

**IS THIS THE TIME TO CONSIDER A LARGE GUEST  
WORKER PROGRAM: THE POTENTIAL IMPACT UPON  
WORKING AMERICANS AND AMERICANS SEEKING  
EMPLOYMENT**

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**House of Representatives  
Committee on the Judiciary**

**Subcommittee on Immigration,  
Border Security and Claims**

**2141 Rayburn HOB**

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Mr. Chairman and members of the Subcommittee, it is my pleasure to testify on the subject of the impact of a large guest worker program on working Americans and Americans seeking employment.

I would like to suggest that this topic requires a hearing devoted to the specific interests of both the low wage and low educated worker and another hearing to the needs of the higher educated, higher paid American worker. Unfortunately although the situations differ, the laws of supply and demand work the same for both sets of workers as it does for the rest of society. When you greatly increase the labor supply whether by guest worker, or by immigration you increase the likelihood of either some workers (in this case foreign workers) being substituted for American workers or simply by increasingly lowering the rewards of wages to American workers. In my presentation I will focus upon less educated and lower wage American workers, many of whom are disproportionately of African American descent. I will point out that we should have a common national interest in reversing what I believe are incentives to give preferences to foreign workers over low skilled American workers. I will then discuss some of the reasons why this is particularly not a good time to be bringing additional foreign workers into the low wage, low education, portion of our American labor force.

Is Any Guest Worker Program in our American National Interest Under Current and Immediate future labor Market Conditions?

Whenever we use the term national interest, we must try to clearly define what we are talking about when we are talking about it in the context of the American economy. Briefly I define it as whether the economic benefits to American workers, employers and citizens are greater than the costs of the program. We run into difficulty because often in these cost benefit calculations there are costs outside of the immediate market transactions that are not part of the calculation (often because more than the parties in the market transactions are paying the costs). Other costs are left out because they are difficult to measure or because we do not agree on weights. Although the calculations and agreements are so difficult it still should help our considerations if we begin to think of benefits or costs that we would not otherwise consider.

The benefits of lower labor costs are greater profits to investors and likely cheaper products to American and world consumers. These benefits have helped to lower our American cost of living and helped keep our inflation in check. These significant benefits have been the driving force behind guest worker proposals.

My first contention is that there are some economic conditions where the payoff from guest workers is less than it would be under other conditions. I wish to point out that we currently have a very high trade deficit plus extremely high budget fiscal deficits that should be a consideration in our guest worker deliberations.

It almost goes without saying that it is likely that a high portion of a guest worker's wages will be sent home as remittances which will exacerbate our balance of payments deficit. This could also be a factor in the considerations by the Federal Reserve to increase US interest rates, especially if foreign holders of our equity and other assets feel the dollar is not appropriately valued. These are some of the costs in guest worker programs that do not seem to be part of the debate often.

We all know that since our economy is 2/3s driven by consumer demand it should be seen as clearly in our national interest to maximize the dollars in American workers to stimulate the American economy rather than having it sent outside of the US in generating demand driven economic activity that primarily benefits Americans.

It is also a well known if hard to calculate fact that the extensive availability of low wage foreign workers (who tend to get lower wages than American workers) may delay the introduction of more efficient , productive and more capital intensive investments that are increasingly necessary in a competitive global economy.

Reports from Reuters and the Los Angeles times have quoted Border Control Officers as contending that just the discussion of a guest worker program creates an incentive to get into the US as soon as possible to get better knowledge and presumably a better status to qualify for the program. They estimate that they get a 10- 15% increase in illegal alien apprehensions just because a proposal is being considered.

A guest worker program should not be a high priority for a Congress that values the non governmental intervention in free markets. Any guest worker program is an adverse governmental induced market distortion against the bargaining interests of lower wage, lower educated, American workers. Just as adverse government intervention in the market is not good for business, it should also be resisted for labor to benefit from free markets.

Last but not least it is important that the non federal costs of guest workers are taken into consideration so that our states and local governments are not hit with an additional unfunded federal mandate at a time when their budgets are under severe strain. I will later point out that whomever pays the health costs of guest worker should be clearly spelled out beforehand because many public health systems are currently under severe strain exacerbated by a great deal of care to our 47 million uninsured.

## The Timing of a Guest Worker Program

There are a number of factors that are currently coming together to make the current time and the immediate future a very bad and unfair time to subject low income American workers to increased competition from foreign low income workers because there is already intense competition among low income workers for less jobs. I will look at some of the evidence to support this contention.

## Competition and Concerns Among Low income Low Skilled American Workers

The following are all areas where jobs are either in decline or where there already is intense low wage worker competition.

The decline of US manufacturing jobs has been well documented and the decline will continue unless there is a rapid and steep devaluation of the US dollar. The proportion of the workforce employed in manufacturing has fallen from 30% in the mid 1960s to 11% currently and the loss rate has increased in the last few years.<sup>1</sup> These were once jobs that less skilled workers including young less skilled African American workers could do and get without a lot of education. Some manufacturing jobs with high immigrant participation (such as butchering and meat packing) have suffered from wage depression and increasingly are not available to American low wage workers.

The welfare reform act has placed another large supply of American low wage workers in the labor market and many of them are struggling to find and keep employment. Of the nearly 3 million women who left the welfare rolls, only about 1.8 million or 60% have jobs on any given day. Because of low wage worker competition, many are worse off in real terms than they were before reform.

**“In the late 1990’s the percentage of working single mothers shot up from 59 to 70%. Less impressive is the fact that most are low wage , often part time jobs, and many are not better off , especially when they take into account the child care and other costs of working.**

**And although some former recipients of welfare may have sporadic work in the course of a year, there are more than a million of them, parents of more than two million children, who, on any given day, have neither job or cash assistance. Their situation is why the poorest of the poor-----those with incomes of about**

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<sup>1</sup> Louis Uchitelle, “As Factories Move Abroad So Does U.S. Power,” New York Times, August 17, 2003.

\$7,500 for a family of three---have a lower average income than they had when the law was passed.”<sup>2</sup>

Another reason we should not be considering a guest worker program is because American employers tend to prefer immigrants to American workers or specifically African American low wage workers. I have contended this in testimony before Congressional committees before. Now this is also the opinion of William Julius Wilson the Harvard University professor who is probably the most distinguished expert on the urban poor. Wilson said “Black men have suffered most because employers prefer immigrants and women over black males.”<sup>3</sup> He came to that conclusion in seeking to help understand a surge in African American unemployment after it had fallen to a record low of 7% during the economic boom of the 1990s.

In an investigative article favorable to illegal aliens two investigative reporters candidly reported on the difficulty an African American worker had trying to find employment in immigrant dominated industries...

“Employers complain about the difficulty of finding native-born workers . But Darrell Clayborn a 45 year old unemployed Dallas man says he would take “the crumbs” of a janitorial job. He has even gone to a Plano day labor site trying to get hired. But he seldom gets picked.” If you are not a Mexican, you do not go out and work” says Mr. Claborne. . Clayborn, who is black. “There are a lot of black guys out there , and they just quit looking for work,” Mr. Claborn says.<sup>4</sup>

Illegal immigrants seem to have redefined (lower) pay scales in industries such as janitorial services, construction and hospitality.

In the 1980s and 1990s America’s janitorial forces began to change. Prior to that janitors were better paid when there were more native born members including many American blacks says Steven Lerner of the Service employees International Union. But through the 1980s and 1990s janitorial crews became more immigrant heavy.

There are only a handful of cities in America where immigrants are not the dominant group Mr. Learner says.<sup>5</sup>

<sup>2</sup> Peter Edleman, “Is Anyone watching as Welfare Becomes Unfair?/ Washington Specctator, Vol.29 # 15, August 1, 2003, p2.

<sup>3</sup> Don Wycliff. “Curbing the influx of immigrants...” Chicago Tribune, July 10, 2003 p. c23.

<sup>4</sup> Dianne Solis and Ernesto Londono. “Immigrant’s Work Illegal In Demand” Dallas Morning News January 6, 2004 pp1, 8a.

<sup>5</sup> Ibid.

More evidence of employer preference for immigrants is the Department of labor data showing that the foreign born labor participation rate tops the native born labor participation rate 79.6% to 73.4%<sup>6</sup>

The increasing immigrant labor preference holds even during our last recession the net increase in foreign born adults holding a job grew 1.7 million while the number of native workers fell by 800,000.<sup>7</sup>

The preference for foreign born employees holds even within the Hispanic community and the preference is for the less educated employees.<sup>8</sup>

There is another source of American labor that is in our collective interest to provide more employment opportunity for before we consider additional guest worker programs. I am referring to the almost 600,000 prisoners released from state and federal prisons each year. They do not need new guest worker competition for a declining number of low wage jobs which are an important factor in keeping recidivism rates down.

Studies across the united States show African American males have a difficult time finding employment especially in places that are losing manufacturing jobs. A recent study in New York City found that just 51.8% of Black men from ages 16 to 64 held jobs in New York City, compared to 75.7% for white men and 65.7% for Hispanic men. This low employment population ration for black men was the lowest since they have been keeping figures dating back to 1979.<sup>9</sup> Clearly people in this situation who are already finding it difficult to find jobs, do not need more competition from a new guest worker program.

I could not find agreement on the loss of outsourcing jobs overseas.<sup>10</sup> Some of these jobs are also the low level customer service jobs that were another potential job source to low wage workers that is now at risk.

Other timing concerns are recent data from the U.S. Department of Labor. Last month (February 2004) an additional 400,000 Americans dropped out of the labor force. Currently our labor force participation rate is at 65.9% a 15 year low.<sup>11</sup>

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<sup>6</sup> Ibid.

<sup>7</sup> Steven A Camarota , "Immigration in a Time of recession: An examination of Trends since 2000, Center For Immigration Studies, November 2003.

<sup>8</sup> Rakesh Kochhar. "Latina Labor Report, 2003: Strong but uneven Gains in Employment," Pew Hispanic Center, washington D.C. February 2004

<sup>9</sup> Mark Levitan, "A Crisis of Black Male Employment : Unemployment and joblessness in New York City, 2003," Community Service Society New York, February, 2004

<sup>10</sup> Louis Uchitelle, "A Missing statistic: U.S. Jobs that have Moved overseas," New YorkTimes October 5, 2003, p21.

<sup>11</sup> Danielle DiMartino. "Behind Jobless Numbers, the Picture looks even Worse." Dallas Morning News March 8<sup>th</sup> 2004, p.4d.

Why would we be considering reinforcing guest workers when our countrymen are so vulnerable?

We should be clear in any future guest worker program who will be responsible for paying the health related costs for guest workers. Public hospitals and health facilities in Dallas and Houston are already straining to meet the costs of health costs for the uninsured. One third of our immigrants do not have health insurance a rate 2.5 times the rate for native born Americans. Immigrants and their U.S. born children account for 95% (7.5 million) of the 7.8 million increase in the size of the uninsured population since 1989.<sup>12</sup>

Last but not least many American foresee a rise in U. S. unemployment over the next 6 months according to a Gallup poll. When Americans are becoming increasingly worried about the so called jobless economy does not seem to be the best time to be thinking about new guest worker programs.

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<sup>12</sup> Steven A. Camarota. "Immigrants in the United States -2002," Center for Immigration Studies, November, 2002.