

# **THE BOON OF IMMIGRATION**

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**Highlight:** NOW THAT Israel has a new and huge wave of aliya from the Soviet Union, the complaints heard two decades ago are being heard again. But by now we are in a much better position to refute the charge that immigrants injure existing residents economically. A great deal of research has been done on the subject since then - not only in Israel, but in the United States, Canada, and Australia, where the results turn out to be amazingly similar. Social scientists have created an impressive body of empirical knowledge about immigration which contradicts the popular wisdom on most matters.

## **Body**

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NOW THAT Israel has a new and huge wave of aliya from the Soviet Union, the complaints heard two decades ago are being heard again. But by now we are in a much better position to refute the charge that immigrants injure existing residents economically. A great deal of research has been done on the subject since then - not only in Israel, but in the United States, Canada, and Australia, where the results turn out to be amazingly similar. Social scientists have created an impressive body of empirical knowledge about immigration which contradicts the popular wisdom on most matters.

The general conclusion has been that immigrants raise the standard of living of the existing population rather than lower it. They contribute more in taxes than the cost of the welfare services they use and reduce the burden on the public of supporting services and of the elderly. They improve productivity and competitiveness with their inventiveness. They do not displace natives in jobs.

True, Israel's situation is a bit different from that of other countries. On the one hand, immigrants get special financial and material assistance, and the volume of immigration is large relative to the size of the population, making adjustment more difficult. But the situation is no more difficult than it was for West Germany after World War II, or for Israel after 1948. On the other and, Israel's special security needs make additions to the population particularly valuable.

My conclusions are drawn not only from my own and my wife's work, but also from that of Professors Gur Ofer and Eitan Sabatello of the Hebrew University and Aharon Winokur of Haifa University. The data are mostly for the immigrants who came in the 1970s, but there is no reason to think that the picture is different now, because it is virtually identical in other countries. The comparison data are for the Jewish Israeli population.

IMMIGRANTS ARE not old and tired. Rather, they are on average in the early prime of their work lives. In all countries and times, people move when they are young adults, often single, with much smaller proportions of dependent older people and children than in the population at large. For example, 47 per cent of the Soviets who came to Israel were between the ages of 15 and 44, compared to 42 per cent in the Israeli population. This concentration in the young working ages means higher labour-force participation, less welfare services needed, and many other benefits.

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Participation in the labour force is much higher. Fully 60 or 70 per cent of the new Soviet immigrants enter the labour force, compared to 48 per cent of the Israeli population. Part of this huge difference comes from the age structure, but there is also a much greater job-seeking propensity in the olim in each age and sex category - especially among women.

THE SOVIET immigrants are not difficult to absorb. Within two months, 66 per cent of those who sought jobs had found them. Within one year of arrival, 90 per cent were employed.

This refutes the common belief that the Soviets take a long time to get sufficiently acquainted with the Israeli system to find a job, and that they are largely unemployables, such as professors of Soviet literature who cannot learn how to do anything else.

In the U.S., too, immigrants of all origins assimilate quickly. In every decade, the "new" immigrants are thought difficult to assimilate, unlike the "old" immigrants. But in each decade - including the 1970s and 1980s - the "new" immigrants have adjusted quickly, both economically and culturally. Within a decade or two, immigrants come to earn more than natives with similar educational characteristics.

The Soviet olim bring a high level of work skills with them. Sixty-one per cent of employees have more than 13 years of schooling, compared to only 26 per cent of Jewish Israeli employees. Only 13 per cent have had less than eight years of schooling, compared to 29 per cent of Israeli residents. Twenty-five per cent are in the key professions, which include engineers, technicians, architects, doctors, dentists, nurses, para-medics and dental assistants. Of course, declarations of occupation are not always accurate. But the general picture is clear: the Russians bring highly useful occupational skills.

Immigrants do not cause native unemployment, even among low-paid and minority groups. A spate of recent studies in the U.S., using a variety of methods, have shown that the bogey of "displacement" of natives does not exist. New entrants not only take jobs, they make jobs. And the jobs they create with their purchasing power and with the new businesses they start up are at least as numerous as the jobs immigrants fill. There is every reason to believe that this analysis applies to Israel too.

Immigrants do not exploit others by over-using welfare services. Since they typically arrive when they are young and healthy, new immigrant families use fewer welfare services than average native families, because they do not require expensive aid for the aged. And immigrant families pay more taxes than other average families, both because more of them work and because they earn more on average. Thus immigrants contribute more to the public coffers in taxes than they draw out in welfare services.

Some veteran Israelis complain about the economic assistance the Russians receive. But the level of car and apartment ownership they attain, even after several years in the country, is far below that of natives, and below that of immigrants from Western Europe and the U.S.

Furthermore, funds from outside Israel have more than covered housing and other absorption expenditures. They do not come out of the Israeli taxpayer's pocket.

Immigrants demonstrate desirable economic traits. According to U.S. data, compared to natives, immigrants work more hours per week, save more, have higher rates of participation in the labour force, contribute important new productivity enhancing ideas to industry and science and are unusually self-reliant and innovative.

First and second-generation children in the U.S. do astonishingly well in school. In 1989, they were valedictorians in 13 of 17 Boston public high schools. They win an astonishing proportion of scholastic prizes. And in all the countries studied, the children of immigrants earn more than average. It is very likely that the picture is the same in Israel, as it was in earlier years true of the Jewish population in the U.S.

Immigrants increase the productivity of the economy. They increase the total size of the economy, and this increases productivity through economies of scale. Some public facilities, such as transportation infrastructure, can be used more efficiently with a larger population. The more enterprises produce for a growing population, the more

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efficiently they learn how to produce. Newcomers also increase flexibility, because they are unusually mobile, both geographically and occupationally.

**Immigration** reduces the uncuttable social costs of the elderly. More and more of the U.S. and Israeli populations are retired people, with a smaller proportion of adults in the labour force. **Immigration** is the only feasible way to lighten the burden of the aging population.

**Immigration** also reduces the uncuttable social costs of defence. The taxes paid by olim contribute to the defence budget, which should be considered reductions in others' taxation, because the total cost of defence increases very little with an increase in population. The same is true with reserve army duty.

THE MAIN negative factor of **immigration** is the capital-dilution effect. It can best be understood in terms of a group of farmers sharing a tractor. If the number of farmers suddenly doubles, each farmer will have less use of the tractor, at least until someone comes up with another tractor.

In Israel's case, the capital to be shared includes public roads, ports, and other transportation resources; government-owned banks and factories; and the Histadrut sector. But another large part of Israel's capital is privately owned - most retail stores, hotels, many factories, agricultural land, etc. Immigrant use of private capital means increased profit-returns to the veteran Israeli owners of the capital, and hence an increase in the average income of such veterans.

Now we need an overall cost-benefit assessment, taking into account the negative capital-dilution effect, as well as the positive factors we have enumerated. This is how all those factors add up in the evaluation of the role of the immigrant in Israeli society:

Transfers to an immigrant for housing and absorption from veteran Israelis amount to about 10 per cent of the immigrant's average working income in the first year, 5 per cent thereafter.

Contributions from the immigrant for defence amount to 9, 22, 26 and 30 per cent of average working income in the first four years, and 30 per cent thereafter.

Losses to veterans from reductions in their income due to capital dilution are 10 per cent, 17 per cent and 12 per cent in the first three years, falling to zero by the seventh year, at which time the immigrant's beneficial effect on the economy begins to result in an economic boost for the veteran population.

In investment terms, the "rate of return" on the investment in Russian immigrants is a staggering 80 per cent annually, which suggests that Israel's economy could give the olim about six times the sums now given and still obtain a return of 15 per cent a year.

## Graphic

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Illustration: Drawing; Caption: No caption (drawing of people of various backgrounds walking in a line) Credit: Avi Katz.

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