

The Economics of Immigration

SIRs Branch 54

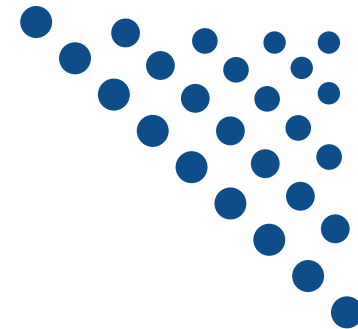
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National Economic Education Delegation



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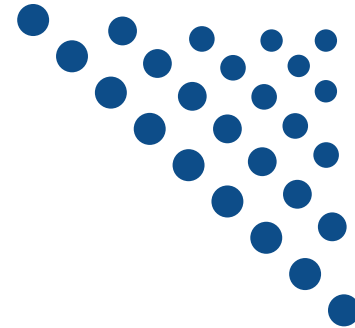
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Outline



- Quiz!
- Why do people migrate?
- The nature of immigration to the US
- Economics of immigration

Immigration Quiz

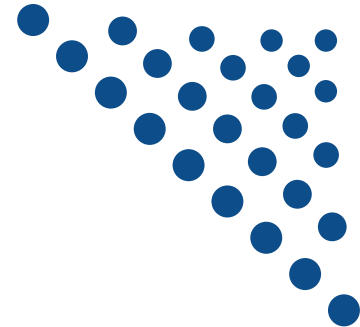


- What % of the U.S. population are immigrants?
 - 14%
- What % of the world's population are immigrants?
 - 3.6%
- How long has the average undocumented immigrant lived in the United States?
 - A. 3 months
 - B. 2 years
 - C. 10 years
 - D. 25 years
- 21% of children born to native parents are high-income earners (above the middle class).
- What % of kids born to immigrants are high-income earners?
 - A. 15%
 - B. 21%
 - C. 28%
 - D. 35%
- In 2021, 8% of Americans lived in poverty. What percent of immigrants lived in poverty?
 - 13%

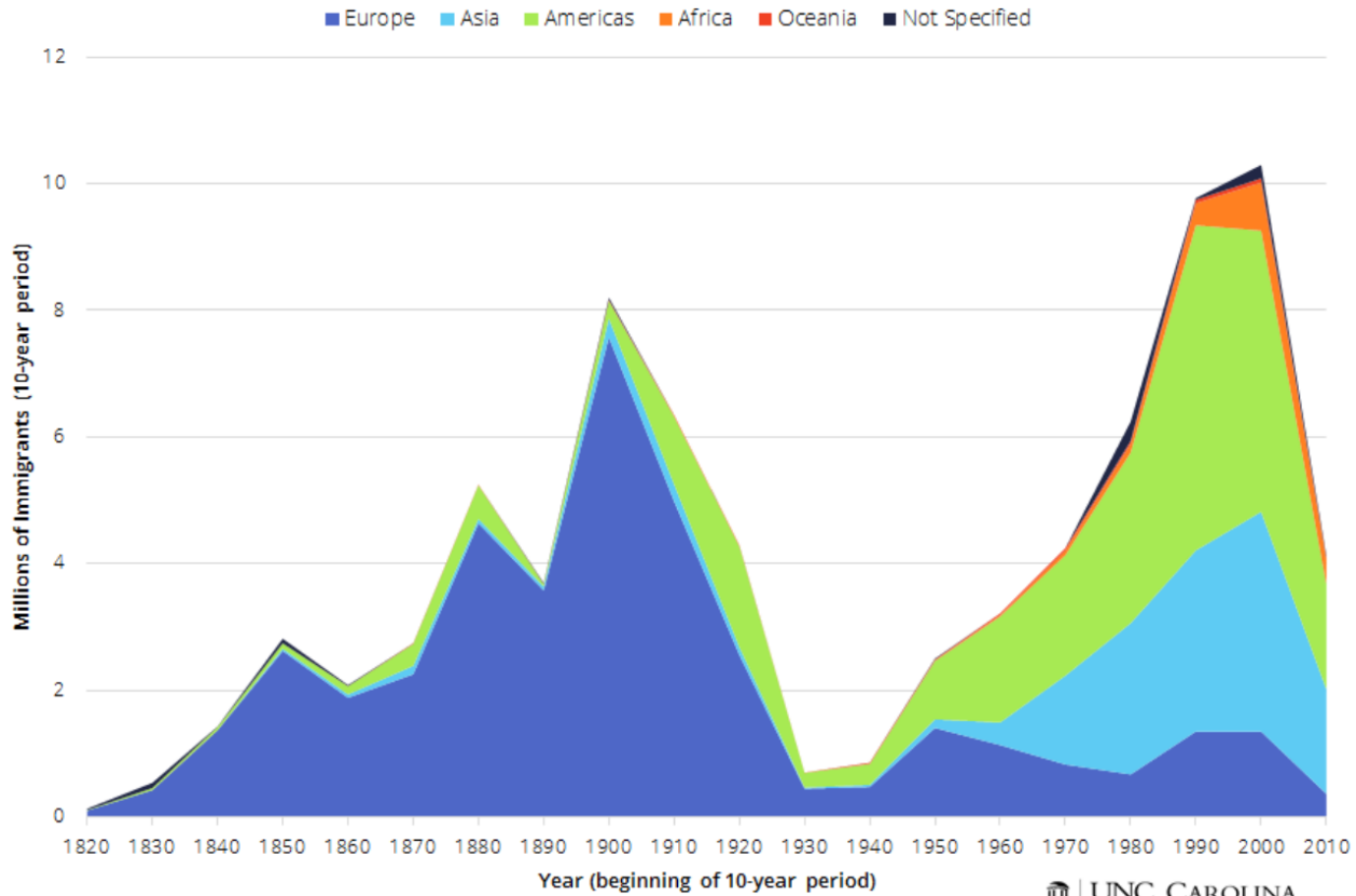
Immigration Quiz



- Immigrants are responsible for what % of patents in the United States?
 - **36%**
 - 23% of inventors on record
 - 13% from increase in native born patenting
- What % of green cards go to family and employment-based immigration?
 - **66% go to family-based**
- What % of the U.S. workforce are immigrants?
 - **18%**
- Native-born Americans receive \$8k on average in benefits. What is it for immigrants?
 - **\$6,000**
- 100 years ago, most immigrants were from Europe. Today, Latin America and Asia. Is the rate of assimilation:
 - **Faster? Slower? About the same?**



Volume of U.S. Immigration & Continent of Origin by Decade, 1820-2013



Data Source: U.S. Department of Homeland Security

UNC CAROLINA POPULATION CENTER CAROLINA DEMOGRAPHY

Why Do People Migrate?



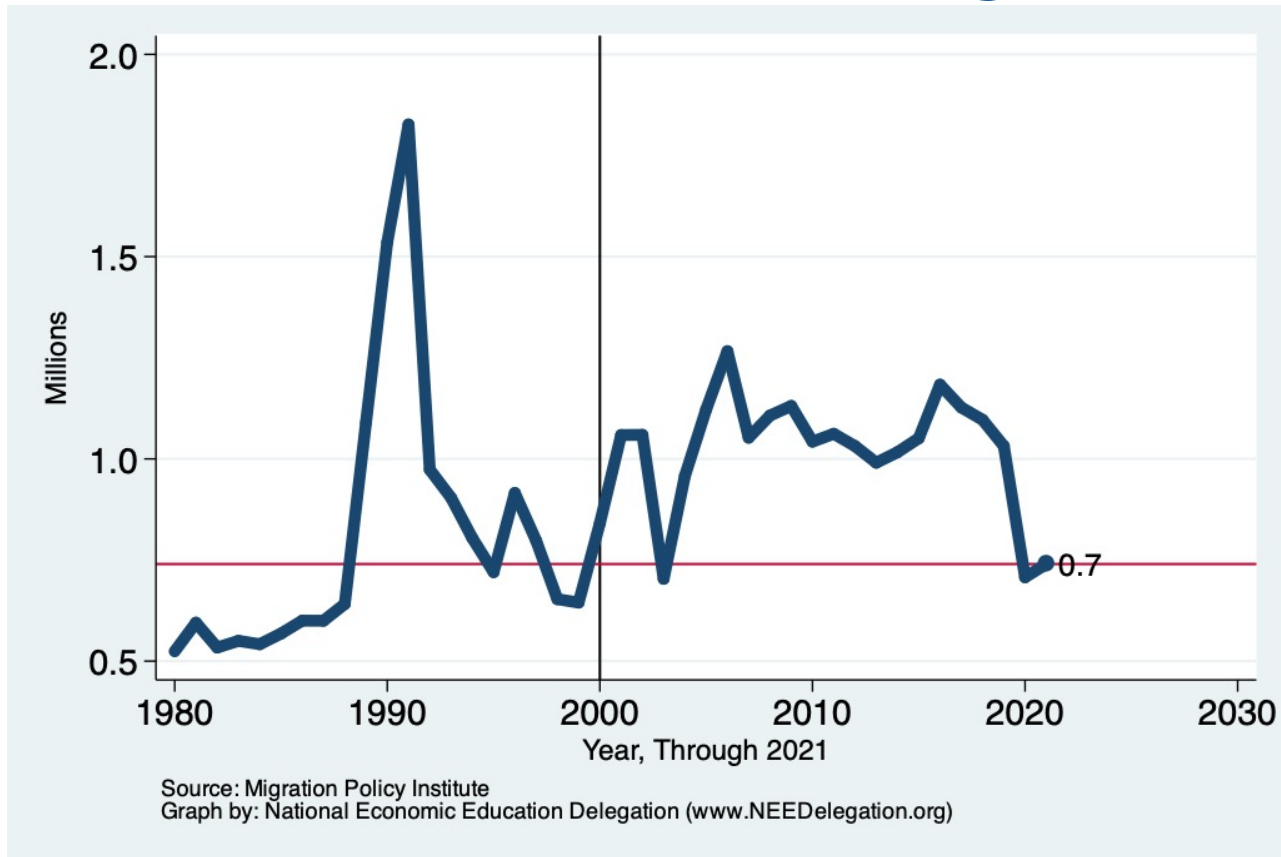
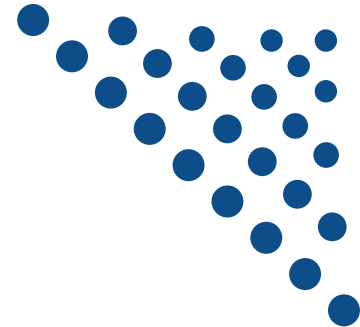
- **Push factors:**

- Disparities in income/standards of living, and the availability of jobs, violence/war, climate change, natural disasters, population pressures, economic dislocation, religious persecution, and denial of political rights.

- **Pull factors:**

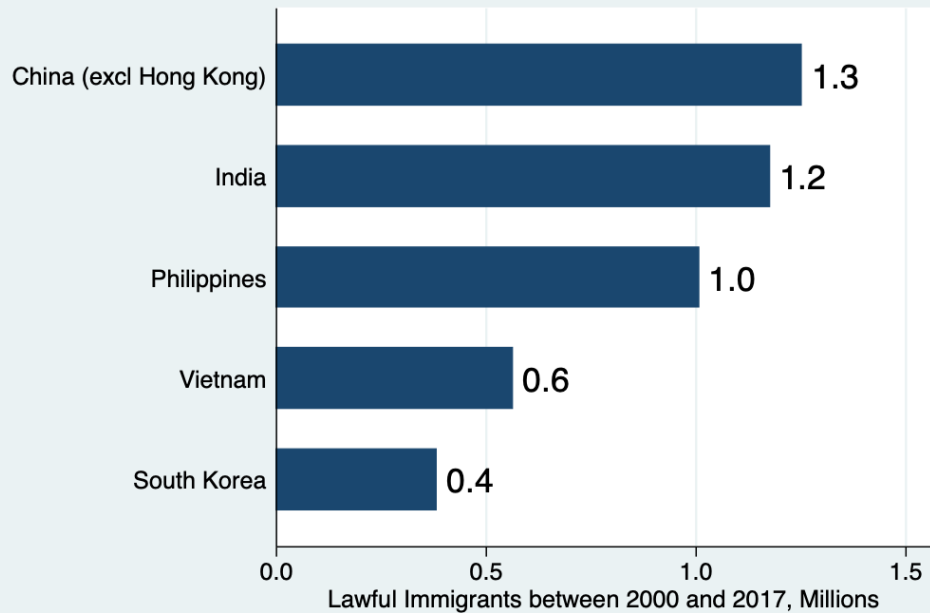
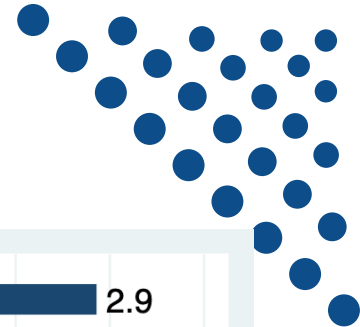
- Potential for economic prosperity (higher wages, job opportunities), physical security, political freedom, and religious liberty.

Recent Trends in Authorized Immigration

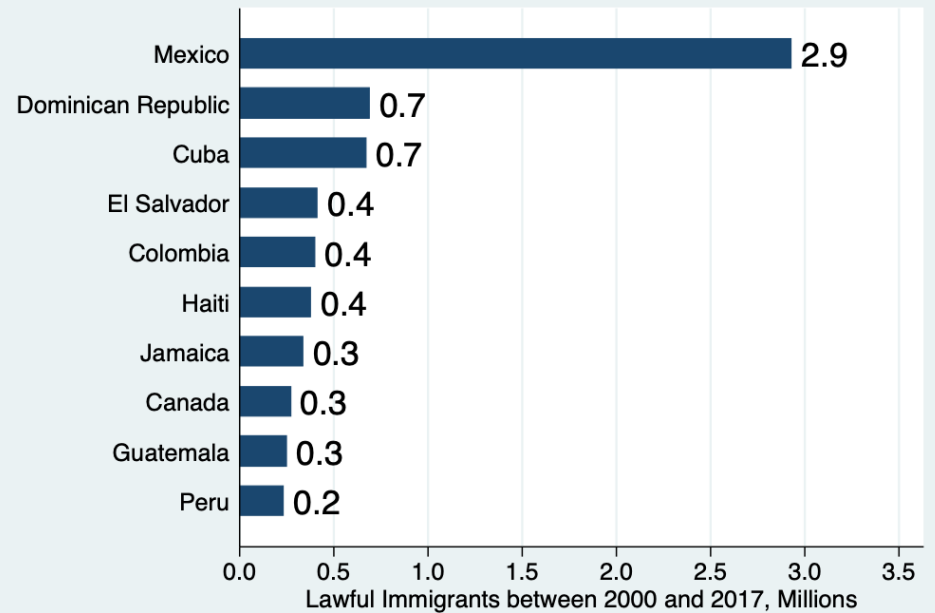


2022
1.0 Million

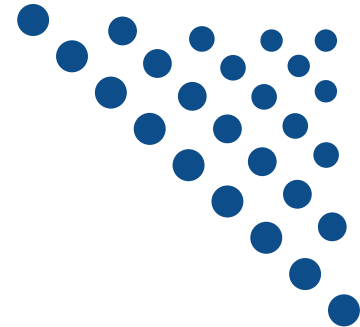
Authorized Immigration by Source



Source: Migration Policy Institute
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

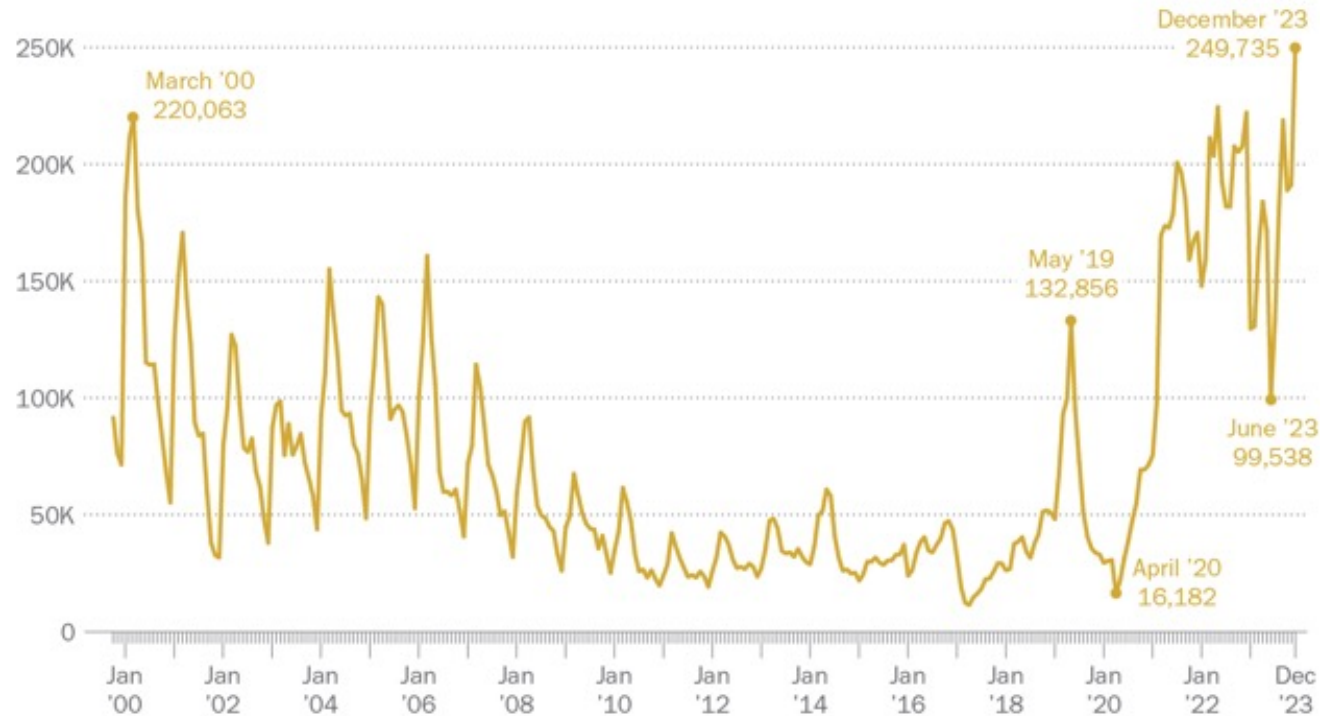


Source: Migration Policy Institute
Graph by: National Economic Education Delegation (www.NEEDelegation.org)



2023 ended with more migrant encounters at U.S.-Mexico border than any month on record

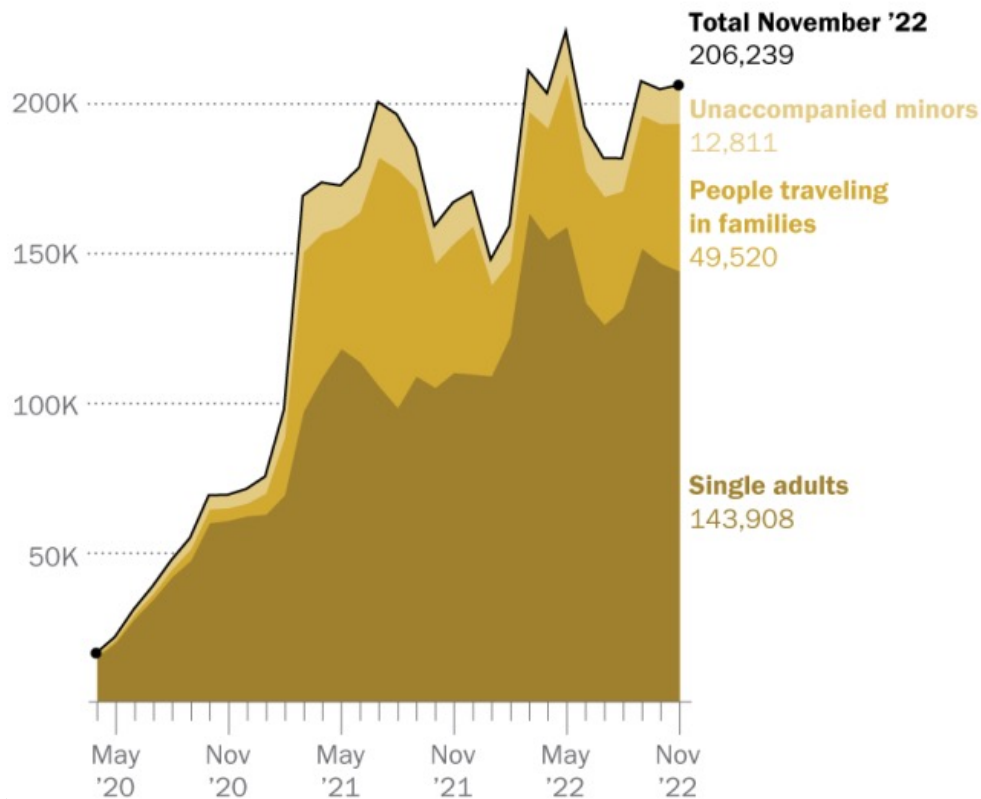
Monthly migrant encounters by U.S. Border Patrol at U.S.-Mexico border



Note: Beginning in March 2020, monthly totals combine apprehensions and expulsions into a new category known as encounters. Monthly totals before March 2020 include apprehensions only. Some migrants are encountered more than once.
Source: U.S. Customs and Border Protection.

Most Are Single Adults

Monthly migrant encounters by U.S. Border Patrol at U.S.-Mexico border involving ...



Evidence suggests:

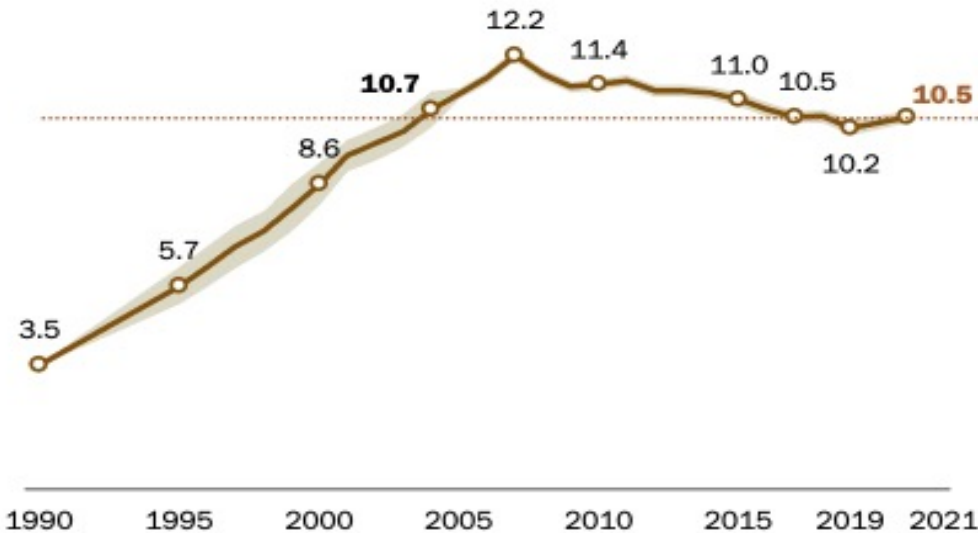
- Most unaccompanied minors are coming to join family members who are already here.
- The population of minors in the U.S. without a parent has not increased.



Unauthorized Immigration Totals

The number of unauthorized immigrants in the U.S. remained mostly stable from 2017 to 2021

Unauthorized immigrant population in the United States, in millions



Note: Shading shows range of estimated 90% confidence interval.

Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

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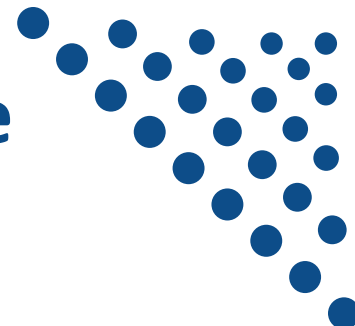


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Source: Pew Research Center, What we know about unauthorized immigrants living in the U.S., Nov. 16, 2023

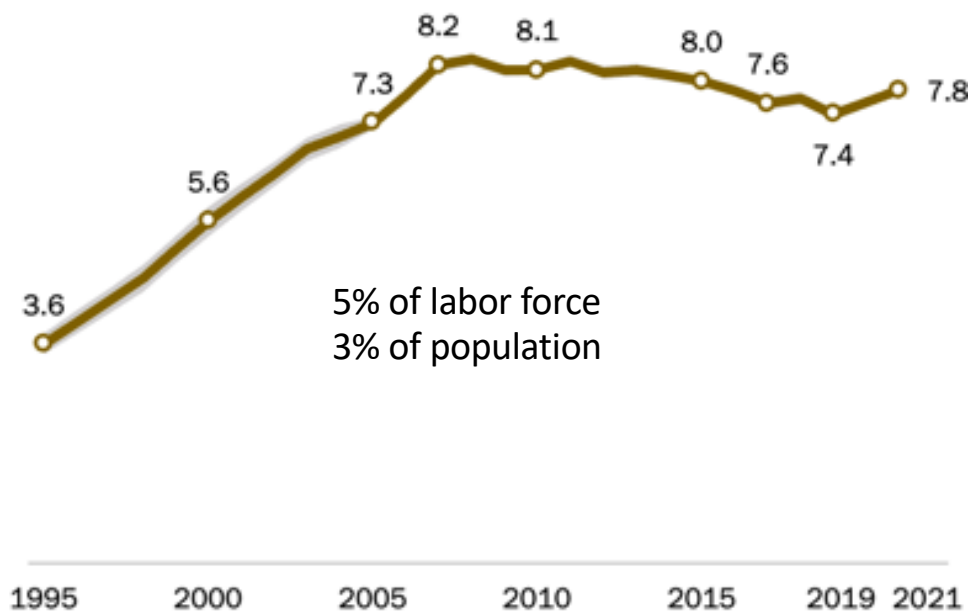


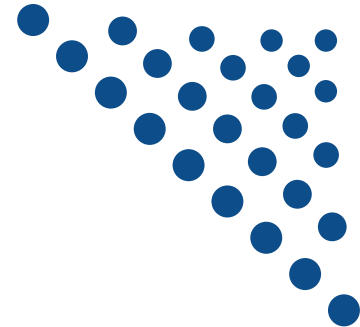
Unauthorized Immigration: Labor Force



The number of unauthorized immigrants in the U.S. workforce has remained mostly steady since 2017

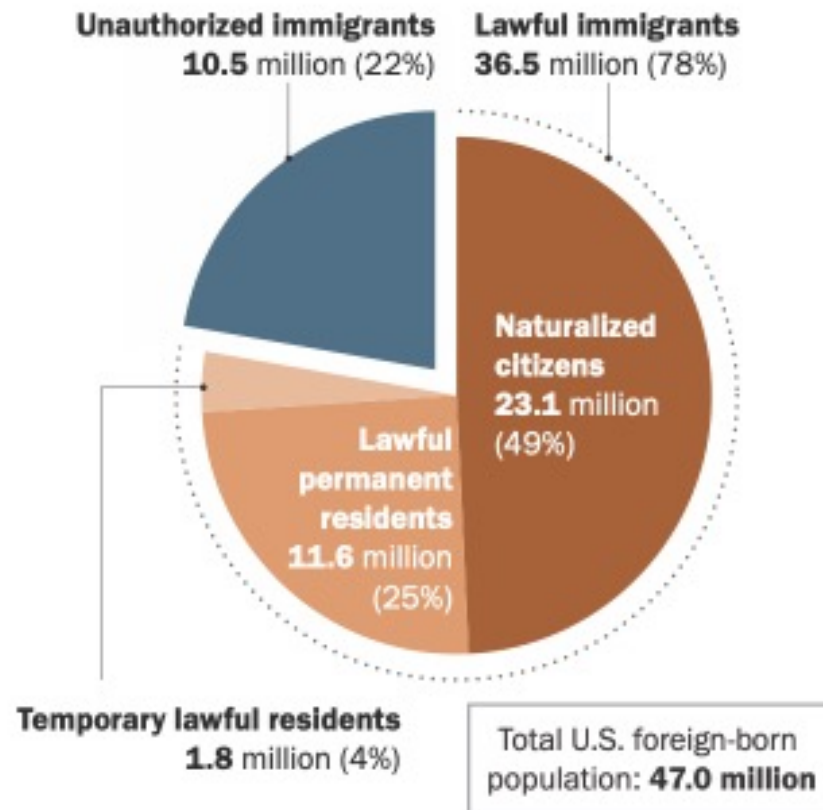
Unauthorized immigrants in the U.S. who are working or looking for work in millions





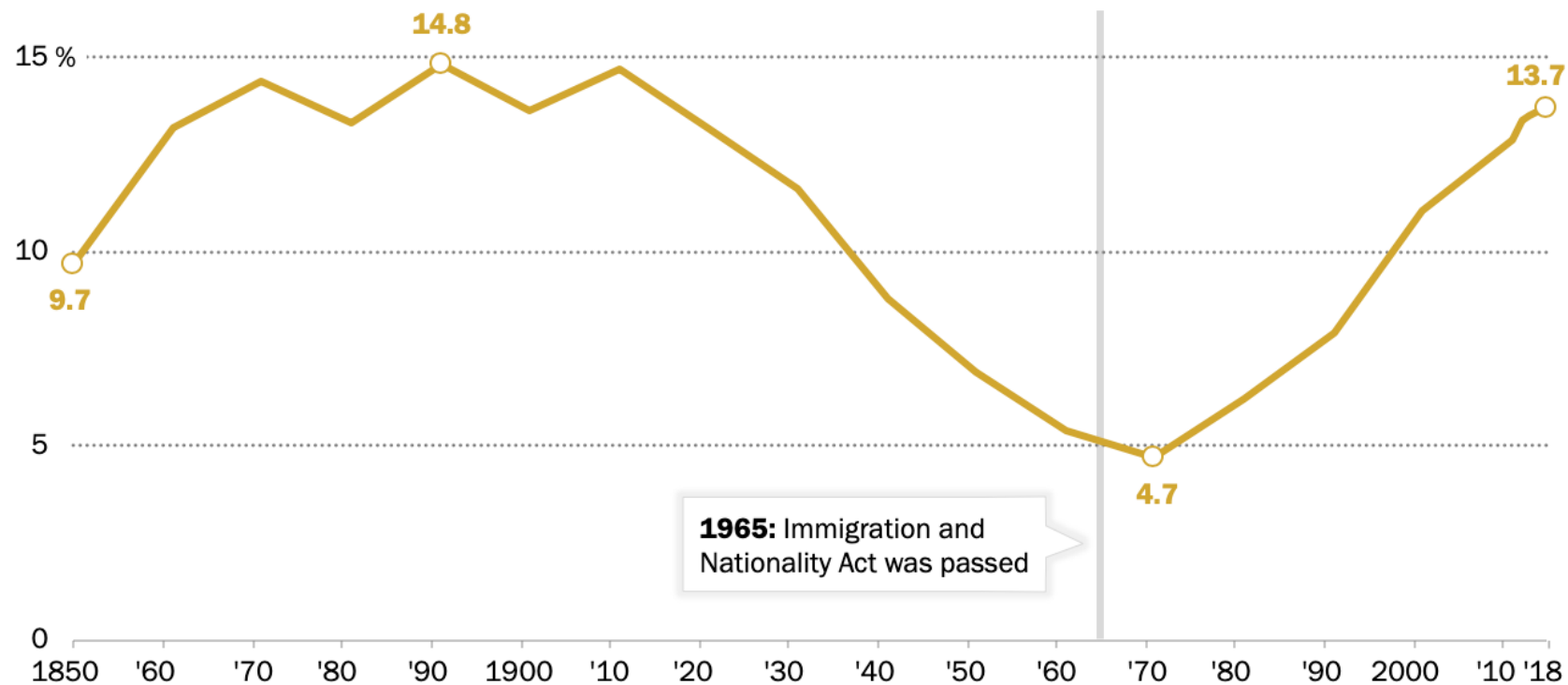
Unauthorized immigrants were 22% of the U.S. foreign-born population in 2021

Foreign-born population estimates, 2021



Immigrant share of U.S. population nears historic high

% of U.S. population that is foreign born



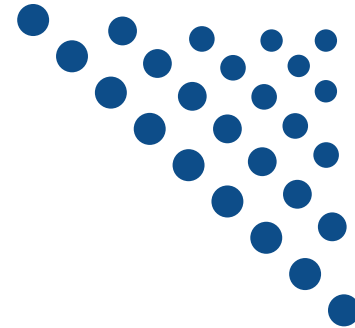
Source: U.S. Census Bureau, "Historical Census Statistics on the Foreign-Born Population of the United States: 1850-2000" and Pew Research Center tabulations of 2010-2018 American Community Survey (IPUMS).

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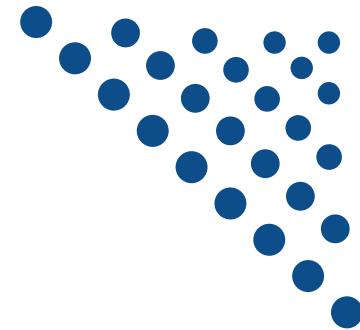
Source: Pew Research Center, What we know about unauthorized immigrants living in the U.S., Nov. 16, 2023

Why Do We Care? Economic Implications



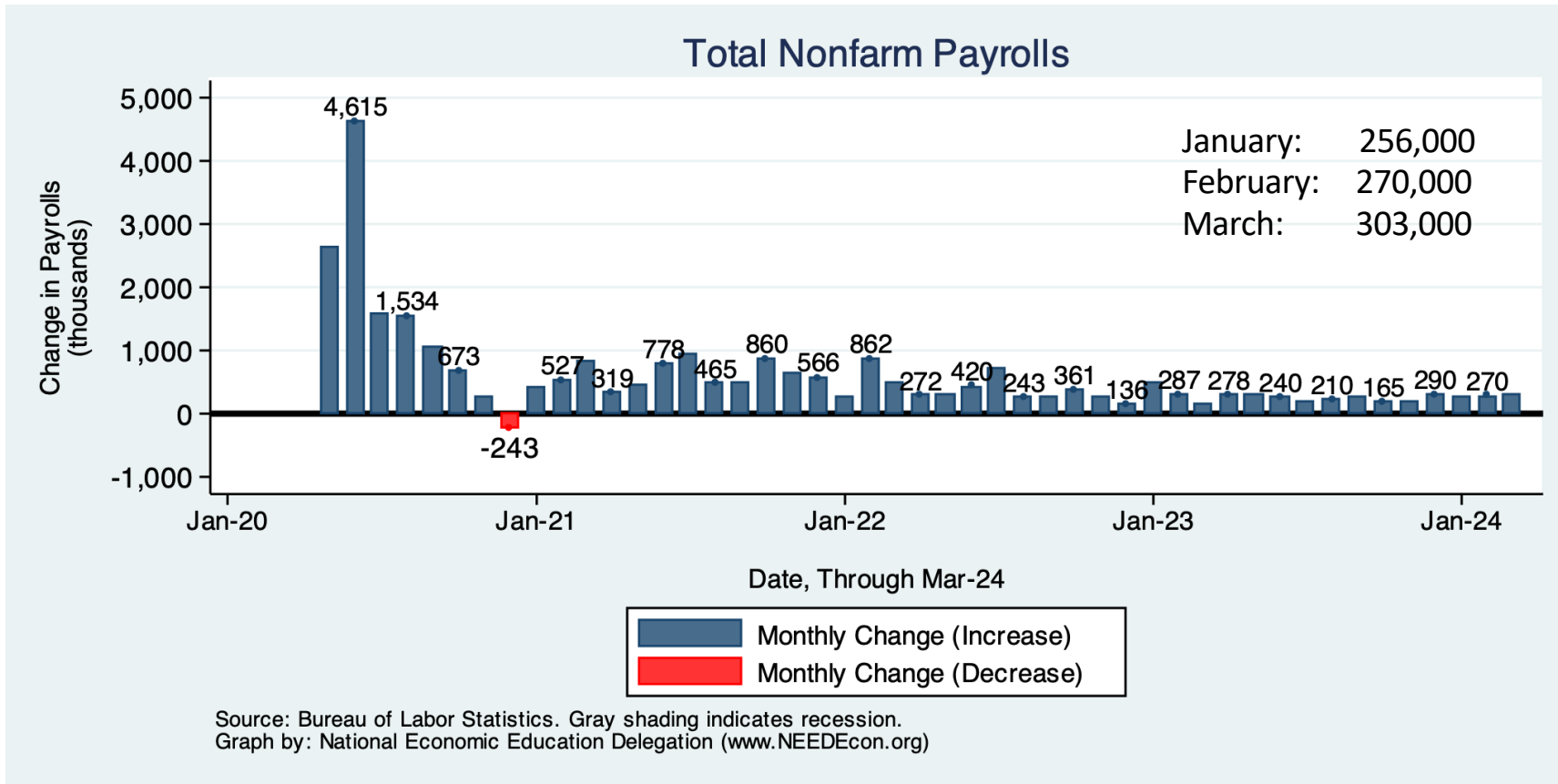
- Conventional Wisdom Issues:
 - Labor markets: Wages and Jobs
 - Government Revenue and Spending
 - Crime
- Other issues:
 - Gross Domestic Product (GDP)
 - Innovation and Entrepreneurship

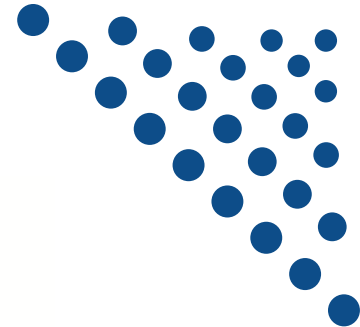
GDP: How Does This Work?



- **What determines the size of an economy?**
 - Physical capital
 - Technology/productivity
 - The number of workers
 - Immigration adds to the number of workers.
- **Number of immigrants in the labor force is high**
 - 28.2 million foreign-born persons ages 16+ in the labor force in 2018.
 - 17.4% of the total US workforce (US Census Bureau, 2019).
- **Evidence**
 - Immigrants added 11% to GDP (\$2 trillion) in 2016.

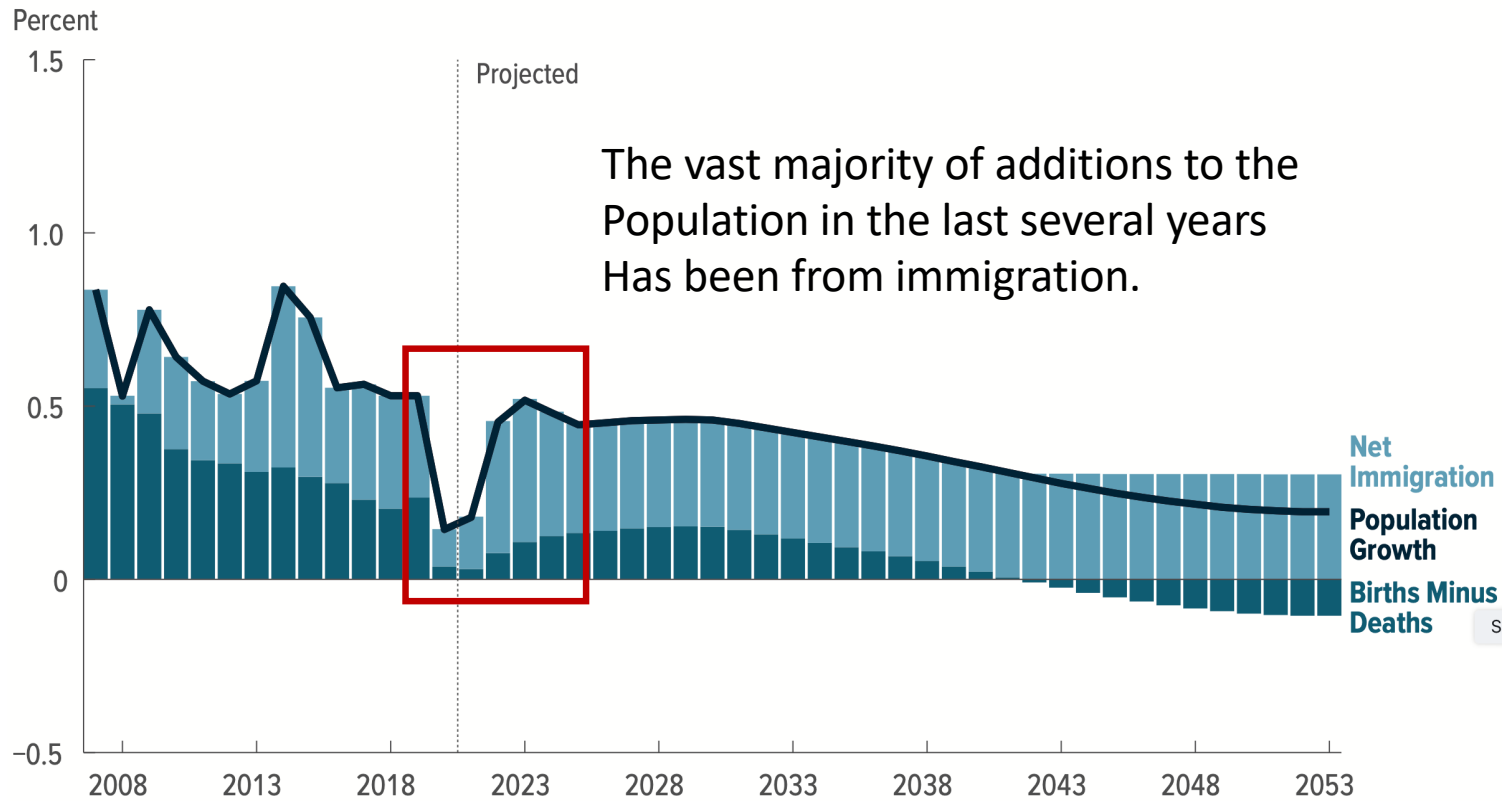
Monthly Changes in Nonfarm Employment



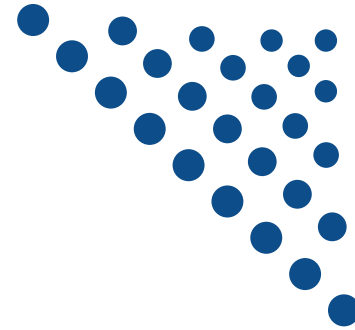


Is Immigration Saving the Day?

Population Growth and Its Underlying Factors

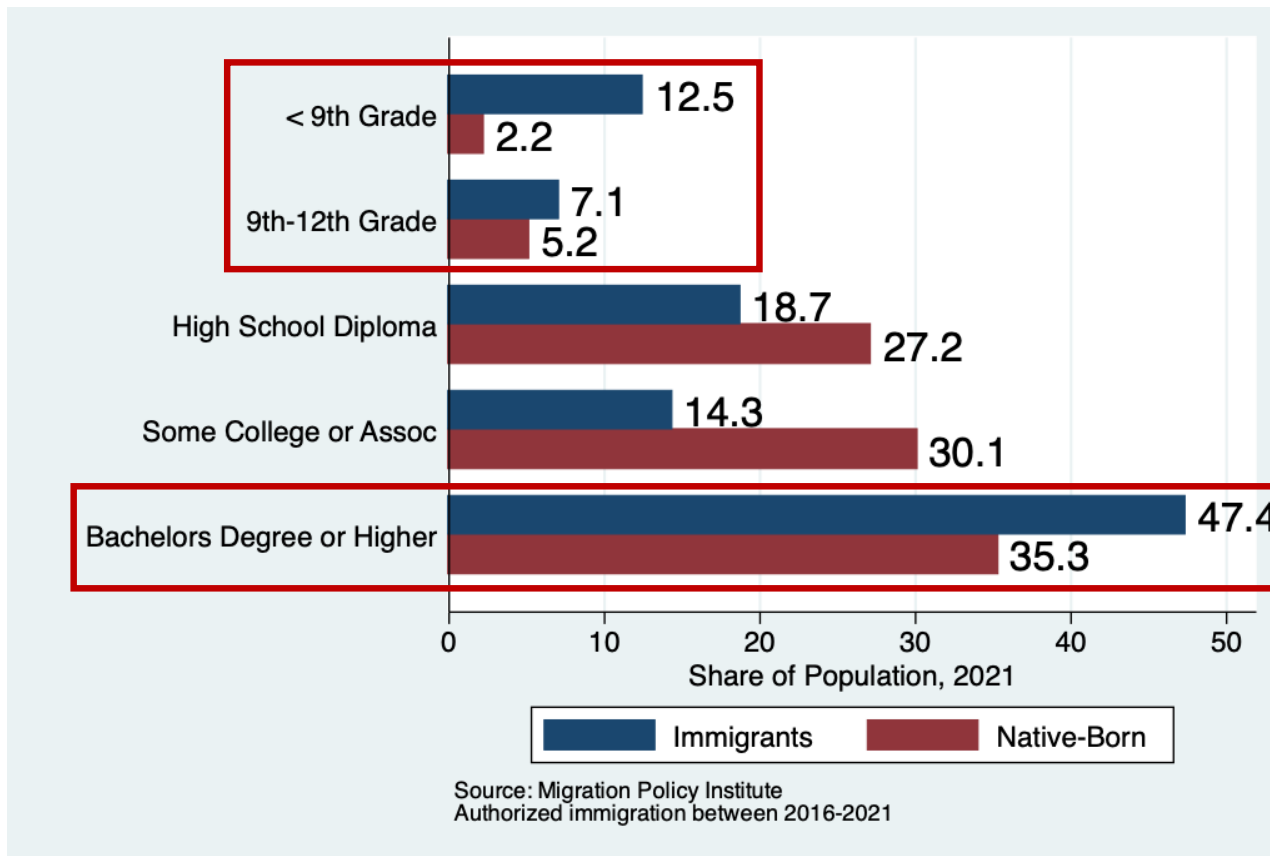


Labor Market Implications: Complicated

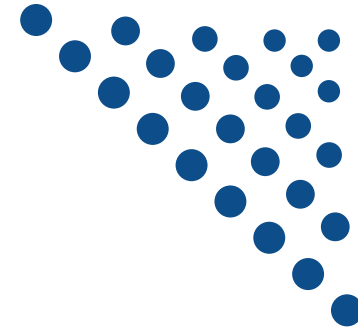


- **Depends on the type of immigrant: Skills/education**
 - Similar to native-born population?
 - Low-skilled?
 - Highly skilled?
- **Brings capital market implications**
 - Low-skilled immigrants – capital supplementing
 - Highly skilled immigrants – capital complementing

Recent Immigrants Are Less and More Educated



Labor Market Implications



- **Provides net benefits to the receiving economy**
 - Larger labor supply.
 - Changes in labor prices increase production of goods and services that use the type of labor offered by immigrants.
- **Short run: there are winners and losers**
 - Changes in wage structure and returns to capital affect native-born workers differently.
- **Long run: could be no winners, but also no losers**
 - The economy might adjust to pre-immigration wage structure and returns to capital. No change for native-born individuals.

Pathway of Wage and Employment Effects



Inflows of Low-Skilled Immigrants



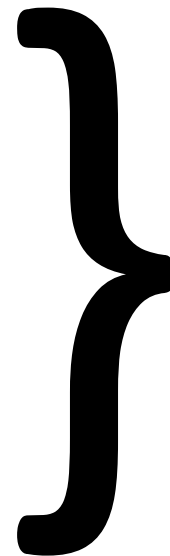
Previous Immigrants



Disadvantaged Minorities



Native-born HS Dropouts

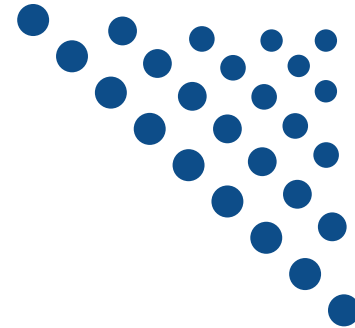


Order of Impact

Impact is negative,
But is smaller
at each step.

Positive influence on wages and employment of other workers.

Skilled Immigrants and Innovation

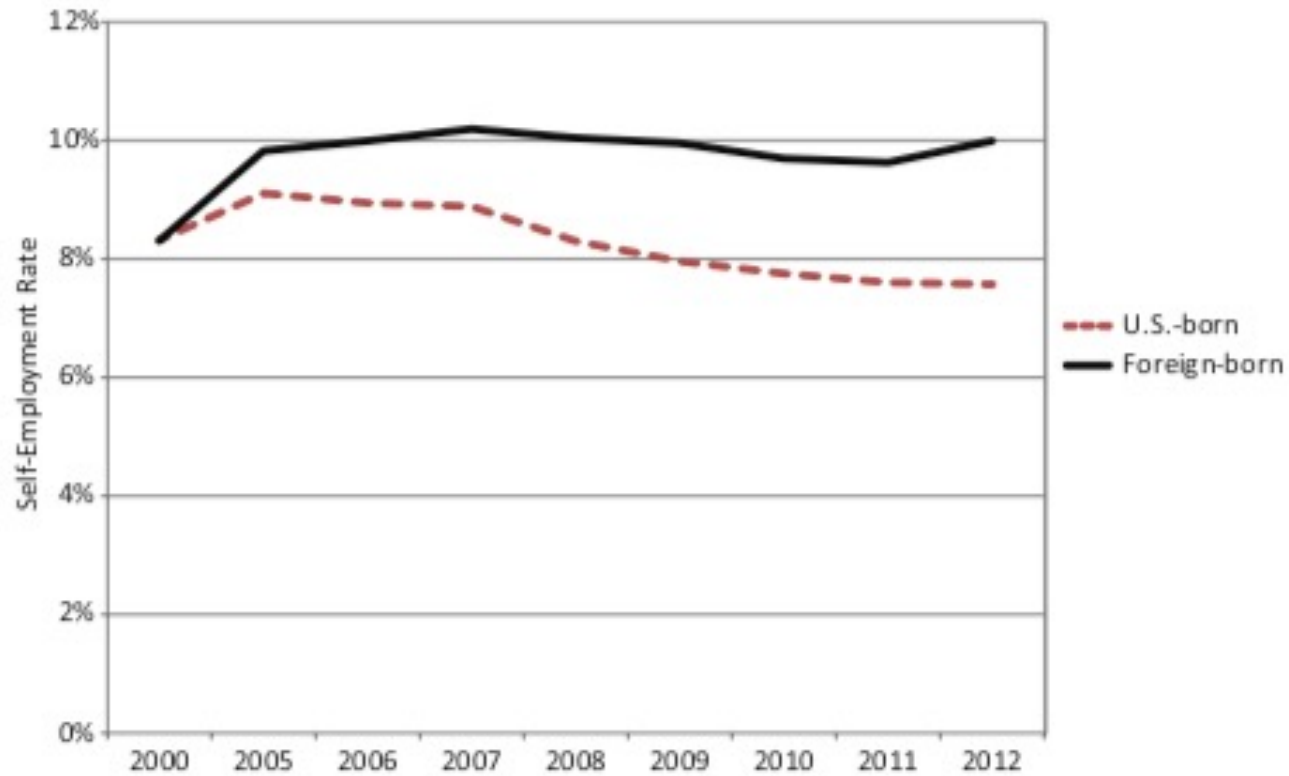


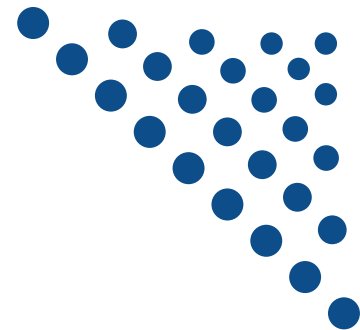
- **1% increase in the share of the immigrant college graduate population**
 - 9-18% increase in patenting per capita
 - Increased immigration increases patenting by native-born population
 - Nonetheless, the effect is positive
- **In the 1990s**
 - Increased skilled immigration can account for one-third of increased patenting in that decade.
 - This translates into a 1.4-2.5% increase in GDP per capita by the end of the decade.

Immigrants and Entrepreneurship

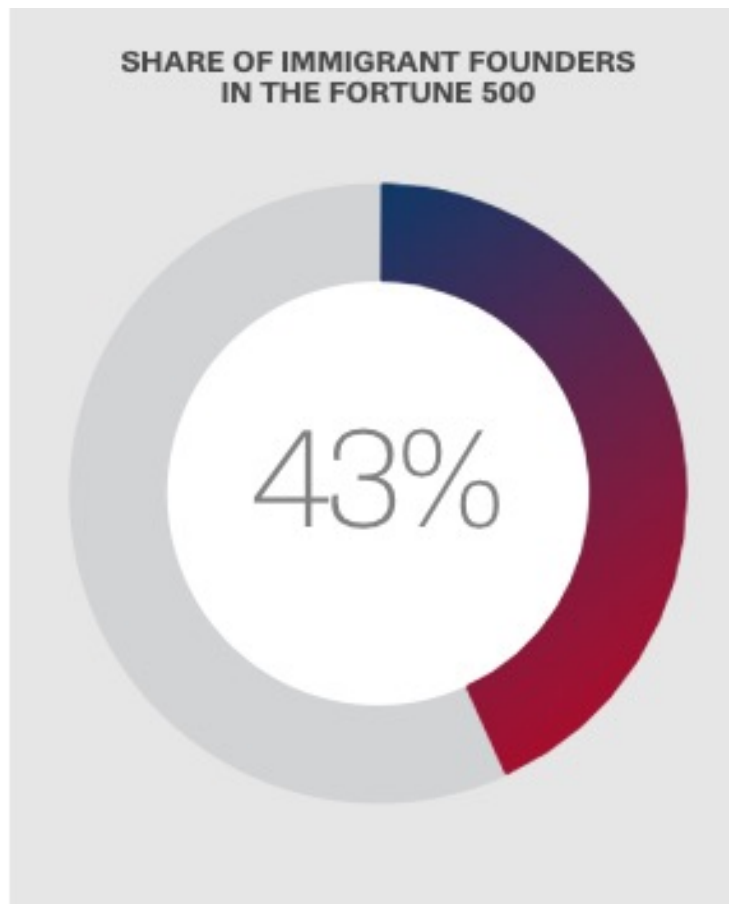


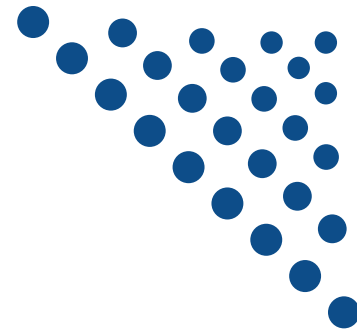
Self-Employment Rates by Nativity





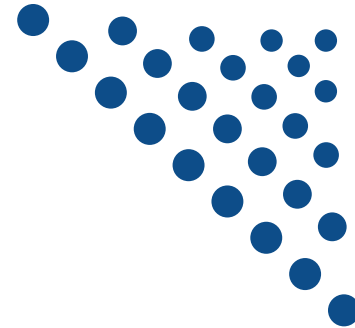
Fortune 500: First- and Second-Generation Founders





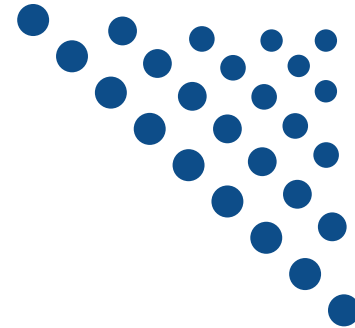
Government Revenues and Expenditures

Why Is This Important?



- **Important for understanding whether immigrants will be net contributors to the economy.**
- **Two additional reasons:**
 - Taxpayer inequity geographically
 - Necessary to understand the full consequences of admitting additional immigrants into the country

Topics?



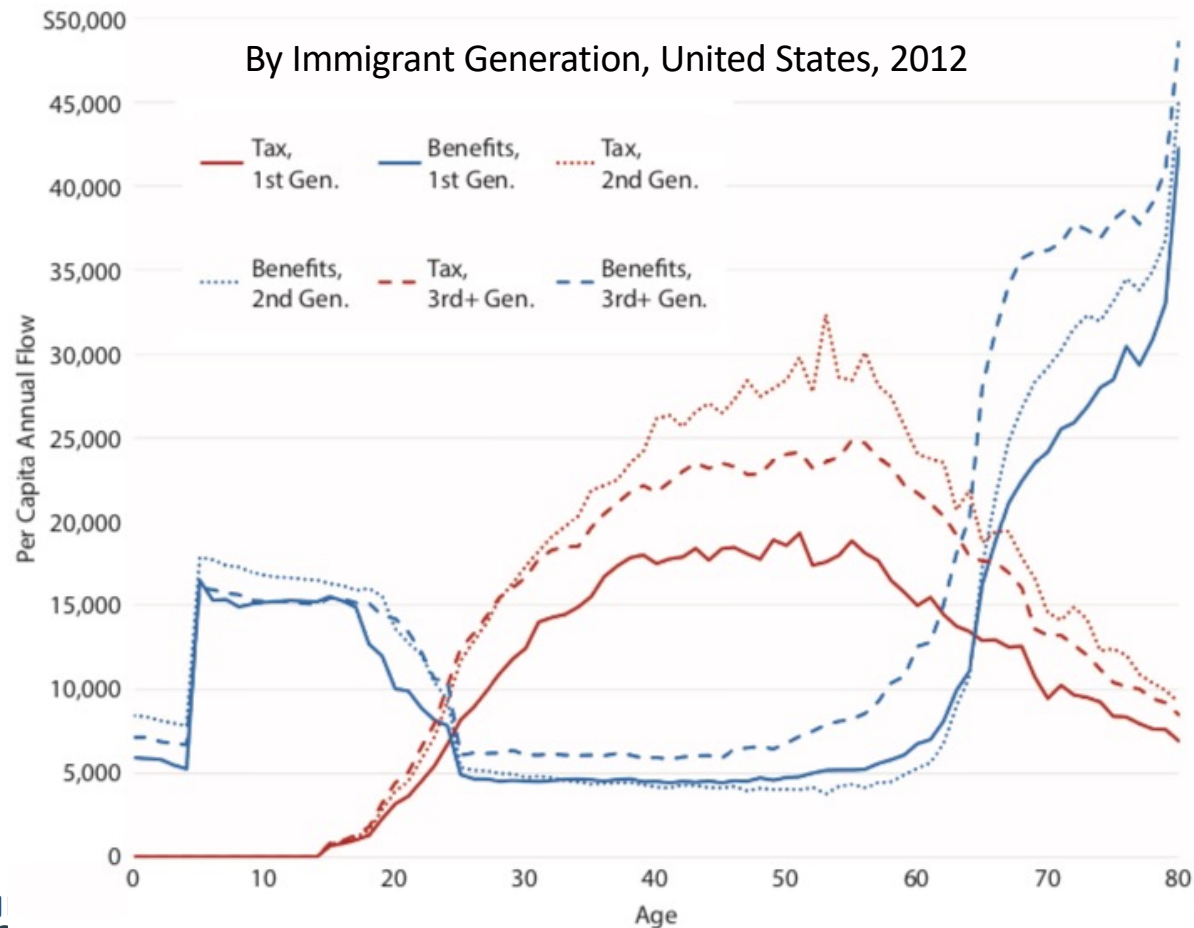
- **Basic Question:**

- Taxes (income, sales, and other) immigrants pay vs. government expenditures on public benefits and services they receive.

- **More complicated:**

- Immigrants also affect the fiscal equation for many native-born residents.
 - Indirectly through labor and capital markets.
 - Changes in wages and the return to capital.

Age-Specific Taxes and Benefits

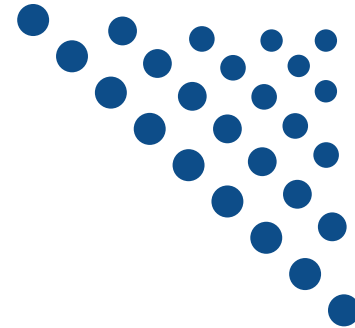


What Do We Know?



- **Immigrants who arrive while of working age:**
 - Are, on average, net contributors.
 - 21-year-old with a high school diploma: +\$126,000 over a lifetime
 - Though this value gradually declines with age at arrival.
 - Turns negative for arrivals of age 35+
- **Net contribution crucially depends on characteristics**
 - Age distribution, family composition, health status, fertility patterns
 - Temporary or permanent relocation
 - Employment in the legal labor market
 - Authorized or unauthorized

Bottom Line/Consensus of Estimates



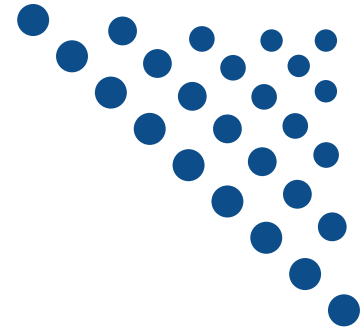
- **Federal** level: fiscal impact is generally **positive**.
- **State and local** level: typically **negative** fiscal impact.

Implications for Major Federal Programs

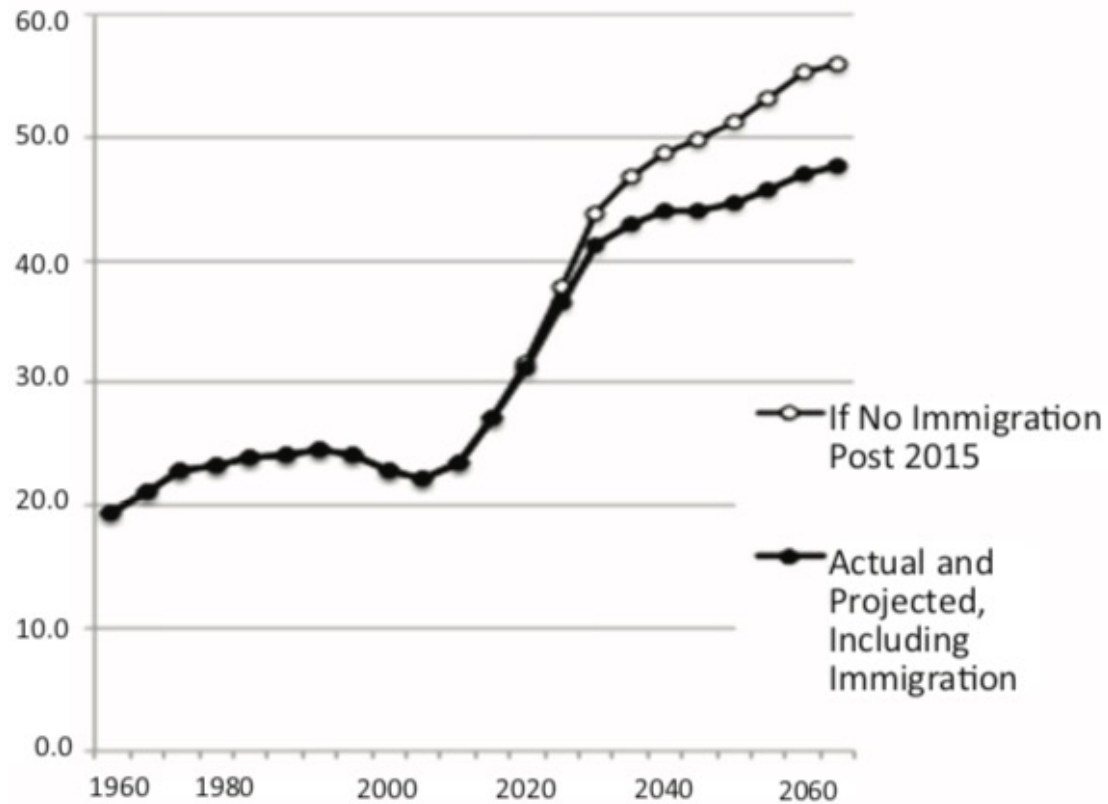


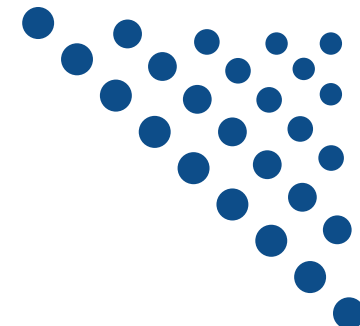
- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
 - They will pay into the system but cannot receive benefits.
- **Medicaid: not available to legal residents for the first five years.**
- **Provide a source of revenue for an aging population.**

Implications for Social Security



Population Age 65+ per 100 of Working Age (25-64)



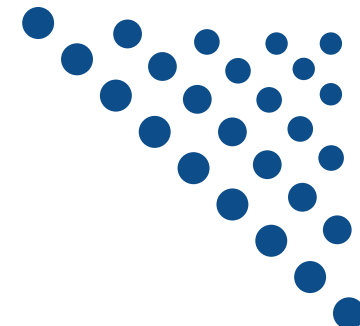


Non - Economic Implications

Patterns of Integration

- Education
- Employment and Earnings
- Occupations
- Poverty
- Residential Integration
- Language
- Health
- Family Patterns

The Big Misconception: Crime

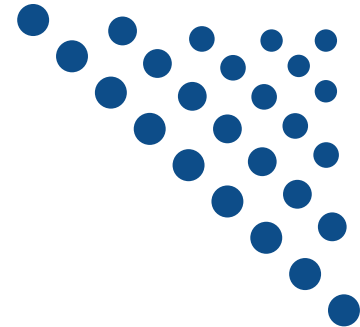


Immigrants and Crime Rates

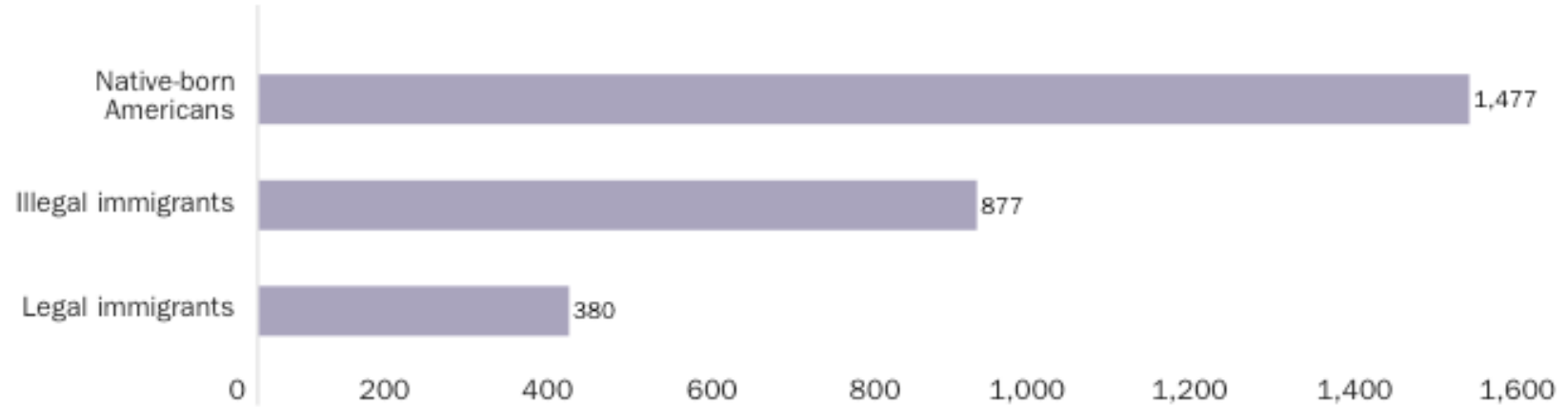
- **Conventional wisdom:**
 - Immigrants commit crimes more frequently than do native-born residents.
 - Rising immigration leads to rising crime.

Let's Have a Look!

Incarceration by Immigration Status, 2018



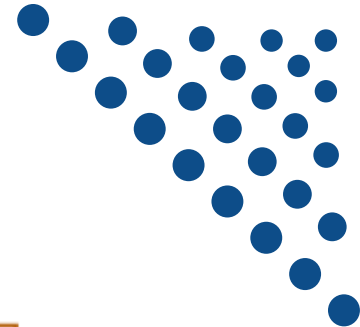
Incarceration rates by immigration status, ages 18–54



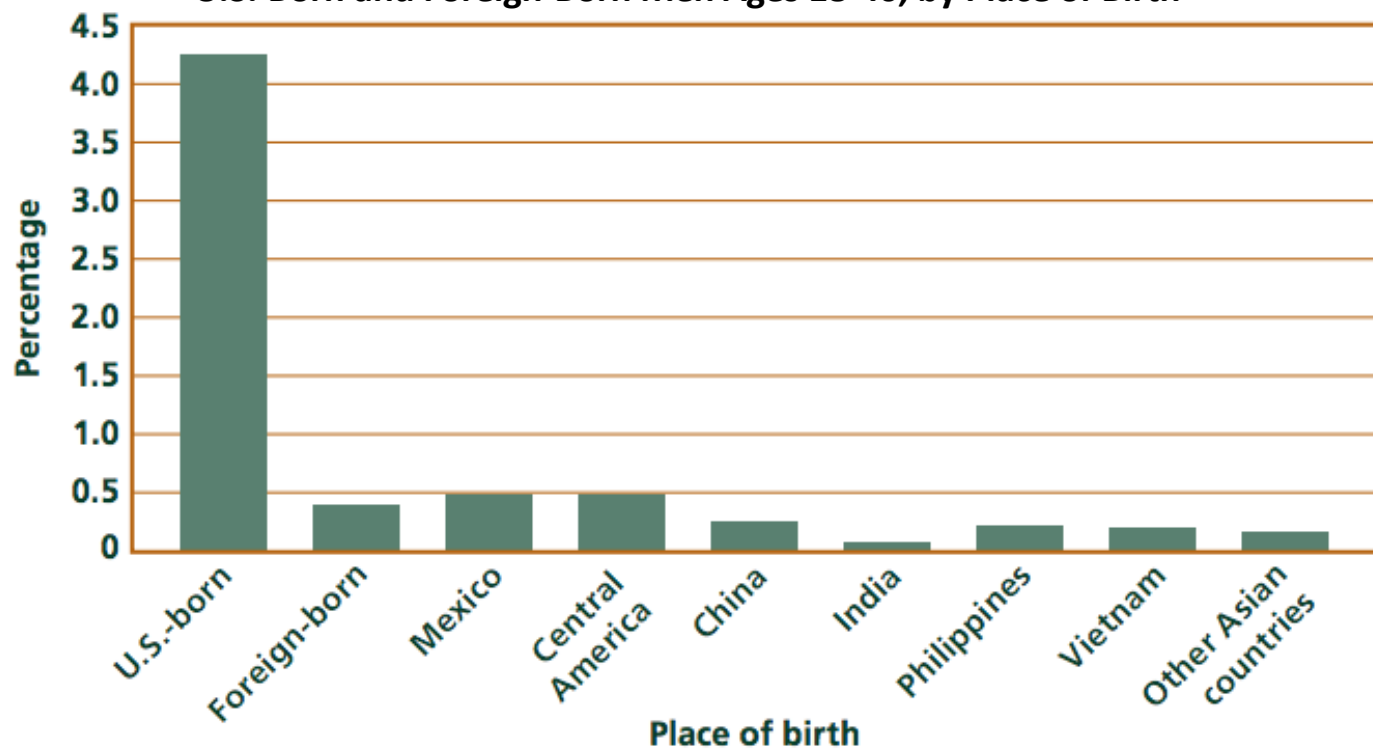
Source: Authors' analysis of the American Community Survey data.

Note: Rates are per 100,000 residents in each subpopulation.

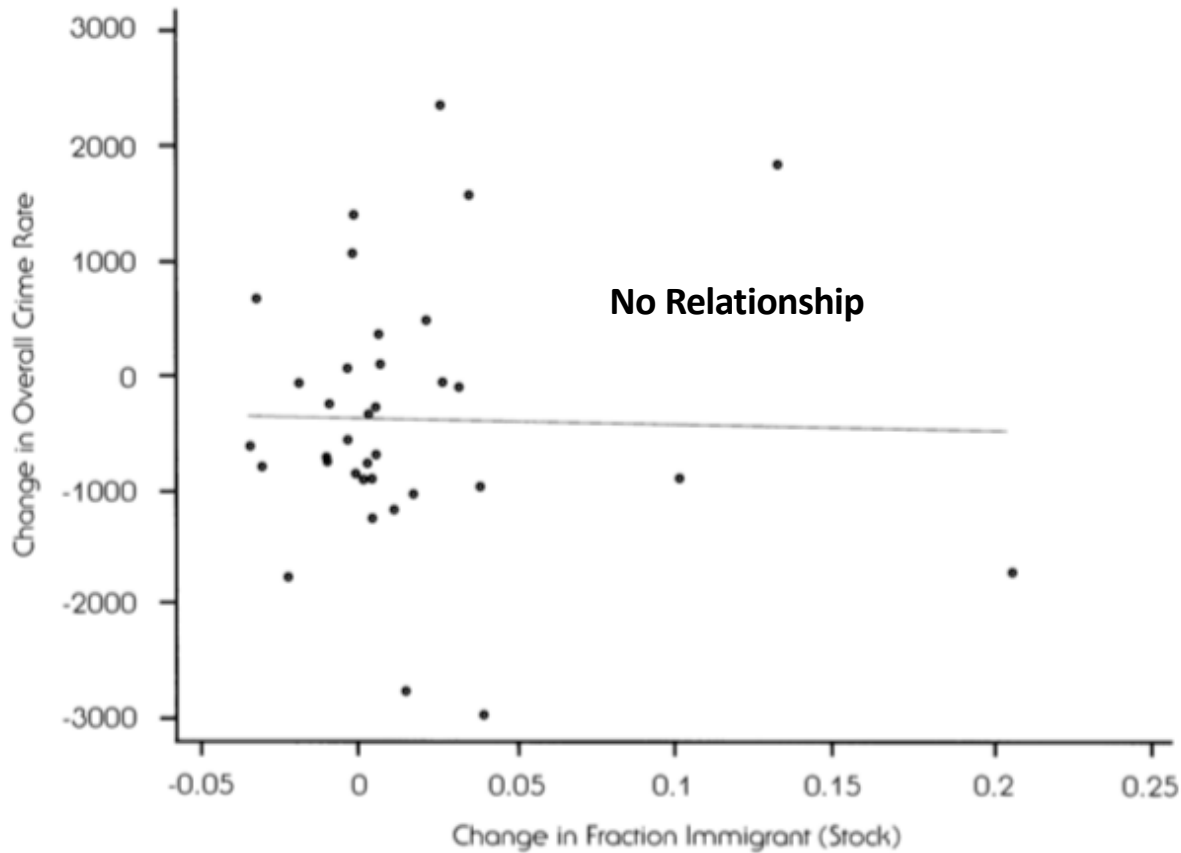
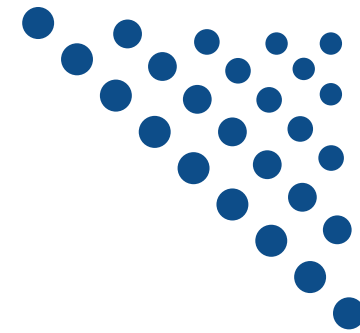
Crime: Incarceration Rates in California

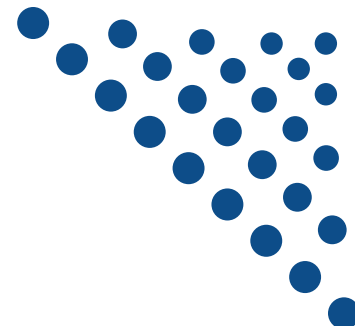


California Institutionalization Rate
U.S.-Born and Foreign-Born Men Ages 18-40, by Place of Birth



MSAs: Growing Immigration and Crime





Immigrants and Crime Rates

- **Conventional wisdom:**

- Immigrants commit crimes more frequently than do native-born residents.
- Rising immigration leads to rising crime.

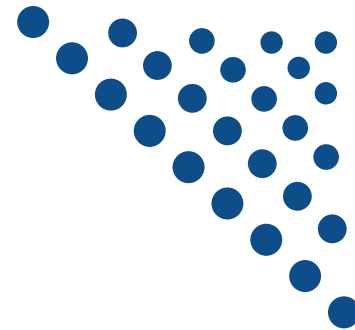
- **What do the data say?**

- Rates of incarceration are lower for the foreign born than US born.
- Neighborhoods with more immigrants have lower crime rates.
- There is no evidence that deporting noncitizen immigrants affects crime rates.

Summary

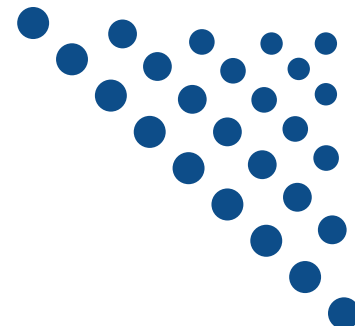


- Immigration can be thought of as increasing the population of the United States.
- This brings economic growth and opportunity, just as does increasing the native-born population.
- Including unauthorized immigrants, the supply of low-skilled workers is increased
 - This lowers the wages of low-skilled workers.
 - But also increases labor force participation among highly skilled workers.



At the Same Time....

- **Immigrants are often a select group:**
 - Willing to incur an enormous personal or familial cost to better their lives.
- **As a result:**
 - Immigrants tend to be entrepreneurial and to add significantly to economic growth.
- **Although there are distributional issues:**
 - Immigration is an important contributor to economic growth.
 - Immigration helps to sustain vital government programs.



About Conventional Wisdom

- **Native-born unskilled workers**

- There is some negative impact on their wages.
- But who wins and loses depend on the skill mix of immigrants;
 - when this skill mix changes, so do its effects.

- **Crime**

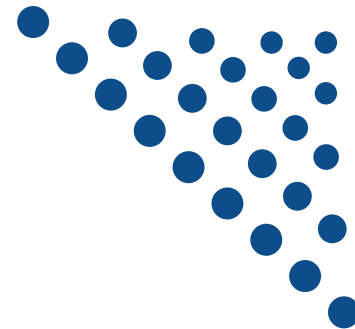
- Immigrants, both authorized and unauthorized, commit crimes at much lower rates than do native-born residents.

- **Government programs**

- Federal: immigrants are a source of revenue and stability for some important programs.
- State and local: because education is funded at the local level, this can be a drain on local government coffers.

Thank you!

Any Questions?



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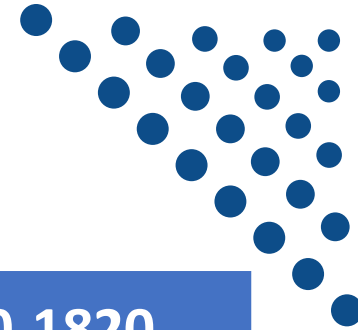
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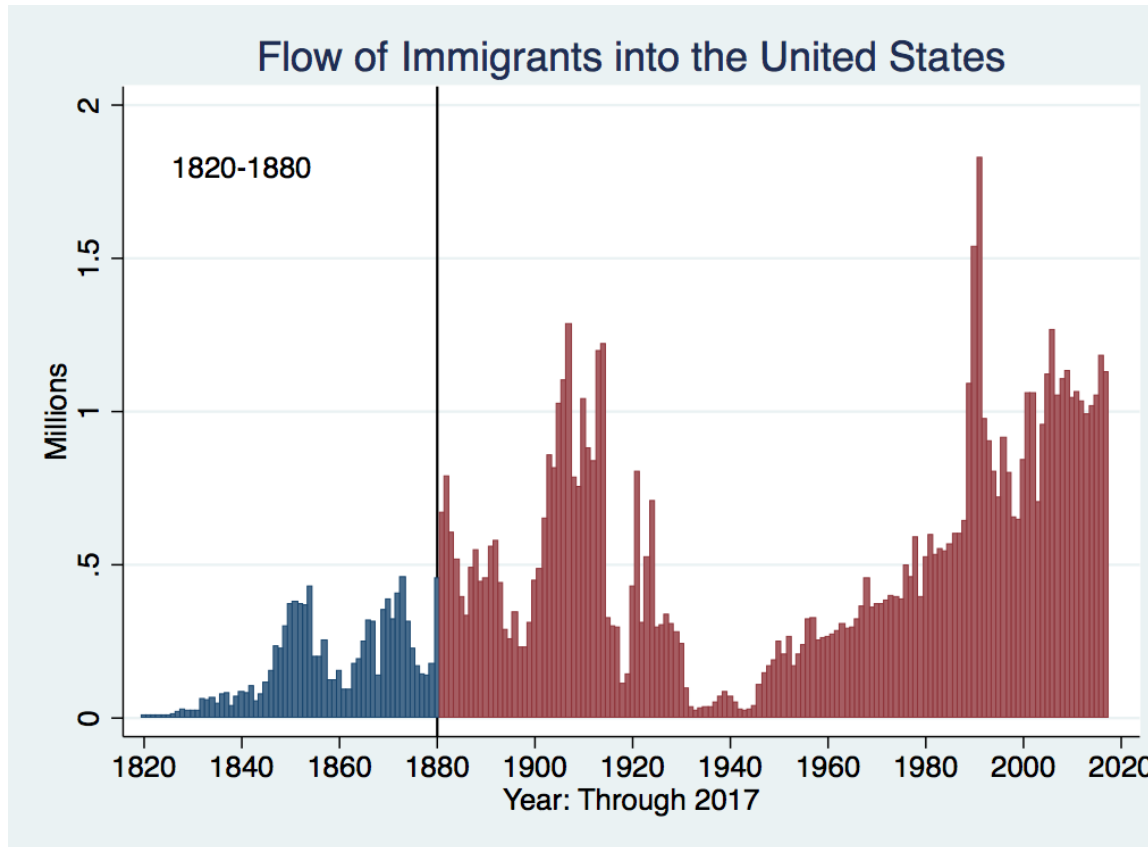
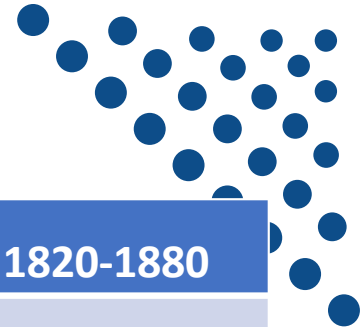
History of US Immigration



Source Countries	Pre-1790	Source Countries	1790-1820
African countries*	300,000	African countries*	85,000
England	300,000	Scotland-Ireland	50,000
Scotland-Ireland	100,000	England	45,000
Germany	100,000	France	40,000
Scotland	75,000	Germany	25,000

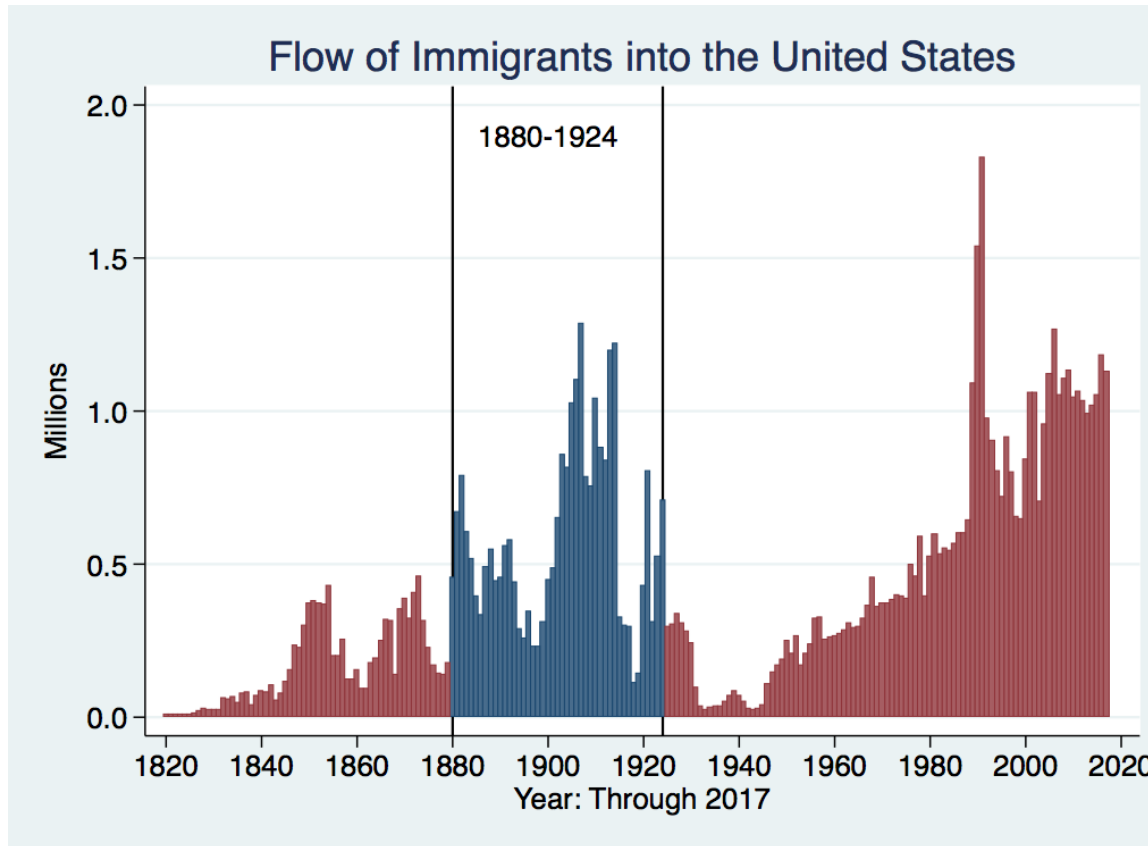
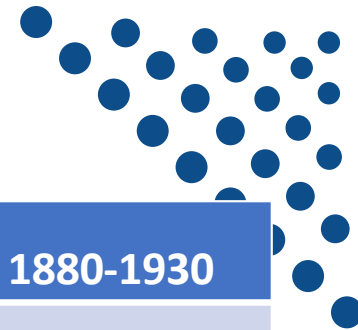
* Slave trade and clearly not voluntary or reflective of standard motivations for immigration.

History of US Immigration



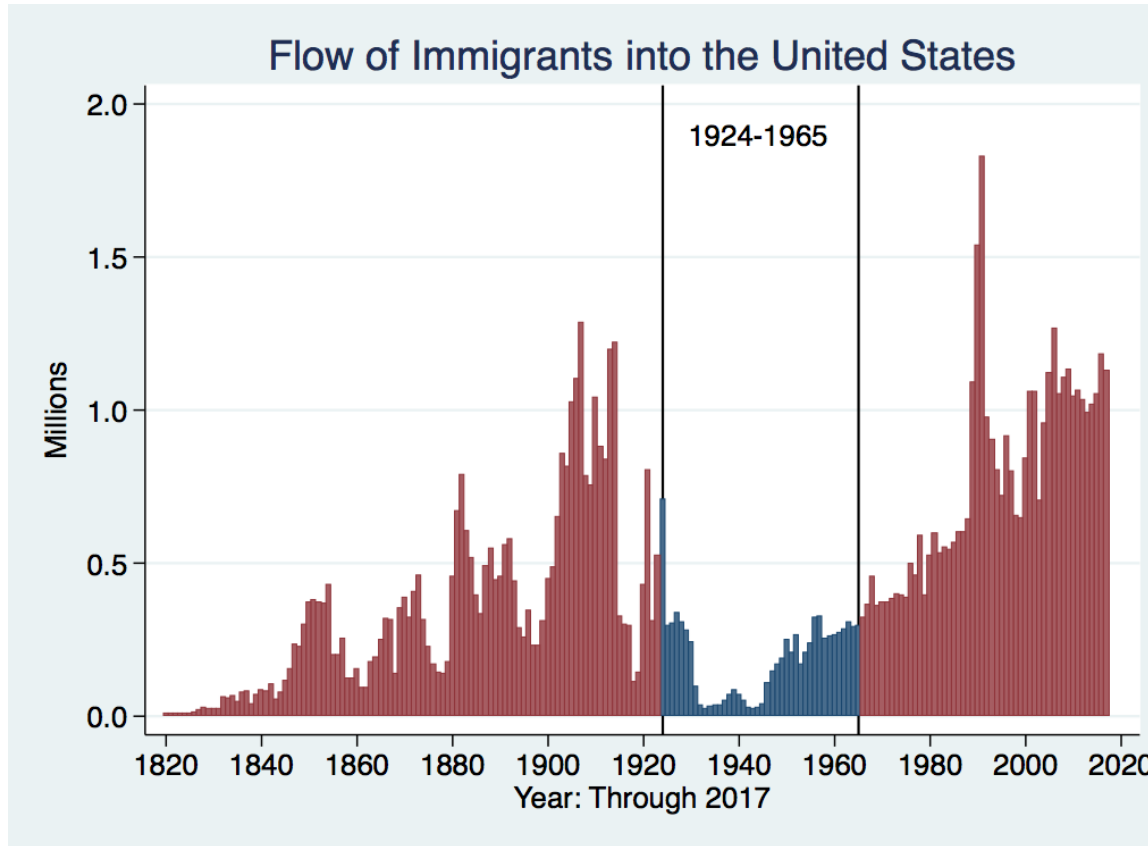
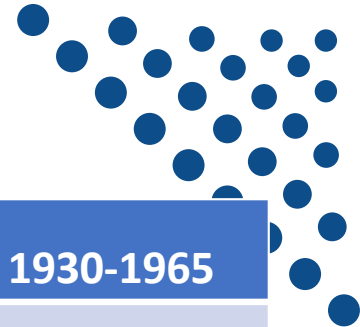
Source Countries	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian empire	1,000,000
Canada	750,000
China	230,000
African countries	50,000

History of US Immigration



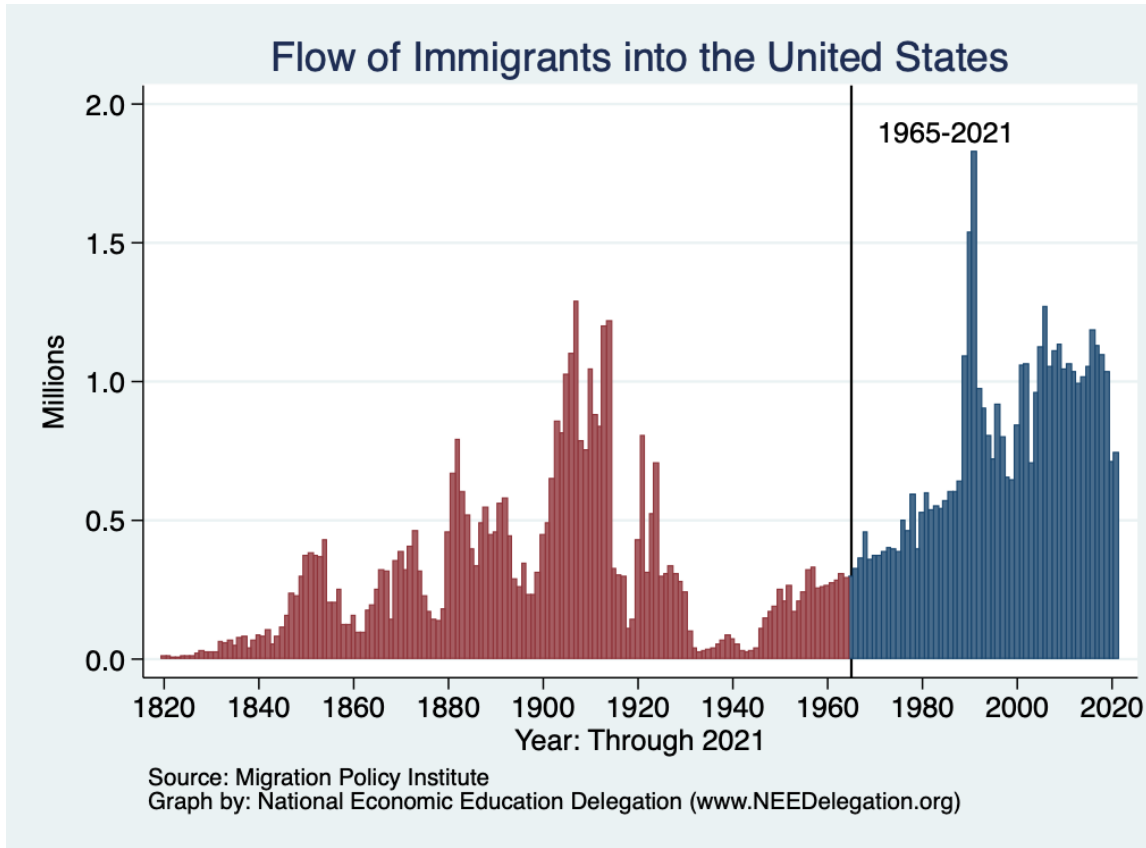
Source Countries	1880-1930
Italy	4,600,000
Austro-Hungarian empire	4,000,000
Russian empire	3,300,000
German empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000

History of US Immigration



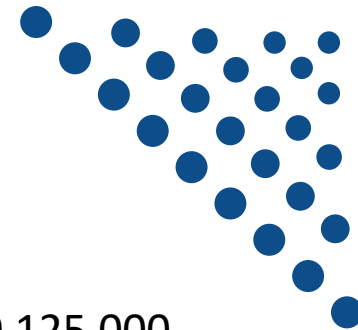
Source Countries	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/ West Indies	310,000

History of US Immigration: 1965-2017



Source Country	1965-2017
Mexico	4,300,000
Philippines	1,400,000
South Korea	760,000
Dominican Republic	750,000
India	740,000
Cuba	700,000
Vietnam	700,000
Canada	650,000

History of US Immigration: 2011-2020



Sources (top 10)	2011-2020
Mexico	1,491,000
China	721,000
India	637,000
Philippines	505,000
Dominican Rep.	487,000
Cuba	473,000
Vietnam	334,000
El Salvador	215,000
South Korea	199,000
Jamaica	198,000

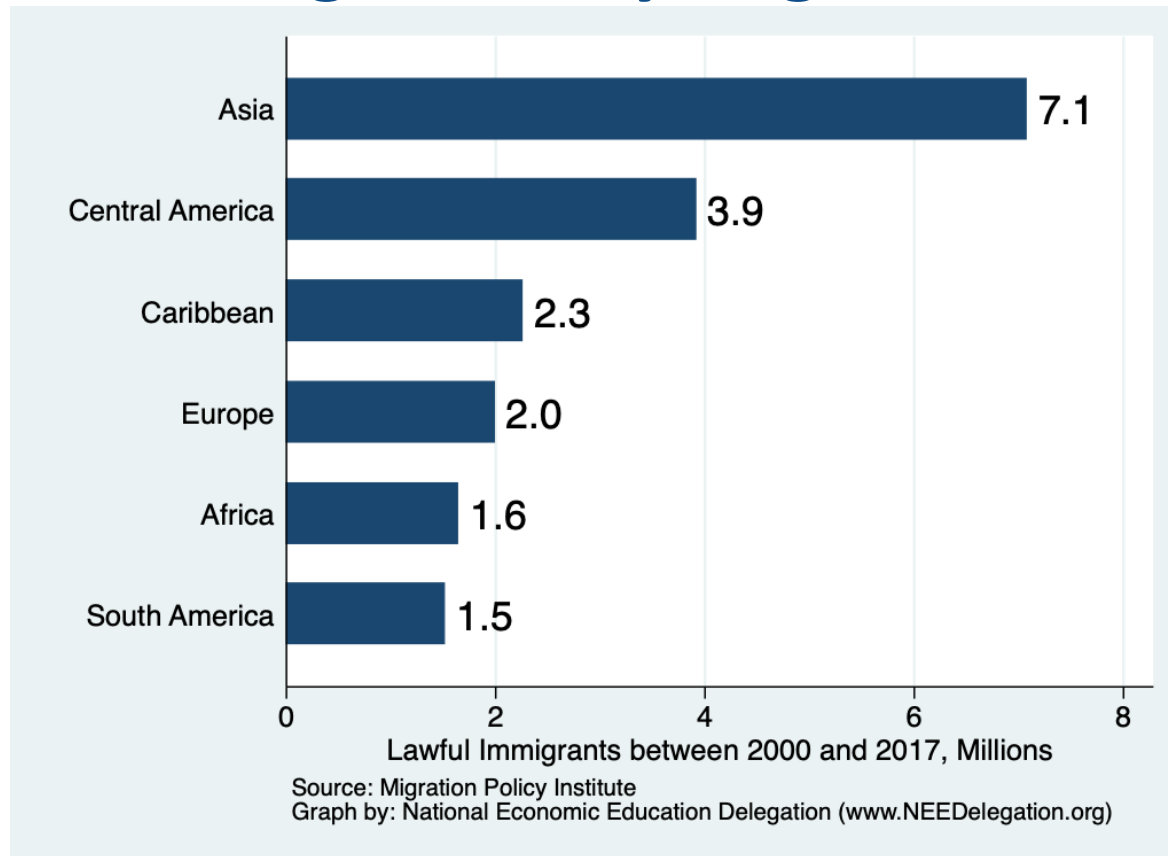
Total immigrant inflow, 2011-2020 = 10,125,000

US population growth, 2011-2020 = 22,700,000

Typical year during decade...

- US population increased by 2.27 million (0.74%)
- Native births contributed approx. 1.35 million (0.44%)
- Immigration contributed approx. 920,000 (0.30%)

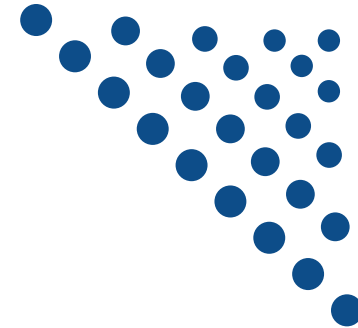
Authorized Immigration by Region





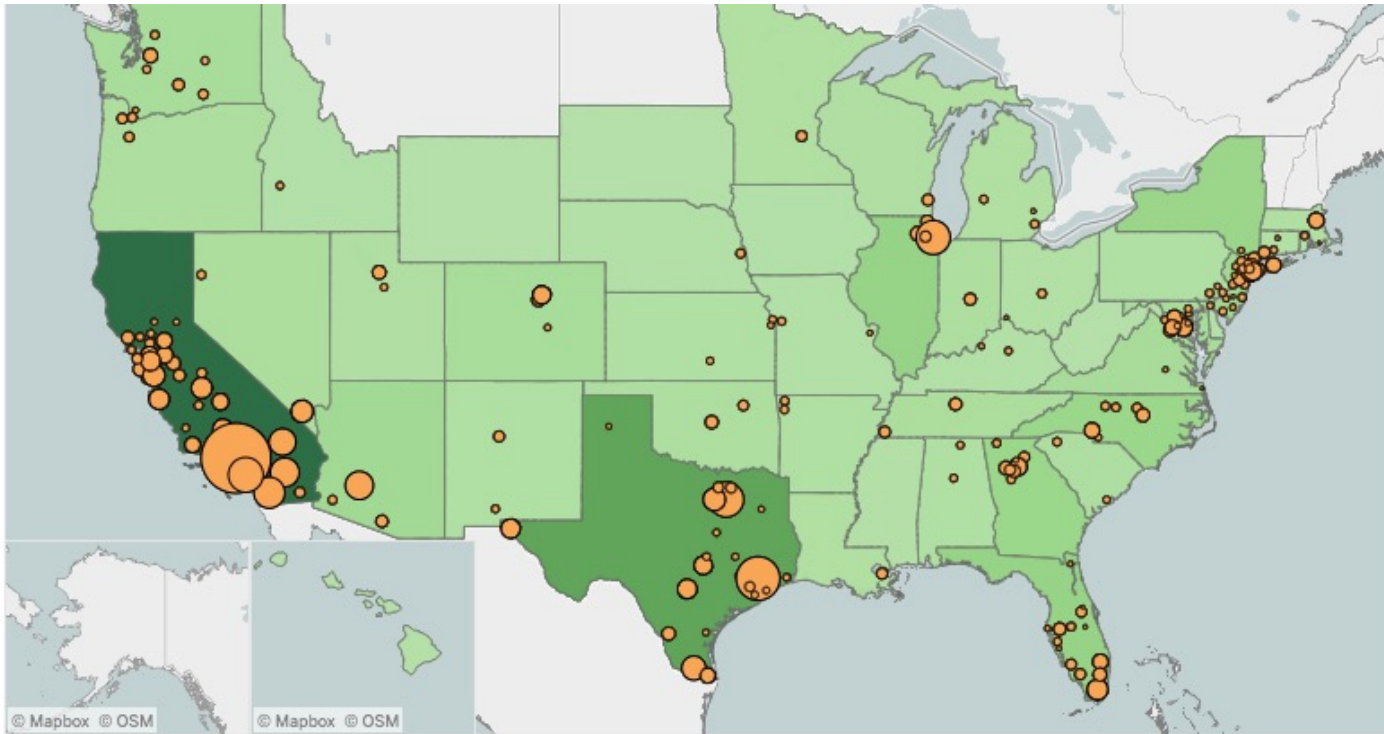
Total and Average Annual Immigrant Arrivals, 1820-2015

Area/Region	1820-1874	1875-1920	1921-1967	1968-2015	1820-2015
All countries	8,876,433	24,745,460	10,321,482	36,732,378	80,675,753
Africa	0.0%	0.1%	0.4%	5.0%	2.4%
Asia	1.8%	2.6%	4.9%	31.2%	15.8%
Central Asia	.	.	.	0.4%	0.2%
Eastern Asia	1.7%	1.8%	2.1%	9.8%	5.5%
Southeastern Asia	.	.	0.5%	12.7%	5.9%
Southern Asia	0.0%	0.0%	0.1%	7.7%	3.5%
Western Asia	0.0%	0.8%	0.2%	0.4%	0.4%
Europe	90.1%	88.1%	53.8%	11.9%	49.2%
Central Europe	0.4%	16.3%	4.1%	0.1%	5.6%
Eastern Europe	0.3%	15.0%	5.1%	4.4%	7.3%
Northern Europe	57.0%	26.2%	19.1%	2.7%	18.0%
Southern Europe	1.0%	19.6%	12.2%	3.1%	9.1%
Western Europe	31.5%	10.9%	13.4%	1.7%	9.3%
Latin America and the Caribbean	1.0%	2.7%	21.9%	44.4%	24.0%
Caribbean	0.6%	1.2%	4.7%	12.7%	6.8%
Central America	0.2%	1.1%	11.2%	24.5%	12.9%
South America	.	.	.	7.0%	3.2%
Middle East	.	.	.	5.0%	2.3%
Northern America	4.8%	6.2%	18.4%	1.9%	5.7%
Oceania	0.0%	0.2%	0.5%	0.5%	0.4%
Australia and New Zealand	0.0%	0.2%	0.5%	0.3%	0.3%
Melanesia	.	.	.	0.1%	0.1%
Micronesia	.	.	.	0.0%	0.0%
Polynesia	.	.	.	0.1%	0.0%
Pacific Islands, other	0.0%	0.0%	0.1%	0.0%	0.0%

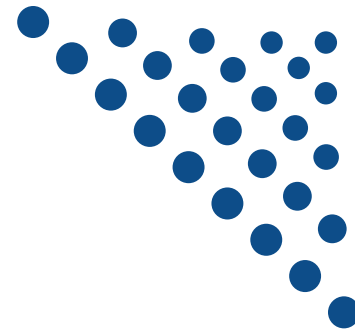




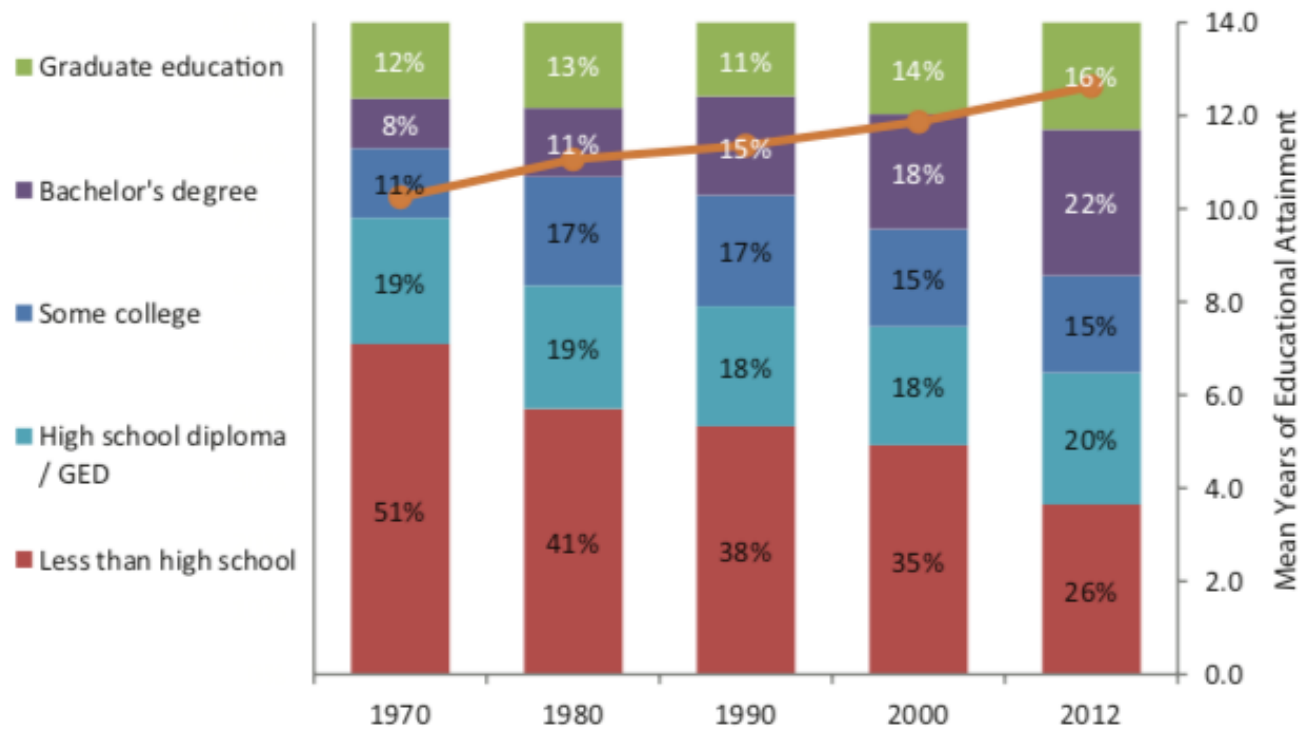
Unauthorized Immigration: 2012-2016



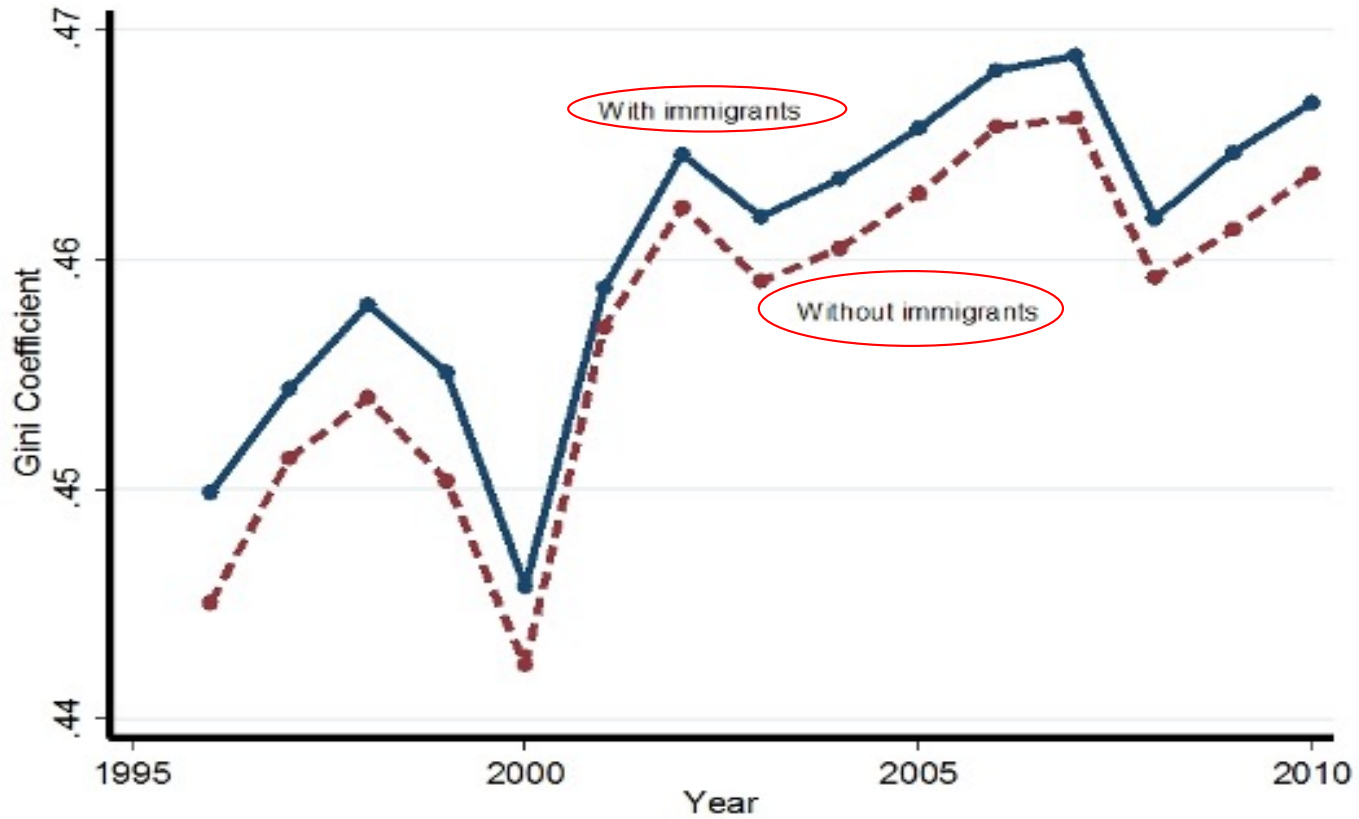
Pattern of Immigration

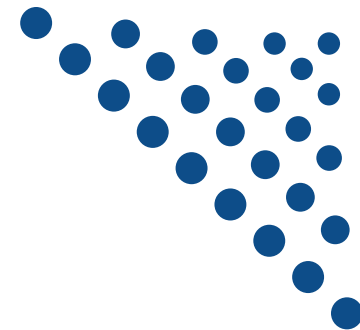


Educational Attainment of Recent Immigrants – Last 5 Decades



Immigration and Inequality





Immigration and Inequality: Summary

- **Beginning in about 1970, the immigrant share of the US population increased dramatically.**
 - 5% in 1970 and 14% in 2016
- **Compared to the native born, immigrants:**
 - Comprise a larger share of less-educated workers (less than HS diploma)
 - Comprise a larger share of highly educated workers (advanced degree)
- **Immigration has likely increased income inequality.**
- **Its effect has likely been small.**
 - ~5% between 1980 and 2000
 - No reason to think it has been bigger since then

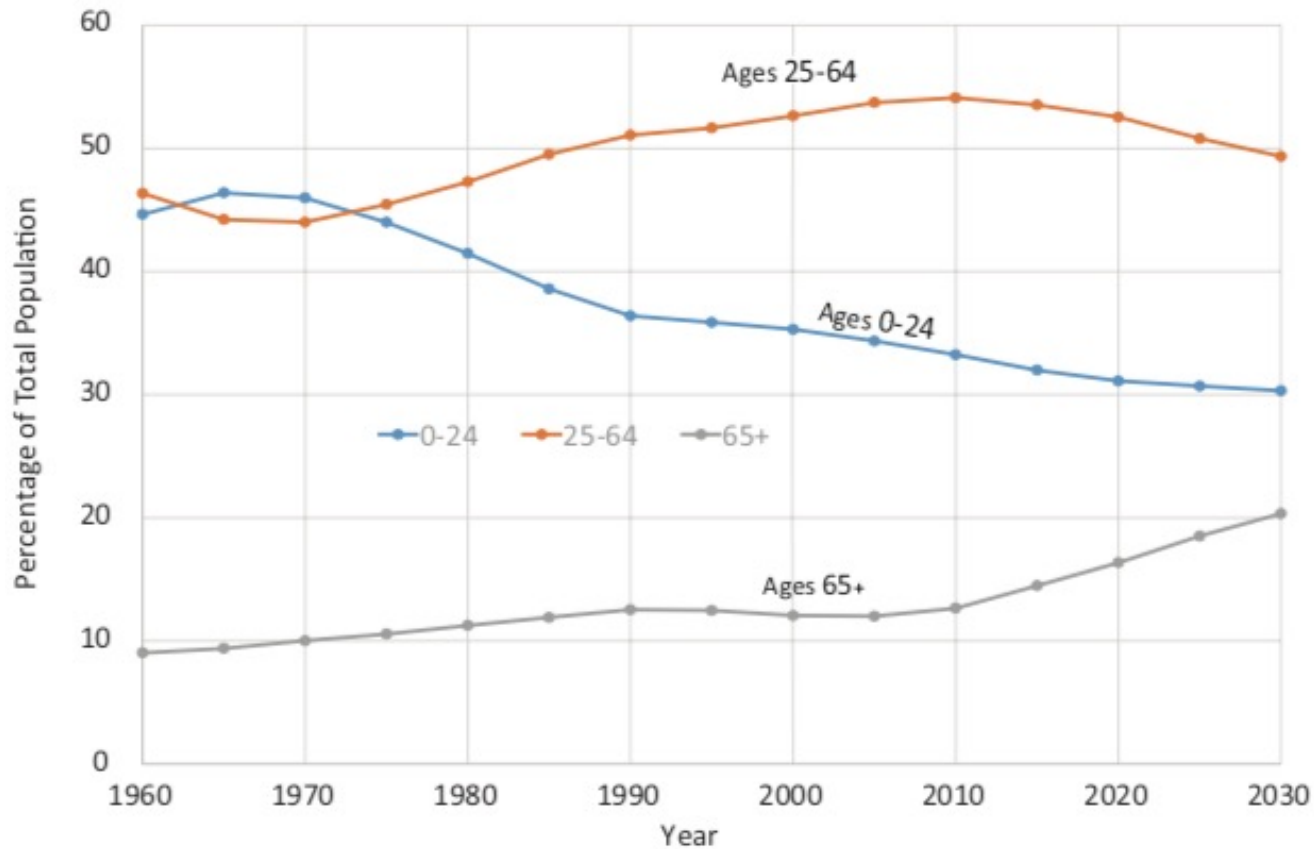
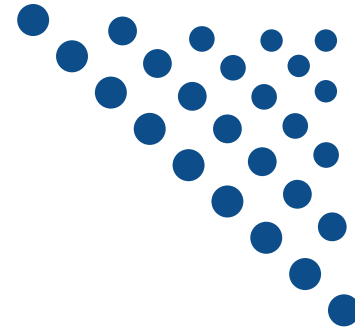


Implications for Major Federal Programs

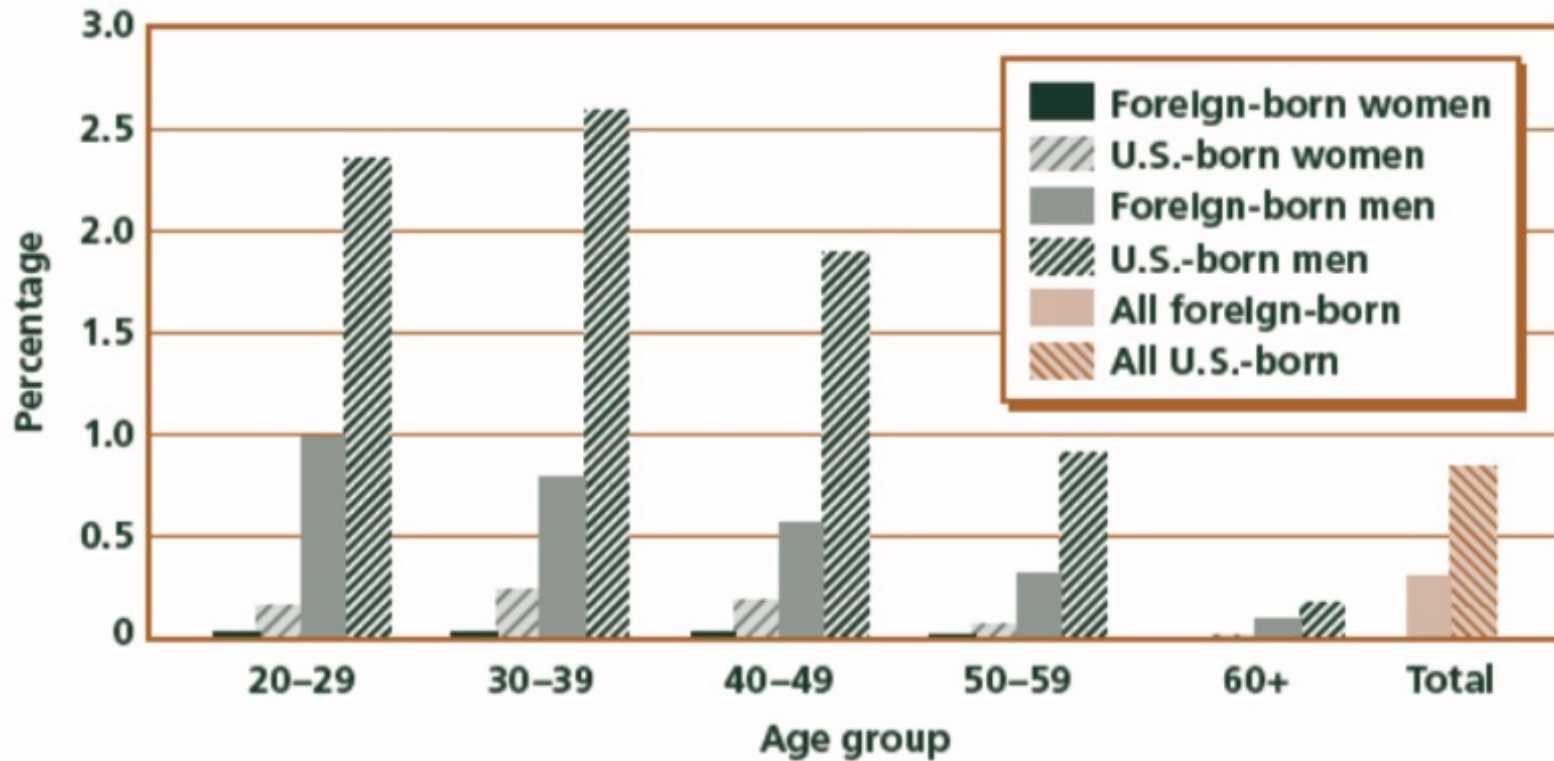


- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
 - They will pay into the system but cannot receive benefits.
- **Medicaid: not available to legal residents for the first five years.**
- **Provide a source of revenue for an aging population.**

The Aging US Population



Crime: Incarceration Rates in California



Immigrant Inflow Shares, 1820-2015

