

CHAPTER 7

The Economic Effects of Immigration

THE MOVEMENT OF PEOPLE BETWEEN COUNTRIES links national economies. Like international trade in goods, services, and financial claims, international migration connects domestic and international markets. The free flow of resources in response to market signals promotes efficiency and produces economic gains for both producers and consumers. The migration of labor, both domestically and internationally, represents such a flow of productive resources.

Most countries restrict the flow of international migrants. Emigration from a country is a basic human right established by the United Nations Universal Declaration of Human Rights, which states: "Everyone has the right to leave any country, including his own, and to return to his country." The right of immigration into a country, however, is not recognized in international law. Every country has sovereign power over the admission of foreign nationals, either as temporary visitors or as permanent residents. Many countries, most notably the U.S.S.R., restrict emigration as well as immigration.

The United States has a long tradition of assimilating diverse groups into the economic and political life of the Nation. Citizenship has been a traditional consequence of immigration to the United States, and persons born here are automatically citizens regardless of parentage. In many other countries, citizenship is based on lineage, not on birth in the country.

This Nation was largely populated and built by immigrants and their descendents. It remains one of the few major immigrant-receiving countries of the world, symbolizing personal freedom and economic opportunity. For more than 200 years, the U.S. economy has been strong, creating many millions of jobs at growing real income levels. For more than a century, per capita income has been many times higher than the level for most of the world's population. This strength and stability have attracted inflows of foreign capital and immigration.

Economic instability and poor prospects for advancement in many countries have encouraged emigration, while wars and political oppression have induced mass migration of persons in search of safety and political freedom. International migration has also been made

easier by falling transportation costs and better information. Air transportation has significantly reduced travel times, and today's migrants can more easily maintain ties with friends and relatives in their home countries through modern communications.

An individual's decision to migrate, either within a country or across international borders, depends on whether the expected gains outweigh the expected costs. As with most investments, migration has initial costs while its gains are realized over time. An individual's moving costs are personal as well as financial, especially for an international move. Many migrants leave behind a known way of life, friends, and relatives, and they face a period of adjustment in their new country. The gains from migration are also personal as well as economic. In the case of a move to the United States, for example, gains may include greater freedom as well as the expectation of higher income. The economic success achieved by migrants depends on their ambition and entrepreneurial ability, on the skills and capital they bring with them, and on the skills they develop in the United States. Migrants are self-selected based on their ability and motivation to succeed in their new country.

National concern has arisen about the effects of international migration, especially illegal migration, on the United States. Immigration policy and the ability to control the country's borders have serious implications for the definition of national sovereignty. Although many illegal aliens are productive members of society who have established strong community ties, their presence violates U.S. law. Concerns exist as well regarding the social, political, and environmental consequences of immigration.

Immigration policy is not shaped by economic considerations alone, but immigration has important economic effects. Immigrants work, save, pay taxes, and consume public services. At the same time, there is concern that an influx of migrants might reduce job opportunities for some groups of native-born workers and reduce wages. Many are concerned that immigrants may increase the use of public services, including services they are not legally entitled to receive. Examination of these economic issues is a necessary part of the broader analysis of immigration policy. Although economic analysis helps illuminate some of the consequences of immigration, it does not address the fundamental importance of enforcing the law, nor does it suggest that illegal immigration is condoned.

MIGRATION TO THE UNITED STATES

From colonial times until the last quarter of the 19th century, the United States was open to immigrants from all over the world. The

first restrictions on immigration were qualitative, barring convicts and prostitutes. Restrictions on immigration by nationality began in 1882 with the exclusion of the Chinese. Numerical restrictions were first instituted in 1921. These applied to immigration from the Eastern Hemisphere and were based on the composition by national origin of the U.S. population. Numerical restrictions on immigration from countries in the Western Hemisphere were first enacted in 1965.

The 1965 amendments to the Immigration and Nationality Act of 1952, which remain substantially unchanged, abolished the national origin system and set an annual ceiling on immigration to the United States. The worldwide annual ceiling for numerically restricted immigrants is now 270,000, with uniform per-country ceilings of 20,000. The amendments also established a preference system that emphasizes family reunification and, secondarily, employment considerations. The immediate relatives of U.S. citizens are, however, exempt from these provisions and ceilings, as are refugees and persons seeking political asylum.

The 1965 amendments permitted a shift of immigration from Europe to Asia. Prior to the 1960s, the majority of immigrants were European. European immigration first fell below 50 percent of the total in the 1960s, and it has continued to fall to just over 10 percent in the early 1980s. Asians represent an increasing share of total immigration, rising from 13 percent in the 1960s to about 50 percent in the 1980s. Asian immigration also increased because of the admission of Indo-Chinese refugees, beginning in the 1970s. The proportion of legal immigrants from Mexico has been stable at 10 to 15 percent for the past 35 years.

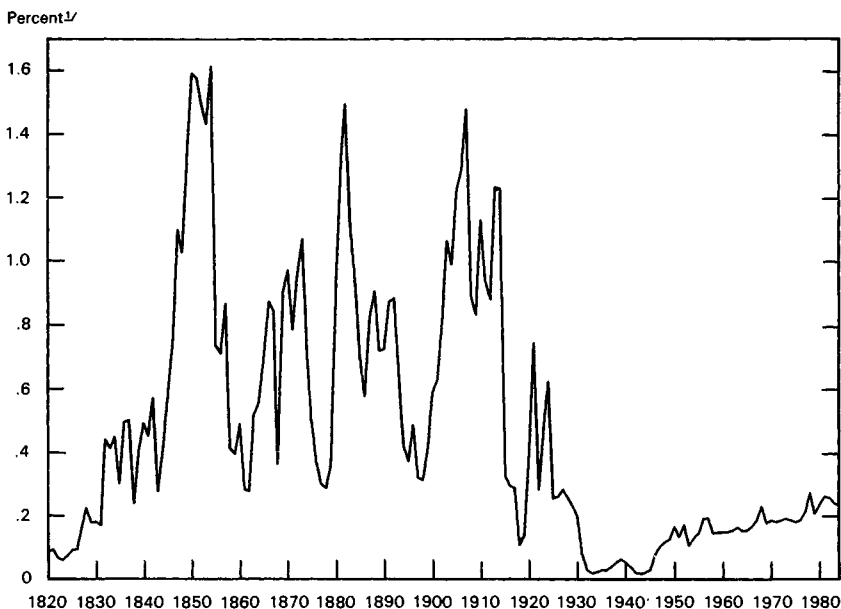
In recent years, legal immigration flows have been about 550,000 per year. These levels are significantly lower than they were early in the 20th century. Chart 7-1 shows immigration to the United States as a percent of the total U.S. population. Legal flows in recent years have been less than one-quarter of 1 percent of the population annually, about half the historical average. Including the estimated flow of illegal settlers does not raise this percentage to the historical average.

Flows of immigrants to the United States are also low relative to domestic migration. Between 1975 and 1980, approximately 20 million people migrated to a new State of residence in the United States. This compares with an overall inflow of 2.5 million immigrants over the same period.

The total foreign-born population in the United States in 1980 was 14.1 million. This represents 6.2 percent of the total U.S. population, which is also low by historical standards. This percentage fell steadily after 1910, but increased in the 1970s. Between 1970 and 1980, the

Chart 7-1

Legal Immigration as Percent of Population, 1820-1984



1/ Legal immigration for fiscal year as percent of July 1 resident population (including Alaska and Hawaii beginning 1940).

Sources: Department of Commerce and Department of Justice.

foreign-born proportion of the population grew from 4.8 to 6.2 percent. Much of this increase can be attributed to low U.S. birth rates and to an increasing flow of immigrants over the period. Even with this recent increase, however, the foreign-born proportion of the population in 1980 was less than half of what it was in 1910.

ALIENS ENTERING THE UNITED STATES

Aliens legally admitted to the United States can be classified into two broad categories—immigrants and nonimmigrants. Immigrants are admitted to the United States for permanent residence and are eligible to become U.S. citizens. Nonimmigrants are admitted for a temporary stay and for a specific purpose.

Immigrant admissions fall into three classes—numerically restricted, numerically unrestricted (mainly immediate relatives of U.S. citizens), and refugees and asylees. Nonimmigrants are composed for the most part of visitors who come to the United States for pleasure

or business. They include temporary workers and students. Although nonimmigrants are admitted for a temporary stay, many of them, such as investors and students, remain here for a number of years. In addition, many aliens are in the United States illegally. Aliens may shift from one category to another during their time in this country. For example, visitors may apply to remain here permanently and undocumented settlers may attain legal resident status.

Table 7-1 shows the number of alien entrants to the United States in fiscal 1984. The figures vary in precision. Inflows of immigrants and nonimmigrants are based on administrative records and are reasonably accurate. Figures for deportable aliens and return migrants are far less reliable.

TABLE 7-1.—*Alien entrants to the United States, fiscal 1984*

Category	Number of persons
IMMIGRANTS	
Numerically restricted.....	262,000
Numerically unrestricted.....	190,000
Refugees and asylees adjusting to immigrant status.....	92,000
Total.....	544,000
Estimated return migration.....	133,000
Estimated net inflow.....	411,000
NONIMMIGRANTS	
Visitors for pleasure.....	6,595,000
Visitors for business.....	1,623,000
Temporary workers.....	69,000
Other ¹	1,140,000
Total.....	9,427,000
ESTIMATED DEPORTABLE ALIENS	
Settlers (net inflow).....	100,000 to 300,000
Temporary migrants (average stock).....	Less than 1,000,000

¹These include but are not limited to foreign government officials, students, treaty traders and investors, and employees of multinational corporations.

Note.—Data are from U.S. Government administrative records, except for return migrants and deportable aliens.

Sources: Department of Commerce (Bureau of the Census) and Department of Justice (Immigration and Naturalization Service).

Immigrants and Refugees

A preference system controls the admission of numerically restricted immigrants. Preferential status is based on either a family relationship or a prospective job. A prospective immigrant must also prove that he is not likely to become a public charge. About 80 percent of numerically restricted immigrants are admitted under family preferences; the rest receive preference on the basis of occupation. In 1984, 262,000 immigrants entered the United States under this preference system.

Numerically unrestricted immigrants include alien spouses, minor children, and parents of adult citizens. In 1984 these immediate family members and a small number of numerically unlimited "special immigrants" totaled 190,000.

A separate system determines the admission of refugees. Under the Refugee Act of 1980, the President, in consultation with the Congress, annually determines the number and regional allocation of refugee admissions. Political asylum may also be granted to individuals who are in the United States and are able to prove to the Immigration and Naturalization Service (INS) and the Department of State that they are in danger of persecution on return to their home country. Refugees and asylees may adjust to permanent resident alien status after a year. In fiscal 1984, 79,000 refugees and asylees were admitted and 92,000 adjusted to immigrant status. By comparison, there are an estimated 10 million refugees worldwide.

Return migration is estimated by the Bureau of the Census to be about 133,000 per year, yielding a net inflow of legal immigrants and refugees in 1984 of about 411,000.

Nonimmigrants

Of the nearly 10 million nonimmigrants admitted to the United States in 1984, most were visitors for pleasure (6.6 million) or business (1.6 million). The 69,000 admitted for employment included temporary seasonal workers, trainees, or temporary workers of distinguished merit and ability such as scholars and musicians. More than a million others were in diverse categories such as foreign government officials and students.

Deportable Aliens

Millions of aliens cross the U.S. border every year; a small fraction stay legally, and fewer still stay illegally. The flow of undocumented migrants has been difficult to measure. Undocumented aliens, almost by definition, are not identified by any administrative system. The Bureau of the Census estimates that in recent years the net annual increase of undocumented settlers has ranged from 100,000 to 300,000. Thus, as many as 40 percent of all aliens who annually settle in the United States may be here illegally.

Many people believe that illegal crossing of the U.S.-Mexican border is the most common method of entry for deportable aliens. Ninety-four percent of apprehensions of illegal aliens are made at the border. Available information, however, shows that only about half of resident deportable aliens entered the country illegally. The other half of those illegally present in the United States are violating the terms of their nonimmigrant visas by overstaying or working. Because the annual flow of legal nonimmigrants is so large—almost 10

million—even a small proportion of overstayers can amount to a large absolute number who remain in the country illegally.

The Bureau of the Census estimates that the total number of illegal aliens in the United States in 1985 was 4 million to 6 million. Estimates are made separately for settlers and temporary migrants. The Bureau of the Census estimate for settlers is based primarily on its finding that it counted approximately 2.1 million undocumented aliens in the 1980 census. This estimate is derived by subtracting the estimated legal foreign-born population from the 1980 census count of the total foreign-born population. Other demographic evidence is used to take into account those undocumented aliens not counted in the census, yielding a range of 2.5 million to 3.5 million undocumented settlers in 1980. Comparing data from a 1983 Current Population Survey with the Decennial Census shows a net increase of 100,000 to 300,000 per year in the number of undocumented settlers. Assuming the same annual growth between 1980 and 1985 yields an increase in the undocumented alien population of 500,000 to 1,500,000 for the 5-year period. This increase, added to the estimate for 1980, results in an estimated range of 3 million to 5 million undocumented settlers in 1985.

The number of illegal temporary migrants is unknown, but demographers at both the Bureau of the Census and the INS believe that their average population is probably less than 1 million. Temporary migrants may work in the United States for years, months, or every day on a commuter basis.

Unsubstantiated estimates of the illegal alien population have ranged from 2 million to 15 million people. Some of these estimates reflect the number of illegal aliens apprehended by the INS, which increased sharply over the 1970s and reached 1.3 million in fiscal 1985. Apprehensions, however, are not an accurate basis for estimating the size or the growth of the illegal population. Apprehensions count incidents and not individuals. According to INS statistics, about 30 percent of those apprehended admit to at least one previous apprehension. Because the INS focuses its enforcement operations at the border, these counts underrepresent illegal aliens who have violated nonimmigrant visas. In addition, apprehensions reflect the effectiveness of enforcement as well as the volume of attempted illegal entries.

CHARACTERISTICS OF THE FOREIGN-BORN

The foreign-born population enumerated in the Decennial Census includes naturalized U.S. citizens as well as aliens, some of whom live here illegally.

Census data show that newly arrived foreign-born residents are younger on average than native-born Americans. The median age of those who entered the country between 1970 and 1980 was 26.8 in 1980, compared with 30.0 for the population as a whole. The newly arrived foreign-born are predominantly of working age. Seventy-seven percent of those arriving in the United States between 1970 and 1980 were 15 to 64 years of age in 1980, compared with 66 percent of the entire population. The Bureau of the Census estimates that illegal aliens are younger, on average, than legal immigrants.

The 1980 census shows that about half of the foreign-born who entered the United States between 1970 and 1980 were female. The proportion of females among illegal aliens, however, is estimated to be lower.

The recently arrived foreign-born have larger families than the native-born. On the average, there were 3.8 persons in families of those who came in the 1970s compared with 3.3 persons in native-born families. In addition, the proportion of the foreign-born more than 15 years of age who are married is higher than that of the native-born, and the proportion who are divorced is lower.

The distribution of educational achievement is much broader for the recently arrived foreign-born than for the native-born. A significant fraction has little education. Among those 25 years of age and older who entered the United States between 1970 and 1980, 13 percent completed fewer than 5 years of school as compared with 3 percent of the native-born. In contrast, 22 percent of the recent arrivals completed 4 or more years of college compared with 16 percent of the native-born.

Although U.S. immigration policy is based primarily on the humanitarian principles of family reunification and refugee resettlement, most of the foreign-born, including illegal aliens, enter the labor force. The employment-to-population ratio of recent arrivals is higher than that of the native-born. A higher proportion of the foreign-born work in blue-collar and service jobs: 39 percent of recent arrivals had blue-collar jobs compared with 32 percent for all U.S. employed persons; 18 percent held service jobs compared with 13 percent of the U.S. total. The incomes of those who entered the United States between 1970 and 1980 are lower on average than incomes of the native-born, but incomes of those who arrived before 1970 are similar.

The recently arrived foreign-born are concentrated in a few States. More than half live in California, New York, and Texas. Ten States accounted for 80 percent of total immigrants, and no other States had more than 2 percent of the total. The vast majority of the foreign-born live in metropolitan areas; one in five of the recently ar-

rived foreign-born live in the Los Angeles area. Illegal alien residents tend to settle in the same areas as legal aliens, but they are even more geographically concentrated. According to estimates based on the 1980 census and INS data, 70 percent of illegal aliens were living in California, New York, and Texas, compared with 53 percent of legal alien residents.

EFFECTS OF IMMIGRATION ON OUTPUT AND INCOME

Market principles suggest that immigration in a competitive economy increases output and improves productivity. An increase in the supply of immigrant workers increases the output and earnings of other factors of production in the receiving country. Immigration provides increased returns to a wide range of inputs—capital, land, and workers with skills different from those of the immigrants. Inputs to production can become more effective as they acquire greater quantities of labor with which to work. This concept may be illustrated by several examples. A bulldozer on a road construction project is more productive if there are workers to keep it running for multiple shifts, repair it, and redirect traffic away from the construction site. A scientist is more productive if there are assistants to wash the test tubes and type manuscripts. A worker with family responsibilities is more productive if there are others in the household to help with child care and home maintenance. Increased economic returns that result from immigration may also lead to an increase in investment, producing an additional source of growth in output.

Although immigrant workers increase output, their addition to the supply of labor may change the distribution of income. Whenever the supply of labor increases, either because of immigration or increased labor force participation of native-born workers, wage rates in the immediately affected market are bid down. Although total employment in that market will rise, some of those who were initially employed at the higher pre-immigration wage rate may not accept work at the lower wage. Thus, native-born workers who compete with immigrants for jobs may experience reduced earnings or reduced employment.

Those who are concerned about job displacement caused by immigration often focus only on this initial effect. Job opportunities in labor markets where immigrant labor is complementary with native-born labor, however, are likely to rise. This increase in labor demand will raise wage rates and increase the employment of native-born workers—including those who may have been displaced from employment elsewhere. Demand for labor will also increase because the availability of immigrant workers encourages investment in industries

that might not have been competitive otherwise. Moreover, the increased demand for goods and services that results from the consumer purchases of immigrants also tends to increase domestic employment. The aggregate effect of immigration depends on the responsiveness of workers and employers to changing labor market conditions and on the presence of market rigidities, such as the minimum wage, that may impede normal adjustment. As a general rule, increases in output, brought about by a greater abundance of labor and increased returns to other factors of production, outweigh reductions that may occur in the wages of workers who compete with immigrants. Consequently, the net effect of an increase in labor supply due to immigration is to increase the aggregate income of the native-born population.

The economic benefits of immigration are spread throughout the economy. These include increased job opportunities and higher wages for some workers as well as the widely diffused benefits of lower product prices and higher profits. Many people share in the higher returns on capital because capital ownership is widespread through personal and pension holdings. One in four Americans holds stock directly in U.S. firms. In addition, wage and salary workers own a considerable portion of productive capital, mainly through assets in pension funds. In contrast, job losses or wage reductions that may occur as a result of immigration are likely to be more visible than the economic gains. Such losses are likely to be concentrated among groups who compete directly with immigrant labor.

Some have suggested that labor market displacement may be widespread: In 1980, 6.5 million foreign-born residents held jobs, while a total of 7.6 million workers were unemployed. This view implicitly assumes that the number of jobs is fixed and that if immigrants find employment, fewer jobs will be available for the native-born.

Arguments supporting the restriction of immigration to protect American jobs are similar to those favoring protectionism in international trade, which is discussed in Chapter 3. Restrictions on immigration, however, like restrictions on trade, are costly. Limiting the entry of immigrant labor may increase the demand for some groups of native-born workers, but it will impose costs on consumers, investors, and other workers.

EVIDENCE ON LABOR MARKET EFFECTS

Studies have examined the effects of immigration on the employment levels and wage rates of the native-born. It is difficult, however, to isolate the effects of immigration from other factors that simultaneously influence job opportunities. These factors include characteristics of the immigrants themselves as well as industrial and other un-

derlying characteristics of the labor market. A number of studies have attempted to identify these factors.

Some observers have pointed to immigrants who are employed in narrowly defined occupations and geographic areas as *prima facie* evidence that immigrant jobholders displace native-born workers. They cite the growth of ethnic enclaves in several industries, including agriculture, as evidence of possible displacement. It has been observed, for example, that the language of the workplace changes with the concentration of immigrants and that English-speaking workers may consequently be excluded from jobs.

Studies that focus on specific low-skilled occupations or on small segments of the labor market, however, are likely to overstate displacement effects by ignoring job and occupational mobility. Native-born Americans who hold jobs in one sector may move into other lines of work. This appears to be confirmed by more systematic studies of the labor market effects of immigration. Studies that take a broad view of the labor market have found no significant evidence of unemployment among native-born workers attributable to immigration. Any direct effects of immigration on domestic employment have either been too small to measure or have been quickly dissipated with job mobility. Although existing studies may not be conclusive, the evidence currently available does not suggest that native-born American workers experience significant labor market difficulties in areas that have attracted immigrants. Several studies, moreover, have shown that the presence of immigrants in labor markets is associated with increased job opportunities overall, including job opportunities for native-born minority groups.

Some studies of the effects of immigration on wage levels have revealed evidence of adverse wage effects. For example, one study concluded that real wages were 8 to 10 percent lower on average in cities near the Mexican border. Several studies found a reduction in the wages of unskilled workers in areas with high concentrations of unskilled immigrant workers.

Other studies, however, have shown that greater concentrations of aliens in labor markets are associated with higher earnings of native-born workers. Increased wages have been found both for broad groups of workers and also for native-born minority groups with whom immigrants might compete directly for jobs.

The experience of the Los Angeles labor market in adjusting to a growing concentration of unskilled immigrant labor is instructive. One study estimated that more than a million foreign-born persons settled in Los Angeles County between 1970 and 1983. During the early 1980s the foreign-born in Los Angeles County represented close to a third of the total population. Job growth in the area was

strong, and the new immigrants were quickly absorbed into the labor market. New immigrant workers accounted for some 70 percent of the net growth in employment in the 1970s. Job gains by native-born workers were predominantly in white-collar occupations, which expanded rapidly. Job growth among immigrants was concentrated mainly in unskilled jobs. Wage growth was lower than the national average for workers in manufacturing, particularly unskilled manufacturing jobs. In jobs outside manufacturing, however, including jobs in services and retail trade, wage growth was higher than the national average. This study also showed that the unemployment rate in Los Angeles, which had exceeded the national average in 1970, fell below the average by the early 1980s. These results were not, of course, the consequence of international migration alone, but they suggest a smooth labor market adjustment to the inflow of migrants.

Legal and Illegal Aliens

Although aliens who are eligible to hold jobs in the United States are clearly distinct from those who are not, researchers have not been able to isolate separate economic effects of illegal alien workers. Demographic differences between legal and illegal aliens may affect their patterns of labor market activity, but those differences appear to be small. Illegal aliens have a higher proportion of males than legal aliens, are younger, and are less likely to bring family members with them. Illegal migrants are likely to remain in the United States for shorter periods of time than legal migrants. Illegal migrants also tend to have lower levels of education and to work in jobs requiring lower skill levels. Illegal aliens may have less incentive to invest in schooling or other activities that are specifically useful in the U.S. labor market.

Legal and illegal aliens tend to settle in the same geographic areas, making it difficult to distinguish their separate labor market effects. Also, deportation risk notwithstanding, many illegal aliens have been living in the United States for a long time; it is estimated that a quarter have been U.S. residents for more than 10 years. The economic distinction between legal and illegal aliens is further blurred by the fact that many legal resident aliens were undocumented when they initially entered the United States, but later acquired legal status.

Labor Market Absorption of the Foreign-Born

Migrants have initial disadvantages in the labor market because many do not speak English, lack familiarity with national customs and institutions, and are not educated and trained for jobs in the United States. As they invest in education and develop skills, their labor market experiences and earnings can be expected to resemble those of the native-born.

Although the labor market success of immigrant groups depends on their skills and other characteristics, the evidence suggests that immigrant workers have been readily absorbed into the labor market. One dimension of the labor market adjustment of immigrants is their employment over the year. It has been estimated that on average the foreign-born catch up with the native-born in weeks worked in about 5 years; after 5 years there is no observed difference.

Census and other data show that, although the foreign-born initially earn less than the native-born, like the native-born their earnings rise with increased schooling and with U.S. labor market experience. Some results suggest that after 10 to 20 years, the earnings of foreign-born males equal and then exceed the earnings of native-born males with similar characteristics. This implies that the disadvantages of foreign origin diminish, while the favorable effects of self-selection and motivation remain. Apparently migrants work hard to capture the benefits of their investment in coming to the United States.

Many immigrants are entrepreneurs. One study found that foreign-born males are significantly more likely to be self-employed than native-born males with similar skills. Self-employed workers, both foreign- and native-born, had higher annual incomes than salaried workers. Returns on capital owned by self-employed workers may partially explain these differences in incomes. Self-employment also provides greater potential for high work effort. The self-employed work more hours per week than do wage-and-salary workers.

Refugees may not adjust to the U.S. labor market as rapidly as other migrants. Because economic factors are not the primary determinants of their migration, refugees are likely to have fewer of the characteristics associated with high labor market performance. Some refugees, however, may bring substantial amounts of physical as well as human capital. Also, because refugees may not be able to return to their country of origin, they may have greater incentives than other immigrants to adapt rapidly to the U.S. labor market. Limited evidence, based on the experience of Cuban refugees in the early 1960s, suggests that the earnings of political refugees approach, but do not overtake, those of comparable native-born workers.

The children of the foreign-born have better-than-average success in the labor market. Earnings of children of the foreign-born are about 5 percent higher than earnings of children of native-born parents with similar characteristics. Any disadvantages to the second generation that may arise from being raised in a home less familiar with the language and customs of the United States are apparently outweighed by the advantages of having parents who are foreign-born. One study of the children of foreign-born parents found that they have higher investments in schooling than do children of com-

parable native-born Americans, and also better reported health status.

One study of illegal aliens found that their labor market adjustment patterns were similar to those for legal immigrants. Earnings rose with years of schooling and labor market experience in the country of origin, but especially with U.S. labor market experience.

A recent study of apprehended illegal aliens in Chicago showed that they use market opportunities to improve their economic status. The subjects of the study were able to benefit from a competitive labor market, with opportunities for skill improvement and upward job mobility. These illegal aliens were apparently able to work their way up from entry-level jobs. Only 16 percent of those in the Chicago study had wage rates below the Federal minimum of \$3.35 per hour, and some of these were in sectors not covered by the minimum wage. The average hourly wage of these illegal aliens at the time of their apprehension, in 1983, was \$4.50. The INS reports that in fiscal 1985, 14 percent of apprehended illegal aliens who had jobs received wages below the Federal minimum.

One reason for the successful absorption of immigrants into the U.S. labor market is that overall migrant inflows have been low relative to the size of the population, to labor force growth, and to domestic migration. International migrant flows, moreover, historically respond to labor market demands. Before legal restrictions were imposed, immigration increased when the demand for labor was relatively high and decreased when labor demand was relatively low. During the Great Depression, for instance, immigration to the United States dropped sharply and return migration increased. In recent years, numerical restrictions have resulted in queues of potential immigrants waiting for visas and, as a result, have limited the response of legal migration inflows to U.S. labor market conditions. Illegal migrant flows may be more responsive to economic conditions, but are not precisely measurable on an annual basis. Still, migrant flows appear to respond to labor market demands.

Perhaps most important for the absorption of immigrant labor is the strength and flexibility of the U.S. labor market. Workers and employers are generally free to respond to market signals, and to negotiate wages and other terms of employment either directly or through the collective bargaining process. The absence of significant barriers to change and growth has enabled the U.S. labor market to adjust easily to immigrant flows, as well as to other changes in the labor force and the economy.

Over the past several decades, the United States has generated tens of millions of new jobs as it accommodated a substantial influx of new workers. The vast majority of that influx stemmed from the

baby-boom generation reaching working age, coupled with sharply increased labor force participation by women. Roughly 33 million more people were employed in 1980 than in 1960, an increase of about 50 percent. Over the same period, 2 million more foreign-born were employed, or 6 percent of the total increase in U.S. employment. Even allowing for an increased number of employed illegal aliens over the period, however, these figures suggest that immigration has been a relatively small factor in long-term employment growth and in the adjustment of the economy to changing conditions.

IMMIGRATION AND TRADE

The countries of the world are economically linked by the exchange of people, goods, and capital. Both parties gain from trade and, in the absence of restrictions, exchange will continue until potential benefits are exhausted. The movement of labor across borders can be a partial substitute for the movement of goods and capital. When international trade in goods or capital flows is hindered, pressures are heightened for people to migrate instead.

Countries that are relatively well-endowed with natural resources but thinly populated will tend to export products that have a relatively high natural resource content but relatively low labor content. Such countries will tend to import products that require relatively greater inputs of labor. Developing countries, similarly, would have a comparative advantage in producing and exporting products that embody relatively high proportions of low-skilled labor and less capital than would be the case for U.S. production and exports.

Restrictions on trade between developing countries and the United States provide powerful incentives for the migration of low-skilled workers into the United States. The presence of these additional workers in the United States enables domestic business enterprises to produce goods profitably that would not otherwise have been produced here. In the absence of trade restrictions, such goods might have been imported. In the presence of both trade restrictions and effective restrictions on immigration, however, such goods may be available to American consumers only at higher prices.

The production of certain fresh fruits and vegetables in the United States is a frequently cited example of an industry that draws heavily on low-skilled alien labor. Many alien workers are seasonally employed to pick perishable crops. About 15,000 to 20,000 are legally admitted each year, subject to Department of Labor certification. This certification is contingent on a job offer and on a labor market test. Certification is granted if it is determined that qualified workers are not available in the United States and that the wages and working

conditions of the job will not adversely affect similarly employed U.S. workers.

The largest alien work force in agriculture, however, appears to consist of undocumented workers who come primarily from countries in the Western Hemisphere. The inflow of low-skilled alien workers to pick U.S. crops has a long history. The *bracero* program allowed U.S. employers to recruit large numbers of temporary workers from Mexico. The *bracero* program was begun during World War II to alleviate the labor shortage when rural workers left the farms for the higher wages of urban factory jobs. In its peak years, during the late 1950s, more than 400,000 such short-term work permits were issued annually. The program was terminated officially in 1964, but many migrant workers from Mexico still come to the United States without legal sanction.

Although many aliens work on farms illegally, the availability of such workers may enable U.S. production of certain fruit and vegetable crops to remain competitive with that of other nations. The argument is sometimes made, however, that alien labor benefits agricultural producers only in the short run, and that it delays shifts toward mechanization that are necessary to maintain long-run competitiveness with foreign producers. Although restricting the supply of alien farm labor would encourage the substitution of machinery for human labor, it would increase the costs of farm production. Capital-intensive production methods are not inherently more cost-effective than labor-intensive methods. Steps that would induce scarcity by reducing the supply of labor to an industry raise costs and prices and reduce output and growth. A policy of restricting international migration to improve the long-run competitiveness of the United States would have the opposite effect.

FISCAL EFFECTS OF IMMIGRATION

A major concern regarding immigration is the use of public services such as education and low-income assistance by aliens. If international migrants use services that cost more than the taxes they pay, they are a fiscal burden on native-born Americans. If their tax payments exceed the cost of services, however, immigrants are a net fiscal gain for the country. Both the tax payments and the services used are spread over the years after an immigrant first arrives in the United States. Consequently, any assessment of the fiscal effects of immigration must consider whether the present value of tax payments exceeds that of service costs, measured over the years the immigrant is in the United States.

As with native-born Americans, an immigrant's use of public services and the ability to pay for those services through taxation depend on personal and family characteristics and, crucially, on success in the labor market. People in their twenties and thirties and in good health—both the native-born and immigrants—are more likely to be working and paying taxes, and less likely to be dependent on government assistance, than are children, the elderly, or the disabled. Immigrants are typically adults arriving near the start of their working lives. Thus, immigrants, on average, are better able to support themselves through work than is the native-born population, which has a higher proportion of dependents.

A great deal of variation can be observed in the labor market success and consequently the fiscal burden of immigrant groups. As immigrants adjust to their new environment and as their families grow, their demand for public education and other services—and their ability to pay for those services—increases. As with the native-born population, when immigrants age and their children mature, their reliance on government retirement benefits grows but is offset by the entry of their children into the labor market.

PUBLIC SERVICES USED

International migrants, like the native-born, may use three major types of public programs: low-income assistance, social insurance, and education and health. These programs provide benefits directly to recipients. Other public services, such as fire and police protection, that provide general benefit to the community may also have greater demands placed on them by the presence of greater numbers of people. In addition, the presence of immigrants in the United States entails a more intensive use of the country's publicly financed infrastructure—its transportation system, recreational areas, and other facilities.

Eligibility for Services

Legal immigrants to the United States are eligible for most benefits available to citizens. Aliens admitted temporarily and illegal aliens are in many cases ineligible for such benefits.

The major low-income assistance programs funded by the Federal Government, usually in conjunction with State funding, generally restrict eligibility to aliens who permanently and lawfully reside in the United States. These include aid to families of dependent children, food stamps, medicaid, supplemental security income, and housing assistance. What constitutes sufficient legal standing for benefits varies with each program; regulations list specific conditions under which aliens may participate. Some recent court rulings require that benefits under supplementary security income and other programs be

made available to certain aliens who may be in the United States illegally.

Eligibility for benefits under social security and medicare depends on worker and employer contributions to the programs, and not on immigration status. Social security recipients may reside outside the United States, although nonresidents receive less than 1 percent of total benefits. Unemployment compensation is generally restricted to lawful permanent residents of the United States who qualify through their previous work experience.

Local public health facilities normally serve patients without regard to their immigration status; elective treatment in public health facilities is usually limited to persons who are able to pay for services. Public education at the elementary and secondary levels is also available to all residents regardless of immigration status. Legal precedent was established in 1982 by the Supreme Court, which held that Texas could not deny free public education to undocumented alien children. Even prior to this decision, however, most States did not check the legal status of school children or their parents. Moreover, many children of illegal aliens are born in the United States and consequently are citizens eligible for education services without qualification.

Financial aid for higher education and training programs under the Job Training Partnership Act are largely restricted to lawful permanent residents and refugees. The Federal Government funds bilingual education programs that are of use to immigrants, and it also funds a refugee assistance program.

Benefits Received

Little is known about the use of government services by immigrants. Most available studies examine disparate immigrant groups in various time periods, often focusing on immigrants living in particular locations in the country. The evidence that exists, however, suggests that immigrants are not heavy users of public services. Illegal residents are less likely to avail themselves of government programs than are legal immigrants, but the determining factor in service use is not immigration status. The major reasons why illegal residents may receive lower benefits than others is that they are younger and have fewer dependents, which reduces their eligibility for programs.

A recent study shows that some groups of immigrants, such as Asians and Hispanics, have higher participation rates in welfare programs than do their ethnic counterparts born in the United States. Other groups of immigrants, however, use welfare less than the native-born. For Asian immigrants, higher participation is due partly to the relocation assistance offered to political refugees from South-

east Asia in the 1970s. Immigrant groups other than Asians rely on public assistance less than do the native-born with similar incomes.

A study of Mexican migrants in Los Angeles focuses on State and local public services. This study, which includes both legal and illegal residents, finds that these families have more children and thus place greater demands on public schools and health facilities than does the average family. The Mexican immigrant households in this study do not appear to make disproportionate use of other services.

Direct evidence on public service use by deportable aliens is sketchy. Deportable aliens are generally ineligible for Federal and many local benefit programs, but the extent to which they are actually screened out is unknown. The INS is developing a project called SAVE (Systematic Alien Verification for Entitlements), which gives State and local government agencies access to an automated data system to verify the eligibility of alien applicants for selected programs. The INS also provides data on immigration status to many programs and areas through other channels.

Systematic screening is most cost-effective in areas where the concentration of illegal aliens is high. California has one of the oldest alien verification programs in the country, having routinely screened alien applicants for social services for about 10 years. In 1984, almost 30,000 persons or 3 percent of all applicants were denied welfare benefits in Los Angeles because of immigration status. The figure understates the full impact of this program, however, because it excludes ineligible aliens who were deterred from applying by the knowledge that their immigrant status would be checked.

Several studies suggest that illegal aliens use below-average amounts of welfare and other social services. This may be due not only to their demographic characteristics, but also to a fear of detection by authorities and to heightened efforts by some government agencies to limit access to those eligible. In addition, extended family networks may provide a partial means of support in emergencies. It is likely that illegal aliens use public education and health facilities more than welfare and other services because of easier access. This imposes a direct fiscal burden on State and local governments, which provide most of the funding for public schools; local governments also provide funding for local hospitals.

A 1976 study of apprehended illegal workers found that their use of government benefits was very low, reflecting the fact that they were typically young, male, and single. Studies of illegal migrants with longer stays in the country tend to show higher rates of participation in social programs. A recent study of illegal residents in Texas found very little use of social and other welfare services, but substantial use of health and education services. Illegal aliens appear to use

health services more frequently than other services, but most appear to pay for those services.

The stream of benefits received by immigrants over their lifetimes has not been directly surveyed. One study suggests that the benefits received by legal (and some illegal) migrants are initially well below those of the average native-born family. During their first 5 years in the United States, immigrants receive similar welfare and education benefits but lower social security payments. As immigrants remain longer in the country, they receive more education and social insurance benefits. The study estimates that overall use of benefits among immigrants equals the average usage by native-born families only after 15 years of residence.

TAXES PAID

All residents of the United States, regardless of legal status, are required to pay taxes. Employed migrants in most cases are subject to Federal and State income tax withholding and social security taxes. They also pay sales and property taxes.

The extent of tax payments by illegal aliens has been the subject of much debate and analysis. Sales taxes and property taxes, important sources of local revenue, are collected from illegal aliens without substantial avoidance directly at the point of sale or implicitly as part of a rent payment. Social security taxes are automatically deducted from paychecks and may not be avoided easily by illegal aliens, although some employers may fail to make the required payment to the Federal Government. The amount withheld for income taxes may be substantially reduced, however, if an illegal alien claims a large number of exemptions. False exemption claims are difficult to prevent and, according to some accounts, income tax avoidance may be pervasive among illegal aliens. The extent of such tax evasion, however, is not clear.

A study of illegal migrants in Texas found that the vast majority made substantial payments for Federal income and social security taxes, as well as sales and excise taxes. The study did not estimate property taxes, and Texas had no State income tax. A study of Mexican migrants, both legal and illegal, in Los Angeles found that migrants paid below-average State and local taxes (including property taxes), reflecting their below-average levels of income.

These studies reflect tax payments in a single year and reveal little about the lifetime flow of immigrants' tax payments. No survey directly measures the lifetime pattern of tax payments by immigrants. One cross-sectional analysis roughly estimates that the total tax payments of immigrants are below those of the average native-born family only during the first few years after entry. With rising family

incomes in subsequent years, immigrants' tax payments rise. Taxes paid by immigrants are estimated to be higher after 10 years in this country, on average, than taxes paid by the native-born. The estimated differential continues to grow as the immigrants' length of stay in the United States increases.

NET FISCAL EFFECTS

Because of differences in their family characteristics and economic circumstances, immigrant groups may generate greatly varying net fiscal effects. Political refugees may have particular difficulties adjusting to life in a new land, and they benefit from special refugee assistance programs. Those who arrive without basic educational and job skills may find initial problems in the labor market, but the evidence shows that they are able eventually to increase their earnings and reduce their program dependency. Illegal aliens may find it possible to evade some taxes, but they use fewer public services (especially social security benefits) than do other groups.

On the whole, however, international migrants appear to pay their own way from a public finance standpoint. Most come to the United States to work, and government benefits do not appear to be a major attraction. Some immigrants arrive with fairly high educational levels, and their training imposes no substantial costs on the public. Their rising levels of income produce a rising stream of tax payments to all levels of government. Their initial dependence on welfare benefits is usually limited, and they finance their participation in social security retirement benefits with years of contributions.

The distribution of these net fiscal benefits is not uniform. Many of the fiscal costs of migration, such as those arising from pressures on school systems and hospitals, are incurred in areas where there is a high concentration of migrants. Tax collections from migrants in these areas may not fully cover these additional costs. An increase in population, however, generally imposes a fiscal burden on local areas, which is offset by increased local fiscal capacity.

There may also be fiscal spillovers of immigration to other workers. For example, those who face stronger labor market competition may experience a reduction in annual earnings and a corresponding increased reliance on government benefit programs, such as unemployment compensation. Although some workers may be adversely affected, the extent of displacement appears to be small. The net spillover depends on the size of the offsetting reduction in benefit payments to (and increase in tax payments from) persons whose incomes have improved because of the positive economic effects of immigrants. The net fiscal spillover seems likely to be positive, with

greater tax payments and lower benefit costs than would occur in the absence of immigration.

CONCLUSION

For much of the Nation's history, U.S. immigration policy has been based on the premise that immigrants have a favorable effect on the overall standard of living and on economic development. Analysis of the effects of recent migrant flows bears out this premise. Although an increasing number of migrants, including many illegal aliens, have entered the country in recent years, inflows are still low relative to population and relative to U.S. labor force growth.

International migrants have been readily absorbed into the labor market. Although some displacement may occur, it does not appear that migrants have displaced the native-born from jobs or have reduced wage levels on a broad scale. There is evidence that immigration has increased job opportunities and wage levels for other workers. Aliens may also provide a net fiscal benefit to the Nation, often paying more in taxes than they use in public services. Immigrants come to this country seeking a better life, and their personal investments and hard work provide economic benefits to themselves and to the country as a whole.

The economic gains provided by international migration, however, do not justify the presence or employment of aliens in the United States on an illegal basis. Illegal aliens knowingly defy American laws while their presence establishes claims to economic opportunity and Constitutional protections. As a sovereign Nation, the United States must responsibly decide not only who may cross its borders, but also who may stay.