

# Replacing the Undocumented

WORK FORCE

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## **I. Introduction**

Perhaps no aspect of the debate over immigration policy is more hotly contested than the impact illegal immigrants have on the U.S. economy. With more than 7.5 million undocumented immigrants currently employed in rapidly growing sectors of the economy,<sup>ii</sup> understanding the effect of immigration on the labor market is critically important for policymakers grappling with immigration reform.

Attention to this issue has centered largely on establishing legal channels for the undocumented to become “regularized,” most likely through an earned adjustment program that would grant undocumented immigrants a work visa for some period of time.<sup>iii</sup> While reform proposals differ on the specifics, leaders of both parties, including President Bush, support immigration reform based on the simple premise that the labor market needs a sufficient number of foreign-born workers to meet the demands of the economy.<sup>iv</sup>

Despite the widespread agreement that our economy needs an earned adjustment program,<sup>v</sup> many policymakers and advocates continue to argue that the U.S. does *not* need the labor provided by the undocumented. They take particular aim at the notion that there are some jobs “Americans just won’t do,” arguing that American workers are willing to work in jobs currently held by the undocumented as long as proper compensation (wages and benefits) is provided by the employer.<sup>vi</sup>

Based on an analysis of the federal government’s data regarding the number of employed workers and the number of potentially employed workers, we find that if the undocumented were removed from the labor force, there would be a shortfall of nearly **2.5 million** low-skill workers. This would be a major shock to the economy and the industries that employ large numbers of undocumented workers would potentially face shortages of workers.<sup>vii</sup>

While we find that, overall, there are enough out-of-work natives to replace undocumented workers, there is a severe mismatch between the skills of undocumented workers and the natives who would potentially replace them. Moreover, our analysis assumes that all out-of-work natives would not otherwise find work. Clearly, a certain share of natives are unemployed due to the normal functioning of the labor market (so-called “frictional” unemployment) and will find work regardless of what happens with undocumented workers.

## **II. Estimating the Number of Natives Available for Work**

According to the federal government's Bureau of Labor Statistics, approximately 6 million native-born workers are currently unemployed.<sup>viii</sup> But this number does not fully capture all of the individuals who would be available for work. To be counted as unemployed, an individual must be actively engaged in looking for work. Some workers may give up looking for work if they think that they will not be able to find a job, that is, they become "discouraged". Discouraged workers are officially counted as not in the labor force, even though they would accept a job if offered one.

To gauge the number of native workers who are currently in need of employment, we add to the officially unemployed statistics workers who are also potentially available for work, but are not currently looking. To do so, we use the difference between the current employment-to-population ratio and the employment-to-population ratio in March 2001, at the peak of the previous business cycle, and multiply this difference times the current population. Effectively, this adds 1.4 percent of the population to the number of natives who are available for work. With this adjustment we are implicitly assuming that the peak of the last business cycle represents the highest percentage of the population that would be willing to work, and that any deviation from that share is indicative of people who are not able to find employment in the current economy.

In Table 1 we present our estimates of the number of working-age natives who are in need of employment as of January 2006.<sup>ix</sup>

Our calculations indicate that approximately 8.1 million working-age native workers are available for work but do not have jobs. A large majority of these individuals (6.8 million) hold a high school degree or better.

**Table 1**  
**Native Workers in Need of Employment, by Education Category**  
**Individuals Aged 18 to 64**

<b>Education Group</b>	<b>Population Jan 2006</b>	<b>Workers Holding Employment Jan 2006</b>	<b>Officially Unemployed Workers Jan 2006</b>	<b>Other Available Workers Jan 2006</b>	<b>Workers in Need of Employment Jan 2006</b>
Less than 9th Grade	2,467,000	965,000	71,000	34,000	105,000
9th-12th Grade	12,831,000	6,572,000	1,024,000	179,000	1,203,000
High School	49,559,000	34,894,000	2,455,000	693,000	3,148,000
Some College	48,291,000	35,965,000	1,631,000	676,000	2,307,000
College or more	41,510,000	35,164,000	791,000	581,000	1,372,000
<b>Total</b>	<b>154,658,000</b>	<b>113,560,000</b>	<b>5,972,000</b>	<b>2,163,000</b>	<b>8,135,000</b>

Notes: Employment-to-Population Ratio calculated using March 2001 Current Population Survey  
Demographic Supplement Population and Employment from January 2006 calculated using  
January 2006 Basic CPS.

### **III. Removing Undocumented Immigrants and Out-of-Work Natives: Skill Mismatch**

In Table 2 we present estimates of the number of working age undocumented alien workers currently in the U.S. economy, based on the recent work by Jeffrey Passell of the Pew Hispanic Center,<sup>x</sup> along with the numbers of out-of-work natives from Table 1, stratified by education group.

We find that, for all workers, there are currently approximately **.5 million** more out-of-work natives than employed undocumented workers. This aggregate number masks substantial variation across the different education groups, however, in the ability of out-of-work natives to adequately replace the jobs that undocumented workers hold. For out-of-work natives to replace the undocumented workers would require them to take jobs at substantially lower skill levels and substantially lower wages.

**Table 2**  
**Comparison of Number of Natives Needing Jobs and**  
**Number of Employed Undocumented Immigrants**  
**Individuals Aged 18-64**

<b>Education Group</b>	<b>Natives Workers in Need of Employment Jan 2006</b>	<b>Share of Undoc. Immigrants 2004</b>	<b>Estimated Number of Undocumented Workers Jan 2006</b>	<b>Potential Unfilled Jobs Jan 2006</b>
Less than 9th Grade	105,000	32%	2,464,000	2,359,000
9th-12th Grade	1,203,000	17%	1,309,000	106,000
High School	3,148,000	25%	1,925,000	- 1,223,000
Some College	2,307,000	10%	770,000	- 1,537,000
College or more	1,372,000	15%	1,155,000	- 217,000
<b>Total</b>	<b>8,135,000</b>		<b>7,700,000</b>	<b>- 512,000</b>

Notes: Share of Undocumented Immigrants in each education category is taken from Passel (2005). Estimated Number of Undocumented Immigrants assumes that the 7,200,000 undocumented workers calculated by Passel (2006) in March 2005 were supplemented by another 500,000 entering between March 2005 and January 2006.

Very low-skill workers (with less than a 9th grade education) make up the largest share of undocumented workers (32 percent) but a very small share of out-of-work natives (1.3 percent). There are roughly 2.5 million undocumented workers in this education group, but only 105,000 natives with less than a 9th grade education who are out-of-work – potentially leaving 2.4 million jobs unfilled. Moreover, demand for such workers is predicted to grow substantially over the next decade.<sup>xi</sup> Among workers with slightly higher educational attainment (9th – 12th grade, without a high school diploma), we also estimate that there are 106,000 more undocumented workers than there are out-of-work natives to replace them. Among all low-skill workers (those with less than a high school diploma), we estimate that there are **nearly 2.5 million** more undocumented workers than there are similarly-skilled natives looking for jobs.

Among individuals with higher skills, there are more out-of-work natives than there are undocumented workers. The largest share of out-of-work natives have a high school diploma, where approximately 3.1 million potentially need jobs, 1.2 million more than the number of undocumented workers with a high school diploma. If the undocumented immigrants were removed from the work force, these natives would either remain out-of-work or would need to find jobs requiring lower levels of education. This is also true for those with some college, where the number of out-of-work natives

exceeds the number of undocumented workers about approximately 1.5 million. We also find that there are approximately 217,000 more out-of-work natives than undocumented workers with a college degree or better.

These estimates indicate that undocumented workers play an important role in the U.S. economy. Even if all of the out-of-work natives were to replace undocumented workers, 2.8 million natives with a high school diploma or some college would need to take lower-wage jobs that are currently held by undocumented immigrants with less than a high diploma or even less than a 9th grade education. Future job growth in the U.S. is also likely to be dependent on low-skilled occupations that require a high school diploma or less.<sup>xii</sup> <sup>xiii</sup> Removing undocumented workers from the economy would not be a panacea for native unemployment.

#### **IV. Contributions of Undocumented Workers in High-Immigration States**

Because undocumented immigrants are concentrated in relatively few states, it is important to discuss the contribution of immigrants at the state level. Various regions of the country experience immigration in profoundly different ways. Arizona, for example, relies more heavily (in terms of percentage of estimated total employee compensation) on immigrants than any other state.

To illustrate our point, in Table 3 we present estimates of the contribution of undocumented workers to the total wage bill in 2004 in a variety of high-immigration states. We assume that undocumented workers work for 50 weeks per year, 40 hours per week, and earn the federal minimum wage of \$5.15. Note that we assume the wage holds for **all** undocumented workers, including those with a college education. As such, we likely underestimate the total contribution of undocumented workers.

We find that undocumented workers contributed about 1% of the total U.S. wage bill in 2004. But even across high-immigration states there is substantial variation. In California, Texas and Florida undocumented immigrants represent more than 1.5% of estimated total employee compensation and in the remaining states except Arizona, undocumented workers earn 1% of total employee compensation. Clearly, removing a substantial portion of the labor force in a particular state would have a large impact on the economic performance of the state as a whole.

**Table 3**  
**Estimated Contribution of Undocumented Immigrants to Total Employee Compensation, 2004**

<b>State</b>	<b>Geographic Share of Undocumented Immigrants 2004</b>	<b>Estimated Number of Undocumented Immigrant Workers, 2004</b>	<b>Estimated Undocumented Immigrant Wage Bill, 2004 (billion \$)</b>	<b>Estimated Total Employee Compensation 2004 (billion \$)</b>	<b>Undocumented Immigrant Share of Estimated Total Employee Compensation 2004</b>
<b>U.S.</b>	<b>100%</b>	<b>6,300,000</b>	<b>\$64.9</b>	<b>\$6,694.4</b>	<b>1.0%</b>
California	24%	1,512,000	\$15.6	\$868.0	1.8%
Texas	14%	882,000	\$9.1	\$476.6	1.9%
Florida	9%	567,000	\$5.8	\$339.2	1.7%
New York	7%	441,000	\$4.5	\$524.1	0.9%
Arizona	5%	315,000	\$3.2	\$110.8	2.9%
Illinois	4%	252,000	\$2.6	\$309.6	0.8%
New Jersey	4%	252,000	\$2.6	\$236.6	1.1%
North Carolina	3%	189,000	\$1.9	\$177.5	1.1%

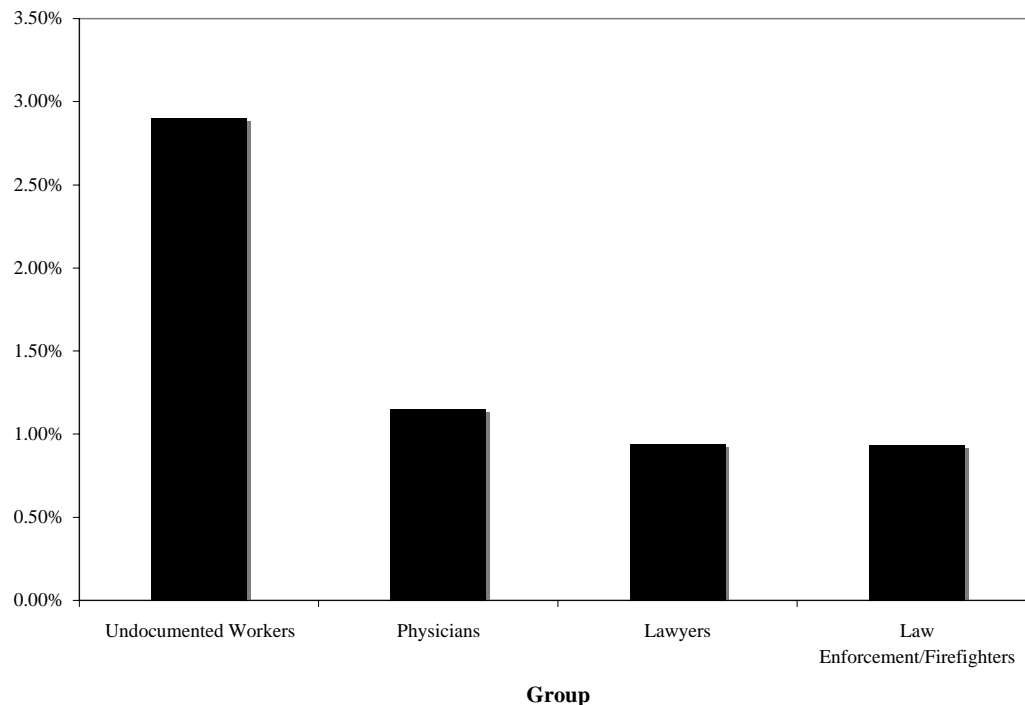
Note: Geographic distribution and total number of undocumented immigrants is from Passel (2005). The wage bill figures assume that undocumented immigrants work 40 hours/week, 50 weeks/year, at \$5.15/hour. Estimated Total Employee Compensation is from the Bureau of Economic Analysis. Because 2004 Employee Compensation has not yet been published, 2003 figures for Employee Compensation have been inflated by growth in Gross State Product from 2003 to 2004.

Undocumented workers contribute the most to total employee compensation in Arizona, where its 315,000 undocumented workers earn approximately \$3.2 billion, representing 2.9% of a total wage bill of \$110.8 billion in 2004. It is very illustrative to compare this total to other sectors of employment. Figure 1 illustrates some of these comparisons. In 2004, the entire wage bill for all physicians in the state was just 1.15% of the state's total; lawyers compose just 0.943% of the total; and police officers and firefighters combined constitute just 0.935%.<sup>xiv</sup> In other words, undocumented workers earn *2.5 times* more in Arizona than physicians, and *3.1 times* more than lawyers and police officers/firefighters. These figures demonstrate the relative importance of the undocumented immigrants' earnings and significance in the economy.

Clearly, removal of undocumented workers from these states would result in large impacts in the short and medium term. Tax revenues derived both from undocumented workers' incomes as well as on their spending in these states would decline. And, certain sectors of the economy like farming, cleaning, construction, and food preparation might be especially hard hit.



**Figure 1**  
**Comparison of Undocumented Workers Share of**  
**Total Employee Compensation to Select Professional Occupations**  
**Arizona, 2004**



Note: Data derived from the November 2004 State Occupational Employment and Wage Estimates at the Arizona Department of Commerce, available online at: [http://www.bls.gov/oes/current/oes\\_az.htm](http://www.bls.gov/oes/current/oes_az.htm).

## V. Conclusion

Many questions in the debate over the role of undocumented workers in the U.S. economy are difficult to resolve, yet some facts are known. The economic analysis presented in this paper illustrates that unemployed native-born Americans would be highly unlikely to fill all of the jobs currently held by undocumented workers, as many opponents of earned adjustment programs argue. The skills required by most of the jobs that undocumented workers hold are substantially lower than the skills possessed by out-of-work natives. Moreover, in certain high-immigration states, the contribution of undocumented workers is substantial, and their removal would have a large impact on the state's economy. Demographic trends in age and education of the current American population indicate that rather than reducing our reliance on foreign-born workers, the United States may in fact need to *expand* their numbers to keep pace with the demands of the economy.

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<sup>ii</sup> Jeffrey S. Passell, The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the March 2005 Current Population Survey, Pew Hispanic Center, March 7, 2006, available at <http://pewhispanic.org/files/reports/61.pdf>.

<sup>iii</sup> Legislation offered by Sens. McCain (R-AZ) and Kennedy (D-MA) calls for undocumented persons, after meeting certain requirements, to receive legal status that could eventually lead to legal permanent residence. See S. 1033, Secure America and Orderly Immigration Act. Other legislation, including a bill sponsored by Sens. Cornyn (R-TX) and Kyl (R-AZ), will permit undocumented immigrants to obtain temporary legal status but require them to return home before applying for legal permanent residence. See S. 1438, Comprehensive Enforcement and Immigration Reform Act of 2005. Alex Wayne, 2005 Legislative Summary: Immigration/Border Security Overhaul, Congressional Quarterly, Jan. 2, 2006.

<sup>iv</sup> President Bush recently said, "It makes sense to have a rational plan that says, you can come and work on a temporary basis if an employer can't find an American to do the job. It makes sense for the employer, it makes sense for the worker, and it makes sense for those good people trying to enforce our border." Darryl Fears and Michael A. Fletcher, Temporary Worker Program is Explained, The Washington Post, Oct. 19, 2005. Similarly, in defending his immigration bill against those asserting that native-born Americans were losing jobs to illegal immigrants, Sen. Ted Kennedy stated, "Our solution is simple. Employers must simply state on one sheet of paper that they have not laid anyone off and that they have been unable to locate workers in this country. That's all." Political Quotes, available online at: <http://www.zazona.com/ShameH1B/PoliticalQuotes.htm>. This sentiment is evident among the American public as well.

<sup>v</sup> This sentiment is evident among the American public as well. 72% of American adults nationwide support the idea of illegal immigrants registering with the program and working legally, with the government able to keep track of them. Time Poll, Schulman, Ronca & Bucuvalas Public Affairs, Nov. 29-Dec. 1, 2005, available online at [www.pollingreport.com/immigration.htm](http://www.pollingreport.com/immigration.htm).

<sup>vi</sup> Rep. Tom Tancredo (R-CO) recently declared that undocumented immigrants are "taking jobs that Americans could take." John B. Judis, The Fight Over Immigration is a Fight Over Identity, The New Republic, Jan. 16, 2006. Mark Krikorian, executive director of the Center for Immigration Studies, said, "There is a good deal of evidence that these workers are in direct competition with Mexican immigrants – i.e., these are jobs that Americans will do and are doing already." Testimony in Comprehensive Immigration Reform Hearing II, United States Senate Committee on the Judiciary, Oct. 18, 2005. And the Federation for American Immigration Reform issued the following statement: "With a new guestworker program open to all industries—not just agriculture and IT—millions of native workers will find their jobs, their wages, and their working conditions threatened by competition from foreign workers." How Guestworker Programs Harm American Workers, Federation for American Immigration Reform, Oct. 2002, available online at: [http://www.fairus.org/site/PageServer?pagename=iic\\_immigrationissuecenters0787](http://www.fairus.org/site/PageServer?pagename=iic_immigrationissuecenters0787).

<sup>vii</sup> Jeffrey S. Passell, The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the March 2005 Current Population Survey, Pew Hispanic Center, March 7, 2006, available at <http://pewhispanic.org/files/reports/61.pdf>, estimates that 24% of farm workers, 17% of cleaning workers, 14% percent of construction workers, and 12% of food preparation workers are undocumented. Overall Passell estimates that 4.9% of workers are undocumented immigrants.

<sup>viii</sup> Based on calculations from the January 2006 Basic Current Population Survey.

<sup>ix</sup> Working-age individuals are 18 to 64 years old. Note that the official unemployment rate is calculated using all individuals aged 16 and older who report being in the labor force. We use the working-age population to maintain consistency with statistics from Jeffrey Passell's research on undocumented workers presented in Table 2.

<sup>x</sup> Jeffrey S. Passell, The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the March 2005 Current Population Survey, Pew Hispanic Center, March 7, 2006, available at <http://pewhispanic.org/files/reports/61.pdf>

<sup>xi</sup> Economic Growth & Immigration: Bridging the Demographic Divide, American Immigration Law Center, Nov. 2005, available online at [http://www.aifl.org/ipc/special\\_report/2005\\_bridging.pdf](http://www.aifl.org/ipc/special_report/2005_bridging.pdf).

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<sup>xii</sup> Economic Growth & Immigration: Bridging the Demographic Divide, American Immigration Law Center, Nov. 2005, available online at [http://www.aifl.org/ipc/special\\_report/2005\\_bridging.pdf](http://www.aifl.org/ipc/special_report/2005_bridging.pdf).

<sup>xiii</sup> It is important to note that additional policies are needed to make it easier for low skilled workers to experience greater upward mobility, especially in light of the fact that upward mobility has declined in the U.S. in recent decades (Katharine Bradbury and Jane Katz, *Women's Labor Market Involvement and Family Income Mobility When Marriages End*, *New England Economic Review* Q4 2002 ).

<sup>xiv</sup> These figures were calculated using data from November 2004 State Occupational Employment and Wage Estimates, Arizona Department of Commerce, Nov. 9, 2005, available online at [http://www.bls.gov/oes/current/oes\\_az.htm](http://www.bls.gov/oes/current/oes_az.htm).

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