

**Statement of**

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**The Effects of Immigration on the Employment Outcomes of Black Americans**

**Before the**

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I would like to address the question of how immigration—whether legal or illegal—affects the labor-market opportunities and outcomes of native-born African Americans. In doing so, I would like to make several points.

- *Most econometric evidence suggests that immigration over the past few decades has had a modest negative effect on the employment outcomes of blacks, especially those without high school diplomas.*

The strongest evidence of negative effects comes from work by George Borjas, Jeffrey Grogger, and Gordon Hanson (2006). They find quite strong negative effects on the wages and employment of black male high school dropouts, somewhat smaller effects for high school graduates, and very small effects on incarceration rates for either group.<sup>1</sup>

This evidence is based on strong statistical assumptions and only considers the effects of immigration in the short run—in other words, before capital inflows have occurred that would mitigate the negative impacts of immigrants on native-born workers. Therefore, these estimates likely overstate any real negative impacts, though some of the estimates are already small.<sup>2</sup>

But newer papers have bolstered the notion that there are some negative effects. For instance, Deborah Reed and Sheldon Danziger (2007) also find some modest negative effects of immigration on the employment of black men, using a simpler methodology that compares outcomes across metropolitan areas. In an MIT doctoral dissertation, Christopher Smith (2008) finds somewhat larger negative effects on the employment rates of both white and black teens, but much more modest effects as they age into their 20s.<sup>3</sup> These papers are significant because analysis of differences across metropolitan areas (by Prof. David Card of Berkeley and others) have traditionally found much weaker evidence of negative impacts of immigration.

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<sup>1</sup> For instance, their estimates suggest that immigration between 1980 and 2000 reduced wages by 8.3 percent, reduced employment by 7.4 percentage points, but raised incarceration by only 1.7 percentage points among black male high school dropouts (among whom over 60 percent now spend some time in prison). The corresponding estimates for black male high school graduates are 3.2 percent, 2.8 percentage points, and 0.6 percentage points.

<sup>2</sup> Borjas et al. (2006) assume a stable demand function over a 40-year period. They allow for only a limited number of shifts by education or experience but otherwise assume constant employment responses to wage changes over time and across groups. In a period when labor demand has shifted so dramatically against less-educated groups, some effects of demand shifts may be attributed in this work to immigrant-induced labor supply shifts. Also, capital inflows in the long run are expected to fully offset the higher supplies of immigrant labor on average, thereby also dampening any negative effects for particular groups. See Ottaviano and Peri (2006).

<sup>3</sup> Reed and Danziger estimate that immigration over the 1990s reduced the employment of black males with or without high school degrees by roughly 1 percentage point and reduced their wages by 3.5 percent. Smith estimates that immigration over the past 15 years might have reduced teen employment rates by 5 percentage points overall and about 4 points for blacks, but these effects diminish quickly for young people over age 20.

- *Other evidence, including that from ethnographers, indicates that employers filling low-wage jobs requiring little reading, writing, or communication clearly prefer immigrants to native-born blacks and encourage informal networks through which immigrants gain better access to these jobs. The native-born black workers likely would be interested in some, but not all, of these jobs, depending on their wages.*

The ethnographic work (Moss and Tilly 2001; Kirschenman and Neckerman 1991) shows that employers perceive a stronger work ethic among immigrants and a greater willingness to tolerate low wages. They use networks to encourage a ready flow of applicants from the friends and relatives of their immigrant workers. Some of these perceptions and the hiring behavior they generate might well reflect discrimination, especially against black men whom employers may fear; some perceptions likely reflect real differences in the attitudes and behaviors of workers from different groups, on average.<sup>4</sup>

As for the workers themselves, their interest will likely vary across the wages paid and sectors of the economy in which these jobs are found. I am inclined to believe that many black men would be interested in the residential construction or transportation jobs immigrants often fill, but somewhat less interested in the low-wage agricultural or service jobs. Of course, in the absence of immigrants, these wages would rise. But whether they would rise sufficiently to induce a greater supply of black labor is questionable.<sup>5</sup>

- *Although the evidence makes it difficult to distinguish the effects of legal v. illegal immigration on black Americans, we can speculate about these differences.*

On the one hand, illegal immigrants will often be paid submarket wages, so the competition they generate will be even more intense for native-born workers, and their willingness to accept poor working conditions is greater than that of legal immigrants. On the other hand, the extent of their relative presence in the sectors where native-born blacks might really be interested in employment is unclear.

- *The modest effects of immigration suggest that other factors are more responsible for the negative trends in the employment of black men and their rising incarceration*

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<sup>4</sup> Survey data in Holzer (1996) on application and hiring rates by race confirm that employers generally prefer Hispanic (including immigrant) applicants to black applicants, while Holzer (1987) shows some of the difficulties blacks have using informal networks to gain employment. Falcon and Melendez (2001) also show that Hispanics use informal networks very effectively, though the jobs generated pay quite low wages. Evidence of continuing discrimination against black men in hiring clearly appears in the tester studies conducted by Pager (2003), while employer fears of this group are well-documented by Kirschenman and Neckerman (1991).

<sup>5</sup> Evidence on the “reservation wages” (minimally necessary wages for accepting employment) of young blacks relative to those of whites appears in Holzer (1986), while ethnographic data on the occupational perceptions and preferences of young black men appear in Young (2003). Lewis (2006) shows that employers who face fewer immigrants frequently use more capital-intensive production techniques, at least within manufacturing industries, rather than creating many higher-wage jobs. Thus, many higher-wage jobs would disappear in the absence of immigration before reaching the wages that might induce young blacks and other native-born workers to accept them.

*rates, and therefore other policies besides immigration reform might be needed to change these trends.*

Interestingly, we might expect black women to have suffered as much from the influx of immigrants as did black men; yet the employment rates of low-income black women improved dramatically in the 1990s as a result of welfare reform and the expansion of financial supports for the working poor (such as the earned income tax credit and child support subsidies) (see Blank 2002).

Likewise, other forces are probably much more responsible for the decline in employment outcomes of black men and their rising incarceration rates, such as the following: the declining availability of good-paying jobs to less-educated (and lower-achieving) male workers, especially outside the service sector; the rising returns to illegal work, especially in the “crack” trade, in the 1980s; the increasing numbers of young blacks growing up in single-parent families and poor neighborhoods; changes in attitudes and behavioral norms on such issues as schooling, employment, and marriage; criminal justice policies that resulted in dramatically higher incarceration rates for those in the drug trade; and changes in child support enforcement that resulted in many default orders being set and many young men going into arrears on their payments.<sup>6</sup>

Accordingly, changes in immigration law will probably not improve employment opportunities and outcomes for young blacks. To the extent that we reform immigration, we would want to carefully consider the full range of benefits that accrue to our economy and society from immigration, as well as its costs.<sup>7</sup> But, when considering how to improve outcomes for young blacks, we should instead focus on

- improving educational outcomes and achievement, starting with pre-kindergarten programs and continuing into higher education;
- enhancing youth-development opportunities and mentoring for adolescents;
- improving their early work experience and occupational training with high-quality career and technical education;
- reducing incarceration rates (without increasing crime) and the barriers to work ex-offenders face;
- extending the EITC to childless adults, including noncustodial fathers; and
- reforming child support regulations and taxes on arrears to encourage more labor force participation by noncustodial fathers.

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<sup>6</sup> See Edelman et al. (2006) and Holzer et al. (2005) for more evidence and discussion of these issues.

<sup>7</sup> The benefits include lower prices for important consumer commodities, like food and housing, that are heavily used by lower-income families; these lower prices help raise their real incomes and offset the lower wages that competition with immigrants might generate. The provision of health care and elder care, which frequently suffer from worker shortages, is likely enhanced by immigration as well.

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