

HB18-1230: An Economic Analysis

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An innovative bill for immigration reform, House Bill “Creation of Work Status for Immigrants” – or HB18-1230 – creates a unique purple card program for immigrants to work in the State of Colorado. The severe barriers to entry for immigrant workers in Colorado’s labor market indicate a market failure. This purple card program would help to resolve this failure by removing the barriers to entry for immigrant workers in a competitive labor market. With an amendment to the bill to ensure that the beneficiaries of the program actively contribute to the labor market, HB18-1230 is economically justified and could have lasting positive impacts.

The purple card program created in this bill would function comparably to the federal green card program, granting immigrants the ability to work legally in Colorado and removing their status as “unauthorized aliens.” Qualifying persons are immigrants without legal documentation who have either paid taxes for the past two years or were brought into the country as a minor. In order to qualify, applicants also must have not had a felony conviction for at least three years.

Laws are created to support a country’s citizens and to support the efficiency of its market. Because illegal immigrants are not citizens and came to the US without documentation, laws do not inherently have to support them. However, the fact that the market consistently finds jobs for illegal immigrants despite their illegal status indicates the inadequacy of current immigration laws - impacting legal citizens and illegal immigrants alike. Because firms readily hire illegal immigrants, the economy evidently needs them to maintain a certain level of efficiency. By impeding the fulfillment of this natural need for immigrant workers, the current law creates a significant labor market inefficiency and should be adjusted accordingly.

In order to guarantee the adequate distribution of resources and opportunities to legal citizens, not every immigrant that comes to Colorado illegally should be given the right to stay. The protections of this bill should be limited to those immigrants who consistently contribute to Colorado’s labor market. The illegal immigrants who are not consistently working in Colorado should not benefit from the passage of HB18-1230.

Illegal immigrants who should benefit from the passage of this bill include workers with all skillsets. Current immigration law favors highly skilled workers, with the federal government granting visas and documentation to highly educated workers in high-growth fields. However, the market has proven that there is a clear need for lower-skill workers as well. The Federal Reserve Bank of Dallas cites a study which “shows that natives have a comparative advantage in communication-intensive work [and] immigrants in manual labor jobs.”¹ Expanding immigration law to encompass workers in low-skilled jobs can fix this market imperfection and supply labor to multiple industries.

A workforce with more diversity in skill has been shown to increase statewide productivity. Giovanni Peri found in a study that states “with larger-than-average inflows of immigrants” experience faster productivity growth because a diversity of skillsets enables workers and firms to specialize.² Those immigrants that are active participants in the labor market ultimately enhance the economic growth of Colorado. Therefore, removing the current barriers to entry for these workers would create a significantly more efficient labor market.

Colorado is in need of the occupations that immigrants are filling. Of the fifteen occupations anticipated to become the most needed from 2014 to 2024, eight of them are low-skilled, service and personal care occupations.³ These jobs will only increase as the baby boomer generation ages and more people need in-home care. An increase in native-born education levels will not match the need without immigrants working in these low-skilled, low wage jobs.

The specialization of lower-skilled immigrants has already had lasting positive impacts on the jobs of US-born workers. In particular, the rise of legal and illegal immigration in the country

¹ Orrenius, P. M., & Zavodny, M. (2013). Working Paper: Immigrants in the US Labor Market (United States, Federal Reserve Bank of Dallas, Research Department). Dallas, TX.

² Giovanni Peri, “The Effect of Immigration on Productivity: Evidence from U.S. States,” *Review of Economics and Statistics* 94, no. 1 (February 2012): 348–358

³ Porter, E. (2017, August 08). *The Danger from Low-Skilled Immigrants: Not Having Them*. Retrieved March 06, 2018, from <https://www.nytimes.com/2017/08/08/business/economy/immigrants-skills-economy-jobs.html>

increased the number of highly-skilled US-born women in the workforce.⁴ Economists Patricia Cortés and José Tessada found that the specialization of low-skilled workers for the service sector revolving around household care has increased labor supply of highly-skilled women who, without immigrants, would be more likely to dedicate their time to home care.

HB18-1230 adequately supports this specialization by addressing the most significant barrier immigrants face to work in the state of Colorado: obtaining legal documentation. The current system for allowing immigrants to work legally in the United States is deeply flawed and inadequate in scope given the need for immigrant workers. It serves fewer than 10% of immigrants in 2015. At this time, the population of Colorado consisted of approximately 5.54 million people,⁵ but only 232.4 green cards were issued per 100,000 residents.⁶ Therefore, fewer than 13,000 green cards were issued to allow immigrants to work legally in Colorado despite the illegal immigrant population that was “active in the Colorado labor force” of conservatively 140,000.⁷

Currently, because workers are in demand but do not have legal documentation, firms act in one of two ways. Some firms simply do not hire illegal immigrants to mitigate the risk of legal repercussions for their organization. Other firms hire illegal immigrants but pay them less because they are price-makers while the workers have less market power because their opportunities are limited. As a result of this lack of power, workers are price-takers and must accept the low wage offered. Therefore, regardless of which way firms in the market choose to act, the wages of immigrants without legal documentation suffer from the current system.

⁴ Cortés, Patricia, and José Tessada. 2011. "Low-Skilled Immigration and the Labor Supply of Highly Skilled Women." *American Economic Journal: Applied Economics*, 3(3): 88-123.

⁵ United States Census Bureau: QuickFacts Colorado. (n.d.). Retrieved March 2, 2018, from <https://www.census.gov/quickfacts/CO>

⁶ Frohlich, T. C. (2017, February 1). Which State's Residents Have the Most Green Cards? Retrieved March 2, 2018.

⁷ Svaldi, A. (2016, November 3). Undocumented immigrant workers number 140,000 in Colorado, Pew estimates. Retrieved March 2, 2018.

A new report from the Bureau of Labor Statistics reflects these smaller wages, citing that the “median usual weekly earnings of foreign-born full-time wage and salary workers were \$715 in 2016, compared with \$860 for their native-born counterparts.”⁸ This disparity would likely be even more dramatic if foreign-born workers who are in the country legally were removed from this average. While this study does not control for the difference in skills between native and immigrant workers, the drastic disparity in wage between immigrants and native-born workers remains evidence of a possible failure in the competition within the market.

A frequent concern of native-born workers regarding immigration is the impact that illegal immigrants have on wage and unemployment for legal workers. In his analysis of the impact of Mariel Boatlift of 1980 on the Miami labor market, however, economist David Card illustrated that lower-wage native born workers are not disadvantaged by an increase in immigration. The Mariel Boatlift refers to an influx of Cuban immigrants into Miami in April of 1980 as a result of Fidel Castro opening up the port of Mariel.⁹ Miami’s labor market was most impacted by this increase in emigration with its labor force increasing astronomically by 7%.

Card concluded that the influx of immigrants had “virtually no effect on the wages or unemployment rates of less-skilled workers.”¹⁰ According to Card’s conclusion, Colorado can anticipate that lower-skilled workers will not be disadvantaged by the passage of HB18-1230. While other reputable economists like George Borjas and Giovanni Peri disagree with the result of this study,¹¹ HB18-1230 would remove the risk of native-born workers losing their jobs to illegal immigrants because of their being paid a lower wage. Without working under an illegal status,

⁸ U.S. Department of Labor, Bureau of Labor Statistics. (2017, May 18). Foreign-Born Workers: Labor Force Characteristics — 2016 [Press release]. Retrieved March 2, 2018.

⁹ Capo, J., Jr. (2017, August 4). Stephen Miller's Immigration Facts and the Mariel Boatlift. Retrieved March 02, 2018.

¹⁰ Card, D. (1989). The Impact of the Mariel Boatlift on the Miami Labor Market. *Industrial and Labor Relations Review*, 43(2), 245-257. Retrieved March 2, 2018.

¹¹ Frum, D. (2016, January 19). The Great Immigration-Data Debate. Retrieved March 06, 2018, from <https://www.theatlantic.com/politics/archive/2016/01/the-great-immigration-datadebate/424230>

workers with purple cards will have to be paid the same amount as legal workers for doing the same job, removing risk to native-born workers.

To ensure that HB18-1230 does not protect illegal immigrants who do not actively contribute to the labor market, the bill should be amended to narrow down qualified persons. As the bill currently stands, HB18-1230 does not require illegal immigrants to prove their economic contribution to the state of Colorado beyond filing for taxes for two consecutive years. One possible way to ensure that the beneficiaries of the bill are active participants in the state's labor market is by amending the current bill to require applicants to have worked full-time two years in row.

Specifically, under this amendment, applicants should have worked for 35 hours a week, the absolute minimum number of hours that constitutes a full-time employee under the H-1B Visa Program.¹² While full-time employees work approximately 50 weeks out of the year, the barriers to entry may make obtaining 50 weeks of work more challenging for illegal immigrants. Therefore, a suggested amendment would specify that qualifying illegal immigrants will have worked 40 weeks at 35 hours per week, for a total of 1,400 hours annually. For these qualifying immigrants, their economic contributions to the state far outweigh the illegal status they possessed when they started working in Colorado.

New in concept and innovative by nature, this bill's introduction of a path for more immigrants to work legally could significantly improve the efficiency and productivity of Colorado. Amending the bill to ensure that purple cards are issued only to active participants in the workforce would guarantee that beneficiaries help the state economy and that the beneficiaries are harmed by current market failure. Therefore, the passage of HB18-1230 in tandem with the suggested amendment has strong economic justification.

¹² United States, Department of Labor, Wage and Hour Division. (n.d.). What Constitutes a Full-Time Employee Under H-1B Visa Program? Retrieved March 5, 2018, from <https://www.dol.gov/whd/regs/compliance/whdfs68.pdf>