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Immigration and the Economy



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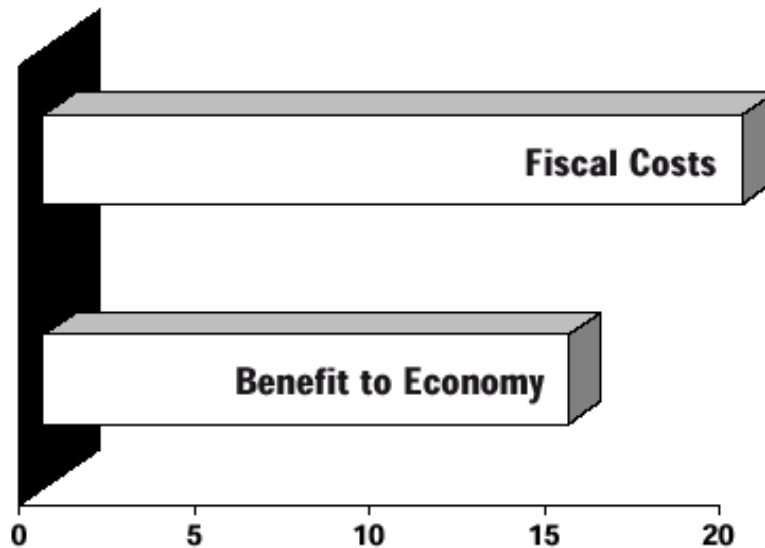
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Current levels of immigration are not beneficial to our country's economy, its fiscal well-being, or the health of our labor market. In fact, immigration is a drain on the economy; the net annual cost of immigration has been estimated at between \$67 and \$87 billion a year.¹ The National Academy of Sciences found that the net fiscal drain on American taxpayers is between \$166 and \$226 a year per native household. Even studies claiming some modest overall gain for the economy from immigration (\$1 to \$10 billion a year) have found that it is outweighed by the fiscal cost (\$15 to \$20 billion a year) to native taxpayers.² In short, the average native taxpayer is paying for immigration so that large companies can profit by employing immigrants in low-wage positions.

Billions of Dollars a Year



Source: *The New Americans*, National Academy of Sciences, 1997.

That immigration does not help the economy should come as no surprise, since, in a sense, we are importing poverty. One out of every five poor people is an immigrant.³ Furthermore, the earning power of these poor immigrants is deteriorating and is likely to remain low throughout their working lives, according to the RAND Insitute.⁴

While businesses like to enjoy the low-wage labor supplied by high immigration, it comes at a price. Part of that price is lost productivity. Business and social transaction costs rise, as time, effort, and money are spent overcoming language and cultural barriers.⁵ “Poor English skills among foreign-born residents cost more than \$75 billion a year in lost productivity, wages, tax revenue and unemployment compensation,” says Ohio University economist Lowell Gallaway.⁶

Another price that society pays for immigration is the widening gap between rich and poor, an effect noted by the U.S. Council of Economic Advisors.⁷ The effect of immigration on low-skilled Americans is profound: “Undoubtedly, access to lower-wage foreign workers has a depressing effect [on wages].”⁸ Government research suggests that 50 percent of wage-loss among low-skilled Americans is due to the immigration of low-skilled workers.⁹ In 1996, analysis of all the metropolitan areas with over a million residents found that the higher the immigrant population in the city, the smaller the size of the middle class.¹⁰

The jobs immigration does create are often for other immigrants and at the expense of Americans. “Once in place, ethnic hiring networks are self-reproducing since each new employee recruits others from his or her own group.”¹¹ A GAO study found that a decade of heavy immigration to Los Angeles had changed the janitorial industry from a mostly unionized native black workforce to one of non-unionized immigrants.¹²

According to the Census, the employment of black Americans as hotel workers in California dropped 30 percent in the 1980s, while the number of immigrants with such jobs rose 166 percent. “Indeed, many of the positive aspects of entrepreneurship have a negative dimension that is not often acknowledged. The ethnic solidarity hypothesized to be conducive to immigrant business can be seen in another light, as exclusionary and clannish, impeding access to business and employment opportunities for the native-born. The informal business transactions in immigrant communities that are normally regulated by gossip and ostracism can sometimes be enforced in ways that are distinctly illegal.”¹³

As immigrants come to occupy a niche, we grow dependent on continued immigration. Wayne Cornelius, a political scientist at UC San Diego, found [in a three-year study] that unskilled immigrant labor is increasingly structurally embedded in the economy, especially in California, “where immigrants have largely replaced U.S.-born workers in many occupations, from electronics assembler to gardener to domestic worker.”¹⁴ “Network recruitment [of immigrants] not only excludes American workers from certain jobs; it also builds a dependency relationship between U.S. employers and Mexican sources that requires a constant infusion of new workers.”¹⁵ “As foreign students increasingly dominate these demanding fields, fewer and fewer Americans will enter them. Thus not only are Americans being displaced from these jobs now, but the candidates for these jobs in the future will increasingly be non-Americans. If this continues long enough, we will end up with ever-fewer American-born scientists, engineers, computer scientists, programmers, and mathematicians; perhaps none at all.”¹⁶

1. This is the **net** cost, i.e., the cost after the immigrants’ contribution in taxes is included in the calculation. *The Net Costs of Immigration*, Donald Huddle, Rice Univ., Carrying capacity Network, Washington DC, Oct. 1996.
2. *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration*, National Research Council/ National Academy of Sciences, May 1997.
3. CIS, *Importing Poverty*, 1999.
4. *Immigration in a Changing Economy*, McCarthy & Vernez, RAND, Washington DC, Sept. 1997.
5. In 1990, 14 million U.S. residents told the Census Bureau that they had limited or no English proficiency.
6. “Can’t Anyone Here Speak English?” *USA Today*, February 28, 1997.
7. “Several factors have contributed to widening inequality. ... Immigration has increased the relative supply of less educated labor and appears to have contributed to the increasing inequality of income[.]” *Council of Economic Advisors, Annual Report to the President*, February 1994, GPO, Washington DC.

8. U.S. Labor Secretary Robert Reich, November 1995.
9. *Skill Differences and the Effect of Immigrants on the Wages of Natives*, Working Paper 273, Bureau of Labor Statistics, December 1995, David Jaeger.
10. "There is a clear correlation between the pattern of high-level immigrant settlement and reduced mid-income strata in large MSAs. Among the ten MSAs with the broadest mid-income share, all had a lower density of immigrants than the national average. The average foreign-born share for the ten was 3.9 percent, well under the national level of 7.9 percent average in the 1990 Census. Among the ten MSAs with the narrowest share of mid-income-earning households, all except New Orleans had immigrant settlement rates above the national average. The average immigrant share for these ten MSAs was nearly twenty-one percent (20.8 percent) of their populations, well over double the national average." *What is the Relationship Between Income Inequality and Immigration?* (Summary Findings) John Martin, FAIR, Washington DC, October 1996.
11. "The Making of an Immigrant Niche" Roger Waldinger, University of California, *International Migration Review* Volume XXVIII, No. 1
12. GAO March 1998, *Influence of Illegal Workers on Wages and Working Conditions of Legal Workers*, GAO/PEMD-86-13BR.
13. "Immigrant Entrepreneurs", Demetrious Papademetriou, *Research Perspectives on Migration*, Volume 1 No. 2, Feb. 1997, Carnegie Endowment for International Peace, Washington DC.
14. "Jobs Exist for Immigrants, Study Finds," Patrick McDonnell, *Los Angeles Times*, May 4, 1998.
15. "Network Recruitment and Labor Displacement," *Immigration 2000*, Philip Martin, 1992.
16. "Immigration, Evasion, and Decadence", John Attarian, *The Social Critic*, Vol. 1 No.2, 1996.

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Federation for American Immigration Reform
1666 Connecticut Avenue, NW, Suite 400
Washington, DC 20009
Tel: (202) 328-7004 Fax: (202) 387-3447