



Immigration Reform Will Enhance Economic Recovery

We Can't Build a Strong Economy on Top of a Broken Immigration System

By Marshall Fitz and Angela Kelley December 16, 2009

The economy has stabilized and is beginning to show signs of a slow recovery, but unemployment remains at historic levels.¹ The recession has devastated the nation's workforce and savings, and the federal government's top domestic priority for the foreseeable future must be on job creation and economic growth.

Against this backdrop, it may seem counterintuitive to argue that now is the time for immigration reform. But it actually makes perfect sense. Undocumented immigration levels have dropped precipitously as a result of the recession. And that diminished pressure offers breathing room to rationalize our immigration policies and implement reforms that will promote economic growth while restoring control over our borders and in our workplaces.

Requiring undocumented workers to register, get legal, pay taxes, and learn English will level the playing field for all workers and all employers. Developing new legal channels to funnel future economic migrants and better enforcement mechanisms to keep employers honest and target criminals will restore the rule of law.

A look at the nexus between migration levels and the state of the economy brings into sharp relief how immigration reform can help drive economic growth, and why now is the right time to move forward.

Migration patterns and the economy are closely intertwined

Both documented and undocumented migration to the United States has decreased significantly since the start of the recession.² For example, in previous years when the economy was humming, high-skilled H-1B visas for foreign professionals were snapped up on the first date of their availability.³ Over 6,000 of these were still available in late November, more than seven months after the application period opened.⁴

Would-be migrants are just not migrating. The overall number of undocumented immigrants has also stopped its steady climb, falling from 12.4 to 11.9 million between 2007 and 2008.⁵ Illegal entries into the United States have been cut by more than half from peak years.⁶ This trend reinforces a well-established principle: migration inflows are highly responsive to economic conditions in the United States.

Remittances slow as economy slumps - first drop since 1975

Another well-established phenomenon has accompanied this decrease in migration: a corresponding drop in the amount and frequency of immigrant remittances. The level of payments by immigrants to family and friends in their homelands—a fraction of their earnings—reflects their disposable income in the U.S. economy. In good economic times, remittances assist needy family members left behind and prop up their hometown economies. The support in many cases suffices to negate the incentive to migrate to the United States.

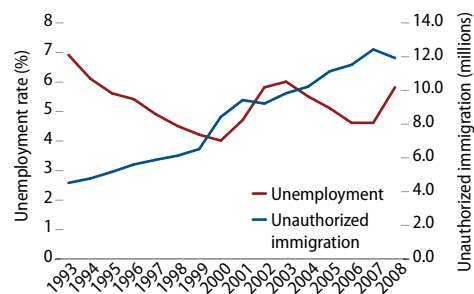
But remittances are highly sensitive to economic conditions. The high jobless rate in the United States, particularly among immigrants,⁷ has predictably led to a significant decline in remittances in 2009.⁸ In fact, remittance payments by migrants in the United States for 2009 are expected to show a decline for the first time in 34 years.⁹ More than 4 million people in Latin America and the Caribbean, a region that relies heavily on remittances from the United States, will be harmed by the decline.¹⁰ A drop will certainly occur worldwide when the remittance flows from all nations to the developing countries are totaled for 2009.

Border build-up discourages outflows and reports of reverse remittances are on the rise

Our dysfunctional immigration policies have created some interesting twists in this cyclical dynamic. Migration's sensitivity to economic conditions has historically applied to both inflows and outflows.¹¹ Economic migrants would typically return home during an economic slow down or the end of a season in a seasonal industry. But this circular migration phenomenon—at least as applied to undocumented immigrants—was plainly interrupted by the fortification of the border.¹²

Billions of dollars spent on enforcement infrastructure and personnel has hardened the U.S. border and discouraged the out-migration that would normally occur as unemployment rises in the United States. Out-migration has remained level,¹³ and there is some anecdotal evidence that reverse remittances to the United States from Mexico are now occurring.¹⁴

Unemployment and unauthorized immigration, 1993–2008



Source: Bureau of Labor Statistics, U.S. INS (1993–1999), Pew Hispanic Center (2000–2008).

The cost and risk associated with making the journey into the United States has increased to the point that migrants increasingly decide to remain in the United States and suffer the economic downturn here in the hope that job prospects increase. In other words, fewer immigrants are coming because of the down economy, but fewer are leaving because of the hardened border. Our immigration policies have, in effect, done a better job of walling undocumented immigrants in than keeping them out.¹⁵

This economic decline has severely affected migration in three ways:

- The scarcity of jobs has led to a drop in migration to the United States.
- Remittances from the United States are down, creating significant hardship for families of immigrants that rely on these payments as an important source of income.
- Migrants are unable to help family members in their home countries through direct labor because our immigration policies have made it harder for them to return home. Some families are actually forced to send money to help keep the migrants afloat during a jobless stretch in the hope that the economy will rebound soon.¹⁶

Immigration reform will help the economy

It is clear that we have an integrated, albeit unregulated, North American labor market and that the market is highly sensitive to changing economic conditions in the United States. Yet our immigration policies have failed to regulate this market, cannot respond to changing economic conditions, and have actually warped the economic incentives of undocumented migrants. Reforming our immigration laws will increase our tax base, boost growth, and strengthen our economic recovery.

Make all workers and employers taxpayers

Reform that requires workers without legal status to register, pay taxes, and learn English will increase workforce productivity and expand the tax base. Transforming the 5 percent of our workforce that is currently undocumented into a legal workforce will prevent unscrupulous employers from deleveraging U.S. workers with an exploitable labor pool. It will close the trap door at the bottom end of the wage scale and will protect honest employers from having to compete on unequal footing.

Leveling the playing field for all workers and all employers is a threshold requirement in constructing a foundation for sustainable economic growth. This is why organized labor and business both strongly support immigration reform that legalizes the current workforce.¹⁷

Reports assessing the economic gains of legalizing the workforce are uniformly positive¹⁸:

- A 2009 Cato Institute study found that requiring immigrants without status to become legal taxpayers will lead to substantial increases in productivity and is projected to grow GDP \$180 billion annually.¹⁹
- The reform bill passed by the Senate in 2006, which included a legalization program, would have generated \$66 billion in new income and payroll taxes over 10 years, according to the Congressional Budget Office.²⁰
- An assessment of alternatives to legalization by the Perryman Group in 2007 concluded that removing the undocumented workforce from the United States would result in the permanent loss of roughly 2.8 million jobs and a decline in gross domestic product of \$245 billion.²¹
- A 2005 analysis of the five-year cost to Department of Homeland Security of deporting the undocumented population at that time was more than \$200 billion.²² That figure is closer to \$300 billion today.²³

A legalization program that pays for itself with application fees unequivocally delivers a better economic return than a single-minded enforcement approach that pours billions of dollars toward an economically counterproductive end.

Immigrants are reliably strong economic actors

Expanding immigration opportunities across the socioeconomic spectrum squares with the positive contributions those immigrants have made and can make to the U.S. economy and society. A study released in December 2009 by the Fiscal Policy Institute found that metropolitan areas that had the fastest increase in immigrant workers also experienced above average economic growth before the recession.²⁴

Foreign-born workers and their families are a vital segment of the U.S. economy across all income and education levels. Immigrants contribute \$80,000 more per capita in taxes than they consume in government services over the course of their lives.²⁵ Immigrants are also engines of job creation and are significantly more likely to be engaged in entrepreneurial activity than native-born Americans.²⁶ And immigrants—legal and undocumented alike—are estimated to generate approximately \$700 billion in economic activity or 5.4 percent of the country's GDP—a figure that outdistances the GDP contribution of all but three states in the union.²⁷

Doing the same thing over and over and expecting a different result is insanity

Effective enforcement is obviously critical to the legitimacy of any legal system. But when a massive and sustained infusion of enforcement resources fails to restore order and integrity to the system, it should be clear that the system itself must be overhauled. Annual spending on border enforcement has increased by more than 700 percent since 1992, and the number of border patrol agents has quadrupled. Yet the number of undocumented immigrants in the United States has tripled to approximately 12 million during that same time period.

It is self-defeating on multiple fronts to continue escalation of enforcement funding without reform that legalizes the current undocumented population and creates legal channels to regulate future migration. It wastes scarce resources that could be deployed more productively on other domestic priorities; it deprives us of the opportunity to make our workforce more productive; and it prevents employers and workers from competing on a transparent and level playing field.

Why now? Because you don't repair a bridge at rush hour

The slow down in illegal immigration to the United States is temporary and timely. The sluggish economy actually makes it more likely that we can get reform right this time. The last immigration overhaul came in 1986 under the banner of the Immigration Reform and Control Act. Among other problems, IRCA's failure to account for future economic migration pressures by establishing new legal channels for immigration led to the problems we face today.

It will be far easier to design and implement a program requiring the undocumented population to register at a time when large numbers of new undocumented immigrants are not being added to the current pool. Once the economy improves, the absence of immigration reforms could return migration to the high prerecession levels, about 500,000 new entrants per year.

Creating legal channels to funnel economic migrants is more manageable when there is less pressure on the border and at the worksite. It gives policymakers the economic and political space to carefully establish a fair and flexible legal framework for registering the current population and admitting future migrants.

The vast majority of workers want to migrate legally, and the vast majority of employers want to hire a legal workforce. We know that enforcement prohibitions will fail when legal channels for immigration do not exist and the demand for undocumented workers

is high. Employers have shown that they are too tempted to break immigration laws during a hot economy when they are desperate for workers and the number of available visas is far too low.

We have a rare opportunity as the nation slowly climbs out of a historic recession to force a clean break with our badly broken immigration system. Registering the maximum possible number of undocumented immigrants, while simultaneously establishing new legal channels, will make effective enforcement possible and restore the rule of law.

It is not terribly different from deciding when to pave a road: it's a lot easier to do in the middle of the night than at rush hour. With demand nonexistent and supply at a trickle, now is the time to build a workable system.

Conclusion

The current downturn highlights how sensitive migration is to economic conditions and how inadequate our immigration system is in regulating those migration flows. Reforming our immigration system will help advance our nation's economic health by growing GDP and leveling the playing field for all workers and employers. This will generate more tax revenues and create legal channels to funnel future economic migrants.

When the economy picks up again, we will find ourselves dealing with a rapid influx of undocumented immigrations unless we update our immigration laws.

Immigration restrictionists prefer a policy that radically limits the number of visas for immigrants wanting to follow the law. That banks on the economy remaining weak. That is not policy; it is a pessimistic prescription for failure.

Endnotes

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