

*Nov. 10, 2005, 9:33PM*

# **Immigrants may increase wages of U.S.-born workers**

## **Study's findings run contrary to popular claims**

**By JESSICA HOLZER**

**Copyright 2005 Houston Chronicle Washington Bureau**

WASHINGTON - Contrary to popular wisdom, large-scale immigration to the United States may boost rather than dampen the wages of U.S.-born workers, according to a study by two university economists.

The influx of about 8 million immigrants from 1990 to 2000 pushed up the average wage of U.S.-born workers University of California at Davis found.

Businesses expanded to make use of the new workers, the economists said, and the immigrants, legal and illegal, tended to choose work that complemented the jobs of native workers.

For example, the flow of immigrants would make it easier for a construction firm to add more engineers, a big share of whom are foreign-born. This in turn would provide more work for the firm's accountants, who tend to be U.S.-born, and make them more productive, which usually leads to wage increases.

Similarly, a rise in the number of scientists because of immigration would boost the work-load and productivity of patent attorneys, who are nearly all U.S.-born.

## **Cities like Houston benefit**

As a result of the overall changes, cities like Houston, with high rates of immigration, saw faster growth in employment and wages than cities with low immigration.

The economists used economic models, rather than data on wages paid in areas such as Houston. Published by the National Bureau of Economic Research, the study has attracted the interest of other economists.

As the immigration policy debate heats up in Congress, the findings may add heft to the argument that immigration helps rather than harms the economy.

The study's findings are controversial because they fly in the face of prevalent theory, which predicts that a rise in the supply of immigrant workers drags down the wages of natives.

A landmark 2003 study by Harvard economist George Borjas found that immigration knocked more than 3 percent from the average wages of native workers from 1980 to 2000.

Not all segments of the workforce benefit from immigration, according to the new study by Ottaviano and Peri.

Though immigration boosted the wages of high-school graduates by 2.5 percent and the wages of the college-educated by 3.5 percent, it pulled down the wages of high-school dropouts by 2.4 percent because immigrants tend to compete the most with the lowest-skilled natives.

Though they make up about 13 percent of the working-age population, immigrants account for nearly a third of workers in this country with less than a high school diploma and more than half of those with less than eight years of schooling.

Still, a small and shrinking share of the total workforce lacks a high-school degree.

"Only 9 percent of the U.S. labor force loses, whereas the remaining 91 percent gains," Peri said.

Ottaviano and Peri came up with a less severe drop in the wages of low-skilled U.S.-born workers than in Borjas study because they took into account all the franchises opened and the investments in machinery they made to absorb the influx of cheap labor.

"When immigrants flow in, they attract more investment in capital," Peri said.

Immigrants didn't drive down the average wages of native workers because they gravitated to different kinds of work, according to the new study.