

America's Advantage: A Handbook on Immigration and Economic Growth



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Matthew Denhart



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Immigrants from all walks of life come to America to work in an environment that enables people to rise as high as their talents can take them.

Foreword by Margaret Spellings

America is remarkable for its ability to attract millions of diverse people from around the world. From top scientists to day laborers, immigrants from all walks of life come to America to work in an environment that enables people to rise as high as their talents can take them.

Many of these immigrants possess high levels of education. Indeed, immigrants are more likely to have an advanced degree than native-born citizens, and recent immigrants to the United States are much more likely to have a college degree compared to those who came before them.

That's not to say that all immigrants are highly educated. To be sure, a large portion of immigrants lack even a high school degree. While we need to do a better job of educating and training these immigrants, they too are important economic contributors, filling critical voids in the U.S. labor force.

Whatever their education, immigrants of all backgrounds are a driving force of U.S. productivity – the key determinant of economic growth. Immigrants receive patents and start businesses at a higher rate than native-born citizens. And many immigrant-founded companies have grown to become wildly successful: AT&T, Kraft, Google, Yahoo!, and eBay, to name a few. Immigrants' contributions are not restricted to the economy. They also fill critical ranks in our military. It has been estimated that since 2002 more than 100,000 members of the U.S. military have become citizens while serving in uniform.

But immigrants could do even more, if enabled by better U.S. immigration policy. Although serious policy reform is needed, we all too often find ourselves talking past one another when it comes to immigration. Not only is our identity as a beacon of hope to those seeking freedom and opportunity at risk, so too is our ability to compete in an increasingly competitive globalized economy.

As with most issues, there are no simple answers. But informed discourse is the first step to developing sensible policy. To that end, the Bush Institute is pleased to partner with the U.S. Hispanic Chamber of Commerce to make this handbook available. It provides a comprehensive overview of the role immigrants play in the economy.

Equipped with the facts contained in this book, Americans can have a rational conversation about the importance of immigration. The Bush Institute is pleased to take part in this conversation, and we hope you will join us. After all, getting immigration reform right is critical to America's future prosperity and our way of life.

— Margaret Spellings
March 2015

We are, after all, a land of immigrants.

Foreword by Javier Palomarez

Referring to the United States as a land of immigrants is politically safe, popular in the media, and historically accurate. It passes the test of decency while also lending credibility to those who use the expression. Generally speaking, it is the easy thing to do.

The real challenge in the immigration dialogue is ensuring that America's growth strategy accounts for how and why people come to our shores. The U.S. has remained the world's strongest economy in large part because it has been able to attract diverse people and reap the benefits of their talents and hard work. This inflow of human capital is key to the renewal of the American Dream.

Our current immigration system, unfortunately, has failed to account for the needs of America's business community. While the free market requires a variety of skill sets to fill critical jobs, the inability of policy makers to address immigration reform has been a hindrance to economic growth.

Immigrants across the country, with ability and drive, are not positioned to pursue their own economic advancement, which would ultimately help our nation as a whole. For example, innovation is stifled when scientists and engineers with a desire to create and innovate in the U.S. are turned away. Jobs and revenues are lost when entrepreneurs with good ideas cannot start a business. By the same token, we cannot take for granted the contributions of lower-skilled workers who keep our farms, restaurants, and homes in working order.

The United States Hispanic Chamber of Commerce, the nation's largest Hispanic business organization, is proud to continue our partnership with the George W. Bush Institute on this new edition of Matthew Denhart's extraordinary analysis of immigration reform. This book provides a complete view of the economic benefits of foreign-born workers in America.

By examining a broad range of our economy's needs, like entrepreneurship, educational attainment, patents, and productivity, Denhart and the Bush Institute have provided a thorough look at the economic necessity of pro-growth immigration policy reform. The analysis shows that reforming our immigration system in a commonsense and business-friendly way is vital for achieving strong and lasting economic prosperity.

In a globally competitive environment, the United States must continue to ensure those with ideas, initiative, and a strong work ethic have the ability to come here for a better life.

We are, after all, a land of immigrants.

— Javier Palomarez
March 2015

Introduction

America's Advantage

For hundreds of years, people from all corners of the globe have left their homelands to come to the United States of America. For many, perhaps most, America has appealed as a land of economic opportunity, a place where anyone from any background can come to work for a better life. In the process of bettering their own lives, immigrants have contributed much to America.

From America's earliest days, immigrants have played a leading role in building what has become the most prosperous nation in the history of the world. Indeed, eight of the 56 signers of the Declaration of Independence were foreign-born, as were four of the first six secretaries of the U.S. Treasury, starting with Alexander Hamilton, born in the Caribbean.

Immigrants have continued to make valuable contributions to America and its economy. Immigrants like Alexander Graham Bell, Joseph Pulitzer, Nikola Tesla, and Albert Einstein represent some of the most well-known American innovators from history. George Soros, Sergey Brin, Arianna Huffington, Andy Grove, and Jerry Yang are just a few of today's leading entrepreneurs who immigrated to the U.S.

For nearly as long as there has been a United States of America, there has been a debate about immigration. Today, issues of border security and unauthorized immigration dominate headlines. These are important issues that require careful consideration, but all too often they overshadow other critical aspects of the immigration discussion.

One highly important dimension of the immigration debate deserving much greater consideration is the role immigrants play in the economy. On this point, the evidence could not be clearer: Immigrants are a powerful positive force in the U.S. economy. Indeed, immigrants contribute in a number of ways to U.S. economic growth. This book seeks to tell that story — presenting the economic evidence about immigration that is too often overlooked.

Work and Labor Force Growth

The most basic ways immigrants boost growth are by working and increasing the total size of the labor force. Data from the U.S. Census Bureau show that in 2013, immigrants accounted for 13% of the total U.S. population, but for more than 16% of the civilian labor force. More than 61% of immigrants over the age of 16 were employed in 2013, an even higher

proportion than that of native-born Americans.

Immigrants cluster in both high-skilled and lesser-skilled occupations, reflecting their different educational backgrounds. A large portion of immigrants is very highly educated, possessing bachelor's and advanced degrees. But an even larger portion has a low level of education, oftentimes not even attaining a high school diploma.

On the high-skilled side, immigrants prove especially common in the science and technology

fields. In 2013, immigrants filled almost a quarter of jobs in computer and mathematical occupations and

In 2013, immigrants accounted for 13% of the total U.S. population, but for more than 16% of the civilian labor force.

almost one-fifth of jobs in architecture and engineering, as well as the life, physical, and social sciences. This highly educated immigrant workforce is increasingly necessary in today's globally competitive economy.

Immigrants with lower average levels of education also play an important role filling gaps in the lesser-skilled areas of the U.S. economy. Almost 40% of farm workers are immigrants, and immigrants fill 36% of cleaning and maintenance jobs and 27% of construction jobs. Immigrants are over-represented relative to their share of the labor force in other lesser-skilled occupations like food preparation, personal care, healthcare support, production, transportation, and material moving.¹

In addition to filling critical gaps in the workforce, immigrants also help rejuvenate America's labor force. After all, a growing economy requires a growing labor force, but America's native-born labor force is aging. Immigrants, meanwhile, tend to come to the U.S. during their prime working years, allowing the country's labor force to continue to grow. In fact, over the last decade (2003–2014), the U.S. civilian labor force increased by approximately 9.6 million workers, and immigrants accounted for nearly half of these new workers.

¹ U.S. Department of Labor, Bureau of Labor Statistics, *Table 4. Employed Foreign-born and Native-born Persons 16 Years and over by Occupation and Sex, 2013 Annual Averages*, May 22, 2014, <http://www.bls.gov/news.release/forbrn.t04.htm>.

Even more remarkable is the role immigrants will play in coming years. The Pew Research Center projects that between 2012 and 2050, immigrants and their U.S.-born children will combine to account for 93% of the total growth of America's working age population.² That is to say, immigrants and their U.S.-born children will be responsible for nearly all the growth of America's labor force through the middle of this century.

Innovation and Productivity

Over the long term, in addition to adding workers, an economy grows by increasing productivity — that is, getting more output from each input. A principal way an economy can improve its productivity is through innovation: doing things in new ways or doing entirely new things.

Quantifying innovation within an economy can be difficult, but one common way is by examining patent data, which show that immigrants have been remarkably innovative.

The economist Jennifer Hunt finds that immigrants are twice as likely to have been granted a patent compared to natives. Furthermore, the U.S. Patent and Trademark Office reports immigrants or other foreigners are responsible for more than 50% of the patents its office grants.³ And among the 10 U.S. universities that received the most patents in 2011, 76% of all such patent awards had at least one immigrant listed as an inventor on the patent application.⁴

Another way new ideas are introduced into the economy is through published research, and immigrants lead in this area too. Among college graduates, a greater share of immigrants report having ever published a book,

Immigrants are twice as likely as natives to be granted a patent.

² *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.

³ U.S. Patent and Trademark Office, *U.S. Patent Statistics Chart Calendar Years 1963–2013*, July 24, 2014, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm.

⁴ *Patent Pending: How Immigrants Are Reinventing the American Economy*, report (Partnership for a New American Economy, 2012), <http://www.renewoureconomy.org/wp-content/uploads/2013/07/patent-pending.pdf>.

journal article, or conference paper, and immigrants also have more publications on average.

Immigrant Entrepreneurship

Entrepreneurship is a third crucial factor that pushes an economy forward. After all, it is entrepreneurs who take good ideas and turn them into products that can be delivered to consumers. Immigrants have proven themselves highly successful at starting and growing businesses of all types. The Kauffman Foundation's "Index of Entrepreneurial Activity" finds that immigrants start new businesses at almost twice the rate of native-born Americans.⁵

Immigrants have shown themselves especially good at starting small businesses. They account for 18% of all small business owners in America, and are a much larger share in many states.⁶ In New York City alone, some 90% of laundry businesses and 90% of taxi/limousine services are owned by immigrants.⁷ Taken collectively in 2007, of U.S. small businesses in which at least half the founders were immigrants, these firms employed almost five million workers and generated more than \$775 billion in revenue.⁸

Immigrants are helping to lead the way in America's most promising new industries as well.

Immigrants start new businesses at almost twice the rate of native-born Americans.

Vivek Wadhwa and a team of researchers found that almost 45% of major engineering and technology companies started in Silicon Valley between 2006 and 2012, and almost one-quarter of such firms founded nationwide, had at least one immigrant as a

5 Robert W. Fairlie, *Kauffman Index of Entrepreneurial Activity 1996–2013*, report (Ewing Marion Kauffman Foundation, 2014), http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2014/04/kiea_2014_report.pdf.

6 Data from: U.S. Census Bureau, 2010 American Community Survey; as found in: David D. Kallick, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, report (Washington, DC: Fiscal Policy Institute, 2012), <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>.

7 David Kallick, *Immigrant Small Businesses in New York City*, report (Fiscal Policy Institute, 2011), http://www.fiscalpolicy.org/FPI_ImmigrantSmallBusinessesNYC_20111003.pdf.

8 David D. Kallick, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, report (Washington, DC: Fiscal Policy Institute, 2012), <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>.

key founder. In 2012, immigrant-founded major engineering and technology firms generated more than \$63 billion in sales and employed some 560,000 workers.⁹

In 2010, 41% of all Fortune 500 companies had at least one key founder who was an immigrant or the child of an immigrant.

Immigrants are responsible for many of the world's most important companies. Every year Fortune Magazine identifies America's biggest companies. Analyzing the 2010 Fortune 500 list, a report by the Partnership for a New American Economy finds that 41% of all Fortune 500 companies had at least one key founder who was an immigrant or the child of an immigrant.

Unauthorized Immigration

Notwithstanding the countless contributions of immigrants to America and its economy, immigration remains a highly controversial issue. Unauthorized immigration, of course, drives much of the controversy. A 2006 Gallup poll found 81% of American adults thought unauthorized immigration was "out of control," and in 2014, a full 57% said they personally worried "a great deal" or a "fair amount" about unauthorized immigration.¹⁰

These concerns are not unfounded. In 2012, an estimated 11.4 million immigrants living in the U.S. were unauthorized.

High levels of unauthorized immigration are problematic for many reasons. First, unauthorized immigration erodes the respect for the rule of law, thus encouraging future law-breaking. Unauthorized immigration also imposes serious costs on U.S. taxpayers. The U.S. Border Patrol now employs more than 20,000 agents,¹¹ and the agency's total enacted budget has increased (in inflation-adjusted terms)

9 Vivek Wadhwa, AnnaLee Saxenian, and F. Daniel Siciliano, *Then and Now: America's New Immigrant Entrepreneurs*, Part VII, report (Ewing Marion Kauffman Foundation, 2012), http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2012/10/then_and_now_americas_new_immigrant_entrepreneurs.pdf.

10 "Immigration," Gallup, <http://www.gallup.com/poll/1660/immigration.aspx>.

11 U.S. Border Patrol, *Border Patrol Agent Staffing by Fiscal Year*, U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Border Patrol Agent Staffing by Fiscal Year*, http://www.cbp.gov/sites/default/files/documents/BP%20Staffing%20FY1992-FY2014_0.pdf.

more than sevenfold since 1990.¹²

Most relevant to this book: Unauthorized immigration is not ideal from an economic standpoint. To maximize the growth potential of any economy, it is best to have workers performing the tasks at which they are best suited. When immigrants are unauthorized, they have fewer employment options

and often must take whatever job can be found, even if it does not best suit their skills. This restrained

Unauthorized immigration is not ideal from an economic standpoint.

labor mobility harms the overall efficiency of the economy and keeps economic growth from being as strong as it otherwise could be.

Ironically, as currently structured, America's immigration laws do much to *encourage* unauthorized immigration. Any successful immigration reform legislation will therefore have to address unauthorized immigration. But because of the deeply held feelings and lack of trust on this issue, finding a compromise will prove difficult.

Other Challenges

Beyond unauthorized immigration, other aspects of immigration concern Americans as well.

Do immigrants compete with natives for jobs? How do immigrants affect the wages of natives? Do immigrants impose fiscal burdens that our country may be unable or unwilling to handle? Are recent waves of immigrants learning English and sufficiently assimilating into society as did past immigrant groups, or are they becoming a permanent underclass?

These are all legitimate questions, and they surface often in the immigration debate. Much careful research has analyzed these issues, helping to dispel myths while making clearer the areas where immigration does indeed present challenges. A fuller discussion of these issues and the associated research is found in Chapter Three of this book.

¹² U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Enacted Border Patrol Program Budget by Fiscal Year*, http://www.cbp.gov/sites/default/files/documents/BP%20Budget%20History%201990-2014_O.pdf.

And make no mistake about it: The impact of immigration is not all positive. Taken as a whole, the foreign-born often struggle to learn English and have less educational training, compared to the native-born. Immigrants are also more likely to be in poverty and less likely to have health insurance. Lesser-skilled immigrants are more likely than lesser-skilled natives to use welfare programs and in some states and communities, the presence of large numbers of lesser-skilled immigrants does put pressure on government budgets.

Immigrants and the American Dream

But it is important to remember the process of assimilation takes time. When surveyed in 2011 and 2012, only about one-third of first-generation Hispanic and Asian American immigrants said they considered themselves “typical Americans.”¹³ The reason, of course, is that new immigrants are not typical Americans.

Comparing new immigrants to natives is therefore almost certainly not the right analysis. Better is to look at the progress immigrants make in America by comparing the experiences of immigrant children with those of their parents.

These data are highly encouraging. Immigrant children learn English, achieve high levels of education, secure better and higher paying jobs, and often purchase their own homes. Indeed, on many indicators, immigrant children perform better than not just their parents, but the native-born as a whole.

As is conveyed in Chapter Four, these successes represent the essence of the American Dream. It is a testament to America that

millions of immigrants continue to come to the U.S., where they work hard, invest in their children, develop roots in their communities, and achieve admirable

After all, that a class of people such as immigrants can come to America and find success in the year 2015 suggests that the country America's founders intended to build remains well intact today.

¹³ *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.

success. In the process of bettering their own lives, these immigrants contribute much to America more broadly. Their wider economic contributions are documented throughout this book. But the benefit of America's cultural narrative, and very identity, being reinforced by the personal success immigrants find in the U.S. should not be overlooked. After all, that a class of people such as immigrants can come to America and find success in the year 2015 suggests that the country America's founders intended to build remains well intact today.

Policy Reform for Faster Growth

Immigrants could do even more. It is important to consider the barriers that U.S. immigration laws represent. Current immigration laws are broken, misplacing priorities and biasing against immigrants who wish to come to the U.S. primarily to work. Meanwhile, existing laws grant preference to immigrants with existing family connections in the U.S.

Designing an entirely new immigration system is well beyond the scope of this book. But Chapter Five does outline some several key areas where

reform could make immigrants' contributions to America's economy even stronger.

If America's immigration laws were improved, economic growth would accelerate.

The most important reform is to move toward a more work-based immigration system. This would maximize the benefits immigrants provide while minimizing the costs they sometimes impose.

To be sure, if America's immigration laws were improved, economic growth would accelerate. This evidence is presented in the book's final chapter, Chapter Six.

In 2013, the U.S. Senate passed S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act. Although never signed into law, this bill would have, among other things, expanded immigration in the U.S., created more slots for high-skilled immigrants, established a temporary guest-worker program for lesser-skilled foreign workers,

and created a pathway to legal status and eventual citizenship for many unauthorized immigrants. The Congressional Budget Office (CBO) conducted a thorough

analysis of the bill's likely economic effects and found that had the bill become law in 2013, GDP would have been 3.3% higher by 2023 and 5.4% higher by 2033 than otherwise projected. Overall, the CBO found that comprehensive immigration reform could deliver an extra \$1.2 trillion in GDP growth over the next two decades,¹⁴ the equivalent of approximately \$3,300 per person, or \$13,200 for a family of four.

Yet, most Americans seem unaware of the economic benefits that immigrants provide. When surveyed in 2007, only 28% of Americans thought immigrants made the U.S. economy better.¹⁵ Therefore, communicating the positive economic contributions of immigrants is the essential first step to helping Americans recognize the hidden advantages of immigration as well as the need for policy reform.

This book is dedicated to that end. It brings the story of the economic contributions of immigrants to life by supplying data and evidence. Equipped with the facts, and a deeper understanding of the many ways immigrants contribute to the economy, Americans will see that its greatest advantage lies in its people – both native and foreign-born.

Communicating the positive economic contributions of immigrants is the essential first step to helping Americans recognize the hidden advantages of immigration as well as the need for policy reform.

— Matthew Denhart
March 2015

¹⁴ Congressional Budget Office, *The Economic Impact of S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act* (Washington, DC: Congressional Budget Office, 2013), <http://www.cbo.gov/sites/default/files/44346-Immigration.pdf>.

¹⁵ "Immigration," Gallup, <http://www.gallup.com/poll/1660/immigration.aspx>.

A Note on Terminology

Throughout this book, the terms “immigrant” and “foreign-born” are used interchangeably to refer to those people currently living in the United States of America who were born in another country. At times, these people are also referred to as “first-generation Americans.”

Throughout the book, the phrase “second-generation American” is used to refer to the immediate children of immigrants to America.

Much of the data presented in this book comes from the U.S. Census Bureau’s annual American Community Survey (ACS). The ACS classifies the following groups as “foreign-born”: naturalized U.S. citizens, lawful permanent residents, temporary migrants, humanitarian migrants, and unauthorized migrations.

The term “naturalized U.S. citizen” refers to those people born outside the U.S. who legally came to the U.S. and successfully completed the process established by the U.S. federal government to become a U.S. citizen. “Lawful permanent residents” (also known as “green card holders”) are those people born outside the U.S. who have obtained the legal permission of the U.S. federal government to live in the U.S. on a permanent basis. These people are eligible to pursue the naturalization process to become U.S. citizens, but are not required to do so. “Temporary migrants” are those people born outside the U.S. who are residing in the U.S. on a temporary basis. Examples include those granted temporary work visas as well as foreign students studying in the U.S. The term “humanitarian migrant” refers to international refugees living in the U.S.

The term “unauthorized migrant,” used interchangeably with the term “unauthorized immigrant,” refers to those people born outside the U.S. whose presence in the U.S. violates established U.S. laws. Examples of unauthorized migrants include those people who enter the U.S. without the permission of the U.S. federal government, those people who remain in the U.S. after their approved term of entry has expired, and those people who violate the conditions of their entry into the U.S., such as being employed without the proper authorization from the U.S. government.

Chapter 1: Immigrants in America — Yesterday, Today, and Tomorrow

Ryan Rodrick Beiler / Shutterstock.com

America welcomes immigrants.

Significant Fact: Almost one out of every four people in the U.S. is an immigrant or the child of an immigrant.

America is truly a nation of immigrants. Nearly all people living here today are immigrants themselves, or are the descendants of immigrants who came to this country earlier in its history.

The U.S. Census Bureau estimates that in 2013, the U.S. welcomed a new immigrant, on net, every 41 seconds.¹⁶ Overall in 2013, 41.3 million immigrants lived in the U.S., accounting for 13.1% of all U.S. residents.¹⁷ Put another way, more than one in every eight persons in the U.S. in 2013 was a first-generation immigrant.

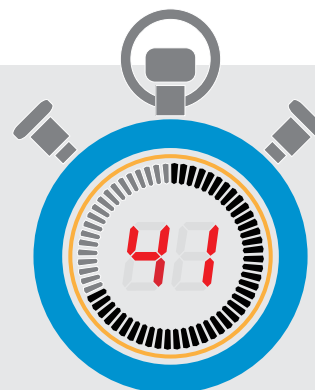
When one considers the children of immigrants, the foreign-born presence in the U.S. is even more impressive. In 2012, some 35.7 million “second-generation immigrants”¹⁸ lived in the country.¹⁹ Together, the first and second generations of America’s immigrants accounted for almost 76 million people in the U.S. in 2012. That equals 24% of the total population in that year, or the equivalent of almost one out of every four people in the U.S.

¹⁶ U.S. Census Bureau, *International Data Base*, 2011.

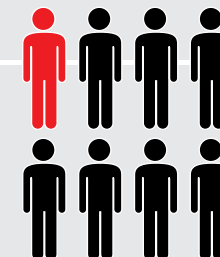
¹⁷ U.S. Census Bureau, 2013 American Community Survey.

¹⁸ A “second-generation immigrant” refers to an individual who reports having at least one foreign-born parent.

¹⁹ U.S. Census Bureau, Current Population Survey, *Annual Social and Economic Supplement*, 2012.

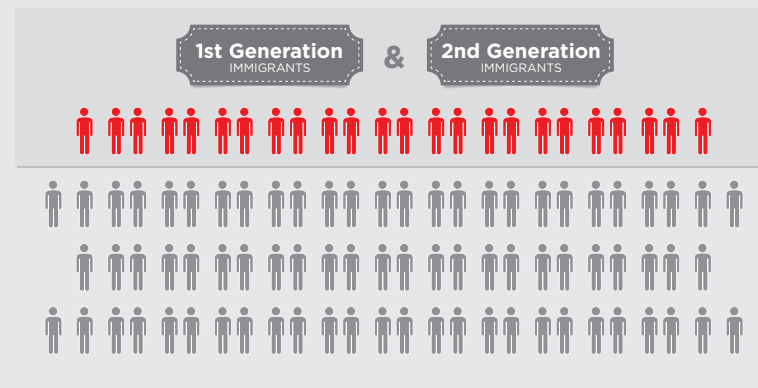


U.S. welcomes an immigrant, on net, every **41 seconds**.



In 2013, immigrants accounted for 13.1% of the population, the equivalent of **one in eight people**.

First- and second-generation immigrants made up 24% of the U.S. population in 2012, or **almost 1 in 4 people**.



Source: U.S. Census Bureau.

Immigration to the U.S. has quadrupled during the past four decades.

Significant Fact: Immigrants account for 13% of the total U.S. population, up from only 4.7% in 1970.

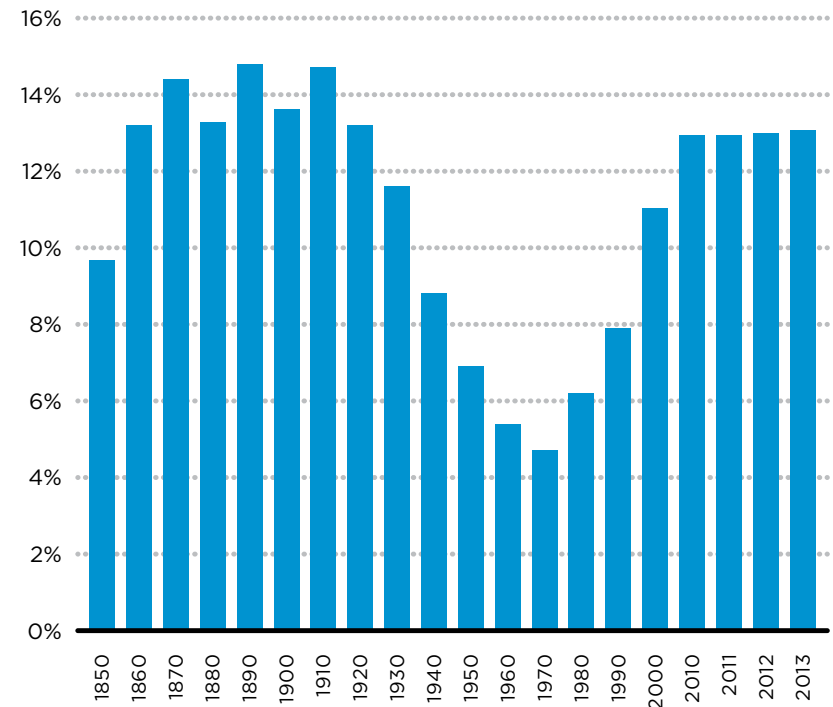
Today the U.S. has more immigrants in its population than during any other time in history. The 41.3 million immigrants in 2013 are more than double the number in the U.S. as recently as 1990, quadruple the number in the country in 1970, and 18 times larger than the 2.24 million immigrants in America in 1850.²⁰

Of course, the U.S. population as a whole has grown dramatically since 1850. So it is important to examine the immigrant population as a share of the entire U.S. population. Immigrants were 9.7% of the population in 1850, but grew to 13.2% by 1860. For the next 50 years, immigrants accounted for around 13% to 14% of the population, a proportion slightly higher than exists today. However, after peaking at 14.7% in 1910, the proportion of immigrants in the country declined every decade for the next 70 years. By 1970, immigrants represented only 4.7% of the U.S. population. But by 2000, the immigrant share of the population had rebounded to above 11%.²¹ In 2013, as indicated, 13.1% of all U.S. residents were immigrants.²²

²⁰ U.S. Census Bureau, *Historical Census Statistics on the Foreign-Born Population of the United States: 1850-2000*; U.S. Census Bureau, 2013 American Community Survey.
²¹ U.S. Census Bureau, Population Division, *Nativity of the Population and Place of Birth of the Native Population: 1850 to 1990*, by Campbell Gibson and Emily Lennon, October 31, 2011, <http://www.census.gov/population/www/documentation/twps0029/tab01.html>.
²² U.S. Census Bureau, 2013 American Community Survey.



Proportion of the U.S. Population that is Foreign-Born, 1850-2013



Source: U.S. Census Bureau, *Historical Census Statistics on the Foreign-Born Population of the United States: 1850-2000*; U.S. Census Bureau, 2013 American Community Survey.

America is the first choice of immigrants worldwide.

Significant Fact:
Of all immigrants worldwide, one in five comes to the U.S.

Some 232 million people worldwide, or approximately 3% of the world's population, live in a country that is not where they were born.²³ This makes them an “international migrant,” more commonly known as an “immigrant.”

The most common destination of these immigrants, by far, is the United States. In 1990, approximately 15.1% of all immigrants worldwide lived in the U.S. By 2013, this share had grown to 19.8%. That's almost three and a half times as many immigrants here as in Russia, the country with the second highest share of the world's immigrants in 2013. Germany is home to the third highest share of all immigrants worldwide, with 5%, followed by Saudi Arabia, with 3.9%, and the United Arab Emirates, with 3.4%.²⁴

America has a disproportionate attraction for immigrants, even considering its relatively large population size. In 2013, some 4.5% of the world's people, or around one in 22 people, lived in the U.S.²⁵ Yet in that same year, one in five immigrants worldwide lived in the U.S.

By contrast, the ratio in Russia — the country with the second most immigrants worldwide — is much lower: Approximately one in 50 people worldwide lived in Russia, while approximately one in 20 immigrants worldwide resided in Russia.

²³ Author's calculations. Data from: *Trends in International Migrant Stock: The 2013 Revision*, report (United Nations, Department of Economic and Social Affairs, 2013).

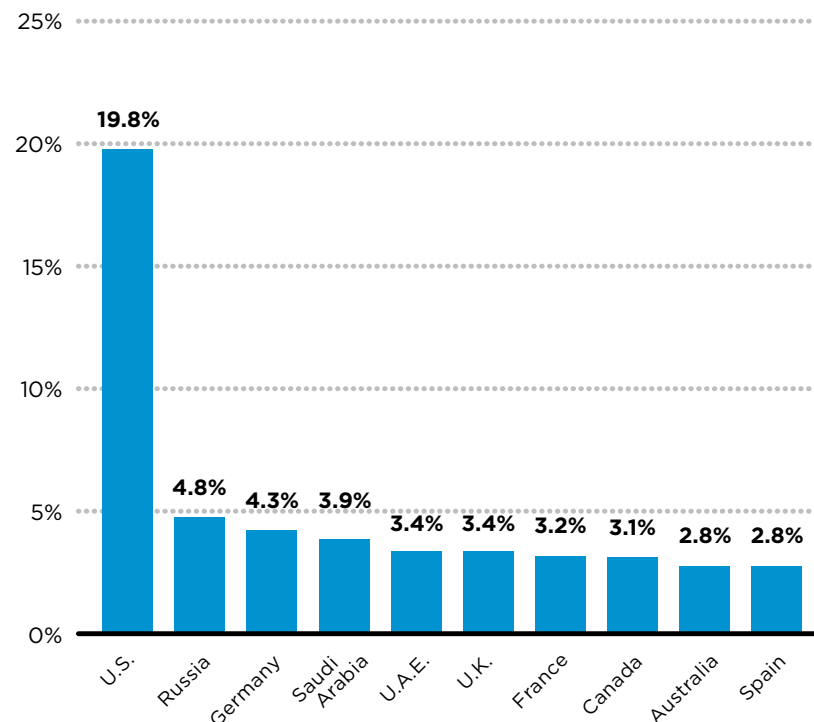
²⁴ Ibid.

²⁵ U.S. Census Bureau, *International Data Base*, 2013.



Share of All International Migrants Worldwide Who Reside in Each Country, 2013

(Top Ten Countries Shown in Graph)



Source: United Nations, *Trends in International Migrant Stock: The 2013 Revision*.

Most immigrants to the U.S. come from Latin America and Asia ...

Significant Fact:

More than half of all immigrants in the U.S. come from Latin America, and nearly 30% come from Asia.

Immigrants come to the U.S. from all corners of the globe. But the majority — almost 52% — of immigrants in 2013 were born in Latin America.²⁶ It is not surprising that Latin American countries contribute such a high share of America's immigrants given these countries' close geographic proximity to the U.S.

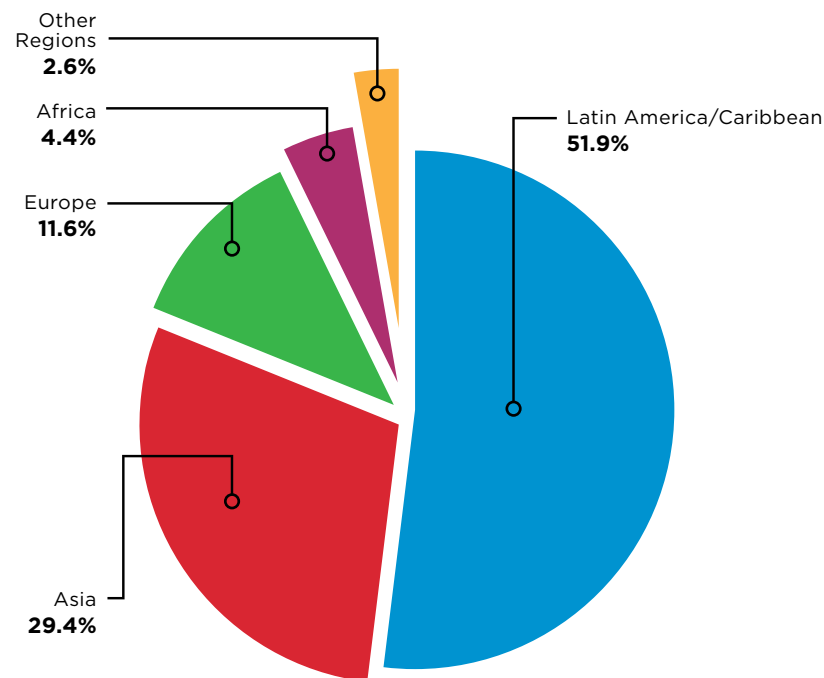
Asia is the source of the second highest percentage — 29.4% — of immigrants in America in 2013. Europe was once the largest source of immigrants to the U.S., but by 2013, only around 12% of new arrivals were born in a European country. Still, that's nearly three times as many immigrants as from the continent of Africa. "Other" regions, which include Canada and Oceania, account for the final 2.6% of immigrants in America.²⁷

²⁶ Note: "Latin America" comprises Mexico, Central American countries, South American countries, and Caribbean countries.

²⁷ U.S. Census Bureau, 2013 American Community Survey.



Share of Total U.S. Foreign-Born Population by World Region, 2013



Source: U.S. Census Bureau, 2013 American Community Survey.

... And Mexico sends the most immigrants to the U.S.

Significant Fact:

The U.S.-Mexico border is the largest immigration corridor in the world.

More immigrants to the U.S. come from Mexico than from any other country in the world. And the margin is not even close. After all, according to the World Bank, the U.S.-Mexico border is the largest immigration corridor in the world.²⁸

In 2013, approximately 11.6 million Mexican-born immigrants lived in the U.S., accounting for nearly 30% of all immigrants in the U.S. at the time. Mexican-born immigrants and their U.S.-born children totaled some 33.7 million in 2012.²⁹ Put another way: In 2012, more than 10% of the total U.S. population was a first- or second-generation Mexican immigrant.

Mexico had more immigrants in the U.S. in 2012 than the next seven countries combined (China, India, Philippines, El Salvador, Vietnam, Cuba, and Korea).³⁰ After Mexico, China and India have the next highest shares of U.S. immigrants — in 2012, approximately 5.6% and 4.8%, respectively.

Mexico's disproportionate share of all U.S. immigrants is a fairly recent phenomenon and has largely occurred over the past half century. In 1960, just over a half million Mexican-born immigrants lived in the U.S. Over the next 20 years this figure nearly quadrupled to 2.2 million in 1980. The number of America's Mexican-born doubled each of the next two decades so that by 2000, 9.2 million immigrants in the U.S. were born in Mexico.³¹

²⁸ *Migration and Remittances Factbook 2011* (Washington, DC: World Bank, 2011).

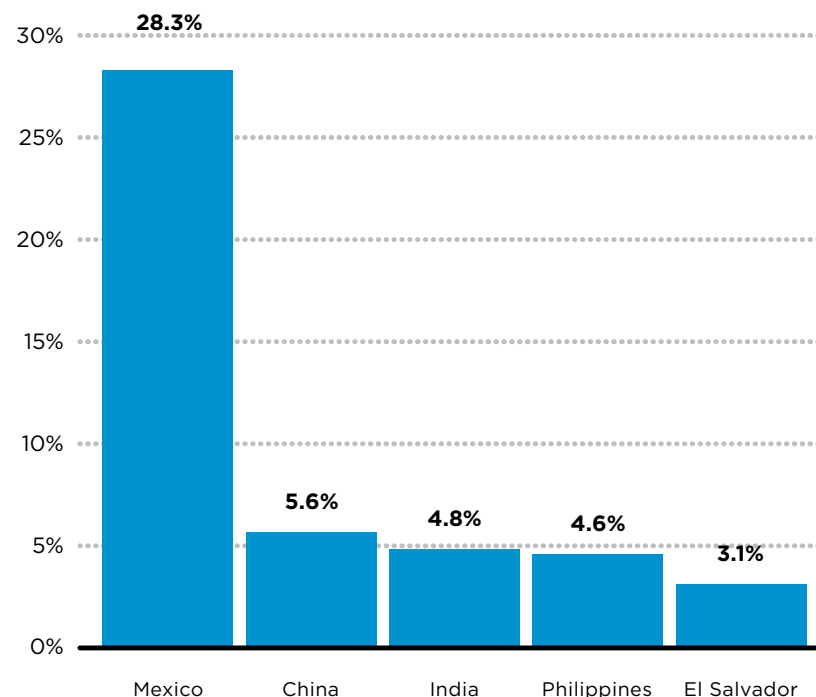
²⁹ Ana Gonzalez-Barrera and Mark Hugo Lopez, *A Demographic Portrait of Mexican-Origin Hispanics in the United States*, report (Washington, DC: Pew Research Center, 2013), http://www.pewhispanic.org/files/2013/05/2013-04_Demographic-Portrait-of-Mexicans-in-the-US.pdf.

³⁰ Author's calculations. Data from: "Immigration Data Hub," Migration Policy Institute Data Hub, <http://www.migrationinformation.org/datahub/>.

³¹ Ibid.



Share of Total U.S. Foreign-Born Population by Top Five Countries of Birth, 2012



Source: Author's calculations. Data from: "Immigration Data Hub," Migration Policy Institute Data Hub.

... But immigration to the U.S. from Mexico has slowed in recent years ...



Significant Fact: Less than 20% of recent immigrants to the U.S. were born in Mexico. Furthermore, between 2010 and 2013, the total number of Mexican-born immigrants in the U.S. shrank.

The number of Mexican-born immigrants peaked at 12.5 million in 2007.³² Recent immigrants to America are increasingly more likely to have been born elsewhere. The chart on the previous page showed that in 2012, almost 30% of all U.S. immigrants were born in Mexico. But between 2008 and 2010, only 19.3% were born in Mexico.³³ This is a dramatic reduction.

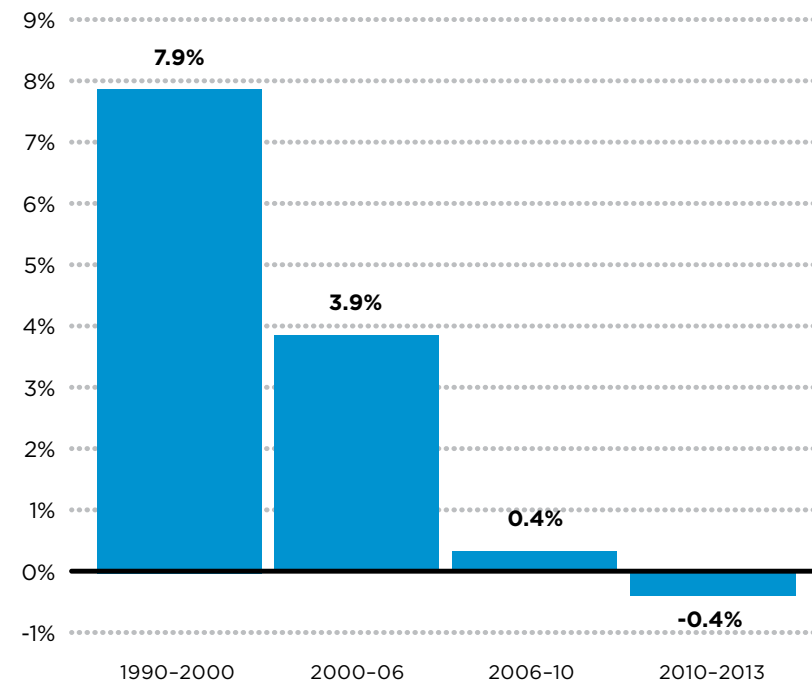
While Mexico's share of immigrants in the U.S. has declined, so too has the rate of growth in the overall size of the Mexican-born population in the U.S. As the chart on the next page shows, the Mexican-born population in the U.S. increased almost 8% on average each year during the 1990s. The rate of growth slowed considerably beginning in the 2000s. For the period from 2000 to 2006, Mexican-born immigrants in the U.S. increased at a steady, but much slower, pace of around 4% per year. The slowdown became much more accentuated during the second half of that decade, with the average annual increase between 2006 and 2010 being less than 0.5%. And, most dramatic of all, the Mexican-born population in the U.S. actually shrank between 2010 and 2013.³⁴

³² Ana Gonzalez-Barrera and Mark Hugo Lopez, *A Demographic Portrait of Mexican-Origin Hispanics in the United States*, report (Washington, DC: Pew Research Center, 2013), http://www.pewhispanic.org/files/2013/05/2013-04_Demographic-Portrait-of-Mexicans-in-the-US.pdf.

³³ U.S. Census Bureau, *The Newly Arrived Foreign-Born Population of the United States: 2010*, by Nathan P. Walters and Edward N. Trevelyan (2011).

³⁴ Author's calculations. Data from: "Immigration Data Hub," Migration Policy Institute Data Hub, <http://www.migrationinformation.org/datahub/>.

Compound Annual Growth Rate of the Mexican-Born Population Living in the U.S., Select Periods, 1990-2012



Source: Author's Calculations. Data from: "Immigration Data Hub," Migration Policy Institute Data Hub.

... Meanwhile, immigration to the U.S. from China and India has soared.

Significant Fact: The sizes of the overall Chinese- and Indian-born populations living in the U.S. have increased steadily over the last two decades.

While a smaller share of immigrants has been coming from Mexico, larger shares have been arriving from China and India. Of all new immigrants arriving in the U.S. between 2008 and 2010, 8.6% were born in China and 7.7% were born in India. These percentages represent a significant increase: Among all immigrants arriving to the U.S. before 2005, only 5.1% were from China, and only 3.9% were from India.³⁵

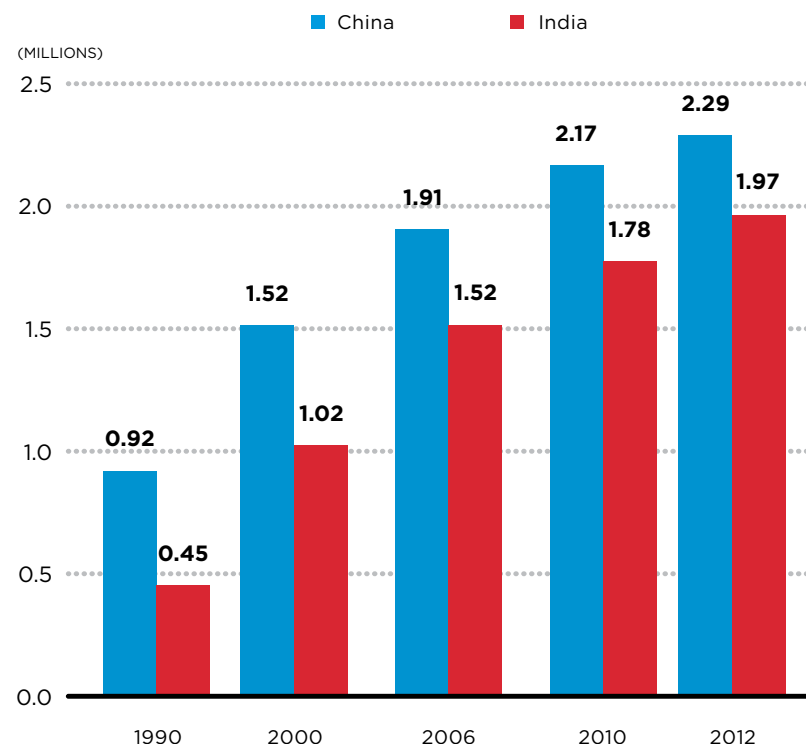
The sizes of the overall Chinese- and Indian-born populations living in the U.S. have increased steadily over the last two decades. As the chart on the next page shows, in 1990, fewer than one million first-generation immigrant Chinese³⁶ and fewer than half a million first-generation immigrant Indians lived in the U.S. By 2012, these numbers had grown to almost 2.3 million Chinese and 2.0 million Indians. For the entire period from 1990 to 2012, the Indian-born population in the U.S. grew at an average annual rate of 6.9%, while the Chinese-born population grew around 4.2% per year.³⁷

It's important to note that immigration to the U.S. from China and India — and indeed many other countries — would almost certainly be even larger if U.S. laws were different. As we will see later in this handbook, many countries have lengthy queues of people waiting to enter the U.S. (see pages 174–177).

³⁵ U.S. Census Bureau, *The Newly Arrived Foreign-Born Population of the United States: 2010*, by Nathan P. Walters and Edward N. Trevelyan (2011).
³⁶ Data for the Chinese-born include those born in Hong Kong and Taiwan.
³⁷ Author's calculations. Data from: "Immigration Data Hub," Migration Policy Institute Data Hub, <http://www.migrationinformation.org/datahub/>.



Number of Chinese-Born and Indian-Born Living in the U.S., Selected Years, 1990–2012



Source: "Immigration Data Hub," Migration Policy Institute Data Hub.

The majority of all immigrants to the U.S. live in just four states ...

Significant Fact: California is home to one-fourth of all immigrants in the U.S.

Where do immigrants live once they arrive in the U.S.? All across the country, of course, but they are concentrated in a handful of states. Approximately one in four immigrants in the U.S. lives in California.

In fact, California has more immigrant residents than the 40 states with the lowest immigrant populations combined. New York and Texas are tied with the second highest share of immigrants, each with 10.6% of the U.S. total. Florida comes in fourth, with 9.2% of all U.S. immigrants living in its state. Together, these four states are home to more than half of the country's immigrant population.³⁸

It is true that these four states have large overall populations. However, the immigrant share of each of these state's overall populations is significantly higher than the nationwide average of roughly 13%. In 2013, 26.9% of all California residents were immigrants. Similarly, 22.3% of New York residents were born in a different country, and the same was true of 19.4% of Floridians and 16.0% of Texans.³⁹

In four other states immigrants also represent at least 15% of the total state population: New Jersey (21.6%), Nevada (19.0%), Hawaii (17.6%), and Massachusetts (15.6%).⁴⁰

³⁸ Author's calculations. Data from: U.S. Census Bureau, 2013 American Community Survey.

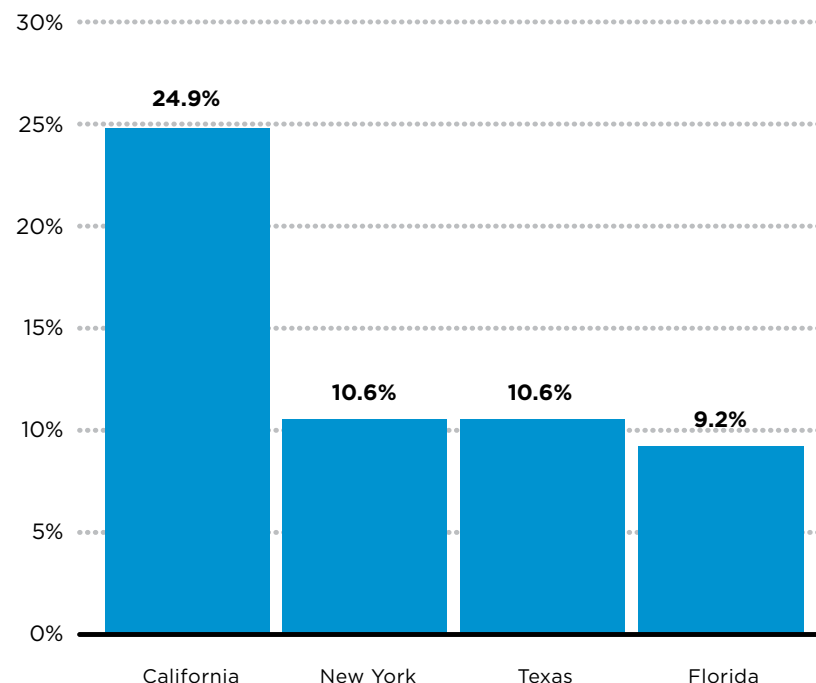
³⁹ Ibid.

⁴⁰ Ibid.



Percentage of Total U.S. Foreign-Born Population Residing in Each State, 2013

(Top Four States Shown in Graph)



Source: Author's calculations. Data from: U.S. Census Bureau, 2013 American Community Survey.

... But immigrants' presence is growing in other states too.

Significant Fact:

In recent years, Southern states have seen the largest percentage growth in their immigrant populations.

Between 2000 and 2013, the five states with the largest percentage growth in immigrants were South Carolina (99.4%), Tennessee (91.7%), Kentucky (85.6%), Alabama (84.8%), and Arkansas (81.7%). Two other states have seen particularly rapid growth in their immigrant population: North Carolina, where the immigrant population increased 74.3%, and Georgia, where the number of immigrants grew 68.2% between 2000 and 2013.⁴¹

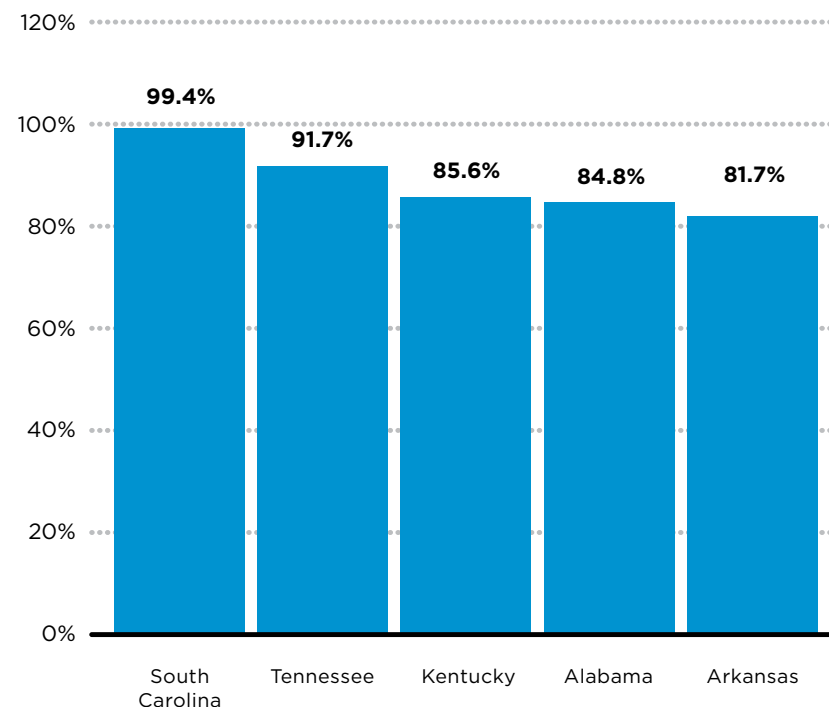
It is worth noting that states like California already have such large numbers of immigrants that the percentage growth of adding more immigrants is smaller. But this does not mean that immigrants are no longer moving to the states with traditionally large immigrant populations. On the contrary, the four states with the largest absolute increase in the number of immigrants between 2000 and 2013 were, in order, Texas, California, Florida, and New York.⁴² The point is not that immigrants are no longer moving to these traditional immigrant states, but that immigrants are also now moving into other states as well, especially in the South.

⁴¹ Author's calculations. Data from: U.S. Census Bureau, 2013 American Community Survey; "Immigration Data Hub," Migration Policy Institute Data Hub, <http://www.migrationinformation.org/datahub/>.

⁴² Ibid.



Growth in Total Foreign-Born Population,
Top Five States, 2000–2013



Source: Author's calculations. Data from: U.S. Census Bureau, 2013 American Community Survey and "Immigration Data Hub," Migration Policy Institute Data Hub.

America's immigrant population will grow dramatically in the future.



Significant Fact: By 2050, it is projected that immigrants will account for almost 19% of the total U.S. population, up from 13% in 2013.

The size of America's immigrant population is expected to continue its strong growth over the next several decades. As recently as 1990, immigrants in the U.S. numbered only around 20 million, roughly 8% of the U.S. population.

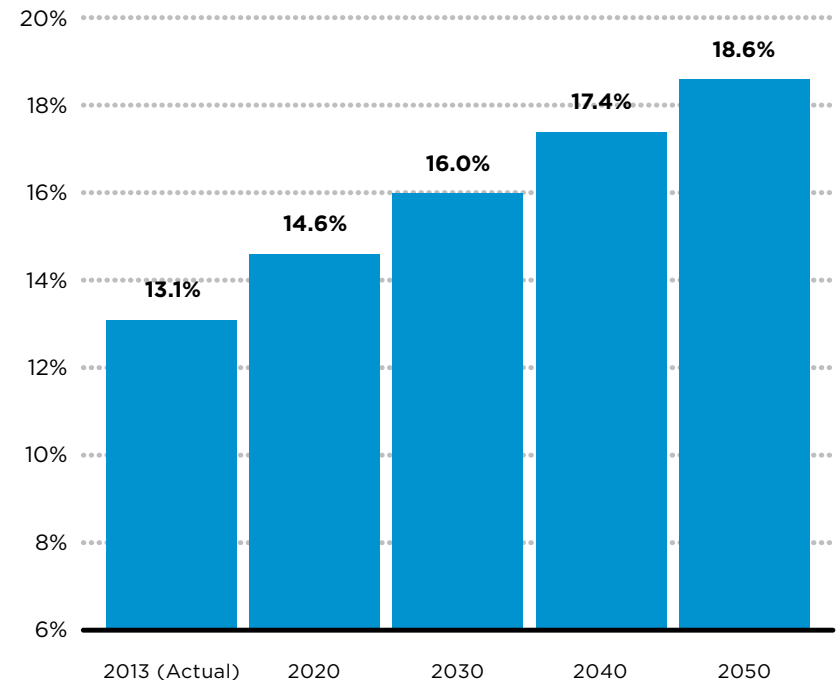
But by 2013, the number of immigrants in the U.S. had more than doubled. By 2030, the Pew Hispanic Center projects that 16.0%, or about one in six, of America's population will be immigrants. This would be an all-time high for the U.S., surpassing the previously high-immigration mark seen in the late 19th century, when almost 15% of America's population was immigrants. The growth of the immigrant population is expected to continue growing beyond 2030 so that by 2050, immigrants in the U.S. will number 81.3 million, accounting for almost one in five of all people living in the U.S.

The projected growth of the immigrant population in the U.S. is expected to greatly outpace the growth of the native-born population. Between 2005 and 2050, the Pew Hispanic Center estimates America's immigrant population will grow 129%. Meanwhile, the native-born population is poised to grow only 37% over this same period. This means that immigrants would be responsible for one-third of America's total population growth during that period despite representing less than one-seventh of the country's total population in 2013.⁴³

These projections suggest that America's future prosperity is linked closely to the success of its immigrants. Attracting and assimilating dynamic and skilled immigrants will be essential to the continued growth of the U.S. economy.

⁴³ Jeffrey S. Passel and D'Vera Cohn, *U.S. Population Projections: 2005-2050*, report (Washington, DC: Pew Research Center, 2008), <http://www.pewhispanic.org/files/reports/85.pdf>.

Projection of the Foreign-Born Population's Share of Total U.S. Population, by Decade



Source: U.S. Census Bureau, 2013 American Community Survey; Jeffrey S. Passel and D'Vera Cohn, *U.S. Population Projections: 2005-2050*.

Chapter 2: **Immigrants and Economic Growth**

A woman with dark hair tied back, wearing a dark blazer over a light-colored striped shirt, is smiling and holding a black folder. She is standing in what appears to be a professional setting, with other people blurred in the background.

Immigrants Are a
Strong Workforce

Immigrants are more likely than natives to be employed.

Significant Fact:

In 2013, 61.5% of immigrants aged 16 and older were employed, compared to only 57.2% of native-born citizens.

In order for an economy to grow, it needs workers, and lots of them. In 2013, the U.S. had approximately 145 million people over the age of 16 who were employed. Of these, 121 million were native-born citizens of the U.S. and over 24 million were immigrants.⁴⁴

Although the total number of native-born workers in the U.S. is greater, a higher percentage of immigrants are employed. In 2013, 61.5% of immigrants aged 16 and older were employed, compared to only 57.2% of native-born citizens.⁴⁵ While a 4.3 percentage point difference in the employment rates may not seem like a large difference, if native-born workers were employed at the same rate as immigrants, the economy would have had an additional 9.1 million workers in 2013.⁴⁶

Readers should not take the fact that immigrants are employed at a higher rate to mean that immigrants “take” jobs from native-born Americans. A fuller discussion of the effect immigrants have on the employment of natives is presented on pages 124–125.

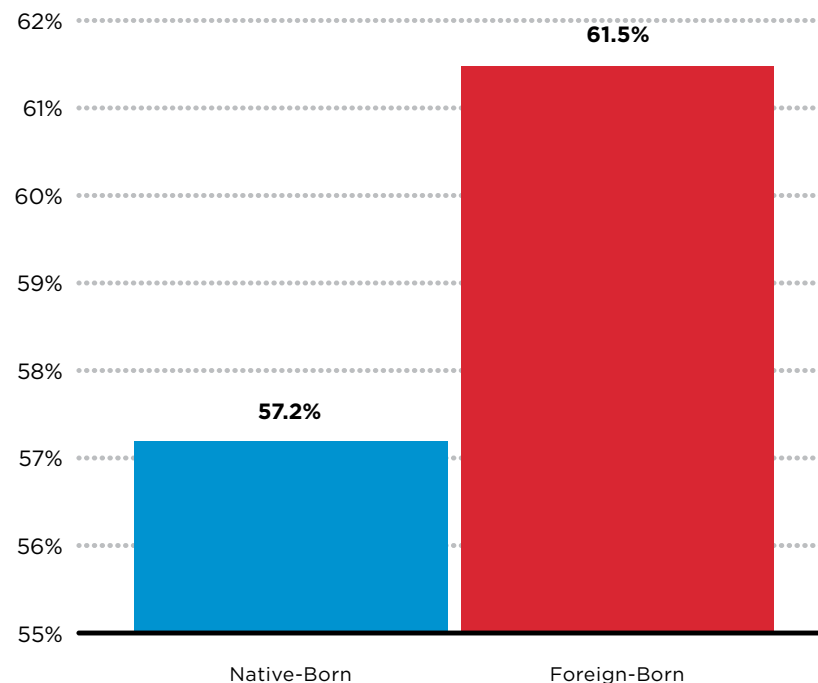
⁴⁴ Author's calculations. Data from: U.S. Census Bureau, 2013 American Community Survey.

⁴⁵ U.S. Census Bureau, 2013 American Community Survey.

⁴⁶ Author's calculations. Data from: U.S. Census Bureau, 2013 American Community Survey.



Percentage of All People Age 16 and Older Who Are Employed, 2013
Foreign-Born vs. Native-Born



Source: U.S. Census Bureau, 2013 American Community Survey.

Immigrants are more likely than natives to be in the labor force.

Significant Fact: In 2013, immigrants accounted for approximately 13.1% of America's population, but 16.3% of its civilian labor force.

The civilian labor force refers to all people in the U.S. who report that they are working or are in search of work.⁴⁷ As the chart shows, immigrants make up a substantial component of the U.S. labor force.

The bottom bar in the graph shows the immigrant share of the U.S. population for the years from 2003 to 2013. The top bar shows the percentage of the total U.S. civilian labor force that immigrants represent. What is immediately clear is that immigrants have consistently had a more prominent role in the labor force than one would expect given their representation in the country's population. In 2003, 11.7% of all U.S. residents were immigrants, but immigrants represented 14.3% of the labor force. Throughout the 2000s, both these proportions grew, and by 2013, immigrants accounted for approximately 13.1% of the country's population and 16.3% of the civilian labor force.⁴⁸

Immigrants participate in the labor force at a higher rate than natives. In 2013, approximately 66.5% of immigrants 16 years of age and older were in the labor force, compared to only 62.6% of native-born citizens.⁴⁹ Immigrants want to work, and in doing so, they contribute to overall economic growth.

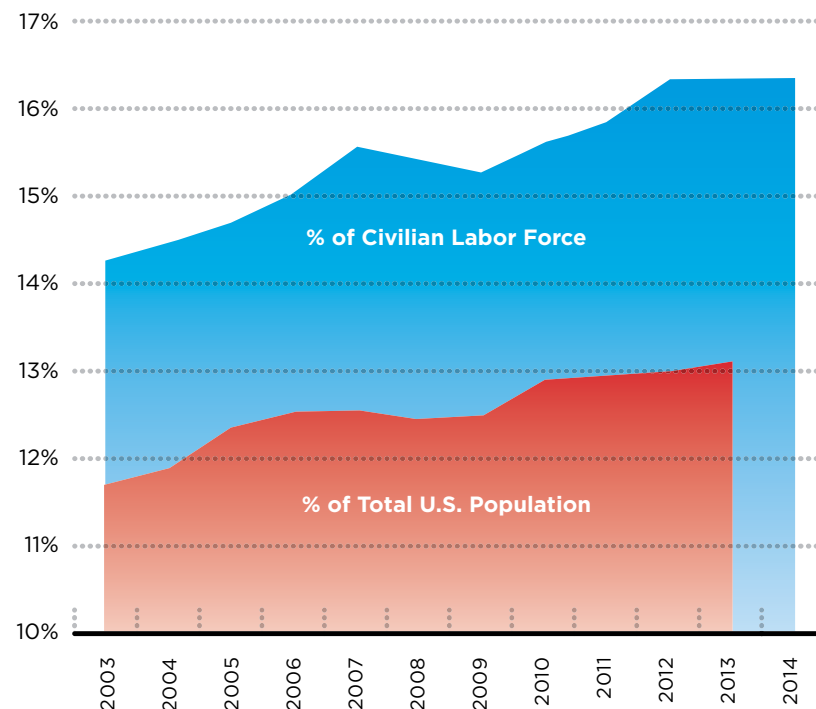
⁴⁷ Readers should note that the civilian labor force does not include those serving in the military or the institutionalized population.

⁴⁸ Author's calculations. Data from: U.S. Census Bureau, Current Population Survey: Annual Social and Economic Supplement; and U.S. Census Bureau, 2013 American Community Survey.

⁴⁹ U.S. Census Bureau, 2013 American Community Survey.



Foreign-Born Percentage of the U.S. Civilian Labor Force and of Total U.S. Population, 2003-2014



Source: Author's calculations. Data from: U.S. Census Bureau, Annual Social and Economic Supplement; U.S. Census Bureau, American Community Survey.

Immigrants spur labor force growth.

Significant Fact: Immigrants are responsible for nearly half of the total growth of the U.S. labor force over the past decade.

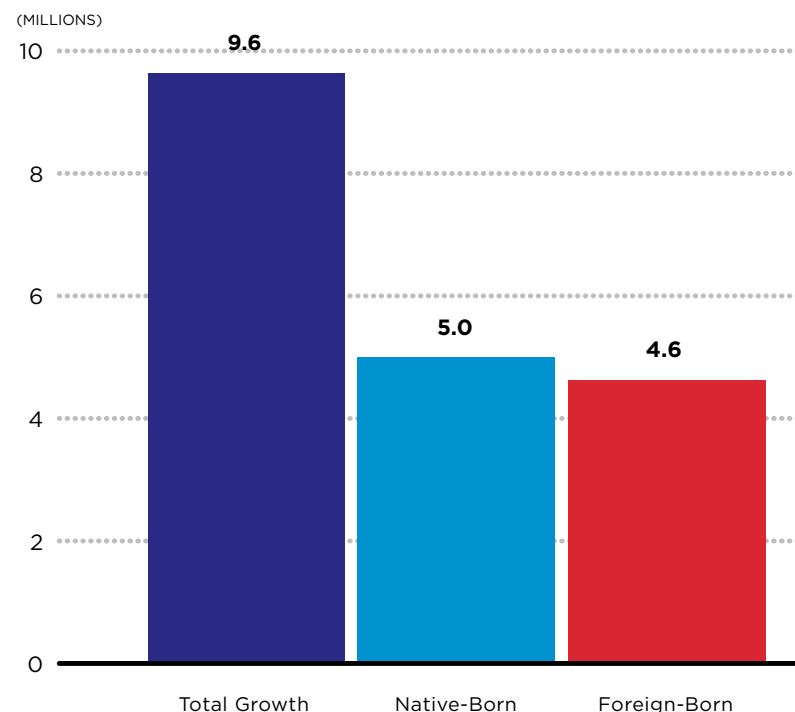
The growth in the U.S. labor force over the past decade would have been much smaller if not for immigrants. Between 2003 and 2014, the U.S. labor force added slightly more than 9.6 million workers. More than 4.6 million of these new workers were immigrants, while around five million of the new workers were native-born citizens.⁵⁰

This means that just under half of the growth in new workers over the past decade is attributable to immigrants. This is noteworthy, especially considering that immigrants averaged only around 11% to 13% of the total U.S. population during those years. Without immigrants, America's labor force growth would have been much smaller, meaning fewer workers to help build the American economy.

⁵⁰ U.S. Census Bureau, Current Population Survey: Annual Social and Economic Supplement.



Growth in the Number of Foreign-Born and Native-Born Workers, 2003-2014



Source: Author's calculations. Data from: U.S. Census Bureau, Annual Social and Economic Supplement.

Immigrants are a resilient workforce.

Significant Fact: Immigrant workers suffered during the Great Recession, but their employment outlook overall proved fairly resilient.

The Great Recession of 2007–2009 hit the U.S. economy and its workers very hard. Between 2008 and 2010, more than 8 million lost their jobs, unemployment rose as high as 10%, and many more discouraged workers dropped out of the labor force entirely.

Immigrant workers suffered from the recession, but their employment outlook overall proved fairly resilient. In 2007, prior to the recession, approximately 22.5 million immigrants and 120.1 million natives age 16 and older were employed.

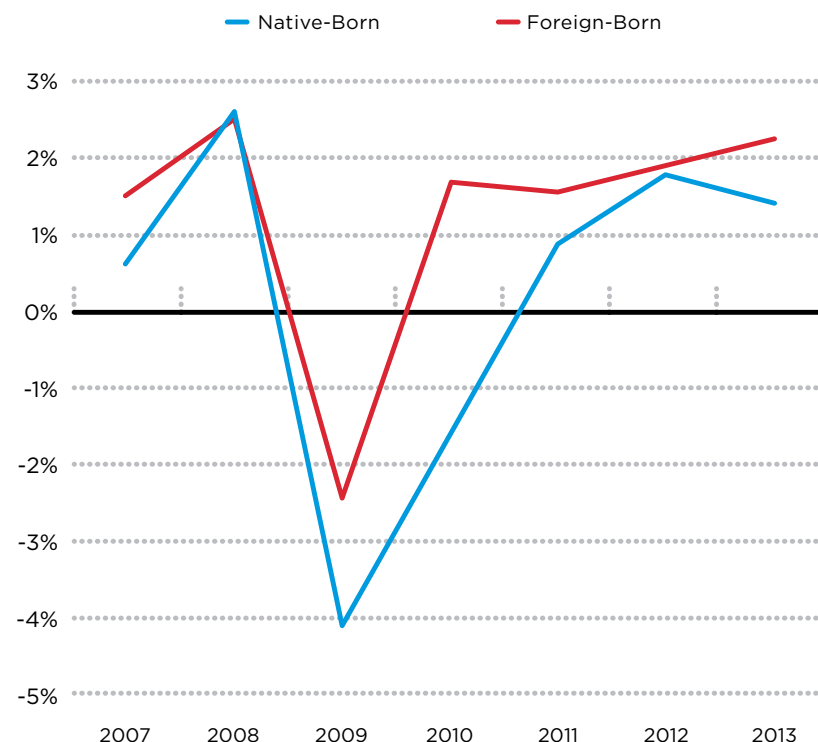
In 2008, during the depths of America's most recent recession, employment for both immigrants and natives contracted sharply. But the contraction was significantly less severe for immigrant employment. Between 2008 and 2009, immigrant employment dropped by 2.5%, while native-born employment fell 4.1%. Over the next year, from 2009 to 2010, immigrant employment actually increased, while native employment suffered through another year of net job loss.

By 2011, immigrant job numbers had completely recovered and actually surpassed their pre-recession levels. Unfortunately, even by 2013, natives had still not completely recovered the jobs they lost in the recession.⁵¹

⁵¹ Author's calculations. Data from U.S. Census Bureau, 2006–2013 American Community Survey.



Percent Change in Total Employment for Foreign-Born and Native-Born Workers Age 16 and Over, Year-over-Year, 2006–2013



Source: Author's calculations. Data from U.S. Census Bureau, 2006–2013 American Community Surveys.

Immigrant-intensive cities have strong economic growth.

Significant Fact: Cities like Dallas, Phoenix, and Houston that have seen large increases in their immigrant populations have also experienced strong economic growth.

How do varying immigration levels relate to growth of the local economies of America's largest cities? In a study for the Fiscal Policy Institute, David Kallick examined the period from 1990 to 2006 for America's 25 largest metropolitan areas. During this period, cities like Dallas, Phoenix, Houston, and Atlanta experienced the largest percentage point increases in the immigrant share of their respective labor forces.

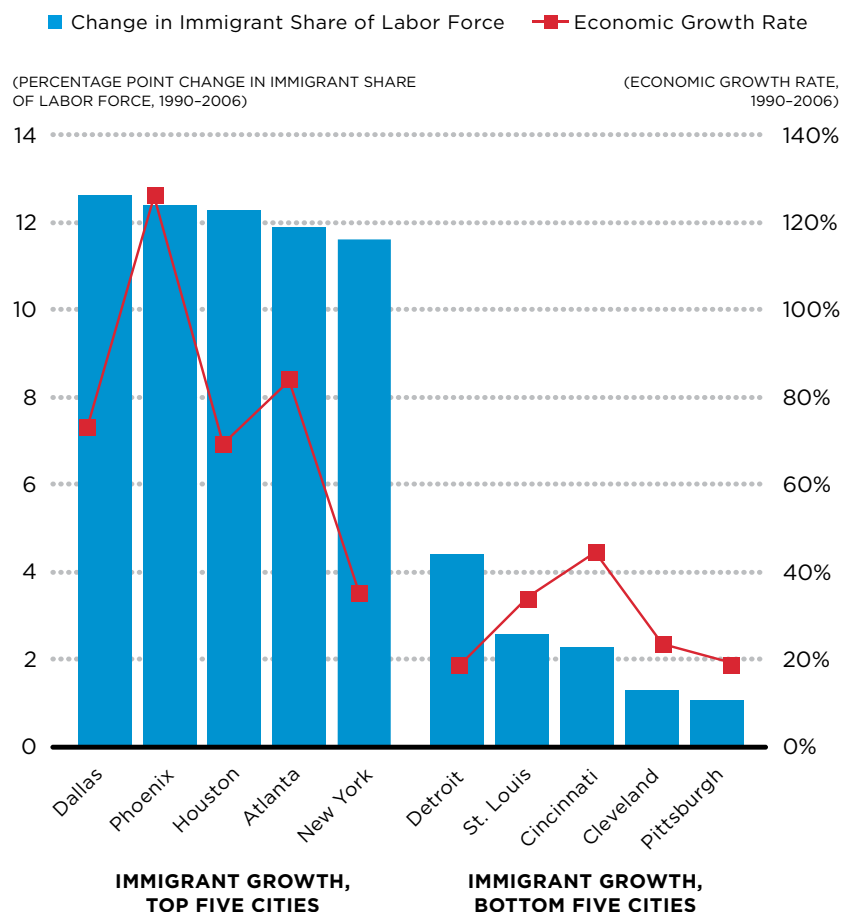
In the same period, these cities enjoyed the fastest growing economies. For instance, Dallas had a 12.6 percentage point increase in the immigrant share of its labor force, and had economic growth of almost 75%. In Phoenix, Houston, and Atlanta — the cities with the next largest growth in immigrant population — economic growth was also among the strongest of major American cities.

During the same period, however, cities like Detroit, St. Louis, Cincinnati, Cleveland, and Pittsburgh saw very little growth at all in immigration. These cities had some of the slowest economic growth of any city in the country.⁵²

These data certainly do not prove that immigrants create economic growth. After all, it could be the case that economic growth attracts immigrants to these cities in the first place. Even if this were the case, these data at the very least suggest immigrants do not deter economic growth. Furthermore, it is a good thing if immigrants are moving to booming areas. Oftentimes, a booming economy signals a place where many

jobs need to be filled. Native-born Americans are not a highly mobile labor force, instead preferring to find employment where they live. So immigrants often fill gaps in the labor market where they are needed, and thereby help economic growth become even stronger.

Growth in Immigrant Share of Labor Force and Metro Area Economic Growth, 1990–2006



Source: Kallick, 2009.

Note: Economic growth of each metropolitan area is measured as percent growth in aggregate wage and salary earnings plus proprietors' income. The period of analysis used in this study is from 1990 to 2005–07. The period "2005–07" is referred to as "2006" in the text and above graph and represents data from a three-year data file for combined years 2005, 2006, and 2007.

⁵² David Kallick, *Immigrants and the Economy: Contribution of Immigrant Workers to the Country's 25 Largest Metropolitan Areas*, report (Fiscal Policy Institute, 2009), http://www.fiscalpolicy.org/ImmigrantsIn25MetroAreas_20091130.pdf.

Immigrants tell us about the state of our own economy.

Significant Fact:

In recent years, net migration between the U.S. and Mexico has been close to zero.

One way to learn about the health of the U.S. economy is to study the direction of the flow of immigrants. After all, immigrants move to America to pursue better economic opportunities, so when the flow of immigrants slows or reverses, the economy is likely to be sluggish.

The U.S.-Mexico border is the largest two-way immigration corridor in the world, and historically, most of the flow of immigrants has been in the direction of the U.S. During the period from 1995 to 2000, 2.27 million more people migrated to the U.S. from Mexico than migrated in the opposite direction.

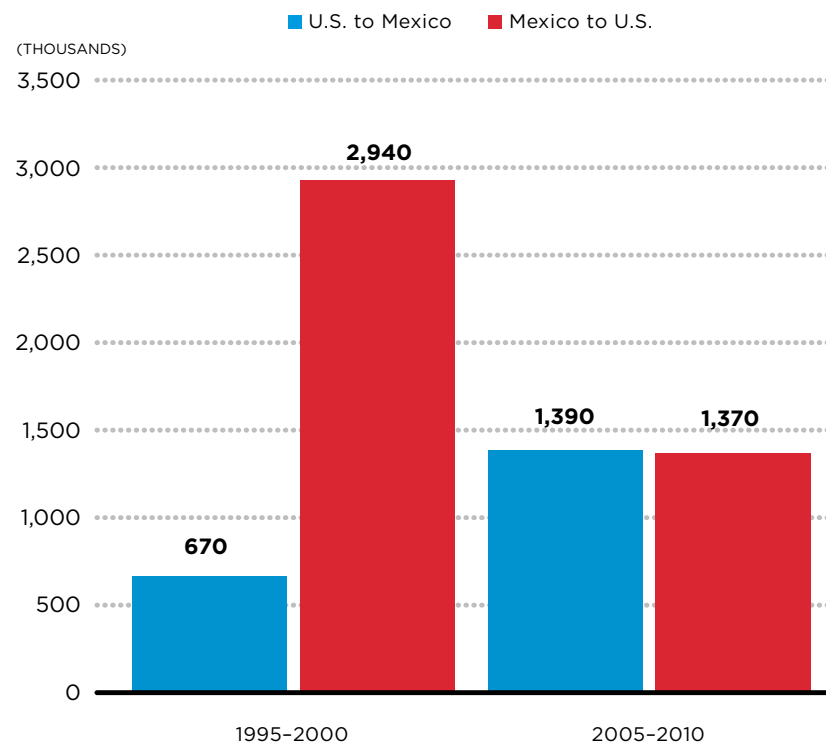
However, in recent years, more people moved to Mexico from the U.S. For the period from 2005 to 2010, approximately 20,000 more people moved to Mexico from the U.S. than to the U.S. from Mexico.⁵³ Even more recently, for the period 2010–2013, the number of Mexican-born immigrants living in the U.S. fell by more than 125,000 people.⁵⁴

The Pew Hispanic Center reports that a majority of those returning to Mexico from the U.S. have done so voluntarily. While deportations from the U.S. have increased, between 65% and 95% of the immigration from the U.S. to Mexico has been voluntary.⁵⁵

There are, no doubt, many reasons for the changing nature of the flow of immigrants between the U.S. and Mexico. But at least one main reason is that economic

opportunities in Mexico have improved in recent years, while the U.S. has experienced several years of slow economic growth.

Number of People Moving Between the U.S. and Mexico, 1995–2000 and 2005–2010



Source: Figure 1.2 from Passel et al., 2012.

⁵³ Jeffrey Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, *Net Migration from Mexico Falls to Zero—and Perhaps Less*, report (Washington, DC: Pew Research Center, 2012), <http://www.pewhispanic.org/2012/04/23/net-migration-from-mexico-falls-to-zero-and-perhaps-less/>.

⁵⁴ Author's calculations. Data from: U.S. Census Bureau, 2010–2013 American Community Surveys.

⁵⁵ Jeffrey Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, *Net Migration from Mexico Falls to Zero—and Perhaps Less*, report (Washington, DC: Pew Research Center, 2012), <http://www.pewhispanic.org/2012/04/23/net-migration-from-mexico-falls-to-zero-and-perhaps-less/>.

Immigrants Point to America's Economic Future



Immigrants are more likely to live in a married-couple household.

Significant Fact:

In 2013, 62.4% of immigrant households were headed by a married-couple, compared to 57.5% of native households

Married couples, on average, are more productive and enjoy higher standards of living, higher incomes, and better health outcomes compared to single individuals.

Moreover, children who grow-up in married-couple households share these benefits and also have improved educational outcomes and brighter futures as adults.⁵⁶

Clearly marriage is good for the economy, and it is notable that immigrants are more likely than natives to be married. In 2013, 58.6% of immigrants over the age of 15 were married, compared to 45.9% of natives. Furthermore, as is shown in the chart, 62.4% of immigrant households were headed by a married-couple in 2013, compared to 57.5% of native households.

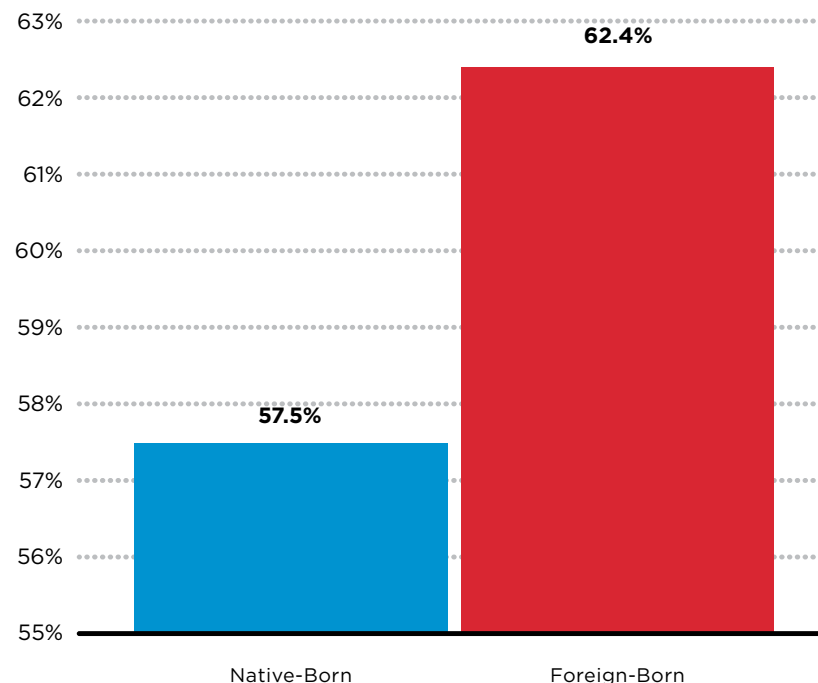
The data also show that immigrants are less likely to be divorced: 11.0% of immigrants over the age of 15 reported being divorced in 2013, compared to 13.6% of natives.⁵⁷

⁵⁶ There is a vast literature on the economic gains of marriage. For a review of the literature, and a review of the statistical techniques employed in various studies, see: David C. Ribar, *What Do Social Scientists Know About the Benefits of Marriage? A Review of Quantitative Methodologies*, working paper no. 998 (Bonn: IZA, 2004), <http://ftp.iza.org/dp998.pdf>.

⁵⁷ U.S. Census Bureau, 2013 American Community Survey.



Percentage of All Households Headed by a Married Couple, 2013



Source: U.S. Census Bureau, 2013 American Community Survey.

Immigrants are of working age ...

Significant Fact: A population pyramid is the graphical display of a society's age structure, plotting the percentage of the total population that falls between various age categories.

More than 70% of immigrants are between the ages of 25 and 64, compared to only 50% of natives.

It is generally desirable when the shape of the population pyramid indeed reflects that of a pyramid. That is to say, the number of people in the society is inversely related to age such that the population pyramid shows a large base of young people with each subsequent age group representing a slightly smaller percentage share of the total population. This age structure is advantageous because there are enough young people to produce goods and services for themselves as well as for the older population.

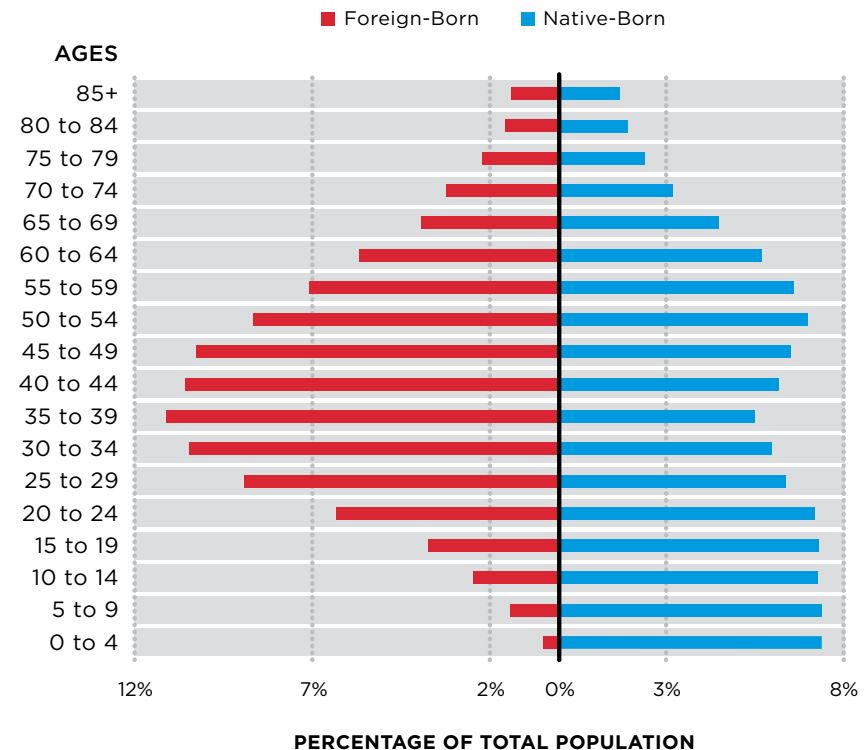
The chart shows that among native-born U.S. citizens, the shape of the population pyramid is not a pyramid at all. Rather, it is fairly straight, with a nearly equal proportion of people aged 45 to 65 as those aged 24 years and younger. In the short-term this does not pose any real threat because there are still far more people working than retired. However, as the large share of the population that is now over 50 years of age begins retiring, this may pose significant challenges to the economy.

By contrast, the population pyramid of immigrants in the U.S. reflects a more ideal distribution. It shows the largest portion of the population is between the ages of 25 and 55.⁵⁸ This is because immigrants typically come to the U.S. in middle age, meaning that immigrant populations have smaller proportions of the young and the old. Workers are at their most productive in middle age, and the constant inflow of middle-aged immigrants helps grow the economy and care for the country's elderly.

⁵⁸ U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2012.



Percentage of the Population in Each Age Distribution, 2012
Foreign-Born and Native-Born



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2012.

... Most immigrants are not children ...

Significant Fact: Immigrants usually come to the U.S. during their prime working years. In 2013, only 6% of immigrants in the U.S. were under the age of 18.

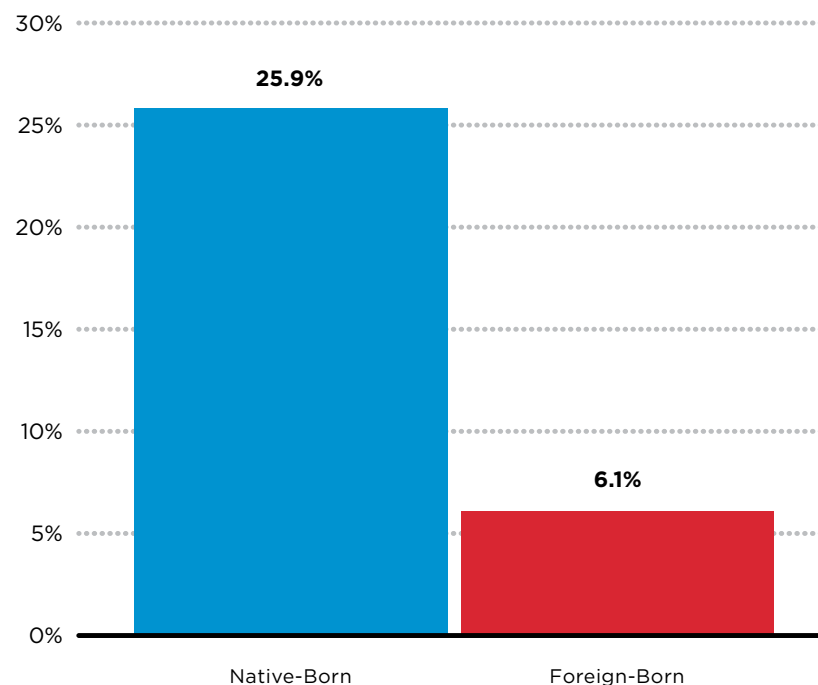
In 2013, only 6.1% of U.S. immigrants were under the age of 18.⁵⁹ Usually this would pose a problem for a society because it suggests that in future years, the size of the workforce would be much smaller than the size of the elderly population. However, since immigrants come to the U.S. in their prime working years, the immigrant population has a large proportion of workers even in the absence of a large population of young people.

In this way, the shape of the U.S. immigrant population pyramid — which has a bulge representing a large proportion of middle-aged people relative to young and elderly people — is even more advantageous than a traditional pyramid shape. Young people, while vibrant and future workers, are dependent upon middle-aged people to care for them. Since immigrants usually come as adults, they contribute to the economy without requiring resources to be expended on them in the U.S. when they are children.

⁵⁹ Author's calculations. Data from: U.S. Census Bureau, 2013 American Community Survey.



Percentage of the Foreign-Born and Native-Born Populations Under 18 Years of Age, 2013



Source: U.S. Census Bureau, 2013 American Community Survey.

... And immigrants are slightly less likely to be elderly as well.

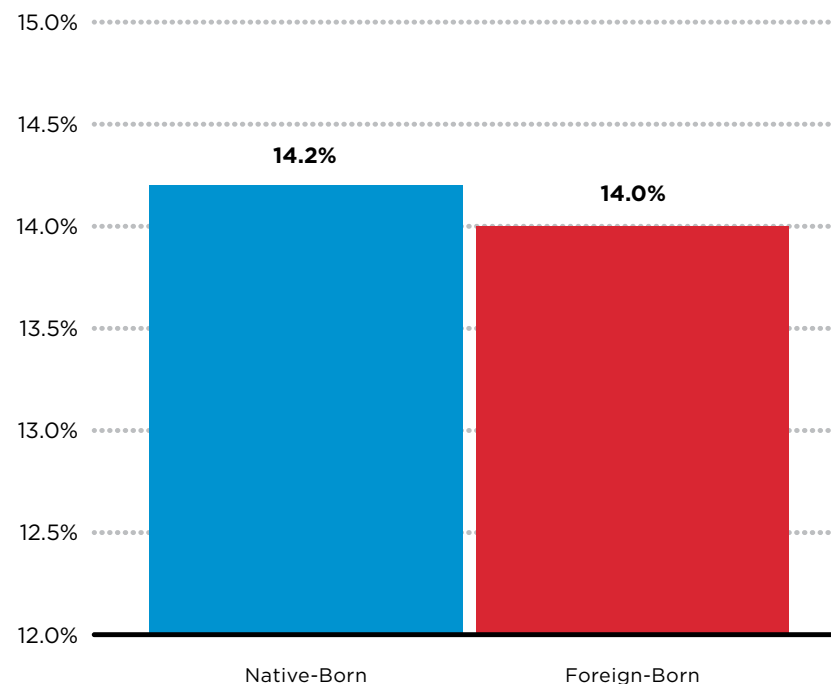
Significant Fact: It is true that immigrants have a substantially older median age than natives: 43 years old compared to 36 years old in 2013. However, this is because so few immigrants fall into the younger age categories, not because a larger portion of immigrants are old.

Indeed, in 2013, 14.2% of native-born Americans were 65 years of age and older, the equivalent of approximately 39 million people. Meanwhile, among immigrants, 14.0% were 65 years and older. This difference of one-fifth of a single percentage point does not seem overly large, but it nonetheless shows that despite immigrants' higher median age, they actually have a smaller proportion of their population in typical retirement age, compared to natives.⁶⁰

⁶⁰ U.S. Census Bureau, 2013 American Community Survey.



Percentage of the Foreign-Born and Native-Born Populations 65 Years of Age and Older, 2013



Source: U.S. Census Bureau, 2013 American Community Survey.

Immigrants have a much more favorable worker-to-dependent ratio.

Significant Fact: Among immigrants in the U.S., there are four people of working age for every person under the age of 18 or over the age of 64. Among natives, that ratio stands at 1.8 to 1.

An important indicator of the health of an economy is the ratio of the working-age population to the dependent-age population. Typically, the working-age population is considered those people between the ages of 18 and 64, while the dependent-age population is considered those people 17 years and younger and those people 65 years of age and older. Economies with more workers per dependent person have a better outlook because there are more workers available to produce for the young and old.

The chart on the next page shows the number of people in the working-age population divided by the number of people in the dependent-age population for both the native-born and foreign-born populations in the U.S.

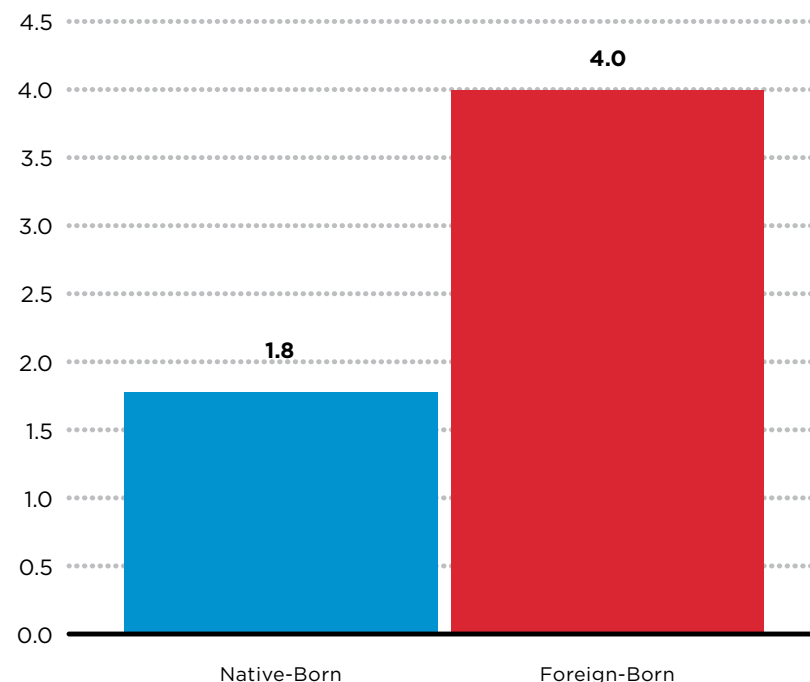
The results are stark. In 2012, immigrants in the U.S. had four people of working age for every dependent. By contrast, the native-born population had fewer than two people of working age for every dependent.⁶¹

As America's native-born population continues to age, the influx of immigrants into the labor force will be of increasing importance to maintain a strong and growing economy.

⁶¹ Author's calculations. Data from: U.S. Census Bureau, 2013 American Community Survey.



Working-Age People per Non-Working-Age People, 2013
Foreign-Born vs. Native-Born



Source: Author's calculations. Data from: U.S. Census Bureau, 2013 American Community Survey.

Note: The term "Working-Age" is defined as those people 18-64 years of age. The term "Non-Working-Age" is defined as those people under the age of 18 or over the age of 64.

America's future workforce growth depends on immigrants and their children.

Significant Fact:

It is projected that between 2012 and 2050, immigrants and their U.S.-born children will account for 93% of the total growth of America's working age population.

Immigrants already represent an important component of the U.S. labor force, but their role will become even more important in coming years.

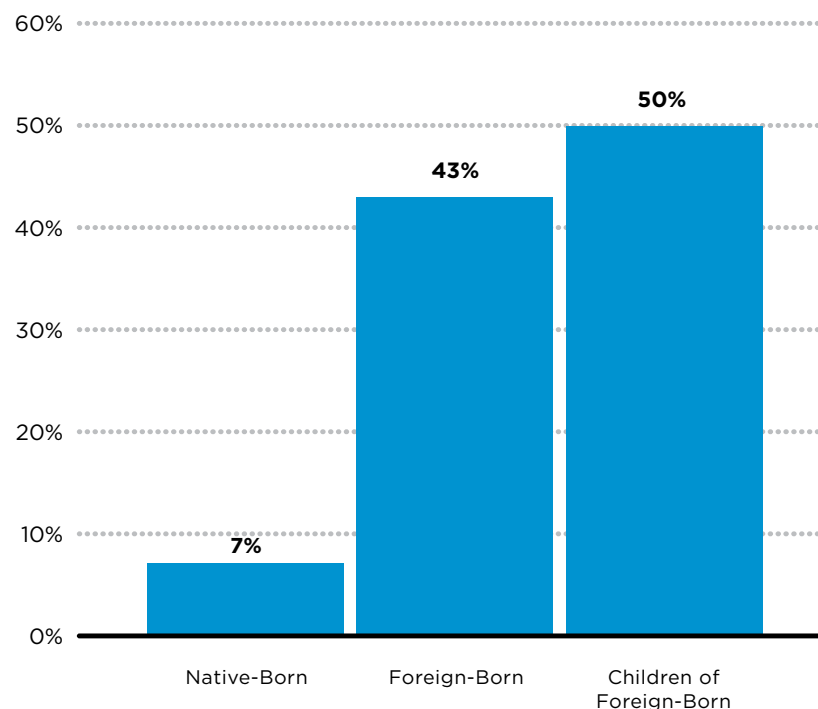
The aging of America's "baby boom" generation, coupled with falling birthrates among Americans means the native-born working-age population will remain relatively stagnant for the foreseeable future. Meanwhile, the number of immigrants coming to the U.S. is projected to increase substantially over the next 40 years. Keep in mind that immigrants tend to come to the U.S. during their prime working years, and tend to have more children on average than do native-born Americans.

Taken together, these two trends — stagnant growth of the native-born population and rapid growth of immigrants in the U.S. — mean that immigrants and their children will account for most of the growth of America's working age population over the next several decades. The Pew Research Center projects that between 2012 and 2050, immigrants and their U.S.-born children will combine to account for an astounding 93% of the total growth of America's working age population.⁶² That is to say, under current projections, immigrants will be responsible for nearly all the growth of America's labor force through the middle of this century.

⁶² *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.



Projected Share of the Total Growth of the U.S. Working-Age Population (18–64 years), 2012–2050
Foreign-Born vs. Native-Born



Source: *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.

Immigrants Drive Innovation in America's Economy



The share of immigrants with a college degree is growing ...

Significant Fact:

Recent immigrants to the U.S. are much more likely to have a college degree compared to immigrants who came in earlier periods.

A highly educated workforce is important for strong economic growth. Economic theory suggests that as workers gain more education, their “human capital” and productivity increases. Most economists believe productivity gains are the single most important ingredient for economic growth.

As workers become more productive and the economy grows, their own incomes likewise grow. In 2012, median annual earning for all workers in the U.S. totaled around \$45,000. But for workers with a college degree, median earnings were substantially higher, at more than \$63,000 per year. And for the most educated workers, those with doctoral or professional degrees, earnings often exceeded \$100,000 per year.⁶³

As of 2013, native-born citizens were still more likely to possess a bachelor’s degree compared to immigrants: 18.9% of all native-born citizens aged 25 years and older had earned a bachelor’s degree, compared to 16.4% of immigrants.⁶⁴ However, immigrants account for an important and growing share of America’s highly educated workers.

Recent immigrants to the U.S. are much more likely to have a college degree compared to immigrants who came in earlier periods. In fact, more than one in four immigrants arriving in the U.S. since 2010 have a bachelor’s degree. This is a significantly higher percentage than the average for natives in 2013, and reflects the very positive trend of improving educational achievement among recent immigrants to the U.S.⁶⁵ If this trend continues, economic

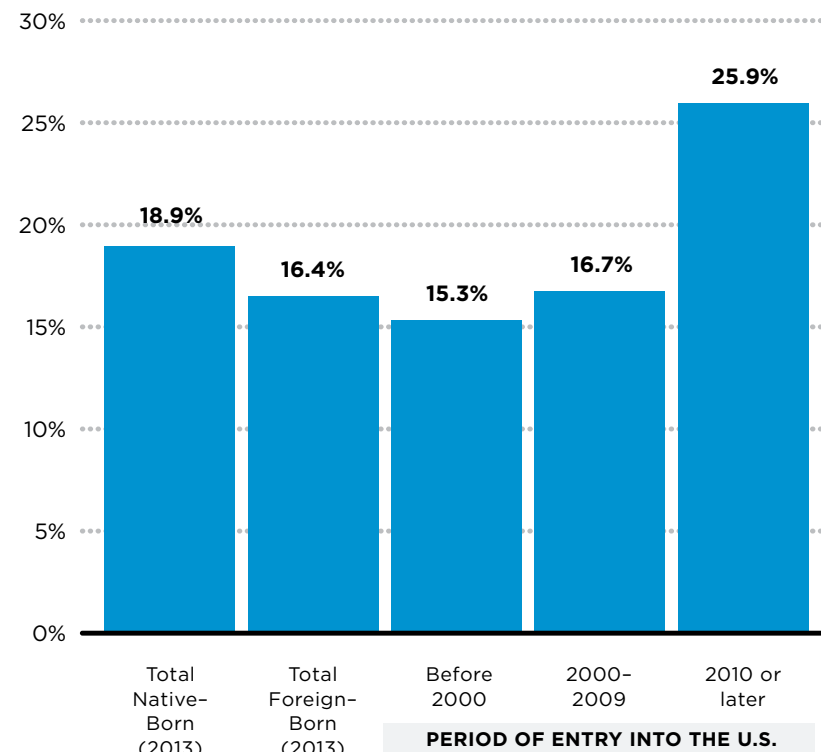
⁶³ U.S. Census Bureau, Current Population Survey, 2013 Annual Social and Economic Supplement, *Table PINC-03. Educational Attainment — People 25 Years Old and Over, by Total Money Earnings in 2012, Work Experience in 2012, Age, Race, Hispanic Origin, and Sex.*

⁶⁴ U.S. Census Bureau, 2013 American Community Survey.

⁶⁵ Ibid.

contributions of immigrants can be expected to increase further in coming years.

Percentage of All Foreign-Born People with a Bachelor’s Degree, by Period of Entry into the United States, 2013



Source: U.S. Census Bureau, 2013 American Community Survey.

Note: Data are for individuals 25 years of age and older.

... And immigrants are more likely than natives to have an advanced degree.

Significant Fact:

Although many immigrants have low levels of education, many others are among the most educated workers in the U.S. economy.

Workers with graduate and professional degrees are especially productive members of America's economy. Although immigrants are slightly less likely to have a bachelor's degree compared to natives, they are more likely to have earned a graduate or professional degree. In 2013, 11.8% of immigrants possessed a graduate or professional degree, compared to 11.1% of natives.⁶⁶

The growth in the share of immigrants with advanced degrees among recent waves of immigrants is especially noteworthy. In 2011, 10.4% of immigrants who came to the U.S. prior to 1990 reported having an advanced degree.⁶⁷ When surveyed in 2013, 12.6% of immigrants who came to the U.S. between 2000 and 2009 had an advanced degree. And among immigrants who came to the U.S. after 2010, 19.1% had advanced degrees.⁶⁸ These most highly educated immigrants are crucial to America's future economic growth.

It should be noted that although many immigrants are highly educated, overall the degree of educational attainment achieved by immigrants in the U.S. varies greatly. Indeed, a large share of immigrants has little formal education at all. Data on the lesser-educated component of the immigrant population and the challenges associated with educating such immigrants are discussed on pages 120–121.

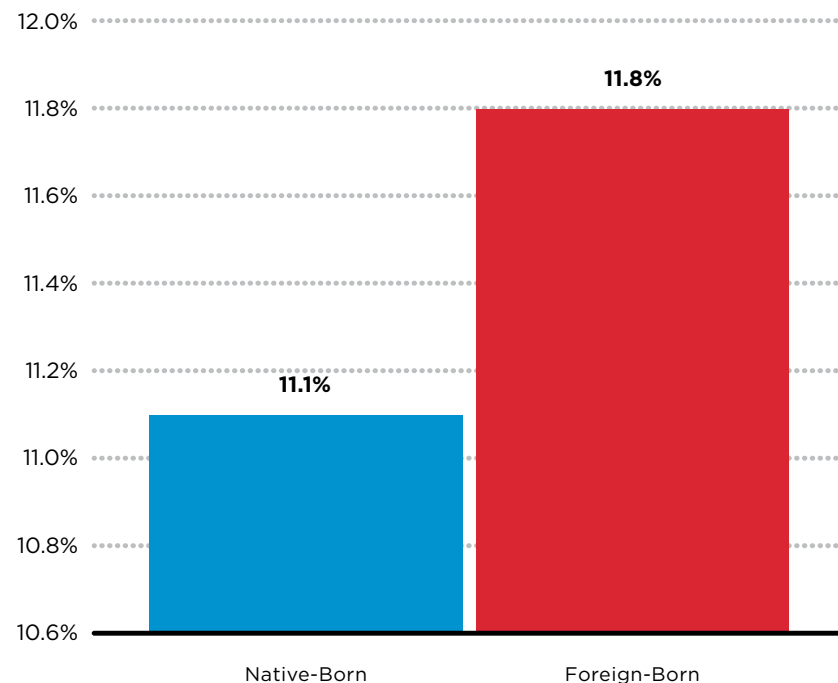
⁶⁶ U.S. Census Bureau, 2013 American Community Survey.

⁶⁷ Ibid.

⁶⁸ Ibid.



Percentage of the Native-Born and Foreign-Born with a Graduate or Professional Degree, 2013



Source: U.S. Census Bureau, 2013 American Community Survey.

Note: Data are for the population 25 years of age and older who have earned a graduate or professional degree.

Immigrants receive a disproportionate share of STEM degrees.

Significant Fact:

More than half of all doctoral degrees in engineering granted by U.S. universities are earned by foreign-born students.

The U.S. has long benefitted from its ability to attract top foreign-born scientists.

To this day, the foreign-born are helping push science forward in America. They account for a disproportionate share of degrees in science, technology, engineering, and mathematics, the so-called STEM fields. In fact, more than half of all doctoral degrees granted by U.S. universities in engineering are earned by foreign-born students. And in the physical sciences — which include mathematics and computer science — that number stands at four in ten.⁶⁹

These STEM graduates help form the backbone of America's hi-tech workforce. In 2011, immigrants represented more than one in four college-educated workers in nonacademic U.S. science and engineering jobs. Among such workers with doctorate degrees, 43.2% were immigrants, an increase from 37.6% in 2000.⁷⁰ These workforce statistics are even more impressive when one remembers that immigrants account for only around 13% of the total U.S. population.

Of course, many of these STEM graduates are in the U.S. on student visas or high-skilled, H-1B, visas. Such visas allow foreigners to remain and work in the U.S. on a temporary basis. This has led many highly skilled foreigners to be forced to leave the U.S. More discussion of this issue is included on pages 171–172.

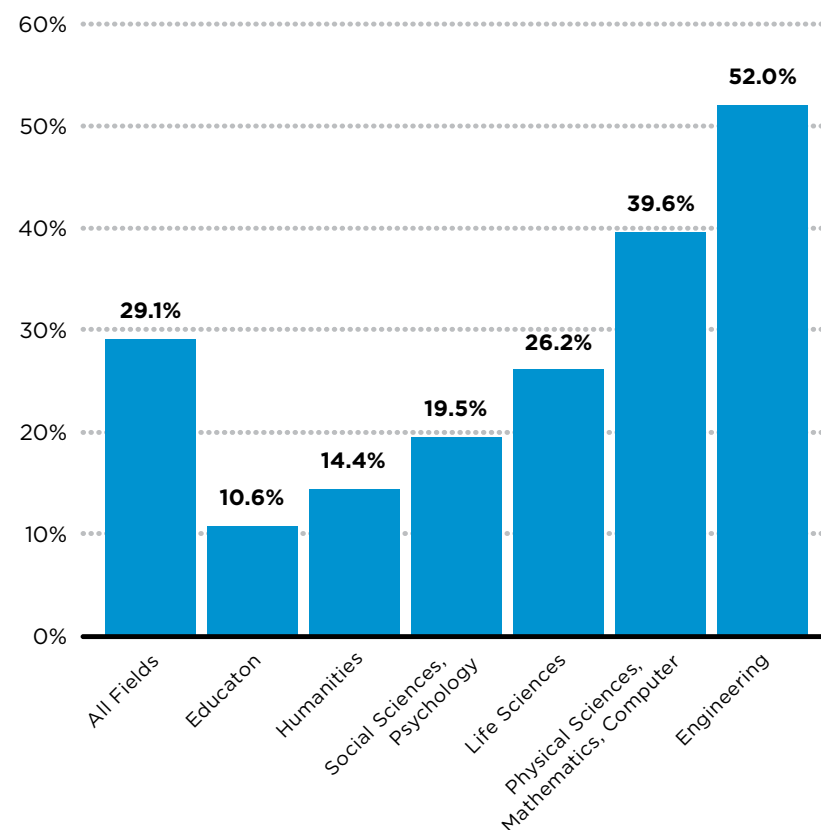
A growing economy requires innovative ideas, and immigrants have contributed much to the U.S. economy for centuries through their distinction in the sciences.

⁶⁹ *Doctorate Recipients From U.S. Universities: 2010 and 2011*, Survey of Earned Doctorates, National Science Foundation, National Institutes of Health, U.S. Department of Education, National Endowment for the Humanities, U.S. Department of Agriculture, and the National Aeronautics and Space Administration.

⁷⁰ "Chapter 3. Science and Engineering Labor Force," in *Science and Engineering Indicators 2014* (National Science Foundation, 2014), Table 3-27, <http://www.nsf.gov/statistics/seind14/index.cfm/chapter-3/c3s6.htm>.



Percentage of Doctoral Degrees Granted by U.S. Institutions to International Students, By Field of Study, 2010–2011



Source: NCES, Digest of Education Statistics, Table 324.80.

Immigrants lead in scientific research.

Significant Fact:

Immigrants in the U.S. received more than one-third of all Nobel Prizes awarded to Americans in the fields of chemistry, medicine, and physics between 2000 and 2013.

Immigrants distinguish themselves in many ways.

One of the more remarkable ways is through their achievements in scientific research.

One interesting way to gauge their contributions is to analyze how often they win top awards like the Nobel Prize, awarded to those who have made groundbreaking discoveries in the areas of chemistry, medicine, physics, literature, international peace, and economics.

Between 2000 and 2013, Americans have received 68 Nobel Prizes in the fields of chemistry, medicine, and physics. Of those 68 awards, more than one-third (or 24 in total) went to U.S. immigrants. This is a large percentage, especially considering that immigrants represent only 13% of the total U.S. population.

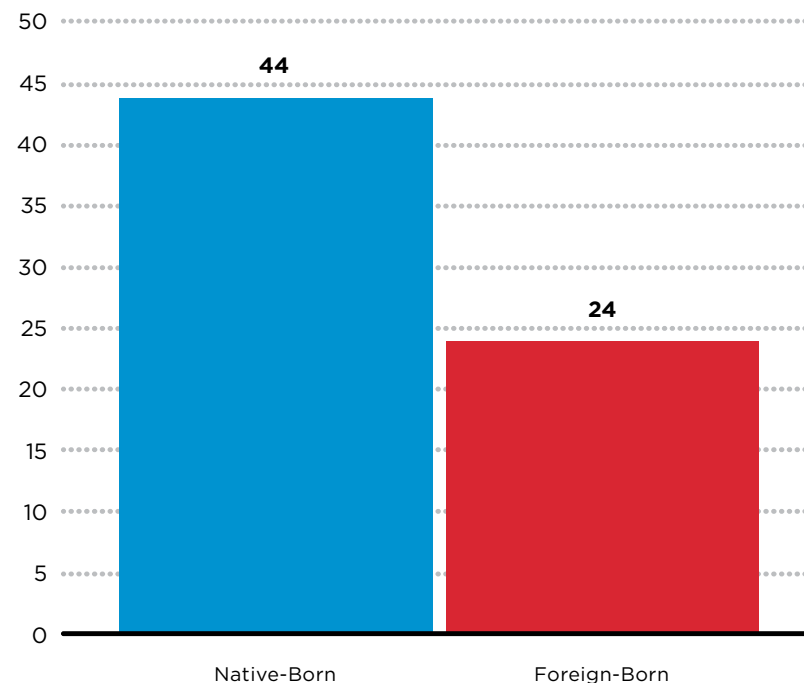
Over the last half-century, the number of American immigrants winning the Nobel Prize in chemistry, medicine, and physics increased dramatically. From 1901 through 1959, only 25 U.S. immigrants were recipients. But during the 53 years since (the period 1960–2013), immigrants in the U.S. have won 72 awards.⁷¹

Immigrants' successes in winning the Nobel Prizes is further testimony to their indispensable contributions to America.

⁷¹ Stuart Anderson, *The Increasing Importance of Immigrants to Science and Engineering in America*, report (National Foundation for American Policy, 2014), <http://nfap.com/wp-content/uploads/2014/06/NFAP-Policy-Brief-Increasing-Importance-of-Immigrants-in-Science-and-Engineering-June-2014.pdf>.



Number of Nobel Prizes Won by Americans in Chemistry, Medicine, and Physics, 2000–2013
Foreign-Born vs. Native-Born



Source: Anderson, 2014.

Immigrants are disproportionately responsible for U.S. international patent applications.

Significant Fact:

In 2006, non-citizen immigrants living in the U.S. applied for almost one-quarter of all the international patent applications filed by people residing in the U.S. that year.

The World Intellectual Property Organization (WIPO) defines a patent as the “exclusive right granted for an invention, which is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem.”⁷²

The number of applications for patents is one of the best barometers of innovation in an economy because it measures the number of new ideas being introduced.

According to research by Vivek Wadhwa and others using data from WIPO, in 2006, non-citizen immigrants living in the U.S. were responsible for filing one-quarter of all the international patent applications filed by people residing in the U.S. that year.⁷³ This is an increase from the 7.6% of all international patents filed by immigrants in the U.S. in 1998.⁷⁴

Many companies rely on immigrants to help generate new ideas. At Qualcomm, Inc., foreign-born employees⁷⁵ were responsible for 72% of the company’s international patent applications. At other major companies, it’s a similar story: 65% of international patent applications at Merck & Co., 64% at General Electric, 63% at Siemens, and 60% at Cisco. Among international patent applications filed by the

72 “Patents,” World Intellectual Property Organization, accessed October 28, 2012, <http://www.wipo.int/patentscope/en/>.

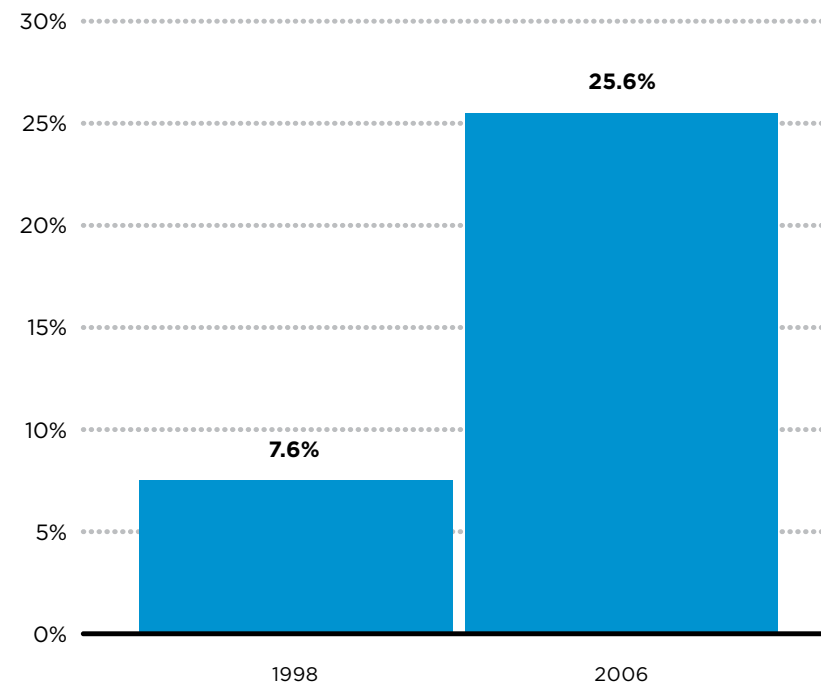
73 Note that this dataset excludes naturalized U.S. citizens.

74 Vivek Wadhwa et al., *Intellectual Property, the Immigration Backlog, and a Reverse Brain-Drain America’s New Immigrant Entrepreneurs, Part III*, report (2007), http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2007/08/reverse_brain_drain_101807.pdf.

75 Categorized as non-citizen foreign-born living in the U.S. or employees of the company born and working abroad.

U.S. government, the foreign-born were responsible for an impressive 41% of such applications.⁷⁶

Percentage of Total U.S. International Patent Applications Filed by Non-Citizen Foreign-Born Population, 1998 and 2006



Source: Wadhwa et al., “Intellectual Property, the Immigration Backlog, and a Reverse Brain-Drain.”

Note: Data refer to the “Non-Citizen Foreign-Born Population”; i.e., this dataset does not include foreign-born naturalized citizens.

76 Vivek Wadhwa et al., *Intellectual Property, the Immigration Backlog, and a Reverse Brain-Drain America’s New Immigrant Entrepreneurs, Part III*, report (2007), http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2007/08/reverse_brain_drain_101807.pdf.

Immigrants are more likely to be granted a patent ...

Significant Fact:

Immigrant college graduates are granted more patents on average than similarly educated native-born Americans.

Of course, applying for a patent is not the same thing as being granted a patent, which is certification from an outside authority that an idea is actually innovative.

Using data from the National Survey of College Graduates, Jennifer Hunt assessed the percentage of immigrants granted patents. She found that 2.0% of all immigrant college graduates in 2000 reported they had been granted at least one patent. This proportion is double the percentage of native-born Americans who reported having received a patent (0.9%).⁷⁷ Furthermore, immigrant college graduates were granted more patents per capita than natives: 0.054 patents per immigrant college graduate, compared to 0.028 patents per native college graduate in 2000.⁷⁸

Other data bolster these findings. The U.S. Patent and Trademark Office reports that immigrants or other foreigners are responsible for a majority of the patents granted. The share of U.S. patents the foreign-born have received has climbed rapidly over the last 40 years. In 1970, approximately one in four U.S. patents went to the foreign-born. Today, it is more than one in two.⁷⁹

What's more, a study from the Partnership for a New American Economy finds that at top U.S. universities, immigrants lead the way on patents. Among the 10 universities receiving the most patents in 2011, 76% of all patent awards named at least one immigrant as the grantee.⁸⁰

⁷⁷ Jennifer Hunt, "Which Immigrants Are Most Innovative and Entrepreneurial? Distinctions by Entry Visa," *Journal of Labor Economics* 29, no. 3 (July 2011).

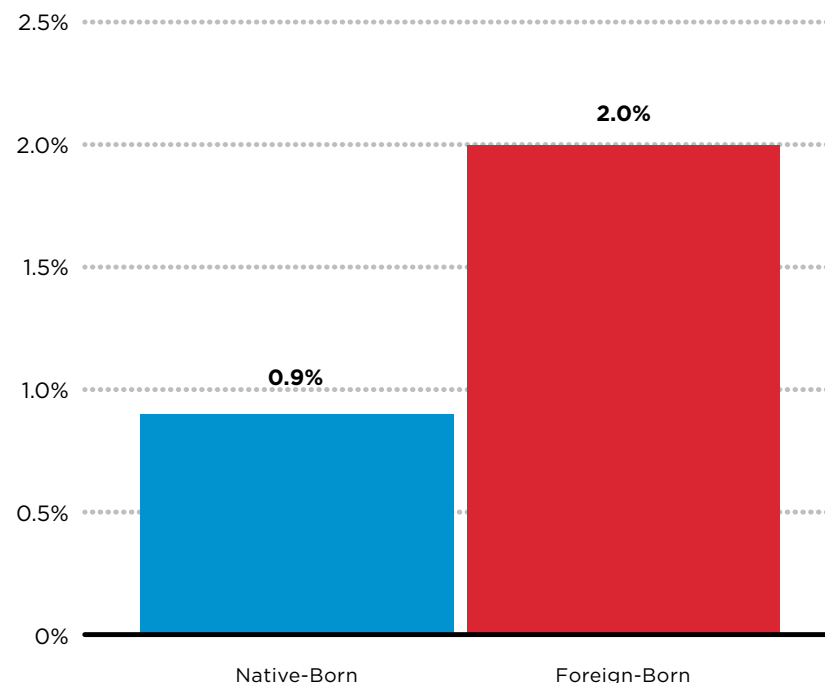
⁷⁸ Jennifer Hunt and Marjolaine Gauthier-Loiselle, "How Much Does Immigration Boost Innovation," *American Economic Journal: Macroeconomics*, *American Economic Association* 2, no. 2 (2010).

⁷⁹ U.S. Patent and Trademark Office, "U.S. Patent Statistics Chart Calendar Years 1963-2013," http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm.

⁸⁰ *Patent Pending: How Immigrants Are Reinventing the American Economy*, report (Partnership for a New American Economy, 2012), <http://www.renewoureconomy.org/wp-content/uploads/2013/07/patent-pending.pdf>.



Percentage of Native-Born and Foreign-Born College Graduates Who Have Ever Been Granted a Patent, 2000



Source: Hunt, 2011.

... And a greater percentage of immigrants commercialize their patents.

Significant Fact: Immigrants have proven their success at bringing ideas to the marketplace.

Patents especially help grow the economy when they are commercialized or licensed. Hunt finds that 1.3% of immigrant college graduates had commercialized a patent in 2000, compared to 0.6% of natives.

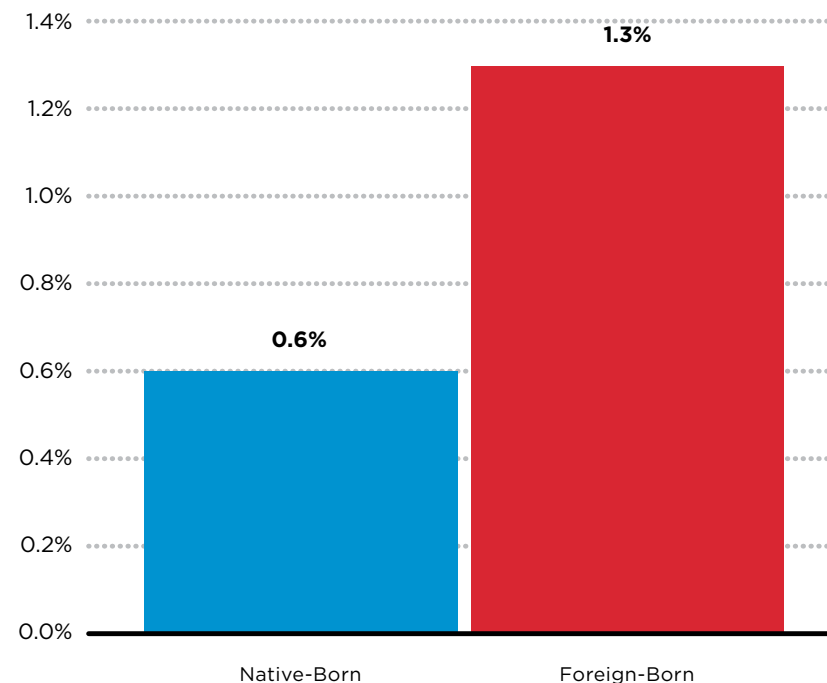
Furthermore, the number of patents commercialized by immigrant college graduates was more than 1.5 times the number of patents per capita commercialized by natives. In 2000, immigrant college graduates had commercialized approximately 27 patents for every 1,000 immigrant college graduates in the population, compared to around 17 patents commercialized by native college graduates per every 1,000 natives.⁸¹

This innovation and entrepreneurialism is a key driver of long-term economic growth.

⁸¹ Jennifer Hunt, "Which Immigrants Are Most Innovative and Entrepreneurial? Distinctions by Entry Visa," *Journal of Labor Economics* 29, no. 3 (July 2011).



Percentage of Native-Born and Foreign-Born College Graduates Who Have Commercialized a Patent, 2000



Source: Hunt, 2011.

Immigrants are more likely to publish a scholarly work ...

Significant Fact: New ideas are introduced into the economy through published research. For academic research to be accepted for publication, it must be reviewed by qualified peers. In addition, research that is accepted for publication often must express a new idea, or offer a new and cogent interpretation of an existing idea.

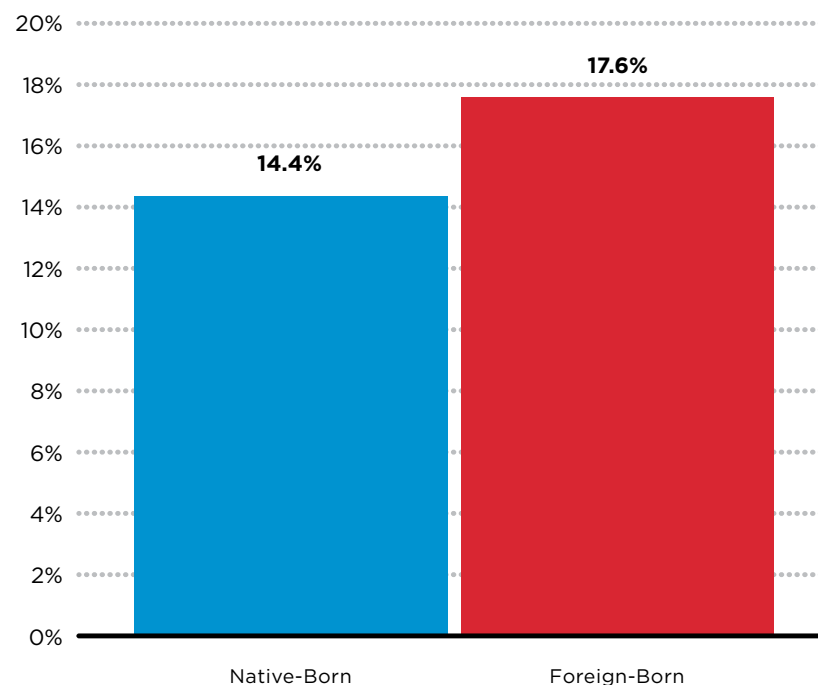
Immigrants often share new ideas by publishing scholarly research.

Data suggest that immigrants are more likely than natives to have published their research. In 2000, 17.6% of immigrants who had graduated from college reported having published a book, journal article, or a paper for presentation at a conference. Only 14.4% of native college graduates reported having done likewise.⁸²

⁸² Jennifer Hunt, "Which Immigrants Are Most Innovative and Entrepreneurial? Distinctions by Entry Visa," *Journal of Labor Economics* 29, no. 3 (July 2011).



Percentage of Native-Born and Foreign-Born College Graduates Who Have Ever Published a Scholarly Work, 2000



Source: Hunt, 2011.

... And immigrants have a greater number of publications, on average.

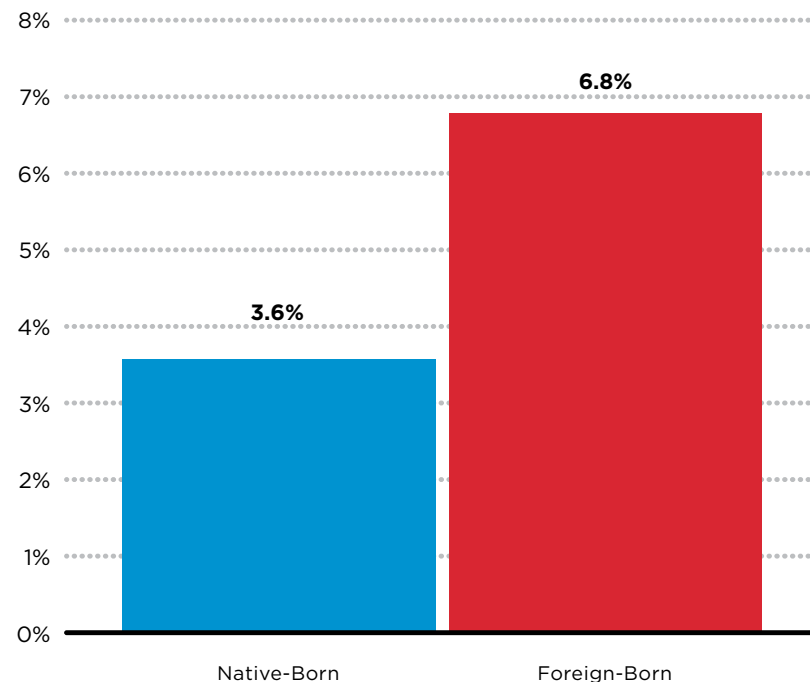
Significant Fact:
Immigrants are more likely than natives to publish, and they publish more.

Not only are immigrants more likely to have ever published a scholarly work, they have more publications, on average. In 2000, among immigrant college graduates who reported having ever published, 6.8% had published six or more scholarly works, compared to 3.6% of native-born college graduates with the same record.⁸³

⁸³ Jennifer Hunt, "Which Immigrants Are Most Innovative and Entrepreneurial? Distinctions by Entry Visa," *Journal of Labor Economics* 29, no. 3 (July 2011).



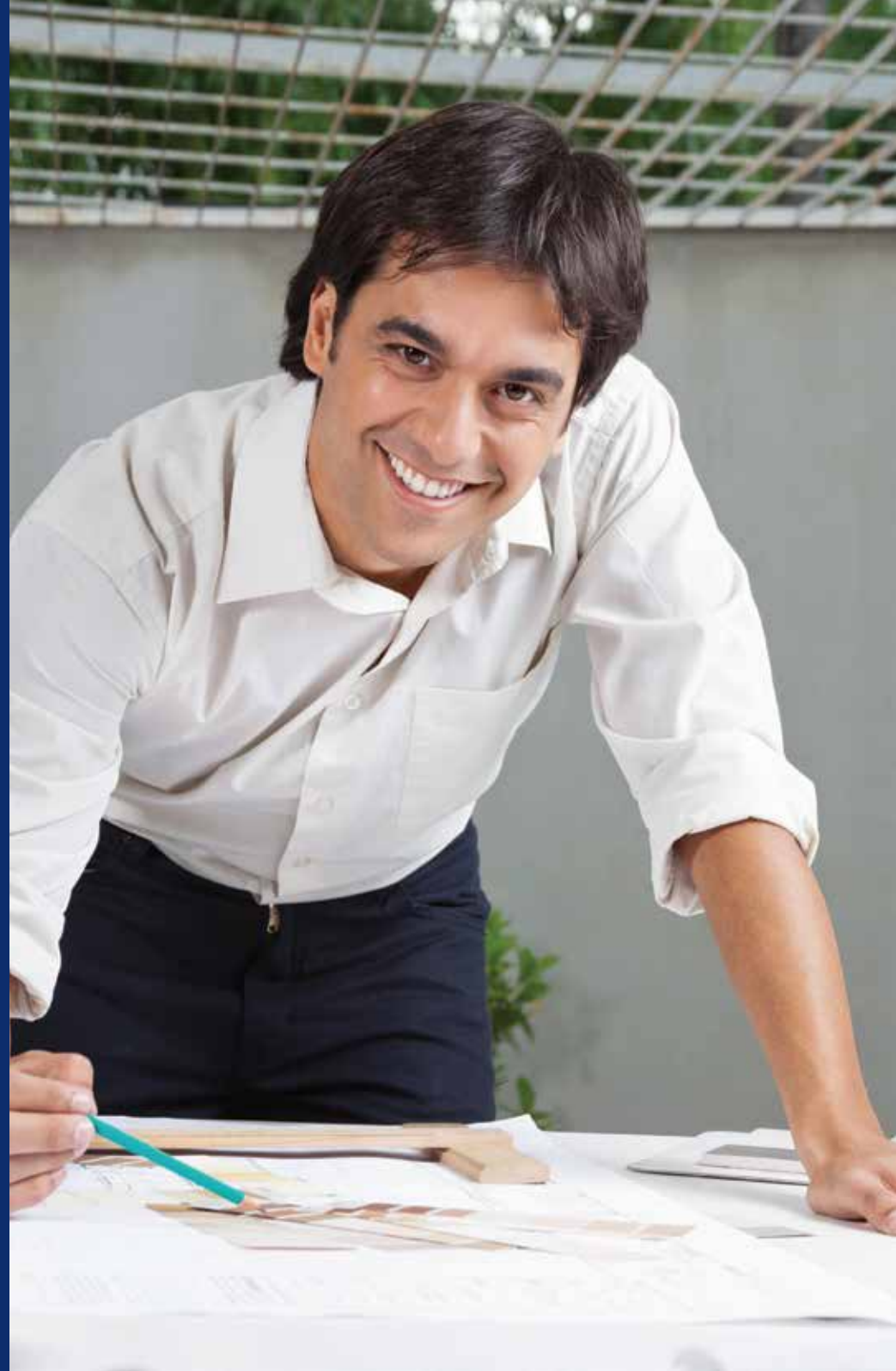
Percentage of Scholars With at Least Six Publications, 2000
Foreign-Born vs. Native-Born



Source: Hunt, 2011.

Note: Sample is for college graduates who report having ever published a book, journal article, or a paper for presentation at a conference.

Immigrants Are Entrepreneurs



Immigrants are more likely to be self-employed and work in the private sector.

Significant Fact: In 2013, 7.7% of immigrants in the U.S. were self-employed, compared to 5.6% of natives.

Not only are immigrants more likely to participate in the labor force and be employed, they are also more likely than native-born citizens to create their own jobs and to work in the private sector.

In 2013, 83.7% of immigrants were private wage and salary workers, compared to only 78.9% of natives.⁸⁴ Furthermore, 7.7% of immigrants were self-employed in an unincorporated business,⁸⁵ compared to only 5.6% of natives. Immigrants often create their own jobs and exhibit characteristics of entrepreneurship.

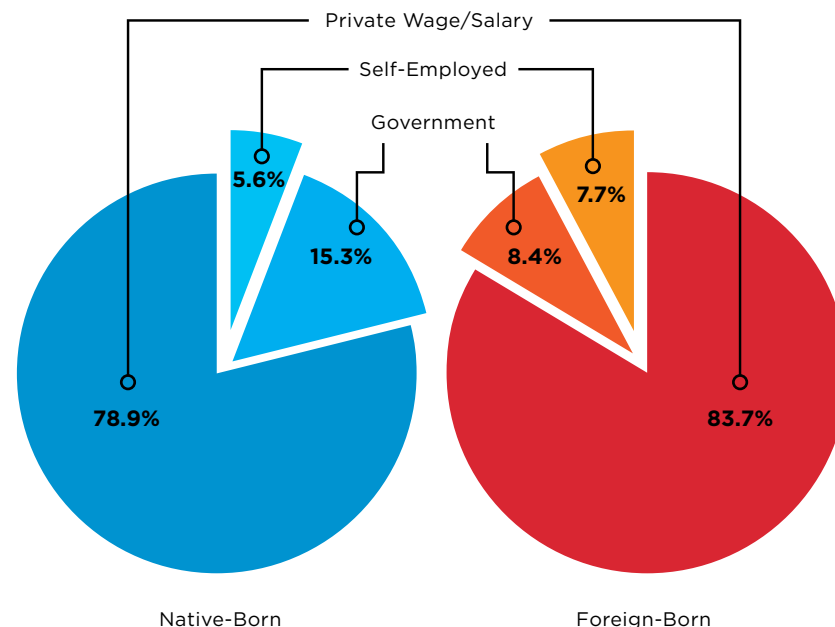
Native-born workers do constitute a larger share of workers in one specific employment sector: government jobs. While many government jobs are certainly necessary and beneficial to our country, these jobs must be funded by taxpayers. Private-sector jobs, on the other hand, are self-sustaining. Therefore, strong economic growth relies especially on private-sector workers.

⁸⁴ U.S. Census Bureau, 2013 American Community Survey.

⁸⁵ Self-employed individuals who report working for an incorporated business are classified as "Private Wage and Salary" workers.



Workers by Sector of Occupation, 2013
Foreign-Born vs. Native-Born



Source: U.S. Census Bureau, 2013 American Community Survey.

Note: "Self-Employed" is defined by the American Community Survey as those people who own an unincorporated business.

Immigrants form new businesses at almost twice the rate as native-born Americans.

Significant Fact:

One way to encourage more new business start-ups is to increase immigration.

The creation of new businesses is essential for economic growth. New firms bring new ideas to the marketplace and compete with existing firms. When this happens, consumers benefit through more choices, higher-quality goods and services, and often lower prices.

New businesses have another benefit: They create jobs. Robert Litan and Carl Schramm write in their recent book, *Better Capitalism*, that the formation and growth of scalable firms has driven U.S. job growth over the past several decades.⁸⁶

One way to encourage more new businesses is to increase immigration. The Kauffman Index of Entrepreneurial Activity tracks on a monthly basis the creation of new businesses in America. The index shows that immigrants start new businesses at almost twice the rate of native-born Americans. As the chart on the next page indicates, 430 out of every 100,000 immigrants became a new business owner on average each month in 2013. For the native-born: only 250 new business owners each month for every 100,000 people in the population.

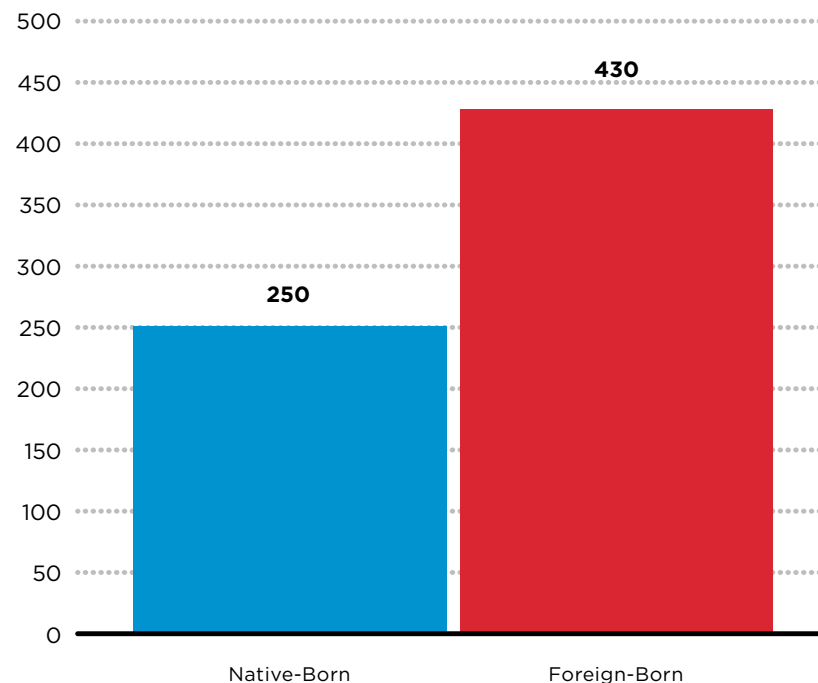
Dating back to 1996 when the Kauffman Index was first calculated, every year immigrants have greatly outpaced native-born Americans in the rate of new business startups.⁸⁷ In 2013, the Kauffman Index reports that approximately 476,000 new businesses

⁸⁶ Robert E. Litan and Carl J. Schramm, *Better Capitalism: Renewing the Entrepreneurial Strength of the American Economy* (New Haven, CT: Yale University Press, 2012).

⁸⁷ Robert W. Fairlie, *Kauffman Index of Entrepreneurial Activity 1996–2013*, report (Ewing Marion Kauffman Foundation, 2014), http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2014/04/kiea_2014_report.pdf.

came into existence on average each month in the U.S. If native-born Americans started new businesses at the same rate as immigrants, this figure would be over 730,000 new firms per month. That kind of boost would do much to improve overall U.S. economic growth.

Number of New Foreign-Born and Native-Born Business Owners Each Month per 100,000 Population, 2013



Source: Fairlie, 2014.

Immigrants own a disproportionate share of small businesses in the U.S.



Significant Fact:
Immigrants start or own more than their share of small businesses.

According to the Survey of Business Owners, small businesses⁸⁸ employed 35 million workers in 2007, the equivalent of 30% of all private-sector employment in the U.S. These businesses are an important source of new job creation and income for Americans, and are a core component of the U.S. economy.⁸⁹

In 2010, approximately 18% of all small business owners in the U.S. were immigrants. This is disproportionately larger than immigrants' 2010 share of the U.S. population (12.9%) and of the civilian labor force (15.9%). Immigrants represent an even larger share of all small business owners in several immigrant-intensive states. For example, in California, 33% of all small business owners are immigrants, followed by New York (29%), New Jersey (28%), Florida (26%), and Hawaii (23%).⁹⁰

The economic impact of immigrant-owned small businesses is considerable. Small businesses of which at least half of the owners were immigrants "employed an estimated 4.7 million people" and "generated an estimated total of \$776 billion in receipts in 2007."⁹¹

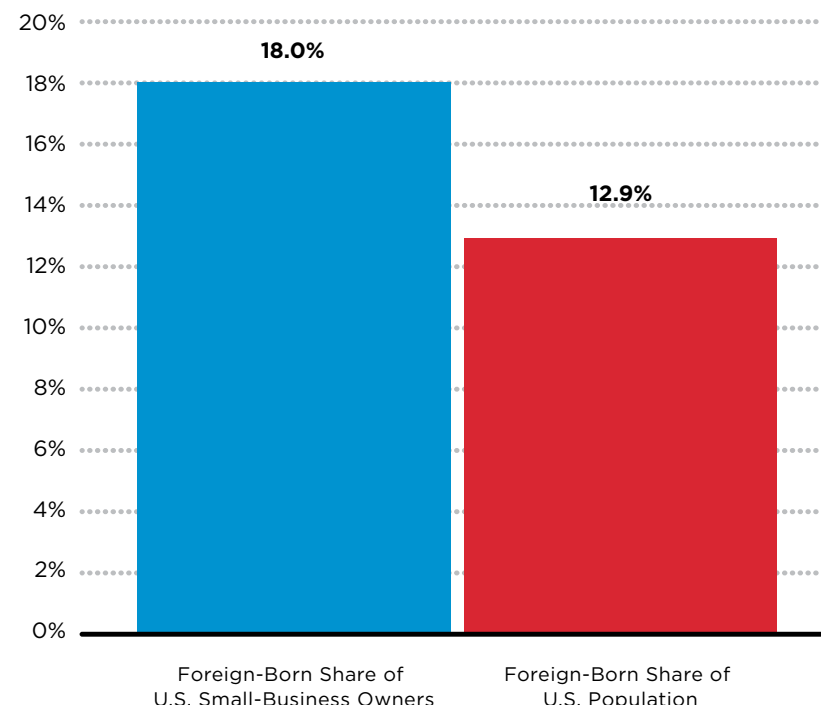
⁸⁸ A small business is defined as a firm employing between 1 and 99 employees.

⁸⁹ David D. Kallick, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, report (Washington, DC: Fiscal Policy Institute, 2012), <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>.

⁹⁰ Data from: U.S. Census Bureau, 2010 American Community Survey; as found in: David D. Kallick, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, report (Washington, DC: Fiscal Policy Institute, 2012), <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>.

⁹¹ David D. Kallick, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, report (Washington, DC: Fiscal Policy Institute, 2012), <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>.

Foreign-Born Percentage Share of Small-Business Owners Compared to Their Share of the U.S. Population, 2010



Source: Kallick, 2012.

Immigrants with a college degree are almost twice as likely to be small business owners.

Significant Fact: In 2010, 5.4% of immigrants with a college degree owned a small business, compared to 2.8% of immigrants without a college degree.

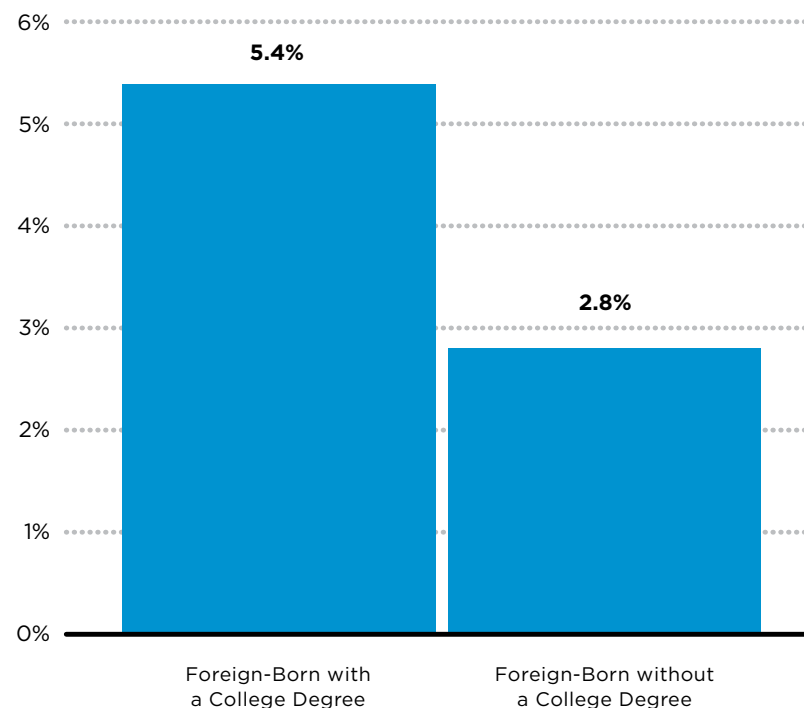
As previously shown, the educational attainment of recent immigrants to the U.S. has improved markedly compared to immigrants who came to the U.S. in earlier decades.

Improved educational attainment translates into many positive outcomes, including the increased likelihood of owning a small business. Research by David Kalick (2012) finds that 2.8% of immigrants without a college degree reported owning a small business in 2010. Meanwhile, 5.4% of immigrant with a college degree said they owned a small business. Put differently, immigrants who complete college are almost twice as likely to own a small business compared to immigrants without a college degree.⁹² As more and more immigrants earn college degrees, we can expect the incidence of small business ownership to increase in America. This is very good news for our economy.

⁹² David D. Kallick, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, report (Fiscal Policy Institute, 2012), <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>.



Percentage of Foreign-Born Who Own a Small Business, by Education Level, 2010



Source: Kallick, 2012.

Over decades, immigrants are helping fuel the growth of small businesses.

Significant Fact:

The number of immigrant small-business owners expanded by almost 540,000 between 1990 and 2010.

Over the two decades from 1990 to 2010, the number of small-business owners in the U.S. increased by 1.8 million. New immigrant small-business owners played an important role in this growth. The number of immigrant small-business owners increased by 539,000, accounting for approximately 30% of the total growth.⁹³

It is also worth noting that immigrants are more likely to start a small business after they have been in the country for several years. Kallick (2012) finds that immigrants who have lived in the U.S. for over 10 years “are more than twice as likely to be small business owners” compared with immigrants who have been in the U.S. for 10 or fewer years.⁹⁴ This finding is important because the number of immigrants in the U.S. increased substantially over the past two decades. Since many of these immigrants have now been in the country for more than 10 years, we might expect immigrant small-business ownership to further increase in coming years.

⁹³ David D. Kallick, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, report (Washington, DC: Fiscal Policy Institute, 2012), <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>.

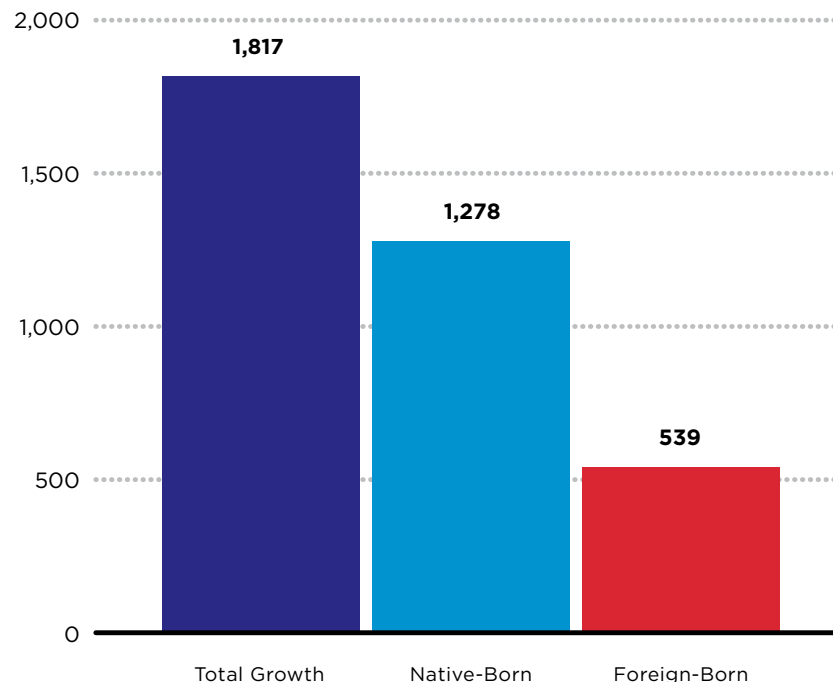
⁹⁴ Ibid.



Growth in the Number of Foreign-Born and Native-Born Small Business Owners, 1990–2010

SMALL-BUSINESS OWNERS

(THOUSANDS)



Source: Kallick, 2012.

Immigrants are more likely to own a company with 10 or more employees.



Significant Fact:

Immigrant-owned small businesses often have several employees.

The average number of employees working for a small business is a good indicator of the importance of immigrant small businesses to the economy. After all, there is a big difference between a firm with only one employee and a firm with several employees.

David Kallick (2012) finds that 57% of immigrant-owned small businesses “have at least one paid employee in addition to the owner,” the same percentage as small businesses owned by native-born citizens.⁹⁵ This suggests that the majority of immigrants’ firms, like natives’, are more than a single man or woman shop.

Jennifer Hunt (2009) utilizes survey data from the National Survey of College Graduates and finds that immigrant college graduates are slightly more likely than natives to have started a firm that employs more than 10 workers. As the chart shows, in 2000, 0.8% of immigrants surveyed reported they started a business with more than 10 employees, compared to 0.6% of natives.⁹⁶

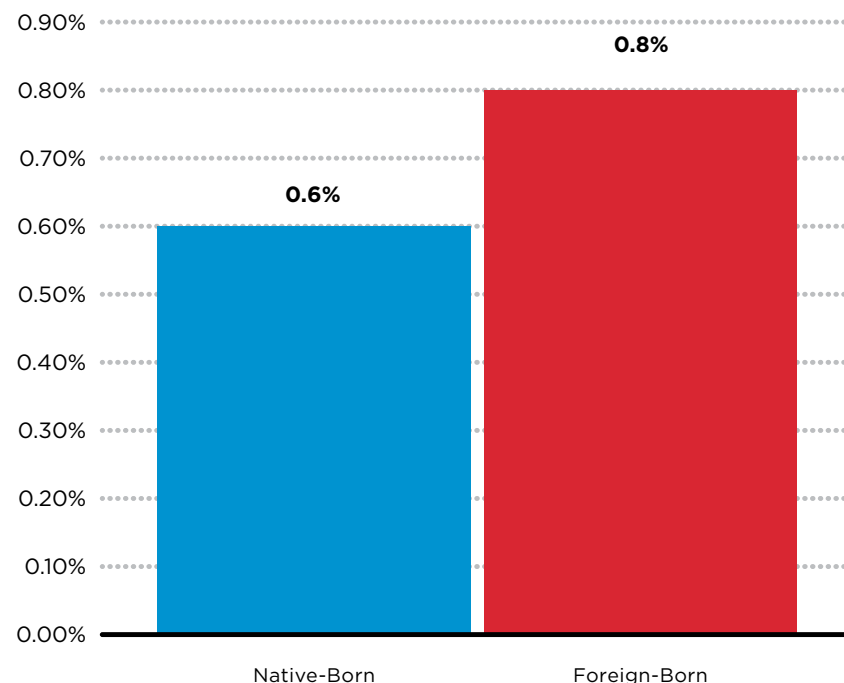
It should be noted, however, that small businesses owned by native-born citizens on average employ a greater number of employees. Overall, immigrant-owned small businesses average 11.0 employees, compared to 13.9 employees among small businesses owned by natives.⁹⁷ Even so, it is undeniable that immigrants play a strong role in starting and growing small businesses in America.

⁹⁵ David D. Kallick, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, report (Washington, DC: Fiscal Policy Institute, 2012), <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>.

⁹⁶ Jennifer Hunt, “Which Immigrants Are Most Innovative and Entrepreneurial? Distinctions by Entry Visa,” *Journal of Labor Economics* 29, no. 3 (July 2011).

⁹⁷ David D. Kallick, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, report (Washington, DC: Fiscal Policy Institute, 2012), <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>.

Percentage of Foreign-Born People and Native-Born Citizens Who Started a Firm That Employs More than 10 Workers, 2000



Source: Hunt, 2011.

Immigrants disproportionately start successful engineering and technology firms.

Significant Fact: Immigrants played a major role in starting some 44% of all new major Silicon Valley-based technology and engineering firms between 2006 and 2012.

Immigrants have been especially important in developing many of the most important and innovative engineering and technology firms that are propelling America's economy forward.

Vivek Wadhwa and a team of researchers found that between 2006 and 2012, approximately 107,800 major engineering and technology companies were formed in the U.S. To qualify as a "major" firm, the company had to have at least \$1 million in sales and 20 employees by 2012. The researchers estimate that more than 26,000 of these firms — the equivalent of 24.3% of the total — had at least one immigrant as a key founder. Even more impressive, during this same time, 43.9% of all major engineering and technology firms started in Silicon Valley had an immigrant as a key founder. The researchers estimate that collectively, these immigrant-founded companies nationwide generated more than \$63 billion in sales in 2012 and employed some 560,000 workers.⁹⁸

Wadhwa and his colleagues caution that, compared to earlier years, immigrants are slightly less likely now to have founded top engineering and technology companies. The researchers found in a previous analysis that during the period 1995–2005, immigrants started 25.3% of all new major engineering and technology firms nationwide and 52.4% of such firms in Silicon Valley.⁹⁹

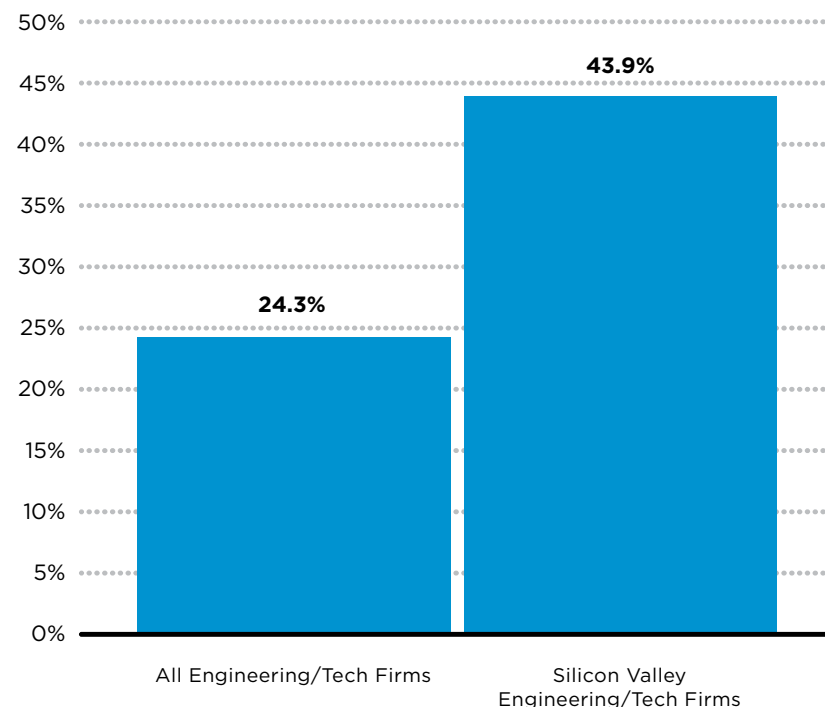
Although the national figure is only one percentage point lower for the more recent period, and indeed

⁹⁸ Vivek Wadhwa, AnnaLee Saxenian, and F. Daniel Siciliano, *Then and Now: America's New Immigrant Entrepreneurs, Part VII*, report (Ewing Marion Kauffman Foundation, 2012), http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2012/10/then_and_now_americas_new_immigrant_entrepreneurs.pdf.

⁹⁹ Vivek Wadhwa et al., *America's New Immigrant Entrepreneurs: Part I*, report (2007), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=990152.

falls within the researchers' margin of error, the data do suggest that the rapid growth trend in immigrant-founded engineering and technology firms has plateaued. For the U.S. to remain competitive in leading industries like engineering and technology, policies should encourage immigration to the U.S. for those who seek to work, innovate, and start new companies.

Percentage of All Major U.S. Engineering and Technology Companies Founded by Immigrants in 2006–2012



Source: Vivek Wadhwa et al., *America's New Immigrant Entrepreneurs: Part I*.

Immigrants have founded an increasing share of all venture-backed, public firms.

Significant Fact:

By 2013, all of the immigrant-founded companies with venture backing that had ever gone public had total market capitalization of \$900 billion.

Most venture-backed firms are not publicly traded.

In fact, over the period 2006–2012, only around 280 firms that were both venture-backed and publicly traded came into existence.

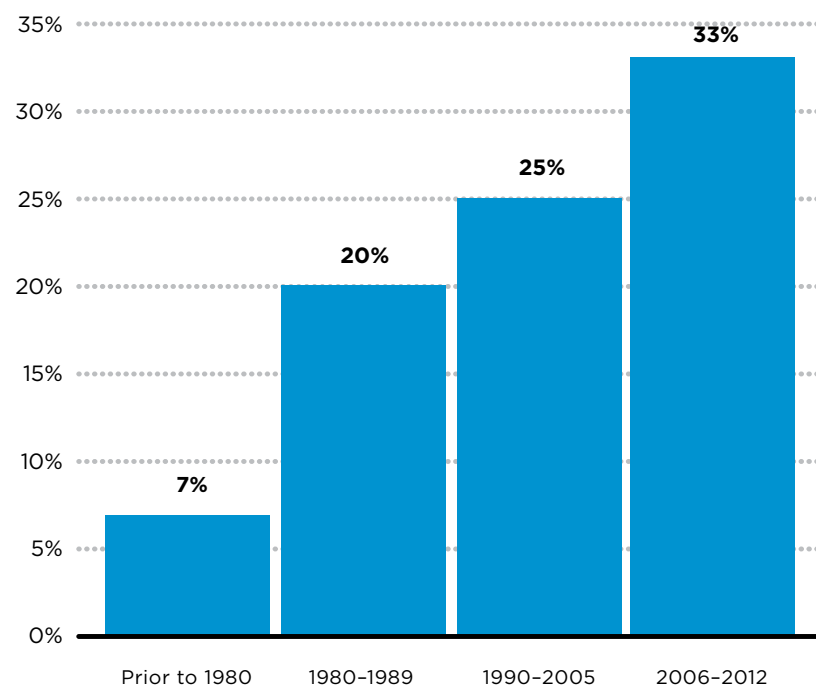
Of those, 92, the equivalent of approximately 33%, were founded by immigrants. This is a highly disproportionate share compared to immigrants' share of the U.S. population. Perhaps even more remarkable though is the strong increase in the share of such firms that immigrants have started. Prior to 1980, only 7% of these firms were started by immigrants. Over the next decade, from 1980 to 1989, the immigrant-founded proportion grew to 20% of the total.

The impact of these companies is immense. In 2012, immigrant-founded firms that had gone public after 2006 collectively employed 65,450 people and had annual sales of \$17 billion. All of the immigrant-founded companies with venture backing that have ever gone public had total market capitalization of \$900 billion in 2013. That level of capitalization would make these firms the 16th most valuable exchange in the world if they were their own country, outperforming the exchanges of countries like Russia, South Africa, and Taiwan.¹⁰⁰

¹⁰⁰ Stuart Anderson, *American Made 2.0: How Immigrant Entrepreneurs Continue to Contribute to the U.S. Economy*, report (National Venture Capital Association, 2013).



Percentage of Venture-Backed, Publicly Traded Firms That Were Founded by the Foreign-Born



Source: Anderson, 2013.

Immigrants have founded many of the Fortune 500 companies.

Significant Fact: Immigrants and the children of immigrants played a major role in founding more than 40% of the 2010 Fortune 500 companies.

The Fortune 500, a listing of the 500 American companies with the most total revenue, appears every year. Analyses have found that Immigrants contribute to the creation of a surprisingly large share of these iconic American firms.

A study from the Partnership for a New American Economy (2011) found that 18% of all of the Fortune 500 companies in 2010 had at least one founder who was an immigrant. In addition, 22.8% of these firms had at least one founder who was a second-generation American (i.e., the child of an immigrant to the U.S.). Combined, these companies represented 40.8% of all Fortune 500 companies in 2010. Examples of such firms include AT&T, Verizon, Pfizer, Kraft, DuPont, Google, Yahoo!, and eBay.¹⁰¹

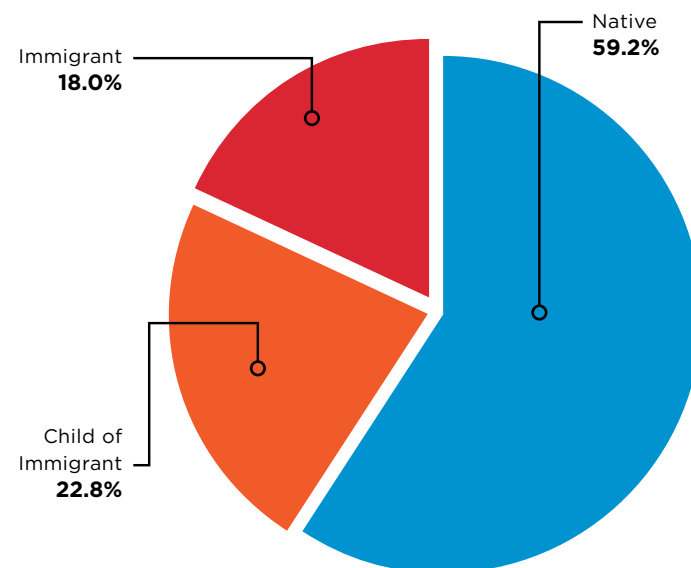
The George W. Bush Institute updated the Partnership for a New American Economy study by repeating the same analysis using the 2012 edition of the Fortune 500 list. The findings revealed that among the 2012 Fortune 500 firms, 19% had at least one immigrant founder and another 23.4% had at least one founder who was a second-generation American. Combined, 42.2% of the 2012 Fortune 500 firms were founded by an immigrant or the child of an immigrant, up slightly from the 40.8% of firms from the 2010 Fortune 500 list.¹⁰²

¹⁰¹ The "New American" Fortune 500, report (Partnership for a New American Economy, 2011), <http://www.renewoureconomy.org/wp-content/uploads/2013/07/new-american-fortune-500-june-2011.pdf>.

¹⁰² Mario Krnjac, *Immigrant Contributions to U.S. Entrepreneurship and Innovation*, report, Summer 2012, <http://www.bushcenter.org/sites/default/files/Immigrant%20Contributions%20to%20U.S.%20Entrepreneurship%20and%20Innovation.pdf>.



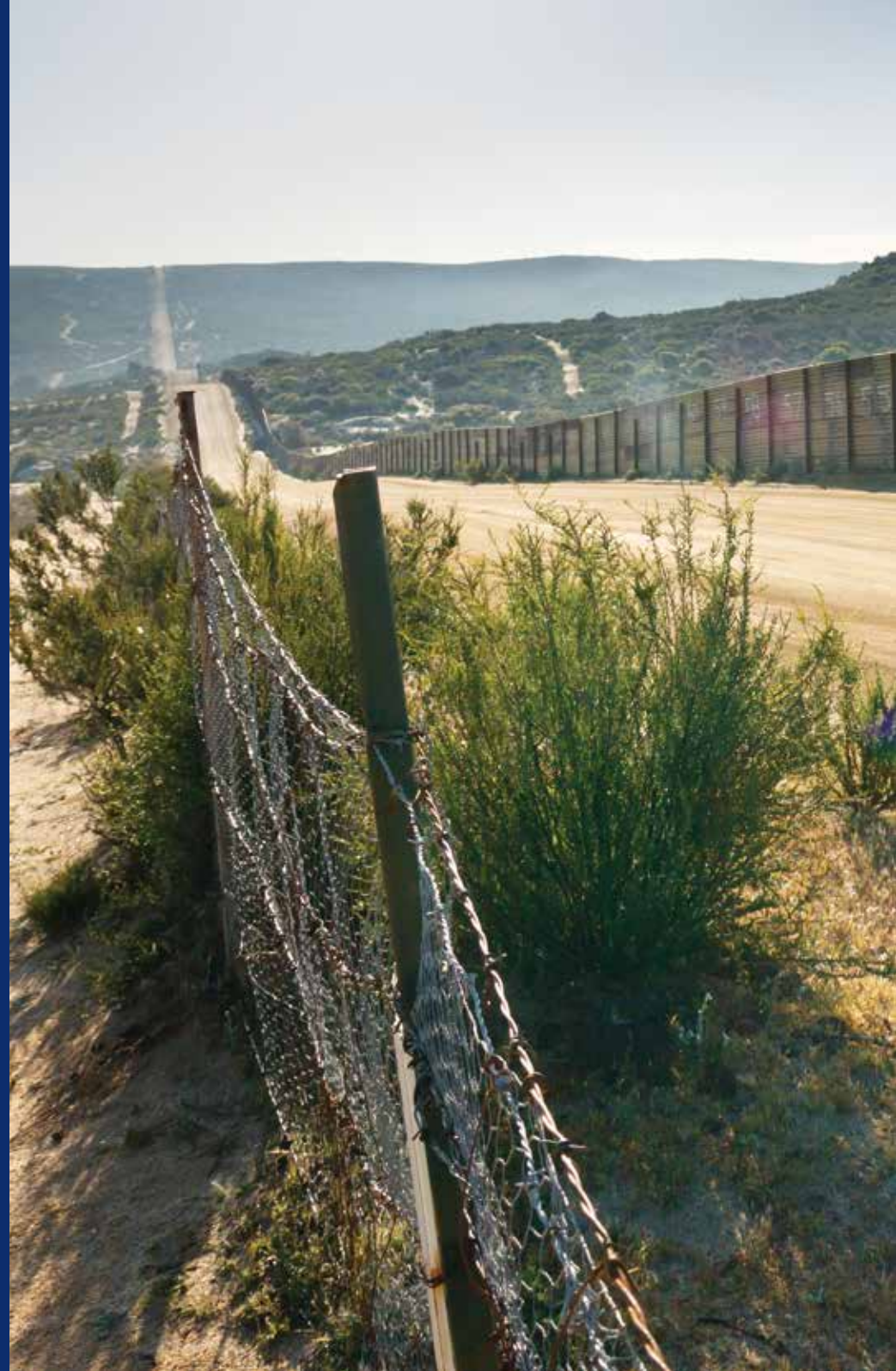
Percentage of Fortune 500 Companies Founded by the Foreign-Born, Their Children, and Native-Born Citizens, 2010



Source: Partnership for a New American Economy, 2011.

Note: For firms with multiple founders, the firm was classified as "immigrant-founded" or as having been founded by the child of an immigrant if at least one key founder of the firm was, respectively, an immigrant or a second-generation American (i.e., the child of an immigrant).

Chapter 3: **The Challenges of Immigration**



Millions of unauthorized immigrants live in the U.S. ...

Significant Fact:

An estimated

11.4 million

unauthorized

immigrants lived

in the U.S. in

2012.

A main worry many Americans have about immigrants is that too many live in the country illegally.¹⁰³ This worry is not unfounded.

The Department of Homeland Security estimates that 11.4 million immigrants were unauthorized to be in the U.S. in 2012, but were residing in the country anyway. This figure is fairly consistent with data for the past half-decade, ranging from a low of 10.5 million unauthorized immigrants in 2005 to a high of 11.8 million in 2007.¹⁰⁴

Unauthorized immigration is problematic because it erodes respect for the rule of law and undermines America's immigration system. It is not optimal from an economic standpoint either. To maximize the growth potential of any economy, it is best to have workers performing the tasks at which they are best suited. For example, a computer programmer should work with computers, a bricklayer should lay bricks, and a teacher should work with students. However, when immigrants are unauthorized, they have fewer employment options and often must take whatever job can be found even if it does not best suit their skills. This restrained labor mobility harms the overall efficiency of the economy and keeps economic growth from being as strong as it otherwise could be.

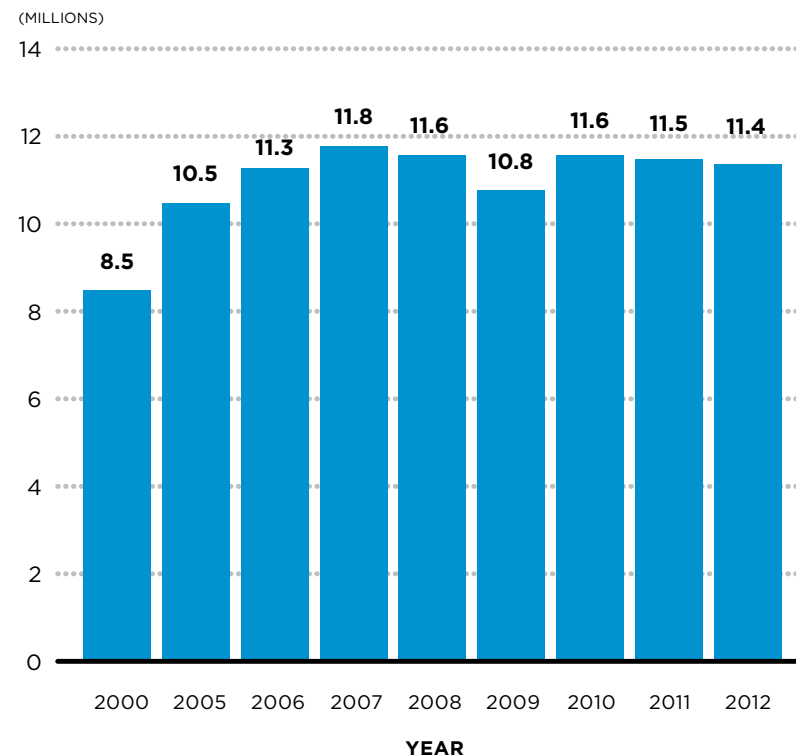
Furthermore, unauthorized immigration makes hiring more difficult for U.S. employers. Most employers strive to comply with all laws. However, it can be very difficult for an employer to identify an unauthorized immigrant — particularly if the

¹⁰³ Immigrants can be classified as "unauthorized" or "illegal" for three main reasons: entering the country without obtaining the permission of the U.S. government, overstaying the length of approved time granted by their visa or green card, or violating the conditions of entry to the U.S., such as being employed without having the appropriate visa or green card.

¹⁰⁴ U.S. Department of Homeland Security, Office of Immigration Statistics, *Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2012*, by Bryan Baker and Nancy Rytina (2013), http://www.dhs.gov/sites/default/files/publications/ois_ill_pe_2012_2.pdf.

immigrant possesses forged documents. In such a case, employers can find themselves in a catch-22, where refusing to hire an immigrant who turns out to actually be authorized could lead to discrimination charges. But hiring an immigrant — even unknowingly — who turns out to be unauthorized could result in punitive action by the federal government.

Number of Unauthorized Immigrants Residing in the U.S., 2000-2012



Source: U.S. Department of Homeland Security, 2013.

... Though, lately unauthorized immigration has slowed.

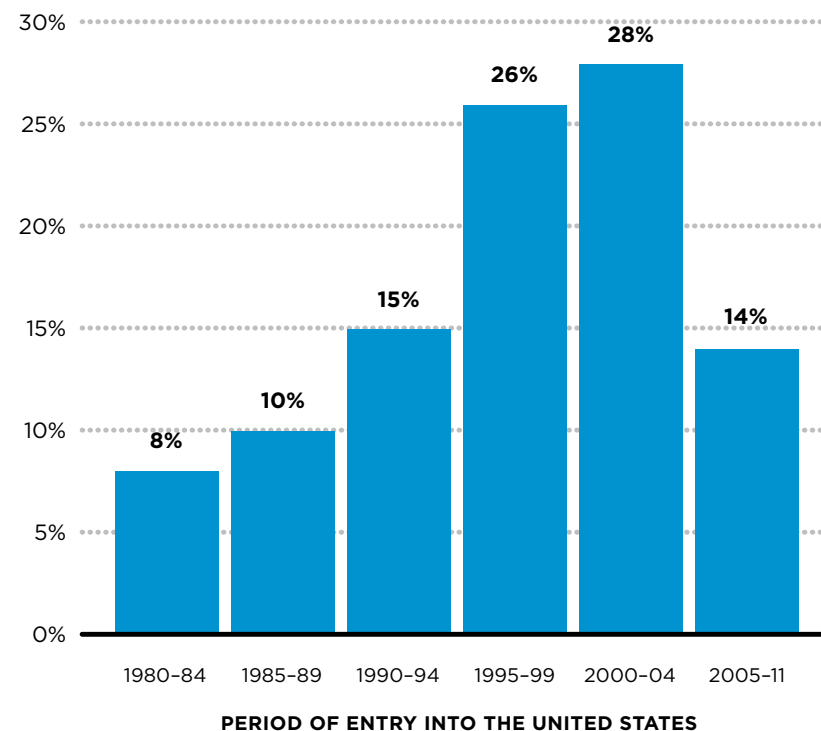
Significant Fact: Though 11.4 million immigrants live in the U.S. illegally, the data show the unauthorized immigrant population has not increased significantly in recent years. The Department of Homeland Security estimates that of the total unauthorized immigrant population in January 2012, only 14% entered the U.S. during the previous six years (2005-11). Meanwhile, more than half of those in the U.S. illegally originally came during the decade 1995-2004. The remaining 32% of the unauthorized immigrant population arrived in the U.S. prior to 1994.¹⁰⁵

It is important to keep in mind that the majority of immigrants living in the U.S. are in the country legally. In 2013, the total immigrant population in the U.S. was around 41.3 million, meaning that unauthorized immigrants accounted for around 27.6% of the total. While this is still a large percentage, it is important to note that current U.S. immigration laws provide few options for immigrants to enter the country to work. Policy reform could help the economy and curb unauthorized immigration by providing ways for immigrants to come to the U.S. to fill open jobs.

¹⁰⁵ U.S. Department of Homeland Security, Office of Immigration Statistics, *Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2012*, by Bryan Baker and Nancy Rytina (2013), http://www.dhs.gov/sites/default/files/publications/ois_ill_pe_2012_2.pdf.



Percentage of the Total 2012 Unauthorized Foreign-Born Population That Entered the U.S. During Each Period



Source: U.S. Department of Homeland Security, 2013.

Border enforcement costs taxpayers billions ...

Significant Fact:

The budget of the U.S. Border Patrol has grown substantially over the past decade.

The U.S. Border Patrol is a law enforcement agency within U.S. Customs and Border Protection that is charged with monitoring and protecting the U.S. borders.

U.S. Border Patrol is also responsible for monitoring unauthorized immigrant activity within the U.S. According to Border Patrol's website, the agency monitors 6,000 miles of land terrain along the U.S.-Mexico border and the U.S.-Canada border. The agency also monitors approximately 2,000 miles of coastal border along the Florida peninsula and Puerto Rico.¹⁰⁶

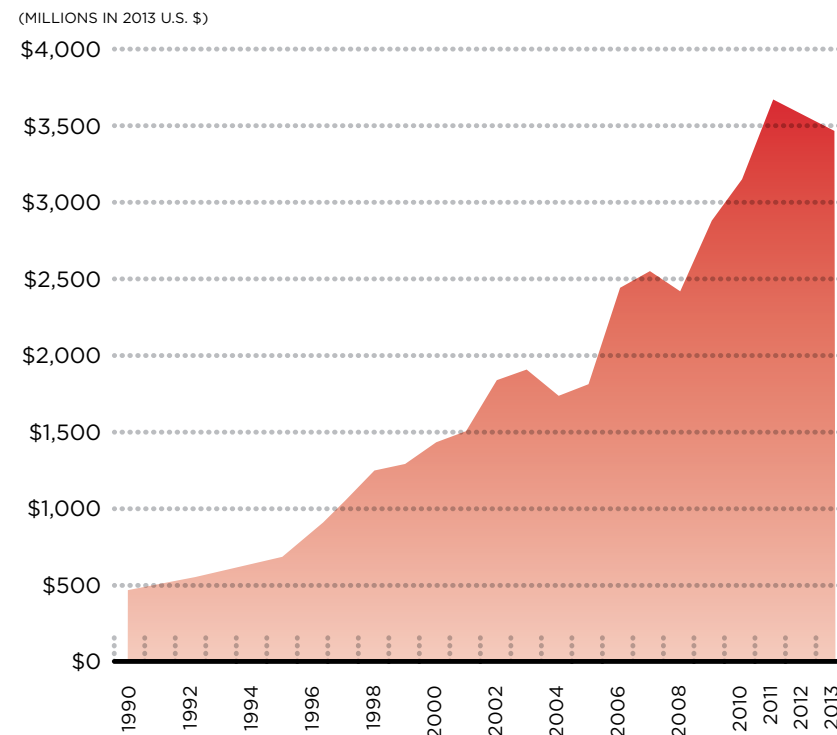
While protecting America's borders is important, Americans are understandably concerned with the associated costs. In 2013, the enacted budget of the U.S. Border Patrol was nearly \$3.5 billion. The agency's budget has increased substantially over the past 20 years, especially since the September 11, 2001, attacks. In 1990, the budget was \$468 million in 2013 dollars. Ten years later, one year before the September 11 attacks, the budget was just under \$1.43 billion, but grew to \$2.44 billion by 2006, and peaked at \$3.68 billion in 2011.¹⁰⁷

¹⁰⁶ U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Border Patrol Overview*, <http://www.cbp.gov/border-security/along-us-borders/overview>.

¹⁰⁷ U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Enacted Border Patrol Program Budget by Fiscal Year*, http://www.cbp.gov/sites/default/files/documents/BP%20Budget%20History%201990-2014_0.pdf.



Budget of the U.S. Border Patrol, Fiscal Years 1990-2013



Source: U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Enacted Border Patrol Program Budget by Fiscal Year*.

Note: Data are reported as 2013 U.S. Dollars, and were adjusted by the author using the Consumer Price Index.

... And the number of border patrol agents is near an all-time high.

Significant Fact:

In 2013, the Border Patrol had more than 21,000 agents on staff, and almost 90% of agents were stationed on America's Southwest border.

The U.S. Border Patrol was founded in 1924 and employed a handful of agents who patrolled the Mexican and Canadian borders. The staffing of the Border Patrol has grown dramatically, especially in recent years.

According to official statistics, in 1992, the Border Patrol employed 4,139 agents. The number of agents reached above 10,000 for the first time in 2002. Border Patrol staffing grew especially rapidly beginning in 2005. Between 2005 and 2011, the number of agents almost doubled, peaking at 21,444 in 2011. In 2013, the Border Patrol had 21,391 agents on staff, and almost 90% of agents were stationed on the Southwest border.¹⁰⁸

Interestingly, from 2005 to 2013, a period when the number of border patrol agents increased substantially, the number of unauthorized immigrant apprehensions decreased. In 2005, 1.19 million unauthorized immigrants were apprehended. That number decreased every year until 2011, when 340,252 unauthorized immigrants were apprehended. The number of apprehensions increased to 420,789 in 2013. Even so, apprehensions in 2013 were well below the number of annual apprehensions in the mid-2000s.¹⁰⁹

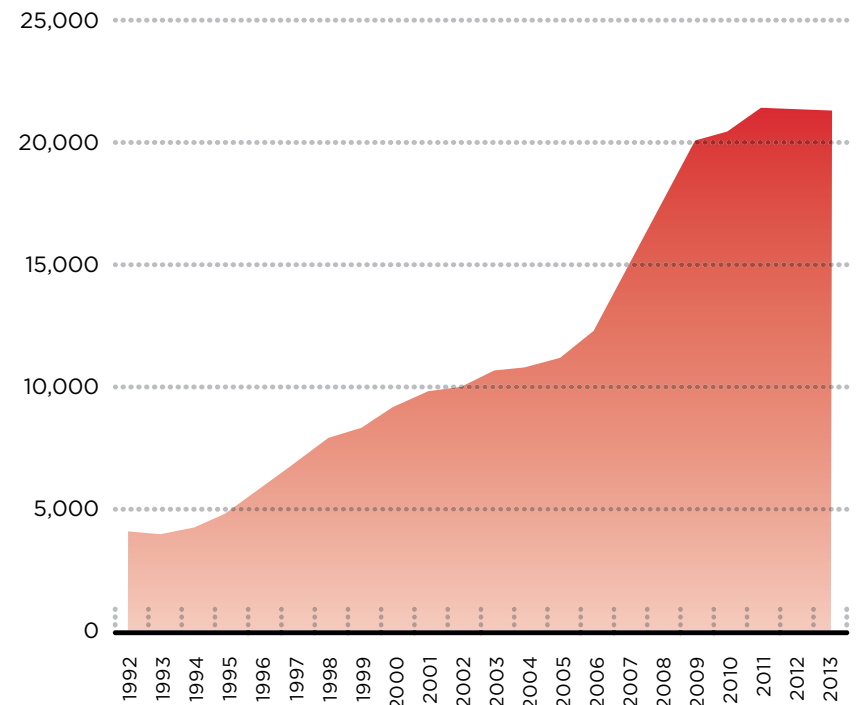
There are many reasons for this downward trend. The increased number of border patrol agents likely had some deterrent effect, discouraging would-be unauthorized immigrants from attempting to cross the border in the first place. However, the overall

¹⁰⁸ U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Border Patrol Agent Staffing by Fiscal Year*, http://www.cbp.gov/sites/default/files/documents/BP%20Staffing%20FY1992-FY2014_0.pdf.

¹⁰⁹ U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Nationwide Illegal Alien Apprehensions Fiscal Years 1925 - 2014*, http://www.cbp.gov/sites/default/files/documents/BP%20Total%20Apps%20FY1925-FY2014_0.pdf.

decrease in migration from Mexico during the latter half of the 2000s is likely the strongest reason for the decline in apprehensions of unauthorized immigrants. Whether further investment in border security is prudent will no doubt remain an issue of contentious debate.

Number of U.S. Border Patrol Agent Staff Members, Fiscal Years 1992–2013



Source: U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Border Patrol Agent Staffing by Fiscal Year*.

Hundreds die each year trying to cross the Southwest border.

Significant Fact:

The extreme conditions along remote areas of the Southwest border can make unauthorized border crossing very hazardous.

One major problem of unauthorized immigration is that attempting to cross the border can be very dangerous.

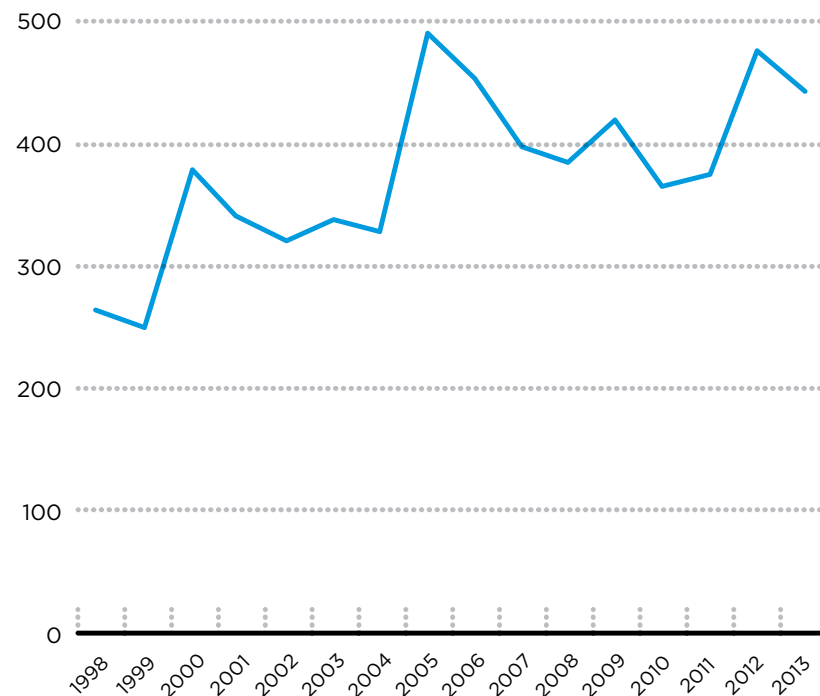
Unauthorized immigrants often attempt to cross the U.S. border in remote areas to evade detection. But the trek through America's remote Southwest deserts is dangerous and can prove fatal.

Data from the U.S. Border Patrol indicate that since 1998, some 6,029 deaths, or an average of 377 per year, were reported along the Southwest border. Recent years have witnessed even more deaths. In FY 2013, 445 were discovered dead at the border. In FY 2012 the number was even higher: 477 deaths.¹¹⁰

¹¹⁰ U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Southwest Border Deaths by Fiscal Year*, <http://www.cbp.gov/sites/default/files/documents/U.S.%20Border%20Patrol%20Fiscal%20Year%20Statistics%20SWB%20Sector%20Deaths%20FY1998%20-%20FY2013.pdf>.



Number of Deaths Recorded at the U.S. Southwest Border, Fiscal Years 1998–2013



Source: U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Southwest Border Deaths by Fiscal Year*.

Many immigrants have a low level of education ...

Significant Fact:

The proportion of immigrants who lack a high school degree has shrunk.

Obtaining higher levels of education is one way people increase their skill levels and, in turn, contribute more to the economy. Unfortunately, a large share of the U.S. immigrant population has not earned even a high school degree. In 2013, almost one in every three immigrants did not have a high school diploma, compared to only one in every 10 native-born Americans.¹¹¹

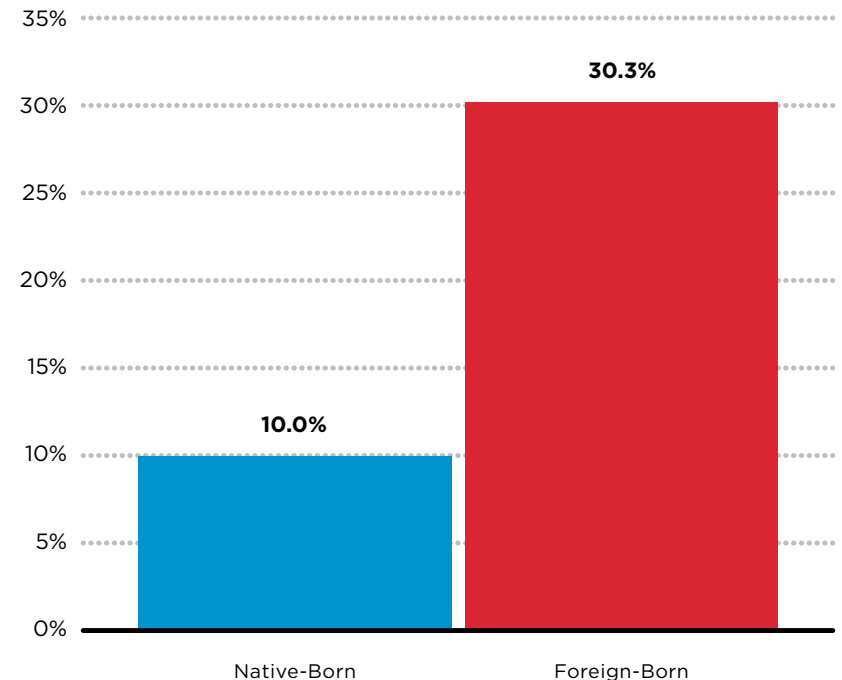
The good news is that more recent immigrants to the U.S. have higher average levels of education compared to the waves of immigrants who came in the past. Approximately 30.8% of immigrants who arrived to the U.S. between 2000 and 2009 lacked a high school degree in 2013. Yet, among immigrants who arrived to the U.S. since 2010, a much smaller percentage, 22.5%, lacked a high school degree in 2013.¹¹² While this is still an alarmingly high percentage, the improving educational attainment of immigrants is reason for optimism.

¹¹¹ U.S. Census Bureau, 2013 American Community Survey.

¹¹² Ibid.



Percentage of People Who Have Not Earned a High School Degree, 2013
Foreign-Born vs. Native-born



Source: U.S. Census Bureau, 2013 American Community Survey.

Note: Data are for the population 25 years of age and older who have not earned a high school diploma (or an equivalent degree such as a GED).

... Lesser-educated immigrants are an essential workforce.

Significant Fact:

The majority of jobs in the U.S. do not require a college degree, and lesser-skilled immigrants help fill these jobs.

The American economy requires workers of all skill types. No doubt, a highly educated workforce is increasingly necessary in today's globally competitive economy. But lesser-educated workers remain essential as well.

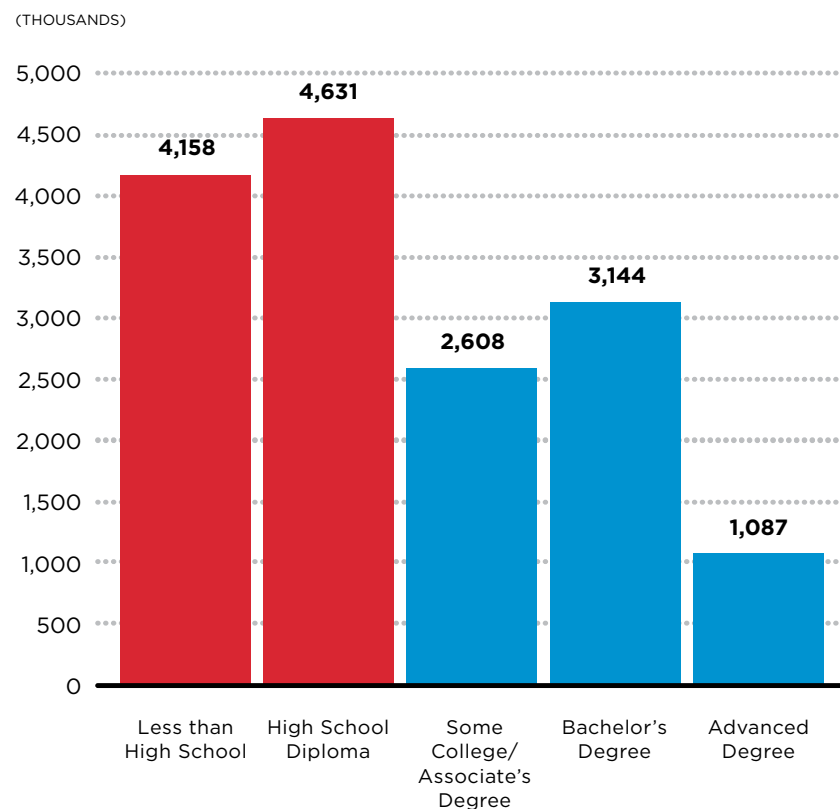
In fact, in 2012, for every job in the U.S. that required a college degree, there were three jobs that required at most a high school degree. Furthermore, as the chart on the next page shows, the Bureau of Labor Statistics projects that jobs requiring at most a high school degree will experience the most total growth over the next decade. In fact, the number of new lesser-skilled jobs created will be more than double the number of newly created high-skilled jobs. By 2022, some 65% of all jobs in the U.S. will require at most a high school degree, and more than 75% of jobs will require less than a bachelor's degree.¹¹³

In 1970, just over one in 10 Americans had a college degree. Fast forward to 2012: Almost one in three Americans was college-educated.¹¹⁴ As native-born Americans have gained higher levels of education, they have been less likely to fill lower-paying blue-collar jobs.

Immigrants with lower levels of education therefore play an important role in the U.S. economy. Jobs like truck driver, food service worker, or landscaper require considerable physical stamina, and are more likely to be filled by an immigrant. Madeline Zavodny and Tamar Jacoby (2013) find that overall, when compared to similarly educated natives, "immigrants spend on average 13 percent more time climbing

ladders, scaffolds or poles and working in high places. They spend 12 percent more time kneeling, crouching or crawling. Their jobs involve 10 percent more exposure to hazardous conditions, 7 percent more exposure to contaminants and 6 percent more use of hazardous equipment."¹¹⁵

Number of New Jobs To Be Created in the U.S., by Educational Requirement, Projected 2012-2022



Source: Employment Projections Program, U.S. Department of Labor, U.S. Bureau of Labor Statistics

¹¹³ "Employment by Summary Education and Training Assignment, 2012 and Projected 2022," U.S. Bureau of Labor Statistics, December 19, 2013, accessed October 18, 2014, http://www.bls.gov/emp/ep_table_education_summary.htm.

¹¹⁴ U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics* (2012), Table 8, accessed October 19, 2014, http://nces.ed.gov/programs/digest/d12/tables/dt12_008.asp.

¹¹⁵ Madeline Zavodny and Tamar Jacoby, *Filling the Gap: Less-Skilled Immigration in a Changing Economy*, report (Washington: American Enterprise Institute, 2013), http://www.aei.org/files/2013/06/10/-zavodny-filling-the-gap-immigration-report_140631709214.pdf.

Do immigrants take jobs from the native-born and lower their wages?



Many Americans fear immigrants represent competition for jobs. “They’re taking our jobs” is a common refrain in the immigration debate. But is there much truth to this claim?

By and large, the answer is “no.” Rather than compete with native workers, immigrants most often complement them. The reason is that immigrants and natives bring different skills to the labor force. Native-born U.S. citizens tend toward occupations that reward things like their educational training, fluency in English, and familiarity with U.S. culture and informal norms. Immigrants, meanwhile, find work in other areas. High-skilled immigrants often fill jobs that require specialized skills, while lesser-skilled immigrants fill jobs that require physical exertion relative to communication skills. This delineation of work is economically efficient—after all, specialization within labor markets helps to boost economic growth.

The very jobs natives and immigrants hold suggest that labor-market competition between the two groups is not all that common. First of all, immigrants are more likely to be in the lesser-skilled end of the workforce than natives. But even within the same skill groups, natives and immigrants gravitate toward different jobs.

In the high-skilled sector, natives are more likely to fill managerial, sales, or professional service roles. Immigrants, meanwhile, contribute largely in more technical and scientific job roles.

In America’s lesser-skilled workforce, there is more competition between natives and immigrants. But even there, competition is not great because natives and immigrants focus on different job tasks. A good example is agricultural labor. Farm managers are often natives, while immigrants fill more physically taxing jobs like crop picker.

A more precise way to determine how much natives and immigrants compete in the labor market is to analyze the effect of immigrants on natives’ wages. Does an increase of immigrants working in a particular labor market reduce the wages of existing workers? Or raise them?

Economic theory suggests that either effect could be possible. If immigrants make the wider economy and even native workers themselves more productive, then one would expect to see rising wages for natives. Yet, counteracting this is the increase in the supply of labor, which, all else being

equal, would reduce wages. Furthermore, if immigrants simply compete with natives for the same jobs, this competition would make downward pressure on wages even stronger.

Many rigorous studies using different estimation techniques and different datasets have attempted to provide clarity to the wage question. Taken as a whole, these studies find immigration has a very small negative effect on natives’ wages in the short-term and virtually no impact in the long-run. Furthermore, the effects vary based on worker skill level. The wages of lesser-skilled workers are more affected than the wages of high-skilled workers, though the impact remains small.

Harvard economist George Borjas finds the most negative wage effects from immigration. Examining the period 1960–2001 in the U.S., Borjas finds that increasing the number of immigrant workers by 10% within a particular skill group reduced wages by around 3% to 4% for natives in that same skill group.¹¹⁶ In another study, Borjas and co-author Lawrence Katz find that in the U.S. during the period 1980–2000, immigrant inflows from Mexico reduced wages for U.S. natives without high school degrees by 8.2% in the short term and 4.2% in the long term. For typical natives, Borjas and Katz estimate immigrant inflows from Mexico reduced wages 3.4% in the short term and had no effect at all in the long term.¹¹⁷

But another recent and highly cited study by economists Gianmarco Ottaviano and Giovanni Peri updates Borjas’s methodology to account for the fact that immigrant and native workers are not perfect substitutes. After all, they have different skills, particularly language skills. When accounting for this, but otherwise using much the same methodology as Borjas and Katz, Ottaviano and Peri determine that between 1990 and 2006, immigrant inflows reduced wages for lesser-skilled natives 0.7% in the short term but increased them 0.3% in the long term. For the average native-born U.S. worker, the immigration inflow decreased wages 0.4% in the short term and increased them 0.6% in the long term.¹¹⁸

116 George J. Borjas, “The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market,” *The Quarterly Journal of Economics* 118, no. 4, doi:10.1162/003355303322552810.

117 George J. Borjas and Lawrence F. Katz, “The Evolution of the Mexican-Born Workforce in the United States,” in *Mexican Immigration to the United States*, ed. George J. Borjas (Chicago: University of Chicago Press, 2007), 13–56.

118 Gianmarco I.P. Ottaviano and Giovanni Peri, *Immigration and National Wages: Clarifying the Theory and the Empirics*, working paper no. 14188 (Cambridge: National Bureau of Economic Research, 2008), <http://www.nber.org/papers/w14188.pdf>.

Too many immigrants speak English poorly.

Significant Fact: Learning English is important for many reasons, and one primary reason is that immigrants who learn English enjoy substantially higher earnings.

Perhaps the most common complaint levied against immigrants is that too many of them do not speak English, or that they speak the language poorly. While many immigrants do in fact speak some English, data suggest that proficiency in English remains a significant problem for a large portion of immigrants.

In 2013, half of the U.S. foreign-born population reported speaking English less than “very well.”¹¹⁹ For immigrants from Latin America, English proficiency is a problem for an even larger proportion.¹²⁰ As one would expect, immigrants improve their English-speaking proficiency the longer they live in the U.S. Among naturalized citizens, who tend to have spent more time in the U.S., 38.1% speak English less than “very well,” compared to 60.0% of non-citizen immigrants. Furthermore, when surveyed in 2013, among all immigrants who had been in the U.S. for at least 13 years, 43.9% said they spoke English less than “very well.” While this is still a large proportion, it is significantly better when one considers that 58.6% of the immigrants who entered the U.S. within the past three years spoke English less than “very well.”¹²¹

Learning English is important for many reasons, but primarily because immigrants who learn English enjoy substantially higher earnings. One study finds that “English fluency boosts wages by 21 percent on average,” even after controlling for other factors. This finding holds even after controlling for other factors.¹²²

¹¹⁹ U.S. Census Bureau, 2013 American Community Survey.

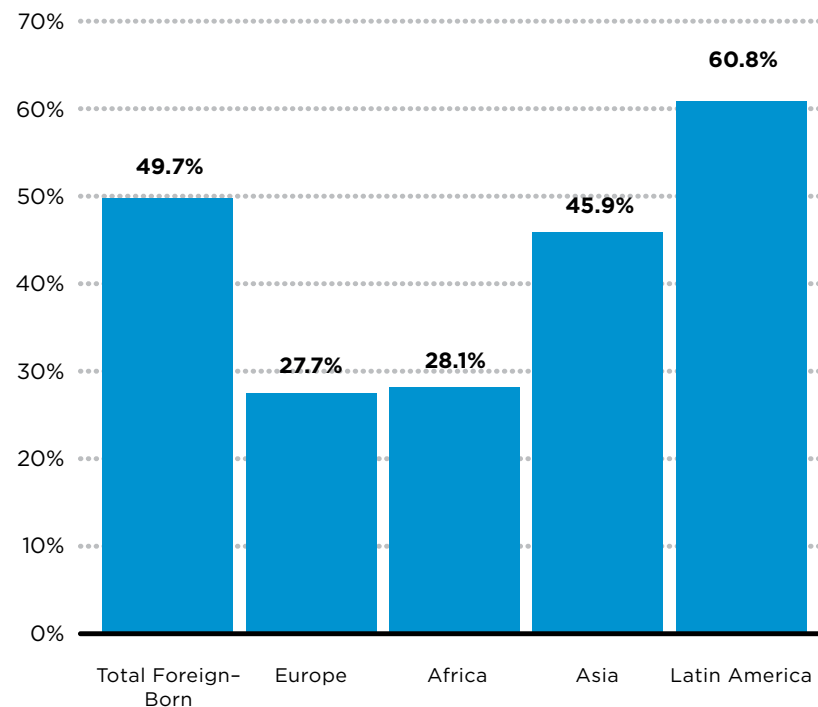
¹²⁰ Ibid.

¹²¹ Ibid.

¹²² Alex Nowrasteh, *The Fiscal Impact of Immigration*, working paper no. 21 (Washington, DC: Cato Institute, 2014), <http://object.cato.org/sites/cato.org/files/pubs/pdf/working-paper-21-fix.pdf>.

Furthermore, as much as half of the increase in wages that immigrants experience during their first two decades living in the U.S. is thanks to immigrants’ improved proficiency in speaking English over that period.¹²³

Percentage of Foreign-Born Who Speak English Less than “Very Well,” by Region of Birth, 2013



Source: U.S. Census Bureau, 2013 American Community Survey.

¹²³ George J. Borjas, *Heaven’s Door: Immigration Policy and the American Economy* (Princeton, NJ: Princeton University Press, 2001).

Immigrants are more likely to be in poverty.

Significant Fact:
In 2013, almost
one in five
immigrants was
living in poverty.

Every year the U.S. federal government calculates the federal poverty threshold based on a formula that accounts for a household's family size and composition. In 2013, the poverty threshold for a family of four (a family with two parents and two children) was determined to be \$23,624.¹²⁴

In 2013, 15.4% of native-born citizens were below the poverty level. Meanwhile, 18.7% of immigrants were considered to be living in poverty.¹²⁵ These figures, for both natives and immigrants, are high relative to most years because of the continuing slow recovery from the 2007–2009 recession of the U.S. economy. However, even in non-recessionary years, the data show that immigrants are more likely than natives to be living in poverty.

What's encouraging is that immigrants who have lived in the U.S. for several years are less likely to be living in poverty. In 2013, 15.1% of immigrants who came to the U.S. prior to 2000 were in poverty. While still high, this compares very favorably with the 22.6% of immigrants living in poverty in 2013 who arrived in the U.S. between 2000 and 2009, or the 30.0% who arrived in the U.S. after 2009.¹²⁶

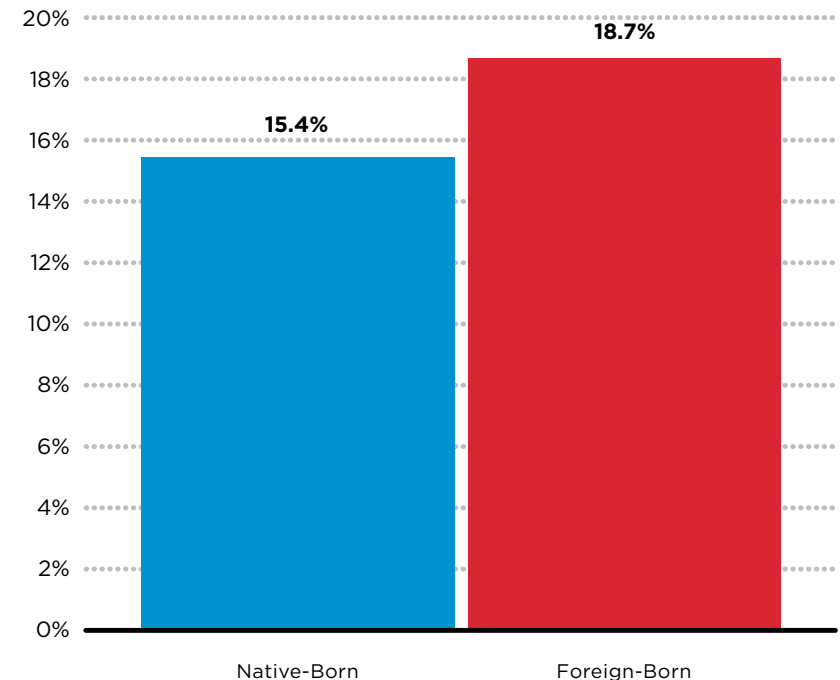
¹²⁴ The U.S. Census Bureau's publication of annual poverty thresholds is available at: U.S. Census Bureau, *Poverty Thresholds*, 2011, <http://www.census.gov/hhes/www/poverty/data/threshld/index.html>.

¹²⁵ U.S. Census Bureau, 2013 American Community Survey.

¹²⁶ Ibid.



Percentage of People Living Below the Federal Poverty Level, 2013
Foreign-Born vs. Native-Born



Source: U.S. Census Bureau, 2013 American Community Survey.

Low-skilled immigrants disproportionately use welfare programs ...

Significant Fact: Nearly half of low-skilled immigrant households receive a welfare benefit.

Low-skilled immigrant households are more likely to receive welfare benefits than the households of low-skilled natives. In 2007, almost half of immigrant households whose head of household had at most a high school diploma received at least one means-tested welfare benefit.¹²⁷

Meanwhile, only 30% of similar households of native-born citizens received a welfare benefit. The data are even worse for households in which the head of household had less than a high school degree. Among these immigrant households, 55% received welfare benefits, compared to 44% of native households.¹²⁸

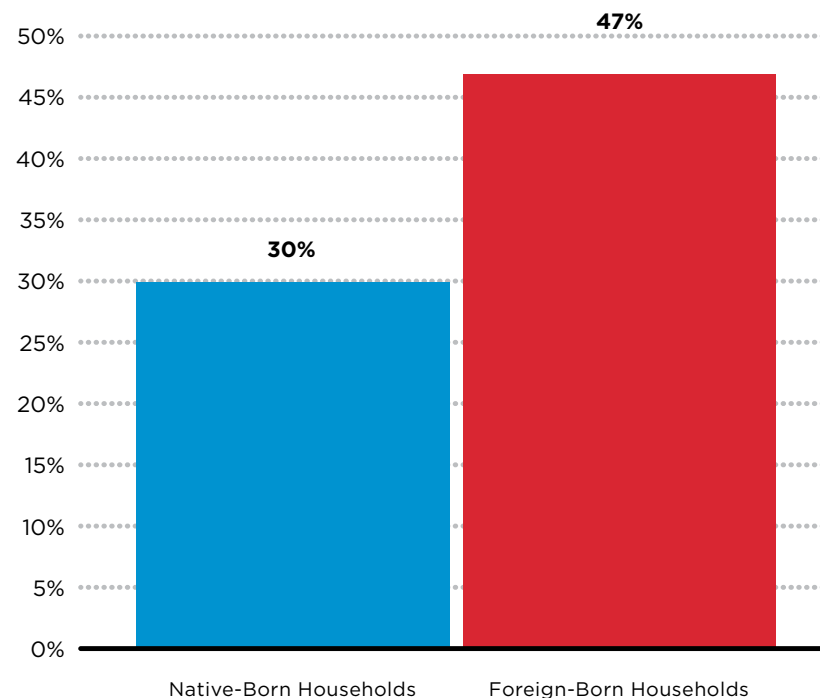
The good news, once again, is that the educational attainment of both immigrants and natives has improved in recent years. As educational levels continue to improve, welfare participation will shrink as incomes rise. This is good for households trying to escape poverty and U.S. taxpayers alike.

¹²⁷ Means-tested welfare programs include: public assistance; means-tested health insurance; Supplemental Security Income; Women, Infants and Children (WIC) program benefits; public housing or rental assistance; food stamps; energy assistance; and free or reduced-price school lunch program.

¹²⁸ Pia M. Orrenius and Madeline Zavodny, *Beside the Golden Door: U.S. Immigration Reform in a New Era of Globalization* (Washington, DC: AEI Press, 2010), pg. 31.



Percentage of Low-Skill Households That Receive at Least One Welfare Benefit, 2007
Foreign-Born vs. Native-born



Source: Orrenius and Zavodny, 2010.

Note: Households in this sample are those for which the highest education level attained by the head-of-household is a high school diploma.

... In some states, immigrants are a fiscal burden ...

Significant Fact: States and towns with high concentrations of lesser-skilled immigrants and generous public benefits tend to incur fiscal costs from immigration.

Lesser-skilled immigrants tend to receive more government benefits than they pay in taxes while higher-skilled immigrants tend to have a positive fiscal impact. And the data show that states and towns with both high concentrations of lesser-skilled immigrants and generous public benefits incur fiscal costs from immigration.

In 1996, a careful analysis of immigrants in New Jersey and California showed that both states had high concentrations of lesser-skilled immigrants and rather generous public benefits. In New Jersey, immigrants received \$1,484 more (in 2006 dollars) in government benefits than they paid in taxes. In California, the net fiscal cost of immigrant households was even greater: \$3,463 per year.¹²⁹

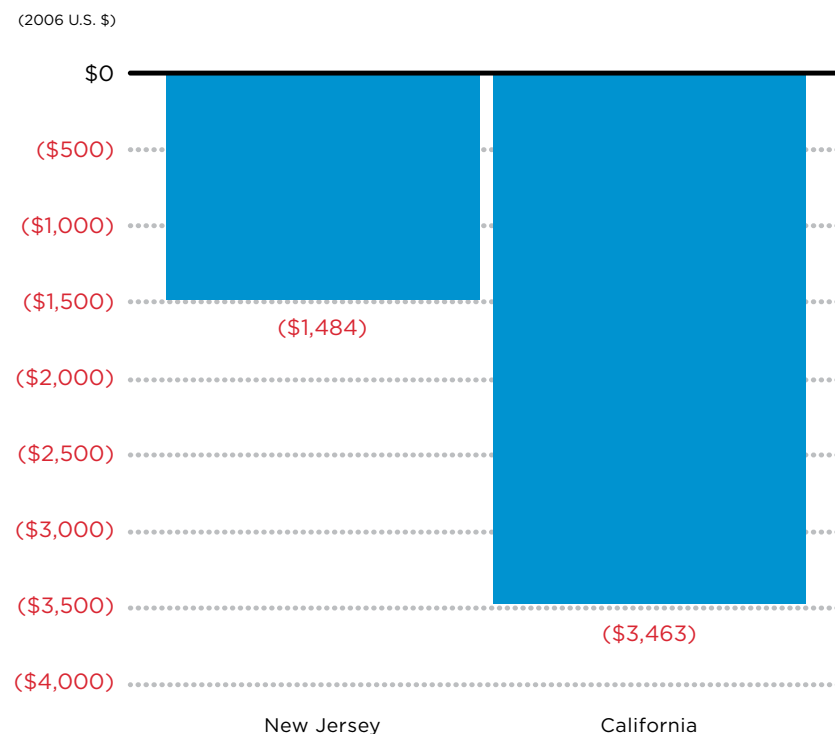
Interestingly, in both states, immigrant households provided a small positive net contribution to the coffers of the federal government. Many argue the appropriate policy response is to share the excess benefits from immigration that accrue to the federal government with states that are negatively impacted by immigration. There may be some wisdom in this.

However, there is another lesson as well: Cities and states bear much of the responsibility themselves when they face net fiscal costs from immigration. Fiscal costs are not the fault of immigrants per se, and can be remedied by reforming welfare programs.

¹²⁹ James P. Smith and Barry Edmonston, eds., *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration* (Washington, DC: National Academy Press, 1997).



Net Fiscal Cost to Local and State Expenditures, by Foreign-Born Households, New Jersey and California, 1996



Source: Smith and Edmonston, 1997.

... But better-educated immigrants have a positive impact on government budgets.

Significant Fact: Immigrants with more than a high school education provide a net benefit of approximately \$105,000 to government coffers over their lifetimes.

Increased levels of educational attainment do more than just reduce welfare reliance. When immigrants gain more education, they tend to become a net-benefit to government budgets over their lifetimes, paying more in taxes than they receive in benefits.

As the chart shows, immigrants with less than a high school education have a negative fiscal impact of almost \$90,000 over their lifetimes. Yet, immigrants with more than a high school education provide a net benefit of approximately \$105,000 to government coffers over their lifetimes.¹³⁰

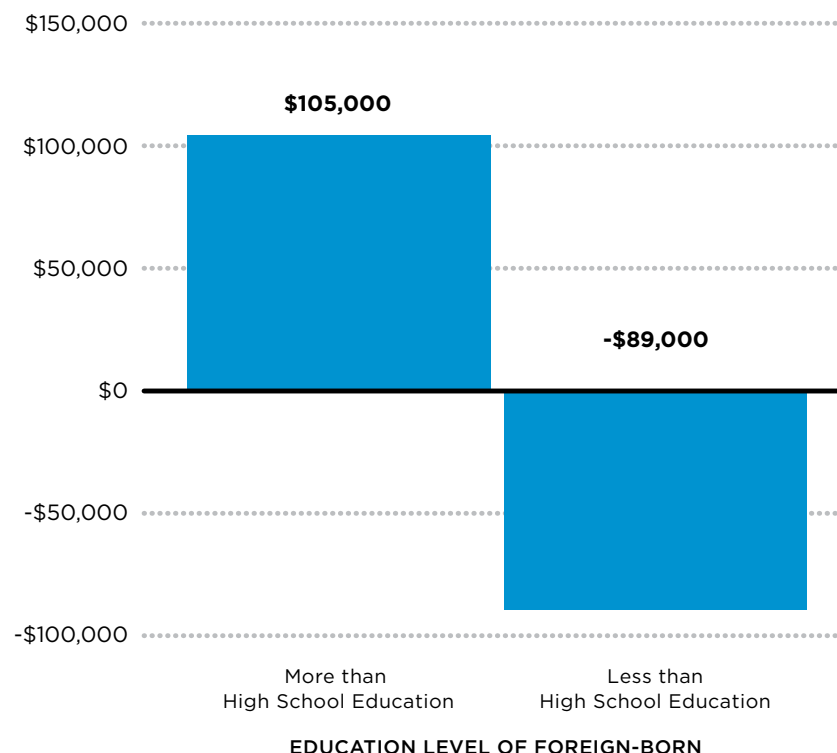
Pia Orrenius and Madeline Zavodny find that when the fiscal impacts of both high- and low-skilled immigrants are considered, immigrants have virtually no impact on fiscal costs.¹³¹ Furthermore, altering immigration policies to encourage more high-skilled immigration would also help to improve government budgets.

¹³⁰ James P. Smith and Barry Edmonston, eds., *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration* (Washington, DC: National Academy Press, 1997).

¹³¹ Pia M. Orrenius and Madeline Zavodny, *Beside the Golden Door: U.S. Immigration Reform in a New Era of Globalization* (Washington, DC: AEI Press, 2010), pg. 54.



Average Fiscal Impact of Foreign-Born, by Education Level



Source: Smith and Edmonston, 1997.

Note: Fiscal Impact is measured in present-value terms.

How do immigrants affect government finances?



The total debt of the U.S. federal government is approximately \$18 trillion, so Americans are rightly concerned about government debt. Many people fear allowing more immigrants into the country will exacerbate the country's fiscal troubles. When surveyed in 2007, 55% of Americans believed that immigrants were leading to higher taxes.¹³²

This begs the question: What effect do immigrants have overall on government budgets?

Estimating the fiscal impact of immigrants with any hope of accuracy is difficult for at least five reasons. First, the U.S. has a federal structure, which means that fiscal policies vary among and within the federal, state, and local levels of government. Second, governments offer many different types of services. Some services, like public education, become more costly when additional immigrants are added to the system. Meanwhile, spending on other services — like national defense — is less impacted by increases in population.

Third, immigrants have an undeniable positive impact on the economy. Pinpointing immigrants' economic contributions and the impact of such contributions on government budgets is difficult but important. After all, economic growth eases fiscal burdens. Fourth, fiscal impact studies generate a *present-value* estimate, meaning they project whether today's immigrants are a net cost or a net benefit depending on assumptions about future tax payments and future government spending. Needless to say, government policies change all the time, making it unrealistic to assume that current policies will be in place in the future.

Finally, immigrants are all different. Some speak English well, others struggle. Some have high levels of education, others never complete high school. Some are in the prime of their careers, others are children or retirees. Accounting for all these differences greatly influences one's assessment of immigrants' fiscal impact.

Nonetheless, many scholars have attempted to quantify the impact immigrants have on government budgets. Surveying decades' worth of studies and considering them as a whole, immigration scholar Alex

Nowrasteh reports: "...the fiscal impacts of immigration are mostly positive, but they are all relatively small."¹³³

A nuanced look at the various studies suggests an immigrant's fiscal impact depends largely on education level. Like natives, immigrants with high levels of education usually pay more in taxes than they receive in government benefits, while lesser-educated immigrants tend to have a negative fiscal impact.

Geography also plays a role. States and towns that have a high concentration of low-skill immigrants and provide generous government benefits are most likely to be the places where immigrants impose fiscal burdens.

What about unauthorized immigrants? When surveyed in 2010, 62% of Americans said unauthorized immigrants "cost taxpayers too much." But unauthorized immigrants generally are only eligible for Emergency Medicaid, and not the host of other welfare programs available to citizens and legal permanent residents. This means many unauthorized immigrants pay taxes, but in many cases do not receive much in the way of benefits. To be sure, assessing the fiscal impact of unauthorized immigrants is very difficult because of the lack of data about this group of immigrants. However, the fiscal costs associated with unauthorized immigration are likely smaller than most people imagine.

Clearly, the existence of government welfare programs complicates analyses of the effects immigrants have on the well-being of their host countries. But one recent academic article builds the presence of redistributive government programs into a quantitative model estimating the overall impact of immigration on natives in various countries. Analyzing 20 countries around the world, that study finds immigration benefits the native-born, on net, even after controlling for the reality of redistributive government programs.¹³⁴

Overall, there is not a compelling conclusion to be made in support of or opposition to immigration on the basis of fiscal costs alone. Immigrants' fiscal impact is simply not that dramatic, positive or negative. Meanwhile, immigrants' economic contributions are considerable. Americans should keep this dynamic in mind.

132 "Immigration," Gallup, <http://www.gallup.com/poll/1660/immigration.aspx>.

133 Alex Nowrasteh, *The Fiscal Impact of Immigration*, working paper no. 21 (Washington: Cato Institute, 2014), <http://object.cato.org/sites/cato.org/files/pubs/pdf/working-paper-21-fix.pdf>.

134 Michele Battisti et al., *Immigration, Search, and Redistribution: A Quantitative Assessment of Native Welfare*, working paper no. 20131 (Cambridge: National Bureau of Economic Research, 2014).

Many immigrants lack health insurance ...

Significant Fact:

In 2013, immigrants were more than twice as likely as natives to lack health insurance coverage.

A national concern generating much attention in recent years has been the proportion of Americans who lack health insurance. In 2013, the U.S. Census Bureau estimates that 11.2% of native-born Americans, some 30.6 million people, did not have health insurance. That same year, 27.7% of immigrants lacked health insurance, meaning that immigrants were more than twice as likely to lack health insurance compared to natives.¹³⁵

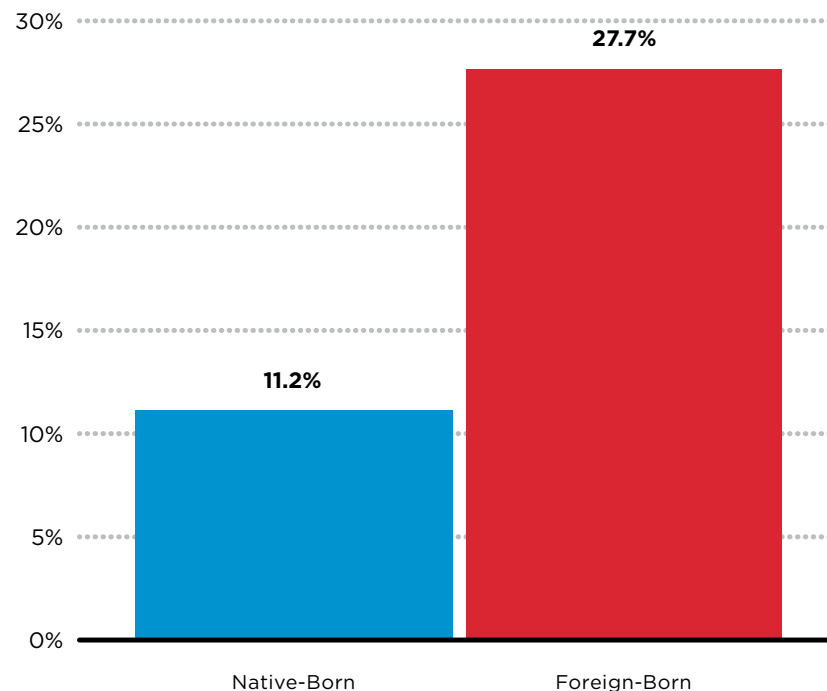
Breaking out the health insurance data based on immigrants' citizenship status shows that approximately 38.8% of non-citizen immigrants lacked health insurance in 2013, compared to 15.9% of naturalized-citizen immigrants. While both groups of immigrants were uninsured at a higher rate than native-born Americans, these data suggest the problem is worse for non-citizen immigrants.¹³⁶

¹³⁵ U.S. Census Bureau, Current Population Survey, 2014 Annual Social and Economic Supplement

¹³⁶ U.S. Census Bureau, Current Population Survey, 2014 Annual Social and Economic Supplement.



Percentage of People Without Health Insurance, 2013
Foreign-Born vs. Native-born



Source: U.S. Census Bureau, Current Population Survey, 2014 Annual Social and Economic Supplement.

... But immigrants eventually gain health insurance.

Significant Fact:

More than 90% of immigrants who have been in the U.S. for at least 40 years have health insurance coverage.

Among all immigrants, 27.7% lack health insurance, but the data for immigrants who have lived in the U.S. for less than 10 years are even more troubling. Among that group, 38.4% do not carry any form of health insurance. However, immigrants who have lived in the U.S. longer are more likely to be insured.

Among immigrants who have lived in the U.S. between 20 to 29 years, 31.2% lack health insurance, and this percentage continues to drop in a stepwise fashion as immigrants live in the country longer. Among those in the country 40 or more years, only 8.6% lack health insurance coverage.¹³⁷

Medicare and Medicaid — the government-operated health insurance programs for the elderly and low-income, respectively — are certainly one reason immigrants who have been in the country a long time are more likely to have health insurance. However, these programs are not the only reasons. While approximately 62.9% of immigrants who had lived in the U.S. for 40+ years in 2012 were covered by government health insurance, 54.6% of that same group carried health insurance from a private provider.^{138, 139}

Furthermore, although immigrants are more likely than natives to lack health insurance, studies show immigrants consume fewer medical services, are less likely to visit the emergency room, and are more likely to pay their medical costs out of pocket. And

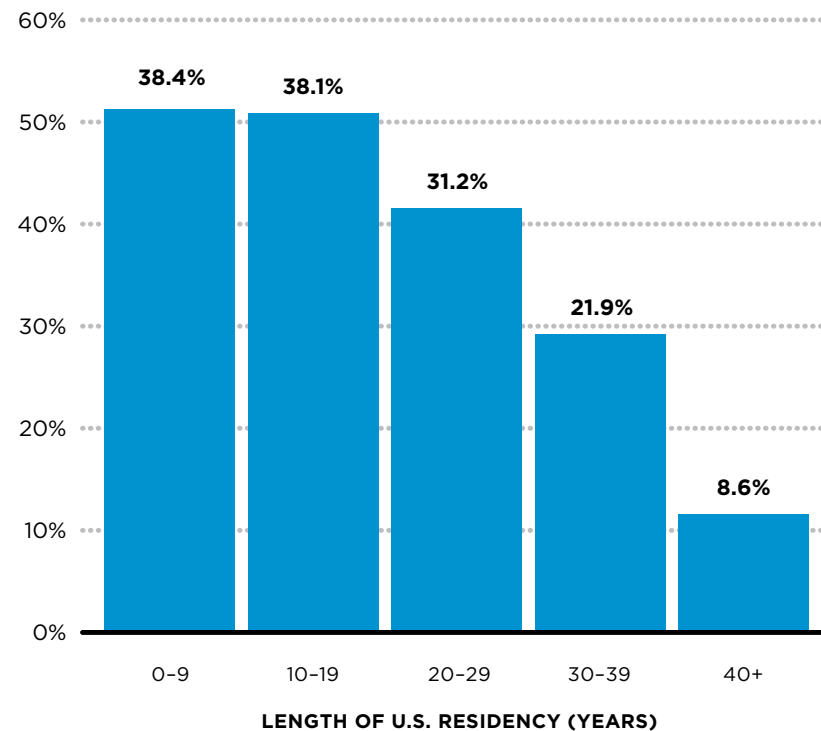
¹³⁷ U.S. Census Bureau, Current Population Survey, 2013 Annual Social and Economic Supplement, Table H109. *Health Insurance Coverage Status by Nativity, Citizenship, and Duration of Residence for All People: 2012*.

¹³⁸ Ibid.

¹³⁹ Readers should note that it is possible for an individual to be covered by both government and private health insurance plans simultaneously.

when it comes to Medicare, immigrants on average contribute more than they take in benefits, and average expenditures on immigrants are lower than they are for natives.¹⁴⁰

Percentage of the Foreign-Born Without Health Insurance, by Length of U.S. Residency, 2012



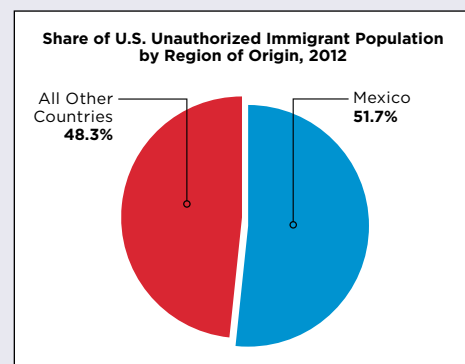
Source: U.S. Census Bureau, Current Population Survey, 2013 Annual Social and Economic Supplement.

¹⁴⁰ Alex Nowrasteh, *The Fiscal Impact of Immigration*, working paper no. 21 (Washington: Cato Institute, 2014), <http://object.cato.org/sites/cato.org/files/pubs/pdf/working-paper-21-fix.pdf>.

A Special Focus on Immigration from Latin American

Immigrants from Latin American countries have a vastly different and oftentimes more difficult experience in the U.S. compared to immigrants from other regions of the world. In general, Latin American-born immigrants are more likely to be unauthorized and on average have significantly lower median earnings. Latin American-born immigrants have lower average levels of education and less fluency in English compared to the average for all U.S. immigrants.

Approximately 52% of all unauthorized immigrants living in the U.S. in 2012 came from Mexico.¹⁴¹ This situation is not ideal for the U.S. or Mexico; it is especially not good for the unauthorized Mexican-born



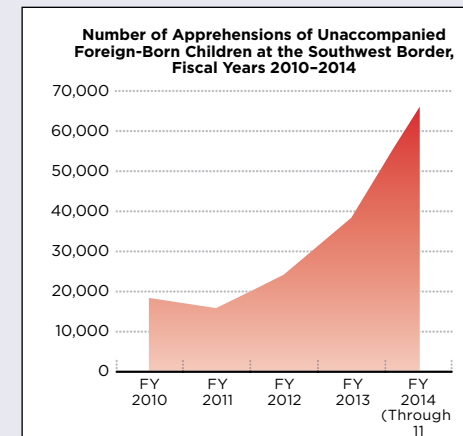
Source: Passel et al., 2013.

immigrants themselves. Being unauthorized greatly limits their employment prospects and chance for upward economic mobility.

During the last two years, Americans have witnessed another alarming and troubling phenomenon: Thousands of immigrant children have come across the Southwest border and entered the U.S. illegally. The U.S. Border Patrol reports that

more than 68,500 unaccompanied immigrant minors were apprehended along the Southwest border in fiscal year 2014. This is substantially more than the 38,759 apprehended in FY 2013. And the 2013 number itself is substantially more than the 24,403 apprehended in FY 2012 and the 15,949 in FY 2011.¹⁴²

These children have come almost exclusively from Latin America, with the top sending countries being, in order: Honduras, Guatemala, El Salvador, and Mexico.¹⁴³ These countries are marred by violence and lack serious economic opportunities for their young people. Furthermore, many of these children have parents or other family members in the U.S. — many of those themselves unauthorized immigrants — with whom they seek to become reunited.



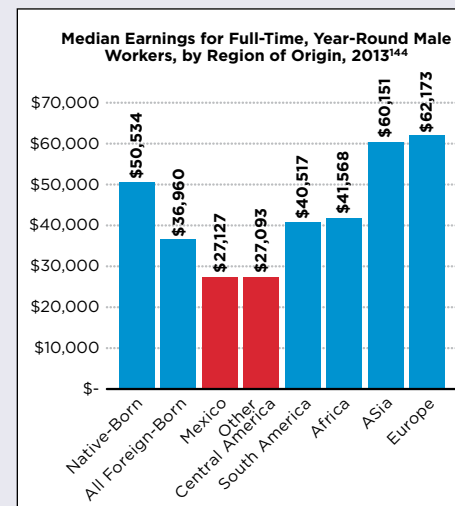
Source: U.S. Department of Homeland Security, U.S. Customs and Border Protection, U.S. Border Patrol Total Monthly UAC Apprehensions by Month, by Sector (FY 2010-FY 2014).

Latin American-born immigrants have substantially lower earnings compared to other immigrant groups. In 2013, full-time, year-round Latin American male workers in the U.S. brought home less than \$30,000. Meanwhile, Asian and European-born immigrants working in the U.S.

earned more than twice this amount.¹⁴⁵

The low education level of the Latin American-born in the U.S. largely explains their low earnings. While one in two immigrants from Asia has a college degree, fewer than one in 10 immigrants from Latin-America do.¹⁴⁶

Yet, lower educational achievement does not fully explain the earnings gap. Immigrants from Latin America with bachelor's degrees had median earnings of around \$37,000 in 2011, far below the \$52,000 median



Source: U.S. Census Bureau, 2013 American Community Survey.

¹⁴¹ Jeffrey S. Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, *Population Decline of Unauthorized Immigrants Stalls, May Have Reversed*, report (Washington, DC: Pew Research Center, 2013), <http://www.pewhispanic.org/files/2013/09/Unauthorized-Sept-2013-FINAL.pdf>.

¹⁴² U.S. Department of Homeland Security, U.S. Customs and Border Protection, *U.S. Border Patrol Total Monthly UAC Apprehensions by Month, by Sector (FY 2010-FY 2014)*, <http://www.cbp.gov/sites/default/files/documents/BP%20Total%20Monthly%20UACs%20by%20Sector%2C%20FY10-FY14.pdf>.

¹⁴³ U.S. Department of Homeland Security, U.S. Customs and Border Protection, *Southwest Border Unaccompanied Alien Children*, <http://www.cbp.gov/newsroom/stats/southwest-border-unaccompanied-children>.

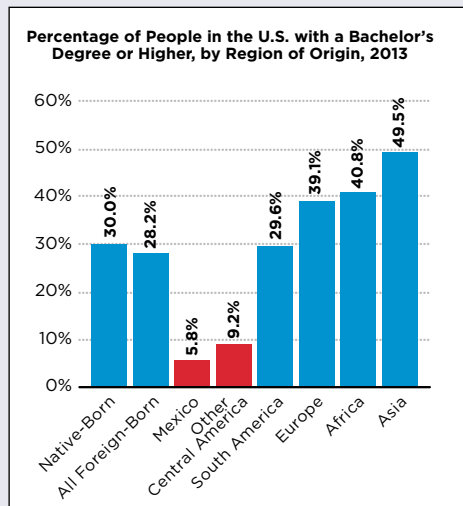
¹⁴⁴ "Other Central America" includes the countries of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

¹⁴⁵ U.S. Census Bureau, 2013 American Community Survey.

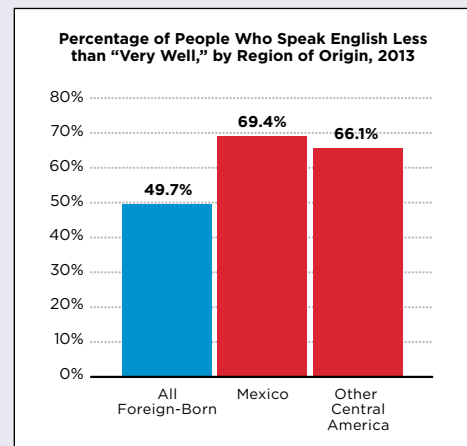
¹⁴⁶ Ibid.

earning level for that same cohort of all immigrants and especially below the median earnings of Asian- and European-born immigrants.¹⁴⁷

Poor English proficiency also stymies economic opportunities of immigrants from Latin America. English language skills are necessary for most high-paying jobs. One consequence is the foreign-born from Latin America tend to fill lesser-skilled and lower-paying jobs — even more so than immigrants as a whole. For example, while nearly half of Asian- and European-born immigrants worked in “management, professional, and related occupations” in 2012, the same was true of only 15% of immigrants from Latin America and 8.5% from Mexico. Latin American workers, in turn, were much more likely to work in sectors like agriculture, construction, transportation,



Source: U.S. Census Bureau, 2013 American Community Survey



Source: U.S. Census Bureau, 2013 American Community Survey

material moving, and services.¹⁴⁸ In fact, for the period 2007–09, Mexican-born immigrants accounted for 68 percent of hired farmworkers in the U.S.,¹⁴⁹ and as recently as 2001–02 an astounding 73 percent of U.S. farmworkers were born in Mexico.¹⁵⁰ The U.S. economy relies on these lesser-skilled workers too, but the path to greater earnings is through more professional-oriented jobs.

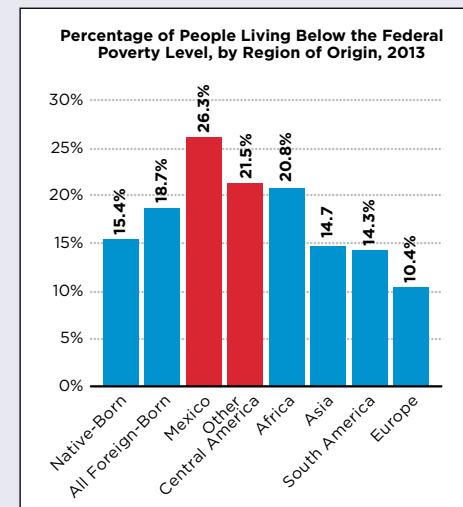
The result of lower earnings and less-remunerative job

opportunities? More poverty. A substantially higher share of Mexican-born immigrants and immigrants from what the U.S. Census Bureau terms “other Central American” countries¹⁵¹ were below the federal poverty threshold in 2013 compared to immigrants as a whole and the overall U.S. population.

Segmenting the data reveals important differences in the experiences of the various immigrant groups in the U.S. For instance, Asian- and European-born immigrants outperform immigrants as a whole on many indicators. And when it comes to earnings, educational attainment and the incidence of poverty, these two immigrant groups have more favorable outcomes compared to the average for America’s native-born population.

Meanwhile, other immigrant groups, especially the Latin American- and Mexican-born, face special challenges. More than half of the unauthorized population in the U.S. was born in Mexico. The Mexican-born score far below other immigrant groups when it comes to educational attainment, earnings, English proficiency, and poverty. Immigrants from other Central American countries do better than those from Mexico, but still lag far behind the average for immigrants as a whole.

To be sure, these data do not describe the experience of every Latin American-born immigrant in the U.S. Some of the greatest success stories in America are the stories of Latin American immigrants. However, the degree to which the data diverge is striking.



Source: U.S. Census Bureau, 2013 American Community Survey

147 U.S. Census Bureau, Current Population Survey, 2012 Annual Social and Economic Supplement.

148 Ibid.

149 *Farmworker Health Factsheet*, report (National Center for Farmworker Health, 2012), <http://www.ncfh.org/docs/fs-Facts%20about%20Farmworkers.pdf>.

150 U.S. Department of Labor, Office of the Assistant Secretary for Policy, *A Demographic and Employment Profile of United States Farm Workers*, by Daniel Carroll, Ruth M. Samardick, Scott Bernard, Susan Gabbard, and Trish Hernandez (Washington, DC: U.S. Department of Labor, 2005), accessed March 3, 2014, http://www.doleta.gov/agworker/report9/naws_rpt9.pdf.

151 “Other Central America” includes the countries of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

Chapter 4: **Achieving the American Dream**



Immigrants believe in the American Dream.

Significant Fact: When polled, some 78% of Hispanic immigrants and 68% of Asian immigrants to the U.S. say they believe that, in America, most people will get ahead in life “if they’re willing to work hard.”

The American Dream tells us that anyone, of any background, can achieve success in America. America is a land of freedom, and individuals there fore control their own destiny. Merit determines one’s lot in life, not preconceived social constructions.

In America, one does not have to be born wealthy to live a prosperous life. Rather, anyone who is willing to work hard can achieve success.

Immigrants believe in the American Dream. Indeed, this conviction that, in America, anyone can build a better life has drawn millions of immigrants to America’s shores throughout history. This remains true today. When polled, some 78% of Hispanic immigrants and 68% of Asian immigrants to the U.S. say they believe that, in America, most people will get ahead in life “if they’re willing to work hard.”

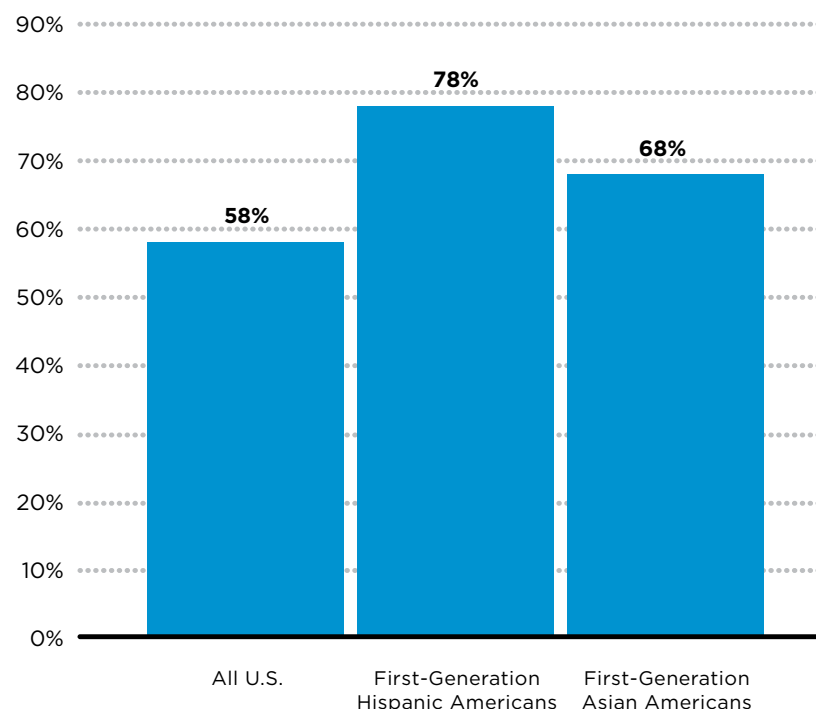
This is a sentiment that does not fade. In fact, among the children of immigrants, the sentiment is even stronger: 78% and 72% of second-generation Hispanics and Asian Americans, respectively, agree that through hard work, people will get ahead in America. Furthermore, second-generation immigrants are more likely to feel their own standard of living exceeds that of their parents when their parents were at a similar stage in life.¹⁵²

It is telling that the children of immigrants have an even stronger belief in the American Dream than their parents. After all, these children grow up witnessing firsthand the experiences of their immigrant parents. That they still believe hard work brings success in America suggests that this is the actual experience for many immigrants in America.

¹⁵² *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.



Percentage Who Believe People Can Get Ahead in the U.S. Through Hard Work



Source: Pew Research Center, 2013.

Note: “First generation” refers to the foreign-born in the U.S. “Second generation” refers to people who were born in the United States to at least one foreign-born parent.

Immigrants benefit mightily by coming to the U.S.



Significant Fact: Immigrants themselves are without a doubt the greatest beneficiaries of immigration to the U.S. And although immigrants move to the U.S. for numerous reasons, economic reasons are especially compelling. After all, many immigrants experience large wage increases by working in the U.S.

Immigrants themselves are without a doubt the greatest beneficiaries of immigration to the U.S. And although immigrants move to the U.S. for numerous reasons, economic reasons are especially compelling.

To understand why, one must just look to relative wages between those working in the U.S. and those working in other countries.

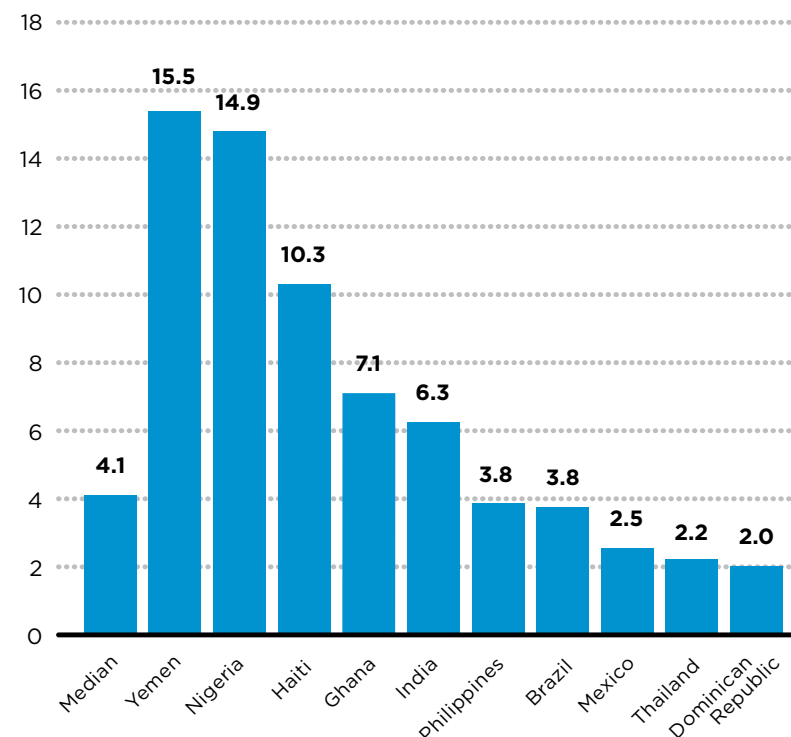
Take Yemen, for example. A 35-year-old male working in an urban area in Yemen with between nine and twelve years of education would expect to earn approximately \$126 per month. Yet, that same worker would earn \$1,940 per month in the U.S., an amount more than 15 times greater. Over the course of a year, the worker can take home around \$21,700 more just by working in the U.S.

Yemen is the most extreme example. But of a sample of 42 developing countries examined, workers from a country at the median of the sample could expect to quadruple their wages by working in the U.S. Of all countries in the sample, workers in the Dominican Republic have the smallest wage ratio¹⁵³ compared to wages possible in the U.S. But even Dominican workers could expect to double their wages, and enjoy nearly \$9,000 of extra income each year, by working in the U.S. instead of the Dominican Republic.¹⁵⁴

¹⁵³ The ratios reported here are the predicted ratio between the average wage of a U.S.-resident, 35-year-old employed male urban worker born in each country with between nine and twelve years of education acquired in each country, and the average wage of an observably identical worker residing in each origin country.

¹⁵⁴ Michael A. Clemens, Claudio E. Montenegro, and Lant Pritchett, *The Place Premium: Wage Differences for Identical Workers Across the U.S. Border*, working paper no. RWP09-004 (John F. Kennedy School of Government, Harvard University, 2009).

Estimated Ratio of Wages Earned in the U.S. Compared to Wages Earned by an Identical Worker in Country of Birth, Selected Countries



Source: Clemens et al., 2009.

Note: The ratios reported in this graph represent the predicted ratio between the average wage of a U.S.-resident, 35-year-old urban male worker born in each country with between nine and twelve years of education acquired in each country, to the average wage of an observably identical worker residing in each origin country.

The children of immigrants learn English ...

Significant Fact: One of the most important determinants of immigrants' success in the U.S. is their ability to speak English. English fluency allows immigrants to assimilate more quickly into American culture. It also allows immigrants to fill jobs that require greater levels of communication. Such jobs often are higher paying.

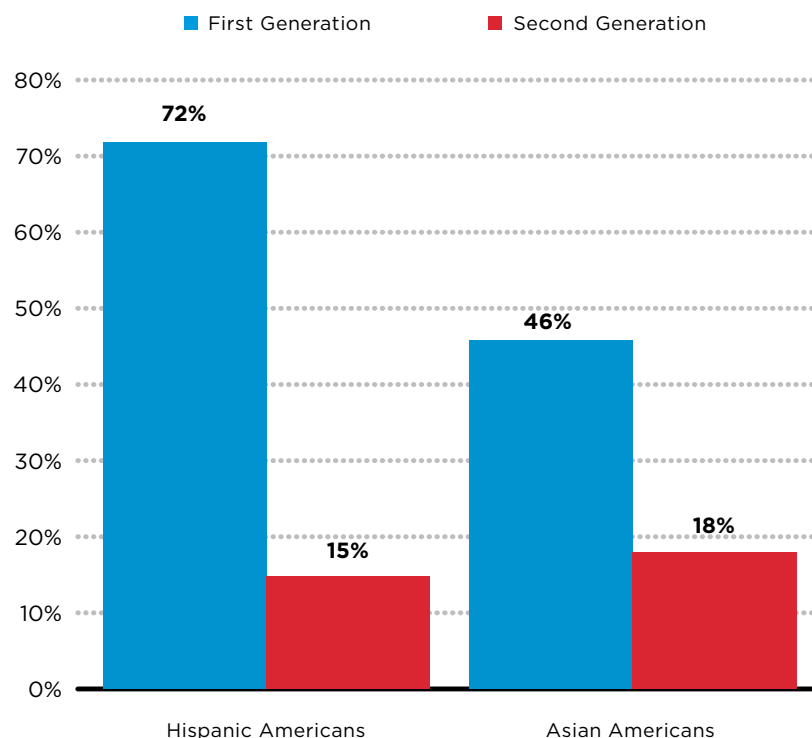
Unfortunately, as shown previously, proficiency in the English language is a tremendous challenge for immigrants in the U.S. today. Almost 85% speak a language other than English in their homes, and almost half say they speak English less than "very well." For Hispanic immigrants, the figures are even worse. Learning another language is difficult, especially for adults.

Yet, by and large, English proficiency is not a problem for second-generation Americans. Even if their parents struggle learning English, immigrants' children grow up interacting with native speakers and operating in a predominately English-language society. They have little trouble learning English. Data show that only 15% and 18% of second-generation Hispanic and Asian Americans, respectively, say they do not have very good command of the English language. These percentages are still higher than for the U.S. population at large, but the magnitude of the improvement in English proficiency over a single generation is remarkable.

Whether the children of immigrants retain fluency in their parents' native language appears to vary among immigrant groups. A large percentage of second-generation Hispanics, around 80%, report speaking Spanish. Meanwhile, only around 40% of second-generation Asian Americans speak the native language of their parents. One reason for the divergence is almost

certainly that Spanish is the second most commonly spoken language in the U.S., making it more advantageous to retain that language compared to Asian languages.¹⁵⁵

Percentage of Hispanics and Asian Americans Who Speak English Less than "Very Well," by Generation, 2011-2012



Source: Pew Research Center, 2013.

Note: "First Generation" refers to the foreign-born population in the U.S. "Second Generation" refers to people who were born in the United States to at least one foreign-born parent.

¹⁵⁵ *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.

... And they boost America's educational attainment.



Significant Fact: The level of education attained by immigrants in America is disproportionately represented at both the low and high ends. Many immigrants do not have a high school degree, while at the same time, many immigrants have college and even advanced degrees.

Meanwhile, the children of immigrants make dramatic strides in achieving higher levels of education. Second-generation Americans are much more likely to have earned at least a high school degree compared to their parents. In 2012, approximately 28.3% of immigrants lacked a high school degree, compared to only 10.1% of second-generation Americans. And it is a similar story on the high end of the educational distribution. Approximately 36.0% of second-generation Americans had earned a bachelor's degree or higher in 2012, compared to 29.1% of immigrants. Data also show that second-generation Americans outperform the U.S. population as a whole when it comes to educational attainment.¹⁵⁶

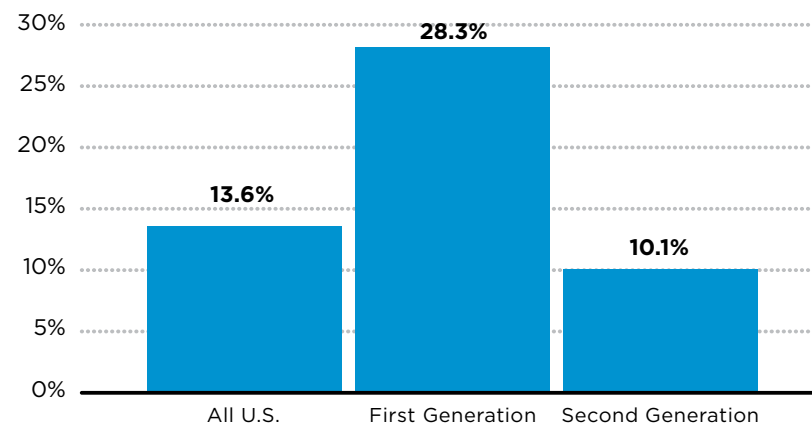
Variations within the second generation of course do exist. For example, in 2012, 55% of second-generation Asian Americans possessed at least a bachelor's degree, while the same was true for only 21% of second-generation Hispanics.¹⁵⁷ So while the children of Asian immigrants greatly outperform the U.S. population as a whole, the children of Hispanic immigrants tend to attain less education than the population at large.

What's important to note is that within individual immigrant groups, educational attainment improves significantly between the first and second generation. This indicates progress and benefits the broader economy as a whole.

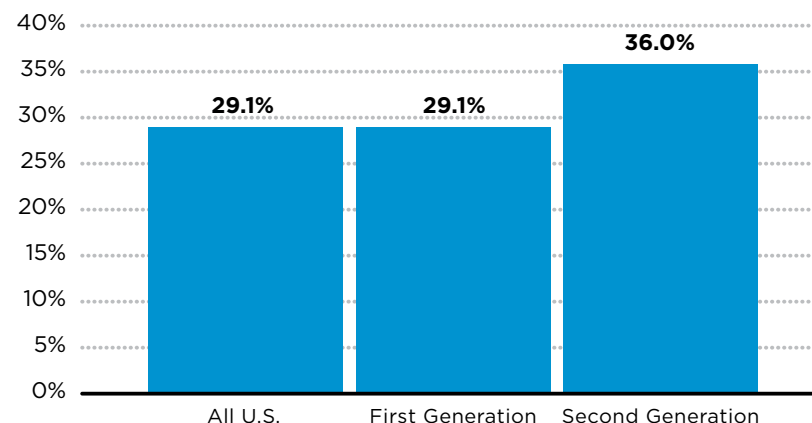
¹⁵⁶ U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2012.

¹⁵⁷ *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.

Percentage of All People Age 25 Years and Older Who Have Not Completed High School, by Generation, 2012



Percentage of All People Age 25 and Older with a Bachelor's Degree or Higher, by Generation, 2012



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2012.

Note: "First Generation" refers to the foreign-born population in the U.S. "Second Generation" refers to people who were born in the United States to at least one foreign-born parent.

The children of immigrants secure good jobs ...



Significant Fact: In 2012, approximately two-thirds of second-generation Americans worked in what one might consider white-collar jobs.

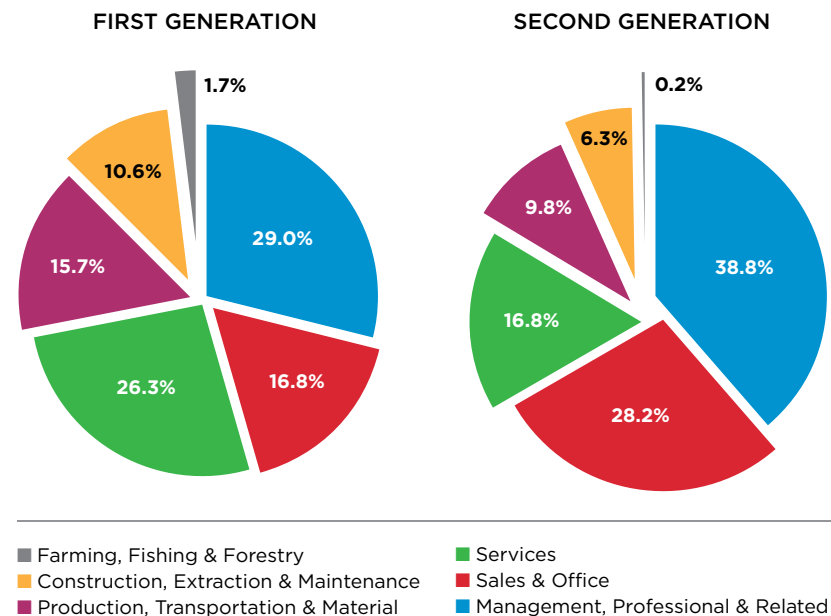
First-generation immigrants, especially those with low education levels, tend to fill jobs that require more physical stamina and fewer communication skills. For example, in 2012, more than one-quarter of all immigrants worked in the service sector of the economy. Another 15.7% worked in production, transportation, and material moving, and 10.6% worked in construction, extraction, and maintenance. Meanwhile, less than half the immigrants filled jobs in the sectors of the economy that are typically higher paying: management and professional jobs and sales and office jobs.

But with higher levels of education, stronger command of the English language, and more immersion in American culture, the children of immigrants are better positioned than their parents to secure higher-paying jobs.

In contrast to first-generation immigrants, in 2012, a full two-thirds of second-generation Americans worked in what one might consider white-collar jobs (“management and professional” and “sales and office”). Similarly, second-generation Americans were roughly one-third less likely than immigrants to work in the service, production, transportation, shipping, construction, extraction, and maintenance sectors of the economy.¹⁵⁸ Second-generation American women, especially, see advancement into white-collar sectors of the economy compared to first-generation immigrants.

¹⁵⁸ U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2012.

Percentage of First- and Second-Generation Americans Working in Each Occupation, 2012



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2012.

Note: “First Generation” refers to the foreign-born population in the U.S. “Second Generation” refers to people who were born in the United States to at least one foreign-born parent. Data refer to Employed Civilian Workers 16 Years of Age and Older.

The children of immigrants enjoy high earnings and are less likely to be in poverty ...



Significant Fact: Education level, proficiency in English, and job type are all major factors in determining a worker's earnings. As we've seen, second-generation Americans typically excel in these areas compared to first-generation immigrants, and their earnings greatly exceed those of the earlier generation.

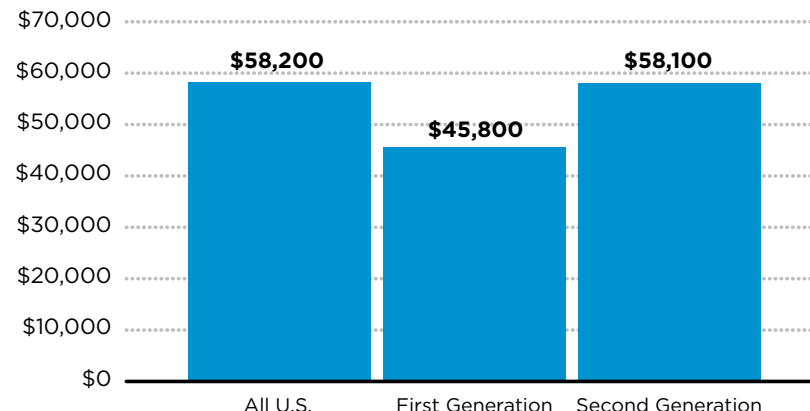
In 2011, median annual household income for second-generation Americans was \$58,100, an amount almost exactly equal to the median household income of all U.S. households and 27% greater than the household incomes of first-generation immigrants.¹⁵⁹

With higher earnings, second-generation Americans are, predictably, less likely to be in poverty. In 2011, 13% of all adults in the U.S. had incomes qualifying them as below the federal poverty level. Poverty was much more prevalent for first-generation Americans, with almost one in five considered "poor." Yet, among second-generation Americans, only 11% were in poverty.¹⁶⁰ To be sure, poverty remains an issue deserving great public attention, even for second-generation Americans, but the progress these data exhibit is encouraging.

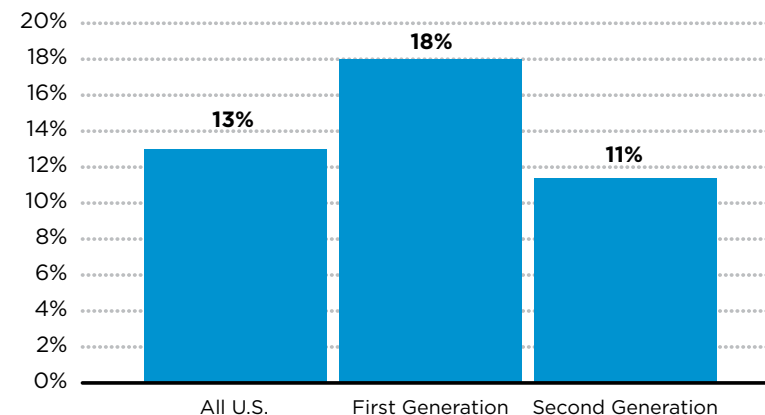
¹⁵⁹ *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.

¹⁶⁰ Ibid.

Median Annual Household Income, by Immigrant Generation, 2011



Percentage of Immigrant Adults Living Below the Federal Poverty Level, 2011



Source: Pew Research Center, 2013, page 7.

Note: "First Generation" refers to the foreign-born population in the U.S. "Second Generation" refers to people who were born in the United States to at least one foreign-born parent. Data refer to People Over the Age of 18.

The children of immigrants are often homeowners.

Significant Fact:
In 2012, 64% of second-generation American households and 65% of all adult households in the U.S. owned their own home.

Homeownership is significant in American culture, a key marker of realizing the American Dream. After all, when people own their home, they own a small piece of the United States itself. For immigrants and their children, purchasing a home gives permanency to their lives in the U.S.

Approximately half of first-generation immigrant households own the home in which they live, a considerably smaller percentage than the U.S. population as a whole. No doubt accumulating the financial resources to qualify for a mortgage takes time. But it also takes time to decide to put down more permanent roots in one's new homeland.

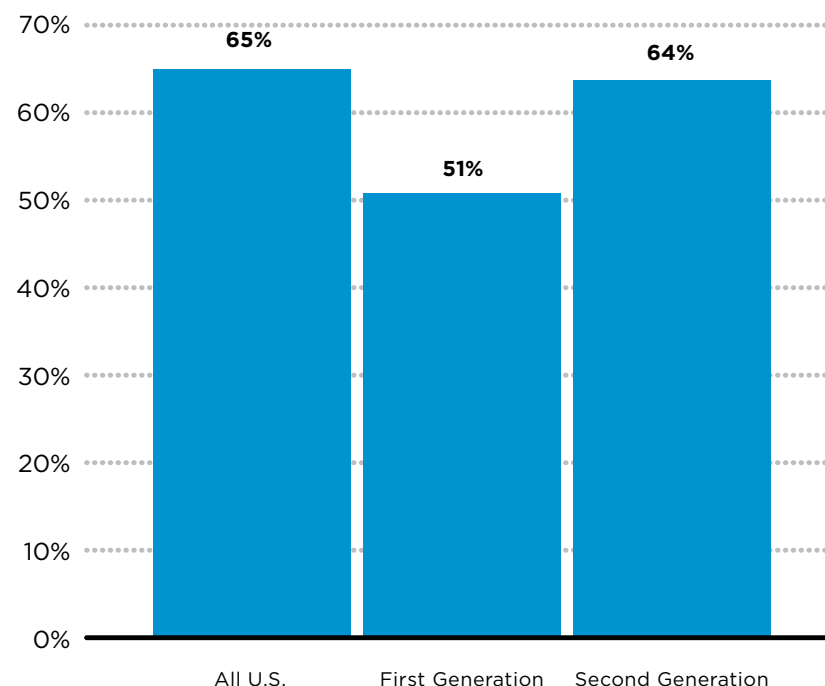
But as immigrants remain in the U.S. longer, they become more likely to take that step and become homeowners. The homeownership rate for second-generation American households very closely tracks the rate for all adult households in the U.S. In 2012, 64% of second-generation American households and 65% of all adult households in the U.S. owned their own home.¹⁶¹

Pessimists point to the housing bubble that was largely responsible for the 2008–09 U.S. recession as evidence that homeownership is perhaps not the utopia so often idealized in American culture. Even so, homeownership remains a goal of millions of Americans, and the data show that the children of immigrants make large strides toward reaching this milestone.

¹⁶¹ *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.



Homeownership Rate by Immigrant Generation, Households, 2012



Source: Pew Research Center, 2013, page 7.

Note: "First Generation" refers to the foreign-born population in the U.S. "Second Generation" refers to people who were born in the United States to at least one foreign-born parent. Data refer to People Over the Age of 18.

A majority of immigrants' children consider themselves 'typical Americans.'

Significant Fact:

More than 60% of both second-generation

Hispanic and Asian Americans consider themselves "typical Americans."

America takes pride in its long history of welcoming immigrants and successfully integrating them into the wider culture.

This is a process that takes time. When surveyed in 2011 and 2012, only about one-third of first-generation Hispanic and Asian American immigrants said they considered themselves "typical Americans." Of course, new immigrants are not typical Americans. They come to America speaking their native languages, uncertain of the norms of American society and understandably more comfortable with the customs and traditions of their home countries.

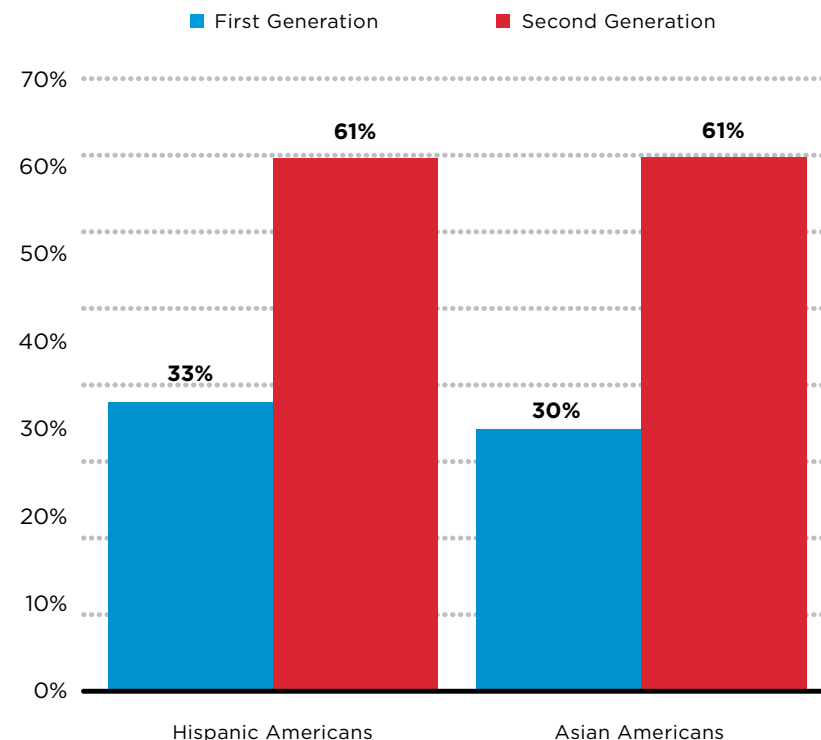
But over time, their children learn English, achieve high levels of educational attainment, secure better and higher paying jobs, and purchase their own homes. So first- and second-generation immigrants become more and more comfortable in their adopted homeland. The data bear this out: 61% of both second-generation Hispanics and Asian Americans consider themselves "typical Americans." Second-generation Americans are also much more likely than their preceding generation to report they get along well with all America's major ethnic and racial groups and have friends among them.¹⁶²

The beauty of America is that immigrants are not forced to abandon their ancestral heritage. Rather, they are encouraged to bring the best traditions of their peoples to America to contribute in new ways. Writing about 19th-century immigrants to the U.S., the Pulitzer Prize-winning historian Oscar Handlin remarked that immigrants "could not impose their own ways upon society," but neither "were they constrained

¹⁶² *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, report (Washington, DC: Pew Research Center, 2013), http://www.pewsocialtrends.org/files/2013/02/FINAL_immigrant_generations_report_2-7-13.pdf.

to conform to those already established." America's fluid social system and strong institutions — which treated newcomers equal to natives — provided immigrants "a wide realm of choice" and helped them play "a prominent role in the development of the United States."¹⁶³

Percentage Who Consider Themselves A 'Typical American,' First-Generation Immigrants vs. Second-Generation Americans, 2011-2012



Source: Pew Research Center, 2013, page 10.

Note: "First Generation" refers to the foreign-born population in the U.S. "Second Generation" refers to people who were born in the United States to at least one foreign-born parent.

¹⁶³ Oscar Handlin, *The Uprooted: The Epic Story of the Great Migrations That Made the American People*, 2nd ed. (Boston: Little, Brown, 1990), 4-5.

Chapter 5: Public Policy Considerations

Public Policy Considerations

Existing U.S. immigration law fails to maximize the potential benefits that immigrants could bring to America and its economy.

Overall, U.S. immigration policy gives the largest preference to immigrants coming to the U.S. for family reunification purposes. Work-based immigration gets much less priority, negatively impacting both high-skilled and lesser-skilled immigrants.

On the high-skilled side, immigrants often have difficulty obtaining a visa or green card to work in the U.S. Even when they are successful, such immigrants struggle to remain in the U.S. long-term due to time limits of visa programs and difficulty securing a green card that grants legal permanent status.

Meanwhile, sufficient temporary guest-worker programs do not exist to allow lesser-skilled immigrants to fill open jobs in the U.S. The demand for these workers, without a program to legally admit them to the U.S., has contributed to widespread unauthorized immigration.

This chapter illustrates these and other elements of existing U.S. immigration policy that need reform in order to unleash the economic potential that immigrants represent.

U.S. immigration policy does not favor workers.

Significant Fact:

The U.S. immigration system gives overwhelming preference to those applying for green cards for family reasons.

Immigration to the U.S. is regulated by the national government. To legally enter the U.S., an immigrant must first obtain a green card or a visa.

Green card status is especially sought-after. In addition to allowing immigrants to permanently live and work in the U.S., green cards put immigrants on a pathway to obtain U.S. citizenship. Federal law determines the number of green cards available in any given year and allocates them based on three main preferences categories: family reunification, humanitarian, and employment-based.

The U.S. immigration system gives overwhelming preference to those applying for green cards for family reasons. In 2010, 73% of U.S. green cards were granted to those applying for family reasons, and another 15% went to immigrants entering the U.S. for humanitarian reasons. Meanwhile, a mere 7% of green cards went to immigrants primarily coming to work.^{164, 165}

The implications of America's green-card policy are important because work-based immigrants often are high-skilled and provide substantial benefits to the economy. At the same time, immigrants arriving for family reunification reasons are less likely to be high-skilled and offer fewer benefits to the economy.

Economists Pia Orrenius and Madeline Zavodny point out that by prioritizing high-skilled, work-based immigration over low-skilled family reunification immigration, the U.S. could increase the economic benefits associated with immigration while minimizing the adverse labor-market consequences and fiscal costs associated with low-skilled immigration.¹⁶⁶

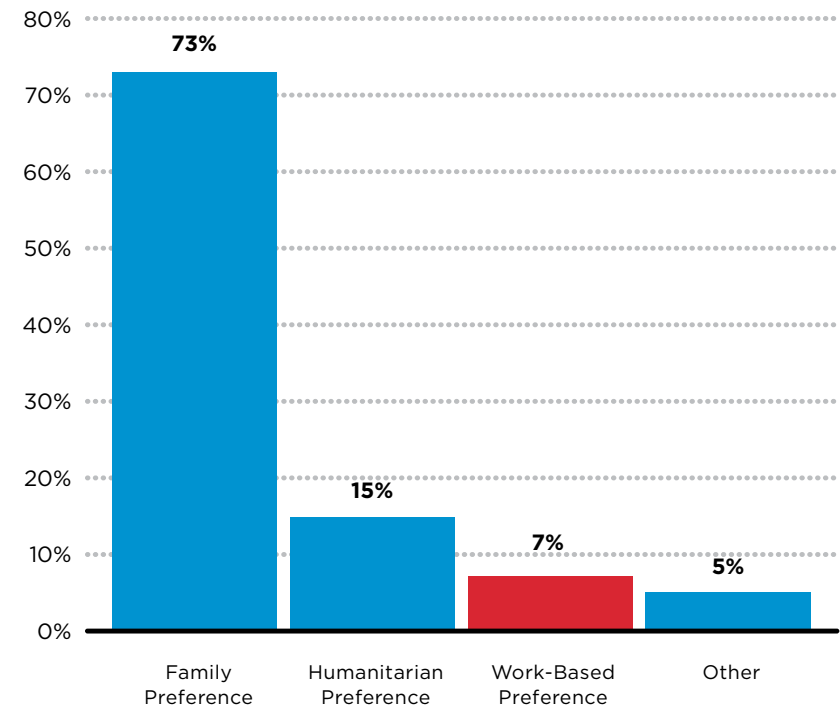
¹⁶⁴ "Trends in International Migration Flows and in the Immigrant Population," in *International Migration Outlook 2012* (OECD Publishing, 2012).

¹⁶⁵ Note: Green cards granted to family members of immigrants entering on the work-based preference are accounted for in the family preference category.

¹⁶⁶ Pia M. Orrenius and Madeline Zavodny, *Beside the Golden Door: U.S. Immigration Reform in a New Era of Globalization* (Washington, DC: AEI Press, 2010).



Distribution of U.S. Green Cards by Preference Category, 2010



Source: OECD (2012), "Trends in International Migration Flows and in the Immigrant Population."

Note: Green cards granted to family members of immigrants entering on the "work-based" preference are counted in the "family" preference category. When these family members are counted in the "work-based" preference, that preference's share of total green cards granted in 2010 is approximately 15%.

Other developed countries prioritize work-based immigration.

Significant Fact: Among OECD countries, the U.S. places the least amount of emphasis on work-based immigration.

While U.S. immigration policies have an anti-worker bias, many other developed countries understand they face global competition for skilled immigrant workers.

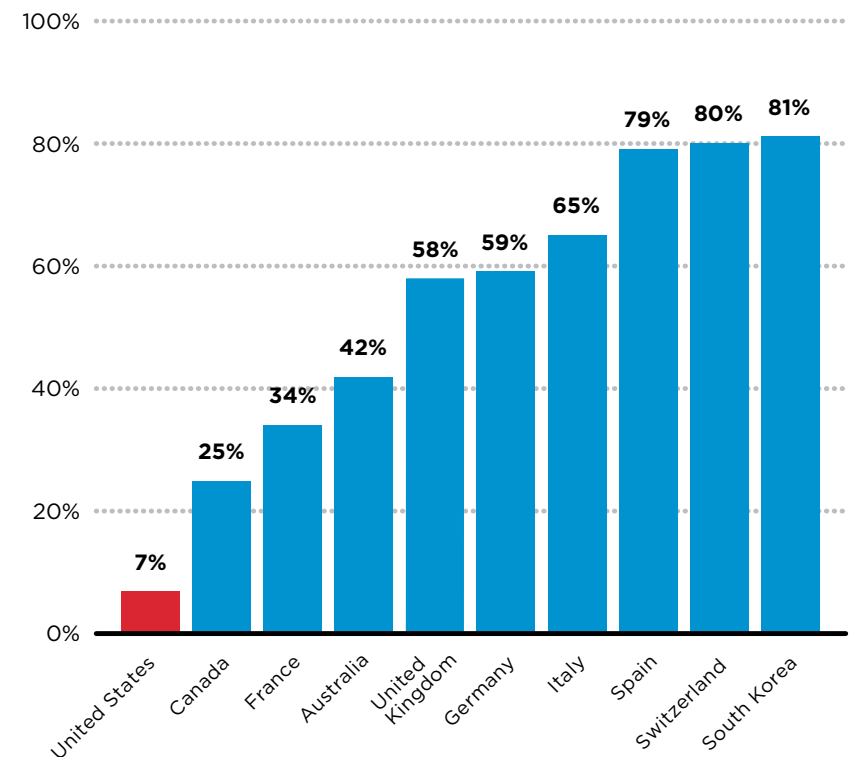
In order to remain attractive to these workers, most other developed countries give strong preference for permanent residence status to immigrants whose primary objective is to work. In South Korea and Switzerland, more than 80% of green cards were allocated to work-based immigrants in 2010. Spain, Italy, and the United Kingdom all allocated more than half of their green cards to work-based immigrants. While countries like Australia, France, and Canada give a smaller proportion of green cards to workers, their emphasis is still much greater than that of the U.S.

While a humane immigration system should allow for family reunification, the U.S. system's bias favoring family reunification negatively impacts economic competitiveness. Immigrants coming to the U.S. on family-based preferences are disproportionately low-skilled, with little educational training. Meanwhile, employment-based immigrants tend to be more highly educated, and are therefore more productive workers. To be competitive in the world economy, U.S. companies need to be able to attract the best talent the world has to offer. By greatly restricting entry of the very immigrants who help drive the economy, the U.S. is unnecessarily holding itself back.

167 "Trends in International Migration Flows and in the Immigrant Population," in *International Migration Outlook 2012* (OECD Publishing, 2012).



Legal Permanent Residence Status Certificates Granted for Work-Based Immigration, by Country, 2010



Source: OECD (2012), "Trends in International Migration Flows and in the Immigrant Population."

Visa programs for immigrant workers are insufficient ...

Significant Fact:

In many years, the statutory cap on H-1B applications is met within days of the opening of the filing period.

The U.S. offers many different visa programs that admit the foreign-born to the U.S. on a temporary basis. These programs are useful because many of them allow the foreign-born to work in the U.S. However, they are insufficient to meet demand. The H-1B visa program highlights this insufficiency.

The H-1B visa program is the primary vehicle by which high-skilled workers can work legally in the U.S. The program applies to employers in occupations that require specialized knowledge and at least a bachelor's degree.

While this program is a good one in theory, in practice it suffers from two crucial limitations: its low annual cap and its six-year limitation.

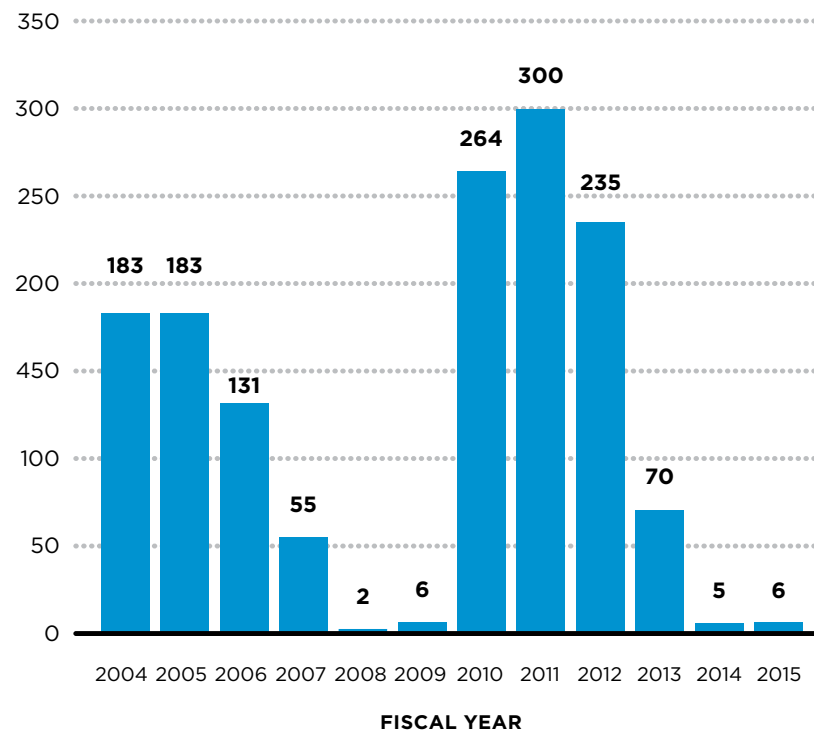
The current annual cap of 65,000 H-1B visas (plus another 20,000 for persons with advanced degrees) is dramatically inadequate. In many years, the statutory cap on H-1B applications is met within days of the opening of the filing period.¹⁶⁸ Any cap on H-1B visas is questionable. Setting the cap as low as 65,000 is particularly misguided. After all, the H-1B visa program had no cap before 1990, and even since 1990, the cap has been higher than the current 65,000 level.¹⁶⁹ If there is to be a cap on H-1B visas, it should be tied more closely to demand for these high-skilled, foreign-born workers.

The temporary nature of the H-1B program is likewise problematic. H-1B workers wanting to work in the U.S. beyond the program's maximum six-year limit must apply for permanent resident status. Yet, the application

process for a green card is difficult and does not guarantee success. Thus, under current policy, U.S. companies recruit and train H-1B workers, but must worry about these workers being forced to leave the country after six years. This is not ideal for employers, H-1B workers, or the economy at large.

Reform should make it easier for skilled workers to come and remain in the U.S.

Days Required to Fill the Annual Cap on H-1B Visas, FY 2004–2015



Source: Aga et al., *Migration and Development Brief*, and U.S. Department of Homeland Security, U.S. Citizenship and Immigration Services, *USCIS Reaches FY 2015 H-1B Cap*.

¹⁶⁸ Gemechu Ayana Aga et al., *Migration and Development Brief*, report (World Bank, 2013), <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MigrationandDevelopmentBrief20.pdf>; and, U.S. Department of Homeland Security, U.S. Citizenship and Immigration Services, *USCIS Reaches FY 2015 H-1B Cap*, April 7, 2014, <http://www.uscis.gov/news/uscis-reaches-fy-2015-h-1b-cap>.

¹⁶⁹ Suzette Brooks Masters and Ted Ruthizer, *The H-1B Straitjacket: Why Congress Should Repeal the Cap on Foreign-Born Highly Skilled Workers*, issue brief no. 7 (Washington, DC: Cato Institute, 2000), <http://object.cato.org/sites/cato.org/files/pubs/pdf/tbp-007.pdf>.

... And the 7% per-country quota makes matters worse.

Significant Fact: U.S. immigration policy dictates that citizens of any single country can receive no more than 7% of total U.S. visas awarded in a given year.

The U.S. federal government places a maximum 7% per-country quota on the total number of family-sponsored and employment-based preference visas available in any given year.¹⁷⁰ This per-country quota was established with the intention of encouraging fairness so that no single country would dominate immigration to the U.S.

However, in reality, the quota is anything but fair. Countries like China and India, with populations over one billion each, have access to the same maximum number of U.S. visas — approximately 25,600 — as citizens from countries like Lithuania, a small country with a total population of around 3.5 million.¹⁷¹

The 7% quota policy makes no economic sense either. When it comes to allocating scarce visas, the efficient thing to do would be to allocate the visas to individuals with the greatest demand, regardless of where they were born. The current system, with its 7% quota, however, makes this impossible.

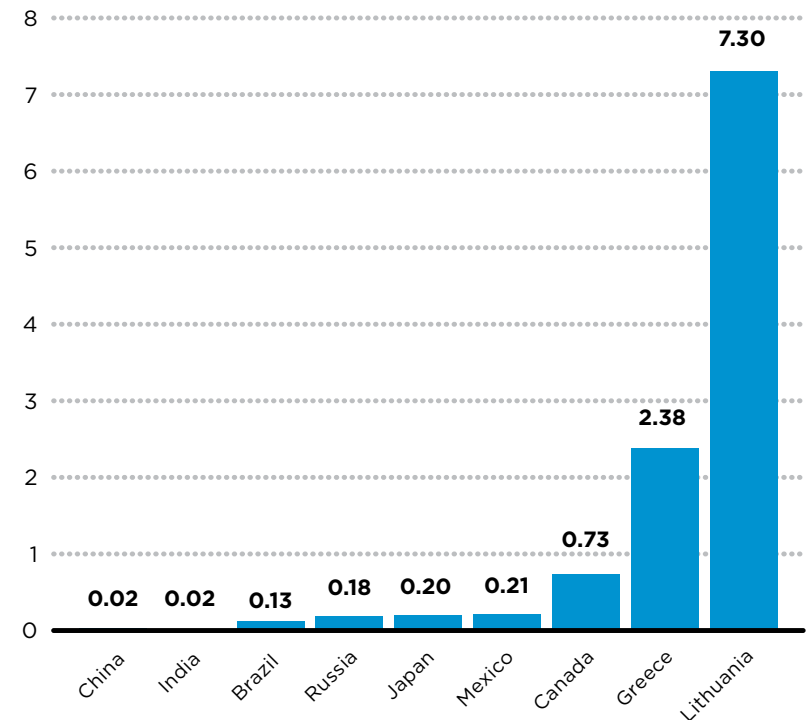
As the chart on the next page illustrates, countries like China and India are allocated an annual maximum of 0.02 visas per every 1,000 people in their populations. For every 1,000 Mexicans, there are only 0.21 visas available. Yet, a small country like Lithuania has 7.3 visas available for every 1,000 people in its population.

We therefore face a situation in which countries like Mexico, China, and India — whose citizens tend to have high demand for U.S. visas — face severe visa shortages. Yet, at the same time, as USCIS acknowledges,

“most countries do not reach [the 7% quota] level of visa issuance.”¹⁷²

This is not to say that visa allocation should necessarily be proportional to a country’s population size. Rather, visas should be allowed to be allocated to those individuals with the greatest demand and most potential to benefit the U.S.

Maximum Number of Visas Available per 1,000 Population, Selected Countries



Source: Author’s calculations. Population data from: Central Intelligence Agency, *The World Factbook*.

¹⁷² U.S. Department of Homeland Security, U.S. Citizenship and Immigration Services, *Per Country Limit*, <http://www.uscis.gov/tools/glossary/country-limit>.

¹⁷⁰ The maximum 7% per-country quota does not mean every country in the world is guaranteed 7% of the total employment-based and family-based visas made available by the U.S. federal government in a given year. Rather it is a *maximum*, meaning no country can receive more than 7% of the total.
¹⁷¹ Central Intelligence Agency, *The World Factbook*, Country Comparison: Population, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2119rank.html>.

Millions of would-be immigrants are stuck in lengthy queues ...



Significant Fact:
As of November 2013, an estimated 4.3 million would-be immigrants worldwide were waiting for their visas to be processed by the U.S. Department of State.

America's immigration system has created a situation where millions of immigrants find themselves stuck in legal limbo.

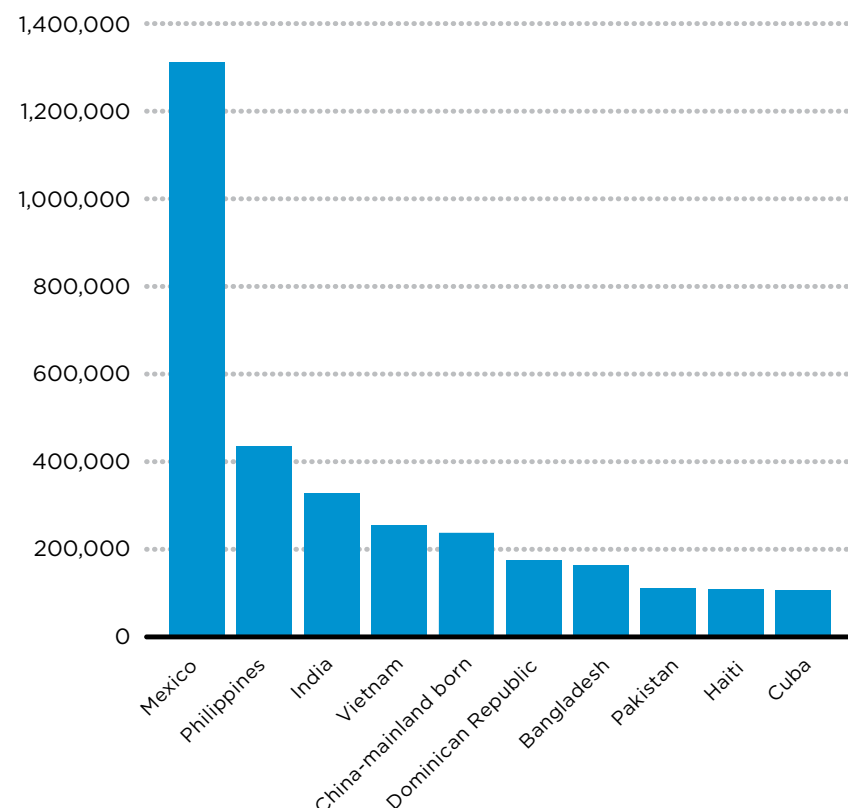
As of November 2013, an estimated 4.3 million would-be immigrants worldwide were waiting for their visas to be processed by the U.S. Department of State. The reason for the backlog, of course, is that each year, thousands more foreigners apply for visas than there are available slots according to statutory limits and visa preference categories.

The cumbersome 7% per-country quota rule causes further delays for those applying to come to the U.S. from countries where U.S. visas are in high demand. For example, in November 2013, Mexico had 1.3 million would-be immigrants on waiting lists for visa processing — by far the most of any country in the world.

But other countries have thousands stuck in the U.S. immigration backlog. More than 435,000 Filipinos, more than 325,000 Indians, more than 255,000 Vietnamese, and just fewer than 240,000 from mainland Chinese were waiting in 2014. The Dominican Republic, Bangladesh, Pakistan, Haiti, and Cuba each also had more than 100,000 waiting in line.¹⁷³

¹⁷³ U.S. Department of State, *Annual Report of Immigrant Visa Applicants in the Family-sponsored and Employment-based Preferences Registered at the National Visa Center as of November 1, 2013*, 2013, <http://travel.state.gov/content/dam/visas/Statistics/Immigrant-Statistics/WaitingListItem.pdf>.

Number of People on U.S. Visa Waiting List, by Country, FY 2014



Source: U.S. Department of State, *Annual Report of Immigrant Visa Applicants in the Family-sponsored and Employment-based Preferences...*

Note: The 10 countries with the most people on the U.S. visa waiting list are included in the chart.

... And some immigrants must wait decades to clear the queues ...

Significant Fact:

In the most extreme cases, some immigrants must wait more than 20 years for their visas and green cards to process.

The average wait time before immigrants clear the queues can stretch decades. This is particularly true for immigrants applying from countries with high demand for U.S. visas and green cards.

For example, Mexicans who applied in certain family-preference categories in 1993 were finally being processed in 2013. The average wait for siblings of adult U.S. citizens from the Philippines was even longer: a mind-boggling 24 years.¹⁷⁴ To give some perspective, the 20-year wait is more than one-fourth the average life-expectancy for Mexicans, and the 24-year wait for Filipinos represents one-third of their average life expectancy.¹⁷⁵

Wait times for those wishing to enter on employment-based preferences can stretch for years as well. As the chart on the next page shows, Chinese workers and Indian workers with advanced degrees wait approximately five and nine years, respectively, for their current priority dates to arrive.¹⁷⁶

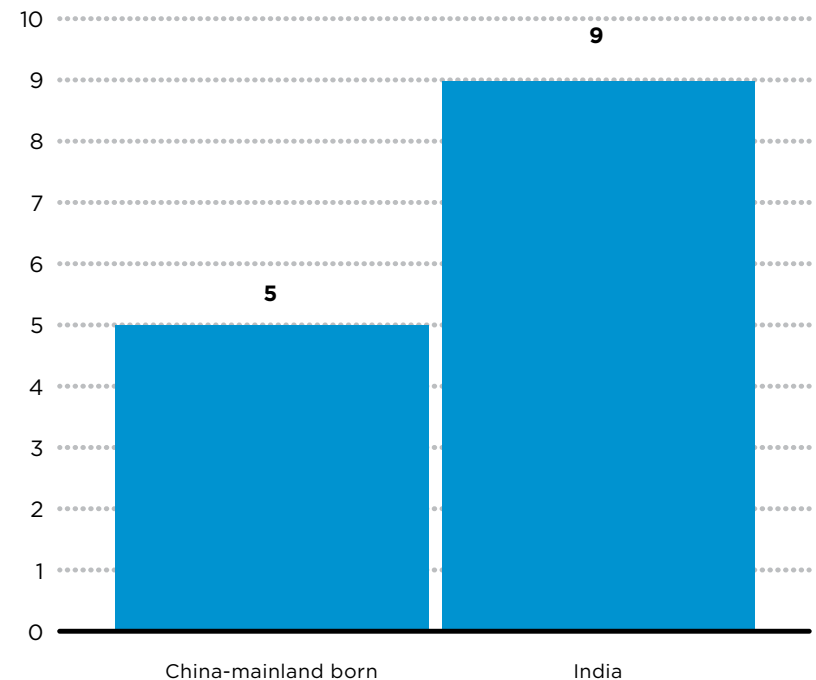
174 Claire Bergeron, *Going to the Back of the Line: A Primer on Lines, Visa Categories, and Wait Times*, issue brief no. 1 (Washington, DC: Migration Policy Institute, 2013), <http://www.migrationpolicy.org/research/going-back-line-primer-lines-visa-categories-and-wait-times>.

175 Life expectancy data from: Central Intelligence Agency, *The World Factbook: Life Expectancy at Birth*, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2102rank.html>.

176 U.S. Department of State, Bureau of Consular Affairs, *Visa Bulletin For June 2014*, vol. IX, no. 69 (Washington, DC: U.S. Department of State, 2014), <http://travel.state.gov/content/visas/english/law-and-policy/bulletin/2014/visa-bulletin-for-june-2014.html>.



Years Spent Waiting for a Current Priority Date, Applicants from China and India Using Employment-Based Preference, June 2014



APPLICANTS WITH ADVANCED DEGREES

Source: U.S. Department of State, Bureau of Consular Affairs, *Visa Bulletin For June 2014*.

Note: The employment-based second preference category is for "Members of the Professions Holding Advanced Degrees or Persons of Exceptional Ability."

... This drives many high-skilled immigrants to leave the U.S.

Significant Fact: Among immigrants who had earned doctorates in science and engineering disciplines in 2006, only 66% of them remained in the U.S. five years later.

It is already well-documented that a large share of immigrants who earn doctoral degrees in critical fields like science and engineering end up leaving the U.S. upon graduation. Among immigrants who had earned doctorates in science and engineering disciplines in 2006, only 66% of them remained in the U.S. in 2011.¹⁷⁷

Evidence suggests many of them would prefer to stay in the U.S., but unworkable U.S. immigration laws make it nearly impossible.

Research by Vivek Wadhwa estimates that “up to 1.5 million skilled immigrants and their families [...] are trapped in the limbo between H-1B and the green card that earns them permanent residence and the chance for citizenship” (emphasis in original). Wadhwa believes this bureaucratic limbo has discouraged many high-skilled immigrants and led them to emigrate from the U.S. The number of new hi-tech companies started by immigrants in Silicon Valley has stagnated in recent years, and Wadhwa believes an exodus of highly trained immigrants frustrated with U.S. immigration laws is a main culprit.¹⁷⁸

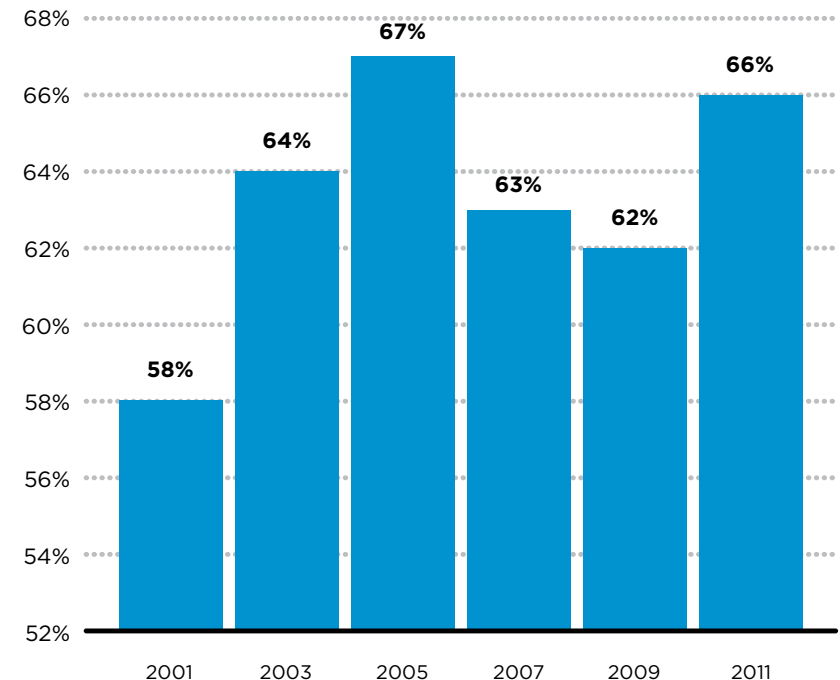
Highly trained foreign workers have increasingly more options for employment around the world. U.S. policies that make it difficult for these foreign-born workers to come to the U.S. and work harm America’s competitiveness.

¹⁷⁷ Michael G. Finn, *Stay Rates of Foreign Doctorate Recipients from U.S. Universities, 2011*, report (National Science Foundation, 2014), <http://orise.orau.gov/files/sep/stay-rates-foreign-doctorate-recipients-2011.pdf>.

¹⁷⁸ Michael S. Malone, “The Self-Inflicted U.S. Brain Drain,” editorial, *The Wall Street Journal* (New York), October 15, 2014, Opinion sec., <http://online.wsj.com/articles/michael-s-malone-the-self-inflicted-u-s-brain-drain-1413414239>.



Five-Year Stay Rates for Foreign-Born Recipients of U.S. Science and Engineering Doctoral Degree with Temporary Visas at Graduation, Selected Years 2001–2011



Source: Michael G. Finn, *Stay Rates of Foreign Doctorate Recipients from U.S. Universities*.

Reducing constraints on green cards and H-1B visas could add billions to the economy.

Significant Fact:

Policy changes

to retain highly

skilled workers

could boost U.S.

GDP and lead

to increased tax

revenues.

The loss of highly educated workers has serious economic consequences.

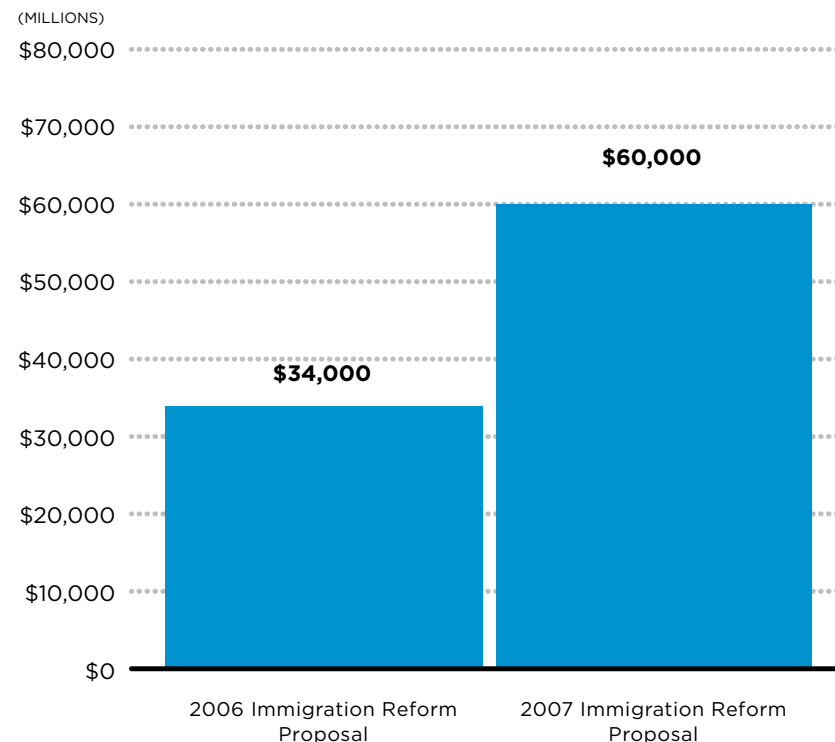
A 2009 study by Arlene Holen estimates that 182,000 foreign-born graduates of U.S. universities with STEM degrees and another 300,000 workers on H-1B visas would have remained in the U.S. over the period 2003–2007 had constraints on H-1B visas and green cards been relaxed. Taken together, these lost workers would have earned approximately \$37 billion in 2008 and contributed approximately \$7 to \$10 billion in additional federal tax revenue.

Furthermore, Holen analyzed the probable effects of the comprehensive immigration reform bills proposed, but not passed, in 2006 and 2007. As the chart shows, she finds in the tenth year following enactment, the 2006 bill could have increased GDP by \$34 billion and the 2007 bill could have increased GDP by as much as \$60 billion.¹⁷⁹

¹⁷⁹ Arlene Holen, *The Budgetary Effects of High-Skilled Immigration Reform*, report (Washington, DC: Technology Policy Institute, 2009), <http://www.techpolicyinstitute.org/files/the%20budgetary%20effects%20of%20high-skilled%20immigration%20reform.pdf>.



Estimated Gains to GDP in the Tenth Year
Following Enactment of the 2006 and 2007 Comprehensive
Immigration Reform Bills



Source: Holen, 2009.

Note: The 2006 and 2007 comprehensive immigration reform bills never became law. These figures of \$34 billion and \$60 billion reflect estimates of the increase in GDP 10 years following the hypothetical passage of each respective bill.

Lesser-skilled visa programs also need revamping.



Significant Fact: Existing temporary visa programs for lesser-skilled foreign-born workers are rarely used because they are overly complicated and costly.

Visa programs also exist to give lesser-skilled workers temporary access to work in the U.S. The two main programs for lesser-skilled immigrants are the H-2A visa program, for agricultural workers, and the H-2B visa program, for non-agricultural workers.

U.S. agriculture is highly dependent on the foreign-born. In any given year, U.S. farmers employ approximately one million hired crop farm workers, and the foreign-born account for approximately 70% of the total.¹⁸⁰ In theory, the H-2A program could be of great use to farmers, providing them a system to legally hire lesser-skilled foreign-born workers. However, in reality, the H-2A program is so bureaucratic and costly that it is rarely used.

The result: extraordinary high levels of unauthorized immigration. As the graph on the next page shows, in 2009, there were just over 86,000 H-2A certifications made by the Labor Department.¹⁸¹ Meanwhile, almost 500,000 hired farm-worker jobs were filled by unauthorized immigrants.¹⁸²

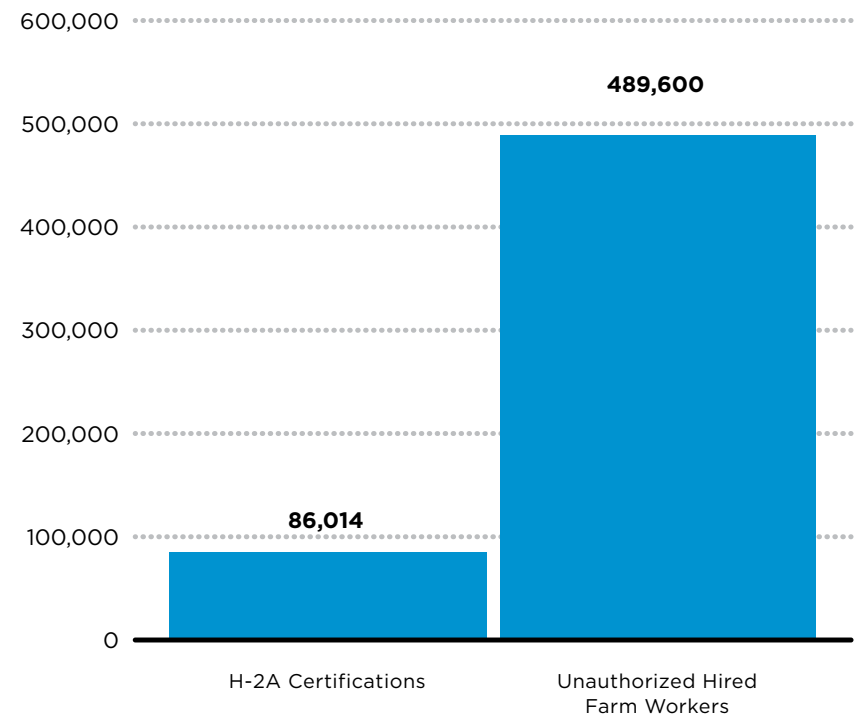
Immigrants coming to fill these types of temporary, lesser-skilled jobs make up a large portion of America's unauthorized immigrant population. A robust guest worker program that is responsive to labor-market demand would help employers, immigrants, and the economy while also doing much to reduce unauthorized immigration to America.

¹⁸⁰ U.S. Department of Agriculture, Economic Research Service, *Farm Labor: Background*, <http://www.ers.usda.gov/topics/farm-economy/farm-labor/background.aspx#Numbers>.

¹⁸¹ U.S. Department of Labor, Office of Foreign Labor Certification, *FY 2012 Annual Report* (2012).

¹⁸² Daniel Carroll, Annie Georges, and Russell Saltz, "Changing Characteristics of U.S. Farm Workers: 21 Years of Findings from the National Agricultural Workers Survey" (address, Immigration Reform and Agriculture Conference: Implications for Farmers, Farm Workers and Communities, Washington, DC, May 12, 2011), <http://migrationfiles.ucdavis.edu/uploads/cf/files/2011-may/carroll-changing-characteristics.pdf>; and, U.S. Department of Agriculture, Economic Research Service, *Farm Labor: Background*, <http://www.ers.usda.gov/topics/farm-economy/farm-labor/background.aspx#Numbers>.

Number of H-2A Visa Certifications vs. Number of Unauthorized Farm Workers, 2009



Sources: Carroll et al., 2013; U.S. Department of Agriculture, Economic Research Service, *Farm Labor: Background*; U.S. Department of Labor, Office of Foreign Labor Certification, *FY 2012 Annual Report* (2012).

Note: The number of unauthorized farmworkers is estimated by the author relying on data that suggests 48% of hired farmworkers in the U.S. were unauthorized in FY 2009, and that the total population of hired farmworkers in FY 2009 was 1,020,000.

Chapter 6:
**Higher U.S.
Economic
Growth through
Immigration**



With more immigrants in the U.S., Americans would be more likely to finish high school.

Significant Fact:

An increase in immigration creates a positive incentive for natives to gain more education.

One widely unknown benefit of immigration is the positive effect immigrants have on the educational attainment of natives.

Research by Jennifer Hunt (2012) finds that when more immigrants are present in the population, natives are more likely to complete high school. Specifically, Hunt's research finds that "an increase of one percentage point in the share of immigrants in the population aged 11–64 increases the probability that natives aged 11–17 eventually complete 12 years of schooling by 0.3 percentage points."¹⁸³

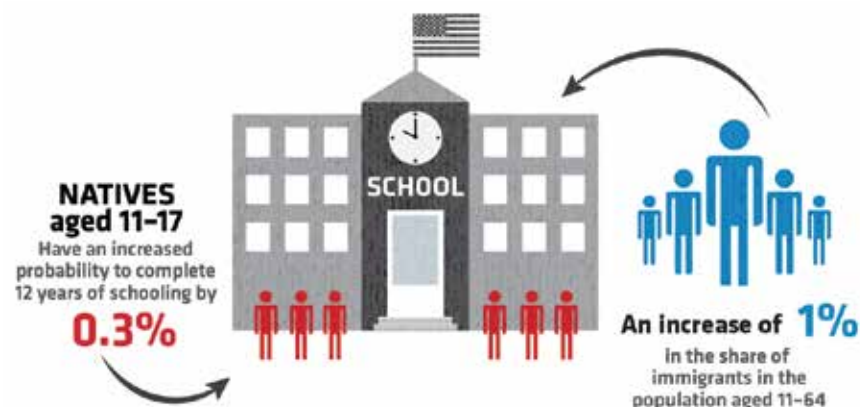
To be sure, an influx of immigrants can adversely affect the education of natives when they compete with each other for limited educational resources. Hunt does find evidence of this effect.

However, paradoxically, the very competition created from an influx of immigrants provides a strong incentive for natives to gain more education. That is to say, natives without much education realize that by gaining more schooling, they will become better job candidates and therefore rise above the competition they face from new immigrants. Hunt finds that this strong incentive to gain more education is the dominant effect at work. The net effect is that immigrants help boost the educational attainment of natives.

¹⁸³ Jennifer Hunt, *The Impact of Immigration on the Educational Attainment of Natives*, working paper no. 18047 (Cambridge: National Bureau of Economic Research, 2012).



"An increase of one percentage point in the share of immigrants in the population aged 11–64 increases the probability that natives aged 11–17 eventually complete 12 years of schooling by 0.3 percentage points."



Source: Hunt, 2012.

More immigrants would help support entitlement programs.

Significant Fact:

Immigrants

alone cannot

solve the

problems

confronting

Social Security,

but, on average,

immigrants

do help the

solvency of that

program.

Social Security relies on the earnings of current workers to fund the pensions of retirees. As America's large "baby boom" generation reaches retirement age, the ratio of workers to retirees will shrink. In fact, the number of retirees is expected to almost double over the next 30 years.

According to the Social Security Administration (SSA), in 1965, there were 4.0 workers for every Social Security beneficiary.¹⁸⁴ But by 2013, the ratio had fallen to 2.9, and the imbalance is expected to worsen in coming years. By the year 2031, the SSA forecasts the worker-to-beneficiary ratio will fall to 2.1. And by 2033, the Social Security Trust Fund is expected to be insufficient to cover payments to beneficiaries.¹⁸⁵

Immigration alone cannot solve the problems confronting Social Security. On average, however, immigrants do help the solvency of the program. There are two main reasons for this. First, as is shown in the chart, immigrants have a significantly higher fertility rate than natives. In 2010, foreign-born women had a fertility rate of 87.8 births per thousand women age 15–44 years, compared to only 58.9 births per thousand native women.¹⁸⁶

Second, immigrants are good for Social Security because they are much more likely than natives to be of working age. Data show that in 2013, 72.4% of immigrants are between the ages of 25 and 64 (working age), compared to only 49.6% of native-born citizens. Since immigrants also join the labor force and are

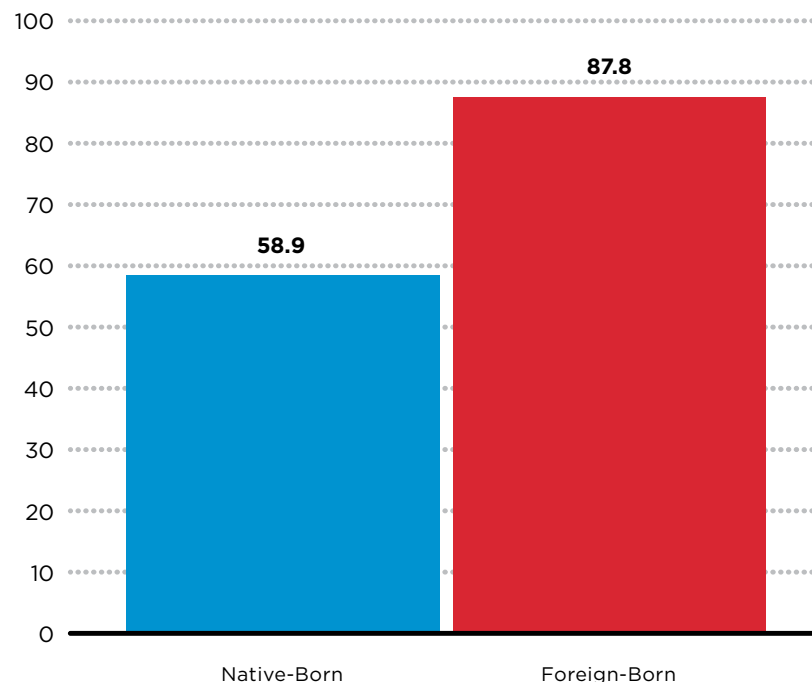
¹⁸⁴ U.S. Social Security Administration, *Ratio of Covered Workers to Beneficiaries*, <http://www.ssa.gov/history/ratios.html>.

¹⁸⁵ Social Security Administration, Office of Retirement and Disability Policy, *Fast Facts & Figures About Social Security*, 2013, http://www.ssa.gov/policy/docs/chartbooks/fast_facts/2013/fast_facts13.pdf.

¹⁸⁶ Gretchen Livingston and D'Vera Cohn, *U.S. Birth Rate Falls to a Record Low; Decline Is Greatest Among Immigrants*, report (Washington, DC: Pew Research Center, 2012), <http://www.pewsocialtrends.org/2012/11/29/u-s-birth-rate-falls-to-a-record-low-decline-is-greatest-among-immigrants/#overview>.

employed at high rates, they help stabilize the worker-to-beneficiary ratio. Overall, according to a 2008 study by Paul Van der Water, "an increase in net immigration of 300,000 persons would eliminate about one-tenth of Social Security's 75-year deficit."¹⁸⁷

Number of Births per 1,000 Women (Age 15–44) During the Previous 12 Months, 2010



Source: Livingston and Cohn, 2012.

¹⁸⁷ Paul N. Van de Water, *Immigration and Social Security*, report (Washington, D.C.: Center on Budget and Policy Priorities, 2008), <http://www.cbpp.org/files/11-20-08socsec.pdf>.

More immigrants would boost property values in America's cities.

Significant Fact: Immigrants are an important component of urban revitalization because they help raise property values.

Property values are one indicator of the economic health of a city. High property values signal a desirable place to live and work, while low property values suggest an area is less attractive.

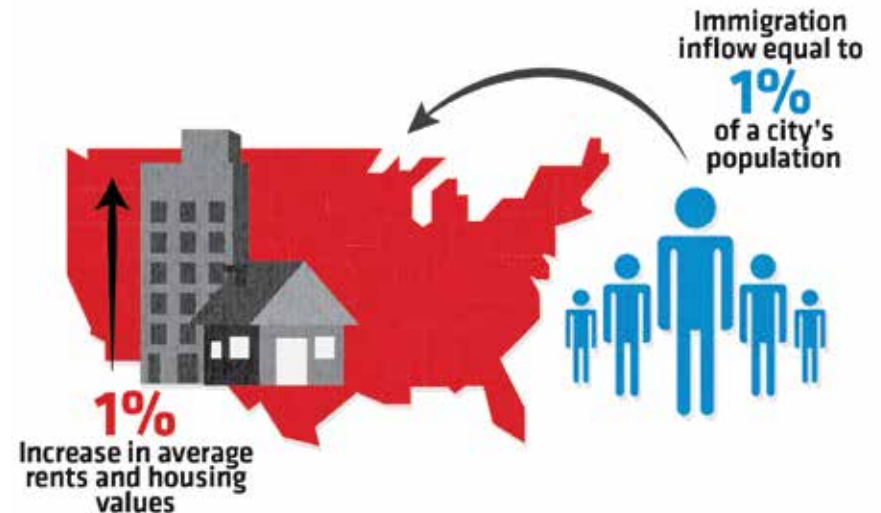
Research by Albert Saiz finds that an inflow of immigrants increases the demand for housing and thus raises property values. While an increase in demand almost always leads to higher prices, it is not a foregone conclusion. If new immigrants displace native-born citizens from a city, one would expect to find falling house prices.

However, Saiz finds convincing evidence that immigrants do not displace natives on a one-to-one basis, and that in fact “an immigration inflow equal to 1% of a city’s population is associated with increases in average rents and housing values of about 1%.” Saiz concludes that this positive impact from immigration is of a larger magnitude than the impact of immigrants on other areas of the economy.¹⁸⁸

¹⁸⁸ Albert Saiz, “Immigration and Housing Rents in American Cities,” *Journal of Urban Economics* 61, no. 2 (2007).



“An immigration inflow equal to 1% of a city’s population is associated with increases in average rents and housing values of about 1%.”



Source: Saiz, 2007.

More immigrants would mean a rise in patents.

Significant Fact:

With more foreign-born graduate students studying in America, the U.S. would benefit from a substantial increase in patents.

Research by Gnanaraj Chellaraj et al. (2008) suggests that augmenting the share of foreign-born graduate students studying at U.S. universities would further increase U.S. patenting. In fact, a 10% increase in the number of foreign-born graduate students is associated with a 4.5% increase in U.S. patent applications. Additionally, patent grants (patents actually awarded) would increase by 5% in non-university institutions, while university-based patent grants would rise 6.8%. The researchers rightly warn that “reductions in foreign graduate students from visa restrictions could significantly reduce U.S. innovative activity.”¹⁸⁹

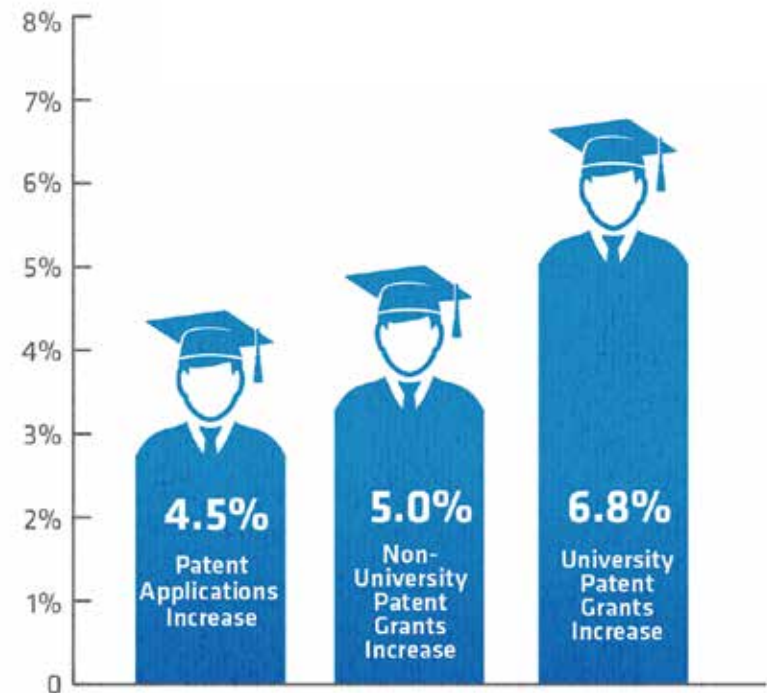
More skilled immigrants among the general population would also increase U.S. patenting. Jennifer Hunt and Marjolaine Gauthier-Loiselle find that “a one percentage point rise in the share of immigrant college graduates in the population increases patents per capita by 6%.” Hunt and Gauthier-Loiselle also find that immigrants do not crowd out native inventors. Rather, immigrant inventors have a positive effect on native inventors: Patents per capita increase “about 15% in response to a one percentage point increase in immigrant college graduates.”¹⁹⁰

189 Gnanaraj Chellaraj, Keith E. Maskus, and Aaditya Mattoo, “The Contribution of International Graduate Students to U.S. Innovation,” *Review of International Economics* 16, no. 3 (2008).

190 Jennifer Hunt and Marjolaine Gauthier-Loiselle, “How Much Does Immigration Boost Innovation,” *American Economic Journal: Macroeconomics*, *American Economic Association* 2, no. 2 (2010).



Effects of a 10% Increase in the Number of Foreign-Born Graduate Students



Source: Chellaraj et al., 2008.

More immigrants would mean more U.S. exports.

Significant Fact:

Immigrant-owned businesses are much more likely to be exporters compared to firms owned by native-born Americans.

Strong international trade is essential for a country's economy to remain competitive in today's globally linked world. Historically, the U.S. has been a leader in trade.

Matthew J. Slaughter estimates that international trade has boosted annual U.S. income by at least 10 percentage points relative to what it would have otherwise been in the absence of trade. In 2013, this 10-point boost to GDP translated into an average gain of \$13,600 per household per year.¹⁹¹

Immigrant-owned U.S. businesses play an important role in expanding America's trade. The 2007 Survey of Businesses found that immigrant-owned businesses were much more likely to be exporters compared to firms owned by native-born Americans. And comparing just businesses that do export, immigrant-owned businesses tend to export to a greater extent. In fact, exports totaled at least 50% of total annual sales at 2.2% of immigrant-owned U.S. businesses, but the same was true at only 0.8% of businesses owned by native-born Americans.¹⁹²

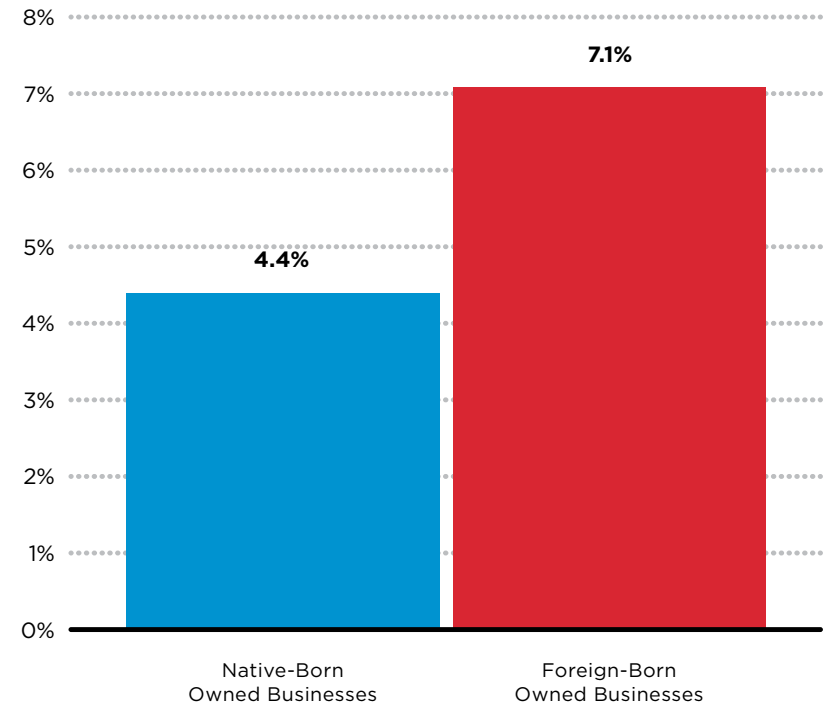
Immigrants may have an innate advantage when it comes to exporting. After all, to break into an overseas market, a business must offer products that people in those markets want to buy. A successful exporter must also understand the language, culture, and business practices of a foreign market. Immigrants bring with them unique knowledge of all these things, helping their own businesses succeed and helping the U.S. economy build stronger international ties.

¹⁹¹ Matthew J. Slaughter, *How America Is Made for Trade*, report (Washington, DC: HSBC Bank, 2014), http://images.cmbinsight.hsbc.com/Web/HsbcUsalnc/%7B8e7c7a72-1fec-484c-9785-268ab6234358%7D_MFT_DC_Report_Digital_Final.pdf.

¹⁹² Robert W. Fairlie, *Immigrant Entrepreneurs and Small Business Owners, and Their Access to Financial Capital*, report (Washington, DC: United States Small Business Administration, 2012), <https://www.sba.gov/sites/default/files/rs396tot.pdf>.



U.S. Businesses That Export, Owned by Foreign-Born and by Native-Born, 2007



Source: Fairlie, 2012.

Pro-growth immigration reform would have boosted GDP growth in past decades.



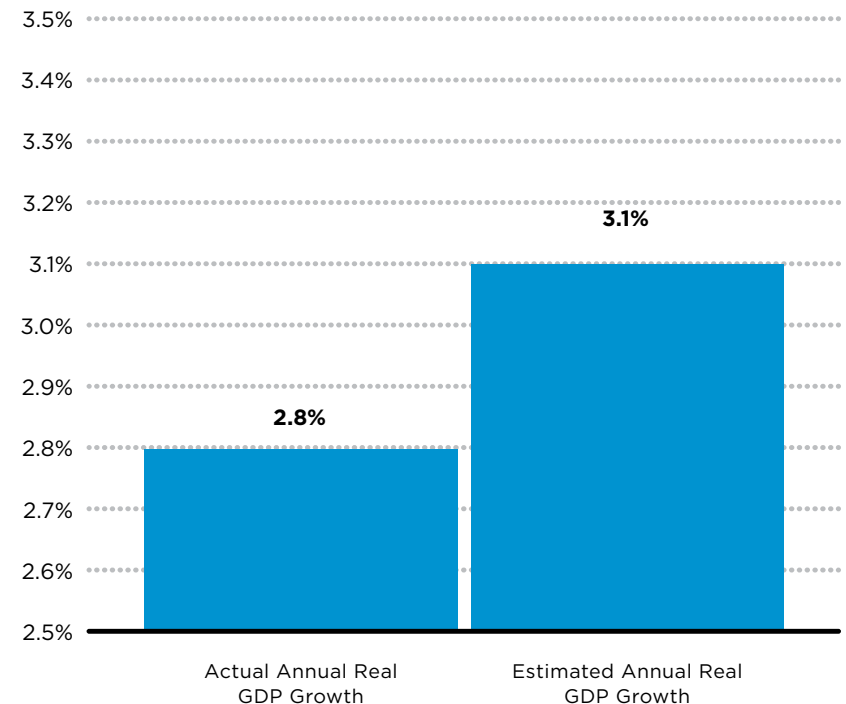
Significant Fact:
If the U.S. had adopted a pro-growth immigration policy framework in the 1960s, real GDP growth would have been substantially higher in subsequent years.

The last major overhaul of the U.S. immigration system was the Immigration and Nationality Act of 1965. This act, signed into law by President Lyndon B. Johnson, removed the national origins formula that had been in use since the 1920s and adopted in its place a preference system for admitting immigrants. This preference system is the one largely still intact today, favoring immigrants with existing family relationships in the U.S. over immigrant skill levels.

The economist Richard Vedder has estimated what real GDP growth may have been in the decades following the 1965 Act had that law expanded immigration to a greater extent and given more weight to the skill-based preferences. Inflation-adjusted growth in GDP averaged 2.8% per year between 1970 and 2011. However, with a pro-growth immigration system in place, Vedder estimates economic growth would have been significantly higher with average growth rates of 3.1% in those years. The difference between a 2.8% and 3.1% growth rate is substantial when considered over the course of three decades. At the higher 3.1% rate, U.S. GDP would have been approximately \$2 trillion greater by 2011.¹⁹³

¹⁹³ Richard Vedder, *Invisible Hands: Immigration and American Economic Growth*, report (Dallas: George W. Bush Institute, 2013), <http://www.bushcenter.org/sites/default/files/Invisible%20Hands%20-%20Immigration%20and%20American%20Economic%20Growth.pdf>.

Actual and Estimated Annual U.S. GDP Growth Rates, 1970–2011



Source: Richard Vedder, *Invisible Hands: Immigration and American Economic Growth*.

Note: "Actual Annual GDP Growth" is the average annual real U.S. GDP growth rate for the period 1970–2011. "Estimated Annual GDP Growth" is the estimated average annual real U.S. GDP growth rate for the period 1970–2011 that the U.S. could have achieved if the immigration reform legislation passed in 1965 had increased immigration levels substantially.

Conclusion

Conclusion

This book has shown the importance of immigrants to America. Immigrants are a core part of our nation's history and will play a critical role in its future. Nowhere is this more evident than in the realm of economics.

Immigrants work hard and contribute to the growth of our labor force. They are leaders in innovation and entrepreneurship, developing new ideas, securing patents, and pushing boundaries in research. Immigrants start small businesses, and they have been responsible for some of the world's largest corporations too. It's hard to imagine what the U.S. or its economy would look like without immigrants.

Perhaps more than anything, immigrants show us and the world that the American Dream is still attainable. Immigrants come to America optimistic about the future, but often without many material resources. Through hard work and sacrifice they move up the economic ladder and achieve success in America. This success provides the immigrants a better life. But it also helps to make America a stronger country.

But challenges do exist. Current immigration law limits the potential of what immigrants could contribute to America and its economy. Designing a detailed framework for immigration reform is well beyond the scope of this book. However, the research behind this book makes clear several necessary broader areas of reform.

First, the U.S. immigration system should be restructured to give greater preference to work-based immigration. Current law gives overwhelming preference to those with existing family connections in the U.S. While family reunification is important and should remain, there needs to be a rebalancing of priorities to be more welcoming to work-based immigrants.

Second, reform must simplify the immigration system. Laws that largely reflect the world and attitudes in 1965 — the last time the U.S. had a major immigration overhaul — have created a situation where individuals must wait sometimes more than 20 years for their immigration papers to process. These long queues put peoples' lives in legal limbo unnecessarily while, in the meantime, harming U.S. competitiveness.

Third, new legal pathways are needed for immigrant workers — and particularly lesser-skilled immigrant workers — to enter and work in the U.S. on a temporary basis. Despite much demand from the U.S. economy for foreign-born labor, there is currently no good program to allow for such immigration.

A primary consequence has been massive unauthorized immigration.

Overall, immigration laws must allow for the freer flow of people, especially workers. A new system that is more responsive to market demand is needed to ensure the vibrancy of American society and economic competitiveness globally. If caps on immigration must exist, they should be flexible, allowing a greater number of visas and green cards during times of strong economic growth and fewer when there is less demand for foreign-workers. Ultimately, the flow of immigrant workers ought to be determined within a framework that recognizes and responds to labor market needs.

In today's increasingly complex and globally competitive world, America needs the brightest, most talented, and hardest-working people the world has to offer. The objective of immigration policy, therefore, should be to affirm America as the land of opportunity — where people of any background can work hard, develop ideas, and benefit from the fruits of their labor. America's great advantage has always been its ability to attract diverse people from all corners of the globe and bring them together as one people to collectively build the American Dream.

As Americans debate immigration, it is important they understand the many ways immigrants have always contributed to our country and our economy. With better immigration policies in place, immigrant contributions will continue to grow and help drive America to many more years of prosperity.

Acknowledgements

I am grateful to many people who made this project possible. President George W. Bush's leadership on immigration is an inspiration, and his continued enthusiasm on this issue invigorates all who study immigration. I thank Margaret Spellings for the opportunity to contribute to the work of the George W. Bush Institute, and for her support of this project. Holly Kuzmich supported this project from the start and helped to make it a reality.

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This handbook stands on the shoulders of the countless scholars who have painstakingly researched the relationship between immigration and economic growth. Their contributions provide the foundation from which we can better appreciate the many ways immigrants contribute to our country and its economy. Several immigration experts provided much appreciated guidance, including Richard Vedder, Tamar Jacoby, Pia Orrenius, Jennifer Hunt, and Stephen Moore.

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