

FINANCIAL TIMES

LABOUR MARKET FACES SHAKE-UP AFTER ILLEGAL WORKERS WIN REFORM

By Barney Jopson
November 21, 2014

President Barack Obama will shake up the labour market by taking the most sweeping executive action on immigration in modern US history, a move that economists say will give unauthorised workers more bargaining power and prompt a wave of job changes.

The moves, announced yesterday, will transform the 8m-strong black market labour force by making work permits available to many of its members, who are in the US illegally yet are linchpins of the farming, construction and restaurant trades.

Battles over their status and the competing demands of the economy, law enforcement and social justice have been at the heart of the US immigration debate for years, predating the last big reforms passed by Congress during the Reagan era in 1986.

Mr. Obama's unilateral action will make more than 4m people eligible for work permits – the majority of them Hispanic – and spark a fierce conflict with Republicans that is likely to define his final two years in office.

Politicians from both parties say stagnant personal incomes are one of the US's gravest problems, but a narrow reading of the economic literature gives Republicans limited ammunition to argue that the president's move will push wages down further.

"Almost all these people already work. You are not changing radically the number of people who are working," says Sherrie Kossoudji, an associate professor at the University of Michigan. "What you are changing are the opportunities for people who are already working."

Blockages in the sclerotic legal immigration system have left the US dependent on unauthorised immigrants who – even if not universally recognised or welcomed – work the lettuce fields of California, the meat plants of Alabama, and the restaurants of Manhattan.

In Nevada, where Mr. Obama will arrive in Las Vegas today to rally support, many unauthorised immigrants work in roofing and gardening and make up 10.2 per cent of the labour force, the highest proportion in the country, says the Pew Research Center.

They currently threaten American workers' salaries by exerting downward pressure on wages, says Ms. Kossoudji, because their priority is to avoid contact with the authorities, which leaves them vulnerable to bosses who underpay or otherwise exploit them. Most researchers agree that when unauthorised immigrants gain legal status their wages rise. Her work on men among the 2.7m who became eligible for legalisation in 1986 showed their wages would have been 14-24 per cent higher if they had been legal for their entire US working lives.

Jared Bernstein, former chief economist for Vice-president Joe Biden, says: "The hope is that providing them with legal status takes them out of the shadows and lowers the extent to which they can be exploited. It covers them by labour law and labour standards, such that they are likely to pose less of a competitive threat to everybody else."

However, a couple of wild cards are in play. One is whether Mr. Obama's move, which could be reversed by a future president, gives people enough confidence to own up to their illegal status.

A second is whether it attracts more illegal border crossers from Central America, replenishing the ranks of unauthorised workers and adding to downward pressure on wages. The anti-amnesty stance of many Republicans rests partly on a conviction that the Reagan-era reforms had precisely that effect.

Jeff Sessions, a Republican senator who is a vocal opponent of reform, said last week: "It's just the wrong policy and will incentivise more illegality in the future."

While some companies knowingly employ undocumented workers, industry representatives say many have to accept papers that look legitimate, even if they suspect they are false, because they have no way to verify them.

The US Chamber of Commerce, the biggest business lobby, has urged Congress to pass comprehensive immigration reform to allow more work-based legal immigration. It says true reform cannot be achieved through executive action. Privately, lobbyists say the president's move will worsen political rancour without helping the economy.

According to economists and employers, some newly authorised workers will use their freedom to change jobs.

One is Maria Arteaga, a 45-year-old born in Mexico who this week travelled to Washington from Idaho with her daughter - an American citizen by birth - to call for action outside the White House. She farms potatoes and says that with a work permit she wants to open her own restaurant.

"Labouring is really hard work," she says.