



The Immigration Debate: Its Impact on Workers, Wages and Employers

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Illegal immigration into the United States has sparked heated debate in Congress, roiled the two main political parties, and prompted hundreds of thousands of immigrant supporters to take to the streets recently in peaceful demonstrations nationwide.

The controversy picked up new momentum on May 15 when President Bush, in a televised address to the nation, called for a comprehensive approach to immigration reform. He said he would send 6,000 National Guard troops to four states along the U.S.-Mexican border beginning in June to provide intelligence and logistical support -- but not armed law enforcement -- to civilian border patrol agents. In addition to securing the border, Bush also said it was necessary for the House and Senate to pass legislation that would allow illegal immigrants who have lived in the United States for a long time to remain and be able to undergo a process to become citizens.



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"There is a rational middle ground between granting an automatic path to citizenship for every illegal immigrant and a program of mass deportation," the president said. "That middle ground recognizes that there are differences between an illegal immigrant who crossed the border recently and someone who has worked here for many years and has a home, a family and an otherwise clean record." Meanwhile, Congressional leaders have said that they would like to send immigration-reform legislation to the president for his signature before the end of May.

At stake in the debate are the lives and livelihoods of as many as 12 million undocumented workers, the companies they work for, respect for the rule of law, and the job opportunities of millions of low-skill American citizens -- both native born and immigrants who became naturalized by going through the proper channels. The large number of illegal immigrants raises key economic questions: Do illegal immigrants depress wages paid to low-skill workers? Do they take jobs away from Americans? How dependent on undocumented workers is the U.S. economy? Should illegal immigrants be compelled by law to return to their native countries? Or should Democrats and Republicans hammer out legislation that would allow illegal immigrants to pay some type of penalty yet remain in the United States and continue working?

Wharton management professor [Peter Cappelli](#) and Vernon M. Briggs Jr., professor in the School of Industrial and Labor Relations at Cornell University in Ithaca, N.Y., are firm in their conviction that illegal workers exert downward pressure on wages and reduce job opportunities for low-skill U.S. citizens. Briggs believes that the negative impact of undocumented workers on American low-skill workers and on labor standards is so great that immigration authorities should clamp down on employers who hire illegals so that a clear message is sent to current and potential illegal workers: Illegal immigration will not be tolerated.

However, [Bernard Anderson](#), practice professor in Wharton's management department and an assistant secretary of labor for employment standards during the Clinton administration, says that while illegal workers do have some effect on wages and displace some American workers, their impact is far less onerous than Cappelli and Briggs assert. In addition, Anderson says, illegal immigrants work hard, do not come to the United States to receive welfare, and should be allowed to remain in the U.S. after paying

penalties.

Jeffrey S. Passel, a demographer and senior research associate with the Pew Hispanic Center in Washington, D.C., says Pew, which bills itself as a nonpartisan "fact tank," has taken no formal position on the immigration issue. But he does say that the data on the broad economic impact of undocumented workers does not lend particularly strong support to either side of the argument.

Portrait of Illegal Immigrants

A study released in March by the Pew Hispanic Center, which is supported by the Philadelphia-based Pew Charitable Trusts, contains extensive information on the nature and extent of illegal immigration. The study uses the term "unauthorized migrant," which it defines as a person who resides in the United States, but who is not a U.S. citizen, has not been admitted for permanent residence and has no temporary status permitting longer-term residence and work.

The report, which uses data from the U.S. Census Bureau's March 2005 Current Population Survey, estimates that the U.S. is home to between 11.5 million and 12 million illegal immigrants, up sharply from 8.4 million in 2000. Unauthorized migrants accounted for 30% of all foreign-born people in the U.S. as of 2005. Most unauthorized migrants -- 6.2 million, or 56% of the illegal population -- come from Mexico. About 2.5 million, or 22% of the total, come from the rest of Latin America.

In 2005, illegal migrants accounted for about 5% of the civilian labor force, or 7.2 million workers out of a labor force of 148 million. Approximately 19% of illegal workers were employed in construction jobs, 15% in production, installation and repair, and 4% in farming. The Pew report also shows that illegal immigrants comprise 24% of all workers in farming, 17% in cleaning, 14% in construction and 12% in food preparation. Within those categories, unauthorized migrants tend to be concentrated in specific jobs: They represent 36% of all insulation workers, 29% of all roofers and drywall installers, and 27% of all butchers and other food-processing workers.

It is often said by supporters of illegal, low-skill immigrants that the U.S. economy needs such laborers because they do the kinds of work that Americans will not do. But Cappelli calls that assertion a "complete myth." Immigrants have been hired to do such jobs in such large numbers, not because Americans refuse them, but because Americans are not willing to perform such tasks where the wages are lower than they would otherwise be, where work rules may not exist and where the working conditions may be hazardous. Many employers seek illegal workers for the simple reason that it keeps costs down and means the companies do not have to invest in equipment and other capital improvements. Relative wage levels for low-skill and unskilled American workers, according to Cappelli, have plummeted over the past generation and show no signs of rising.

Cappelli says he has witnessed the effects of immigrant workers on wages and working conditions in other parts of the world, including the Middle East. In Bahrain, for instance, where guest workers from Bangladesh are frequently used on construction sites, a visitor can see them using picks and shovels instead of machinery.

Why do illegal immigrants force down wages? "That's how markets work," responds Cappelli. "It's hard for the average person to understand that these are markets. If illegal workers left the U.S. tomorrow, what would happen? Some people think nobody would do those jobs. If that were to happen, companies would change those jobs, and wages would go up. Yes, companies would hire the people who are not necessarily doing those jobs now. This goes on in every labor market. There are no jobs that we can think of where, over time, work doesn't get done. It doesn't happen."

While it is true that low-skill workers who enter the United States legally also exert downward pressure on wages, there is a significant difference between them and their undocumented counterparts. "The difference is legal immigrants are let in, at least in part, on economic judgments about where the needs

are for their skills," Cappelli notes. "That's one of the criteria for being allowed to come in."

Cappelli says the United States needs legislation that "faces up to the real economic issues. If you allow more unskilled workers into the U.S., it will lower costs for employers. It will also lower wages for people who do those jobs. It's clearly a political question. If you want to benefit low-skill American workers, you reduce illegal immigration. It's important to have a very clear conversation on the choice we want to make. And we are ducking that by saying these are jobs no one wants to do."

Briggs, the Cornell professor, says turning a blind eye to illegal workers, as U.S. immigration authorities have done, can end up harming U.S. citizens and the illegal employees themselves. Undocumented workers can "displace," to use the term of labor economists, African Americans and other minorities who are young and seeking their first jobs or older minority workers with few skills. Moreover, even if the illegal workers are earning the minimum wage of \$5.15 an hour -- and most are, according to Briggs -- the conditions under which they work can be dangerous. Yet these people have no way to seek legal remedies because they are in the U.S. illegally.

Democracy's 'Seamier Side'

"Many [illegal immigrants] are working under conditions that are appalling," Briggs says. "Some are paid in violations of hours laws, some are children working in jobs they shouldn't be. It's one of the seamier sides of democracies Some are working basically as slaves." Illegal immigrants are typically males ages 18 to 30 who are very ambitious, Briggs adds, and they will take any job, including those that make them vulnerable to abuse.

"Illegal immigration is an issue that takes everything down to its crudest level and makes it vile to discuss," he says. "The illegal immigrants will always win in jobs competition with U.S. citizens. This doesn't mean there's anything wrong with U.S. citizens; it just means there is a contrast" between the U.S. and the illegal immigrants' countries of origin. "No matter how bad things are in the U.S., it's better than the country [these workers] are coming from. If it means crowding into apartments or working weekends, they will do it, and they won't complain about sexual discrimination or racial discrimination. Tragically, many employers, if given a choice between illegal immigrants or U.S. citizens, will always take the illegal immigrant."

Briggs acknowledges that there is scant data to support his concerns about the plight of many illegal workers. But he is firm in his belief that "if we don't get serious about enforcing [immigration laws], people are going to continue to be hurt. These are the most vulnerable members of society."

In Briggs' view, the only effective way to reduce illegal immigration is to take employer sanctions seriously and actively enforce them at worksites. "That means [instituting] heavy penalties on employers who hire immigrants and making it clear that illegal immigrants are not going to work. They are not supposed to be here; they are not supposed to be working. You have to make it impossible for them to work. They will gradually get the idea they have to go back, that there's not much hope they are going to get legalized status."

Briggs says it may be useful to require immigrant workers to carry a "job identification" card that they would have to present to prospective employers in order to obtain work and to apply for government services. Briggs opposes building "massive walls" along the U.S.-Mexico border, but adds that "physical barriers" of some kind in strategic locations along the border may help. "We could possibly build more electronic fences that give signals when people cross them and tell [authorities] where they are."

Anderson, the Wharton labor economist, disagrees with Briggs' view of illegal immigration, saying the situation "is not as bad as Briggs says it is. ... One line of argument as to why it's necessary to protect the borders is that the failure to do so subjects the United States to an intolerable risk of terrorism, not that

there's been any evidence at all that terrorists have come through the southern border. The other question is what impact there is on wages, economic status and employment for American workers. That's where you get a clear divide in the economic literature. The evidence produced by economists who have studied this question is mixed."

Anderson says there is indeed much anecdotal evidence that Hispanics now do many of the jobs once performed by African Americans, such as service jobs in the hotel industry. Anderson says he himself has witnessed such changes across the American South during his travels over the past 30 years. "No one will convince me that there has not been labor displacement," he says. Nonetheless, there also is evidence that many African Americans no longer perform low-skill service jobs -- not because illegal immigrants have taken those jobs from them, but because they have moved on to take better-paying jobs or have grown older and retired from the labor force.

"There has been substantial [improvement] in the economic status of minorities in this country as a result of the civil rights movement," Anderson says. "There is no question that African Americans have benefited in their occupational status as a result of that." He says that 70% of black workers today hold white-collar and service-sector jobs, while others are working in the many auto-manufacturing plants that have sprung up across the South.

Weighing all the available evidence, and noting that the data are mixed, Anderson concludes that "there has been some displacement and some depression of wages" among U.S. citizens as a result of illegal immigration. "But it has not, in the main, had a significant effect in reducing the earnings and employment opportunities of American workers, including minority-group workers. Immigration, including illegal immigration, has not been terribly detrimental to employment opportunities for African Americans. I firmly believe this. It is for that reason that you don't find African American political leaders lining up with the opponents of immigration."

When you look at opponents of illegal immigration, Anderson adds, "you find the same right-wing, reactionary scoundrels who have opposed progressive legislation, who have opposed the minimum wage and efforts to improve the economic opportunities of minorities."

What kind of an immigration bill would Anderson like to see emerge from Congress? "We must secure the borders. That has to be part of any legislation. We have to recognize that the huge numbers [of undocumented workers in the U.S.] are not here to receive welfare; they are here to work. If there were no employment opportunities for them, they wouldn't be coming. But we should not have an immigration system that allows immigrant workers to reduce the wages and diminish the working conditions of American workers. Therefore, I say protect the borders to significantly reduce the inflow. We should then move toward the legalization of those who are already here. If we legalize them [after requiring them to pay a penalty], then we let them out of the box they are imprisoned in and set in motion a process for improving wages and working conditions."

On the broad question of the effects, positive or negative, of illegal immigration, Passel of the Pew Hispanic Center, says: "I don't know if there's anything in the data that clearly points one way or the other. At one level, it's a lot of people: 11.5 million to 12 million. But it's about one in 20 workers, so it's not a huge share of the labor market. It is, of course, a much higher share of the low-education labor market, maybe as much as 15% or 20%."

Passel adds, however, that he has seen no evidence in the economic literature proving that illegal immigrants have displaced American citizens in low-skill jobs. "The presence of illegals is not associated with higher unemployment among natives and it seems to me you would have to see that kind of thing for there to be true displacement in any sense. Geographically, it tends to be the reverse: Places with large numbers of illegals tend to have lower unemployment than places without illegals. Illegals go where the economies are strong, and as a result there's no impact."

An Ineffective Policy

Although the Pew Hispanic Center takes no position on the immigration issue, Passel says it is clear from the demographic evidence that U.S. immigration policy is not working in its attempt to keep illegal immigrants from entering the United States and reducing the number already here.

"At least for the last decade, and even longer than that, we have focused on two different approaches," Passel says. "One is we have made it harder for [illegal immigrants] to get in and have even tried to block people from coming in. That's clearly not working. There's some evidence from some of my work, and more directly from the work of others, that it's actually been counterproductive. What we have really done is instead of keeping people out, we have kept people in."

The reason: Many illegal immigrants would actually prefer to move back and forth between the U.S. and Mexico, taking employment when it is needed and returning home to visit family. But by making it more dangerous and expensive to come into the United States over and over again, the immigrants decide to bring their wives and children and stay put once they arrive. Indeed, Passel says that some 1.8 million illegal immigrants in the United States are under 18. About 3.1 million more are children who were born here to illegal immigrants and thus are U.S. citizens. Whatever policy decisions are made in Washington, they will have to take into account the fate of nearly five million children.

The second approach U.S. immigration officials have followed in recent years is to make it hard for undocumented immigrants to stay in the United States once they have arrived by refusing to give them drivers' licenses, making them ineligible for government benefits, or cracking down on day-labor sites. "But that doesn't seem to have had much impact either," Passel says. "It's probably because no matter what is done to make life difficult, life is still easier than it was back home."

A European Perspective

Rafael Puyol, executive vice-president of the Instituto de Empresa Foundation Madrid, and an expert on demography and immigration, weighed in with his own perspective on immigration. He suggests, for example, that immigrants are almost always active in the same kinds of activities. "In the U.S., they are largely involved in agriculture, especially harvesting crops. They move throughout the country, following the calendar. In Europe, agriculture -- particularly in eastern Spain -- always [offers] entry-level [jobs], although many immigrants want to leave these jobs as soon as they can" and move into other industries. In Spain, in addition to agriculture, immigrants work in construction, hotels, restaurants and as domestics. Lately, however, Puyol has observed a greater diversification of activity into specialized services such as plumbing and home repair.

Two factors determine the arrival of immigrants in any particular place, Puyol says. "The first factor is the availability of jobs in the high-priority areas. In a country such as Spain, immigrants come from the Mediterranean region where there is a combination of agriculture, construction and services." They also flock to large tertiary cities "because there is a multitude of activities in both services and construction."

The main issue, he notes, is whether jobs are available. But there is also another very important consideration -- "the impact of earlier immigrants to the same country, from the same geographical region. The people from the first wave of immigration usually greet, orient, and assist those immigrants who come from the same place of origin. They help them get settled and find a job until they can be somewhat independent." As a result, "relatives, friends and acquaintances play an important role when it comes time for new immigrants to locate."

Puyol believes that the two main focal points of immigration are the United States and "old Europe." The U.S., the primary focal point, "is a country of immigrants, and you cannot understand the demographic history of the United States without understanding its history of immigration. First, there was the European immigration, and lately it has diversified into other [regions] of origin -- Latin America above

all, but also Asia. The second focus of immigration is 'old Europe' -- the 25-member states of the European Union, which was the first region in Europe that had immigrants and which now has an increasing number of them from Eastern Europe. Next are the smaller focal points in Asia, the Near East and, of course, Australia."

Regarding immigration laws, he says: "You have to establish a regular process for dealing with arriving immigrants. In this day and age, you cannot pursue a policy of completely open doors. The results are economically inappropriate and socially complicated. You must arrange things so that the incoming migration is regulated. Second, the legal system must contribute to immigrants' progressive integration. Give immigrants the same legal rights as other citizens. Immigrants also have to accept the basic laws that regulate social life, [particularly with regards to] the constitution. Immigrants in the U.S. and Europe must enter the country in a legal way, and they must have access to arrangements that permit the gradual integration of those" who wish to integrate.

Laws that arrange for temporary legal status almost never provide good results, Puyol states. "You must let free market forces determine whether people who enter the country want to stay there permanently or return to their country of origin. In addition, you must assist legal immigration by making arrangements with the countries of origin that help immigrants from those countries arrive at their destination through regularly established channels. That means you have to support a legal immigration policy that is sufficiently generous that immigrants arrive under favorable conditions. You also need a parallel, generous policy for integrating those people. Those generally applied laws must not have any special exceptions; they must be laws that are accepted by all countries that welcome immigrants."

Finally, Puyol makes a distinction between Europe and the U.S. "America has a better demographic situation than Europe. In America, immigrants come predominantly because of work-related reasons. In Europe, you have to add a certain demographic factor to the economic ones. Population growth in European Union countries is at rock bottom. Fertility rates are much lower than those in the U.S., and aging people constitute a much larger percentage [of the population] than in the U.S. In Europe, we are going to require more immigrants or our labor market is not going to function; it will not be possible to finance pensions and social costs for those people who have already retired. In Europe, there are going to be a lot more immigrants in the future than there are now. Perhaps this the key difference between the situation in the U.S., on one hand, and old Europe on the other."

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