

## The Economic Contributions of Immigrants and Why the U.S. Chamber Supports Immigration Reform

The U.S. Chamber, representing more than 3 million businesses of every size, sector and region, supports an overhaul of the existing U.S. immigration system because simply stated, immigrants have always been a key to the success of our economy. Immigrants not only fill jobs, but also create jobs here in the United States – helping our economy expand. Immigrants are one solution to workforce shortages that have existed in the past and will inevitably exist in different sectors of our diverse economy. Our new immigrants come from nations around the globe to work in the full myriad of occupations, from construction and cooks to computer engineers and medical doctors.

The most important trend shaping the global labor supply in the next two decades will be slower growth.<sup>1</sup> The overall effect will be to reduce the annual growth rate of the global labor force from about 1.4 percent annually between 1990 and 2010, to about 1 percent in 2030.<sup>2</sup> The U.S. population is projected to grow much more slowly over the next several decades due to lower birthrates and less net international migration.<sup>3</sup> As a result, the population age 65 and older is expected to more than double between 2012 and 2060, from 43.1 million to 92.0 million, as the baby-boom generation enters the traditional retirement years.<sup>4</sup> In 2056, for the first time, the older population, age 65 and over, is projected to outnumber the young, under 18.<sup>5</sup> Further, the working-age population (18 to 64) is expected to increase by 42 million between 2012 and 2060, from 197 million to 239 million, while its share of the total population declines from 62.7 percent to 56.9 percent.<sup>6</sup>

Over the 2010 to 2020 decade total employment is projected to grow by 14.3 percent, resulting in 20.5 million new jobs.<sup>7</sup> About 54.8 million total job openings are expected during this time period.<sup>8</sup> While growth will lead to many openings, more than half (61.6 percent) of job openings will come from the need to replace workers who retire or permanently leave an occupation.<sup>9</sup>

These demographics show that the U.S. is facing a long-term worker shortage, an issue that goes well beyond the boom and bust cycle of our economy. Immigrants can help us counter these future worker shortages as projections demonstrate that immigrants will continue to play a large role in U.S. population growth.<sup>10</sup> One such reality is that immigrants tend to be younger than

---

<sup>1</sup> McKinsey & Company, “The World at Work: Jobs, pay, and skills for 3.5 billion people,” (June 2012).

<sup>2</sup> Id. at 3.

<sup>3</sup> U.S. Census Bureau, “U.S. Census Bureau Projections Show a Slower Growing, Older, More Diverse Nation a Half Century from Now,” December 12, 2012. <http://www.census.gov/newsroom/releases/archives/population/cb12-243.html>

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> Bureau of Labor Statistics, “Employment Projections: 2010-2020 Summary,” February 1, 2012. <http://bls.gov/news.release/ecopro.nr0.htm>

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> Some projections even indicate that immigrants arriving since 2005 and their descendants will account for fully 82% of U.S. population growth by 2050. See Pew Research Center, “U.S. Birth Rate Falls to a Record Low: Decline Is Greatest Among Immigrants,” [Gretchen Livingston](#) and [D’Vera Cohn](#) (Nov 29, 2012), p. 1.

natives (typically under 35) with higher fertility rates, which if added to our country, will help slow the pace at which our population ages.<sup>11</sup>

Immigrants also increase the aggregate economic productivity of the country through their work.<sup>12</sup> Immigrants complement the job prospects of U.S. born citizens and overall do not cause any decrease in the wages and employment of U.S. citizens at the local level.<sup>13</sup> Further, immigrants do not crowd out U.S.-born workers in either the short or long run,<sup>14</sup> and actually can have a positive effect on the income of U.S. born workers.<sup>15</sup> Additionally, “immigrants in the short to medium run are absorbed through an expansion of the economy. The receiving community increases in size, maintaining wages and employment of U.S.-born citizens and increasing somewhat aggregate productive efficiency.”<sup>16</sup>

Moreover, successive generations of native-born workers are becoming better educated. Today, not only is the proportion of the native-born labor force age 25–44 continuing to fall, but the proportion of native born workers with a high-school diploma or less is also falling.<sup>17</sup> For example, “the percentage of adults (persons age 25 and older) with more than a high school education has gone up from 5.3 percent in 1950 to nearly 60 percent today.”<sup>18</sup> Thus, the number of adults with a college degree in 2010 was almost 160 million, more than 25 times as many as the number in 1950.<sup>19</sup> The trend towards a more highly educated native-born workforce is a positive development; however, it presents a serious challenge to those sectors of the economy that employ workers with less education.<sup>20</sup>

---

<sup>11</sup> Growing population analysis by Census Bureau: United States Population Projections: 2000 to 2050 (Jennifer M. Ortman and Christine E. Guarneri) – based on 2000 US Census data, p. 5. See also Giovanni Peri, “Rationalizing U.S. Immigration Policy: Reforms for Simplicity, Fairness, and Economic Growth,” The Hamilton Project (May 2012), p. 9.

<sup>12</sup> Giovanni Peri, “Rationalizing U.S. Immigration Policy: Reforms for Simplicity, Fairness, and Economic Growth,” The Hamilton Project (May 2012), p. 5.

<sup>13</sup> *Id.*

<sup>14</sup> Giovanni Peri, “The Effect of Immigrants on U.S. Employment and Productivity,” FRBSF Economic Letter (San Francisco, CA: Federal Reserve Bank of San Francisco, August 30, 2010).

<http://www.frbsf.org/publications/economics/letter/2010/el2010-26.html>

<sup>15</sup> “The positive long-run effect on income per U.S.-born worker accrues over some time. In the short run, small insignificant effects are observed. Over the long run, however, a net inflow of immigrants equal to 1% of employment increases income per worker by 0.6% to 0.9%. This implies that total immigration to the United States from 1990 to 2007 was associated with a 6.6% to 9.9% increase in real income per worker. That equals an increase of about \$5,100 in the yearly income of the average U.S. worker in constant 2005 dollars. Such a gain equals 20% to 25% of the total real increase in average yearly income per worker registered in the United States between 1990 and 2007.” See Giovanni Peri, “The Effect of Immigrants on U.S. Employment and Productivity,” FRBSF Economic Letter (San Francisco, CA: Federal Reserve Bank of San Francisco, August 30, 2010).

<sup>16</sup> *Supra* 13 at 10.

<sup>17</sup> The proportion of the native-born labor force age 25-44 fell from 63.3 percent to 52.9 percent, while the proportion of native born workers age 25 and older with a high-school diploma or less fell from 44.3 percent to 37.8 percent. See IPC, “Economic Growth & Immigration: Bridging the Demographic Divide,” (November 2005), ES 3.

<sup>18</sup> Bean, F., Brown, S., Bachmeier, J., Gubernskaya, Z., and Smith, C., “Luxury, Necessity, and Anachronistic Workers: Does the United States Need Unskilled Immigrant Labor?” *American Behavioral Scientist* 2012 56: 1008 (July 5, 2012), p 1015.

<sup>19</sup> *Id.*

<sup>20</sup> IPC, “Economic Growth & Immigration: Bridging the Demographic Divide,” (November 2005), ES 3.

Further, due to globalization of production and falling transportation costs many low-skilled sectors face more domestic and international competition. Changes within the United States mean fewer low-skilled native workers are available or interested in these less skilled positions. Economic development and changing cultural norms make some blue collar jobs less attractive, and falling fertility and rising educational attainment mean there are simply fewer low-skilled Americans in the workforce.<sup>21</sup> As a nation, we have made it a priority for our workers to move into higher-paying, higher-skilled jobs. In turn, immigrant workers are filling gaps by taking many less skilled jobs that American workers are either unwilling or unable to take.

On the other side of the spectrum, by 2018, the U.S. economy will generate rising demand for highly-educated workers and, as more baby boomers retire, there is risk of substantial skill shortages.<sup>22</sup> Based on current patterns of educational attainment and demand growth, employers in advanced economies could face a shortage of 16 million to 18 million college-educated workers in 2020, despite rising college-completion rates.<sup>23</sup> Advanced economies could avoid a shortage of high-skill workers by allowing more of them to immigrate.

Foreign born workers make extraordinary contributions to U.S. businesses and universities, providing skills that are not widely available in the U.S. economy (or in some cases, are not available at all). For example, [Immigrants] comprise 1 in 4 doctors, 2 in 5 medical scientists, 1 in 3 computer software engineers, and 1 in 5 postsecondary teachers.<sup>24</sup> The 2000 census indicated that immigrants constitute approximately half of the scientists and engineers in the U.S. with Doctorates, “a remarkable statistic given that they otherwise represent only 12% of the U.S. population.”<sup>25</sup>

Further, of the 22 occupations with the highest projected annual growth to 2018 and beyond, the occupation classification with the second highest demand for workers is expected to be computer science, the fifth highest demand area is life and physical science occupations, and thirteenth highest growth area is architecture and engineering occupations.<sup>26</sup> Currently, international students earn about half of all Master’s level degrees from U.S. universities in fields corresponding to natural sciences and engineering occupations.<sup>27</sup> Since a large segment of graduate students in these fields are not native-born, the U.S. Chamber supports reforms that will enable employers to hire the staff needed in these expected growth areas.

---

<sup>21</sup> Migration Policy Institute, “Regulating the Recruitment and Employment of Immigrant Workers”, June 17, 2010, p. 2.

<sup>22</sup> Neumark, D., Johnson, H., Cuellar Mejia, M., “Future Skill Shortages in the U.S. Economy?” National Bureau of Economic Research, July 2011, available at <http://www.nber.org/papers/w17213>.

<sup>23</sup> McKinsey & Company, “The World at Work: Jobs, pay, and skills for 3.5 billion people,” (June 2012), p. 2.

<sup>24</sup> Migration Policy Institute, “Regulating the Recruitment and Employment of Immigrant Workers”, June 17, 2010, p. 1.

<sup>25</sup> “Immigrants’ Success in Science Education and Careers”, University of California at Berkeley’s Center for Research on Teaching Excellence, <http://escholarship.org/uc/item/2m14z6np#page-7>

<sup>26</sup> Id. at Figure 2.

<sup>27</sup> See, Stuart Anderson, “Keeping Talent in America”, National Foundation for American Policy, October 2011, at Page 6, and Science and Engineering Indicators 2010, Chapter 2, Higher Education in Science and Engineering (Graduate Education, Enrollment, and Degrees).

As described by the above statistics, immigrants, through their youth, geographic mobility and complementary skills will help fill future labor shortages and expand the U.S. economy for the better. A major failure of our existing immigration system, which has a detrimental impact on the U.S. business community, is that employment based visas are not allocated based on market needs.<sup>28</sup> As a result, the Chamber advocates for work visa programs for both lesser and higher skilled immigrants that are reflective of both the current and future needs of the market.

Additionally, the Chamber supports another large aspect of reform, legalization of the undocumented, for economic, security, and workforce stability reasons. There are over 11 million undocumented people residing in our country, of which over 7 million are employed in our economy today. Neither deportation nor self-deportation of the large undocumented population is realistic,<sup>29</sup> and finding a solution has been difficult. The Chamber believes that criminal background checks must be completed on all the undocumented currently in the United States, as is required for all legal immigrants. Then, under specified and strict conditions, including payment of a fine and taxes, and confirmation of progress toward English proficiency, grant those that qualify a permanent legal status.

Immigration reform that legalizes currently undocumented immigrants would raise the “wage floor” for the entire U.S. economy—to the benefit of both immigrant and native-born workers.<sup>30</sup> Taking the experience of passage of the 1986 Immigration Reform and Control Act as a starting point, it is estimated that comprehensive immigration reform would yield at least \$1.5 trillion in cumulative U.S. gross domestic product over 10 years.<sup>31</sup>

Moreover, legalization of the undocumented would alleviate many problems from an employer perspective. U.S. employers are required to, and do, verify that each employee is eligible to work in the United States, but by law employees get to choose which documents to present to the

---

<sup>28</sup> See Giovanni Peri, “Rationalizing U.S. Immigration Policy: Reforms for Simplicity, Fairness, and Economic Growth,” *The Hamilton Project* (May 2012), p. 9.

<sup>29</sup> According to a March 2010 report by the Center for American Progress (CAP), the total cost of mass deportation and continuing border interdiction and interior enforcement efforts would be \$285 billion (in 2008 dollars) over five years (1-2). To calculate the cost of apprehending 8.64 million undocumented immigrants CAP used ICE appropriations and arrests data from FY 2008. ICE’s total budget for apprehension-related expenditures, including salaries but excluding capital projects, totaled \$1.24 billion. That figure was divided by the number of arrests recorded at 67,728 in order to arrive at a per person average cost of \$18,310 per apprehension. The average cost per person was then multiplied by the 8.64 million undocumented immigrants to be apprehended. That resulted in nearly \$158 billion in estimated costs for apprehensions. (6) The estimated funding required to detain 8.64 million undocumented immigrants from the time of apprehension until the time of removal involved determining the average daily cost to detain a noncitizen (\$111.82) and the average number of days (30) that an individual in removal proceedings is detained. That per person detention cost was then multiplied by the 8.64 million undocumented immigrants to arrive at an estimated cost of approximately \$29 billion. (8) To calculate the legal processing costs for EOIR of a mass deportation, we identified the FY 2008 appropriations dedicated to the processing of undocumented immigrants, which was \$238.32 million. That was applied to the 291,781 legal proceedings for undocumented immigrants to arrive at an average cost of \$817 for each legal proceeding. The average was then multiplied by 8.64 million undocumented immigrants for a total legal processing cost of more than \$7 billion. (11) Total transportation costs for mass deportation - the total cost to transport 6.22 million people overseas at \$1,000 apiece equals more than \$6 billion. (14) [http://www.americanprogress.org/wp-content/uploads/issues/2010/03/pdf/cost\\_of\\_deportation\\_execsumm.pdf](http://www.americanprogress.org/wp-content/uploads/issues/2010/03/pdf/cost_of_deportation_execsumm.pdf)

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

employer in support of their claim that they are authorized to work. Often these documents look valid on their face; however, they may be legitimate documents belonging to relatives and friends of the employee authorized to work, or fraudulent. By law an employer has to accept these documents, and asking for additional documentation because someone may look or sound foreign is potentially a violation of that person's civil rights under both U.S. immigration and employment laws.

Due to the prevalence of these practices in the employment authorization verification process, most employers do not know their employees are undocumented. Sometimes, employers learn of their employee's lack of authorization to work only after an Immigration and Customs Enforcement (ICE) raid. The result is that an employer must dismiss these employees, if they have not already left in fear of deportation. This in turn creates instability in the workplace. Legalization of the undocumented with a working federal employment verification system would maintain workforce stability and put all employers on an even playing field.

Finally, legalization of the undocumented has enormous national security benefits for the United States. Surely the U.S. is more secure by allowing these individuals to come out of the shadows and putting them through a screening process to identify those that are criminals or terrorist suspects.<sup>32</sup> At the very least, this process will "shrink the haystack" and allow law enforcement officials to focus resources on true criminals and threats to our security rather wasting limited fiscal resources on economic migrants.

Maintaining the status quo of our current immigration system is a loser for the United States. Increased and improved immigration has the potential to solve many of our current and future economic problems because immigration is essential to the economy, country, and American way of life. The U.S. Chamber views immigration as an opportunity to fundamentally improve our global competitiveness, attract and retain the world's best talent, the hardest workers, secure our borders, and keep faith with America's legacy as an open and welcoming society.

---

<sup>32</sup> "Legalization enhances security and reduces crime. Unauthorized immigrants undermine security by using fraudulent identity documents, but legalization requires them to register with government agencies and gives law enforcement and intelligence services reliable information about the actual foreign-born population." See Marc R. Rosenblum, "Immigrant Legalization in the United States and European Union: Policy Goals and Program Design," Migration Policy Institute (December 2010), p. 2.