

June 28, 2006

## US Immigration Reform: Some development implications

By Dilip Ratha, Irena Omelaniuk, and Sanket Mohapatra<sup>1</sup>

US Congress is debating the largest overhaul of US immigration law in two decades. This note describes a possible comprehensive approach involving increased control, some legalization and new temporary foreign labor schemes. It points out some implications for developing countries.

Some 11 million or 30% of foreign-born residents in the US are illegal - more than 7 million of them in the labor force. This amounts to an average 5% of the US workforce, but as much as 50% in agriculture. Illegal immigration is estimated to have grown from 3.5 million in 1990 to 11 million in 2005. This near tripling in the size of illegal immigration has occurred in spite of the Immigration Reform and Control Act (IRCA) of 1986, which sought to manage illegal immigration by coupling stronger border and interior controls with regularization, and other border control measures since IRCA. Heightened security concerns post September 11, 2001, have added a new dimension to the immigration reform debate, in the US and elsewhere.

The Bush administration has proposed comprehensive reform including increased border control, regularization and a new guest worker scheme. But with mid-term elections pending this year, Congress remains divided: the House has passed a border enforcement Bill that criminalizes immigration offenders but offers no legalization or temporary foreign labor openings. The Senate's Bill pegs increased border and interior enforcement to two guest worker schemes and a tiered system to legalize illegal immigrants in the country (table 1). A compromise will be sought in conference over the coming months. The outcome will interest other migrant-receiving countries like France and the UK, which are also looking at tighter migration measures.

**Table 1: Key components of the Senate and the House Bill**

Senate Bill (May 2006)	House Bill (December 2005)
<b>Enforcement</b> <ul style="list-style-type: none"> <li>• 370 mile fence; 500 mile vehicle barriers on the US-Mexican border;</li> <li>• 14,000 additional border patrol by 2011;</li> <li>• additional detention facilities.</li> <li>• electronic system for employers to verify legal hires.</li> <li>• \$20,000 max. fine for hiring an illegal worker.</li> </ul>	<b>Enforcement</b> <ul style="list-style-type: none"> <li>• 700 mile fence on the US-Mexico border.</li> <li>• jail sentences for smuggling.</li> <li>• database for employers to verify Social Security numbers of employees.</li> <li>• \$40,000 max. fine for hiring illegals.</li> <li>• illegal presence in the country a felony, and penalties for first-time illegal entry.</li> </ul>
<b>Regularization</b> <ul style="list-style-type: none"> <li>• 5 years in the US = regularization and eventual citizenship, after paying a fee and back taxes.</li> <li>• 2-5 years in the US = apply outside the US to return.</li> <li>• 1-2 years = leave the US.</li> </ul>	n/a

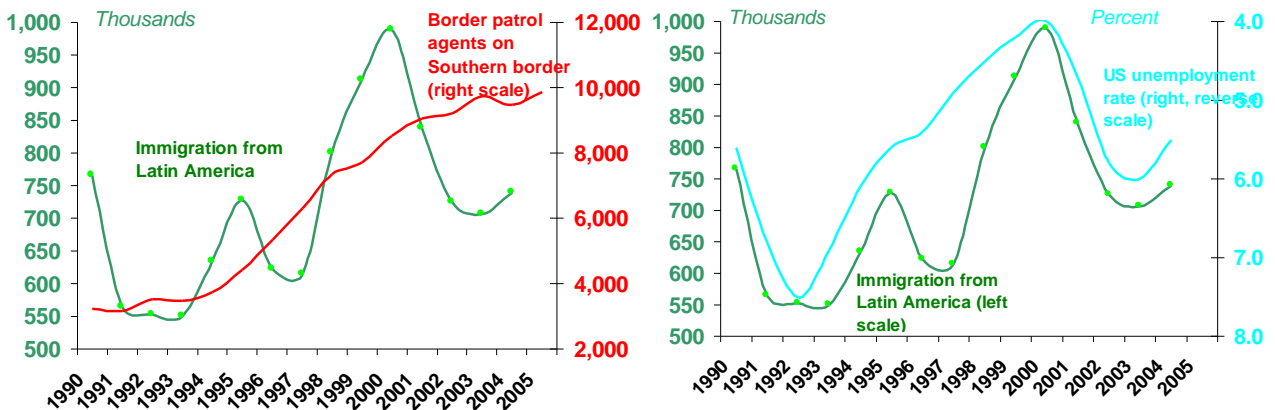
<sup>1</sup> Migration and Remittances Team, Development Prospects Group, World Bank.

<p>Guest Worker programs</p> <ul style="list-style-type: none"> <li>• 200,000 new temporary visas (H2-C).</li> <li>• Agriculture Guest Worker scheme (AgJOBs) for 1.5 million farm workers, leading to permanent residence.</li> </ul>	n/a
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Source: Washington Post, 2 June 2006

The proposed reforms will affect the size and composition of the immigrants in the US, with implications for developing countries. Analysts believe that stricter border enforcement alone is unlikely to stem illegal immigration if the latter is driven largely by better employment opportunities in the US than at home (figure 1). Under the Senate Bill, more than 7 million are likely to apply for regularization, some 2.5 million may need to leave and re-apply at a port of entry, and 1.5 million may be required to return home (Pew Hispanic Center). It is likely that many of the migrants ineligible for legalization will remain in the US. IRCA granted residence to 2.7 million illegals after 1986, which reduced the size of the illegal population in the short term. In the longer term illegal immigration rose again, and by 1997 had entirely replaced the earlier illegal population (INS; CIS, 2000; Orrenius, 2003).

**Figure 1: Border control had little effect on immigration from Latin America (left panel) which is more correlated with the US unemployment rate (right panel)**



Source: Passel and Suro (2004), US DHS and BLS

**Regularization will initially imply significant costs for illegal migrants seeking legal status, but in the longer term, legalized migrants will enjoy higher incomes.** Applicants for regular status, either within the US or from a port of entry, are likely to pay visa processing fees, back taxes and a regularization fee (the Senate set \$1,000 in the first year; \$3,250 over 6 years). Those who leave and apply outside the US would also pay travel costs and forfeit income during this process. These costs could be more than 20% of income in the first year, depending in part on family size. Many are likely to incur additional costs to bring other family members in from the home country.

In the longer term, legalized migrants will enjoy increased job mobility, including from seasonal to more permanent work, and potential wage increases. Under IRCA, those who were legalized were estimated to gain wage benefits of less than 10% depending on sector, language skills and education (Kossoudji and Cobb-Clark, 2002). With the average income of illegal workers estimated at \$10,000-\$25,000 a year in 2005, any increase under new reforms are likely to be less than \$2,000 p.a. in the early years, but low income legal migrants may also be able to supplement this with a tax refund. (Congressional Budget Office estimates aggregate tax refund benefits to the migrants of some \$29.4 billion in the next decade). More immigrant students are likely to be eligible for student loans, and more families will be entitled to Medicaid and food stamps.

**For countries of origin, remittance growth is likely to moderate in the immediate term but recover in the longer term.** Remittances from newly regularized migrants could initially decelerate due to fees, fines, taxes, and possible increased use of smugglers for family reunification, where visas take long to process. Pew Hispanic Center data suggest that 35-45% of illegals are likely to pay first-time taxes, which could reduce their disposable incomes and remittances.

In the longer run, remittances through formal channels are likely to grow, due to increased numbers of legal migrants with access to financial services, higher incomes in the formal sector, and greater legal circulation (implying more returns with accumulated savings). And to the extent that illegal immigration continues in the longer term, remittances will also increase.

For countries which have significant illegal migration to the US, such as Mexico, legalization and new avenues for legal temporary migration will assure safer flows of people. Greater predictability of legal flows may also enable the Mexican and other governments to better plan their labor market and emigration policies, and strengthen their position as partners to destination countries in planning migration policies for the future. It all depends, however, on whether the new measures provide legal avenues for migration, and whether such avenues are wide enough.

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