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# Do Illegal Immigrants Actually Hurt the U.S. Economy?

By ADAM DAVIDSON

Earlier this month I met Pedro Chan at his small apartment above an evangelical church in Brooklyn's Sunset Park neighborhood. Chan, who shares the place with three others, is short and muscular. He has a quiet voice and a patient demeanor that seems to have served him well on his journey to New York. In 2002, he left his Guatemalan village for a long trip through Mexico and, with the help of a smuggler, across the Texas border. In 2004, he made it to Brooklyn, where his uncle helped him find work on small construction crews.

These days, Chan helps skilled (and fully documented) carpenters, electricians and stucco installers do their jobs by carrying heavy things and cleaning the work site. For this, he earns up to \$25,000 a year, which is considerably less than the average entry wage for New York City's 100,000 or so documented construction workers. Chan's boss, who spoke on the condition of anonymity, said that unless he learned a specialized skill, Chan would never be able to move up the income ladder. As long as there are thousands of undocumented workers competing for low-end jobs, salaries are more likely to fall than to rise.

As Congress debates the contours of immigration reform, many arguments have been made on economic grounds. Undocumented workers, some suggest, undercut wages and take jobs that would otherwise go to Americans. Worse, the argument goes, many use social programs, like hospitals and schools, that cost taxpayers and add to our \$16 trillion national debt. Would deporting Pedro Chan and the other 11 million or so undocumented workers mean more jobs, lower taxes and a stronger economy?

Illegal immigration does have some undeniably negative economic effects. Similarly skilled native-born workers are faced with a choice of either accepting lower pay or not working in the field at all. Labor economists have concluded that undocumented workers have lowered the wages of U.S. adults without a high-school diploma — 25 million of them — by anywhere between 0.4 to 7.4 percent.

The impact on everyone else, though, is surprisingly positive. Giovanni Peri, a professor at the University of California, Davis, has written a series of influential papers comparing labor markets in states with high immigration levels to those with low ones. He has found that undocumented workers do not compete with skilled laborers — instead, they c



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them. Economies, as Adam Smith argued in “Wealth of Nations,” work best when workers become specialized and divide up tasks among themselves. Pedro Chan’s ability to take care of routine tasks on a work site allows carpenters and electricians to focus on what they do best. In states with more undocumented immigrants, Peri said, skilled workers made more money and worked more hours; the economy’s productivity grew. From 1990 to 2007, undocumented workers increased legal workers’ pay in complementary jobs by up to 10 percent.

I saw this in action when Chan took me to his current work site, a two-story office building on Coney Island Avenue. The skilled workers had already installed wood flooring in a lawyer’s office and were off to the next job site. That left Chan to clean up the debris and to install a new toilet. As I looked around, I could see how we were on one end of an economic chain reaction. Chan’s boss no longer had to pay a highly skilled worker to perform basic tasks. That lowered the overall cost of construction, increasing the number of jobs the company could book, which meant more customers and more money. It reminded me of how so many restaurants operate. Without undocumented labor performing routine tasks, meals, which factor labor costs into the price, would be more expensive. There would also be fewer jobs for waiters and chefs.

Earlier that day, I was reminded of another seldom-discussed fact about immigrant life in the United States. Immigrants spend most of the money they make. Chan had broken down his monthly expenses: \$400 a month in rent, another \$30 or so for gas, electric and Internet. He sends some money home and tries to save a few thousand a year in his Citibank account, but he ends up spending more than \$10,000 annually. That includes the \$1,400 or so he pays the I.R.S. so that he can have a taxpayer I.D. number, which allows him to have a credit score so that he can rent an apartment or lease a car.

There are many ways to debate immigration, but when it comes to economics, there isn’t much of a debate at all. Nearly all economists, of all political persuasions, agree that immigrants — those here legally or not — benefit the overall economy. “That is not controversial,” Heidi Shierholz, an economist at the Economic Policy Institute, told me. Shierholz also said that “there is a consensus that, on average, the incomes of families in this country are increased by a small, but clearly positive amount, because of immigration.”

The benefit multiplies over the long haul. As the baby boomers retire, the post-boom generation’s burden to finance their retirement is greatly alleviated by undocumented immigrants. Stephen Goss, chief actuary for the Social Security Administration, told me that undocumented workers contribute about \$15 billion a year to Social Security through payroll taxes. They only take out \$1 billion (very few undocumented workers are eligible to receive benefits). Over the years, undocumented workers have contributed up to \$300 billion, or nearly 10 percent, of the \$2.7 trillion Social Security Trust Fund.

The problem, though, is that undocumented workers are not evenly distributed. In areas like southern Texas and Arizona and even parts of Brooklyn, undocumented immigrants impose a substantial net cost to local and state governments, Shierholz says. Immigrants use public assistance, medical care and schools. Some immigrant neighborhoods have particularly high crime rates. Jared Bernstein, a fellow at the Center for Budget and Policy Priorities, told me that these are also areas in which low-educated workers are most likely to face stiff competition from immigrants. It's no wonder why so much political furor comes from these regions.

Undocumented workers represent a classic economic challenge with a fairly straightforward solution. Immigrants bring diffuse and hard-to-see benefits to average Americans while imposing more tangible costs on a few, Shierholz says. The dollar value of the benefits far outweigh the costs, so the government could just transfer extra funds to those local populations that need more help. One common proposal would grant amnesty to undocumented workers, which would create a sudden increase in tax payments. Simultaneously, the federal government could apply a percentage of those increased revenues to local governments.

But that, of course, seems politically improbable. Immigration is one of many problems — like another economic no-brainer: eliminating farm subsidies — in which broad economic benefits battle against a smaller, concentrated cost in one area. As immigration reform seems more likely than at any time in recent memory, it's important to remember that it is not the economic realities that have changed. It's the political ones.

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