



IMMIGRATION POLICY CENTER

...providing factual information about immigration and immigrants in America

POLICY BRIEF

April 2, 2002

Immigrants Help Sustain Chicago's Economy Study Reveals Potential Impact of New Regularization Program

A recent university study found undocumented immigrants in Chicago to be strongly committed to working in the U.S. and making significant contributions to the economy. Undocumented workers typically experienced tremendous disadvantages in the labor market despite work experience and human capital accumulations.

Legal Status Implications

In a recent study¹ published by the University of Illinois at Chicago's Center for Urban Economic Development, experts interviewed 1,653 documented and undocumented workers living in the Chicago metro area in an attempt to understand the degree to which the lack of legal status inhibits workers from receiving equal treatment in the workplace.

Using a standardized questionnaire, immigrants were asked a series of questions regarding how legal status impacts wages, unsafe working conditions, and whether or not they utilize government safety-net programs. The following information is the results of the survey.

The Wage Parity

Undocumented status imposed significant earnings penalties and barriers to better jobs. Overall, the median hourly wage for undocumented workers in Chicago was \$7.00 an hour, while immigrants with legal status earned \$9.00. In addition, 10% of undocumented immigrants reported they were paid less than the federal minimum wage (\$5.15) in their current job.

Apart from legal status, the wage model also indicated other factors that caused a decline in potential wage earnings. Origin, gender and racial discrimination were all considered important variables in determining the results of the survey. Importantly, educational attainment, English proficiency, and additional U.S. residency did not offset the negative wage effect of working without legal status.

Working Conditions

Undocumented workers more commonly experience unsafe working conditions than do immigrants with legal status. Among the respondents 28% of all immigrants surveyed reported they are employed at locations with unsafe conditions. Of those who reported their current job was unsafe, 69% were undocumented and the majority were of Latin-American origin. Despite the large number of unsafe workplaces, few immigrants reported the poor conditions to the authorities due to fear of deportation or punishment from employer.

A DIVISION OF THE AMERICAN IMMIGRATION LAW FOUNDATION

918 F STREET, NW, 6TH FLOOR • WASHINGTON, DC 20004 • TEL: (202) 742-5600 • FAX: (202) 742-5619

www.immigrationpolicy.org

Exploitation of undocumented workers was also evident in the reports of alleged wage and hour violations and the lack of access to health insurance. Only 25% of undocumented workers were covered by health insurance. Unfortunately, for most immigrants, either the employer did not offer health insurance or the plan was too expensive for them to access.

No Safety-Net for Immigrants

The vast majority of undocumented immigrants reported they, and members of their household, do not receive any assistance under government safety-net programs.

Overall, only 12% of undocumented respondents reported that an adult in their household was receiving low-income benefits on either a state or local level. Less than half of the working immigrants surveyed accessed insurance through their employer, making government emergency health services all the more important.

Local Economic Contributions

With an estimated 220,000 undocumented immigrants living in the Chicago metro area, the consumer expenditures by this group generate more than 31,000 jobs in the local economy and contribute \$5.45 billion annually to the gross regional product, according to the regional economic model that calculates the values of goods and service consumed with each dollar spent.

The economic impact of undocumented workers goes well beyond the local economy. Despite the common perception that immigrants utilize government benefit programs without paying taxes, the survey found that nearly 70% of all undocumented workers paid taxes. The same data also suggests that immigrants did not claim any tax refunds for which they were eligible.

Several other research groups found similar data to support these findings. According to a report prepared in 1990, undocumented immigrants paid \$547 million in Illinois state tax, while the national aggregate contribution equaled \$7 billion. Surprisingly, The Urban Institute also found that undocumented immigrants contributed a national total of \$2.7 billion to Social Security and another \$168 million to unemployment insurance taxes, both programs they will be unable to access because of their legal status.

Conclusion

The undocumented workers residing in Chicago and the rest of America are the foundation of the domestic labor force and “support thousands of other workers within their respective local economies”.

This study strongly suggests that a new regularization program would improve undocumented workers’ wages, working environments, health insurance rates, and allow much needed access to government safety-net programs. Additionally, any increase in wages translates into increased tax contributions and economic stimulus, thereby creating more new jobs.