



Immigration, Poverty and Low-Wage Earners

The Harmful Effect of Unskilled Immigrants
on American Workers


FAIR

FEDERATION FOR AMERICAN IMMIGRATION REFORM

*a report by Eric A. Ruark, Director of Research and
Matthew Graham, Researcher*

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Executive Summary

Today's immigration system is dysfunctional because it is not responsive to the socioeconomic conditions of the country. Only a small share of legally admitted immigrants is sponsored by employers while the bulk are admitted because of family ties to earlier immigrants who may be living in poverty or near poverty. As a result, immigration contributes to an already-existing surplus of low-skilled workers, increasing job competition and driving down wages and conditions to the detriment of American workers. The presence of a large illegal workforce perpetuates a vicious cycle as degraded work conditions discourage Americans from seeking these jobs and make employers more dependent on an illegal foreign workforce. America's massive low-skill labor force and illegal alien population allow employers to offer low pay and deplorable conditions.

These harmful effects of the immigration system were recognized in the reports of the U.S. Commission on Immigration Reform in the mid 1990s. The Commission's immigration reform recommendations were welcomed by President Clinton and submitted to Congress, but have largely been ignored since then. Conditions for America's poorest workers have continued to deteriorate because of both illegal and legal immigration. Reform of the immigration system to assure that it does not harm Americans and instead contributes to a stronger more equitable society is long overdue. The reforms that are needed include ending family-based chain migration and unskilled immigration, ending the job competition for America's most vulnerable citizens by curtailing illegal immigration and unskilled legal immigration, and holding employers accountable for hiring illegal workers.

The U.S. has a responsibility to protect the economic interests of all of its citizens, yet the immigration system, which adds hundreds of thousands to the labor force each year, is bringing in workers faster than jobs are being created. Moreover, only a small portion of admissions are based on skills or educational criteria, creating an enormous glut of low-skilled workers who struggle to rise above poverty. In 1995, the U.S. Commission on Immigration Reform recommended curtailing family-based immigration and replacing the "failed and expensive regulatory system [for skill-based immigration] with one that is market-driven." Along these lines, the Commission recommended that, "it is not in the national interest to admit unskilled workers" because "the U.S. economy is showing difficulty in absorbing disadvantaged workers."¹ Fifteen years later, U.S. politicians continue to ignore these recommendations, bowing to corporate demands for unskilled labor rather than taking a realistic look at immigration's effect on poverty and the American worker.

Current calls for "comprehensive immigration reform" are nothing short of a push for a massive amnesty that would give permanent status to millions of illegal aliens who are not needed in the workforce, and it would reward unscrupulous employers who profited from hiring illegal workers, providing them with a legal low-wage workforce that would continue to have a negative impact on native workers. The border is not secured and there is much opposition to the mandatory use of E-Verify and interior enforcement. Those who argue against enforcement are not going to decide overnight to support these measures, and politicians have long ago proven that their promise to enforce immigration laws after granting amnesty are not to be believed.

This report contains the following findings:

- In 2009, less than 6 percent of legal immigrants were admitted because they possessed skills deemed essential to the U.S. economy.
- Studies that find minimal or no negative effects on native workers from low-skill immigration are based upon flawed assumptions and skewed economic models, not upon observations of actual labor market conditions.
- There is no such thing as an “immigrant job.” The reality is that immigrants and natives compete for the same jobs and native workers are increasingly at a disadvantage because employers have access to a steady supply of low-wage foreign workers.
- Low-skilled immigrants are more likely than their native-born counterparts to live in poverty, lack health insurance, and to utilize welfare programs. Immigrants and their children made up 32 percent of those in the United States without health insurance in 2009.
- Research done by the Center for American Progress has found that reducing the illegal alien population in the United States by one-third would raise the income of unskilled workers by \$400 a year.
- Defenders of illegal immigration often tout the findings of the so-called Perryman Report to argue that illegal aliens are responsible for job creation in the United States; yet, if one accepts the Perryman findings as true, that would mean that only one job is created in the United States for every three illegal workers in the workforce.
- It is true that if the illegal alien population decreased the overall number of jobs in the U.S. would be reduced, but there would be many more jobs available to native workers —jobs that paid higher wages and offered better working conditions.

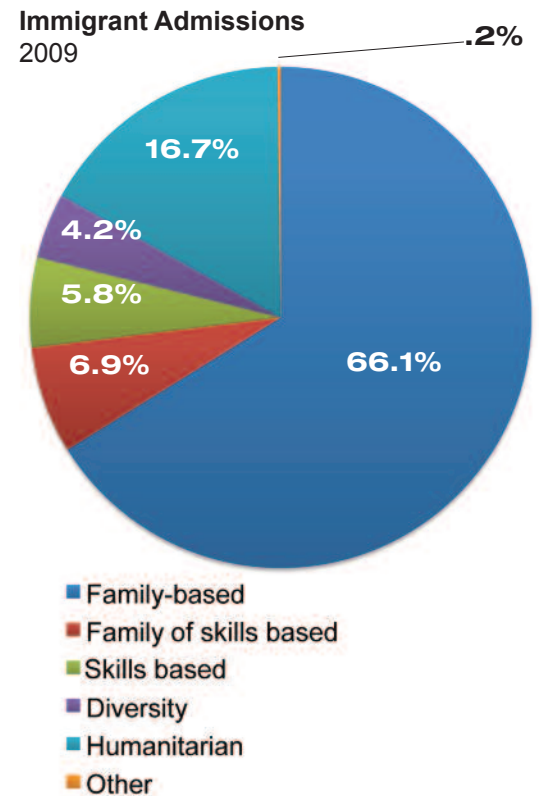
Importing Poverty

Immigration policy's effect on the labor force should be carefully considered, but the vast majority of immigrants are not admitted based on education or skill level. In 2009, the U.S. admitted over 1.1 million legal immigrants, just 5.8 percent of whom possessed employment skills in demand in the United States. By contrast, 66.1 percent were based on family preferences, or 73 percent if the relatives of immigrants arriving on employment visas are included. 16.7 percent of admissions were divided among refugees, asylum-seekers and other humanitarian categories, while 4.2 percent of admissions were based on the diversity lottery (which only requires that winners have completed high school).² Some family-based immigrants may be highly educated or skilled, but the vast majority of admissions are made without regard for those criteria.

The immigrant population reflects the system's lack of emphasis on skill. Nearly 31 percent of foreign-born residents over the age of 25 are without a high school diploma, compared to just 10 percent of native-born citizens.³ Immigrants trail natives in rates of college attendance, associate's degrees, and bachelor's degrees, but earn advanced degrees at a slightly higher rate (10.9 percent, compared to 10.4 percent for natives).⁴ Illegal immigrants are the least-educated group, with nearly 75 percent having at most a high school education. Overall, 55 percent of the foreign-born population has no education past high school, compared to 42 percent of natives.⁵

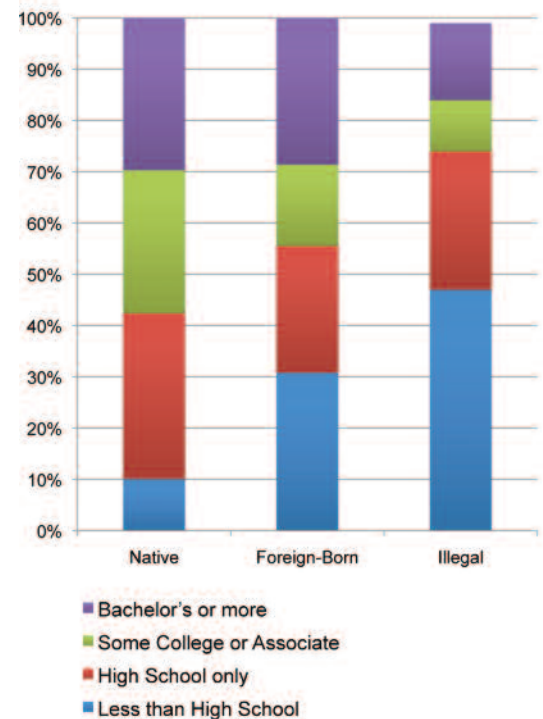
The median immigrant worker has an income of \$30,000 per year, trailing native workers by about 18 percent. At \$22,500 per year, illegal aliens make even less than their legal counterparts.⁶ Though U.S.-born children of legal immigrants are no more likely to be in poverty than those in native households, the children of illegal aliens and foreign-born children of legal immigrants are nearly twice as likely to live in poverty.⁷

Both legal and illegal immigrants lag significantly behind natives in rates of health insurance coverage. Just 14 percent of native adults were uninsured in 2008, compared to 24 percent of legal immi-



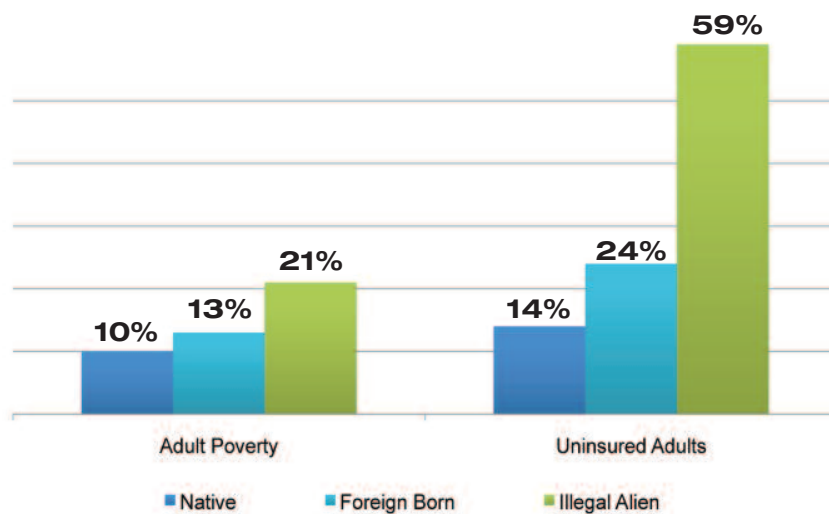
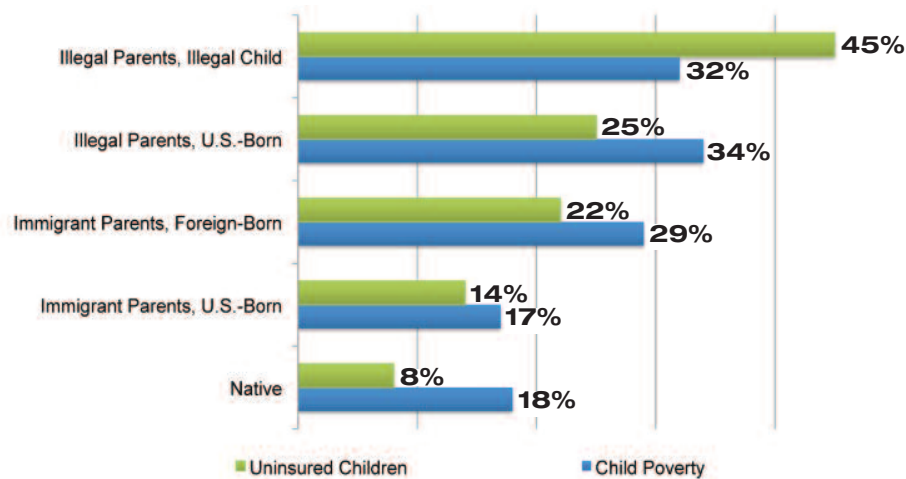
Source: DHS Yearbook of Immigration Statistics, 2009

Educational Attainment



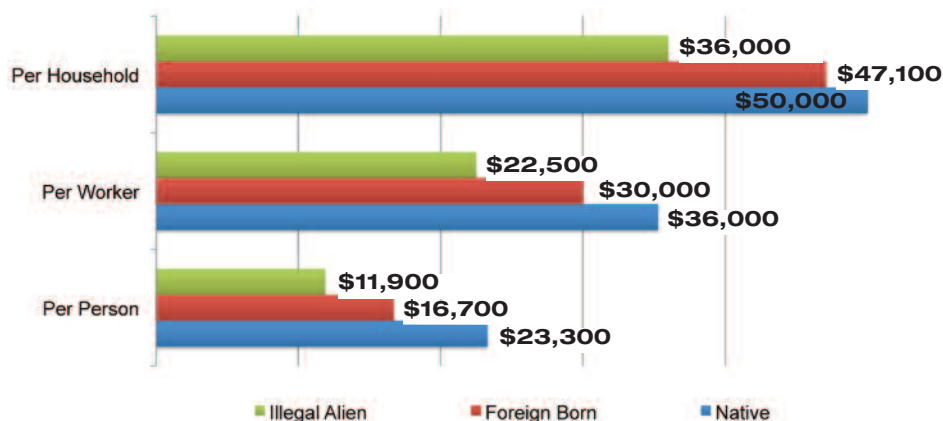
Source: U.S. Census Bureau, Pew Research Center

Poverty and Health Insurance



Source: Pew Research Center

Median Income



Source: Pew Research Center

grants and 59 percent of illegal aliens. Children were even more disproportionately uninsured.⁸ These low rates of insurance come despite a higher use of Medicaid than native households, 24.4 percent versus 14.7 percent in 2007.⁹ Overall, immigrants and their children make up about one-third of the uninsured population.¹⁰

Immigrants in the Labor Market

A common argument adopted by defenders of illegal immigration is that illegal aliens only take jobs that natives are unwilling or unable to do. In reality, immigrants and natives compete in the same industries, and no job is inherently an “immigrant job.” Less than 1 percent of the Census Bureau’s 465 civilian job categories have a majority immigrant workforce, meaning that most employees in stereotypically “immigrant occupations” like housekeeping, construction, grounds keeping, janitorial service, and taxi service are actually natives.¹¹

The U.S. economy is oversaturated with unskilled labor. In May 2010, the unemployment rate for high school dropouts reached 15 percent, compared to just 4.7 percent among those with a bachelor’s degree.¹² If one included workers who are employed part-time for economic reasons or want a job but have given up looking, many more millions of unemployed or underemployed workers are added to that total. Based on this measure, economists Andrew Sum and Ishwar Khatiwada used

Current Population Survey data to peg the underutilization rate of high school dropouts at 35 percent, compared to 21 percent for high school graduates, 10 percent for bachelor's recipients, and just 7 percent among advanced degree-earners.¹³

Wage data and occupational patterns also indicate an unskilled labor surplus. The lowest rates of underutilization were found to be in "professional and managerial jobs" like legal, computer, and math-related occupations. Low-skill jobs had by far the highest underutilization rates, with food preparation and service at 24.7 percent, building and grounds cleaning at 24.6 percent, and construction at 32.7 percent.¹⁴ Even before the current economic downturn, indicators revealed a surplus of unskilled labor, as real hourly wages declined by 22 percent among male high school dropouts between 1979 and 2007. For male high school graduates, the drop was 10 percent. Over the same period, real wages for college graduates rose by 23 percent.¹⁵

The current economic slowdown has reduced labor demand and forced many out of work, making it more important than ever to address the unskilled labor surplus. The labor force participation rate dropped from 63 percent in 2007 to 58.5 percent in June 2010, even while the unemployment rate more than doubled.¹⁶ Job competition has also greatly increased since the onset of the recession. The number of job seekers per job increased from about 1.5 in April 2007 to 5.0 in April 2010, a figure that does not account for underemployed or discouraged workers.¹⁷

Immigration policy and enforcement are two of the most important determinants of America's labor supply, and the U.S. immigration system continues to contribute to the unskilled labor surplus, while the federal government has consistently failed to enforce the laws prohibiting the employment of illegal workers. Between 2000 and 2007, immigration increased the supply of high school dropouts in the labor force by 14.4 percent, compared to just a 2 to 4 percent increase for groups with higher educational attainment.¹⁸ A large share of the increase in unskilled labor was caused by illegal entry — over the same period, an estimated four million illegal immigrants took up residence in the U.S., about two million of whom had no diploma and another million of whom had no education past high school.¹⁹

The large influx of unskilled, sometimes desperate workers has allowed employers to offer low wages and deplorable conditions. Special interests have successfully promoted the myth that Americans refuse to do some jobs, but in truth, immigrants and natives work alongside one another in all low-skill occupations. Reducing low-skill immigration, especially illegal immigration, would tighten the labor market and force employers to increase wages and improve working conditions.

The empirical attempts at supporting the claim that there are not enough Americans to do certain jobs are extremely short-sighted. Some reports, including the Immigration Policy Center's "Untying the Knot" series, have taken any observable demographic difference between immigrants and natives to imply that they do not compete for jobs. In one case, the authors write that, "[t]here were 390,000 unemployed natives without a high-school

diploma who had no occupation, compared to zero employed recent immigrants without a high-school diploma.”²⁰ In other words, the authors limit the sample to people who *report having no occupation*, then claim that because no immigrants who *do* have an occupation have the same education level as some unemployed natives, there is no competition between immigrants and natives. This is not evidence of anything.

Every “finding” made in the “Untying the Knot” series is consistent with an assumed lack of immigrant-native competition. The authors attempt to prove that immigrants and natives of different skill levels live in different parts of the country by making observations like, “the largest share (26.9 percent) of all employed recent immigrants without a high school diploma lived in the Pacific states ... [b]ut the largest share (18.9 percent) of unemployed natives without a high-school diploma lived in the East North Central states.”²¹ These percentages gloss over the reality that there are millions of low-skill natives in Pacific states and millions of immigrants in East North Central states. The authors attempt to use slight differences in regional demographics to mask the fact that there are immigrants and natives competing within the same skill levels and occupations in every part of the country.

Just as importantly, the study’s attempt to use regional differences to disprove immigrant-native competition is seriously flawed. Downward wage pressure and job displacement occurs nationally, rendering local differences less significant. For example, the shift toward illegal labor in the meatpacking industry moved production from urban to rural areas and applied cost-cutting pressure to meat producers everywhere. Natives in one part of the country lost jobs to illegal immigrants in another part. The claims in “Untying the Knot” are meaningless and misleading, and the premise of the claims out of touch with the realities of the U.S. labor market. Nonetheless, pro-amnesty groups apparently found the report’s baseless conclusions to be quite useful — the Immigration Policy Center, an offshoot of the American Immigration Lawyers Association, touted the report as its second most utilized resource in 2009.²²

Others looking to justify a need for unskilled labor treat employers as if they were not interested parties. Employers often claim shortages of unskilled labor to justify their need for a constant supply of migrant workers, whether legal or illegal. These claims are not backed by wage patterns or employment data. In fact, employers do not take full advantage of existing unskilled worker programs. The H-2A visa for temporary agricultural workers is uncapped, meaning that employers could legally bring in as many seasonal laborers as they need through the H-2B visa program, the demand for which was so low in 2009 that USCIS extended the application deadline and ultimately left about 10,000 visas unclaimed at the end of the year.²³ Claims that farmers would be unable to harvest their crops without illegal immigrants are pure fiction.²⁴ Instead, they could use legal immigrants or natives.

In addition to the practice of hiring illegal aliens rather than using legal guest worker programs, employers have turned away from hiring teens. The steep decline in teen employment since the 1980s, both year-round and during the summer, is unprecedented for any demographic group in American history. Teen summer employment hit a 60-year low in 2008, with just 32.7 percent of teens holding a summer job. Over 3.4 million teens were

either unemployed, underemployed, or part of the labor force reserve that summer. The households who have suffered most are the ones that would benefit most from another income-earner — low-income teens were nearly twice as likely to be underutilized as high-income teens.²⁵

Overall, there is a massive pool of unskilled natives that needs work. In May 2010, 7.1 million natives with a high school diploma or less were unemployed, another 3.1 million were not considered part of the labor force but reported wanting a job, and 2.7 million more were working part-time for an economic reason.²⁶ It would make no sense to grant permanent legal status and full job market access to millions of unskilled illegal alien workers at the expense of these 12.9 million natives, not to mention the millions more whose wages have been undercut by low-skill immigration. Politicians should not succumb to corporate America's addiction to ever-growing quantities of unskilled immigrant labor.

Impact on Poor Americans

Regardless of their views about the overall economic effect of immigration, almost all economists agree that poor native workers bear the brunt of its negative consequences. Foreign-born workers compete with natives on all skill levels, but because immigrants to the U.S. are disproportionately unskilled, they are especially likely to undercut the wages of low-skill natives. An analysis of America's 25 largest metropolitan areas showed that in high-skill industry groups like health professionals, technicians, administrative workers, and educators, immigrant

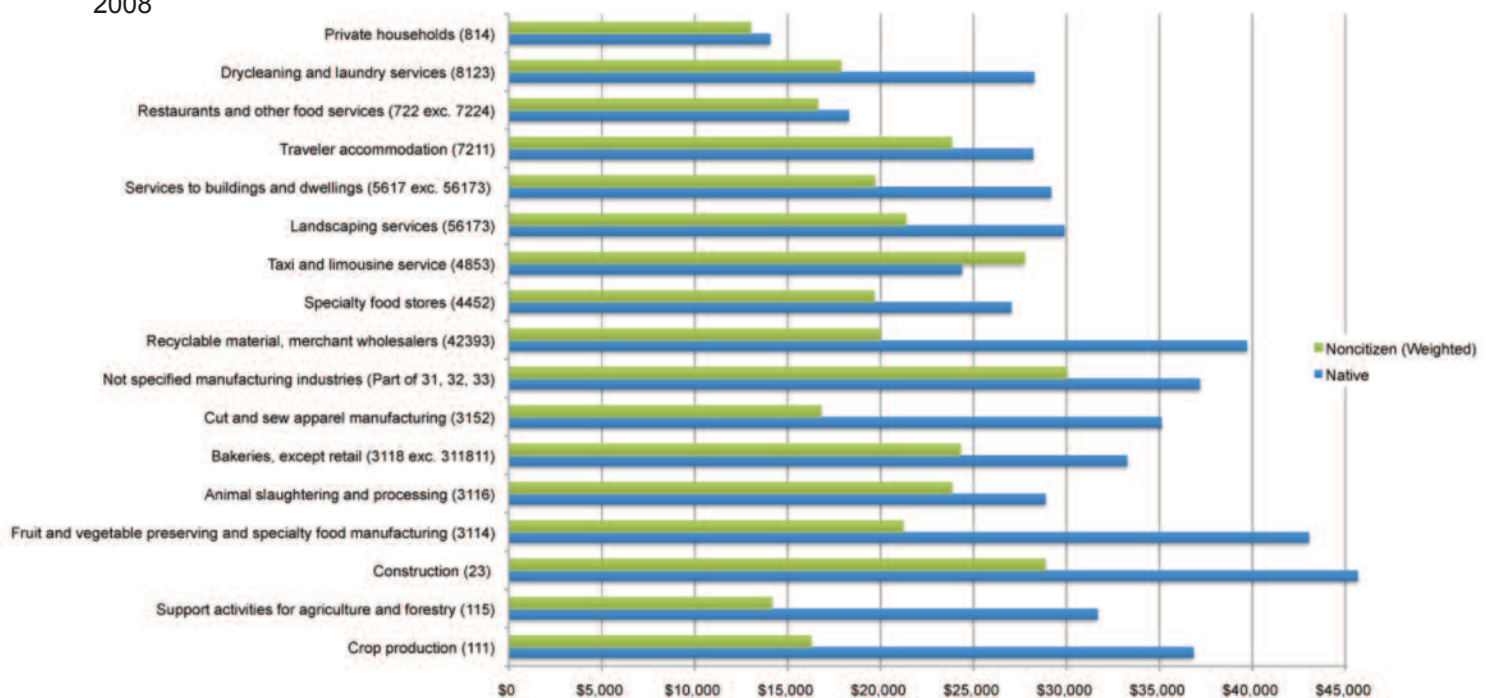


earnings were usually within 10 percent of native wages; however, in unskilled groups like construction, machine operators, drivers, and farming, foreign-born workers consistently earned at least 10 percent less than their peers.²⁷ Immigrant-native competition is an important concern in high-skill jobs, but is much more acute in low-skill industries.

Illegal aliens are the least skilled subset of the immigrant population, and therefore the most likely to undercut the wages and working conditions of low-skilled natives. Among seventeen industry categories named by the Pew Research Center as having the highest proportions of illegal aliens, data from the Current Population Survey reveal that noncitizens earned lower wages than natives in all but one of them.²⁸ Data for noncitizens, which includes legal and illegal immigrants as well as temporary laborers, differ from data on illegal aliens because the latter tend to have lower wages and fewer skills. However, data on noncitizens are a much better fit for illegal aliens than using the foreign born population as a whole. In construction, noncitizens earned less than two-thirds of natives' wage salaries, and in the two agricultural categories, they earned less than half.²⁹ Wage and salary differences demonstrate how illegal and unskilled immigrants place downward pressure on wages by providing an incentive for employers to choose them over natives. The opportunity to exploit workers is the reason big business clamors for more immigrant labor.

Most wage-effect studies do not analyze illegal immigrants as a separate group because most demographic data is not differentiated on that basis. However, what evidence does exist indicates that they constitute a major drag on unskilled wages. In 2010, Raúl Hinojosa-Ojeda of the Center for American Progress estimated that unskilled workers would on average make about \$400 more per year if the illegal immigrant population were reduced by

Wage and Salary Earnings Per Year in High Illegal Immigrant Industry Categories 2008



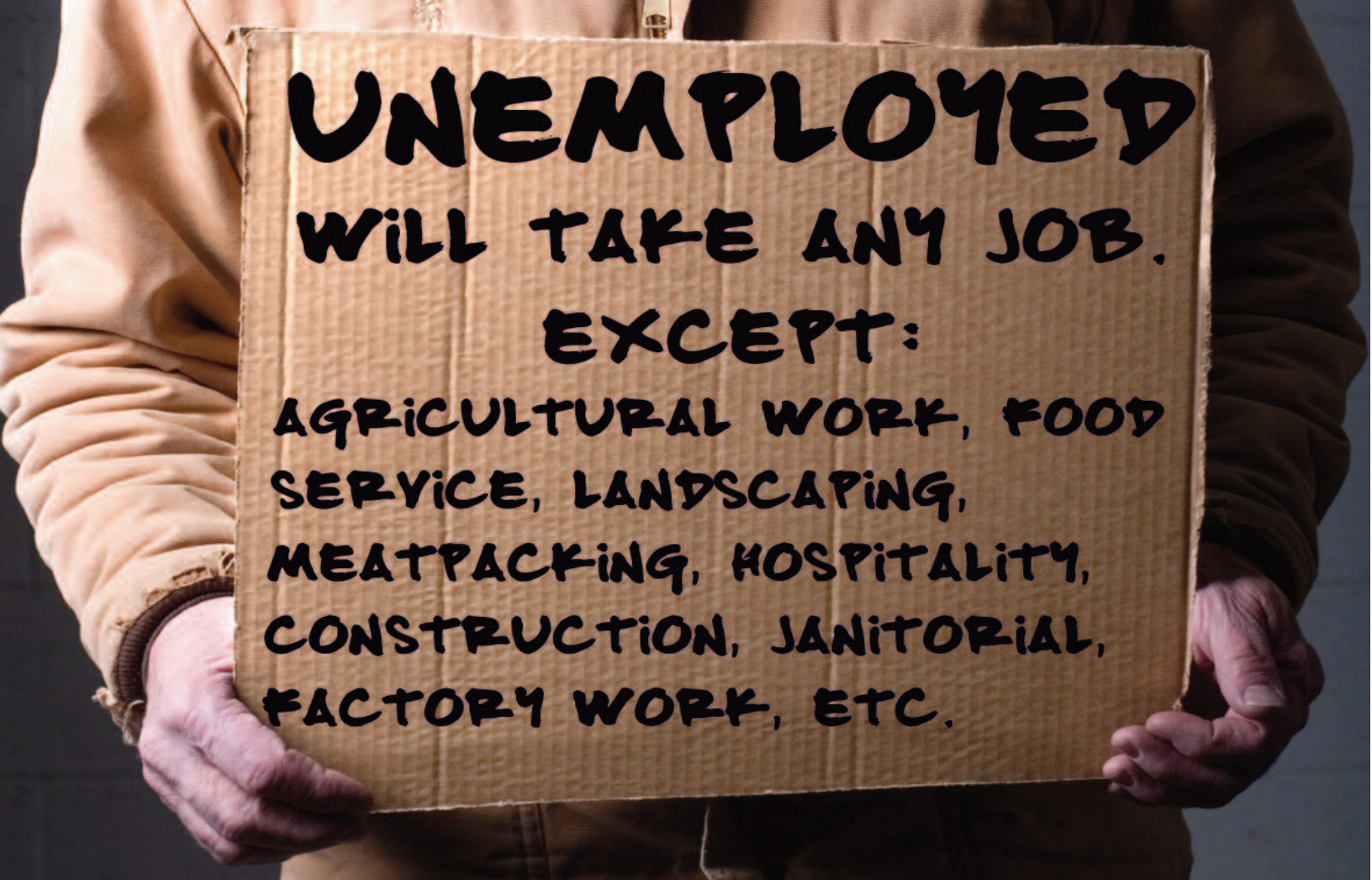
4 million, or approximately one-third.³⁰ In Georgia, where the illegal immigrant share of the labor force went from about 4 percent to 7 percent from 2000 to 2007, a study by the Federal Reserve found that the illegal labor caused a 2.5 percent wage drop overall and an 11 percent drop in construction wages over the period.³¹ This analysis used a confidential state employer database that helped identify Social Security mismatches, making it one of the most sophisticated estimates available.

Other estimates focus on the entire immigrant population, whose education is comparable to natives at the high end but overwhelmingly unskilled at the other end of the distribution. The National Research Council's landmark 1997 study estimated that high school dropouts earn 5 percent less per year due to immigration, which totaled \$13 billion in wage losses at a time when the illegal alien population stood at less than half its present number.³² Harvard University's George Borjas concluded that immigration reduced wages for the poorest 10 percent of Americans by about 7.4 percent between 1980 and 2000 with even larger effects for workers with less than 20 years of experience.³³ Other economists who have found that immigration depresses low-skilled wages include the Cato Institute's Daniel Griswold.³⁴ If legal and illegal immigration continue to add to the overabundance of unskilled workers, the consequences for poor natives will continue to grow.

A strong link exists between low-skill immigrant labor and native unemployment. Steve Camarota of the Center for Immigration Studies found a correlation of 0.9 between low-skill immigrants' share of an occupation and the native unemployment rate in that occupation; the correlation between the illegal immigrant share of an occupation and native unemployment was also high at 0.91 (the highest possible correlation is 1). Translated from statistical terminology, these numbers show that illegal and low-skill immigration go hand-in-hand with a rise in native unemployment. The share of illegal and low-skill immigrants in a job category explains about 80 percent of the variance in native unemployment between different occupations.³⁵

Any large-scale immigration reform must address the impact of both legal and illegal immigration on the unskilled labor surplus. Congress could easily mandate cost effective employer-based measures such as E-Verify that would deter illegal immigration and encourage voluntary emigration due to decreasing employment opportunities for illegal workers. Illegal aliens are rational people. Most come seeking a job and generally will leave when they cannot find one. Border security and deportation are key elements of immigration enforcement, but effectively denying employment opportunities is the most efficient and effective way to keep illegal immigrants out of the country.

If employers were required to hire legal workers and pay fair market wages, the vast pool of native unskilled labor would fill these positions. On the other hand, if Congress were to grant amnesty to illegal immigrants, it would perpetuate the oversupply of unskilled workers. Based on past history, the response to a mass amnesty would be high rates of future illegal immigration as the expectation that coming to the U.S. illegally would be rewarded is reinforced.



Jobs Americans Won't Do?

Related to the claim that there are not enough native workers is the assertion that Americans are unwilling to do certain types of work. In fact, the overabundance of unskilled labor is what allows employers to offer the poor conditions and low wages that make those jobs unattractive. In recent studies, some economists have advanced the idea that immigrants and natives cannot substitute for one another — in other words, that they take separate jobs in separate sectors and do not compete with one another. Unfortunately, the studies that advance the myth of “jobs Americans won’t do” are rife with methodological errors. A careful examination of existing research and economic data demonstrates that natives and immigrants compete for the same jobs, and that immigrants reduce native wages.

The question of whether natives and immigrants can replace one another in the labor force is one of the most important factors in determining the effect of immigration on native wages and the labor market. Unfortunately, some economists have promoted the idea that immigrants only take jobs that natives are unwilling to do. Based on the critical assumption that immigrants and natives rarely compete with one another, Gianmarco Ottaviano and Giovanni Peri’s oft-cited 2006 model found a 19.6 percent decline in earlier immigrants’ wages due to immigration, compared to a 1.8 percent rise in native wages.³⁶ The importance of the substitution question is diffi-

cult to overstate — economists that incorrectly assume a lack of substitutability between immigrants and natives conclude that immigration increases the value of native labor rather than creating competition. This helps create the illusion that immigration is a free lunch.

The idea that immigrants and natives cannot be substituted for one another does not hold up to scrutiny. No job is inherently an “immigrant job” — instead, employers make a conscious decision about what type of workers to use and the pay and conditions they offer. California’s lemon industry made such exclusive use of Mexican migration networks and discriminatory hiring practices that it became nearly impossible for non-Hispanics to gain employment.³⁷ The same was true of janitorial services in Los Angeles.³⁸ The meatpacking industry, which once paid middle class wages, has shifted to a low-wage rural factory model that makes heavy use of illegal workers. Meat producers have engaged in elaborate hiring schemes to bring thousands of illegal workers onto their payrolls, as have restaurants, hotels, construction companies, and producers in many other industries.³⁹ The competitive advantage gained by the law-breaker puts immense pressure on other producers to cut wages in order to stay competitive, even if they do not choose to break the law themselves.

It should be understood that these are shifts in employment practices, not a reaction to a permanent shortage of native workers. In the short run, individual job openings can become “immigrant jobs” without fundamentally changing natives’ ability or willingness to do the work. However, if employers were not able to employ illegal aliens, common business practices would lead employers to increase wages and hire underutilized natives, just as they have adjusted their business models to take advantage of the current unskilled labor surplus. In recent years, immigrant labor has absorbed many job opportunities that previously went to unskilled natives. Within the unskilled labor force (high school education or less), the share of immigrants increased by 3.4 percent from 2000-05 as labor force participation among native unskilled workers fell by 4.1 percent. The drop in labor force participation was highest among unskilled workers aged 18 to 44.⁴⁰

It would be wrong to assume that literally every job position would be preserved if illegal workers vacated the labor market. In some cases, jobs would be automated or outsourced, and the decline in population would cause the economy to shrink slightly. However, given the low purchasing power of illegal aliens, the large costs borne by workers and taxpayers, the small predicted effect on prices, and the impossibility of outsourcing many jobs, the average American would enjoy greater prosperity and have many more job opportunities available to them. In 2008, 8.3 million illegal aliens held jobs, but their economic impact only supported 2.8 million jobs.⁴¹ These issues are addressed more completely in the next section.

A 2007 immigration enforcement operation at a Smithfield meat processing plant in Tar Heel, North Carolina provides a useful illustration of the ease with which jobs can move out of the underground economy. After the operation, natives applied in droves and were soon hired to replace the illegal workforce. The shift led to a dramatic turn in the plant’s prolonged battle over unionization, ending in successful labor organization the next year.⁴² Employers, under pressure to fill these jobs with legal workers, quickly took advantage of the underutilized

native labor force. Enhanced immigration enforcement during the last years of George W. Bush's second term led to many similar cases, including that of a leather goods plant in New Bedford, Massachusetts and several meatpacking plants.⁴³ If credible employment verification including E-Verify had been in place and enforced, these and many other jobs would have been filled by American workers already.

Economists should not naively assume that the economy is permanently divided into two sectors, and that immigrants and natives may not compete for the same type of work. The current situation that allows for the widespread employment of illegal aliens is dependent upon dynamic labor market conditions, the most important of which is the labor supply. Just as employers have taken advantage of the overabundance of unskilled labor by paying less and delaying technical upgrades as they hire illegals, this effect can reverse: employers would adapt to a smaller unskilled labor market by paying better wages and moving work out of the underground economy if circumstances dictated.⁴⁴ Every economist knows that entrepreneurs will adjust their use of capital depending on the available supply of labor, and that these changes include shifts in wages and job characteristics.

Given the obvious inconsistency between the assumption that natives and immigrants do not substitute for one another and what actually happens in the labor market, it is no surprise that the research based on the non-substitutability of immigrants and natives draws misleading and erroneous conclusions. In fact, recent studies by Ottaviano, Peri, and David Card have such severe errors that their results are unreliable. Their quest to apply sophisticated econometrics has been coupled with poor sampling techniques and methodologies that ignore the history of immigration to the U.S. or the current realities of the U.S. labor market.

To determine whether or not immigrants and natives do the same jobs, Ottaviano and Peri's 2006 model tracked relative wages over time. If immigrant and native wages move together closely, the groups were considered substitutable; however, if their wages were loosely related or diverged, the study posited that immigrants and natives did not compete for the same jobs. In determining this critical question, the authors made a serious error in designing their sample — they assumed that all students had completed their education, which meant that high school students were counted as full-fledged labor force participants. When they compared the relative wages of native and immigrant high school “dropouts,” more than two thirds of the natives in the sample were still in school, compared to a much smaller share of the immigrants.⁴⁵ Thus, when they examined relative wages to determine whether immigrant workers could substitute for natives, they were comparing apples and oranges. It is unsurprising that a comparison between high school students and unskilled immigrant laborers would conclude that they often do different types of work.

In 2008, Harvard economist George Borjas, University of Chicago economist Jeffrey Grogger, and UCLA economist Gordon Hanson picked up the broken pieces of Ottaviano and Peri's study. Using the same methodology but applying legitimate sampling procedures, they found that low-skill natives and immigrants *are* substitutable, and immigration resulted in a 4 percent decline in unskilled native wages from 1990-2004.⁴⁶ After seeing their

model utilized correctly by Borjas and his colleagues to find an adverse wage effect, Ottavino and Peri dismissed their old method of evaluating wage effects, asserting that it had produced high standard errors.⁴⁷

Ottavino and Peri's 2008 study yielded less extreme results but was still fraught with inconsistency. The student-worker problem was partially corrected, but the employment sample still included 18-year-old high school students, meaning that distorted samples were still used. Worse, the model relied on a different period of time to estimate the substitutability of immigrants and natives (1960-2006) than the actual years for which the wage effect was estimated (1990-2006).⁴⁸ This is critical because, as before, their methodology relied on relative wages over time to determine whether immigrants and natives can be substituted.

This method is appropriate for many economic applications, but not for the field of immigration — and especially not for the time period selected by Ottavino and Peri. Immigration reforms in the 1960s, the rise of illegal immigration in the 1970s and 80s, and the IRCA Amnesty in 1986 caused a dramatic shift toward lower-skilled immigration. This caused a steep decline in relative wages. As the National Academy of Sciences put it in 1997, “the skills of immigrants have declined relative to those of the native-born. [The] relative decline in wages and skills can be attributed essentially to a single factor — the change in the national origins of the immigrants.”⁴⁹ However, because their methodology did not account for this change, Ottavino and Peri took the decline in relative wages for immigrants to signify that immigrants and natives could not be substituted.⁵⁰ The study's conclusions are distorted and misleading due to modeling assumptions that ignored basic facts about the history of immigration to the U.S.

Other studies have made equally distorted assumptions. In a 2009 study, after observing results that were “significantly correlated with the fraction of Mexican immigrants in a city in 1980,” David Card decided to “refit many of the models excluding Mexican immigrants from the calculation” because of the possibility that the “inflows of Mexicans was exogenous to conditions in the city.”⁵¹ Unbelievably, Card made this exclusion even after explaining just two pages earlier that immigrants tend to settle where other immigrants already live.⁴⁶ It is difficult to imagine that excluding Mexicans, an extremely low-education and low-wage subgroup that composes an estimated 59 percent of current illegal immigrants, 70 percent of those who received amnesty after 1986, and 30 percent of the overall foreign-born population, would produce results that accurately reflected the wage effect of immigration.⁵²

Like Ottavino and Peri, Card is among the economists most commonly cited by defenders of illegal aliens. A 2010 study by the Economic Policy Institute drew its approach to the issue of job competition directly from the work of those researchers. Their studies were hailed as “advancements in methodology” that were “more-nuanced” than other research.⁵³ These studies may have applied advanced techniques, but their careless design rendered them inconsistent with basic historical facts, as well as actual employer behavior. Many economists and policymakers have been too willing to accept results that confirm their own biases, no matter how much in conflict with reality these economic “studies” have proven to be.

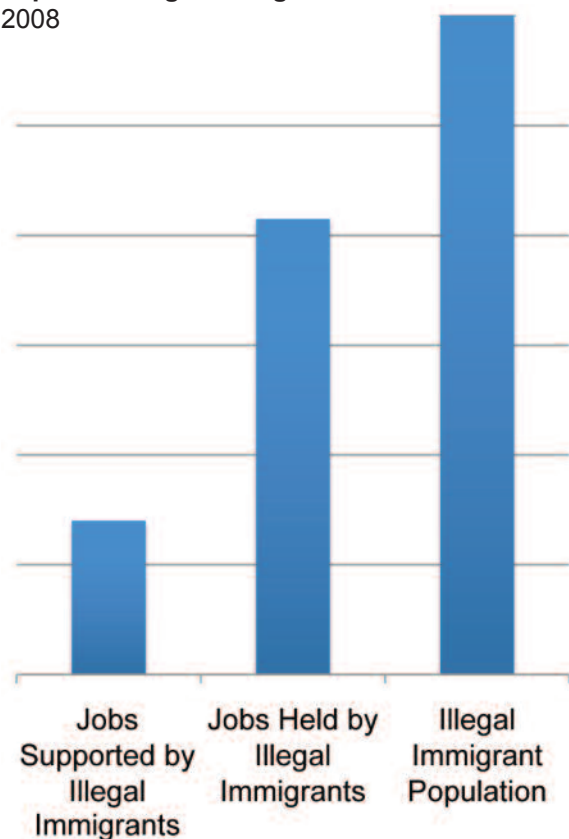
The economics of determining wage effects are complicated by the difficulty of modeling, but it is clear that some economists have based their findings on a set of unrealistic assumptions, most notably relating to the question of whether immigrants and natives compete for jobs. The overwhelming evidence based on earnings data, employer behavior, fundamental logic, and a large body of research, is that unskilled immigrants compete for jobs with natives and lower their wages.

An Unnecessary Burden

The expansion of welfare programs is another cost of importing an excess of low-skill workers. It is difficult to justify the additional burden on limited public resources caused by immigrant-headed households whose admission contributes to the unskilled labor surplus. In 2004, the average unskilled immigrant household used \$19,588 more in government services than it paid in taxes (an \$8,836 gap at the federal level and \$10,753 from state and local budgets).⁵⁴ Illegal aliens impose a fiscal burden to state, local, and federal governments of an estimated \$113 billion per year, but are the source of just \$13 billion in tax revenue.⁵⁵

In 2007, 33 percent of immigrant-headed households used a major welfare program, compared to 19 percent of native-headed households. Further research has shown that in 2009, 57 percent of immigrant-headed households with children used at least one welfare program (39% native-headed).⁵⁶ An estimated 40 percent of illegal

Impact of Illegal Immigrants 2008



alien households access welfare programs, often through their U.S.-born children.⁵⁷ The usage gap between the immigrant and native populations can be largely, though not entirely, explained by their education level. An analysis of the four major education groups (less than high school, high school only, some college, and college graduates) found immigrant welfare use to be higher than their native counterparts at each level.⁵⁸

Immigrants who were admitted legally to the U.S. before the 1996 welfare reforms were subject to fewer legal restrictions on access to welfare programs. Use of food stamps and cash assistance was reduced by the reforms, but other programs, like the far more expensive Medicaid, drove immigrant welfare use rates past their pre-reform level in 2001 after falling in the late 1990s.⁵⁹ With the exception of refugees, asylees, and the disabled, legal immigrant adults must wait five years to be eligible for food stamps, and may also receive TANF and Medicaid at their state's discretion after the waiting period. Immigrant chil-

dren are eligible for food assistance immediately. After ten years of work history, legal immigrants become eligible for the full range of programs.⁶⁰ In 2007, immigrants admitted during the previous seven years used welfare at a higher rate than the foreign-born population as a whole.⁶¹ Illegal immigrants are prohibited from accessing almost all programs, with exceptions for emergency medical assistance and a few other vital services that are not distributed based on economic need.⁶² However, they can still access the system through their U.S.-born children and by fraudulent means.

Proponents of amnesty often tout the fact that amnestied illegal aliens would become taxpayers, and some proposals even stipulate that these people would have to pay back taxes. Amnesty advocates also highlight the fact that most illegal immigrants pay Social Security taxes, ignoring the fact that this happens largely because 75 percent of illegal aliens use a stolen Social Security number (usually from children, who more easily fall victim to this type of fraud).⁶³ It is true that illegal aliens do account for a meager tax contribution. However, amnesty would make them eligible for the full range of tax credits and welfare benefits (the wait period before amnestied individuals would be eligible to receive government benefits varies according to which amnesty bill one references).

The argument that amnesty would turn illegal immigrants into taxpaying citizens is designed to disguise the proposal's harmful fiscal impact. Steven Camarota's analysis of Current Population Survey data revealed that in 2002, the average illegal immigrant household used \$2,700 more in federal government services than it paid in taxes. However, if illegal aliens were amnestied and accessed welfare at the same rate as immigrants of the same income and education level, this number would rise to \$7,700.⁶⁴ These findings should not surprise anyone, as it is well known that the poor pay very little in taxes, are eligible for tax credits that may be larger than their tax payment, and use many government services.

The large tax subsidies and wage impacts on the poor are not justified by the supposed economic benefits claimed by supporters of amnesty and large-scale unskilled migration. Often, the impact of a particular immigration policy on the Gross Domestic Product (GDP) is used to argue that even illegal aliens benefit the economy. GDP measures the total amount of production of goods and services, meaning that even a person who earned or spent just one dollar in the U.S. last year technically made a contribution to its GDP. A GDP increase does little to measure the accompanying benefits or consequences. The extremely small GDP increase that results from illegal or unskilled legal immigration does not translate into improvements in the standards of living or the quality of life for most Americans, especially the poor.

The immigration of legal and illegal unskilled workers has contributed to the overall size of the U.S. economy, but this has not translated into overall economic benefits for Americans. In fact, even the estimates cited by those who tout an economic windfall from immigration often reveal less than impressive results when put in context. A 2008 study by the Perryman Group estimated that the economic impact of illegal immigration supports 2.8 million permanent jobs in the U.S. Using the Pew Research Center's estimates of 8.3 million illegal aliens in the workforce, this works out to one permanent job for every three illegal workers. Their claimed \$245

billion contribution to the GDP amounts to less than \$20,000 per illegal worker.⁶⁵ Illegal aliens increase the overall size of the pie (creating more potential profit for the corporations that fund pro-amnesty groups), but they do not improve each individual's slice.

Some argue that immigrant labor improves the standard of living by cutting prices, but this too is a misleading argument. Prices do tend to fall when labor costs decrease, but labor is far from the only expense of production. For example, labor costs only make up about 10 percent of agricultural expenditures, rendering the price effects of replacing that illegal workforce relatively insignificant. In 2004, economist Philip Martin found that raising agricultural wages by 40 percent, a reasonable estimate for a tighter labor market, would increase the cost of fruits and vegetables to the average American family from \$370 per year to \$379⁶⁶ One instructive example came out of the Bracero program's 1964 termination, when California's tomato growers argued that they would be devastated by the loss of temporary workers. Once the change occurred, they developed machines to harvest tomatoes, ultimately increasing production and reducing prices.⁶⁷

If the U.S. worked to control the unskilled labor surplus through its immigration policy, it would obviously be unreasonable to expect every single job held by a departing immigrant to go to a native-born worker. Some would be mechanized, some would be outsourced, and some would disappear due to lost consumer spending. However, millions of illegal immigrant jobs cannot be mechanized or outsourced, and eliminating the jobs that only exist to take advantage of illegal aliens would not harm others in the labor force. Instead, it would reduce American's tax burden and open jobs for the underutilized pool of low-skill natives.

The dynamic nature of the economy make precise estimates of job displacement difficult. However, given the low spending power of illegal immigrants and the massive disparity between jobs created and jobs held (2.8 million permanently supported versus 8.3 million held), it is clear that sizeable displacement accompanies the unskilled immigrant population. Additionally, unskilled jobs that would be replaced by automation or outsourcing would not impose a tax burden, as is currently true of unskilled welfare recipients and illegal aliens. Thus, even in cases where jobs vacated by illegal aliens would disappear, the savings reaped by not having the costs associated with illegal immigration would free up needed resources for other priorities. Through welfare, wage losses, job displacement, and other tax burdens, Americans pay an extremely high price for its oversupply of unskilled workers. The beneficiaries, of course, are the same corporate interests that strongly support amnesty.

The True Cost of Cheap Labor

Employers have an obvious interest in claiming that they constantly need more unskilled labor, and that it must come from immigrants — this allows them to pay low wages, expand the consumer base, suppress unionization, and make larger profits, all at the expense of taxpayer-funded social services and America's poorest citizens. It is no coincidence that many business interests strongly support amnesty. Rational business owners will always want

greater job competition and lower labor costs, unscrupulous employers will resort to hiring illegal aliens if government authorities allow them to get away with it.

Contrary to the claims of employers, the U.S. economy is oversaturated with low-skilled workers, who depress wages by increasing job competition. Moreover, these same immigrants are willing to accept lower wages than natives, even when controlling for occupation or education, and so displace native workers from low-wage jobs. The unnecessarily large population of unskilled workers imposes a massive drain on state and federal budgets through the use of welfare and other services. Moreover, claims that amnesty would improve the fiscal situation ignore basic facts about taxation and the budget realities.

Many immigrants make important contributions to the U.S. and its economy, especially those whose presence fulfills an otherwise unmet need. However, amnesty would perpetuate the existing labor market distortion by giving permanent status to unneeded workers and increasing their access to social services and tax credits. It would also encourage more illegal immigration, bringing in another group of unskilled workers who would repeat the demand for amnesty once settled in the U.S. Until the immigration system is reformed to include the absolute enforcement of employment verification, the surplus of unskilled immigrants will remain a taxpayer subsidy for corporate interests and a burden on the poor.

Conclusion and Recommendations

Reforms to deter illegal immigration and to establish congruence in legal immigration between admission policy and the need for foreign workers are long overdue. A legal foreign worker admission policy in the national interest must take into consideration the flow of illegal aliens as well as guestworkers and immigrant workers. It obviously would be unfair to continue to allow illegal aliens to supplant access of employers to legal foreign workers, so stemming the flow of illegal workers must be the first priority.

- Remove the job magnet that attracts illegal aliens by denying them job opportunities. Making E-Verify mandatory for all employers is key to ensuring a legal U.S. workforce and to providing employment opportunities for native-born, low-skill workers. The current firewall that prevents SSA from sharing data with DHS and IRS must also be removed so E-Verify can be more effective in detecting identity fraud.

The agricultural guestworker visa program (H-2A) is already unlimited in number, and it is tied to availability of American workers with a wage structure that provides for improved employment conditions for American workers once agricultural employers are weaned off of their addiction to illegal alien workers. The (H-2B) non-agricultural guestworker program is harmful to U.S. workers because it supplies foreign workers who take jobs needed by the unskilled and unemployed native workers. Labor applications (LCAs) filed and approved for these

workers on the basis that Americans are not available for these jobs are contrived and meaningless in terms of true workforce needs.

- Eliminate the H-2B temporary worker program.

Immigrant visas for foreign workers include visas for unskilled workers (3rd preference). These workers are generally sponsored by relatives in order to bypass the waiting lists for family-sponsored immigration. As there is no shortage of unemployed unskilled American workers, this visa provision is unjustified as well as harmful to Americans.

- Eliminate immigrant visas for unskilled foreign workers as recommended by the U.S. Commission on Immigration Reform.

It is unconscionable that foreign workers continue to receive visas to take American jobs when large numbers of similarly skilled American workers are unemployed. It is not only unfair to the American worker, it is also unfair to the U.S. taxpayer who is providing assistance to the unemployed American workers.

- When the unemployment rate of professional workers exceeds five percent for any job category, approval of immigrant and nonimmigrant visas for workers in the same job category should be suspended.

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Appendix

Table 1

Native vs. Noncitizen Wage and Salary Earnings in High Illegal Immigrant Industry Categories—2008

	% Workers Illegal	Noncitizen Unweighted	Native Hours	Noncitizen Hours	Noncitizen Weighted	Native	Gap
Crop production (111)	20%	\$15,517	42.5	40.6	\$16,243	\$36,835	-55.9%
Support activities for agriculture and forestry (115)	17%	\$13,257	40.2	37.7	\$14,136	\$31,679	-55.4%
Construction (23)	14%	\$27,373	41.4	39.3	\$28,836	\$45,677	-36.9%
Fruit and vegetable preserving and specialty food manufacturing (3114)	13%	\$20,600	42.9	41.7	\$21,192	\$43,052	-50.8%
Animal slaughtering and processing (3116)	19%	\$22,582	40.7	38.6	\$23,810	\$28,876	-17.5%
Bakeries, except retail (3118 exc. 311811)	17%	\$25,804	38	40.4	\$24,271	\$33,270	-27.0%
Cut and sew apparel manufacturing (3152)	23%	\$15,728	40	37.5	\$16,777	\$35,116	-52.2%
Not specified manufacturing industries (Part of 31, 32, 33)	19%	\$29,501	41.2	40.5	\$30,011	\$37,186	-19.3%
Recyclable material, merchant wholesalers (42393)	11%	\$18,823	42.3	39.9	\$19,955	\$39,713	-49.8%
Specialty food stores (4452)	11%	\$19,787	37.8	38.1	\$19,631	\$27,040	-27.4%
Taxi and limousine service (4853)	14%	\$30,751	38.5	42.7	\$27,726	\$24,371	+13.8%
Landscaping services (56173)	28%	\$21,721	39.3	40	\$21,341	\$29,887	-28.6%
Services to buildings and dwellings (5617 exc. 56173)	19%	\$18,486	36.5	34.3	\$19,672	\$29,179	-32.6%
Traveler accommodation (7211)	12%	\$23,167	37.6	36.6	\$23,800	\$28,215	-15.6%
Restaurants and other food services (722 exc. 7224)	12%	\$19,472	32.3	37.9	\$16,595	\$18,296	-9.3%
Drycleaning and laundry services (8123)	20%	\$18,079	36.8	37.3	\$17,837	\$28,270	-36.9%
Private households (814)	23%	\$16,121	27.4	34	\$12,991	\$14,065	-7.6%

Among wage and salary earners. Categories selected based on Pew Research Center's listing of the top 18 industry categories in terms of illegal immigrant share. "Sugar and confectionary products" excluded due to a standard error of two-thirds of the value of the wage estimate for noncitizens.

March 2009 Current Population Survey. Data downloaded July 6, 2010.

Table 2
Labor Force Status of Unskilled Native-Born Workers—2010

Education	Unemployed	Want a job, not in labor force	Part-time for econ reason*	Total
< High School	2,350,000	1,565,257	642,745	4,558,002
High School only	4,738,841	1,564,920	2,028,702	8,332,463
High School or less	7,088,841	3,130,177	2,671,447	12,890,465
All Natives	12,147,426	5,400,750	5,357,920	22,906,096

*Part-time for economic reasons includes workers who report working part time because they could not find a full time job or due to slack business conditions.

May 2010 Current Population Survey. Data downloaded July 12, 2010.

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