

Immigration and the U.S. Economy


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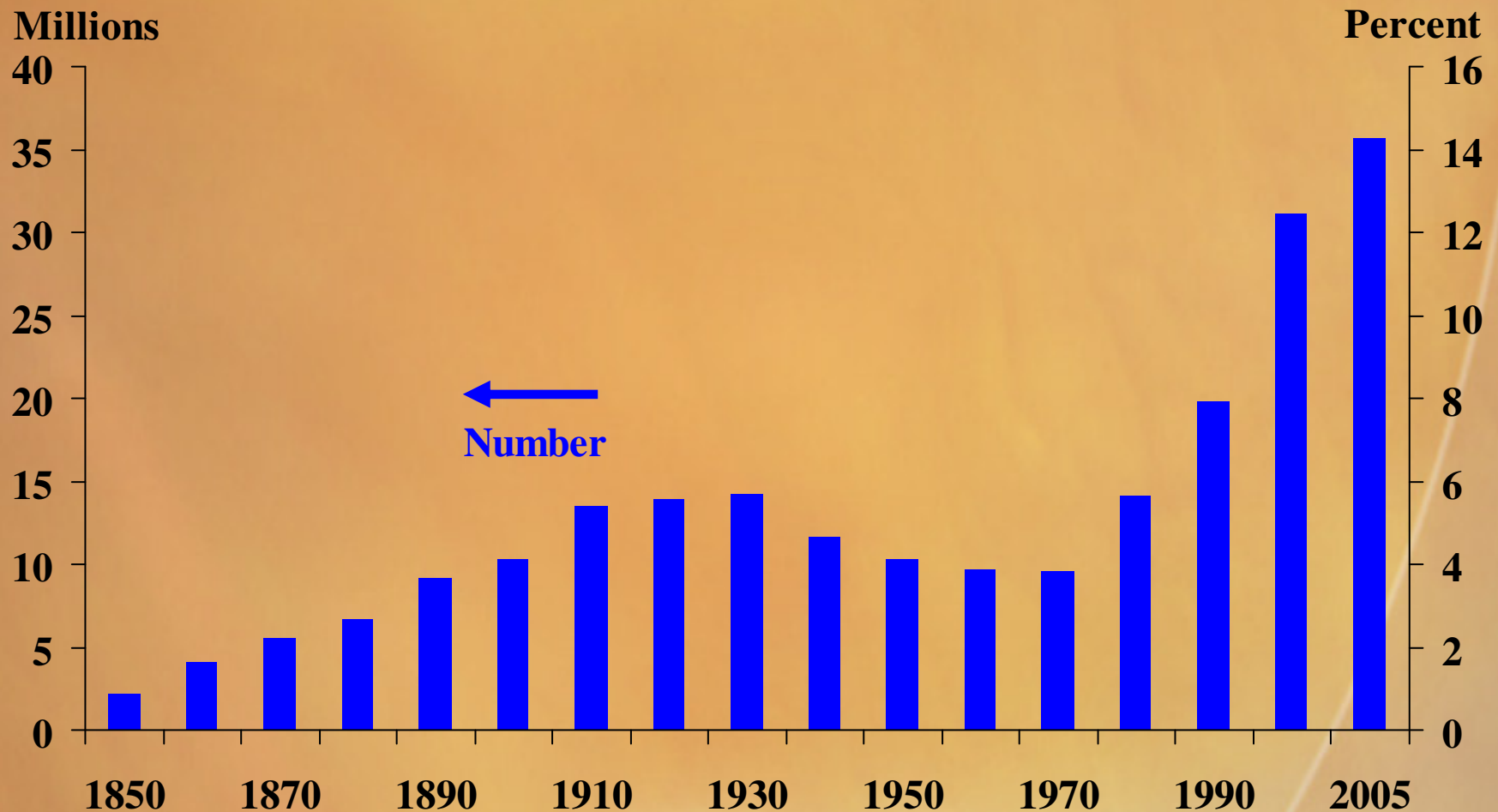
Overview

- Immigration and
 - Population and labor force growth
 - Business cycle
 - Historical context
 - US.-born workers
 - Taxpayers
- Conclusion



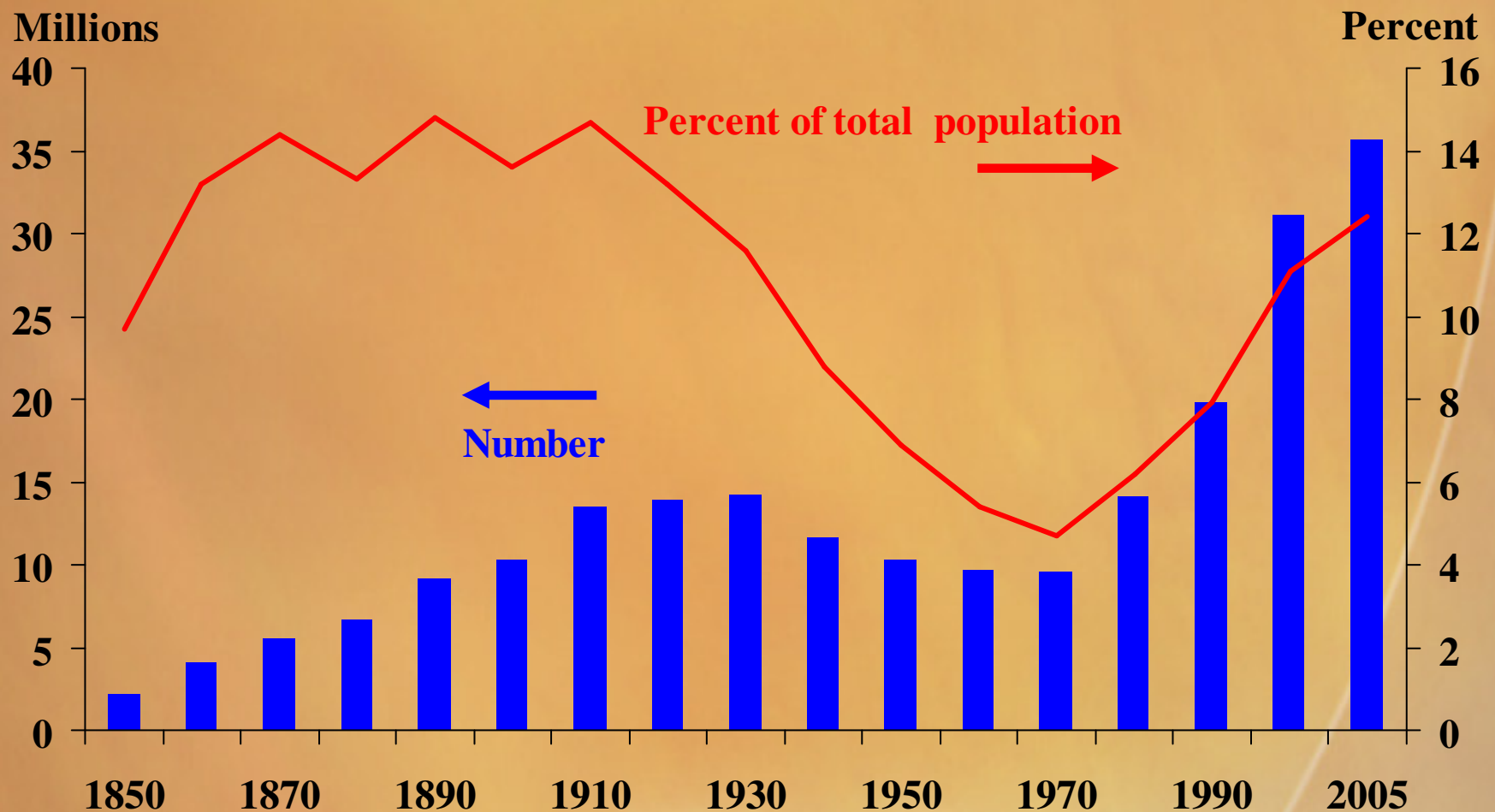
U.S. Immigration and labor force growth

The foreign-born population is larger than ever before



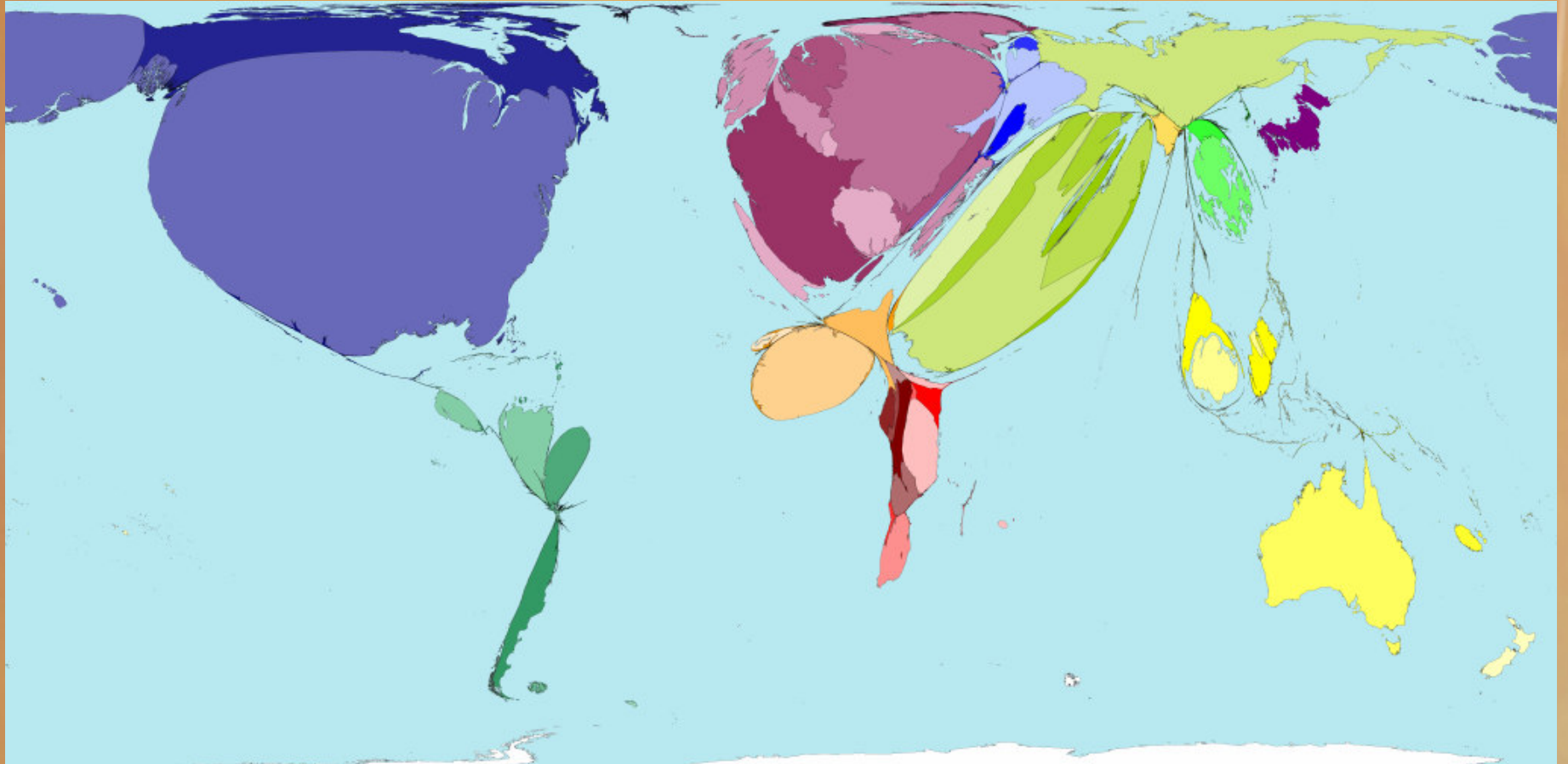
Source: Census Bureau

And foreign-born share of population headed toward historic peak



Source: Census Bureau

U.S.A: destination for 37% of world's migrants (net immigration by country)



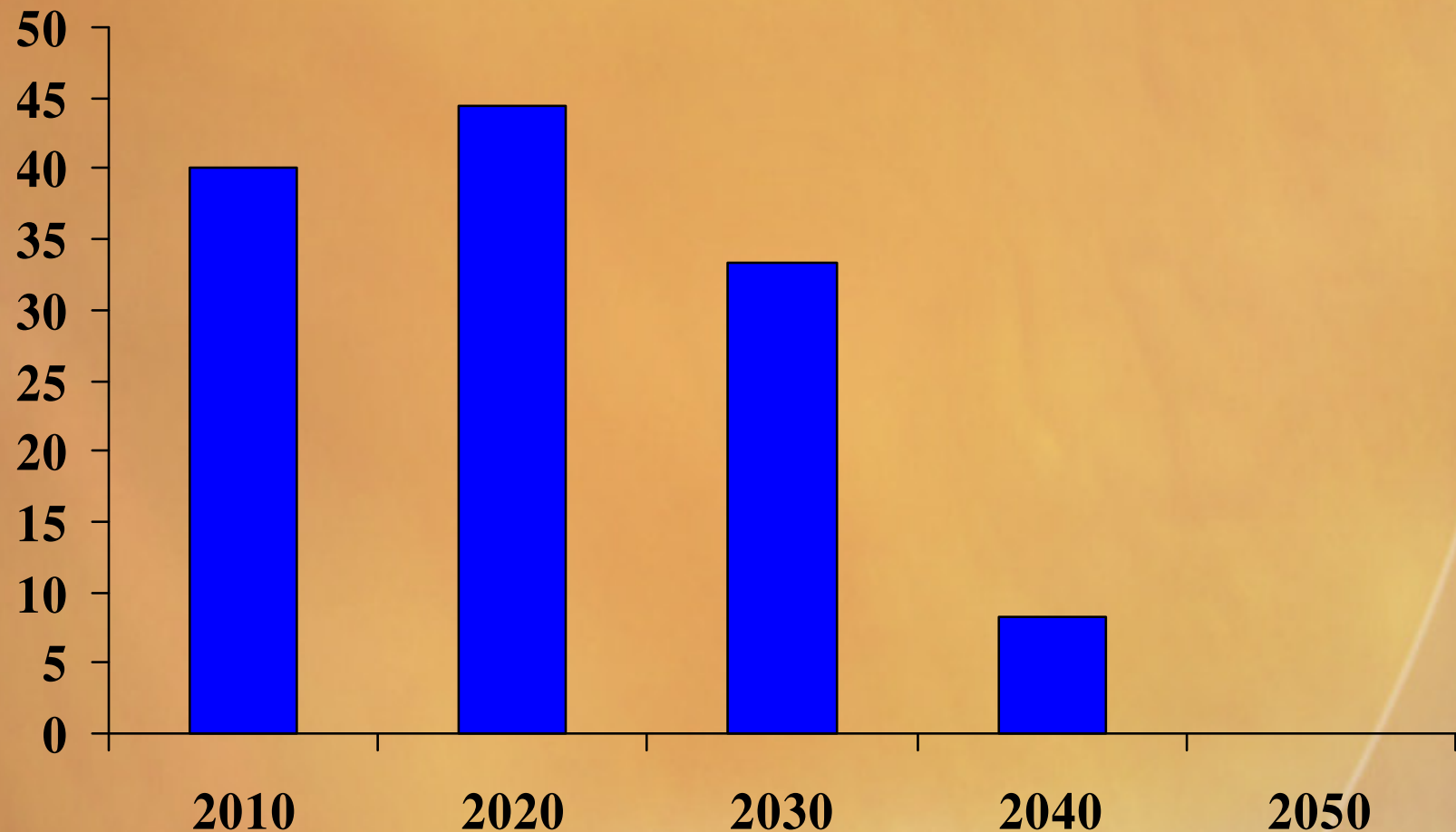
Source: www.worldmapper.org

Foreign-born inflow drives population and employment growth

- Stock vs. flow distinction important
- Stock: Foreign-born compose
 - 12 % of U.S. population (2005)
 - 15 % of U.S. labor force (2006)
- Flow: Foreign-born generated
 - 40 % of population growth (1990-2005)
 - 47% of labor force growth (2000-2005)

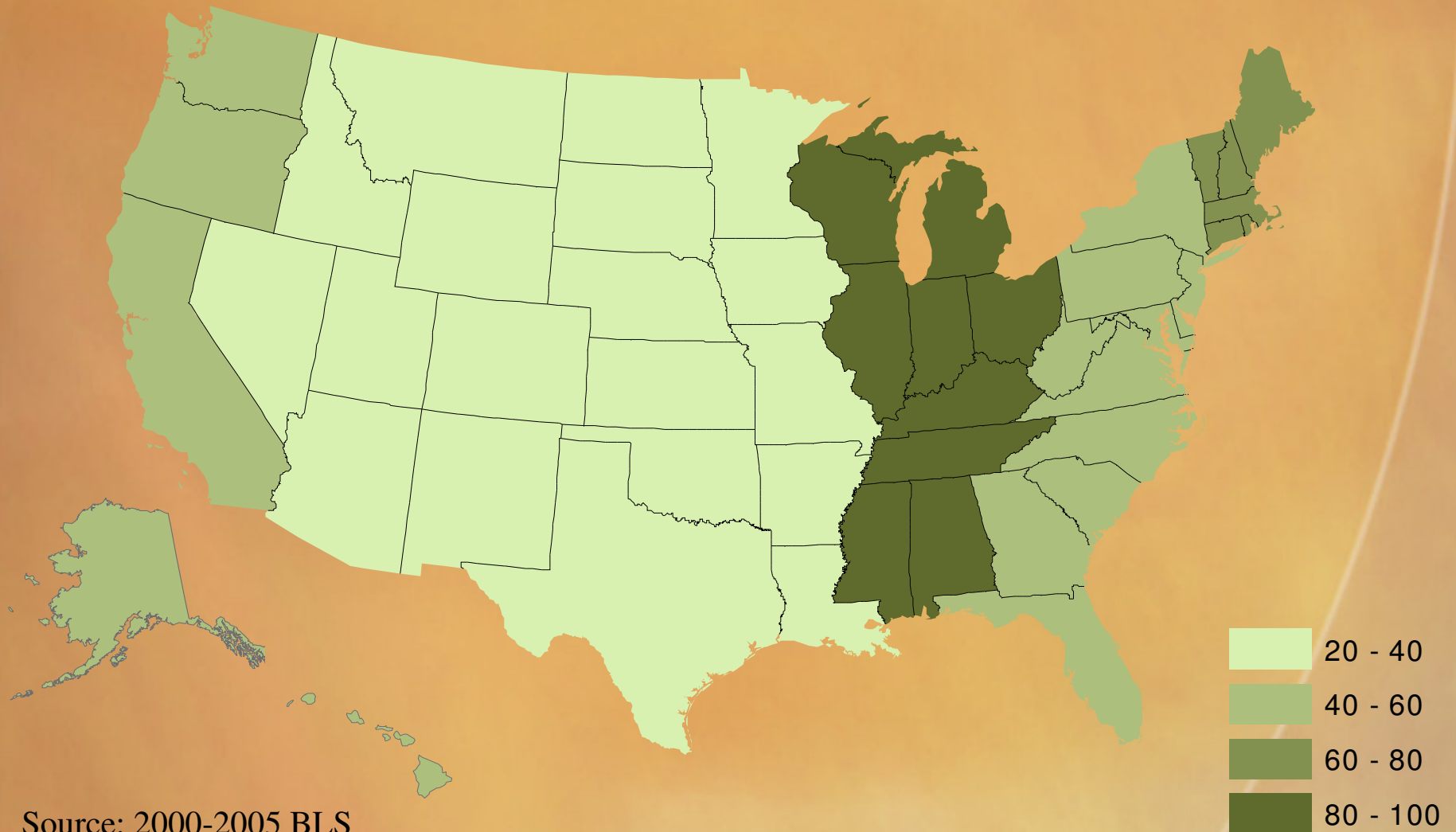
Projected foreign-born contribution to labor force growth significant through 2030

Percent



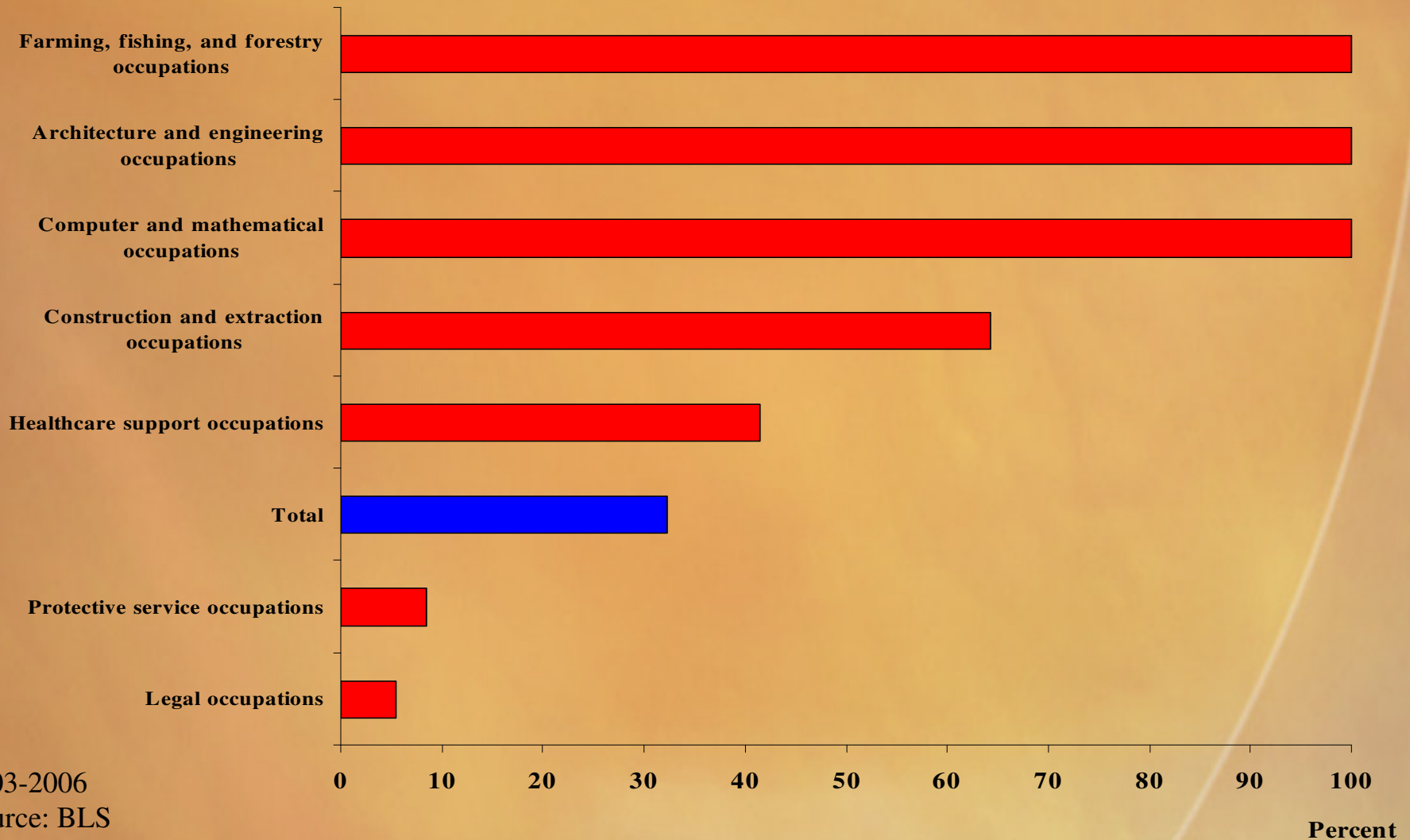
Source: PEW Hispanic Center

Foreign-born share of labor force growth by census division

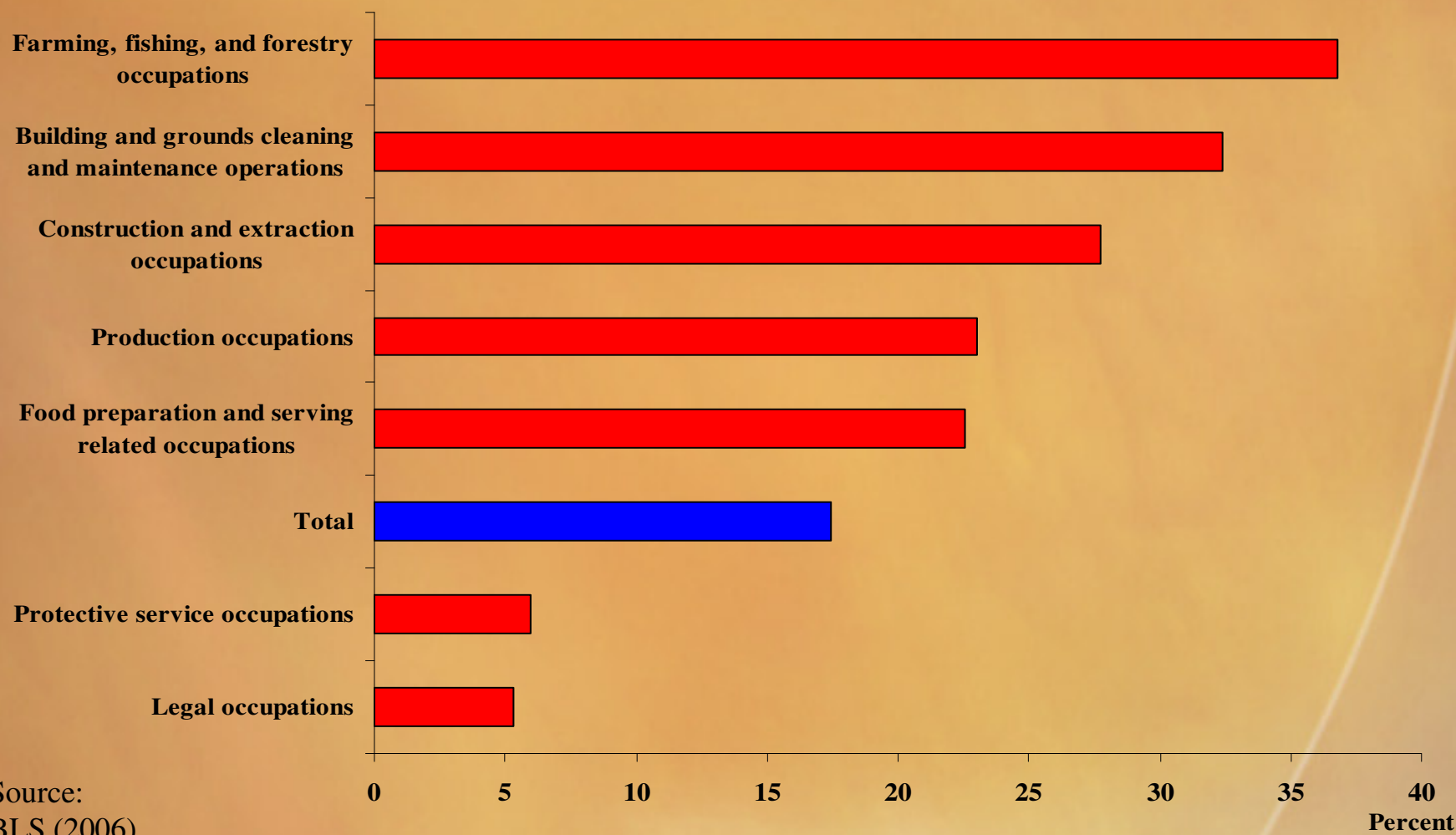


Source: 2000-2005 BLS

Foreign-born share of employment growth by sector



Foreign-born share of employment by sector



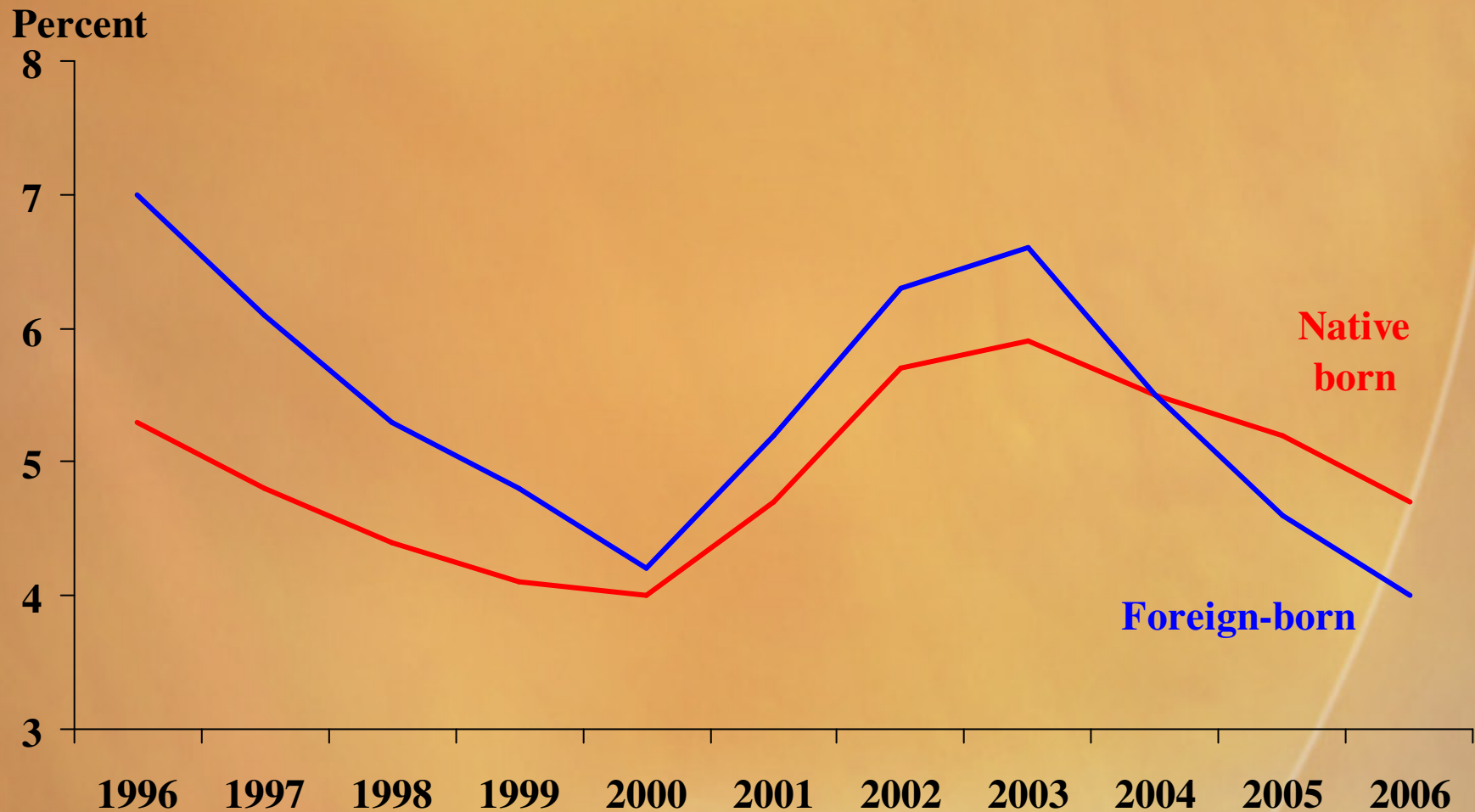


U.S. Immigration and the business cycle

Immigrants are hard at work

- Foreign-born in U.S. have
 - Higher labor force participation rates
 - Lower unemployment rates
 - Lower initial earnings than similar, U.S.-born workers
 - But higher earnings growth

Unemployment rate of foreign-born, native-born track each other



Source: BLS

Difference in Foreign/National Youth Unemployment Rates by OECD country



*2002 wage as percent of APW

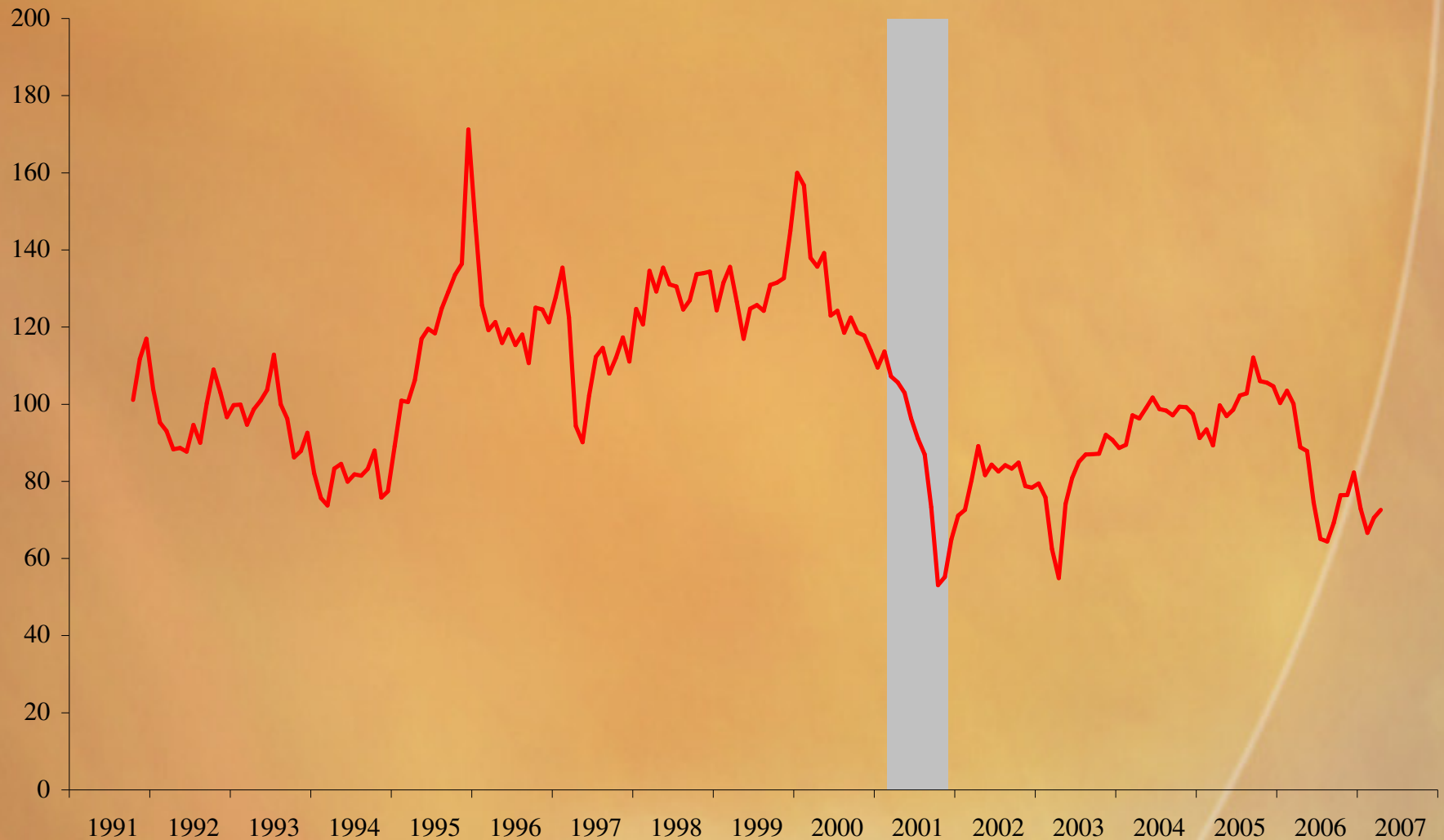
Immigrants are hard at work

- Immigration is procyclical
 - More come in good times, leave in bad times
 - Accommodates faster economic growth
 - Allows for more efficient economy
 - Fewer idle factors
 - Less unemployment
- Immigrants are more mobile
 - Move to where the jobs are
 - Fewer regional discrepancies
 - Lower unemployment

“Real-time” immigration is pro-cyclical

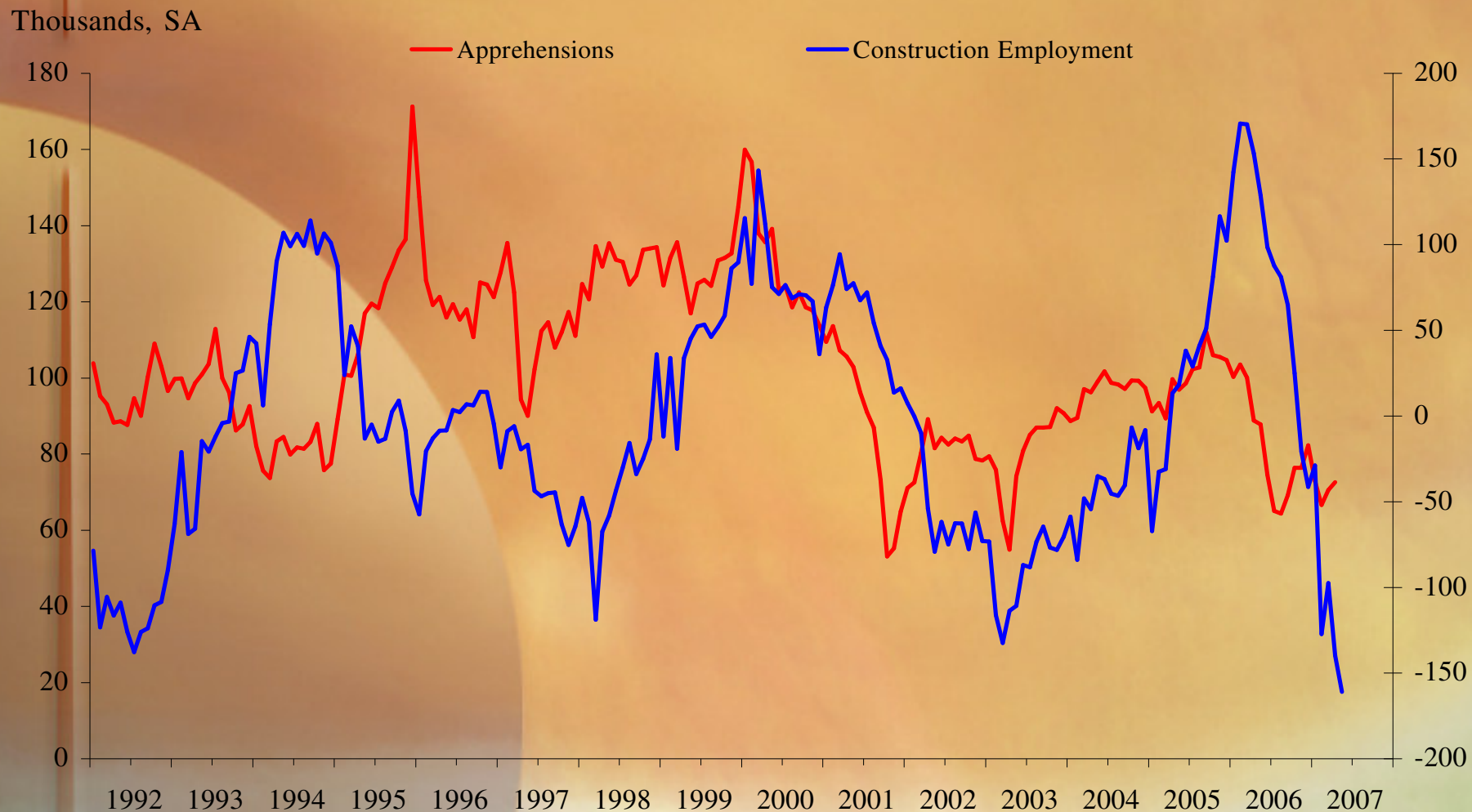
Apprehensions along southwest border

Thousands, SA



Source: Border Patrol

Apprehensions fall as demand in construction weakens



On the Move

The Cantú family's travels in 2006 from hometown, Montemorelos, Mexico, into the U.S. for concrete-pouring jobs.



February

To Fairbank, Iowa, for two weeks building a silo.

March

To Boyceville, Wis., for three weeks building silos for an ethanol plant.

April

To Grand Forks, N.D., for two weeks building silos for a grain elevator.

June

To Marshall, Mo., to build a silo, then to Roanoke, Va., for two weeks building a flour mill.

July/August

To Pueblo, Colo., to build a cement manufacturing plant, then to Charles City, Iowa, to pour a silo for an ethanol plant.

September

To Beulah, N.D., to build 10 silos for a grain elevator, then traveling to Tulsa, Okla.

Source: WSJ reporting

The background is an abstract composition of warm, blended colors ranging from light yellow to deep orange and brown. On the left side, there are two vertical, slightly curved lines that resemble thin poles or supports. A large, light-colored, semi-circular shape is positioned on the left, partially overlapping the text area. The overall effect is soft and painterly.

U.S. Immigration in the historical context

The Historical Context: Comparing First and Second Great Migrations

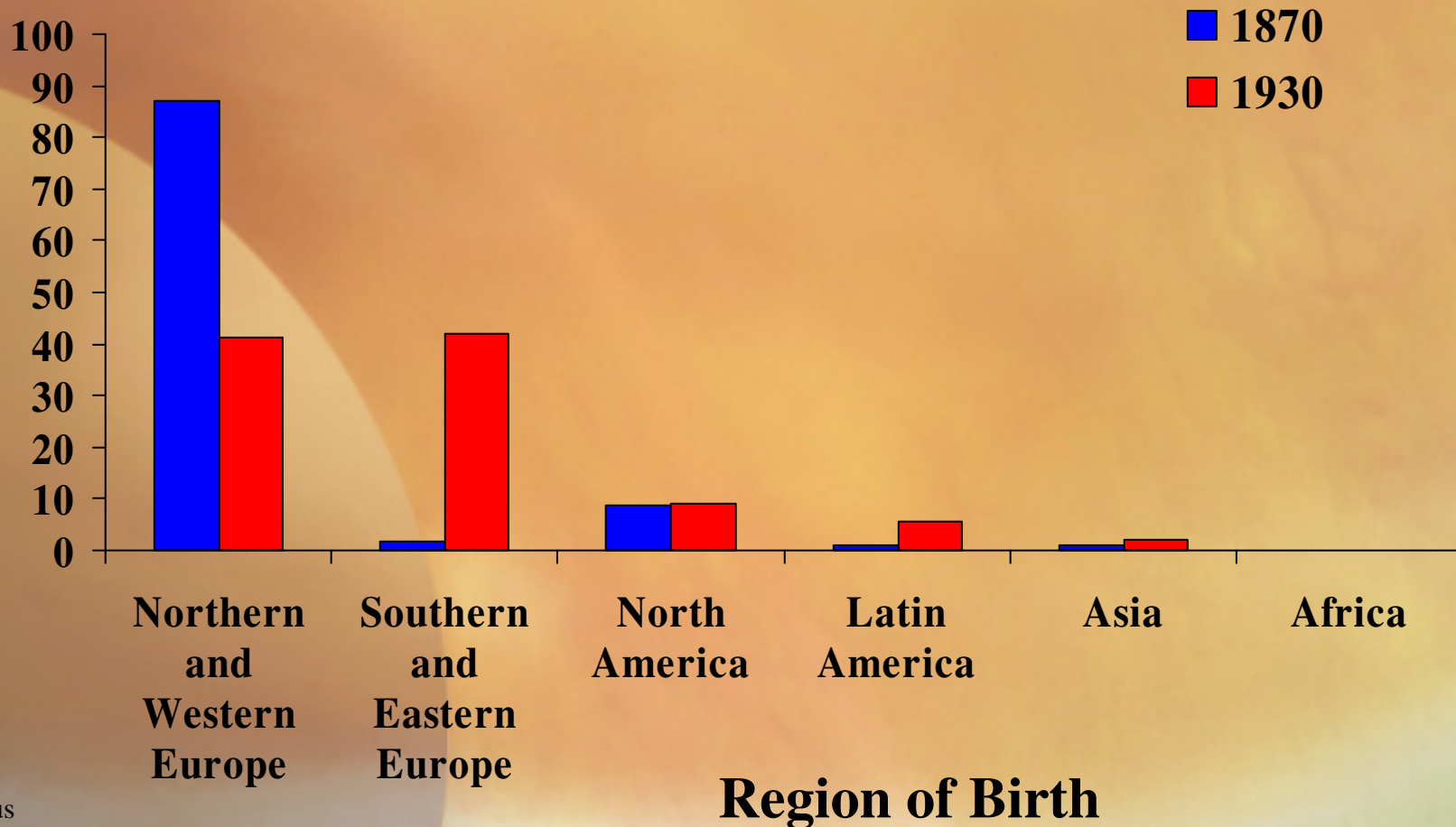
Similarities

- Rapid output growth
- Mass immigration
 - 15% of workers (1910)
 - 40% labor growth (1880-1910)
- High skill premium, rising inequality
- Rising diversity, declining immigrant skills
- Large wage gaps

Differences

Late 19th century: immigrant origins shifted to Southern and Eastern Europe

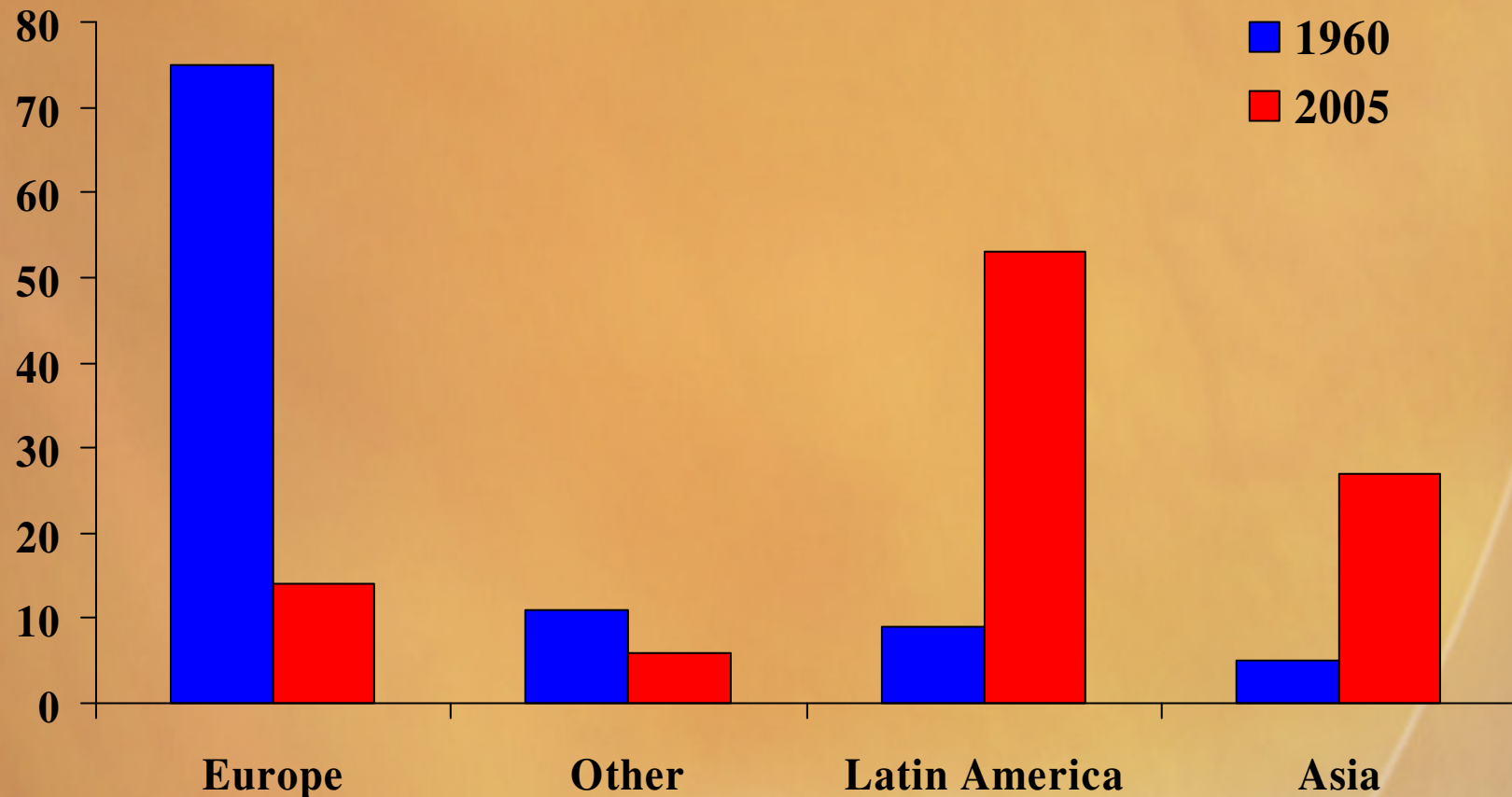
Percent of foreign-born population



Source: Census
Gibson and Lennon "Historical Census Statistics
on the Foreign-Born Population of the United
States: 1850-1990"

Late 20th century: immigrant origins shifted to Latin America and Asia

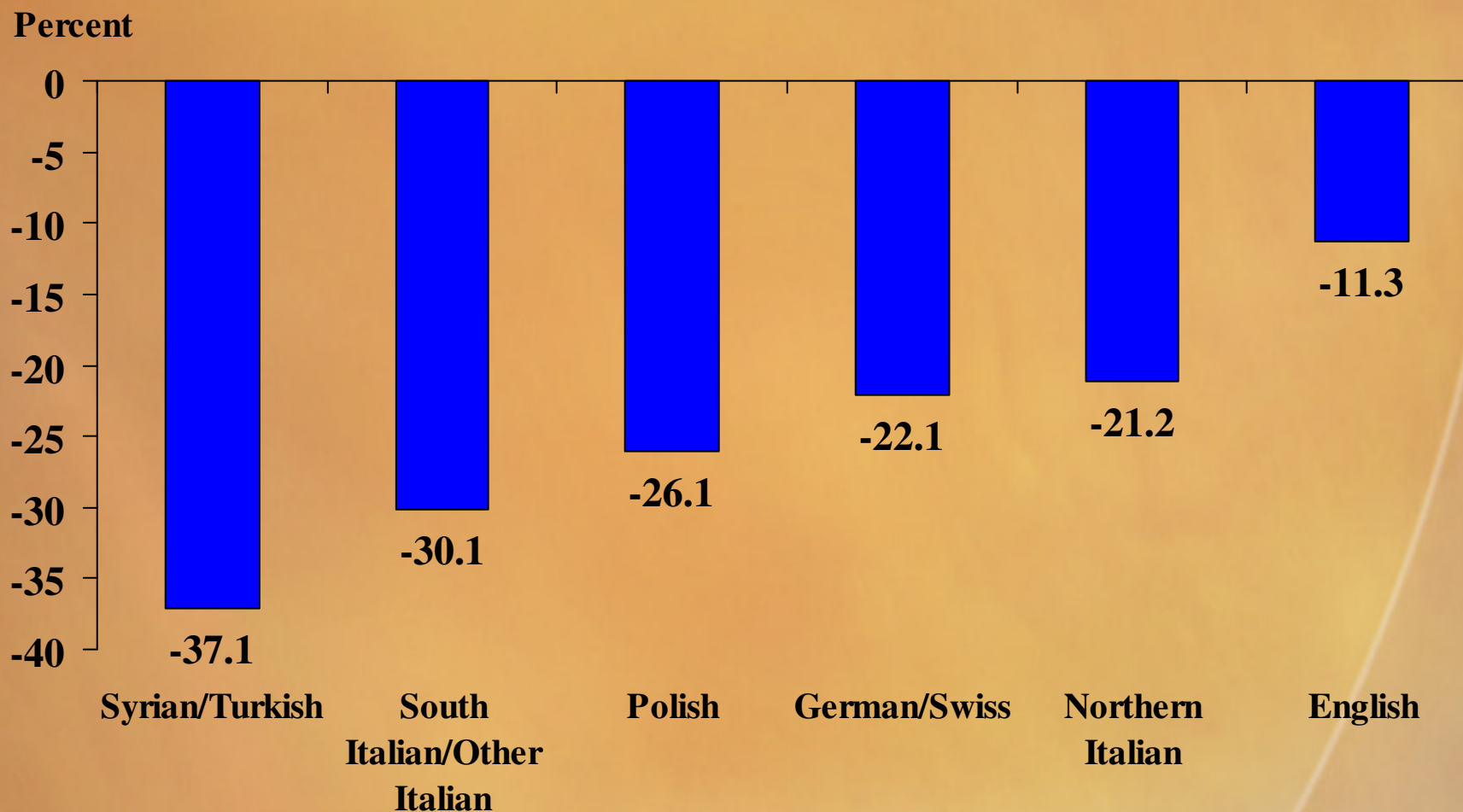
Percent of foreign-born population



Source: Census

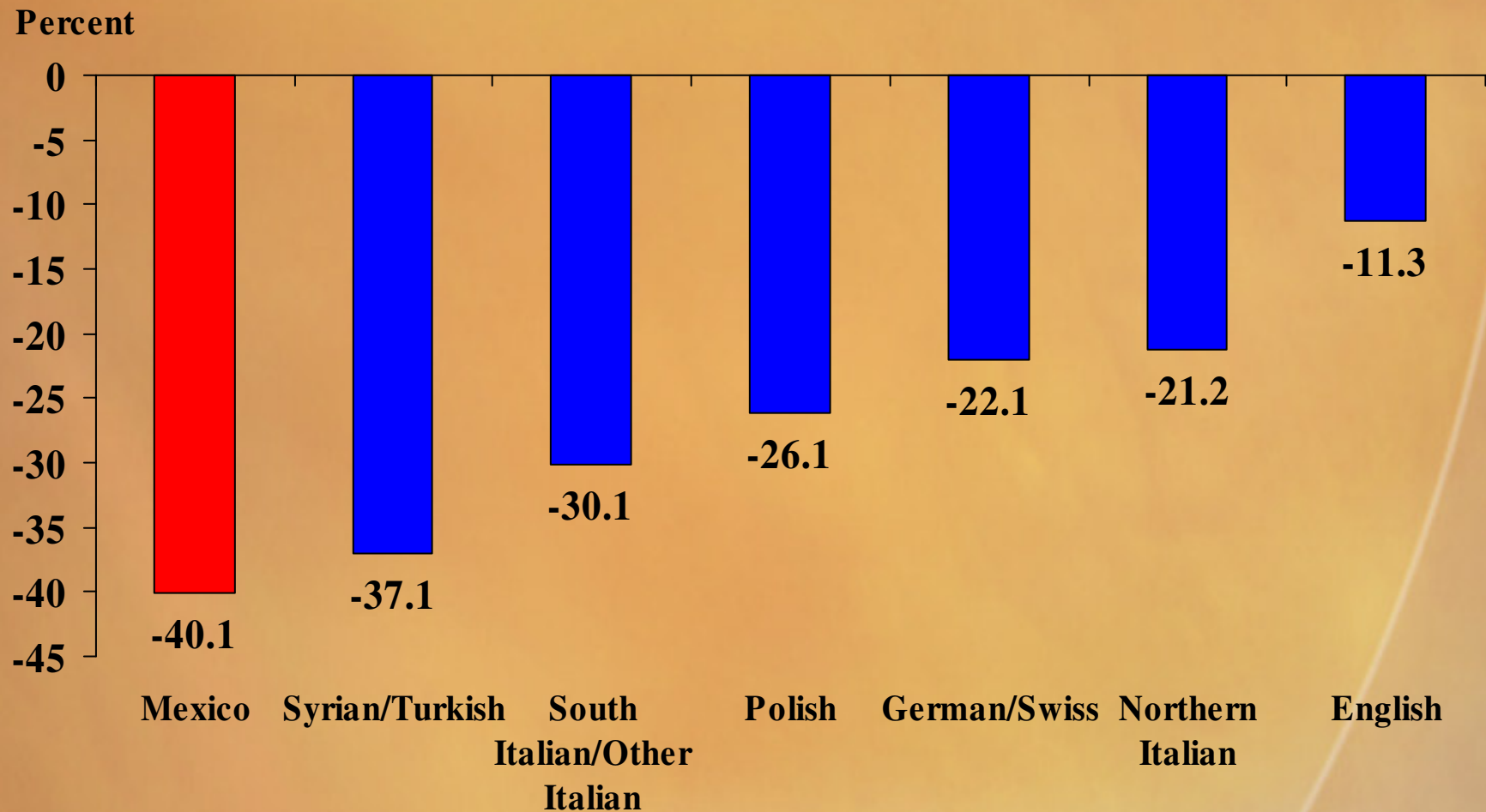
Region of Birth

Foreign-born wage gap by immigrant origin, 1909



Source: Timothy J. Hatton "How much did immigrant "quality" decline in late nineteenth century America?." Journal of Population Economics

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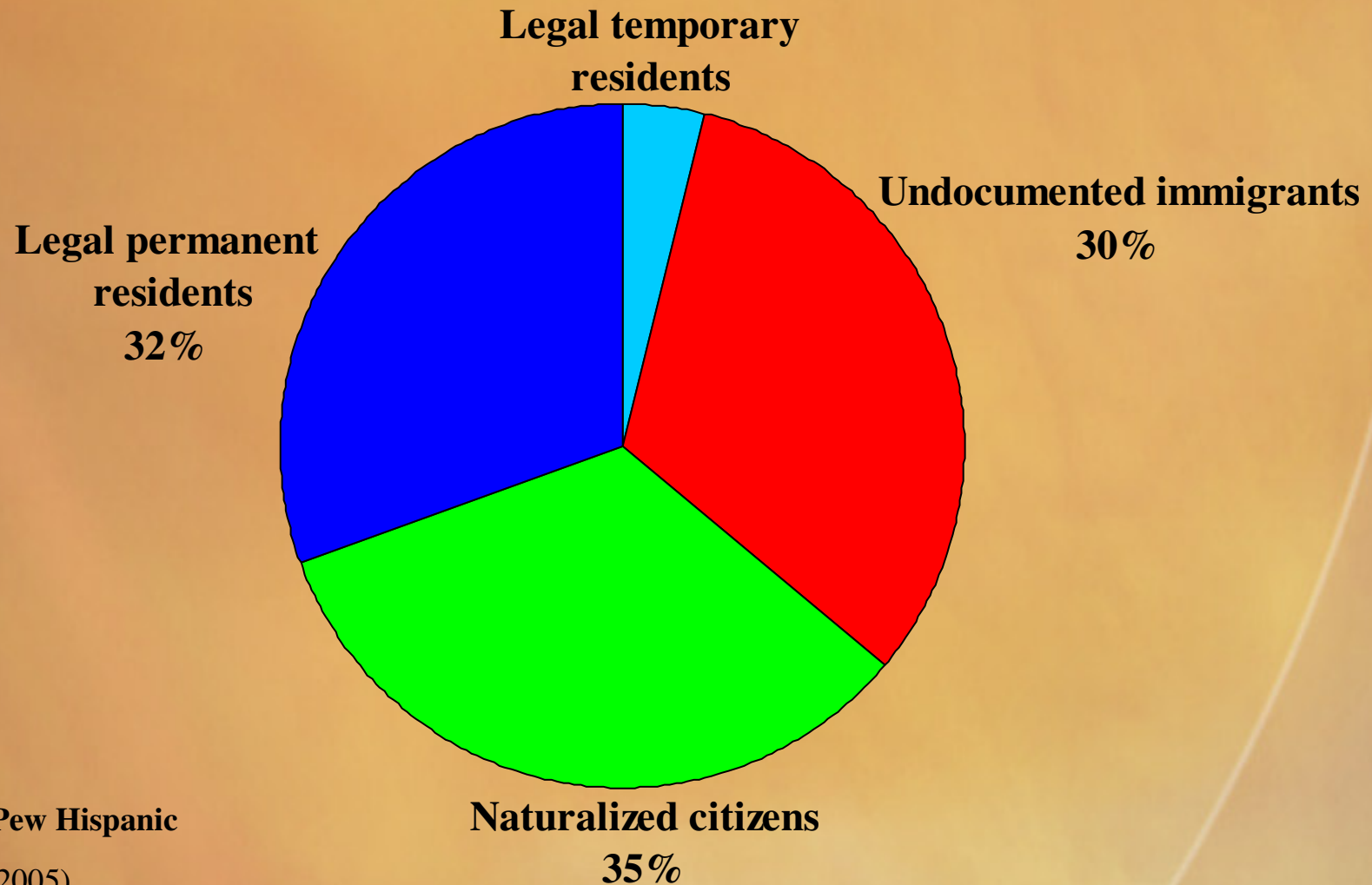
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- Public backlash

Differences

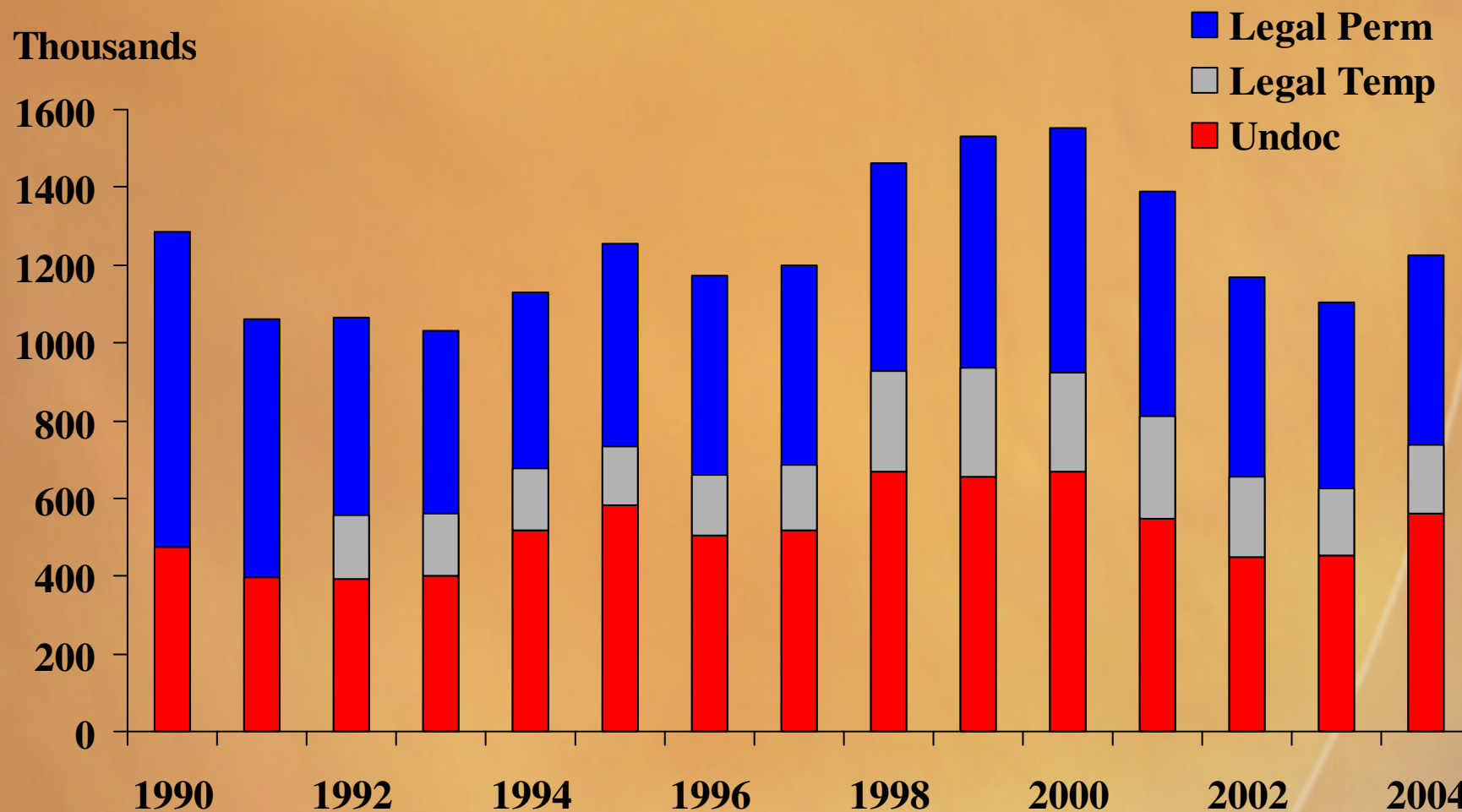
- Illegal immigration

Three out of ten foreign-born are undocumented



Source: Pew Hispanic
Center (2005)

Illegal inflows rival legal



Source: Jeffrey Passel and Roberto Suro, Pew Hispanic Center (2005)


The Historical Context: Comparing First and Second Great Migrations

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Differences

- Illegal immigration
- Fiscal impact
- Labor market trends
 - Globalization
 - Decline of unions
- National security and terrorist threat



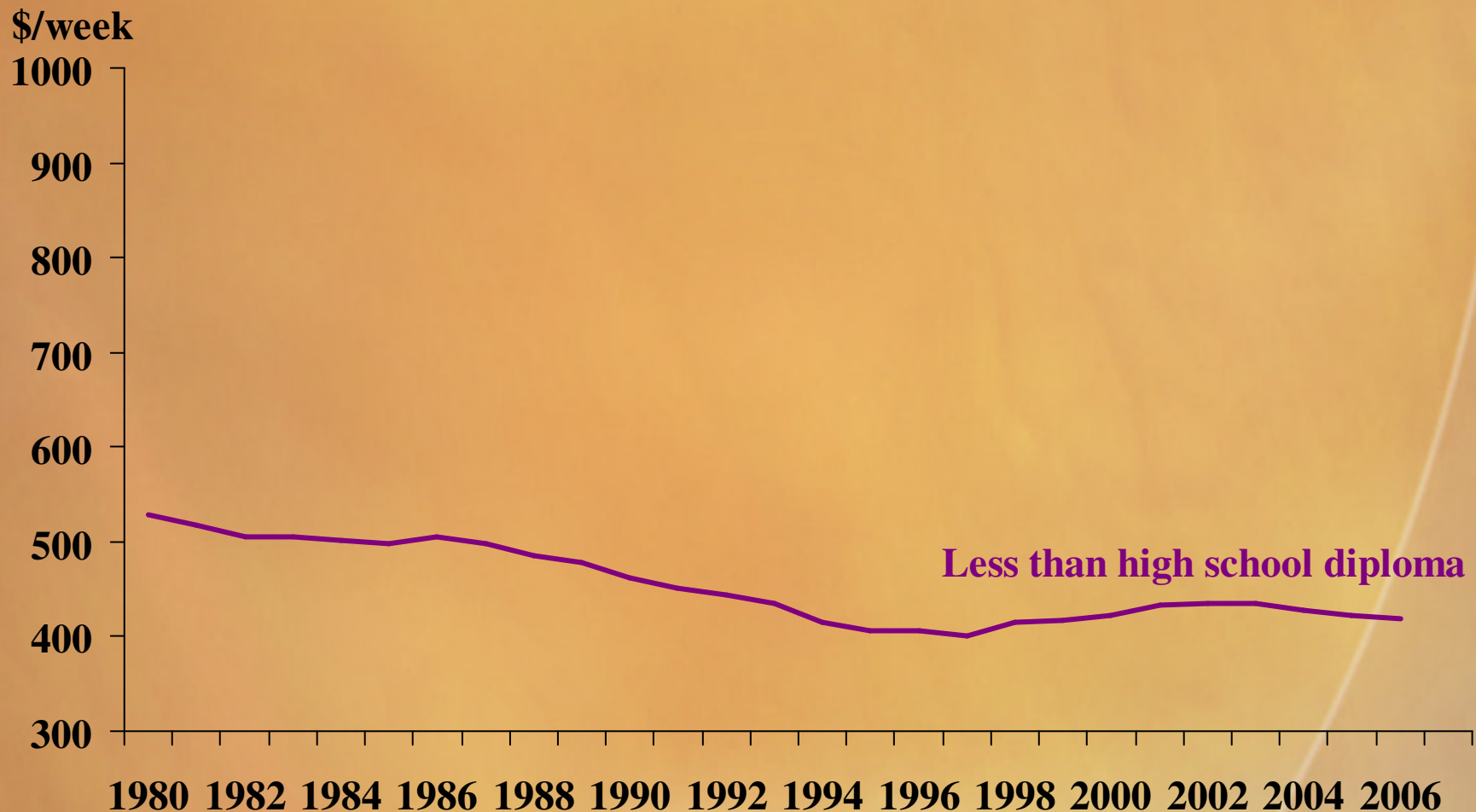
U.S. Immigration and the effect on natives

Effects of immigration on natives

- Immigration has effects similar to trade
 - Greater specialization, efficiency, innovation, choice
 - GDP per capita rises for natives (by \$30 to \$60 billion)
- Who benefits?
 - Immigrants
 - Consumers
 - Lower relative prices; greater diversity of goods, services
 - Capitalists (investors, producers, home owners)
 - Higher return to capital, lower labor costs, investment opportunities
 - Higher home prices
- Who loses?
 - Low-skilled native workers, taxpayers

Wages of less-skilled workers are falling

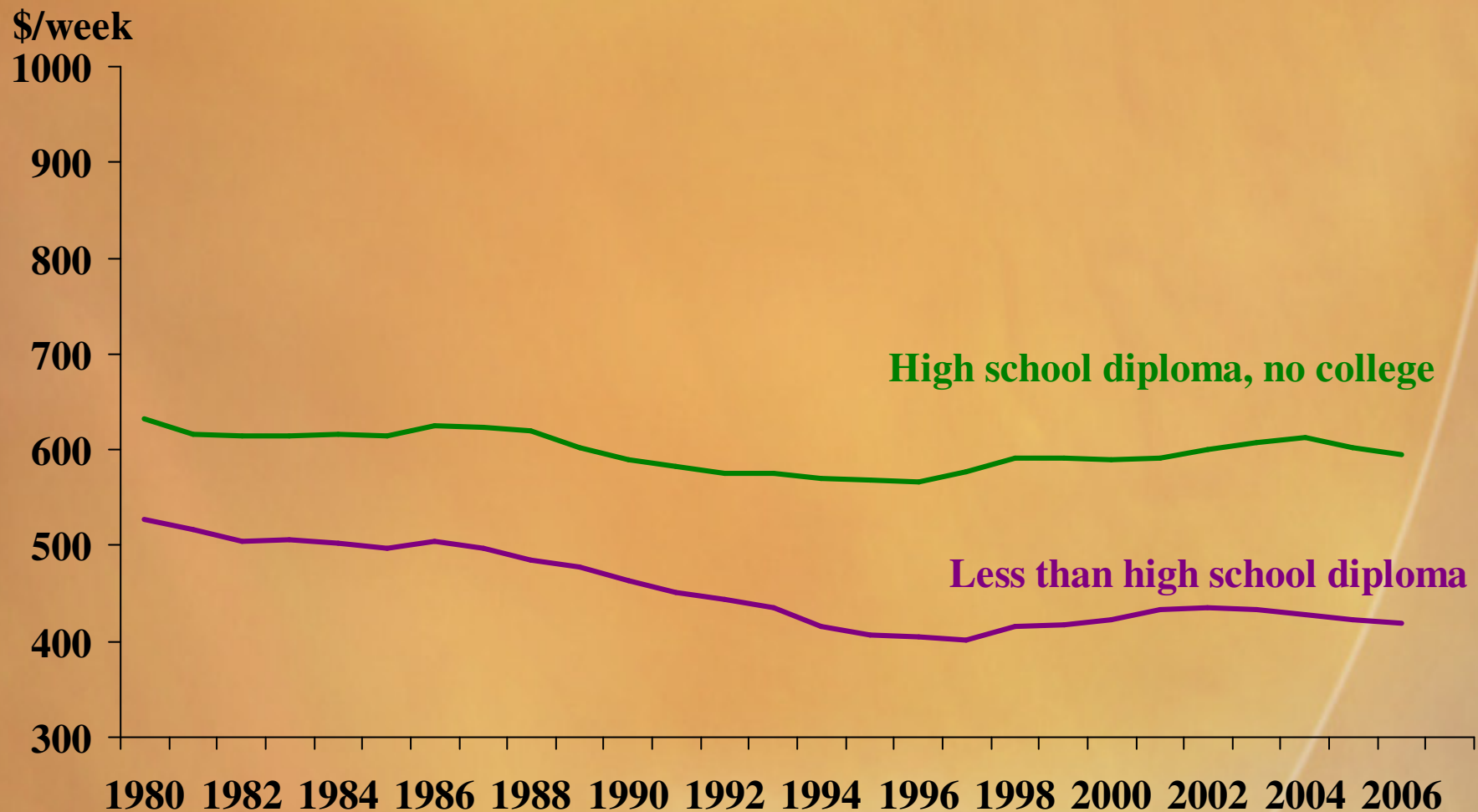
Real median weekly earnings by education level



Source: BLS

Wages of less-skilled workers are falling

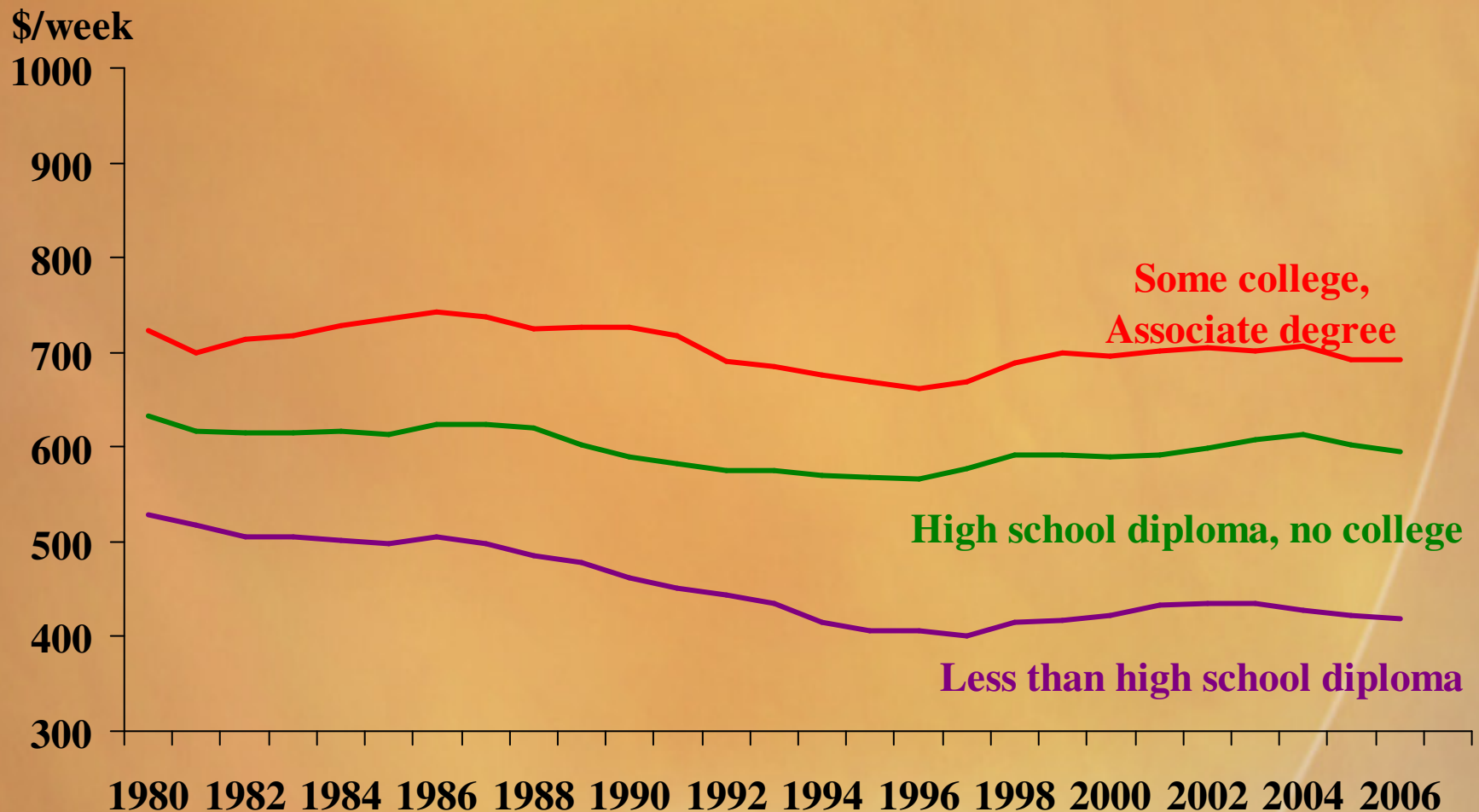
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Wages of less-skilled workers are falling

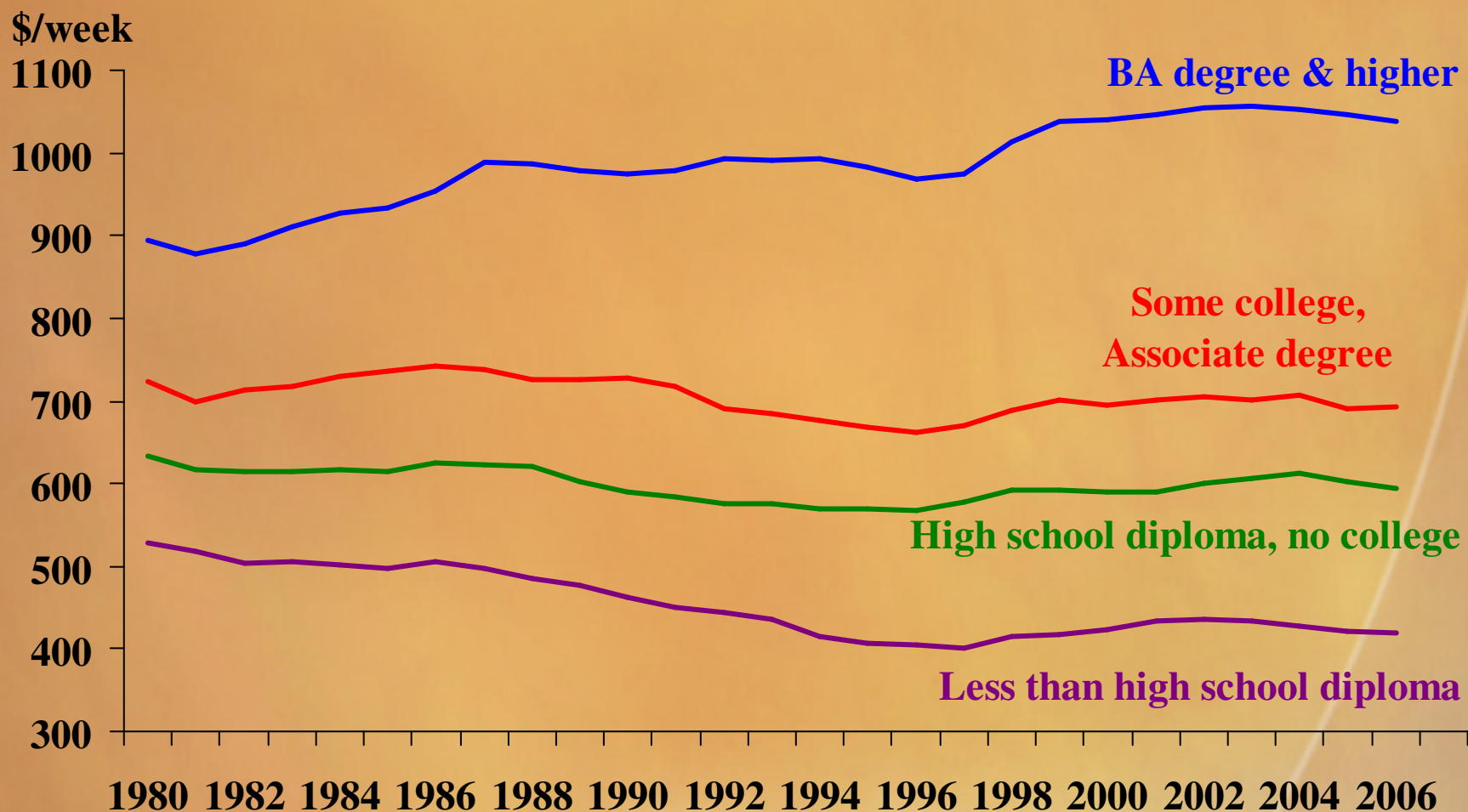
Real median weekly earnings by education level



Source: BLS

Wages of less-skilled workers in long-run decline

Real median weekly earnings by education level



Source: BLS

Implications for native workers

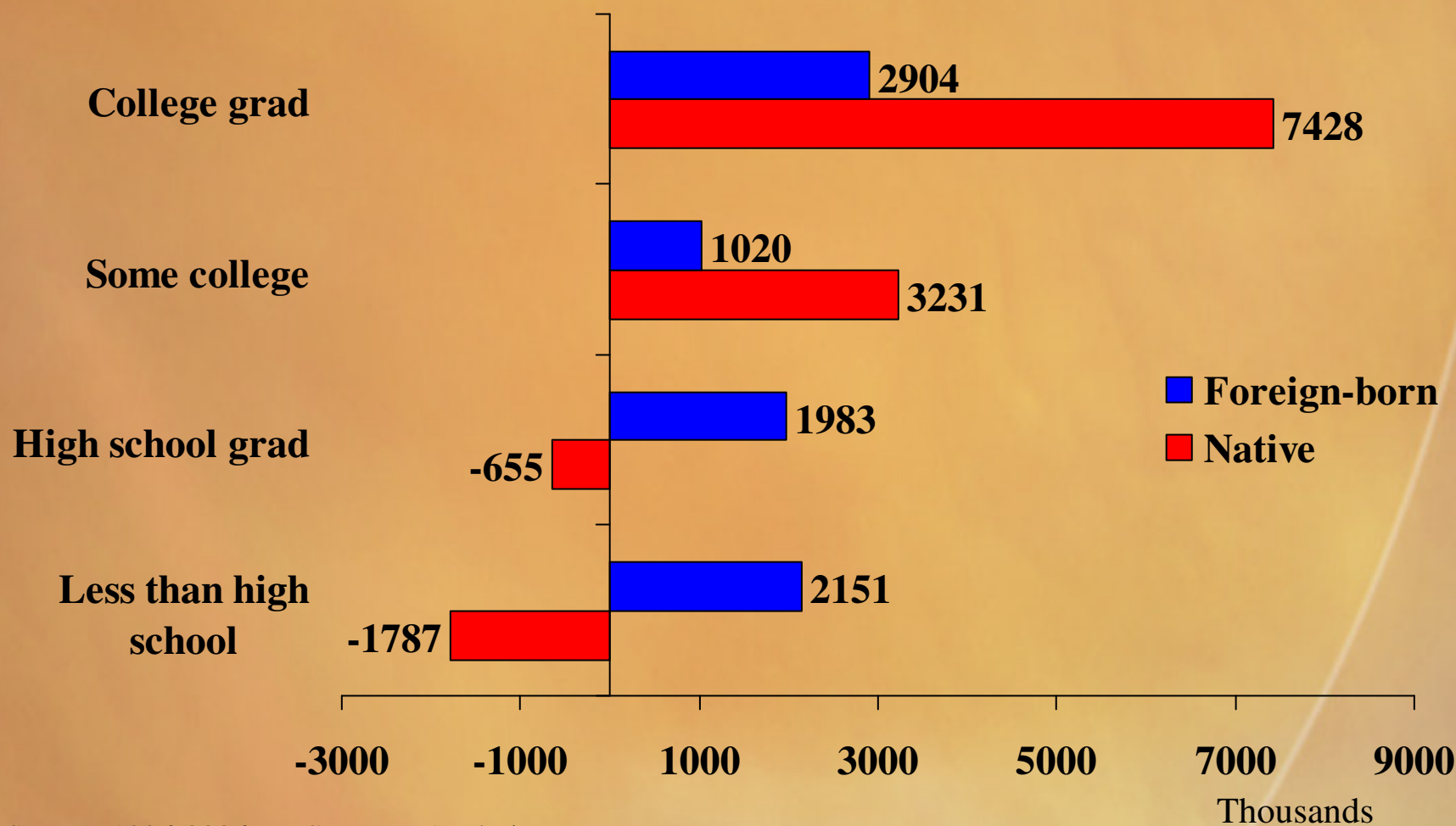
- Falling low-skilled wages pervasive
 - Skill-biased technological change
- Immigration: no wage effect on average in long run
 - Low-skilled native workers: wages 1% to 2 % lower today
- Many factors mitigate adverse labor market effects
 - Many foreign-born are not close substitutes for US workers
 - Ottaviano & Peri (2005)
 - Capital and labor respond
 - Foreign-born flow to jobs where relative demand is higher

Native-born labor force change, by education



Source: 1996-2006; BLS, Haver Analytics

Native and foreign-born labor force change, by education



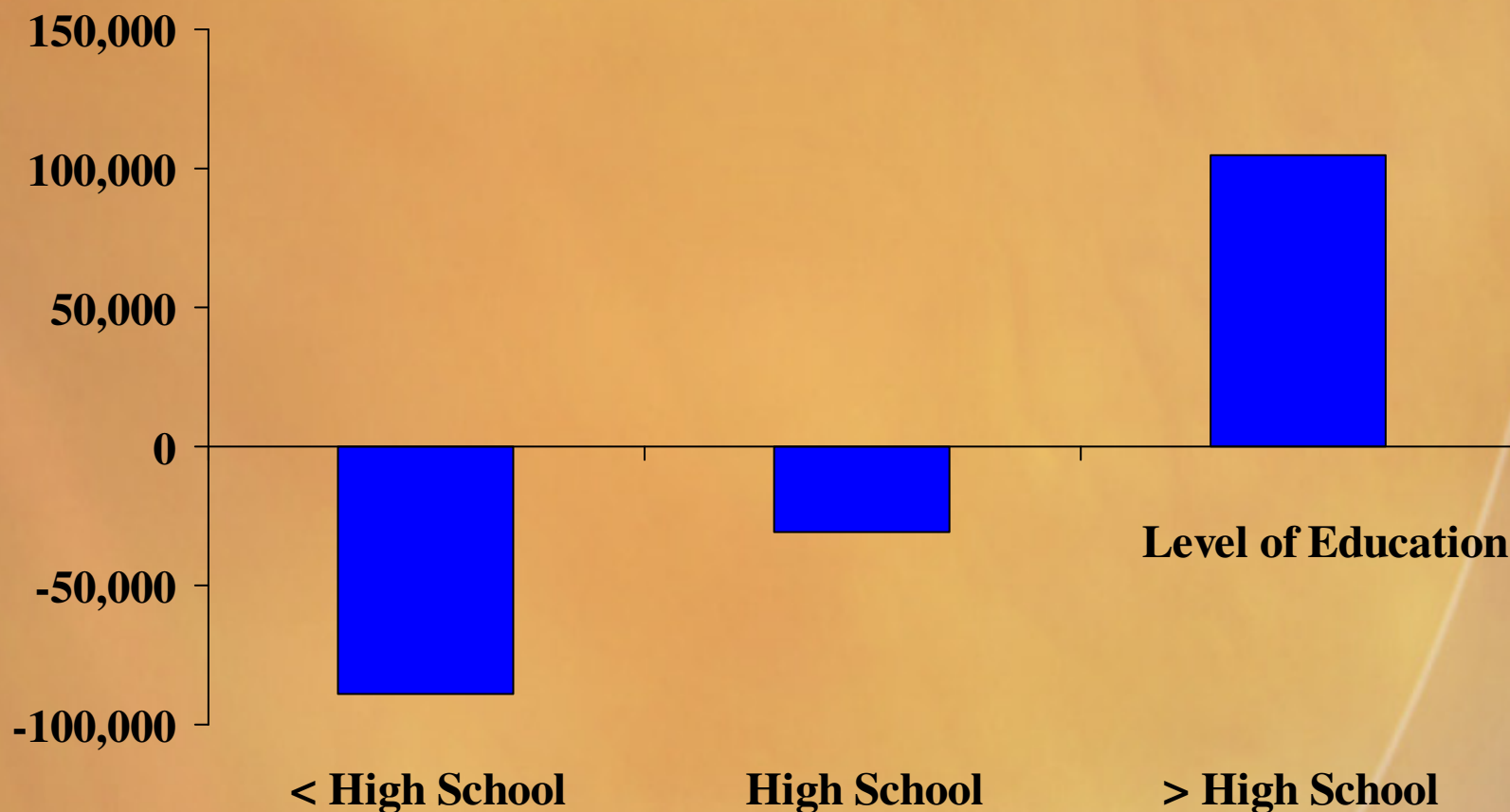
Source: 1996-2006; BLS, Haver Analytics

Fiscal impact of immigration

- Fiscal impact =
tax contributions minus public services received
- Impact depends on education level
 - High school graduate or below imposes net costs
- Fiscal burden distributed unevenly
 - Payroll tax receipts benefit federal government
 - Education and health expenses burden state and local government

Lifetime fiscal impact of less-educated immigrants is negative

1996 Dollars, NPV

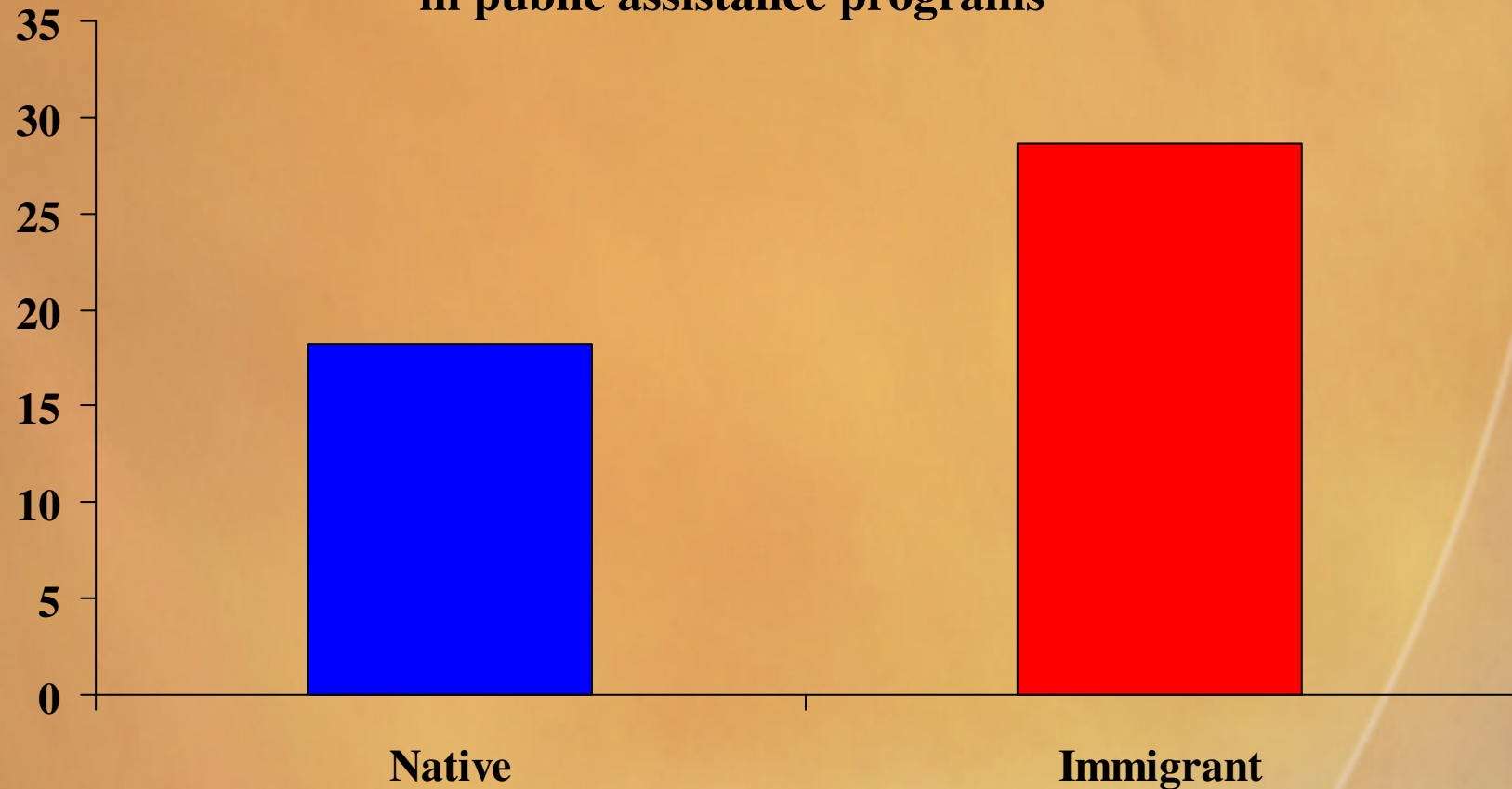


Source: National Research Council, *The New Americans* (1997)

Immigrant households rely more on public assistance

Percent

**Household participation
in public assistance programs**



Source: Center for Immigration Studies, March 2005 Current Population Survey

What policy makers can take away from the economics

- Immigrants should be different from us
- High-skilled immigration very beneficial
- Low-skilled immigration beneficial but
 - Fiscal impact, assimilation issues suggest process should be managed
 - Visa programs should be aimed at curbing illegal immigration
 - Interior enforcement, no visa program: segmented labor markets?

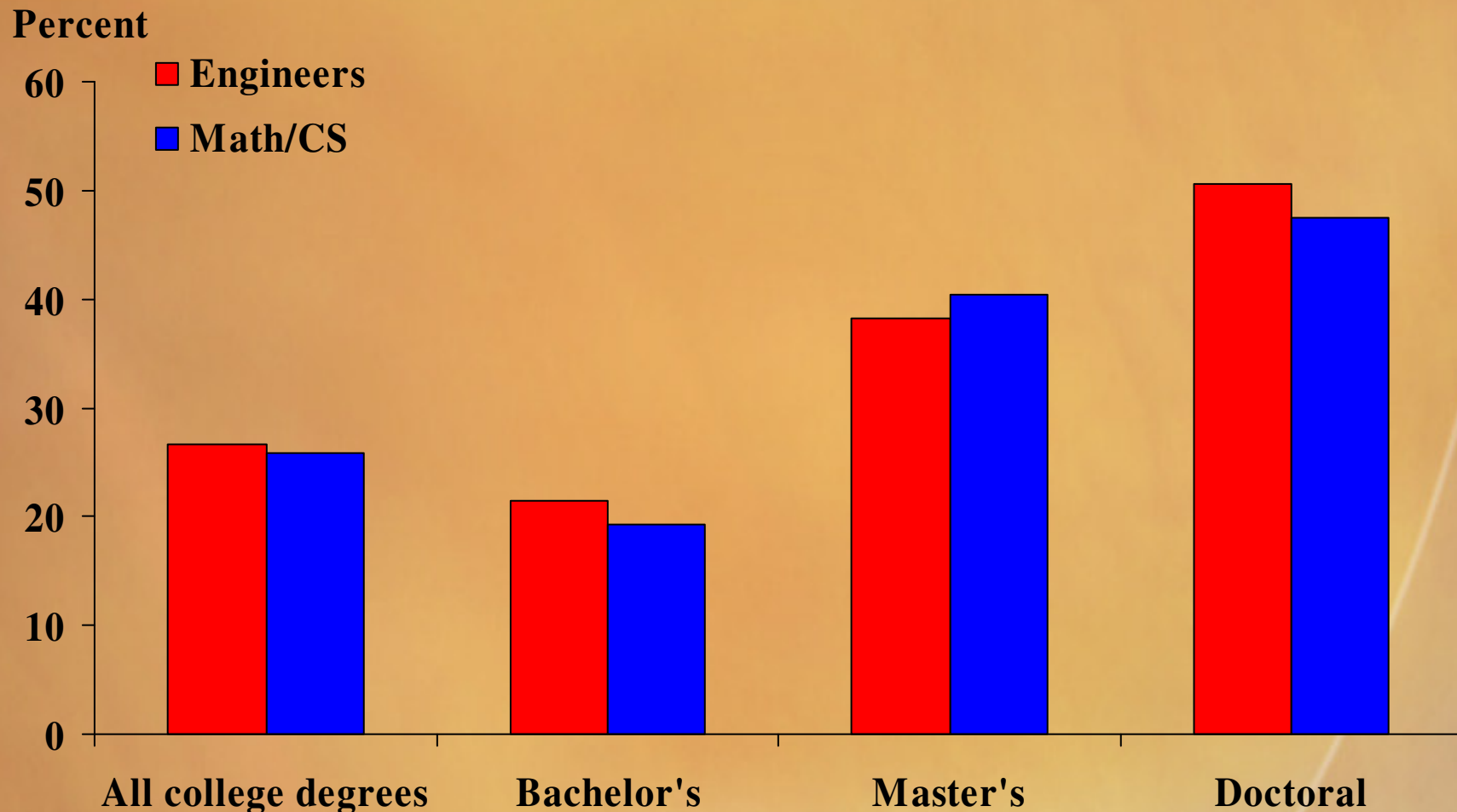
Conclusions

- Foreign-born important role in economic growth
- Benefits of immigration extensive
- Labor market impacts limited; fiscal impact sizable
- Reform should be pragmatic, in line with the economics



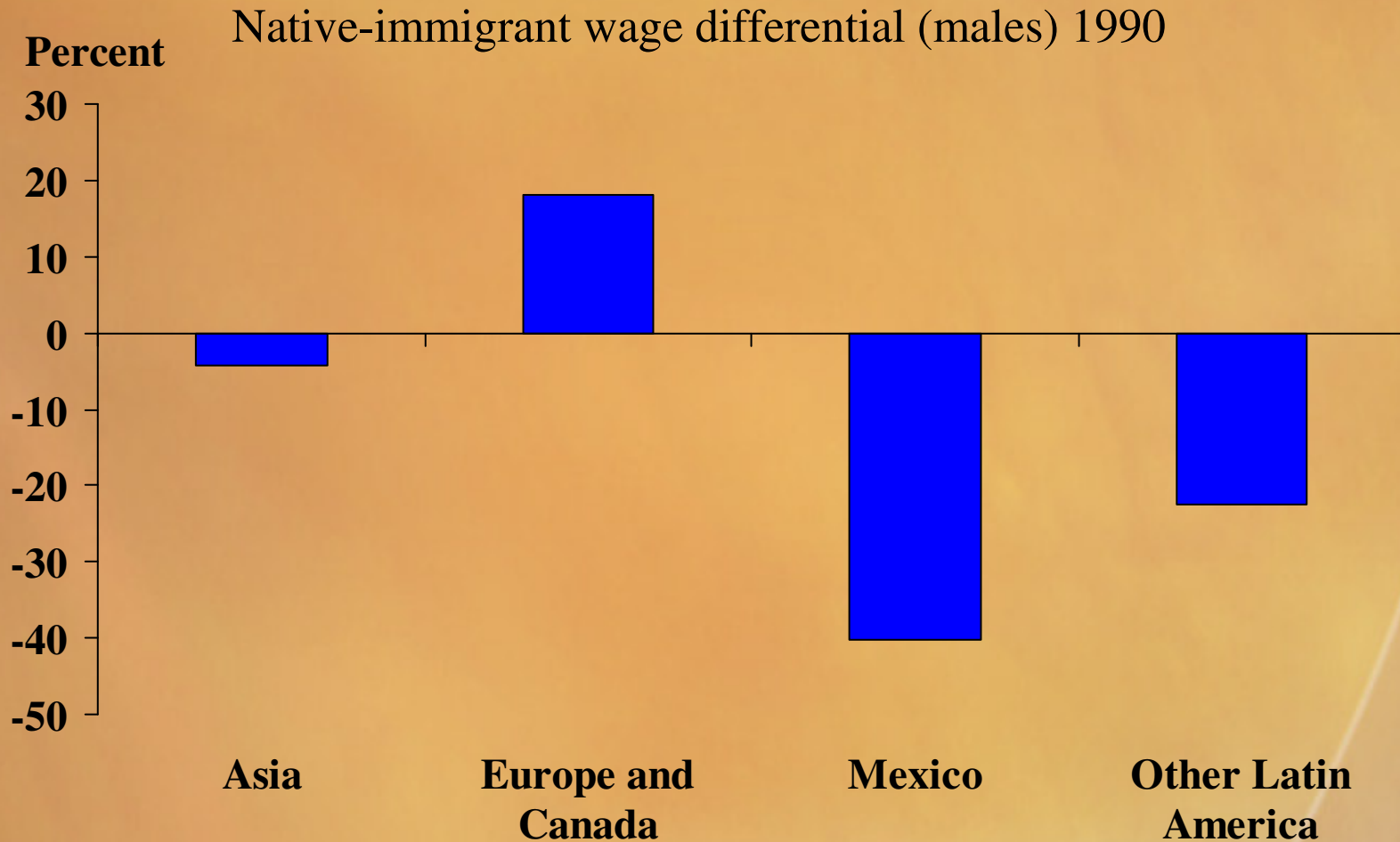


Foreign-born share of US engineers and math/computer scientists



Source: Science and Engineering Indicators (2003)

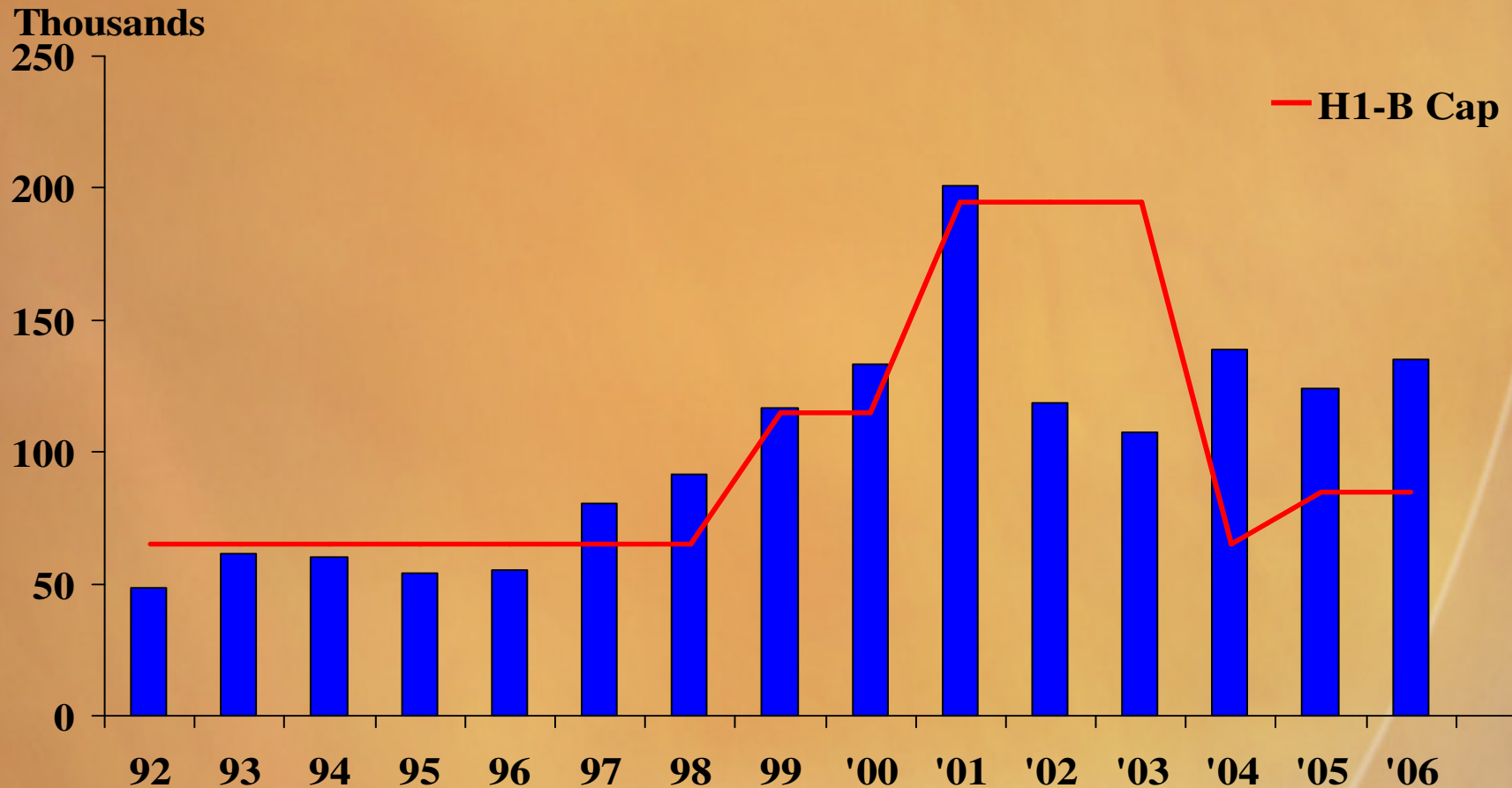
Wage gap related to an immigrant's country of origin



Source: George Borjas, *Heaven's Door* (1999)

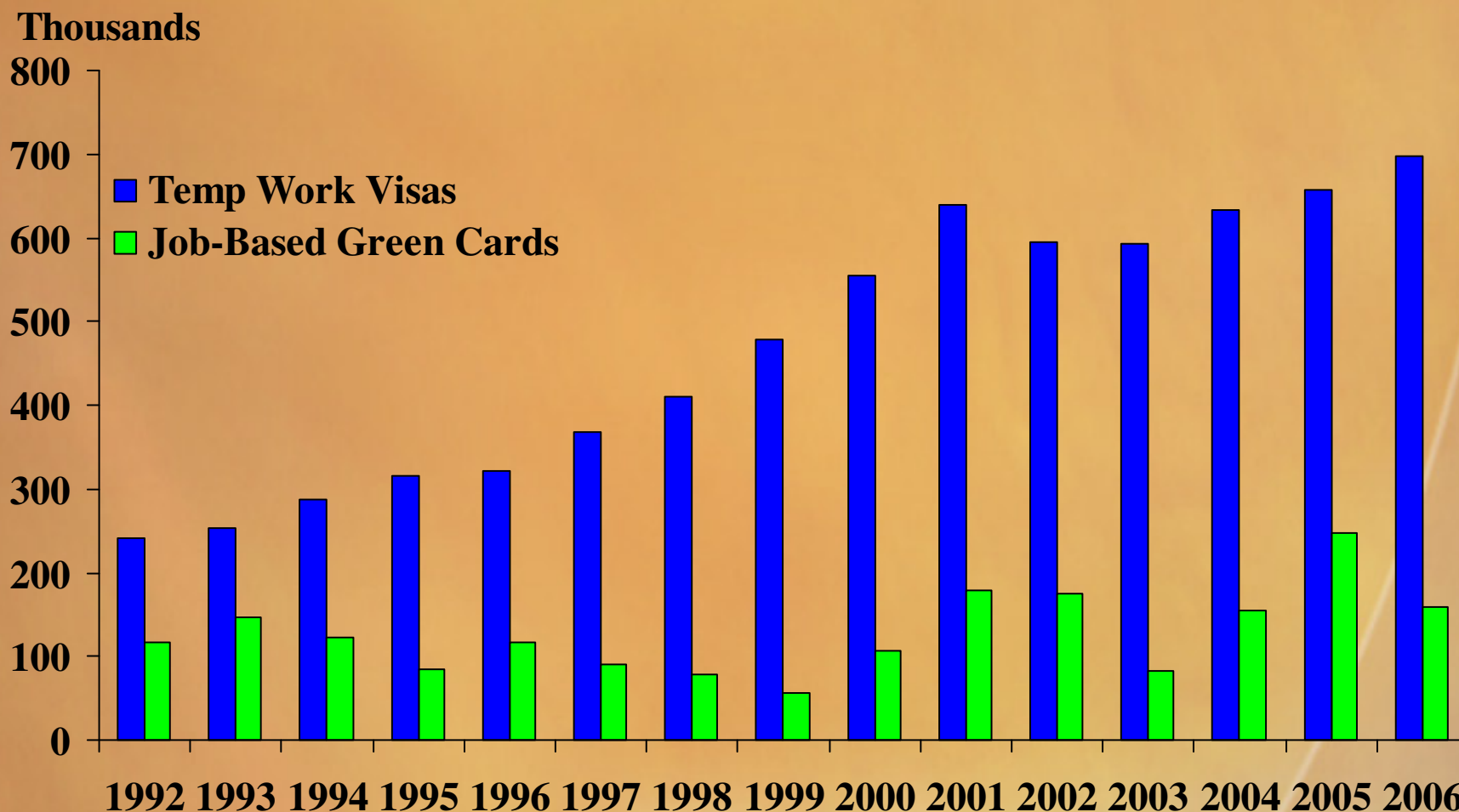
H-1B cap binding since 2004

Petitions approved for initial employment



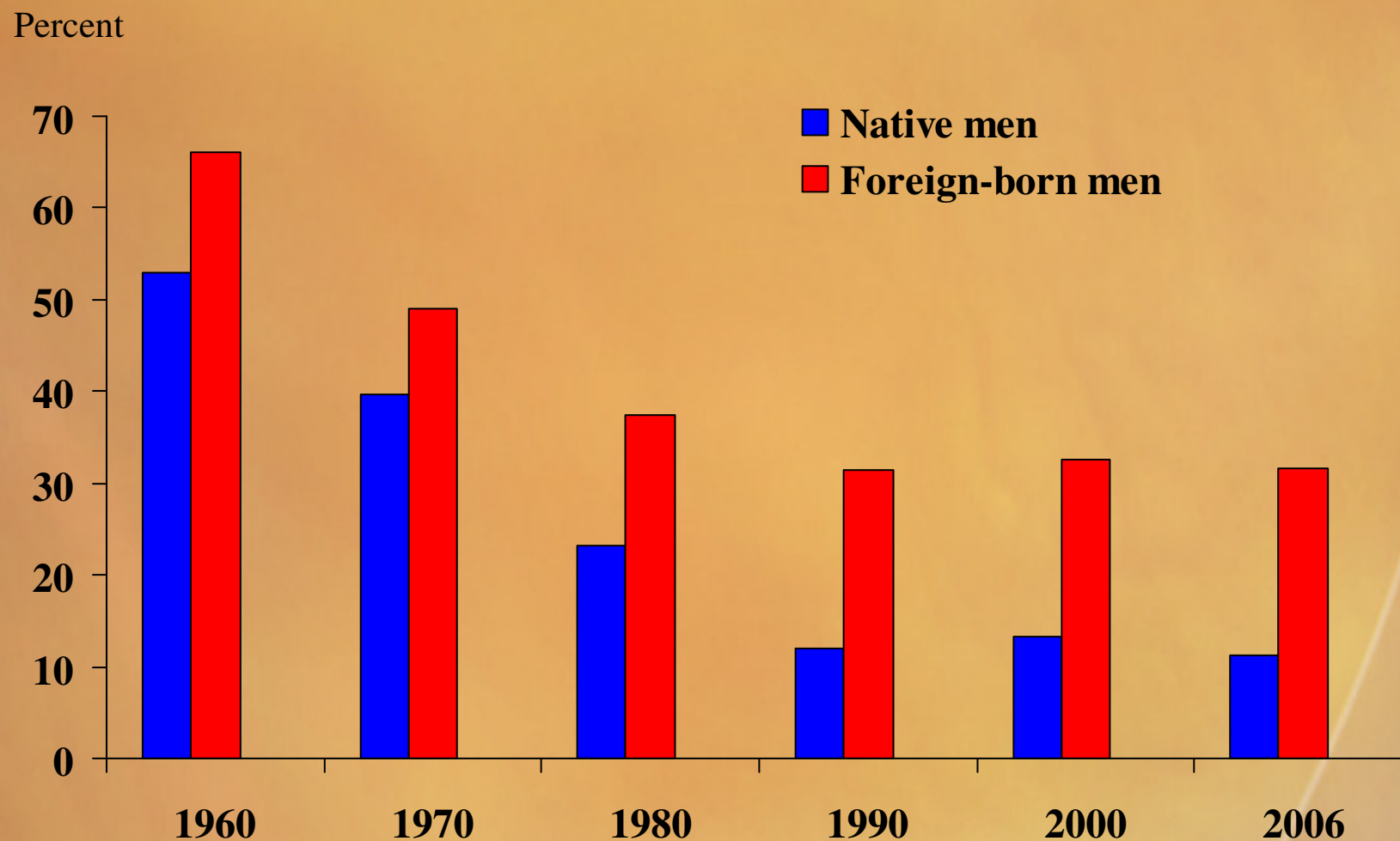
Source: Department of Homeland Security

Job-based green cards remain in short supply



Source: Department of Homeland Security, Department of State

Immigrants are more likely to lack a high school degree



Source: George Borjas, *Heaven's Door* (1999); Census; CPS