

## Immigration economics

*The Economics of Immigration: Selected Papers of Barry R. Chiswick*, Barry R. Chiswick, Cheltenham, U.K., Edward Elgar Publishing, 2005. 400 pp., \$25 bound.

In the media, some labor market issues, like immigration, seem to have cycles. Adopted by politicians, topics become popular subjects of debate, but only until elections. This past year, immigration was again in the forefront, and, as this wide-ranging collection demonstrates, the topic is very broad and complex. Barry Chiswick, chairman of the University of Illinois at Chicago Economics Department, showcases some of his writings on the subject, spanning from 1978 to 2003. His work clearly demonstrates that though immigration may have been a 2006 political issue, the underlying concepts of the current debate have been analyzed for more than a decade.

Chiswick studies earnings differentials between native born and foreign workers, human capital theory, and migration. Other major themes include labor market adjustment, selectivity, impact on the host economy, illegal migration, English language skills, employment, income transfers, and immigration policy. The author writes that his intent was to “include the papers that were path-breaking, offered the most important theoretical and empirical analyses, and had the greatest impact on the literature.”

Aside from presenting previously published articles, Chiswick provides a good introduction, personalizing the research and discussing his entry into the field. Chiswick also supplements the text with an excellent 12-page bibliography of immigration research from 1974 to 2004. This collection would be that much more valuable if some of the research were brought up-to-date. Beyond being dated, the articles appear in the typeface of their original publication, making for an occasionally uneven read. Despite these drawbacks, the book serves as a valuable resource.

Historical background and comparative descriptions of other countries’ im-

migration policies flesh out Chiswick’s analyses. He describes the open door policy practiced by the United States from colonial times until the late 19<sup>th</sup> century, with the only restrictions excluding those who would “lower the nation’s productivity.” The thrust of U.S. immigration policy has been “humane,” recognizing the importance of kinship and refugee relief. In a 1909 survey of over a half-million wage and salary workers in manufacturing and mining, the U.S. Immigration Commission reported that 60 percent were foreign-born. That report was issued in 1911, and it factored into literacy requirements introduced in 1917 along with quota systems in the 1920s. Until the amended Immigration and Nationality Act in 1965, immigration was determined largely by a “national origins” quota system. The 1965 amendment made kinship the primary criterion used to ration visas. In addition to the 1965 amendment, Chiswick summarizes recommendations from the “Select Commission on Immigration and Refugee Policy (SCIRP), created by Congress in 1978. Beyond employer sanctions, the commission emphasized border control because “it is more humane and more cost effective.” Chiswick also traces the immigration experiences in Canada, Great Britain, and Israel. With regard to these nations and the U.S. Chiswick discusses re-emigration, when immigrants return to their native countries.

The lead study from 1978 introduces major concepts that recur throughout Chiswick’s work, deriving from a model of immigrant earnings adjustment based on skill transferability and favorable selectivity. “Among immigrants who are not refugees, earnings tend to catch up to and subsequently surpass those of the native-born at about 10 to 20 years in the United States, other variables, including race and ethnicity, being the same.” Another interesting conclusion (when years-since-migration are held constant) is that for the same number of years in the U.S. whether a foreign-born person is an alien or naturalized citizen has no effect on earnings. Chiswick finds the “greater ability, work motivation, or investments in training of the foreign-born

more than offset whatever earnings disadvantages persist from discrimination against them or from their initially having less knowledge and skills relevant in U.S. labor markets.”

In an article on immigrant earnings and language skills (2002), Chiswick applies the human capital earnings function to immigrant earnings. “This equation suggests that variations of earnings across individuals can be explained by variations in the amount of schooling individuals have acquired and their labor market experience.” His study suggests that fluency in English provides a definite monetary advantage for immigrant workers. “These findings have important implications for public policy,” asserts Chiswick, in advocating the use of English language fluency in the criteria for rationing visas. If nothing else, it would also seem to encourage English-as-a-second-language training prior to or after arrival.

His research also explores the earnings of migrants and the children of immigrants—Chiswick found that “native-born children of immigrants (second generation Americans) tend to earn more than the native born with native-born parents (third- and higher-generation Americans).” The author concludes with “the overall favorable selectivity of immigrants, therefore, depends on the favorable selectivity of the supply of immigrants and the criteria used to ration admissions.”

What does economics tell us about language and the foreign-born? The foreign-born, writes Chiswick, may have a “propensity to cluster in communities formed on the basis of language and ethnicity.” The full price of “ethnic goods,” the unique market basket for that group, is lower the larger the size of the community. Chiswick defines linguistic concentration as an area where many speak an immigrant’s origin language. For immigrants with poor language skills, the language characteristics of the labor market will be a factor in deciding where to live and where to work, because “the economic penalty for not speaking English is smaller among those who live in a linguistic concentration area.”

In an article on employment (2000), Chiswick found that longer employment duration and lower unemployment rates exist for those with more schooling. Regarding total labor market experience, however, weeks worked increase, but unemployment rates are invariant. He concludes that unemployment problems among immigrants appear to be “largely short-term, transitional adjustments not unlike those experienced by native-born new entrants and re-entrants to the labor market.”

In evaluating the impact of immigration (1982), Chiswick discusses immigration as part of a two- and three- factor production model, as well as impacts on saving, income, and income transfer systems. Chiswick’s research suggests that economic migrants have a “favorable net effect on the overall economic well-being of the native population.” However, the net impact on the native population is likely to change from positive to negative for illegal aliens with low levels of skill and nonworking dependents.

How does Chiswick account for the current immigrant situation? “Trends in the demand for immigrants can be related to the criteria for rationing immigrant visas and the effectiveness with which immigration law is enforced.” Because of declining transportation and communication costs, as well as widening wage gaps between countries, immigration, both legal and illegal, has increased. At the same time there has been a “decline in resources (financial and otherwise) for the enforcement of immigration law relative to the extent of the violations,” leading to an increase in resident illegal aliens with limited skills.

Chiswick believes that a continuation of present policies will only intensify illegal migration from developing countries to high income countries. He cites (in true economist fashion) both positive and negative potential ramifications of

the issue: “It is the low-income native-born (and legal immigrant) population that pays the highest economic price from low-skilled illegal migration. On the other hand, a greater supply of low-skilled workers, whether illegal or legal migrants, increases the wages of high-skilled workers and the return to capital.” He also discusses dirty jobs and the work (and working conditions) that the stereotypical illegal migrant might have to endure. “If employers have to pay the cost of attracting native-born workers to the less desirable jobs, they will have an incentive to invest in making these jobs less undesirable. A cleaner, safer, more pleasant workplace would emerge.” Chiswick theorizes that a likely outcome could also be capital substitution (for the higher priced labor), with some jobs eventually disappearing from the destination labor market.

Illegal immigration as it exists today, according to Chiswick, is the result of “benevolent ambiguity” which is tolerated. With the undesirable policy implications of deportation or amnesty, strict enforcement may exist at the border, but minimal enforcement occurs in the interior. An example of this is the recent media report that 40 percent of the nearly 12 million illegal immigrants living in the United States entered the country legally on visas. Nevertheless, despite illegal immigrants having an adverse labor market effect on the wages of low-skilled natives, Chiswick observes that they are likely to contribute more to the economy than they take in the form of wages and transfer benefits. Compounding all of this are the limited resources for enforcing immigration law. Thus, the net result is a “toothless tiger” of enforcement.

The solution to illegal immigration, contends Chiswick, is not employer sanctions. Costly documentation-verification procedures and potential discrimination suits resulting from employers’

attempts to confirm legality are problematic. “What is perhaps most remarkable about the decade-old debate regarding sanctions as a means of reducing illegal immigration,” writes Chiswick, “is the nearly exclusive focus on employers, and the absence of a discussion of sanctions on the illegal aliens themselves.”

In a University of Miami Law Journal article from 1981, Chiswick asks the question, “Who bears the burden of immigration policy,” and discusses whether alternative and equally non-racist policies could have a more favorable economic impact. Chiswick expands the discussion by describing a skill-based rationing system (similar to Canada). The essay concludes with his recommendation for a two-pronged approach to immigration control: more stringent enforcement not only at the border but in the interior, along with a skill point system for rationing visas. In a similar article, Chiswick states, “The public policy issue is not whether immigration per se is beneficial but, rather, whether increased benefits to the United States can be obtained from changes in the number of immigrants and the rationing criteria.”

“With the falling cost of data analysis there is the danger in this field,” contends Chiswick “of ‘computing’ substituting for ‘thinking.’” Throughout this collection of research, he demonstrates not just clear thought in data analysis, but also a purposeful view of both past and future policy implications. The author hopes “that the continuing research on the economics of immigration will result in a clearer understanding of the issues and tradeoffs, and wiser public policies, in the face of ever-changing economic, demographic, social and political circumstances.”

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