

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
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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 effects positive and negative:** voting 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)

Economics of Immigration in an age of secular stagnation... Japan, Italy, Greece, Spain USA next?

1. **Household formation and birth rate slowing in the U.S.:** slow HH formation leads to slow growth (Alvin Hansen) housing slump
2. **Empty Schools, empty city:** NYC & Bronx in 1970s and 1980s, now look at Detroit...
3. **Piketty, 2014:** Slow population growth low birth rate leads to concentration of wealth... made progress in this areas..
4. **Segregation xenophobia** leads to poor quality schools in old cities (Chicago and ^{1/}

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

Economics of Immigration in an age of ⁴secular stagnation & lower birth rates... Japan, Italy, Greece, Spain USA next?

1. **Household formation and birth rate slowing in the U.S.:** slow HH formation leads to slow growth (Alvin Hansen) housing slump
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Universal Economics of Immigration part 1

- 1. Workers can be substitutes or complements:** if immigrants are the same as natives, they compete for same jobs, wages fall (George Borjas argues immigrant lower wages, especially of less educated workers....)
- 2. If immigrants are different from natives** (more skilled or less skilled) then they are complements, specialization (comparative advantage) leads to higher productivity (within and between firms).
- 3. Immigrants raise the return to education for Natives.. At the top & the bottom (STEM & HS)**

Universal Economics of Immigration part 2

- 4. Immigrants assimilate over time: 2nd generation outperforms natives in school: schools budgets create local fiscal burden**
- 5. But over time, immigrants join the middle class, pay taxes and deficits fall... even in Texas (Perry's Dream Act)**
- 6. New immigrants compete with previous immigrants, raising inequality initially**

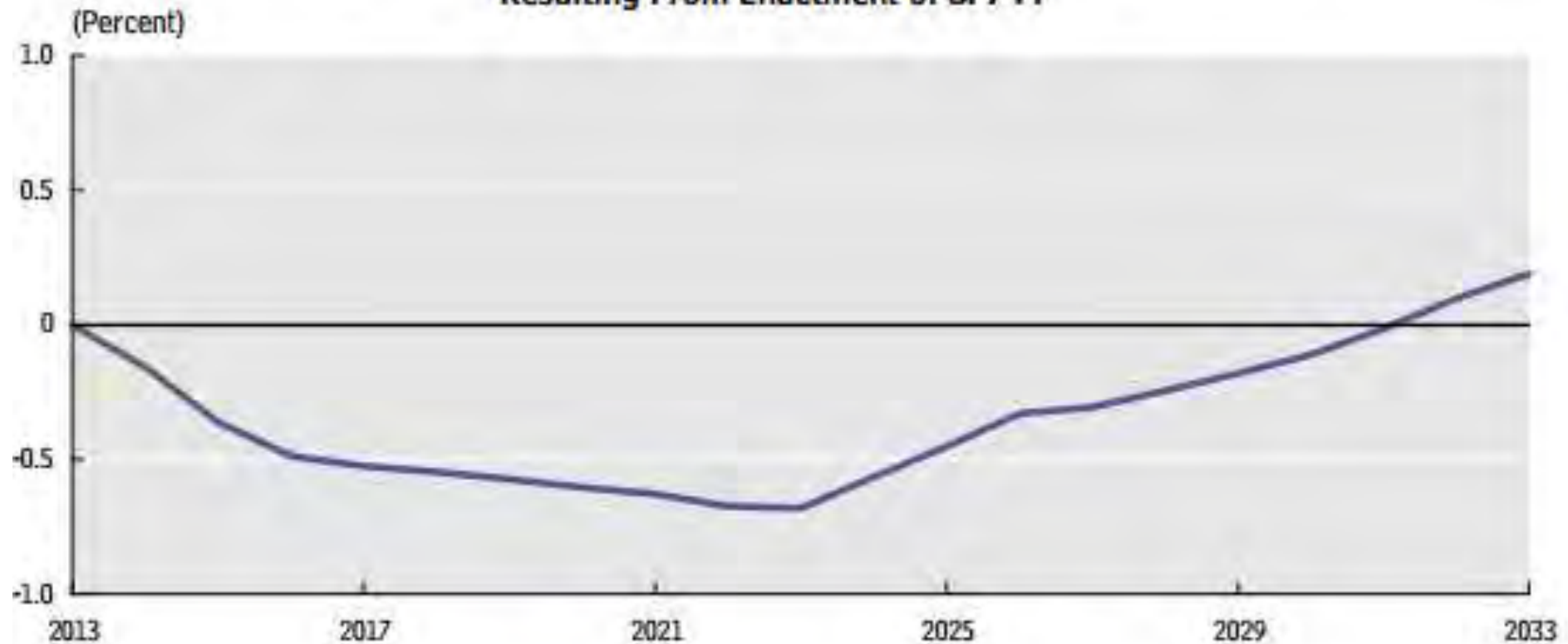
How do we know above: bipartisan CBO Says immigration reform proposed in 2013 by Senate

Key Findings of CBO reports (one on budget, one on the overall economy, wages & inequality)

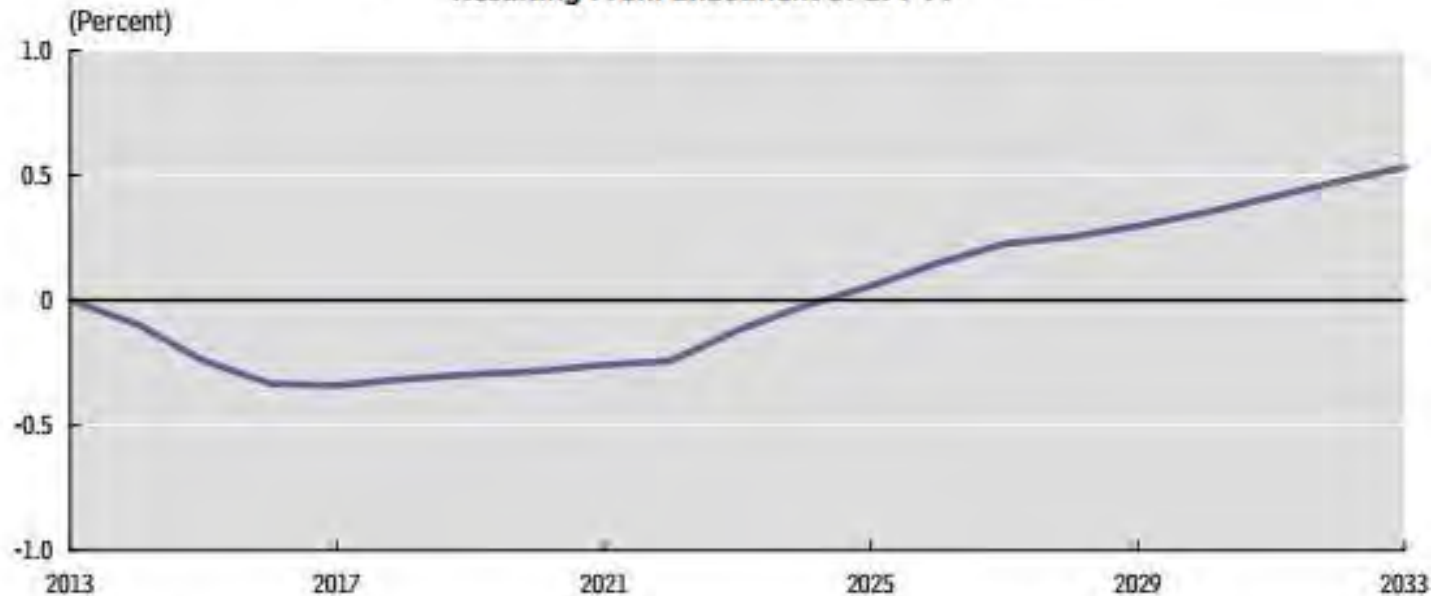
- 1. Per capita income will at first fall (more people) then rise:**
- 2. Wages will fall initially, and then rise**
- 3. The fiscal deficit will at first rise and then fall over time**

Figure 2.**Estimated Effects of S. 744 on
Per Capita Real GNP and on Average Wages**

Central Estimate of the Change in Per Capita Real GNP
Resulting From Enactment of S. 744



Central Estimate of the Change in Average Wages Resulting From Enactment of S. 744



Source: Congressional Budget Office.

Notes: Central estimates incorporate CBO's central assumptions about the effect of deficits on investment and the effect of wage rates on the labor supply.

Current-law projections are made under the assumption that current laws and policies generally remain in place.

Projections are annual and are plotted through 2033.

GNP is a measure of output that differs from gross domestic product primarily by including the capital income that residents earn from investments abroad and excluding the capital income that nonresidents earn from domestic investment. Changes in GNP are therefore a better measure of the effects of policies on U.S. residents' income than are changes in gross domestic product.

S. 744 = the Border Security, Economic Opportunity, and Immigration Modernization Act;
GNP = gross national product.

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-1 high & low visas thousands of guest workers
- ✓ 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. 10 yrs 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: *Multiyear ACS 2005-2009 IPUMS USA, see Ruggles 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.

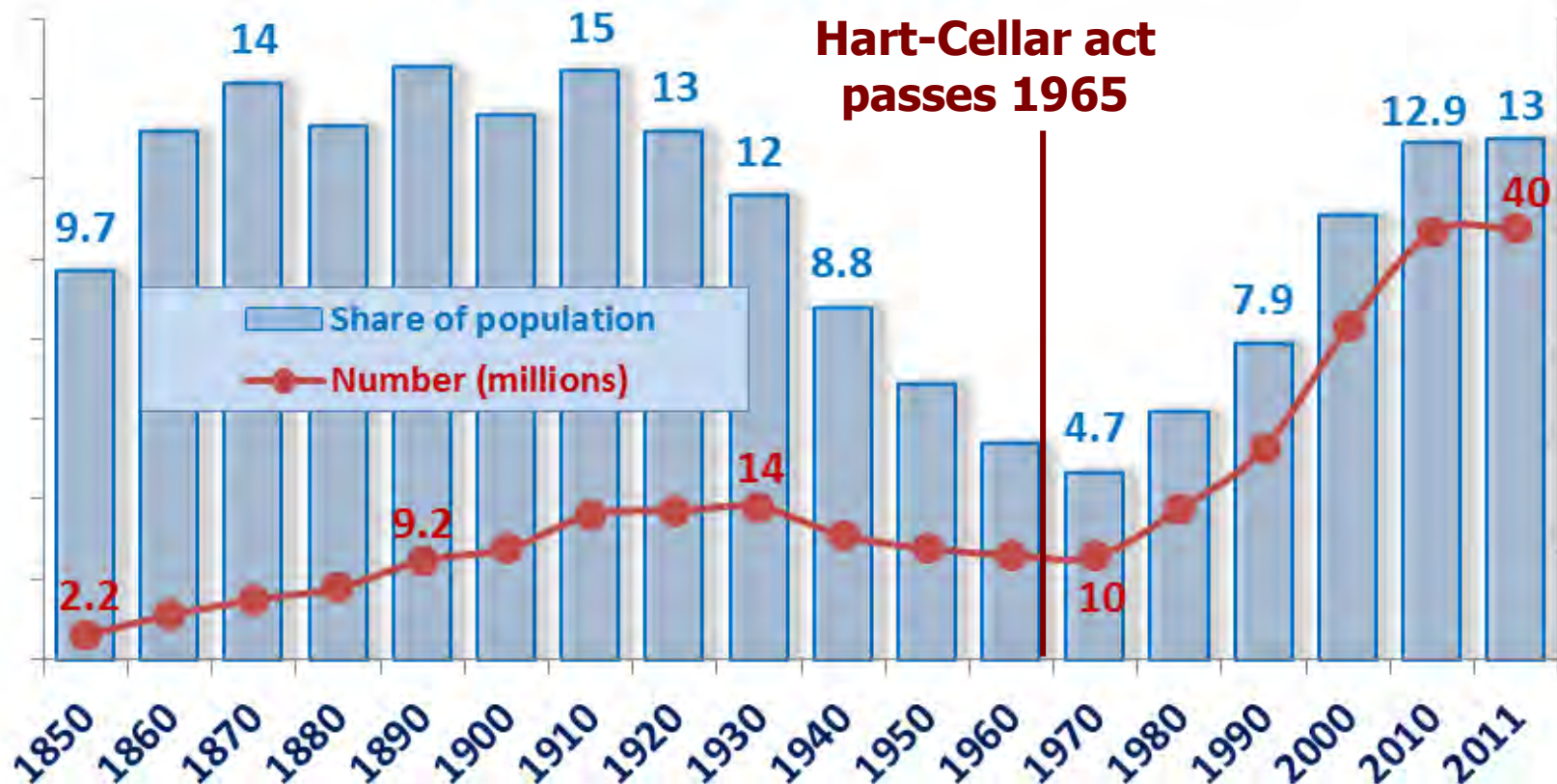
3 DACA: Deferred Action for Childhood Arrivals

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



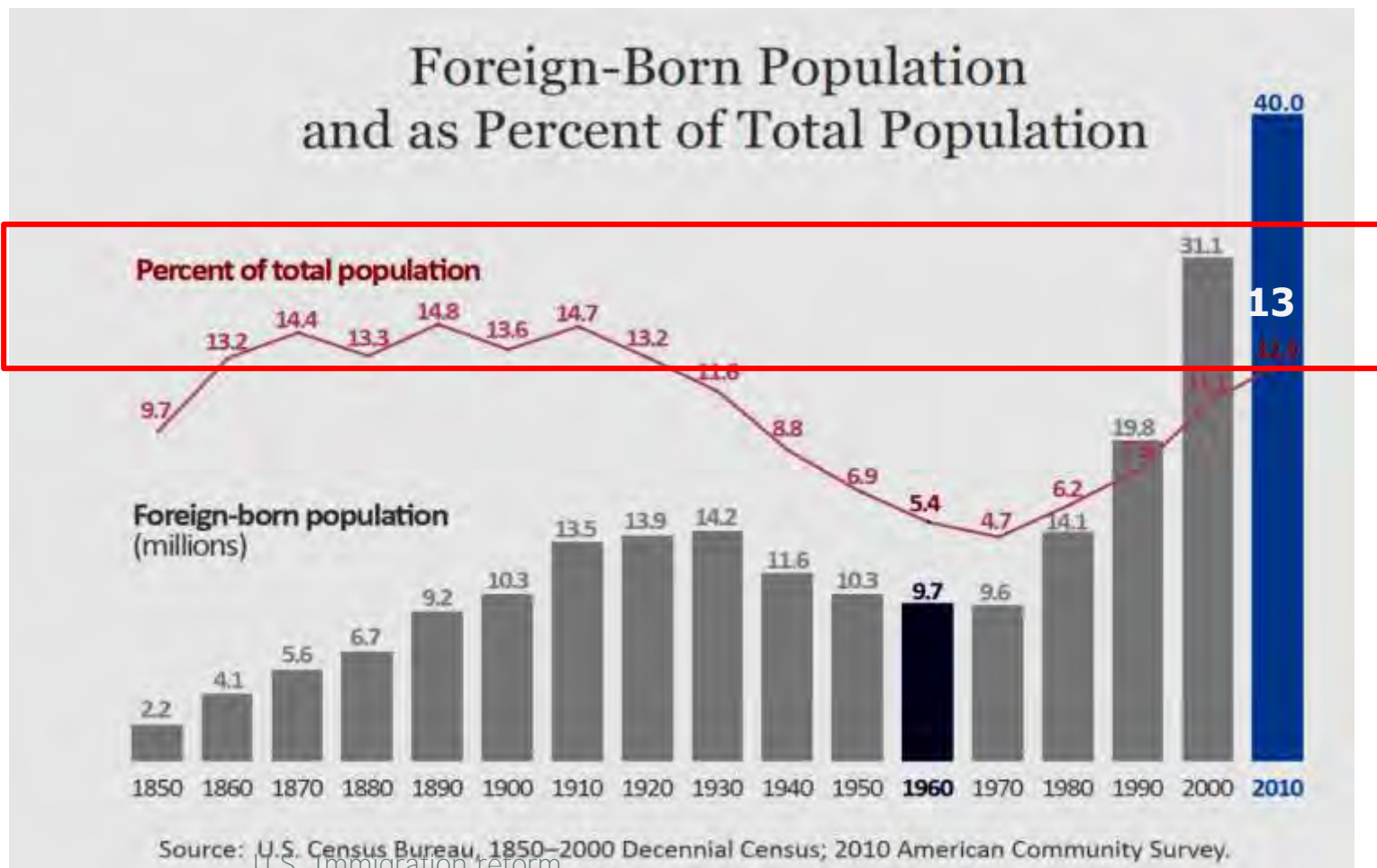
1965 Hart-Cellar Act family reunification... 2013 Immigration reform likely more of the same

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



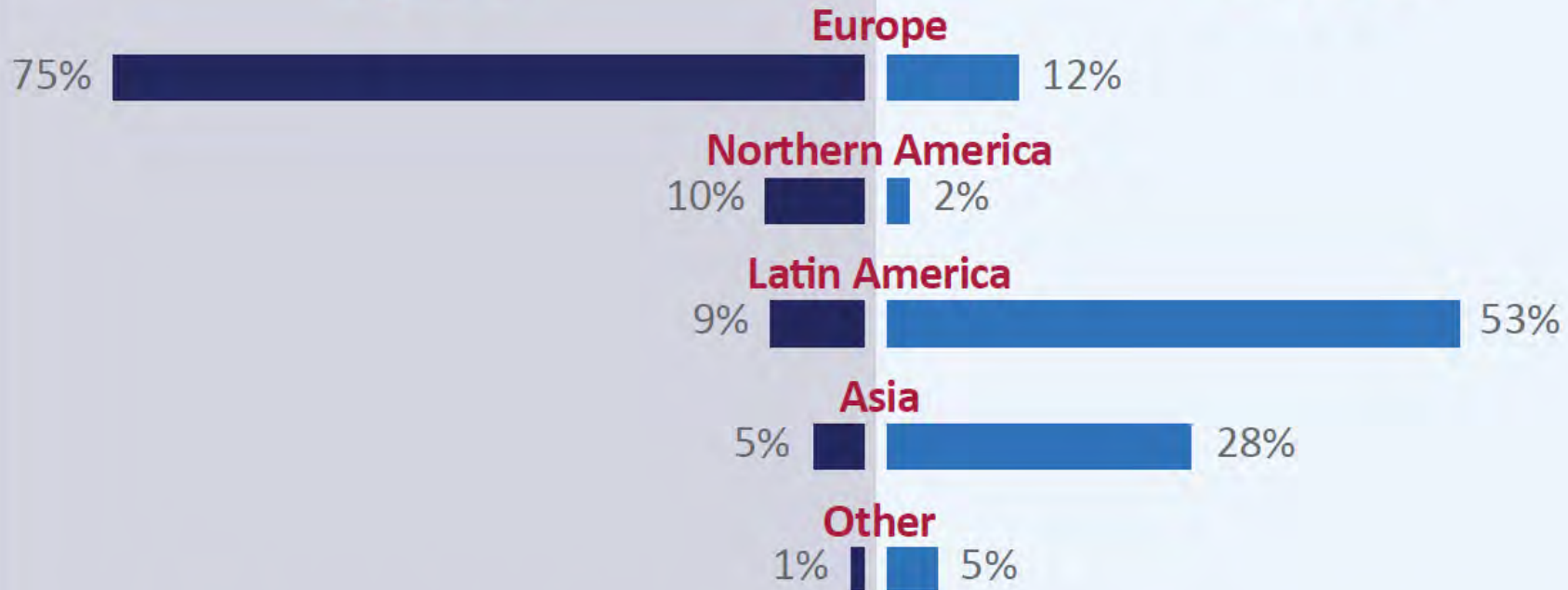
Source: Source Migration Policy Institute MPI Data Hub, November 2012,
<http://www.migrationinformation.org/datahub/charts/final.fb.shtml>

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



Change in Foreign-Born Population by Region of Birth

1960



2010

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

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

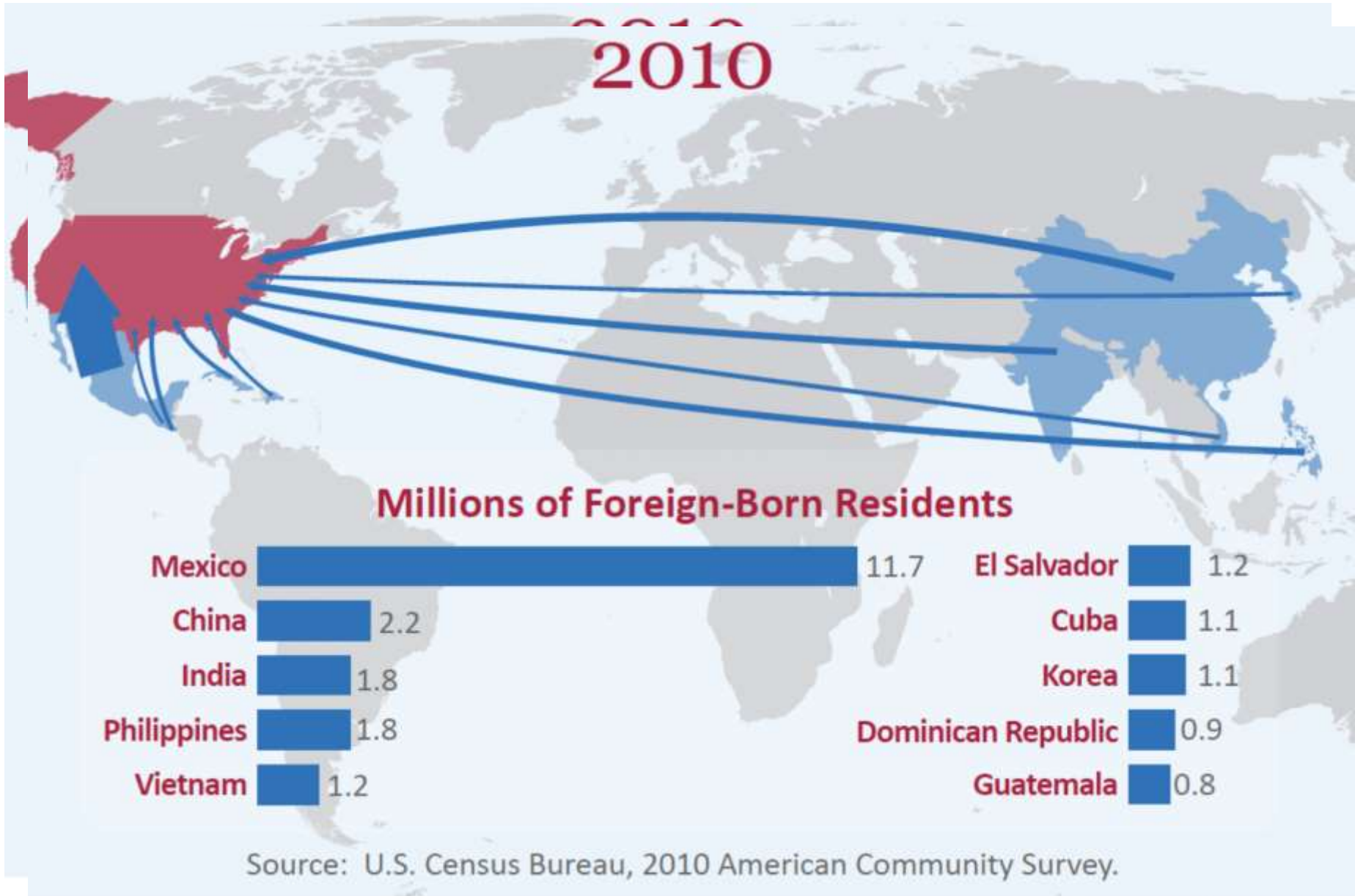
Top 10 Countries of Birth

1960

Millions of Foreign-Born Residents

Italy	1.3	Soviet Union	0.7
Germany	1.0	Mexico	0.6
Canada	1.0	Ireland	0.3
United Kingdom	0.8	Austria	0.3
Poland	0.7	Hungary	0.2

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

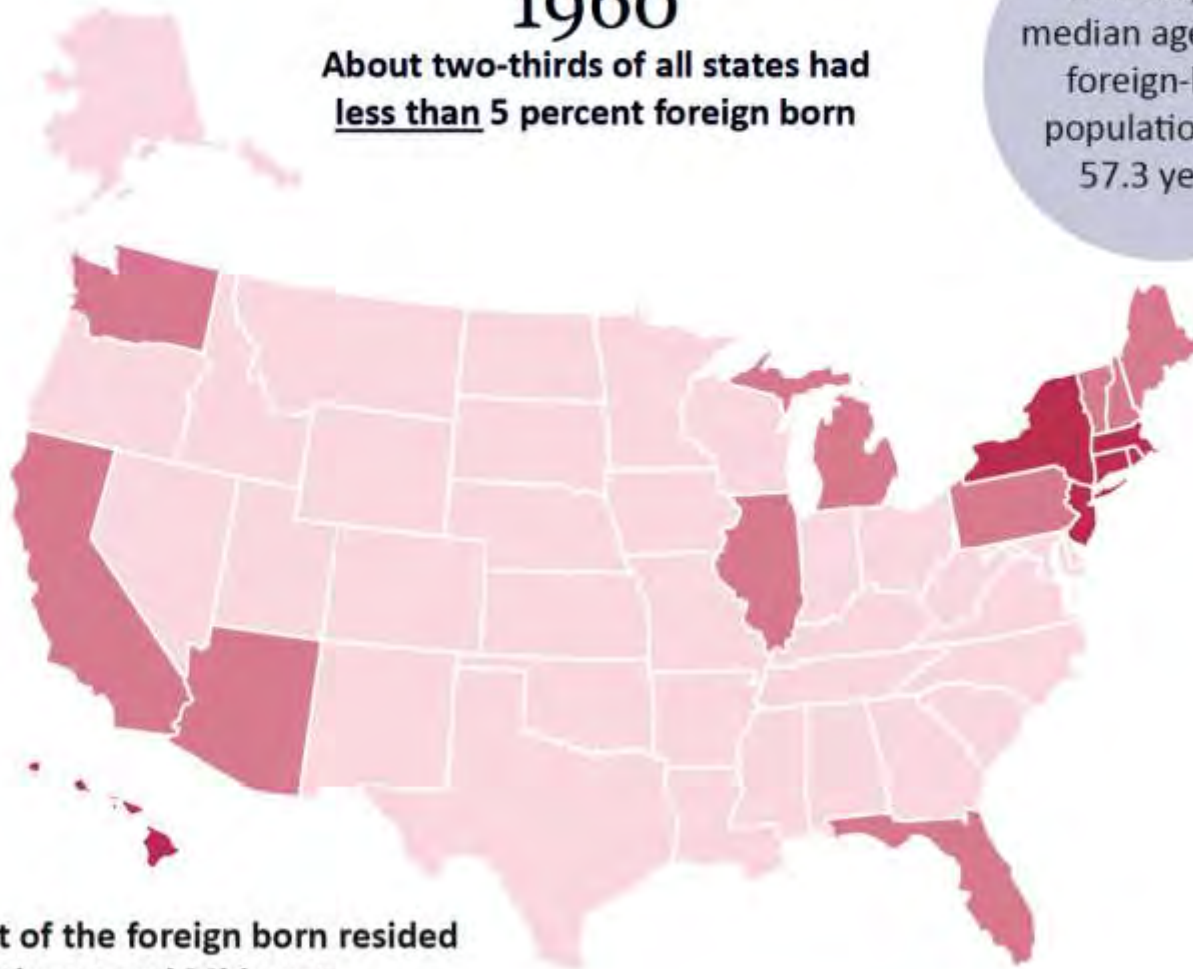


Foreign-Born Population as a Percent of State Population

1960

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

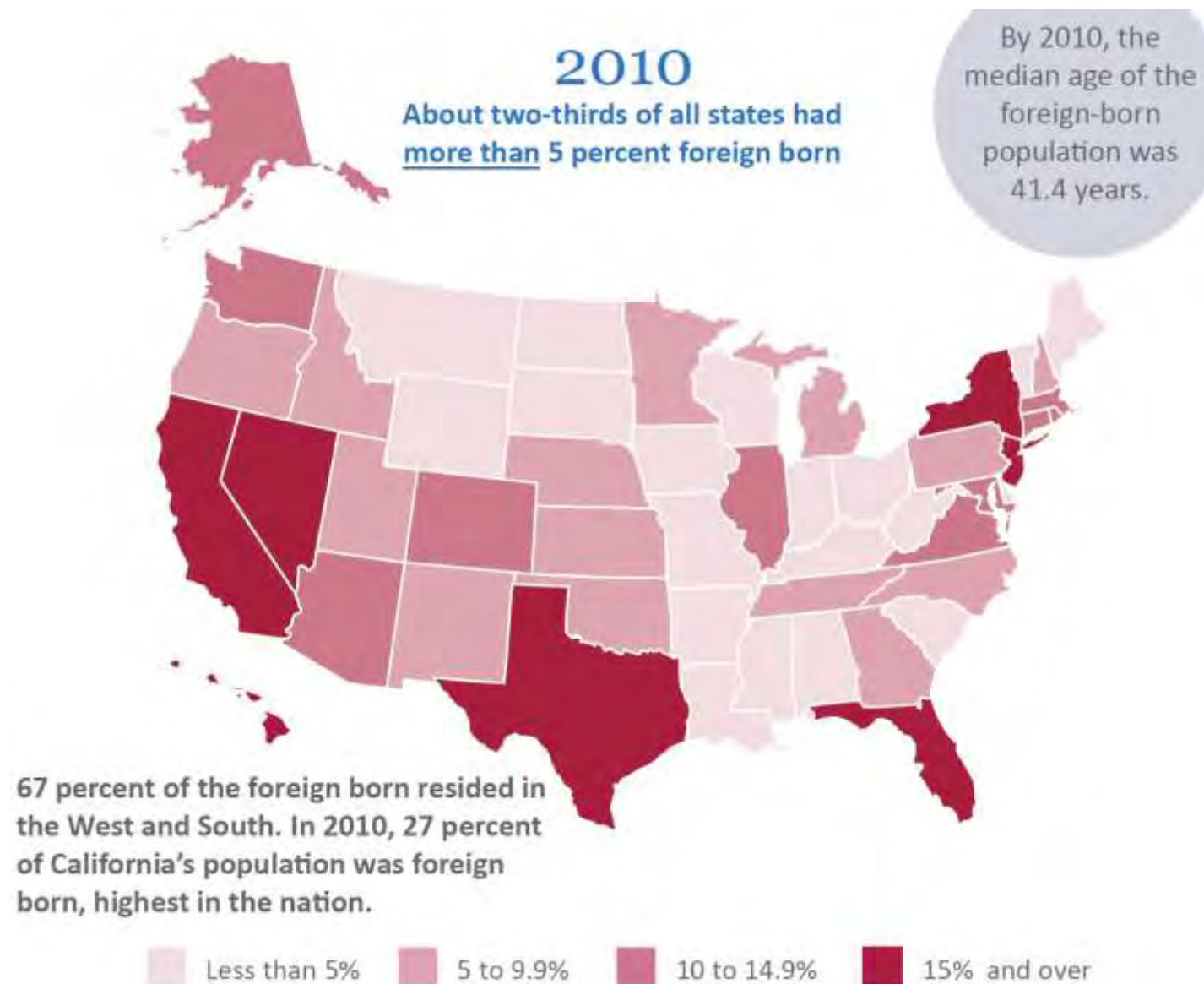
In 1960, the median age of the foreign-born population was 57.3 years.



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.



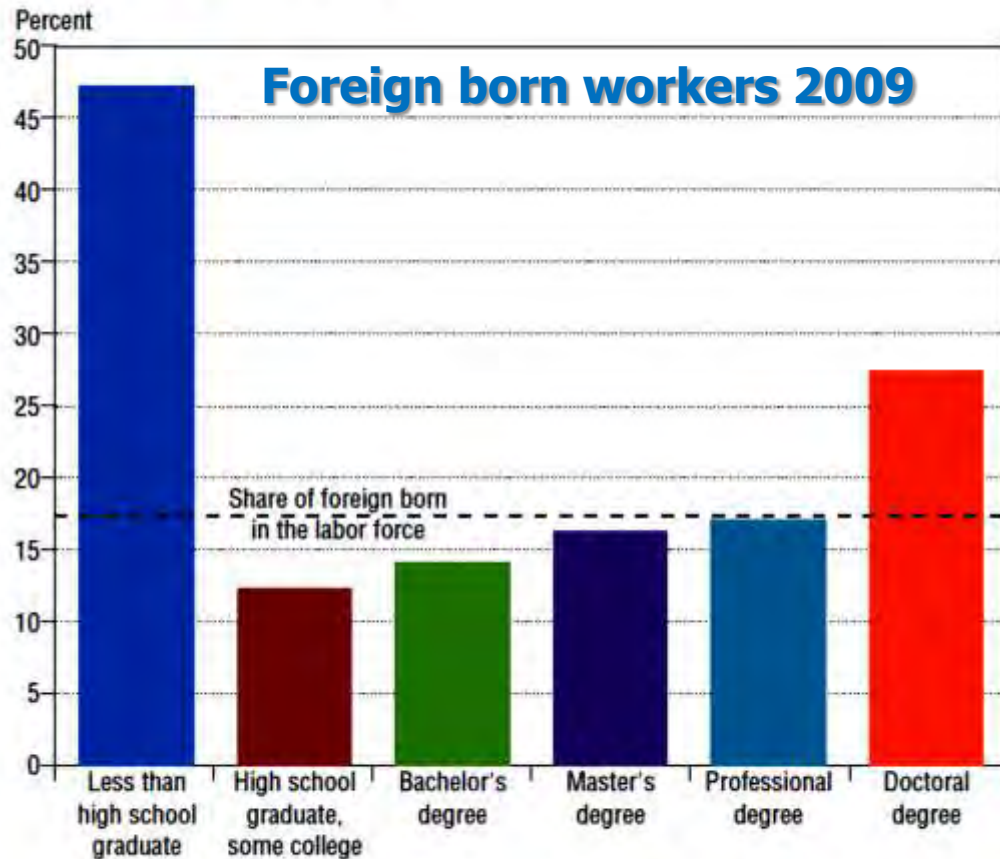
Source: U.S. Census Bureau, 2010 American Community Survey.

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

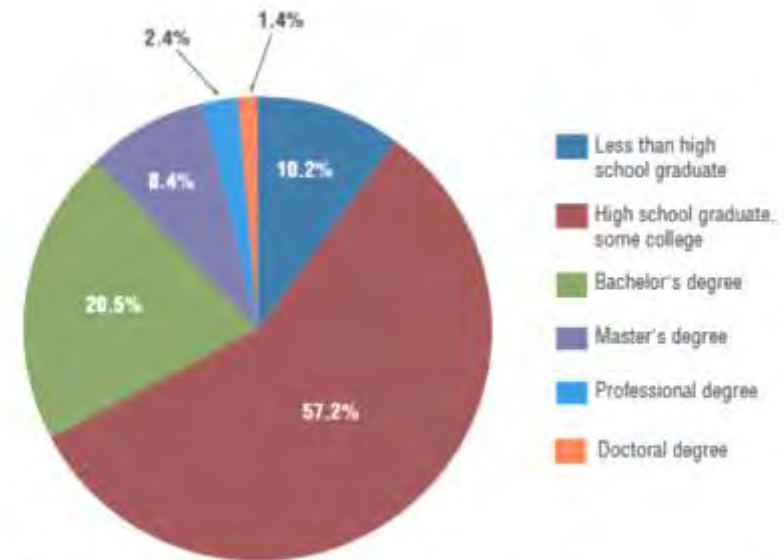


NOTE: Percentage of foreign workers age 25 and over in the U.S. labor force by education.

SOURCE: 2009 American Community Survey.

Native workers 2009

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



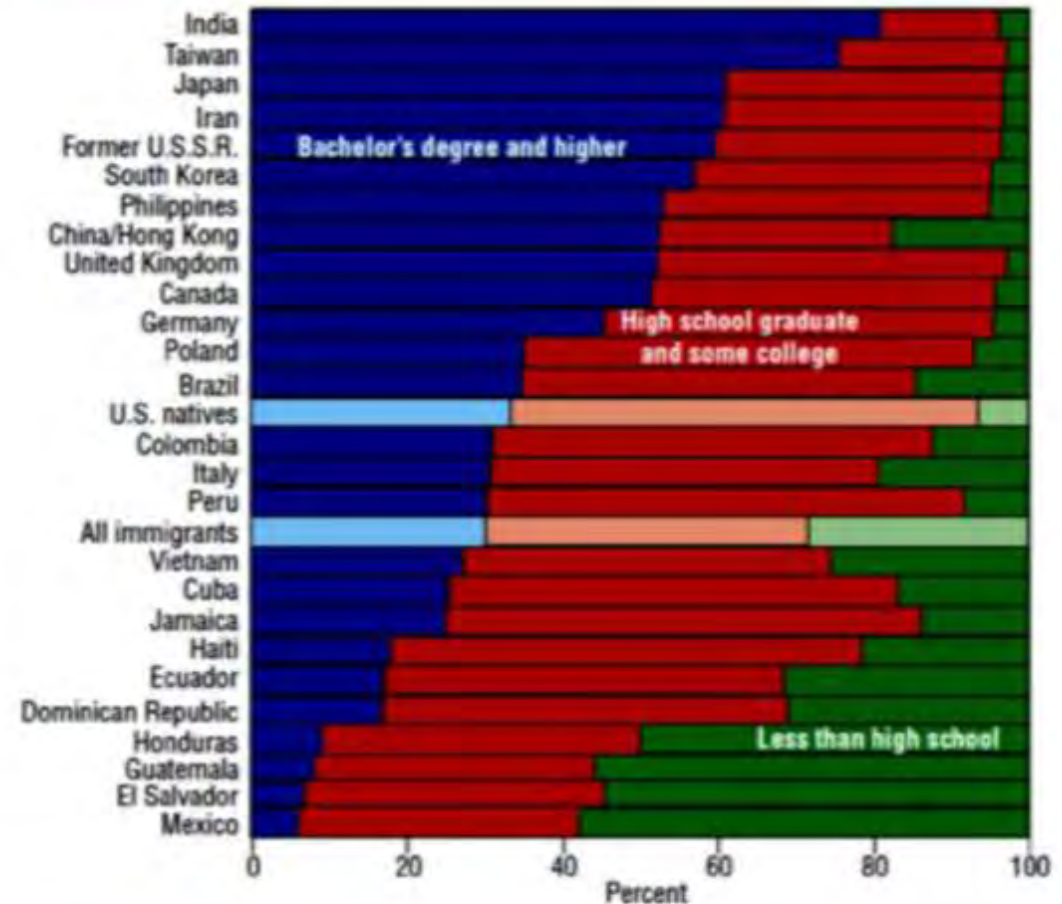
NOTE: Percentage of foreign and native workers age 25 and over in the U.S. labor force by education

SOURCE: 2009 American Community Survey.

U.S. Immigration reform

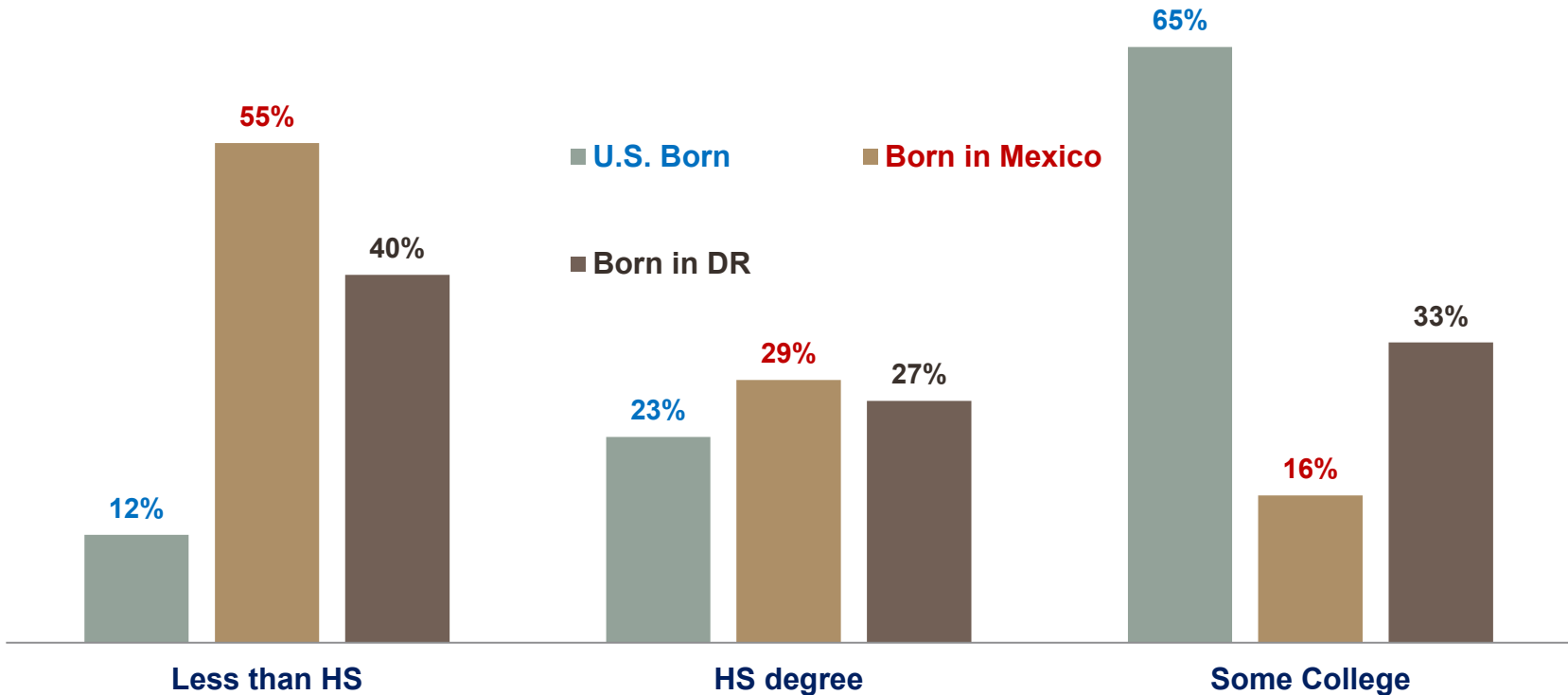
Complementarity effect: skills/degree mismatch of foreign born vs. native workers

Chart 5
Highest-Educated Immigrants Are From Asia, Iran, Former U.S.S.R.



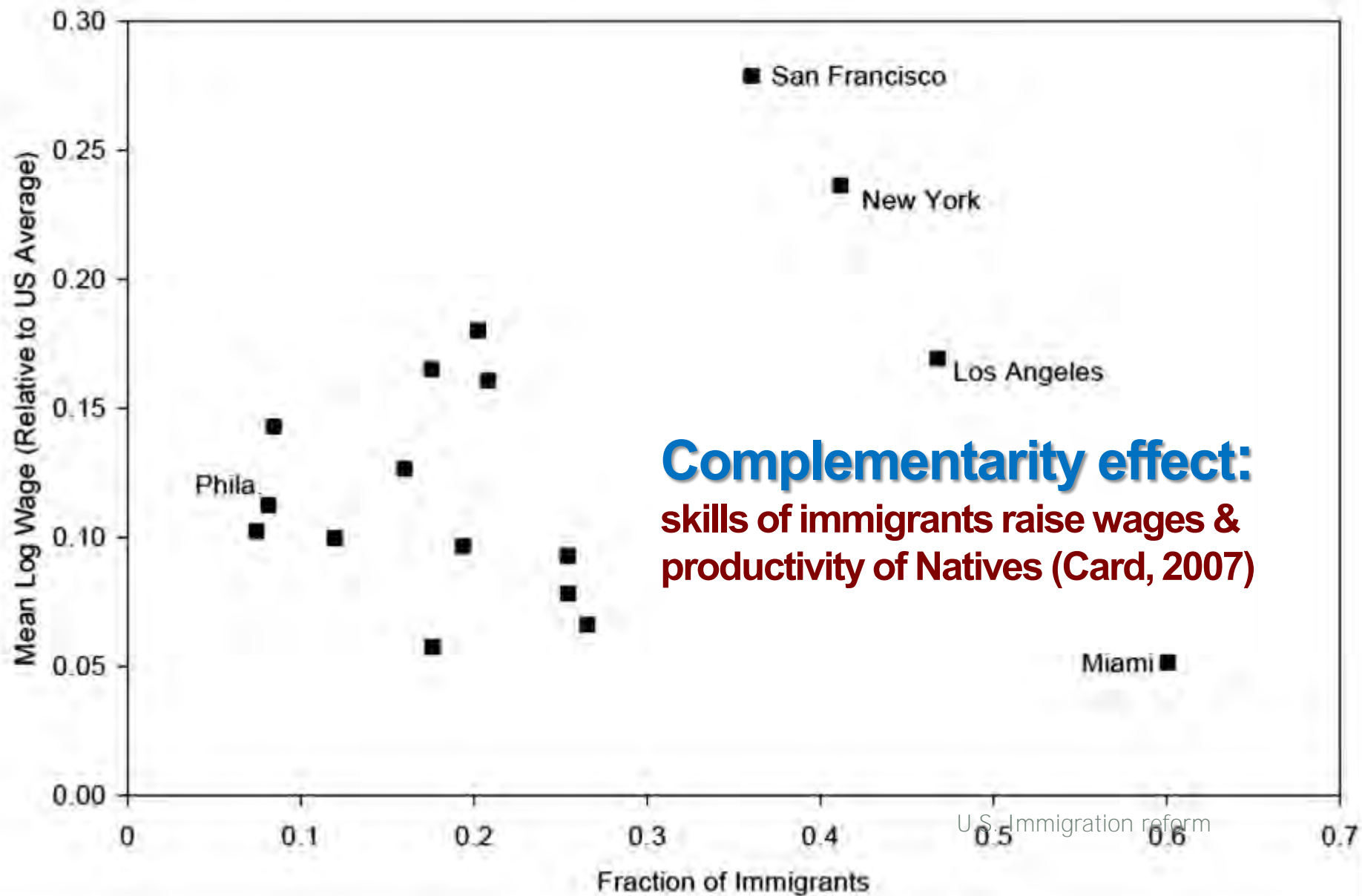
NOTE: Composition of educational attainment among immigrants by country of origin
SOURCE: 2009 American Community Survey.

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)

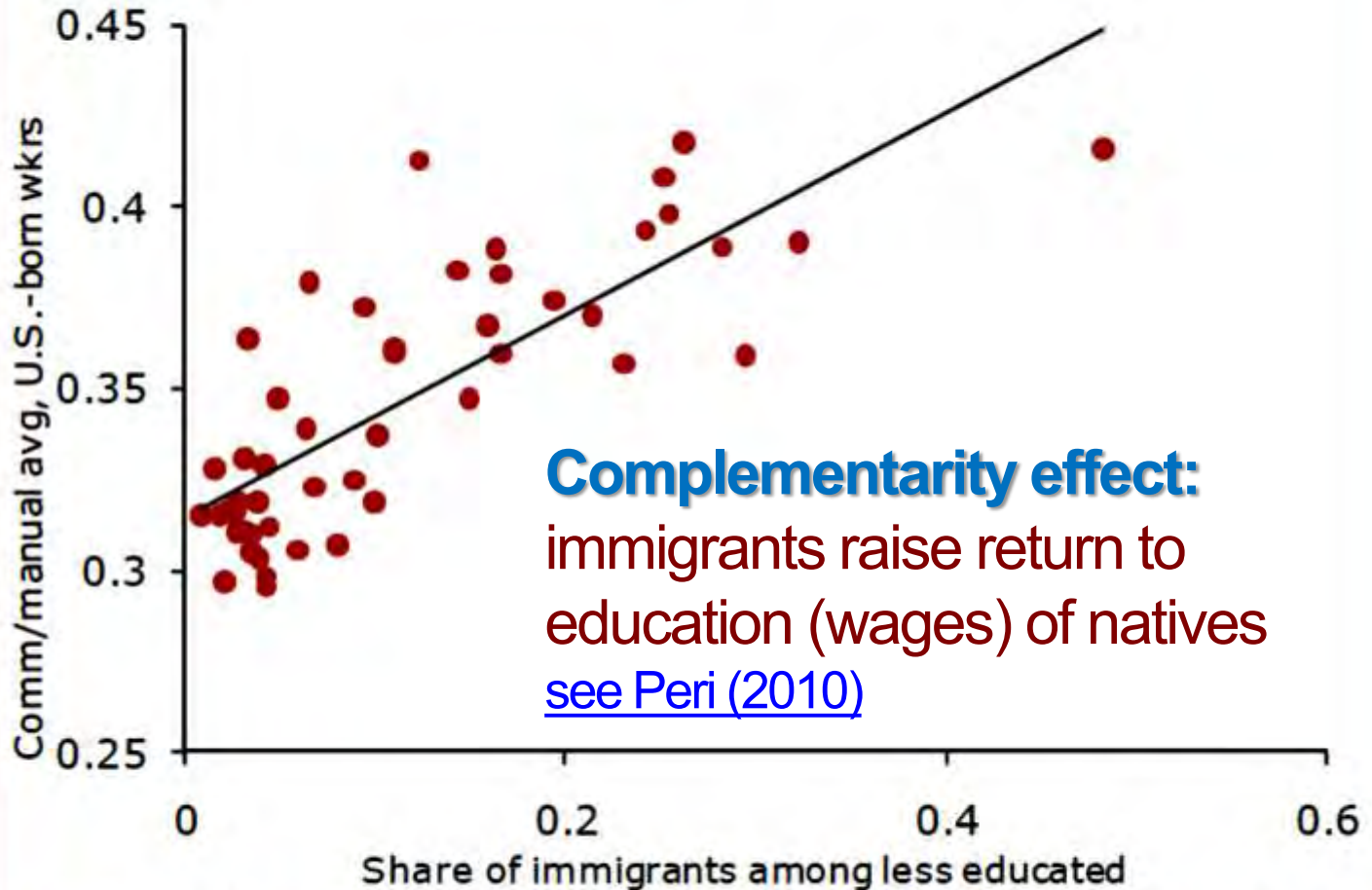
Figure 6: Immigrant Presence and Average Native Wages



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

BY GIOVANNI PERI

Figure 3
Communication/manual skills among less-educated workers



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 for native & FB women, but still much higher for FB

... 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

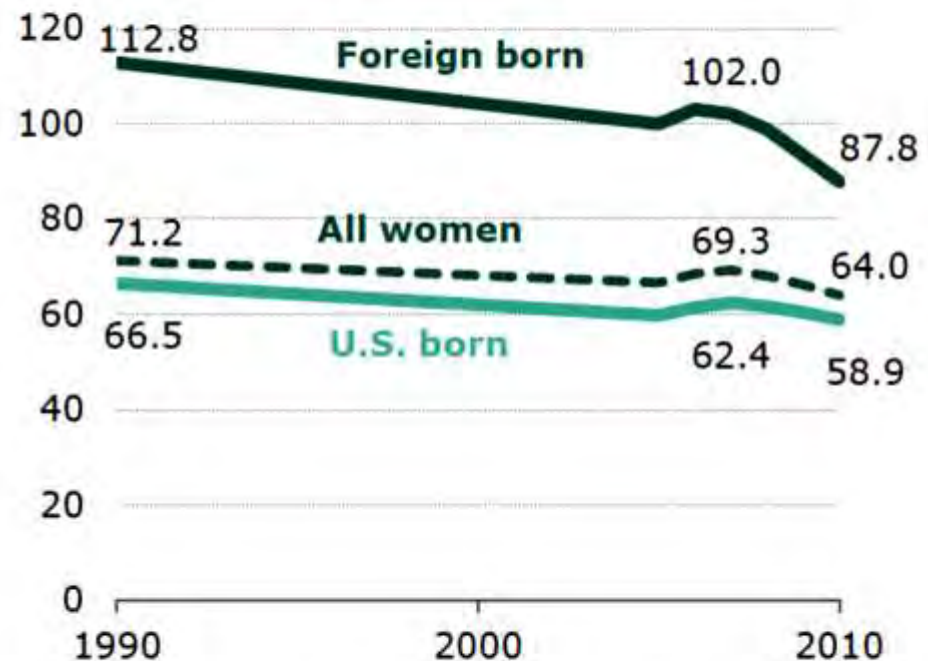


Source: Statistics calculated using National Center for Health Statistics, U.S. Census and American Community Survey data (see Methodology)

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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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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.

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

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%

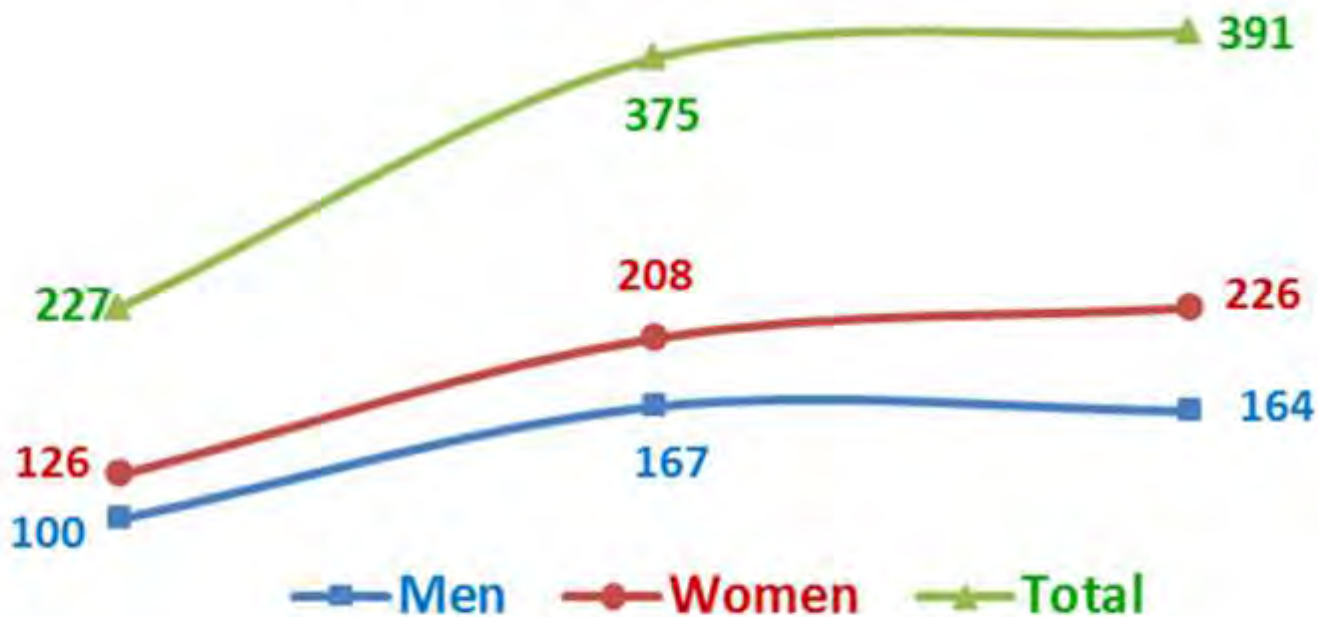
Part II: Comparing Dominican and Mexican immigrants in New York....

Increasing women migrate & work

- NYC foreign born share 38% up from 36% in 2000, about 30% of New Yorkers Hispanic in 2011.
- City's largest Latino immigrant groups: 605,000 Dominicans and 305,000 Mexicans
- **56% of NYC Dominicans & 42% of Mexicans Women**

Women born in DR grow at slower pace, NYC Dominican men shrink to 153,000 in 2011...

Figure 1.2 NYC Dominican Immigrants 1990 to 2010 (1000s, born in DR)



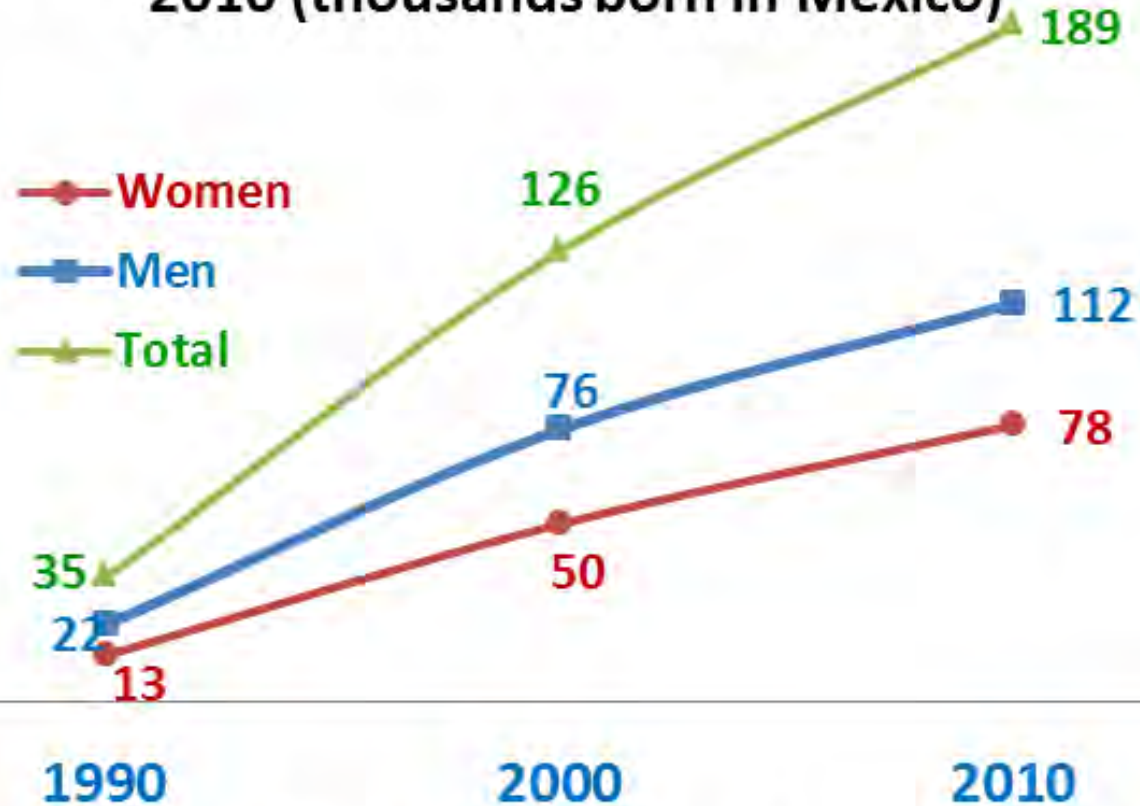
1990

2000

2010

NYC immigrants: Dominicans first to arrive but Mexicans surge in 1990s, narrowing gap

Figure 1.3 NYC Mexican immigrants 1990 to 2010 (thousands born in Mexico)



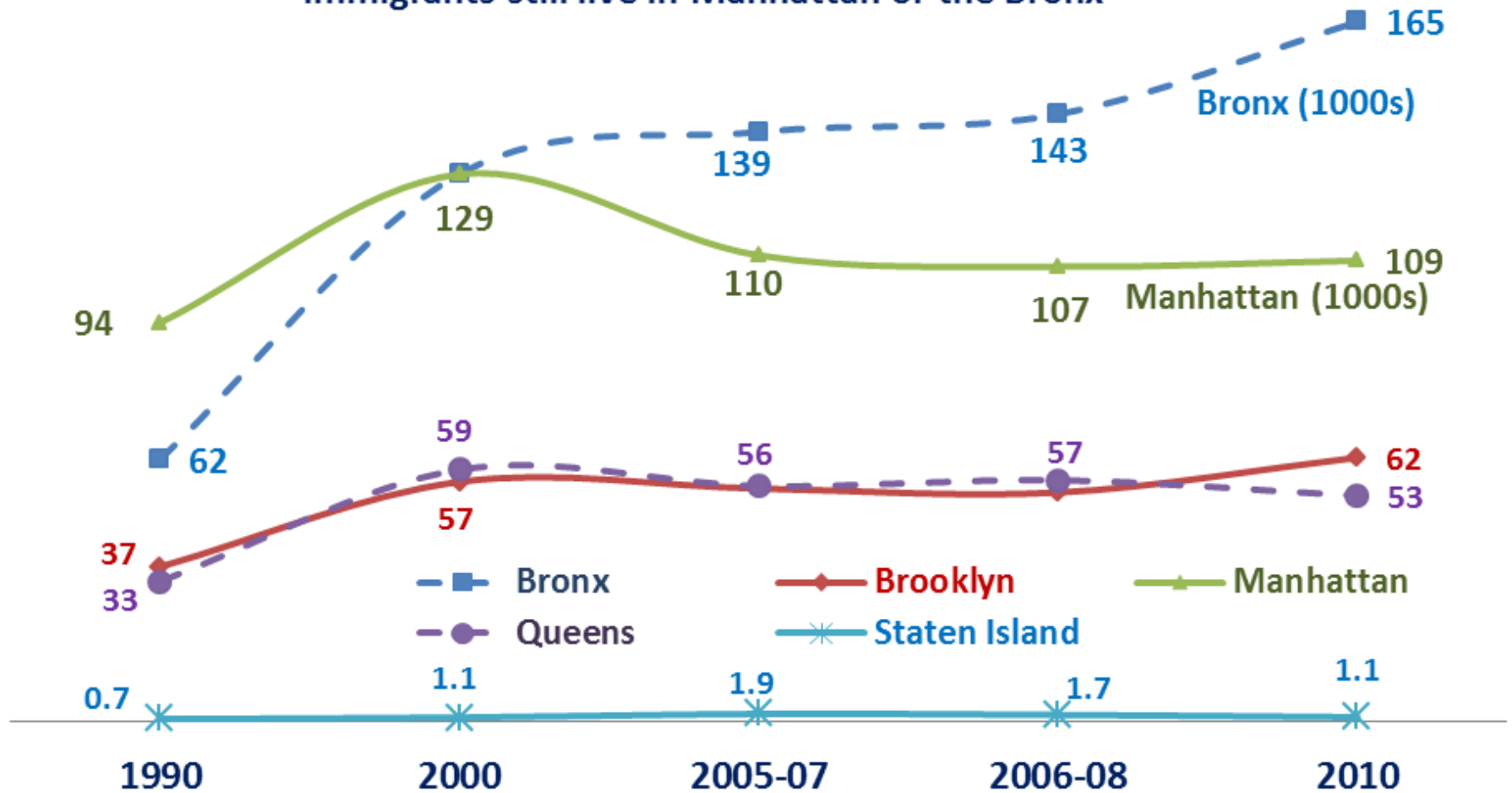
Source: Census 5% public use Sample and 2010 ACS, IPUMS USA online, Ruggles et al. (2010) usa.ipums.org/usa/sda/

Spatial Concentration high for Dominicans low for Mexicans immigrants and 2nd generation

- **Dominicans concentrate** in Washington Heights and Central Harlem neighborhoods (Logan 2002; Limonic 2008).
- **Highest spatial segregation** in NYC: isolation score of 74 (Logan, 2002) compared 46 and below scores for Mexicans and other Latinos.
- **Out of Heights: after 1990 Dominicans** move to Bronx and areas with higher poverty rates (Hernandez-Batiz, 1997; Fuentes, 2005)
- **Dominican socioeconomic profiles** similar to African Americans: lowest housing mobility and attainment among nonwhites (Hernandez 2002, Rosenbaum and Friedman 2007)

Dominican concentration

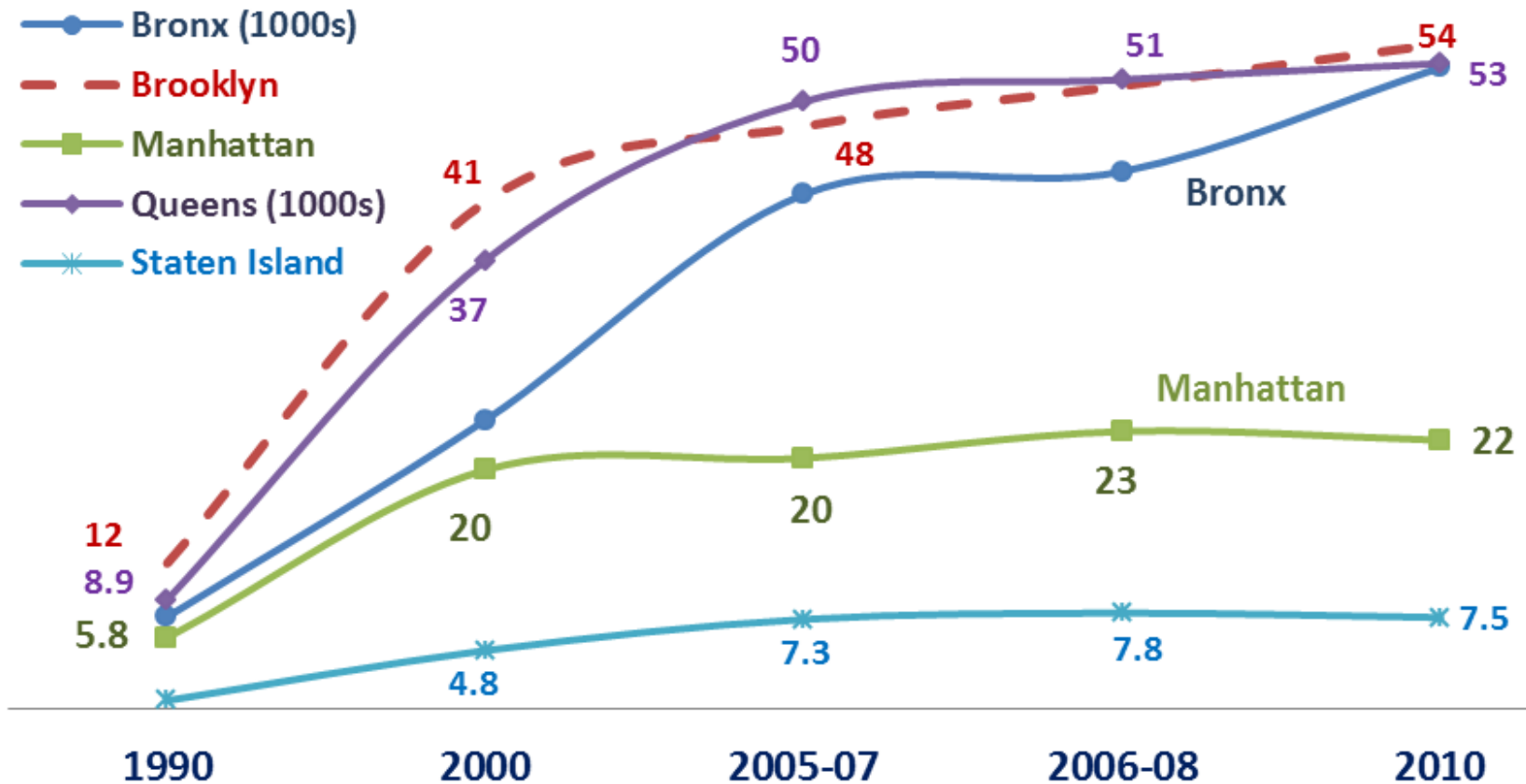
Figure B-1: "Out of the Heights" but 7 of 10 of NYC Dominican immigrants still live in Manhattan or the Bronx



Source: IPUMs USA, Census 5% and ACS 1% samples, Ruggles et al., 2010

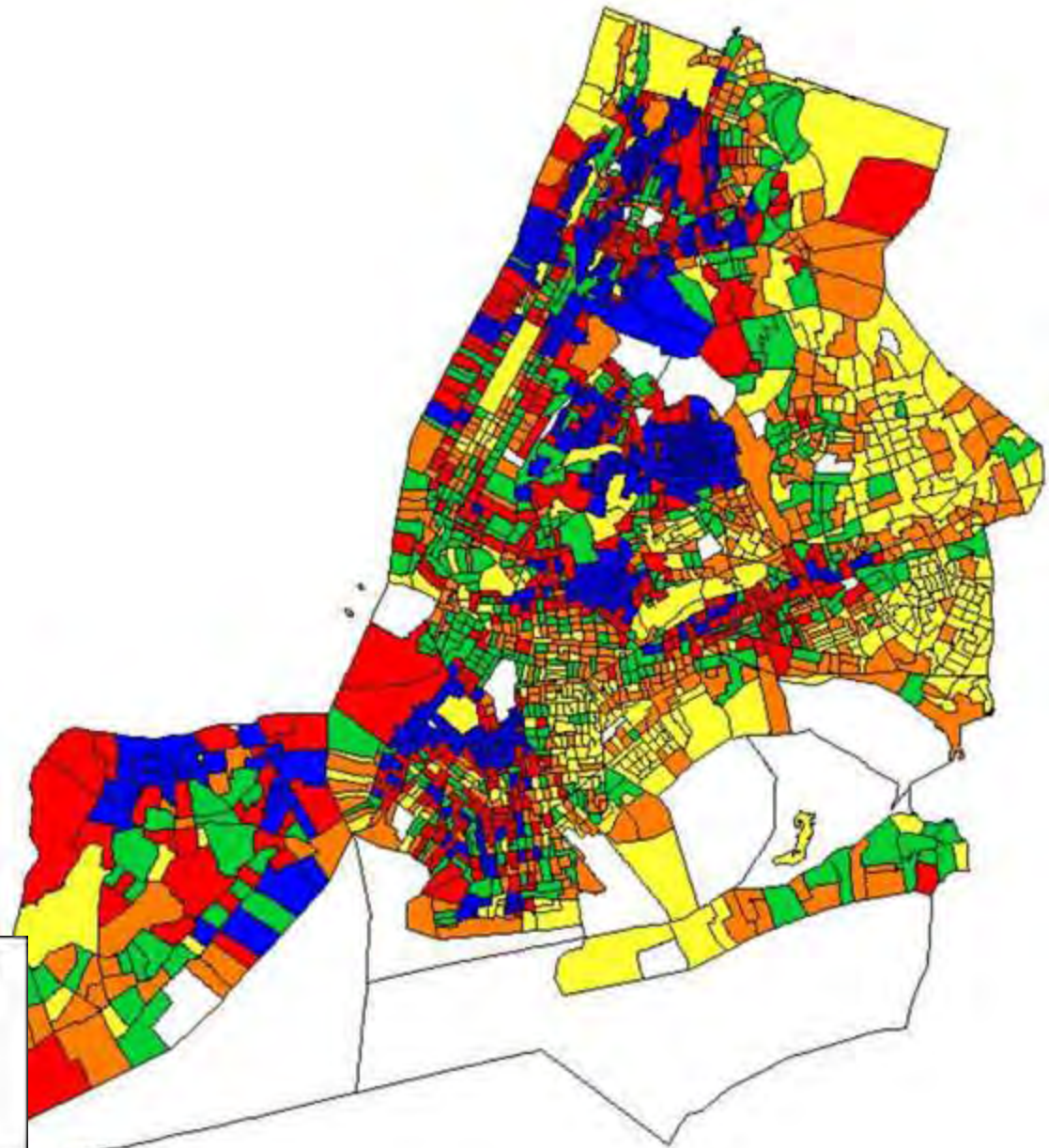
Mexican dispersion

Figure B-2 Mexican Immigrants by NYC Borough (1000s)



Source: IPUMs USA, Census 5% and ACS 1% samples, Ruggles et al., 2010.

Mexican Dispersion 2010

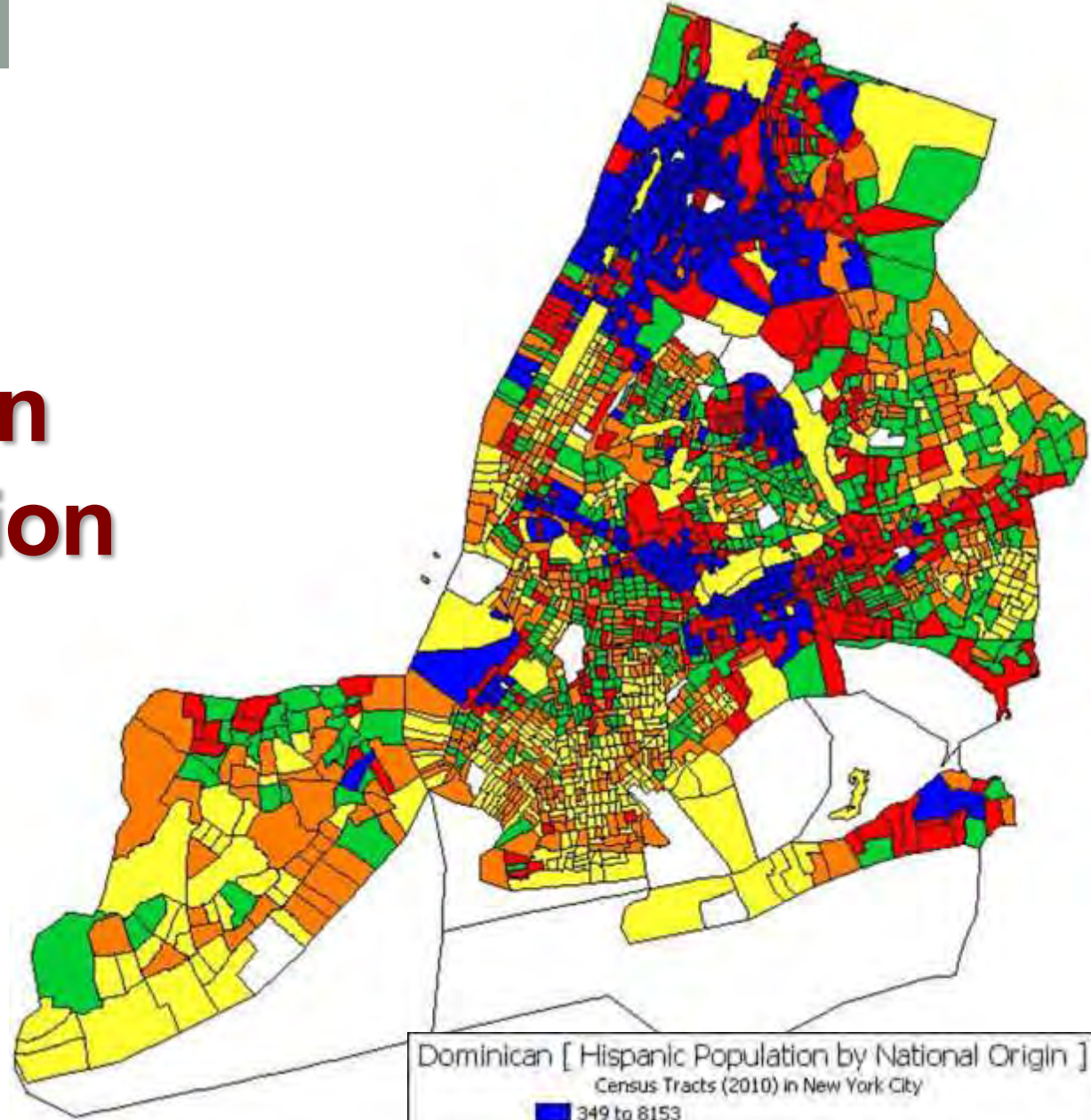


Mexican [Hispanic Population by National Origin]
Census Tracts (2010) in New York City



2010 Census from Bureau of the Census, US Department of Commerce

Dominican concentration 2010



Dominican [Hispanic Population by National Origin]
Census Tracts (2010) in New York City



2010 Census from Bureau of the Census, US Department of Commerce

School Policies and Neighborhood Effects

- **A paradox emerged in this study: The unintended effects of school integration policies in the mid 1990s, have restricted most immigrant students' ability to attend schools outside of their own neighborhoods.**
- **This left younger sibling strapped in 'black' (zwarte), isolated and marginalized schools.**
- **Younger boys are mostly isolated at home and in ethnic community, as family activities are *gendered* and 80% of older fathers, or men from older cohorts , 55 and above, are permanently out of the labor market.**
- **The Dutch school system and public health educators need to do further research on the effects of immigration, racial and class isolation on immigrant children, specially, male youths who now experience the highest levels of school failures and growing incidence of mental health problems.**

New York-Mexico Remittance Corridor Study Fordham-UCLA NAID survey funded by Packard Foundation

This discussion is based on Fuentes and McLeod, 2012 which in turn uses data on focus groups conducted by Fordham's Center for International Policy Studies (CIPS) with support from the Packard Foundation and Fordham GSAS

- **Research purpose:** to better understand the role of technology, financial access and gender in the transfers of remittance between immigrants from Puebla and Guerrero living in NYC.
- **Data sources:** A detailed survey of 156 Mexican immigrants living in New York, Los Angeles and North Carolina; focus groups of (2 in NYC, 2 in Puebla, 2 in DR) all women age 18-72 who send or receive remittance.

In DR and Mexico about 55% and 40% of remittance senders are women (Orozco, 2008)

Table 2: Demographics of remittance senders: Age, gender, income, education and citizenship.

	Mexico	Dominican Republic	Jamaica	El Salvador	Guatemala	Bolivia	Nicaragua
Over 40 years of age	18%	15%	17%	15%	26%	24%	51%
Female	40%	55%	43%	64%	33%	52%	41%
Some college or college degree	14%	60%	75%	19%	12%	42%	35%
Income > \$35,000	3%	3%	4%	3%	3%	18%	8%
U.S. Citizenship	13%	43%	56%	17%	12%	16%	14%

Source: Survey conducted by the authors, managed by Protectora Holdings, March-July 2006

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