

## DOES IMMIGRATION INCREASE ECONOMIC GROWTH?

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### EXECUTIVE SUMMARY

The question of how many legal immigrants should be admitted to the United States—and what level of skills these immigrants should have—is among the most divisive issues in the current U.S. domestic policy landscape. Much of the controversy that it sparks can be traced to a single question: Do immigrants help or harm the economy?

Now, with a new Congress likely to take up immigration reform and an administration that has signaled support for a more expansive immigration policy—even to the point of facilitating legal status for current illegal immigrants—the answer to this question is especially vital.

This paper reviews scholarly literature and examines government data on immigration's contribution to economic growth and finds that both high- and low-skill immigration, on net, boosts economic growth. The paper concludes with a series of pro-growth, long-term policy reforms that Congress would do well to include in immigration reform legislation. (This is not to imply an endorsement of the granting of legal status to nonlegal immigrants by executive action, as pledged by the White House at the time of the release of this report.)

Immigration spurs economic growth in two ways. First, it expands America's workforce and encourages more business start-ups. Second,

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\*The author gratefully acknowledges the research assistance provided by Jared Meyer, Jason Russell, and Matthew Sabas.

because immigrants' educational backgrounds typically complement, rather than displace, the skills of the native-born labor market, immigration increases economic efficiency by supplying more labor to low- and high-skill markets.

Today, the share of immigrants in the U.S. workforce has declined to below its 1991 peak. H-1B temporary visas for new, skilled immigrant workers fail to meet demand: the current quota, limited at 85,000 annually, represents just over one-twentieth of 1 percent of the U.S. labor force. Acquiring permanent residency (a "green card") is a lengthy, costly process. When immigrant talent, such as the 51 percent of foreign-born engineering doctorate earners and 44 percent of foreign-born physics doctorate earners,<sup>1</sup> are forced to leave the country, private and taxpayer investment in research loses value.

Such harmful consequences are the result of opposition to more open immigration. And while some arguments against more immigration are rooted in preserving American cultural norms, others are based on economics. Failure to fully account for the economic benefits of immigration, which, on net—as this paper documents—outweigh its costs, is responsible for many of the specious economic arguments espoused by immigration's critics.

Legislation is needed to expand the number of visas for both low- and high-skill immigrants and to begin to resolve the status of the estimated 11 million illegal workers living in the United States. Labor markets change constantly; U.S. immigration policy should emulate this flexibility. Above all, the data are clear: more flexible immigration policies spur growth and would benefit all Americans, native- and foreign-born alike.

## I. IMMIGRATION TO THE U.S.: A BRIEF OVERVIEW

Recently, U.S. immigration levels have fallen as migrant inflows have declined in relative terms. Annual immigration from all countries has dropped, since peaking at 1.8 million green card recipients in 1991; in 2013, it stood at 990,500.<sup>2</sup> Immigration was just

under two-thirds of 1 percent (0.637 percent) of the U.S. labor force in 2013, down from 1.4 percent of the labor force in 1991.<sup>3</sup>

In 2013, Caribbean, Central American, and South American immigrants combined were equivalent to a fraction of 1 percent (0.16 percent) of the labor force. Even Mexican immigrants accounted for less than one-tenth of 1 percent (0.086 percent) of the labor force.<sup>4</sup>

America's foreign-born population has stayed largely flat since the late 2000s. Foreign-born workers of Hispanic origin, including undocumented workers, made up 7.8 percent of the labor force in 2013.<sup>5</sup> Meanwhile, the estimated number of undocumented workers in the U.S. has declined since 2007.

Each year, the U.S. Citizenship and Immigration Services (USCIS) accepts applications for H-1B visas—of which 65,000 H-1B temporary visas are issued to skilled workers certified by the Labor Department and 20,000 H-1B visas are issued to those with U.S.-awarded master's degrees.<sup>6</sup> In addition, some companies acquire three-year extensions on previous visa renewals. Nonprofits and institutions of higher education are exempt from the visa cap, so workers at such places also receive visas. In 2013, USCIS issued 153,000 new or extended H-1B visas.<sup>7</sup>

Demand for foreign labor far outstrips the supply of H-1B visas. Visa applications can be filed on April 1 of each year. In 2014, the cap was reached on April 7.<sup>8</sup> In 1999, Congress temporarily raised the quota to 115,000, and again to 195,000 in 2001, with neither raise exceeding demand. In 2004, the quota nevertheless reverted to 65,000 (plus 20,000 awarded to recipients of U.S. advanced degrees).<sup>9</sup>

H-1B hires cannot displace U.S. workers for 90 days before and after the application is filed if their employer is not H-1B-dependent—and for 180 days before and after if their employer is H-1B-dependent.<sup>10</sup> The employer must also prove to the Department of Labor that qualified local workers are unavailable at

market wages and must commit to paying at least the average local wage for H-1B hires.

After receiving an H-1B visa, the next step for potential immigrants is to obtain permanent residency through the employment-based green card program. Government data show that of the 990,500 awarded green cards in 2013, 21,000 went to new arrivals sponsored by an employer and 140,000 went to current residents sponsored by an employer. Of these, about 1,300 were low-skill workers.<sup>11</sup>

Regulatory stipulations for temporary workers are less burdensome but still require extensive documentation and cost. Applications for “national interest waiver-based permanent residency visas” can take an entire month to complete and cost \$6,000 in legal fees and \$1,000 in application fees. For people seeking permanent residency, the process can take years or even decades.

## II. THE ECONOMIC LITERATURE CONSENSUS: A SNAPSHOT

With different immigration paths available for workers based on type of work performed, the economic effects of immigration need to be evaluated for both high- and low-skill workers. Numerous empirical studies have been published on this issue (see Bibliography), with recent government data only reinforcing the overall academic consensus that increased immigration leads to higher economic growth.

Research by Giovanni Peri of the University of California at Davis, for example, documents how expanding legal immigration would create “growth, innovation, and labor market efficiency and flexibility,” leading to a “substantial economic stimulus [for the U.S.].”<sup>12</sup> Peri, together with Gianmarco Ottaviano of the London School of Economics, has published extensively on how the skills of immigrants often complement those displayed by the existing U.S. labor force.<sup>13</sup>

Immigrants make the economy more efficient by increasing the supply of labor, both in high- and

low-skill areas, creating jobs for native-born Americans in the process: a 2010 research paper by Peri, with Chad Sparber of Colgate University, concluded that—contrary to popular wisdom—immigrants do not, in fact, displace native workers.<sup>14</sup>

Statistically, the average skills of native-born American workers are distributed in a bell-shaped curve: many Americans, as mentioned, hold high school diplomas and have earned college credits, while relatively few adults lack high school diplomas and even fewer possess Ph.D.s in math and science. Immigrants’ skills, in contrast, are distributed in a U-shaped curve: disproportionate numbers of adults without high school diplomas seeking manual work are coupled with highly skilled workers holding math and science Ph.D.s. (Research conducted in 2012 by Rutgers University’s Jennifer Hunt found that immigration increases the probability that natives will complete high school, reinforcing such skill complementarities.)<sup>15</sup>

Immigrants are especially vital in the STEM (science, technology, engineering, and mathematics) fields. Since 1995, the majority of the net increase in America’s STEM workforce is attributable to immigrants, according to a 2008 Harvard Business School paper.<sup>16</sup> Indeed, the presence of foreign students in U.S. science and engineering departments is responsible for a significant increase in research productivity:<sup>17</sup> a one-percentage-point increase in immigrant scientists and engineers raises the number of patents per capita by 9–18 percent, concluded Hunt and Princeton University’s Marjolaine Gauthier-Loiselle.<sup>18</sup>

Arlene Holen of the Technology Policy Institute, using methodology from the Congressional Budget Office (CBO), estimates that in the absence of constraints on green card and H-1B visas over the 2003–07 period, an additional 182,000 foreign graduates in STEM fields would have remained in the United States. In 2008 alone, their earnings and contribution to GDP would have amounted to \$14 billion, with \$2.7 billion–\$3.6 billion paid in taxes.<sup>25</sup>

## EDUCATION QUALIFICATIONS: IMMIGRANTS VS. NATIVE-BORN AMERICANS

On one end of the spectrum, 91 percent of native-born Americans hold high school diplomas or higher, whereas only 62 percent of noncitizens do.<sup>19</sup> Immigrants account for about 16 percent of the U.S. labor force, with 24.3 percent of workers who are foreign-born and over the age of 25 not completing high school, compared with merely 4.8 percent of native-born workers.<sup>20</sup>

On the other end of the spectrum, 56 percent of engineering doctoral degrees, 51 percent of computer science doctoral degrees, and 44 percent of physics doctoral degrees were awarded in 2011 to students who were neither U.S. citizens nor permanent residents.<sup>21</sup> National Science Foundation data show that 163,000 foreign graduate students studied science and engineering in U.S. universities in 2010, up from 152,000 in 2008.<sup>22</sup>

Immigrants benefit from, and disproportionately contribute to, U.S. STEM research. Many universities rely on graduate students for research assistance and technical expertise, with government research funding training graduate students in the latest technologies. Most research, moreover, does not require security clearances—and little, if any, research is restricted to American students.

In 2011 (the most recent year for which data are available), the federal government spent over \$58 billion on science and engineering research at American universities and research institutions.<sup>23</sup> This funding helps finance Ph.D. programs, which are heavily populated by foreign students. (More than \$31 billion of this research spending was dispensed by the Department of Health and Human Services; other funders include the Defense Department, at \$6.6 billion; and the Department of Energy, at \$6.8 billion).<sup>24</sup>

In the absence of visa constraints over the 2003–07 period, about 300,000 H-1B visa holders would likely have remained in the U.S. labor force rather than returning to their home countries. Holen estimates that such individuals would have earned \$23 billion in 2008, generating \$4.5 billion–\$6.2 billion in tax revenue that year—and contributing \$34 billion–\$47 billion to government coffers over the next decade.<sup>26</sup>

Likewise, Holen finds that proposals considered by Congress five years ago to loosen green card and temporary work constraints for high-skill workers would reduce the federal budget deficit by around \$100 billion over ten years.<sup>27</sup> The CBO and Joint Tax Committee reached similar conclusions in 2013, estimating that legislation that expands the labor force through immigration would result in a \$459 billion increase in federal revenue over ten years, while trimming the federal deficit by \$197 billion.<sup>28</sup>

### III. WHY DOES IMMIGRATION INCREASE ECONOMIC GROWTH?

The most important way immigrants benefit the U.S. economy, according to academic literature, is their possession of different skills and job preferences from those displayed by native-born Americans, thereby making the latter more productive. As a result, immigrants complement rather than substitute for native-born workers, with capital moving accordingly to maximize available labor.<sup>29</sup>

Although immigrants will no doubt be substitutes for some primarily low-skill workers (many themselves immigrants), the negative effects experienced by such workers are far smaller than the positive effects enjoyed by everyone else. In short, the economy as a whole gains, with considerably more winners than losers. (In certain cases, enacting

policy measures to compensate displaced workers might be considered, too.)

### Immigrants and Native-Born Americans Pursue Different Careers

Low-skill immigrants are disproportionately represented in the service, construction, and agricultural sectors—prominent in occupations such as janitors, landscapers, tailors, plasterers, stucco masons, and farmworkers. Government, education, health, and social services are sectors that employ few immigrants.

Low-skill immigrants favor certain jobs (fruit pickers, housekeepers, etc.) that native-born Americans typically do not choose as careers. At the same time, immigrants are rarely found in other low-skill jobs (crossing guards, funeral service workers, etc.) preferred by low-skill Americans. Similarly, high-skill immigrants tend to prefer certain types of high-skill occupations (research scientists, dentists, computer engineers, etc.) and are less prominent in other high-skill fields (lawyers, judges, education administrators, etc.) favored by high-skill Americans.

Figure 1 offers a broad overview of foreign and native-born workers as a share of various occupa-

tions; Figure 2 provides a more detailed breakdown by profession.

In the professional fields, as Figure 2 documents, foreign-born workers are employed in computer and mathematical jobs at a higher rate than native-born workers (3.9 percent versus 2.5 percent). Native-born workers are more than twice as likely as immigrants to be employed in legal occupations (1.4 percent versus 0.6 percent). American-born workers are far more likely to work in education, training, and library occupations (6.5 percent versus 3.4 percent).

Yet in service-oriented fields, such as food service (7.7 percent versus 5.3 percent) and building, grounds cleaning, and maintenance (8.6 percent versus 3.0 percent), immigrants significantly outnumber native-born Americans. Immigrants are also prominent in advanced scientific research (see box, page 4, “Education Qualifications: Immigrants vs. Native-Born Americans”). Between 1901 and 2014, over one-third of U.S. Nobel Prize winners in physiology and medicine were foreign-born.<sup>30</sup>

For another important example of how immigration confers substantial economic benefits on native-born Americans, consider the role of foreigners in start-ups.

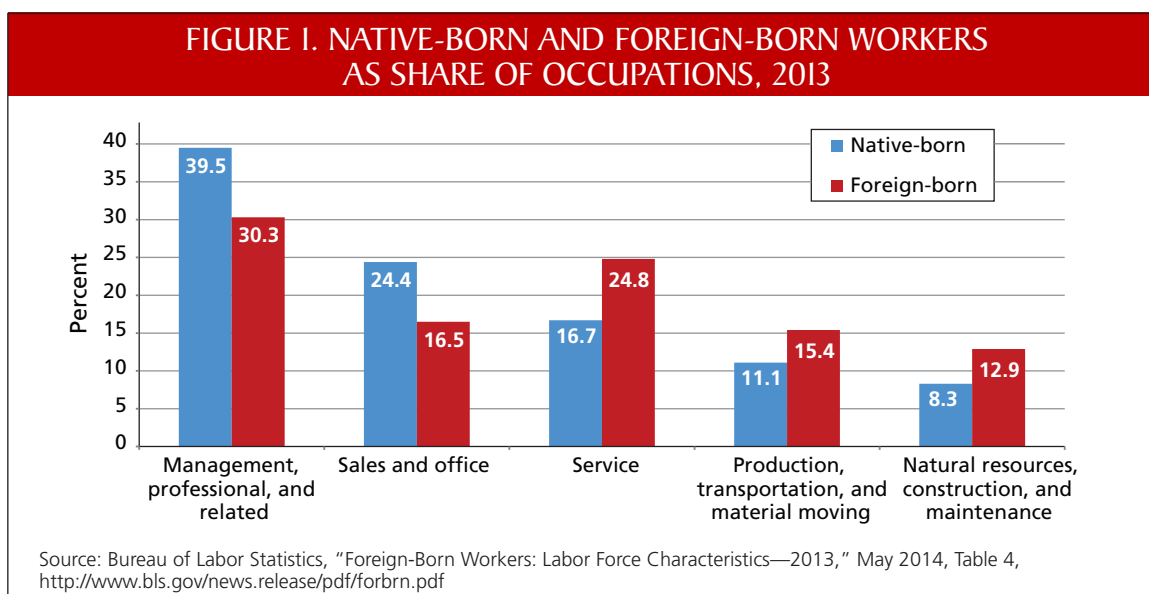


FIGURE 2. PERCENT DISTRIBUTION OF FOREIGN-BORN AND NATIVE-BORN WORKERS, 16+, BY OCCUPATION, 2013		
Occupation	Foreign-born	Native-born
<b>Total employed</b>	<b>100</b>	<b>100</b>
<b>Management, professional, and related</b>	<b>30.3</b>	<b>39.5</b>
Management, business, and financial operations	11.7	16.6
Management	8.0	11.8
Business and financial operations	3.7	4.9
Professional and related	18.6	22.9
Computer and mathematical	3.9	2.5
Architecture and engineering	2.2	1.9
Life, physical, and social science	1.1	0.9
Community and social service	0.8	1.8
Legal	0.6	1.4
Education, training, and library	3.4	6.5
Arts, design, entertainment, sports, and media	1.3	2.1
Healthcare practitioner and technical	5.2	5.8
<b>Service</b>	<b>24.8</b>	<b>16.7</b>
Healthcare support	2.7	2.4
Protective service	1.0	2.4
Food preparation and serving related	7.7	5.3
Building and grounds cleaning and maintenance	8.6	3.0
Personal care and service	4.8	3.5
<b>Sales and office</b>	<b>16.5</b>	<b>24.4</b>
Sales and related	8.5	11.2
Office and administrative support	8.0	13.2
<b>Natural resources, construction, and maintenance</b>	<b>12.9</b>	<b>8.3</b>
Farming, fishing, and forestry	1.6	0.5
Construction and extraction	8.3	4.3
Installation, maintenance, and repair	3.1	3.5
<b>Production, transportation, and material moving</b>	<b>15.4</b>	<b>11.1</b>
Production	8.3	5.2
Transportation and material moving	7.1	5.8
Source: Bureau of Labor Statistics, "Foreign-Born Workers: Labor Force Characteristics—2013," May 2014, Table 4, <a href="http://www.bls.gov/news.release/pdf/forbrn.pdf">http://www.bls.gov/news.release/pdf/forbrn.pdf</a>		

Immigrants are disproportionately entrepreneurial, boosting tax revenue and creating more jobs for Americans, according to Tim Bolin of the University of California at Berkeley.<sup>31</sup> Some 44 percent of high-tech Silicon Valley businesses had at least one immigrant founder.<sup>32</sup> In 2012, U.S. engineering and technology firms founded by immigrants in the 2006–12 period employed approximately 560,000 workers, generating \$63 billion in sales.<sup>33</sup>

#### IV. RECENT EMPIRICAL OBJECTIONS TO THE GROWTH CONCLUSION: CAMAROTA AND ZEIGLER

In an important 2014 paper, Steven Camarota and Karen Zeigler, of the Center for Immigration Studies, examined New Hampshire's working-age labor market since 2000.<sup>34</sup> Using the Bureau of Labor Statistics (BLS) Current Population Survey data,



they found that 71 percent of the state's net increase in employment among working-age people went to immigrants—despite the fact that native-born Americans accounted for 65 percent of the growth in New Hampshire's working-age population over the period.

The authors conclude that immigration leads to less work for native-born Americans. Their findings are all the more remarkable because they contradict the overwhelming body of empirical evidence, discussed in Section III, that more immigration *would* boost economic growth in the U.S. (Admittedly, economists are less united on the question of the *extent* to which growth would increase as a result of more immigration.) Camarota and Zeigler's paper therefore merits close scrutiny.

### Errors and Omissions

Among others flaws, Camarota and Zeigler fail to account for the closely connected New Hampshire and Massachusetts labor markets. The number of New Hampshire residents who work in Massachusetts has grown significantly in the past decade. This trend has not, however, snatched employment opportunities away from natives in the more localized New Hampshire labor market but rather brought preexisting employment and incomes into the state.

Oddly, too, Camarota and Zeigler count Massachusetts workers who move to New Hampshire as “immigrants,” as part of their 21,000-person figure of the number of employed immigrants living in New Hampshire. The authors compare this figure with the 8,700 increase in native-born employed persons living in New Hampshire and then cite an increase of 41,000 “non-working” native-born New Hampshire residents between 2000 and 2014—arguing that the growth of immigrant employment came at the expense of native employment.

Camarota and Zeigler also conflate the number of natives “not employed” with the number of *unemployed*. Most of the “not employed” are, in fact, not in the labor force (i.e., not actively seeking work): retired

individuals, the disabled, students, and nonworking spouses, among others. The 41,000 “not employed” figure cited by Camarota and Zeigler consequently overstates, by nearly *four times*, the increase in New Hampshire's truly unemployed.

While the number of unemployed native-born residents did increase by 11,786 between 2000 and 2014, the data reported by Camarota and Zeigler show that 86 percent of the increase (10,114) was attributable to individuals *without* a four-year college degree. In other words, to justify their argument that immigrant employment growth impinged on native employment opportunities, the authors would need to compare educational attainment and occupations of the immigrant employment growth cohort with those of the native unemployment change cohort. (Such analysis could have been—but was not—conducted from CPS data used by the authors.)

The authors also ignore the general recent trend of working-age people dropping out of the labor force, a trend especially pronounced among non-college-educated native-born Americans. (Over the period studied, U.S. working-age labor-force participation fell by more than three percentage points, from 84.0 percent in 2000 to 80.8 percent in October 2014.)<sup>35</sup> Indeed, while declining labor-force participation rates certainly are cause for concern, they are not a symptom of too much immigration but are instead the product of both a changing economy and government policies that create disincentives to work.

### Further Flaws

When Camarota and Zeigler claim that there is no net labor shortage, as seen in the number of people unemployed and outside the labor force, they improperly combine all occupations and skill levels into one category: “The long-term decline in employment for natives in New Hampshire and the large number of working-age natives not working clearly indicates that there is no general labor shortage in the state—especially among the less educated. Thus it is very difficult to justify the large increases in foreign workers (skilled

and unskilled) allowed into the country in a bill like S.744 [the Border Security, Economic Opportunity, and Immigration Modernization Act of 2013].”<sup>36</sup>

Yet labor is not homogeneous—surpluses can exist for some occupations alongside shortages for others. As Current Population Survey data show (the same used by the authors), immigrants select different occupations from those of natives. In addition, Camarota and Ziegler ignore the U-shape distribution of immigrants’ education, incorrectly assuming that low-skill immigrants compete with low-skill Americans. (In reality, superior English language skills usually make low-skill Americans relatively more skilled than their immigrant counterparts.)

Nor is it likely that most undocumented immigrants compete with American high school graduates for jobs. Undocumented immigrants tend to work in jobs that do not require interaction with customers, such as dishwashing, lawn care, and house care. (If anything, low-skill immigrants might displace high school dropouts, but as BLS data show, this group has seen increased labor-force participation since 2000.)<sup>37</sup> On the other hand, Americans with high school degrees usually have the skills to find work in service and sales jobs: Camarota and Ziegler fail to demonstrate that there are native job seekers available

to take those jobs (whether high- or low-skill) where immigrant employment increased.

## V. PROPOSALS FOR REFORM

President Obama’s televised pledge to change immigration law via executive order unleashed predictable fury from the GOP. Still, members of the incoming Congress will likely take some action toward reforming the country’s immigration system in 2015. What *should* bipartisan reform prioritize? S.744, the stalled 2013 Senate immigration bill, offers a useful starting point.

Flexibility should be the guiding immigration reform principle. Labor markets are constantly changing, and U.S. immigration policy needs to acknowledge this reality. The current number of H-1B visas (85,000) represents a small fraction of the U.S. labor force of 155 million.<sup>38</sup> Even if the quota were raised to 150,000 annually when employment growth picks up, that would represent less than one-tenth of 1 percent of the labor force—while continuing to block admission to the vast majority of would-be entrants.

Not only does demand far exceed supply for H-1B visas; the process’s notable complexity and cost discourage applicants as well. In addition, recipients are tied to one

### PREVIOUS REFORM EFFORTS

Most recent immigration reform proposals, such as the 2005–07 McCain-Kennedy immigration bills and S.744, would both allow more immigrants into the U.S. and offer many of America’s 12 million illegal immigrants a path to legal status.

Under such proposals, illegal immigrants without criminal records would—after completing steps including payment of back taxes and fines, as well as passing background checks and a civics test—be eligible for work permits. Later, they would be allowed to join the back of the line to obtain green cards and, eventually, citizenship.

For low-skill agricultural laborers and others who have worked in the U.S. for years and paid no taxes, the requirement to immediately fulfill such tax obligations and accompanying fines could present a high hurdle, discouraging legalization. Future reforms would therefore do well to cap tax payments or allow payments over a longer period of time (perhaps while imposing a higher Social Security tax rate).



employer, opening the door for abuse and artificially low compensation (while potentially undercutting U.S. residents and citizens). Rather than expand the number of H-1B visas, Congress should instead issue more green cards, allowing recipients to change jobs and move to where their skills are most valued.

One possible solution—included in S.744—would be to grant green cards to immigrant entrepreneurs who do one of the following: raise more than \$100,000 in accredited investment in their businesses; create at least three qualified jobs in the previous two years; or own businesses earning over \$250,000 in annual revenue.<sup>39</sup> The benefit to the economy of this approach is clear: keep flourishing businesses, along with the entrepreneurs who lead them, in the U.S.

Likewise, issuing green cards to those who invest and maintain at least \$500,000 in residential real estate would positively affect the U.S. housing market, economy at large, and tax revenue; Canada, for one, has adopted a similar policy to considerable benefit.<sup>40</sup> Needless to say, the risk of such wealthy immigrants someday requiring social assistance is low.

### **Expand the Pie**

Some immigration critics fret that offering visas to foreign high-skill workers, such as physicists and engineers, denies opportunity to native-born aspiring physicists and engineers.<sup>41</sup> Such fears could not be further from reality: additional high-skill jobs expand the economic pie.

The same holds true at the low end of the skill scale. Farms provide income to farmers, as well as to other native-born Americans employed in the industry in trucking and distribution. If farmers cannot hire low-skill immigrants to pick fruit (the case for Washington State's 2012 apple crop), U.S. agriculture will increasingly migrate offshore to places where low-skill labor is plentiful.<sup>42</sup> (Many Americans may not care where their food comes from, of course, but American farmers surely prefer that consumers buy local rather than imported produce.) Legalizing undocumented

agricultural workers would do much for the cause of more flexible, efficient U.S. labor markets, allowing such workers to freely travel and work outside the U.S. without losing their status, vital in the seasonal agriculture industry.

More generally, making it easier for foreign-born students and workers to obtain provisional visas to stay and work in the U.S., visas that could later transition into green cards, would facilitate faster GDP growth and job creation across the entire economy. At present, however, only 10 percent of green cards authorizing permanent residence—and a path to citizenship—are granted for employment purposes.<sup>43</sup>

Indeed, for many immigrants, such as those from India, the wait for American green cards can extend decades. And since green cards bring in few workers, most skilled workers resort to precarious temporary visas. At the same time, far more work visas are needed for unskilled workers, who enjoy few alternatives to illegal immigration.

Nor should the positive economic role of family-based immigration be overlooked. Families provide vital support networks, including job introductions and child-care support. At present, in fact, more green cards are awarded to immigrants' family members than to individual applicants.<sup>44</sup>

### **Two Reforms to Avoid**

Under well-crafted immigration reform, immigrants on work permits would *not* qualify for federal public benefits (food stamps, free school lunches, Affordable Care Act health insurance subsidies, etc.). By creating such conditions, immigrants would undeniably come to work or to support working family members, not to live off government assistance.

Immigration reform should also avoid government wage-setting provisions (artificially raising the cost of labor), which tempt firms to continue hiring illegal workers while creating other labor market distortions, too.<sup>45</sup>

## VI. CONCLUSION: THE IMPORTANCE OF ECONOMIC GROWTH

Seven years after the start of the Great Recession in December 2007, the U.S. economy can boast only 1.3 million more jobs now than it enjoyed then. GDP growth hovers around 2 percent, well below the country's long-term 3 percent average. Labor-force participation has dipped below 63 percent (equal to 1978 levels, before the entry of 12 million women into the workforce during the 1980s).

Increased immigration, from both high- and low-skill workers, would revitalize the U.S. labor market by spurring entrepreneurial activity and correcting labor-market inefficiencies. At a time when Americans worry about their country's international competitiveness, a more vibrant domestic labor market is sorely needed.

Robert Litan of the Brookings Institution estimates that the U.S. economy generates about 15 new companies annually that will, eventually, produce a billion dollars or more in annual revenue. Legal and regulatory reform, adds Litan, could increase that number to 60 such new companies, raising GDP growth by more than a full percentage point. (With GDP growth of 4 percent, the economy would double in 18 years, dramatically raising real incomes.)<sup>46</sup>

New companies in their first few years of existence, data also show, hire substantial numbers of workers.<sup>47</sup> It is also true that immigrants to the U.S. found new companies at greater rates than do native-born Americans.<sup>48</sup> Silicon Valley, one famous example of the flowering of high-skill immigrant entrepreneurship, has seen its share of immigrant-founded companies decline sharply, from 52 percent between 1995 and 2005 to 44 percent from 2006 to 2012.<sup>49</sup> Among other negative consequences, Congress—by

making it difficult for high-skill workers, many educated at top U.S. universities, to remain in the country—is eroding the value that America receives from private and taxpayers' investments in research.

### Land of Opportunity

Despite the U.S. welfare state's dramatic expansion over the past 80 years, immigrants continue to flock to America primarily to seize the economic opportunity that the nation still offers. Since 1999, the gap in labor-force participation rates between immigrants and native-born Americans has widened steadily as well: in 2013, 66.4 percent of immigrants were working or seeking work, compared with 62.7 percent of native-born Americans.<sup>50</sup>

U.S. immigration policy should aim to spur economic growth, not hinder it. At its core, this requires finding better ways to allow people who wish to work in the U.S. and contribute to its economy to come legally—through legislation passed by Congress, not decreed by the president. Since immigrants' skills tend to complement those of native-born Americans, such reforms would, as this paper has discussed, not only enhance the efficiency of the U.S. economy, boosting growth; these reforms would, on net, create significantly more jobs for native-born Americans than under the status quo.<sup>51</sup>

Immigration has always been a part of American life, usually for the better. Indeed, the U.S. was founded, and has flourished like few others, largely on the backs of immigrants and their descendants. A large body of economic literature and government data, of which this paper offers a snapshot, leaves little doubt that immigration is not the cause of the country's current economic woes—but is rather part of the cure to the faster economic growth that the U.S. urgently needs.

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<sup>32</sup> Vivek Wadhwa, AnnaLee Saxenian, and F. Daniel Siciliano, "Then and Now: America's New Immigrant Entrepreneurs, Part VII," Kauffman Foundation, October 2012, [http://www.law.stanford.edu/sites/default/files/publication/314735/doc/slspublic/Then\\_and\\_now\\_americas\\_new\\_immigrant\\_entrepreneurs.pdf](http://www.law.stanford.edu/sites/default/files/publication/314735/doc/slspublic/Then_and_now_americas_new_immigrant_entrepreneurs.pdf).

<sup>33</sup> Ibid.

<sup>34</sup> Steven A. Camarota and Karen Zeigler, "Who Got the Jobs in New Hampshire?," Center for Immigration Studies, October 2014, <http://cis.org/sites/cis.org/files/camarota-NH.pdf>.

<sup>35</sup> BLS, "Current Population Survey," November 2014.

<sup>36</sup> Camarota and Zeigler, "Who Got the Jobs in New Hampshire?"

<sup>37</sup> BLS, "Current Population Survey," November 2014.

<sup>38</sup> U.S. Department of Labor, BLS, December 2013.

<sup>39</sup> *Border Security, Economic Opportunity, and Immigration Modernization Act*, 113th Congress, June 27, 2013, Section 4801, <http://www.gpo.gov/fdsys/pkg/BILLS-113s744es/pdf/BILLS-113s744es.pdf>.

<sup>40</sup> Ibid., Section 4504.

<sup>41</sup> One proposed "solution" to this non-existent problem—reducing still further the number of work visas for foreigners with math and science Ph.D.s, including for those who earn Ph.D.s at U.S. universities—would, initially, likely lead to higher incomes for American Ph.D. students, thereby attracting more Americans into such fields. Yet, as with the global market for low-skill labor, such a policy would just as likely create considerable deleterious effects for both long-term U.S. research capabilities and the country's attractiveness as an international business destination. (Paradoxically, too, efforts to boost native-born Americans' wages in such fashion might well produce fewer high-paid jobs—with even greater income inequality resulting over time.)

<sup>42</sup> Without immigrants, wages would rise in low-skill occupations such as fruit picking, meat packing, and hotel cleaning, rendering such goods and services more expensive. Consumer prices for domestically-produced food, likewise, would rise, as would food imports into the United States; hotel room rates would rise, too, discouraging consumption by lower- and middle-income families. In turn, as such industries shrank, so would employment opportunities for native-born Americans.

<sup>43</sup> Randall Monger, "Nonimmigrant Admissions to the United States: 2013," July 2014, [http://www.dhs.gov/sites/default/files/publications/ois\\_ni\\_fr\\_2013.pdf](http://www.dhs.gov/sites/default/files/publications/ois_ni_fr_2013.pdf).

<sup>44</sup> Ibid.

<sup>45</sup> Were, say, a "prevailing wage" mandate introduced into reform legislation, it is far from certain that the government would even be equipped to enforce it. Indeed, a cursory analysis of the BLS's Occupational Employment Statistics survey shows that it is incapable of generating meaningful, timely prevailing wage data for employers. Not

only does the Labor Department have no reliable way of determining prevailing wages, wage estimates also tend to be biased upward for entry-level workers (discouraging hiring). A discussion of the survey's methodology can be found at [http://www.bls.gov/oes/2011/may/methods\\_statement.pdf](http://www.bls.gov/oes/2011/may/methods_statement.pdf).

<sup>46</sup> Robert E. Litan, "Inventive Billion Dollar Firms: A Faster Way to Grow," Kauffman Foundation, December 2010, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1721608](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1721608).

<sup>47</sup> Robert E. Litan and Carl J. Schramm, *Better Capitalism* (New Haven, Ct.: Yale University Press, 2012).

<sup>48</sup> Robert W. Fairlie, "Kauffman Index of Entrepreneurial Activity, 1996–2012," Kauffman Foundation, April 2013, [http://www.kauffman.org/~media/kauffman\\_org/research%20reports%20and%20covers/2013/04/kiea\\_2013\\_report.pdf](http://www.kauffman.org/~media/kauffman_org/research%20reports%20and%20covers/2013/04/kiea_2013_report.pdf).

<sup>49</sup> Wadhwa et al., "Then and Now."

<sup>50</sup> BLS, "Foreign-Born Workers: Labor Force Characteristics—2013."

<sup>51</sup> Gianmarco Ottaviano, Giovanni Peri, and Greg Wright, "Immigration, Offshoring, and American Jobs," NBER Working Paper 16439 (2010).