

June 22, 2012

**CREATING OPPORTUNITY:
The Economic Benefits of Granting Deferred Action to Unauthorized Immigrants
Brought to the United States as Children**

There are an estimated [1.4 million](#) children and young adults in the United States¹ who might benefit from President Obama's [announcement](#) that the Department of Homeland Security would begin granting deferred action (and Employment Authorization Documents) to unauthorized immigrants who were brought to the United States as minors.² For many of these young people, the United States is the only home they know and English is their first language. Each year, tens of thousands of them graduate from primary or secondary school, often at the top of their classes. They have the potential to be future doctors, nurses, teachers, and entrepreneurs, but their lack of legal status has prevented them from attending college or working legally. The President's deferred action initiative will provide an opportunity for them to live up to their full potential and, in the process, make greater contributions to the U.S. economy.

The President's deferred action initiative gives beneficiaries the opportunity to increase their standard of living—and their tax contributions.

- Beneficiaries will have access to greater educational opportunities and better jobs, which in turn means more taxable income. A [study](#) by the College Board found that, over the course of his or her working life, the average college graduate earns in excess of 60% more than a high-school graduate, and workers with advanced degrees earn two to three times as much as high-school graduates.³
- As of [2006](#), workers without a high-school diploma earned only \$419 per week and had an unemployment rate of 6.8%. In comparison, workers with a bachelor's degree earned \$962 per week and had an unemployment rate of 2.3%, while workers with a doctoral degree earned \$1,441 per week and had an unemployment rate of 1.4%.⁴
- The U.S. Department of Labor found that the wages of immigrants who benefitted from the 1986 legalization increased 15% over five years,⁵ and that legalized immigrants moved on to "significantly better jobs."⁶
- A [RAND study](#) from 1999 shows that raising the college graduation rate of Hispanics to that of non-Hispanic whites would increase spending on public education by 10% nationwide, but the costs would be more than offset by savings in public health and benefits, as well as by increased tax revenues resulting from higher incomes. For example, a 30-year-old Mexican immigrant woman with a college degree will pay \$5,300

more in taxes and use \$3,900 less in government expenses each year compared to a high-school dropout with similar characteristics.⁷

The President's deferred action initiative will not harm U.S.-born workers.

- If immigrants took jobs away from large numbers of native-born workers, one would expect to find high unemployment rates in those parts of the country with the largest numbers of immigrants—especially immigrants who have come to the United States recently, are more likely to be unauthorized, and are more willing to work for lower wages than native-born workers. However, that is not the case.
- Rob Paral & Associates [found](#) that there was no correlation between the size of the foreign-born population and the African American unemployment rate in U.S. metropolitan areas in 2009.⁸
- Rob Paral & Associates also [found](#) that there was little apparent relationship between recent immigration and unemployment rates at the regional, state, or county level in 2008.⁹
 - For instance, recent immigrants comprised an average of 3.1% of the population in counties with the highest unemployment rates. But recent immigrants accounted for a *higher* share of the population (4.6%) in counties with the *lowest* unemployment rates.¹⁰
 - The highest unemployment rates were found in counties located in manufacturing centers and rural areas—which tend to have relatively *few* recent immigrants. Recent immigrants usually go where the jobs are: metropolitan and non-manufacturing counties where unemployment rates are lower.¹¹
- A [report](#) from the Federal Reserve Bank of San Francisco points out that “immigrants expand the U.S. economy’s productive capacity, stimulate investment, and promote specialization that in the long run boosts productivity,” and “there is no evidence that these effects take place at the expense of jobs for workers born in the United States.”¹²
- Immigrants do not compete with the majority of natives for the same jobs because they tend to have different levels of education and to work in different occupations. As a result, immigrants usually “complement” the native-born workforce—which increases the productivity, and therefore the wages, of natives.¹³
- A 2010 [report](#) from the Economic Policy Institute estimated that, from 1994 to 2007, immigration increased the wages of native-born workers by 0.4%. The amount of the wage gain varied slightly by the education level of the worker. College graduates got a boost of 0.4%, workers with some college 0.7%, high-school graduates 0.3%, and workers without a high-school diploma 0.3%.¹⁴

The President's deferred action initiative will encourage economic growth.

- Dr. Raul Hinojosa-Ojeda of the University of California, Los Angeles, and other researchers have studied the impact of legalization and found important long-term improvements among previously unauthorized immigrants. Specifically, removing the uncertainty of unauthorized status not only allows legalized immigrants to earn higher wages and move into higher-paying occupations, but also encourages them to invest more in their own education, open bank accounts, buy homes, and start businesses.¹⁵
- Immigrant workers, like all workers, spend their wages in U.S. businesses—buying food, clothes, appliances, cars, etc.—which sustains the jobs of the workers employed by those businesses.¹⁶ Moreover, businesses respond to the presence of new workers and consumers by investing in new restaurants, stores, and production facilities. The end result is more jobs for more workers.¹⁷
- Immigrants are more likely than natives to start their own businesses. According to a report from the Kauffman Foundation, “immigrants were more than twice as likely to start businesses each month than were the native-born in 2010.”¹⁸
- Immigrants fuel technological and scientific innovation. According to a report from the Brookings Institution, “among people with advanced degrees, immigrants are three times more likely to file patents than U.S.-born citizens. Such investments in new businesses and in research may provide spillover benefits to U.S.-born workers by enhancing job creation and by increasing innovation among their U.S.-born peers.”¹⁹

The President's deferred action initiative will likely reduce the drop-out rate for immigrant students.

- Currently, only 5-10% of unauthorized high-school graduates go to college,²⁰ and most unauthorized youths are forced to work illegally in the cash economy as domestic servants, day laborers, and sweatshop factory workers.²¹ The President's initiative will create a strong incentive for unauthorized students to remain in school until graduation, would make them lawfully eligible to work, and would ultimately help fill positions like teachers and nurses—positions that have long been in demand in the United States.²²

The President's deferred action initiative will *help* universities financially.

- The 10 states which, since 2001, have passed laws allowing unauthorized students to qualify for in-state tuition have *not* experienced a large influx of new immigrant students that displaces native-born students.²³ These states (Texas, California, Utah, Washington, New York, Oklahoma, Illinois, Kansas, New Mexico, and Nebraska) are home to about half of the nation's unauthorized immigrants. In fact, these laws actually tend to increase school revenues as students who would not normally attend college start to pay tuition.²⁴

Endnotes

- ¹ Migration Policy Institute, “[Press Release: As Many as 1.4 Million Unauthorized Immigrant Youth Could Gain Relief from Deportation under Obama Administration Grant of Deferred Action](#)” (Washington, DC: June 15, 2012).
- ² U.S. Department of Homeland Security, “[Press Release: Secretary Napolitano Announces Deferred Action Process for Young People Who Are Low Enforcement Priorities](#),” June 15, 2012.
- ³ Roberto G. Gonzales, *Young Lives on Hold* (New York, NY: College Board Advocacy, April, 2009), p. 14; citing Sandy Baum and Jennifer Ma, *Education Pays: The Benefits of Higher Education for Individuals and Society* (New York, NY: The College Board, 2007), p. 8.
- ⁴ *Ibid.*; citing Bureau of Labor Statistics, *Spotlight on Statistics: Back to School* (Washington, DC: August 2007).
- ⁵ Roberto G. Gonzales, *Wasted Talent and Broken Dreams: The Lost Potential of Undocumented Students* (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, October 2007), p. 3; citing Shirley Smith, Roger G. Kramer, and Audrey Singer, *Effects of the Immigration Reform and Control Act: Characteristics and Labor Market Behavior of the Legalized Population Five Years Following Legalization* (Washington, DC: Bureau of International Labor Affairs, U.S. Department of Labor, May 1996).
- ⁶ Roberto G. Gonzales, *Young Lives on Hold* (New York, NY: College Board Advocacy, April 2009), p. 13; citing Sherrie A. Kossoudiji and Deborah A. Cobb-Clark, “IRCA’s Impact on the Occupational Concentration and Mobility of Newly-Legalized Mexican Men,” *Journal of Population Economics* 13, no. 1 (2000): 81-98.
- ⁷ *Ibid.*, p. 14; citing Georges Vernez, Richard A. Krop, and C. Peter Rydell, *Closing the Education Gap: Benefits and Costs* (Santa Monica, CA: RAND Education, 1999).
- ⁸ Data provided to the IPC by Rob Paral and Associates. See Immigration Policy Center, *The Racial Blame Game: Immigrants Are Not the Cause of High Unemployment and Low Wages Among Minority Workers* (Washington, DC: American Immigration Council, March 1, 2011), pp. 1-2.
- ⁹ Rob Paral & Associates, *The Unemployment and Immigration Disconnect: Untying the Knot, Part I of III* (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, May 2009), pp. 4-6.
- ¹⁰ *Ibid.*, p. 6.
- ¹¹ *Ibid.*, pp. 7-8.
- ¹² Giovanni Peri, *The Effect of Immigrants on U.S. Employment and Productivity* (San Francisco, CA: Federal Reserve Bank of San Francisco, August 30, 2010), p. 4.
- ¹³ Giovanni Peri, *Rethinking the Effects of Immigration on Wages: New Data and Analysis from 1990-2004* (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, October 2006), p. 1.
- ¹⁴ Heidi Shierholz, *Immigration and Wages: Methodological advancements confirm modest gains for native workers* (Washington, DC: Economic Policy Institute, February 4, 2010), p. 12.
- ¹⁵ Raúl Hinojosa-Ojeda, *Raising the Floor for American Workers: The Economic Benefits of Comprehensive Immigration Reform* (Washington, DC: Immigration Policy Center, Center for American Progress, January 2010), pp. 8-9. Also see Rob Paral and Associates, *Economic Progress Via Legalization: Lessons from the Last Legalization Program* (Washington, DC: Immigration Policy Center, November 2009).
- ¹⁶ Heidi Shierholz, *Immigration and Wages: Methodological advancements confirm modest gains for native workers* (Washington, DC: Economic Policy Institute, February 4, 2010), p. 22.
- ¹⁷ Michael Greenstone and Adam Looney, *Ten Economic Facts About Immigration* (Washington, DC: The Hamilton Project, Brookings Institution, September 2010), p. 5.
- ¹⁸ Robert W. Fairlie, *Kauffman Index of Entrepreneurial Activity: 1996–2010* (Kansas City, MO: Ewing Marion Kauffman Foundation, March 2011), p. 2.
- ¹⁹ Michael Greenstone and Adam Looney, *Ten Economic Facts About Immigration* (Washington, DC: The Hamilton Project, Brookings Institution, September 2010), p. 11.
- ²⁰ Roberto G. Gonzales, *Wasted Talent and Broken Dreams: The Lost Potential of Undocumented Students* (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, October 2007), p. 1.
- ²¹ National Immigration Law Center, *The Economic Benefits of the DREAM Act and the Student Adjustment Act* (Washington, DC: February 2005).
- ²² National Immigration Law Center, *The Economic Benefits of the DREAM Act and the Student Adjustment Act* (Washington, DC: February 2005).
- ²³ Roberto G. Gonzales, *Wasted Talent and Broken Dreams: The Lost Potential of Undocumented Students* (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, October 2007), p. 9; citing National Immigration Law Center, *Basic Facts About In-State Tuition for Undocumented Immigrant Students* (Washington, DC: April 2006).
- ²⁴ *Ibid.*