


12-1-2016

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Recommended Citation

Alangari, Abdulaziz, "The Economic Impacts of Undocumented Immigrants in The United States" (2016). *Honors Papers and Posters*. 1. http://digitalcommons.chapman.edu/honors_student_work/1

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Honors Capstone Research
December 1, 2016

The Economic Impacts of Undocumented Immigrants in The United States

Introduction

According to the Oxford dictionary, the definition of the word *immigrant* is “a person who comes to live permanently in a foreign country” (Augarde, 1981). Nowadays, however, that simple definition can be perceived vaguely due to the complexities and various procedures of accepting different types of immigrants, the various purposes and goals of people who choose to migrate from their home country, and how they can impact the social and economic aspects of the country they wish to reside in. The United States has a global reputation of accepting and welcoming citizens from different countries for different purposes. The book *The New Americans* expressed the changing immigration system in the United States by saying, “The door may not have been always widely open, but it has never been completely shut.” (Smith and Edmonston, p. 1). Certain political events such as the September 11th attacks did cause a challenge in the immigration process, but the United States still practices its tradition of accepting refugees, asylum seekers, visitors, and immigrants, including undocumented immigrants, into its borders in an effort to sustain the economic and social prospects of its land. It is important to note, though, that undocumented immigrants have been constantly stigmatized by some United States residents and officials for crossing the borders illegally, even though substantial research has proven how these undocumented immigrants are a significant factor in positively impacting the United States economy. Notwithstanding the costs associated with the presence of undocumented immigrants, it has been proven that the presence of undocumented immigrants in the United States is an important factor in shaping and diversifying the economy. Furthermore, immigrants in general have historically positioned the United States into becoming one of the leading countries in academia, technology, and many other disciplines. This research

paper will showcase a cost-benefit analysis of undocumented immigrants in the United States, provide an in-depth understanding of the economic impacts contributed by undocumented immigrants, and illustrate the unjust treatment of undocumented immigrants in the American immigration system.

Background information

People might assume that all immigrants are the same, but the truth is that immigrants come from different countries, have different characteristics and purposes for immigration, and they vary in terms of social and financial status. According to the New York Times, there were 11.7 million undocumented immigrants present in the United States in 2013 (Preston, 2013). Of those 11.7 million immigrants, 59% come from Mexico, says a report from the United States Department of Homeland Security. (DHS report, p. 5)

A question many might ask is why do they come to the United States? As mentioned above, the purposes differ from one immigrant to another, but we can illustrate the major reasons of their migration. First, they come for freedom. According to an article published by Yale University, people immigrate to become free. Freedom of religion, speech, political opinion, and sexual orientation are only a handful of the countless basic rights that are taken away from people in some countries (Bryant, 2015). Second, immigrants flee persecution, torture, and incarceration, which are often caused by practicing the rights they have been banned from doing. Being persecuted in the past or having a well-founded fear of persecution due to race, religion, nationality, social group or political opinion is not only a strong reason for migration, but also a requirement by United States immigration in filing an asylum claim. Third, they migrate to escape corruption. For anyone who wishes to live a healthy and accomplished life, living in a country with a corrupt government can substantially decrease the chances of success, as it does not provide the basic tools and platforms to reach goals in life. Finally, people flee due to

political instability. To illustrate, a good example would be the Arab Spring, particularly the Syrian refugee crisis. During the past five years, many Syrian citizens have fled their home country to seek refuge in more stable countries, including the United States. Historically, civil strife has been one of the leading causes of immigration and refugee difficulties. People who flee their home countries due to persecution, war, or similar disasters are often referred to as refugees or displaced persons. (Bryant, 2015).

There is often a preconceived image about undocumented immigrants: that they crossed the border through the Rio Grande Valley in Texas, or illegally through border control officials in Arizona. Although this is correct for some cases, many immigrants actually enter the United States legally as students or visitors and decide to stay, illegally, upon the expiration of their temporary visa. Conditions such as the ones discussed in the preceding paragraph might occur while the visitor or student is in the United States, which creates a strong incentive for them to stay in the United States even with expired and invalid documents. Occasionally, if a war is declared on a certain country, citizens of that country who are currently in the United States are granted Temporary Protected Status (TPS)..

In *The Mercy Factory*, Christopher Einolf starts his book by expressing how America is and has always been known to be a country of immigrants that maintains its proud tradition of opening its doors to thousands who seek a better life (Einolf, p. xvii). It is common knowledge that immigrants benefit widely from receiving legal status in the United States, but many do not realize that the reverse is also true. The United States government and population have significantly furthered their academic, political, technological and economic growth with the help of immigrants. For now, we will briefly discuss and give examples of the first three and

then move into more in-depth analysis of the economic growth aspect of undocumented immigrants.

Elon Musk, the founder of Tesla Motors and PayPal, Sergey Brin, co-founder of Google, and Pierre Omidyar, founder of eBay, have all contributed to positioning the United States as one of the leading countries in technology, and one thing all three entrepreneurs have in common is that they immigrated to the United States at one point in their lives. Apple's Steve Jobs was also the son of a Syrian immigrant (Sakoui, 2015). Immigrants represent 25% of the founders of new high-tech companies and startups, with sales generating up to \$1 billion in 2006 (Hunt and Gauthier-Loiselle, p. 1).

Madeleine Albright, who immigrated to the United States from Czechoslovakia in 1948, graduated from Columbia University before serving as the 64th United States secretary of state, according to a Forbes article (Eaves, 2007). She was also the first woman to hold this position. The same article mentioned Elie Wiesel who immigrated from Romania just four years before Albright did. Wiesel was awarded the Nobel Peace Prize in 1986 after publishing more than 30 books and for his efforts in fighting racial discrimination and violence (Eaves, 2007).

Problem/issue

All of the notable documented immigrants mentioned above have positively impacted the United States in many different aspects. In addition to the academic, political, and technological impacts conducted by immigrants in the United States, we now move on to the economic impacts of undocumented immigrants, how they can be thought of as the “building blocks” of the United States economy, and how they are being taken advantage of in shaping and structuring the American market.

Often times, when an immigrant enters the United States illegally, s/he is in desperate need of finding a job. While undocumented immigrants are ineligible to receive work permits, they strive to find employers that are willing to grant jobs without requiring legal status, in exchange for low wages. A recent study states that 30% of undocumented immigrants work in restaurants, hand-packaging and assembly, and janitorial service jobs with an average (median) hourly wage of \$7.00 (Mehta, Theodore, Mora, Wade, p. 5). By accepting jobs at a company that pays wages lower than minimum, the unauthorized immigrant cuts costs for the company which, in turn, creates a higher demand for cheap labor by the company's competitors in the industry (Ojeda, p. 6). This high demand for low-cost labor not only influences the employer to hire undocumented immigrants to prepare and manufacture the products, but also creates a strong incentive for the consumer to purchase those products. Many stores like Walmart, Target, and the like sell products that are relatively low-priced, which is typically a direct result of low-cost labor. By having such stores in the market, the purchasing power of consumers rises, which motivates them to spend their money and circulate the liquidity of the dollar, thus stimulating the United States economy.

Since immigrants in general and undocumented immigrants in particular have a positive impact in fueling the United States economy, by providing efficient labor in addition to the entrepreneurial benefits mentioned earlier, an important question we should ask ourselves is why are these immigrants not welcome to enter the United States. According to a research paper published by Stanford University, the United States government does not have full control over who can gain entry into the country (Hanson, Scheve, Slaughter, Spilimbergo, pp. 7). Additionally, the paper states that, "Though the United States does not set the level of illegal immigration explicitly, existing policy in effect allows substantial numbers of illegal aliens to

enter the country.” (Hanson, Scheve, Slaughter, Spilimbergo, pp. 8). Many do not agree that the United States does not have full control over who crosses its borders, and that if the United States did not want “illegals” to enter, it can easily ban them. Clearly, there is a benefit associated with undocumented immigration, and it is being taken advantage of.

Governments taking advantage of immigrants who are in desperate need of staying in their country is not only limited to the United States. In the state of Kuwait, there exists a social group comprised of the descendants of immigrants from neighboring countries such as Iraq and Saudi Arabia who chose to illegally settle in Kuwait. Informally referred to as *Budoon*, members of this social group are not granted Kuwaiti citizenship status despite the facts that they are born and raised in Kuwait, have strong loyalty to the Kuwaiti government, and have been successful in many different fields. *Budoon*, which is an Arabic term that translates to the word “without”, do not have access to private education, scholarships, or any governmental benefits. The Kuwaiti government only allows them to participate in national sports teams or to serve the military, using them as tools and machines to run their country. This inhumane approach towards the *Budoon* social group has been condemned and criticized by many Middle Eastern human rights activists.

Similar to the the *Budoon* situation, undocumented immigrants are also, in many forms, being taken advantage of by the United States government and people. First, unlawfully present immigrants typically have a strong fear of deportation. Some employers take advantage of that fear and use it as a fueling method to make their unauthorized workers become more productive in the workplace. By threatening them with deportation, employers force their undocumented employees to perform well in their jobs and sometimes require the immigrant to work after-hours with very little breaks and days off. Second, the United States is gaining more from

undocumented immigrants than they are giving. Although there are costs to undocumented immigration, which will be discussed in further detail later in the text, the costs almost never outweigh the benefits. Undocumented immigrants receive no recognition for their effective efforts to the United States labor market and economy.

The ways in which the United States is taking advantage of undocumented immigrants are not only undoubtedly unjust, but they are also a contradiction to the perceived “greatest country in the world” image which the United States is portraying about itself to the world. Having a strict immigration system that has loopholes which allow illegal entry, for the sake of benefiting the economy and market structure is simply unjust. Such a system, whether it is a direct or indirect result of immigration law, should be reconsidered and reorganized into a system that is more compatible with the constitution, international law, and human rights.

Cost-Benefit Analyses

Though undocumented immigrants contribute to the United States labor market and economy, and provide the United States government with ideas, skills, abilities and human capital (Peri, p. 5), it is important to discuss the costs associated with undocumented immigrants. It is also important to note that the costs associated with undocumented immigrants are not merely financial; there are societal, legal, and opportunity costs that pertain to the United States government and citizens. By having undocumented immigrants in the United States, Americans fear that this will cause job competitiveness to increase and, in turn, opportunity to decrease.

Professor Giovanni Peri of the University of California at Davis argues against this idea by providing a comparison between educated and less-educated unlawfully present immigrants working in the United States, stating that both groups are “more likely to complement the job prospects of U.S.-born citizens than they are to compete for the same jobs as U.S.-born citizens” (Peri, p. 5). In addition, an article from The National Journal suggests that undocumented

immigrants do not take away jobs from Americans simply because both groups have different approaches to the job market, and that the average undocumented immigrant would most likely choose occupations that the average American would not want. The same report also shows the top ten occupations for unauthorized immigrants, and the top 10 occupations for Americans with no high school degree; the results show very minor overlaps in the preferred occupations between the two groups (Misra, 2016).

There is a mythological cost to undocumented immigration that should be taken into consideration; the cost of welfare. Welfare is more likely to be used by documented immigrants, not undocumented immigrants, than United States citizens due to their low income (Borjas and Hilton, p. 1). Moreover, a 2001 study shows that the *welfare magnet*, which is a hypothesis about the effect of welfare benefits by a state and how it impacts migration, is present in the United States today (Hanson, Scheve, Slaughter, Spilimbergo, pp. 56), possibly due to a misperception by undocumented immigrants about eligibility to federal welfare benefits. However, according to the Congressional Budget Office, undocumented immigrants contribute more to the United States revenue than they take out in benefits (CBO Report, p. 5). In addition, the Social Security Administration maintains around \$6.5 billion of Social Security contributions in an “Earning Suspense File (ESF)” for tax forms that are unable to be linked to the correct Social Security number (Griswold, 169). The ESF contains four percent of all Social Security accounts which is approximately the same percentage of United States unauthorized workers in the labor force (Griswold, 169). In short, undocumented immigrants are contributing billions of dollars to social security funds entered in inexistent Social Security numbers for benefits they will never receive. Undocumented immigrants are ineligible for all federal welfare benefits despite the amount of revenue they generate towards federal funds.

Other costs associated with undocumented immigration include education of undocumented immigrant children, and some healthcare benefits. Under the 1982 United States Supreme Court decision *Plyler v. Doe*, any child present in the United States, whether documented or undocumented, is eligible for attending primary and secondary public school education free of charge, and no public school can deny enrollment of any child on the basis of immigration status (Ruge and Iza, p. 259). Although the Court's decision is justified by the fact that "there was no empirical evidence presented to demonstrate that the policy would further some substantial state interest" (Ruge and Iza, p. 259), costs of education are not zero. According to the Federation for American Immigration Reform (FAIR), the total costs of education for "unaccompanied alien children" amounted to \$761 million in fiscal year 2014, with the state of New York having the largest share of the expenditures and Montana the lowest (Ruark, 2014). Healthcare costs, such as emergency-room care for undocumented immigrants and their families, are indeed paid by taxpayers since most undocumented immigrants have low income and do not hold any type of health insurance. However, the costs that pertain to healthcare for immigrants are "relatively modest costs that are not a major driver of escalating health care costs nationwide" (Griswold, p. 167).

Given the findings conducted in various research including the ones provided above, the costs related to immigration are quite slim given the benefits that derive from immigration. By formulating a cost-benefit analysis for the costs and benefits of undocumented immigration, the latter would undoubtedly outweigh the former. In other words, if we subtract the amount of costs associated with undocumented immigration from the benefits received from it, we would arrive at a positive number.

Conclusion

The United States of America has always been, and still is, a country of immigrants. It is a country that proudly opens its doors to victims of violence and tyranny, and gives sufferers of poverty and inequality the opportunity to start a new life. By providing nourishment and refuge to people in need, the United States is not only practicing a humanitarian act, but also advancing the social, academic, and economic aspects of its land. Unfortunately, nowadays, the United States is focusing more on its own interest at the expense of undocumented immigrants, which defeats the purpose of originally creating a country of immigrants.

Undocumented immigrants have been a huge factor in enhancing and structuring the United States economy, and creating a market that enables the United States to offer diverse products and services for its people which, in turn, allows it to sustain its well-being and continue to practice its constitutional goals. Immigrants have also structured and positioned the United States into becoming one of the leading nations in many disciplines. It is also proven, historically, that immigrants are a significant factor in advancing education through research and employment at prestigious universities. Overall, lawfully and unlawfully present immigrants have historically improved the economic, academic, political and technological aspects of the United States.

The United States has been taking advantage of undocumented immigrants by using them as machines to fuel the economy, and not providing them with enough in return. Threats of deportation, lack of opportunity, and discrimination against undocumented immigrants is an unjust matter that should be condemned by everyone. It is a hypocritical stand to benefit from the fruits of undocumented immigrants, while at the same time saying “we do not want you.” (Morrison, 2014). There should be a comprehension by American citizens and residents that the availability of fresh produce in grocery stores, access to low-priced goods and services, a diverse

economy and strong market structure are all due to the presence and efforts of undocumented immigrants. Americans should understand that without undocumented immigrants, the United States of America would not have been able to reach its current economic status, and it would not have been able to provide its citizens with the platform, tools, and methods to achieve the American dream.

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