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The Economic Development Impacts of Immigration



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July 10, 2013



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Economic Development Research Partners (EDRP)

The EDRP Program is the “think tank” component of IEDC, designed to help economic development professionals weather the challenges and grab opportunities from economic changes affecting our communities. EDRP members are leaders in the field of economic development, working through this program to improve the knowledge and practice of the profession. IEDC would like to thank the Economic Development Research Partners program for providing the impetus and resources for this project.

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Acknowledgments

IEDC would like to acknowledge a myriad of people who contributed their time and expertise to the development of this study. The Economic Development Research Partners (EDRP) program provided the impetus and resources for this project. In particular, we would like to acknowledge the Immigration Task Force for their guidance in the paper's development: Denny Coleman, and Bill Allen, the Co-chairs, and members Fred Welch, Holly Weidman, Vann Cunningham, and Darrel Auterson. This paper would not be possible without their contributions and expertise. We also would like to thank all the economic development professionals and immigration experts who took the time and effort to interview with us and provide input. Although too numerous to be thanked individually, we recognize that this paper would be incomplete without their contributions.



I. Executive Summary

A large body of research, from sources across the political spectrum, largely supports the notion that immigration strengthens the U.S. economy and contributes to society in several ways. One of the most significant ways in which immigrants support the American economy is by reinforcing the labor pool. In addition, immigrants also contribute to the public tax base, open up new businesses and create jobs, invest in the American economy, develop new products that help keep the United States at the cutting edge of global innovation, and make the U.S. a more diverse society.

However, misconceptions remain, as critics often express concern about immigrants becoming substitutes for native workers and otherwise placing a burden on public social services. Due to recent changes in immigration flows and settlement patterns, some economic development organizations (EDOs) are now facing immigration issues and immigrant populations without adequate knowledge or relevant experience. Certainly, conflicting sources and opinions—both within and outside of local communities—affect local EDOs’ ability to engage in and influence the dialogue on immigration.

This paper, which is sponsored by the Economic Development Research Partners (EDRP) program, has two primary purposes:

1. To clearly understand the economic development impacts of immigration, and
2. To identify and learn from existing best practices for how EDOs can maximize the potential of both current and future immigrants for community advancement

Therefore, the paper does not delve into a policy debate regarding immigration legislation.

The research is divided into several sections, which are outlined below. It begins with a broad overview of the immigrant population in the United States before diving deeper into issues related to economic development, such as showing how immigrants can be a source of labor, entrepreneurship, investment and innovation. Continuing, the paper investigates the geography of immigration and undocumented workers before addressing some of the myths surrounding immigration. The recommendations section distills real world experience from case studies into suggested strategies.

The major findings and recommendations from the research are summarized below.

Immigrants Contribute to Economic Expansion

Immigrants add to the available pool of workers in local and regional economies, contributing skills that may not be easily available or taking jobs that native-born workers typically will not. They also feed into the virtuous cycle of economic activity, as they create demand for goods and services, which leads to businesses opening more stores, restaurants and production facilities.



Research shows that over the long term, immigrants raise wages and increase employment for native workers.

- From 1990-2006, immigration caused a 2.86 percent real wage increase for the average worker and an increase of 11 percent employment.ⁱ
- This is especially true for the STEM fields. An additional 100 immigrants with advanced STEM (science, technology, engineering and math) degrees leads to an increase of 86 jobs for U.S. workers.ⁱⁱ
- A 1 percent increase in foreign STEM workers increased the wages of native college-educated workers by 4 to 6 percent over the period 1990-2010.ⁱⁱⁱ

Immigrants Fuel U.S. STEM Industries

Immigrants are an essential component of the STEM workforce. Attracting new foreign STEM workers, as well as retaining talented foreign students, should be a priority.

- Foreign students studying in the U.S. comprise a large portion of the total number of students seeking STEM bachelor's and advanced degrees, and they have been found to contribute disproportionately to activities associated with innovation, such as patenting, publishing academic papers and starting companies.^{iv}

Immigrants and foreign temporary workers play a large role in expanding STEM industries through starting high-tech businesses and innovating in existing institutions.

- A Kauffman Foundation study found that between 2006 and 2012, 24.3 percent of engineering and technology companies had at least one immigrant founder. In that same time period, these companies generated more than \$63 billion in sales and employed more than 560,000 workers.^v
- Immigrants are overrepresented among members of the National Academy of Sciences and the National Academy of Engineering, among authors of highly cited science and engineering journal articles, and among founders of biotech companies undergoing IPOs.^{vi}

Immigrant-Owned Businesses Have a Large Impact

Being an immigrant is an entrepreneurial endeavor, and this is reflected in immigrant business ownership patterns. Immigrants are twice as likely to start a business as the native born.^{vii} Immigrant-owned firms now generate more than \$775 billion in revenue and \$110 billion in income.^{viii}

- Immigrant-owned businesses are 60 percent more likely to export than are non-immigrant-owned businesses.^{ix}
- A 2012 study by the Partnership for a New American Economy found that immigrant-owned businesses employ one out of every 10 private-sector workers in the country.^{x, xi}



Immigrant Settlement Patterns Mirror Jobs Growth in Different Parts of the Country

Traditionally, major cities on the east and west coast, particularly in and around New York and California, have been gateways for immigrants. In recent years, southeastern states have seen a large increase in foreign-born populations as immigrants follow construction and service jobs in these fast-growing areas.

- California, New York, Texas and Florida together are home to more than 50 percent of all immigrants in the U.S.^{xii}
- Seven of the 10 states with the highest percentage increase in immigrants from 2000 to 2010 were in the Southeast (Alabama, South Carolina, Tennessee, Arkansas, Kentucky, North Carolina, South Dakota and Georgia).^{xiii}

Undocumented Immigrants Also Support the Economy

Several economic models show the devastating effects of a mass deportation of undocumented workers. Granting undocumented immigrants citizenship, on the other hand, could result in economic gains by allowing them to work to their full potential.

- Undocumented immigrants number 11.5 million, comprising about 28 percent the U.S. immigrant population.^{xiv}
- A 2008 study found that, for the U.S. as a whole, the immediate negative effect of eliminating the undocumented workforce would include an estimated \$1.757 trillion in annual lost spending, \$651.511 billion in annual lost output and 8.1 million lost jobs.^{xv}

Immigrants Supplement the Labor Force in Critical Ways

The developed world is facing a crisis brought on by declining birthrates and an aging population. Shrinking pools of young native workers will not be able to replace retiring baby boomers; adding more immigrants can help. As baby boomers age and retire, immigrant workers will replace them in the workforce more than native-born workers. Furthermore, their contributions to public benefits such as Social Security and Medicare will help keep these programs afloat longer than without immigrant contributions. Immigrants moving to rural areas also can help to stem population decline.

- Roughly 80 percent of immigrants are “working age,” classified as ages 18 to 64, compared to only 60 percent of the native-born population.^{xvi}
- The 2010 Census found that the average birthrate was 1.9 children per woman, which is below the replacement rate of 2.1 children per woman.^{xvii} Foreign-born women’s birthrates have exceeded native born women’s birthrates for the last two decades.^{xviii}

Immigrants Assimilate

The longer they live in the United States, the more immigrants assimilate into American life, as is evident in increased citizenship, English proficiency, rising homeownership rates, and increased wages.



- By 2030, the percent of immigrants speaking English well or very well is projected to rise from 57.5 percent to 70.3 percent and the percent living in poverty is projected to fall from 22.8 percent to 13.4 percent.^{xix}

Immigrants Do Not Disproportionately Use Public Benefits

Immigrants are not a drain on public budgets and do not overuse social services. Evidence suggests that, at worst, immigrants have no impact on public budgets and deficits and, in instances of highly-skilled foreign-born workers, contribute significantly in fiscal terms.

- A 2013 Congressional Budget Office report found that benchmark immigration reform would raise the pace of economic growth by nearly a percentage point over the near term, raise the GDP per capita by over \$1,500, and reduce the federal deficit by over \$2.5 trillion.^{xx}

Recommendations

Economic development organizations in the U.S. and other countries are starting to actively engage in immigration related matters in their own communities. Their efforts range from sponsoring or supporting training programs that are already available in the community, to matchmaking immigrant applicants to jobs at local businesses. Based on their experiences and opinions of several experts consulted for this study, below is a summary of the recommendations for EDOs.

- **Tailor your strategy to immigrant populations' economic needs**

In developing a strategy to engage immigrants, EDOs must evaluate current organizations serving immigrants in the community, identify an unmet economic need, and develop a program that builds on their own organization's existing strengths. An analysis of local immigrant populations is the starting point to developing such a strategy and can help to understand both needs and language and cultural sensitivities.

For example, St. Louis began a program on immigrant engagement by commissioning an economics professor at Saint Louis University to develop a study on the number and economic impact of immigrants in their community. The study informed their strategy to welcome and attract new immigrants.

- **Break down barriers to tap into immigrant potential**

Cultural, language, legal, and regulatory barriers block immigrants from achieving their full economic potential. Immigrants at all levels on the educational and legal spectrum encounter at least one of these barriers, if not all four. Programs such as cultural and language training, citizenship classes, and small business intervention can break down these barriers.

The Welcoming Center for New Pennsylvanians' programs break down barriers for both foreign-born professionals seeking professional licensing in the U.S., as well as immigrant businesses struggling with complex regulatory bodies. Each of these programs also contains a cultural



education component to inform their clients about accepted norms of behavior in business and professional environments.

- **Create an environment where immigrants can flourish**

Typically, engaging the native-born community in welcoming and accepting immigrants is an ongoing challenge. Through their connections to government, nonprofits, education and other community institutions, economic developers have a unique advantage to foster community conversations about contributions of immigrants.

Welcoming America is an affiliate network working in communities across the U.S. to promote accepting environments for immigrants. Their approach combines developing local leadership with strategic communication and public engagement to build a community conversation involving immigrants and native-born community members.

- **Retain immigrants for needed population growth**

An aging population, changing family demographics, and continued outmigration have created a void of workers in many communities. A low-hanging fruit for EDOs is focusing resources to retain immigrants that are already in the community, whether for education, jobs, or family reunification. As baby boomers age and retire, low- to middle-skilled immigrants can fill their positions. And as STEM fields continue to expand, retaining talented immigrant students and high tech workers can ensure continued competitiveness. Strategies include networking programs to connect immigrants to employers and the larger community.

Global Detroit's Global Talent Retention Initiative connects recently graduated foreign university students with Michigan employers in an attempt to keep them in the state. Since many of these students are STEM graduates, one of the outcomes is a stronger technology industry.

- **Engage immigrants to create links to the global economy**

Immigrants can open up new markets for business attraction and expansion through their knowledge and experience in foreign countries, language abilities, and connections. EDOs interested in helping their businesses expand abroad, or looking to attract foreign companies to the U.S., would be wise to tap into their community's immigrant knowledgebase. Program examples include those that tap immigrant knowledge for community education or those that collaborate with immigrants on reaching out to foreign companies.

The Greater Louisville International Professionals (GLIP) program engages immigrants as educators to the community and connectors to their home country. Through a series of luncheons focused on different business cultures, immigrants can share their knowledge with local business leaders. Additionally, the Ambassador Program works with professionals from 50



different countries who serve as contacts for foreign companies interested in moving to Louisville.

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^v Wadhwa, V., Saxenian, A., Siciliano, F.D. (2012). *Then and now: America's new immigrant entrepreneurs, part VII*. Ewing Marion Kauffman Foundation, p. 3.

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^{vii} Fairlie, R. (2012). *Open for business: How immigrants are driving small business creation in the United States*. The Partnership for a New American Economy, p. 2.

^{viii} Ibid, p. 2.

^{ix} Ibid, p. 12.

^x Ibid, p. 15.

^{xi} Privately-owned companies excludes the government, nonprofits, public companies, which have no one person or group of people that can be called the "owner," and any other company where the owner is not identifiable.

^{xii} Grieco, E., Acosta, Y.D., de la Cruz, P.G., Gambino, C., Gryn, T., Larsen, L.J., Trevelyan, E.N., & Walters, N.P. (2012). *The foreign-born population in the United States: 2010*. American Community Survey Reports, U.S. Census Bureau, p. 3.

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^{xiv} Congressional Budget Office. (2013). Letter to the honorable Paul Ryan: A description of the immigrant population—2013 update.

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