



Obama's immigration action will help the economy — but congressional action would help more

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President Obama's executive actions on immigration will boost the economy — modestly.

The order [is expected to give](#) around 4 million unauthorized immigrants three years of relief from the threat of deportation, along with work permits. That will boost both jobs and economic growth, a new report suggests.

How the new order will affect the economy

According to new [estimates](#) from UCLA's Raul Hinojosa-Ojeda and Maksim Wynn, extending deferred action to the 3.7 million parents of legal and DACA-eligible minors (roughly the same size as the population covered by the new executive action) could create 160,000 jobs in the short term, \$2.5 billion in additional tax revenue, and \$6.8 billion in labor income.

The majority of these 3.7 million undocumented people the report addresses are already working — around 2.6 million, according to estimates cited in the paper. Giving existing undocumented workers this new temporary status could additionally boost their wages by 7 percent, according to a [2014 paper](#) cited in the UCLA study.

Those aren't huge gains in context, of course — 160,000 jobs is less than a month's worth of job growth right now. And \$2.5 billion in tax revenue is a sliver compared to the roughly \$3 trillion in taxes the federal government [will collect](#) in 2014.

Meanwhile, the White House has [its own estimates](#) on the new executive action, saying all of the components — including deferred action and work permits, but also provisions about STEM workers and foreign entrepreneurs — will increase GDP by 0.4 to 0.9 percent, or \$90 billion to \$210 billion, over 10 years.

So the gains are modest, but the point is that there's an economic boost that comes with immigration, as well as with making working easier for immigrants. And in that sense, Obama's executive order is going to be good for the economy, albeit in a small way.

Immigration tends to be good for the economy

It's well established in economics literature that immigration is often, overall, good for the economy.

"In wealthy nations at least, jobs and labor earnings are not in rigidly fixed supply," writes public policy consultant David Roodman in a [September report](#). "The arrival of new workers creates new possibilities for production even as it increases consumer demand for goods and services. Wealthy nations are wealthy precisely because of ability to squeeze value out of available resources, including human talent."

Of course, it's not that immigration is good for every individual person. As immigration opponents will often point out, undocumented immigrants do sometimes crowd out other workers. Low-skilled immigrants do compete with some less-educated, US-born workers, but as Roodman writes, "The group that appears most vulnerable to competitive pressure from new low-skill migrants is *recent* low-skill migrants."

Indeed, some studies have found that [immigrants tend to raise wages economy-wide](#), as these workers tend to complement, not compete with, workers who are already here.

With uncertainty comes fewer benefits

Compared to what could theoretically be achieved by an act of Congress, the section of the president's order on deferred action is in many ways quite limited — it will give immigrants a few years of relief, and who knows what will happen after that? A new president could easily reverse it. That uncertainty tends to undermine the economic boost, compared with what a more permanent legalization would provide.

"Legal status that they can count on will also make them willing to invest a little bit more in their human capital," says Giovanni Peri, professor of economics at UCLA and the author of several papers about the economic effects of immigration. "Seeing their status as more permanent, they're willing to do more training, more learning of the language. If they're young, they're more willing to go to school."

"Being legal ... allows these immigrants to invest in U.S.-specific human capital, like learning English, which will increase their productivity and wages," writes Alex Nowrasteh at the Cato Institute in a Wednesday [blog post](#). On the flipside, he adds, being illegal deters them from investing in that capital because deportation could "wipe out" whatever investments they make in education or learning English.

Not only that, but permanent legal status would up those workers' wages even more than a temporary work permit. While that permit might boost wages by 7 percent, Hinojosa-Ojeda and Wynn write, being a legal permanent resident could boost wages by 20 percent among undocumented Mexican immigrants. And another study they cite says full naturalization would mean a nearly 30-percent jump over their wages as an undocumented immigrant. That's because being legal allows workers to find work that actually matches their abilities and also allows them to compete better in the job market, jumping from one job to another.

Last night's action on deportations and work permits is something of a halfway house between legal status and life in the shadows. People who know they will only be working lawfully for a temporary period of time will also be less likely to invest in particular human capital, like skill development, than those who are more certain about their future status.

Full legal status for all current immigrants would multiply the economic benefits of the new order many times over. According to Hinojosa-Ojeda's report, a comprehensive immigration overhaul that grants legal status could create 1.4 million jobs and \$23.2 billion in new tax revenue.

That, of course, doesn't look likely anytime soon, but at some point Congress will have to figure out how it wants to handle the country's massive undocumented population. And that decision could have profound economic effects.