

The Economics of Immigration

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An economic perspective on immigration – both legal and illegal – and the prospects for reform.

Summary of a presentation by Judy Gans

Director of the University of Arizona's Immigration Program at the Udall Center for Studies in Public Policy

A visceral issue

The immigration issue is one of the most contentious debates in America today. The issue raises a number of difficult questions: Are immigrants good for the economy or not? Do they lower wages of American workers? What are the fiscal impacts on state and local governments, schools, and social services?

These questions usually spur wildly competing claims, and debates often become shouting matches. Stepping back from the emotional responses and cutting through the political rhetoric requires an understanding of the economics that drive immigration and the laws that are supposed to control it.

On a deeper level, immigration raises fundamental questions about American society: What does it mean to be American? Who is "us" and who is "them?"

"Immigration is fundamentally about who we are as a society; who is a member of our polity, and how we welcome people," Gans said. "Those are the very visceral issues that having such a large number of newcomers in society raises."

On a massive scale

The number of illegal immigrants in the United States is massive – more than 11 million. Each year between 2000-4, an average of 850,000 people entered the country illegally, according to the Pew Hispanic Center.

An overwhelming number of the 11 million illegal immigrants are from Latin America – about

56 percent from Mexico and 22 percent from other Latin American countries. About 13 percent of the illegal immigrant population is from Asia.

“The sheer numbers are alarming to some people. There is a feeling that the system is out of control,” Gans said.

Unauthorized immigrants are classified as such for a variety of reasons: Some cross the border illegally, but many others enter the country legally and overstay their visa, or in some other way violate the terms of their visa.

Almost half of all illegal immigrants are adult men; 35 percent are adult women, and 16 percent are children.

Most people don’t speak of immigration without the word “illegal” in front of it, but not all immigrants are illegal. Unauthorized immigrants constitute about 30 percent of the foreign-born population in the United States, and about 5 percent of the workforce. About 28 percent of foreign-born people in the U.S. are legal permanent residents; 31 percent are naturalized citizens; and 7 percent are refugees.

“Legal immigration and illegal immigration are often equated, which makes it difficult to have a thoughtful discussion about it,” Gans said.

Economic impacts

Does immigration help or harm the U.S. economy? Does it help or harm American workers?

The impact of immigration on the U.S. economy and workforce is substantial. Since 1990, immigrants have constituted 50 percent of the growth in the U.S. labor force. Today, one in 8 workers foreign born. By comparison, in 1960, one in 16 workers were foreign-born.

“Big numbers shape and drive the economics of the issue,” Gans said.

Immigrants have become embedded in the U.S. workforce and are vital to certain industries such as farming, construction and the service sector. Immigrants constitute almost 40 percent of the workers in the farming, forestry and fishing industries. About 20 percent of the construction industry is powered by foreign labor, and the service industry is about 21 percent.

What this means for the economy is greater output. The biggest winners are employers, owners of capital and land, managers and workers with complementary skills.

“Noncitizens are filling some real gaps in the work force. This is a complementary workforce, not a replacement workforce,” Gans said. “We have a larger workforce, so the economic pie is bigger.”

The impact of immigration on individual workers in different business sectors is mixed. Immigrants lower the wages of some workers and raise those of others. Illegal immigrants work almost exclusively in the lowest-paid, least-desirable jobs, they don’t compete with American workers. Legal immigrants more often compete with Americans for jobs in high-skilled professions.

A drain on society?

The politics of immigration involves many competing claims about its effect on government, education, health care and other social services.

In fact the impact of immigration varies from state to state. In states that offer generous social services, such as California and New York, the fiscal impact of immigrants is substantial. But

in states such as Texas and Florida, which have high immigrant populations but less generous public services, the impact is less.

The primary expenses of immigrants to state and local governments are health care and education. Low-skilled workers, not just immigrants, tend to consume more in services than they pay in taxes.

The impact of immigration on the federal government is less. The difference between taxes paid and services consumed is positive at the federal level.

“In the aggregate, immigrants benefit the U.S. economy, but there is no mechanism to offset the burden on the states, and the distribution of benefits is uneven,” Gans said. “The beneficiaries of immigration are primarily employers and owners of capital. The losers are those who compete with immigrants directly and immigrant-receiving states with generous social services.”

A bureaucratic nightmare

It is also important to understand the immigration issue in the context of the U.S. legal system.

Immigration laws are complex and difficult to comply with, Gans said. For example, if someone enters the country legally, and then moves, but fails to notify the INS of a change of address, they have become an illegal immigrant.

“Our immigration laws are more complex than the tax code, which is something of an accomplishment,” Gans said. “It is an inordinately complicated system that is expensive to comply with.”

The mismatch between the legal channels for immigration and the demand for cheap labor is the driving force behind illegal immigration.

“These are the realities that are driving this: We don’t provide adequate legal channels for economic migration,” Gans said. “If the legal channels aren’t there, there is tremendous pressure for workers to come in through another source.”

With an insatiable demand for cheap labor, illegal immigrants are readily able to find employment in the U.S.

“Once they are here, they can find work because we are not really serious about disrupting the economic activity that these workers make possible,” Gans said. “Illegals are here because we’re hiring them, and there is limited political will to do anything about it due to U.S. labor needs.”

U.S. immigration laws are designed, at least in theory, to protect U.S. workers from competition from foreign workers and bring in people to fill scarce positions – usually in highly skilled professions. Ironically, the immigration laws that are supposed to protect American workers also bring in highly skilled workers who compete with Americans for the most desirable jobs. Illegal immigrants take the unskilled jobs most Americans don’t want.

A controversial component of legal immigration is the family reunification system, which allows family members into the country. Critics of the immigration system say this puts too much power in the hands of individual immigrants rather than the government in deciding who does and doesn’t come in.

Enforcement – and lack thereof

Federal expenditure for enforcement at the border has risen from \$700 million in 1985 to \$2.8

billion in 2002.

By contrast, enforcement at the workplace is minimal. In 1991, worksite enforcement cases were 9 percent; by 2000, the number dropped to 2 percent.

The statistics display the conflicting attitudes toward immigration: Many people who would advocate strict enforcement at the border would not approve of firing productive workers because of their immigration status.

“We are ambivalent about enforcement,” Gans said. “Enforcement has focused on the border; but once you’re here, enforcement is less. The pressure not to disrupt the economic activity that immigrant labor makes possible. Most people don’t think we should disrupt economy by extricating these people from their jobs.”

Consequently, interior enforcement is minimal, while most of the attention is focused on the border.

“It’s easy politically to spend money on enforcement at the border, because it means you’re doing something. This is another case of competing political forces,” Gans said.

Policy and politics

The politics of immigration are brutal. Some say we can’t reform the system until we get control of the border, and others say we can’t control the border until we reform the system. The positions basically fall into four categories:

- “Cosmopolitans,” such as Senator Ted Kennedy (D-Mass.), who calls for liberal immigration laws and expansive rights for immigrants.
- “Nationalist egalitarians,” such as Senator Diane Feinstein (D-Calif.), who advocates strict border enforcement but favors expansive rights for immigrants already in this country.
- “Free market expansionists,” such as Congressman Jeff Flake (R-Ariz.), who favors a temporary worker program to meet employment demands.
- “Exclusionists,” such as Congressman Jim Sensenbrenner (R-Wisc.) and Tom Tancredo (R-Colo.), who advocate strict enforcement at the border and the workplace.

“What to do with the illegal population already in this country is driving the stalemate,” Gans said. “I don’t think we want to deport, incarcerate or extricate from the economy 12 million people. The costs to that would be tremendous. The disruption to the economy would be tremendous

“On the other hand, the question of rewarding illegal behavior and encouraging future illegal migration is an issue that carries political weight and has some legitimacy. There are legitimate arguments on both sides of the question.”

A global phenomenon

The United States is not alone in its immigration woes. Europe, Australia, Canada and the rest of the developed world grapple with the issue.

The United Nations estimates that there are about 175 million immigrants worldwide, or about 3 percent of the planet’s population. In developed countries, one in 10 people is an immigrant. By contrast, in developing countries, only one in 70 people is an immigrant.

“This is not just a U.S.-Mexico issue, but a world-wide phenomena,” Gans said. “There is a huge influx of people moving from the developing world to the developed world, which goes hand in hand with globalization. Immigration is both a cause and consequence of globalization.”

Even Mexico experiences illegal immigration, mostly from Guatemala, Honduras and El Salvador. Costa Rica has experienced a huge influx of illegal immigrants from Nicaragua.

Both economic and demographic realities are driving immigration. All over the world, especially in the developed world, birth rates are declining and populations are aging. For example, by the year 2050, Italy will have fewer people than today. Today, Italy has 3.7 workers for every person over 65. By 2050, that number will be 1.5. In the United States, there are 5.4 workers for every person over 65. By 2050, that number will drop to 2.7.

Declining working populations will make it difficult to maintain government social services and entitlement programs such as Social Security.

Immigrants and society

Immigrants and their children are dramatically changing the demographic landscape of the United States. In 2003, Latinos surpassed African-Americans as the largest minority group in the United States. Latinos now represent about 14 percent of the U.S. population. This spectacular growth is a result of both immigration and high domestic birth rates.

According to the U.S. Census Bureau, the Latino population in the United States grew from 22.4 million in 1990 to 41.3 million in 2004, adding a staggering 18.9 million people in 10 years. Broader estimates, which include Puerto Rican islanders (4 million) and undocumented immigrants (5 million), put the U.S. Latino population at over 50 million.

Of the 32.5 million foreign-born residents in the United States in 2002, about 16 million originated from Latin America and Spain, according to the Census Bureau.

The sheer numbers, coupled with the dominance of Mexicans and other Latin Americans in the immigrant population, has raised concern about America’s cultural future. Harvard professor Samuel P. Huntington believes that Latinos do not assimilate in the way prior immigrants did; and if the current tide of mass migration isn’t stemmed, the United States could balkanize into two competing cultures, creeds and languages.

Gans noted that many of the things being said about Latinos today were said at the turn of the last century about Italians – “that they were culturally and politically too different than traditional sources of American society. And today we have Judge Samuel Alito being criticized as one more white guy on the Supreme Court.”

Gans also pointed out that although the numbers of immigrants today are higher than ever in U.S. history, the immigrant population as a percentage of the overall U.S. population is actually lower now than it was at the turn of the century.

“I think we’ve been here as a country before, and we don’t have anything to worry about,” Gans said. “There is more concern about immigrant incorporation than there needs to be.”

Nonetheless, the debate is not likely to end any time soon. “The impacts are complex, and the politics are brutal. This issue will be with us for a while,” she said.

Written and reported by Bruce Murray
