

ECONOMIC AND SOCIAL IMPACTS OF IMMIGRATION REFORM

“HERE COMES EVERYBODY”



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GSS Immigration Reform from Dream to Reality
April 7th 2013, 12th Floor Lounge,

Economic impacts of Immigration Reform at the national, state and city level....what to expect

1. **Complementarity effect:** immigrant skills complement natives... raising wages and productivity in destination states/cities (See Peri, 2010, Card, 2007)
2. **Demographic bonus:** immigrants tend to have more children, taxing local services, but this effect operates in reverse as children become adults
3. **Diversity positive if immigrants can vote:** empowerment can mitigate “bad schools” created by gentrification-middle class flight k-12 schools hard to fix, but it can be done... old and new Amsterdam have made progress in this areas..^{1/}

^{1/} Card, 2007 reports studies showing natives flee when Hispanic + non-white share hits 15% (Card, 2007)

Selective vs Non-selective immigration

1. Work permits are selective: H-1B and H-2B visas are non-immigrant work permits targeting particular groups. Many countries, Australia & Canada, have selective immigration policy; immigrants are better educated than natives, this is not true in the U.S. (or the Netherlands for example).

2. Family re-unification is largely non-selective (meaning not determined by employers or government quotas): the U.S. moved in this direction in 1965: *The current “bi-partisan framework” includes a path to citizenship for those already here and thus increases non-selective immigration:*

- ✓ The H visas involve hundreds of thousands
- ✓ Up to 10 million may use a “path to citizenship”

CIPS migration survey shows large income gains for migrants from Mexico in New York City:

- ❑ **Migration raises income from \$1600 per year to about \$12,000** that is from \$130/month to about \$1000/month for each breadwinner with less than 9 years of education from poorest Municipios in Puebla and Guerrero raises...1/
- ❑ **Remittances sent to Mexico** raise incomes for those left behind from \$130/month to \$230/month in “high poverty and severe Municipios” (data from ENIGH)
- ❑ **Going to college pays in New York City** (compared to LA and Durham, NC) earnings for Mexican immigrants in U.S. for less than 10 years go from \$26,000 to \$36,000/year about 50% higher than in LA or Durham, NC.

1/ We asked everyone of the over 100 immigrants we interviewed where they were from (what Municipio in Mexico). All but two were from rural areas of Puebla and Guerrero, the estimate of \$130 a month is for the poorest Municipios (based on Mexico's national household expenditure survey). The \$12,000 earnings are for immigrants living in New York from Mexico for less than ten years, as computed using the combined 2005-2009 ACS for NYC, this is also roughly equal to expenditures per employed worker in the households in our survey.

Large income gains for migrants from Puebla/Guerrero, especially from poorest areas

Table 2.4: Comparisons of current consumption spending by remittance and no-remittance receiving households in Guerrero, Oaxaca and Puebla Municipios classified by CONAPO Marginalization Index

(2008 ENIGH household expenditure survey)

	current pesos			Dollars (11.2/dollar)		In U.S. prices \$ppp		Annual Remittance
	w/o Remit	w/ remit	diff	w/o Remit	w/ remit	w/o Remitt	w/ remitt	
Low-Med Pov	28606	32888	15%	2554	2936	3269	3759	1340
High Poverty	19604	21955	12%	1750	1960	2241	2509	2792
Very High	13940	15891	14%	1245	1419	1593	1816	1144

	Spending on Education			Spending on health and education			
	w/o Remit	w/ remit	Diff	w/o Remit	w/ remit	Diff.	As a % of Remittance
Low-Med Pov	626	654	-4.3%	947	595	-37%	44%
High Poverty	299	479	60%	486	649	34%	23%
Very High	100	134	34%	247	204	-17%	18%

Source: INEGI 2008 National Household Income and Expenditure Survey (ENIGH). In order to control for factors that may vary across municipalities (villages) these comparisons only include the 57 Municipios and 234 households that receive more than \$10 a month in remittances as shown in Table 2.3.

DACA and access to college lead to large gains in income... Packard foundation study compares NY-LA and NC corridors

Table 1D: Los Angeles, New York and North Carolina: Education and earnings

	City or State of Survey			Premia over LA ^{1/}	
	Los Angeles	New York City	North Carolina	New York City	North Carolina
Total earned Income 2005-2009 Annual Averages					
Mexican in U.S. 10yrs or less	16,927	21,414	17,278	27	2.1
All residents	41,380	43,928	35,955	6.2	-13
Total earned income by for Immigrants with 0-9 years of Education					
Including dependents	7,526	11,895	9,149	58	22
Per income earner	15,576	26,283	16,269	69	4.5
Total earned income by for Immigrants with some college					
Including dependents	17,280	26,636	19,000	54	10
Per income earner	22,742	36,114	21,998	59	-3.3
Education premium for Mexican immigrants in U.S. 10 years or less ^{2/}					
Including dependents	130%	124%	108%	-5.7%	-16%
Per income earner	46%	37%	35%	-8.6%	-2.2%

Source: *Multivear ACS 2005-2009 IPUMS USA, see Ruales et al., 2010.*

1/ Earnings premia or penalty in New York and North Carolina compared to Los Angeles.

2/ The education premium is lower in New York and North Carolina, suggesting more opportunities for less as opposed to well educate immigrants.

Source: *Fuentes, et al. (2011) Final Report to Packard Foundation*

Large income gains from U.S. to Mexico migration

Table 1: Gain in annual income from migrating from Mexico to the US

Income measure	Source	Value
US-Mexico difference in per capita GDP	World Development Indicators	\$24,800
US-Mexico difference in average annual earnings of 28 to 32 year old males with 9-11 years of education	Hanson (2006)	\$10,600
Estimated gain in annual earnings from US migration for a 35 year-old urban Mexican male with 9-12 years of education	Clemons, Montenegro, and Pritchett (2008)	\$9,200
Average gain in income for a legal immigrant from Mexico with 9-12 years of education	Rosenzweig (2007)	\$15,900

Source: Hanson, G. 2009 [International Migration and Human Rights](#)

All figures are in 2000 US dollars and adjusted for PPP. Source: Hanson (2009).

Immigration Policy 1917 to 1965: quotas admit Northern Europeans only, no path to citizenship for Asians (ever), immigration policy selective by race and ethnicity, not by educational attainment or special skills.... From 1917 to 1965 share of foreign born in U.S. declined.

Closing the borders 1920 to 1965 immigration legislation:

Immigration Act of 1917 (aka the **Asiatic Barred Zone Act**) restricted immigration of certain groups (Asians in particular)

Emergency Immigration Act of 1921 (Emergency Quota Act) restricted immigration with temporary quotas 3% of existing population blocked Southern European minorities....

Immigration Act of 1924, or Johnson–Reed Act, included the **National Origins Act and the Asian Exclusion Act**

Race based quota system relaxed in 1965

U.S. immigration shifted quietly but decisively

1965 Immigration and Nationality Act, aka.

the **Hart-Cellar Act** (signed by with little fanfare by President Johnson initiated by President & Attorney General Kennedy and Rep. Emmanuel Celler of Brooklyn)

1986 Immigration Reform and Control Act of 1986, (IRCA or Simpson-Mazzoli Act)

- required employers to verify employees' immigration status.
- made it illegal to knowingly hire unauthorized immigrants.
- granted amnesty to about 3 million immigrants who entered the US before January 1, 1982 and resided here continuously.

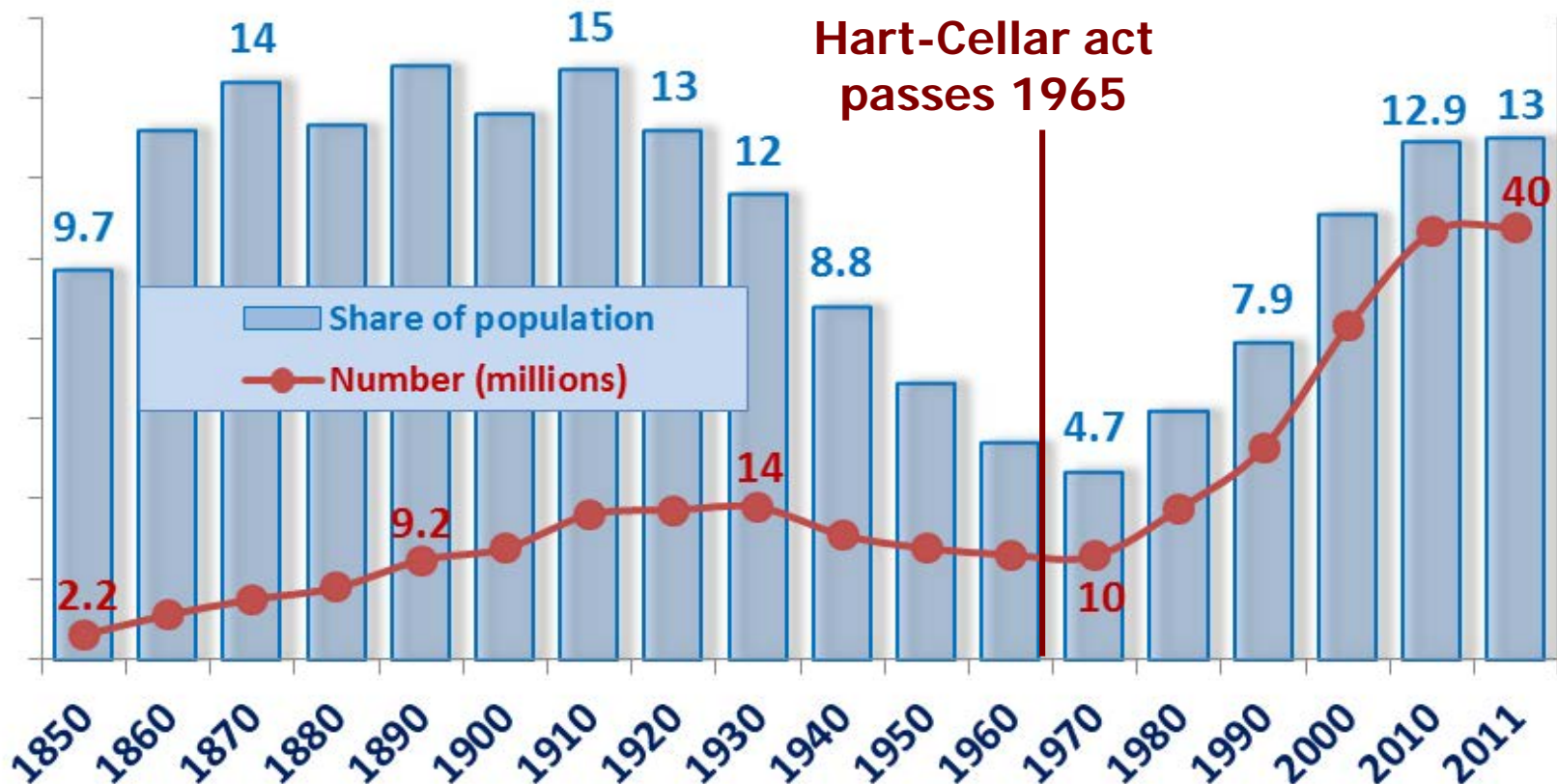
3 DACA: Deferred Action for Childhood Arrivals

set the stage for immigration reform 2013, focus on family reunification, children of immigrants



1965 Hart-Cellar Act family reunification... 2013 Immigration reform likely more of the same

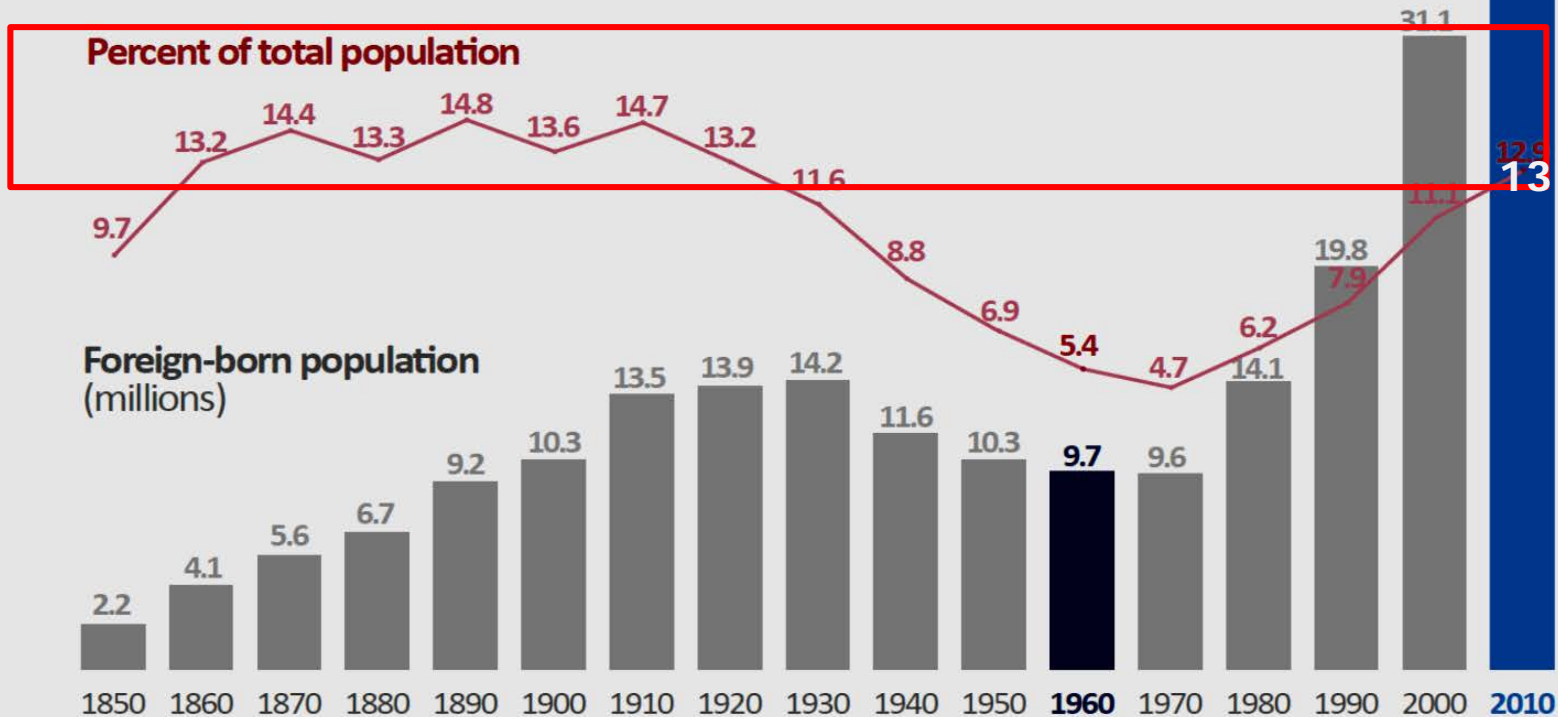
Figure 1: Foreign born share of U.S. population returns to 1920 levels



Source: Source Migration Policy Institute MPI Data Hub, November 2012,
<http://www.migrationinformation.org/datahub/charts/final.fb.shtml>

40 million looks large, but is same 13-15% share of population as during 1860 to 1920 peak

Foreign-Born Population and as Percent of Total Population

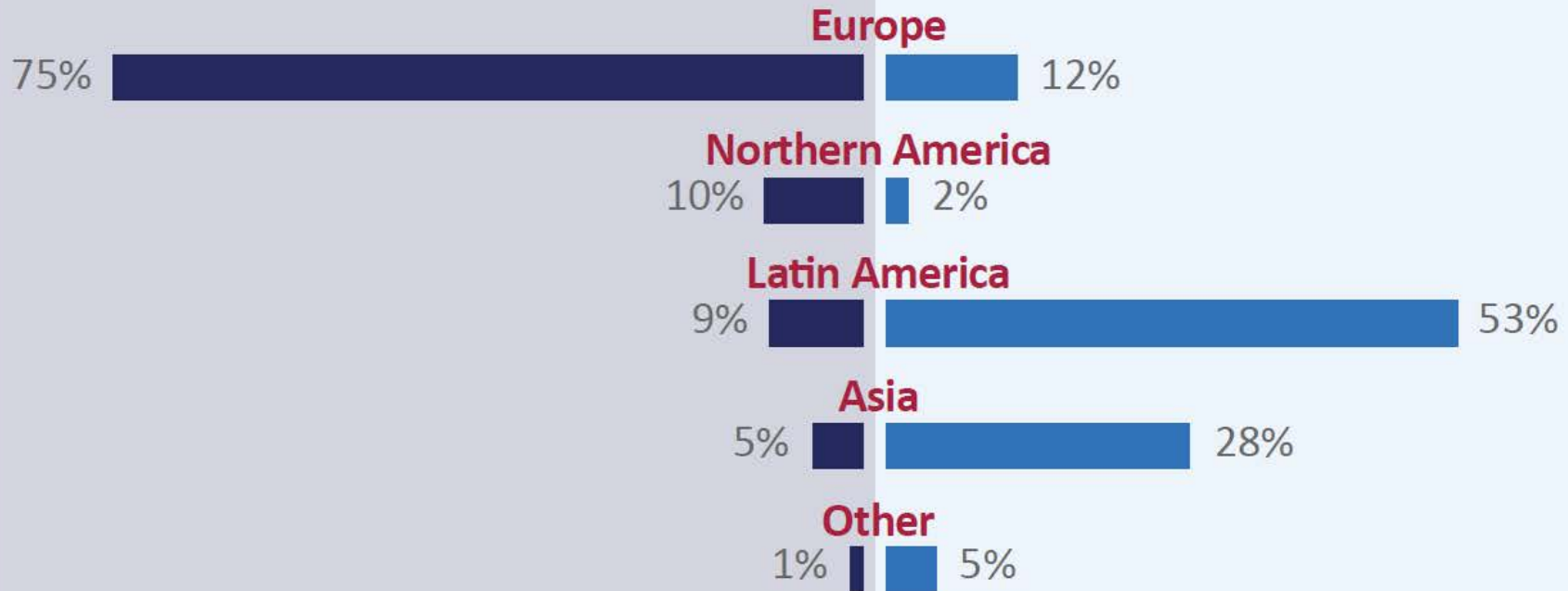


Source: U.S. Census Bureau, 1850–2000 Decennial Census; 2010 American Community Survey.

U.S. Immigration reform

Change in Foreign-Born Population by Region of Birth

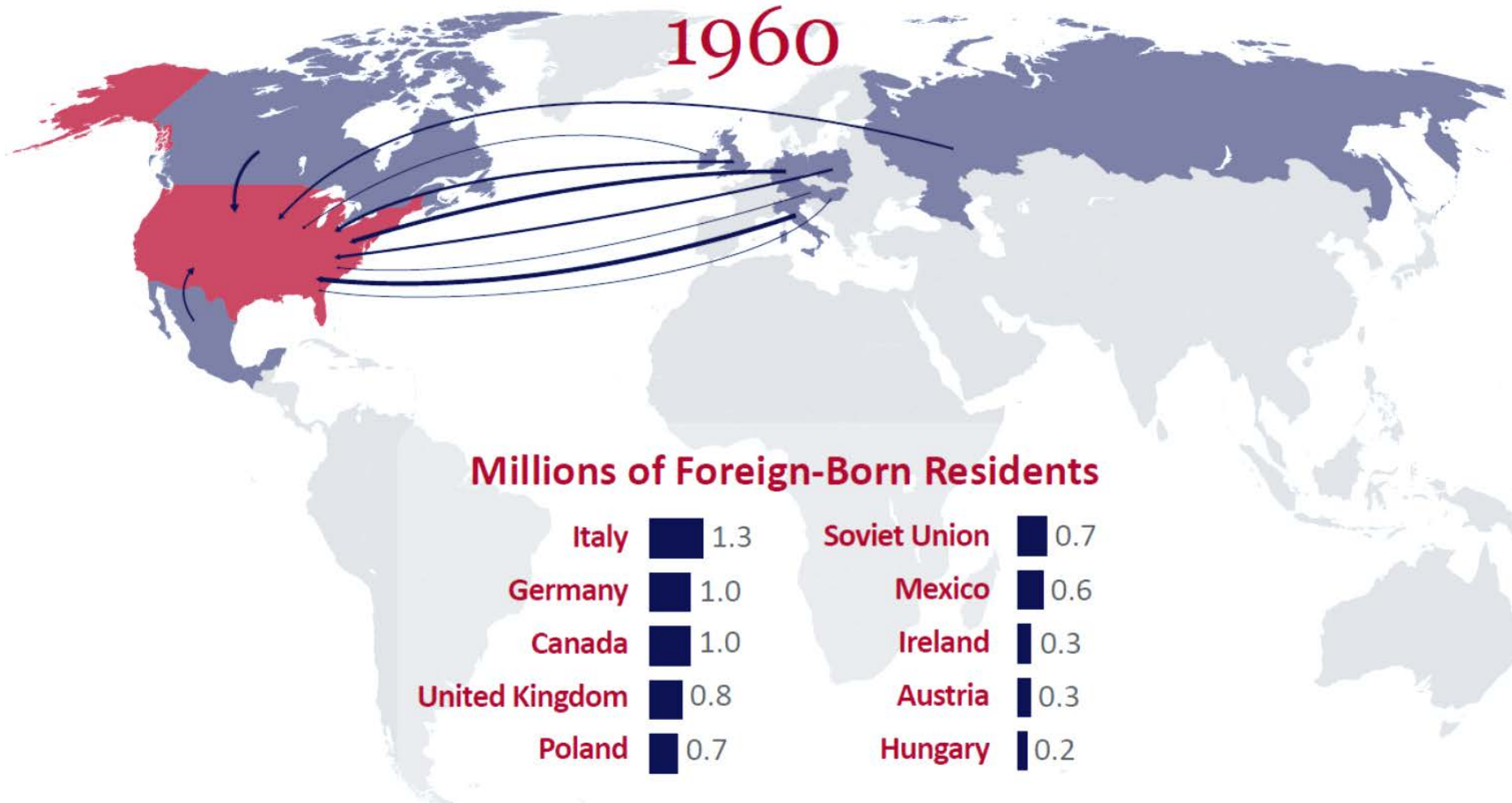
1960



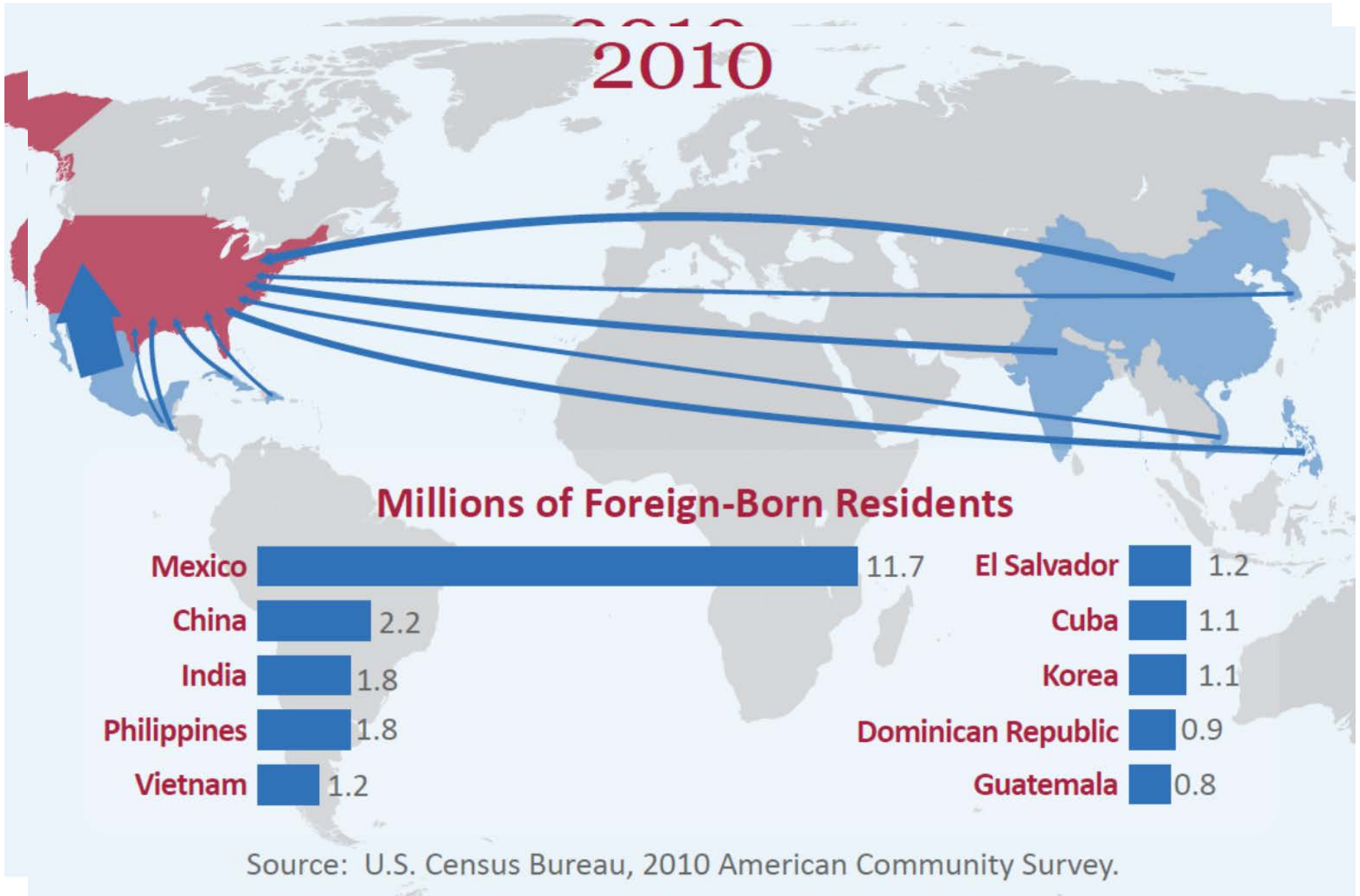
Source: U.S. Census Bureau, 1960 Decennial Census.

Source: U.S. Census Bureau, 2010 American Community Survey.

Top 10 Countries of Birth



Source: U.S. Census Bureau, 1960 Decennial Census.

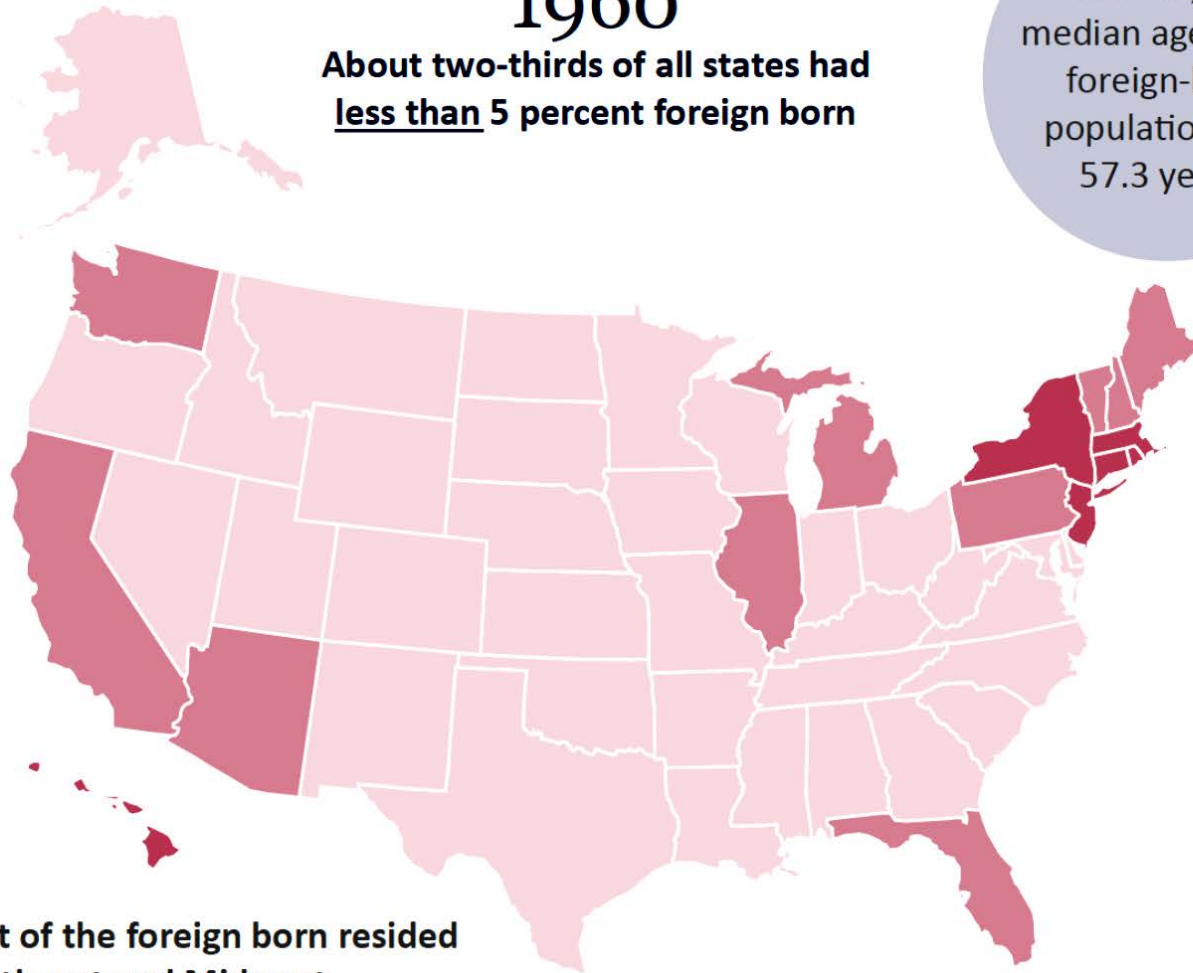


Foreign-Born Population as a Percent of State Population

1960

About two-thirds of all states had less than 5 percent foreign born

In 1960, the median age of the foreign-born population was 57.3 years.



70 percent of the foreign born resided in the Northeast and Midwest.

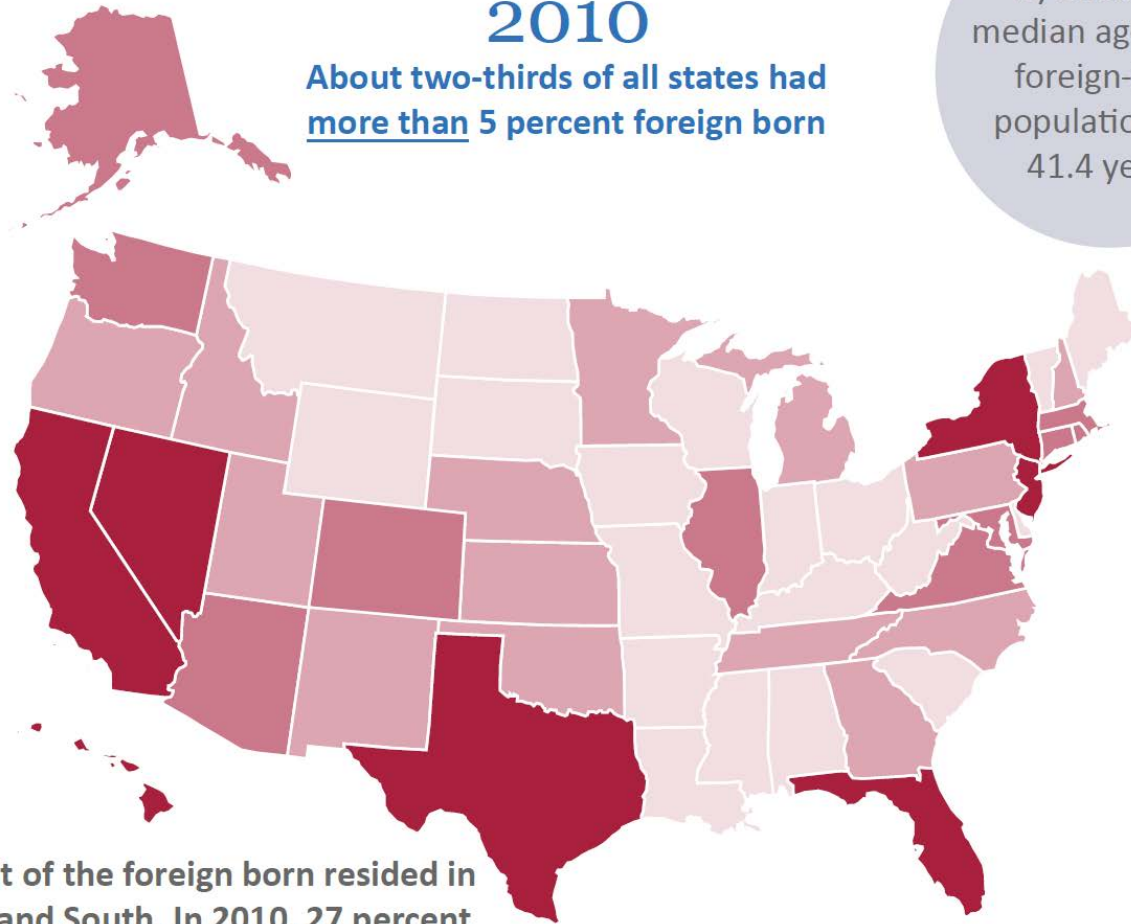
Less than 5% 5 to 9.9% 10 to 14.9% 15% and over

Source: U.S. Census Bureau, 1960 Decennial Census.

2010

About two-thirds of all states had more than 5 percent foreign born

By 2010, the median age of the foreign-born population was 41.4 years.



67 percent of the foreign born resided in the West and South. In 2010, 27 percent of California's population was foreign born, highest in the nation.



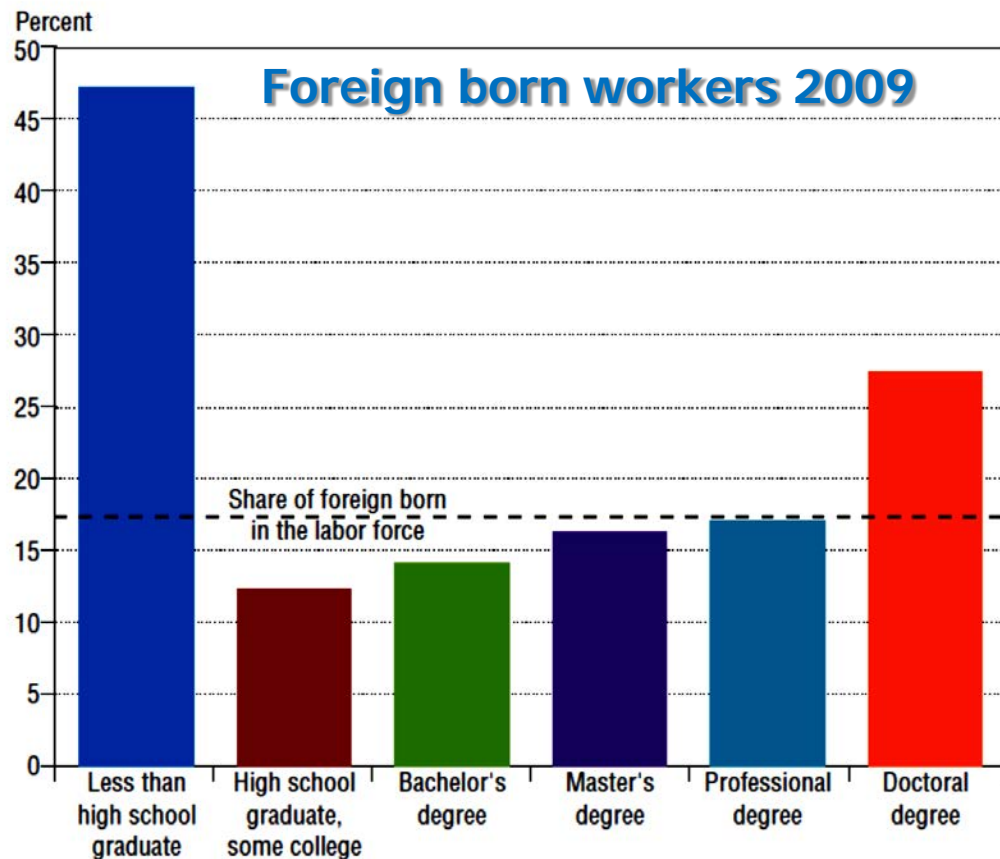
Source: U.S. Census Bureau, 2010 American Community Survey.

Three Economic impacts of Immigration Reform....

- **Complementarity effect:** immigrant skills complement natives... raising wages and productivity in destination states & cities
- **Demographic bonus:** immigrants tend to have more children, taxing local services, but this effect operates in reverse as children become adults
- **Diversity and tipping point effects:** gentrification, middle class/white flight when Hispanic + non-white share hits 15%

Complementarity effect: *skills/degree mismatch of foreign born vs. native workers*

Immigrant Workers Overrepresented at Extremes of the Education Distribution

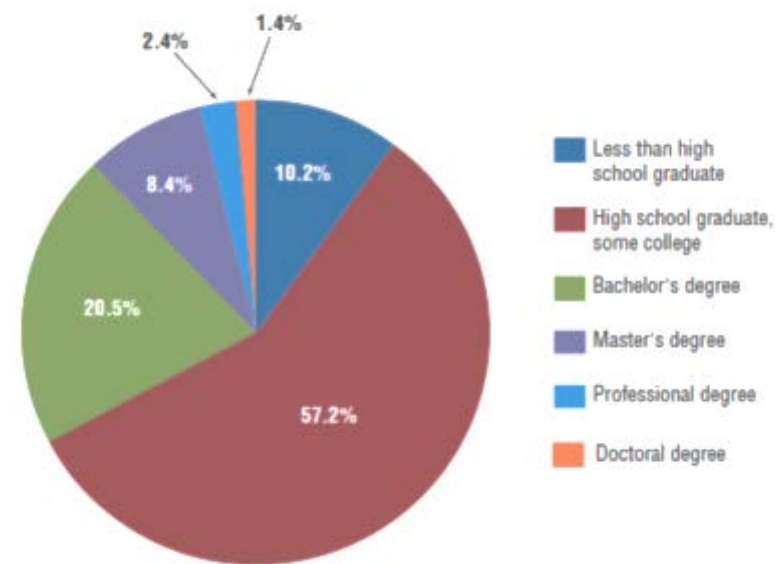


NOTE: Percentage of foreign workers age 25 and over in the U.S. labor force by education.

SOURCE: 2009 American Community Survey.

Native workers 2009

Most Workers Have High School but Not College Degree
(Labor force by education)



NOTE: Percentage of foreign and native workers age 25 and over in the U.S. labor force by education.

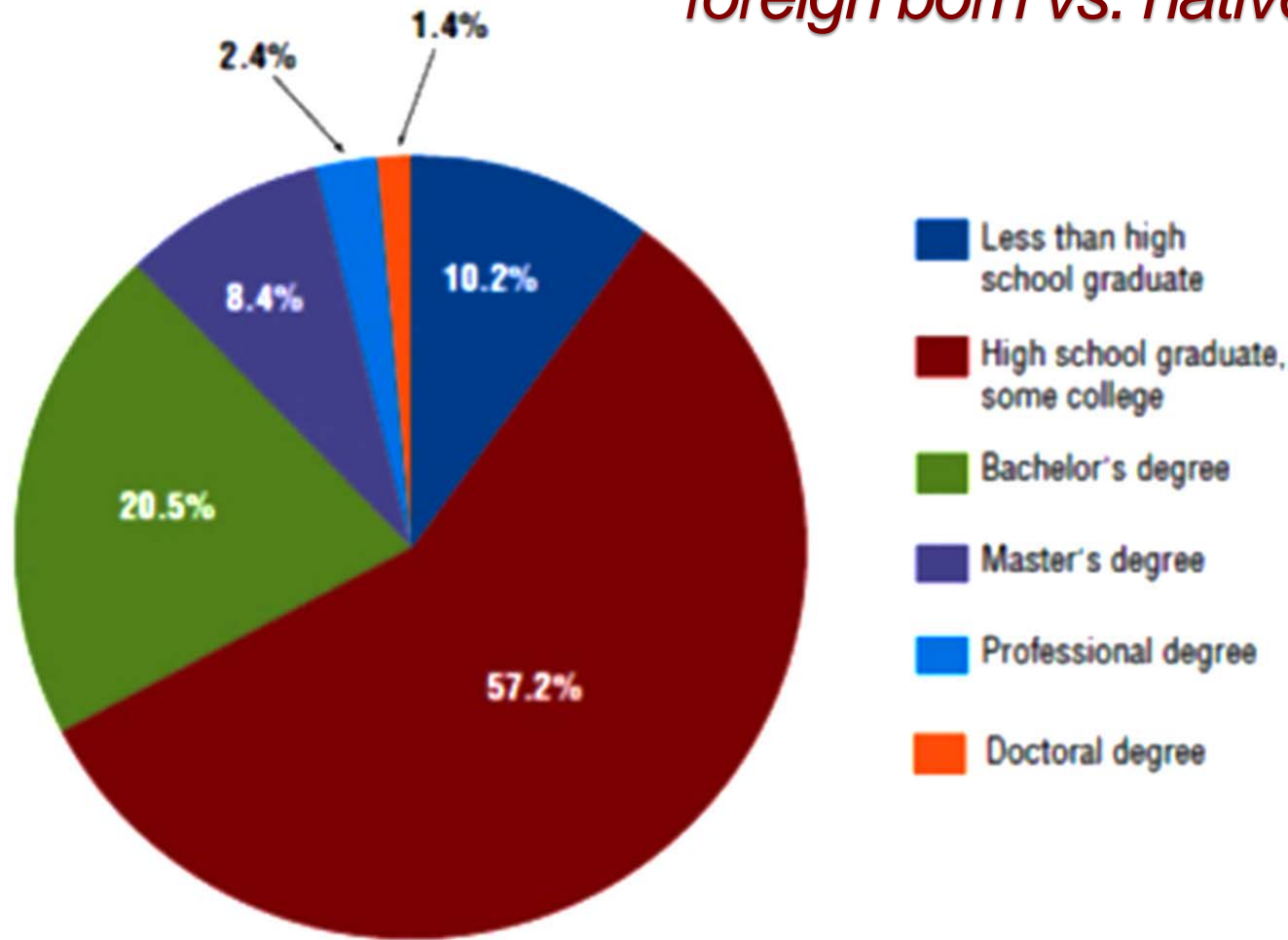
SOURCE: 2009 American Community Survey.

U.S. Immigration reform

Most Workers Have High School but Not College Degree

(Labor force by education)
Native workers 2009

Complementarity effect:
foreign born vs. native workers



NOTE: Percentage of foreign and native workers age 25 and over in the U.S. labor force by education.

SOURCE: 2009 American Community Survey.

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U.S. Immigration reform

Percent

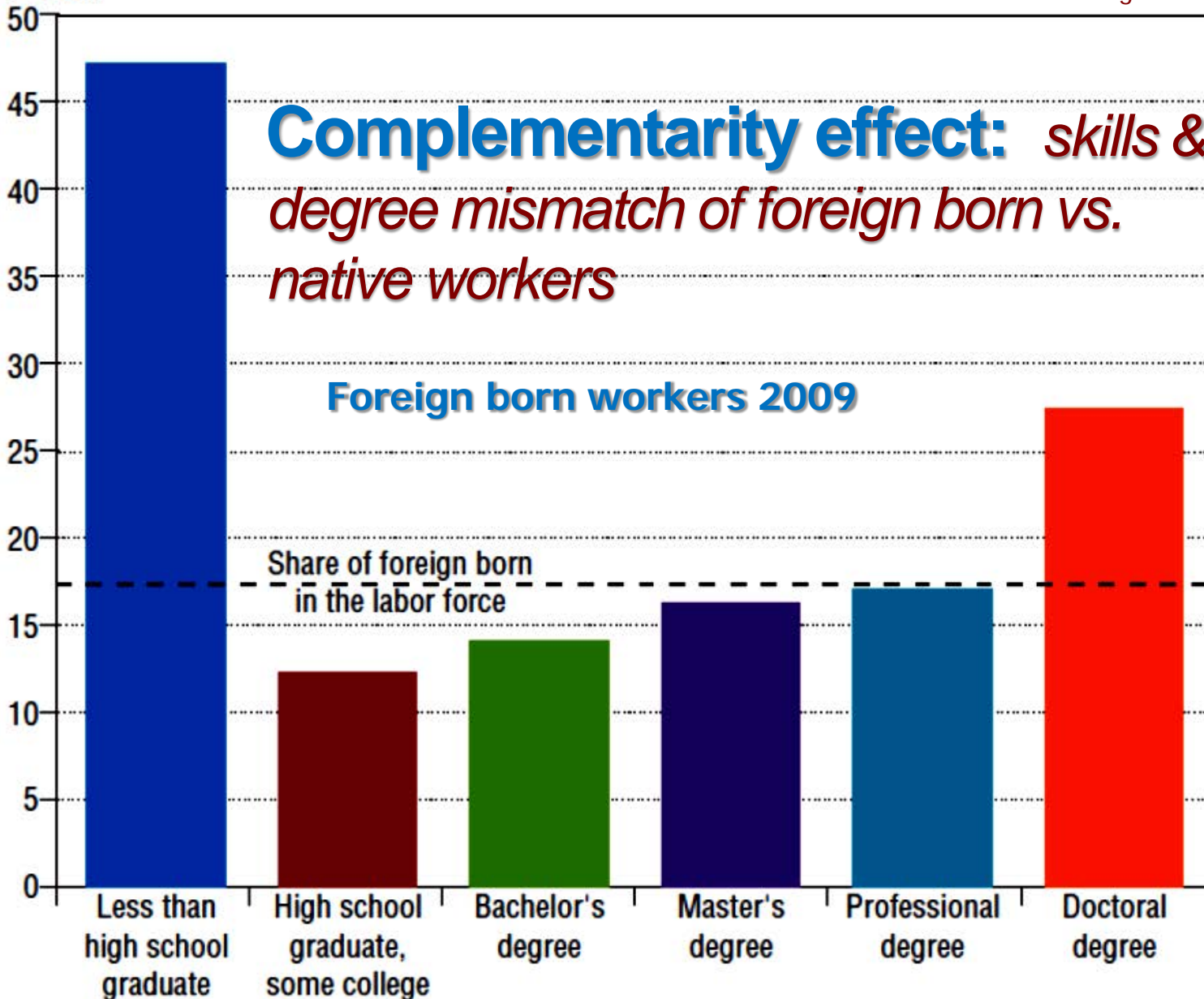
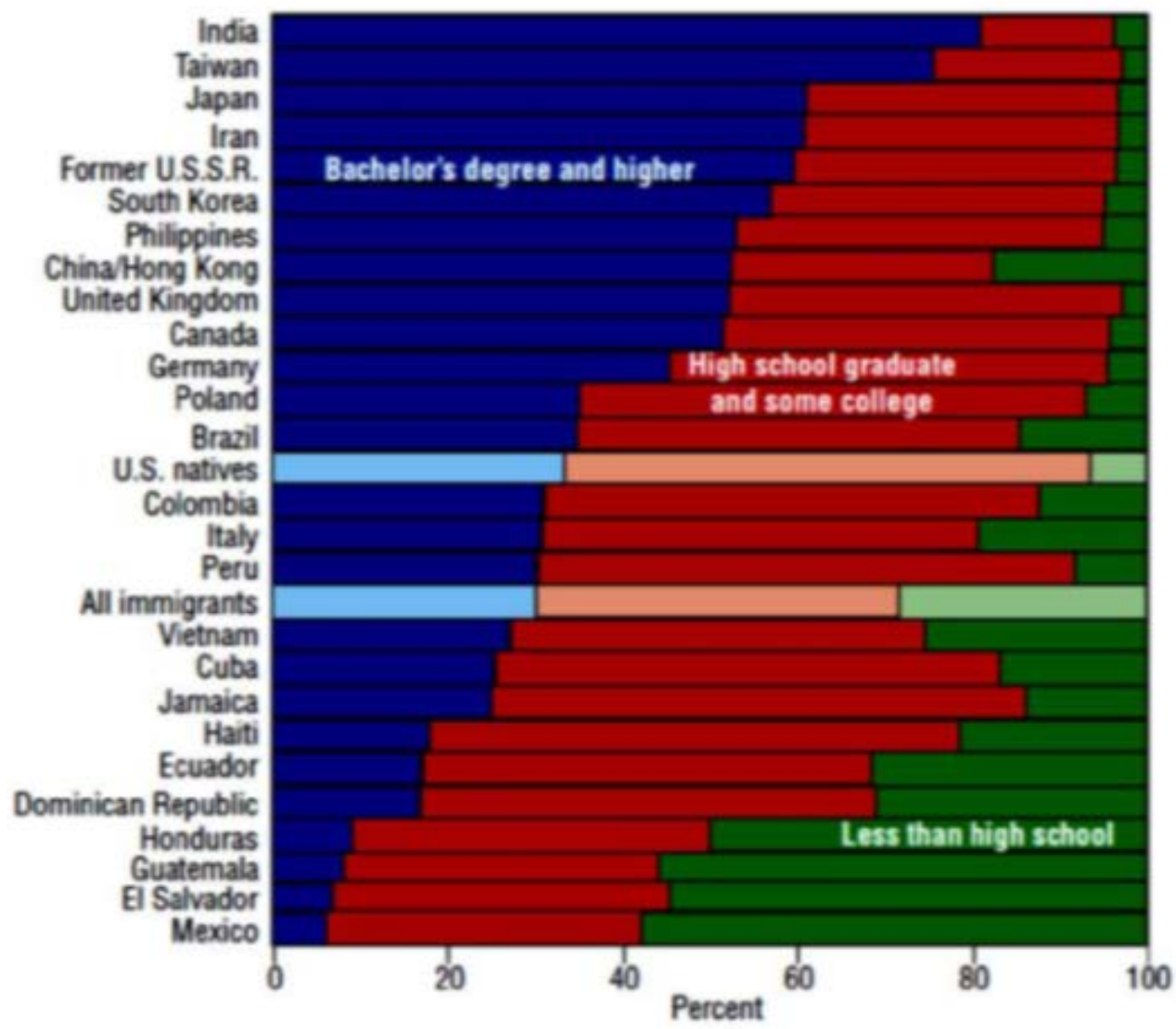


Chart 5

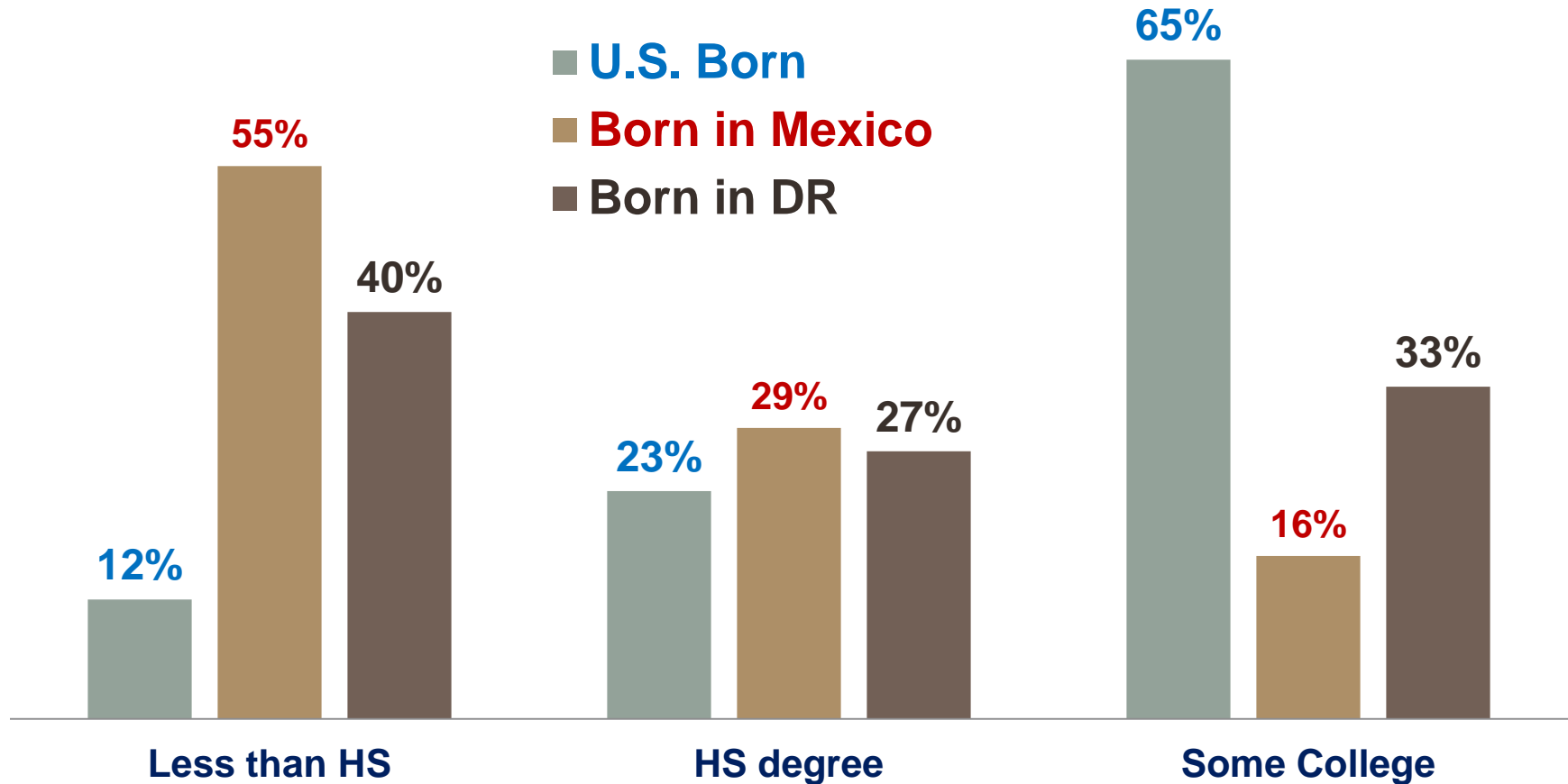
Highest-Educated Immigrants Are From Asia, Iran, Former U.S.S.R.



NOTE: Composition of educational attainment among immigrants by country of origin

form

Educational Attainment of native vs. Foreign-born Dominicans and Mexicans living in New York City



Source: Census Public Use Microdata Sample (PUMS) (2005-2009 American Community Survey):
Bureau of the Census, US Dept Commerce (infoshare)

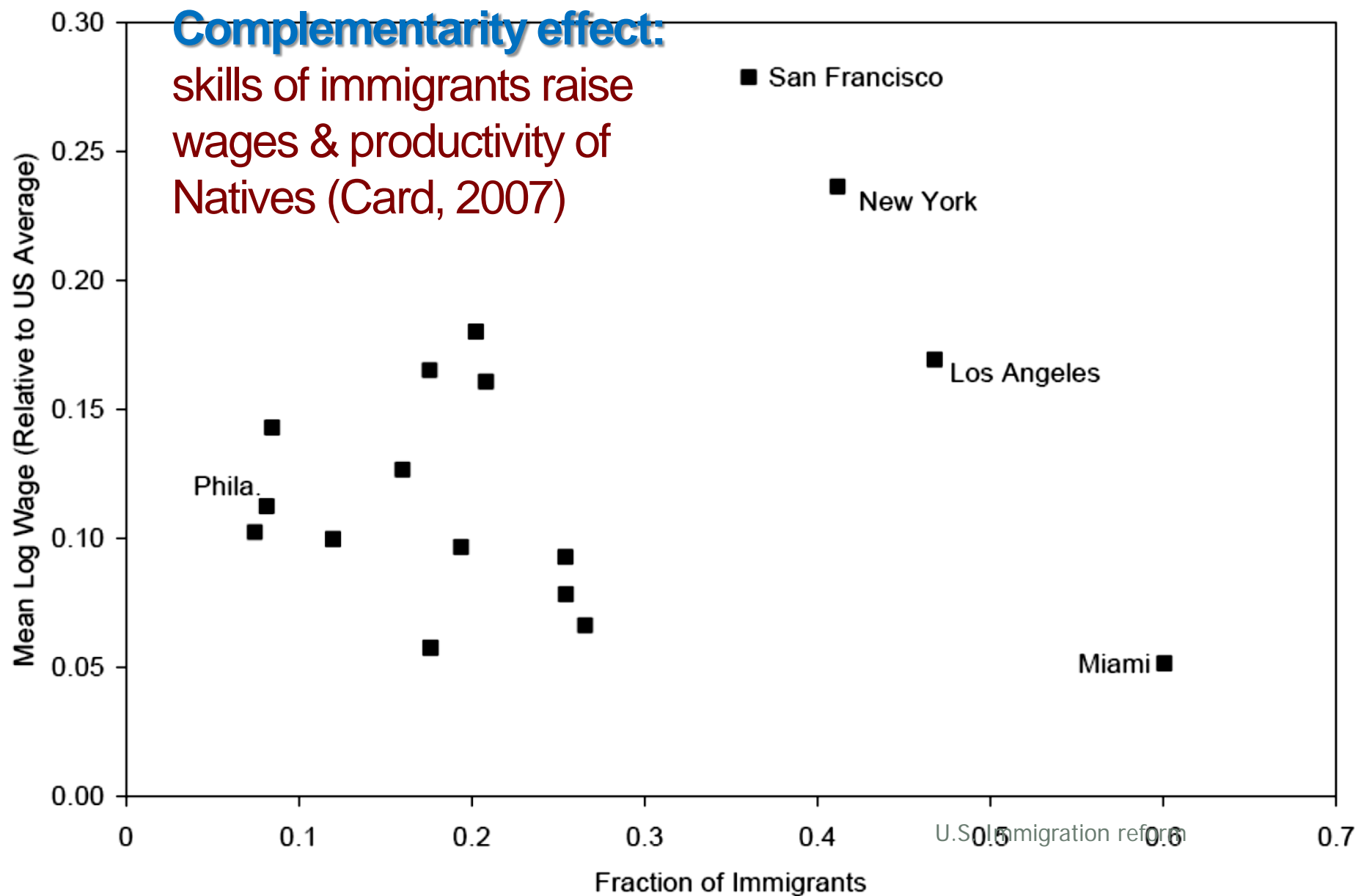
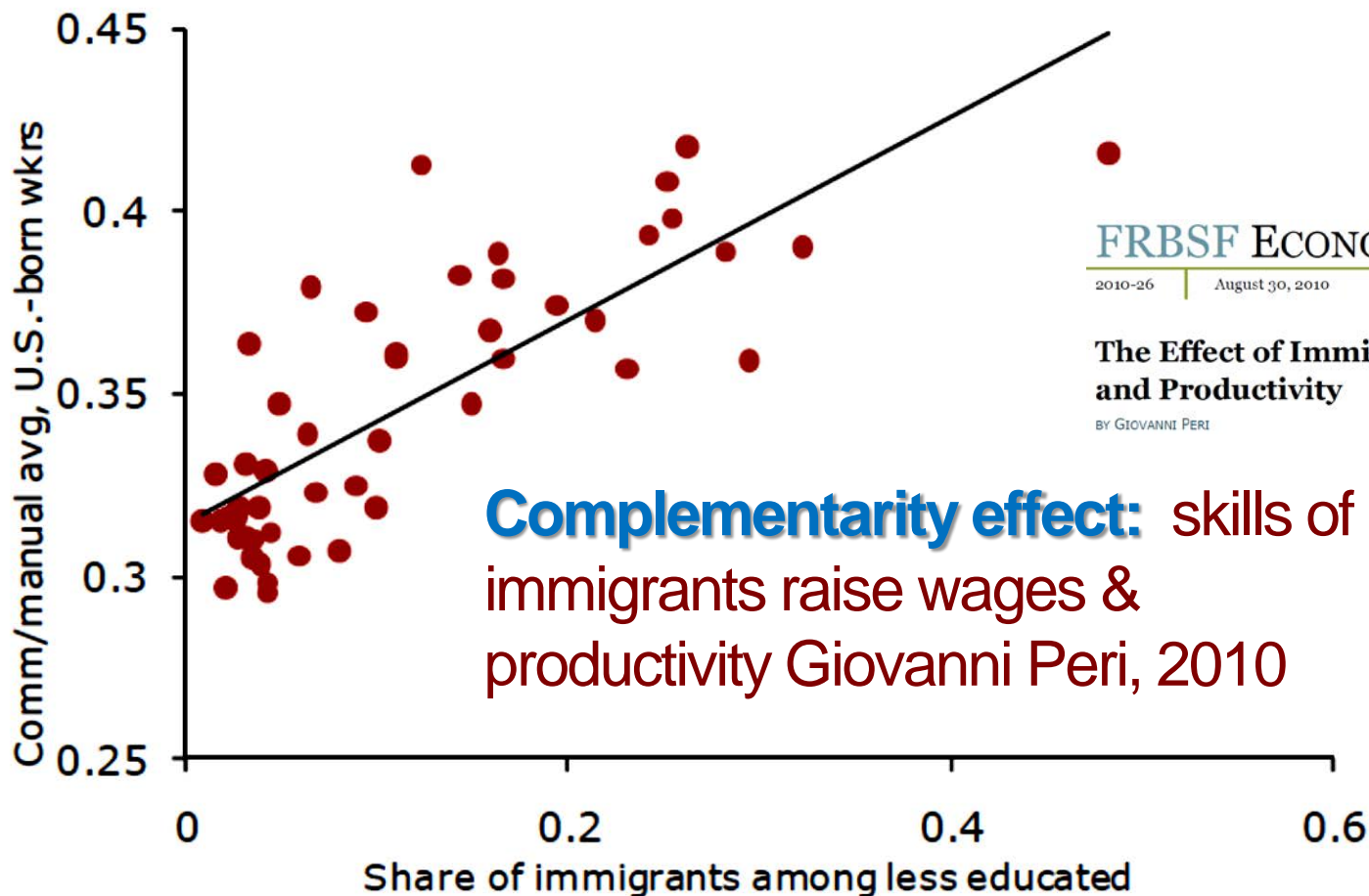


Figure 3
Communication/manual skills among less-educated workers



FRBSF ECONOMIC LETTER

2010-26 | August 30, 2010

The Effect of Immigrants on U.S. Employment and Productivity

BY GIOVANNI PERI

Note: The data on average communication/manual skills by state are from Peri and Sparber (2009), obtained from the manual and communication intensity of occupations, weighted according to the distributional occupation of U.S.-born workers.

U.S. Immigration reform

Demographic bonus: birth rates fall in U.S. and Latin America

... But Still Account for a
Disproportionate Share
of 2010 Births

% of total population that is foreign born



% of women ages 15-44 who are foreign born



% of all births to foreign-born mothers

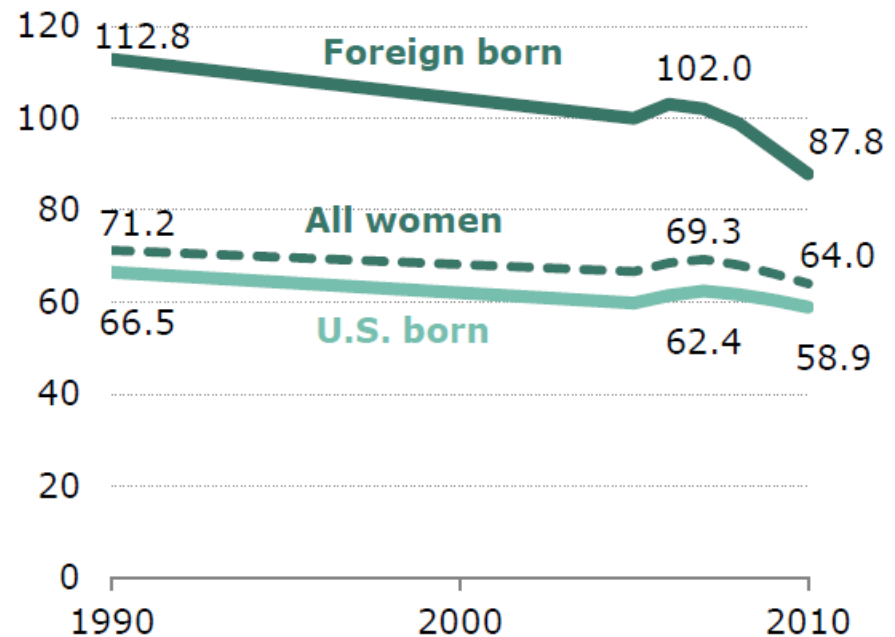


Source: Statistics calculated using National Center for Health Statistics, U.S. Census and American Community Survey data (see Methodology)

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Foreign-born Women Led Recent Decline in Birth Rates ...

Births per 1,000 women ages 15 to 44



Source: Statistics calculated using National Center for Health Statistics, U.S. Census and American Community Survey data (see Methodology)

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Early negative fiscal impacts mitigated at by demographic bonus: Texas Dream Act



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[Undocumented Immigrants in Texas
December 2006](#)

VII. Conclusion

The immigration debate has become more heated in 2006. Congressional hearings were held across the U.S. to discuss the impact of undocumented immigrants on the economy and the culture. At the same time, two distinctly different pieces of legislation were voted out of the U.S. House and Senate.

The Comptroller's office estimates the absence of the estimated 1.4 million undocumented immigrants in Texas in fiscal 2005 would have been a loss to our Gross State Product of \$17.7 billion. Also, the Comptroller's office estimates that state revenues collected from undocumented immigrants exceed what the state spent on services, with the difference being \$424.7 million (Exhibit 18).

EXHIBIT 18

State Costs, Revenues and Economic Impact to Texas of Undocumented Immigrants Fiscal Year 2005 (in millions)

Costs

Education	-\$967.8
Healthcare	-\$58.0
Incarceration	-\$130.6*
Total	-\$1,156.4

Revenues

State Revenue	\$999.0
School Property Tax	\$582.1
Total	\$1,581.1
Net Impact to State	\$424.7

Impact on the Economy

Gross State Product	\$17,700.0
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Notes: Costs are to the state, not local government, special districts or hospitals.

Economic Impact reports loss to Gross State Product in Fixed 2000 dollars.

State costs for higher education are slightly overstated. "State Expenditures" includes all state costs for Section 54.052(j). Not all are undocumented.

Similarly, CBO study shows downward pressure on wages, then rising wages,

- Hispanic wages fall, non-hispanic wages rise
- Fiscal deficit rises, then falls,
- <http://www.whitehouse.gov/blog/2013/06/18/cbo-report-immigration-reform-will-shrink-deficit-and-grow-economy>

Conclusions: we discussed two of three economic & social impacts of Immigration Reform....

- **Complementarity effect:** immigrant skills complement natives... raising wages and productivity in destination states & cities
- **Demographic bonus:** immigrants tend to have more children, taxing local services, but this effect operates in reverse as children become adults
- **Diversity and tipping point effects:** gentrification, middle class/white flight when Hispanic + non-white share hits 15%

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