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REVIEW & OUTLOOK

Jobs and Immigrants

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While politicians haggle over immigration reform, the U.S. economy's demand for workers foreign and domestic continues to grow. On Monday U.S. officials began accepting applications for the 85,000 available H-1b visas -- the kind that go to foreign professionals -- for the fiscal year starting in October. By Tuesday, the quota had been filled, making this the third straight year that the cap was reached before the fiscal year had even begun.

It's another example of the disconnect between immigration policy and labor market realities. A common assumption of immigration critics is that alien workers are either stealing American jobs or reducing home-grown wages. But both notions are flawed, according to a new and illuminating study by economist Giovanni Peri for the Public Policy Institute of California.

Using Census data, Mr. Peri analyzed the effects of immigrant labor on California, home to some 30% of all foreign-born workers in the U.S. The University of California at Davis economist found "no evidence that the inflow of immigrants over the period 1960-2004 worsened the employment opportunities of natives with similar education and experience." As to wages, Mr. Peri found that, "during 1990-2004, immigration induced a 4 percent real wage increase for the average native worker. This effect ranged from near zero (+0.2%) for wages of native high school dropouts and between 3 and 7 percent for native workers with at least a high school diploma."


This means immigrants not only aren't "stealing" jobs; they're helping to boost the pay of native U.S. workers. These findings aren't as shocking as they might first seem once you consider the abilities that immigrants bring here, and how they compare with those of U.S. natives.

Most immigrants fall into one of two categories: unskilled laborers with less than a high-school diploma and skilled professionals with advanced degrees. In 2004, 67% of California workers who lacked a high-school diploma were foreign born, as were 42% of those with doctorates. By contrast, across the entire U.S., natives are concentrated between those two extremes: They comprise just under a third of workers without a high-school diploma and only 28% of those with Ph.D.s.

What this means is that immigrants on balance serve as complements rather than perfect substitutes for U.S. workers. For the most part the two aren't competing for the same jobs, so rather than displacement what we're getting is a bigger economic pie. This dynamic has resulted in a more efficient domestic labor market, greater investment, higher overall economic growth and more choices for consumers.

"In nontechnical terms," writes Mr. Peri, "the wages of native workers could increase because the increased supply of migrants is likely to put native workers in jobs where they perform supervisory, managerial, training, and in general interactive and coordinating tasks, which makes them more productive." More workers also mean more consumption, so "immigration might simply increase total production and demand without depressing wages."

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It turns out that immigrants compete most directly with other recent immigrants. Mr. Peri found that "Foreign born workers already here sustain the largest losses in real wages, losing between 17 and 20 percent of their real wage" from 1990 to 2004.

It's true that most immigrants compete for jobs more directly with low-skill U.S. natives. But even here the job preferences differ, with foreigners more likely to be found in agriculture, while less-educated natives tend toward manufacturing. Mr. Peri finds that even unskilled foreign workers have a slight positive effect on the wages of their native counterparts. Other economists, such as George Borjas of Harvard, have found a slight negative effect in this cohort. In any case, and considering the overall net economic gains, any immigration reform designed to protect this small (and shrinking) subset of unskilled native workers would seem short-sighted at best.

As Congress prepares to give immigration policy another go, expect to hear lots of talk about the dire consequences of immigrant labor. The facts -- and the California experience -- argue otherwise.

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