Issue Paper 2 – Immigration, Workforce Mobility and the Economic Impact

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In 2010 the number of undocumented immigrants living in the United States was roughly 11.2 million or 4% of the total U.S. population, a number virtually unchanged from 2009. That year, the level of undocumented immigration declined for the first time in two decades, dropping 8% from 2007, as a sour economy and stepped-up border enforcement made it harder or less desirable for undocumented workers to enter from Mexico. Mexicans make up the majority of the undocumented immigrant population at 58%, or 6.5 million, followed by people from other Latin American countries at 23%, or 2.6 million; Asia at 11% or 1.3 million; Europe and Canada at 4% or 500,000; African countries and other nations with 3%, or 400,000. The number of undocumented immigrants in the U.S. labor force was also unchanged in 2010 from the previous year, staying steady at 8 million. These immigrants represent about 5% of workers in the U.S., which is slightly lower than it was during its peak of 8.4 million in 2007.

Not all immigrants, however, are undocumented. In fact, from 1991 to the year 2000, there were between ten and eleven million legal immigrants. While this total number was higher than in any previous decade, it only represented an annual growth of around 0.3%. Similarly, since 2000, legal immigrants to the United States number around 1 million per year, 600,000 of whom are “Change of Status”, meaning they were already in the country. The result is that the United States is only admitting around 400,000 new peoples legally a year into the country, representing only 0.01% of the total population. Yet even with these minute numbers, immigrants, both legal and illegal have had a disproportionate positive influence on the growth of the US economy.

Benefits of Immigrants to the U.S. Economy:

The benefits of immigration to the United State’s as a whole and specifically to our economy are unchallengeable. From Albert Einstein to Sergey Brin (founder of Google), immigrants have been at the forefront of America’s growth and innovation. Even though immigrants have made up only 10.5% of the American population on average since 1850, there are 90 immigrant-founded Fortune 500 companies, accounting for 18% of the list. When you include the additional 114 companies founded by the children of immigrants, the share of the Fortune 500 list grows to over 40%. These companies employ more than 3.6 million people, and have a combined revenue of $4.2 trillion. $1.7 trillion of which comes just from those companies founded by those who themselves immigrated to this country.

A study of international patents by U.S. companies showed that foreign-born inventors were behind 72 percent of Qualcomm’s patents, 65 percent of Merck’s patents, and 64 percent of General Electric’s patents. Remarkably, even the federal government relied heavily on immigrant workers, with 41 percent of the patents filed by the U.S. government having foreign-born inventors or co-inventors.
Immigrants do not only help the United States economy from the top down, but also from the bottom up. While some do send much of their earnings back to their home countries as remittances, all of them are consumers in the U.S. market, buying everything from food and clothes, to houses and cars. For instance, a study by the University of Nebraska, Omaha, estimated that spending by immigrants generated roughly 12,000 jobs for the state of Nebraska in 2006, including more than 8,000 jobs in the Omaha and Lincoln metropolitan areas.

Immigrants are also filling in the gap that is being left by the retiring native born Baby Boomers. Their retirement will generate 34.3 million job openings between 2008 and 2018, compared to the 15.3 million jobs that will be created by economic growth. Similarly, as the native-born American population becomes more educated, there will be a shortage of workers for jobs that require minimal, on the job training, which will constitute around 38% of all job openings in the next ten years.

A common misnomer is that immigration has an adverse impact on the employment prospects of the American workforce, and in particular the low-income individuals. However, states and metropolitan areas with the highest shares of recent immigrants in the labor force do not necessarily have the highest unemployment rates among native-born Blacks, Caucasians, Hispanics, or Asians. Nor do locales with the highest rates of unemployment among native-born persons have the highest shares of recent immigrants in the labor force.

Another misconception is that immigrants drive down the wages of U.S. workers. Immigrants and natives, however, tend to differ in the amount of education they have and the skill sets they possess, thus complementing not substituting the native born workers. A 2010 report from the Economic Policy Institute estimated that, from 1994 to 2007, immigration increased the wages of native-born workers by 0.4%.

Finally, with over 77 million Baby Boomers reaching retirement age, the Social Security and Medicare systems will be stretched thin. The labor force will fall, and a smaller number of workers and taxpayers will support a growing number of retirees. Therefore, immigrants will play a critical role in replenishing both the labor force and the tax base. In fact, the Institute for Taxation and Economic Policy estimates that households headed by undocumented immigrants paid $11.2 billion in state and local taxes in 2010. That included $1.2 billion in personal income taxes, $1.6 billion in property taxes, and $8.4 billion in sales taxes.

Apart from paying sales taxes on all their expenses, close to 75 percent of undocumented workers provide their employers with a counterfeit identity document, meaning they are paying federal income taxes, Social Security taxes and Medicare taxes, even though most of them will not reap the benefit. According to the Social Security Administration’s Chief Actuary, undocumented immigrants have contributed an estimated net of $120 billion to $240 billion to the Social Security fund, which they are ineligible to ever receive. In fact, he estimated, the fund would become insolvent six years sooner if it were not for contributions from illegal immigrants.
Immigration Reform and the Economic Benefits:

The CATO Institute estimates that currently around 8.3 million workers in the United States are undocumented. Deporting this productive source of labor would have a yearly cost of around $57 billion, while the long terms costs to the economy would be even greater. According to a study by the Center for American Progress, mass deportation would cost the economy $2.6 trillion over 10 years. Conversely, this same study estimated that a path to legal status for all undocumented workers in the country would add around $1.5 trillion dollars to the GDP over ten years. Legalization would eliminate smugglers' fees and other costs faced by illegal immigrants and it would also allow immigrants to have higher productivity and create more openings for Americans in higher skilled occupations.

Another economic benefit that would come about from reforming the immigration system is that the United States would be better able to reap the benefits of foreign students who come and study in this country. Immigrants received 33% of the doctorates and 57% of the post-doctorates in U.S. science and engineering programs. Similarly, there are 50 thousand foreign advanced math and science students that graduate each year from U.S. masters and doctorate programs. About one third, or around 17 thousand, do not end up staying in the country, many of whom sighting immigration issues as the top reason for their exit. The U.S. is investing so much into these students and not reaping the benefits of their innovations because we don’t have a system that will keep them here. U.S. high-tech companies are starting to move abroad, not necessarily because the labor is cheaper, but because current immigration policies do not allow them to get the people they need for their companies into the country.

Visas and Guest Worker Programs:

Since the 1950’s and 60s with the Bracero movement, U.S. companies have relied heavily on immigrant workers to fill seasonal and labor-intensive jobs that would otherwise not be filled. Guest worker visa programs such as H1-B Specialized Occupation, H-2A Agricultural Workers, and the H2B Temporary or Seasonal Non Agricultural Workers allow for businesses to bring in foreign labor to fill their needs. Until the recent economic recession, these visa programs had limited success in curbing illegal immigrations due to their insufficient numbers compared to the demand, as well as the complex processes that both employers and foreign laborers have to deal with in order to receive these visas.

Fortunately, the federal government and Consular offices around the world are making changes to ameliorate this issue and make applying for and receiving a temporary work visa simpler. For example, the Mexican Consular office has eliminated the $100 visa issuance fee that was once charged, and workers can now get their Visas on the same day that they apply. Similarly, applicants who have previously entered and worked in the United States illegally are no longer barred from applying for temporary work visas. These improvements are showing results on the ground. This point is best illustrated by the fact that in 2007, only 20 percent of total attempted crossings, legal and illegal, were made with documents. This number rose to 38 percent by 2009. These changes, however, will only bring about a temporary fix to a guest worker program that needs to be completely restructured as part of immigration reform legislation.
**E-Verify:**

E-Verify is a program where employers input information on newly hired employees into a computer database, and the computer then verifies whether the documents provided to prove legal status are authentic. In theory this is a great way for employers to easily prevent document forgery and thus the hiring of undocumented immigrants. However, as several recent raids of companies participating in the E-Verify program have shown, identity theft allows workers to get past E-Verify by allowing them to present documents that are legitimate, just not their own.

Another point of contention is whether this program can and should be fully implemented before any immigration reform bill is passed. Many times employers are left with no choice but to hire undocumented workers in order to stay open and/or in this country. Therefore, until a system is in place that allows them to legally and efficiently get the labor force needed, there will undoubtedly be a market for undocumented workers.

Perhaps the most compelling argument against the implementation of the E-Verify system before an immigration reform policy is in place, are the high costs associated with its implementation, especially for small businesses. It is calculated that if mandatory E-Verify legislation is passed, it would cost small businesses around 3.4 billion dollars a year and around 17 billion for all businesses combined.

**Mexico’s Role in Curbing Illegal Immigration:**

Just as the war against the Mexican drug trafficking organizations cannot be won by Mexico alone, the struggle to curb illegal immigration must be a shared responsibility between the United States and Mexico. This not only includes preventing Mexicans from crossing the border to the U.S., but also Central American immigrants from entering Mexico and eventually the United States. Mexico will have to implement more security measures along its southern and northern borders that will thwart the illegal trafficking of people, arms and drugs. The Merida Initiative (more details on this can be found in Issue Paper 1) was created with the purpose of helping Mexico in this process, but the technology and funds are only as good as their application. The Mexican Federal government, as well as some of the Mexican States have already begun to purchase new detection technologies for their borders, such as the non-intrusive inspection systems that check cargo for both humans as well as illicit goods. These inspection systems are also now becoming mobile, allowing authorities to check smaller vehicles passing through non-established border crossings.

Just this year, there have already been two large apprehensions of migrants, one of 513 people and the other of 219, trying to pass illegally from Guatemala to Chiapas in trailers. The security increases on the Mexico side of the border combined with U.S. efforts have made it more difficult and costly for people to cross illegally. Migrants are now paying up to $10,000, twice that of two years ago, to get into the United States. This increase in the crossing price, the fear of criminal organizations along the border, and a decrease in the U.S. demand for labor has resulted in a sharp drop of undocumented migrants. Increased security alone, though, is not enough to maintain this current trend. Better living and working conditions in Mexico are essential to reduce the levels of immigrations.
As the Mexican economy grows and develops more Mexicans are finding jobs within Mexico and the allure of the United States is waning. Additionally with the recent economic recession in the United States, many would be immigrants are staying put. American census figures show that the illegal Mexican population in the United States has shrunk and that fewer than 100,000 illegal border-crossers and visa-violators from Mexico settled in the United States in 2010, down from about 525,000 annually from 2000 to 2004. Another factor that has contributed to the reduction in illegal crossings is the drop in fertility rates among Mexican families, which has resulted in less potential laborers. While Mexico added about one million new potential job seekers annually in the 1990s, since 2007 that figure has fallen to an average of 800,000, according to government birth records. By 2030, it is expected to drop to 300,000.

New Legislation:

On June 22, 2011, U.S. Senators Robert Menendez (D-NJ), Harry Reid (D-NV), Patrick Leahy (D-VT), Dick Durbin (D-IL), Chuck Schumer (D-NY) John Kerry (D-MA) and Kirsten Gillibrand (D-NY) re-introduced a comprehensive immigration reform bill aimed at addressing the broken immigration system with what they called tough, smart, and fair measures. The bill includes measures to strengthen border security, enhance worksite enforcement of immigration laws, and requirements that the estimated 11 million undocumented immigrants present in the U.S. register with the government, pay their taxes, learn English, pay a fine, pass a background check, and wait in line for permanent residence.

The Comprehensive Immigration Reform Act of 2011 includes both a mandatory employment verification system and a program to require undocumented immigrants in the U.S. as of June 1, 2011 to register with the government, learn English, and pay fines and taxes on their way to becoming U.S. citizens. The bill also promotes effective and accountable enforcement within the U.S. through measures such as: additional resources for the Border Patrol; expanded penalties for passport and document fraud; new requirements for the Department of Homeland Security to track entries and exits at the border; common-sense rules governing detention to ensure U.S. citizens are not unlawfully detained; and new criminal penalties for fraud and misuse of Social Security numbers. A Standing Commission on Immigration, Labor Markets, and the National interest would be created as part of the bill to evaluate labor market and economic conditions and recommend quotas for employment-based visa programs to the Congress that would protect American jobs.

This bill was referred to the Senate Judiciary Committee. No date has been set as of yet by this committee to discuss the bill.

Economic Benefits of the DREAM Act:

The Development, Relief, and Education for Alien Minors (DREAM) Act is a bipartisan bill that would provide undocumented youths who came to the United States before the age of sixteen a path toward legalization on the condition that they attend college or serve in the U.S. military for a minimum of two years while maintaining good moral character. The DREAM Act’s primary goal is to legalize the more than 2 million undocumented youths who have resided in the U.S. and attended schools in this country, but the bill’s education requirements have an underlying economic stimulus potential as well.
The North American Integration Center, in partnership with the University of California, Los Angeles published a report on the economic benefits of the DREAM Act titled, No DREAMers Left Behind. The report estimated that if passed, only around 38% of the total eligible population would likely apply for and obtain the benefits. The study concluded that just from this group alone, the income generated over 40 years would be $1.4 trillion in current dollars, which does not take inflation into account. If the number of applicants increased to the full amount of those eligible, these economic gains would generate approximately $3.6 trillion. Beyond the direct and indirect economic impacts of a more productive, legal workforce, the DREAM Act represents an opportunity for American taxpayers to significantly increase the return on our current, and already spent, investment in youths that the public school system educates in their K-12 years.

Apart from citizenship, the DREAM Act would also allow for immigrant students to apply for and receive state and federal financial aid. This is important to note as States, such as California, pass their own versions of the DREAM Act, which will not include a citizenship component, but will open the door to state-funded financial aid.

Opponents of this bill have argued that if the United States were to pass such a bill, it would reward undocumented immigration and increase the amount of people trying to cross the border illegally. However, as a new poll that was recently released by the Pew Hispanic Center shows, the main growth in the Mexican-American population is coming not from immigration, but rather from births. These new children will be U.S. citizens, but their parents, who might be undocumented, will have had a much harder time attaining any form of higher education, thus limiting their ability to improve their children’s lives.

The U.S. Supreme Court put it best in their ruling from the 1982 case, Plyler v. Doe, where the question of whether Texas should have the right to deny to undocumented school-age children the free public education that it provides to children who are citizens of the United States or legally admitted aliens, was put forth.

“Many of the undocumented children disabled by this classification will remain in this country indefinitely, and . . . some will become lawful residents or citizens of the United States. It is difficult to understand precisely what the State hopes to achieve by promoting the creation and perpetuation of a subclass of illiterates within our boundaries, surely adding to the problems and costs of unemployment, welfare, and crime. It is thus clear that whatever savings might be achieved by denying these children an education, they are wholly insubstantial in light of the costs involved to these children, the State, and the Nation.”

The DREAM Act was first introduced on August 1, 2001 and has been reintroduced several times since then, most recently on May 11, 2011 by Senate Majority Leader Harry Reid.

Recommendations:

The USMCOC recommends a dual approach to solving the issues associated with the United States’ dysfunctional immigration system. Congress and the Administration should pass legislation that will on the one hand strengthen our borders and facilitate trade, while on the other resolve the status of the estimated 12 million undocumented people currently in the country by giving them a path to citizenship and allowing for the necessary amount workers to enter the country either on a temporary or permanent basis to fill the labor gaps that exist.
The U.S. must work closely with Mexico to not only eliminate the threat of organized crime along the border, but also to prevent the illegal trafficking of persons and illicit goods from Central America to Mexico and then to the United States. All this should be done without compromising the flow of trade between the two countries and the region as a whole. One effective way of achieving this is through smarter technology, such as the non-intrusive inspection systems that are currently being used by agents in both countries to detect and seize illegal cargo.

On the immigration side, a path to legalization for the undocumented workers who are already in the country is essential. Not only is seizing and deporting these 12 million individuals almost impossible, but it would also cost our country and our economy greatly. Instead, the United States should concentrate on creating and improving programs that prevent future undocumented migrations, such temporary or guest worker programs. These programs however must be less bureaucratic and more in tune with the needs of the business community for them to work.

The USMCOC also believes that as part of an immigration reform plan, a mandatory employment verification system should be put into place to ensure that all companies are playing by the same rules. However, the USMCOC opines that it would be unwise and unachievable to implement such a system without a pre-existing agreement on immigration reform legislation. Additionally, employers must be held responsible, not only for hiring unauthorized workers, but also for not enforcing and implementing federal and state labor standards for all their workers, legal or not.

The USMCOC supports the prompt passage of the DREAM Act, which is a necessary piece of legislation that will allow for the full integration of immigrant children into the country that many of them have called home for a majority of their lives. Most, if not all of these kids and young adults, will end up staying in the United States, eventually becoming citizens with time. So why not provide them this same opportunities as their peers? This will ensure their full integration and assimilation into the country, hopefully helping them achieve their full potential, and prevent them from becoming a marginalized portion of populations that may later lead to a path of poverty and even crime.

Finally, in order for the United States to continue to be the global economic leader and driving force for innovation, our education system has to be improved. This does not only include the education for immigrant children, but all students across the country, who are being outscored in math and sciences by even some third world country students. In the past, people went to the jobs, and the jobs were in the U.S. In today’s globalized world, jobs now go to people. If we don’t improve our education system soon these people will unfortunately not be Americans.