



## Immigration Reform and the Economy:

North Carolina Would Benefit through Increased Productivity, Efficiency in the Economy

BY ALEXANDRA FORTER SIROTA

Federal immigration reform will allow the immigration system to keep up with a changing economy and migration patterns, while also providing economic benefits to the nation and state. Immigrants have always been a vital part of our economy, bringing a wider range of skills than is generally understood to our workforce, and creating new businesses that help employ North Carolinians and bring new life to main streets around the state. There is widespread agreement that our current immigration system is broken, with violations by both immigrants and employers. The result is an economic context that is not good for immigrants, creates an un-level playing field for employers, and introduces costly problems for the growth of the economy in the long run.

To fix the immigration system, the federal government must first and foremost create a path to citizenship for undocumented immigrants.<sup>1</sup> In so doing, federal immigration reform proposals would provide an economic and fiscal benefit to North Carolina by:

- Increasing access to skill training and education for North Carolina immigrants.
- Encouraging more North Carolina immigrants to become entrepreneurs and start or expand small businesses.
- Bringing more immigrants out of the economic shadows by ensuring they are working here legally and paying taxes

### Status Quo in Immigration Distorts the State Economy

For those who arrive in the United States without documents, there are many ways in which immigration status harms their potential to increase earnings and dampens the ability of the broader economy to grow.

- **Limits to Advancement for Unauthorized Immigrants:** Legal status provides workers with a better range of employment options, the ability to negotiate with employers for better working conditions, and access to a wider range of skill training and education that can increase their productivity. Studies of past legalization efforts show that immigrants attaining legal status saw a 10 percent higher gain in wages over five years than would have otherwise been the case.<sup>2</sup>

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In North Carolina, nearly 1 in 10 workers in North Carolina are foreign-born.<sup>3</sup> Of those foreign-born workers, an estimated 400,000 do not have legal documentation.<sup>4</sup> If newly legalized workers make wage gains and their careers advance, this will in turn boost local economies by providing workers with increased capacity to spend and build assets.

- **Uneven Playing Field for Businesses and Workers:** Firms that hire immigrants who are undocumented are more likely to pay lower wages and evade legally mandated contributions to state workers' compensation or unemployment insurance funds. Firms that do the right thing by complying with wage standards and meeting their legal responsibilities operate at a competitive disadvantage. A Federal Reserve Bank of Atlanta study found measurable differences in the survival rate of firms that compete against unscrupulous employers.<sup>5</sup>
- **Lost revenue for public services:** Currently, unauthorized immigrants pay into Social Security, unemployment insurance and worker's compensation but are unlikely to access these programs because of their legal status. A pathway to citizenship would ensure that these programs serve their purpose to cover those working in the labor force to limit the economic harm of job loss, disabilities or challenges of retirement security while also increasing available revenue to fund these and other public services.

A pathway to citizenship would increase tax revenues for federal and state governments by ensuring workers are paid a fair market rate and creating greater compliance with tax laws from employers and workers. Research by the Institute on Tax and Economic Policy finds that significant revenue, between \$4.5 billion and \$5.4 billion, would accrue over just three years if comprehensive immigration reform were to pass.<sup>6</sup> North Carolina would experience an \$83.5 million increase in revenue annually, an amount equivalent to fund the state's pre-k waiting list and keep the education based-salary supplements for teacher's with master's degrees for one year.

## **Immigration Reform Benefits Workers, Business and the Economy**

Immigration reform has the potential to improve the country's economy by reducing costly and inefficient ways in which labor and capital are deployed. Analysis of various legislative proposals to implement comprehensive immigration reform finds a net positive impact in the long-term on economic growth and job creation of reform proposals that provide a pathway to citizenship.<sup>7</sup>

The Border Security, Economic Opportunity, and Immigration Modernization Act (S. 744), one bill that would achieve comprehensive immigration reform, would increase GDP by 5.4 percent in 2033 and slightly increase average wages by 0.5 percent, according to the Congressional Budget Office.<sup>8</sup>

Due to the increased size of the labor force and contributions to Social Security and Medicare that would result, estimates suggest that immigration reform could reduce the federal deficit in the first decade and in the 2024-2033 period by about \$700 billion.<sup>9</sup>

Additionally because of the increased labor force, the capital that is available for investment will be more productive. The result is that returns on capital investment are likely to rise initially and moderate after the first decade.

The combined effect on workers and capital investment deliver positive benefits to the economy broadly by increasing wages, investments and ultimately productivity.

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## North Carolina Poised to Reap Big Benefits

North Carolina is likely to experience disproportionately greater benefits from comprehensive immigration reform at the national level because of its share of unauthorized immigrants and industry mix.

North Carolina has one of the fastest growing immigrant populations in the country.<sup>10</sup> And while this growth is not solely driven by unauthorized immigrants, a pathway to citizenship would provide more immigrants with opportunities to fully integrate into the state's economy and communities. Over time, an established pathway to citizenship would ensure that immigrants are able to work in jobs where industries are growing and native-born working age populations are declining.

A pathway to citizenship will also reduce the damaging practice of wage theft that has been well documented in North Carolina.<sup>11</sup> Wage theft occurs when employers fail to pay workers for time worked. Unauthorized immigrants are particularly at risk because they can be intimidated by employers threatening to report them to immigration officials. Wage theft costs the state significant dollars in tax collection, reduces the competitiveness of businesses, particularly in industries that hire immigrants, and creates hardship for families that are seeking to meet their most basic needs.

North Carolina's young immigrants without documents face barriers to gaining the skills training and education that will be increasingly need for the jobs of the future. These jobs will increasingly be oriented globally with a need for bicultural and bilingual professionals. Currently, young unauthorized immigrants are barred from in-state tuition for post-secondary education, a policy that generates significant costs and reduces access and completion for these students.<sup>12</sup>

Unauthorized immigrants who are small business owners—street vendors, restaurant owners, store owners, for example—are limited in their ability to expand by restrictions on their access to business loans, ability to apply for permits, secure contracts with utilities and vendors and transport goods and services. Overall, immigrant-owned small businesses have seen a 500 percent increase in North Carolina since 1990; while it is unclear how many of these immigrant business owners are undocumented, immigrants in general are playing an important role as entrepreneurs, and legal status would allow some businesses to expand and others to start.<sup>13</sup>

Finally, North Carolina trains a significant number of foreign-born students in science, technology and mathematics. While only a very small number of unauthorized immigrants are highly educated, some are immigrants who came on a student visa and then overstayed it, and some DREAMers would have the opportunity to attend college and become workers in high-skill jobs. By providing these workers, innovators and entrepreneurs with the opportunity to stay here in North Carolina and apply their knowledge, the state would expand the potential for growth. Additional provisions like increases and revisions to the high-skilled visas would allow for more foreign-born students to remain in the state and earn wages or start businesses.

One estimate of the economic return on federal immigration reform to North Carolina suggests that reform would result in more than 11,000 jobs being created and \$903 million added to the state's economic output in 2014.<sup>14</sup>

## Federal Immigration Reform is Needed, Will Boost NC Economy

As states have tried to “fix” the immigration system within their own powers, the costs and economic damage has been clear. Immigration reform is needed at the federal

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level. Emerging evidence from various quarters finds that a comprehensive reform plan has the potential to support a more efficient labor market and include a growing share of the country's workforce and entrepreneurs. For North Carolina, the economic boost of federal immigration reform will strengthen the pathways to the middle class for immigrants by providing access to post-secondary education and skill training, opportunities for career advancement, and higher wages and support for expanding their businesses and hiring workers.

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1. This piece does not talk about proposed changes in visas, just in the impact of a pathway to citizenship plus enforcement.
  2. Fiscal Policy Institute, June 2013. Three Ways Immigration Reform Would Make the Economy More Productive.
  3. Sirota, Alexandra. Immigrant-owned small businesses. BTC Fact Sheet: NC Justice Center, Raleigh, NC.
  4. US Department of Homeland Security. [http://www.dhs.gov/xlibrary/assets/statistics/publications/ois\\_ill\\_pe\\_2011.pdf](http://www.dhs.gov/xlibrary/assets/statistics/publications/ois_ill_pe_2011.pdf)
  5. You can cite the FPI study, or go directly to the Fed Reserve study we quote. If you want to talk about manufacturing and other specific industries, the issue is that they found different specific rates of survivability; the data is in our report.
  6. Institute on Taxation and Economic Policy, July 2013. Undocumented Immigrants' State and Local Tax Contributions.
  7. Hinojosa-Ojeda, Raul. January 2010. Raising the Floor for American Workers: The Economic Benefits of Comprehensive Immigration Reform. Center for American Progress and Immigration Policy Center and Dixon, Peter and Maureen T. Rimmer, August 2009. Restriction or Legalization? Measuring the Economic Benefits of Immigration Reform. CATO Institute, Washington, DC.
  8. Congressional Budget Office, June 2013. The Economic Impact of S.744, the Border Security, Economic Opportunity, and Immigration Modernization Act.
  9. Congressional Budget Office, June 2013. The Economic Impact of S.744, the Border Security, Economic Opportunity, and Immigration Modernization Act.
  10. American Community Survey, U.S. Census Bureau.
  11. Schoenbach, Sabine, March 2013. Wage Theft in North Carolina: The Hidden Crime Wave Robbing Workers and Communities. North Carolina Justice Center, Raleigh, NC.
  12. Sirota, DACA brief
  13. Sirota, Alexandra. Immigrant-owned small businesses. BTC Fact Sheet: NC Justice Center, Raleigh, NC.
  14. Treyz, Frederick, Stottiemyer, Corey and Motamedi, Rod. July 17, 2013. Key Components of Immigration Reform: An Analysis of the Economic Effects of Creating a Pathway to Legal Status, Expanding High-Skilled Visas & Reforming Lesser-Skilled Visas<sup>9</sup> Regional Economic Models, accessed at [www.remi.com/immigration-report](http://www.remi.com/immigration-report)

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