

# Immigration and the Economy

*By Chris Carson*

Although religious motivation significantly impacted the founding and early development of American colonies, economic motives outweighed religious ones beginning fairly early in our country's history. This is reflected not only in the influx of voluntary immigrants looking for a better life, but also in the importation of indentured servants or slaves to fill the labor requirements of colonists' farms and businesses. Immigration was at the core of nation-building, so much so that the Declaration of Independence listing the wrongdoings of King George III alleged that the British government had hindered and obstructed immigration into the colonies.<sup>1</sup>

## Labor Force Requirements

Over the course of American history, numerous businesses have targeted specific immigrant groups for employment. For instance, they brought in the Chinese to work on the railroads, the Irish, in many parts of the country, to work in railroad building or mining, and Eastern and Southern Europeans for manufacturing enterprises. Overall, the flow of immigration throughout the 19th and early 20th century was directly tied to the strength or weakness of the American economy; levels of immigration fluctuated widely in response to economic cycles of boom and panic in this country.<sup>2</sup> Generally, peak immigration flows coincided with periods of fundamental transformations of the American economy.<sup>3</sup>

The current high volume of immigration is second only to that of a hundred years ago, prior to the introduction of significant immigration restrictions during the 1920's. This is the result of a complex interaction of changing U.S. demographics, global developments and a growing U.S. economy,

According to the Bureau of Labor Statistics, 56 million new jobs will be created in this country between 2002 and 2012. During this same period, more than 75 million Americans will retire, and declining native-born fertility rates will be approaching replacement level. Half of the new jobs will require no more than a high school education, but native-born workers are becoming more educated with every decade. Arguably the most important statistic for an understanding of the immigration situation in this country is that in 1960, half of all American men dropped out of high school to look for unskilled work, whereas less than ten percent do so now.<sup>4</sup>

The shortfall of unskilled labor—estimated to run to hundreds of thousands of workers a year—is showing up in sector after sector. The construction industry creates some 185,000 jobs annually, and although construction workers now earn between \$30,000 and \$50,000 a year, employers in trades such as masonry and dry-walling are unable to find enough young Americans to do the work.

The prospects for the restaurant business are even bleaker. With 12.5 million workers nationwide, restaurants are the nation's largest private-sector employer, and their demand for labor is expected to grow by 15 percent between 2005 and 2015. But the native-born work force will grow by only ten percent in that period, and the number of 16- to 24-year-old job seekers—

the key demographic for the restaurant trade—will not expand at all. So, unless the share of older Americans willing to bus tables and flip hamburgers increases—and in truth, it is decreasing—without immigrants, the restaurant sector will have trouble growing through the next decade.<sup>5</sup>

## **Entrepreneurship**

Immigration also helps fuel the entrepreneurship that is so significant to the growth of the national economy. The four countries with the highest proportionate creation of new businesses are the United States, Canada, Israel and Australia, all countries with high rates of immigration. In the United States, the number of Hispanic-owned businesses has grown at three times the national average, while the number of Asian-owned businesses has grown at twice the national average.<sup>6</sup>

## **Unemployment Among Immigrants**

The informal market mechanisms that connect U.S. demand with foreign supply, particularly from Latin America, are surprisingly efficient. Immigrants already here communicate to their compatriots back home that the job market in one city is flat, while that in another is booming. This results in a just-in-time delivery of workers wherever they are most needed.

Statistics show that immigrants are less likely than natives to be unemployed. The vast majority of immigrants coming to the United States do so in order to work. After all, it is better to be unemployed in your home country than in New York or Chicago. Furthermore, even legal immigrants, who account for about two-thirds of the total influx, are not eligible during their first five to ten years in the United States for welfare transfers that could sustain them during periods of unemployment. And, illegal immigrants receive virtually no such transfers. It is no surprise, then, that labor-force participation among foreign-born men exceeds that of the native-born. In fact, the employment figure for illegal immigrant men is the highest of any group—94 percent employed.

The added societal burden of immigrants on welfare is really not an issue here. Rather than futilely trying to block the realities of supply and demand as current policy does—our immigration policy must address them.

## **Effect on American Workers**

Opponents of immigration often suggest that if employers paid American workers more they could reduce the need for foreign labor. Many industries cannot pay more, because they would then be undercut by imports from abroad. Even in sectors such as construction and hospitality, in which the work must be done in the United States, it is necessary to decide whether it is better to lure an American to a less productive job than he or she is capable of by paying more compensation for less-skilled work. Meanwhile, because they complement rather than compete with most native-born workers (and this in turn attracts additional capital), immigrant workers are a factor in raising rather than lowering most Americans' wages.

## **Immigration Reform**

Some proposals for comprehensive reform are based on certain assumptions about the potential economic benefits of immigration and suggest that the U.S. immigration system should be market-based. The premise of these reform proposals is that enforcement of the legal limits is ineffective partly because the nation as a whole is ambivalent about how much it wants to control immigration and partly because, as statistics show, it is all but impossible to enforce unrealistic laws. For the past decade or so, market forces have attracted some 1.5-1.8 million skilled and unskilled immigrants to work in the United States each year. However, annual legal quotas admitted only about a million each year. The result is a significant imbalance.

A realistic immigration system is one in which the annual legal intake is more or less equal to the flow generated by supply and demand. The United States currently issues 5,000 visas a year to year-round unskilled workers, when 400,000-500,000 additional such workers are needed to keep the economy growing.

Current immigration law makes a distinction between temporary (non-immigrant) status and permanent (immigrant) status, but more than 60 percent of all permanent residence grants between FY2001 and FY2005 were merely adjustments to the status of people already in the United States rather than new arrivals.<sup>7</sup> This makes the legal distinction between temporary and permanent almost meaningless. And at the same time, the legal structure has become exceedingly complex over the years, with additional sub classifications and exceptions being added to cover special categories of individuals and families. While there are 24 temporary visa categories in the basic law, over the years more than 70 sub-categories have been created.<sup>8</sup>

A legitimate way to assess the role and value of immigration's contribution to America is to consider what would happen if the influx stopped or if those already here left the country. Those who favor comprehensive reform (bring in more workers) believe this would be disastrous. In some regions, they contend, whole sectors of the economy could collapse. The opposition maintains that a cutoff would mean at most a temporary inconvenience for a few employers, who would soon wean themselves away from their dependence on foreign workers

To assess the relative merits of the two arguments, one should consider the expected impact of the projected demographic changes that will result from the ever-slowing growth of the native-born work force. The business community, long the chief supporters of immigration, argues that there is no reason to forfeit immigrant-driven economic expansion and the concomitant improved standard of living that benefits all Americans. They say that whether the nation benefits a great deal or just modestly from the presence of newcomers, new immigrants make life in the United States better— not just with the work they do, but because they renew and reinvigorate the country's spirit with their energy, hard work and old-fashioned values. Opponents of increased immigration consider the costs and benefits of an expanding economy, and place greater emphasis on environmental and cultural issues. They argue for significant restrictions on total immigration.

Clearly, this is a many-faceted debate that arouses great passions, and will continue to do so. There are no easy answers.

*Chris Carson, LWV of Glendale-Burbank, CA, is a member of the Immigration Study Committee.*

## **References**

<sup>1</sup> Astride Zolberg, *A Nation by Design: Immigration Policy in the Fashioning of America* (New York, Russell Sage Foundation and Cambridge, Harvard University Press, 2006), p. 24.

<sup>2</sup> Zolberg, *A Nation by Design*, p. 186.

<sup>3</sup> Doris Meissner *et al*, *Immigration and America's Future: A New Chapter*, (Migration Policy Institute, 2006), p. 1.

<sup>4</sup> Tamar Jacoby, “Immigration Nation,” *Foreign Affairs*, November/December 2006, p.52.

<sup>5</sup> Jacoby, “Immigration Nation,” p.52.

<sup>6</sup> Meissner, *Immigration and America's Future*, p. 8.

<sup>7</sup> Meissner, *Immigration and America's Future*, p. 33.

<sup>8</sup> Meissner, *Immigration and America's Future*, p. 37.