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on U.S. Workers***

By

**Roger Martinez**  
Graduate School of Public Policy  
University of California at Berkeley

January 1994

**A Publication of the  
Chicano/Latino Policy Project**

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Institute for the Study of Social Change at the University of California at Berkeley.  
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**The Chicano/Latino Policy Project** is an affiliated research program of the Institute for the Study of Social Change at the University of California at Berkeley. The Policy project coordinates and develops research on public policy issues related to Latinos in the United States and serves as a component unit of a multi-campus Latino policy studies program in the University of California system. The Policy Project's current priority research areas are education, health care, political participation and labor mobility with an emphasis on the impact of urban and working poverty and immigration.

**The Institute for the Study of Social Change** is an organized research unit at the University of California at Berkeley devoted to studies that will increase understanding of the mechanisms of social change and to the development of techniques and methods to assist the direction of social change for the general improvement of social life. It has a particular mandate to conduct research and to provide research training on matters of social stratification and differentiation, including the condition of both economically and politically depressed minorities as well as the more privileged strata.

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## EXECUTIVE SUMMARY

Fears that U.S. workers are displaced from their jobs and suffer depressed wages as a result of increased undocumented immigration are unfounded, according to the available empirical evidence. The comprehensive range of economic studies conducted at the national, regional, metropolitan, and industrial/sectoral level have clearly demonstrated that undocumented immigrants have a negligible impact on the U.S. labor market.

After a careful analysis of the empirical evidence, three general conclusions can be drawn:

- 1) Immigrants' displacement of native laborers is negligible according to the findings of national, regional, metropolitan, and sectoral/industrial studies;
- 2) Overall, immigrants complement native laborers according to labor market studies conducted at the national and industrial/sectoral level;
- 3) Immigrants do not have an adverse effect on the wages of native workers according to national and regional studies; and
- 4) Immigrants have a complementary effect on the wages of some native workers according to national, regional, metropolitan, and industrial/sectoral studies.

The empirical results suggest that of the three theoretical models used to explain the labor market relationship between undocumented immigrants and native workers, the "segmentation" and "job ladder" hypotheses are the best depiction of the data. Segmentation theorists believe that native workers remain unaffected by undocumented immigrants because the labor market is sufficiently divided into at least two different types of job markets: more skilled employment and relatively unskilled employment. Job ladder theorists hypothesize that as native workers move on to better occupations, immigrants take the less desirable jobs that native workers have vacated. These two theories rule out the possibility of job competition between natives and undocumented immigrants, as do the empirical results.

Cumulatively, the research and the theories call out to policy makers, public officials, and the public to re-evaluate the misguided perceptions that target undocumented immigrants as a source of economic woe. Otherwise, Americans may scapegoat undocumented immigrants instead of identifying the crucial structural factors which are critical to the long-term growth of the economy and the prosperity of the United States.



## INTRODUCTION

### **The Debate Over Immigration, Job Displacement, and Slumping Wages**

Currently, job displacement of U.S.-born workers by undocumented immigrants is one of the most emotionally polarized issues surrounding immigration to the United States. The intensity of the debate seems to fluctuate with national and regional economic cycles, particularly those of large immigrant receiving states such as California, Florida, and Texas.

An accompanying and equally pervasive concern is the assumption that undocumented immigrants lower the wages of U.S.-born workers. Discussions cite the mere presence of undocumented immigrants in the U.S. labor market as evidence of their contribution to slumping wages.

Job displacement and slumping wages are especially pivotal issues in the current debate because they have been blamed for increases in urban poverty, particularly the growth in the urban underclass and the high jobless rate of African Americans and other minorities.

### **Theories of Impact: "Displacement," "Segmentation," and the "Job Ladder"**

To examine the validity of these popular perceptions, academics and policy practitioners alike have applied several theories and methodologies. There are two major theories and an emerging third theory that describe undocumented immigrants' participation in and economic effects on the U.S. labor market. The two major theories, the "displacement" and "segmentation" hypotheses, make opposite assumptions about the labor market and hence reach different conclusions about the impact of undocumented immigrant labor. The third unfolding theory, the "job ladder," is somewhat related to the "segmentation" hypothesis.

The displacement hypothesis argues that immigrants arrive in the U.S. and by occupying low-wage jobs push domestic wages down. Employers, because they would rather pay low wages, substitute cheaper immigrant labor for more expensive native labor. This theory assumes that immigrants and native-born workers are perfect substitutes because they have similar skills.

On the other hand, the segmentation hypothesis argues that the U.S. labor market is sufficiently divided between immigrant and non-immigrant jobs so that domestic workers are insulated from the direct displacement effects of immigrants. Proponents of this theory argue that immigrants are employed in the low-wage section of the labor market. Native workers, because of their skills and the wage protection offered by union contracts, are not interested in these jobs. In addition, in different sectors of the economy immigrants and native workers may complement each other so that the presence of immigrants actually creates jobs for native-born persons.

The third theory argues that immigrants take jobs that native workers no longer want; that is, a job ladder, or queue, for immigrant workers exists. Over time, U.S. workers move on to better occupations, vacating "lower-rung" and less desirable jobs that various groups of newcomers then take. Once hired, immigrants employ social networks to recruit other immigrants and, in this way, certain industries become reserved exclusively for immigrants.

### Research Data and Methodologies

The process of testing the validity of these hypotheses and of studying the labor relationship between undocumented immigrants and native workers is a complicated one that involves collecting data on a group that largely wishes to remain anonymous. However, researchers have concluded that when data on undocumented immigrants are unavailable, information on recent legal immigrants is an acceptable proxy.<sup>1</sup> This conclusion is based on the assumption that undocumented immigrants of the same ethnicity share many of the same demographic, economic, educational, and skill characteristics as their legal counterparts. However, on average, the undocumented immigrant population has fewer skills, weaker language capabilities, poorer educational training, and less familiarity with the U.S. labor market than most legal immigrants of the same ethnicity. In fact, one theoretical perspective based on the demographic findings of J. Edward Taylor concludes that undocumented immigrants are unskilled not only compared to the native-born population, but also relative to the Mexican population (Borjas 1990). Thus, when studies calculate how undocumented immigrants impact the U.S. labor market, the proxy legal immigrant data probably attribute more skills to undocumented workers than they really possess. The resulting empirical evidence and conclusions drawn from these studies therefore overestimate the impact that undocumented immigrants have on natives' earnings and job opportunities. Consequently, using proxy data in lieu of direct data assures that research is conservative in rejecting the hypothesis that undocumented immigrants harm native-born workers.

The methodologies currently employed to test these hypotheses have produced three categories of empirical evidence: 1) production function models that estimate across *national* samples of individuals; 2) analyses of labor market outcomes across *regions* or SMSAs which contain a large number of immigrants; and 3) *industrial* and *occupational* sectoral studies in fields that employ large numbers of immigrants.

The production function models determine the relationship between the output of a good (here, wages and employment) and relevant inputs (here, changes in

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<sup>1</sup>Currently, the research conducted by scholars on undocumented immigrants' effect on the U.S. labor market relies evenly on exact and proxy data on undocumented immigrants.

immigration). Econometric research based on production function models has attempted to estimate the aggregate effect of immigration on natives' wages.

Sectoral studies examine the relationship between immigrant and native workers in particular labor markets, rather than throughout the nation as a whole. A few of these studies focus on the impact of immigration on the employment and earnings of natives. The studies that address this issue rely on census data or are based on specific case studies.

Regional and metropolitan studies focus on the local distribution of immigrants and their aggregate effects on employment patterns and regional labor forces in "immigrant cities" such as Los Angeles and New York.

### **Conclusions on Undocumented Immigrants' Impact**

Despite popular perceptions, a careful study of the empirical evidence on undocumented immigrants' impact on the U.S. labor market demonstrates that:

- 1) Immigrants' displacement of native labor is negligible according to the findings of national, regional, metropolitan, and sectoral/industrial studies;
- 2) Overall, immigrants complement native laborers according to labor market studies conducted at the national and industrial/sectoral level;
- 3) Immigrants do not have an adverse effect on the wages of native workers according to national and regional studies; and
- 4) Immigrants have a complementary effect on the wages of some native workers according to national, regional, metropolitan, and industrial/sectoral studies.

**POLICY QUESTION 1:  
DO UNDOCUMENTED IMMIGRANTS TAKE AWAY JOBS FROM  
U.S. WORKERS?**

### **Immigrants' Impact on Native Workers: Negligible and Often Positive**

In recent studies, many scholars have demonstrated that undocumented immigrants have a negligible effect on U.S. workers' employment opportunities. The existing empirical evidence appears to corroborate the segmentation and the job ladder hypotheses because job losses are inconsequential at the national and

regional level, and in most cases, immigrants are complements to and job creators for native workers.

Dr. George J. Borjas, one of several authorities on immigration, sums up the overall picture in his book, *Friends or Strangers: The Impact of Immigrants on the U.S. Economy* (1990), definitively by stating that:

"the empirical evidence is likely to be controversial: the methodological arsenal of modern econometrics cannot detect a single shred of evidence that immigrants have a sizable adverse impact on the earnings and employment opportunities of natives in the United States."

Borjas provides a clear explanation of why immigrants have a minimal impact by debunking the displacement hypothesis as an inappropriate explanatory tool.

He suggests that the displacement hypothesis is based on the assumption that immigrants displace natives on a one-to-one basis. However, for this to be the case, three conditions must be true according to Borjas. First, the number of jobs in the U.S. labor market must be fixed. If no new jobs are created or if there is no economic growth as immigrants enter the labor market, then all laborers must compete for the same jobs. Second, immigrants who enter the U.S. labor market are "perfectly interchangeable" with native laborers in the production process. Immigrant-native substitutability implies that both offer the same skills to employers. Finally, cost-conscious employers will hire equally productive immigrants who are willing to take lower wages than their native-born counterparts. (Borjas 1990)

Given these three strict constraints on how immigration and labor markets work, it seems unlikely that immigrants take jobs from natives. First, the supposition that the number of jobs is fixed is clearly false since the U.S. economy reacts to increases in population, which generate demand for new services and products, by offering new employment opportunities. Second, it seems unlikely that the typical undocumented Mexican immigrant has the same skills as a typical native worker. Considering language proficiency, educational background, and familiarity with the U.S. labor market, it is fairly improbable that the two are perfect substitutes in the production process. Lastly, Borjas states that there is no evidence verifying that immigrant labor is less expensive than equally-qualified native labor. (Borjas 1990)

There is a great deal of national, regional, and local research supporting the notion that immigrants have a minimal impact on the U.S. labor market. Sectoral and industrial studies, on the other hand, have shown mixed results.

#### **National Studies: Natives' Employment is Unaffected by Undocumented Immigrants**

The production function models, or national samples, conducted by Borjas; Bean, Lowell, and Taylor; Grossman; and Stewart and Hyclak; have all substantiated Borjas' observations regarding job displacement. In a series of national studies,

Borjas found that the labor participation rates of white and black males were practically unaffected by increased numbers of immigrants. (Results are reported in Table I, Number 1.) The minuscule recorded effect strengthens the argument that immigrants do not cause wholesale job displacement. Indeed, the appearance of a positive coefficient for the effect on black labor force participation rates suggests that immigrants may have a small complementary effect on black employment. These results indicate that the displacement hypothesis is an inaccurate description of the immigrant-native labor market relationship.

Bean, Lowell, and Taylor (1986) also found that legal Mexican immigrants and native Mexicans, most of whom have skills and education similar to those of undocumented immigrants, do not have an adverse effect on natives' employability. In fact, their study concludes that legal Mexican immigrants are complementary to blacks in the labor market. Taken in light of the employment crisis in America's urban centers, these findings help clarify the discrepancy between public perception and empirical results. In addition, Bean, Lowell, and Taylor conclude that undocumented Mexican immigrants are not substitutes for native males or female workers. Therefore, these findings are consistent with the segmentation and job ladder hypotheses, which suggest that undocumented immigrants are not competing for the same jobs as native workers. Either undocumented immigrants are taking jobs in secondary labor markets where natives are not employed, or they are now taking jobs that natives no longer want. Again, these data indicate that undocumented immigrants are not the source of significant job displacement.

However, an earlier study by Grossman (1982) discovered that there is a small and insubstantial displacement of natives by immigrants. (Results are reported in Table I, Number 4.) She concluded, "All the results from this paper point to the conclusion that moderately large inflows of immigrants...do not pose serious economic threats to natives, although the effects are not negligible." Grossman's research was conducted with 1970 U.S. Census data, while the majority of other studies concluding that there is a negligible effect used 1980 U.S. Census data. It seems likely that more recent studies provide the more accurate depiction of current immigration's impact on the U.S. labor market. Grossman's finding of minimal job displacement is not necessarily incompatible with the segmentation or job ladder hypothesis. The 1970 and 1980 census data may provide statistical "snapshots" of the process of conversion of several internal labor markets. Specifically, natives could have shifted from less attractive jobs to better paying jobs between 1970 and 1980 according to the job ladder hypothesis. This shift may have reduced the displacement effects of immigrant labor during this period.



Table I: Undocumented Immigrants' Impact on Native Employment

NATIVE GROUP	IMPACT ON EMPLOYMENT
	Change in native employment as a result of a 10-percent increase in the number of immigrants
1. Labor force participation rate of white men	-0.1 percentage point
Labor force participation rate of black men	-0.1 to +0.4 percentage point
2. Weeks worked of white men	-0.3 percent
Weeks worked of black men	-0.1 percent
3. Unemployment rate of natives	0
4. Short-term native employment with inflexible wages	-0.8 percent
Long-term native employment with flexible wages	-1.0 percent

Sources: This table is a reproduction of one appearing in George J. Borjas' *Friends or Strangers: The Impact of Immigrants on the U.S. Economy*. Additional research has been added and attributed to these findings where they appear to be relevant. (1) Joseph Altonji and David Card, "The Effect of Immigration on the Labor Market Outcomes of Natives," Richard Freeman and John M. Abowd, eds., *Immigration, Trade, and the Labor Market* (Chicago: University of Chicago Press, 1990); George J. Borjas, "The Sensitivity of Labor Demand Functions to Choice of Dependent Variable," *Review of Economics and Statistics* 68 (February 1986): 58-66; (2) Altonji and Card, "Effects of Immigration"; (3) Julian L. Simon and Stephan Moore, "The Effect of Immigration Upon Unemployment: An Across City Estimation," mimeograph, 1984; David Card, "The Impact of the Mariel Boatlift on the Miami Labor Market," (mimeograph, Princeton University, May 1989); (4) Jean Baldwin Grossman, "The Substitutability of Natives and Immigrants in Production," *Review of Economics and Statistics* (February 1982): 596-603.

In another study based on 1970 census data, Stewart and Hyclak (1986) found additional evidence of job displacement of native workers. They found some degree of substitutability between black males and recent immigrants from countries other than Mexico, Cuba, and the West Indies. According to this study, if any competition takes place between immigrants and domestic laborers, it occurs only with other minorities who themselves are relatively recent immigrants. In this case, the displacement hypothesis is an appropriate explanation of reduced employability for persons who were themselves immigrants in the not so distant past. Although, this study is based on a potentially outdated census snapshot and does not address the undocumented Mexican population which has become the center of public attention, it suggests that long-time U.S. residents, including U.S.-born black native workers, are not threatened by immigrant groups.

A better suited national study conducted by Altonji and Card (1990) used 1970 and 1980 census data to confirm that long-time residents of the U.S. are unaffected by increases in undocumented immigration. (Results are reported in Table I, Numbers 1 and 2.) Both the labor participation rates and the number of weeks worked by white and black men changed by insignificant amounts when immigration increased. These findings demonstrate that the displacement hypothesis is not the best model to explain the native-immigrant job relationship. Again, this research clearly shows that undocumented immigrants are not competing with natives for the same job opportunities.

#### **Metropolitan and Regional Studies: No Effect on Natives' Employment**

The metropolitan and regional studies, those that focus on the local distribution of immigrants and their aggregate effects on employment patterns and regional labor forces in immigrant cities such as Los Angeles, refute the displacement argument as well. Research has been conducted by Card; Simon and Moore; Muller and Espenshade; and Reischauer.

The metropolitan and regional studies done by Card (1989) and by Simon and Moore (1984) found that undocumented immigrants do not affect native labor participation and that immigrants had no impact on natives' unemployment rate. (Results are reported in Table I, Number 3.) Card's metropolitan study focused on the effects of the 1980 Cuban Mariel boat lift which increased Miami's workforce by 125,000 persons in six months. This seven percent increase in the workforce was found to have no short- or long-term impact on the unemployment rate of non-Cubans in Miami. (Borjas 1990) The study also concluded that black men and women were barely affected by the sudden increase in the workforce. Simon and Moore's study of unemployment data, current population surveys, and the Immigration and Naturalization Service Annual Report reached the same basic conclusion that immigrants have no effect on natives' unemployment rates. Their analysis concluded that there was no observable increase in unemployment due to immigration to the United States.

Muller and Espenshade's (1985) metropolitan study added to the discussion on immigrant impact by elaborating on how black men, women, and teenagers are affected. They discovered that blacks in general, and teenagers in particular, did not appear to be harmed by immigration in the period between 1970 to 1982. As immigrants' labor force participation rates continued to grow in California, especially in Los Angeles, blacks' unemployment rate rose less rapidly than the national average, and black teenagers' labor participation rates exceeded the national average. Women too showed gains in terms of labor participation rates compared to the national average. Muller and Espenshade found that, "In sum, trends in unemployment rates do not provide evidence of strong job competition between immigrants and blacks." (Muller and Espenshade 1985)

Reischauer (1989) built upon Muller and Espenshade's study by comparing black unemployment, labor force participation, net migration rate, and earnings in metropolitan areas with large and small immigrant growth. This simple comparison allowed Reischauer to conclude that areas with the largest growth, compared to those with little new immigration, revealed no evidence that immigrants have a substantial impact on black unemployment or labor participation. Reischauer's study, along with the other metropolitan and regional studies, demonstrates that there is not job competition between natives and undocumented immigrants. In short, the empirical evidence suggests that the displacement hypothesis is an inaccurate explanatory tool.

#### **Industrial/Sectoral Studies: Mixed Findings**

The industrial/sectoral studies, which examine the relationship between immigrant and native workers in particular labor markets, have reported mixed results. The studies that address the impact of immigrants on natives' employment rely on census data or are based on specific case studies. Those studies that have addressed this issue include DeFreitas; Mines and Martin; Waldinger; and Bailey.

The in-depth study conducted by DeFreitas (1986) and cited in Simon (1988) determined that undocumented immigrants have no discernible effect on the amount of unemployment or weeks worked by natives. DeFreitas' examination of U.S. Census data from 1980 also concluded there may be a slight complementary effect on native employment associated with increased immigration. Like the other national, regional, and metropolitan studies, DeFreitas' conclusions undermine the displacement hypothesis and support the notion of a more positive or complementary immigrant-native labor interaction in the job market.

However, an earlier study conducted by Mines and Martin (1984) of the agricultural industry is less conclusive. Mines and Martin found little job displacement because of the lack of native labor willing to perform agricultural labor at current wages. This finding suggests that native laborers have priced themselves out of this labor market and may be generational participants in what can be described as a job ladder. Whether there was some initial displacement is a chicken and egg discussion: did natives choose to leave jobs and then immigrants took their positions, or did immigrants offer cheaper labor and push natives out of jobs? Current research cannot answer this question. However, Waldinger (1986) in his study of the garment industry in New York City may provide a clue as to how the job ladder is constructed. He argues that "to some extent immigrants may have displaced workers, but [only] to the extent that complementary jobs were available elsewhere." In other words, native-born garment workers ascended a job ladder, rather than succumbed to job displacement.

Thomas Bailey's (1987) analysis of New York City's restaurant industry provides more conclusive evidence that native labor markets remain intact in the face of immigration. Specifically, he reports that there is convincing evidence that

immigrants do not compete with black workers but may compete with other immigrants. These findings suggest that if native laborers choose not to climb another rung in the job ladder, they can do so without fear of displacement, because they do not occupy the same rungs as immigrant workers.

Even if these studies are accepted as evidence of some instances of displacement, their mixed findings lead to the conclusion that there is little immigrant impact on natives' employment.

#### **Conclusion: A Negligible Effect on Natives' Employment**

Although popular perceptions equate immigrants with wholesale native job displacement, the empirical evidence overwhelmingly concludes that undocumented immigrants have a negligible effect on natives' employment opportunities. The displacement hypothesis is a poor model for explaining the native-immigrant employment relationship. Most studies determine that there is a weak complementary effect of immigrants on natives' employment, suggesting that the U.S. labor market is either crudely segmented or provides a job ladder for natives and immigrants alike.

### **POLICY QUESTION 2: DO UNDOCUMENTED IMMIGRANTS LOWER U.S. WORKERS' WAGES?**

#### **Immigrants' Impact on Native Wages : Small and Sometimes Favorable**

Undocumented immigrants do not affect the average wage of native laborers in any significant manner. The conclusions of the majority of national, regional, and metropolitan studies confirm that, as with labor participation, immigrants impact wages of native-born workers only slightly. Findings also suggest that in some cases as the number of immigrants increases, wages increase for blacks and women. A small but broad array of research has also concluded that immigrants may lower wage growth, if at all, by numerically small amounts. Again, the displacement hypothesis seems less plausible than the segmentation and the job ladder hypotheses.

Research indicates that undocumented immigrants play an important part in the U.S. labor market without having detrimental effects on native laborers. In fact, they are a great benefit to the United States in the jobs that they occupy. Undocumented immigrants work, as Bean, Lowell, and Taylor state, "in a concentration of low-paying, 'unattractive' jobs that natives are reluctant to take." Thus, "everyone benefits when the 'dirty work' gets done." (Bean, Lowell, and Taylor 1988) In short, immigrants do not hurt native earnings because U.S. workers

are moving on to better jobs, some of which are directly connected to incoming immigrants or are new opportunities created indirectly because of immigration.

### **National Studies: Wages are Minimally Affected by Immigrants**

The national, or production function, studies conducted by Grossman; King, Lowell, and Bean; Borjas; LaLonde and Topel; Bean, Lowell, and Taylor; Altonji and Card; and Borjas, Freeman, and Katz all conclude that wages are minimally, whether positively or negatively, affected by undocumented immigration. Undocumented immigrants cannot be named as a major factor in wage stagnation of native laborers. Instead, the evidence supports the hypothesized non-competitive relationship between immigrants and native workers under the segmentation and job ladder theories.

The earliest studies applicable to this discussion, those conducted by Grossman (1982) and King, Lowell, and Bean (1986) using 1970 U.S. Census data, report decidedly small effects on native wages due to immigration. Grossman's study concluded that all natives' earnings, as well as white males' earnings, are modestly pushed downward when immigration increases. (These results are reported as the lower bound of Number 1 and Number 2, Table II.) King, Lowell, and Bean's analysis of U.S. Census data from the same year concluded that foreign-born Mexican immigrants had little effect on the earnings of natives. This early information demonstrated that the immigrant-native employment relationship was primarily a non-competitive one.

Some of the most complete findings that have elaborated on these early studies were generated by Borjas (1984, 1985, 1987, 1987). In general, his studies of U.S. Census data from 1970 and 1980 determined that white male earnings are minimally reduced as undocumented immigration increases. (Results are reported as the upper bound of Number 2, Table II.) This evidence advances the notion that undocumented immigrants do not contribute to the slow wage growth of white males. This lack of effect on earnings signifies that immigrants can not offer the same labor for a cheaper price to employers because the two groups, whites and immigrants, do not share the same skills.

Borjas found immigrants to have a very small but mixed impact on black male earnings. (Results are reported in Table II, Number 3.) Also, another study by LaLonde and Topel (1990), which examined how young blacks are affected, found that overall, there is a slightly negative effect on earnings as immigration increases. (Results are recorded in Table II, Number 4.) A probable explanation for these mixed findings is that in some cases immigrants reduce black earnings in lower skill jobs, while in other cases, they tend to increase black earnings for higher skill jobs. The displacement hypothesis can account for lower wages among relatively unskilled blacks due to immigration, but it cannot explain why there would be any positive effects on black wages associated with increased immigration. One possible job ladder explanation in a segmented labor market might treat the measured wage

growth as the result of some individuals moving on to better paying jobs, while the slight decline for some native-born workers could correlate with individuals remaining in their jobs, with little prospect of wage growth in the future. Regardless of the explanation, these immigrant effects still remain minuscule.

**Table II: Undocumented Immigrants' Impact on Native Earnings**

NATIVE GROUP	IMPACT ON EARNINGS
	Change in native earnings as a result of a 10-percent increase in the number of immigrants
1. All natives	-0.2 to 0.0 percent
2. White men	-0.2 to -0.1 percent
3. Black men	-0.3 to +0.2 percent
4. Young blacks	-0.1 percent
5. Hispanic men	0.0 to +0.2 percent
6. Young Hispanics	-0.3 to +0.2 percent
7. Women	+0.2 to +0.5 percent
8. Black families	-0.5 percent <sup>a</sup>
9. Manufacturing workers	-0.04 percent

Sources: This table is a reproduction of one appearing in George J. Borjas' *Friends or Strangers: The Impact of Immigrants on the U.S. Economy*. Additional research has been added and attributed to these findings where they appear to be relevant. (1) Jean Baldwin Grossman, "The Substitutability of Natives and Immigrants in Production," *Review of Economics and Statistics* (February 1982): 596-603; David Card, "The Impact of the Mariel Boat lift on the Miami Labor Market," (mimeograph, Princeton University, May 1989); (2) George J. Borjas, "The Sensitivity of Labor Demand Functions to Choice of Dependent Variable," *Review of Economics and Statistics* 68 (February 1986): 58-66; (3) George J. Borjas, "Immigrants, Minorities, and Labor Market Competition," *Industrial and Labor Relations Review* 40 (April 1987): 382-92; Thomas Muller and Thomas J. Espenshade, *The Fourth Wave* (Washington, D.C.: The Urban Institute, 1985); (4) Robert J. LaLonde and Robert H. Topel, "Labor Market Adjustments to Increased Immigration," in Richard B. Freeman and John M. Abowd, eds., *Immigration, Trade, and the Labor Market*; (5) Frank D. Bean, B. Lindsay Lowell, and Lowell J. Taylor, "Undocumented Mexican Immigrants and the Earnings of Other Workers in the United States," *Demography* 25 (February 1988): 35-52; George J. Borjas, "Immigrants, Minorities, and Labor Market Competition"; (6) Robert J. LaLonde and Robert H. Topel, "Labor Market Adjustments to Increased Immigration."; (7) Joseph Altonji and David Card, "The Effect of Immigration on the Labor Market Outcomes of Natives," Richard Freeman and John M. Abowd, eds., *Immigration, Trade, and the Labor Market* (Chicago: University of Chicago Press, 1990); George J. Borjas, "The Sensitivity of Labor Demand Functions to Choice of Dependent Variable."; (8) Thomas Muller and Thomas J. Espenshade, *The Fourth Wave*; (9) Gregory DeFreitas and Adriana Marshall, "Immigration and Wage Growth in U.S. Manufacturing in the 1970s," in Barbara D. Dennis, ed., *Proceedings of the Thirty-Sixth Annual Meeting* (Madison, Wis.: Industrial Relations Research Association, 1984), pp. 148-56.

<sup>a</sup>Black family annual earnings dropped by \$85 from \$15,733 given a 7.5% increase in immigration.

In contrast to the findings on black wages, Borjas' research found U.S.-born Hispanic male earnings to be positively affected by immigrants. (Results are reported as the upper bound of Number 5, Table II.) This complementary effect suggests that U.S.-born Hispanics have valuable skills to offer employers who are either hiring immigrants or are providing goods and services to immigrants. Similar findings have shown that young U.S.-born Hispanics can benefit from increased immigration, yet the overall effect is mixed. (Results are recorded as Number 6, Table II.) Like their older male counterparts, young U.S.-born Hispanics can offer employers necessary skills, but their qualifications probably increase as they mature. Even the occasional negative immigrant impact on young U.S.-born Hispanics is relatively small.

Bean, Lowell, and Taylor (1988) report somewhat similar results in their study of 1980 U.S. Census data. They found that undocumented Mexican immigrants have no positive or negative effect on the earnings of U.S.-born Mexican males. (Results are reported as the lower bound of Number 5, Table II.) In addition, Bean, Lowell, and Taylor's research indicates that immigrants have had less of a negative impact on black earnings than previously reported by Borjas. Although they conclude that there is no recordable positive effect of immigration on U.S.-born Mexican male or black male earnings the study clearly demonstrates that the overall impact of immigrants is negligible. Immigrants are not lowering the wages of natives in any significant manner.

For native-born women, Bean, Lowell, and Taylor's findings were quite different. Increases in undocumented Mexican immigrants enhance the wages of women. (These results are reported as the lower bound of Number 7, in Table II.) Similar to their native-born Mexican male counterparts, native women enjoy higher wage growth due to a slight complementary effect. This finding may signal that women are leaving traditionally low-skilled, low-paying employment, for higher-skilled and higher paying jobs through a job ladder. Altonji and Card's (1990) research corroborates this finding and reports an even greater positive effect on native women's wages than do Bean, Lowell, and Taylor. (These results are shown as the upper bound of Number 7, Table II.) This positive impact strongly suggests a complementary relationship between increased immigration and higher earnings for native women. In short, increases in immigration appear to make women more valuable workers in the labor market.

Lastly, the study conducted by Borjas, Freeman, and Katz (1991) took a different approach to the immigrant impact question. In their study, they considered the U.S. trade imbalance of the 1980's and increases in immigration as possible sources of reduced native wage growth. As a measure, they looked at the relationship between high school drop-outs, high school-educated, and college-educated wage earners to determine if one group outperformed the others in terms of wage growth. Their findings suggest that both the high school drop-outs and high school-educated native wages fell behind college-educated natives by a substantial amount. The

study estimated that between 30 to 50 percent of a 10 percent decline in high school drop-outs' wages between 1980 and 1988 could be attributed to the effects of trade and immigration. These findings, which do not separate the effects of trade and immigration, complicate the examination of immigrant impact on wages. It is impossible to calculate how much of the 3 to 5 percent decline in drop-outs' wages was in fact due to immigration, rather than trade. Within the context of the previously cited national studies, it seems prudent to conclude that the impact of immigrants on native earnings still remains small.

### **Metropolitan and Regional Studies: Mixed Findings of Immigrant Impact on Wages**

The regional and metropolitan studies conducted by Smith and Newman; Muller and Espenshade; McCarthy and Valdez; Reischauer; and Card provide mixed findings on the effect of increased immigration on natives' earnings. Early studies concluded that there are wage declines in areas with concentrated immigration, yet later studies found negligible effects on wages. The empirical evidence in general still indicates that the effect on native earnings is small.

Smith and Newman (1977) conducted one of the first studies that convincingly demonstrated that undocumented immigrants have a negative effect on the earnings of natives, specifically U.S.-born Mexicans. They found that wages for low-skilled occupational groups in Texas border cities were lower than in non-border cities. However, after adjusting for cost-of-living and wage differentials for other cities, they found that wages are depressed by 8 percent at most. Yet, this significant result suggests that indeed native laborers are susceptible to downward wage pressures from undocumented immigrants. Nonetheless, this early study is one of a handful that has found such a drastic effect on wages. Border areas may not be representative of the rest of the nation. Arguably, border towns, such as those in Texas, have their own unique labor markets, which are quite different from those in inland metropolitan areas. Also, at the time of this study, many of these towns were not employers of large numbers of the U.S. labor force and were atypical in terms of ethnic demographics, skill distributions and types of industries. On the other hand, this study does suggest that wage depression can occur in a region or metropolitan area that experiences very high levels of immigration.

Further studies by Muller and Espenshade (1985) corroborated Smith and Newman's work. Muller and Espenshade found that the presence of Mexican immigrants reduced the average wages of manufacturing and some service-sector native workers in both Los Angeles and California as a whole. Yet, the impact of Mexican immigrants on native laborers who are employed in semi-skilled and skilled occupations was negligible. Overall, the change in wage rates for all occupations in areas with high concentrations of immigrants demonstrates that immigrants do have a small, adverse effect on natives' earnings. Those natives most affected were U.S.-born Mexican males. However, Muller and Espenshade report an equally important finding in regard to black natives. They state: "Of particular importance



complementary relationships with immigrants. Recognition of these findings must lead to an abandonment of the displacement hypothesis to describe the native-immigrant relationship. The segmentation and job ladder hypotheses explain most of the immigrant-native labor interaction and reveal the positive attributes of immigration. Since there are observable wage growths associated with increased immigration, thoughtful consideration must be given to the idea that immigrants are a healthy addition to the U.S. labor market.

**POLICY PROFILE CONCLUSION:  
UNDOCUMENTED IMMIGRANTS HAVE NO ADVERSE EFFECT ON THE  
EMPLOYMENT OR WAGES OF NATIVES.**

The empirical evidence is robust in its conclusions: undocumented immigrants have no sizable effect on natives' employment or earnings. The comprehensive array of economic and statistical studies clearly demonstrates that natives are not in danger of job competition with undocumented immigrants. In addition, the segmentation and job ladder hypotheses, coupled with the data, provide good reason to believe that the native-immigrant employment relationship is a healthy one for both labor groups. Most studies suggest that there is a weak complementary effect of immigrants on natives' employment.

Similarly, the research indicates that undocumented immigrants do not reduce the earnings of natives. In certain instances undocumented immigrants insulate natives from the effects of national wage slumps, and in other cases undocumented immigrants have a positive effect on the wage rate for natives. Given these data, the segmentation and job ladder hypotheses explain that natives' earnings remain unaffected either because of the separation of the native and immigrant labor markets or because natives move from less competitive to better paying employment opportunities.

In light of the research findings, it is crucial that policy makers, public officials, and the public redirect their attention to the challenges of economic restructuring facing the United States. The scapegoating of undocumented immigrants can only divert attention from more meaningful policy interventions that will prepare American workers to participate fully and competitively in a global economy.

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complementary relationships with immigrants. Recognition of these findings must lead to an abandonment of the displacement hypothesis to describe the native-immigrant relationship. The segmentation and job ladder hypotheses explain most of the immigrant-native labor interaction and reveal the positive attributes of immigration. Since there are observable wage growths associated with increased immigration, thoughtful consideration must be given to the idea that immigrants are a healthy addition to the U.S. labor market.

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## APPENDIX I

**Economic and Statistical Studies that Assess  
Undocumented Immigrants' Impact on the U.S. Labor Market**

Study	Data	Research Method	Results
Borjas 1984	1970 1/100 PUS and 1980 1/20 PUMS-A U.S. Census	Generalized Leontief production function	Total immigrant males' effect on: (1980) <sup>a</sup> young white male earnings: -1.2% old white male earnings: +0.6% young black male earnings: +2.7% old black male earnings: +1.5%
Borjas 1985	1980 1/20 PUMS-A U.S. Census sample	Generalized Leontief production function	Total Hispanic immigrants' effect on <sup>a</sup> : white native wage: 0.0% black native wage: +0.1% Hispanic native wage: +0.2%
Borjas 1986	1970 1/100 PUS and 1980 1/20 PUMS-A U.S. Census	Generalized Leontief production function	Total Hispanic immigrants' effect on <sup>a</sup> : white male native wage: -0.2% to -0.1% black male native wage: -0.3% to +0.2%
Borjas 1987	1980 5/100 A Sample U.S. Census	Generalized Leontief production function	Total Hispanic immigrants' effect on <sup>a</sup> : white native earnings: -0.002% black native earnings: -0.004% <sup>1</sup> Hispanic native wage: +0.10%
Bean, Lowell, and Taylor 1988	1980 U.S. Census	Generalized Leontief production function	Undocumented Mexican males' effect on: Mexican native U.S. male earnings: 0.0% black male earnings: -0.1% female earnings: +0.2%

<sup>a</sup> Results are reported as the effect of a 10% increase in the number of (proxy) immigrants.

<sup>1</sup>The t-value for this result is -1.72, therefore it is not significant at the 5% confidence level.

APPENDIX I-Continued

Study	Data	Research Method	Results
Altonji and Card 1990	1970 and 1980 U.S. Census; 120 SMSAs	Production function	Total Hispanic immigrants' effect on: labor force participation rate of white men: -0.1% labor force participation rate of black men: -0.1% to +0.4% weeks worked of white men: -0.3% weeks worked of black men: -0.1%
Stewart and Hyclak 1986	1970 U.S. Census	Production function	New immigrants are to a slight extent substitutes for domestic laborers who were themselves previously immigrants.
Card 1989	1979-1985 U.S. Census Current Population Survey (CPS) for Miami SMSA	Comparative analysis of wages and unemployment.	The Cuban Mariel boat lift, which increased Miami's workforce by 7%, had no short- or long-term effects on the wages or unemployment rates of non-Cubans.
Reischauer 1989	1970 and 1980 U.S. Census	Comparison of descriptive statistics for metropolitan areas.	Black unemployment was lower, wages were higher, and labor participation rates were higher in high immigrant inflow cities. Wage growth was slower in these same areas.
Mines and Martin 1984	1980-1981 Survey of Ventura County (CA) citrus workers.	Comparative analysis of respondents' views.	Evidence of job displacement is inconclusive due to the lack of supply of native labor willing to perform agricultural labor at current prices.
Waldinger 1986	Interviews of garment and manufacturing industries (1979-80, 1984-85), surveys, and printed sources.	Comparative analyses of native and immigrant data.	Some job displacement of native garment laborers has occurred but only to the extent that complementary jobs were available elsewhere.

APPENDIX I -Continued

Study	Data	Research Method	Results
Bailey 1987	1980 U.S. Census New York SMSA	Case study of New York City industries	Immigrants do not compete with native black restaurant laborers. The evidence does not suggest the existence of job competition or wage depression. Some complementary effects associated with immigrants.
McCarthy and Valdez 1986	1970 and 1980 U.S. Census	Examination of earnings growth	Latino wage growth was below the national average in areas with large Mexican immigrant population.
Muller and Espenshade 1985	1970 and 1980 U.S. Census	Regression Analysis	Mexican immigrants lower black unemployment and do not compete with blacks for jobs. The immigrant impact on wages is mixed.
King, Lowell, and Bean 1986	1970 U.S. Census PUS 1/100 sample	Regression equation based on human capital and Leontief production function	Foreign-born Hispanics have little effect on the earnings of natives.
DeFreitas and Marshall 1984	1970-1978 U.S. Census SMSAs	Regression Analysis	Foreign workers dampen wages once they account for 20% of the manufacturing workforce. Rate of native wage growth <sup>a,b</sup> : -0.5 to -0.9% per year
LaLonde and Topel 1990	1970 and 1980 U.S. Census	Production function	Total immigrant effect on <sup>a</sup> : young black earnings: -0.1% young Hispanic earnings: -0.3 to +0.2%

<sup>b</sup> The average annual wage growth for this period was 7.7%



APPENDIX I -Continued

Study	Data	Research Method	Results
DeFreitas 1986	1980 U.S. Census	Regression Analysis	Undocumented immigrants have no significant negative effect on the wages of low-skilled native anglo, Hispanic, and black men. However, there is a relatively small adverse effect on black women. Similarly, there is no effect on native employment; in some cases, there is a slight positive effect for employability of natives.
Grossman 1982	1970 U.S. Census	Translog production function	<p>Both second generation and foreign workers are substitutes for native workers, although second generation workers are better substitutes. Total foreign born persons' effect on<sup>a</sup>:</p> <p style="padding-left: 40px;">white male native wage: -0.2%</p> <p style="padding-left: 40px;">second generation wage: -0.3%</p> <p>If wages are inflexible in the short term native employment<sup>a</sup>: -0.8%</p> <p>If wages are flexible in the long term native employment: -1.0%</p>
Smith and Newman 1977	1970 U.S. Census SMSAs	Comparison of descriptive statistics across metropolitan areas.	Real income for Mexican Americans is 8% lower in border regions than non-border regions. Low-skilled workers are more adversely affected than high skilled workers. However, the quantitative effect's of immigrants on income do not appear to be large.
Simon and Moore 1988	Unemployment data, INS immigration data 1960-77	Regression Analysis	No relationship between unemployment and immigration to the U.S.

APPENDIX I -Continued

Study	Data	Research Method	Results
Borjas, Freeman, and Katz 1991	1964-1988 U.S. Census Current Population Survey (CPS)	Production function	Both trade imbalance and increased immigration lowered the wages of high school drop-outs in relation to high school and college graduates. The cumulative effect lowered wages by 3 to 5 percent drop between 1980 and 1988.
Huddle, Corwin, and MacDonald 1985 <sup>c</sup>	Study of Houston-Galveston metropolitan labor market 1981-1982	Research method and data have not been made public.	Undocumented immigrants have a dramatic impact on the employment of all male youths and minority youth, ages 16-24. Suggests that all unemployed youth could have been removed from the rolls of unemployment and up to one million workers have been displaced.

<sup>c</sup> Huddle's work has been highly criticized by other researchers because he has not presented how he reached his conclusions. Dr. Julian L. Simon suggests in his book, *The Economic Consequences of Immigration*, that, "Until the research methods and data are made public, it would seem prudent to completely disregard this work."

