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Immigration and the Underclass

By ROBERT D. REISCHAUER

ABSTRACT: The size and nature of recent immigration to the United States have raised the possibility that immigrants have diminished the labor market opportunities of low-skilled, native minority workers and, thereby, might have contributed to the emergence of the urban underclass. To the extent that immigrants and native workers are substitute factors of production, immigrants may reduce the wage rates of native labor, increase their unemployment, lower their labor force participation, undermine working conditions, and reduce rates of internal mobility. While casual empiricism would seem to support the notion that immigrants have depressed the opportunities of low-skilled native workers, careful and sophisticated analyses by a number of social scientists provide little evidence that immigrants have had any significant negative impacts on the employment situation of black Americans. Thus competition from unskilled immigrants should not be included on the list of factors that have facilitated the growth of the underclass.

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NOTE: The views expressed in this article are those of the author and should not be attributed to the Brookings Institution, its trustees, or its funders.

IN recent years, a large number of immigrants, both documented and undocumented, have entered the United States. Some observers have feared that this wave of immigration might have contributed to the emergence of the urban underclass by eroding the labor market prospects of low-skilled native minorities. The size and nature of the recent immigration make such concerns plausible. Over the decade 1975-84, some 5.1 million aliens entered the country legally and an estimated 1 to 3 million persons entered in an undocumented status.¹ In raw numbers, this inflow came close to equaling the nation's largest immigration wave, which occurred during the first decade of the twentieth century. Relative to the size of the nation's population, however, the recent inflow is substantially below that of the first three decades of this century.

The recent flow of immigrants has been notable not only for its magnitude but also for its characteristics. After the enactment of the National Immigration Act of 1965, an increasing fraction of the new arrivals were drawn from Asia, Latin America, and other less developed areas. Compared to previous immigrant waves, fewer of these newcomers came from Europe and Canada, more were non-white, and more had relatively low skill and educational levels.² For example, while 68 percent of legal immigrants

came from Europe, Canada, Australia, and New Zealand during the 1951-60 period, less than 15 percent of the immigrants arriving during the 1980s came from these areas.

The impetus behind immigration has also changed somewhat over time. As travel costs have fallen, desperate economic conditions, population pressures, and civil strife have continued to push many from their countries of birth. But the American economy has not been very vibrant. Rising unemployment and slow wage growth have characterized the economy during this period of increasing immigration.

The size and characteristics of these recent immigrant flows, and their occurrence during a period of high unemployment, have rekindled fears that immigration may be hurting the labor market prospects of native labor, in particular low-skilled, minority workers. This possibility has generated particular concern because certain minority groups, most notably black males with few skills, have experienced significant labor market problems during the past decade and a half. Black unemployment rates have risen dramatically, the incomes of less educated blacks have not kept pace with those of whites, and black male labor force participation rates have fallen. Specifically, the unemployment rate for black males aged 25 to 34 rose from 8.5 percent in 1974 to 13.8 percent in 1985 while the rates for white males of the same age rose from 3.6 percent to only 5.7 percent. The incomes of less educated black males rose at a rate that was under two-thirds of that of whites with similar levels of educational attainment. Finally, the fraction of the black males aged 25 to 34 participating in

1. For estimates of the number of legal immigrants, see U.S. Department of Justice, Immigration and Naturalization Service, *Statistical Yearbook*; idem, press releases. For estimates of the number of illegal entrants, see *Economic Report of the President*, Feb. 1986, pp. 216-19; Jeffery S. Passel, "Estimating the Number of Undocumented Aliens," *Monthly Labor Review*, 109(9):33 (Sept. 1986).

2. The occupational-preference visas provided by the 1965 act tended to increase the skill and educational levels of immigrants relative to those of the native population while the kinship preferences and the growth of undocumented immigration had the opposite effect. See Barry R. Chiswick, "Is the

New Immigration Less Skilled than the Old?" *Journal of Labor Economics*, 4(2):169-92(1986).

the labor force fell from 92.8 percent to 88.8 percent over the period from 1974 to 1985.³

This article explores the possibility that the size and character of recent immigration have hurt the labor market prospects for low-skilled minorities and thereby might have contributed to the emergence of the urban underclass. The next section of the article summarizes the theoretical framework used by labor economists to analyze the impact of immigration on the native labor force. This is followed by a description of the specific avenues through which the arrival of immigrants might worsen the labor market prospects of the native workers with whom they compete. The next section reviews the circumstantial evidence of these effects, evidence that has clearly influenced public impressions. This is supplemented with a summary of the findings of some recent social science research that examines these issues. The concluding section discusses several reasons why there appears to be so little evidence that immigration has played any appreciable role in the deterioration of minority job prospects and the growth of the urban underclass.

THE IMPACT OF IMMIGRATION: THE THEORY

Immigration both increases the supply of labor and raises the overall level of

economic activity as the immigrants who work and those who do not increase the demand for the goods and services needed for daily existence. The popular discussion has focused solely on the increase in the supply of labor and has assumed that this increase must lower the wages of native workers. In other words, it has been assumed that immigrant labor and native workers are what economists refer to as substitute factors of production.

While an increase in the labor supply caused by immigration should act to reduce the labor market prospects for some groups of native workers, this may not be the case for all or even most types of native labor. In other words, some groups of native labor may be complements to immigrant labor and may find their labor market prospects improved and their wages bid up as a result of increased immigration. Whether immigrant workers are a complement or a substitute for a certain category of native workers will depend very much on the characteristics of the immigrants, the relative numbers and characteristics of the native workers living in the labor markets in which the immigrants settle, and the strength of those local labor markets.

Under certain circumstances, immigrants could even prove to be a complementary factor of production for all categories of native workers. This would be the case if the immigrants filled an empty niche in the labor force; in other words, if they were willing to do the jobs that no native worker would accept at the prevailing wage. Such a situation could lead to an increase in the demand for all types of native labor. For example, a certain type of manufacturing might be unprofitable in the United States because no native workers are willing to do the most unpleasant tasks required by the production process even for the highest

3. The unemployment and labor force participation rates are taken from U.S. Department of Labor, Bureau of Labor Statistics, *Handbook of Labor Statistics*, Bulletin 2217 (Washington, DC: Government Printing Office, June 1985), tab. 5, pp. 20-21, and tab. 27, pp. 71-72. The income figures are derived from data contained in U.S. Department of Commerce, Bureau of the Census, *Money Income in 1974 of Families and Persons in the United States*, series P-60, no. 101, Jan. 1976, tab. 58; idem, *Current Population Reports*, series P-60, no. 156, *Money Income of Households, Families and Persons in the U.S.: 1985* (Washington, DC: Government Printing Office, 1987), tab. 35, p. 34.

wage that the manufacturer could pay and still compete effectively with imports. When immigrants who are willing to do this work at a low wage arrive, an industry is created. This then increases the demand for native workers who fill the other jobs in the new industry and in the industries that supply goods and services to the new industry. The apparel and furniture industries in Los Angeles conform to this pattern as does much of the fruit and vegetable farming in the West and Southwest.

A similar situation could occur if the positions of native workers, whom one might expect to be competitive with the immigrants, were somehow protected. For example, it has been suggested that Mexican immigration into southern California might have raised incomes for black workers because a significant portion of California's blacks are employed by the public sector and immigration has driven up the demand for public services. Because citizenship or legal entry is a prerequisite for public-sector employment, many of the immigrants were precluded from competing with the blacks for these government jobs.

The more normal situation would be one in which the immigrants compete with some segments of the native labor force and complement other segments. Those for whom they act as substitutes would find their labor market prospects damaged, while those for whom they are complements would be helped. The characteristics of the immigrants, both actual and those perceived by employers, would be important in determining which specific groups of native workers were helped and which were hurt.⁴

The price reductions and increases in economic activity caused by immigration should act to offset some of the detrimental labor market effects of an increased supply of a particular type of labor. Under some extreme circumstances, the increase in economic activity could completely offset any detrimental labor market impacts and all groups of native workers could find themselves as well or better off after the immigration. For example, an influx of wealthy political refugees—Iranians, for instance—few of whom intended to work, or an increase in the number of immigrants who were the retired relatives of natives could produce this result.

AVENUES OF IMPACT

Most of the public discussion of the impact of immigration on labor markets has focused on wage rates, but wages are only one of five possible avenues through which the impact of immigration might be felt. Unemployment represents a second avenue. Institutional rigidities could make wages relatively inflexible. The minimum wage and collective-bargaining agreements are two such rigidities, but there are others. For example, many large national companies have uniform wage policies across geographic areas, some of which are affected by immigrants and others of which are not. Such rigidities would preclude the full expression of the impact of immigration on wages and instead may lead to increased unemployment among those groups who must compete with recent immigrants. To the extent that immigrants are viewed as better, less troublesome, or harder workers, they would be preferred at any fixed wage over native labor. If this is the case,

4. There is no reason why the negative impact of immigration need be confined to the unskilled portion of the labor force. For example, at the top end of the skill spectrum, a case can be made that

the influx of foreign medical professionals has reduced the earnings of native doctors.

native labor may suffer more unemployment because of immigration but little noticeable reduction in the wage rates of those who remained employed.

A third avenue through which the impact of increased immigration might be felt is the labor force participation of competing workers. In recent years, the labor force participation rate for black youths has fallen significantly. Most analyses indicate that many of the young persons who are out of the labor force do want to work. At first glance, their reservation wages do not seem to be unreasonably high; in fact, they are slightly below those for white youths.⁵ These reservation wages may, however, be considerably above those of competing immigrant workers. The net result may be that competition from recent immigrants has increased the fraction of native youths who have dropped out of the labor market. Those remaining in the labor force may be disproportionately in protected jobs, such as the government sector, or in positions that require a strong communications ability. In other words, they may be protected or complementary factors of production.

A fourth avenue through which immigration could affect the prospects of competing groups of native labor is internal migration. U.S. history is replete with examples of vast internal flows of workers seeking better opportunities. The movements west during the Gold Rush, the flight of the Okies from the Dust Bowl in the 1930s, the migration from rural areas to the industrializing cities that took place during the world wars, and the post-World War II exodus of

blacks from the South to the cities of the North and Midwest are just some examples. One possible effect of the recent influx of immigrants may have been to slow down the pace of internal migration. Thus the major impact of the flow of immigrants into such expanding metropolitan areas as San Diego, Phoenix, Los Angeles, and Miami may not be found among the unskilled native work forces of those cities but rather in St. Louis, Gary, Newark, and Detroit, where potential migrants to these more vibrant labor markets might now be trapped because they cannot compete successfully for the available jobs in the boom areas.

Finally, the impact of immigration may manifest itself not in wages, employment, migration, or labor force participation but rather in the working conditions and fringe benefits of the jobs taken by immigrants. If significant numbers of blacks also hold these jobs, the effects of immigration on black workers may be felt through a relative reduction in the generosity of the health insurance, vacations, pensions, and workplace safety offered by these jobs.

To summarize, there are a number of different channels through which immigration might affect the labor market prospects for native workers, and it is unlikely that the impact of immigration would be expressed through just one or two of these. The most probable situation would be for all to be active to some degree.

THE CASUAL AND CIRCUMSTANTIAL EVIDENCE

The public has long been fearful that immigration has a harmful effect on native workers. Periodically, this fear has erupted into political movements to restrain immigration. The nation's first restrictions on immigration—the Chinese

5. Harry J. Holzer, "Black Youth Nonemployment: Duration and Job Search," in *The Black Youth Employment Crisis*, ed. Richard B. Freeman and Harry J. Holzer (Chicago: University of Chicago Press, 1986), pp. 23-70.

Exclusion Act of 1882 and the 1907 agreement to stop the entry of Japanese—were manifestations both of this fear and of racism.

Public opinion polls suggest that these concerns are strong today and represent some of the impetus behind the immigration reform legislation that Congress passed in 1986 after four years of debate. For example, a poll conducted in mid-1986 found that one-third—34 percent—of the total population and 44 percent of blacks felt that immigrants were taking jobs away from Americans.⁶ A June 1983 poll of the Los Angeles area, which ranks second only to Miami among metropolitan areas most affected by recent immigration, found that almost half—48.2 percent—of the respondents felt that undocumented aliens were taking jobs away from native workers and over two-thirds—68.6 percent—felt that immigrants lowered the wage levels in at least some occupations.⁷ When compared to whites and Asians, black respondents expressed significantly stronger convictions that undocumented aliens were undermining the labor market and that this was affecting black workers the most.

Casual observation of labor market trends in large American cities would seem to support these popular views. Many of the low-skilled jobs that one might expect to find filled by minority workers with little education appear to be held by immigrants. Taxicab drivers are one noticeable example. The skills required for this job are an ability to communicate in English, an ability to

drive a car, and some knowledge of the geography of the local area. A dropout from an inner-city high school should certainly have an advantage on all of these dimensions over a recent immigrant from a Third World nation. Yet, in some cities, disproportionate numbers of cab drivers are recent immigrants. For example, a recent survey found that 77 percent of those applying for new hack licenses in New York were born outside of the continental United States.⁸

Cab driving is not the only low-skilled occupation in which immigrants appear to have a strong foothold. In many cities, the crews that clean large office buildings are increasingly dominated by recent immigrants, as are the kitchen staffs of many restaurants, the personnel hired by upper- and middle-income working women to care for their children, and operators, fabricators, and laborers in low-wage manufacturing industries. A well-publicized example of the latter was the composition of "the New York 21," the group of 21 workers at the Hantscho, Inc., plant in Mount Vernon, New York, who, on 22 August 1985, won one-third of what, at the time, was the nation's largest lottery prize. Only two of the workers were native-born, the remainder having come from such countries as Paraguay, the Philippines, Poland, Trinidad, China, the Dominican Republic, Thailand, Yugoslavia, and Hungary.

Some crude indication of the potential for competition between immigrants and black workers can be obtained by examining the changes in employment, unemployment, and labor force participation that

6. *New York Times*/CBS News poll conducted by Gallup in mid-1986, *New York Times*, 1 July 1986.

7. Thomas Muller and Thomas J. Espenshade, *The Fourth Wave: California's Newest Immigrants* (Washington, DC: Urban Institute Press, 1985), app. C, pp. 199-202.

8. Anne G. Morris, "The Impact of a Mandated Training Program on New Taxicab Drivers in New York City" (Report no. NY-11-0034, Center for Logistics and Transportation, Graduate School and University Center of the City University of New York, Dec. 1985), pp. 15-17.

occurred between 1970 and 1980. During this period the size of the immigrant working-age population—aged 20 to 64—increased by roughly the same amount as the working-age black population: 3.29 million blacks versus 3.39 million immigrants. Recent immigrants, however, filled a disproportionate number of the new jobs created during the decade. Of every 8 new jobs, 1 was filled by a recent immigrant, while blacks filled only 1 out of every 11 new jobs.

Over the same decade, the unemployment rates and labor force participation rates of blacks and immigrants diverged. Black male unemployment grew from 6.3 to 12.3 percent between 1970 and 1980, while the unemployment rate for male immigrants rose from 3.7 to 6.5 percent. The labor force participation rate for all black males fell from 69.8 to 66.7 percent over this period, and for those in their prime working years—ages 25 to 44—it fell from 87.8 to 84.6 percent. In contrast, the labor force participation of all male immigrants rose from 64.0 to 68.9 percent and that for prime-working-age immigrants fell slightly from 91.8 to 89.4 percent.⁹

While these divergent trends are disturbing, there may be little causative connection between the labor market behavior of blacks and immigration. A more detailed look at the employment changes by occupation over the decade does not provide any strong evidence of competition or displacement. Black job growth took place disproportionately in the more rapidly growing occupational categories such as managerial, professional, and technical workers, sales and clerical workers, and nonhousehold service workers.

Immigrant job growth was more heavily concentrated in the slower-growing occupations. Of course, it is possible that blacks were forced out of these more slowly growing occupations. This, however, does not seem to be a likely source of the problem because not much of black male employment had been in these occupations.¹⁰

A simple comparison of black unemployment, labor force participation, net migration rate, and earnings in the metropolitan areas that have experienced the largest recent inflow of immigrants with comparable data from those metropolitan areas that have experienced little new immigration also does not reveal any striking evidence that immigration has had a substantial impact. The average unemployment rate for black males in the metropolitan areas with the greatest immigration rose less than did the average rate for the areas that experienced little immigration (see Table 1). Similarly, in the metropolitan areas experiencing the most immigration, the average black male labor force participation rate fell less and the average earnings of black workers increased more than was the case in the metropolitan areas with little immigration. The change in net black out-migration, however, was slightly greater in the high-immigration metropolitan areas.

Of course, these measures of labor market performance are affected by many factors that are not controlled for in the crude comparisons presented in Table 1. Therefore, these data do little more than rule out the possibility that immigration has had an overwhelming effect on black labor market performance. If the effects are subtle, more complex and sophis-

9. U.S. Department of Commerce, Bureau of the Census, *1970 Census of Population*, subject reports, *National Origin and Language*, PC(2)-1A, June 1973; unpublished data from the U.S. Bureau of the Census.

10. Joseph Altonji and David Card, "The Effects of Immigration on the Labor Market Outcomes of Natives" (Paper delivered at the NBER Conference on Immigration, Trade and Labor Markets, Cambridge, MA, 1987).

TABLE 1
**CHANGE IN BLACK LABOR-FORCE PARTICIPATION RATES, UNEMPLOYMENT RATES,
 MEDIAN EARNINGS, AND NET MIGRATION RATES FOR METROPOLITAN AREAS
 THAT EXPERIENCE SUBSTANTIAL AND INCONSEQUENTIAL IMMIGRATION, 1970-80**

Metropolitan Area	Recent Immigration* (a)	Labor Force Participation† (b)	Unemployment Rate‡ (c)	Median Earnings§ (d)	Net Migration (e)
High immigration					
Miami	16.64	-5.4	218.5	106.2	-2.16
Los Angeles	12.93	-6.3	15.5	102.1	-4.21
New York	8.40	-9.5	53.1	88.0	-6.72
San Francisco-Oakland	6.88	-6.9	70.2	107.6	-2.84
Houston	4.97	-0.3	96.6	159.5	2.03
Washington, D.C.	4.48	-3.1	252.0	104.8	-2.69
Average	9.05	-5.3	117.7	111.4	-2.77
Low immigration					
Indianapolis	0.58	-3.7	-11.9	113.9	-1.29
Cincinnati-Hamilton	0.58	-12.3	236.7	89.5	0.0
St. Louis	0.63	-5.0	104.7	115.2	-3.59
Pittsburgh	0.66	-2.2	187.4	122.7	0.48
Kansas City	0.87	-11.0	71.4	80.1	-2.87
Buffalo	0.93	-21.6	134.4	113.8	-6.53
Average	0.78	-9.3	120.5	105.7	-2.30

SOURCES: For columns a and e, U.S. Department of Commerce, Bureau of the Census, *1980 Census of Population*, vol. 1, chap. C, subject reports, PC 80-2-2C, *Geographic Mobility for Metropolitan Areas* (Washington, DC: Government Printing Office, 1985). For columns b, c, and d: idem, *1970 Census of Population*, subject reports, PC (2)-2B, *Negro Population* (Washington, DC: Government Printing Office, 1973); idem, *1980 Census of Population*, vol. 1, chap. C, subject reports, PC 80-1-C1, *General Social and Economic Characteristics*, pt. 1, *United States Summary* (Washington, DC: Government Printing Office, 1984).

*Percentage of 1980 population composed of immigrants arriving between 1970 and 1980.

†Percentage change from 1970 to 1980 in labor force participation for black males aged 25 to 29.

‡Percentage change from 1970 to 1980 in unemployment rate for black males aged 25 to 29.

§Percentage change from 1969 to 1979 in earnings of black males working full-time, full-year.

||Percentage-point change from 1970 to 1980 in five-year net black migration rate.

ticated statistical procedures would be required to ferret them out.

THE ANALYTICAL EVIDENCE

A number of recent analyses, using sophisticated statistical techniques, have attempted to measure the degree to which immigrants have hurt the labor market prospects of native workers. These studies have used three approaches. The first of these employs a generalized Leontief production function framework to estimate the factor price elasticities of various categories of native labor with respect to

increases in immigrant labor. These models are estimated across samples of individuals. The second approach examines in detail the experience of a particular labor market, one that contains a large number of recent immigrants. The third approach involves analyzing labor market outcomes across standard metropolitan statistical areas (SMSAs) or industries to determine whether native labor in areas or industries with high immigrant shares have been affected by this immigration.

The major contributions based on the production function approach are contained in a series of articles written by

George J. Borjas and several others contributed by Frank D. Bean, B. Lindsay Lowell, and Lowell Taylor. These articles utilize several different data sources to estimate the effects of various types of immigrants on the wage rates, earnings, and participation rates of different groups of native workers. Using data from the Survey of Income and Education, Borjas found no evidence to support the view that Hispanic male labor—either immigrant or native—depressed the wages of black male workers.¹¹ Instead, this study uncovered some weak evidence to support the view that Hispanics and blacks are complements.

In another paper, using 1970 and 1980 census data, Borjas examined the impact of immigration on the annual earnings of various classes of native workers.¹² Annual earnings, of course, are a product of wage rates and hours worked and thus encompass unemployment, the second avenue through which immigration may affect the native labor force. Borjas's estimates suggest that male immigration increased the earnings of both young and older black males in 1970; that is, that male immigrants were a complementary factor of production to black male workers. Black male earnings were unaffected by female or Hispanic immigration. Similar estimates using data from the 1980 census provided no statistically significant evidence that black male earnings were reduced either by recent—occurring between 1970 and 1980—or earlier—pre-1970—immigration.

In a third study, using data from the 1970 census, Borjas separated the impact

of Hispanic and non-Hispanic immigrants and found that neither group appeared to reduce the wages or annual earnings of black males.¹³ Under certain circumstances, however, native Hispanic males appeared to be a substitute for black males. Borjas also found that women were substitutes for men and that the increase in the labor force participation of women has had a particularly large impact on black male labor market prospects. Borjas also looked at effects of immigration on labor force participation rates and found some evidence that white male immigration and the increase in female participation had reduced the participation rate of black males.

In yet another paper, Borjas examined the impact of four separate categories of male immigrants—black, white, Hispanic, and Asian—on five categories of native workers—black, white, Hispanic, and Asian males, and all females—utilizing data from the 1980 census.¹⁴ All immigrant groups were found to depress the earnings of white native males, but only black and Hispanic immigrants had an even marginally negative effect on the earnings of native black males. The depressive effect of Hispanic immigrants was confined to Mexican—as distinct from Cuban, Puerto Rican, and other Hispanic—immigrants, but the magnitudes of these effects were minuscule. For example, one set of Borjas's estimated parameters indicated that a doubling of Mexican immigration would reduce the earnings of black native males by less than 1 percent.¹⁵

11. George Borjas, "Substitutability of Black, Hispanic, and White Labor," *Economic Inquiry*, 21:101 (Jan. 1983).

12. George Borjas, "The Impact of Immigrants on the Earnings of the Native-Born," in *Immigration: Issues and Policies*, ed. V. M. Briggs, Jr., and M. Tienda (Salt Lake City, UT: Olympus, 1984).

13. George J. Borjas, "The Demographic Determinants of the Demand for Black Labor," in *Black Youth Employment Crisis*, ed. Freeman and Holzer, p. 225.

14. George Borjas, "Immigrants, Minorities and Labor Market Competition," *Industrial and Labor Relations Review*, 40:382-92 (Apr. 1987).

15. *Ibid.*, p. xxx.

Frank Bean and his colleagues have used a similar methodology and 1980 census data to examine the impact of undocumented Mexicans on the annual earnings of native workers in 47 SMSAs in the Southwest.¹⁶ Their results suggest that the size of the undocumented Mexican population has no depressive effect on the annual earnings of black males or females and that legal Mexican immigrants and native Mexicans are complementary to blacks. The major detrimental impact of immigration, both legal and undocumented, was found to be on the earnings of other immigrants. A second study confirmed these findings and extended them to cover black females and blacks working in blue-collar occupations.¹⁷ While the findings of these studies are significant, their relevance may be limited by the fact that they focused only on the SMSAs of the Southwest, many of which have very small black populations.

A number of studies have employed the second approach, which involves careful examination of the interactions between immigrants and native workers in a particular labor market. One of the most detailed of these is the Urban Institute's analysis of the impact of immigration on the economies of southern California and the Los Angeles metropolitan area.¹⁸ This analysis found that the large inflow of unskilled immigrants

into Los Angeles did not seem to have any negative labor market consequences for the native black population. Over the 1970-82 period, labor force participation of black adults in Los Angeles was consistently higher than the national average. The labor force participation rate for black females rose more than the national average over this period, while the participation rate for men fell less than elsewhere. Similarly, the unemployment rates for blacks in the Los Angeles area increased far less dramatically than they did in the nation as a whole over this period despite the substantial inflow of immigrants into the area.

The Urban Institute analysis concluded that there was little direct job competition between blacks and Mexican immigrants in the Los Angeles area. Over 90 percent of the net increase in black employment occurred in white-collar jobs, and, as a result, black wage gains in the area seemed to outpace those in the nation as whole. The institute's researchers did find considerable evidence, however, that the influx of immigrants had depressed wages in certain low-skilled occupations where immigrant labor was concentrated.

Researchers at Rand have also examined the impact of Mexican immigration on the economy and social structure of California.¹⁹ They found that wage growth in California and Los Angeles over the 1970-80 decade was slower than in the nation as a whole probably because of immigration. While immigration affected the earnings of native whites and

16. Frank D. Bean, B. Lindsay Lowell, and Lowell Taylor, "Undocumented Mexican Immigrants and the Earnings of Other Workers in the United States," *Demography*, 25(1):35-52 (1986).

17. Frank D. Bean et al., "Mexican Immigration and the Earnings of Other Workers: The Case of Undocumented Females" (Paper no. 9.014, Texas Population Research Center Papers, series 9:1987, University of Texas at Austin, 1987).

18. Muller and Espenshade, *Fourth Wave*, pp. 91-123; Donald M. Manson, Thomas J. Espenshade, and Thomas Muller, "Mexican Immigration to Southern California: Issues of Job Competition and Worker Mobility" (Policy Discussion Paper,

Urban Institute, Aug. 1985); Thomas J. Espenshade and Tracy Ann Goodis, "Recent Immigrants to Los Angeles: Characteristics and Labor Market Impacts" (Policy Discussion Paper, Urban Institute, May 1985).

19. Kevin F. McCarthy and R. Burciaga Valdez, *Current and Future Effects of Mexican Immigration in California*, Executive Summary, R-3365/1-CR (Santa Monica, CA: Rand, 1985).

blacks, their earnings still remained considerably above the national averages at the end of the period.

The Urban Institute researchers are among those who have employed the third approach, which involves examining the effects of immigration across metropolitan areas or industries using the areas or industries as the unit of observation.²⁰ They used regression analysis to examine the effect of Mexican immigration on black unemployment rates and family incomes in a sample of 51 metropolitan areas in the Southwest and to estimate the effects of variation in the size of the Hispanic population on black unemployment and family incomes across 247 of the nation's metropolitan areas. These models uncovered no evidence of any significant effects on unemployment rates and only a very small effect on family incomes in the sample of 247 metropolitan areas.

CONCLUSION

The empirical work that was reviewed in the previous section provides no strong evidence that immigration has significantly diminished the labor market prospects for black workers. This conclusion appears to be fairly robust; it is based on studies that use a variety of analytical approaches and a number of different data sources. Therefore it is unlikely that recent immigration has played an appreciable role in the emergence of the underclass.

Nevertheless, there are several reasons why this conclusion should be regarded as tentative. Prime among them are the limitations of the available data. Most of the studies reviewed in the previous section are based on fairly old data, data that

were collected in 1970, 1976, or 1980. Labor market dynamics could have changed some during the 1980s. About 5 million additional immigrants have entered the United States since the 1980 census, many local labor markets have become extremely weak, and the minimum wage has not been increased since 1981.

Not only are the available data old, but they also may not be sufficiently detailed to isolate the types of effects that are of interest. These effects may be quite localized, may affect only small groups of native workers—for example, young minority workers with limited educational attainments—and may be caused by only certain types of immigrants—for example, recent immigrants with few skills. Analyses that examine national data may not be able to uncover effects that are felt in only a few geographic areas. The concentration of recent immigration suggests that this shortfall could be a problem. The metropolitan areas of Miami, Los Angeles, New York, Houston, San Francisco, and Chicago absorbed more than 40 percent of the net increase in immigrants over the 1970–80 period; the post-1980 immigration may have been even more concentrated.

Similarly, it may be necessary to disaggregate immigration even more than has been done to uncover the effects it has had on certain small segments of the native labor force. The labor market characteristics of the various groups of immigrants differ greatly. One would not expect many of these immigrant groups to diminish the labor market prospects of poorly educated, native minorities. For example, immigrants from Western Europe and Canada have characteristics that are very similar to those of the native white work force, while those from India have very high educational levels and are

20. Muller and Espenshade, *Fourth Wave*.

disproportionately competing for professional jobs. Some 66 percent of the Indian immigrants enumerated in the 1980 census had completed four years of college and 43 percent of those employed were in professional specialty occupations.

It is also possible that the effects of immigration are being manifest less on the wages, earnings, and unemployment that the existing studies have examined

and more on the dimensions—such as labor force participation, fringe benefits, working conditions, and internal migration—that have received less attention.

While there are these reasons to re-examine the question when data from the 1990 census become available, the existing evidence suggests that immigration has not been a major factor contributing to the emergence of the urban underclass.