



# THE WASHINGTON COMPACT

## ECONOMIC BENEFITS OF COMPREHENSIVE IMMIGRATION REFORM

Comprehensive Immigration Reform (CIR) presents an important opportunity to strengthen the economy in Washington State and the United States overall. The legalization of 11 million undocumented immigrants (approximately 230,000 in Washington) and the influx of new immigrants will boost GDP and the income of all workers.

Key Washington industries such as high tech, bio tech, agriculture, and services will benefit from the creation of a sensible set of immigration rules and visa programs that conform to real world business needs to ensure productivity and competitiveness while strengthening protections for native born workers, legal immigrants and temporary workers. With the increases in available green card, and provisions for allowing the supply of H-1B visas to fluctuate included in the Senate bill, companies' capacity for research, innovation, and technology development will grow.

Employers like the University of Washington, Microsoft, Google, Sun Microsystems, Boeing, and Fred Hutchinson Cancer Research Center depend on high-skilled foreign-trained workers. Microsoft asserts that in Washington there are 25,000 unfilled jobs as a direct result of the skills gap—a deficit that will double by 2017. Qualified immigrant professionals can fill these vacancies, and prevent high-tech companies from moving their operations abroad. When surveyed, 52 percent of companies said that each H-1B hire creates one or more complementary

job, while 22 percent said that each hire creates at least ten jobs.<sup>1</sup> These employees bring valuable knowledge and skills to U.S. companies, helping them compete in a global market.

Following the legalization of millions of undocumented immigrants, **U.S. GDP is expected to increase by \$832 billion over the course of ten years.** Over the same time:

- Americans' personal income will increase by \$470 billion;
- 121,000 new jobs will be added annually;
- Newly-documented immigrants will pay an additional \$109 billion in taxes (\$69 billion in federal taxes and \$40 billion in state and local government taxes).<sup>2</sup>

Our economy is being stifled, in part, because of a climate where undocumented immigrants work in the shadows in constant fear of deportation. Under CIR proposals, immigrants and the businesses that employ them can be accurately taxed under federal and state law.<sup>3</sup>

### **Comprehensive Immigration Reform Will Benefit All Workers**

Contrary to longstanding arguments against immigration, new immigration creates jobs in periods of both growth and recession. In the short-term, an economy in recession experiences a small negative impact on job numbers through a period of adjustment (one to two years); however, **new immigrants increase an economy's size and productivity in the long-term (four to seven years).**<sup>4</sup> More workers will not reduce the number of available jobs; instead, a larger labor force will help trigger economic growth. For example, immigrants generate complementary jobs when they fill vacancies, such as higher-paying supervisory positions. The National Bureau of Economic Research reports that in 2006, 90 percent of American workers received higher wages because of immigration.<sup>5</sup>

### **Comprehensive Immigration Reform is Fiscally Responsible**

CIR will enable states to enjoy the full economic productivity of all its resident earners and spenders. In Washington State, over the next decade immigration reform will:

- Raise Gross State Product by \$21.3 billion;
- Increase the cumulative earnings of all residents by \$12.5 billion;
- Increase the cumulative taxes paid by undocumented immigrants by \$1.293 billion;
- Add 3,000 jobs annually.<sup>6</sup>

These economic benefits will be possible as undocumented immigrants earn legal status and citizenship, and experience a directly related income gain of 25.1 percent.<sup>7</sup> Additionally, a \$10.4

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<sup>1</sup> Pramila Jayapal and Sarah Curry, "Building Washington's Future: Immigrant Workers' Contributions to Our State's Economy" (OneAmerica, 2009) 37.

<sup>2</sup> Robert Lynch and Patrick Oakford, "National and State-by-State Economic Benefits of Immigration Reform" (Center for American Progress, 2013) 2.

<sup>3</sup> Robert Lynch and Patrick Oakford, "The Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants" (Center for American Progress, 2013) 10.

<sup>4</sup> Giovanni Peri, "The Impact of Immigrants in Recession and Economic Expansion" (Migration Policy Institute, 2010) 7.

<sup>5</sup> Jayapal 12.

<sup>6</sup> "National and State-by-State Economic Benefits of Immigration Reform" 3.

billion cumulative increase in undocumented workers' earnings will expand their spending power as consumers stimulating Washington's economy.<sup>8</sup> Overall, the state and local taxes paid post-reform by undocumented immigrants will provide Washington an additional \$20.2 million, based on taxation data from 2010.<sup>9</sup>

In its analysis of S.744, the Congressional Budget Office (CBO) estimates that over the next decade, the act will reduce the federal budget deficit by a net \$175 billion and increase federal revenues by \$459 billion.<sup>10</sup> CBO also estimates that between 2023 and 2034, when many undocumented immigrants would earn citizenship, **changes in direct spending and revenues would decrease deficits by an additional \$700 billion, or 0.2 percent of U.S. GDP.**<sup>11</sup> CBO findings echo other research that predicts a short-term period of adjustment, followed by significant long-term economic growth.

While CIR would expand the economy by allowing immigrants to fully integrate into American society, enforcement-only measures would strengthen underground labor markets, lower wages, lower tax revenues, and decrease productivity.<sup>12</sup> Significantly increasing spending to heighten already robust border security is unproductive, as nearly all unauthorized migrants eventually succeed in entering the U.S., despite the tens of billions spent on immigration enforcement since the 1990s.<sup>13</sup> Further, this detrimental approach profits human traffickers and encourages circular migration rather than permanent settlement.<sup>14</sup> The government can safely and effectively reduce its enforcement spending through sensible immigration reform, which will decrease the number of unauthorized border crossings by creating legal channels for migration based on work, family, and merit criteria, relieving pressure on border control.<sup>15</sup>

**If allowed to integrate into American society, immigrants can provide a net benefit of \$611 billion to Social Security over the next 75 years.**<sup>16</sup> Their presence is necessary to financially support and fill the jobs of retiring baby boomers. Similarly, non-citizen immigrants help fund Medicare by paying taxes for benefits they cannot currently receive.<sup>17</sup> Legalization will not only increase immigrants' contributions to Social Security and Medicare, but also shift the fiscal responsibility of many safety net services from states to the federal government.<sup>18</sup>

## Comprehensive Immigration Reform Will Strengthen Communities

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<sup>7</sup> "The Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants" 9.

<sup>8</sup> "National and State-by-State Economic Benefits of Immigration Reform" 3.

<sup>9</sup> "Undocumented Immigrants' State and Local Tax Contributions" (Institute on Taxation and Economic Policy, 2013) 2.

<sup>10</sup> "S.744 Border Security, Economic Opportunity, and Immigration Modernization Act Cost Estimate" (Congressional Budget Office, 2013) 2.

<sup>11</sup> "S.744 Border Security, Economic Opportunity, and Immigration Modernization Act Cost Estimate" 3.

<sup>12</sup> Raul Hinojosa-Ojeda "The Costs and Benefits of Immigration Enforcement" (James A. Baker III Institute for Public Policy, 2013) 3.

<sup>13</sup> "The Costs and Benefits of Immigration Enforcement" 5.

<sup>14</sup> "The Costs and Benefits of Immigration Enforcement" 9.

<sup>15</sup> Raul Hinojosa-Ojeda and Sherman Robinson, "Adding it Up: Accurately Gauging the Economic Impact of Immigration Reform" (Immigration Policy Center, 2013) 5.

<sup>16</sup> Jayapal 30.

<sup>17</sup> "S.744 Border Security, Economic Opportunity, and Immigration Modernization Act Cost Estimate" 30.

<sup>18</sup> Jayapal 24.

In 2009, 21.6 percent of college educated immigrant workers across the U.S. were employed in jobs in which their skills were underutilized.<sup>19</sup> Many undocumented immigrants fill low-paying low-skilled positions, whereas legal workers who do not fear apprehension or deportation can work in more suitable and productive occupations. Creating opportunities for immigrants to work in higher-paying high-skilled jobs will expand the labor force, increase tax revenues, and encourage innovation, long-term growth in productivity, consumption, and investment.<sup>20</sup> Passing commonsense immigration reform will also improve the use of immigrant savings and remittances by raising the value of immigrant labor relative to the wage necessary to attract it,<sup>21</sup> thereby reducing circular migrant labor to the U.S.<sup>22</sup>

When immigrants move into more appropriate positions and become naturalized as U.S. citizens they invest more heavily in their English language skills because they appreciate the guarantee of long-term membership in American society.<sup>23</sup> Naturalization also provides access to licenses, permits, insurance, and credit, so they can work, open businesses, and create jobs. CIR will facilitate such integration and entrepreneurship, because immigrants are more likely than natives to own and start businesses.<sup>24</sup> In fact, the bill creates a new visa category for individuals who can secure investment funding, and provides green cards for entrepreneurs with job-creating business ventures.

**Failure to pass responsible immigration reform will considerably burden and shrink the economies of both the U.S. and Washington State.** Pursuing the costly removal of unauthorized workers and restricting future legal immigration will deprive the government of returns from immigrant consumption and tax revenues, and reduce the economy's capacity by shifting remaining employment opportunities to low-paying occupations:

- The restriction of low-skilled labor to the U.S. would result in a 2.2 percent reduction of jobs by 2019,<sup>25</sup> and an enforcement-only response would decrease GDP by \$2.6 trillion over ten years;<sup>26</sup>
- Washington, for which five percent of its workers were undocumented immigrants in 2009, would lose \$14 billion to \$46 billion in expenditures from the removal of its undocumented workforce;
- Washingtonians' personal income per-capita would decrease by \$600 to \$1,700 (Washington ranks eighth among states that would suffer the highest per-capita losses if its undocumented workforce was removed).<sup>27</sup>

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<sup>19</sup> Jayapal 11.

<sup>20</sup> Demetrios G. Papademetriou and Madeleine Sumption, "The Role of Immigration in Fostering Competitiveness in the United States" (Migration Policy Institute, 2011) 3.

<sup>21</sup> Peter B. Dixon and Maureen T. Rimmer, "Restriction of Legalization? Measuring the Economic Benefits of Immigration Reform" (Center for Trade Policy Studies, 2009) 4.

<sup>22</sup> "Adding It Up: Accurately Gauging the Economic Impact of Immigration Reform" 5.

<sup>23</sup> "National and State-by-State Economic Benefits of Immigration Reform" 4.

<sup>24</sup> "National and State-by-State Economic Benefits of Immigration Reform" 5.

<sup>25</sup> Dixon 15.

<sup>26</sup> "Adding It Up: Accurately Gauging the Economic Impact of Immigration Reform" 2.

<sup>27</sup> Jayapal 35.

The positive effects of repairing the broken immigration system overwhelm any increases in government spending, contributing to the short-term and long-term growth of our economy, and improving the standards of living for both the native-born and immigrants. Now is the time to pass CIR, to avoid dire economic consequences and instead generate crucial economic growth here in Washington State and across the country.

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