

The US immigration quagmire (Part 2)

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Last Thursday, United States President Donald Trump submitted to Congress a framework proposal for changes to the that country's immigration system that would provide for:

- retention of the Deferred Action for Childhood Arrivals (DACA) programme for undocumented immigrants who entered the US as children and expanding its coverage from 800,000 to 1.8 million persons;
- restriction of family-sponsored permanent residence visas to spouses and minor children and excluding parents, adult children and siblings;
- abolition of the diversity lottery visa programme under which 50,000 permanent residence visas were reserved annually for countries with the lowest number of visa holders;
- Faster deportation of undocumented immigrants from countries that do not border the US;
- increased funding to apprehend and deport undocumented immigrants;
- US\$25 billion for building a wall along the Mexican border.

Congress has until February 8 to come to an agreement acceptable to the president to avoid the possibility of another government shutdown. Sixty Senate votes, which would have to include some Democrats, are needed to pass the spending Bill to which the Democrats had tied the continuation of the DACA programme.

President Trump is tactically trying to defang the Democrats by not only retaining DACA, but significantly increasing its coverage. At the same time, he has upped the ante by seeking to curtail the avenues for new legal immigrants. We will see how this plays out over the next few days.

The more than nine million undocumented immigrants are in real jeopardy. They are now sharply in the sights of the enforcement agencies for deportation, a process to which President Trump had made a firm campaign commitment and for which he is now asking Congress to provide funding for additional immigration judges and enforcement agents. Eighty-two per cent of these undocumented immigrants have been living in the US for more than five years, 68 per cent for more than 10 years and 26 per cent for more than 20 years.

Profile of undocumented immigrants

Data published by the Migration Policy Institute in 2014 provide useful information on the demographic and socio-economic profile of the undocumented immigrants:

- Males, 54 per cent; Females, 46 per cent
- eight per cent are children under 16 years;
- 67 per cent fall in the 25-55 age group;
- Level of education among adults: 50 per cent failed to obtain a high school diploma; 25 per cent possess a high school diploma; 25 per cent have some level of tertiary education, including 13 per cent with university degrees;
- 64 per cent are employed, 7 per cent unemployed, and 29 per cent not seeking employment;
- 31 per cent of families own their own homes;
- 32 per cent of families fall below the poverty line;
- 61 per cent have no health insurance.

A report published by the Institute on Taxation and Economic Policy in 2016 provided estimates as follows:

- Average family size: 2.29
- Average family income: \$30,100
- Average annual amount of taxes paid per family: US\$2,419

Economic impact of undocumented immigrants and its policy implications

Various studies have been done on the impact of undocumented immigrants on the US economy. Their findings diverge. The three major issues are (a) the value of their contribution to the gross domestic product, (GDP) both directly in the production and indirectly in the consumption of goods and services; (b) the impact they have on employment and wage levels for the rest of the low-skilled workforce; and (c) the net cost to the American taxpayers of the public services from which they benefit.

Research done by Professor George Borjas of Harvard University, one of the leading authorities on immigration studies, estimated that in 2012 undocumented immigrants directly contributed \$433 billion or 2.7 per cent to the US economy. Most of their low-wage income is spent on consumption which increases the GDP contribution of the producers of those goods and services.

In terms of their impact on the labour market, it is argued that undocumented immigrants, because of their low education and skills level as well as their illegal status, are in no position to bargain for high wages and can be employed relatively cheaply, compete with other low-wage workers and so depress the wage rates that those others might have been able to command. Estimates of the wage differential vary from seven to 20 per cent. Logic alone would support that argument, but the conclusion cannot end there.

Many of the jobs for which undocumented immigrants are hired, especially in agriculture, food service, construction, and maintenance, are jobs for which other willing workers are not readily

available. The number of school dropouts from whom labour for these types of jobs would otherwise be drawn has been declining steadily for several decades.

In the absence of cheap, undocumented labour, the costs of these businesses and the price of the goods and services they produce would rise. Many would be forced to close either because they were no longer competitive or because labour, even at higher wages, is simply not available.

It was President Ronald Reagan, an icon of American conservatism, who argued: “Are great numbers of our unemployed really victims of the illegal alien invasion or are those illegal tourists actually doing work our own people won't do? One thing is certain in this hungry world: no regulation or law should be allowed if it results in crops rotting in the field for lack of harvesters.”

On the other hand, while the availability of cheap undocumented workers aids competitiveness in the short term, it can also discourage innovation and investment in improved technology which negatively affects competitiveness in the long term.

Fiscal burden of undocumented immigrants

The net cost to the American taxpayer of the presence of undocumented immigrants is where much of the discussion focuses. Many of them perform itinerant jobs and are paid by hand and in cash, but approximately one half of them pay income tax and file their annual tax returns. The US Government, eager to collect as much revenue as it can, has made it easy to obtain an Individual Taxpayer Identification Number (ITIN) which larger employers require. The Internal Revenue Service (IRS) is forbidden by law from sharing taxpayer information with other government agencies, except in criminal investigation and only by order of a court, so undocumented immigrants are less fearful of being tracked down by being registered taxpayers. Also, a record of paying taxes provides a big advantage in amnesty programmes and even deportation hearings.

Because of their illegal status, undocumented immigrants are not entitled to claim earned income tax credit or Social Security and Medicare benefits to which a substantial part of their income tax payments are directed. Where necessary, they use fake social security numbers, for which a thriving business has developed, to obtain employment and their contributions to the Social Security Trust Fund over the last 10 years amount to over \$300 billion, equivalent to 10 per cent of the current fund balance. These are classified as unidentified contributions not linked to genuine Social Security numbers and from which those undocumented contributors will never benefit.

Undocumented immigrants pay sales taxes and a variety of other state and local taxes like everyone else. It is estimated that, all told, they pay \$11.6 billion per annum in federal, state, and local taxes.

On the other side of the equation, they benefit from public services, especially in terms of access to education and health services. Both government policy and court decisions, for example, guarantee their children free access to public schools. Most of the undocumented immigrants have no health insurance and use the public hospitals and emergency services at other hospitals where they are hardly ever charged.

Estimates of the net cost to the American taxpayer, ie, the cost of providing these services minus the taxes paid by undocumented immigrants, vary so widely (from \$3 billion to \$113 billion) that it is impossible to settle confidently on a figure. All estimates suggest, however, that there is a net burden to American taxpayers. The most frequently quoted figure is that published by the Heritage Foundation in 2013 which estimated the net cost to federal, state and local governments at \$55 billion, 0.3 percent of gross domestic product.

Since undocumented immigrants are largely low wage earners, it is not surprising that they are net beneficiaries of government expenditure just like any other low wage earner. Hardline voices argue that the burden could be removed by simply deporting them. Liberals argue that the burden could be significantly reduced by regularising them and bringing them into the formal economy so that more tax revenue could be collected.

Can America afford to get rid of undocumented immigrants?

The Cato Institute claims that the removal of undocumented immigrants would, at least in the short term, reduce the rate of growth in the US economy by two per cent. This means that the 2.3 per cent growth achieved last year would be reduced to almost zero.

The US unemployment rate is currently 4.1 per cent. Because of such factors as job-seeking preferences, proximity to job opportunities and the cyclical variability of employment, a country is deemed to have achieved full employment when the unemployment rate falls below three per cent. Undocumented immigrants account for five per cent of the labour force. Deporting all of them would create a shortage of labour; force some enterprises, especially in agriculture, out of business; spur wage-push inflation and induce other businesses to go elsewhere to find affordable labour — the exact opposite of President Trump's stated objectives. It is not just the undocumented workers who would lose out; many legitimate workers, including born-and-bred Americans, would lose their jobs as well.

The effect on Jamaica would be significant. Approximately 100,000 returnees would swell the labour force and increase the unemployment rate. It would also reduce the annual flow of remittances by as much as US\$150 million to US\$200 million. At the end of 2017, there were 54,398 Jamaicans on the waiting list for permanent resident visas. Many of them would be affected by the changes that Mr Trump has proposed and their fate is uncertain since there is no indication as to whether pending applications would be grandfathered.

The search for an optimal solution must continue

Illegal immigration is a problem that must be fixed, but fixing it should mean control and management, not eradication or a futile effort to unscramble the egg. Sound judgement must trump blind adherence to conservatism or a Rambo-style determination to drain not only the swamp but every city and town where undocumented immigrants are to be found.

President Trump would do well to reflect on the views expressed by two of his Republican predecessors. In July 1981, shortly after he took office, President Reagan declared:

“Illegal immigrants, in considerable numbers, have become productive members of our society and are a basic part of our work force. Those who have established equities in the United States should be recognised and accorded legal status. At the same time, in so doing, we must not encourage illegal immigration.”

In a national broadcast from the Oval Office in May 2006, President George W Bush said:

“It is neither wise nor realistic to round up millions of people, many with deep roots in the United States, and send them across the border. There is a rational middle ground between granting an automatic path to citizenship for every illegal immigrant and a programme of mass deportation.”

That middle ground may not be easy to find, but the search should not be abandoned.