

10.2 The Borjas versus Card debate: is labour immigration bad for US workers?

Some economists argue that immigration brings benefits for receiving economies, by providing skills, overcoming sectoral supply shortages, and holding back wage inflation. Yet others argue that such effects are uneven, and that some groups of the receiving population may benefit, while others lose. This debate has been significant in the USA. This case study summarises the opposing standpoints of two important protagonists.

In the USA legal immigration generally has been increasing since the 1965 Amendments to the Immigration and Nationality Act. In addition, the magnitude of illegal immigration tripled in the 1990s. This has stimulated an academic debate about the impact of unskilled immigration on low-wage native workers. At the forefront of this debate are George Borjas, an economist at Harvard, and David Card, an economist at the University of California Berkeley. Borjas has found that between 1980 and 2000 immigration did not affect wages of the general population but led to a five to ten per cent decrease in unskilled wages (Borjas, 2006). Card found that immigration had no negative impact on American workers (Card, 2005). His key case study was of the Miami, Florida area circa 1980 when a large influx of Cuban migrants, the so-called *Marielitos*, arrived after a change of policy by the Cuban government.

Borjas' preferred method of studying the effects of immigration on workers focuses on the national economy as a whole, studying the changes in economic growth factors such as wages and unemployment over time as immigration increases (for example, comparing data from the 1970 census with data from the 2000 census). Borjas also found that the workers most negatively affected by immigration are minorities, especially black low-wage workers (see also Borjas, 2001).

Card assesses the impact of immigration on native workers by analyzing the economic growth of local labour markets which receive large numbers of immigrants with those that receive few immigrants. He argues that industries in immigrant-receiving cities are able to absorb the influx of immigrants without lowering wages by restricting technological changes to those that take advantage of the abundance of low-skilled labour.

This model has been criticized by Borjas on the basis that US labour markets are highly integrated and workers and business are able to move from one region to another to take advantage of lower competition for jobs or lower wages respectively. The internal migration of native workers is a highly disputed issue. Card has found internal migration of workers to be insignificant and that of employers to be minimal. In a 2006 study, Borjas used census data from 1965 to 2000 to show that high school dropouts have been slightly more likely to emigrate from immigrant-receiving states in recent years. Borjas' study is more thorough because it studies a much larger span of time. Since migration began to spike in the 1970s, he observed a steep decline in the net internal migration to California, a slower decline in native migration to other immigration receiving states and a slight increase in native internal migration to the rest of the country. Borjas' research has determined that the native migration response accounts for around half of the difference between his and Card's results. This research suggests that internal labour migration of native workers is a significant factor in the impact of immigration on native workers wages.

Card and Borjas also reach very different conclusions about the prospects for assimilation of the current wave of immigrants. Both economists agree that current immigrants are likely to assimilate and so study the assimilation of their children and grandchildren instead. Both Borjas and Card have also found that education is the main factor causing the gap between current immigrants and their native peers.

However, Borjas predicts that there will be a lasting divide between the children of today's immigrants and their native peers. He has found that half the difference in economic status persists from one generation to another. Borjas points out that past generations of immigrants (in the 1940 and 1970 census) on average earned higher incomes than the general population. So the second-generation workers of today earn around 6 percent more than average US workers. But the wage advantage of both immigrants and their children has been on a steady decline. Today's immigrants tend to earn considerably less than the general workforce, with average migrant workers' wages at around 20 percent less than the national average. Therefore future second-generation workers are likely to lose their wage advantage. He predicts a 10 percent disadvantage by 2030.

David Card used a similar approach to assess the potential for assimilation and reached much more optimistic conclusions. He found that most second-generation

children were able to catch up to their native peers in education level and wages. Specifically, if the first generation immigrant has at least 10.4 years of schooling, his or her child will usually surpass peers in years of education. Even if the parent has only 5.5 years of education, the child will have an average of 12.2 years of education, which closes 80 percent of the education gap. However, considering the large proportion of immigrants to the US with extremely low education levels, this still implies some gap in immigrant children's wages, although Card does not think this is a significant problem (see also Portes and Rumbaut, 2006, Chapter 8).

In both cases, the research suggests that assimilation of immigrants and their effects on native workers' wages will continue to be important political and economic issues in the future and areas of significant future research. While labour migration has a minimal or even positive impact on the receiving economy as a whole, it seems its impact on a small but vulnerable segment of the population is undesirable. This implies that developed countries may need to find better policies to manage illegal immigration.

References

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