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Undocumented worker ruling could rattle Oregon's economy

A court decision to enforce Social Security number verification could cost the state 173,500 jobs

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As a federal court decision nears that could require employers to verify workers' Social Security numbers, Oregon employers and economists are trying to gauge the possible economic impacts.

The most recent analysis says the state could lose up to \$656 million in tax revenues and 173,500 jobs -- a huge rock in Oregon's economic pond that could ripple beyond undocumented workers to the services, businesses and industries they support and spend money on.

Last fall, a federal judge barred the government from mailing 140,000 so-called no-match letters to employers that warned they could face penalties if employees' names didn't match with Social Security numbers. About 8 million employees nationally would have been affected by the letters.

The no-match rules would require employers to fire employees whose Social Security numbers didn't match or were unverifiable, and employers would face fines or criminal prosecution. The legal measure is on hold until a court hearing Aug. 1 when the Department of Homeland Security could ask for the stay to be lifted.

Although any decision could be appealed, enforcing the no-match rule would probably cost an estimated 97,500 undocumented workers in Oregon their jobs. An additional 76,000 documented workers also would lose their jobs in roughly the first year because of economic impacts, says Oregon State University economics professor William Jaeger.

In the short term, employment would drop 7.7 percent and statewide annual production would fall by \$17.7 billion, Jaeger says. Additionally, employers would have a difficult time filling jobs vacated by undocumented workers because documented workers tend to be more educated and have higher salary and benefits expectations, Jaeger's study says.

Though the study looks at Oregon's revenue loss, it does not calculate the current cost of providing public services to undocumented immigrants. Jaeger said that would require a more in-depth analysis that was beyond the scope of his study.

Jaeger was commissioned by the Coalition for a Working Oregon, which is composed of 20 Oregon employer groups that represent more than 300,000 workers in industries such as dairy and nursery. He released his peer-reviewed study at a coalition meeting earlier this month.

Coalition industry representatives -- from agriculture to restaurants -- said Jaeger's findings illustrate a need for a comprehensive national immigration solution.

"We don't want to fight the issue of no-match," said Tom McNabb of Yule Tree Farms, a Christmas tree grower in Aurora. "We want to resolve the issue in the workplace."

Jeff Stone of the Oregon Association of Nurseries said Jaeger's findings are significant nationally because

similar or bigger economic shock waves could occur in other states.

"If it has this much impact on Oregon, what is it going to mean in California or Ohio?" Stone said. "If our neighbors to the north, south and east have depressed economies, it's going to affect Oregon."

Study flawed, critics say

An estimated 150,000 illegal immigrants live in Oregon, according to the 2005 Pew Hispanic Center study.

Washington has between 200,000 and 250,000 illegal immigrants, and Idaho has about 20,000 to 35,000. California has about 2.4 million illegal immigrants, the most in the United States.

Jim Ludwick, with Oregonians for Immigration Reform, said Jaeger's study was flawed because it didn't include how much illegal immigrants cost taxpayers for public services such as education, health care and prison.

"The cost of illegal immigration far exceeds anything you get back in taxes," Ludwick said.

The cost to taxpayers for undocumented immigrants can vary from state to state, according to a 2007 Congressional Budget Office analysis.

According to the analysis, it costs Colorado between \$217 million and \$225 million for education, Medicaid and corrections for undocumented immigrants, while they contribute between \$159 million and \$194 million in taxes annually. But in Texas, the state collected \$424 million more in revenue from "unauthorized immigrants" than it spent on education, health care and law enforcement in 2006.

Ludwick said a no-match rule would improve Oregon's economy in the long run by forcing employers to raise wages and mechanize.

Without taking a position on the no-match rule, Stone said the Oregon coalition would like to see the government address immigration rules to address border security and access to a legal, willing work force.

"Right now, all that we're getting from the administration is the enforcement side, not the supply side," Stone said.

Jaeger acknowledged that his estimates of the impact on Oregon's economy are higher than in other studies. But he said those studies looked only at the loss of tax revenue paid by undocumented workers, not the potential loss of additional jobs and other economic impacts.

Interpreting findings

Mike Leachman, a policy analyst with the Oregon Center for Public Policy, a nonpartisan think tank, said the study's findings fall in line with what he knows of the issue at the national level. He said it illustrates that federal enforcement alone won't solve the issue of undocumented immigrants.

"It adds an important piece to the debate here, a piece that has been missing," said Leachman, who conducted a 2007 study estimating that undocumented immigrants contribute between \$136 million and \$187 million in taxes annually. "It's not just what the impact on the economy is, although that's really important, but also the impact on our state revenues."

Oregon labor economist Art Ayre said that if all states had similar job losses, Oregon wouldn't be competing just with other states for revenue and business.

"It might be a U.S. versus foreign country issue rather than Oregon versus other states," Ayre said. He said additional ripple effects would include housing and demand for public goods and services.

The coalition paid Jaeger about \$30,000 to conduct the study, which was peer-reviewed by David Zimmerman, an economics professor at Williams College in Massachusetts. Zimmerman called the study objective and said Jaeger's economic model could be applied to other states to calculate the impacts of a

no-match rule.

"The models he was using were sensible," Zimmerman said. "He used a range of estimates to figure out what the impacts would be."

Jim Krahn, executive director of the Oregon Dairy Farmers Association, estimates about half of the state dairy industry's 1,500 workers are undocumented. If they were forced to leave, he said, it would be hard to replace the jobs that machines couldn't do, such as caring for cows.

"These people become highly trained, so they're not just people off the street," Krahn said.

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