

# Community Costs of Low-Skilled Immigrants

## *The local effect of federal policies*

by Georges Vernez

**M**r. Chairman and members of the House Subcommittee on Immigration and Claims, thank you for the opportunity to testify on the impact of immigration on low-skill American workers and on American communities.

To understand the effects of immigration on low-skill workers in the United States, it is necessary to understand the diverging dynamics of immigration on the one hand and the economy on the other hand.

As you know, the share of immigrants entering the country with fewer than 12 years of education (i.e., less than a high school degree) has increased steadily since the 1970s. Whereas 15 percent of new immigrants came in with this level of education in the 1970s, so far more than one-third have done so in the 1990s. These immigrants are even more concentrated in a few states than are immigrants as a whole. For instance, 38 percent of low-skill immigrants in the country today reside in California, compared to 32 percent of all immigrants. About 40 percent of California's immigrants have fewer than 12 years of education. In Texas, this share exceeds 50 percent. Other states with relatively high shares of low-skill immigrants include Illinois (32 percent), Florida (27 percent), and New York (26 percent).

As the share of new immigrants with a low level of education has increased, the number of jobs available to them and to their native-born counterparts has declined steadily. In 1970, 31 million jobs were filled by workers with fewer than 12 years of education, compared to today's 19 million, a 40 percent decline. In the 1990s, the

economy has added 12 million jobs, but only 4 percent of these were filled by workers with fewer than 12 years of education. The bulk of the net new jobs created by the economy, 70 percent, were filled by workers with at least some college education. This shift in the demand for education by employers is characteristic of all industries, including those viewed as low-skill, such as hotels and motels, restaurants, and textile and apparel. One outcome of this trend has been a sharp increase in the relative return to education.

Our own studies, which focused primarily on California, and those of other researchers suggest that this pattern of immigration in the context of the changing U.S. economy has contributed to:

- reduce job opportunities for native-born low-skill workers
- lower wages for all low-skill workers
- an increase in income disparities
- a lack of economic progress for low-skill immigrants
- a disproportionate fiscal burden for a few communities.

Although the remainder of this testimony elaborates on these effects on low-skill workers and the communities in which they are located, we do not wish to imply that these are the only effects of immigration. It has been well documented that (1) employers benefit from migration in the form of lower costs for labor, (2) jobs have been retained in industries that might otherwise have had to downsize or move offshore, and (3) all consumers benefit from lower prices for goods and services. And, of course, the immigrants themselves enjoy a well-being and hope for their future (and that of their children) that would not have been possible in their home countries.

Let's first consider how immigration has affected workers in California. It has contributed most to lowering the job opportunities of native-born high school dropouts and somewhat less to lowering those of native-born high

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school graduates. Overall, the employment rate of native-born men decreased from 67 percent in 1970 to 47 percent in 1990 for high school dropouts and from 86 to 76 percent for high school graduates. We estimate that immigration contributed in the range of 7 (low boundary) to 25 percent (high boundary) to that decline. This effect was larger for African American men and lower for Hispanic and non-Hispanic white men. The employment rate of native-born men with at least some college remained constant.

In contrast to the employment rates for men, those of native-born women increased over this same period, although by much less for low-educated than for college-educated women. From 1970 to 1990, the employment rate of high school dropouts increased from 33 to 35 percent, while the rate of high school graduates increased from 48 to 59 percent. We estimate that without immigration, the growth in employment rate of these native-born women would have been 20 to 30 percent higher. The employment rate of women with at least some college was not affected by immigration; their rate of employment increased from 53 to 72 percent from 1970 to 1990.

Overall, we estimate that by 1990, from 130,000 to 190,000 persons had dropped out of the labor force or were unemployed because of low-skill immigration in California. This figure represents about 3 to 5 percent of all those unemployed or out of the labor force.

Immigration into California also affected the earnings of low-skill native-born workers in the 1970s, doing so more for African and Hispanic Americans than for non-Hispanic white Americans. For instance, we estimate that the earnings of African American males without a high school diploma would have been 10 to 16 percent — or \$45 to \$76 per week — higher had there been no immigration. Earnings of non-Hispanic white males would have been 4 to 8 percent — or \$22 to \$45 per week — higher. This negative effect, however, did not carry through into the 1980s, and neither decade saw an adverse effect on the earnings of males who attended some college. The pattern for women was similar, though the adverse effect in the 1970s seemed to apply only to native-born women who did not finish high school.

You will note that the effects of immigration on job opportunities and on earnings of workers have varied over time. During the 1970s, earnings of both men and women were most affected, while employment rates saw

relatively minor effects. During the 1980s, the reverse took place: employment opportunities were affected most, and earnings saw no effects at all. One potential explanation for this variation over time in the tradeoff between jobs and earnings is that job growth was much higher (30 percent) during the 1970s than during the 1980s. The greater job opportunities of the 1970s seemingly induced people to enter the labor force at higher rates than they would have otherwise. In this

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context of high employment growth, immigration may not have so much increased competition for jobs as exercised a brake on the growth of wages. By contrast, during the slower employment growth of the 1980s, immigration had its largest impact on job opportunities.

Immigration has also contributed to the well-documented increase of inequality in earnings among workers and in income distribution among families. From 1960 to 1990, the increase in earnings disparity was more than twice as large for workers in California than for workers in the rest of the nation (45 versus 20 percent). In 1960, California enjoyed a lower earnings disparity among its workers than did the rest of the nation, but this pattern was reversed by 1980, and the gap has increased since then.

According to a recent study by Deborah Reed of the Public Policy Institute of California, about half of the disproportionate rise in earnings inequality in California can be explained by two factors. She estimates that one of these factors, the known increase in earnings for the college educated, explains about 30 percent of the rise in earnings inequality between 1967 and 1997. The other factor, the disproportionately large share of low-skill immigration into California, explains another 24 percent.

Immigrant workers, too, have been affected by the pattern of low-skill immigration over the past 30 years or so. Two effects are key. First, the real earnings of immigrants with 12 or fewer years of education have

declined even more rapidly than those of their native-born counterparts. For instance, while the real earnings of native-born men declined by 24 percent between 1970 and 1990, those of foreign-born men declined by 29 percent. Over time, the gap in earnings between immigrants who lack any college education and native-borns with the same level of education has become progressively larger.

Second, low-skill immigrants not only receive lower

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earnings relative to native-born workers when they arrive, they also experience flat or decreasing earnings after age 30, losing grounds to native-borns as they age. The lack of economic mobility for these immigrants contrasts with the relatively high mobility of immigrants with at least some college education. These more-educated immigrants see their earnings increase fairly rapidly relative to those of native-borns, and within ten years of entry into the country, they earn as much as or more than native-borns do. This differential pattern of economic mobility associated with different levels of education applies equally to immigrant women and immigrant men. Earnings for an increasing number of young low-skill immigrants can thus be expected to remain low throughout their lifetime. In turn, these immigrants can be expected to have a long-term upward effect on the demand for public services and a downward effect on their children's educational attainment.

The last effect of low-skill immigration that I want to highlight today is the disproportionate fiscal impact it is having on the communities and jurisdictions where low-skill immigrants are highly concentrated. More than half of low-skill immigrants reside in just five of the largest metropolitan areas in the country: Los Angeles,

New York, San Francisco/Oakland, Miami, and Chicago. And within these areas, low-skill immigrants are even further concentrated within a few jurisdictions. Because these immigrants are associated with lower income and larger families, their public fiscal impact varies significantly across states, and across local jurisdictions within states. The National Research Council estimates that in California, where 38 percent of the nation's low-skill immigrants reside, the annual tax burden per native-born household was \$ 1,170 in 1996. By contrast, the estimate for New Jersey, where proportionately fewer immigrants have located and fewer of them are low-skill, the tax burden to the state and local governments as a whole was \$226, nearly five times lower.

Of all public community institutions, the schools are the most impacted by the uneven distribution of immigrants. Whereas the nation's schools will have to accommodate up to 15 percent more students over the next 15 years or so, those schools in states having high immigrant concentrations, such as California, will have to accommodate an even larger growth-- 30 to 40 percent--in their student population. This growth in demand for education will eventually carry over to the nation's post-secondary education institutions.

A growing share of the increase in school- and college-age students will come from the children of immigrants. We project that in California, about 40 percent of the high school graduation class of 2010 will be children (more than two-thirds of whom were born in the United States) of immigrant parents. Educating these children for the information-based economy presents an added challenge. Currently, these children of low-educated, low-income immigrants are about 15 percent less likely to graduate from high school, 30 percent less likely to go on to college, and three times less likely to graduate from college than are children of more highly educated, higher-income parents. If these children are to compete in the U.S. economy and command adequate wages, their college-going and college-completion rates must increase significantly. To encourage them to go on to college, however, will require that the capacity of the nation's post-secondary institutions increase by an even greater increment: according to our estimates, by as much as an additional 12 percent nationwide and 30 percent in California.

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### Culture, Poverty and Immigration

America's immigration policy, which has facilitated substantial inflows of people with little education and few skills, particularly from Latin America, has aggravated the poverty problem. The creativity and diligence of East Asian immigrants, and their rapid assimilation, are clearly a national asset. But with 30 percent of Hispanics below the poverty line, it can be argued that we have imported a poverty problem as well as a cultural problem.

Moreover, the unskilled immigrants accept lower salaries and fewer benefits, and they place downward pressure on wages at the lower end that makes it more difficult for poor citizens to escape poverty. The late Barbara Jordan, who chaired the U.S. Commission on Immigration Reform, was particularly concerned about this problem; her commission recommended lower levels of legal immigration, redoubled efforts to stem illegal immigration, and more emphasis on skills in deciding who gets to immigrate.

*Dallas Morning News* columnist Richard Estrada worries that the high immigration volume impedes acculturation to the American mainstream. Multiculturalism — the rejection of mainstream Western culture and the assumption that all cultures are equal — also poses an obstacle to assimilation, to say nothing of its erosive effect on national unity.

The course of human progress demonstrates that some cultures produce greater good for greater numbers than others. Both at home and in the Third World, the anti-poverty agenda must address values and attitudes, as difficult and as painful as it may be. The process will be slow, but it offers hope that the War on Poverty can, in due course, be won.

— Lawrence E. Harrison  
 portion of an op-ed in  
*The Wall Street Journal*,  
 July 13, 1999