Raising the Minimum Wage Will Discourage Migration? It Just Ain't So!

BY DAVID R. HENDERSON

In "Raise Wages, Not Walls," an op-ed in the July 25 *New York Times*, Michael Dukakis and Daniel Mitchell make a proposal that is breathtaking in its misunderstanding of basic economics. After showing problems with the various congressional proposals to limit illegal immigration, they give their own solution: increase the minimum wage. They write, "If we are really serious about turning back the tide of illegal immigration, we should start by raising the minimum wage from $5.15 per hour to something closer to $8." This, they argue, will make currently low-wage jobs more attractive to people who are legally in the United States. Making Americans more willing to work at these jobs, they write, would deny "them [the jobs] to people who aren't supposed to be here in the first place." They don't specify how this would deny jobs to illegal immigrants, but seem to place their faith in "tough enforcement of wage rules."

But here's the irony. The proposal would reduce the number of jobs available to people here legally and give illegal immigrants an *advantage* in the competition for jobs. Dukakis and Mitchell reach a mistaken conclusion by confusing demand and supply, and showing a misunderstanding of how the minimum wage is enforced. That Dukakis, a former presidential candidate and a political science professor at Northeastern University, made such a mistake in economic reasoning is understandable. That Mitchell, a professor of management and public policy at UCLA, did so is less understandable: both his B.A. (Columbia) and his Ph.D. (MIT) are in economics.

When the minimum wage rises, what happens? Some jobs that were worth hiring someone to do are no longer worth filling. The jobs lost are the most marginal ones, the ones that had low value and that paid little. That's why the vast majority of studies of the minimum wage have found that increases, all other things equal, reduce the number of low-skilled jobs offered and filled.

Surely Dukakis, a public-policy wonk for the whole of his adult life, and Mitchell, a trained economist, must know that. So how do Dukakis and Mitchell contend with that fact? First, they admit it—kind of. They write, "If we raise the minimum wage, it's possible some low-end jobs may be lost." Notice the redundancy in "it's possible" and "may." A good editor, and I'm sure the *New York Times* has many, would have caught this and said: " 'It's possible' means the same thing as 'may' and so you should drop one." Why didn't an editor do this? My guess is that the editor, like Dukakis and Mitchell, wanted to create the idea that the job loss would be small. By hedging twice, the authors leave that impression in many readers' minds.

But still, there's job loss, and even they, in their "just maybe" way, admit it. So how do they get to the conclusion that a higher minimum wage would help Americans? They write that if the government increased the minimum wage, "more Americans would also be willing to work in such [previously low-paying] jobs." That's true. When the minimum wage goes up, jobs that wouldn't have been attractive to some people will be attractive to them. But the objection to the minimum wage has never been about whether more people would be willing to work at a higher wage than would be willing to work at a lower wage. The problem is that being

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willing to work at a job isn't enough: someone has to be willing to *offer* you that job. If simple willingness to work were enough to get you a job, then a classic "Seinfeld" episode wouldn't have been funny. In that episode George Costanza is out of work and wants a job. He sits around with Jerry Seinfeld trying to decide what kind of job he should get. George comes up with the idea of being a sports commentator and lays out how much fun that would be. The audience laughs because they realize that George's simple willingness to work is not enough: another necessary condition is that someone think he's good enough to be worth the high pay that sports commentators get. I bet even Dukakis and Mitchell, if they saw that episode, would laugh. Which is why they should laugh at their own proposal—if not for its tragic consequences.

But wait a minute, Dukakis and Mitchell might say: there's still a thin spot of light at the end of our constructed tunnel. They argue that raising the minimum wage and increasing its enforcement will push illegal immigrants out of jobs and make these jobs available for Americans. It is true that if the minimum wage caused the number of illegal immigrants working to fall more than the total number of jobs fell, there would be more minimum-wage jobs for Americans. But is this likely? No, and in thinking it likely, they show a misunderstanding of how the minimum wage is enforced.

Their model of enforcement, it seems, is of diligent federal workers going into workplaces and checking records on wages paid. But employers willing to break the law on wages are likely to be willing to break the law on record-keeping. In 2005 the U.S. Department of Labor's Wage and Hour Division put 969,776 hours into enforcement of all parts of the federal wage regulations. This would translate into only 500 full-time workers nationwide. And not all of these were involved in enforcing the minimum wage: some were enforcing overtime regulations, child-labor regulations, and more. So even quadrupling the number of enforcers would not make a major dent when the number of low-wage employers would likely be in the hundreds of thousands.

The main enforcement of the minimum wage is initiated by employees, not by the government. An employee who thinks he was paid less than the minimum can contact the federal government or the state labor board and show his pay records. Then the government collects back wages and a fine from the employer. In 2005 the Labor Department reported 30,375 complaints registered about employer violations of wage and hours laws. The vast majority of these complaints were likely by employees. That's why the minimum wage is so effective. But employers aren't typically stupid. They know this risk, which is why even employers who have no ethical qualms about breaking the law hesitate to hire people at less than the minimum wage.

They Won't Complain

But there's one type of employee that the employer is not so afraid of hiring and paying less than the minimum: an illegal immigrant. Illegal immigrants are nervous about going to the government to report that they were paid less than the minimum. Employers, knowing this, are more willing to hire them. So while reducing the overall number of jobs, an increase in the minimum wage will actually open up more jobs for illegal immigrants, making it even harder for unskilled legal residents to find work.

How can not being able to sic the government on an employer be an advantage? However much someone might plead with an employer to offer him a job at below minimum wage, if the employer knows the employee can sue for back wages, he probably won't offer the job. But not being able to sue because the job candidate is here illegally makes his promise not to sue credible, which also means he doesn't even need to make such a promise. The illegal immigrant gets the job.