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Employment Implications of U.S. Immigration Policy

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The economy of the United States is in the midst of a radical transformation of its productive system and labor force. So sharp has been the break from the experiences of the past that it has already become in vogue to speak of a new "industrial divide" or of the "de-industrialization" of the economy. The issue is not whether fundamental economic shifts in the production and employment characteristics are occurring, but, rather, only the magnitude and the speed by which they are taking place. The fundamental challenge to the future welfare of the nation, therefore, centers upon the ability of its institutions and people to adjust without serious disruption to the metamorphic changes associated with what is now called post-industrial economic development.

The post-industrial transformation in America involves complex factors, such as accelerated technological change; growing foreign competition in science, technology and trade; shifting consumer buying patterns; massive public expenditures on military and space program; new employment patterns involving dramatic shifts from goods-producing industries to services and from blue collar labor to white collar occupations; the relative decline of old "smokestack" industrial regions and the rise of high-tech industries in specific centers as in Austin, Boston, and California's "Silicon Valley."

It is not the purpose here to explain post-industrialism. Rather, it is to discuss the one economic factor that distinguishes the United States from all other major industrial powers entering into the post-industrial era. Namely, the fact that the United States continues to receive massive numbers of immigrant and refugee workers and their dependents. It is also concerned with a key question of public policy: Should a permissive immigration policy continue to function irrespective of its economic consequences? Designing post-industrial economic policy to achieve full employment and to develop the full human resource potential of its citizens in the context of an economic transformation is plainly a formidable task. But, as will be emphasized, the effectiveness of such planning endeavors is greatly hampered -- if not rendered impossible -- when one of the most important contemporary influences on the size and composition of the nation's labor supply, namely immigration and refugee policies, is allowed to function as an exogenous policy factor.

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The 1980 Census revealed that the size of the foreign-born population of the United States had not only reversed its 50-year downward decline but it had sustained a quantum increase. As a group, the reported foreign-born population rose from 9.6 million in 1970 to 13.9 million persons in 1980 (an increase of 45 percent). No other grouping of the personal characteristics of the population increased by a larger percentage between 1970 and 1980 than did the foreign born. The 1980 Census also disclosed that one of every 10 people in the country spoke a language other than English at home. As it is certain that there was a substantial statistical undercount of the illegal immigrant population by the 1980 census, even these official findings were surely understated.

More importantly, however, is the fact that since 1980 there have been momentous developments with respect to immigration flows to the United States. Some of these include the liberalization of refugee admission policies and the creation of an asylee admission policy associated with the workings of the Refugee Act of 1980; the adjustment of status of over 100 thousand refugee and asylee applicants from Cuba and Haiti outside of the terms of the Refugee Act of 1980; the on-going efforts of the sanctuary movement to facilitate the surreptitious entry of persons from various Central American nations into the country; and the provisions of the newly enacted Simpson-Rodino Act with its general amnesty provisions for millions of illegal immigrants and its relatively open-ended program to permit the adjustment of status of tens of thousands illegal foreign agricultural workers who would not otherwise qualify for the general amnesty. There is also the fact that it remains to be demonstrated whether the newly enacted Simpson-Rodino Act will have any real effect on reducing the flow of illegal immigration to the United States. The lack of an effective identification system, concern over inadequate funding for enforcement, and the omission of any attention to the powerful "push" forces of population growth, poverty, unemployment, and corruption in the sending countries all suggest that illegal immigration will continue at high and, possibly, increasing levels. All of these factors plus the on-going workings of the legal immigration and refugee admission systems throughout the 1980s make it certain that the foreign born population to be recorded by the 1990 census will show another quantum leap.

For these reasons, immigration now appears to be as important as fertility insofar as U.S. population growth is concerned. Since population changes are transmitted to the nation's economy through labor force changes, there are compelling arguments for a close coordination between the formulation of employment and immigration policy.

The lack of attention given to the labor market implications of the immigration reform drive of the mid-1980s serves largely to underscore the basic flaw in the nation's overall immigration policy. Namely, the immigration system has been designed to serve largely political and sentimental purposes -- not economic purposes. If contemporary immigration flows were of a minor scale and if the economy were not in the midst of a major structural transformation, the nation could probably afford to ignore pleas to overhaul the present immigration system. But such is not the case.

The Administration of Immigration Law

Because the magnitude and composition of legal immigration flows are subject to direct government regulation, it is essential to understand how immigration policy is administered. There is only tangential mention of immigration in the United States Constitution. By the late 19th Century, however, the Supreme Court had concluded that the federal government had exclusive responsibility for immigration. After being briefly assigned to the Department of the Treasury and later to the Department of Commerce and Labor, the administration of immigration policy was given to the newly established U.S. Department of Labor (DOL) in 1914. This action represented a clear recognition by policymakers of the time that labor market considerations should be the primary concern of immigration policy. In 1933, by executive order, the immigration and the naturalization functions were joined into a single agency: the Immigration and Naturalization Service (INS) within the Department of Labor.

With the approach of World War II, an executive decision was made that has had lasting influence on handling of immigration affairs. In June, 1940, the INS was shifted from the Department of Labor to the U.S. Department of Justice. Under this agency, concern over the possible entry and presence of subversive foreign elements became the highest administrative priority of the INS, and immigration policy as an instrument of human resource policy became a distant secondary concern.

The INS is still under the Department of Justice. This arrangement has seriously impaired any effort to make the administration of immigration policy congruent with domestic labor market conditions. The Department of Justice consists of a dozen major agencies, all pleading for attention from the U.S. Attorney General. Consequently, immigration matters have tended to be neglected or relegated to a low order of priority. Moreover, the Department of Justice is one of the most politicized of federal agencies. It often feels pressed to choose short-run, expedient solutions. Seldom has it manifested interest in the economic consequences of immigration, nor has it ever seen fit to establish any on-going research program to monitor the influences of immigration on the labor market or the economy. Moreover, the statistics that are generated by the agency are primarily for administrative rather than for analytical purposes.

Another result of the shift of Immigration Service to the Justice Department has been that the Senate and House judiciary committees gained the responsibility for formulating immigration policy and for supervising immigration affairs in general and the INS in particular. Traditionally, membership on these committees has been reserved almost exclusively for lawyers. One consequence is that immigration law in the United States is obsessively complex and legalistic. Another is that immigration lawyers and consultants have found a flourishing business -- a "honey pot" -- in the legal complexities and loopholes of immigration law that actually encourages illegal entrants and overstay visitors. In this legalistic atmosphere, economic considerations are usually ignored.

Present Immigration Policy and Priorities

The revival of large-scale legal immigration as a formative influence on the American economy, society and culture dates from the Immigration Act of 1965. This law represented the culmination of decades of effort to purge the nation's immigration system of the "overt racism" that liberal reformers perceived in the "national origins system" that had favored immigration of culturally similar peoples from Great Britain and Western Europe since 1924.

The few nations with large quotas did not use all of the visas available to them while most other nations with small quotas, or virtually none at all, had backlogs of would-be immigrants. No doubt that was what the authors of the 1924 quota act intended. In any case, the 1965 Act abolished the former admission system. In the process it also placed a numerical quota on Western Hemisphere immigration through an amendment for the first time. In 1976 and 1978 further amendments led to the establishment of a single worldwide quota for immigrants with no more than 20,000 visas each year to be made available for persons from any one country. In any event, the numbers of legal immigrants, their immediate relatives, and those who have entered under other provisions (i.e., such as refugees) has soared from 196,697 in fiscal 1965 to 570,009 in fiscal 1985, with enormous accumulations of backlogged visa applicants.

Equally important, the 1965 legislation made family reunification the dominant admission factor. Ironically, the motivation for the change was not entirely humane. In the Judiciary Committee of the House of Representatives, some legislators were concerned with finding a way to retain the national origins system under a covert guise. Obviously, if certain groups had been excluded or had a low quota in the past; they would have fewer chances to bring in relatives under established family preferences. On the other hand, family unification would seem to benefit those groups who had large quotas under the former system.

The Johnson Administration sought to retain the priority of labor market considerations as the highest preference criterion. This had been the case under the preference system established by the Immigration and Nationality Act of 1952. Congress, however, made family reunification the major preference factor. The Johnson Administration was forced to accept the change as the price of eliminating the national origins admission system. In the process, two fundamental changes occurred that have had a significant impact on U.S. labor markets. First, the 1965 law downgraded labor market considerations to lower preference levels, namely, the third and sixth, and it sharply reduced the number of visa allotments for immigrants with needed skills and knowledge. Second, legislators were flatly wrong in their anticipation that family reunification priorities would favor European immigration. As it turned out, the sources of European immigration dwindled because of economic and social advances there and, because of the massive backlog of non-European applicants for immigration that has accumulated since 1965, the "first-come, first served" admission process now means that there will be years of delay before many European applicants can be considered. In their place, great waves of Third World immigrants have taken advantage of reunification opportunities -- especially as the result of refugee

admissions. The result has been a revolutionary change in the sources of immigration. By the 1980s, nearly 85 percent of all legal immigration is from Latin America and Asia. It is commonly estimated that the same percentage holds for illegal immigration.

In the years since 1965, there have been a number of minor changes in the immigration system, but the heavy emphasis on family reunification has remained essentially intact. The system currently sets a single worldwide admission ceiling of 270,000 immigrants annually, of which only 54,000 are reserved for needed workers, such as technicians and professionals. It is true that no more than 20,000 visas are allotted to would-be immigrants of anyone country in a single year but, and this is very significant, the immediate relatives brought in by naturalized citizens, after easy citizenship tests, are not counted in either ceiling. Immediate relatives are nearly all spouses, children and parents of naturalized citizens over age 21, and their numbers are growing rapidly. In fiscal 1985, the number of immediate relatives admitted outside the ceiling totaled 198,143 persons.

To decide which specific individuals are granted immigrant visas within the framework of numerical ceilings, a six-category preference system exists. Four of the categories, which account for 80 percent of the visas, are reserved for persons who are family related (i.e., relations other than immediate family members). The two remaining categories, that is, the third and sixth, are the only ones based on labor market considerations, but they are allocated only 20 percent of the annual visas. To be admitted in either of these two labor-market categories, an immigrant must secure a certification from the Department of Labor that states that his or her presence will not adversely affect the job opportunities and labor and wage standards of U.S. workers. On the other hand, immigrants admitted under family reunification priorities are exempt from any labor certification whatsoever. This means that the growing influence of family immigration on the labor market is largely the result of chance and not planned accommodation with regard to the skills and education they possess. No small matter. In 1985, 570,009 legal immigrants, plus 62,477 refugees, were admitted to the United States. Many were unskilled family members from underdeveloped Third World societies and many were functionally illiterate in English. Moreover, most were destined for unskilled jobs in services in the secondary-labor markets. Only about 5 percent of these new residents were subject to labor certification. And, of course, none of the illegal immigrants were so subject. If illegal immigrants are included, the number of immigrants subject to labor certification falls to far less than one percent.

The Changing Nature of the U.S. Labor Market

The prevailing legal immigration policy of the United States was mostly forged in the early 1950s and mid-1960s when immigration was not a significant influence on the economy, and consequently it manifests little interest in labor force considerations. Perhaps the nation could tolerate such indifference if the immigration flows of workers had remained relatively small and if the economy and labor force had not undergone significant structural alterations. But the economy of the United States in the mid-1980s is a far cry from that which prevailed during the age of mass European

immigration that preceded World War I. The historical domination of the goods-producing sector as the major source of employment, as in agriculture, manufacturing, mining and construction, is over. Its relative share of employment has steadily declined since the mid-1950s. Goods-producing industries presently account for less than 29 percent of the U.S. jobs and only 32 percent of the dollar value of U.S. production. The service industries provided the balance.

Likewise, the occupational shifts associated with post-industrial changes show a dramatic shift from the blue collar to white collar jobs. Although many service sector jobs require relatively few skills or education (i.e., working in fast-food chains, cleaning, and laborer work), it is also the case that the service jobs that are increasing most rapidly (i.e., computer processing, health care, education, and legal services) require extensive job preparation. The demands of the service economy are, therefore, leading to a general upgrading of the qualifications that are needed to obtain and hold jobs compared to an earlier era when goods-producing industries dominated the economy.

On the labor supply side, the Bureau of Labor Statistics has projected a yearly labor force growth for the remainder of the 1980s of 1.6 million and in the early 1990s of 1.3 million new workers. These projections seem extremely conservative -- as all past projections by the Bureau of Labor Statistics have been -- because they underestimate growing numbers of legal immigrants and refugees through family preference immigration; they exclude any estimate of future illegal immigration; and they do not include any of the anticipated effects of the new amnesty and agricultural foreign worker adjustment program that have become effective in 1987.

As for the composition of the labor force, the years since 1965 have been a period in which racial and ethnic groups, as well as women, have dramatically increased their proportions of the total labor force. The Bureau of Labor Statistics projects that these patterns will continue, with women accounting for two-thirds of the annual growth in the labor force, blacks about 25 percent, and Hispanics about 30 percent over the next decade. Furthermore, it is likely that the heavy but unplanned influx of immigrant labor will serve to maintain high levels of black and Hispanic unemployment and social marginalization.

The Phenomenon of Adult Illiteracy

Although the 1980 census concluded that the nation is almost 100-percent literate, that finding has been openly questioned. Indeed, based upon several studies, the U.S. Department of Education reported in 1983 that 23 million adults are only marginally literate at best. Other studies released in the early 1980s have placed these numbers even higher. The situation is believed to be so severe that the National Commission on Excellence in Education, appointed by President Reagan, concluded in its comprehensive report that the future welfare of the nation is "in peril" and entitled its study A Nation at Risk.

The economic consequences of mounting levels of adult illiteracy among the labor force is relatively more significant in the emerging service-oriented society than was the case in the old industrial order. Factory, farm and extractive labor in the first half of the 20th Century did not require very much in the way of educational and verbal skills. But service industries and technologically-oriented businesses require workers to be able to handle comprehensive tasks which are based more on reading, writing and listening than on manual skills.

Widespread adult illiteracy poses a threat to economic productivity because of the limited availability of an employable work force to meet post-industrial needs. Furthermore, functional illiteracy contributes to the incidence of work place accidents, the production of inferior products and services for consumers, and the loss of management and supervisory time.

According to the U.S. Department of Education, the stock of functionally illiterate adults is increasing at an annual rate of 2.3 million persons. Of these, immigration -- in all of its forms (i.e., legal immigrants, refugees, immediate family members of immigrants and refugees who are adults, and illegal immigrants) -- accounts for the largest proportion of this estimated annual increase by adding about 1.3 million illiterate persons to the population each year. In contrast, the Department of Education estimates that the remaining 1.0 million illiterates are high school dropouts, pushouts, and even graduates who have received social promotions. Much public attention has been directed in recent years to the illiteracy problems associated with the nation's schools but no comparable attention has been directed at the major source of illiteracy in the United States: its new immigrants.

Many immigrants, it should be noted, are functionally illiterate in their own native language. Here one refers to most job seekers and their dependents who enter the nation illegally from Mexico and Central America, and to many of the refugees admitted in recent years from Southeast Asia, as well as to many of the recent asylees and asylee claimants from Cuba, Haiti, El Salvador and Guatemala. The new amnesty program and the agricultural worker adjustment programs that become operational in 1987 will greatly add to these ranks of the illiterate since the overwhelming numbers of those persons and their family members are from poor backgrounds in Mexico or other countries of Central America and the Caribbean area.

In general, functional illiteracy goes hand in hand with unskilled workers and high rates of unemployment in a changing economy. That unemployment levels are inversely related to educational attainment is a firmly rooted proposition in the economics of the labor market. Although there are many exceptions, such as labor-intensive service jobs, the post-industrial society has much less need for unskilled workers than the old factory system and repetitive assembly line work. But transferring unemployed workers with minimal skills to a service-oriented economy presents a formidable problem. In the 1985 congressional hearings, the U.S. Department of Labor reported that "75 percent of out-of-work Americans have inadequate reading and writing skills." In any case, it seems that the last thing that the nation needs at this juncture of its economic development is to import

more unskilled workers. For one thing, poorly skilled and poorly educated U.S. workers carry the burden of direct competition with poorly educated and low-skilled illegal aliens (who are willing to work for less), and also with many refugees and even unskilled and functionally-illiterate legal immigrants who are admitted only because they are family members of immigrants and naturalized citizens.

If, on the other hand, the nation were to face a future shortage of unskilled workers, a flexible immigration policy, based on labor market needs, could readily give uneducated and unskilled workers admission preference as permanent immigrants. Given the hundreds of millions of unskilled workers in the world, desperate to try America, it is hard to imagine an easier labor market problem to solve should it actually occur in the future.

Under present circumstances, however, America's post-industrial welfare state must somehow train, accommodate, or care for millions of unskilled workers and their dependents. The problem is difficult enough without being complicated by an immigration policy that is oblivious to labor market impacts. For there is good reason to believe that the present immigration system has contributed to the following adverse tendencies. First, it reduces employment opportunities and wage levels for U.S. workers in the concentrated sub-labor markets and regions; second, it postpones the introduction of labor-saving machines and robots in certain sectors of agribusiness and in assembly line industries, and thereby to perpetuate various labor-intensive modes of production that should be eliminated in a post-industrial order; it discourages citizen workers, particularly blacks and native-born Hispanics, who languish in America's inner cities as dropouts or "victims" of structural unemployment; and, fourth, it triggers the spending of increasing amounts of social capital in order to assist and educate the dependents of unskilled workers -- legal, refugees and illegal -- from underdeveloped Third World societies.

Guidelines for a New Immigration Policy

The fundamental principle that is missing from the nation's existing immigration policy is the recognition that it must be held accountable for its economic consequences. Allowing U.S. immigration policy to continue, in a mechanical manner, to pump in massive numbers of mostly low-skilled immigrants and extended-family members with little or no concern for economic and social conditions is a laissez-faire practice that should have no place in a planned post-industrial society.

What sense did it make, for example, to admit hundreds of thousands of legal and illegal immigrants and refugees during the 1982-1983 recession when U.S. unemployment soared to heights not seen since the Great Depression of the 1930s?

Common sense suggests that the annual inflow of immigrants should be limited by a fixed annual ceiling, and that it be enforced by U.S. consular and immigrations officers. Within this upper limit, there should be flexibility of numbers. In other words, the actual number of immigrants legally admitted each year (say 300,000 or less) would be determined by

unemployment trends in the nation. Annual immigration levels would thus fluctuate inversely with unemployment, as in Canada. The precise number of immigrant admissions would be an administrative decision set by the U.S. Department of Labor based on surveys of economic conditions, and in consultation with Congress.

It follows that the immigration preference system should revert back to the primary emphasis on occupational considerations as was the case from 1952 to 1965. Moreover, family reunification priorities should be restricted to members of the immediate family only. (The basic social unit of American society is the nuclear family and not the extended family of Third World societies.) In addition, all family immigrants, like job seekers, should be subjected to the fixed annual ceiling. No other modern nation allows chain migration of extended family members to dominate its immigration policy. Accordingly, the fifth preference that provides for the admission of adult brothers and sisters of U.S. citizens should be eliminated forthwith.

Occupational preferences should be increased to at least the pre-1965 level of 50 percent of the available visas and preferably more. Full discretion should be given to the administrative agency to decide which occupational skills are in greatest need at any particular time and to admit qualified immigrants accordingly, but especially those willing to settle in regions where there is a need for certain skills -- and not in areas with labor surpluses. It also follows that this aspect of immigration policy should be given back to the U.S. Department of Labor to administer with oversight responsibilities given to the Congressional committees primarily concerned with employment and human resource development issues.

The refugee and asylee policies of "a nation of immigrants" are the most difficult to integrate into a policy designed for a post-industrial economy and welfare state. Obviously, the United States feels bound to participate in the world-wide effort to accommodate refugees. But experience with waves of Cuban and South Asian refugees, who crowd into tight ethnic enclaves to compete for scarce jobs and social assistance, clearly indicates the need for limitations on the number of refugees admitted and where they settle. Since refugees are, in fact, immigrants, they should also be brought under the fixed annual ceiling, with the understanding that, if special circumstances do arise, more could be admitted in a given year but that offsetting reductions would then be made in the admission of legal immigrants in the same year or following years. In this manner, the fixed annual ceiling would not be exceeded.

Asylee admissions are presently facilitated by the prevailing state of judicial paralysis. Asylee claimants who enter illegally or as overstay visitors are presently entitled to more levels of appeal than are provided to convicted felons. Two reforms are needed: Immigration law should provide for an expedited system of deciding asylum claims with appeals limited to procedural issues and not substantive concerns. And the admission of asylees should be under the same cap on total immigration. As with refugees, for every asylee legally accepted, legal immigration should be reduced by one.

Conclusion

Present-day immigration policy functions as a wild card among the nation's labor market policies. Unlike other elements of national economic policy which policymakers try to orchestrate into a harmonious development program, immigration policy behaves erratically. To recapitulate, in this post-industrial era, the changing economic structure of the American economy requires a rational immigration policy that can be held accountable for its economic and social consequences. This means, in brief, a policy that can do the following: meet changing labor market needs; stop the illegal immigration of unskilled and functionally-illiterate job seekers; and provide employment assistance and guidance to a growing number of refugees and asylees admitted primarily for humanitarian reasons and the countless millions who are being admitted under the new amnesty programs.