



The Fiscal Effects of Immigration

This article is the second in a three-

An Analysis of the NRC Study

\$20.2 billion. In Chapter 7 the net

tion, and in the next issue we will examine the report's findings on the demographic effects of immigration. The study identifies a number of significant problems resulting from current immigration policy. Among the study's findings on the fiscal effects of immigration:

annual current fiscal **burden** is estimated at **\$11.4 billion**. Both are larger than the estimated \$1 to \$10 billion benefit estimated to accrue to natives from having immigrants in the labor market.

- In New Jersey and California the average immigrant-headed household currently uses \$1,484 and \$3,463 **more** in services provided by state and local government than they pay in taxes. This translates into an added tax **burden** of \$232 imposed on each native

- In Chapter 6 of the study the net annual current fiscal **burden** imposed on native households at all levels of government by immigrant households nationally is estimated to range from **\$14.8 to**

Continued on next page

"An immigrant who lacks a high school degree is a net fiscal burden regardless of his age at arrival."

Immigration Legislation in 1997

For the second year in a row Congress ended its session debating immigration bills. Last year Congress passed the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA), which included strong border enforcement provisions, increased penalties for document fraud, employment authorization pilot programs, legally binding affidavits of support (See Capital Currents p.11) and a three to ten year bar for illegal immigrants seeking legal residence in the U.S., depending on how long they lived here illegally. The three year/ten year bar was to encourage illegal immigrants to return to

their home country and wait for permission to enter the U.S. legally. However, the 245(i) program, which allows illegal immigrants to adjust status in the U.S. instead of in their home country for a \$1,000 fee provided a loophole to the three year/ten year bar.


In 1996 one-fourth of all legal immigrants to the U.S. were illegal aliens who used section 245(i) to adjust (See *Immigration Review*, Number 29, Summer 1997, "Laundering Their Status," p. 10). The 245(i) program was slated to sunset at the end of September, thus closing the loophole. Immigration lawyers and ethnic

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BOOK REVIEW:

 *Immigration in a Changing Economy: California's Experience* by Kevin F. McCarthy and Georges Vernez
Reviewed by *Meredith Burke*

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household in New Jersey and \$1,178 in California (see Table 1 page 3).

- In New Jersey and California the average immigrant household currently uses \$520 and \$127 less in federally provided services than they pay in taxes. This translates into a net benefit of \$3 and \$4 to each native household in the United States (see Table 1).

- Given the skill and age profile of immigrants entering the United States today, the total net present value¹ of the lifetime fiscal impact of the average immigrant is predicted to be a negative \$3,000 — excluding costs associated with providing services to his descendant. The net present value of the fiscal impact of his descendants, over the course of the next 300 years, will be a positive \$83,000 — including those services received as children. Thus, the net present value of the average immigrant and his descendants are projected to be a positive \$80,000, composed of a negative effect of \$25,000 on the state/local level and a positive effect of \$105,000 on the federal level.

- Given the skill and age profile of current

immigrants, it will take 40 years before the net present value turns positive.

Two of the NRC study's eight chapters are devoted to the fiscal effects of immigration. These chapters contain both a detailed discussion of theoretical and conceptual issues surrounding immigrant public service use and tax contributions as well as a substantial body of original research. Chapter 6 deals with the current fiscal impact of immigrants. Chapter 7, written primarily by Ronald Lee and Timothy Miller of Berkeley, examines the lifetime use patterns of today's immigrants and their descendants.

Current Fiscal Impact of Immigrants

Table 1 provides a summary of the current net fiscal impact of immigrant-headed households on the state, local, and federal government in California and New Jersey -- the two states examined in detail in Chapter 6 of the NRC study. The estimates in Table 1 are drawn from the Census and the Current Population Survey (CPS), with average costs assumed to equal marginal costs.

The table indicates that at the present time immigrant-headed households use significantly more in public services than they pay in taxes on both the local and state level. In contrast, immigrant households in both states pay more in taxes than they use in services on the federal level. However, this positive effect on the federal budget is insufficient to offset the negative effects at the state and local level. The study also finds significant variation between immigrant groups, with European and Canadian immigrants having positive effects and those from Asia and Latin America having negative effects. The differences are primarily due to the age and education profile of immigrants from different countries.

The authors conclude that the current negative effect of immigrant-headed households on public coffers is the result of three factors: First, immigrants have more children than natives on average and therefore consume more in educational services. Second, immigrant households are poorer than natives and therefore receive more in state and locally funded income transfers. Third, because immigrant households have lower incomes on average than native households, they pay less in taxes. The primary reason that immigrant households have a positive effect on the federal budget is that they are assumed to impose no additional costs on "pure" public goods such as defense. In other words, no matter how many immigrants enter, the U.S. defense budget is assumed to re-

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main the same. Thus, the costs of defense are applied only to households headed by natives.

The figures in Table 1 are only a snapshot. They do not indicate immigrant tax contributions or public service use rates over the course of a lifetime. Nor do they provide any information about the U.S.-born children of immigrants. Chapter 7 attempts to answer these questions.

Future Fiscal Impacts of Immigrants and Their Descendants

Figure 1 (page 4) reports the lifetime net fiscal impact of an immigrant, controlling for education level and age at arrival. A single point on the curve summarizes the entire impact an immigrant arriving at that age will have during his lifetime. Only the costs of those services used by the immigrant himself are included. The costs associated with providing services to his U.S.-born descendants are not included. The findings in Figure 1 indicate that an immigrant who lacks a high school degree is a net fiscal burden regardless of his age at arrival. The same holds true for almost all ages of arrival for an immigrant with only a high school degree. In contrast, an immigrant with more than a high school, has a strong net positive effect on public coffers if he arrives between the ages of 6 and 49.

Figure 2 (page 4) reports the net fiscal effects for immigrants along with their U.S.-born descendants over the course of the next 300 years. It includes both the costs associated with educating the U.S.-born descendants of immigrants as well as their tax contributions made by the second generation. The combined effects indicate that an immigrant with less than a high school degree is a net benefit if he arrives before the age of 22. It also indicates that an immigrant with only a high school degree needs to arrive before the age of 35 and immigrants with more than a high school degree have to arrive before age 49 for the combined effects to be positive.

To arrive at the estimates in Figure 1 and 2 the authors employ a complex methodology that can only be briefly summarized here. A combined sample

of the March 1994 and 1995 CPS is the primary data source. The authors divide the immigrant population by duration of stay in the United States, education and age at arrival. Based on what is revealed about tax contributions and public service use from those surveys, the authors generate the numbers found in Figures 1 and 2. For immigrants who arrive as children and the descendants of immigrants, education levels are assigned based on estimates drawn from other survey data on the educational attainment of children controlling for parental education and ethnicity (Hispanics, Asians, and all others). The estimates in Figure 1 and 2 are for all levels of government. If the results are disaggregated, immigrants and their descendants tend to have a net positive effect at the federal budget and a net negative effect at the state and local level.

Table 1
Local, State and Federal Expenditures, Revenues
and Average Fiscal Balance
by Households in New Jersey and California

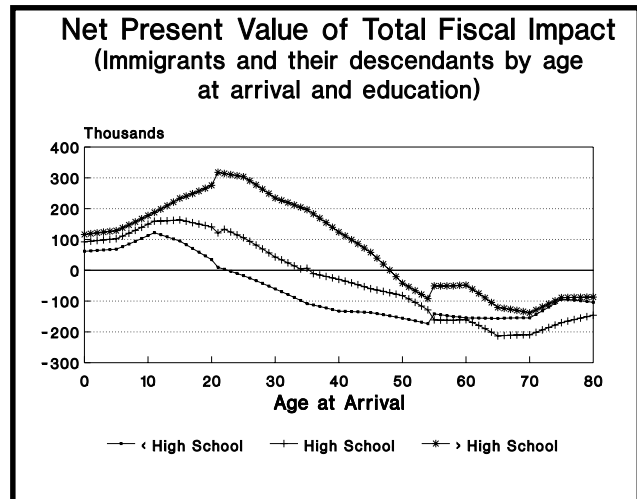
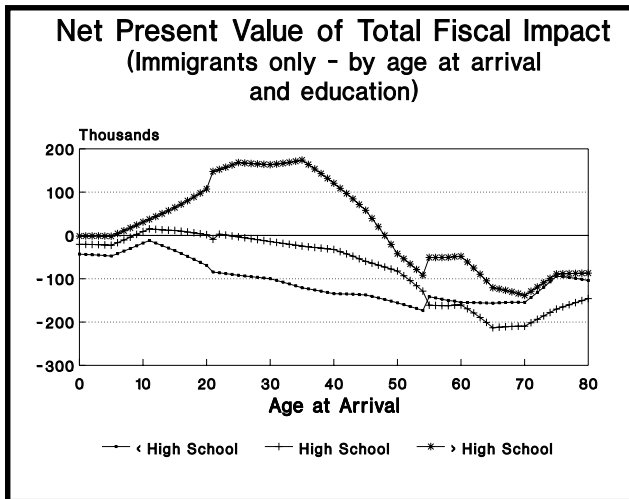
	<i>Immigrant Households in New Jersey</i>	<i>Immigrant Households in California</i>
Expenditures		
Local	\$4,236	\$6,208
State	\$3,146	\$4,973
Federal	-	\$10,517
Revenues from all sources		
Local	\$3,314	\$5,377
State	\$2,584	\$2,341
Federal	-	\$10,644
Fiscal balance		
Local	-\$922	-\$831
State	-\$562	-\$2,632
Federal	\$520*	\$127

Note: Figures for NJ are for FY 1990, figures for CA are for 1995. Both are adjusted upward to reflect Dec. 1996 prices.

** Only the net effect of immigrants on the federal level is available from the study for CA. immigrants. The estimate is created by assuming that immigrants in NJ have the same fiscal effect the federal level as their country-of-origin counterparts in CA.*

Since the current rate of growth in spending on Medicare, Medicaid and Social Security are not sustainable in the long term, the authors assume that after the year 2016 the ratio of the federal debt to GDP will remain constant and the entitlement crisis is solved by a 50-50 combination of benefit cuts and tax increases. In Figures 1 and 2, no costs are assigned to immigrants or their descendants for national defense or for interest payments on the national debt

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because these services are regarded as pure public goods. Current dollar amounts are valued at their present value and dollars received in the future are discounted at a rate of 3 percent a year to reflect the fact that dollars lost or gain in the future are less valuable than are dollars today. This means events that occur 25 years from now are discounted by a factor of 0.5.

Rather than select an arbitrary cut-off point for excluding immigrant descendants, the authors chose to include them all, until the point at which discounting reduces the influence of the future to nothing, which is about 300 years. The positive net effect for immigrants and their descendants of \$80,000 is for the total 300 year period. If shorter time frames are considered, then the total net present value shrinks accordingly until a 40-year time frame, before which the net present value is negative.

Questions Arising from Methodology

The method used to obtain the estimates for the current fiscal impact of immigrant households in Chapter 6 is straightforward. The only real problem is that the authors could have done more with the data. For example, in addition to dividing immigrant households by country of origin, it would also have been useful to divide immigrant households by education level or entering cohort. This would have provided some insight into the fiscal impact of immigrant households over time or by education level. Even without this information, however, Chapter 6 provides a great deal of useful and up to date information.

Chapter 7 is more difficult to assess. Clearly, the research is cutting edge. Furthermore, the authors' analysis of lifetime fiscal effects adds a much needed long-term perspective to the immigration debate. However, there are a number of serious meth-

odological issues resulting from the approach used. The most important issue is the underlying assumption that past patterns of immigrant tax contributions and public service use can be used to predict future patterns. This approach, for example, assumes that a high school dropout immigrant who enters today at age 21 will use services and pay taxes in 20 years in a manner similar to a dropout who entered 20 years ago at the age of 21. This is a highly questionable assumption, especially because there are no country of origin controls in the study. That is, immigrants are lumped together by education and age at arrival regardless of where they came from. Furthermore, the structure of the economy has changed significantly in the last few decades and this will no doubt continue. The resulting changes in the economic opportunities available to workers with different skills makes predicting the future fiscal effects of immigrants highly speculative.

Even putting aside the difficulties associated with making projections about today's immigrants, there is even more uncertainty about the fiscal impact of the children of immigrants. One of the strongest findings in Chapter 7 is that the second generation will do better in the labor market and thus produce positive fiscal effects that offset the negative effects of their parents. However, these projections are based on the social mobility experienced by the U.S.-born children of immigrants who arrived in the past, some of whom came to the United State 40 or more years ago. One problem with this approach, for example, is that it cannot deal with the kind of segmented assimilation observed by some sociologists, which indicates that a troubling high percentage of the children born to Latino immigrants are assimilating into a rebellious/anti-intellectual minority youth

culture. This may have serious implication for the future social mobility of this group. Given the lack of country-of-origin controls, it seems inadequate to simply assume that the fiscal effects of the future generations can be predicted reliably based on the pattern followed by the offspring of immigrants, primarily Europeans, who entered many decades ago.

The authors are aware of the great uncertainty in making projections about the future and they do make some adjustments. But, by necessity they can only be very crude. For example, the authors realize that the average earnings and education level of recent immigrants has declined significantly, relative to that of natives, over the last 30 years. Thus, their baseline estimates assume that the trajectory of immigrant earnings growth after arrival will follow that of earlier immigrants for only the first 10 years, after which time immigrant earnings are fixed relative to those of natives. This is a very imprecise way of dealing with a complex problem.

It is also worth noting that the positive fiscal estimates for immigrants and their descendants found in Chapter 7 is dependent upon how and when the entitlement crisis is solved. For example, alternative estimates reported in the study indicate that if the ratio of GDP to debt is not fixed in 2016 and instead is allowed to rise, immigrants and their descendants will have a net negative fiscal impact on the country. Moreover, the positive effects are heavily dependent on the contributions made by the descendants of immigrants in the distant future. As already indicated, it takes 40 years before the net present value turns positive. In fact, 86 percent of the positive net present value of \$80,000 occurs after the immigrant and his descendants have been in the United States for 50 years.

None of this is to say that the authors of Chapter 7 are incorrect. Immigrants or perhaps their descendants may indeed have a positive fiscal impact in the long term. The authors make defensible assumptions and arrive at plausible estimates. However, in light of the fundamental limitations in the data as well as the great uncertainty about the future, it is best to view the estimates in Chapter 7 as one of many possible outcomes.

Conclusion

While there are no policy recommendations in the NRC study, the findings in Chapters 6 and 7 indicate that if we wish to increase the fiscal benefit or reduce the burden associated with immigration, then greater emphasis should be placed on immigrant skills

FOR YOUR INFORMATION

A new GAO report (see Immigration Reading page 16) examines the extent of welfare use among **U.S. citizen children of illegal immigrants**. The report found that U.S. citizen children living in households with an illegal immigrant parent accounted for \$1.1 billion in AFDC and Food Stamp use in fiscal year 1995. California alone accounted for \$720 million of the combined benefit costs of AFDC and Food Stamps. The report also notes that illegal immigrants are receiving SSI and HUD housing assistance on behalf of their U.S. citizen children but that data to determine how much are unavailable.

INS increased **removals** for FY 1997 62 percent over FY 1996, from 69,040 to 111,794. Criminals account for 50,165 of the removals, while 61,629 were classified as non-criminals. Newark, New Jersey INS office increased removals the most — 405 percent over FY 1996.

A September report by the Justice Department Inspector General found that the INS has no complete and reliable system to track **visa overstayers** (estimated at 125,000 people annually). Although overstayers are estimated to be 41 percent of the illegal population in 1996, they accounted for only 11.1 percent of deportable aliens apprehended by INS investigators.

The State Department has selected 100,000 winners in this year's **diversity lottery**, which will result in 55,000 green cards (the overbooking accounts for those who will fail to qualify or drop out). The top ten countries are Bangladesh with 6,075 winners followed by Ghana, Nigeria, Bulgaria, Sierra Leone, Romania, Ukraine, Albania, and Russia. Notable in its absence is Ireland (736 winners); the lottery was originally intended as a way to legalize Irish illegal aliens.

The **Binational Study on Migration** es-
(Continued on page 7)

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as a criterion for admission, with fewer immigrants selected based on family relationships. This would increase income levels and tax contributions as well as reduce immigrant reliance on public services.

Adjusting immigration policy so that immigrants arrive during their prime working years would also improve the fiscal balance sheet. The best way to accomplish this would be to eliminate the very long waiting periods that now exist in the sibling and adult children categories. The U.S. Commission on Immigration Reform has recommended doing away with these categories of admission and this seems a wise suggestion. Additionally, eliminating the category for the parents of U.S. citizens would also help to

ensure that new immigrants have many working years ahead of them when they arrive.

Unlike the press release which accompanied the study, the chapters dealing with the fiscal effects of immigration are fair-minded, identifying both positive and negative effects from immigration. They clearly represent an important contribution to our understanding of the impact of immigrants on the United States.

— Steven Camarota

¹ The term "net present value" refers to the total fiscal impact (tax revenues minus expenditures) of immigrants and/or their descendants with future dollars discounted at an annual rate of 3 percent.

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and religious organizations argued that the sunset of 245(i) would split apart families. The other side of the debate, led by Rep. Dana Rohrabacher, argued that illegal immigrants shouldn't be rewarded when many legal immigrants have family members who wait legally for years in their home country. Moreover, the INS shouldn't benefit from its own failed enforcement measures by collecting \$1,000 fees from illegal immigrants.

After two temporary extensions of 245(i), a final version was passed that would allow 245(i) to sunset. The compromise passed by the Senate and the House includes a grandfather clause which allows illegal aliens who have petitions for legal residence pending (estimated at a million people) as of January 14, 1998 to adjust under 245(i).

The other major immigration issue debated by Congress was the "Nicaraguan Adjustment and Central American Relief Act." Under last year's IIRIRA, which strengthened deportation provisions, most Central Americans who apply for cancellation of removal (formerly suspension of deportation) would likely be found ineligible. Certain members of Congress felt that Central Americans deserve special treatment, so an effort began to allow Central Americans to apply for cancellation of removal under the old rules. Ethnic organizations lobbied hard to have their constituents added to the list of nation-

alities included in the bill. Haitians protested outside INS offices in Miami and Salvadorans and Guatemalans held rallies in Washington. Other ethnic and religious lobbies managed to get "victims of communism" (i.e., former Soviet bloc nationals, Eastern Europeans and Cubans) included.

In the end, Congress granted amnesty to illegal Nicaraguans and Cubans who arrived in the U.S. before December 1, 1995. Other groups, such as Salvadorans and Guatemalans who applied for asylum on or before April 1, 1990 or are registered class members of the settlement agreement in *American Baptist Churches v. Thornburgh (ABC)*, may apply for cancellation of removal under the more lenient pre-IIRIRA rules. The bill also allows former Soviet bloc nationals and Eastern Europeans who arrived prior to January 1, 1991 and applied for asylum before December 31, 1991 to apply for cancellation of removal under the more lenient rules. One positive element of the law is the reduction in legal immigrant visas by 10,000 annually — 5,000 from the unskilled worker category and 5,000 from the diversity lottery until the number of illegal aliens benefitting from the more lenient processing is offset. The bill also applies to the spouses and minor children of the primary applicant and is expected to allow some 800,000 illegal aliens to remain in the country.

— Robert Malloy



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Trading Visas for Business Deals: Bad Public Policy

By Joaquin F. Otero

In recent years, both the Congress and the Executive Branch have adopted policies which enable U.S. trade negotiators to offer non-immigrant visas in return for overseas business opportunities for U.S. companies.

While it is fair that foreign business persons be allowed to enter the United States to oversee and manage their investments, the U.S. government needs to retain tight control over who is allowed to enter and remain in the country, including whether or not such a person has a right to enter our labor market.

“Canadian professionals are allowed to enter the United States without numerical limitations, labor market tests, or procedural requirements such as a visa or petition.”

The practice of trading immigration visas for business opportunities restricts the ability of the president and the Congress to administer U.S. immigration law and protect the interests of U.S. workers. American workers have much to lose from U.S. government policies that permit government negotiators to use non-immigrant visas as a bargaining chip during discussions of trade and investment programs.

Trade agreements bind U.S. immigration law

The function of the Office of the U.S. Trade Representative is to negotiate trade and investment agreements which promote the interests of U.S. businesses abroad. This usually involves negotiating legally binding agreements that allow for the movement of workers across national borders.

Unfortunately, in the haste to open up previously-closed foreign markets to U.S. businesses, U.S. trade negotiators often conclude agreements which

FOR YOUR INFORMATION

estimates that 105,000 illegal Mexican workers settle in the U.S. annually. This is 33 percent less than the INS estimate of 154,000 a year.

The Board of Commissioners of Alamance County, **North Carolina**, passed a resolution asking the U.S. Congress and the North Carolina Legislature to immediately address the problems caused by immigration-driven population growth. The resolution also asked Congress to consider a moratorium on immigration to slow rising local school enrollment. North Carolina's high schools expect a 27 percent increase in enrollment over the next 10 years — second only to California.

The **Coast Guard** recently intercepted the vessel Lapas Number 3 off the coast of Baja California. The cargo — 69 illegal Asian immigrants — was presumed to be heading for the United States. The Coast Guard's Migrant Interdiction Unit reported 2,194 interdictions for FY 1997 and at least 400 so far in 1998 after intercepting an overloaded Haitian vessel in November.

A special U.S. Forest Service crew has been assigned to search for unattended fires in the **Cleveland National Forest** in California. The team which is expected to cost \$178,000 for fiscal year 1997 has so far put out 810 illegal campfires. The campfires were set by illegal immigrants who are being forced east into rugged terrain by the success of Operation Gatekeeper. Unfortunately, two fires spread before the special crew could find them resulting in a 122-acre fire in Pine Creek and a 105-acre fire in Corral Canyon.

The **Chicago** INS office raided Hinsdale Farms, a food processing plant, for the second time this year. The first raid netted 33 illegal workers and the second one found 25 more. The workers were all earning more than minimum wage. The Chicago INS office, working from tips given by the public, conducted 66 raids and arrested 1,300 illegal workers in FY 1997.

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bind U.S. immigration law. This practice limits the ability of policymakers to correct abuses or deficiencies in our immigration system.

Under the current immigration system, an unscrupulous employer could be allowed to bring into the United States (under the H-1B program) 20 computer programmers from India at lower wages than their American counterparts and do so without any effort to promote the recruitment of U.S. workers. Many companies that engage in this practice hide behind a mountain of paperwork and a failed regulatory policy.

While this type of behavior may not be the norm, it clearly is a violation of the spirit in which the visa program was created. And it is a practice that is unfair to American workers and those businesses that follow the rules.

Because the United States has binding commitments on the movement of people under the World Trade Organization's General Agreement on Trade in Services (GATS), some of the measures used to correct these visa abuses could be considered inconsistent with our international obligations. For instance, if the U.S. Congress were to decide to reduce the numerical quota for H-1B workers from the current 65,000 to 50,000, agreed to in the Uruguay Rounds, this action could be challenged by the WTO as a violation of the provisions of GATS. Under the agreement the quota has been bound (indefinitely) at the 65,000 level or higher.

Similarly, the North American Free Trade Agreement (NAFTA) provides another concrete example of the danger of binding immigration law in international trade agreements. The NAFTA treaty currently provides for the temporary entry and employment of business persons from Canada and Mexico. There are some transitional restrictions on the admission of Mexican professionals under NAFTA (e.g., the numerical quota of 5,500 professionals will be in place for up to 10 years unless the U.S. and Mexico agree to remove it sooner.) Canadian professionals are allowed to enter the United States without numerical limitations, labor market tests, or procedural requirements such as a visa or petition.

NAFTA has unintendedly created a common labor market for professionals in North America which allows Canadian professionals to be in direct competition with U.S. professionals without any regard for labor market implications. Because NAFTA is a legally binding agreement, the United States could not unilaterally impose a numerical restriction or labor market tests on NAFTA entries without paying some type of trade compensation to Canada or Mexico.

Another example of bad public policy in this area are the trade NAFTA visas for Canadian nurses. Canadian nurses do not need visas to enter the U.S. and there is no labor market test to determine entries and no numerical restriction on how many can be admitted. Shortly after the U.S./Canadian Free Trade Agreement, the number of Canadian nurses entering the U.S. increased rapidly until the situation stabilized somewhat in 1995. Presently, entries of Canadian nurses run at an average of 6,000 per year.

Abuses in the Temporary Visa System

While many of the employers utilizing the H-1B program do not misuse it, there are glaring abuses with the visa. One notable case involved Syntel, Inc., a computer personnel/services contractor, whose workforce was more than 80 percent H-1B non-immigrants. Syntel contracted with American International Group, Inc. (AIG), a large insurance company, to provide services in the place of nearly 250 U.S. workers, which AIG laid off. Adding insult to injury, the laid-off U.S. workers were required to train their H-1B non-immigrant replacements during their last few weeks of employment. Even more astonishing is that laying off and displacing U.S. workers is permitted in the H-1B program.

What was illegal, however, was Syntel's underpayment of its Indian computer programmers by nearly 20 percent below the wage required by law — about \$34,000 per year versus the prevailing wage rate of more than \$41,000 per year. As a result of this case, Syntel agreed to pay nearly \$78,000 in back wages to 40 H-1B employees and take other steps to recruit

“Unfortunately, in the haste to open up previously-closed foreign markets to U.S. businesses, U.S. trade negotiators often conclude agreements which bind U.S. immigration law.”

and train U.S. workers in order to reduce its dependence on an H-1B non-immigrant workforce.

Another example of H-1B visa abuse is in the health care field and involves Rehab One, a Michigan company which went into the business of providing temporary physical therapists — in this case, exclusively H-1B workers from Poland — to health care facilities primarily in Texas. A Department of Labor investigator found that the company actually paid its Polish therapists as little as \$500 per month during certain periods, though it was required to pay a prevailing wage of as much as \$2,800 per month.

During the 104th Congress (1995-96), the Clinton Administration advocated reforms to the H-1B program to correct these abuses but the reforms were not enacted. Specifically, the Administration's proposed reforms required employers seeking access to H-1B temporary workers to attest that:

1. they have not laid off or otherwise displaced U.S. workers in the occupations for which they seek non-immigrant workers in the periods preceding and following the employer seeking such workers; and,
2. in certain circumstances, they have taken timely and significant steps to recruit and retain U.S. workers in these occupations.

The third proposal sought to reduce the allowable period of stay under the H-1B program from six to three years to better reflect the "temporary" nature of the presumed employment need.

Due to intense business pressure, Congress did not adopt those reforms.

Another visa being abused by U.S. employers is the D-1 visa. By exploiting and misusing the limited crewmember visa privilege (D-1 visas), domestic airline carriers are hiring foreign-national crews to work on international flights in positions that traditionally have been held by U.S.-based flight attendants.

United Airlines employs over 2,600 foreign crew members in seven bases around the world. American recently hired 800 to fly routes between U.S. and Latin America. Delta and Northwest are also involved in this practice. Carnival Airlines is hiring flight attendants from Turkey.

The peculiarities of the D-1 visa allows foreign nationals multiple entries into the United States



CAPITAL CURRENTS

On September 30 the Commission on Immigration Reform issued its final report, "Becoming an American: Immigration and Immigrant Policy." In order to better separate immigration and immigrant policy the report urged dismantling the INS and distributing its functions among the Labor, State and Justice departments.

As part of the reports immigration policy the Commission reemphasized earlier findings that legal immigration needs an overhaul to allow "nuclear families" that have been separated for years quicker unification. In order to achieve this several other categories of family members would have to be dropped and ultimately the number of people admitted be reduced. The report also urged stronger enforcement against illegal immigration and improvement of the naturalization process.

The Commission's immigrant policies focused on educating newcomers in English and core civic values so that immigrants can better assimilate and share in our American values of liberty, democracy and equal opportunity. It urged groups that lobby for high levels of immigration to support immigrants through english, civic and naturalization classes. The study also said Americans need not fear that diversity will bring ethnic division or disunity as long as we continue to emphasize the rights of individuals over those of groups.

Representative Lamar Smith (R-TX) announced on November 3 that he will form the Immigration for America Caucus. The caucus will encourage policies that reduce illegal immigration and reform legal immigration as well as providing a forum for those with ideas and issues about immigration. Rep. Smith is inviting other members of Congress to be members.

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as employees of domestic airlines, though they are required to depart the country at least once every 29 days. However, many become de facto permanent U.S. residents, through misuse of the D-1 visa, displacing U.S. citizens from good jobs, in their own country, for which they are fully qualified.

America is an immigrant nation with a long, proud tradition of inclusion and diversity, a tradition which has helped it become the world's leading economic power.

However, our non-immigrant visa policy was never intended to be used as a tool to displace U.S. workers. We should be working towards a policy that encourages the training of U.S. workers and elimi-

nates the unfair advantages held by employers who bypass the spirit of H-1B visas. We should not let the few who abuse the visa system put in jeopardy the interests of U.S. workers and the nation at large.

Joaquin Otero has a long history of involvement in labor issues. He has served as Deputy Under Secretary and Assistant Secretary-Designate for International Labor Affairs at the U.S. Department of Labor. In 1991, Mr. Otero became the first Hispanic-American elected as AFL-CIO Vice President and Executive Council member prior to this (1971-1993) he served as International Vice President for the Transportation Communications International Union (TCU).

Error Discovered in Unemployment Rate

By Vernon M. Briggs, Jr.

A widely circulated 1997 publication by the U.S. Census Bureau contains a computational error that shows a much lower unemployment rate for immigrants than was actually the case. The publication, "The Foreign-Born Population: 1996," is part of the Current Population Reports (P120-494) series. Released on April 8, 1997, its findings are widely used by scholars, journalists, and policymakers. As this data is only available once a year, it will not be until Spring of 1998 that new figures will be available. Hence, it is essential that this error be noted, as it continues to be the source of extensive misinformation that is used to suggest that immigrant unemployment is not particularly significant. In fact, the opposite is the case.

In the report, the actual numerical data is correct but the computation of the unemployment rate is wrong. Table 1 shows the actual unemployment data for both the foreign born population and the native born population for 1996. The error oc-

curred when the Bureau took the actual number of native born and foreign born persons who were reported to be unemployed (i.e., 6.716 million persons and 1.095 million persons, respectively) as a proportion of the total number of persons in each population category over age 16 (i.e., 178.343 million persons and 22.378 million persons respectively). As a consequence, the Census Bureau reported (see Table 2) the unemployment rate for the native born population to be 3.8 percent and for the foreign born population to be 4.9 percent for 1996 (see page 5 of the cited Census Report).

In fact, the definition of unemployment used by all federal government agencies and for all official reports is based on the number of persons over age 16 who are reported as unemployed as a proportion to the total number of persons in the labor force (i.e., 118.025 million persons for the native born and 14.298 million persons for the foreign born). Thus, while

Table 1
Labor Force Status of the Foreign Born Pop
(Numbers in Thousands)

	<i>Total Population</i>	<i>Native</i>
Total in the Population 16 Years and Older	200,722	
Total in the Entire Labor Force	132,324	
Employed	124,513	
Unemployed	7,811	

Source: U.S. Bureau of the Census

the numerators are the same in both computations, the denominators are quite different. The result, of course, is that the calculated unemployment rate is significantly different. The correct calculation (see Table 2) shows that the unemployment rate for the native born population was 5.7 percent while the unemployment rate for the foreign born population was 7.7 percent in 1996.

It is rare when the U.S. Census Bureau makes an error of this magnitude. As the published data has been widely used to downplay the issue of immigrant unemployment, it is essential that notice of this error be widely disseminated, regardless of where one stands on the immigration policy debate. All sides depend on "truth in data" as a basis for rational discourse.

Table 2
Published Unemployment Rate and the Corrected Unemployment Rate of the Foreign-Born Population, 1996

	<u>Native-Born</u> <u>Population</u>	<u>Foreign-Born</u> <u>Population</u>
Reported Unemployment Rates	3.8	4.9
Actual Unemployment Rates	5.7	7.7

It should also be noted that there is also a widely recognized problem of statistical undercount of the foreign born labor force due to the problem of illegal immigration. Hence even this corrected unemployment rate of 7.7 percent must be recognized as being an underestimate of the "real" rate.

After being alerted by this writer, officials at the Census Bureau responsible for the preparation of the report rechecked their calculations, and privately acknowledged the error. Unfortunately, however, there does not appear to have been any formal acknowledgment of the mistake in any official publication. Hence, the wrong data continues to be used by unsuspecting writers (e.g., see "Right Data" in *National Review*, September 15, 1997, p. 14) and it leads to wrong conclusions about an extremely serious issue – the labor market effects and welfare implications of existing immigration policy.

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After consulting with Congress President Clinton announced on September 30 that he is raising the FY 1998 refugee admission number by 5,000 to 83,000. The 83,000 is broken down as follows: Africa 7,000; East Asia 14,000; Europe 51,000; Latin America and the Caribbean 4,000; and the Near East and South Asia 4,000. The remaining 3,000 the President can target at needy regions throughout FY 1998.

Franklin Raines, director of the Office of Management and Budget announced changes in the racial categories for the upcoming census. The new forms will allow people of mixed background to choose more than one racial category. It is believed this will provide a more detailed and accurate picture of the population. Other changes include renaming the Black category to "Black or African American," the Hispanic category will now be "Hispanic or Latino," and Asian can choose between "Asians" or "Native Hawaiian or other Pacific Islanders." OMB rejected changing the term "American Indian" to "Native American."

The INS has issued the requirements for affidavit of support and sponsorship as required in last years Illegal Immigration Reform and Immigrant Responsibility Act. IIRIRA made affidavits of support legally enforceable as well as imposing minimum income requirements on sponsors, support obligations, and financial responsibilities. The new regulations take effect December 19, 1997.

The new regulations make sponsors legally and financially responsible for any federally means tested program the sponsored immigrant may have used. There are just three programs that apply: Supplemental Security Income, Medicaid, and Temporary Assistance to Needy

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Families.

The contract lasts either until the sponsored immigrant naturalizes or has worked 40 qualifying quarters (10 years). However, the 40 quarters provision can include any qualifying quarters worked by the sponsored immigrants parents while he was under the age of 18 or by including any quarters earned by a spouse. (See *Immigration Review*, Number 28, Spring 1997, "Immigration and Welfare: The Devil is in the Details" p. 13).

In order to meet the requirements for sponsorship household size needs to be determined after which it is decided whether or not the income for that household size is at least 125% of the poverty line. The guidelines provide three alternative ways the sponsor can reach the 125% level if his income does not already exceed the mark. First, a sponsor can include the income of individuals related by birth, marriage, or adoption who have lived in the sponsor's residence for the previous six months. In addition, income from dependents listed on the sponsors most recent federal income tax return form can be used. Second, if the sponsor still cannot show an income of 125% of the poverty line he can include significant available assets. This is any assets owned by the sponsor, or any of the co-sponsors, that can be turned into cash within one year. The amount of such assets must be five times the difference between the sponsors income and the needed 125% of the poverty line. Last, the petitioner can find a co-sponsor, however, the two incomes are not combined and the co-sponsor also becomes legally liable.

Early estimates claim that one-third of the foreign-born currently residing in the U.S. will be unable to meet the new sponsorship requirements.

New from the Center

The center's latest study, *The Wages of Immigration: The Effect on the Low-Skilled Labor Market*, focuses on the labor market consequences of immigration. With over 14 million immigrants holding jobs in the United States, the effects of immigration on the U.S. labor market is one of the most important and hotly debated issues surrounding contemporary immigration policy.

The Wages of Immigration is now available for \$12.00.

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Poverty amid Prosperity, Immigration and the Changing Face of Rural California, *J. Edward Taylor, Philip L. Martin, and Michael Fix* (Urban Institute Press, Washington DC). Examines the problems facing California's rural agricultural communities due to unprecedented growth in population, poverty and public service demands primarily a result of immigration. ISBN 0-87766-670-9

Immigration: Public Legislation and Private Bills, *Bernadette Maguire* (University Press of America). A review of over 600 precedent private bill cases and their impact on public policy. ISBN 0-7618-0791-8

Forbidden Workers: Illegal Chinese Immigrants and American Labor, *Peter Kwong* (New Press, New York). A look at why Chinese immigrants are coming to the U.S. and the labor abuses they face once here. ISBN 1-56584-355-X

Illegal Aliens: Extent of Welfare Benefits Received on Behalf of U.S. Citizen Children, *United States General Accounting Office*. Examines to what extent and in what locations selected federal means-tested benefits are being provided to illegal aliens for the use of their U.S. citizen children. GAO/HEHS-98-30

Skills Transfers: International Migration and Accreditation Issues, *Robert R. Iredale* (University of Wollongong Press, Australia). Based on a comparative study of the skilled migration selection policies of Australia, Britain, Canada, New Zealand and the United States. ISBN 0-86418-454-9

Migration Past, Migration Future: Germany and United States, *edited by Klaus J. Bade and Myron Weiner*. ISBN 1-57181-125-7 and **Migrants, Refugees, and Foreign Policy: U.S. and German Policies Toward Countries of Origin**, *edited by Rainer Munz and Myron Weiner*. ISBN 1-57181-087-0. (Berghahn Books, Providence) The first two volumes of a series on migration and refugees.



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