

## **Back to the Future: The Impact of Legalization Then and Now**

While there are many facets to an intelligent immigration reform package, one thing is clear: legalization for undocumented immigrants helps all of us. Most economists recognize that legalization has worked in the past. After a significant percentage of the undocumented population legalized under the Immigration Reform and Control Act of 1986 (IRCA), information on IRCA applicants was used to assess the legislation's impact. My own research has shown that IRCA provided immediate direct benefits by successfully turning formerly clandestine workers into higher-paid employees. Other researchers have shown that IRCA provided unexpected indirect benefits to the communities where legalized immigrants resided. After legalization, fewer of these immigrants sent money back to their home countries, and those who sent back money sent back less. More of their earnings were spent in their communities in the United States. Research also showed that the legalized population became participating community members—nearly two out of five people who legalized under IRCA were U.S. citizens by 2001.

What we learned from IRCA gives us a bird's eye view into what we can expect to happen with a new legalization program. By examining three areas of concern: work, family, and community, we can see what economic and social benefits would be derived from a legalization program in 2010.

### **Legalization and Work**

Legalization through IRCA did not turn people into workers; it regularized their status as workers. How do we know? Researchers examining records on legalization applicants kept by the Immigration and Naturalization Service (INS) found that the labor-force participation rate for men was an astonishing 90%, while for women it was between 70 and 92%—so in general most immigrants were already in the workforce.

Unfortunately some employers used workers' lack of legal status to pay them less than U.S. workers. Numerous reports show that workers who applied for legalization under IRCA paid what we call a "wage penalty" for working without legal sanction. While estimates vary, my work suggests that undocumented workers earned 14% less than they would have if they had been legal worker in their very first U.S. jobs—and that "penalty" grew with time. Using different methodologies, data sets, and national-origin groups, nearly all researchers agree: once legalized, men's wages increased simply because they now had the legal right to work. Their wages increased immediately because they were paid better for the skills they already had, and wages increased later as the men freely invested in acquiring new skills after legalization—knowing that it would pay off in increased future earnings. IRCA meant higher wages, improvement of workforce skills, and a level playing field for other workers. Legalization allowed them to seek new and better jobs, training, and education. The newly legalized registered in classes, retrained, and looked for new jobs in unprecedented numbers.

Women who were undocumented before IRCA had been subject to economic exploitation and the fear of deportation. More than two-out-of-five women who applied for legalization under IRCA had started their work lives in the United States as household servants or child-care workers. Although women didn't gain as much as men from legalization, fewer of them were paid sub-minimum wages once they had legal status. Legalization meant higher wages for these women and a safer environment for the children for whom they cared.

Today's undocumented residents are undoubtedly committed workers, too. Roughly 94% of undocumented men and 58% of undocumented women are in the labor force today. Since about

5.4% of the labor force in the United States in 2008 consisted of undocumented workers, a new legalization program would automatically transform more than one-in-twenty workers into recognized employees openly subject to labor laws. They would earn higher wages, spend more money in the United States, and pay regularly into the Social Security and tax systems.

Former Federal Reserve Chairman Alan Greenspan testified in the Senate in 2009 that “there is no doubt that unauthorized—that is, illegal immigration—has made a significant contribution to the growth of our economy.” Going further, he added, “Economists generally view the overall economic benefits of this workforce as significantly outweighing the costs.” But the benefits of undocumented immigration are skewed to those employers who undermine U.S. workers by taking advantage of undocumented workers. The costs are paid by law-abiding employers who are in unfair competition with employers who pay undocumented workers less than other workers, as well as those workers whose wages are suppressed by this practice. The federal government and U.S. taxpayers pay the cost as well. Some employers, who withhold taxes from undocumented workers’ pay but never send this money to the Internal Revenue Service (IRS), cheat both the workers and the government.

When we bring undocumented workers out of the shadows, we upend those lopsided benefits and bring them out into the open so that we all share in the economic growth. Fair wages for legalized workers mean fair competition for all U.S. workers. New skills for legalized workers mean a more productive workforce, which improves opportunities for all workers. The right to work means that law-abiding employers can tap into this hard-working immigrant labor force. Non-exploitative pay means that U.S. workers compete for jobs on a level playing field. Above-board earnings mean that tax payments are open, too. The Congressional Budget Office (CBO), considering the costs and benefits of a 2006 bill that included legalization, estimated \$65 billion in new income and payroll tax collections over ten years. The CBO also estimated that there would be higher aggregate wages, more reporting of employment income, and lower income taxes for corporations and business people.

### Legalization, Families, and Children

For many years, undocumented migration was circular. Workers from Mexico, for example, came to the United States to work for the agricultural season, returned to Mexico in off-months, and repeated the migration the next year. Undocumented immigrants in the United States were typically lone males whose wives and children remained in the home country. One of the consequences of today’s border enforcement—and the high costs and risks associated with it—has been that migrants remain permanently in the United States, and their families join them here. There are more undocumented women and children, and many more U.S.-born U.S. citizen children with undocumented parents than there ever has been before.

The fact that today’s undocumented residents live with their families means that a new legalization program would have a profound impact on family life and opportunities. First, legalization eliminates the tragedy of families split up by enforcement which result in the detention or deportation of only one family member. Second, legalization allows undocumented children to become students with a future who can attend college under the same rules as other children. The “DREAM Act”—which would allow undocumented kids who were brought to the United States by their parents to legalize their status and go to college—must be part of comprehensive immigration reform. Third, U.S.-born children of undocumented immigrants would not have to fear for their parents’ deportation and then have to choose between family and country.

Legalization would immediately improve the lives of the 5.5 million children under the age of 18 who live in undocumented households—1.5 million of whom are undocumented, and one million of whom live in households where every other member of the family is also undocumented. These children live in fear of their families being broken up, and face a very difficult path to educate themselves. Without the “DREAM Act,” they are unlikely to acquire a college education no matter how academically qualified they may be. Half a million undocumented children have U.S.-born siblings. With legalization, they would not have to labor illegally while their U.S.-born siblings are free to attend college and seek out good jobs. Legalized children could invest in themselves.

Legalized parents could invest more in their U.S.-born children as well. These children would not have to worry about their parents being deported and would benefit from their parents' higher earnings.

In fact, with an immediate impact on 5.5 million children and their families, legalization would be the cheapest federal workforce development and anti-poverty program for children in history. Legalized children and their families would learn more, earn more, and contribute more to this country.

### Legalization's Widespread Geographic Impact

In the past, thinking about undocumented immigrants meant picturing Los Angeles, with its multilingual and multicultural population, service jobs, and proximity to the southern border.

Undocumented immigrants were geographically concentrated—almost 10% of all IRCA legalization applicants lived in just 11 zip codes in Los Angeles, while nearly 87% resided in only four states—California, Texas, Illinois, and New York. IRCA's legalization, like undocumented migration at the time, directly affected only a small part of the United States.

Before IRCA, enforcement efforts concentrated on the border. Undocumented immigrants working in the cities were relatively free from enforcement efforts. Immigrants boosted these economies in large and small ways. During the five years before IRCA, for example, the unemployment rate in Los Angeles was lower than that of other cities of its size that did not have much undocumented immigration. Legalization, too, provided gains to these community economies. After legalization, successful, newly legalized workers—like Hugo Ortega, who went from busboy to the owner of one of the top restaurants in Houston—added to, complemented, and hired U.S. workers in their communities.

Undocumented immigrants are now dispersed throughout the country—living and working in new urban and rural areas. Many states with no previous history of undocumented immigration are now home to undocumented workers. In 2008, the top four states (California, Texas, Illinois, and New York) accounted for only half of all undocumented immigrants, while the top ten states—which now included Georgia, North Carolina, and Virginia—accounted for less than three-quarters.

Undocumented immigrants are now integral to the economies of states that have not traditionally benefitted from immigration—like Kentucky, Tennessee, and Iowa.

Small towns far from the border, like Postville, Iowa, illustrate how the economic gains associated with undocumented immigration can turn into harsh costs for both immigrants and native-born workers because of enforcement efforts. Postville was a dying town in farm country that was revitalized economically by Agroprocessors, its kosher meat plant, and the plant's undocumented workers. U.S. workers' opportunities and local businesses boomed as part of the new and thriving community. But U.S. Immigration and Customs Enforcement (ICE) raided Agroprocessors in 2008, its workers were mostly jailed or deported, and the company eventually declared bankruptcy. Postville's booming multinational economy disappeared, Midwestern livestock suppliers lost a major customer, Postville's population shrank to half its pre-raid size, and downtown businesses are boarded and closed.

Legalization is good for U.S. workers; raids are not. Raids damage the local economies. A legalization program would have consolidated the economic gains in Postville, not destroyed them. Further, the ripple effects of legalization can help revitalize our nations' smaller cities and towns during both good and bad economic times. Workers free to report income, buy houses, and participate in local politics will keep our small towns economically and civically vital.

Legalization helps build strong communities. Local immigration enforcement weakens communities. Morristown, New Jersey, a town of less than 19,000 people, recently learned that its police force was approved for the 287(g) program, which allows local police to act as immigration officers. Community members (including legal residents) now fear the police and think the program will hurt the local economy because "immigrants will not want to launch a business in a town where they feel discriminated against." Community safety will surely be harmed as well. One resident

says, “How are we going to have a safe community if people are afraid to call the police?” Big-city police have seen the deleterious effects of immigration enforcement and have urged Congress to improve public safety by bringing undocumented immigrants out of the shadows. They know that local officers acting as immigration enforcement agents make cooperation with the police dangerous and turn the idea of community policing on its head.

## CONCLUSION

Legalization worked in the past and it will work today. Legalization for otherwise law-abiding undocumented immigrants is humane for them and their families, develops a better workforce for U.S. companies, and acts as a workforce development program for young people. Legalization would also create a level playing field and fair competition for U.S. workers, improve the earnings of law-abiding companies, increase the tax revenue of local, state, and federal governments, and free local police to return to crime prevention, crime solving, and building safe communities. There are few federal policies whose beneficial effects would be felt this widely. Our values demand comprehensive immigration reform and our economy is counting on it.

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