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## ONLY THE BEGINNING: THE ECONOMIC POTENTIAL OF EXECUTIVE ACTION ON IMMIGRATION

The series of executive actions on immigration which President Obama announced on November 20, 2014,<sup>1</sup> would have a beneficial—if modest—impact on the U.S. economy. Specifically, the president’s actions are likely to increase Gross Domestic Product (GDP), reduce the federal deficit, and raise both tax revenue and average wages—all without having any appreciable impact on native-born employment. Most, though not all, of these economic gains would flow from two actions in particular: creation of a new Deferred Action for Parental Accountability (DAPA) program, which would grant temporary relief from deportation, as well as work authorization, to some unauthorized parents of U.S. citizens or lawful permanent residents; and expansion of the Deferred Action for Childhood Arrivals (DACA) program, which offers relief from deportation and work authorization to qualified young adults who were brought to the United States as children.<sup>2</sup> However, research suggests that comprehensive immigration reform legislation would yield even greater economic benefits than the programs created through executive action.<sup>3</sup>

### Increasing GDP and Reducing the Deficit

- The White House Council of Economic Advisers (CEA) estimates<sup>4</sup> that the executive actions would, over the next 10 years, increase GDP by at least 0.4 percent (\$90 billion) or as much as 0.9 percent (\$210 billion).<sup>5</sup> The increase in GDP is the result of several factors:

“An expansion in the size of the American labor force by nearly 150,000 workers over the next ten years, largely as a result of higher labor force participation; and an increase in the productivity of American workers, both because of increased labor market flexibility and reduced uncertainty for workers currently in the United States and because of increased innovation from high-skilled workers.”<sup>6</sup>

- The CEA also estimates that the executive actions would lead to a decrease in federal deficits by somewhere between \$25 billion and \$60 billion over the next 10 years.<sup>7</sup>

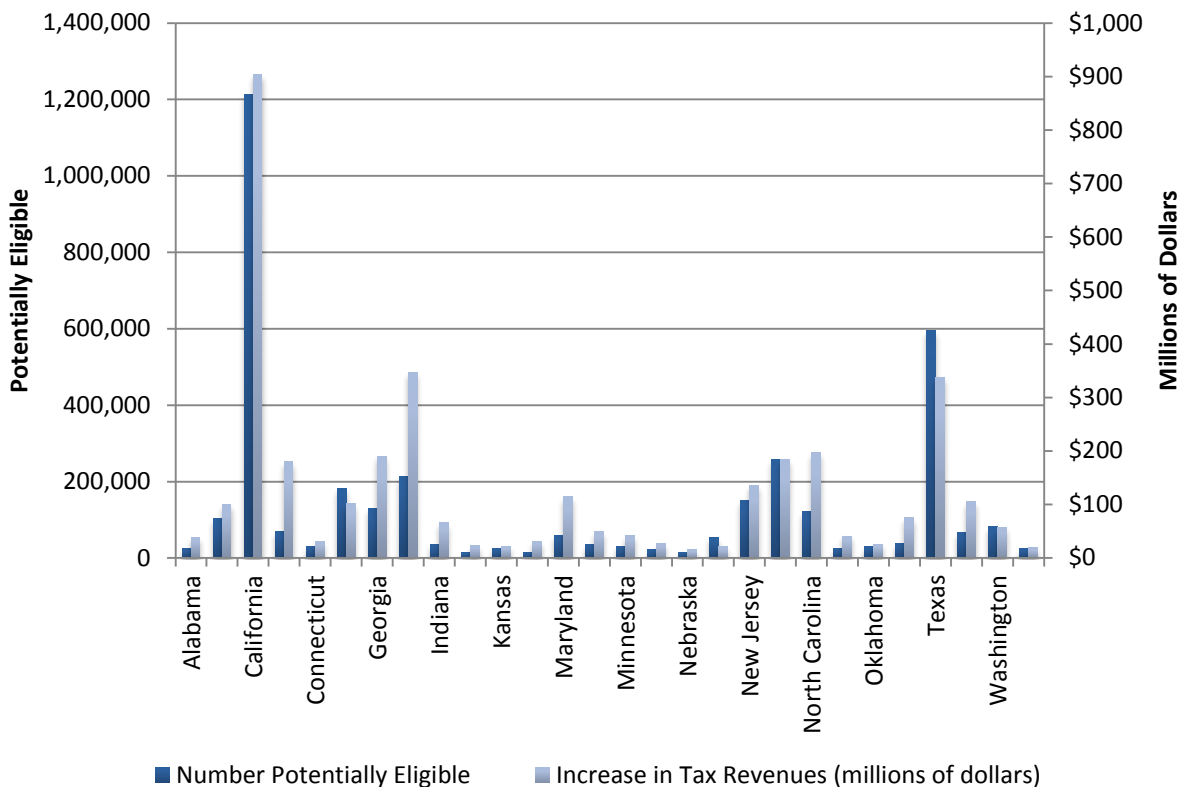
### Raising Tax Revenue

- The CEA estimates that the executive actions would expand the country’s tax base by billions of dollars over the next 10 years. The CEA states that to the degree “the administrative actions increase tax compliance for undocumented workers, they would

raise additional revenue above and beyond the impact they would have on measured GDP, since undocumented workers are already contributing to GDP.”<sup>8</sup>

- The Center for American Progress (CAP) estimates that an executive action scenario in which 4.7 million unauthorized immigrants with a minor child in the United States received deferred action and work authorization would increase payroll tax revenues by \$2.9 billion in the first year, and up to \$21.2 billion over five years.<sup>9</sup>
- According to the North American Integration and Development (NAID) Center at the University of California, Los Angeles, deferred action for 3.8 million undocumented immigrants who are (1) the parents of minors who are U.S. citizens or legal permanent residents, or (2) eligible for the expanded DACA program, would result in new tax revenue of \$2.6 billion over the first two years.<sup>10</sup>
- Individual states would also experience tax gains as unauthorized immigrants begin to work legally and file taxes on slightly higher wages, according to CAP (Figure 1).<sup>11</sup>
- The Fiscal Policy Institute (FPI) found that the net gain from administrative relief in New York State could be around \$100 million per year in added state and local tax revenues.<sup>12</sup>

**Figure 1: Fiscal Benefits of Deferred Action Under the November 2014 Executive Action Announcement**



Source: Center for American Progress, “Topline Fiscal Impact of Executive Action Numbers for 28 States” (Washington, DC: Center for American Progress, November 2014). Center for American Progress [analysis](#) of data from the Institute for Taxation and Economic Policy and the Migration Policy Institute. Due to data limitations, estimates for all 50 states are not available.

## **Raising Average Wages**

- The CEA [estimates](#) that the executive actions would raise average wages for U.S.-born workers by 0.3 percent, or \$170 in today’s dollars, over the next 10 years.<sup>13</sup> CEA’s estimates of changes to native-born wages are based on their analysis of administrative changes related specifically to high-skilled immigration and deferred action. When examined separately, the deferred action component of administrative relief would increase the wages of all native-born workers by 0.1 percent on average by 2024.<sup>14</sup>
- CAP estimates wages would increase an average of [8.5 percent](#) over one year for individuals potentially eligible for new and expanded deferred action.<sup>15</sup> Such individuals would see wage gains as they become eligible for work permits, find better job matches, and become less likely to be taken advantage of by employers.
- FPI estimates a [5 to 10 percent](#) increase in wages over a five-year period for the almost 5 million workers potentially eligible to gain work authorization through expanded deferred action under the President’s executive action.<sup>16</sup>
- According to the NAID Center, deferred action for 3.8 million undocumented immigrants who are (1) the parents of minors who are U.S. citizens or legal permanent residents, or (2) eligible for the expanded DACA program, would result in an increase in labor income of [\\$7.1 billion](#) over the first two years.<sup>17</sup>

## **No Impact on Native-Born Employment**

- The CEA also anticipates that the executive actions would have no impact on employment of U.S.-born workers. As they [explain](#):

“Theory suggests that these policy changes would not have an effect on the long-run employment (or unemployment) rate...as the additional demand associated with the expanded economy would offset the additional supply of workers. Consistent with the theory, much of the academic literature suggests that changes in immigration policy have no effect on the likelihood of employment for native workers...Consequently, we estimate that these actions will have no effect on the likelihood of employment of native workers in the long run.”<sup>18</sup>
- In other words, it is unlikely that the changes announced by President Obama would cause jobs to be taken away from native-born workers. Empirical [research](#) has demonstrated repeatedly that there is no correlation between immigration and unemployment.<sup>19</sup> Immigrants—including the unauthorized—create jobs through their purchasing power and [entrepreneurship](#), buying goods and services from U.S. businesses and creating their own businesses, both of which sustain U.S. jobs.<sup>20</sup> The presence of new

immigrant workers and consumers in an area spurs the expansion of businesses, which also creates new jobs.

- According to the NAID Center, deferred action for 3.8 million undocumented immigrants who are (1) the parents of minors who are U.S. citizens or legal permanent residents, or (2) eligible for the expanded DACA program, would result in 167,000 jobs created through an increase in direct, indirect, and induced employment over the first two years.<sup>21</sup> “Indirect employment” is a change in employment in one industry that is caused by a change in another as a result of interaction between the two. “Induced employment” is a change in employment based on changes in household spending (i.e., as wages increase, people have more money to spend, which supports more jobs).<sup>22</sup>

## Conclusion

Economic analyses estimate that the President’s executive actions on immigration—particularly expanding deferred action—would have modest positive fiscal and economic impacts at the national, state, and local levels through increases in tax revenue and average wages. Additionally, the President’s executive actions include many other components related to high-skilled immigrants and their spouses, employment-based immigration, encouraging entrepreneurship and innovation, expanding optional practical training for foreign students graduating from U.S. universities, exploring ways to modernize the visa system, and creating welcoming communities. Such changes are also expected to have a positive economic impact. Research shows that the entire package of executive actions would raise average wages for U.S.-born workers and have no impact on their employment prospects. However, congressional action on comprehensive immigration reform holds the promise of much greater economic benefits both nationally and locally.<sup>23</sup>

## Endnotes

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<sup>1</sup> American Immigration Council, *A Guide to the Immigration Accountability Executive Action* (Washington, DC: American Immigration Council, November 2014).

<sup>2</sup> According to the White House, almost 5 million unauthorized immigrants would be impacted by these changes. Office of the Press Secretary, “Fact Sheet: Immigration Accountability Executive Action” (Washington, DC: The White House, November 20, 2014). A recent analysis from the Migration Policy Institute estimates that as many as 3.7 million unauthorized immigrants could get relief from deportation under a new Deferred Action for Parental Accountability (DAPA) program. With the expanded Deferred Action for Childhood Arrivals (DACA) program included, which could include up to 1.5 million people, anticipated actions could benefit more than 5.2 million people in total—nearly half of the unauthorized population in the United States. Migration Policy Institute, “MPI: As Many as 3.7 Million Unauthorized Immigrants Could Get Relief from Deportation under Anticipated New Deferred Action Program” (Washington, DC: Migration Policy Institute, November 20, 2014). The Pew Research Center estimates that a smaller number of people—around 3.9 million—could be affected by the administrative actions of DAPA and DACA. Specifically, they estimate that around 700,000 parents with U.S.-born children over age 18 who have lived in the country at least 5 years, around 2.8 million parents with U.S.-born children under age 18 who have lived in the country at least 5 years, and around 300,000 people potentially eligible for expanded DACA—a total of 3.9 million—could benefit from the deferred action components of executive action. Jens Manuel Krogstad and Jeffrey S. Passel, “Those from Mexico will benefit most from Obama’s executive action” (Washington, DC: Pew Research Center, November 20, 2014).

<sup>3</sup> American Immigration Council, “The Power of Reform: CBO Report Quantifies the Economic Benefits of the Senate Immigration Bill” (Washington, DC: American Immigration Council, 2013).

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<sup>4</sup> White House Council of Economic Advisers, *The Economic Effects of Administrative Action on Immigration* (Washington, DC: Executive Office of the President of the United States, November 2014), p. 2. Note: Estimates are based on the economic literature, including (wherever possible) the methods and studies that the Congressional Budget Office employed in its analysis of Senate immigration bill S.744 in June 2013. Specifically, overall estimates of the economic impact of administrative action on immigration are based on the following set of actions included in the President's announcement: providing deferred action to low-priority individuals with significant family ties; expanding immigration options for foreign entrepreneurs who have created American jobs or attracted significant investments; extending on-the-job training for science, technology, engineering, and mathematics (STEM) graduates of U.S. universities through reforms to the existing Optional Practical Training (OPT) program; providing work authorization to spouses of individuals with H-1B status who are on the path to Legal Permanent Resident (LPR) status; and providing portable work authorization for high-skilled workers awaiting processing of LPR applications.

<sup>5</sup> White House Council of Economic Advisers, *The Economic Effects of Administrative Action on Immigration* (Washington, DC: Executive Office of the President of the United States, November 2014), p. 7.

<sup>6</sup> *Ibid.*, p. 2.

<sup>7</sup> *Ibid.*, p. 12.

<sup>8</sup> *Ibid.*, p. 12.

<sup>9</sup> Patrick Oakford, *Administrative Action on Immigration Reform: The Fiscal Benefits of Temporary Work Permits* (Washington, DC: Center for American Progress, September 2014), p. 3.

<sup>10</sup> Raul Hinojosa-Ojeda and Maksim Wynn, *From the Shadows to the Mainstream: Estimating the Economic Impact of Presidential Administrative Action and Comprehensive Immigration Reform -- Special Update* (Los Angeles, CA: North American Integration and Development Center, University of California-Los Angeles, November 2014); personal communication with Raul Hinojosa-Ojeda, December 10, 2014.

<sup>11</sup> Center for American Progress, "Topline Fiscal Impact of Executive Action Numbers for 28 States" (Washington, DC: Center for American Progress, November 2014).

<sup>12</sup> Fiscal Policy Institute, "President's Immigration Action Expected to Benefit Economy" (New York City, NY: Fiscal Policy Institute, November 21, 2014).

<sup>13</sup> White House Council of Economic Advisers, *The Economic Effects of Administrative Action on Immigration* (Washington, DC: Executive Office of the President of the United States, November 2014), p. 11.

<sup>14</sup> *Ibid.*, p. 11.

<sup>15</sup> Patrick Oakford, *Administrative Action on Immigration Reform: The Fiscal Benefits of Temporary Work Permits* (Washington, DC: Center for American Progress, September 2014), p. 3.

<sup>16</sup> Fiscal Policy Institute, "President's Immigration Action Expected to Benefit Economy" (New York, NY: Fiscal Policy Institute, November 21, 2014); personal communication with David Dyssegaard Kallick, December 10, 2014.

<sup>17</sup> Raul Hinojosa-Ojeda and Maksim Wynn, *From the Shadows to the Mainstream: Estimating the Economic Impact of Presidential Administrative Action and Comprehensive Immigration Reform -- Special Update* (Los Angeles, CA: North American Integration and Development Center, University of California-Los Angeles, November 2014); personal communication with Raul Hinojosa-Ojeda, December 10, 2014.

<sup>18</sup> White House Council of Economic Advisers, *The Economic Effects of Administrative Action on Immigration* (Washington, DC: Executive Office of the President of the United States, November 2014), p. 9.

<sup>19</sup> Rob Paral and Associates, *Untying the Knot: Parts I, II, and III* (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, 2009).

<sup>20</sup> Marcia Hohn, *Immigrant Entrepreneurs: Creating Jobs and Strengthening the Economy* (Washington, DC: U.S. Chamber of Commerce & American Immigration Council, January 2012).

<sup>21</sup> Raul Hinojosa-Ojeda and Maksim Wynn, *From the Shadows to the Mainstream: Estimating the Economic Impact of Presidential Administrative Action and Comprehensive Immigration Reform -- Special Update* (Los Angeles, CA: North American Integration and Development Center, University of California-Los Angeles, November 2014); personal communication with Raul Hinojosa-Ojeda, December 10, 2014.

<sup>22</sup> Raul Hinojosa-Ojeda and Maksim Wynn, *From the Shadows to the Mainstream: Estimating the Economic Impact of Presidential Administrative Action and Comprehensive Immigration Reform* (Los Angeles, CA: North American Integration and Development Center, University of California-Los Angeles, November 2014), p. 18.

<sup>23</sup> American Immigration Council, "The Power of Reform: CBO Report Quantifies the Economic Benefits of the Senate Immigration Bill" (Washington, DC: American Immigration Council, 2013).