

‘Occupation Collapse’ and Poverty Wages: Consequences of Large Guestworker Programs

**Testimony before the Subcommittee on Immigration, Border Security and Claims
of the Committee on the Judiciary, House of Representatives**

**by Roy Beck, executive director
NumbersUSA Education & Research Foundation**

March 24, 2004

Perhaps the first and most important question to ask about any proposed large-scale foreign guestworker program is what will be its effect on the nearly 15 million American workers who would like a full-time job but cannot find one.¹

Just how much of a worker shortage can there be when so many Americans cannot find a full-time job?

And the available pool of American workers is actually much larger than that 15 million figure which includes people who are actively looking or just recently gave up reporting to the unemployment office. Millions of other Americans who once were part of the workforce and who once were interested in remaining in it have dropped out of the labor force entirely.

As is often the case, the worst damage can be seen among African-American men. *The Washington Post* recently reported the astounding statistic that 40 percent of black men throughout America do not have a job.² In New York City where the importation of foreign workers is at one of the highest rates in the nation, 50 percent of black men are no longer employed.³

The competition from the expanded guestworker force would be fiercest with the lower-skilled and lower-educated jobless American workers. But let it be noted that most of the expanded guestworker proposals now before Congress would open every American occupation up and down the economic ladder to competition from the global labor force.

Americans too qualified to do “essential” jobs?

One of the arguments for importing more foreign workers even with such high numbers of Americans out of the job market is that the labor shortages are in very low-skilled and low-paid occupations and that most of the jobless Americans are simply overqualified for those jobs.

But Alan Greenspan last month said America has an oversupply of low-skilled, low-educated workers.⁴ In fact the Bureau of Labor Statistics reports that the rolls of millions of unemployed Americans include a disproportionate number of workers who do not have a high school

diploma.⁵ Official unemployment rates for Americans without a diploma are nearly twice as high as for other Americans.

In other words, this country is awash in lower-educated American workers and no jobs. Yet, the primary purpose of these expanded guestworker proposals is to import low-educated, low-skilled foreign workers for jobs that require no more than low education and low skills.

Now, those jobs are not unimportant. These are jobs essential to Americans' every day life. A group of businesses and others fighting for more foreign workers calls itself the "Essential Workers Coalition." These ARE essential jobs. And it makes no sense to move our own essential American workers to the sideline while giving the jobs to foreign workers.

While we may lament that so many American workers are poorly educated, it hardly seems fitting for Congress to punish those workers by giving away their jobs.

Who would be most hurt by expanded guestworker programs for "essential" jobs? We got a stark view late last month from a new report by the Urban Institute and the Civil Rights Project at Harvard University. Entitled "Losing Our Future: How Minority Youth Are Being Left Behind by the Graduation Rate Crisis," the study concludes that barely half of the black, Hispanic and Native American youth who enter high school in this country earn a diploma.⁶ The rates for the three groups are nearly identical.

That report lets us know of the colossal failure throughout our society in engaging and properly educating these youth. Much needs to be done. Much has been attempted. But while the education establishment tries to figure out how to deal with these incredible drop-out rates, millions of young adults who did drop out of high school in the past need an opportunity to earn a living. Unfortunately, jobs for which a high-school drop-out are suited are being earmarked by leaders of both political parties for foreign guestworkers eager to underbid the price of labor.

Adding further to the incongruity of all this talk about the need for lower-educated guestworkers is the President's State of the Union call for assuring better job possibilities for inmates as they finish their prison sentences. The President said that some 600,000 inmates a year leave prison desperately needing a job to start a new kind of life. Most of them are qualified for the same kinds of "essential" jobs that all these pieces of guestworker legislation are designed to fill with foreign laborers.

But will Americans do jobs that are this hard and pay this little?

For 13 years as an author on these issues, I have done scores of radio shows and have consistently been told by callers identifying themselves as business owners that these jobless, lower-educated American workers are too lazy, too soft and too demanding to take these "essential" jobs. On NPR the other morning, I even heard a business owner say that his jobs were just too hard for Americans to do and paid too little.

Of course, we all know that is the secret ingredient in why we have so many Americans unemployed and yet so much talk of job shortages. As long as the federal government allows the importation and the illegal migration of almost two million foreign workers a year from countries that pay less than a tenth of our wages, "essential" jobs that don't require much education will be priced at levels at which American workers cannot live in an American lifestyle and will be offered with benefits and working conditions also unacceptable to Americans.

Greatly expanding our present guestworker programs will ensure that those “essential” jobs never pay an American wage or offer American working conditions. That’s the way the free market operates.

Alan Greenspan in his speech to the Greater Omaha Chamber of Commerce last month decried the inability of our lower-educated American workers to earn a dignified income. His solution was for great new investments to further educate them for better jobs. Members of this Congress responded in the news media by wondering where all that money was coming from. But a better question is this: If we supposedly have large numbers of “essential” jobs desperately needing workers to fill them and not requiring high education, why don’t we fill those jobs with our own lower-educated workers?

And if these jobs are so “essential” and so tough to do, shouldn’t the market be forced to raise wages to a level that can attract American workers to fill them? Why shouldn’t workers doing jobs that are “essential” to our economy and to our comfort be paid wages that allow them to raise their families in dignity? One answer is that many in this government do not want “essential” workers to earn middle-class wages. They are addicted to an economy that depends on poorly paid workers who must be subsidized by taxpayers.

For 40 years, this government has systematically gutted lower-middle-class occupations of their dignity, of their decent wages, of their safe working conditions and of their American benefits by flooding those occupations with foreign workers. We don’t have to wonder what expanded guestworker programs would do to American workers; we have a lot of recent history to show us quite explicitly.

Expanded foreign guestworkers programs would just add to the already long list of “Occupation Collapses” created by 40 years of radically increased mass immigration, illegal migration and guestworker programs.

“Occupation Collapse” has long U.S. history tied to high immigration

“Occupation Collapse” has been one of the gravest blows and continuing threats to America’s working class households over the last couple of decades.

By “Occupation Collapse,” I mean the process of wages plummeting, benefits disappearing and working conditions deteriorating in whole occupations.

The evidence of recent history and of 150 years of U.S. economic history suggests that the initiation of a large-scale foreign guestworker program would expand Occupation Collapse into as yet untouched localities and occupations – both unskilled and skilled – in our country.

Many of the pressing social problems Congress is tackling recently are directly related to the collapse of whole occupations from middle-class and lower-middle-class incomes, benefits and working conditions into near-poverty and below-poverty wages.

Look at some of the issues the federal government is trying to resolve for large numbers of Americans: lack of health insurance, inadequate health care, over-crowded and substandard housing, poor education, neighborhoods torn by crime, overloaded jails and prisons. In every one of those problems, you will find a disproportionate population of households who are connected to collapsed occupations. These Americans simply can’t earn enough money to afford the goods and services that make for a life of dignity.

Why have these occupations collapsed? There have been many reasons. In some cases, the

collapse has happened only regionally; in others, nationally. But one of the most common ingredients is the large-scale entry of foreign workers into those occupations – through the million legal immigrants a year, through nearly that many illegal aliens settling each year and through a few hundred thousand guest workers each year. These add up to numbers that are six to eight times higher traditional levels in this country.

Americans are not nearly so much in need of more federal programs and assistance as they are in need of higher wages. Current high levels of legal and illegal immigration are a serious barrier to those higher wages. Adopting a program for hundreds of thousands or more guestworkers a year would almost guarantee falling wages, even with stringent safeguards attached.

To imagine what would happen to American jobs and workers under a new, greatly enlarged guestworker program, we can start by looking at what the great increase in foreign workers over the last couple of decades has already done. The primary effect of all forms of adding foreign workers to the domestic labor market has been to distort the way the free market sets the value of labor by legislatively increasing supply.

Examples of Occupational Collapse under the weight of heavy foreign-worker influx

By the 1970s, menial jobs such as janitorial work had become middle-class occupations in many cities. The overwhelming majority of American workers of all kinds were able to live at least modest middle-class lives. That was before the advent of our new governmental ethic that some jobs are just too low-class to deserve decent wages.

Cleaning office buildings was an essential task in this economy, and the economy rewarded many of those who did the task with livable wages and dignified working conditions. But a GAO study found that as federal policies allowed tens of thousands of foreign workers to enter those cities, their presence in the janitorial occupations led to a collapse of wages, benefits and working conditions.⁷

An especially dramatic example can be found in Miami where occupations began to collapse earlier due to earlier mass flows of foreign workers into the job market. Sociologists Guillermo Grenier and Alex Stepick found that before the 1970s, construction workers earned middle-class wages with middle-class benefits and lived middle-class lives. But the influx of foreign workers led to a series of changes that collapsed a large number of the construction jobs into little more than minimum-wage labor with few employee protections that had previously existed.⁸

By now, we can find construction occupational collapse in parts of nearly every state as foreign labor has swelled in local job markets.

Perhaps nowhere is the role of foreign labor importation in collapsing an occupation more vivid than the meatpacking industry. Numerous studies have detailed how jobs in this industry by the 1970s were high-middle-class industrial jobs with great safety protections and benefits that allowed the employees to raise families on one income, take vacations and send children to college (many of whom came back to work in the plants because of the high income).⁹

Today, after 25 years of pouring foreign workers into the occupation, nearly every journalist and politician commenting on these jobs calls them “jobs that Americans won’t do” because the pay is so low that taxpayers have to provide public assistance to many of them, and the accident rate is among the worst in the nation.

And in occupations that always were fairly poorly paid – such as poultry processing, farm

labor, hotel and restaurant work – the influx of large numbers of foreign workers has generally driven real wages downward even further.

One does not have to focus entirely on lower-skilled jobs to find Occupational Collapse. Under the combination of the dot.com bubble burst, overseas outsourcing and the presence of hundreds of thousands of foreign workers, the information-technology occupation is indeed in the middle of a collapse. Besides having an extraordinarily high unemployment rate, America's information-technology workers have seen their wages plummet, with large portions now working at two-thirds, one-half and even one-third their incomes a few years ago. Although their wages surely would have fallen some even without the various existing foreign guestworker programs, adding around a million foreign workers over the last four years severely worsened the supply-demand ratio in the occupation.

Historical precedence for foreign workers collapsing wages

In his presidential address to the American Economic Association in 1955, Simon Kuznets laid out a theory about rising and falling income inequality in capitalist societies. Many economists since then have sought to quantify the factors that, in different countries and different decades, have depressed earnings for the lower working class while increasing the wealth of the affluent and skilled.

One renowned economist who has spent a career exploring these issues is Jeffrey Williamson of Harvard. Delivering the Kuznets Memorial Lecture at Harvard, Prof. Williamson showed how economic inequality in America was greatest from 1820 to 1860 and from the 1890s until World War I. Those periods coincided with the two greatest waves of immigration prior to the present unprecedented wave.

According to Williamson, the occurrence of high immigration and high levels of economic inequality at the same time was not happenstance: immigration fosters income inequality. Despite having democratic institutions, abundant land, and a reputation as a workingman's country, America during those periods of nineteenth-century immigration surges was a land of jarring inequality.

The economist Peter H. Lindert has noted in his writing that American inequality has lessened when immigration was curtailed. When World War I abruptly cut off most immigration to the United States, the huge gap between rich and poor closed incredibly fast: "Within three years' time, pay gaps dropped from historic heights to their lowest level since before the Civil War."¹⁰ But just as quickly, inequality grew as soon as mass immigration resumed after World War I, so that later in the 1920s, "income looked as unequal as ever," Lindert said.

Once Congress curtailed immigration in 1924, the middle class grew again and inequities receded to historic low levels by the early 1950s. America finally had become a paradise for the common workingman and woman.

Lindert found it peculiar that America would have such a robust march toward middle-class equality during a period that included widely varying external events, such as the nation's deepest depression, a sudden wartime recovery and moderate postwar growth: "This timing suggests that the explanation of this drop in inequality must go beyond any simple models that try to relate inequality to either the upswing or the downswing of the business cycle."¹¹

In the egalitarianism of the era after the 1924 curtailment of mass immigration, the economic bottom of society gained on the middle, and the middle gained on the top. The closing of the gap in wages had as much of an effect in enlarging the middle class as did all the transfer taxes

and programs of President Franklin D. Roosevelt's governmental activism combined, according to Lindert and Williamson.

Several factors caused the fluctuations in inequality during U.S. history. But the "central role" has been played by the change in labor supply, claims Lindert. The rise of powerful unions during that period also played an important role in moving larger and larger numbers of laborers into the middle class. But Lindert concluded that the unions were able to gain their power because low immigration and low population growth kept the size of the labor force smaller while the demand for labor remained high. Not surprisingly, unions have withered in workforce participation during the wave of mass immigration since 1965.

Contrary to superficial thinking, a tightened labor pool that forces employers to pay more for scarce labor does not necessarily hurt business nor the economy. It can be a great stimulator of a country's creativity. The economist Harry T. Oshima has helpfully described the "virtuous circle" that occurs in an economy that is far different from our own very loose labor market with surpluses of workers.¹² He has particularly studied the mid-1910s and the mid-1920s when immigration was seriously restricted. He notes that during that time, employers were forced to raise wages. That induced the employers to press for major advances in mechanization. The resulting new technological applications of gasoline and electric machines made it possible to mechanize enough unskilled operations and hand work to release many workers into more skilled jobs. Growth in output per worker hour was phenomenal. That made it possible to raise wages still further. Because of the increasing demand for skilled workers, American parents realized they would need to spend more money to help each child gain a better education. This contributed to lower birth rates, and thus to slower labor-force growth, and thus to tighter labor markets, and thus to higher wages, which pushed manufacturers to push the skill levels of their workers up even further. In this cycle of productivity and wage gains – each feeding on the other – the United States became a middle-class nation!

What we have had for three decades in this nation is the opposite of that economic "virtuous circle;" we have had the "vicious cycle." The availability of larger and larger numbers of foreign workers has led employers to substitute labor for capital development and innovation. A key example is the atrophy in our agricultural industry which relies on incredibly low-wage labor instead of continuing its once global leadership in innovation and technology.

And, of course, the rising incomes of American workers during a "virtuous circle" economy drives consumer purchasing and business success.

Fundamentally changing the economic and social structure of our society

At stake is whether the United States manages to remain a middle-class culture or becomes what I would call a "servant culture" more on the line of Europe or even third world nations – a path we are currently traversing.

Europe is a continent that long has had a servant class. When it began to find it difficult to keep its nationals in those poorly paid servile roles, it imported foreign workers to "do the dirty work."

In the United States, however, we long have been a culture in which most people live middle-class lives. People may have servants but they are expected to pay them wages that allow for at least lower middle-class conditions. If there was dirty work to do that the genteel didn't care to do, the folks who did the dirty work tended to get paid a decent wage for their trouble. Witness the meatpacking industry jobs in all their disgusting sights, sounds, smells and squishiness before our immigration policy collapsed the occupation. The people who did that work got some of the best semi-skilled manufacturing wages in the country.

But most of these expanded guestworker proposals would guarantee that whole occupations would be considered “foreigner work,” always paid below American standards with below American benefits and below American working conditions. Those Americans whose wages are not pulled below middle-class by the presence of the guestworkers would be able to revel in status found in so many countries in the world of having their own peasant class.

These massive guestworker programs are about assigning a certain portion of our economy to a new foreign peasant class. And inadvertently, they are about creating a much larger permanent underclass of American natives largely dependent upon taxpayers and ever-increasing government programs.

Notes

¹ David Streitfeld, “Jobless Counts Skip Millions,” *Los Angeles Times*, 29 December 2003, A1.

² David Finkel, “The Hard Road to A Paycheck,” *Washington Post*, 4 November 2003, A01.

³ Michael Powell, “In New York City, Fewer Find They Can Make It,” *Washington Post*, 14 March 2004, A01.

⁴ Nell Henderson, “Greenspan Calls for Better-Educated Workforce,” *Washington Post*, 21 February 2004, E01.

⁵ *Ibid.*

⁶ Linda Perlstein, “Report Disputes U.S. High School Graduation Rates,” *Washington Post*, 26 February 2004, A03.

⁷ Government Accounting Office, *Illegal Aliens: Influence of Illegal Workers on Wages and Working Conditions of Legal Workers* (Washington, D.C.: U.S. Government Accounting Office, March 1988).

⁸ Alex Stepick and Guillermo Grenier, “Brothers in Wood,” in *Newcomers in the Workplace: Immigrants and the Restructuring of the U.S. Economy*, Louise Lamphere, Alex Stepick, and Guillermo Grenier, eds. (Philadelphia: Temple University Press, 1994), pp. 148-9, 161.

⁹ Roy Beck, “Jobs Americans Will Do” in *The Case Against Immigration* (New York/London: W. W. Norton & Co., 1996) 100-135.

¹⁰ Peter H. Lindert, *Fertility and Scarcity in America* (Princeton, N.J.: Princeton University Press, 1977), p. 233.

¹¹ *Ibid.*, p. 234.

¹² Harry To. Oshima, “The Growth of U.S. Factor Productivity: The Significance of New Technologies in the Early Decades of the Twentieth Century,” *Journal of Economic History*, vol. 44 (March 1984).