

IMMIGRANTS AND THE ECONOMY

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In the last two decades of the 20th century, the United States experienced a dramatic surge in immigration. The new wave of immigrants has been dominated by Hispanics and Asians, while immigrants from the traditional major sending nations of Europe have declined not only in numbers but also as a share of the total. The recent wave also exhibits significant geographic dispersion within the U.S. At the beginning of the 21st century, new immigrant communities are appearing in regions that did not have large foreign-born populations even two decades ago.

The latest newcomers, like earlier ones, have different skills and educational levels, as shown in Table 1. The size, diversity, and dispersion of these people have brought the perennial debates about the impacts of immigration on the American economy, and the effect of the economy on the immigrants, to the center of policymaking.

THE CHANGING ECONOMY

This wave of immigration has coincided with four major transformations in the U.S. economy. First, the share of the U.S. workforce engaged in manufacturing and agriculture has fallen dramatically since 1970, as shown in Table 2. Those jobs have been replaced by jobs in the service sector. In 2000 farmers made up only about 2 percent of the workforce. Manufacturing had shrunk from employing a little over a fourth of all workers in 1970 to employing 15 percent by 2000. Meanwhile, the service sector, broadly defined, grew from 62 to 75 percent of the workforce. Many of the jobs in this sector—including those of doctors, engineers, educators, and computer systems analysts—require advanced degrees, and highly skilled immigrants have often filled them. Many others—such as those of nurse aides, busboys, maids, child-care workers, and gardeners—require very

little education or command of English, so they are suitable for low-skilled immigrants.

Second, the Sunbelt states have experienced spectacular population growth as people (including immigrants) and economic activity have moved south and west. In 1960 the foreign-born population in Texas and Florida combined was merely 0.6 million. By 2000 the number had risen to 5.2 million. The settlement of immigrants in southern states that attracted few in the past is part of the dispersal of newcomers in the past 20 years and has made these states more demographically diverse. Nevertheless, traditional immigrant-receiving states, such as California and New York, have continued to attract the lion's share of immigrants.

The exodus from manufacturing and the growth of the Sunbelt have contributed to a third major change—the decline of labor unions. At the unions' peak, in the 1950s, nearly one third of workers belonged to them. Half a century later, only 13 percent of the nonagricultural workforce did so. In 1993 the AFL-CIO, which had a history of ambivalence toward newcomers—particularly unauthorized ones—began a new campaign to organize immigrants, and a few years later it called for reaching out to unauthorized immigrants, but with little success. Twenty thousand garment-shop workers in New York City, mostly women from China, joined the International Ladies' Garment Workers Union and won union contracts after a successful strike in 1982. However, the garment business had been shrinking steadily since the 1970s, and in most new garment shops, where the workforce was dominated by both undocumented and authorized immigrants, union leaders had little success in organizing workers. Nor was the situation different for farmworkers. In California, the center for American farm produce, the United Farm Workers and several other unions organized thousands of agricultural laborers in the 1960s and 1970s but suffered huge reversals when trying to unionize unauthorized

Neeraj Kaushal, Cordelia Reimers, & David Reimers; Mary Waters, Reed Ueda, Helen Marrow, eds., "Immigrants and the Economy," from *The New Americans: A Guide to Immigration Since 1965*, pp. 176–180, 186–188. Copyright © 2007 by Harvard University Press. Permission to reprint granted by the publisher.

Table 1 Education of the population aged 25 and over by nativity and decade of entry, 2000

Level of education	Percentage of nativity group with each level of education					U.S.-born
	Foreign-born				1990s entrants	
	All	Asia	Europe	Latin America and Caribbean		
Less than 5th grade	7.2	4.0	3.1	11.02	7.3	0.7
5th to 8th grade	15.0	5.9	9.6	23.4	14.2	4.0
9th to 12th grade (no diploma)	10.8	6.2	5.9	15.8	11.5	8.7
High school graduate (includes equivalency)	25.0	21.8	28.7	24.9	24.0	34.3
Some college, less than bachelor's degree	16.2	17.1	19.7	13.5	14.0	26.7
Bachelor's degree	16.1	28.0	18.7	7.7	19.1	17.2
Graduate degree	9.7	16.9	14.2	3.5	9.9	8.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Profile of the Foreign-Born Population in the United States, 2000*, Tables 14-1A, 14-1B, and 14-1D, www.census.gov/population/www/socdemo/foreign/ppl-145.html.

Note: Africa, Oceania, and Canada are not shown separately but are included in the "All" and "1990s entrants" columns.

immigrant farmworkers, estimated to make up over half of the state's agricultural workforce in 2004.

A fourth important development in the past three decades has been the growing inequality of wages. Average wages (adjusted for inflation) of men with a high school education or less fell from 1973 to 1995, while those of college graduates, especially people with advanced degrees, rose dramatically. Most studies have found that the spread of high-tech production methods that place a premium on skill is the main reason for the increase in inequality. However, expanding imports, the decline of unions, and the influx of unskilled immigrants have also contributed to the erosion of wages of workers with few skills. The increase in wage inequality has made it difficult for these workers, including immigrants with less education, to improve their earnings over time. At the same time, rising wages for those with higher education have presented college-educated immigrants with good job opportunities.

Although the American economy changed after 1970, it still needed labor to expand, including immigrant labor. Half of the new jobs created in the 1990s, for instance, went to foreign-born workers. The U.S. economy provides economic opportunities that most immigrants are denied in their home countries. They come, either legally or illegally, to seek higher wages and better career opportunities. Low-paid jobs with poor working conditions, which most native-born Americans disdain, find a ready supply of low-skilled immigrants, who regard these "bad" jobs as quite good when compared to opportunities in their home country. In 2004 immigrants made up roughly 12 percent of the U.S. population, 15 percent of all U.S. workers, and 20 percent of low-wage workers.

Immigrants continue to be a source of labor in traditional sectors such as farming, meat processing, the garment industry, and construction. Although technology has replaced many farmworkers, hands are nonetheless required in agriculture, especially

Table 2 Industry of the total employed population aged 16 and over, 2000

Sector	Percentage of total work force in each industry	
	1970	2000
Agriculture	4.4	2.5
Goods-producing ^a	33.1	22.0
Manufacturing	26.4	15.1
Service ^b	62.5	75.5
Business, professional, recreation, and personal services	25.9	36.8
Total	100.0	100.0

Sources: *Statistical Abstract of the United States: 1990*, Table 650; *Profile of the Foreign-Born Population in the United States, 2000*, Table 16-2, www.census.gov/population/www/socdemo/foreign/ppl-145.html.

a. Manufacturing, mining, construction.

b. Transport, public utilities, trade, financial/insurance/real estate, and public administration.

in the fruit and vegetable fields, and Mexican immigrants have proved to be a ready source of labor. About half of American farmworkers are Hispanics, largely unauthorized Mexican immigrants. Major changes in the meatpacking and chicken-processing industries created a huge demand for immigrant labor, which has been met by Central Americans and Mexicans, mostly in small towns in the South and Midwest that had virtually no immigrant presence before 1990. In 1980, 8 percent of workers in the meat-processing industry were Hispanics. By 2000 the number had risen to 35 percent. The positions these workers fill are usually poorly paid, and firms experience high rates of labor turnover. The garment industry, which historically depended on immigrant labor, continues to do so in New York City, Los Angeles, and other centers, though at a much reduced rate, as the manufacture of textiles has moved overseas. The remaining jobs are usually filled by Hispanic or Chinese immigrants. Construction work has also lured Hispanic immigrants away from the Southwest to cities such as Atlanta and New York.

Immigrants, especially Hispanics, do maintenance work in the nation's hotels, office buildings, restaurants, and motels. As increasing demand has outpaced the number of U.S.-born university graduates entering certain fields—particularly health care, engineering, science, and computer science—immigrants have come to represent a sizable share of those professions. While low-wage positions are mostly filled by immigrants with little education, highly educated people from Asia and the Middle East are working in the high-tech industries as engineers and computer experts.

Major changes in immigration law occurred at the same time that the Medicare bill was passed, in 1965, thus creating a large demand for health professionals such as physicians, nurses, and lab technicians and for low-wage employees to maintain hospitals

and other medical facilities. The health industry attracted Asians, especially Filipinos and Indians, and people from the Caribbean. As seen in Table 3, foreign-born workers were much more likely than U.S. natives to be in lower-paid blue-collar and service jobs in 2000, and less likely to be in managerial, sales, and clerical work. On average they were about as likely as natives to be professionals, but this masks a dramatic difference between Asian and European immigrants, on the one hand, and Latin Americans, on the other. This disparity reflects the educational differences noted in Table 1.

While immigrants are attracted by employment opportunities in the U.S., immigration is not solely determined by the demand for labor. American immigration policy plays a key role, and it is not guided entirely by the needs of the labor market. The inflow of foreigners in a given year is determined by the number of visas issued and the enforcement of border controls. For example, legal immigration dropped by 34 percent between 2002 and 2003, not because of the sluggish labor market but because the terrorist attacks on September 11, 2001, prompted tighter government control of entry to the U.S. During recessions immigrants may have a harder time finding work and may have to take poorer jobs at lower pay, but that does not stop them from coming to the U.S. when they can. Even the flows of unauthorized immigrants are surprisingly insensitive to the state of the U.S. economy. The prospect of a bad job in the U.S. may be better than what is available at home. Although the overall inflows are largely insensitive to fluctuations in the U.S. economy, however, recessions do affect public attitudes toward immigrants. Pressure for more restrictive immigration policies tends to increase during recessions and relax when the economy is expanding.

Table 3 Occupation of the employed population aged 16 and over by nativity and decade of entry, 2000

Occupation	Percentage of nativity group with each occupation					1990s entrants	U.S.-born
	All	Asia	Europe	Latin America and Caribbean	Foreign-born		
Executives and manager	10.6	15.7	15.8	5.8		6.8	15.3
Professionals	14.1	23.0	22.3	6.2		13.4	15.6
Technicians	3.0	5.5	3.7	1.5		3.6	3.3
Sales and administrative support	17.8	22.1	20.2	15.0		14.2	27.4
Private household workers	1.9	0.8	1.5	2.7		2.1	0.5
Other service workers	17.3	14.2	13.5	20.2		19.6	12.7
Precision production, craft, and repair	12.1	5.9	12.2	15.9		11.7	10.5
Operators, fabricators, and laborers	18.7	12.0	10.2	24.8		22.7	12.7
Farming, forestry, and fishing	4.5	0.8	0.6	7.8		5.9	2.1
Total	100.0	100.0	100.0	100.0		100.0	100.0

Source: *Profile of the Foreign-Born Population in the United States, 2000*, Tables 16-1 A, 16-1B, and 16-1D, www.census.gov/population/www/socdemo/foreign/ppl-14.5.html.

Note: Africa, Oceania, and Canada are not shown separately but are included in the "All" and "1990s entrants" columns.

ECONOMIC PROGRESS OF IMMIGRANTS

Table 4 shows the widely varying incomes reported in the 2000 Census of immigrants from Asia, Europe, and Latin America. Asians have by far the highest household incomes—24 percent higher than U.S. natives at the median—whereas Latin Americans have 29 percent less income than natives. The income distribution of immigrants from Europe is very similar to that of the U.S.-born. Income is largely determined by earnings, and most of the differences in earnings among immigrants are due to differences in educational levels, age, English fluency, time in the U.S., legal status, and possibly discrimination.

A number of researchers have tried to determine how long it takes for the earnings of immigrants to converge with those of natives with comparable skills and education. One challenge they face is not knowing what would have happened to immigrants who returned to their country of origin after a few years versus what would have happened if they remained in the U.S. Another challenge is not knowing whether economic progress, or lack of it, is caused by changes in the immigrants' U.S. labor market skills, by changes in labor market conditions, or, possibly, by changes in discrimination against certain immigrant groups.

Education and experience in the U.S. have strong influences on earnings, which handicaps immigrants who may be deficient in both. The gap in years of schooling shown in Table 1 explains a large part, though not all, of the gap in earnings between Latin Americans and other groups. In addition, groups with large numbers of recent immigrants have lower earnings because the typical immigrant comes when he or she is young. In 2004, for example, 52 percent of those who had arrived since 2000 were aged 18 to 34, compared with 22 percent of U.S. natives. The fact that the U.S. labor market rewards U.S. schooling and work experience better than foreign schooling and work experience also means that adults who come after acquiring their education and some work experience abroad tend to earn less than those who come as children and acquire the same amount of education and work experience in the U.S.

When they first arrive, immigrants typically earn less than U.S. natives of similar age and educational level. However, as they learn English and become familiar with the U.S. labor market, their earnings rise with time in the U.S. Research suggests that the process of catching up with natives is faster among European immigrants than among Asian and Latin American immigrants, even after controlling for the differences in education and other observed characteristics of these groups. Indeed, white immigrants surpass white natives soon after arriving in the U.S. However, Asian and Latin American immigrants' wages remain below those of U.S.-born Asians and Hispanics. Immigrants with low levels of education have been held back by the decline in wages for less-skilled workers in recent decades. Many, including about half of all Mexican immigrants, lack legal authorization to be in the U.S. and can therefore work only at marginal jobs in small firms. The unexplained gap could also be due to unmeasured personal characteristics such as quality of schooling. Moreover, some nonwhite immigrants may face racial discrimination in the U.S. labor market.

Although nonwhite immigrants may not attain the same earnings as native-born Americans, there is still progress across generations. Today the U.S.-born children of earlier Mexican immigrants average 12.2 years of schooling, 3.5 years more than current Mexican immigrants but still over a year behind white non-Hispanics. The wages of Mexican men are 44 percent lower than those of whites, but more than half of the difference can be explained by gaps in educational attainment and age. U.S.-born Mexican American women earn the same as white women of the same age and education. There is almost no cross-sectional difference in education between the second generation and the third and higher generations of Mexicans in the U.S. today, but third- and higher-generation Mexican men earn 6 percent more than second-generation men of the same age, and today's third and higher generations have more education than their parents' generation, which is 25 years older.

The earnings gap between U.S. natives and immigrants is larger for more recently arrived cohorts than for those who came earlier. This is partly because the more recent entrants have lower levels of education relative to natives than the earlier ones, but the gap has widened even within the same education and age group.

The widening inequality discussed above is partly responsible. Recent immigrants, particularly those without a college education, have confronted an increasingly unfavorable wage structure, as wages of less-skilled workers have fallen further behind those of better-skilled workers.

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