

Erickson Column: Can reform boost the U.S. economy?

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Published: May 20, 2009

QUESTION: Can immigration reform provide a boost to the U.S. economy?

Before our country can actually agree to implement any real immigration reform, there has to be a meeting of the minds, or at least a general consensus, that this decision will lead to long-term, worthwhile and measurable economic benefits. Opponents of immigration reform often argue that the costs associated with this effort will outweigh the benefits. A review of the facts suggests that this position is off the mark.

As reported in separate reports by the Immigration Policy Center and the Executive Office of the President, Council of Economic Affairs (EOP), the following are some points to consider:

FACT: Providing legal status to undocumented workers would increase tax revenues.

Department of Labor (DOL) sponsored surveys have concluded that those workers who obtained legal status under the Immigration Reform and Control Act of 1986 (IRCA) experienced, on average, a 15 percent increase in wages within five years. It's also a given that when your wages increase, you pay more in state and federal taxes. There are also other benefits that flow from legal status, including home ownership, investment in education, job creation and community development.

FACT: Legalizing undocumented workers would improve wages and working conditions for all workers, and increase tax revenues for federal, state, and local governments.

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have estimated the Comprehensive Immigration Reform Act of 2006, as proposed in April 2006, would have had the effect of generating \$66 billion in revenue between 2007-2016, primarily from payroll and income taxes.

The CBO and the JCT also concluded that the Comprehensive Immigration Reform Act of 2007 would have generated approximately \$48 billion in revenue from 2008-2017. Again, this would have primarily resulted from payment of income and payroll taxes.

As a side note, opponents of immigration reform often point to the E-Verify program (previously commented on by me) as the answer to eliminating the undocumented workforce in the U.S. However, the CBO has estimated that mandatory E-Verify would actually decrease federal revenues by \$17.3 billion over the period from 2009-2018. As you can probably guess, this decrease would result from those employers who would

simply pay workers “outside the tax system.” Again, it seems that the better answer is to develop a system that encourages people to join our work force system and community rather than one that encourages them to stay in the shadows.

I’ll be the first to agree that legalizing the undocumented workforce will not completely solve the problems associated with workers who are paid off the books. There will always be unscrupulous employers who will try to benefit at the expense of others by using cheap and unauthorized labor. However, what seems clear is that that our government will make more in revenues when workers are legitimately counted and placed on the books.

FACT: Legalizing undocumented workers would effectively increase the contributions that immigration already makes to the U.S. economy.

A 2007 report from the White House Council of Economic Advisers concluded that immigration as a whole increases the U.S. Gross Domestic Product (GDP) by roughly \$37 billion each year. This is a direct result of an increase in the available labor pool, which brings in additional skills and education to our work force system. The Immigration Policy Center concluded that: “Immigrants do not compete with the majority of natives for the same jobs because they tend to have different levels of education and to work in different occupations. As a result, immigrants usually “complement” the native-born workforce-which increases the productivity and therefore the wages of natives.”

Chairman Edward P. Lazear of the Council of Economic Advisers, noted that: “Our review of economic research finds immigrants not only help fuel the Nation’s economic growth, but also have an overall positive effect on the income of native born workers.”

Based on the above, there appear to be real benefits in developing a solution that encourages all workers to be documented, on the tax rolls and legitimately participating in our work force system. Immigration reform will likely be a tough issue for the Obama administration to initiate and implement while we’re in a recession. That’s also the observation of Wall Street Journal columnist Gerald Seib, who recently offered: “Pushing any kind of immigration reform, particularly one that includes a path toward legalization, is a lot harder in an environment in which Americans are losing jobs.” However, despite the fact that it isn’t a popular issue, immigration reform could be part of the solution to our flagging economy. Even in the current economic climate, it’s an issue needs to be addressed and debated.

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