Immigration, Economic Growth and Recent Policy Impacts

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Questions

• How has immigration contributed to economic growth?
• How have post 9/11 policies impacted immigration?
How do immigrants contribute to economic growth?

- Account for a large and growing share of new workers, both skilled and unskilled
- Are mobile and move to where jobs are
- Respond to business cycles, making the Fed’s job easier
Immigration drives employment growth

- Stock versus flow of immigrants
  - Stock (2002): Immigrants compose
    - 11% of U.S. population
    - 14% of U.S. labor force
  - Flow (1990-2000): Immigrants generated
    - 34% of population growth
    - 38% of labor force growth
Labor force growth: native workers

Change in Millions

Immigrants a growing share of labor force growth.
Immigrant share of job growth by occupation (1996-2000)

- Operators, fabricators, and laborers: 632.4
- Administrative support, including clerical: 57.2
- Services Occupations: 54.3
- Precision production, craft, and repair: 48.8
- Sales occupations: 37.9
- Technicians and related support: 31.7
- Professional specialty: 25.1
- Executive, administrative, and managerial: 12.5
Labor force participation rates: low-skilled immigrants more likely to work

- College graduates
- Some college, no degree
- High school graduates, no college
- Less than a high school diploma

Foreign born
Native born
Low-skilled immigrants less likely to be unemployed

- College graduates
- Some college, no degree
- High school graduates, no college
- Less than a high school diploma

[Bar chart showing the comparison between foreign born and native born in different educational categories.]
Immigrants fill jobs where needed

In the 1990s, immigrants

- Left or bypassed traditional gateway cities such as Los Angeles, Chicago & New York
- Took jobs in midwest, northeast, and south Atlantic states
Immigrant share of labor force growth (1996-2000)
Immigrants save and invest in their home countries through remittances

Remittances to Mexico
Immigration slows down in recession

- Foreign-born population grew
  - Between 2000–2001: 6.1%
  - Between 2001–2002: only 2.0%
Illegal immigration responds to growth slowdown and 9-11

Apprehensions along southwest border

Thousands, SA

Immigration makes Fed’s job easier

• In the short run, immigrants supply labor
  – More so in expansions than recessions
    • Reducing wage and price pressures

• In the long run, immigrants slow the aging of the population
  – Help sustain pay-as-you-go government programs
Recent policy changes

• Crackdown on immigration came long before 9/11
  – But did not affect admissions of temporary visitors

• Impact of 9/11 legislation on permanent immigration has been limited
  – But has drastically reduced temporary admissions
Relevant post 9/11 policy changes

• Laws Implemented

• Important changes so far
  – Stricter background checks for visa applicants
  – Requirements for tamper proof, machine readable travel documents
  – U.S. VISIT program to monitor entries, exits
2002:
No change in # of green cards issued
Tourist and Business Visas Decline

B1/B2, Millions

Foreign student visas drop off

Thousands

H1-B visas have run out under lower 2004 cap
Conclusions

• Contributions of immigrants to economic growth are enormous
• Post 9-11 changes have reduced entries of all foreigners
• Long-term consequences are reduced growth and global competitiveness of U.S. economy
The End
Back Up Slides
Native-Immigrant skill distribution—many immigrants are low-skilled

- Advanced degree
- Bachelor's degree
- Some college or associate degree
- High school graduate
- Less than high school diploma

Legend:
- Blue: Foreign born
- Red: Native born
Weekly earnings: Immigrants earn less

- College graduates
- Some college, no degree
- High school graduates, no college
- Less than a high school diploma

Foreign born vs. Native born