

THE WALL STREET JOURNAL.

OBAMA'S IMMIGRATION PLAN SEEN IMPACTING WAGES, JOB MOVES

By Damian Paletta
November 20, 2014

WASHINGTON – President Barack Obama's move to potentially offer legal-worker status to several million undocumented immigrants will send unpredictable ripples through the U.S. economy, prompting many to seek higher paying jobs and heightening wage competition in a number of sectors, economist say.

Those studying the potential impact of the president's executive order, which he's expected to announce Thursday night, point to the Reagan-era 1986 Immigration Reform and Control Act, which allowed around 1.7 million undocumented immigrants to become lawful permanent residents and around 1 million farmworkers to apply for a higher level of legal status.

The 1986 law had an almost immediate labor-market impact, according to government research as well as studies conducted by a number of economists, sociologists, and demographers.

Federal data showed that immigrants in farming and sales jobs were the most likely to move to higher-paying work in different industries.

By the time they became naturalized in the early 1990s, just 4 percent of farm workers were in the same industry, while roughly a quarter of those workers had shifted over to construction and other labor jobs with better pay, according to a study published in 2002 by the federal agency that handled immigration policy.

Other workers, though, were less likely to move. One-third of undocumented immigrants who worked in service-sector or professional, managerial, and technical jobs stayed in their sector even after becoming naturalized.

Economists and politicians have widely different views on what impact Mr. Obama's executive order will have on the labor market and the economy, with much depending on the details he puts forward.

Supporters of immigration reform estimate that granting legal status will bring more workers into the tax system and boost government revenue, but many critics have said that it will overwhelm social welfare programs and displace numerous workers. They can point to numerous contradictory studies that support both claims.

Numerous competing forecasts have also delved into the more sweeping tax and revenue impacts of past failed efforts to rewrite immigration rules in 2006 and 2013, conclusions with little relevance to the White House's likely actions.

The 1986 law offers the most concrete findings, in part because it was the last time a large number of undocumented workers gained legal status and immediately filtered into the workforce.

"It's reasonable to conclude that unauthorized status damages earnings power, and that's why you see a wage increase," said Lindsay Lowell, director of policy studies at Georgetown University's Institute for the Study of International Migration. "But it's not clear it's across the board for all unauthorized workers."

By the time many of the workers under the 1986 law were legally naturalized in the early 1990s, they saw wage gains of between 5 percent and 16 percent compared to what they would have earned without legal status, researchers have found.

Sherrie Kossoudji, an associate professor in the school of social work at the University of Michigan, studied the 1986 law's impact and said it led many immigrants to quickly search for better work.

As an example, she cited immigrants who worked in restaurant kitchens, unable to move to higher-paying work before the law was passed.

"Once you have legal working papers, you can move to the front of the restaurant," she said. "You can get a better job if you have an employer who is paying wages that are not acceptable. You have mobility."

Her research found wages for naturalized immigrants were 6 percent higher than they would have been without legal status.

In a new estimate from the Washington-based Migration Policy Institute, roughly 18 percent of the 8.2 million undocumented workers aged 16 and older work in hospitality-related fields, 16 percent work in construction, 12 percent work in manufacturing, and 9 percent in retail jobs.

Randy Capps, MPI's director of research for U.S. programs, said some sectors could see more job competition than others after the White House's anticipated program is implemented. Many undocumented immigrants have recently steered away from manufacturing jobs and employers like meatpackers, fearing raids from immigration officials.

"Opening up more opportunities with a work permit could definitely result in some competition," he said, saying that employers will have a larger supply of workers to choose from.

Economists are divided, though, on what that competition looks like. George Borjas, a Harvard University labor economist, estimated in a paper for the Center for Immigration Studies, a right-leaning research group, that a 10 percent increase in the size of a "skill group" would lower "the wage of blacks in that group by around 2 percent" and U.S.-born Hispanics by up to 4 percent.

Asked to weigh in on the potential impact of the Obama administration's plan, Mr. Borjas declined, saying "It's healthier to stay out of the crossfire."

Mr. Lowell, of Georgetown, predicted the economic changes might be profound for people who secure legal status, but more negligible for others and particularly the broader economy.

"You're talking about 2 percent to 3 percent of the workforce, and this workforce that has an average nine years of education," he said. "There can be a lot of hyperbole on both sides."