



PARTNERSHIP FOR A
**NEW AMERICAN
ECONOMY**

THE ECONOMIC CASE FOR IMMIGRATION

Immigration reform has been a national priority for many years, but it has been difficult to build winning legislative coalitions. Public concern aggravated by the recession has predominantly focused on concerns about job competition, wage pressures, and the perceived social costs of illegal immigrants. Lost in this discussion is the fact that the majority of immigrants live in the United States legally, and immigrant workers contribute income, Social Security, Medicare, and sales taxes. Immigrants create new businesses and job opportunities, spur innovation, and play significant roles in both high- and low-skilled occupations such as information technology, engineering, bio-tech, medical services, construction, hospitality, and agriculture.

There is a strong economic argument that the growth and prosperity of the United States is dependent on immigrants replenishing our workforce. America will begin to age rapidly as the leading edge of the baby boom generation turns 65 in 2011. One benefit of the recent wave of immigration is the contribution immigrants have made at the younger end of the age spectrum. This “younging” of the population will continue to help the economy grow by providing new workers, new home buyers, and new citizens as more Americans live longer.

There is also economic consideration to resolving the controversial issues of border security and the path to legalization. Quite simply, emphasizing only border security and deportation will result in huge Federal expenditures and depress the economy as businesses lose essential workers. On the other hand, solutions that take a comprehensive approach matching security with work place enforcement and a path for legal entry and work will increase wages, tax revenues, and economic growth.

IMMIGRANTS AS ENTREPRENEURS & INVENTORS

Immigrant entrepreneurs create companies and jobs in the U.S.

- Immigrants are nearly twice as likely as U.S.-born to start new businesses according to analysis of entrepreneurial activities between 1996 and 2008.¹
- 25.3 percent of technology and engineering businesses launched in America between 1995 and 2005 had an immigrant founder. In Silicon Valley, 52.4 percent of the new tech startups had an immigrant founder.²
- Immigrant-founded companies created around 450,000 jobs in under a decade, and generated an estimated \$52 billion in sales in a single year (2005).³

Immigrants are inventors, helping to develop the next new idea.

- About a quarter of the international patents filed from the United States in 2006 were based on the work of non-citizen immigrants living in America.⁴
- Many major American companies rely on foreign-born inventors. Foreign-born inventors were behind 72 percent of Qualcomm's patents, 65 percent of Merck's patents, and 64 percent of General Electric's patents.⁵
- Even the federal government relies on immigrant inventors: 41 percent of the patents filed by the U.S. government had foreign-born inventors or co-inventors.⁶

Immigrants studying in America's universities become many of America's next scientists, engineers and inventors.

- Over half (53%) of the immigrants behind U.S. patents obtained their highest degree from a U.S. university.⁷
- In recent years, immigrants were 33 percent of the doctorates – and 57 percent of the postdoctorates – in U.S. science and engineering programs.⁸
- However, a decreasing percentage of immigrant-graduates are planning to stay in America because of a combination of America's difficult immigration system and growing opportunities back home.⁹

IMMIGRANTS DON'T DEPRESS WAGES OR CAUSE UNEMPLOYMENT

Immigration leads to higher wages for the overwhelming majority of U.S.-born workers.

- A 2010 study by the Federal Reserve Bank of San Francisco found areas with higher immigration have higher wages for native workers because immigration leads to greater specialization and productivity. From 1990 to 2007, immigration was associated with an increase of about \$5,100 in the yearly income of the average U.S. worker in constant 2005 dollars.¹⁰

- The same study found no evidence that immigrants hurt employment rates or hours-per-worker for U.S.-born workers.¹¹

Immigrants don't compete with native-born workers for jobs, because they often work in complementary areas.

- America needs low-skilled workers as the workforce gets older and more educated. In 2012, the median age of the American worker will be the highest in history (41.6 years), and the share of Americans without a high school diploma has dropped from more than 50 percent in the 1960s to below 10 percent today.¹²
- Roughly 80% of seasonal agriculture workers are immigrants.¹³ The U.S. Department of Agriculture estimates that every on-farm job supports 3 additional jobs, often in better paying sectors such as manufacturing, packaging or transportation.¹⁴
- At the high-end, each high-skilled visa (H1B) in a company creates an estimated 5 more jobs in the same company because high-skilled immigrants often work in areas that promote growth such as R&D and export. (New workers are also new consumers and residents – creating additional jobs in the local economy)¹⁵

IMMIGRANTS CONTRIBUTE TO THE ECONOMY & PAY TAXES

Quite simply, new immigrants mean new economic growth – immigrants generate considerable spending on goods and services.

- In a study from the Bush White House in 2007, the Council of Economic Advisors estimated that immigrants contributed \$37 billion per year to the economic activity of native-born.¹⁶
- From 1990 to 2006, the cities with the biggest increase in immigrant workers were the cities with the fastest economic growth.¹⁷

In addition to direct spending into the economy, all immigrants pay billions of dollars in federal, state and local taxes.

- A comprehensive study estimated that legal and illegal immigrants paid \$162 billion in federal, state, and local taxes in 1997.¹⁸
- A National Research Council study found between one-half and three-quarters of illegal immigrants pay federal and state income taxes.¹⁹
- According to the Social Security Administration's Chief Actuary, undocumented immigrants have contributed an estimated net of \$120 billion to \$240 billion to the Social Security fund which they are ineligible to ever receive. In fact, he estimated the fund would become insolvent six years sooner if it weren't for contributions from illegal immigrants.²⁰

IMMIGRANTS HELP KEEP AMERICA'S WORKFORCE YOUNG AND GROWING

Immigrants generally contribute more to the government in revenue than they cost in services because they tend to come to America when they are young, working, paying taxes and not drawing extensively on social services.

Immigrants were 39 percent of all new entrants to the labor force in 2008, but only 13 percent of population, reflecting the fact that they are more likely than the U.S.-born to be of working ages.²¹

A RAND study found that of government health care spending at the federal, state and local level, only 1.25% is spent on illegal immigrants.²²

The National Research Council found that legal and illegal immigrants pay nearly \$1,800 more in taxes than they receive in benefits.²³

In large part because of immigration, the U.S. has a relatively young and growing population – a demographic advantage over many other mature economies.

- Compared to other industrialized nations, the United States is demographically blessed with a young and growing population.²⁴ More than one-third of this growth is due to new immigrants arriving in the country, and the rest includes births to immigrants living in the U.S.²⁵
- Other countries with lower fertility rates and fewer immigrants are struggling to support their elderly. For Italy to keep the same ratio of employed to retired by 2050, the country would have to attract 2.3 million immigrants or move the retirement age to 77.²⁶

MORE BORDER SECURITY IS BETTER, BUT IT WON'T STOP ALL ILLEGAL IMMIGRATION

While more can be done to secure the border, there currently is more border security than there has ever been.

- The Border Patrol has the most staff in history, with close to 20,000 agents – nearly double the number of agents from 2004.²⁷ In 2009, America deported close to 400,000 illegal immigrants, the highest number in history.²⁸
- For the first time in two decades, the number of illegal immigrants in the United States clearly fell, after peaking at 12 million in 2007, to about 11.1 million in 2009.²⁹

More border security spending alone will not stop the flow of illegal immigrants.

- The U.S. has increased border security funding almost every year since from 1992 to 2007 – an increase of 900 percent in 15 years. At the same time, the estimated population of illegal immigrants more than tripled, from 3.5 million to a peak of 12 million.³⁰

- However, the population of illegal immigrants only started to decline at roughly the same time as the recession.³¹
- The border is not the only way illegal immigrants enter – an estimated 40 percent or more of all illegal immigrants entered legally with valid visas and then simply overstayed their visas.³²

A PATH TO LEGALIZATION IS PRACTICAL AND WILL HELP THE ECONOMY

Deporting an estimated 10-12 million illegal immigrants would be impractical, extremely expensive, and harmful to the overall economy.

- A 2010 estimate put the price of mass deportation at \$285 billion over five years, or \$57 billion yearly, representing over \$900 in new federal taxing and spending for every U.S. man, woman and child.³³
- Illegal immigrants include roughly 8 million people working in America.³⁴ The Cato Institute estimates deporting just 30 percent of illegal immigrants would cost the economy \$80 billion dollars.³⁵
- The Center for American Progress study found that mass deportation would cost the economy \$2.6 trillion over 10 years.³⁶

A path to legal status – that could include registration, security checks, payment of fees and taxes, and a requirement to learn English – would help the economy by bringing immigrants out of the shadow economy, adding to the tax base and speeding assimilation.

- Both Cato and the Center for American Progress agree that a path to legal status would add to the economy. The study by the Center for American Progress estimates that over 10 years, a full path to legalization would add \$1.5 trillion to the GDP.³⁷
- Studies showed that the 1986 legalization improved immigrant upward mobility and increased rates of education, language training, and vocational training.³⁸

ENDNOTES

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