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IMMIGRATION REFORM AND JOB GROWTH: Legalizing Unauthorized Immigrants Would Boost the U.S. Economy

With the U.S. unemployment rate hovering at 10%, some have questioned whether or not now is really the right time for comprehensive immigration reform that includes the creation of a pathway to legal status for unauthorized immigrants already living in the United States. Underlying this uncertainty is the fear that native-born Americans will lose out on scarce jobs if currently unauthorized immigrants acquire legal status—despite the obvious fact that unauthorized immigrants are already here and in the labor force. However, the best available evidence suggests that neither legal nor unauthorized immigration is the cause of high unemployment, and that the higher wages and purchasing power which formerly unauthorized immigrants would enjoy were they to receive legal status would sustain new jobs.

Immigrants are not the cause of high U.S. unemployment.

Immigration is *not* associated with high unemployment at the regional, state, or county levels.

- If immigrants really “took” jobs away from large numbers of native-born workers, especially during economic hard times, then one would expect to find high unemployment rates in those parts of the country with the largest numbers of immigrants—especially immigrants who have come to the United States recently (many of whom are unauthorized) and, presumably, are more willing to work for lower wages and under worse conditions than either long-term immigrants or native-born workers. Yet a [series of reports](#) in 2009 by Rob Paral & Associates for the Immigration Policy Center found that there is little apparent relationship between recent immigration and unemployment rates at the [regional, state, or county level](#).¹
- On average, recent immigrants comprise 3.1% of the population in [counties](#) with the highest unemployment rates (over 13.4%). But recent immigrants account for a *higher* share of the population (4.6%) in counties with the *lowest* unemployment rates (below 4.8%).²
- The highest unemployment rates are found in [counties](#) located in manufacturing centers and rural areas—which tend to have relatively *few* recent immigrants. Recent immigrants usually go where the jobs are: metropolitan and non-manufacturing counties where unemployment rates are lower.³

Immigration is *not* associated with high unemployment among minorities.

- A January 2011 [report](#) by Harry J. Holzer found that the welfare of less-skilled minorities would not be substantially improved by the absence of immigration. Without immigration, less-skilled workers would also be forced to pay higher prices for food, medical care, and housing.⁴

- Rob Paral & Associates found that the 10 [metropolitan areas](#) with the *highest* shares of recent immigrants in the labor force, the unemployment rate for native-born blacks is about 1.5 percentage points *less* than in the 10 metropolitan areas with the lowest share of recent immigrants.⁵
- Recent immigrants are 17% of the labor force in Miami, but only 3% of the labor force in Cleveland. Yet the [unemployment rate](#) for native-born blacks in Cleveland is double that of native-born blacks in Miami.⁶

Immigrant and native-born workers are *not* interchangeable.

- Rob Paral & Associates found that nearly one-third (30.6%) of all employed recent immigrants had a bachelor's degree or more education in 2008 and were [unlikely to be in the same job markets](#) as unemployed natives, of whom only 14.1% had a bachelor's degree or more education.⁷
- Over one-quarter (27.4%) of all unemployed natives had some college short of a bachelor's degree in 2008 and were [unlikely to be in the same job markets](#) as employed recent immigrants, of whom only 14.4% had some college short of a bachelor's degree.⁸
- Even among workers [without a high-school diploma](#), unemployed natives and employed recent immigrants differ in location, occupation, and work experience.⁹

The 1986 legalization demonstrated that legalized workers earn more, spend more, and pay more in taxes.

- [Studies](#) have found that immigrants who received legal status under the 1986 Immigration Reform and Control Act (IRCA) acquired more education, earned higher wages, moved out of poverty, bought homes, and generally invested in themselves and their communities.¹⁰ For example, a November 2009 [study](#) by Rob Paral & Associates for the Immigration Policy Center found that while 34% of IRCA immigrants age 35-44 years owned homes in 1990, 68% owned homes in 2006.¹¹
- Legal status lets workers parlay greater education and mastery of English into higher pay. The wage gains experienced by workers legalized under IRCA resulted in large part from the fact that legal status allows workers with more education or proficiency in English to earn higher wages, according to [research](#) by economists at the University of Michigan and Australian National University. For instance, if the immigrant men who received legal status under IRCA had been “legal” throughout their entire working lives in the United States, their wages by 1992 would have been 24% higher because they would have been paid in relation to their actual skills, and would have been motivated to improve their skills to increase their earning power.¹²
- Legal status allows workers to move into higher-paid occupations. Many workers legalized under IRCA were able to move into entirely new occupations that pay higher average wages than the occupations in which they previously worked, according to various [studies](#).¹³ For instance, a [survey](#) of Mexican men legalized under IRCA found that 38.8% had moved up into higher-paying occupations by 1992.¹⁴

Comprehensive immigration reform that includes legalization of currently unauthorized immigrants would support U.S. jobs.

- A January 2010 study by Dr. Raúl Hinojosa-Ojeda, conducted for the Immigration Policy Center and the Center for American Progress, estimates that immigration reform which includes legalization of unauthorized immigrants and the creation of more flexible channels for legal immigration in the future would add at least [\\$1.5 trillion](#) in cumulative U.S. Gross Domestic Product (GDP) over 10 years.¹⁵
 - Over the first three years, higher personal income would generate increased consumer spending—enough to support [750,000–900,000 jobs](#) in the United States—as well as increased tax revenues of [\\$4.5-\\$5.4 billion](#).¹⁶
 - The benefits of additional growth in the gross domestic product would be spread broadly throughout the U.S. economy, but [immigrant-heavy sectors](#) such as textiles, electronic equipment, and construction would see particularly large increases.¹⁷

- A January 2010 study from the University of Southern California estimates that “unauthorized Latino immigrants in California...missed out on approximately [\\$2.2 billion](#) in wages and salary income last year alone due solely to their legal status, and the state lost out on the multiplied impacts of that potential income and spending, suggesting a total potential gain of [\\$3.25 billion](#) annually from authorization.”¹⁸
 - Because unauthorized immigrants earn less than they would if they had legal status, the California state government lost out on [\\$310 million](#) in income taxes in 2009, while the federal government missed out on [\\$1.4 billion](#).
 - Moreover, “gains from increased levels of educational attainment...and English fluency would result in an additional \$8.6 billion in wage income. The multiplied impact of this on the California economy in direct and indirect spending would be about \$12.7 billion. Combined with the immediate effects, this is a [\\$16 billion](#) boost to California.”¹⁹

- A February 2010 report from the Economic Policy Institute (EPI) finds that the “effect of immigration from 1994 to 2007 was to [raise the wages](#) of U.S.-born workers, relative to foreign-born workers, by 0.4% (or \$3.68 per week).” Even the small (and shrinking) number of “U.S.-born workers with less than a high school education saw a relative 0.3% increase in wages (or \$1.58 per week)” as a result of immigration during this period.²⁰
 - The report [emphasizes](#) that “more people, including more foreigners, do not mean lower wages or higher unemployment. If they did, every time a baby was born or a new graduate entered the labor force, they would hurt existing workers. But new workers do not just have supply-side impacts, they also affect demand. Those new graduates buy food and cars and pay rent. In other words, while new workers add to the supply of labor, they also consume goods and services, creating more jobs. An economy with more people does not mean lower wages and higher unemployment, it is simply a bigger economy. Just because New York is bigger than Los Angeles does

not in and of itself mean workers in New York are worse off than workers in Los Angeles.”²¹

- An August 2009 report by the libertarian CATO Institute found that comprehensive reform would increase U.S. GDP by [\\$180 billion](#) in 2019.²²
- The 2006 immigration reform bill, which included a legalization program, would have more than paid for its reform provisions through increased tax revenue. The Congressional Budget Office and the Joint Committee on Taxation [estimated](#) that, as originally introduced on April 7, 2006, the Comprehensive Immigration Reform Act of 2006 would have generated \$66 billion in new revenue during 2007-2016 from income and payroll taxes, as well as various administrative fees.²³
 - This additional revenue would have more than [offset](#) the \$54 billion in new “direct spending” during 2007-2016 for refundable tax credits, Medicaid, Medicare, Social Security, and food stamps for newly eligible immigrants and their families.²⁴

The alternative to comprehensive reform—deportation—would be expensive and damaging to the U.S. economy.

- A policy designed to deport approximately 10 million unauthorized immigrants would cost at least \$206 billion over five years, or \$41.2 billion annually, according to a study by the [Center for American Progress](#).²⁵
- Deporting millions of unauthorized workers and consumers would damage the U.S. economy. The [Perryman Group](#) estimated that the long-term negative effect of eliminating the unauthorized workforce would include roughly \$245 billion in lost GDP and 2.8 million lost jobs.²⁶

Employment is not a zero-sum game in which workers compete for some set number of jobs. Policies which lift the wages of workers, regardless of where they were born, benefit the entire U.S. economy. Workers who earn higher wages also buy more goods and services from U.S. businesses, and pay more in taxes to federal and state governments, both of which create jobs. Conversely, attempting to remove unauthorized workers from the United States would not only be an expensive and socially destructive undertaking, but would also shrink the consumer base of the U.S. economy and reduce the total number of available jobs. In other words, comprehensive immigration reform would sustain new jobs at a time when the economy desperately needs them.

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Endnotes

¹ Rob Paral & Associates, [The Unemployment and Immigration Disconnect: Untying the Knot, Part I of III](#) (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, May 2009), pp. 4-6.

² Ibid., p. 6.

³ Ibid., pp. 7-8.

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- ⁴ Harry J. Holzer, [*Immigration Policy and Less-Skilled Workers in the United States: Reflections on Future Directions for Reform*](#) (Washington, DC: Migration Policy Institute, January 2011), p. 1.
- ⁵ Rob Paral & Associates, [*Immigration and Native-Born Unemployment Across Racial/Ethnic Groups: Untying the Knot, Part II of III*](#) (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, May 2009), p. 7.
- ⁶ *Ibid.*, p. 8.
- ⁷ Rob Paral & Associates, [*The Disparity Between Immigrant Workers and Unemployed Natives: Untying the Knot, Part III of III*](#) (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, August 2009), p. 4.
- ⁸ *Ibid.*
- ⁹ *Ibid.*, pp. 5-10.
- ¹⁰ Raúl Hinojosa-Ojeda, [*Raising the Floor for American Workers: The Economic Benefits of Comprehensive Immigration Reform*](#) (Washington, DC: Immigration Policy Center of the American Immigration Council and the Center for American Progress, January 2010), pp. 7-9.
- ¹¹ Rob Paral & Associates, [*Economic Progress via Legalization: Lessons from the Last Legalization Program*](#) (Washington, DC: Immigration Policy Center, American Immigration Council, November 2009), p. 10.
- ¹² Sherrie A. Kossoudji and Deborah A. Cobb-Clark, “[Coming Out of the Shadows: Learning about Legal Status and Wages from the Legalized Population](#),” *Journal of Labor Economics*, vol. 20, no. 3, July 2002: 598-628.
- ¹³ See Mary G. Powers, Ellen Percy Kraly, and William Seltzer, “[IRCA: Lessons of the Last U.S. Legalization Program](#),” *Migration Information Source*, July 2004.
- ¹⁴ Sherrie A. Kossoudji and Deborah A. Cobb-Clark, “[IRCA’s Impact on the Occupational Concentration and Mobility of Newly-Legalized Mexican Men](#),” *Journal of Population Economics*, vol. 13, no. 1, February 2000: 81-98.
- ¹⁵ Raúl Hinojosa-Ojeda, [*Raising the Floor for American Workers: The Economic Benefits of Comprehensive Immigration Reform*](#) (Washington, DC: Immigration Policy Center of the American Immigration Council and the Center for American Progress, January 2010), p. 13.
- ¹⁶ *Ibid.*
- ¹⁷ *Ibid.*, p. 14.
- ¹⁸ Manuel Pastor, Justin Scoggins, Jennifer Tran, and Rhonda Ortiz, [*The Economic Benefits of Immigrant Authorization in California*](#) (Los Angeles, CA: Center for the Study of Immigrant Integration, University of Southern California, January 2010), p. 6.
- ¹⁹ *Ibid.*, p. 8.
- ²⁰ Heidi Shierholz, [*Immigration and Wages: Methodological advancements confirm modest gains for native workers*](#) (Washington, DC: Economic Policy Institute, February 4, 2010), pp. 1-2.
- ²¹ *Ibid.*, p. 22.
- ²² Peter B. Dixon and Maureen T. Rimmer, [*Restriction or Legalization? Measuring the Economic Benefits of Immigration Reform*](#) (Washington, DC: Cato Institute, August 13, 2009), p. 13.
- ²³ Congressional Budget Office, [*S. 2611: Comprehensive Immigration Reform Act of 2006, as introduced on April 7, 2006*](#), May 16, 2006, p. 27.
- ²⁴ *Ibid.*, p. 5.
- ²⁵ Rajeev Goyle and David A. Jaeger, [*Deporting the Undocumented: A Cost Assessment*](#) (Washington, DC: Center for American Progress, July 2005), p. 1.
- ²⁶ The Perryman Group, [*An Essential Resource: An Analysis of the Economic Impact of Undocumented Workers on Business Activity in the U.S. with Estimated Effects by State and by Industry*](#) (Waco, TX: April 2008), p. 69.