. Press, Berkeley, 1985), Chapters 1, 5, 6, and 7.

22. See D.S. Hamermesh, in Handbook of Labor Economics, O. Ashenfelter and R. Layard, Eds. (North-Holland Publishing Company, in press, 1986).

23 G. Borjas, Rev. of Econ. and Stat. 68, 58-66 (1986); J.B. Grossman, Rev. of Econ. Stat. 64, 596-603 (1982); G. DeFreitas and A. Marshall, "Immigration and Wage Growth in U.S. Manufacturing in the 1970s" (Indust. Relat. Research Assoc. Series, Madison, Wi., 1984), pp. 148-156; T. Muller and T.J. Espenshade, The Fourth Wave: California's Newest Immigrants (The Urban Institute Press, Washington, D.C., 1985).

24. See R.L. Bach and M. Tienda, 1984, pp. 37-82, and M.J. Greenwood and J.M. McDowell (in press, 1986).

25. An excellent summary of the literature is found in A. Portes and R.L. Bach, 1985, Latin Journey, Chapter 1.

26. This is a very narrow economic definition of assimilation. The classic formulation, elaborated by M. Gordon, is much broader and richer. See Assimilation and American Life (Oxford University Press, New York, 1964).

27. B.R. Chiswick, Jour. of Polit. Econ., 86, 897-921 (1978); G. Carliner, Econ. Inq. 18, 87-102 (Jan. 1980); and G. DeFreitas, Ph.D. Dissertation, Columbia Univ. (1980).

28. B.R. Chiswick and others who have written about earnings assimilation have inferred temporal growth in earnings and crossover dates from cross-sectional data showing that the earnings of foreign workers exceed those of the native born. Conclusive evidence requires either longitudinal data or synthetic cohort analyses, as we show below.

29. B.R. Chiswick, 1978, p. 900.

30. B.R. Chiswick, in Contemporary Economic Problems, W. Fellner, Ed. (American Enterprise Institute, Washington, D.C., 1979), pp. 357-399.

31. For a recent technical discussion of this problem see the studies in Analyzing Longitudinal Data for Age, Period, and Cohort Effects, H. Winsborough and O. Duncan, Eds. (Academic Press, New York, 1983), and particularly the study included therein by J.J. Heckman and R. Robb, "Using Longitudinal Data to Estimate Age, Period, and Cohort Effects in Earnings Equations," pp. 137-150.

32. R. Warren and J. Marks Peck, Demography 17, 71-84 (1980).

33. C.B. Keely, Demography 12, 170-191 (1975); D.S. Massey, 1981; G. Borjas, 1986.

34. This is an oversimplification of the skill transferability issue. An alternative and equally compelling argument is that foreign workers may be desired precisely because they are unskilled. See R.L. Bach and M. Tienda, 1984.

35. These arguments are developed in G.J. Borjas, "Immigration and Self-Selection: An Analysis of Intercountry Differences," mimeograph, Univ. of Calif., Santa Barbara, 1986.

36. Several persons have asserted but have not demonstrated empirically that persons coming in through family visas do worse in the labor market than persons who come in through occupational visas. See E. Abrams and F.S. Abrams, The Public Interest 38; 3-29 (1975).

37. The term synthetic refers to the fact that the cohorts are defined by year of arrival. The study does not track the same individuals.

38. G.J. Borjas, Jour. of Labor Econ. 3, 463-489 (1985).

39. The native base referred to in Table 3 is the native group of like national origin as the immigrant group. For example, Mexican immigrants are compared to persons of Mexican origin born in the United States, black immigrants are compared to black native persons, etc.

40. D.S. North and M.F. Houston, The Characteristics and Role of Illegal Aliens in the U.S. Labor Market: An Exploratory Study (Linton and Company, Inc., Washington, D.C., 1976)--report prepared for the Employ. and Training Admin. of the U.S. Dept. of Labor; F.D. Blau, Ind. and Labor Relat. Rev. 37, 222-239 (1984); D.S. North, in U.S. Immigration and Refugee Policy, M. Kritz, Ed. (Lexington Books, Lexington, Mass., 1983), pp. 269-285,; M. Tienda and L. Jensen, "Immigration and Public Assistance

Participation: Dispelling the Myth of Dependency." (Inst. for Research on Poverty, Univ. of Wisc. Disc. Paper, 775-85, 1985); D.S. Massey, "The Settlement Process Among Mexican Migrants to the United States," Amer. Soc. Rev. (in press, 1986).

41. L. Jensen, "Patterns of Immigration and Public Assistance Utilization, 1970-1980" (Paper presented at the Annual Southwestern Sociology Assoc., March 1986, San Antonio, Tex.).

42. The only exception were Southeast Asian refugees, whose receipt of welfare income was higher than that of other Asians. This outcome was affected by the special provisions of the 1980 Refugee Resettlement Act, which entitled these refugees to special income maintenance payments.

43. R.L. Bach and M. Tienda, 1984.

44. J. Simon, Population and Devel. Rev. 10, 55-69 (1984).

45. J. Simon, 1984; M.J. Greenwood and J.M. McDowell, 1986.

46. E. Abrams and F.S. Abrams, The Public Interest 38, 28 (1975).