

The Economics of Immigration Enforcement

Assessing the costs and benefits of mass deportation

by **Edwin S. Rubenstein**

SYNOPSIS

In July 2005, the Center for American Progress published a report assessing the costs of arresting, detaining, prosecuting, and deporting illegal aliens. The study, *Deporting the Undocumented: A Cost Assessment*, estimated that the total cost of mass deportation would be between \$206 and \$230 billion over five years or an average cost of between \$41 and \$46 billion annually over a five year period. The following paper reviews the data on mass

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deportation. In reassessing the cost, the following analysis compares and contrasts what an amnesty would cost taxpayers in terms of social services, lost wages, health care subsidies, and educational expenditures. The author concludes that comparative estimates demonstrate “no matter how high the costs of deporting illegal aliens may seem, the costs of not deporting them are larger still.”

A July 2005 study questions whether deporting illegal immigrants would be worth the costs. *Deporting the Undocumented: A Cost Assessment* is published by the Center for American Progress, a liberal think-tank. Its authors claim the study is the first-ever estimate of costs associated with arresting, detaining, prosecuting, and removing immigrants who have entered the United States illegally or overstayed their visas.

The cost of mass deportation?: \$206 to \$230 billion over five-years, depending on how many illegals leave voluntarily. That’s

an average cost of \$41 billion to \$46 billion per year for five years. About 10 million illegals would be subject to deportation, according to the study.’

Advocates for tougher immigration laws say the estimates are too high. Mark Krikorian of the Center for Immigration Studies argues, for example, that as many as 50 percent of illegals would leave voluntarily if the government were to initiate an aggressive deportation policy. By contrast, the study assumes only 10 to 20 percent would leave voluntarily.

Rep. Tom Tancredo (R. – CO) called the study “an interesting intellectual exercise” that is “useless.. .because no one’s talking about” mass deportation. Rather than deport individuals he would impose fines and impose sanctions on employers who employ illegals – something the government has stubbornly refused to do.

We believe that neither the pro- nor the anti-immigration groups are asking the right

questions. Neither side has assessed the costs of maintaining the status quo, i.e., the annual costs of an immigration policy that refuses to either stem the influx of illegal aliens or deport illegals already here.

Illegal aliens are poorer than natives. They are eligible for welfare, medical assistance, and housing subsidies. Like all people, they enroll their children in school, drive on roads, and require police, fire, and sanitation services. They are also more likely to be incarcerated.

They also pay taxes. Even when working “off the books” illegal immigrants can’t avoid paying excise, sales and other taxes. So the fact that they receive public benefits does not necessarily mean they are a net drain. Unfortunately, every study of the fiscal impact of immigration finds that the public expenditures attributable to illegal immigrants exceed their tax payments by a wide margin.

In addition there are indirect economic costs. Illegal immigrants reduce the incomes and employment opportunities of U.S.-born workers. Since the 1986 amnesty illegal aliens have become the largest contributor to U.S. labor force growth. Immigrant inflows – about one-third to one-half of which are comprised of illegal immigrants – accounted for almost half of U.S. labor force growth in recent years, and even more in certain areas and industries.²

About 15 percent of U.S. workers were foreign born in 2004, up from 10 percent in 1990.

Exactly how much of a reduction this has had on incomes of U.S. born workers cannot be known with certainty. A study by Harvard University Professor George Borjas concludes, however, that every 10 percent increase in the U.S. labor force due to immigration reduces wages of native workers by about 3.5 percent.³ If Borjas is right, the income lost by displaced native born workers is enormous and growing rapidly.

In this paper we will show that, no matter how high the costs of deporting illegal aliens may seem, the costs of *not* deporting them are larger still.

Illegals Hurt Government Finances

Illegal aliens receive more than \$26.3 billion in federal services while paying only \$16 billion in federal taxes, creating a net fiscal deficit of about \$10.3 billion. The figures for 2002 are from a report published by the Center for Immigration Studies in 2004.

These are conservative estimates. CIS assumes, for example, an illegal immigrant population of 8.7 million (the official Census Bureau figure)

versus 10 million assumed in the deportation study. Other researchers have put the illegal alien population as high as 20 million.⁵ Moreover, CIS ignored the costs illegal immigrants impose on state and local governments.

Here are details from the CIS study (*See Chart 1*):

The average illegal alien household receives \$2,736 more in federal government services than it pays in taxes. Since there are at least 3.8 million such households, the total drain on the federal budget due to illegal aliens is \$10.3 billion (\$2,736 x 3.8 million).

State and local governments incur even larger net deficits from illegal immigration. This is the conclusion drawn by a

Chart 1

Federal Taxes and Expenditures per Illegal Alien Household, 2002

<i>Tax Payments</i>	
Income tax	\$1,371
Social Security	\$1,687
Medicare	\$446
Unemployment	\$83
Corporate income tax	\$64
Excise and other taxes	\$641
Total Tax Payments	\$4,212
<i>Expenditures</i>	
Social Security & Medicare	\$289
Welfare	\$222
Food assistance	\$499
Medicaid	\$658
Treatment for uninsured	\$591
Other transfer payments	\$442
Federal Aid to Education	\$371
Other Expenditures	\$760
Total Expenditures	\$6,949
Fiscal Deficit (Taxes less costs)	\$-2,736

Source: Steven A. Camarota, *The High Cost of Cheap Labor: Illegal Immigration and the Federal Budget*, CIS, August 2004, Table 2.

comprehensive study sponsored by the National Research Council in 1997, which examined the

immigrant household's estimated share of: police and fire, public works, general health, recreation, higher education, and municipal assistance.

An Amnesty Makes Things Worse

In January 2004, President Bush proposed a guest worker program which would, in effect, grant amnesty to all illegal aliens currently residing in the United States. If enacted into law, this proposal will exacerbate the fiscal burden of today's illegal aliens.

On the revenue side amnesty would have a positive impact, making taxpayers out of erstwhile tax evaders. Federal taxes paid by a typical illegal alien household would increase from about \$4,200 to \$7,450 – an increase of \$3,250 or 77 percent – following an amnesty.⁶ That translates to \$12 billion in additional Federal tax revenues

Unfortunately, government spending would increase even more. Costs rise because amnestied illegals would be eligible for many government transfer programs currently unavailable to them. Even if they themselves were barred from using some means-tested programs, newly amnestied illegals would be more likely to enroll their U.S.-born children, who would qualify for these services. We know this because legal immigrants enroll their children in programs like Medicaid at far higher rates than do illegal immigrants with similar education and income levels.

Federal expenditures on behalf of illegals would more than double following an amnesty, rising from \$6,949 per immigrant household to about \$15,100 per immigrant household.⁷

Chart 2

State and Local Taxes and Expenditures per Immigrant Household: California (2002 dollars)

<i>Tax Payments</i>	
Income tax	\$1,181
Property tax	\$1,065
Sales tax	\$629
All other	\$5,645
Total Payments	\$8,521
<i>Expenditures</i>	
K-12 education	\$4,501
Transfers to households	\$1,627
All other	\$6,216
Total Expenditures	\$12,344
Fiscal Deficit (Taxes less spending)	-\$3,823
<small>Source: National Research Council, <i>The New Americans: Economic, Demographic, and Fiscal Effects of Immigration</i>, 1997. Table 6.3.</small>	

fiscal impact of immigrants in California. While it did not explicitly compare illegal and legal immigrants, the NRC research staff calculated that immigrants generated a net fiscal deficit of \$3,463 per household – i.e., they received \$3,463 (1996 dollars) more in state and local spending than they paid in state and local taxes.

In the following table we update NRC's figures to reflect 2002 dollars (See Chart 2):

State and local government expenditures include their share of K12 education and means-tested programs like Medicaid, Aid to Families with Dependent Children (AFDC, now TANF), SSI, and other transfer programs. "Other" expenditures include the

Native-born California households pay an average \$1,301 per year to finance the \$3,823 transferred to the average immigrant household, according to the NRC report.

Using the California figure (\$3,823 per immigrant household) as a proxy for the national average, we estimate that the state and local deficit attributable to illegal aliens is approximately \$15 billion (3.8 million households x \$3,823 per household.)

The total (federal, state, and local) deficit attributable to illegal aliens is therefore \$25-\$10 billion (federal) and \$15 billion (state and local).

Implications:

- Deportation would relieve U.S.-born taxpayers of a \$25 billion per-year subsidy currently paid to illegal alien households.
- This savings would pay for the total cost of deportation in 8 to 9 years.
- And we haven't yet considered the increased income native workers would enjoy following mass deportation of illegals.

An amnesty would thus increase total federal spending by about \$31 billion or \$12 billion more than its estimated positive impact on federal revenues. The Federal deficit attributable to illegal aliens would thus rise to \$29 billion following an amnesty, nearly triple the status quo estimate of \$10 billion.

An amnesty would not alter the fiscal balance in California for the simple reason that illegal alien households are *already* eligible for most public services in that state. Therefore we can add the current state and local deficit (\$15 billion) to the \$29 billion Federal deficit under amnesty to arrive at a \$44 billion total fiscal deficit under an amnesty.

- Deportation would relieve U.S.-born taxpayers of a \$44 billion per-year subsidy they would pay to illegal aliens following an amnesty.
- This savings would pay for the total deportation costs in about 5 years.

Selected Public Expenditures for Illegal Aliens

Medical Care

A recent survey paints a bleak picture of immigrant medical care, claiming that immigrants receive about half the health care services provided to native-born Americans. Immigrants received an average \$1,139 worth of care, compared with \$2,564 for non-immigrants, according to the analysis published in the August 2005 issue of the *American Journal of Public Health*.⁸

“The truth is, immigrants are actually helping to subsidize care for the rest of us,” says a summary of the AJPH article.⁹

We have shown above that the public benefits received by immigrants far exceed their tax payments. The notion that immigrants somehow “subsidize” natives is absurd. The subsidy clearly goes from natives to immigrants.

The fact that immigrants receive less medical benefits per capita than natives reflects the demographic and socio-economic differences between the two groups. Immigrants are generally much younger than natives, and are therefore less likely to need expensive treatments or long-term care. The age gap is especially wide for illegals:

- Children under 18 account for 35 percent of the persons in illegal alien families, 29 percent in legal immigrant families, and only 24 percent in native families.
- At the other end of the spectrum, virtually none of the illegal immigrant population is elderly (65 and above), while 1 out of 6 of both natives and legal immigrants are aged 65 and above.
- Among working-age (18-64) adults, the illegal alien population is also much younger: 84 percent of illegals in this age bracket are under age 45 versus 60 percent of legal immigrants and natives.

Most immigrants are poorly educated and lack basic skills required for middle-class jobs – jobs that include health insurance

coverage. Even full-time non-citizen workers are at a great disadvantage, with nearly half – 49 percent – lacking employer-based health coverage compared to just 19 percent of full-time U.S.-born workers.¹¹

Not surprisingly, the share of immigrants lacking any health insurance coverage (33 percent) is significantly above that of U.S. natives (12 percent).¹² Immigrants accounted for more than half – 59 percent – of the growth in the uninsured population during the 1992-2001 period. When you include the 3.5-million immigrants enrolled in Medicaid, almost half of all immigrants either are uninsured or have it provided to them at taxpayers’ expense.¹³

The Emergency Medical Treatment and Active Labor Act of 1985 (EMTALA) requires that every emergency room in the nation treat illegal aliens for free. An “emergency,” as defined by this statute, is any complaint brought to the ER, from hangovers to hangnails, from gunshot wounds to AIDS. The hottest ER diagnosis, according to medical lawyer Madeleine Cosman, is “permanent disability” – a vaguely defined condition that covers mental, social, and personality disorders.¹⁴

Drug addiction and alcoholism are among the fastest growing “disabilities.”

- In 1983 only 3,000 ER cases were classified as DA&A.
- In 1994 DA&A cases exploded to 101,000.
- In 2003 about 325,000 such

cases were reported.

Immigrants get more than medical treatment. A “disability” diagnosis automatically qualifies them for Supplemental Security Income (SSI), a federally funded cash transfer payment. The numbers are staggering:

- 127,900 immigrants on SSI in 1982 (3.2 percent of recipients).
- 601,430 immigrants in 1992 (10.9 percent of recipients).
- 2 million in 2003 (about 25 percent of 551 recipients).

Unlike the other laws affecting illegal aliens, EMTALA is vigorously enforced. Hospital ERs must have physicians available to them at all times from every department and specialty covered

groups are granted more authority than doctors in these matters.

Mexicans regard EMTALA as “their” entitlement: Ambulances drive *from* Mexico to U.S. border hospitals, drop off indigent patients, and leave secure in the knowledge that their fares will be admitted. EMTALA requires hospitals to accept anyone who is within 250 yards of a hospital – no matter how they got there.¹⁵

The uncompensated medical costs stemming from EMTALA forced 84 California hospitals to close over the past decade. This obviously impairs medical care for all Californians – native and immigrant alike.

U.S.-born children of illegal immigrants are U.S. citizens, and are therefore entitled to the full

2002.¹⁷

That may sound high until you consider that illegals account for at least one-quarter of the total foreign-born population and a still larger share of foreign-born females in the prime child-bearing years, 18 to 39. Moreover, their fertility rate – the average number of births per mother of childbearing age – is higher than that of legal immigrants.

There are an estimated 3 million such “anchor babies” living in the United States. They have enabled illegal immigrant households to become eligible for Medicaid at rates greater than either natives or legal immigrants (*See Chart 3*).

Medicaid is the fastest growing expense of state governments. A survey of state budgets found an average 12.1-percent rise in Medicaid outlays was projected for FY2005.¹⁸ At that rate, Medicaid payments will double every six years.

The immigrant and anchor baby caseload is a major factor behind Medicaid growth. The problem has forced even liberal states to take very un-PC measures to curtail spending:

- In 2002 Massachusetts considered making 9,500 illegal aliens ineligible, thereby saving an estimated \$13 million annually.
- Minnesota contemplated removing 4,500 illegal aliens from the General Assistance Medical Care coverage.
- In 2002 New Mexico considered eliminating some

Chart 3

National Trends in Medicaid Participation Rates

(Percent of Households Receiving Assistance)

	Natives	All Immigrants	Illegal Immigrants
1994	13.5%	21.3%	NA
1995	13.2%	21.9%	NA
1996	13.5%	20.5%	23.2%
1997	12.5%	18.7%	19.8%
1998	12.1%	18.8%	19.0%
1999	12.1%	18.6%	20.3%
2000	12.6%	19.9%	22.2%
2001	13.4%	21.8%	24.2%

Source: George Borjas, “The Impact of Welfare Reform on Immigrant Welfare Use,” Center for Immigration Studies (CIS), March 2002. Table 2 <http://www.cis.org/articles/2002/borjas.htm>; Steven Camarota, “Back Where We Started,” CIS, March 2003. Table 1. <http://www.cis.org/articles/2003/back503.pdf>

by the hospital. The Feds impose fines of up to \$50,000 on any physician or hospital refusing to treat an ER patient – even when the attending physician examines and declares the patient’s illness or injury to be a non-emergency. Lawyers and special interest

gamut of Medicaid services. Births to illegal alien mothers – AKA “anchor babies” – accounted for a whopping 42 percent of all immigrant births in 2002.¹⁶ The cost of delivering and caring for babies born to uninsured illegal alien mothers was estimated at \$1.7 billion in

emergency medical services for illegal aliens.

- In October 2002 Washington State halted benefits to 29,000 illegal aliens, hoping to save \$25 million a year. The state faced a \$2.6 billion budget deficit.

- In 2003 Colorado became the first state to remove legal immigrants from Medicaid rolls, saving \$2.7 million.¹⁹

- On June 22, 2005 the Governor of Maryland proposed eliminating Medicaid coverage for children and pregnant women who are legal permanent residents, saving \$7 million.²⁰

Early in 2005 the Virginia legislature passed a bill that will deny illegal immigrants access to non-emergency Medicaid services. The new law would require Medicaid recipients prove their legal status by producing the same documents used to obtain a drivers license. Applicants now simply check a box affirming that they are legal residents.

Illegals Bring Disease

Madeleine Cosman's report in the spring 2005 issue of the *Journal of American Physicians and Surgeons* documents the threat to public health posed by illegal immigrants. She is particularly alarmed at the increases in drug-resistant tuberculosis, Chagas disease, dengue fever, polio, and hepatitis A, B, and C.

"Certain diseases that we thought we had vanquished years ago are coming back, and other diseases that we've never seen or

rarely seen in America, because they've always been the diseases of poverty and the third world, are coming in now," she says.

The Centers for Disease Control reports that illegal immigrants account for over 65 percent of communicable diseases (TB, hepatitis, leprosy, AIDS, etc.) in the U.S. While immigration officials routinely screen out immigrants who are carrying the diseases, the illegals slip over the border unchecked.²¹

TB is generally regarded as the most common infectious disease found in immigrants. More than half (53.4 percent) of all TB cases reported in 2003 involved foreign-born persons.

The disparity between native and immigrant TB rates increased significantly over the past decade:

- TB cases among U.S. natives fell from 17,464 in 1993 to 8,903 in 2003, a 49 percent decline.

- TB cases among immigrants rose from 7,354 in 1993 to 7,902 in 2003, a 7.5 percent increase.

- The TB case rate for immigrants in 2003 (23.6 per 100,000 population) was nearly ten-times that of natives (2.7 per 100,0(X) population).

- Immigrant children are at least 100-times more likely to be infected than children born in the U.S.²²

The number of people at risk of contracting TB is potentially far greater than these numbers might suggest:

- Approximately 7 million foreign-born persons are infected with TB, although most are not

active cases.

- It is estimated that each active case infects 10 to 20 more people via airborne bacteria spread through coughing.

- It can take years for the symptoms to present themselves.

What's worse, the form of TB most common among illegal aliens is a drug-resistant type – with a higher death rate than cancer.

California has the largest TB caseload – 3,205 reported cases in 2003 – of which more than three-quarters (75.6 percent) were foreign-born. Texas and Arizona are also among the top ten in active TB cases.

But this problem is not confined to the border states. In northern Virginia, for example, foreign-born residents accounted for 92 percent of the new TB cases in 2000.²³ Prince Georges County Virginia reported a staggering 188 percent rise in TB cases in 2002, linked by health officials to illegal immigrants from Mexico. Queens, NY, Portland, Maine, Del Ray Beach, Florida, Minnesota, and Michigan have also reported TB outbreaks linked to recently arrived immigrants.

How many native-born Americans are made ill due to contact with illegal aliens? How much do they spend on medical care to get well? There are no hard numbers on this.

It's clear, however, that illegals are bad for our physical, as well as our fiscal, health.

Welfare

Since the New Deal, and especially since the Great Society, the U.S. has erected an elaborate anti-poverty safety net. The major beneficiaries of this net, almost by definition, are families and individuals least able to compete in the job market. Evidence suggests that immigrants as a whole – and especially new arrivals – depend heavily on transfer programs.

Pervasive poverty guarantees high levels of welfare use. An analysis of Census Bureau survey data reveals 33.9 percent of households headed by a legal Mexican immigrant and 24.9 percent headed by an illegal Mexican immigrant receive at least one major welfare program. By contrast, 14.9 percent of native households receive welfare. More troubling still is the persistence of dependency among immigrant households. Years after they come to the U.S. Mexican immigrants remain far more dependent on welfare than natives.

George W. Bush's proposed amnesty, insofar as it will benefit mainly illegals from Mexico, will increase welfare costs for state and local governments. Due to their low levels of education, Mexican immigrants experience limited economic mobility in the United States. The poverty rate for Mexican immigrants (24.4 percent in 2002) is one-third higher than that of all immigrants (16.1 percent) and more than twice that of persons born here (11.1 percent).²⁴

Welfare benefits vary from

state to state. The income thresholds and rules regarding eligibility of illegal households are also left to state welfare departments. In the wake of an amnesty, however, it is reasonable to expect states to treat their newly amnestied illegals no differently than they now treat

“...the cost of providing public services to illegal immigrants exceeds the taxes they pay. This is especially true in the case of public education, which relies heavily on local property taxes.”

legal immigrants.

Equal treatment portends a significant increase in welfare costs, however. Households headed by illegal aliens received approximately \$1,040 in benefits and cash payments in 2001, mainly in the form of Medicaid for their U.S.-born children. By contrast, legal immigrant households received an average \$2,222 in welfare benefits.²⁵

Implication:

- Illegal immigrants currently receive about \$4 billion (3.8 million households X \$1,040) worth of welfare benefits.
- If each illegal immigrant household takes advantage of the Bush amnesty program, their welfare benefits will increase by

another \$4.5 billion.

Education

Elementary and secondary education is the most expensive item funded by state and local government. In 2001 more than 40 percent of local government general expenditures, or about \$392 billion, was spent on K-12 education.

Thanks to a 1982 Supreme Court ruling, the children of illegal immigrants are entitled to a public education. An estimated 1.1 million school-aged children of illegal immigrants are living in the United States according to the Urban Institute. That figure, however, is based on a total illegal immigrant population of 8.5 million. Using the Bear Stearns estimate – 20 million – the school-age population of illegals could easily reach 2.5 million.

At \$8,745 per pupil (the average cost of K-12 education in the U.S.) the cost of educating illegal immigrant children comes to \$21.9 billion. ESL, bilingual education, and other immigrant-oriented programs can increase per pupil costs by 15 percent to 25 percent. That pushes the cost of educating illegals to \$27 billion.²⁶

It is reasonable to ask whether the cost of educating illegal alien children is offset by their parents. We have shown above that the cost of providing public services to illegal immigrants exceeds the taxes they pay. This is especially true in the case of public education, which relies heavily on

local property taxes. Even illegals who work “on the books” are unlikely to own property.

Amnesty will have no immediate impact on education costs: illegals are already in the public education system. In the long-run, however, the Bush amnesty will accelerate the influx of new illegals, whose U.S.-born children must be educated at public expense. In the end this may be the largest direct government expense associated with amnesty.

Beyond the dollars, there is also the possibility that an increasing share of teacher class time will be devoted to the special needs of immigrant children. This will inevitably diminish the educational experience for native children.

Prisons

Criminal aliens – illegal immigrants convicted of crimes – are a growing drain on scarce criminal justice resources. On June 30, 2003, 34,456 criminal aliens were held in Federal jails, representing 23.5 percent of all prisoners in Federal custody. The illegal alien share of the Federal prison population is about four-times greater than their share of the total U.S. population.

Holding criminal aliens in Federal prisons cost taxpayers \$891 million in 2002, according to figures available from the Bureau of Justice Statistics. Following an amnesty the number of criminal aliens in U.S. prisons will increase, as will the public costs of their incarceration.

We estimate that another \$525

million is spent incarcerating non-citizen inmates in state and local jails. Only 5 percent of jail inmates, or about 24,000, are non-U.S. citizens. This relatively low percent reflects the fact that most non-U.S. citizens are convicted of federal crimes such as immigration violations, and sent to federal prison.

The 1986 Immigration Act authorized INS (now Department of Homeland Security) to deport criminal aliens upon completion of the prison sentence. Deportation hearings are supposed to be held while the alien inmate is in prison so they can be expeditiously deported upon their release. A 1997 GAO report found a shocking number of convicted illegal aliens were allowed to remain in the country following their release:

INS did not identify many deportable criminal aliens before their release from prison. For the second half of fiscal year 1995, this resulted in nearly 2,000 criminal aliens, including some aggravated felons, being released into U.S. communities without an INS determination of the risk they posed to public safety. GAO asked INS to determine whether there had been post-release criminal activity by 635 of these criminal aliens. INS determined that 23 percent had been rearrested for crimes, including 183 felonies.²⁷

Only one-third (32 percent) of the 17,320 foreign-born inmates

released in the last half of 1995 were deported. Nearly 6,000 of these criminal aliens were never in any sort of deportation proceedings – i.e., they fell through the INS processing cracks entirely.

Mass deportation of criminal aliens would pay for itself. It is long overdue.

Indirect Costs: The Displacement of Native-born workers

A complete accounting of illegal immigration must consider its impact on the incomes and benefits received by U.S.-born workers. Since the 1986 amnesty, illegal aliens have become one of the largest contributors to U.S. labor force growth. Immigrant inflows – about one-third to one-half of which are comprised of illegal immigrants – account for almost half of U.S. labor force growth in recent years, and even more in certain areas and industries.²⁸

By increasing the supply of unskilled, poorly educated workers, illegal immigrants reduce the incomes of many U.S.-born workers.

It wasn't supposed to be this way. The 1986 immigration act required employers to verify that their employees were eligible to work in the U.S. Counterfeit IDs plus the INS's unwillingness to hold employers accountable for hiring workers with these bogus documents allowed illegal immigrants to inundate the workforce after 1986.²⁹ More recently the INS subpoenaed employment records of large

Chart 4

Foreign-born U.S. Labor Force, 1980-2050

(Annual averages; Levels in 1000s)				
	Total	US Born	Foreign Born	% Foreign Born
1980	106,940	98,492	8,448	7.9%
1990	125,840	113,508	12,332	9.8%
2000	140,863	123,158	17,705	12.6%
2001	141,815	123,400	18,415	13.0%
2002	144,863	124,584	20,279	14.0%
2003	146,510	125,393	21,117	14.4%
2004	147,390	125,282	22,109	15.0%
Projections(a):				
2010	159,386	128,536	30,850	19.4%
2025	208,002	137,045	70,956	34.1%
2050	436,871	152,499	284,373	65.1%
SOURCE: 1980, 1990: Census.				
2000-2003: Current Population Survey (CPS), unpublished data sent to author by Abraham				
Mosisa, Census Bureau, (202) 691-6346.				
2004: CPS, as reported in Andrew Sum, Northeastern University.				
a. Projections extrapolate average annual growth rate, 2000-04, for native and foreign born.				

employers suspected of employing illegals. A huge outcry from industry associations, Hispanic groups, and Congressmen in the affected states, forced the INS to back off.³⁰

Illegal immigrants come here mainly to work. Employer sanctions offer a far more cost effective way of dealing with them than mass deportation. Unfortunately, the INS/Homeland Security's employer-sanctions program has all but disappeared:

- Investigations targeting employers of illegal immigrants fell more than 70 percent, from 7,637 in 1997 to 2,194 in 2003.
- Arrests on job sites plunged from 17,554 in 1997 to 445 in 2003.
- Fines levied for immigration-law violations fell from 778 in 1997 to 124 in 2003.

Even in cases where the INS

has evidence that employers are violating the law, the agency tends to back off if the employer pleads ignorance or fights the fine. That's why of the 2,194 investigations completed last year, the INS imposed fines in only 124 of them – about one out of twenty.

A credible employer sanction policy requires that stiff fines be levied to offset the cost savings of hiring low wage immigrants. This is not what we find, however. The INS fined employers of illegal aliens \$5.3 million in 2002, but collected only \$2.6 million.³¹ The agency was unable to collect a dime from nearly a quarter of those employers, and agreed to drastically reduced settlements with many others.

The wage reduction suffered by U.S.-born workers depends on the size of the immigrant workforce relative to the native workforce. Unpublished BLS data show a rapid growth in the foreign-born share of the U.S.

labor force (See chart 4).

The foreign-born share of the U.S. labor force rose from 9.8 percent in 1990 to 15.0 percent in 2004, and will reach 34.1 percent in 2025 if the growth rates of the past few years continue. Illegal aliens currently account for about one-quarter of the foreign-born U.S. labor force – or about 3.5 percent of all workers.³²

If these trends continue:

- **By 2025, illegal alien workers could account for 8.5 percent of the U.S. labor force.**

Competition from illegal immigrants will reduce wages of native-born workers. Exactly how much of a reduction cannot be known with certainty. A study by Harvard University Professor George Borjas concludes, however, that each 10-percent increase in the U.S. labor force due to immigration reduces native wages by about 3.5 percent.³³

- **Deporting illegal alien workers could therefore increase native wages by approximately 3 percent ((8.5/10.0) x 3.5 percent.)**

The 3 percent is an average. Among natives without a high school education, who roughly correspond to the poorest tenth of the workforce, the impact will be larger – perhaps 3 percent. Similarly, the negative effect on native-born black and Hispanic workers is significantly larger than on whites because a larger share of minorities is in direct competition with immigrants.

Immigration does more than just lower the incomes of natives.

Chart 5

Tax Revenues Lost From Displacement of U.S.-Born Workers by Illegal Alien Workers (\$ Billions)			
	Total Revenues	Revenue Loss	Percentage Loss
<i>Federal Tax Revenues (2004)</i>			
Individual Income Taxes	\$809.0	-\$21.0	- 2.6%
Social Security Taxes	733.4	-19.1	- 2.6%
Excise Taxes	69.9	-1.8	- 2.6%
Sub-total-Federal	\$1,612.3	-\$41.9	- 2.6%
<i>State and Local Tax Revenues (2002)</i>			
Individual Income Taxes	\$202.8	-\$5.3	- 2.6%
Sales and use taxes	\$324.0	-8.4	- 2.6%
State and Local Subtotal	\$526.8	-\$13.7	- 2.6%
Fed., State, Local Total	\$2,139.1	-\$55.6	- 2.6%

Source: Federal Revenues (2004): OMB; State and Local Tax Revenues (2002): Tax Foundation. Revenue loss estimates calculated by author.

Immigration also induces a substantial redistribution of wealth away from workers who compete with foreign-born workers and toward corporations and well-to-do Americans who derive most of their income from dividends, capital gains. Illegal immigration is a major reason for the increasingly skewed income distribution in the United States.

Revenues Lost Due to Lower Native Income

The displacement of U.S.-born workers by illegal aliens exerts a large negative impact on certain taxes. Revenues from personal income taxes, payroll taxes, sales and excise taxes decline. By contrast, corporate income tax receipts probably are higher because illegal alien workers reduce the costs and increase the profits of U.S. corporations.

A “quick and dirty” way to estimate lost revenues is to

assume that the taxes sensitive to personal income decline at the same rate as personal income. If U.S.-born workers suffer a 3 percent average reduction in income, total U.S. personal income will fall by about 2.6 percent, the difference reflecting the fact that native-born workers receive 88 percent of U.S. personal income.³⁴

Using this model, illegal aliens generate the following revenue losses (*See chart 5*).

The revenue loss due to illegal aliens displacing native-born workers is about \$56 billion per annum. This is a long-term figure, based on the projected growth in the illegal alien workforce to the year 2025.

- Deporting illegal alien workers would thus increase taxes paid by native-born workers by \$56 billion per annum.
- Total fiscal benefits of

deportation are thus estimated at \$81 billion per year – \$25 billion direct and \$56 billion in foregone displacement losses.

At this rate, mass deportation would pay for itself in about three years.

Summary

Mass deportation of illegal aliens would relieve U.S.-born taxpayers of an enormous fiscal burden. Taxpayers in this country currently shell out approximately \$25 billion per year to provide public services to illegal immigrants. This is a net cost – above and beyond the taxes paid by illegals.

If President Bush’s proposed guest worker amnesty is implemented, illegal immigrants would have access to the same panoply of public services as legal immigrants. Native-born taxpayers would incur even greater costs on behalf of amnestied illegals.

The largest fiscal cost is indirect: the loss of income suffered by displaced U.S.-born workers. We estimate that illegal immigrants depress the average income of native-born workers by about 3 percent, and reduce their income tax payments by approximately \$56 billion per annum. This is a long-term figure, based on the projected growth in the illegal alien workforce to the year 2025.

Exact costs depend on the number of illegals, and that figure is believed to be anywhere between 8.5 and 20 million. We have used the low figure in our calculations. ■

NOTES

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