

BUSINESSFORWARD

The Business Case for Immigration Reform *Part 1: Low-skilled workers*

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WHAT IS THE BUSINESS IMPERATIVE FOR IMMIGRATION REFORM?

The immigration system put in place in 1986 has left us with an estimated 11 million undocumented immigrants and no rational framework for accepting additional low-skilled immigrants. Comprehensive immigration reform would solve these problems by providing a pathway to legal status for undocumented immigrants already in the US, expanding employment-based immigration channels, setting up a clear and mandatory immigration status verification system, and improving border security.

Resolving the massive inefficiencies caused by our broken low-skilled immigration system could significantly benefit businesses, workers, and the federal budget

BUSINESS

How will reform affect my bottom line?

Reform will make current immigrants more valuable to employers, and add new workers to the labor force.

WORKERS

How does immigration impact employee wages?

Immigration increases total wages, by complementing the skills of the US born workforce.

FEDERAL BUDGET

Do immigrants drive up deficits?

Immigrant-driven demographic trends can ease our long-term structural fiscal problems

UNDOCUMENTED IMMIGRANTS IN THE WORKFORCE

Undocumented workers are unavoidable for employers in some occupations.

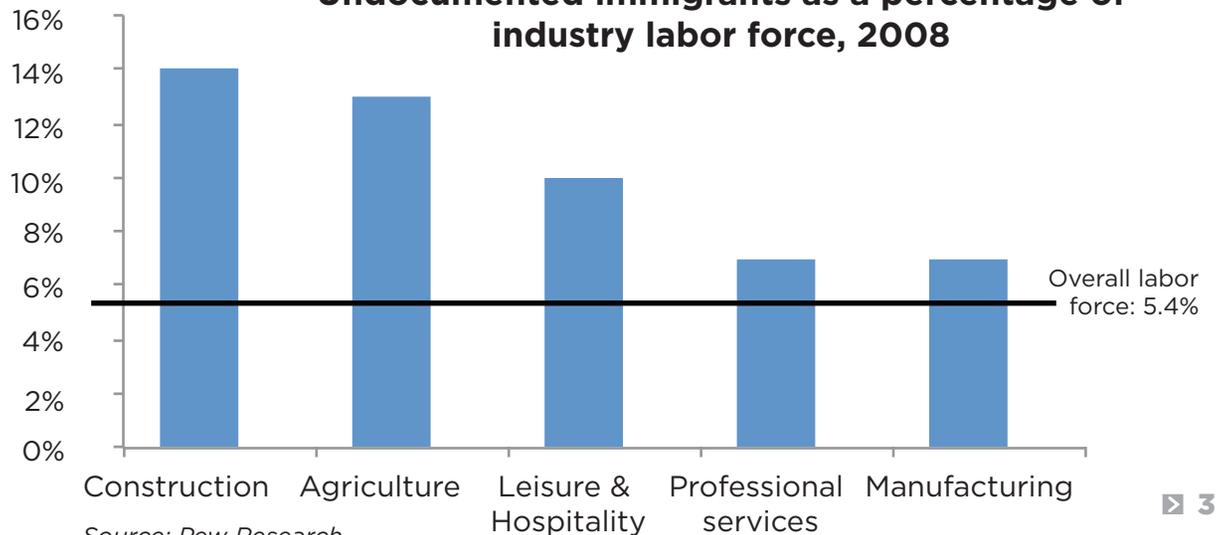
Status of workers in occupations with over 25% undocumented immigrants, 2008



Source: Pew Research

Undocumented labor is widespread in several competitive, low-margin industries.

Undocumented immigrants as a percentage of industry labor force, 2008



Source: Pew Research

BROKEN IMMIGRATION SYSTEM DISTORTS BUSINESS DECISIONS

Businesses in impacted sectors are relying on undocumented labor because they don't have an alternative. They need workers in occupations that are dominated by immigrants and they are in industries where the competition is using undocumented labor to build a cost advantage.

Even if they satisfy the legal requirements around employee immigration status, they are still exposed to significant uncertainty, which interferes with business processes.

THE COST OF DOING BUSINESS WITH A BROKEN IMMIGRATION SYSTEM

| | |
|-----------------------------------|---|
| EXPANSION & HIRING | <p>Higher turnover amongst workers with uncertain (or no) work authorization increases hiring costs and diverts management attention.</p> <p>Unexpected workplace raids or “no-match” letters could result in the depletion of a business’ workforce.</p> |
| WORKFORCE TRAINING | <p>Businesses have little incentive to make investments in training workers when turnover is high and sudden.</p> <p>Undocumented workers are less likely to invest in their own human capital development.</p> |
| COMPLIANCE | <p>In the absence of clear and mandatory verification rules, policing immigration status of employees is costly, easily impacted by regulatory changes, and adds risk that must be managed.</p> |



BUSINESS:

How will reform affect my bottom line?

Reform will make current immigrants more productive, while adding new, economically helpful, immigrants.

EMPLOYERS STAND TO BENEFIT FROM MORE PRODUCTIVE IMMIGRANT WORKERS

New Status Allows Previously Undocumented Immigrants to Become More Productive

INVESTMENT IN EDUCATION AND TRAINING

Uncertain legal status restricts the investment timescale of immigrants, foreclosing long-term investments in education.

Even small investments in education or training can substantially increase productivity. The wage premium for a HS degree, which almost half of working-age undocumented workers don't have, is almost 40%.

INCREASED 'ON THE JOB LEARNING'

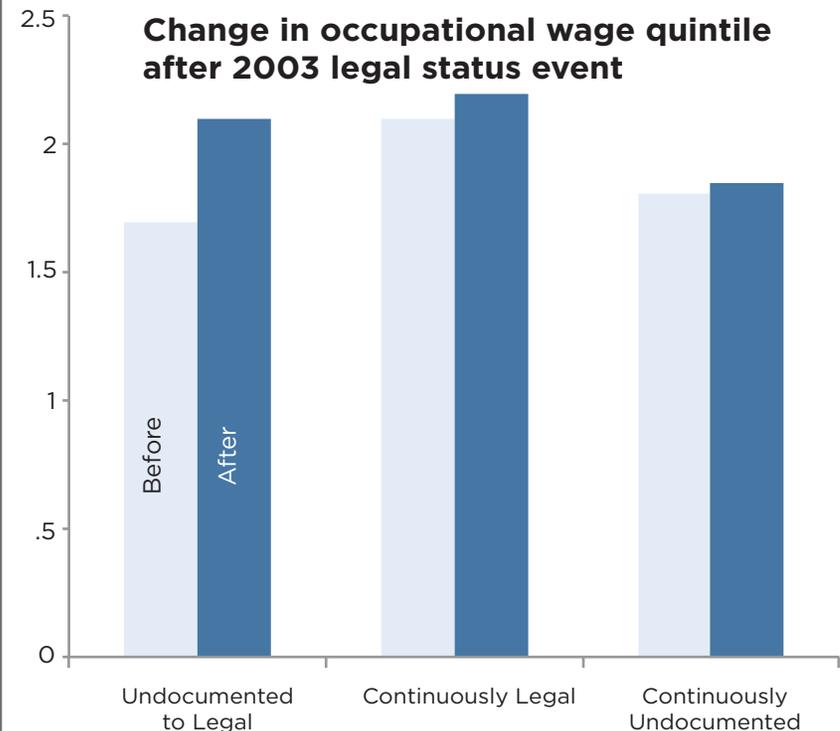
High turnover, due to uncertain work authorization, prevents both formal employee training efforts and the informal benefits of 'learning by doing'

BETTER MATCHING BETWEEN SKILLS AND OPPORTUNITIES

Undocumented immigrants usually don't have access to even basic job-searching mechanisms. Legal status would reduce friction in the labor market and allow them to find better matches for their skills and experience.

Study: Status Increases Returns to Education, Other Productivity-boosting Investments

A study of Latin American immigrant men who received legal permanent residence in 2003, compared to control groups that were continuously legal or undocumented, shows that granting legal status to immigrants materially boosts them to a higher position in their regional occupational hierarchy (see chart).



Source: Sisk 2013

ADDITIONAL IMMIGRATION ESTIMATED TO INCREASE OUTPUT ECONOMY-WIDE

NEW IMMIGRANTS BOOST ECONOMY THROUGH MULTIPLE CHANNELS

Increased Economic Output: Attracting new workers, especially in occupations where natives refuse to work (such as agriculture) or where there are shortages (like nursing) increases the output of American businesses.

Investment: Immigration increases private saving and capital flows from other countries. Because reform is budget-positive, it increases public saving too.

Consumption: Immigrants already earn over \$1 trillion per year. The Immigration Policy Center projects that by 2015, the Latino population, many of whom are immigrants, will have \$1.5 trillion in total purchasing power.

ECONOMIC STUDIES SUGGEST THAT REFORM WOULD INCREASE GDP

| | CBO (2006) | Hinojosa-Ojeda (2010) | Aguiar and Walmsley (2009) |
|-----------------------------|---|---|--|
| Estimated Annual GDP Change | 0.8 - 1.3% | 0.84% | 0.17% |
| Analysis | The 2006 Senate immigration reform bill, if enacted, would have increased GDP by 0.8-1.3% from 2012-2016, and added 3 million additional workers by 2015. | Over 10 years, reform results in a cumulative \$1.5 trillion in additional GDP. | Legal status, with improved border control, increases GDP by 0.17% annually. Deportation of all immigrants would cause GDP to shrink by 0.61%. |



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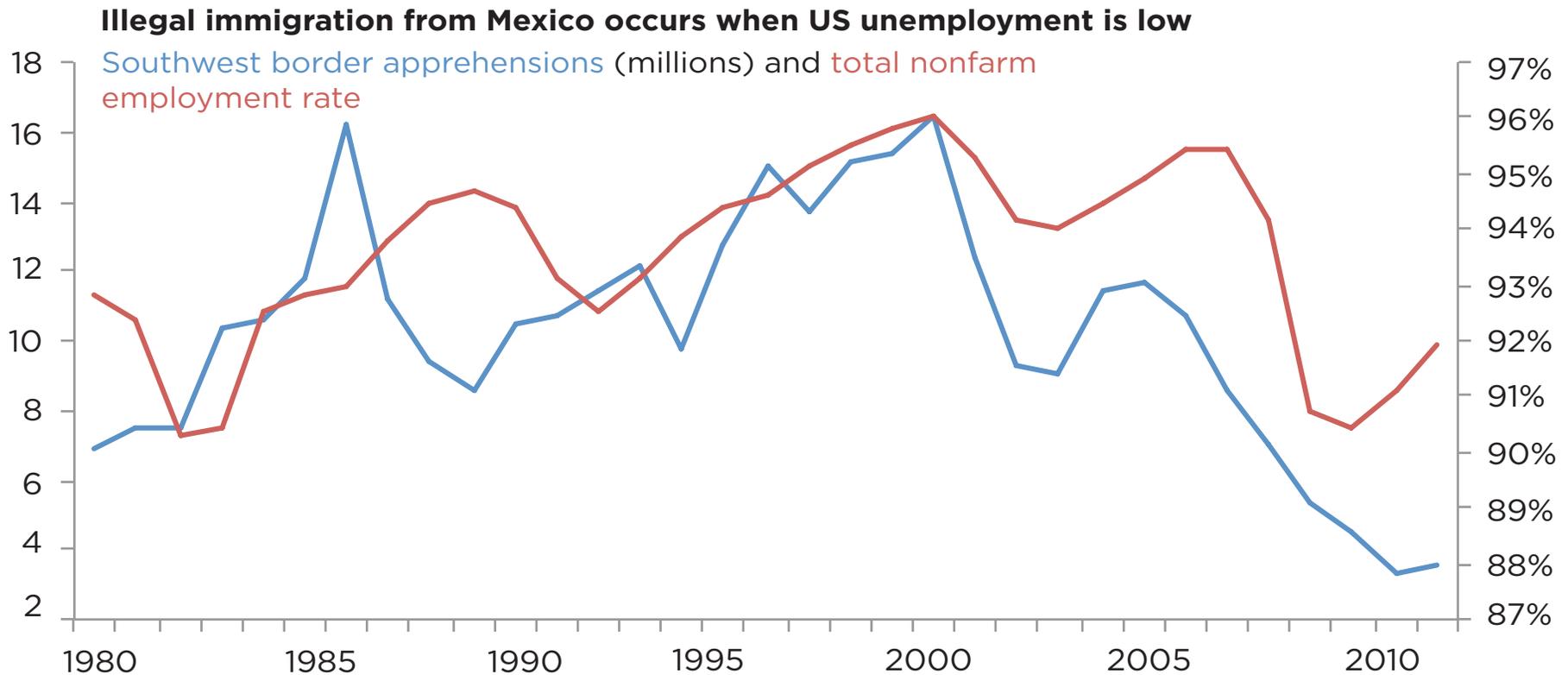
UNDOCUMENTED IMMIGRANTS GENERALLY DON'T COMPETE WITH NATIVE US WORKERS

IMMIGRANT CHARACTERISTICS DIFFERENTIATE THEM FROM NATIVE US WORKERS

Education: 47% of undocumented immigrants of working age aren't high school graduates, compared with just 8% for natives.

Occupation: Undocumented immigrants are mainly in jobs where native workers are poorly represented. One in four farmworkers is an undocumented immigrant.

Task Specialization: Even when immigrants and natives share an occupation, they tend to specialize in manual labor and communication, respectively.



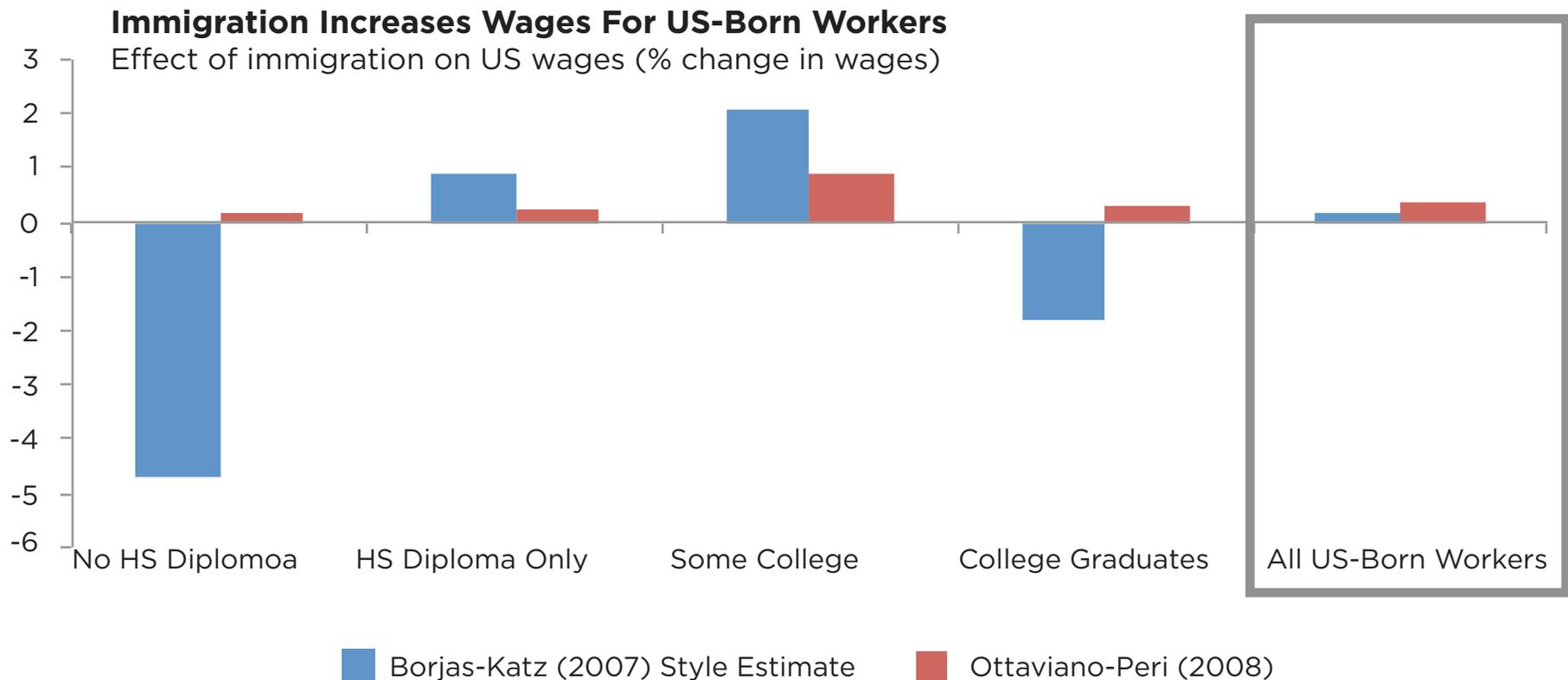
IMMIGRANTS INCREASE TOTAL EMPLOYEE WAGES BY COMPLEMENTING NATIVE WORKERS

Specialization should limit wage effects of immigration, even for low-skilled US workers:

In states with high concentrations of less-educated immigrants, native workers have moved to more communication-intensive jobs, boosting productivity and reducing downwards pressure on wages for low-skilled jobs, according to a 2009 study by Peri and Sparber.

The complementary skills of less-educated immigrants boost native skilled-worker productivity:

From 1990 to 2007, undocumented workers increased legal workers' pay in complementary jobs by up to 10 percent, according to economist Giovanna Peri.





FEDERAL BUDGET:

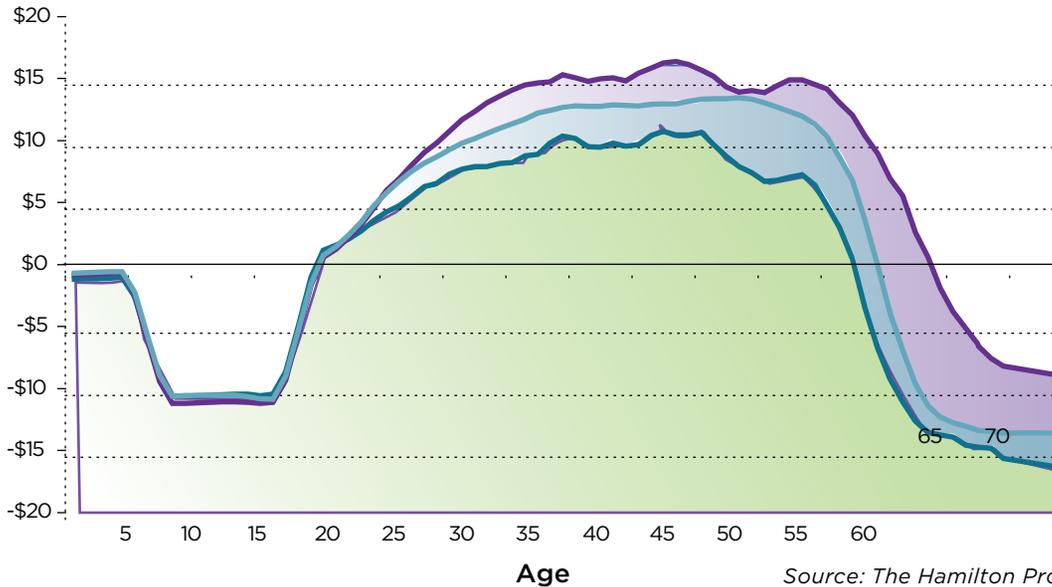
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IMMIGRANTS EASE LONG-TERM BUDGET PROBLEMS

Cost of Immigrants Are Immediate: Benefits Come As Children Age

Net taxpayer benefit or cost (thousands of dollars)



Source: The Hamilton Project

■ Immigrant parent
 ■ U.S.-Born parent
 ■ Mexican or Central American immigrant parent

75

The primary government costs generated by new immigrants are expenses related to their children. But, like children of US born parents, tax revenues generated by children of immigrants when they hit their working years makes up for government expenditures in childhood and old age.

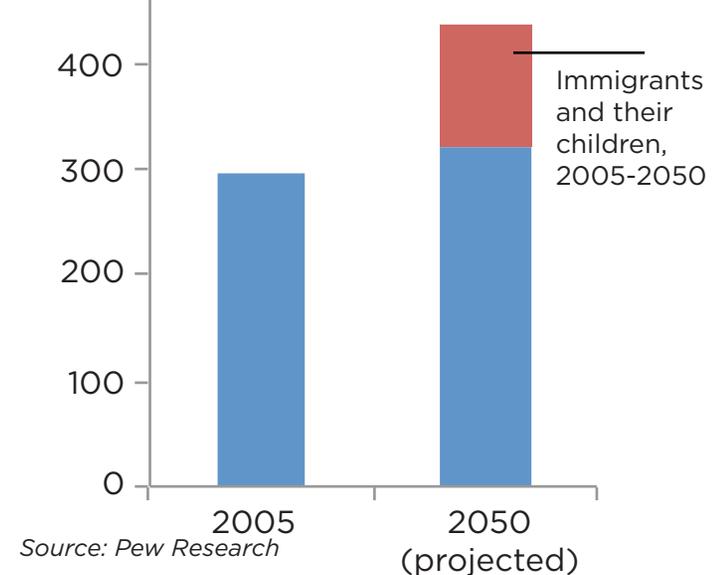
Social Security: Undocumented workers contribute about \$15 billion a year to the Social Security Trust Fund, while taking out only \$1 billion. In total, they have contributed nearly 10% of the Trust Fund, or up to \$300 billion.

Immigrants Will Drive Labor Force Growth

Without immigrants and their children, the nation's labor force would begin to shrink around 2015, worsening demographic-driven budget problems caused by soaring retiree benefit liabilities.

82% of projected population growth over next four decades comes from immigrants and their children.

U.S. Population (millions)



Source: Pew Research

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