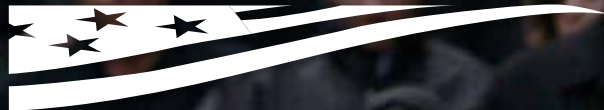


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Raising the Floor for American Workers

The Economic Benefits of Comprehensive Immigration Reform

by Dr. Raúl Hinojosa-Ojeda January 2010



Executive summary

The U.S. government has attempted for more than two decades to put a stop to unauthorized immigration from and through Mexico by implementing “enforcement-only” measures along the U.S.-Mexico border and at work sites across the country. These measures have failed to end unauthorized immigration and placed downward pressure on wages in a broad swath of industries.

Comprehensive immigration reform that legalizes currently unauthorized immigrants and creates flexible legal limits on future immigration in the context of full labor rights would help American workers and the U.S. economy. Unlike the current enforcement-only strategy, comprehensive reform would raise the “wage floor” for the entire U.S. economy—to the benefit of both immigrant and native-born workers.

The historical experience of legalization under the 1986 Immigration Reform and Control Act, or IRCA indicates that comprehensive immigration reform would raise wages, increase consumption, create jobs, and generate additional tax revenue. Even though IRCA was implemented during an economic recession characterized by high unemployment, it still helped raise wages and spurred increases in educational, home, and small-business investments by newly legalized immigrants. Taking the experience of IRCA as a starting point, we estimate that comprehensive immigration reform would yield at least \$1.5 trillion in cumulative U.S. gross domestic product over 10 years. This is a compelling economic reason to move away from the current “vicious cycle” where enforcement-only policies perpetuate unauthorized migration and exert downward pressure on already low wages, and toward a “virtuous cycle” of worker empowerment in which legal status and labor rights exert upward pressure on wages.

This report uses a computable general equilibrium model to estimate the economic ramifications of three different scenarios: 1) comprehensive immigration reform that creates a pathway to legal status for unauthorized immigrants in the United States and establishes flexible limits on permanent and temporary immigration that respond to changes in U.S. labor demand in the future; 2) a program for temporary workers only that does not include a pathway to permanent status or more flexible legal limits on permanent immigration in the future; and 3) mass deportation to expel all unauthorized immigrants and effectively seal the U.S.-Mexico border. The model shows that comprehensive immigration reform produces the greatest economic benefits:

- Comprehensive immigration reform generates an increase in U.S. GDP of at least 0.84 percent. Summed over 10 years, this amounts to a cumulative \$1.5 trillion in additional GDP. It also boosts wages for both native-born and newly legalized immigrant workers.
- The temporary worker program generates an increase in U.S. GDP of 0.44 percent. This amounts to \$792 billion of cumulative GDP over 10 years. Moreover, wages decline for both native-born and newly legalized immigrant workers.
- Mass deportation reduces U.S. GDP by 1.46 percent. This amounts to \$2.6 trillion in cumulative lost GDP over 10 years, not including the actual cost of deportation.² Wages would rise for less-skilled native-born workers, but would diminish for higher-skilled natives, and would lead to widespread job loss.

Legalizing the nation's unauthorized workers and putting new legal limits on immigration that rise and fall with U.S. labor demand would help lay the foundation for robust, just, and widespread economic growth.

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About the Immigration Policy Center

The Immigration Policy Center, established in 2003, is the policy arm of the American Immigration Council. IPC's mission is to shape a rational national conversation on immigration and immigrant integration. Through its research and analysis, IPC provides policymakers, the media, and the general public with accurate information about the role of immigrants and immigration policy on U.S. society. IPC reports and materials are widely disseminated and relied upon by press and policymakers. IPC staff regularly serves as experts to leaders on Capitol Hill, opinion-makers, and the media. IPC is a nonpartisan organization that neither supports nor opposes any political party or candidate for office.



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