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THE ASSOCIATED PRESS/WASHINGTON
By JEANNINE AVERSA
AP Economics Writer

Experts: Illegal immigrants help economy

APR. 4 6:13 P.M. ET They pick fruit and vegetables and clip hedges. They hang drywall and clean houses, hotels and office buildings. The millions of illegal workers in the United States have come under a fresh spotlight as Congress and President Bush grapple with revamping the nation's immigration policies.

Illegal workers' relationship to the economy is intricate. They are willing to work for lower wages than legal workers, helping to keep down prices. But illegal immigrants also can depress wages for unskilled, legal workers and strain local hospitals and schools.

"There is not a simple economic case here. It is complex. It is interwoven, and it is very hard to extract," said Terry Connelly, dean of the Ageno School of Business at Golden Gate University in San Francisco. "It is like pulling some sort of piece of thread out of a fabric. If you pull that thread out, you don't know to what degree you have weakened the fabric."

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There are an estimated 11 million to 12 million illegal immigrants in the United States. Some 7.2 million of them are employed -- about 5 percent of the U.S. labor

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Experts: Illegal immigrants help economy

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force -- according to the Pew Hispanic Center, a research organization. The illegal workers are mostly men and are heavily concentrated in construction, agriculture and cleaning jobs, Pew says. Those jobs tend to be low skill or unskilled manual labor, economists said.

"From lawn services to meat packing, you name it. The primary benefit to consumers from illegal workers is lower prices," said Nariman Behravesht, chief economist at Global Insight.

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For businesses, cheap labor can translate into fatter profits. If owners use those profits to expand their businesses, it would boost economic activity.

While consumers and businesses may benefit from such cheap labor, the U.S. born-worker could be hurt by it, according to some research.

Between 1980 and 2000, legal and illegal immigration reduced the average annual earnings of U.S.-born men by an estimated \$1,700 or roughly 4 percent, according to research done in 2004 by George Borjas, economics professor at the John F. Kennedy School of Government at Harvard University.

The situation was worse if one considers only the 10 million U.S.-born men who lack a high school degree. For them, the increased supply of workers depressed wages by 7.4 percent, he found.

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Economists at the Federal Reserve banks in Dallas and Atlanta found no evidence in 2003 that wages of higher-skilled U.S.-born workers were hurt by immigration, although lower-wage workers were affected.

Illegal immigrants use federal, state and local resources, including schools, medical care and emergency services, straining government coffers and costing taxpayers money. However, many of the costs are tied to their kids -- many of them American-born children who are U.S. citizens.

At the federal level, the big cost is through Medicaid and food-assistance programs, according to Steven Camarota, research director at the Center for Immigration Studies, which favors stricter immigration rules.

Camarota acknowledges that some illegal immigrants pay federal taxes, but he said their cost to the federal government -- \$12 billion, according to his estimate -- is greater.

There's another way to look at it. Since they pay payroll taxes, they're helping to bankroll Social Security and Medicare but won't get to participate in the programs because of their immigration status.

"From our standpoint, this is not a top fiscal issue," said Pete Sepp, spokesman for the National Taxpayers Union.

Experts note that illegal immigrants also spend part of their paychecks in this country -- for food, clothes, furniture, living expenses and other things -- all of which contribute to economic growth. But many also send some of their earnings to their families in their native countries.

Still, they expand the nation's overall labor pool and productivity. "We can make more stuff and that can add to overall economic activity," said Andrew Bernard, professor of international economics at Dartmouth College's Tuck School of Business.

In Congress, diverse proposals have been offered to deal with the immigration issue.

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House-passed legislation takes a tough approach, including provisions making illegal immigrants' presence in this country a felony. A Senate proposal sets out a path that would make illegal immigrants who came to the United States before 2004 eligible for permanent residency.

If all the illegal workers in this country were booted out tomorrow, economists believe wages would have to rise significantly to get U.S.-born workers to take their jobs.

"It would take time for that to occur and during this period of adjustment -- some things might not get done -- maybe some crops won't be picked or some hotel rooms won't get cleaned," said Mark Zandi, chief economist at Moody's Economy.com. In some cases, companies might opt to invest in machines and other automation rather than hire higher-paid workers, economists said.

Under these scenarios, consumers' prices could rise.

Two-thirds of Americans polled think illegal immigrants fill jobs that most Americans do not want, according to a recent AP-Ipsos poll.

But the survey found greater ambiguity on whether illegal immigrants are good or bad for American society. Fifty-one percent said illegal immigrants mostly make a contribution to society, and 42 percent said they were mostly a drain.

On the Net:

Pew Hispanic Center: <http://pewhispanic.org/>

Federal Reserve Bank of Atlanta: <http://www.frbatlanta.org/>

Golden Gate University: <http://www.ggu.edu/>

Center for Immigration Studies: <http://www.cis.org/>


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