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Amnesty for Illegal Immigrants Has Economic Benefits

By: Lorraine Woellert – March 14, 2013

Alejandro Honorato's introduction to America began with a smuggler who led him across the Rio Grande into the Texas desert. Eventually he was guided to a North Carolina field, where he paid for his passage by picking tobacco. Living illegally in a labor camp, Honorato didn't know politicians in Washington were deciding his future. It was 1986, and Congress was weighing an amnesty plan to legalize millions of undocumented workers. Unemployment was 7 percent. Some lawmakers warned that a flood of newly legal workers would strain hospitals and schools and overwhelm the economy, driving wages down. "Are we going to cause havoc?" asked Representative Bill McCollum, a Florida Republican, as the House prepared to vote.

The doomsday predictions proved wrong. The bill became law, and almost 3 million illegal immigrants, including Honorato, were granted amnesty. He settled in Apopka, Fla., where he found work in a greenhouse, bought a home, and raised a family. In 1998 he and his brother used their savings to buy a \$15,000 tortilla-making machine and opened their first restaurant. Today he is a U.S. citizen and owns two restaurants and a small grocery in central Florida that employ about 60 people. "I've helped a lot of people work," he says through a translator. "If people were legalized, they'd have a chance to open businesses like me."

Honorato's experience is worth considering as the White House and Congress debate an even more sweeping amnesty this year. President Obama has made it a priority for his second term, and senators including Democrat Charles Schumer of New York and Republican John McCain of Arizona are drafting legislation that features a path to residency—and perhaps citizenship—for some 11 million undocumented workers.

More than two decades of research show the 1986 law raised wages and helped lift the economy. By 1992 average hourly wages for the millions of formerly undocumented workers had risen 15.1 percent, according to a Department of Labor survey. U.S. wages overall continued to rise, a 2012 study by the Economic Policy Institute in Washington shows, even as the nation entered a recession that lasted from July 1990 to March 1991.

Barriers to upward economic mobility eased as the immigrants found jobs that better matched their skills, notes Raúl Hinojosa-Ojeda, director of the North American Integration and Development Center at the University of California at Los Angeles. They pursued high school and college degrees and bought homes. "You have a chance to make

it, you're a stakeholder now," he says. "These people are employed already. It's not like you're bringing them in and dumping them onto the labor market."

Using economic projections from the Congressional Budget Office, Hinojosa-Ojeda calculates that a comprehensive immigration plan this year that includes a way for undocumented workers to gain legal status would increase tax revenue by \$4.5 billion or more over three years, and increase gross domestic product by \$1.5 trillion over 10 years. That includes \$1.2 trillion in additional consumption and \$256 billion in investment as immigrants buy houses and start businesses. Average wages of low-skill immigrant workers would increase by \$4,405 a year for the first three years, he estimates. For skilled workers, wages would rise by more than \$6,100 a year.

The newly legal workers could also ease the economic effects of an aging U.S. population. As baby boomers retire and fewer young people start families, the growth of the labor force is slowing. Citing research by the CBO, Matt McDonald, an adviser to McCain's 2008 presidential campaign and a partner at Hamilton Place Strategies, which advises employers on immigration policy, says the rate of growth in the U.S. workforce is expected to drop to 0.5 percent in the next five years, the lowest in decades. An influx of workers would help to offset those losses, though it's not clear by how much.

Optimistic forecasts like these have made the current debate far less contentious than the last one. Economists at the libertarian Cato Institute and the liberal Center for American Progress are in rare agreement that legalization makes economic sense—though with U.S. unemployment at 7.7 percent and more than 12 million Americans out of work, politicians are careful to avoid the loaded word "amnesty." The current term of art used by Republican Senator Marco Rubio of Florida and others pressing for reform is "earned residency."

One of the unsettled questions in the immigration debate, especially among Republicans, is whether amnesty should eventually lead to citizenship. While Rubio, McCain, Lindsey Graham of South Carolina, and other influential Republican senators have endorsed a reform package that includes a chance at citizenship, Florida Governor Jeb Bush came out against it in his new book on immigration: "... those who violated the laws can remain, but cannot obtain the cherished fruits of citizenship." That reflects the view of many in the GOP's right wing. But after criticism from Rubio and others, Bush quickly reversed himself, saying he was "in sync" with the senators.

Even some groups that lobby for tougher border controls have softened their resistance to amnesty for undocumented workers living in the U.S. Steven Camarota, director of research for one such group, the Center for Immigration Studies, concedes there isn't a strong economic argument against letting them stay. Instead, his group is urging lawmakers to include more border security in the immigration bill to keep new illegal immigrants from coming to take the place of those granted amnesty. In a \$13 trillion economy with a labor force of about 155 million, he says, the downside of legalizing immigrants who are already working here "is so small in most ways it's almost not worth thinking about."

For Rodolfo Cardenas and his wife, amnesty was anything but small. They applied for and got legal status in 1987 after overstaying their student visas. Living in Boulder, Colo.,

with their small son, they relied on help from their parents in Venezuela. Cardenas now hosts a radio talk show; his wife is a teacher. Their son also received amnesty. In 2007, Rudy Cardenas won a spot on *American Idol* and made it to the semifinals. “The 1986 law changed our lives,” Rodolfo Cardenas says. “It’s a story of success that only happens here in this country.”

The bottom line: Amnesty for the 11 million undocumented workers living in the U.S. could increase tax revenue by \$4.5 billion over three years.