

# Immigration: Impact on U.S. Economy

**H**istorically, immigrants have come to this country for a variety of reasons, but economic opportunity has always been a major draw. And, the U.S. economy has not disappointed. It has accommodated an expanding labor supply that today includes 1.5 million immigrants per year whose spending on housing and consumer goods helps stimulate the economy and increase the demand for still more labor.

## Workforce Shortfall

At a time when a “baby boomer” decrease is anticipated in the workforce, economists expect demand to create millions of new jobs. According to the Bureau of Labor Statistics, 56 million new jobs will be created in this country between 2002 and 2012. During this same period, more than 75 million Americans will retire, and declining native-born fertility rates will be approaching replacement level. Various interests consider new immigrants a necessary labor source to meet this shortfall.

## Costs and Benefits

Immigrants have had a profound impact on company creation, economic innovation and market value in the U.S. A *PRNewswire* article (November 15, 2006) reported that over the past 15 years, immigrants founded one of every four U.S. public companies that received venture capital. Forty-seven percent of current venture-backed companies in the U.S. have immigrant founders. Nearly half of the immigrant entrepreneurs surveyed came to the U.S. as students and started their own businesses within 12 years of entering the country. According to a Migration Policy Institute publication, *Immigration and America's Future: A New Chapter*, the number of Hispanic-owned businesses has grown at three times the national average, while the number of

Asian-owned businesses has grown at twice the national average.

Furthermore, the negative effect of authorized and unauthorized immigrants on public-sector budgets is small. Immigrant workers pay into social insurance programs, lessening strains on social assistance for the elderly. Many unauthorized workers use false ID numbers and pay Social Security taxes but are ineligible to receive benefits. Less than three percent of immigrants receive food stamps. Unauthorized workers support local school districts through property taxes, indirectly as renters or directly as homeowners.

Taxes paid to the federal government and increased macroeconomic productivity result in a net benefit to the country as a whole from immigrants. However, studies indicate that costs and benefits are not evenly allocated locally. Communities face demands for costly services from immigrants, particularly in education and health care, which are not offset by tax income. But this type of financial burden is applicable to all low-income, uninsured populations—unauthorized, authorized and native-born. As Tamar Jacoby notes (*Foreign Affairs*, Nov./Dec. 2006), the additional state tax burden per native household is, on average, no more than a couple of hundred dollars a year.

## Perceived Problems

Opponents of immigration often suggest that if employers paid American workers more, they could reduce the need for foreign labor. However, many industries cannot pay more, because they would be undercut by imports from abroad. Even in sectors such as construction and hospitality, where the work must be done in the U.S., companies must decide whether it is better to lure Americans to jobs that require lower skills than those that they possess by pay-

ing more for less-skilled work. Meanwhile, because they complement rather than compete with most native-born workers (this, in turn, attracts additional capital), immigrant workers are a factor in raising rather than lowering most American wages.

For the past decade, market forces have attracted 1.5-1.8 million skilled and unskilled immigrants to work in the U.S. each year. However, annual legal quotas admitted only about a million immigrants, resulting in a significant imbalance. A realistic immigration system would make the annual legal intake more or less equal to the flow generated by supply and demand. The U.S. currently issues 5,000 visas per year to year-round unskilled workers, while 400,000-500,000 additional such workers are needed to keep the economy growing.

## Disaster or Inconvenience

A legitimate way to assess the role and value of immigrants' contribution to America is to consider what would happen if the influx stopped or if those already here left the country. Proponents of comprehensive reform (“bring in more workers”) believe this would be disastrous. In some regions, they contend, whole sectors of the economy could collapse. Opponents maintain that a cut-off would mean, at most, a temporary inconvenience for a few employers, who would soon wean themselves away from their dependence on foreign workers. Whichever path is chosen, there is one certainty: the consequences will affect everyone. ■

*This brief is based on two LWVUS Immigration Study Committee background papers, “Immigration and the Economy” by Chris Carson and “Economic Aspects of Authorized and Unauthorized Immigration” by Dorrit Marks. These papers, including full citations of sources, are available at [www.luvv.org](http://www.luvv.org).*