

No Skills? No Problem!

By: Veronique de Rugy - May 2013 Issue

As comprehensive immigration reform rockets toward the top of Washington's to-do list, a surprising consensus has emerged around the idea that the United States can and should offer more visas to highly educated, highly skilled, and highly paid immigrants.

But what about the relatively low-skilled, low-paid migrants who comprise the vast majority of the people who have actually washed up on American shores for the past 150 years? What are the arguments for allowing more low-skilled workers—many of whom have English skills as thin as their resumes—to either enter legally or remain in the country?

Nativists often focus particular ire on these would-be immigrants, accusing them of placing undue strain on the host country's resources. But low-skilled immigrants aren't the only people whose lives improve by the act of crossing the border. All Americans benefit when we welcome the tired, poor, huddled masses yearning to breathe free.

Roughly 13 percent of U.S. citizens are foreign-born, up from the low of 4.7 percent in 1970, but still below the record 14.8 percent in 1890. As in the past, most immigrants lack high school degrees. Unlike the immigrants of previous generations—who joined the ranks of a generally low-skilled populace—modern immigrants stand out in a country where 87.5 percent of adults have at least a high school diploma.

That mismatch helps explain why there's still so much anxiety about low-skilled immigrants in a country that is otherwise far less xenophobic than a century ago. Natives worry that cheap labor—especially by illegal workers—will push down wages and limit employment opportunities. A February 2012 study from the Heldrich Center for Workforce Development at Rutgers found that 40 percent of respondents blame illegal immigrants for high levels of unemployment.

There's no question that unauthorized workers earn less than legal immigrants and native-born workers. According to the Census Bureau, in 2010 the average income for Mexican immigrants (\$35,254) was significantly lower than for native born (\$50,541) and other immigrants (\$46,224).

So why do we want them around? Because they do work that is in high demand but low supply. These are jobs that the average American simply doesn't want; lettuce picking, roofing, painting, leaf blowing. This remains true even during a recession when immigration flows—even or especially low-skilled workers—slow down or reverse.

Immigrants don't just do the jobs Americans won't do, they also allow Americans to seek even better work. For instance, economists have shown that low-skilled immigrants typically are better at "non-language jobs" that don't require extensive knowledge of English. This frees up native English speakers to do less menial work. While a non-English speaker can clean bedpans or change sheets in a hotel as well as a native, only a native with good English can work the front desk or take reservations. Low-skilled domestic labor also allows women to get out of the house and get into the white collar labor market, as the economists Patricia Cortes and Jose Tessada found in a 2012 paper published in the *American Economic Journal*.

By working for less, low-skilled workers help produce goods and services at a much lower cost. This means lower prices for everyone. Another study by Cortes—"The Effect of Low-skilled Immigration on U.S. Prices," published in the *Journal of Political Economy* in 2008—is the best-known estimate of these benefits. According to her work, immigrants lower the prices of products consumed by highly educated consumers by 0.4 percent of GDP. For less educated consumers, they lower the prices by 0.3 percent of GDP.

One popular argument against low-skilled immigration is that it displaces or reduces the wages of native-born high school dropouts. But economists have a hard time finding evidence that this effect is as harmful as people believe. The largest negative impact measured comes from the work of Harvard University's George Borjas and Lawrence Katz. They find that a long-term impact of Mexican immigration on the wages of high school dropouts of less than 5 percent. Other economists have found that low-skilled immigration can have small but *positive* effects on the wages of native high school dropouts, up to 0.6 percent.

There is one clear cost of low-skilled immigration: the pressure placed on state and local governments by swelling Medicaid and public school spending, two types of social spending immigrants generally receive if eligible. But this is an argument for reforming the welfare state, not for keeping people out.

As Dan Griswold points out in a study published in the Winter 2012 issue of the *Cato Journal*, the social spending cost is exaggerated, since it measures the price of educating children of immigrants—most of whom are American citizens—without accounting for the future taxes they will pay into the system once they're grown and integrated into the workforce. Considering that these children will likely outperform their parents in educational achievement and income, only counting immediate costs does not capture the entire picture. Cato Institute immigration analyst Alex Nowrasteh tells me that "immigrants are less likely to get Medicaid—even when they are eligible—and average expenditures per adult immigrant is \$1,000 less per year than similarly poor adult natives. Expenditures per immigrant child are about 45 percent of the cost for similarly poor natives."

One of the recurring fears about low-skilled immigrants is that they are either drawn to the U.S. because of relatively robust welfare benefits, or their work ethic breaks down once they realize they can go on the American dole. But there is little evidence to justify this fear. As Shikha Dalmia notes in a November 2012 Reason Foundation paper, "the 2010 labor participation rate of foreign men is 80%—10 points higher than of native men— this rate was even higher for unauthorized foreign men (94%)." And ever since the 1996 federal welfare reform package, illegal immigrants have been denied access to all non-emergency room welfare.

As has always been the case, the overwhelming majority of immigrants are economic refugees who come to America to find work, not to avoid it.

One of the most compelling arguments for opening immigration to low-skilled workers is the impact it would have on world poverty. Think again of the most typical case: A Mexican immigrant moving to the United States increases his wages two-and-a-half-fold simply by crossing the border. A 2005 World Bank study estimated that citizens of poor countries would benefit from a \$300 billion windfall if the governments from the 30 OECD countries, some of the richest in the world, agreed to relax their immigration standards to allow a mere 3 percent increase in the size of their labor forces.

As Dalmia explains, this is \$230 billion more than the money spent by the developed world on foreign aid. While foreign aid often only serves to enrich corrupt governments, open immigration would confer benefits directly to those who need it by allowing them to seek their own fortunes. Better yet, according to the World Bank study, these welcoming countries would gain \$51 billion by boosting returns to capital and reducing the cost of production. This is a true win-win scenario.

Since the very beginning of the United States, immigration has been an issue that has inflamed passions and anxieties. Benjamin Franklin famously feared the influx of Germans into his adopted home state of Pennsylvania. After decades of heavy immigration from southern and central Europe, restrictionists in the 1920s openly invoked fears of racial degeneration if yet more Italians, Jews, and Poles arrived “direct from the slums of Europe.”

Now it's non-English-speaking migrants from Latin America who are pushing the panic buttons. This kind of emotional response may never go away, but the economic case for immigration, both high-skilled and low-skilled, is stronger than nativists' fears.