



# *ISSUES IN INTERNATIONAL POLITICAL ECONOMY*

March 2000, NUMBER 3

## **Clashing Pressures on Immigration**

Sidney Weintraub

The executive council of the AFL-CIO made a stunning shift in its position on immigration last month when it called for legalization of undocumented aliens in the United States and an end to sanctions against employers who knowingly hire them. There are now an estimated 6 million illegal immigrants in the United States, a majority from Mexico.

The new policy stance has contradictory aspects—one tending to raise wages and the other to lower them. For the illegal immigrants already working here, most of them unskilled, removing their clandestine status and bringing them into labor unions should raise their wages. However, the invitation to foreign workers to flock into the United States will in the future likely place downward pressure on the wages of comparable workers already here. This second aspect implies that too few U.S. nationals are expected to seek jobs in unionized industries and services and that the unions are seeking future immigrant recruits.

The AFL-CIO is not alone in seeking to attract foreign workers:

At the urging of technology companies, the U.S. Congress keeps raising the number of individuals with high-tech training who are invited as “guest” workers. These supposedly temporary workers are likely to stay indefinitely. Indians dominate among the recipients of these H-1B visas.

Alan Greenspan, chairman of the Federal Reserve Board, in testimony before the Senate Banking Committee in January, said that even though there are enormous problems associated with shifts in immigration policy, gradual changes are necessary to attract qualified workers.

*The Economist*, using data from the United Nations Population Division, concluded in an article this past January that declining fertility rates (average lifetime births per woman) will make it necessary to attract a substantial number of immigrants into Europe in order to keep the working population steady. The population replacement fertility rate is 2.1 and it has fallen below this in all major European countries.

The fertility rate in Japan is now 1.5, and unless there is an increase in the years ahead, Japan’s population will fall by two-thirds over the course of the twenty-first century.

The problems of low fertility are compounded by the aging of populations in the industrial countries. A recent CSIS report, *Global Aging, The Challenge of the New Millennium* (with Watson Wyatt Worldwide, December 1999) brought out many of the implications of this reality. The number of working taxpayers supporting each recipient of a public pension will fall sharply in all key industrial countries unless there is an increase in immigration. Even now, the figures are low—2.6 persons in Japan, 2.5 in France, 2.3 in Germany, and 1.3 in Italy. In 50 years, if there are no changes, the worker/pensioner ratios will fall by about one-half for these countries. The fertility decline and the worker/pensioner ratio is cause for concern in the United States, but not to same degree as in other industrial countries because of a steady stream of immigrants.

This combination—declining fertility and population aging—means that public pension deficits could consume all current savings of the developed world in 30 to 40 years. This projection from the Organization for Economic Cooperation and Development (OECD) assumes that all else will remain the same, but this cannot be. Something

**William E. Simon Chair in Political Economy • Center for Strategic and International Studies**

1800 K Street, NW • Washington, DC 20006 • Tel: (202) 775-3292 • Fax: (202) 775-3199 • <http://www.csis.org>

will have to give—taxes, spending, or the pension systems. The other change that may occur is acceptance of more immigrants by the industrial countries. This may not be easy to achieve, even if sought, because fertility rates are declining as well in developing countries. The fertility rate in Mexico, the main source of immigrants into the United States, is currently about replacement level, but this may not endure for more than another decade or two.

This clash in immigration policy stems from a general sentiment in the developed countries to limit new entrants at the same time that a clear need is developing for more immigrants. An article in the *Wall Street Journal* on January 17, 2000, spelled out the great effort it took for a German software entrepreneur to employ a skilled Russian programmer. More seriously, there were riots in southern Spain in February when Spaniards rampaged against Moroccan and other African workers, beating many and setting their shanties on fire. It was not too many years ago that many Spaniards benefited from their ability to migrate to higher-income European countries. The attraction of Jörg Haider's Freedom Party in Austria owes much to its anti-immigrant position. The same is true of the popularity of the ultranationalist Jean Marie Le Pen in France. Japan has long been adamant about preserving its ethnic homogeneity by stringently limiting legal immigration. Much of Pat Buchanan's support in the United States comes from his anti-immigrant stance.

The decline in fertility rates is generally welcome in that this reduces the pressure on countries to feed and educate their populations, although this positive aspect is attenuated by the fact that fertility rates remain high in the poorest countries. There is no doubt, however, that the fertility decline and the aging of populations in the industrial countries are putting strains on workforce replacement, pensions, and public health systems. This situation is still abstract—statistical more than personal—for national populations in most industrial countries. Majority sentiment in these countries still favors limiting immigration.

It will not take too many years, however, for a full realization of the implications of fertility decline in the industrial countries. Pension and social security benefits systems will become less generous. Workforce demands will become more pressing. If there are labor shortages, economic growth will slow. The projected surpluses in the U.S. federal budget will be eaten up by health and social security costs unless these are made less generous. The increasing need for immigrants is a most unwelcome development to the national majorities in the industrial countries that favor less immigration, but reality may force a shift from an emphasis on techniques of exclusion to criteria for inclusion.