ASPEN ECONOMIC STRATEGY GROUP
aspen institute

ECONOMIC POLICY
IN A MORE
UNCERTAIN WORLD

Why and How to Expand US Immigration

by Tara Watson

THE CHALLENGE

Decades of research demonstrate that there is scope for and value in significantly expanded immigration levels and a reimagined enforcement system. However, the current system is failing and Congressional action on the matter is minimal, if not non-existent. With more than 10 million people living in the United States without legal status, Congress ought to take action.

There is overwhelming economic evidence that immigration is good for growth and prosperity. Appropriate policy responses would increase economic activity and help with the growing demographic challenges in the United States. Watson recommends the following actions from policymakers:

- Gradually expand legal family immigration each year, expand employment-based migration opportunities, and loosen per-country caps
- Shift towards permanent rather than temporary migration pathways
- Discourage visa overstays and penalize employers who hire unauthorized immigrants
- Offer relief to long-term undocumented residents
- Redistribute funds to localities and individuals adversely affected by immigration
- Fund the bureaucratic infrastructure so that the system functions smoothly

ECONOMIC IMPACTS

Immigration benefits the US economy through several channels. The foreign-born population tends to participate in the workforce at a higher rate than native-born Americans and are more likely to move to areas of greater economic opportunity. Studies tend to show that immigrant inflows produce positive or null impacts on the average US worker's wage.[1] The federal government also gains from payroll and income taxes paid by immigrant workers, who often consume less in government benefits relative to what they pay in.

Immigrants can help the U.S. address its growing demographic challenges posed by population aging and declining fertility. In particular, immigration will play a key role in helping to maintain the nation's dependency ratio (the ratio of the working-age population to the population over 65) as its population ages. The US Census Bureau estimates that the US population would decline in the next four decades in the absence of immigration. The National Immigration Forum estimates that to maintain a dependency ratio in 2060 comparable to today's, annual net immigrant inflows must reach nearly 1.4 million, 37 percent higher than the pre-COVID baseline.

> "Immigrants can help the U.S. address its growing demographic challenges posed by population aging and declining fertility."

Although the economic evidence overwhelmingly favors expanding immigration to the US, there must be sensible policy in place to help certain individuals and communities who are adversely impacted. Workers at the bottom of the US income distribution, for example, find themselves competing with new migrants in the labor market. Similarly, some state and local governments in immigrant-heavy areas incur higher expenditures on education and health programs, which the federal government could help to offset.

TRENDS IN IMMIGRATION

Immigrants currently represent about 14 percent of US residents, similar to the foreign-born fraction of the population at the turn of the 20th century. The majority of today's immigrant population arrived from Mexico and Central America, and increasingly from Africa and Asia. Of the estimated 45 million foreign-born residents living in the United States today, about 21 million are naturalized US citizens. About half of the remaining, an estimated 12 million, are legal permanent residents, also known as green-card holders, and 2 million are legal temporary residents. Another estimated 10.5 million are undocumented, meaning they are living in the United States without legal status. Net migration has been declining since 2016, likely attributable to Trump-era policy decisions and rhetoric, bureaucratic backlogs, and COVID restrictions, among other factors.

APPROACHES TO IMMIGRATION POLICY

Immigration policy is within the purview of the federal government. Policies surrounding the number and composition of immigrants are primarily determined by Congress, however, implementation depends to a large degree on the executive branch.

Most immigrants who find themselves in the US through the permanent legal immigration system, or with "green cards", enter through family, employment, or humanitarian channels. Approximately 1 million immigrants are issued green cards each year. The number of immigrants admitted through family-based channels is not capped, but there is a per-country cap that was set in 1990. Employment-based categories face a strict quota cap, while humanitarian-based categories face asylum admission requirements, leaving thousands of applicants waiting in line each year. The United States relies heavily on family-based immigration, but the per-country cap on family migration does not quite align with the labor market needs of the US. These caps, which are outdated, leave the US at an economic disadvantage by turning away global talent.

While we see around 1 million immigrants issued green cards each year, there are roughly 2 million others, including students and workers, legally residing in the United States through a temporary program. Temporary migration programs can be economically beneficial by offering more flexibility to respond to immediate workforce needs, but can also be disadvantageous because such workers are bound to their specific employer. Challenges also arise when temporary migrants wish to stay in the United States, but their visas expire.

This can be avoided by offering more flexibility in the permanent employment-based program, otherwise temporary workers have to reapply for a visa every time a new job opportunity is available.

There are more than 10 million people living in the United States without legal status. Undocumented immigrants are more often arriving legally and overstaying their visas. For example, in 2019 an estimated 676,000 visa holders failed to leave on time. Watson argues that expanding opportunities for legal immigration, discouraging visa overstays, and strengthening employer-based enforcement would help to discourage unauthorized immigration. In addition to this approach, Watson urges a more humane approach to enforcement.

> "There is little economic rationale for turning away global talent at this scale. These workers would make significant economic contributions to the national economy."

BACKLOGS

The current immigration bureaucracy is overwhelmed. The backlog of pending green-card and other permanent adjustment-of-status applications grew from 3 million in 2013 to 8.4 million in 2022. While understaffing and inadequate funding were already the norm, these issues were exacerbated during the Trump presidency. The COVID pandemic has only accelerated these gaps into crises. A 2020 pause in processing, and continued pandemic-related issues since then, have worsened the situation. An estimated 250,000 green cards were "wasted" in FY 2021: permanent admissions authorized by law were not processed and cannot be used in future years. Similar backlogs exist in temporary visa processing, with nearly half a million people waiting for a visa appointment. The author suggests that adequate financial support for the immigration bureaucracy is essential, regardless of passing other policy reforms.

CONGRESSIONAL INACTION

Congress has primary authority over US immigration law, but has not authorized any significant immigration packages since 1996. Since then, the executive branch has stepped into the void with the Deferred Action for Childhood Arrivals (DACA). Lack of federal action has caused local authorities to step in. The Secure Communities program means that local law enforcement is a key partner in immigration enforcement, with jails submitting arrestee's fingerprints to federal criminal and immigration databases. The result is that immigration policy, ostensibly under federal purview, is decentralized and differs substantially across the country, echoing variations across presidential administrations. Bipartisan comprehensive reform is a necessary step towards a functional immigration policy.

ABOUT THE AUTHOR

Tara Watson

David M. Rubenstein Fellow, Brookings Institution

Tara Watson is an economist focused on U.S. social policy, with interests in the safety net, health, and immigration. She is professor of economics at Williams College, a research associate of the National Bureau of Economic Research (NBER), and a co-editor of the Journal of Human Resources. In 2015-16, Watson served as deputy assistant secretary for microeconomic analysis in the U.S. Treasury Department's Office of Economic Policy. She was previously a Robert Wood Johnson Scholar in Health Policy Research at the University of Michigan, a visiting scholar at the Federal Reserve Bank of Boston, and a research associate at the Princeton Center for Research on Child Wellbeing. Dr. Watson earned her Ph.D. in economics from Harvard University in 2003.Her 2021 book,"The Border Within: The Economics of Immigration in an Age of Fear", written with journalist Kalee Thompson, was released by University of Chicago Press.

About the Aspen Economic Strategy Group

The Aspen Economic Strategy Group (AESG), a program of the Aspen Institute, is composed of a diverse, bipartisan group of distinguished leaders and thinkers with the goal of promoting evidence-based solutions to significant US economic challenges. Co-chaired by Henry M. Paulson, Jr. and Timothy F. Geithner, the AESG fosters the exchange of economic policy ideas and seeks to clarify the lines of debate on emerging economic issues while promoting bipartisan relationship-building among current and future generations of policy leaders in Washington.

www.EconomicStrategyGroup.com   @econstrategygrp