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Labor Market Transformation and U.S.
Immigration Policy

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Entering the last decade of the 20th Century, the United States finds its labor market in a state of transformation. A marked break has occurred in the evolutionary patterns of employment and the preparatory requirements placed on the labor force to adjust to these trends. So rapid and, in some cases, so radical are the changes that a "mismatch" between the effective demand and the available supply of labor is no longer a subject of academic speculation. It is a reality whose implications extend not only to the competitiveness of the economy and to the adequacy of the labor force but, given the multi-racial and multi-cultural composition of the population, to the prospects for the maintenance of domestic tranquility.

The forces that are altering the nature of labor demand are the same that confront all industrialized nations. They are associated with the pace of technological change, expansion of international trade, and shifts in consumer spending preferences.¹ It is conceivable that the effects of reduced military spending may soon be added to the list.² The consequences of these influences are manifested in the nation's emerging occupational, industrial, and geographic employment patterns.³ Employment in most goods producing industries and in many blue collar occupations is declining while it is increasing in most service industries and many white collar occupations. Regional employment trends are extremely unbalanced but growth is generally more pronounced

in urban than in rural areas and is particularly strong in the Southwest and weak in the Midwest.

But it is the concurrent forces being exerted on the supply of labor that constitute a uniquely American issue. Over the past decade, the labor force of the United States has increased in size by almost double the combined absolute growth of the other nine major industrial nations of the free world. More importantly, the most rapidly growing segments of the U.S. labor force are composed of women and minorities. The projections for the 1990s are for more of the same.⁴ Women in general and minorities in particular have had fewer opportunities to be trained, educated, or prepared for the types of occupations that are forecasted to increase the most in the coming decade. Both groups are disproportionately concentrated in occupations and industries that are already in decline or are most vulnerable to decline in the near future. None of the nation's major competitors are faced with the need to create as many new jobs or to adjust to such rapid changes in the gender and racial compositions of their respective labor forces.

For present purposes, however, the concern is with the one element that impinges on the size and diversity of the U.S. labor force that is virtually unknown in other nations: the role of immigration. Since the mid-1960s, mass immigration has again surfaced as a distinguishing feature of life in the United States. In contrast to all other advanced industrial nations, the United States stands alone in its willingness to admit each year hundreds of thousands of legal immigrants and refugees for permanent settlement as well as to tolerate the mass abuse of its laws by an annual influx of illegal immigrants that approaches the legal flow. Indeed, a recent study of contemporary

American society stated that the one feature which continues to distinguish the current U.S. economy from those of other industrialized nations is that "immigration continues to flow at a rate unknown elsewhere in the world."⁵

With immigration presently accounting for 30 to 40 percent (depending on what estimate of illegal immigration is applied) of the annual growth of the U.S. labor force, it is essential to know how immigrants and refugees fit into the aforementioned transformation processes now besetting the U.S. labor market.

Immigration is Essentially An Economic Phenomenon

Throughout its history, U.S. immigration policy has been called upon to serve a variety of perceived national purposes.⁶ But regardless of the rationale used at any one time, there are always economic consequences. All immigrants must find some way to earn a living or to be supported by others who work. Ideally, the welfare of immigrant workers and their dependents will also be congruent with the best economic interests of the nation. But there is no assurance that such results will automatically occur -- especially in the emerging postindustrial environment.

Domestic economic conditions change over time. Immigrants in mass numbers can be the cause of changes in labor market conditions -- for either the better or the worse for the nation. If, for instance, jobs for citizens are readily available, a case for more liberal admissions of immigrants may be warranted. If jobs are scarce, the opposite may be the case. If only certain types of jobs exist, a targeted policy could be beneficial but a general policy might not. If conditions are uncertain, prudence would dictate that restrictive policies be in place until such time as trends can be discerned.

Immigration is the one aspect of labor force size and composition that public policy should be able to control. Immigration policy, is after all, supposed to be a purely discretionary act of the federal government.

Policy in Historical Perspective

As a general statement, it can be said that immigration policy prior to World War I was consistent with the economic development trends and labor force requirements of the United States. Throughout its first century, the United States had neither ceilings nor screening restrictions on the number and type of persons permitted to enter for permanent settlement. In this preindustrial stage, the economy was dominated by agricultural production. Most of the jobs required very little in the way of training or preparation. There was little need to be concerned over human resource preparation. With a vast amount of land that was largely unpopulated, an unregulated immigration policy was consistent with the nation's basic labor market needs.

When the industrialization process began in earnest during the latter decades of the 19th century, the newly introduced technology of mechanization required mostly unskilled workers to fill manufacturing jobs in the expanding urban labor markets of the nation. There were pools of citizen workers who could have been incorporated to meet these needs -- most notably the recently "freed" blacks of the former slave economics of the rural South. But the alternative of mass immigration from Asia and Europe became the chosen alternative. Before long, however, immigration from China and Japan was banned in response to negative social reactions so that various ethnic groups from Eastern and Southern Europe became the primary source of new workers during this era.

From purely an efficiency standpoint, the mass immigration of the late 19th century and the first two decades of the 20th century was generally consistent with the basic economic needs of the nation. Agriculture remained the nation's largest employment sector until as late as 1920. The labor needs of agriculture, as well as the rapidly emerging new employment sectors of manufacturing, mining, and construction, and transportation, generated jobs that required very little in the way of skills, education, literacy, or fluency in English from the work force. The enormous supply of immigrants who came during these years typically lacked these human capital attributes but they reasonably matched the needs of the prevailing demand for labor. The technology of that era asked little in the way of human resource preparation. The available jobs largely required blood, sweat, and tears. Most of the immigrants as well as most of the native born workers of those times amply provided all three.

Beginning with the outbreak of World War I, however, the nation experienced a sharp contraction in immigration. Following the war, the first quantitative restrictions on the number of immigrants to be admitted in the nation's history were imposed. Moreover, the pervasive negative social reactions to many of the new ethnic immigrant groups also led to the adoption of qualitative restrictions that were overtly discriminatory. These restrictive actions were embodied in the Immigration Act of 1924. Qualitative screening standards were enacted that favored immigrants from Western and Northern Europeans; disfavored all other Europeans; banned virtually all Asians; and ignored most Africans.

In the 1920s expanding domestic economy was characterized by the wide-spread introduction of the assembly-line method of production. The adoption of capital

intensive mass production techniques no longer required unlimited numbers of workers. Although the production technology still required largely unskilled workers, this time employers had to turn to domestic labor surpluses. These pools of underutilized workers were found in the nation's massive rural economy. During the 1920s, the rural population declined for the first time in the nation's history. The most important new supply of workers to respond to these urban job opportunities were the black citizens of the rural South who finally began their exodus to the large cities of the North, South, and West Coast.

The depression decade of the 1930s (with its general surplus of unemployed job seekers) was followed by the war years of the 1940s (when tight labor markets caused previously existing artificial barriers to the employment of women and minority groups to weaken and to provide access to a wide array of jobs that had hitherto been unavailable to these domestic sources of labor supply). These developments in the 1930s and 1940s occurred at a time when even the low entry quotas of the prevailing immigration laws of that era were not being met.

In the 1950s, the economy prospered due to the pent-up demand for products and the forced-savings of the war era. It was during this period of rising affluence that the United States was finally forced to confront the legacy of racial inequality that had plagued the nation since its inception. The Civil Rights Movement was launched in earnest. It soon spread throughout most of the South and culminated in the passage of the Civil Rights Act of 1964. This legislation manifested the principle that overt racism would no longer be tolerated within the country. It was only logical that the next step

would be to purge such racist practices from the nation's relations with the external world.

Immigration Reform and Its Noneconomic Objectives

The enactment of the Immigration Act of 1965 ended the era of using immigration for racial and ethnic discrimination purposes. It also ushered in the new era of mass immigration that has continued to this day. Having been dormant for over forty years, this sleeping giant from the nation's past was again aroused. Instead of seizing the opportunity to craft a new immigration policy that would be designed to meet some positive definition of the public interest, however, Congress created a policy aimed primarily at fulfilling the private interests of its legal residents. Legal immigration levels were sharply increased and a politically popular new admissions system based primarily on the concept of family reunification was adopted. Eighty percent of the total visas available each year are reserved for various categories of adult and extended family relatives of persons who are already citizens. In addition, immediate family members (i.e., spouses, minor children, and parents) of each visa holder are exempt from all quotas and are usually admitted automatically. Noneconomic considerations, in other words, would hold sway as the guiding principles for the design of U.S. immigration policy.

In 1980, in response to mounting humanitarian pressures, the Refugee Act of 1980 was passed. It created a separate admission route for refugee admissions that has no legislative ceiling. The number of refugees admitted each year varies depending on the amount of political pressure exerted by special interest groups on the President. He has the authority to set the annual number of refugees to be admitted each year after a

largely pro forma consultation with Congress. The annual figures have ranged from a low of 67,000 refugees in 1986 to a high of 217,000 refugees in 1981. Obviously there is no labor market test applied to refugee admissions. The vast preponderance of the refugees of the 1980s have come from Third World nations of Asia and Central America. Most have been poorly skilled, inadequately educated, and usually lack English proficiency. Many have clustered together in a handful of urban enclaves.

The complex admissions systems for both legal immigrants and refugees, however, have proven easy to circumvent. Illegal immigration has flourished. By its nature, the exact number of illegal immigrants is unknown. Official estimates place the flow in the 1980s to be about 200,000 a year but these figures are suspected of being far too low.⁷ Apprehensions -- admittedly a poor indicator -- have soared from 110,000 in 1965 to an historic high of 1.7 million in 1986. Following four generous amnesty programs enacted in 1986 in which a combined total of over 3.2 million illegal immigrants were allowed to legalize their status, it is believed that there are still upwards of 4 million illegal immigrants in the U.S. and that their ranks mount by the day.⁸ The entry of illegal immigrants, of course, is without regard to whether they have requisite preparation for available jobs or what effect they might have on citizen workers with comparable skills or educations. As with refugees, most illegal immigrants are from less economically developed nations. Most are deficient in their skills training, educations, and their abilities to speak English. They too tend to cluster together in enclaves -- mostly in urban areas but also in some rural communities where labor intensive agricultural methods still prevail.

Lastly, the immigration system permits certain foreign workers to be employed in the United States under specified labor market circumstances. Known as non-immigrant workers, their numbers have been growing steadily and are now in excess of 300,000 workers a year. There are no annual ceilings on the number of non-immigrant workers who can be admitted. They are employed in a variety of occupations -- ranging from agricultural workers to nurses, to engineers, to scientists. Most non-immigrant workers can be admitted only if qualified citizen workers cannot be found. But typically only perfunctory checks are made to test for citizen availability. Supposedly they are admitted only for temporary time periods but their visas can be extended in some cases up to five years. In 1989, special legislation was enacted to allow thousands of nurses who were working as non-immigrants to adjust their status so as to stay permanently. Such adjustments as well as the growing dependence of U.S. employers on non-immigrant workers is symptomatic that something is seriously wrong with the prevailing immigration system. Clearly, the legal immigration system lacks the direction and the flexibility to respond to shortages of qualified workers to fill real job vacancies.

What has happened is that, in the process of altering the admission standards and enlarging the scale of immigration flows since 1965, the fact that the U.S. economy was on the verge of entering a new phase of fundamental employment change was unforeseen. For the first time in the nation's history, it can be said unequivocally that prevailing immigration policy is not consistent with the labor force needs of the nation. Indeed, a significant portion of prevailing policy may actually be counterproductive to the welfare of the nation.

Policy Indifference to Employment Trends

Immigration policy, by definition, is capable of influencing not only the quantitative size of the labor force but also the qualitative features of those it admits. Presently, there is virtually no synchronization of the immigrant flows with the demonstrated needs of the labor market. With widespread uncertainty as to the number of illegal immigrants, refugees, and non-immigrant workers who will enter in any given year, it is impossible to know in advance of their actual entry how many foreign born persons will annually join the U.S. labor force. Moreover, whatever skills, education, linguistic abilities, talents or locational settlement preferences that they have is largely incidental to the reason that most are admitted or enter.

The labor market effects of the currently politically-driven immigration system are twofold. Some immigrants and non-immigrant workers do have human resource endowments that are quite congruent with the labor market conditions currently dictated by the economy's needs. Some are desperately needed due to the appalling lack of attention given by the policymakers to the adequate preparation of many citizen members of its population. But many do not.⁹ For these others, they must seek employment in the declining sectors of the goods producing industries (e.g., agriculture and light manufacturing) or the low wage sectors of the expanding service sector (e.g., restaurants, lodging, or retail enterprises). Such immigrants -- especially those who have entered illegally -- are now a major factor for the revival of "sweat shop" enterprises and the recent upsurge in child labor violations reported in urban centers of the nation. The revival of such Third World working conditions in many cities is hardly anything for the United States to be proud about -- regardless of whether or not these immigrants

actually displace citizen workers in such exploitive work situations.

Unfortunately, many of the nation's citizen workers who are either among the working poor or the underclass are also to be found in many of the same declining occupations and industries.¹⁰ A disproportionately high number of these citizens are minorities, women, and minority youth. As these citizen groups are growing in both absolute and percentage terms, the logic of national survival would say that they should have the first claim on the nation's available jobs and chances for employment preparation. The last thing these citizen groups need is more competition from immigrants for the declining number of low skilled jobs that provide a liveable income, or for the limited opportunities for training and education that are available to low income workers.

The post-industrial economy of the United States is facing the prospect of serious shortages of qualified labor. The U.S. labor force is conservatively projected to grow by an annual average 1.6 million workers through to the year 2000 (and this projection was made before the passage of the new Immigration Act of 1990 which will annually increase legal immigration by 35 percent over existing levels when it takes effect in Fiscal Year 1992).¹¹ With unemployment rates already in the high 5 percent range, it cannot be conceived that this nation will have a shortage of potential workers in the 1990s. Moreover, no technologically advanced industrial nation that has 27 million illiterate adults and another 20 to 40 million adults who are marginally literate need have any fear about a shortage of unskilled workers in its foreseeable future.¹²

It should be noted that immigration -- especially that of illegal immigrants, recent amnesty recipients, and refugees -- is a major contributor to the growth of adult illiteracy

in this nation. Immigration -- by adding to the surplus of illiterate adult job seekers -- is serving to diminish the limited chances that many poorly prepared citizens have to find jobs or to improve their employability by on-the-job training. It is not surprising therefore, that the underground economy is thriving in many urban centers. The nature of the overall immigration and refugee flow is also contributing to the need for localities to expand funding for remedial education, training, and language programs in urban communities. Too often these funding choices cause scarce public funds to be diverted from being used to upgrade the human resource capabilities of the existing citizen urban labor force.

On the labor supply side, the incidence of unemployment, poverty, and adult illiteracy are much higher and the labor force participation rates and educational attainment levels significantly lower for blacks and Hispanics than is the case for non-Hispanic whites and for Asians. It is also the case that blacks and Hispanics are disproportionately employed in the industries and occupations that are already in sharpest decline (i.e., in the goods producing industries and in blue collar occupations). Thus, those groups in the labor force that are most rapidly increasing are precisely those most adversely at risk by the changing employment requirements. Unless public policy measures are targeted to their human resource development needs, many members of both groups as well as other vulnerable segments of the population have dim employment and income prospects in the emerging post-industrial economy. If the policy of mass and unguided immigration continues, it is unlikely that there will be sufficient pressure to enact the long term human resource development policies needed to prepare and to incorporate these citizen groups into the mainstream economy.

Instead, it is likely that the heavy but unplanned influx of immigrant labor will serve -- by providing both competition and alternatives -- to maintain the social marginalization of many citizen blacks and citizen Hispanics. If so, the rare chance afforded by the employment trends of the 1990s to reduce significantly the economically disadvantaged population and the underclass in the U.S. economy will be lost -- probably forever. It will also mean that job opportunities will be reduced for the growing numbers of older workers who wish to prolong their working lives and for the vast pool of disabled citizens who were only recently extended employment protection by the Americans with Disabilities Act of 1990 who are seeking to be included in the labor force.

In other words, there is already a substantial human reserve of potential citizen workers. If their human resource development needs were comprehensively addressed, they could provide an ample supply of workers for the labor force needs of the 1990s and beyond. If the prevailing immigration policy thrusts are not changed, the immigration system will almost guarantee that many citizens from these groups will remain potential or marginal work force participants. As matters now stand, immigration policy represents a major obstacle to the achievement of a politically stable, fully employed, and truly equitable society for the United States.

The Immigration Act of 1990: A Giant Step in the Wrong Direction

On the last day of its legislative session, the 101st Congress of the United States passed the Immigration Act of 1990. Although its terms manifest more cognizance of potential labor market effects than does extant immigration law, its primary focus is upon increasing the quantity of immigrants with little regard given as to their specific human capital endowments or the general labor market conditions of the U.S. economy.

To this degree, the new legislation (which takes effect in Fiscal Year 1992) largely perpetuates the notion that immigration policy -- despite its magnitude -- has little obligation for any accountability for its economic consequences. While the new law does increase the number of immigrants admitted without regard to family ties to 140,000 visas a year, the actual percentage of work-related visas to the total number of visas remains the same, 20 percent, as it is under the present law. Hence, there is no real change in policy direction under the new statute. In addition, the new law introduces questionable new entry routes (e.g., for investor immigrants) and reintroduces national origin criteria (i.e., diversity immigrants) which in the past have been one of the most reprehensible admission features of U.S. immigration policy. This paper is not the place to critique this enormously complex law (it is over 300 pages long) but by any fair reading it can only be seen as a step backward in the quest to render immigration policy accountable for its economic consequences. By far, the preponderance of those who will be admitted will be accommodated without regard to their human capital endowments or the needs of the U.S. labor market.

The Needed Reform

It was Napoleon who said that "policy is destiny." As the nation enters the 1990s, the evolving employment patterns overwhelmingly reveal a preference for skilled and educated workers as well as diminished parallel demand for those job seekers who lack such human capital endowments. The nation is facing the prospect of the worst of all possible situations: a shortage of qualified workers co-existing with a surplus of unqualified job seekers with clear racial dimensions as to whom is in which grouping.

In this context, the appropriate role of immigration policy is crystal clear.¹³ Immigration policy must be made strictly accountable for its economic consequences. It should be a targeted and flexible policy that is designed to admit only persons who can fill job vacancies that require significant skill preparation and educational investment. The number admitted should be limited to far fewer than the actual number needed. Immigration should never be allowed to dampen the market pressures needed to encourage citizen workers to prepare for vocations that are expanding and to insure that governmental bodies provide the requisite human resource development programs needed to prepare citizens -- especially those in minority groups -- for the new types of jobs that are emerging.

As it takes time for would-be workers to acquire skills and education, immigration policy can be used on a short run basis to admit experienced workers for permanent settlement who possess such abilities. It is the "preparedness", or lack thereof, of the existing labor force that is the fundamental economic issue confronting this nation. Over the long haul, citizen workers must be prepared to qualify for the jobs that are increasing.

The reason to restrict legal entry to skilled and educated immigrants is that the nation has an abundance of unskilled and poorly educated adults. The last thing that the nation needs are more poorly prepared would-be workers. With the job prospects for unskilled and semi-skilled workers becoming dimmer by the day, the long run human resource strategy must be predicated on ways to enhance the employability of those workers facing reduced demand for their services and to prevent future would-be workers from facing such dismal prospects. The fact that too many of those presently

lacking sufficient skills and education are from the nation's growing minority populations only adds urgency to this domestic challenge. The nation cannot allow its labor force to continue to polarize along racial class lines if it hopes to prosper and persevere.

Obviously, the admission of refugees will continue to be done without regard to labor market criteria. Nonetheless, it behooves the Federal government to provide all of the financial assistance that is needed to prepare refugees to meet the employment requirements of the local communities in which refugees are settled. Refugees are admitted as the result of Federal government policy decisions and it alone should bear the full financial costs associated with their preparation for jobs.

It is also imperative that federal policy to reduce illegal immigration be significantly enhanced by tighter restrictions on the use of fraudulent documents, stronger enforcement of employer sanctions, and the addition of penalties on apprehended illegal immigrants.

The national goal of all elements of the nation's human resource development policy must be to build a high wage, high productivity labor force along the lines being pursued by Japan and West Germany. In the process, the existence of shortages of qualified labor offers to this country a chance to improve the lot of its working poor and to rid itself of its large underclass. Such shortages can force public policy and private sector employment practices to focus on the necessity to incorporate into the mainstream economy many citizens who have been "left out" in the past. It was in this precise context that William Aramondy, the president of the United Way, recently said, "We have the biggest single opportunity in our history to address 200 years of unfairness to blacks. If we don't, God condemn us for blowing the chance."¹⁴ The major threat to

"the opportunity" he correctly identified is the perpetuation of the nation's politically dominated immigration policy. Immigration policy must cease being one of the causes of the problems of the U.S. economy and, instead, be redirected to become a means to the attainment of solutions.

ENDNOTES

1. See, for example, Richard Cyert and David Mowery (editors) Technology and Employment, Washington: National Academy Press, 1987 Chapters 3, 4, and 5 and John Culbertson, The Trade Threat and U.S. Trade Policy, Madison: 21st Century Press, 1989 Chapter 1 and 4.
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3. For a comprehensive reflection on labor force changes over the past two decades, see Ronald Kutchner, "Employment Growth in the United States" in Job Generation: U.S. and European Perspectives edited by Howard Rosen (Salt Lake City: Olympus Publishing Co., 1986). For prospective trends see, Valerie Personick, "Industry Output and Employment Through the End of the Century," Monthly Labor Review, (September 1987), pp. 30-45, and G. T. Silvestri and J.M. Lukasiewicz, "A Look at Occupational Employment Trends to the Year 2000," Monthly Labor Review, (September 1987), pp. 46-63.
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6. See, Vernon M. Briggs, Jr., Immigration Policy and the American Labor Force, Baltimore: Johns Hopkins University Press, 1984, Chapters 2 and 3.
7. Compare., Fullerton, op. cit., p. 8, with Paul Flaim, "How Many New Jobs Since 1982? Data from Two Surveys Differ," Monthly Labor Review, (August, 1989) p. 14.
8. Roberto Suro, "Traffic in Fake Documents Is Blamed As Illegal Immigration Rises Anew," New York Times, November 26, 1990, p. A-14.
9. George Borjas, Friends or Strangers: The Impact of Immigrants on the U. S. Economy, New York: Basic Books Inc., 1990, pp. 18-22. See Also Barry Chiswick, "Is the New Immigration Less Skilled Than the Old?" Journal of Labor Economics (April 1986) pp. 186-192.
10. Cyert and Mowery, op. cit., Chapter 5.
11. Fullerton, op. cit.
12. Jonathan Kozel, Illiterate America, Garden City, N.Y.: Anchor Press/Doubleday, 1985.

13. For a more detailed discussion of policy needs, see Vernon M. Briggs, Jr., "Efficiency and Equity as Goals for Contemporary U.S. Immigration Policy," Population and Environment: A Journal of Interdisciplinary Studies, (Fall, 1989), pp. 7-24.
14. Quoted in Neil C. Pierce, "Unique Opportunities for the Nation's Blacks," syndicated column printed in Ithaca Journal, (April 19, 1990), p. 8.