INDIVIDUAL SKILLS, FAMILY TIES, AND GROUP IDENTITIES

INTRODUCTION AND SUMMARY

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The demise of a national-origin quota system for U.S. immigration and its replacement in 1965 with an admissions policy emphasizing family reunification, opened the gates to a large and increasing flow of immigrants differing dramatically in country-of-origin composition from previous U.S. immigration flows. Accompanying the growth in immigration have been several other trends in the U.S. economy and society including a slower rate of economic growth, an increasing wage gap between the highly educated and the poorly educated, and continuing racial and ethnic conflict.

In such an environment, some have argued that we should limit immigrant admissions based on kinship with a U.S. resident and move toward a skill-based admission system similar to that which currently exists in Canada in which visa applicants are evaluated on the basis of their education, age, English proficiency, and occupational skills.[1] Currently, the U.S. immigration system admits immigrants primarily on the basis of family ties;[2] a minority of visa applicants are admitted according to occupational skills criteria rewarding applicants who are either in occupations for which labor is deemed scarce in the United States (skilled and unskilled), or who are professionals with advanced degrees or of

exceptional ability.[3] The general belief that immigrants admitted on the basis of occupational skills are more economically productive than immigrants admitted via family ties was an important motivation for increasing occupation-based immigration in the Immigration Act of 1990.[4]

Yet, despite strong pronouncements concerning the virtues of skill-based immigration, as opposed to family-based immigration, discussions concerning the future direction of U.S. immigration policy have been narrowly focused and based on very little research. Among the issues requiring further analysis are: the extent to which the economic progress of native-born workers has been helped or hindered by recent immigration, particularly in light of important structural changes in the economy; how the effect of immigration on native-born employment and wages is affected by family- as opposed to employment-based immigration; the types of jobs that immigrants with limited English proficiency or education pursue and their opportunities for occupational mobility; how the economic lives of immigrants admitted on the basis of family ties compare with those of immigrants admitted on the basis of occupational skills; the determinants of immigrant entrepreneurship; why certain immigrant groups do better than others; the role of close-knit communities—the development of which would likely be aided by family-based admissions—in facilitating immigrant economic progress; and how the skills immigrants come with interact with the development of immigrant economic networks or enclaves, and how these enclaves in turn affect the development of U.S.-based skills.

To cast a brighter light on the path U.S. admissions policy should follow we, as editors, believe that a mixture of analytical approaches is required. The type of information we use, how we analyze it, and the time dimension it covers, as well as the emphasis we place on individual attributes versus group characteristics, and outcomes versus processes, are factors that affect the dimensions of immigrant experience we observe and the judgments about immigration that we form. Accordingly, the main goal of this collection of essays is to cross-fertilize the multifaceted efforts of sociologists, anthropologists, historians, and economists working on some of the aforementioned topics. While highlighting themes that run through the book, we try to show in this introduction how the different social science perspectives and methodologies may be productively blended to yield new and useful theoretical paradigms and empirical approaches for the study of immigration.

FURTHER INSIGHTS ON THE IMPORTANCE OF INDIVIDUAL HUMAN CAPITAL

Previous research (primarily conducted by economists) has stressed the importance of individual human capital to the economic assimilation of

immigrants. The chapters in Part I extend this line of research in several directions.

Language Acquisition

The first chapter in Part I by Barry Chiswick and Paul Miller provides a succinct summary of numerous empirical studies concerning the determinants of immigrant language acquisition, language choice, and the effect of language proficiency and language choice on immigrant earnings in Canada. All of the reviewed studies use nationwide survey data and are grounded in a human capital model: the decision to learn the host country's language (and, in Canada, whether to learn English, French, or English and French) depends on the costs and benefits associated with learning the language. Education, it is theorized, lowers the cost of becoming proficient in the host country's language because it increases the proficiency with which individuals acquire various forms of human capital. Age raises the cost because the ability to acquire language skills diminishes with age. Moreover, the payoff period from language investment declines with the age of immigrants.

Consonant with the human capital model's predictions, the reviewed studies consistently show a strong and positive association between education and proficiency in English, French, or both and a negative association between age and host-country language proficiency. These robust results lead Chiswick and Miller to note that an admissions policy that selects immigrants who are young and better educated would also select "immigrants who have, or who can be expected to acquire quickly, official language skills."

An important extension of the human capital model in the research by Chiswick and Miller is to consider the effects on language acquisition of community characteristics, in addition to the effects of individual traits such as education and age. In particular, they estimate the effect on language acquisition of the percentage of the population in a respondent's region of residence that reports the same nondominant home language as the respondent. Chiswick and Miller find that:

> The estimated effect of the language enclave variable is sizeable. It shows that if a region has a concentration of people speaking the same nondominant home language as the respondent which is five percentage points above the national average, the respondent's probability of being fluent in a dominant language would fall by nine percentage points. Being able to communicate in a nondominant language presumably provides a shelter against having to learn English or French.

The negative effect on language acquisition of living in a language enclave area is especially large for less-educated immigrants.

Chiswick and Miller also apply a human capital model to immigrant choice of language, which in Canada includes English, French, English and French, or no fluency in either of the official languages. Given concerns that the U.S. immigration of non-English-speaking groups will lead to a fragmented and divided America, the Canadian experience is important since Quebec could be considered an extreme example of a language enclave.

Despite numerous government policies enforcing the dominance of French in Quebec, Chiswick and Miller report that among immigrants in Quebec, "English fluency rises sharply with duration, largely as a consequence of a transformation of French-only speakers into English-French bilinguals." They further find for immigrants who have settled in Quebec that there is an earnings advantage to knowing English in addition to French, and that immigrants who speak only English (in addition to their native tongue) earn more, ceteris paribus, than immigrants who speak only French. Since one of the Chiswick/Miller tenets is that immigrant language acquisition is responsive to the economic incentives for acquiring language skills (a theme repeated at the end of the book in Lieberson's paper), the results for Quebec suggest that, although language enclaves retard language acquisition, there will generally be an incentive for enclave members to learn the dominant language of the broader society. However, their own results and those of Francisco Rivera-Batiz in the following chapter suggest that the extent of the incentive depends on the education level of immigrants.

Quantitative Skills

Although previous research has shown that language deficiencies reduce immigrant wages, the chapter by Francisco Rivera-Batiz is the first analysis of the effects of quantitative skills on the economic assimilation of immigrants. Using test scores on English reading proficiency and on basic quantitative skills in the 1985 Young Adult Literacy Survey, Rivera-Batiz estimates a human capital earnings function that also includes other earnings-related variables such as educational achievement, on-the-job experience, and years of vocational education. His results indicate that quantitative skills are a key factor in explaining differences in the wage rates received by male immigrants, even after correcting for variations in English proficiency. Furthermore, there appears to be an important interaction between quantitative skills and English proficiency. In particular, the effect of English proficiency on wages for men becomes statistically insignificant when quantitative skills are added to the estimating equation. In interpreting this result, Rivera-Batiz proposes that:

> although English proficiency is highly important in raising wages, it does not operate in a vacuum and has a significant impact only when it allows workers with higher

quantitative skills to exercise those quantitative skills in the U.S. labor market. In other words, English deficiency acts to constrain wages because it prevents workers who have high quantitative literacy from adequately utilizing those skills in U.S. labor markets. On the other hand, for workers with low quantitative literacy, improved English proficiency may not be able to significantly improve employment opportunities; for these workers, employment in ethnic enclaves within which English language proficiency is not required, may provide competitive wages when compared to the rest of the economy.[5]

In proposals to make U.S. immigration more skills-oriented, admission systems have been advocated that would reward English proficiency. Given the increasing importance of quantitative skills in today's economy, advocates of systems rewarding English proficiency may also want to consider admission systems that reward proficiency in quantitative skills, particularly since English proficiency among non-English-speaking immigrants generally increases with time in the United States, whereas the quantitative literacy of adult immigrants is less likely to change.

Rivera-Batiz's paper should also give pause to arguments that the backgrounds of immigrants coming from economically less-developed countries are less useful to the U.S. economy than the backgrounds of comparably educated immigrants from the more economically developed countries: in a comparison of the mathematics proficiency of thirteen-year-old students in various countries, students in the less economically developed countries tended to score higher than students in the more economically developed countries. Rather than signifying inferior educational backgrounds or a lesser ability to adapt to the U.S. economic system, the low initial earnings of immigrants from economically underdeveloped countries may simply reflect the employment opportunities in these countries which make it worthwhile for persons to immigrate even when it involves substantial investment in new skills or credentials.

Welfare Use

A human capital modeling approach is also adopted in the final chapter of Part I in which Julian Simon and Ather Akbari explore whether there is an "immigrant effect" on welfare receipt. That is, do immigrants receive more welfare assistance than otherwise similar natives? Lending an important generality to their results, they present estimates based on nationwide survey data for both Canada and the United States, spanning the years 1975 to 1990.

From a policy perspective, a serious problem with their data and all available nationwide surveys is the lack of institutional information to

distinguish immigrants from refugees, whose welfare usage exceeds that of immigrants and for whom an explicit policy decision has been made to provide resettlement aid.[6] Even so, Simon and Akbari find no significant difference between immigrants and the native born in welfare receipt once characteristics believed to affect welfare use, such as education, are held constant: "... being an immigrant, ceteris paribus, does not influence welfare receipts."

Simon and Akbari then examine the relative importance of characteristics, held constant in the preceding analysis, in determining welfare use and how immigrants and natives compare in these characteristics. Echoing findings from studies of the native born, Simon and Akbari find that the primary determinant of welfare use for immigrants is family structure. Education is also an important determinant of welfare use: holding constant other variables, halving schooling more than doubles transfers received. Thus, Simon and Akbari show that if an immigration policy were enacted to only admit high school graduates, the resulting immigrants would receive much less welfare than the average for native-born Americans.

BEYOND INDIVIDUAL SKILLS

The human capital model, which underlies the studies in Part I, is very useful for explaining differences in earnings among individuals. It is less readily applied, however, to explaining the relative success of different groups. The studies in Part II examine factors beyond individual skills that affect immigrant economic progress.

Robert Jiobu, in "Explaining the Ethnic Effect," stresses the large differences in the economic success of various ethnic groups, and provides case-study evidence of early twentieth-century Japanese immigrants as an example of a nonwhite minority who, despite intense discriminatory obstacles and modest origins, progressed as a group, eventually reaching parity with non-Hispanic whites.[7]

As Jiobu notes, discussions of differential ethnic success have often revolved around the role of the ethnic enclave:

> Although details vary from author to author, in general enclave theorists postulate that some racial-ethnic groups have come to dominate economic niches within the broader economy. These niches, frequently called enclaves, are economic arenas staked out by a particular group. Thus ethnic entrepreneurs create business establishments, hire co-ethnic workers, and market goods or services to co-ethnic consumers and, sometimes to majority consumers as well. Ethnic entrepreneurs tend to specialize in certain lines of business and they typically deal with other co-ethnic entrepreneurs when it comes to purchasing materials for production or resale. Quite often these enterprises are physically located in a specific area of a city, although physical contiguity is not a necessary feature of an ethnic economy.

On the surface, hiring and buying within the ethnic enclave is irrational since choice is constrained. However, through various hypothetical examples, Jiobu illustrates the notion of "enforceable trust": a trust that is enforced by group cohesiveness and the limited opportunities of individuals outside of the group. The advantage of hiring or buying within the enclave is that the behavior of enclave members is more constrained. Thus, in one example Jiobu writes:

> The Japanese American woman seeking a Japanese auto mechanic is being rational. She can rely on the group to enforce norms against cheating and overpricing. She knows that Japanese mechanics can be dishonest, but she is also assured that they are constrained within certain boundaries.

Ethnic enclaves are more prevalent among immigrants than the native born, and they are more likely to occur in some immigrant groups than in others. Ethnic enclaves are also more prevalent in certain types of businesses than in others. In particular, they are most likely to occur in small businesses. They are also more likely to occur in businesses that do not require much formal training, such as restaurants, although these businesses may require extensive informal, within-house training. Ethnic enclaves have also been documented in businesses that require highly interconnected processes or long lines of transactions, such as the early Japanese produce business described by Jiobu in his chapter. Finally, enclave hiring and trading are more likely to occur in businesses with low profit margins.

Using the sociological notion of enforceable trust proposed by Jiobu an economic model can be developed that helps to explain why ethnic enclaves are more likely to occur among immigrants than the native born, why they are more likely to develop in certain immigrant groups than in others, and why enclave hiring and trading are more prevalent in certain types of businesses than in others (Duleep, 1993).

In choosing whether to hire (buy) from within the enclave, what is relevant to the employer (buyer) is the present value of the expected lifetime productivity stream of the prospective employee (product), or $E\Sigma x_t/(1+r)^{t-1}$ where x_t denotes the productivity in any given year t (or other time period such as month) and $t = 1,2,\ldots T$, where T denotes the total number of years that the employee stays with the employer (or the total number of years that the product lasts). The expected productivity of a hire, or product/service, chosen from a constrained set is necessarily less than or equal to the expected productivity of a hire/product chosen from an unconstrained set. Thus, $E\Sigma(x_t/(1+r)^{t-1})_{Enc} \leq E\Sigma(x_t/(1+r)^{t-1})_{Pop}$, where enc and pop denote enclave and population respectively. However, due to enforceable trust, enclave members will perform within a smaller range. More formally, the variance (σ^2) of the performance distribution of employees (products) hired (bought) within the

enclave is likely to be less than the variance of the performance distribution of employees hired in general.

Two factors work to increase the costs of doing substandard work and thereby reduce the performance variance of within-enclave hires or purchases. First, because of greater social cohesiveness within the ethnic enclave than in society at large, substandard work by employees (sellers) hired within the enclave is more likely to result in losing the right to work (sell) within the enclave because information on substandard work is more likely to travel to other prospective employers/buyers in the enclave. (The extent of a group's cohesiveness would be affected by factors discussed in this volume's papers such as geographic concentration, permanence in the host country, political solidarity among group members, and likelihood of economic mobility within the group.) Second, the repercussions for persons hired within the enclave of doing substandard work (or not fulfilling a contract) is greater than for non-enclave members because enclave members have limited opportunities to work outside of the enclave due to poor English and other disadvantages associated with newcomer status. As opportunities improve outside the enclave, the costs associated with doing substandard work decrease and the enforcement effect decreases. This would explain why enclave activity is most prevalent among immigrant groups and why it dwindles across generations. The more cohesive the group and the more limited the outside opportunities of group members, due to low levels of U.S. specific skills such as English language proficiency, the smaller the performance variance of enclave hires.

The choice as to whether to hire (buy) within the enclave is visualized in Figure 1. This figure depicts the distribution of the present value of the productivity stream of employees (products) hired (bought) from the unconstrained population, with mean A and σ^2_{Pop}, and from the enclave, with mean B and σ^2_{Enc}. The employer (buyer) would balance the importance of uncertainty in the productivity of the hire (product) with the lower expected productivity resulting from a constrained choice. Ethnic enclaves will be more likely to occur in businesses where it is particularly important to reduce the variance of the performance of employees (and other contractual arrangements) and in which the difference in expected productivity between the constrained within-enclave choice and the unconstrained choice, $E\Sigma(x_t/(1+r)^{t-1})_{Pop} - E\Sigma(x_t/(1+r)^{t-1})_{Enc}$, is minimized.

The importance of a smaller variance in employee (product) performance would be greatest where the cost of an employee (product) performing below a certain level would be catastrophic for the firm. This would be the case for small firms (the smaller the firm, the greater the share of each employee to the firm's total work force and the more difficult it becomes for other employees to fill in for a delinquent employee); firms characterized by highly interconnected processes (the more interconnected a process is, the more

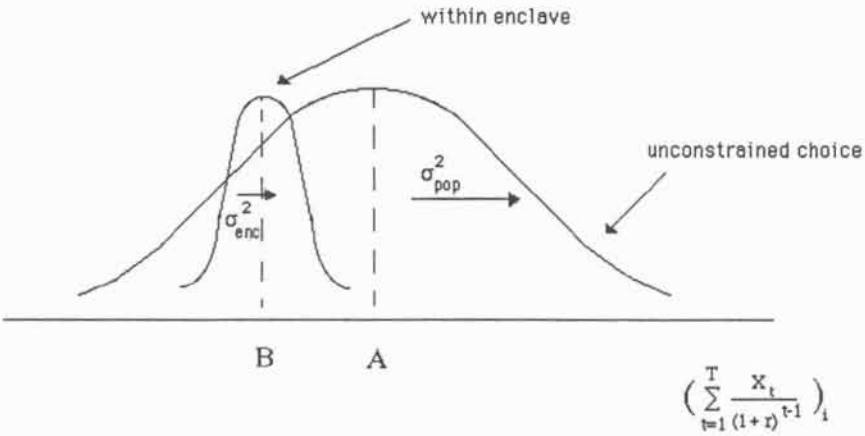

Figure 1.

damage a poor employee or contractor can cause); and firms with low profit margins (the lower the profit margin, the more likely that a poor employee or purchased input could cause the firm to go out of business). The difference between the expected productivity from within the enclave versus from an unconstrained choice would be minimized when hiring for jobs that do not require much formal training, but instead require little training or mostly in-house training.

These considerations suggest that immigrants will tend to develop businesses that would not otherwise be developed (as illustrated by Jiobu's account of the early Japanese immigrants' development of specialty crops on marginal lands and by Kim and Hurh's description in this volume of Korean immigrants going into low-income minority areas to start businesses). Another implication of the model is that immigrant enclaves will tend to provide employment opportunities for immigrants that are distinct from the employment opportunities available to natives. The tendency for immigrants to develop businesses with these characteristics will increase the more socially cohesive the immigrant group is and the more its members lack skills that are readily transferable to the U.S. labor market.

The Definition of Effective Groups

Jiobu's paper introduces the importance of group characteristics and behavior for explaining immigrant economic progress via ethnic enclaves. But how do we delineate ethnic enclaves? In "Indian Networks in the United

States: Class and Transnational Identities," Madhulika Khandewal asks, in essence, what is an effective group?

She begins by noting the various group identities that have characterized the history of Asian Indian immigration to the United States. As a topic for future research, she posits that class and political divisions of the pre-1965 Indian immigrants were important factors shaping their economic progress.[8]

She then turns her attention to group identities among recent Indian immigrants. Analyses of immigrant economic assimilation focused on the role of the ethnic enclave and using nationwide statistical data typically define immigrant groups by country of origin and place of residence (or place of work) in the host country.[9] The qualitative evidence presented by Khandewal suggests much more complex identities. Based on her case-study research of Indian immigrants in New York City, Khandewal shows that multiple group identities, within the rubric Asian Indian, exist within the geographic boundaries of New York City. Furthermore, these identities underlie important group-based economic activities. Although an analysis of the industrial distribution of Indian immigrant employment in New York City would reveal a wide range of pursuits, Khandewal shows a correspondence between Indian ethnic groups—defined by region of origin in India, home-country language, and religion—and specific lines of work. Thus, Khandewal's research suggests that aggregations of country-of-origin immigrants by U.S. region of residence (or place of work) may hide important group-specific strategies.

Beyond highlighting problems with country-of-origin/place-of-residence aggregations, Khandewal's research suggests that the study of group identities relevant to the mechanics of economic assimilation cannot be trimmed by the borders of the U.S. area in which immigrants reside, or even by the borders of their host country. Indeed, she describes economically important group identities that transcend geographic regions within the United States as well as group identities that transcend U.S. national boundaries. A fuller understanding of immigrant economic assimilation, Khandewal suggests, requires stepping beyond these boundaries.

A Comparison of Two Refugee Groups

In line with Jiobu's question as to why certain ethnic groups succeed more than others, Alex Stepick compares the economic assimilation of two refugee groups in Miami, Cubans and Haitians, and asks what accounts for the much lower economic success of Haitians, even when compared with the less-advantaged Mariel Cuban refugees.

The leading economic model of refugee adjustment, formulated by Barry Chiswick, suggests that refugees will experience less economic success than

otherwise similar economic migrants (immigrants whose primary motivation for migration is economic) because of lower skill transferability to the host economy.

> Since the earning power of one's skills plays a primary role in economic migration and a secondary role in refugee migration, a cohort of the latter is likely to include a larger proportion of workers with skills that have little international transferability. Refugee migration generally arises from a sudden or unexpected change in political conditions....As a result, refugees are less likely than economic migrants to have acquired readily transferable skills and are more likely to have made investment specific to their country of origin (Chiswick, 1979, p. 365).

Chiswick's skill transferability model yields powerful predictions and is buttressed by observed refugee/non-refugee patterns consistent with the model's theoretical predictions. It leaves unanswered, however, why certain refugee groups are more successful than others.

In addition to lower levels of education,[10] Stepick attributes the minimal progress of Haitians compared with Cubans in Miami to lower levels of two forms of group capital—political capital and social capital. The major ingredient resulting in a lower level of political capital for Haitians than Cubans has been the differential treatment of the two groups by the U.S. government. Stepick contends, however, that far more important for understanding Haitian and Cuban economic assimilation than differences in their levels of political capital, are differences in their levels of social capital. The Cuban community is characterized by an "extraordinary solidarity...between its elite of entrepreneurs and professionals and the broad working class," which is fortified by a strong political consensus among its members. "This solidarity combined with the Cubans' political and economic capital to create the Cuban enclave, an economic, social, and political construction that has eased the entry of newly-arrived refugees and boosted the economic advancement of earlier-arriving ones."

In contrast to the Cuban community, Stepick notes several interrelated factors that undermine social cohesion in the Haitian community. One is the lack of an early established permanent community in the United States: "As some remained in Haiti and others fled to northern cities [in the United States], the elite Haitians neither abandoned their homeland totally or established a beachhead for subsequent refugees, as had Cubans in Miami." Haiti's severe class segmentation and skin-color differences, permitting many of the middle-class Haitians to pass among Latins and native whites, also erode social cohesion. Finally, and perhaps most importantly, the Haitian community lacks a unifying political vision.

> Unlike the monolithic political outlook underlying the Cuban enclave, political divisions overlap class divisions among Haitians. There is no tight, ideologically-imbued community to sustain bounded solidarity and trust.

ENTREPRENEURSHIP AND THE IMPORTANCE OF SOCIAL CAPITAL REEXAMINED

The papers in Part III, using two different methodologies, explore the importance of ethnic networks for immigrant entrepreneurship and arrive at seemingly opposite conclusions. The first paper illustrates the case-study approach; the second paper is a nationwide statistical study.

Case-Study Evidence

The study by Kwang Chun Kim and Won Moo Hurh is a detailed analysis of a sample of 100 Korean immigrant entrepreneurs in Chicago. Information on the pre-self-employment U.S. occupations of the sampled entrepreneurs suggests that limited job opportunities in the United States were a catalyst for pursuing self-employment: despite high levels of education, 72 percent had worked as blue-collar workers, service workers, or as employees of Korean stores. Although not specifically explored by Kim and Hurh, the limited employment opportunities that characterized their initial years in the United States likely reflect low English proficiency. Along with the highest level of self-employment of any Asian group, recent Korean immigrants also have the lowest level of English proficiency of any non-refugee Asian immigrant group: only 15 percent of Korean immigrants who have been in the United States five years or less report speaking English very well (Table 1).

A particular strength of the Kim/Hurh survey, is that it elicited information on respondents' ethnic resources utilization for the initial business formation and for running the first business and subsequent businesses. The responses reveal the important role of ethnic resources in starting and sustaining the businesses of Korean immigrants. Korean friends and kin are the major sources of loans for the first business of respondents and, along with other ethnic sources such as Korean banks, their current business. Korean friends and kin are also major sources of other types of support such as help in learning management techniques and dealing with legal matters. In addition, these entrepreneurs relied heavily on Korean immigrant labor and many obtained their merchandise from Korean suppliers.

Kim and Hurh conclude:

> The current engagement in self-employed small businesses appears to be a result of their socioeconomic adaptation to the limited occupational opportunity available to them in the United States as evidenced by the nature of the jobs they held prior to their business entry. In this sense, the immigrants' current business operation may be considered an emergent phenomenon which grew out of the opportunity structure open to the Korean immigrants in the United States and the immigrants' utilization of their own ethnic resources in response to such an opportunity structure.

Table 1. Percentage of Asian Immigrant Men (25-64 Years Old) Who Are "Very Proficient" in Speaking English, by Years Since Migration

Group	*All years*	*1-5 years*	*6-15 years*	*16 years or more*
Korean	29.5	15.4	35.4	76.6
Indian	79.9	70.0	85.2	91.7
Vietnamese	20.8	18.7	59.4	71.4
Chinese	38.2	23.6	40.3	49.7
Filipino	64.1	51.0	67.3	72.6
Japanese	42.9	25.2	43.7	65.8

Notes: Estimates based on 1980 Census of Population, 5 percent "A" sample. "Very Proficient" is defined as "Speaks Only English" or "Speaks English Very Well," according to the 1980 Census question, Ability to Speak English.
Source: Duleep 1988, p. 59.

Rather than being a response to limited U.S. opportunities, an alternative or supplementary explanation is that the immigrants' self-employment grew out of the opportunity structure in Korea relative to the United States which, combined with their ethnic resources, made it worthwhile to migrate to the United States despite limited English. As Cordelia Reimers proposes in her commentary on this paper:

> These statistics suggest that perhaps these Koreans were not forced into self-employment by first-hand experiences of disadvantage in the U.S. labor market. Instead, they may have intended to start a business from the beginning. Their decisions to move to the United States and to start a business may have been made simultaneously, or perhaps the desire to own a business even motivated the move.

Nationwide Statistical Evidence

In contrast to the case-study approach adopted by Kim and Hurh, Timothy Bates provides nationwide statistical evidence on Asian immigrant self-employment. Using the Census Bureau's Characteristics of Business Owners database, he focuses on the survival and profitability during 1987-1991 of a nationwide sample of 5,840 firms formed by Asian immigrants between 1979 and 1987. Consistent with the findings reported in Part I concerning the importance of education, Bates finds that the education level of immigrant entrepreneurs is positively associated with the economic success of their businesses.

With respect to the importance of social capital, Bates reports statistics indicating higher levels of social capital among Asian immigrant entrepreneurs than among entrepreneurs in general. For instance, 23 percent of Asian immigrant entrepreneurs versus 6.8 percent of nonminority native-born entrepreneurs report using friends as a source of capital. However, in

apparent contradiction with the Kim/Hurh study, Bates finds that firm viability is not associated with higher levels of social capital. In fact, the immigrant group with the lowest use of social capital, Asian Indians, is also the group whose businesses have the highest mean sales, profitability, and longevity. Conversely, Vietnamese firms rely most heavily on social capital and have the highest rates of firm closure, the lowest mean sales, and the lowest profitability of all the Asian immigrant groups.

Bates' measures of social capital are far from ideal. Many would dispute that serving a co-ethnic clientele, one of his social capital measures, is a form of social capital. Moreover, co-ethnic employment is proxied by the extent of minority employment, and in his regressions predicting firm survival and profitability, the percent of financing from kin and friends is not included as an explanatory variable. Yet, beyond questions of how social capital is measured, Bates' evidence is not inconsistent with the notion that ethnic networks facilitate immigrant entrepreneurship. Bates examines the effect of social capital on firm viability *conditional* on being self-employed. Left unexplored is the effect of social capital on the probability of being self-employed.

The fact that Bates finds that higher levels of social capital utilization are associated with lower profitability likely reflects the type of firm that immigrants lacking U.S. specific skills go into. Perhaps the more relevant question is, *given* the level of U.S. specific skills, does social capital facilitate self-employment and firm viability? And, are the opportunities through self-employment for immigrants lacking U.S. specific skills better than their non-self-employment opportunities? In this regard, it is revealing to note the contrast in English proficiency levels of recent Asian Indian and Vietnamese immigrants (Table 1).

As Cordelia Reimers writes in her commentary on the Kim/Hurh and Bates papers:

> ...ethnic resources may substitute for other factors in starting a business, and immigrants with more of this social capital may be able to start businesses with less of other, unobserved factors that are needed for survival and profitability. We might then find that ethnic resources are negatively correlated with profitability and survival, because they facilitate start up of firms that, for other reasons, have lower chances of ultimate success. This clearly does *not* mean that the use of ethnic resources is actually damaging to a firm. It does suggest that a more complex model is needed...."

The *combined* work of Kim/Hurh and Bates suggests that social capital facilitates immigrant entry into marginal or specialized niches that provide a vehicle for economic progress for immigrants lacking U.S. specific skills. Indeed, in accordance with the ethnic enclave model described earlier, it is the lack of U.S. specific skills in an immigrant community, through its effect

on "enforceable trust," that gives immigrant entrepreneurs a potential advantage over natives in pursuing marginal operations.

THE LABOR MARKET CONSEQUENCES OF FAMILY VERSUS SKILLS ADMISSIONS CRITERIA

Admission Criteria and Immigrant Adjustment: Case-Study Evidence

In "Social Networks and Skills-Based Immigration Policy," Carmenza Gallo and Thomas Bailey use extensive case-study evidence to consider the effects of family-based versus skills-based immigration on the strength and nature of immigrant networks and the effects of networks on the economic adjustment of immigrants.

An advantage of a skills-based admissions policy, according to its advocates, is that higher skills such as English proficiency promote immigrant adjustment in the U.S. economy. Gallo and Bailey contend, however, that the potential benefits for immigrant economic assimilation from a shift to a skills-based system will be tempered by the negative effect of such a shift on immigrant networks. The benefits of immigrant networks, Gallo and Bailey argue, could be explicitly recognized in the U.S. admissions policy.

> Scholars agree that immigrants rely extensively on social and familial networks for information, access to jobs, skills, and training....Economists are unanimous about the importance of information in the operation of a market economy....But despite this widespread acceptance of the importance of information in general and of network-based information for immigrants in particular, the discussion of skills-based immigration continues to focus primarily on more traditional types of human capital.
>
> In principle, a family reunification policy would seem to lead to stronger and more effective immigrant networks. Indeed, in crude labor market terms, we could think of the present system as a "points" system in which most of the points are awarded to those applicants who, on the basis of their family ties, are already integrated into networks. A skills-based immigration policy could, at least in principle, assign zero weight to access to networks. The policy question then would become whether the presumed higher skills would compensate for loss of the information and other benefits of the networks.

As fodder for future empirical research, Gallo and Bailey present several hypotheses concerning the interaction between immigrant social networks and the level and transferability to the host country of immigrant skills. They conclude that "researchers and policymakers have only a weak understanding of the tradeoff between stronger skills and stronger networks, although the evidence suggests that effects on networks will reduce the economic benefits (if any exist) of a shift to a skills-based system."

Admission Criteria and Immigrant Adjustment: Nationwide Statistical Evidence

In "Family Unification, Siblings, and Skills," Harriet Duleep and Mark Regets contrast the theoretical and empirical effects on immigrant earnings profiles of admission on the basis of occupational skills versus kinship. Theoretical considerations related to skill transferability, ethnic communities, and permanence suggest that family-admitted immigrants will have lower initial earnings but higher earnings growth than occupation-based immigrants. Thus, with time in the United States, one would expect the earnings of family- and occupation-based immigrants to converge as the higher earnings growth of family-admitted immigrants compensates for their lower initial earnings.

By matching 1990 U.S. census data to Immigration and Naturalization Service (INS) information on admission criteria, Duleep and Regets examine how admission criteria affect immigrant earnings profiles. In accordance with theoretical expectations, they find that immigrants admitted on the basis of kinship initially earn less than those admitted on the basis of occupational skills, but they also experience higher earnings growth.

Duleep and Regets also examine the effect of admission via one of the family-preference categories—the sibling-preference category, which has for decades allowed the siblings of U.S. citizens to immigrate. Their analysis is timely as the U.S. Commission on Immigration Reform and one house subcommittee have recently proposed eliminating the sibling admission category. Under the proposed system, the brothers and sisters, and adult children of U.S. citizens could not obtain U.S. visas unless they qualified because of specific job skills.[11]

Empirical analysis suggests that the proposal to eliminate the sibling admission category may be counterproductive. In particular, Duleep and Regets find that the earnings growth of immigrants is particularly high in cohorts with relatively high sibling-preference admissions. In accordance with case-study evidence on extended immigrant families and close-knit immigrant communities, they find that sibling-preference admissions are strongly and positively correlated with immigrant self-employment. Finally, for Asian and Hispanic countries, the admission of siblings is positively correlated with education and positively correlated with occupational admissions. This suggests that immigrants from these regions who gain admission on the basis of occupational skills are followed by their siblings, who gain admission via the sibling preference. Driving this result, Duleep and Regets speculate, are limited employment opportunities for the highly educated in countries that are less economically developed than the United States. By excluding siblings, the current proposal may inadvertently

decrease immigration of highly educated individuals from economically underdeveloped countries. Duleep and Regets conclude:

> If one of the goals of immigration reform is to increase the proportion of highly educated immigrants, rather than decreasing the immigration flow from predominantly Asian and Hispanic sources, then a more effective approach might be to give points for both kinship ties and educational level, or to make the kinship entries conditional on certain levels of education instead of uniformly preventing admission of the siblings of U.S. citizens. Such alternatives would allow a balance between skill levels and family ties—both of which appear to have economic benefits.

Admission Criteria and Immigrant/Native Labor Market Competition: Case-Study Evidence

Economic theory suggests that depending on the extent to which immigrants are substitutes or complements for native-born labor, immigration may have a variety of effects on native-born employment including raising the demand for native-born labor. Ignoring potential effects of immigration on overall demand, the greater the extent to which immigrant workers are substitutes for native-born workers, the greater the potential for displacement.

One would expect that the extent to which immigrants are substitutes for the native born would depend on the admission criteria under which they are admitted to the United States. By having a lower level of readily transferable skills to the United States, family-based immigrants may compete less with natives than immigrants admitted on the basis of occupational skills. An implication of the economic model of ethnic enclaves described earlier is that a lack of readily transferable skills to the United States leads to the development of employment opportunities for immigrants that are distinct from the employment opportunities of natives. In this respect, skill dissimilarity may be a virtue. To the extent that immigrants initially lacking U.S.-specific skills gain them and leave immigrant employment enclaves, competition with the native born may increase.

Using case-study evidence, Gallo and Bailey contrast the employment of immigrants in social networks with that of the native born:

> Due partly to reliance on networks, immigrants are concentrated in industries (in both skilled and unskilled jobs) characterized by informal training and employment processes. More structured and formally organized industries make relatively less use of social networks for hiring (although they continue to be important). Thus while immigrants were concentrated in the low-skilled positions of the full-service restaurant and in the immigrant restaurant sectors, low-skilled natives were concentrated in the more formally organized fast-food and chain restaurant sectors; while immigrants populated the small food retail shops, low-skilled natives are concentrated in large

supermarkets; and while immigrants are concentrated in the nonunionized renovation sector in the construction industry, native minorities are in the unionized and more established construction firms. To a significant extent the role of networks in job and in informal specific skill acquisition differentiates low-skilled immigrants from low-skilled native workers in the secondary labor market, first by channeling immigrants into distinctive occupational sectors, and second by giving opportunities for skill acquisition that low-skill native workers find in institutionalized and formal-skill learning programs.

Piore (1979) argued that immigrants cause little displacement of native-born workers because they "take on a distinct set of jobs, jobs that the native labor force refuses to accept." The case-study evidence presented by Bailey and Gallo suggests that, because of dissimilar backgrounds and immigrant networks, immigrants pursue a set of jobs distinct from native-born employment.

Admission Criteria and Immigrant/Native Labor Market Competition: Nationwide Statistical Evidence

In "Measuring the Employment Effects of Immigrants with Different Legal Statuses on Native Workers," Elaine Sorensen provides nationwide statistical evidence on Bailey and Gallo's expectations based on case-study research. Using 1980 census data matched to INS data, Sorensen and her colleagues at the Urban Institute divided the foreign-born population in each SMSA into five categories: employment-preference immigrants (referred to elsewhere in this volume as occupation-based immigrants or immigrants admitted on the basis of occupational skills), family-preference immigrants, other legal aliens (e.g., refugees), illegal aliens, and foreign-born U.S. citizens. Controlling for standard human-capital characteristics, such as education and years of work experience, she then analyzed how the earnings and employment of individual native-born workers were affected by the relative size of different admission-status immigrant groups in the native's labor market.

When all categories are combined, Sorensen finds only small effects of immigration on the earnings and employment of natives. Dividing by admission status, immigrants admitted on the basis of occupational skills (employment-related immigrants) are found to have a small but statistically significant negative effect on the employment opportunities of native-born white males. Sorensen suggests that the estimated negative effect "implies that employment-related immigrants have skills that bring them into direct competition with white native males. This suggests that substantially increasing employment-related immigration may have small negative effects on the labor market opportunities of white native males." In contrast, family-preference immigrants have a statistically significant positive effect

on the earnings and employment of U.S.-born whites and on the earnings of U.S.-born blacks.

Sorensen also finds that foreign-born naturalized citizens have a small negative effect on the earnings and employment opportunities of native males.

> Previous research shows that many recent immigrants work in ethnic enclaves or undesirable jobs that insulate them from direct competition with native workers. . . . As immigrants move beyond these job markets, they become more directly competitive with native workers.

Unfortunately, the census-INS data set does not permit dividing naturalized immigrants by former admission status. An unanswered question remains to what degree the small negative effect of foreign-born naturalized citizens on native-born employment and earnings reflects family versus occupation-based immigration.

Black/Immigrant Competition in the Restaurant and Hotel Industry

In contrast to Sorensen's nationwide statistical results, Roger Waldinger's study, "Who Makes the Beds? Who Washes the Dishes? Black/Immigrant Competition Reassessed," is based on in-depth interviews with restaurant and hotel managers in Los Angeles. Waldinger provides case-study evidence that immigrant networks may work to displace blacks from job opportunities. Unlike the immigrant networks analyzed by Jiobu, Kim and Hurh, and Gallo and Bailey, in which immigrant entrepreneurs hire immigrant workers belonging to the same ethnic group, Waldinger's work reveals the use of immigrant hiring networks to fill positions in businesses run by non-Hispanic native whites.

The first apparent evidence in Waldinger's study that displacement has occurred is that for several jobs in the sampled restaurants and hotels, only Hispanic immigrants are employed. Yet, in order for displacement to occur, employers must prefer immigrants to the native born and the native born must want the jobs employers have to offer. That blacks want these jobs is not clear from Waldinger's evidence. In his interviews, employers state that because blacks want better jobs with career potential, few apply for low-level jobs. In contrast, Hispanic immigrants clearly want the jobs, as evidenced by employer accounts of their sometimes long commutes to work. These findings are consistent with Piore's observation that jobs that are acceptable to first-generation Americans are often unacceptable to their descendants, who harbor higher expectations. On the other hand, the fact that blacks are less likely to apply for these jobs may reflect a rational response to a likely rejection (Duleep and Zalokar, 1991). Waldinger's

interviews do suggest that employers favor immigrants, at least for certain types of jobs.

Given that blacks may respond to discrimination by not applying for jobs, definitive evidence of employer discrimination requires an experimental approach, in which discrimination is measured by the responses of employers to actors portraying Hispanic immigrant and black job seekers. Such an approach, which provides information uncontaminated by minority responses to discrimination, has typically been used to measure discrimination against black and Hispanic men versus non-Hispanic white men.[12] Waldinger's findings make a convincing case for using the experimental approach to measure possible employer discrimination among native-born minority and immigrant groups.

The interviews in Waldinger's study also suggest that tension among racial/ethnic groups may lead to single-group hiring.[13] In this regard, immigrant groups with well-developed networks are at a distinct advantage. To avoid interethnic tension at the workplace, employers may simply let immigrant networks find new employees; eligible blacks may never learn of the job openings. Even in the absence of intergroup tensions, Waldinger describes several advantages for the employer of network hiring that would encourage single-group hiring.[14] In such a scenario, employment opportunities will be dominated by groups with the best developed social networks. Thus social networks, although aiding immigrant progress, may also present potential civil rights problems.

Finally, the research by Waldinger challenges the validity of the thesis that high black unemployment in urban areas is due to a mismatch between the skills of minority workers and the job requirements of employers. As noted by Peterson and Vroman (1992, p. 12), "If employers are looking for better educated workers, and the lack of jobs in the manufacturing sector explains the pressure on black employment, what accounts for the strong demand for immigrant Hispanic workers, who on average have *less* schooling and *fewer* skills?" Waldinger's research suggests that the exclusion of blacks from network hiring combined with the practice of statistical discrimination may contribute to black unemployment.

METHODOLOGICAL IMPLICATIONS FOR IMMIGRATION RESEARCH

This book presents evidence based on detailed studies of specific groups in specific localities—what we will call the case-study approach—and nationwide statistical studies. The case-study approach is pursued in the papers by Jiobu, Khandewal, Stepick, Kim and Hurh, Gallo and Bailey, and Waldinger. The nationwide statistical approach is pursued in the papers

by Chiswick and Miller, Rivera-Batiz, Simon and Akbari, Bates, Duleep and Regets, and Sorensen. To highlight these two approaches, two methodological commentaries are included in the volume.

The methodological commentaries (Robert Goldfarb's commentary on the Waldinger paper and Cordelia Reimer's commentary on the Kim/Hurh and Bates papers) are by economists and partially reflect a professional preference for nationwide statistical studies over the case-study approach. Yet, nationwide surveys, which have the virtue of generalization, are by their very nature less likely to provide data on processes and group identities that occur within particular contexts. As such, nationwide statistical studies often fail to illuminate processes that underlie important correlations, group identities associated with meaningful economic activities, the manner in which the economic effects of individual skills vary according to context, and institutional features that shape the labor market effects of immigration.

For instance, nationwide surveys, such as the census or the Current Population Survey, generally categorize individuals by their occupation and industry. Thus, a person could be categorized as a manual worker in the construction industry or a laborer in the restaurant industry. Yet, the case-study research of Gallo and Bailey shows that immigrants and the native born with the same census occupation/industry category are distinguished by the nature of their work and the process by which they become employed, trained, and promoted.[15] These distinctions have important implications for the economic assimilation of immigrants and for immigrant/native employment competition. Indeed, insights from case-study analyses may help elucidate why, in nationwide statistical studies, immigration does not appear to have much of an effect on native-born employment.

With respect to group identities, the identities of "effective groups" may not match group definitions available in nationwide surveys. Without appropriate or sufficiently detailed group definitions, important immigrant strategies may remain hidden from the analyst's eye. This problem can be overcome to some extent by a fuller use of existing data and by using insights from case studies to help delineate potentially relevant groups in nationwide statistical studies. As an example, consider Asian Indian immigrants. Analysis of 1990 census data reveals that Asian Indian immigrant men have a self-employment rate close to the U.S. national average. However, using census information on language spoken at home reveals a relatively high self-employment rate among Indian immigrants who speak Gujarati at home (17.5%) and a relatively low self-employment rate (6.5%) among those who speak Malayalam at home. This example illustrates that going beyond the typical country-of-origin/region-of-residence classification of immigrants in nationwide statistical studies may help reveal "effective groups." Nevertheless, even with a fuller and more imaginative use of data, it is difficult to see how existing nationwide survey data could be used to

probe the role of national and international networks in the economic assimilation of particular immigrant groups as discussed by Khandewal in this volume. The only "networks" that are identified in nationwide survey data are the immediate family and the household. Networks that unite immigrants across U.S. states and even countries can never be approached with available nationwide survey data.

Institutional features, such as admission criteria, are also generally absent in nationwide statistical studies. As previously noted, this is a serious problem in welfare analyses that combine immigrants and refugees.[16] Institutional features can sometimes be added to nationwide statistical studies by merging administrative and survey data sources. This approach is used in the Duleep/Regets and Sorensen papers in which INS data on admission criteria are matched to census data.[17] In both cases, important relationships are revealed. However, the process underlying each estimated relationship remains hidden. Furthermore, contextual variables such as the extent of political unity within a group cannot be easily incorporated in nationwide statistical studies, even though such variables may vitally affect the economic assimilation of immigrant groups, as discussed in the paper by Stepick.

The overwhelming problem with case studies, as exemplified in the commentaries by Goldfarb and Reimers, is that by focusing on a microcosm, we do not know whether and how case-study results may be generalized. Thus Reimers comments:

> I have trouble seeing what conclusions we can draw from case studies alone. Without replicating similar case studies in a variety of different locations, there is no way of knowing which features are peculiar to the situation and which are general. There simply isn't enough independent variation in many of the variables.

Using the specific points that Goldfarb brings up in his methodological commentary on Waldinger's study, let us consider ways in which the richness of the case-study approach could be preserved, while promoting the ability to generalize from the findings of case studies.

1. Goldfarb comments that the age and size of the firm may be factors affecting how extensively network hiring is used. With respect to Waldinger's study, this critique suggests that the sample should have been chosen to insure sufficient variation in the age and size of the firms. Given this information, it would then be possible to categorize employer responses by the firm's age and size to determine how the responses varied with these characteristics.
2. Goldfarb comments that there may be a level effect of immigration on whether immigrants displace the native born. This suggests that

Waldinger's study should be replicated in different localities with different levels of immigration and/or in the same locality in time periods with varying levels of immigration.

3. Goldfarb comments that Waldinger's results may be affected by the economic conditions prevailing at the time of the study. This suggests that Waldinger's study should be replicated in Los Angeles in various time periods with varying levels of unemployment. Alternatively, or additionally, this critique could be addressed by replicating the study in additional localities, similar to Los Angeles, but with varying unemployment rates.

In summary, a richer and more useful understanding of immigrants and their effect on the native born would be nurtured by a synthesis of the case-study and nationwide statistical approaches. Nationwide statistical studies would benefit by using case-study insights to illuminate the processes underlying estimated correlations. Case studies could also help delineate "effective groups" and encourage more imaginative uses of existing data in nationwide statistical studies. Case studies could also suggest how the effects of individual skills such as education may vary according to the context in which immigrants operate. Finally, administrative data matched to survey data would permit nationwide statistical studies to analyze the effects of institutional features, which have typically been the domain of case-study research.

Case-study research would be enhanced by a careful consideration of variables that may affect the results including the characteristics of the unit of observation (i.e., individuals, firms), the characteristics of the area, and the characteristics of the time period in which the study is being conducted. Greater generalization of case-study results could then be achieved by utilizing these insights in the selection of the units of observation (to permit analysis of within-sample responses by relevant unit-specific characteristics) and in the replication of case studies across areas and time periods. Ideally, more replication could be achieved with greater collaboration among researchers. At the very minimum, all case studies could examine how within-sample responses vary with the characteristics of respondents.

IMMIGRATION POLICY: THE PAST, PRESENT, AND FUTURE

The papers in Part V deal with a variety of policy questions including: What type of immigrant should we admit? Should we move to a more skill-oriented admissions policy? Should there be any governmental efforts to encourage the cultural, social, and economic assimilation of immigrants? What kind of adjustment assistance, if any, should immigrants be given?

U.S. Immigration Policy and Third World Immigration

The first chapter by David Reimers traces the history of U.S. immigration policy highlighting dramatic changes in the magnitude and composition of U.S. immigration:

> Historically, most immigrants to the United States have hailed from Europe....As a result of refugee policies, changes in immigration law and amnesties for undocumented aliens, American immigration patterns have undergone major changes in the last 30 years. The numbers have been steadily up since the end of World War II. About three million came in the 1960s, four million in the 1970s, and six million in the 1980s. Immigration will probably be near 10 million in the 1990s, making it the decade of the largest number of immigrants in American history. And the newcomers...have come from South and East Asia, the Middle East, Mexico, the Caribbean, and South America. European immigration accounted for only about 10 percent of newcomers in the 1980s....Only five percent of immigrants after 1965 came under the occupational categories; the vast majority used the family preference system...

Reimers pays particular attention to the processes by which U.S. immigration became dominated by third world immigration. Historically, a major turning point was the Immigration Act of 1965, abolishing the previous national-origin quota system that had excluded almost all Asian immigration and favored West European immigration. The shift toward a family-preference system with the 1965 Act, coupled with a drop in European immigration, led to a significant rise in the number of immigrants from Asia, the Caribbean, and Mexico. Reimers notes that although policies such as the Immigration Act of 1965 were on the surface opening immigration to the third world, this outcome was never the intended consequence of policy. More generally, Reimers' historical analysis underscores that from a policy perspective immigration flows are often unintentional, or at least unforeseen.

Other policies that boosted third world immigration include refugee and asylum policies, placing all western hemisphere nations on an equal footing in terms of available visas, the Immigration Reform and Control Act of 1986, and other adjustments such as the Amerasian Homecoming Act of 1988. Thus, through a variety of paths, those first to be excluded now dominate U.S. immigration flows. Reimers notes:

> The backlog of persons awaiting an American visa in early 1992 was almost three million, mostly in third world countries. Thus, unless Congress decides to revamp immigration policy again, we will see continued domination of immigration from the same nations that prevailed in the 1980s.

Skilled and Unskilled Immigration

Jagdish Bhagwati addresses the growing shift in U.S. legal immigration policy toward admitting skilled immigrants. In considering skilled versus unskilled immigration, Bhagwati warns against any aggregative assertion for skilled immigration since differences between the private and social marginal products of immigrants may arise for a variety of reasons and may vary according to the *type* of skill.

> Thus, consider whether the entry of one more Filipino doctor practicing on Park Avenue in New York will produce more benefits for us than the entry of one Haitian maid-cum-child-care provider on the Upper West Side in the same city. In a society where child care is underprovided and where the participation of middle-class women in the work force is a value in itself, the Haitian immigrant could well imply greater net social benefits to us than the entry of one more doctor who settles in a high-income urban area, earns close to the value of his or her social marginal product, and contributes little net income to the rest of us.

Nevertheless, Bhagwati contends that two factors may tip the scale in favor of a policy admitting more skilled at the expense of less skilled immigrants: (1) a greater ability of higher skilled immigrants to acquire the language and customs of the host country, thereby lowering the political costs of their integration and (2) a lower demand on public funds (i.e., welfare) by skilled immigrants.

Given a shift to admit the more skilled, Bhagwati considers various proposals for increasing skilled immigration. He cites several reasons (such as the absence of perfect capital markets permitting rich and poor to borrow against anticipated earnings improvements) why auctioning immigrant visas will not necessarily produce the most productive immigrants. Instead, Bhagwati favors a policy that would facilitate foreign students staying on as immigrants:

> By certifying several colleges and universities, and their higher degrees, as sufficient conditions for seeking immigrant visas, and enlarging the quota numbers to an elastic amount determined by the applications themselves, we can both eliminate the difficulties imposed on our foreign graduates as they struggle to stay here and also resolve to our advantage the "crisis" that is the stuff of media articles on how, in mathematics, sciences, and engineering, there is now a large and growing body of foreign rather than native students. The distinction between foreign and native students would cease to matter...

A Historical Perspective on Initial Conditions and Immigrant Adjustment

Stanley Lieberson, in his contribution to this volume, takes a historical approach to determine what happened to early European immigrants once

they entered, how they adjusted, and most importantly, how we can facilitate the adjustment of future immigrants with the knowledge we have gained from the past. A central point he makes is that the initial situation of immigrant groups at time of arrival is not a good basis to predict the future-day outcomes of these groups. U.S. immigration history demonstrates that there is often no correlation or minimal correlation between past and present conditions such as educational attainment, occupational status, income, difficulties of adaptation, cultural attributes, marriage patterns, residential segregation, prejudice and discrimination, and perceptions of and even definitions of groups.

> Immigration history in the United States provides an important lesson. Namely, there is little justification for using the initial problems faced by the immigrants to draw pessimistic long-term conclusions about either the group or American society.

In considering the history of European immigrants in the United States, Lieberson stresses the very limited role government played in their economic and societal integration.

> We do see that absorption took place in the United States at a very satisfactory pace *without* the benefit of very many governmental actions. The historical pattern provides a model which of itself suggests minimum governmental policies are necessary to carry out a goal of settlement and absorption.

In light of the experiences of earlier European immigrants Lieberson identifies several factors that facilitate long-run adjustment. These include, having the choice to immigrate, the relative freedom to pursue earlier customs, the privilege of being dealt with as an individual rather than a group, the relative ease of obtaining citizenship, and a passive role of government. Echoing a theme voiced by Chiswick and Miller in their analysis of language acquisition, Lieberson cites the potential of economic mobility as the key factor fueling the engine of assimilation.

> The exceptional socioeconomic mobility potential in the society generates assimilation since there are pecuniary, political, and social rewards available to those who change. This rapid intergenerational shift, despite the resistance from parents on at least some dimensions, helps undermine the way of life brought over by the immigrants.

In the same vein, Lieberson concludes:

> If the mobility potential of the United States was a critical feature in generating the adaptation of immigrants and their descendants, then societies may be better off worrying about general issues of the economy and mobility rather than specific issues of facilitating assimilation and warding off imaginary long-term problems.

Family- versus Skill-Based Admission Policies

In the volume's final chapter, Lindsay Lowell weaves together various threads from the preceding papers to consider policies affecting who we admit, or what Lowell terms "gate-keeping policies." He begins by tracing the evolution of core principles regulating U.S. immigration, noting the recent pull toward a more skills-based policy. Although the Immigration Act of 1990 did not alter the essentially family-based nature of U.S. immigration, Lowell suspects that pressures will build in the near future for legislation "to enact a truly substantial shift toward skill-based immigration."

Conventional wisdom dictates a skill-based immigration policy. Lowell cautions, however, that "there are good reasons to doubt the conventional wisdom: family-based immigrants may adapt to the United States just as well as skill-based immigrants and, in the process, have less adverse impact on the U.S. economy."

With respect to the issue of immigrant adaptation, Lowell notes several advantages that family-based immigrants may have over skill-based immigrants. Citing the work of Gallo and Bailey in this volume, he notes that "family-based immigrants, because they have closer ties to family and community networks, have a source of 'information capital' not as readily available to skill-based immigrants." He further notes that "family-based immigrants are prone to use their networks to gain employment in co-ethnic enterprises and in the informal sector...immigrants in small co-ethnic enterprises may receive more job training than others, a distinct advantage because training in the United States occurs predominantly at the place of employment." Finally, Lowell reviews the findings of several studies which, when combined, suggest that family- and skill-based immigrants converge toward the same level of U.S. commitment, integration, and earnings.

With respect to the impact of family- versus skills-based immigration on native-born employment, Lowell cautions that, although in principle, tailoring immigration to labor shortages is appealing, in practice it is an "inherently difficult, if not impossible procedure." Lowell also reviews theoretical and empirical work that suggests that immigrants admitted on the basis of kinship may compete less for jobs with natives than is potentially the case for skill-based immigration.

> Skill-based immigrants, in part because their admission depends on formal links to U.S. employers...may enter directly into job competition with U.S. workers....Conversely, the nature of the jobs that are initially filled by family-based immigrants, precisely because they are not as tightly linked to the primary labor market, may mean that family-based immigrants compete less with U.S. workers.

Among his recommendations for future immigration research Lowell stresses the need for research "to provide definitive answers to questions surrounding the labor market adaptation of skill- versus family-based admissions." He also stresses "the need to focus on immigrant adjustment as a process." Based on the research to date, Lowell concludes:

> What looks like poor integration in the short term may well turn out to be successful over a long run. This is not to say that a system that admits the best and brightest from sending countries cannot be devised, or that immigrants with the greatest skills may not earn more and adjust more readily. Rather, the mechanisms that are in place, and which are cited as likely models for a future skills-based system may not function as proponents suggest.

EPILOGUE

Strong declarations are being made about the direction U.S. immigration policy should take, even though painfully little is known about the adjustment process of immigrants or their effect on the native born. We would therefore like to conclude our introduction by listing several important issues requiring further thought and analysis that this volume highlights.

1. *The definition of skill.* Although often bandied about in debates on immigration policy, the terms skilled and unskilled are rarely defined. Skill may refer to level of education, or to particular skills such as English proficiency and quantitative skills, or to occupational experience and other knowledge that can be readily transferred to the United States, or to unmeasured skills that affect earnings after controlling for years of schooling and work experience, or to occupational skills that U.S. employers demand. There are various components of skill and these various components have different potential policy ramifications. Furthermore, any particular component of skill that is encapsuled in an immigrant admissions policy will likely affect immigrant composition along other skill dimensions. For instance, the work of Chiswick and Miller, and Rivera-Batiz suggests that selecting better educated immigrants will also select immigrants who are likely to acquire English quickly. Emphasizing or not emphasizing any component of skill will also affect other characteristics of the immigrant population such as their country-of-origin composition. As noted by Steve Woodbury (1985), an admissions policy that emphasizes similarity to U.S. skills, though not on the face of it culturally biased, would likely work to the disadvantage of potential immigrants from Asia, Latin America, and Africa, and to the advantage of applicants from developed countries. In this regard, a policy to increase immigrant skill levels by rewarding education may be less restrictive than a policy that rewards English proficiency.

In considering the effects of a family- versus skills-based admission policy, careful attention must be paid to what skills we are referring to. For instance, Duleep and Regets in this volume attempt to measure the effect of occupational-skills admissions versus family-based admissions on immigrant earnings profiles, *controlling for immigrant education levels.* Discussions about U.S. immigration policy have considered occupational-skills criteria and education both as separate policies, and as policies that might be used in tandem, as in the Canadian system. As such, isolating the independent effects on immigrant earnings of occupational skills criteria from the effect of immigrant education levels and learning the interactive effects of education levels, family admissions, and occupational-skills criteria are important for future policy deliberations. The papers by Gallo and Bailey and Duleep and Regets are efforts in that direction.

2. *Policy alternatives and the educational composition of immigrants.* Bhagwati's proposal to facilitate foreign students staying on as immigrants would unambiguously increase the proportion of highly educated immigrants. The repercussions of other proposed policy alternatives on the educational composition of immigrants are less clear and may, as exemplified in the Duleep/Regets paper, have unintended consequences.

Given the crucial role of education, it is important to gather more information on how various admission policies might affect the educational composition of immigrants. One approach for increasing our knowledge in this regard is to compare the educational levels of immigrants admitted under the different existing admission categories. In the absence of appropriate individual data, Duleep and Regets related group and cohort-specific variations in INS admission criteria to census data on immigrant education levels. More direct information could be obtained if education were added to the information the INS regularly collects from legal immigrants. The educational attainment of immigrants admitted under different admission criteria could also be learned from surveys specifically designed to elicit such information, as exemplified by the longitudinal survey of Filipino and Korean immigrants by Fawcett, Carino, Park, and Gardner (1990).

Cross-national comparisons may also elucidate how various policy alternatives could affect—or fail to affect—the educational composition of immigrants. Duleep and Regets (1992) find the education levels of Canadian and U.S. immigrants from the same region of origin to be similar despite Canada's greater emphasis on education in its admissions policy. Their study did not, however, examine the effect of changes in Canadian admission policy on educational composition given underlying trends in the educational composition of visa applicants.[18]

Borjas (1993) stresses the effect of the Canadian skills-based system on the country-of-origin composition of immigrants which in turn affects

immigrant education levels. However, a historical comparative analysis of Canadian and U.S. immigration suggests that his analysis attributes to the Canadian skills-based policy, imposed in 1962, what is likely due to the proximity of the United States to Central and South America and the historically much higher European representation in Canadian immigration.[19]

Clearly, as we try to learn the effects of various policy alternatives on the educational composition of immigrants, better data and more complex analyses are called for.

3. *Economic benefits to skill dissimilarity.* Immigrants who have skills that are similar to those of U.S. natives, such as English proficiency, or who come from economically developed countries (and are therefore believed to have more similar backgrounds to those of U.S. natives), are generally believed to be more economically desirable than immigrants with skills that are dissimilar to those of U.S. natives. It is argued that such immigrants can adapt better to the U.S. economic system, as evidenced by their relatively high initial earnings. Yet, some of the papers in this volume suggest that immigrants with skills dissimilar from those of U.S. natives may benefit the U.S. economy and society by developing areas and businesses that would not otherwise be developed and by tempering immigrant/native employment competition.

4. *The significance of initial conditions.* In the recent debate on immigrant adjustment, much weight has been placed on the low initial earnings of immigrant men coming in on the basis of kinship and originating from Asian and Hispanic countries in comparison with immigrant men, with comparable years of schooling, coming in on the basis of occupational skills and originating from Western Europe. The low initial earnings of the former have been interpreted by some to indicate lower immigrant quality or ability (e.g., Borjas, 1987). An alternative explanation is that immigrants who start their lives in the United States at low earnings have less transferable skills, either because the skills acquired in their countries of origin are less transferable, due to different economic and educational systems and different levels of economic development, and/or because the employment opportunities in these countries make it worthwhile for persons to immigrate even when it involves substantial investment in new skills or credentials.[20] According to the skills transferability explanation, we would expect initial differences in immigrant earnings by country of origin or admission status to diminish with duration in the United States. On the other hand, if country-of-origin and admission criteria effects reflect the selection of more or less able individuals, then we might expect such influences to persist or even to grow

in importance with time in the United States since low (high) ability would likely dampen (increase) initial earnings as well as earnings growth

Chiswick (1978, 1979) and Duleep and Regets in this volume and elsewhere (1992, 1994a, 1994b, 1995, 1996a, 1996b) provide evidence that with time in the United States the earnings of comparably educated immigrant men converge regardless of their country of origin or admission status.[21] Furthermore, there appear to be family-investment strategies that help offset the low earnings of immigrant men who initially lack skills for which there is a demand in the host-country labor market (Duleep and Sanders, 1993; Beach and Worswick, 1993; Ngo, 1994; Baker and Benjamin, 1994; Duleep, Regets, and Sanders, 1996). Finally, there is a considerable body of evidence indicating convergence along a number of socioeconomic factors, such as educational attainment, across generations of immigrant groups (Lieberson, 1963, 1992, this volume; Lieberson and Waters, 1988; Waters and Lieberson, 1992; Duleep and Sider, 1986; Duleep, 1988).

5. *Ambiguities surrounding the benefits of more educated immigrants.* Several studies in this volume reinforce the wide-ranging importance of education. Yet even here an argument that the more educated are more desirable than the less educated is not without ambiguity. As illustrated in Bhagwati's story of the maid and the doctor, net social benefits need not be positively correlated with immigrant education levels. Furthermore, as discussed in the chapter by Gallo and Bailey, immigrant networks may provide informal training and help compensate for the disadvantages of lower educational levels.

Of particular concern in considering the immigration of poorly educated immigrants is their effect on the earnings and employment of poorly educated natives. Case-study evidence is inconclusive on this issue: Waldinger's study suggests displacement, whereas the work by Gallo and Bailey suggests that the native born and foreign born do not compete for the same jobs. Nationwide statistical studies generally show little or no displacement. However, a problem with the instrumental variable approach used in these studies (to circumvent the problem that high immigration areas may also be high labor demand areas) is the imprecision inherent in using a proxy for the variable whose effect we wish to estimate.[22] In addition, these studies generally examine the economic impact on low-skilled natives of increases in the percentage of all immigrants or, as an indicator of the skill level of immigrants, the percentage of immigrants with low predicted earnings. The latter is a poor indicator of skill, because it groups together poorly educated immigrants with highly educated immigrants who initially earn at low levels but rapidly assimilate. The most relevant variable to use is the increase in poorly educated immigrants.

Although case-study evidence, by itself, is not sufficient for examining immigrant/native-born labor market competition, two themes highlighted

in this volume's case-study research should be kept in mind in our efforts to measure the effects of immigration on the wages and employment of poorly educated natives. One is that immigrants may fill jobs that the native born do not want, as suggested in the employer interviews of Waldinger's study. Another is that we cannot simply think of skilled versus unskilled labor, as is commonly done in economic models of the labor market effects of immigration. The case-study research of Gallo and Bailey shows that within specific unskilled occupations, immigrants and the native born are differentiated by the nature of their work.[23]

Finally, to sensibly consider the immigration of poorly educated immigrants, better information is needed on their welfare use. In particular, to what extent are the estimated education-family composition-welfare use results of Simon and Akbari affected by the inclusion of refugees?

6. *Possible economic benefits of family admissions.* Typically, admission on the basis of kinship has been justified solely on humanitarian grounds. Yet, as illustrated in several of this volume's chapters, extended families and close-knit immigrant communities nurtured by family admissions may ease the initial adjustment of immigrants and promote investment in human capital and the formation of businesses. A family admission policy may have strong economic benefits both in its effect on immigrant adjustment and for immigrant/native employment competition. Kinship-based admissions also appear to interact in important ways with individual skills such as education.

7. *Individual skills do not operate in a vacuum.* A theme with variation throughout this volume is that the economic effects of individual skills vary according to the context in which immigrants operate. The message has important implications for the study of immigrants and the analysis of immigration policy.

On these and other immigration issues, a fuller and more accurate understanding requires a synthesis of case study and national statistical approaches as well as joint consideration of individual skills and group dynamics, outcomes, and processes, and the interaction of these variables with admission policies.

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NOTES

1. Refer to Duleep and Regets (1992) for a schematic comparison of the U.S. and Canadian immigrant admission policies and Boyd (1976).

2. Family-admitted immigrants include parents, spouses, and minor children of adult U.S. citizens, admitted without numerical restriction, and other close relatives (adult children of U.S. citizens, spouses, and unmarried children of permanent resident aliens, and siblings of adult U.S. citizens), who are numerically restricted.

3. This taxonomy is approximate and leaves out several categories. For a more comprehensive and detailed description of the various types of U.S. immigrants, refer to Immigration and Naturalization Service, 1993.

4. The Immigration Act of 1990 increased occupation-based admissions from 54,000 to 140,000 a year. This reform was not sufficient, however, to alter the essentially family-based nature of U.S. immigration (see the chapter in this volume by Lindsay Lowell).

5. This interaction is gender specific. In contrast to the results for men, Rivera-Batiz finds that, "the key variable influencing female immigrant wages is not quantitative skills but English proficiency. One explanation for this result is the high proportion of women employed in clerical and trade occupations, occupations for which English proficiency is critical in determining employment opportunities."

6. Welfare use by refugees and non-refugee immigrants is analyzed by Fix and Passel (1994) by comparing the overall welfare use by groups with high and low proportions of refugees.

7. Studies of interethnic economic progress with an emphasis on Asian Americans include Jiobu (1988, 1990), Duleep (1988), and Duleep and Sanders (1992, 1994).

8. In puzzling contrast to some other Asian groups, the descendants of pre-1965 Asian Indian immigrants have low average earnings and a high dispersion in educational achievement (Duleep, 1988; Duleep and Sanders, 1992). A possible explanation for this is the historical lack of social cohesion among early Indian immigrants that Khandewal alludes to in contrast with the high degree of social cohesion among early Japanese immigrants described by Jiobu in this volume.

9. See, for instance, Wilson and Portes (1980), Sanders and Nee (1987), and Portes and Jensen (1987).

10. Stepick compares the levels of human capital between recent waves of Cuban refugees and Haitians. However, in a startling conclusion-warranting further research, he states, "For Haitians who came in 1980 neither education or any other individual characteristic made a difference in either getting a job or the wages one received once one found a job. . . .Educated and uneducated, professionals and farmers, those who knew English and those who did not were all equally likely to be unemployed."

11. Under the proposed system the admission category for the adult children of U.S. citizens would also be eliminated.

12. Refer to Duleep and Zalokar (1991) for an exploration of how minority responses to discrimination affect traditional social science measures of discrimination and how an experimental approach circumvents minority responses. Refer to Cross, Kenney, Mell, and Zimmermann (1990) for a prominent example of experimental testers used to measure discrimination.

13. One of the central results of Becker's economic theory of discrimination is that in the case of employee discrimination by majority workers who are perfect substitutes for members of the minority group, "market segregation arises, with minority workers working in some firms, majority workers working in other firms, and integrated firms only existing to the extent that there exist nondiscriminatory majority employees" (Becker, 1971). Waldinger's research suggests that employee discrimination as well as an employer preference for one group over another may be operating.

14. Also refer to Bailey and Waldinger (1991).

15. Also refer to Bailey (1987).

16. It also makes it difficult to determine trends in the educational levels of legal immigrants (Fix and Passel, 1994).

17. Ideally, such matches between administrative and survey data would be done at the individual level. A potential problem with the type of analyses done in the Duleep/Regets and Sorensen papers in which group-level information is analyzed at the individual level is that the t-statistics of estimated coefficients may be upward biased. Refer to Moulton (1986) for a discussion of this problem and a possible estimation solution.

18. The similarity may also reflect lesser real differences between the U.S. and Canadian systems than their purported differences. See especially Boyd (1992) and Papademetriou (1992) on this point.

19. Although European immigration decreased in both countries from the 1960s to the 1970s, as a percentage of past immigration, it decreased more in Canada.

20. The skills transferability theory was first proposed by Barry Chiswick (1978, 1979).

21. Jasso and Rosenzweig (1995) also find evidence of convergence across admission criteria not adjusting for education.

22. For a discussion of an alternative approach, refer to Duleep (1994).

23. Efforts in nationwide statistical studies of native-born/foreign-born labor market competition to differentiate foreign-born labor by variables other than education and age include Sorensen's chapter in this volume, in which foreign-born labor is differentiated by admission status, and Rivera-Batiz and Sechzer (1991), Gang and Rivera-Batiz (1994), and Enchautegui (1994), in which foreign-born labor is differentiated by country of origin.

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