

The truth about immigration and the economy

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Immigration reform may be a complicated issue politically, but in economic terms, the case is clear -- it is one of the biggest levers the United States has to encourage economic growth and to raise wages.

It's not just the Obama administration that thinks so.

The Organisation for Economic Co-operation and Development and the International Monetary Fund recently found that President Barack Obama's growth strategy, which he presented at the recent G-20 meeting in Brisbane, Australia, would add more to our economy than the steps being pursued by any other G7 country. And the single biggest contributor to that strategy? Immigration reform.

True, we can only realize the full benefits of immigration reform with a comprehensive bill passed by Congress. But the administrative steps that the President has announced -- including measures to better attract and retain high-skilled workers from around the world and to hold accountable undocumented immigrants with strong ties to the United States while providing them with temporary relief from deportation -- represent a good start and a meaningful boost to the economy.

As the President is discussing Tuesday at Casa Azafrán community center in Nashville, the main economic benefits of these actions are to raise our productivity -- increasing the amount of output we can produce for a given amount of inputs.

How do the actions announced by the President make that happen? Allowing more foreign-born entrepreneurs to come to our country -- to create jobs and to innovate -- is one common sense step to help grow the American economy. Another is enhancing the ability of science, technology, engineering and math (STEM) graduates from U.S. universities to further their on-the-job training for longer periods, something that will boost the overall skill level of the American workforce.

Less widely appreciated, but also economically important, is the contribution that offering over 4 million workers a path out of the shadows will make to our economy. And this comes as no surprise to this country's businesses. Indeed, one of the main economic arguments for this step is one that they have been making for years about their own investment -- the importance of certainty.

When faced with high levels of uncertainty, firms often hold off on making important investments for future growth. This is also true for the millions of undocumented immigrants living here in the United States. They participate in the workforce at higher rates than native-born Americans, and many are long-time members of their communities. Yet because of the

uncertainty they face about their future, they are less likely to make important investments in themselves or in the communities in which they live, such as investing in their education, learning new job skills, purchasing homes or starting new businesses. And, as with firms, these decisions -- rooted in uncertainty -- can depress overall growth.

In addition, as undocumented workers covered by the announced actions enter the mainstream economy as legally authorized workers, they will be able to work in jobs that better fit their particular level of skills, rather than becoming concentrated in occupations or industries where the likelihood of detection and deportation is lowest.

The higher productivity from these two sources, combined with increased labor force participation and a modest increase in the population of high-skilled immigrants, is why an [analysis by the President's Council of Economic Advisers](#) found that the announced administrative actions on immigration would grow the American economy as a whole, raising the level of GDP by at least 0.4% -- equivalent to an additional \$90 billion of output in 2024.

Much of the benefit of all this will accrue to U.S.-born workers.

Our analysis shows that the administrative actions will do nothing to diminish the quantity of jobs for U.S.-born workers but will improve the quality of these jobs, raising average wages by 0.3% after a decade. These findings are based on both studies of historical experience and the fact that the additional economic activity associated with any new worker will help create demand that supports a commensurate number of additional jobs.

Specifically, U.S.-born workers will benefit from the new businesses and innovations created by high-skilled workers. For example, studies have not just found that immigrants patent at higher rates than natives, they've also found that when U.S.-born scientists increase their proximity to immigrant scientists, their rate of patenting goes up as well.

U.S.-born workers also have the potential to benefit from bringing undocumented workers out of the shadows. Better job matches for immigrants also lead to increased productivity for native workers by allowing them to specialize in the tasks best suited to their abilities as well. And incorporating undocumented workers into the mainstream economy, with the protections that it affords and the taxpaying that it obligates, protects American workers from unfair competition.

These increases in output and wages will also have positive effects on the federal budget. Since increases in growth lead to both increases in revenue (in the form of taxes) and decreases in spending (in the form of smaller interest payments on federal debt), they shrink the size of the federal deficit. Our analysis estimated that the increased growth associated with the President's actions would reduce the federal budget deficit by at least \$25 billion in 2024.

All this suggests that the steps toward fixing our broken immigration system announced by the President will have real benefits for both the U.S. economy and for U.S. workers. But ultimately, these benefits are just a taste of the significantly greater benefits we would get from bipartisan legislation that brings our immigration system fully into the 21st century.