



April 16, 2006

ECONOMIC VIEW

Cost of Illegal Immigration May Be Less Than Meets the Eye

By EDUARDO PORTER

CALIFORNIA may seem the best place to study the impact of illegal [immigration](#) on the prospects of American workers. Hordes of immigrants rushed into the state in the last 25 years, competing for jobs with the least educated among the native population. The wages of high school dropouts in California fell 17 percent from 1980 to 2004.

But before concluding that immigrants are undercutting the wages of the least fortunate Americans, perhaps one should consider Ohio. **Unlike California, Ohio remains mostly free of illegal immigrants. And what happened to the wages of Ohio's high school dropouts from 1980 to 2004? They fell 31 percent.**

As Congress debates an overhaul of the nation's immigration laws, several economists and news media pundits have sounded the alarm, contending that illegal immigrants are causing harm to Americans in the competition for jobs.

Yet a more careful examination of the economic data suggests that the argument is, at the very least, overstated. There is **scant evidence that illegal immigrants have caused any significant damage to the wages of American workers.**

The number that has been getting the most attention lately was produced by George J. Borjas and Lawrence F. Katz, two [Harvard](#) economists, in a paper published last year. They estimated that the wave of illegal Mexican immigrants who arrived from 1980 to 2000 had reduced the wages of high school dropouts in the United States by 8.2 percent. But the economists acknowledge that **the number does not consider other economic forces, such as the fact that certain businesses would not exist in the United States without cheap immigrant labor. If it had accounted for such things, immigration's impact would be likely to look less than half as big.**

Mr. Katz was somewhat taken aback by the attention the study has received. "This was not intended," he said.

At first blush, the preoccupation over immigration seems reasonable. Since 1980, eight million illegal immigrants have entered the work force. Two-thirds of them never completed high school. **It is sensible to expect that, because they were willing to work for low wages, they would undercut the position in the labor market of American high school dropouts.**

This common sense, however, ignores half the picture. Over the last quarter-century, the number of people without any college education, including high school dropouts, has fallen sharply. **This has reduced the pool of workers who are most vulnerable to competition from illegal immigrants.**

In addition, as businesses and other economic agents have adjusted to immigration, they have made changes that have muted much of immigration's impact on American workers.

For instance, the availability of foreign workers at low wages in the Nebraska poultry industry made companies realize that they had the personnel to expand. **So they invested in new equipment, generating jobs that would not otherwise be there.** In California's strawberry patches, illegal immigrants are not competing against native workers; they are competing against pickers in Michoacán, Mexico. If the immigrant pickers did not come north across the border, the strawberries would.

"Immigrants come in and the industries that use this type of labor grow," said David Card, an economist at the [University of California](#), Berkeley. "Taking all into account, the effects of immigration are much, much lower."

In a study published last year that compared cities that have lots of less educated immigrants with cities that have very few, Mr. Card found no wage differences that could be attributed to the presence of immigrants.

Other research has also cast doubt on illegal immigration's supposed damage to the nation's disadvantaged. A study published earlier this year by three economists — David H. Autor of the Massachusetts Institute of Technology, Mr. Katz of Harvard and Melissa S. Kearney of the Brookings Institution — observed that income inequality in the bottom half of the wage scale has not grown since around the mid-1980's.

Even economists striving hardest to find evidence of immigration's effect on domestic workers are finding that, at most, the surge of illegal immigrants probably had only a small impact on wages of the least-educated Americans — an effect that was likely swamped by all the other things that hit the economy, from the revolution in technology to the erosion of the minimum wage's buying power.

When Mr. Borjas and Mr. Katz assumed that **businesses reacted to the extra workers with a corresponding increase in investment — as has happened in Nebraska** — their estimate of the decline in wages of high school dropouts attributed to illegal immigrants was shaved to 4.8 percent. And they have since downgraded that number, acknowledging that the original analysis used some statistically flimsy data.

Assuming a jump in capital investment, they found that the surge in illegal immigration reduced the wages of high school dropouts by just 3.6 percent. Across the entire labor force, the effect of illegal immigrants was zero, because the presence of uneducated immigrants actually increased the earnings of more educated workers, including high school graduates. For instance, higher-skilled workers could hire foreigners at low wages to mow their lawns and care for their children, freeing time for these workers to earn more. And businesses that exist because of the availability of cheap labor might also need to employ managers.

Mr. Borjas said that while the numbers were not large, the impact at the bottom end of the skill range was significant. "It is not a big deal for the whole economy, but that hides a big distributional impact," he said.

OTHERS disagree. "If you're a native high school dropout in this economy, you've got a slew of problems of which immigrant competition is but one, and a lesser one at that," said Jared Bernstein of the Economic Policy Institute, a liberal research group.

Mr. Katz agreed that the impact was modest, and it might fall further if changes in trade flows were taken into account — specifically, that without illegal immigrants, some products now made in the United States would likely be imported. "Illegal immigration had a little bit of a role reinforcing adverse trends for the least advantaged," he said, "but there are much stronger forces operating over the last 25 years."

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