



Economic Integration of Immigrants

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Introduction

Economic integration is not the only benchmark of success, but it is the core measure of equity and opportunity that characterizes success for immigrants. Without jobs, immigrants place a burden on governments and on their own communities. Without equitable pay, immigrants become a drag on the earnings of similarly-skilled natives and foster undesirable subeconomies within the post-industrial economy. This briefing paper compares Europe with North America: How comparably do immigrants fare measured in terms of labor force participation, unemployment, occupations, earnings and economic mobility, and business ownership?

The picture presented is a troubling one on both continents although for different reasons. Most immigrants in the US find jobs, but many have low earnings, making poverty an issue. A large portion of immigrants in Europe, on the other hand, are unemployed, although generous social welfare benefits keep many out of poverty. In both cases, too many immigrants are unable to participate fully in the economic life of their new countries. The result is a loss to immigrants and natives alike.

The optimal solutions for these problems, which affect immigrants and natives, is to reduce inequality in the US, by accelerating the mobility of employed persons with low earnings, and to reduce unemployment in Europe, by opening up job opportunities. There are many ways to achieve these goals, including macroeconomic policies to stimulate economic and job growth, policies to increase labor market flexibility in Europe, policies to reduce inequality in the US, and programs that prepare workers for jobs and entrepreneurs for operating businesses. Although recommendations on broader labor market policies go beyond the scope of this paper, one point should be kept in mind. As a general rule, immigrants should be treated as other residents, which

means that they should participate equally in general programs designed to increase employment and reduce poverty.

Immigrants also have special needs in certain areas that may warrant special programs. First, immigrants who do not speak the language of the country in which they are living are likely to be at a disadvantage in finding a job and enjoying rising incomes. Host country language acquisition may be hampered by the limited availability of courses, high costs, or other factors.

Second, discrimination in the labor market can be a major barrier for immigrants. Many immigrants are different from natives in race, ethnicity, religion, and other characteristics. The literature indicates that even when education and other skills are taken into account, immigrants often have higher unemployment and lower earnings than natives; this is especially the case in Europe.

After documenting more thoroughly the state of immigration and economic integration, the paper then turns to a discussion of policies that can improve integration. Immigrant systems can, on the one hand, admit only those persons who are likely to succeed economically. After admission, there are general policies that address low-skilled workers that encompass immigrants. There are also policies, such as language training, that are more focused on the immigrant population. Generally, a combination of approaches is needed. It is hoped that this paper leads to a wide ranging discussion of which among these policies best facilitates economic integration in Europe and North America.

Economic Integration and Effects of Immigrants

Economic Outcomes . The economic integration of immigrants can be measured in a number of different ways: labor force participation, unemployment, occupational distribution, earnings and income, economic mobility, and business ownership, to name just a few. The experiences of immigrants in the economic life of a new country vary

greatly, also based on a number of different factors: the strength of the economy; human capital, as measured by the education, language skills and vocational skills of the immigrants; financial capital brought by the immigrants and the laws and regulations that permit/encourage investment of the financial capital; availability of public assistance for unemployed immigrants; racial and ethnic discrimination/tolerance in the workplace; and other similar factors.

Each year, the Organization for Economic Cooperation and Development reports on *Trends in International Migration* in member countries. The most recent volume concludes that:

“The changing economic conditions [in OECD countries] in conjunction with the intensification of migration movements and the entry into the labour market of family members of immigrants already settled in the host country, have had significant repercussions on the employment of foreigners during the past fifteen years. The foreign labour force has grown in all OECD countries and its characteristics have changed, although in ways which vary from country to country. The sectoral distribution of foreign employment has also undergone modifications. Still, the same structural distribution of foreign labour force persists in many OECD economies and the growth of employment in the tertiary sector has benefitted foreigners even though they have become more vulnerable to unemployment in comparison to the national labour force.”ⁱ

The origins of much of today’s immigration lie largely in past labor policies that encouraged “temporary” economic migration, but, despite original intentions, immigration today shows little sign of ebbing. A recent study of migration from Mexico to the United States, by far the largest migrant stream in the Western Hemisphere, concluded: “What began largely as the U.S.-approved or U.S.-tolerated recruitment of

ⁱ OECD, *Trends in International Migration* (Paris: OECD, 1997).

Mexican workers for seasonal U.S. farm jobs has become a far more complex migration flow that is sustained by supply and network factors".ⁱⁱ Studies on European migration come to similar conclusions that migration stimulated by labor recruitment policies in the 1960s and early 1970s has led to "the presence today of hundreds of thousands, and in some cases, millions, of foreigners in the host countries"ⁱⁱⁱ

The economic experiences of the first generation of labor migrants, in some cases, differ markedly from that of later immigrants, including the families of the labor migrants themselves. There are also marked differences among and between the European and North American experiences.

Europe. During the 1960s and 1970s, the labor force participation rates for immigrants were very high in much of Europe, reflecting the labor recruitment processes at work. In 1969, for example, 80 percent of the Yugoslav men, 76 percent of the Turks and 79 percent of the Portuguese in Germany were economically active. Nearly four-fifths were employed in manufacturing or building sectors of the economy, already marking a shift from the 1950s when most foreign workers were recruited into the agriculture and building sectors. In France, the 1968 Census showed an overall "economic activity" rate for foreigners of 47 percent compared to 40 percent of the total population. Among foreign men, the rates were far higher: 79 percent for Moroccans, 78 percent for Yugoslavs, and 70 percent for Algerians.^{iv}

Unemployment rates during the 1960s varied by country, depending on eligibility for unemployment compensation, provisions of guestworker regulations, propensity to

ⁱⁱ Binational Study, *Migration Between Mexico and the United States* (Washington and Mexico City: US Commission on Immigration Reform and Mexican Ministry of Foreign Affairs, 1997).

ⁱⁱⁱ Rosemarie Rogers, *Guests Come to Stay* (Boulder: Westview Press, 1985).

^{iv} Stephen Castles and Godula Kosack, *Immigrant Workers and Class Structure in Western Europe* (Oxford: Oxford University Press, 1977, 1985).

return to the home country if unemployed and other factors. Castles and Kosack concluded:

Although we find different patterns of unemployment for immigrant workers in the different countries, it is, on the whole, true to say that they suffer more from it than the indigenous populations. In France and Britain immigrants are more likely to be unemployed than other workers, and their vulnerability to economic crises is greater. In Switzerland and Germany there are few unemployed immigrants, but this is because they are either not permitted to remain in the country or because objective factors deter them from doing so.”^v

By 1995, there was a significant decline in labor force participation of foreigners as well as a rise overall in unemployment. For example, among Turkish men in west Germany, the participation rate declined to 61 percent while the unemployment rate stood at 25 percent. The labor force participation rate for the second generation of Turkish men was even lower (57 percent) and the unemployment rate was almost as high (23 percent) as for Turkish men born abroad. Comparable data for west German men shows higher labor participation rates (73 percent) and lower unemployment rates (9 percent)..^{vi}

Data from other European countries is quite similar. A comparison of unemployment rates among persons aged 25-54 shows unemployment rates for foreigners born abroad of more than 20 percent in France, Belgium and the Netherlands with rates for foreigners born in the host country* exceeding these already high rates in all three countries.^{vii} A study on the integration of immigrants in Sweden concluded:

^vStephen Castles and Godula Kosack, *Immigrant Workers*.

^{vi} Wolfgang Seifert, "Labor Market Performance of Mediterranean Immigrants in Germany and Hispanic Immigrants in the US," Inclusion or Exclusion of Immigrants: Europe and the US at the Crossroads (Berlin, 19-20 June 1998).

^{vii}OECD, *Trends*.

“Unemployment is now increasing twice as fast among foreign nationals and as fast among non-European nationals. During the first half of 1992 the unemployment rate among non-Nordic nationals was 13.5 percent as against 3.9 percent for Swedish citizens. For young people (20-24 years) of foreign citizenship the unemployment rate is 18.9 percent as against 9.75 percent for the corresponding Swedish age group.”^{viii}

An equally gloomy profile appears in a report on the Netherlands where immigrants fared poorly despite a relatively healthy economy: “Migrants have seen themselves ousted from stable jobs in the secondary segment of the labour market in the 1970s and pushed to a much more marginal position after 1980. This contributed to a rise in the number of work-poor households almost completely dependent on welfare....”^{ix}

Many of the immigrants who are employed in the 1990s are the foreign workers who remained after labor recruitment ended.^x However, in Sweden, at least, there is some evidence that the older workers may be leaving the labor market on sick leave or early retirement pensions.^{xi} Foreigners who arrived subsequently, and the children of the earlier migrants, are less likely to enter the labor force and find it more difficult to obtain jobs.

Once obtained, employment of immigrants tends to be concentrated in manufacturing, construction, and low-skilled services (hotels and restaurants, in particular). As reported by OECD, “foreign or foreign-born labour is not distributed in the same way as

^{viii} Birgitta Ornbrant, "Basic Principles for the Integration of Immigrants in Sweden," Migration and International Cooperation: Challenges for the OECD Countries (Madrid, 29-31 March 1993).

^{ix} Robert C. Kloosterman, "Migration in the Netherlands and the Emerging Post-Industrial Social Divide in Urban Areas," in *Immigrants, Integration and Cities*, ed. OECD (Paris: OECD, 1998).

^x Philip L. Martin, "Germany: Reluctant Land of Immigration," in *Controlling Immigration: A Global Perspective*, ed. Wayne Cornelius, Philip Martin and James Hollifield (Stanford: Stanford University Press, 1994).

^{xi} Birgitta Ornbrant, "Basic Principles."

native or native-born labour across the sectors of economic activity.”^{xii} Almost 80 percent of Turkish and more than 65 percent Yugoslavian nationals in Germany were employed in unskilled, semi-skilled or skilled jobs in 1994 whereas only five and seven percent, respectively, were in white collar middle and high level jobs. By contrast, almost 40 percent of German natives are employed in this latter category. Turks and Yugoslav nationals born in Germany had somewhat higher levels of participation in the higher level jobs (14 percent) but still lagged well behind native born German nationals.^{xiii}

Self-employment also tends to be lower among immigrants than among natives. For example, only four percent of Turkish men and five percent of other Mediterranean immigrant men were self-employed in 1995 compared to 13 percent of west Germans. Self-employment rates for the second generation were about the same as the first generation immigrants. Comparing German and immigrant/second generation female rates also show a significantly lower level of self-employment.^{xiv}

Not surprisingly, given the employment and occupation outlook, the earnings and income of immigrants tend to be lower than that of natives. In 1995, the average hourly earnings for west German men was DM26 whereas it was DM 21.30 for Turkish men and DM20.30 for other Mediterranean immigrant men. The second generation had even lower earnings, DM20.50, in part a reflection of their youth. Earnings for immigrant and second generation women were also lower than those of native women. Dividing the German population into income quintiles shows immigrants and the second generation over-represented in the lowest and second quintiles and significantly under-represented in the highest.

^{xii}OECD, *Trends*.

^{xiii}Heinz Fassman, Rainer Munz and Wolfgang Seifert, "Labor Markets for Immigrants," Inclusion or Exclusion of Immigrants: Europe and the US at the Crossroads (Berlin, 19-20 June 1998).

^{xiv}Wolfgang Seifert, "Labor Market Performance."

Similar findings of lower occupational and earnings achievements can be shown in other European countries. A 1995 comparison of employment in Belgium, for example, found that Turkish and Moroccan men (age 18-30) of both the first and second generation tended to be over-represented in unskilled and skilled labor jobs and seriously under-represented in higher occupations.^{xv}

The situation for new immigrants of higher unemployment and lower occupational standing compared to natives and even the first wave of migrants is somewhat understandable. More recent migration has been more tilted to asylum seekers and persons seeking temporary protection, family members, and, in the case of Germany, ethnic Germans. Entering European countries for reasons other than participation in the labor force, the new immigrants do not have the clear economic motivation and access to employment networks of the earlier generation. Their low levels of education, lack of skills and inadequate host-country language ability complicates their search for employment, which is itself a more difficult process because the rapid economic expansion of the earlier era is over.

The high unemployment rates for the second generation is more difficult to explain and, in many ways, more troubling. To some extent, the high levels of unemployment may be explained by a skills deficit. Educational levels tend to be lower for the second generation foreigners than for native born citizens. The lower educational level does not fully explain the occupational data, however. The Belgium study referenced above, for example, undertook a regression analysis to determine what factors influenced employment and occupation outcomes. The study found that educational level, age composition and pattern of residence explained little of the differences between second generation and native outcomes.

^{xv} Karel Neels and Reinhard Stoop, "Social Mobility and Equal Opportunities: The Case of Turkish and Moroccan Minorities in Belgium," Population Association of America (Chicago, 2-4 April 1998).

Discrimination is offered as one explanation for the poorer labor force integration (as measured by the combination of high unemployment and low occupational achievement), even when educational differences are taken into account. Ornbrant, writing about Sweden, states, “Many highly educated people have problems finding employment commensurate with their educational background. There is certainly more than one explanation for this, but studies show that their situation cannot be understood without taking discrimination and xenophobia into account.”

Based on interviews in France, Germany and the United Kingdom, Zimmerman and Calhoun found substantial agreement: “Respondents in all categories stated that immigrants and minorities experienced a substantial amount of discrimination in employment, housing, education, and other areas.”^{xvi} As early as the 1970s, Castles and Kosack concluded in *Immigrant Workers and Class Structure* that “...discriminatory laws and practices are important in maintaining the inferior occupational position of immigrants in all four countries (France, Germany, Switzerland and Britain).”^{xvii}

North America. The labor force experiences of immigrants in the U.S. and Canada differ somewhat from those in Europe and from each other, in part because of the explicit admissions policies of the two North American countries. Unlike most European countries, the U.S. and Canada have long admitted immigrants, consider themselves immigration countries, and admit large numbers of foreigners for permanent residence. Both have admission categories for family reunification, humanitarian admissions, employment-based entries and investors. In addition, Canada uses a point system that permits foreigners with few if any ties to Canada to enter if they demonstrate sufficient skills.

^{xvi} Wendy Zimmermann and Charles Calhoun, *Immigrant Policies in Western Europe* (Washington: Urban Institute, 1991).

^{xvii} Stephen Castles and Godula Kosack, *Immigrant Workers*.

Labor force participation and employment rates among immigrants have tended to be high in both Canada and the United States. During the 1980s in Canada, for example, immigrants on average had slightly lower labor force participation rates (65 percent) than Canadian born residents (68 percent). However, immigrants generally had lower unemployment rates (8.2 percent) than native Canadians (10.2 percent). The highest unemployment rates tended to be among nationalities that contribute large numbers of humanitarian/refugee admissions. Immigrants tend to have a similar occupational profile to Canada born residents, with 11 percent in managerial positions and 17 percent in professional and technical occupations. Smaller proportion of Southeast Asians and Latin American/Caribbean immigrants are in managerial positions and a higher proportion are in service occupations. A higher proportion of immigrants overall versus Canadians are in the manufacturing sector (30 percent versus 21 percent).^{xviii}

As in other countries, there is evidence that immigrants in the 1990s may not be doing as well as those of earlier periods. A report from the Metropolis project in Canada summarized the research on earnings of immigrants as follows:

“In general it is found that immigrant earnings do eventually catch up to those of the native born. But analysts differ as to how long the catch-up takes, and if all groups do indeed catch up. The good news is that it is found that different types of comparable immigrants catch up with earnings of comparable native born. This means that discrimination may be minimal in the area of remuneration for comparable work. The review claims that racial discrimination does not seem to lower incomes either. But it may be that discrimination acts against immigrants and/or visible minorities in areas relating to labour force participation, unemployment, or occupational choice.

^{xviii} Employment and Immigration Canada, "The Integration of Immigrants in Canada," Migration and International Cooperation: Challenges for the OECD Countries (Madrid, 29-31 March 1993).

The less good news is the evidence that the ratio of human capital endowments of more recent immigrants compared to the native born is lower than that of previous cohorts, in part because the endowments of the host population have increased over time, and in part because Canada's immigration policy may be less selective. It is not clear whether this makes catch up with comparable native born easier or harder. But the problem remains that with lower levels of human capital, even catch up will likely yield lower returns in terms of productivity and output for Canadian society.”

In the U.S., immigrant labor force participation and employment is high, but foreign-born non-citizens have higher unemployment rates than either the native born or naturalized citizens. As of March 1996, 6.0 percent of the non-citizen, foreign born persons in the labor force were unemployed, compared with 2.7 percent of naturalized citizens and 3.8 percent of the native born. The disparity was greater in 1997, with unemployment for non-citizen foreign born at 8.4 percent and natives and naturalized citizens at 4.3 percent and 5.4 percent, respectively. According to a recent study of the National Research Council, “for both men and women, the employment rates of new immigrant cohorts have been declining relative to those of native workers. Immigrants catch up relatively quickly, however, so that after some years they exhibit employment rates quite similar to those of natives.”^{xix}

One of the most significant aspects of U.S. immigration is the clustering of immigrants at the high end and the low end of the economic spectrum. Census data from the Current Population Survey in March 1996 show that 35.6 percent of all foreign-born residents in the U.S. did not have high school degrees (as compared with 16 percent of natives) while 23.5 percent of foreign-born residents had a bachelor's degree or higher (as compared with 23.6 percent of natives).

^{xix} James Smith and Barry Edmonston, *The New Americans: Economic, Demographic and Fiscal Effects of Immigration* (Washington: National Academy Press, 1997).

The distribution varies greatly by legal status and reasons for admission. Naturalized citizens tend to have higher levels of education than natives whereas those coming from countries contributing large numbers of undocumented migrants tend to have much lower levels of education than either natives or other immigrants. According to a survey of newly admitted legal immigrants, those coming for family reunification tend to have a significant proportion (42 percent) without a high school degree while an equally significant proportion of employment-based immigrants (46 percent) have at least a college degree.

Interestingly, even at the low end of the distribution, U.S. bound immigrants today tend to have higher levels of education than did immigrants in earlier waves of immigration. However, the gap between the educational level of immigrants and natives has increased because U.S. educational levels have risen even more rapidly.^{xx} Hence, while there were few differences between the average immigrant and the average native in education at the beginning of the industrial era, there is significant difference—for better and worse—between the educational levels of immigrants and natives today. Moreover, the immigrant with less than a high school education is far less able to compete for high paying, stable jobs in an information age economy than he or she was when manufacturing dominated. Immigrants generally are able to obtain unskilled employment, but these jobs tend to provide low incomes and little job security.

The proportion of immigrants living in poverty is one index of economic insecurity. In 1996, the poverty rate for foreign-born non-citizens was 26.8 percent while naturalized citizens and native-born had poverty rates of 10.4 percent and 12.9 percent, respectively. Despite the significantly higher poverty rates, however, use of public assistance is not as significantly higher. Just 4.9 percent of the foreign born received public assistance in March 1997 as compared to 3.3 percent of the native born.*

^{xx} Paul Schultz, "Immigrant Quality and Assimilation: A Review of the Literature," in *Legal Admissions: Permanent, Appendix to the Final Report of the U.S. Commission on Immigration Reform*, ed. US Commission on Immigration Reform (Washington: USCIR, 1997).

Not surprisingly, well-educated immigrants tend to do significantly better economically and on other measures of integration (e.g., home ownership) than do the lesser skilled immigrants. Naturalized citizens and legal permanent residents also tend to be more successful than refugees or undocumented or formerly undocumented migrants, with each group improving its performance the longer the stay in the United States.

In a recently completed analysis, Jeffrey Passel of the Urban Institute imputed immigration status for the foreign born captured in the 1996 Current Population Survey on the basis of either actual responses (e.g., self-identified naturalized citizens) or characteristics associated with specific immigration status (e.g., education, nationality, and occupation). His findings show that naturalized citizens had the highest income levels and these rose over time and exceeded that of native born headed households (\$48,200 per household for recent arrivals and \$50,400 for those who entered before 1985, compared to native-headed household income of \$44,700.) By contrast, undocumented migrants and those who obtained legal status as a result of the 1986 amnesty had household incomes that were far below natives and tended not to increase significantly with duration of stay (less than \$30,000 per household). Similarly, naturalized citizens who entered before 1985 tended to exceed native home ownership rates while other foreign-born residents lagged behind even after significant duration of stay in the United States.

In addition to education, English language ability affects long-term economic and other forms of integration. Individuals with poor English language skills tend to be confined to the lowest levels of the U.S. job market. By contrast, ability in spoken English markedly improves immigrants' earnings, especially for Hispanic and Asian adult immigrants. English reading comprehension also has been found to improve the earnings of young immigrant adults.

In the 1990 Census, 47 percent of the foreign-born more than 5 years of age reported not speaking English "very well." There is variation by entry category, however. The

New Immigrant Survey shows that about 70 percent of employment-based immigrants speak English very well or fairly well and less than 10 percent speak very little or no English. By contrast, the family category is evenly divided, with about 35 percent in each grouping. Refugees and other humanitarian admissions lag furthest behind in their English skills, with only 16 percent speaking English at least fairly well and more than 50 percent reporting they speak little or no English.^{xxi}

Research indicates that the education and language differences between immigrants and natives, rather than discrimination, tend to explain the differential in wages between immigrants and natives. In other words, once adjustments are made for the characteristics immigrants bring with them, there is little difference in economic performance. Having reviewed these findings, the NRC panel concluded: "The evidence, therefore, is not consistent with the hypothesis that widespread labor market discrimination results in substantially reduced wages for immigrant Hispanic and Asian groups."^{xxii}

Economic Effects of Immigration . There appears to be broad consensus among economists about the economic effects of immigration. The National Research Council's panel on immigration explained:

"Using a basic economic model, with plausible assumptions, we show that immigration produces net economic gains for domestic residents, for several reasons. At the most basic level, immigrants increase the supply of labor and help produce new goods and services. But since they are paid less than the total value of these new goods and services, domestic workers as a group must gain.

^{xxi} James P. Smith, Mark R. Rosenzweig and Guillermina Jasso, "New Immigrant Survey Pilot Study," Joint Meeting of the Public Health Conference on Records and Statistics and Data Users Conference (Washington, DC, 1997).

^{xxii} James Smith and Barry Edmonston, *New Americans*.

The gains to the domestic economy come from a number of sources. On the production side, immigration allows domestic workers to be used more productively, specializing in producing goods at which they are relatively more efficient. Specialization in consumption also yields a gain....

In the long run, assuming constant returns to scale, immigrants can affect rates of economic growth only to the extent that they differ from the native-born—if, for example, they arrive with a different mix of skills from those of native-born workers. To have an effect on growth rates, this difference between immigrants and natives must persist over each new generation.^{»xxiii}

In other words, the overall economy benefits if immigrants join the labor force and perform work that could not be performed as efficiently or inexpensively by natives. In practical terms, given that the average person in developed countries has some years of post-secondary level education, that means the greatest economic benefits will accrue if immigrants have either less than a secondary school degree or more than a baccalaureate degree. In the United States, the NRC panel estimated a gain of \$1-10 billion per year from immigration, small relative to the overall U.S. economy but positive nevertheless.

For the countries of Europe and North America, this form of the economic benefit of immigration presents a number of challenges. In Europe, the high levels of immigrant unemployment, even among well educated immigrants, raises questions about whether these economic benefits accrue at present. If a society is spending substantial resources on unemployment compensation or other forms of public assistance, the fiscal costs of immigration will likely outweigh the returns of immigration to the economy. Even in the United States, where there is low unemployment and little use of public assistance programs, the fiscal costs of immigration are significant. The NRC panel

^{xxiii} James Smith and Barry Edmonston, *New Americans*.

estimated that the annualized cost of immigration to California taxpayers is about \$1,200 per native-headed households, largely because costs of education and other services exceed the relatively low tax revenues paid by immigrants. In a controversial lifetime calculation that took into account future generations (out to 300 years), the NRC further concluded that immigrants with at least a high school degree eventually represent a net fiscal gain, but those without a high school degree will not be net contributors.

When the predominant immigrant population has very little education, a different type of challenge presents itself. While the national economy benefits from their presence in the workforce, there are distinct losers: “The losers may be the less-skilled domestic workers who compete with immigrants and whose wages will fall.”^{xxiv} Even in the well-educated societies of Europe and North America, there are lesser-skilled workers who may be displaced by immigrants who vie for the same jobs. Responses may vary. In some cases, native workers may move into other occupations or even move geographically to avoid this competition. In other cases, native workers accept a lowering of wages or make other concessions to retain employment.

Perhaps the most affected by this process are immigrants themselves. Immigrants coming into the country generally present the greatest competition to those already there. While the individual immigrant who is able to obtain employment may benefit because of the ability to earn more in Europe or North America than in his/her home country, he or she is also vulnerable to displacement by new immigrants who may be willing to work for even lower wages. Immigrants tend to find employment in sectors dominated by the foreign-born which concentrates this job and wage competition.

Summary . To summarize broadly, immigrants in Europe have somewhat lower labor force participation rates and much higher unemployment rates than do native residents, coupled with lower earnings. The causes of these differences seem to be due to the

^{xxiv} James Smith and Barry Edmonston, *New Americans*.

relatively poorer education of immigrants compared to natives, and to discrimination in education and earnings. In contrast, immigrants in the United States have high labor force participation rates and unemployment rates that are only marginally higher than those of natives, but there are also high proportions living in poverty. Earnings are very low for unskilled immigrants although, over time, most immigrant groups improve their economic situation. The causes of poor performance are due to the poorer education of immigrants compared to natives, but the NRC concludes that there is no significant discrimination against immigrants in the labor market.

In either arena, economic theory suggests that while low-skilled immigrants may compete with other low-skilled residents, their net effect on the economy is to lower production costs, bolster overall consumption, and to improve the earnings of better skilled residents. Of course, classic theory points out that there are trade offs — low-skilled immigrants may have net positive effects in the labor market, but if they have access to generous welfare programs their net fiscal costs may be negative. This appears to be the case in the U.S. in states like California with large numbers of low-skilled and often undocumented immigrants.

Improving Economic Integration

This analysis of the economic experiences and impacts of immigration point to the need for innovative strategies to improve the economic performance of immigrants while taking into account their effects on other populations (particularly lesser-skilled workers). What follows are potential strategies to be considered, ranging from changes in immigration policy regarding the skill levels of entering immigrants to programs to upgrade skills, provide hiring incentives to employers, reduce discrimination, and support economic community development in immigrant neighborhoods. Some of the options derive from proposals made by immigration experts while others come from proposals for new labor market policies for unskilled job seekers.

Immigration Policy . A number of government commissions and advisory groups have made recommendations in recent years to shift immigration admission criteria to reduce the number of unskilled or unemployable migrants and to increase the number of professionals, managers and persons with highly technical skills. Two major approaches have emerged. The first seeks to shift (or establish) legal admissions criteria favoring the entry of the highly skilled. The second seeks to curb the entry of unauthorized migrants, who tend to be lesser-skilled.

With regard to legal admissions systems, most countries give highest priority to family reunification. The traditional immigration countries have explicit categories for admission of family members, in some cases including parents and siblings as well as spouses and children. European countries tend to recognize the reunification of spouses and children as one of the few bases upon which immigrants can enter and remain legally.

The dominance of family reunification, particularly when it is conceived expansively, has tended to establish a cycle of lesser-skilled migration. Yesterday's migrants form the base for much of today's and tomorrow's family reunification. In many countries, the base is largely unskilled, the migrants having come originally as guestworkers, asylum seekers or illegal aliens. Hence, the family members often are lesser skilled.

Even when the relative within the receiving country is skilled, the new immigrant, particularly parents, may not plan to join the workforce. As long as the anchor relative is able to support the immigrant, the costs of these admissions may be minimal. However, if an aging parent, for example, requires substantial medical care beyond the resources of their relatives, the fiscal costs can be considerable (and the human costs even higher if medical care is not available).

A number of policy changes have been recommended to help offset these trends. In the U.S., the Commission on Immigration Reform, for example, recommended that family reunification be limited to nuclear family members, with priority to spouses and

minor children. Parents of U.S. citizens would still be admissible, but the petitioning children would be required to assume full financial support, including the purchase of health insurance. Canada and Australia have instituted similar requirements to ensure that immigrants admitted as parents do not become a financial drain for taxpayers.^{xxv}

The U.S. Commission's report emphasized that admission numbers are less important than the priorities that drive them. Total numbers would continue to be dominated by family reunification for a period of five to seven years because of a large backlog of spouses and minor children, but they would then shift towards greater priority for admission of skilled immigrants. The Commission concluded that both humanitarian and practical reasons support generous nuclear family reunification, but argued that the chain migration established through the admission of siblings should be ended. In addition, the Commission recommended that employment-based admissions should prioritize education to encourage admission of persons with advanced degrees. Over time, with a larger proportion of overall admissions coming from categories that take skill level into account, family reunification would also shift towards bringing in additional skilled immigrants.

Proposals in Canada also continue to emphasize the importance of family reunification but with provisions to strengthen the criteria for skilled admissions. Recent Canadian immigration plans already show a significant proportion of immigrants admitted on the basis of skills or business investment. In 1998, the government proposed that more than 65 percent of the immigration visas (i.e., not including refugees) be allocated to skilled workers and business immigrants. This allocation reflects the conclusions of consultations in 1994:

“The days when Canada needed a large pool of unskilled labour have long gone. Instead, Canada needs people who are entrepreneurial, literate and able to adjust to a rapidly-changing labour market. The criteria used

^{xxv} US Commission on Immigration Reform, *Becoming an American: Immigration and Immigrant Policy* (Washington: Government Printing Office, 1997).

to select immigrants should reflect contemporary circumstances, a fact noted by many of the consultation participants.”^{xxvi}

In urging this shift, the consultation participants also argued that higher skilled immigrants will more readily earn higher incomes and will contribute to the economy without resorting to publicly-funded settlement programs.

The second immigration reform focus is on the control of illegal migration. Unauthorized migrants tend to be lesser skilled than those who move through legal channels, as Passel’s data, presented above, indicates. Some strategies are aimed at the pull factors in countries of destination. Such approaches include improved border management to prevent unauthorized entries across land borders as well as through airports; interior enforcement, including sanctions against employers who hire illegal aliens and apprehension and deportation of illegal aliens; and efforts to curb abusive use of the asylum system by persons who are seeking economic opportunities rather than protection against persecution or other life-endangering situations.

Other strategies are aimed at push factors in countries of origin. These include trade and investment activities to increase economic opportunities for would-be migrants; encouraging use of remittances for constructive economic development (rather than solely for consumption) to provide economic possibilities for migrants in home countries; financial incentives to return migrants to help them reestablish in their home communities; and reconstruction and rehabilitation activities in post-conflict countries to enable local communities to reabsorb migrants.

A final set of strategies are aimed at disrupting the networks that link the supply of migrants with the demand in receiving countries. Of particular interest are efforts to combat alien smuggling operations that have become increasingly more professional

^{xxvi} Citizenship and Immigration Canada, *Into the 21st Century: A Strategy for Immigration and Citizenship* (Hull: Immigration and Citizenship Canada, 1994).

and profitable. Cooperative efforts by sending, receiving and transit countries are needed for effective efforts to curb smuggling.

Labor Market Policies and Regulations . Another approach to the high levels of unemployment and low levels of job mobility rests with labor market policies and regulations rather than immigration policies. Here, the aim is to create the opportunities for immigrants to succeed in the labor market.

A report prepared for the OECD Meeting of the Employment, Labour and Social Affairs Committee in 1997 summarized some of the fundamental challenges to the development of a coherent labor market policy:

“If high unemployment and low pay both result from the same underlying market pressures, a coherent strategy for simultaneously addressing both problems is in order. However, it is often argued that a main plank in any strategy to lower high and persistent unemployment requires creating more opportunities for firms to create lower wage jobs and making it more attractive for job seekers to accept them.... Experience with implementing the OECD Jobs Strategy has shown that policy makers in some countries do not fully share this perspective. Instead, they argue that a more equal distribution of earnings is a policy goal in its own right because of the contribution it can make to lowering poverty and strengthening social cohesion....”^{xxvii}

The report outlined a number of strategies adopted by OECD countries that in combination may help low-skilled job seekers into employment while still minimizing wage inequality:

^{xxvii} OECD, "Labour Market Policies: New Challenges Policies for Low-Paid Workers and Unskilled Job Seekers," Meeting of the Employment, Labour and Social Affairs Committee (Paris, 15 October 1997).

- C tax and benefit reforms that reward work and/or sanction prolonged use of welfare (e.g., earned income tax credits, day care or transportation benefits for low-wage workers, public-funded health insurance, time limits on receipt of cash assistance, penalties for failure to seek work, etc.);
- C policies aimed at stimulating the demand for less-skilled workers (e.g., creating public sector jobs for disadvantaged workers and other hard-to-place employees, subsidizing wages or benefits provided to less-skilled workers); and
- C policies aimed at influencing wage setting or enhancing the employment stability and upward mobility of low-paid workers (minimum wage requirements, subsidized child care, training programs to help lesser skilled persons find and retain jobs).

Programs aimed at increasing such employment opportunities for immigrants were described in the OECD's annual immigration report:

The Finnish government has recently started a four-year (1995-99) program called "pathway to employment for the socially excluded" financed by the European Social Fund.... In Denmark, a detailed plan of action to dismantle labor market barriers to immigrants and refugees was introduced in Autumn 1994. The German Federal Ministry of Labor launched schemes to help the second generation immigrants find employment through increased job training. France has been active over the past few years in implementing a variety of training programmes to assist both French and foreigners, in particular the young, to integrate into the labour market."

Some immigrant-specific reforms may be needed to overcome barriers in highly regulated economies that make it difficult for newcomers to enter the job market. Many occupations in the industrial democracies are regulated by public and quasi-public bodies to protect consumers and achieve other goals, so that professionals, trades persons, and businesses must usually obtain a license to operate. The requirements to obtain such licenses may make it hard for qualified immigrants to enter such occupations, even though they can satisfy the market test of providing a good or service

that consumers want. Strategies to reduce the negative effects of these regulations include: re-examining licensing and occupational systems to determine which regulations are truly necessary to protect health and safety; encouraging immigrants to learn about and satisfy bone fide requirements; and developing systems to provide immigrants with credit for credentials acquired in their countries of origin or via experience.

Skills Upgrading and Language Training . The OECD report concludes that “the best strategy to tackle many of these concerns [regarding employment stability and upward mobility] is a broad one based on lifelong learning. Opportunities and incentives to upgrade skills are often limited by capital-market constraints facing individuals who want to borrow to finance their investments in education and training and the risks of firms free-riding on the training undertaken by other firms. As a result, less-skilled workers receive very little employment-related training on their jobs.”

Programs emphasizing literacy, host country language acquisition, and basic skills upgrading will help give unskilled immigrants greater potential to advance in advanced economies. Despite the caveats contained in the OECD paper, this is an area where public-private partnerships can make an extremely important contribution. For example, businesses can work in cooperation with educational institutions and community based organizations to expand opportunities for instruction.

In the U.S., in-house training programs, geared to the needs of limited English speaking workers, have been shown to be beneficial for both businesses and immigrant workers. A survey of businesses in the U.S. found substantial variation in the type of companies that have supported training programs for immigrant workers, ranging from small apparel companies, such as Maid Bess in Virginia, to such large corporations as the Boeing Company, Marriott Corporation and Tysons Corporation.⁷ A range of partnerships have developed. Boeing, for example, operates its training and skills development in conjunction with the International Association of Machinists, a union. Maid Bess works with a local refugee resettlement agency.

The impetus for business is not altruism. One business executive testified before the U.S. Commission on Immigration Reform that the company's employees are given time off from work to attend classes because "education is progress." Another company launched English classes and programs by which workers could earn high school equivalency degrees in order to give its best workers an opportunity to compete for supervisory jobs that had these minimal qualifications. Another began training programs to help reduce worker turnover, having calculated that each new hire cost about \$7,000 in recruitment, training and lost productivity costs.

Community Economic Development . A fourth approach to increasing the economic integration of immigrants focuses on community economic development, including support for ethnic entrepreneurs, as a way to provide greater economic opportunities for immigrants.

The capacity of immigrants to revitalize neighborhoods, particularly in inner cities, has long been recognized but not necessarily tapped. As middle-class natives have left inner cities, immigrant newcomers have settled, established businesses, bought homes, and otherwise invested in these areas. In the U.S., for example, gateway cities, such as New York and Los Angeles, have benefitted particularly from this urban renewal. At the same time, these cities face new challenges related to immigration. Growing immigrant communities require local school systems (some of which may have otherwise faced declining enrollments) to provide sufficient classroom space and teachers. They must also develop programs to teach children who are without host-country language skills or prior education. Overcrowded housing, drug trafficking, gang violence, and public health problems also may be found in many of these inner-city communities.

Immigrant entrepreneurs are often seen as key to the economic revitalization of these neighborhoods, although here again the effects are mixed. On the positive side, immigrant businesses can provide needed products and services: groceries, laundries, clothing shops, various professional services, etc. Immigrant entrepreneurs also fill niches, including import and export of products to their home countries. Further, in

emerging economic sectors, such as information technology, immigrants with specialized skills start companies that can have tremendous growth potential (as witnessed by Andy Grove's accomplishments at Intel).

On the other side of the coin, however, are immigrant businesses that operate within the underground economy. Some of these enterprises are outright criminal operations. Others violate tax, labor standards and immigration laws in conducting what would otherwise be legitimate businesses. Some research on immigrant businesses, particularly in the garment industry, finds persistent patterns of exploitation of workers. (See Morokvasic and Bonacich, writing respectively on French and U.S. immigrant entrepreneurs.)

Other research indicates high levels of bankruptcies among immigrant businesses. Immigrants may know little of their host country's banking and credit processes, legal requirements, or business practices. In rapidly changing neighborhoods, they may overestimate the market for their goods. When the business is transnational in nature (e.g., import-export operations), the economic climate of either country may have profound effects on the potential for success.

A number of programs have tried to encourage entrepreneurs to immigrate. Other programs aim at helping immigrants who might not otherwise have opened businesses to do so. Still others assist immigrants in business to follow legal requirements and avoid failure.

Canada has been at the forefront of efforts to bring entrepreneurs into the country. As described by the Canadian government, "the business immigration program seeks to promote economic development and employment by attracting people with venture capital, business acumen, and entrepreneurial skills." The U.S. and Australia have similar programs for granting visas to investors. The programs are generally seen as useful but not fully tapping their potential. In some cases, investors do not intend to settle permanently and make only the minimal contribution necessary to obtain the visa.

In other cases, entrepreneurs come without the requisite understanding of local economic conditions.

Programs for assisting immigrant businesses to succeed generally focus on small businesses. They include outreach programs to inform potential entrepreneurs of their opportunities; loan programs, including revolving loan funds operating within the ethnic community itself, to help immigrants who have not yet established a credit history, and technical assistance to improve business operations. More often, the programs are aimed at broader constituencies but encompass immigrants. In the U.S., for example, the Small Business Administration established a targeted program for Hispanic business development. The SBA's Hispanic initiative is aimed at increasing SBA lending to Hispanic businesses by \$2.5 billion by the year 2000. In partnership with private groups, such as Hispanic Chambers of Commerce in various states, the SBA will also run programs to educate the Hispanic business community on the many other programs and services the SBA offers to help Hispanic entrepreneurs start and build successful businesses.

Another immigrant targeted example is the EMPORIUM project on Ethnic Minorities Participation (or) Involvement in Urban Market-Economy. Supported by the European Commission, EMPORIUM has established a network of practitioners from a number of European cities including Birmingham, Stockholm, Frankfurt, Antwerp, Barcelona, Berlin, Vienna, Lisbon, Lille, Turin and Amsterdam, to exchange knowledge and best practices in the field of immigrant entrepreneurship. In Amsterdam, for example, entrepreneurial development programs focus on developing business plans, providing training and technical assistance on contract compliance, regulations, financing and other necessary information, and helping obtain financing from banks and other lending institutions. The focus is on business enterprises that require minimum capital. Successful businesses (meaning that they are continuing to operate) have been established to do catering, self-defense training, candy-making, banana chip-making, computer repair, and cleaning services.

Anti-Discrimination Policies and Programs . Efforts to combat racism and discrimination at the workplace are the fifth strategy to enhance economic integration of immigrants. Many of today's immigrants differ from the majority population in terms of race, religion and ethnicity. Overt and more subtle discrimination can bar their access to employment or keep them tied to low wage jobs.

Two types of anti-discrimination strategies apply. First are education programs aimed at reducing the incidence of discrimination within the host population. They aim to lessen hostility towards immigrants and thereby increase their opportunities.

The second type of program penalizes actual acts of discrimination. In most cases, the institutions charged with hearing complaints of discrimination have a broader mandate that includes all forms of racial and other discrimination. Because immigrants share the characteristics of the broader mandate, they are covered. According to the OECD annual report, "many OECD countries have stepped up efforts to combat racism and discrimination, particularly at the workplace," citing steps taken in Belgium Finland, and Switzerland since 1994.

In the U.S., there is a federal agency charged with hearing discrimination complaints based specifically on immigration status. The Special Counsel for Immigration-Related Unfair Employment Practices was created by the Immigration Reform and Control Act that mandated penalties against employers who knowingly hire illegal aliens. Fearing that employers would refuse to hire foreign-looking or sounding individuals because of the possibility of sanctions, Congress made it illegal to discriminate against a citizen or permanent resident alien with respect to recruiting, hiring or discharging because of national origins or citizenship status.* Employers may also be charged with an unfair employment practice if they ask for more or different documents or refuse apparently genuine documents provided for verification of employment if it can be demonstrated that there was an intent to discriminate.

To summarize, strategies to combat discrimination include: identifying more precisely and acknowledging the varieties of discrimination that exist in the economy; enacting legislation guaranteeing equal opportunity, establishing mechanisms for enforcement of these guarantees; developing measures of the extent of discrimination, so that policies can be adjusted if necessary; and identifying unnecessary and inappropriate legal restrictions on immigrants employed in certain jobs, including government positions.

Conclusion

Economic integration, although not sufficient, is certainly necessary to full integration of immigrants into their new society. The outcomes in this respect are mixed. While most immigrants have attained some measure of economic integration and some have achieved considerable success, a significant minority remain unemployed or trapped into low-wage jobs with little chance of upward mobility.

This paper describes several strategies to enhance economic opportunities for immigrants, with particular attention to those with low levels of education and few skills. *Immigration policy* prescriptions pre-select immigrants for success and tend to focus on skills and legal status. Likewise, curbing undocumented migration, the source of the least skilled immigrants, is advocated, with due recognition that today's policies seem to have marginal effects on the actual flow.

After admission, *labor market policies* such as earned income tax credits or workfare do not single immigrants out, but include them in programs for all low-skilled workers. Review and revision, if necessary of *regulations governing entry into trades and professionals* can help ensure that skills and experience learned overseas are given due consideration. *Skills and language training* tend to help adult immigrants and tend to be underfunded; however, some businesses appear to developing inhouse programs to meet their need for better-equipped workers. *Community development* seems to be natural byproduct of immigrants' energy and, because immigrant-run businesses are at the center of dynamic communities, policies that aid small businesses or admit

immigrant entrepreneurs can jump start the process. Finally, *anti-discrimination policies*, be they educational or enforcement-oriented, appear to have received increased attention in Europe and the United States.

⁷The concept of a native-born “foreigner” is unknown in the United States and some other countries in which birthright citizenship is granted to all persons born in the country. Differences in citizenship laws makes comparison of some of the data presented in this paper difficult.

⁸The effects of the 1996 changes in welfare policy that precludes many immigrants from receiving assistance had not yet been felt at the time of this survey. Most of the changes now apply prospectively and one would predict that in the future, even lower rates of public assistance utilization will be seen.

⁹See capsule descriptions of some of the surveyed companies in U.S. Commission, *Becoming an American*, op cit.

¹⁰In cases where a citizen and permanent resident alien are equally qualified, however, the citizen may be given preference.