

"Depression Breadline" sculpture, FDR Memorial, Washington, DC



Immigration:

Fueling U.S. Income Inequality

A REPORT BY JACK MARTIN, DIRECTOR OF SPECIAL PROJECTS
THE FEDERATION FOR AMERICAN IMMIGRATION REFORM

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APRIL 2013

“An imbalance between rich and poor is the oldest and most fatal ailment of all republics.”

—Plutarch

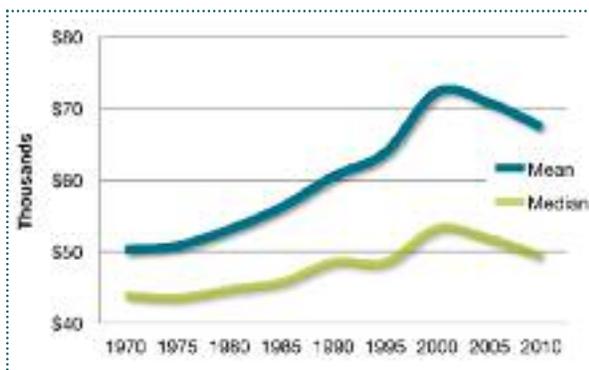
Some groups of workers face a great deal of competition from immigrants. These workers are primarily, but by no means exclusively, at the bottom end of the skill distribution, doing low-wage jobs that require modest levels of education. Such workers make up a significant share of the nation's working poor.

—George Borjas, Immigration Economist
“Immigration and the American Worker,” Center for Immigration Studies
April 2013

Executive Summary

Income inequality in the United States has been rapidly growing over the past four decades. That fact is evident in the growing gap between average (mean) household income and median (mid-point) household income. The gap rose by 22 percentage points between 1970 and 2010, from 14.5 percent to 36.8 percent. The rapidly rising immigrant population — especially illegal immigrants — has contributed to this troubling social trend.

While legal immigration contributes to a shrinking middle class by disproportionately adding both high income and low-income earners, illegal immigration exacerbates income inequality by adding mostly low-wage earners and thereby, depressing wages for those workers. This is especially harmful to minorities — often immigrants themselves — that have larger shares of their populations living in poverty.¹



U.S. Census Bureau data on household income.

Between 2000 and 2010, both median and mean household income fell, yet the gap between the two continued to grow. However, as the illegal alien population stopped growing and ebbed with the recession, the growth in income inequality also ebbed.

A focus on the income change at the state level compared with the change in the immigrant population — both legal and illegal, reveals that income inequality grew faster in states with high numbers of foreign-born residents, especially where there were high shares of illegal aliens. Even though there is some overlap between high immigrant states and high illegal alien states, they are not identical. The states with high shares of illegal aliens also show markedly lower household incomes than the high immigrant states.

Despite the recent leveling off in growth of the illegal alien population, the number of illegal aliens in the country increased significantly between 2000 and 2010 and their distribution among the states changed as more illegal aliens settled in states that previously had few. The findings in this report demonstrate that this shift in distribution of the illegal alien population was accompanied by a corresponding change in the income inequality data.

Efforts to reverse the increasing income inequality should focus on the role of immigration, and illegal immigration in particular, in fuelling this troubling social phenomenon. The amnesty proposal currently being discussed would, if adopted, perpetuate and likely aggravate the harmful trend. Measures designed to encourage the departure of illegal aliens would, on the other hand, reverse their adverse impact on income inequality.

Discussion

This study focuses on the increased income inequality between the 2000 and 2010 Censuses and its relationship to the increase in both legal and illegal immigration over that decade. Earlier findings that identified immigration as a major factor in rising income inequality attributed the cause to a “...growing overrepresentation of immigrants in the bottom [income] categories...”²

Researchers writing for the Federal Reserve Bank of San Francisco in 2007 described immigration as an important cause of growing income inequality:

Economists have pointed to three particularly important drivers of the recent trends in income inequality: offshoring and immigration — both of which are related to globalization trends — and technological advances that favor skilled workers ...³

Other studies that have assessed the effect of immigration on income inequality also have found a correlation between the size of the foreign-born population and the amount of income inequality. That correlation was found when looking at population change in the nation’s largest metropolitan areas between 1980 and 1990 and again between 1990 and 2000.⁴

Recent legal immigration — especially since the IRCA amnesty in 1986 — and illegal immigration have contributed to this growing income inequality because the flow of newcomers is skewed towards some high earners (university graduates, investors, outstanding artists and athletes, etc.), and a large share of low earners (refugees, asylees, lottery visa

winners, family members sponsored by legalized unskilled aliens, etc.). This bifurcated flow tends to increase the extremes of household income at the expense of a shrinking middle class.

The Effect of LEGAL Immigration

Legal immigration admits persons from a broad spectrum of socio-economic backgrounds, most of whom (71.4%) are of working age (between ages 20-64). The nearly one-fourth (23.6%) of the immigrants under age 20 are also prospective entrants into the workforce.

Some are admitted on the basis of a high level of education or work qualifications. In 2011 data compiled by the Department of Homeland Security, one-tenth of newly admitted immigrants were identified as “Management, professional, and related occupations.”⁵

The largest shares of newly admitted immigrants, however, were identified as, “No occupation/not working outside home,” (49.3%) followed by “Unknown” (27.3%). The reason the ‘no occupation’ category is so large is only partly due to the share of accompanying children. It is also due to categories of persons admitted irrespective of education and work qualifications. Refugees (113,045 in 2011) and asylees (55,415) and unskilled workers (10,000 ceiling) are in this category. Persons admitted in the immigrant lottery are only required to have a secondary school education or a couple of years of work experience. Among the sponsors of family members are immigrants who have gained legal status as refugees, by asylum or through amnesty provisions that have admitted immigrants with low skills and low academic achievement. The

family members that they sponsor may be expected to come from similar socio-economic backgrounds.

Thus, the current immigration law tends to increase the ranks of the high earning segment of the population while simultaneously increasing the ranks of the low earning segment. The contribution to the low-earning population is much larger than to the high earners.

The Effect of ILLEGAL Immigration

Illegal immigrants do not generally include many high earners because highly qualified foreigners often have a legal means to immigrate. According to a survey of the beneficiaries of the 1986 amnesty, average hourly wages received at the time of legalization were less than two-thirds (65.1%) of the level earned by the overall workforce. The estimated mean family income was \$18,196 (\$34,927 in 2010) and the estimated median income was \$15,364 (\$29,491 in 2010). As the report noted, "The mean was somewhat larger than the median, reflecting a moderate skewness in the distribution of income."⁶ The skew came from relatively higher earnings from the fifth (21%) of the illegal aliens who said they entered the country with visas and stayed and took jobs illegally.

The lower earnings level of the illegal aliens is due to their low educational attainment as well as their illegal status and their lack of English fluency. The 1989 survey of amnestied illegal aliens found that nearly half (48%) had six or fewer years of education and the median for the legalized population was seven years.

The survey data were not representative of all of the aliens who received amnesty in 1986. The persons interviewed did not include the about two-fifths of amnesty recipients who

gained green cards by claiming to have been working in agricultural jobs. If those additional amnesty beneficiaries had been included, both mean and median family income would have been considerably lower, median years of education would have been lower, and the skew in income would have been lessened because the addition of agricultural workers with low earnings would have further offset the limited numbers of higher earners.

Economists at the Cleveland Fed published a study in September 2012 on rising income inequality in which they focused on the declining share of income associated with labor earnings.⁷ They noted that, "Most of the rise in income inequality since 1980 has been attributed to an increase in the returns to education and in the wage differential between high-skilled and low-skilled labor." They also wrote, "...part of the increase in income inequality was due to the decline in labor's share of income..."

Commenting on this study, David Frum, Newsweek and CNN commentator, wrote, "If you'll look again at the Cleveland Fed [data], you'll notice that the collapse in labor's share of national income coincides with the start of the mass immigration influx after 1970. Since then 40 million people have migrated to the United States, most of them very low-skilled. About one-third that number arrived illegally."⁸ He added, "Immigration advocates insist that this huge surge of cheap labor has nothing to do with the persistent decline in wages that began about the same time. If so, that's one hell of a coincidence. With President Obama proposing accelerated flows of immigration in the future, American workers should ready themselves for more coincidences ahead."

In addition to Frum’s comment about the decline in labor’s share of national income coinciding with the rise in large-scale immigration following the 1965 legislation that began the inexorable increase in the foreign-born population from 9.6 million in 1970 to more than 40 million today, it should also be noted

that the reverse occurred earlier. The study’s authors noted, “Several indicators suggest that inequality was declining up to the late 1970s, but it has since reversed course.”⁹ That earlier period of declining inequality coincided with a declining foreign-born population from a high of 14.2 million in 1930 to 9.6 million in 1970.

Methodology

For the purposes of this study, the word “states” will refer to the fifty states plus the District of Columbia. The growing disparity between average (median) income and mean (midpoint) income is an indicator of growing income inequality. The greater the separation between the two measures, the greater the income inequality.

Mean income staying close to the median does not mean an equal distribution, but it does imply that inequality is not becoming worse. In the United States over the last thirty years, distribution became much worse indeed.¹⁰

In order to look for the relationship between growing income inequality and immigration, we divided the states into two groups: those with a foreign-born population higher than the national average and those with a lower than average foreign-born population. In 2010 there were 15 states that had foreign-born populations higher than the national average of 13 percent.¹¹ Those states accounted for slightly more than half (50.8%) of the total U.S. population, and they accounted for more than three-fourths (76.8%) of the foreign-born population. The average foreign-born share for

those 15 states was 19.7 percent compared to an average share of 6.1 percent for the remaining states.

To look for the effect of illegal immigration on income inequality, we similarly divided the states into two groups: those with higher than the national average per capita illegal alien population and those with lower than the national average.¹² There were 16 states with per capita shares of illegal aliens higher than the national average of 3.9 percent in 2010, and they accounted for more than half (56.5%) of the entire U.S. population. Their average per capita illegal alien population share was 5.4 percent and they accounted for nearly four-fifths (79.8%) of the total estimated illegal alien population. By comparison, the average per capita illegal alien share for the rest of the country was 1.8 percent.

Although there was some overlap between the high foreign-born population states and the high illegal alien population states, they were not identical. Six of the 16 high illegal alien states were not among the 15 high foreign-born states. In each of the groupings of states, there were both higher than average income states and lower than average income states.

Findings

Income Inequality Skew

Between 1970 and 2010, inflation adjusted median household income rose by 12.6 percent while mean income rose by 34.5 percent. As a result, the 14.5 percent gap between mean and median household income in 1970 grew steadily since then to 36.8 percent in 2010.

The rate of increase in the gap between the two measures lessened significantly after 2000 as the increase in the illegal alien population tapered off and then declined.

	Adjusted Household Income		
	Median	Mean	Gap
1970	\$43,765	\$50,113	14.5%
1975	\$43,479	\$50,770	16.8%
1980	\$44,616	\$53,062	18.9%
1985	\$45,638	\$56,166	23.1%
1990	\$48,422	\$60,486	24.9%
1995	\$48,407	\$63,837	31.9%
2000	\$53,163	\$72,338	36.1%
2005	\$51,738	\$70,744	36.7%
2010	\$49,276	\$67,391	36.8%

It is this pattern of a rapidly increasing gap between median and mean household income — paralleled by the rapidly increasing illegal alien and foreign-born populations — that indicates the connection between the two trends. Similarly, the slowing of the growth of the gap between the two measures — as the rapid increase in the illegal alien population also slowed and reversed — indicates the role of illegal immigration in contributing to the increased income inequality. The continued growth in the foreign-born population despite the leveling off and decline in illegal immigration points to the fact that it is not illegal immigration alone that contributes to increased income inequality.

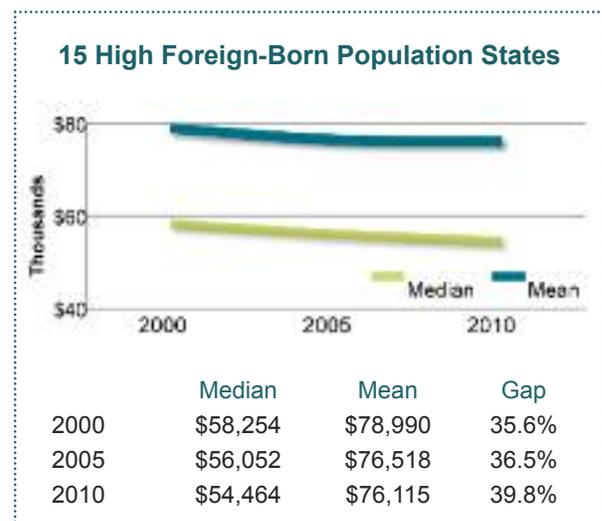
Foreign-born Population

Between 1970 and 2010, the number of foreign born residents in the United States grew by more than 30 million — from 9.7 million to nearly 40 million. The rate of increase in the foreign-born population sharply increased between 1970 and 2000 and then tapered off slightly. Using the Census Bureau's American Community Survey estimate for 2005, the annual increase in the foreign-born population from 2000 to 2005 was about 873,000 and between 2005 and 2010 was about 904,000.

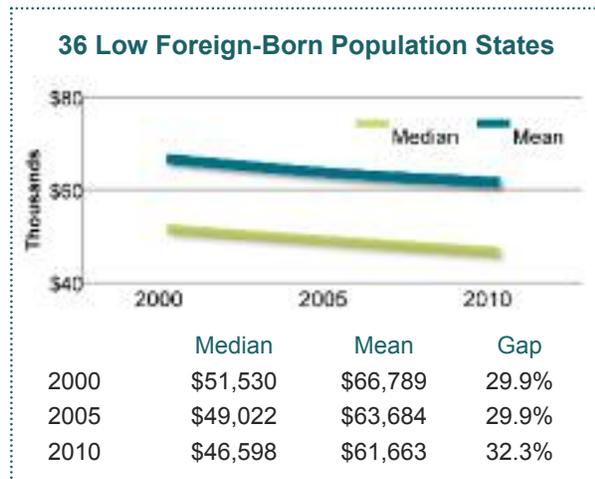
	Foreign-Born	Change
1970	9,739,723	
1980	14,079,905	4,340,182
1990	19,767,316	5,687,411
2000	31,107,889	11,340,573
2010	39,955,854	8,847,965

Between 2000 and 2010, the overall U.S. population increased by 9.7 percent and the foreign-born population — which includes, but undercounts the illegal alien population — increased by 28.4 percent.

Among the 15 states that had foreign-born shares higher than the national average in 2010, the total foreign-born population increased by 23.6 percent over the decade.



For the remaining 36 states, the rate of increase in the foreign-born population was 51.5 percent. The high foreign-born share states were still receiving a majority (66.5%) of the increase in foreign-born residents over the decade, but the difference in rates of growth in the foreign-born population reveals a shift in foreign-born settlement towards states with smaller concentrations of foreign-born residents.



Over the decade, both median and mean income declined for both the 15 high foreign-born share states and the lower foreign-born states. However, the drop was greater for the 36 low foreign-born states than for the 15. This pattern is consistent with the 36 states having a larger rate of increase in the immigrant population than the 15 states. Median income fell further for both groups of states than did mean income. This was the cause in the further growth in the gap that reveals the growing income inequality.

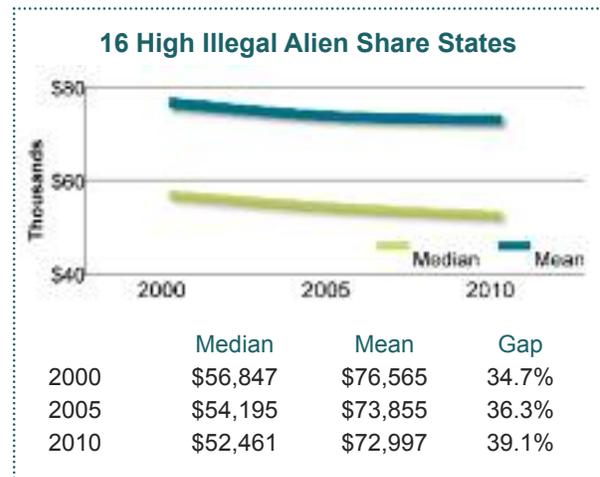
Both median and mean household income was higher in the 15 states that had foreign-born population shares higher than the national average rate. This held true during the decade. There was a greater difference in average (mean) income (18.3% in 2000 rising to 23.4% in 2010) than in median income (13% in 2000 rising to 16.9% in 2010).

Illegal Alien Population

In 2000, the estimated illegal alien population was 2.5 percent of the overall population and 22.5 percent of the foreign-born population. In 2010, the estimated illegal alien population was 3.9 percent of the overall U.S. population and 29 percent of the foreign-born population (keeping in mind that some, but not all, of the estimated illegal alien population is in the Census Bureau’s estimate of the foreign-born population).

In 2010, for the 16 states that had per capita shares of illegal aliens above the national level, the average per capita share was 5.4 percent, and it was 1.8 percent for the remaining states. Despite a decline in the estimated illegal alien population at the end of the last decade as both unemployment and deportations rose, there still were many more illegal aliens in the country in 2010 than in 2000. From the estimate of the Immigration and Naturalization Service of slightly over 7 million in 2000, the illegal alien population was nearly 12 million in 2010, an increase of nearly 70 percent.¹³

In 2000, the 16 high illegal alien states accounted for nearly seven-eighths (85.9%) of the total estimated illegal alien population. In the estimates for 2010, that share had fallen to less than four-fifths (79.8%). The illegal alien



population in the 16 states increased over the decade by 57.7 percent, but it increased at a faster rate in the 35 remaining states (142.7%).

While the high illegal alien states had average median and mean household income higher than the low illegal alien share states, there was no consistent pattern. Both groups had both higher income states and lower income states. For example, in the high illegal alien share states, New Jersey, Maryland and D.C. had mean income above \$90,000 in 2010 while North Carolina's mean income was under \$60,000 and another five had mean income under \$70,000. Similarly, with the low illegal alien share states, Connecticut had mean household income above \$90,000 and another four states had mean income above \$80,000, and there were 12 states with mean income lower than \$60,000.

A more than \$20,000 gap between the median and mean income in 2010 in the high illegal alien states and nearly \$17,000 gap for the other 36 states indicates the magnitude of the income inequality. Mean income was 39.1 percent higher than median income in 2010 for the 16 high illegal alien states and 36.2 percent higher for the remaining states. The gap, or skew, had increased over the decade for both groups of states but more so for high illegal alien states.

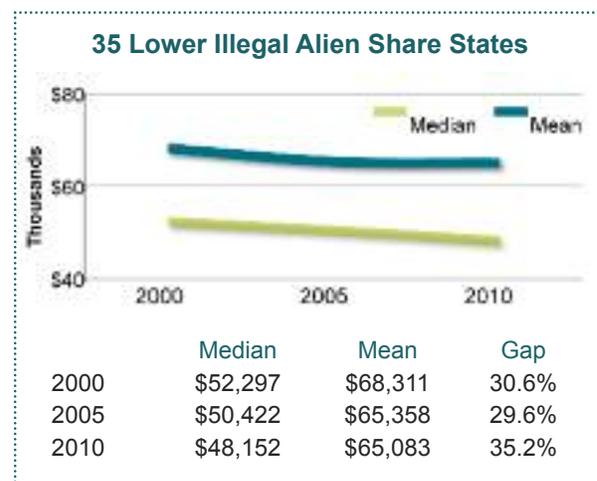
The drop in median income for both groups of states (-7.7% for the 16 and -7.9% for the 35) was greater than the decline in mean income (-4.7% for both). This greater drop in median income caused the continued increase in the gap between the two measures of household income. And it is that increased gap that shows increased income inequality. Although there was only a slightly greater drop in median income for the lower illegal alien share states

than for the 16 states, this is compatible with the faster growing share of the illegal alien population residing in those 35 states resulting in the faster rising inequality in those states.

Overall, for both groups of states, both median and mean household income in constant dollars fell between 2000 and 2010 — although there were 12 states where that was not the case (four among the 16 high illegal alien states).

In 2010 the low illegal alien 35 states had an illegal alien average share of 1.8 percent — more than double the 0.8 percent rate ten years earlier. Their share of the total estimated illegal alien population was more than one-fifth (20.2%). That was up from a share of 14.1 percent in 2000.

That shift in the distribution of the illegal alien population was large enough that it could contribute to a change in income inequality and reflect the correlation between the two phenomena. The effect is demonstrated in the Census data. The corresponding shift in the income inequality data may be seen in the fact that the gap between median and mean income was rising more rapidly in the 35 states than in the 16 states.



The gap between median and mean income in the 16 high illegal alien states increased between 2000 and 2010 by 4.4 percentage points. For the 35 other states, the gap increased by 4.6 percentage points. The gap between median and mean income was increasing for both groups of states but it was increasing faster for the states that had faster increasing populations of illegal aliens.

Characteristics of Both High Foreign-Born and High Illegal Alien States

As noted above, both states with high foreign-born shares and states with high illegal alien shares saw greater increases in the skew between mean and median household income between 2000 and 2010 than states with lower shares.

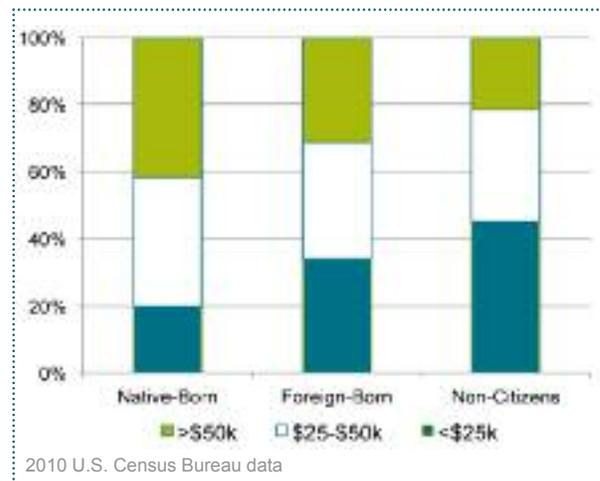
Some of this commonality between the two — even though they are not composed of the same states — is due to the fact that the estimated foreign-born population includes the illegal alien population, at least to the extent that the Census Bureau is able to collect data on this elusive population. However, as shown below, differences between the two population segments may be seen in demographic measures.

Individual Earnings

Census data show the individual earnings level for different population segments. This is different from the household income data noted above, but illustrates the same point.

The largest share of native-born persons (41.6%) earns more than \$50,000 per year, and the smallest share (19.8%) earn less than \$25,000 annually. Those shares change markedly when looking at the foreign-born population or, even more so, looking at the subset of the foreign-born population that

excludes immigrants who have become U.S. citizens. This latter population segment reverses the distribution pattern found among the native-born workers. Those earning more than \$50,000 annually are 21.7 percent, and the share earning less than \$25,000 is 45.4 percent.



The Census Bureau does not try to distinguish between legal and illegal foreign-born residents, but some of the foreign-born who are not U.S. citizen are recent legal immigrants and long-term nonimmigrant residents who have been admitted because of sponsorship by an employer and are high earners. Therefore, if they could be separated out of the income data for this category of worker, the share with low earnings would increase and the share of higher earners would shrink.

This earnings profile for the illegal alien population is indicated in a study by the Pew Hispanic Center in which it noted that there are more workers per illegal immigrant household — 1.75 workers on average — than in U.S.-citizen households.¹⁴ That average number of workers per household translates into average earnings per worker of about \$20,795 — solidly in the low income earning category.

The Pew researchers noted that, “Unauthorized immigrants also have lower median

household incomes than do other immigrants. They do not make notable gains, as other immigrants do, the longer they have been in the United States. As a group, their median income barely rises even after they have been in the United States for more than a decade; the median income of legal immigrant households, by contrast, rises by nearly a third.”¹⁵

Educational Attainment

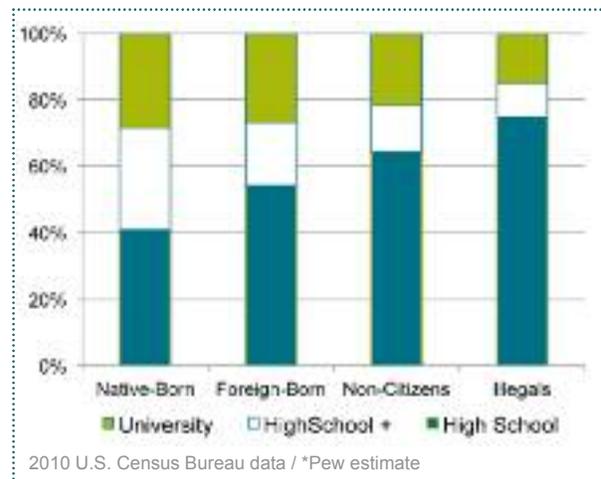
The level of post-secondary and university degree attainment is markedly different for the native-born population and the foreign-born population. It is even more so with regard to the non-naturalized foreign-born population. The latter population category includes:

- recent legal immigrants who do not have the minimum of five years of residency needed to apply for U.S. citizenship,
- some immigrants who are disinterested or deterred from applying for U.S. citizenship,
- long-term nonimmigrant residents (e.g. high-tech guestworkers), and
- illegal alien residents.

While the Census Bureau estimates do not distinguish between legal and illegal foreign residents, the Pew Hispanic Center does make that distinction in its estimates. In the chart below are displayed the Census Bureau estimates in 2010 of the shares of three population categories in terms of educational attainment. Also included is a similar estimate by Pew for the illegal alien population.

As may be readily observed, while the foreign-born population has a similar share of university graduates as the native-born population, the share of persons with at most a

secondary school education is much larger (54.2% vs. 40.7%). When the foreign-born population is winnowed to remove those who have become naturalized U.S. citizens, the share of university graduates decreases and the low-attainment population becomes much larger (64.1%). Finally, the Pew estimate indicates that when the recent legal immigrants and long-term nonimmigrants are removed from the non-U.S. citizen group, the share that has at most a secondary school education further expands to nearly three-fourths (74%).



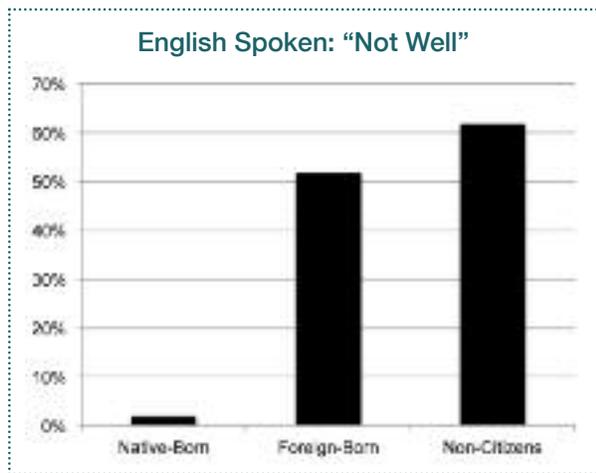
The implications for income inequality are clear from this educational attainment data. A low education level implies low paying employment. Persons with some post-secondary education are more likely to attain middle class income levels, and most high-income earners will have a university education. Unlike the native-born population, which shows a balance among the three educational levels, a much greater skew in favor of low educational attainment may be seen among the non-U.S. citizen foreign-born, especially those here illegally.

While low educational attainment is not an immutable condition — people can always continue their academic studies it is obviously more difficult to do so, and thus unlikely, for adults who have already entered the workforce.

English Competency

One of the additional factors that influences earning potential and limits the earnings potential of the foreign-born population is limited communication skills in English. Data collected by the U.S. Census Bureau and issued as estimates with the results of the 2010 Census demonstrate this issue.

Among the native-born population, less than two percent of respondents admitted to speaking English less than “very well.” Among the foreign-born population, that share stood at more than half (51.6%). When the foreign-born population was narrowed to exclude those who had become naturalized U.S. citizens, the share not speaking English “very well” jumped further to more than three-fifths (61.6%).



As noted earlier, the non-U.S. citizen foreign-born population includes many new legal

immigrants and long-term nonimmigrants in temporary work status. Those legal foreign-born residents may be assumed to have a much larger share of competent English speakers than is the case for illegal residents. Thus, it is reasonable to assume that the share of illegal aliens who do not speak English well is still much higher than the about three-fifths level. That assumption is consistent with the results of the survey among beneficiaries of the 1986 amnesty. In that survey, 15 percent of the amnesty beneficiaries reported speaking English well.¹⁶ And, as noted previously, if the legalized agricultural workers in that amnesty had been included in the survey, the results would presumably have recorded an even lower share who considered themselves competent English speakers.

The lack of English competency is also not immutable, and people gain greater competency in a foreign language the longer they are immersed in a situation in which they are expected to use it. Nevertheless, the 1989 survey of amnestied illegal aliens found that most, “...had lived in the United States for over 10 years.” This survey data suggest that it is unreasonable to expect the earnings limitation associated with poor English competency to be eliminated by an amnesty.

Policy Implications

The findings of this study that the foreign-born population in general and the illegal alien population in particular are contributing to increased income inequality and a shrinking middle class in the United States are consistent with our earlier studies that examined income distribution in all metropolitan areas

with over a million residents and found that the larger the immigrant population in the metro area, the smaller the size of the middle class.

These findings clearly point to the major role of illegal immigration in increasing income inequality and indicate that diminishing the ille-

gal alien population would be a major contribution towards combating the trend of increasing income inequality. Because the characteristics of the illegal alien population that contribute to their low earnings profile would persist even if they gained legal status, the conferral of legal status through an amnesty would not lessen their effect on growing income inequality. A study of amnestied 1986 aliens found that they did not gain in income relative to natives after gaining legal status. Rather, it would increase their role in creating a greater skew between mean and median income if the amnesty program led to their sponsorship of additional immigrants who reflected similar socio-economic characteristics and if their gaining legal status led to an increase in new illegal immigration as happened after the adoption of the amnesty in 1986.

The fact that immigration, and especially illegal immigration, is contributing to the growing income inequality in the United States indicates that reducing immigration, and especially illegal immigration, would be a viable and logical means of combating the trend of increasing inequality and the shrinking middle class. The related fact that giving the illegal alien population legal residence through an amnesty would not reverse the effect of their presence on the income skew — and probably would aggravate it — is both a reason not to adopt another amnesty and to instead work to diminish that population.

Reducing illegal immigration is an issue on which there is widespread agreement. There is also widespread agreement that a major objective in combating illegal immigration must focus on denying job opportunities to aliens. That objective can be furthered by building on the steps taken in 1986 — making it a violation

of the law for an employer to hire an alien without work authorization — and advanced in 1996 — establishing a system for work document verification — and making employer verification of work documents a national requirement. This immigration reform proposal is generally accepted as needed to close the loophole caused by the use of fake and stolen identification often used at present by illegal aliens to take U.S. jobs.

That reform by itself, however, would still leave untouched the growing problem of identity theft in which illegal aliens use the documents of a U.S. citizen to foil the document verification system. An accompanying reform to deal with this problem would be to make evidence of identity theft that is apparent in records of the Social Security Administration available to the law enforcement agencies of Homeland Security and the IRS. Identity theft and false claims of U.S. citizenship must be assigned a high priority for deportation of the lawbreakers if this growing practice is to be effectively combatted.

Restructuring and reducing legal immigration would also contribute to lessening the nation's trend in income inequality. A blueprint for doing so was laid down by the U.S. Commission on Immigration Reform, known as the Jordan Commission after its Chair, former Congresswoman Barbara Jordan. The Commission recommended eliminating immigrant visa entitlement for non-nuclear family members, e.g. adult siblings of earlier immigrants. The Jordan Commission also recommended eliminating both the visa lottery and a category for unskilled immigrants — both of which admit mostly low-wage job seekers. If these recommendations had been enacted, they would have decreased the effect of immigration in fueling income inequality.

The adoption of the Jordan Commission reforms to the legal immigrant visa structure would redirect the flow of new immigrants largely into the U.S. middle class. Unchanged would be admission categories that admit immigrants with outstanding qualifications that assure them top-level earnings in the U.S. workplace. Those high earners today represent a small share of the immigrant flow and that would continue in the reformed immigration system recommended by the Jordan Commission.

It is unnecessary and irresponsible to continue to allow both immigration in general and illegal immigration in particular to continue to exacerbate the growing division in the nation's socio-economic structure that is apparent in the widening gap between median and mean income. With policymakers currently focused on immigration policy reform, it is important that they include in the scope of their deliberations the negative impact of today's legal and illegal immigration on our society and how policy changes would ameliorate those impacts.

Conclusion

The trend in increasing income inequality — with a resulting shrinking of the middle class — is an issue of concern for a society that has long prided itself on a robust middle class. The identification of the role of immigration in contributing to increased income inequality is important because immigration is a discretionary policy.

Our system of legal immigration unnecessarily admits a disproportionate share of poorly skilled and educated entrants to our job market. And our failure to prevent illegal immigration fuels the ranks of low-wage workers. Both of these flaws of immigration policy can be redressed through immigration policy reform.

The idea of reforming legal immigration to diminish the number and share of low-end workers is not new. That was a central tenet of the reform recommendations of the U.S. Commission on Immigration Reform — the Jordan Commission — which presented its menu of reforms in the mid 1990s after extensive hearings and studies. Those recommendations have been written into immigration reform proposals in Congress, but never brought to a vote.

There is ostensible agreement on both sides of the aisle in Congress on the need to deter illegal immigration. Agreement on legislation to do so has broken down, however, on the issue of what to do about the estimated nearly 12 million illegal aliens already in the country.

Those who advocate amnesty (euphemistically referred to as ‘earned legalization’ or a ‘pathway to citizenship’) argue that it is an issue of fairness to persons who have been working in low-end jobs that are not wanted by American workers and are necessary in our economy. If those amnesty advocates recognized not only that illegal immigration is spurring rising income inequality and that legal status will not ameliorate that trend, and likely would aggravate it, they might pause to reflect on their agenda.

Low-wage Americans stand to benefit if the supply of low-wage workers is diminished, and that will not happen if today’s illegal alien workers are accommodated with permanent legal residence.

Endnotes

1. Census Bureau estimates for 2011 put the poverty rate for Blacks at 28.1 percent and for Latinos at 25.8 percent. Non-U.S. citizen foreign-born families with children had a poverty rate of 34 percent compared to 19 percent for native-born families.
2. Reed, Deborah et al., "California's Rising Income Inequality: Causes and Concerns," Public Policy Institute of California, February 1999. About this study, PPIC says, "The study finds that immigration and rising returns to skill account for more of the widening gap than any of the other possibilities considered."
3. Regev, Tali and Daniel Wilson, "Changes in Income Inequality across the U.S." FRBSF Economic Letter, September 21, 2007. This study found, "...that the 1989 noncitizen share has a positive association with bottom-half inequality changes over the subsequent decade; the association for upper half inequality is not statistically significant. These results are consistent with the immigration hypothesis, which predicts that the income of those at the lower end of the income distribution will be pushed down, increasing bottom-half inequality while offering no predictions for top-half inequality."
4. Martin, J., "What is the Relationship between Income Inequality and Immigration?" FAIR, October 1996. "Immigration and Income Inequality: How Rising Immigration Leads to the Declining Share of Middle-Income Households" April 2004. "Immigration and Rising Income Inequality, FAIR, March 2007.
5. 2011 Yearbook of Immigration Statistics, Legal Permanent Residents, Table 6. Department of Homeland Security, August 2011.
6. "Report on the Legalized Alien Population," Immigration and Naturalization Service, March 1992.
7. Jacobson, Margaret and Filippo Occhino, "Labor's Declining Share of Income and Rising Inequality," Federal Reserve Bank of Cleveland, September 25, 2012.
8. David Frum, "For some employers, 'immigration reform' means cheap labor," CNN commentary, March 11, 2013.
9. Jacobson, *op. cit.*
10. Weeks Ph.D., John, "Mean, Median and Mode of Impoverishment," Social Europe, October 17, 2011. Weeks is an economist and Professor Emeritus at the University of London.
11. The 14 states plus Washington D.C. were Arizona, California, Connecticut, DC, Florida, Hawaii, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Rhode Island, Texas, and Washington.
12. The 15 states plus Washington D.C. were Arizona, California, Colorado, DC, Florida, Georgia, Illinois, Maryland, Nevada, New Jersey, New Mexico, New York, North Carolina, Oregon, Texas, and Washington.
13. The 2010 illegal alien population estimates used in this study are those of FAIR rather than those of the Department of Homeland Security. The DHS estimate for 2010 was about 54 percent higher than the 7.013 million estimate of 2000. The Pew Hispanic Center's 2010 illegal alien estimate would put the increase over the decade at about 60 percent.
14. Passel, Jeffrey and D'Vera Cohn, "A Portrait of Unauthorized Immigrants in the United States," Pew Hispanic Center, April 14, 2009.
15. Passel and Cohn, *op. cit.*
16. "Report on the Legalized Alien Population," *op. cit.*
17. Smith, Shirley J. et al., "Effects of the Immigration Reform and Control Act: Characteristics and Labor Market Behavior of the Legalized Population Five Years Following Legalization," U.S. Department of Labor, Bureau of International Labor Affairs, May 1996.

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