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The Economic Impact of Immigration on the American Workforce

Michelle Tinajero

To understand and fully appreciate the ongoing discussion on immigration policy, a hysteria that has existed for decades, one must first begin with our country's history, which is unambiguously intertwined with immigrants.¹ While immigration is more than a story of economics, their participation in the U.S. economy has been and continues to be incredibly positive.² Economists studying the economic impact of immigrants have found that where there is economic growth, there is immigration, from Apple to Google to Microsoft and Amazon, and where economic growth lacks, so too does participation from immigrants.³

THE HISTORY OF IMMIGRATION

Bloody Monday took place August 6, 1855, in Louisville, Kentucky, when Protestant mobs, composed of members of the Know-Nothing Party (also known as the American Party), attacked, injured, and killed twenty-two Irish and German immigrants during an "election day brawl."⁴ Members of this prominent political party, known as "Know-Nothings," strongly opposed Catholics and immigrants and their goal was to prevent and completely bar these groups from being involved in the electoral process, including being elected to political offices, and from obtaining jobs, contending that business owners needed to employ "true Americans."⁵ Because the majority of Know-Nothings came from middle and working-class backgrounds, they feared com-

¹ Jason Furman & Danielle Gray, *Ten Ways Immigrants Help Build and Strengthen Our Economy*, THE WHITE HOUSE: PRESIDENT BARACK OBAMA (July 12, 2012, 10:09 PM), <https://obamawhitehouse.archives.gov/blog/2012/07/12/ten-ways-immigrants-help-build-and-strengthen-our-economy>.

² Avianne Tan, *Without immigrants, the US economy would be a 'disaster,' experts say*, ABC NEWS (Feb. 16, 2017, 3:37 PM), <http://abcnews.go.com/US/immigrants-us-economy-disaster-experts/story?id=45533028>.

³ *Id.*

⁴ Evan Taparata, *An anti-immigrant political movement that sparked an election day riot – 150 years ago*, PRI (Mar. 5, 2016, 9:15 AM), <https://www.pri.org/stories/2016-03-05/anti-immigrant-political-movement-sparked-election-day-riot-150-years-ago>.

⁵ *Know-Nothing Party*, OHIO HISTORY CONNECTION (last visited Nov. 2, 2017), http://www.ohiohistorycentral.org/w/Know-Nothing_Party.

petition for jobs between native-born Americans and immigrants coming to the United States.⁶

The Immigration Act of 1917 was the most widely restrictive immigration law of its time.⁷ It allowed immigration officials more discretion in deciding whom to exclude entry to, increased taxes paid by newly arriving immigrants, and implemented a literacy test that required immigrants to demonstrate basic reading comprehension in a variety of languages.⁸ Additionally, the Act barred anyone born in the “Asiatic Barred Zone,” which included all immigrants from Asia, except for Japanese and Filipino immigrants.⁹ Although China was not included in the “Barred Zone,” the Chinese were already precluded from receiving immigration visas under the Chinese Exclusion Act of 1882, which implemented a 10-year barring on Chinese immigration.¹⁰

Members in Congress sought to limit immigration even further in the 1920s.¹¹ The Johnson-Reed Act was enacted to restrict the number of immigrants permitted entry into the United States through a national origins quota because the literacy test was not enough to prevent most immigrants from entering.¹² Originally, the quota provided immigration visas to three percent “of the total population of the foreign-born of each nationality in the United States as recorded in the 1910 national consensus.”¹³ The 1924 Immigration Act lowered the quota to two percent of the foreign-born population with calculations being based on the 1890 national consensus.¹⁴ Additionally, the new quota system increased the percentage of visas available to individuals from Western and Northern European countries, while drastically limiting, and even going so far as barring, newer immigration from Asia, Africa, the Middle East, and Southern and Eastern Europe.¹⁵ The Act also included a provision that excluded any alien “by virtue of race or nationality” ineligible

⁶ *Id.*

⁷ *The Immigration Act of 1917 (The Johnson-Reed Act)*, OFFICE OF THE HISTORIAN (last visited Nov. 2, 2017), <https://history.state.gov/milestones/1921-1936/immigration-act>.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*; *Chinese Exclusion Act (1882)*, (last visited Nov. 2, 2017), <https://www.ourdocuments.gov/doc.php?flash=false&doc=47>.

¹¹ *The Immigration Act of 1924*, *supra* note 7.

¹² *The Immigration Act of 1924*, *supra* note 7.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Fifty Years On, the 1965 Immigration and Nationality Act Continues to Reshape the United States*, MIGRATION POL’Y INST. (Oct. 15, 2015), <https://www.migrationpolicy.org/article/fifty-years-1965-immigration-and-nationality-act-continues-reshape-united-states>.

for citizenship from entering, meaning immigrants not previously excluded, such as Japanese immigrants, were no longer allowed to enter the United States.¹⁶ The purpose of the 1924 Immigration Act “was to preserve the ideal of U.S. homogeneity,” symbolizing a turn toward nativism.¹⁷

The national-origins quota system implemented by the 1924 Immigration Act was abolished and replaced with the Immigration and Nationality Act of 1965, also known as the Hart-Cellar Act, which applied a preference system based on immigrants’ family relationships with U.S. citizens, allowing for a more diverse immigration system.¹⁸ During the signing ceremony of the 1965 Act, President Johnson stated, “The bill that we sign today is not a revolutionary bill. It does not affect the lives of millions. It will not reshape the structure of our daily lives, or really add importantly to either our wealth or our power.”¹⁹ To the contrary, today, family-based immigration comprises two-thirds of legal immigration, with the foreign-born population rising from 9.6 million in 1965 to 45 million in 2015.²⁰

In 1990, Congress again reformed immigration policy.²¹ The Immigration Act of 1990 altered and expanded the 1965 Act by significantly increasing the total level of immigration to 700,000 (increasing available visas by 40 percent).²² Although the act retained family-based immigration as the primary entry path to the United States, it more than doubled employment-related immigration in order to progress towards a selection system that would benefit the economy by admitting more highly skilled and educated immigrants into the United States.²³

IMMIGRANT’S IMPACT ON THE ECONOMY

According to the U.S. Department of Labor’s most recent study, today immigrants make up 16.9 percent of the U.S. labor force.²⁴ In 2014, they earned \$1.3 trillion and contributed \$105 billion in state and local taxes and

¹⁶ *The Immigration Act of 1924*, *supra* note 7.

¹⁷ *Id.*

¹⁸ *Fifty Years On, the 1965 Immigration and Nationality Act Continues to Reshape the United States*, *supra* note 15.

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Historical Overview of Immigration Policy*, CENT. FOR IMMIGRATION STUDIES (last visited Nov. 2, 2017), <https://cis.org/Historical-Overview-Immigration-Policy>.

²² *Id.*

²³ *Id.*

²⁴ *Foreign-Born Workers: Labor Force Characteristics – 2016*, U.S. DEPARTMENT OF LABOR (May 18, 2017, 10:00 AM), <https://www.bls.gov/news.release/pdf/forbrn.pdf>.

\$224 billion in federal taxes.²⁵ In fact, even undocumented immigrants contributed more than \$11.6 billion in state and local taxes because, despite being undocumented, they still pay property taxes, sales tax, and pay income tax through an I-10 income tax return form.²⁶

Currently, immigrants are participating at a slightly higher rate than Americans in the U.S. workforce, with 73.4 percent of foreign-born workers holding jobs, compared to 71.1 percent of native-born workers.²⁷ Of the twenty-five million foreign-born workers (legal immigrants, temporary residents, refugees, and undocumented immigrants) who hold U.S. jobs, most work in construction, (9 percent), sales, (8.6 percent), maintenance, (8.4 percent), management (8.1 percent), administrative (8 percent), production (7.9 percent), transportation (7.5 percent), and food service (7.1 percent) industries.²⁸

If immigrants were to disappear from the American workforce today, it would create an enormous gap in a variety of industries, which in turn would have a negative impact on the economy.²⁹ This is partly because so many immigrants are business owners.³⁰ For every 10,000 immigrants entering the U.S., about 62 will start a business, which is more than double the rate for American citizens.³¹ Between 1990 and 2005, immigrants founded approximately one-quarter of public companies, impressively growing since then.³² Between 2006 to 2012, one-third of these public companies had at least one immigrant founder.³³ Moreover, of eighty-seven privately held companies valued at over \$1 billion, 51 percent were founded by immigrants.³⁴ Apple and Google are examples of two companies that pride themselves on innovation and continue to drive the United States economy.³⁵ Apple was co-founded by

²⁵ Tan, *supra* note 2.

²⁶ Tan, *supra* note 2.

²⁷ Irina Ivanova, *Immigrants' impact on the U.S. Economy in 7 Charts*, CBS NEWS (Feb. 10, 2017, 5:00 AM), <https://www.cbsnews.com/news/immigrants-impact-on-the-u-s-economy-in-7-charts/>.

²⁸ *U.S. Jobs Most Held by Immigrants*, slides 16-23, CBS NEWS (last visited Oct. 20, 2017), <https://www.cbsnews.com/pictures/u-s-jobs-most-held-by-immigrants/16/>.

²⁹ Tan, *supra* note 2.

³⁰ Ivanova, *supra* note 27.

³¹ *Id.*

³² *Id.*

³³ Ivanova, *supra* note 27.

³⁴ *Id.*

³⁵ Tan, *supra* note 2.

Steve Jobs, whose father was an immigrant, and Google was co-founded by Sergey Brin who was born in Moscow, Russia.³⁶

Economists have found common ground on immigration, specifically when it comes to highly skilled immigrants.³⁷ In a poll focused on highly-skilled immigration, 95 percent of economists agreed that the average American worker's livelihood improves as more immigrants participate in the U.S. workforce.³⁸ Instead of focusing on whether immigrants are taking away jobs from native-born workers, economists focus on how many jobs are being created as a result of new immigrant consumers, finding that every immigrant to the U.S. creates 1.2 new jobs—almost all going to U.S. citizens.³⁹ “[S]tudy after study reinforces the notion that immigration makes native-born Americans better off on a wide range of effects—innovation, the price of goods and services, the number of jobs, government finances, and even wages.”⁴⁰

THE RAISE ACT

On August 2, 2017, the RAISE Act was unveiled at the White House, a modified version of the Reforming American Immigration for a Strong Economy Act, introduced in February by Republican Senators Tom Cotton of Arkansas and David Perdue of Georgia.⁴¹ Essentially, the bill is being proposed as a “merit-based immigration system,” which would give special preference to “highly-skilled and educated individuals” and would reduce the number of legal immigrants in the United States by 50 percent within a ten-year period.⁴² Specifically, the bill aims “To amend the Immigration and Nationality Act to establish a skills-based immigration points system, to focus family-sponsored immigration on spouses and minor children (reducing the age limit from 21 to 18), to eliminate the Diversity Visa Program, [and] to set a limit on the number of refugees admitted annually to the United States”⁴³

³⁶ *Id.*

³⁷ Benjamin Harris, *Why Your Economic Argument Against Immigration is Probably Wrong*, FORTUNE (Sept. 11, 2017), <http://fortune.com/2017/09/11/daca-immigration-economy-donald-trump/>.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ Priscilla Alvarez, *Can a Decades-Old Immigration Proposal Pass Under Trump?*, THE ATLANTIC (Aug. 21, 2017), <https://www.theatlantic.com/politics/archive/2017/08/can-a-decades-old-immigration-proposal-pass-under-trump/537138/>.

⁴² *Id.*

⁴³ RAISE Act, S. 354, 115th Cong. (2017-2018): (last visited November 11, 2017), https://www.cotton.senate.gov/files/documents/170802_New_RAISE_Act_Bill_Text.pdf.

If passed, the bill would dramatically impact family-based immigration, which compromises two-thirds of the 1 million immigrants granted lawful permanent residence (given green cards) annually, by cutting it in half.⁴⁴ While employment-based green cards would not increase under the RAISE Act, the proposed bill would widen the path for employment-based entry, specifically those without a current job offer, through a points-system; immigrants would earn a certain amount of points for: having a relatively high-paying job offer (maximum of 12 points), high English test scores (maximum of 12 points), educational attainment, with more points for degrees earned in the United States (maximum of 13 points), investing at least \$1.35 million in the United States (maximum of 12 points), and accomplishing Extraordinary achievement: earning a Nobel Prize or equivalent (maximum of 25 points).⁴⁵ Those immigrants possessing the most cumulative points would be allowed to apply for a green card, making this method of entry extremely competitive.⁴⁶ Canada and Australia currently use a skill-based points-system as their prevailing process of entry for immigrants.⁴⁷

DEFERRED ACTION FOR CHILDHOOD ARRIVALS (“DACA”)

On September 5, 2017, President Trump ordered a dismantling of the Deferred Action for Childhood Arrivals, commonly known as DACA, a program started under the Obama Administration that protects young undocumented immigrants (known as “Dreamers”) from the threat of deportation and gives those eligible under the program the right to work legally.⁴⁸ President Trump voiced his concern for “the millions of Americans victimized by this unfair system,” and Jeff Sessions added that DACA had “denied jobs to hundreds of thousands of Americans by allowing those same illegal aliens to take

⁴⁴ Julia Gelatt, *The RAISE Act: Dramatic Change to Family Immigration, Less So for the Employment-Based System*, MIGRATION POL’Y INST. (Aug. 2017), <https://www.migrationpolicy.org/news/raise-act-dramatic-change-family-immigration-less-so-employment-based-system>.

⁴⁵ Gelatt, *supra* note 44.

⁴⁶ *Id.*

⁴⁷ Joshua Zeitz, *The Real History of American Immigration*, POLITICO (Aug. 6, 2017), <https://www.politico.com/magazine/story/2017/08/06/trump-history-of-american-immigration-215464>.

⁴⁸ Michael D. Shear & Julie Hirschfeld Davis, *Trump Moves to End DACA and Call on Congress to Act*, N.Y. TIMES (Sept. 5, 2017), <https://www.nytimes.com/2017/09/05/us/politics/trump-daca-dreamers-immigration.html>.

those jobs.”⁴⁹ Abolishing the program would affect more than 800,000 young adults who will become eligible for deportation immediately.⁵⁰

Tech industries have aggressively defended immigration programs, in no small part because of immigrants’ enormous involvement in the tech arena.⁵¹ Reacting to the possible phase-out of DACA, Microsoft CEO Satya Nadella, born in Hyderabad, India, recently stated, “We care deeply about the DREAMers who work at Microsoft and fully support them. We will always stand for diversity and economic opportunity for everyone.”⁵² Similarly, Uber expressed its own sentiment on DACA saying, “Dreamers grew up here, live here, and are contributing to our communities and our economy. Their contributions make America more competitive and they deserve the opportunity to work, study, and pursue the American dream.”⁵³ Notably, Uber’s Chief Executive, Dara Khosrowshahi, is an immigrant from Iran.⁵⁴ Similarly, Amazon’s CEO, Jeff Bezos, took a strong stance in response to the temporary travel ban(s), which banned immigrants from seven predominantly Muslim countries.⁵⁵ “We’re a nation of immigrants whose diverse backgrounds, ideas, and points of view have helped us build and invent as a nation for over 240 years.”⁵⁶ “No nation is better at harnessing the energies and talents of immigrants. It’s a distinctive competitive advantage for our country—one we should not weaken.”⁵⁷ Taken together, these statements illustrate how instrumental immigrants’ contributions have been to these prominent and successful companies that continue to drive the U.S. economy and innovation in the world, made possible, in part, by their ability to attract the best and most prestigious talent from around the world.⁵⁸

⁴⁹ *Id.*

⁵⁰ Shear & Davis, *supra* note 48.

⁵¹ Tony Romm, *Silicon Valley is preparing to blast Trump if he ends protections for Dreamers*, RECODE (Aug. 31, 2017), <https://www.recode.net/2017/8/31/16236296/tech-trump-microsoft-dreamers-immigration>.

⁵² *Id.*

⁵³ Romm, *supra* note 51.

⁵⁴ *Id.*

⁵⁵ Jillian Stampher, *Amazon CEO Jeff Bezos on Trump’s ban: ‘We’re a nation of immigrants,’* GEEK WIRE (Jan. 20, 2017, 2:39 PM), <https://www.geekwire.com/2017/amazon-ceo-jeff-bezos-says-company-not-support-trumps-immigration-ban-nation-immigrants/>.

⁵⁶ *Id.*

⁵⁷ Stampher, *supra* note 55.

⁵⁸ Telephone interview with Alberto Gonzales, Immigration Attorney specializing in Immigration and Nationality Law, Alberto Gonzales, Attorney at Law (Nov. 17, 2017).

THE FUTURE OF OUR IMMIGRATION SYSTEM

Ultimately, the core of today's immigration debate "is an unresolved cultural conversation about the nation's identity."⁵⁹ During Donald Trump's presidential campaign and during his time as president, he has continuously called for a crackdown on immigration, reasoning that immigrants compete directly against native-born workers.⁶⁰ As such, he has pledged to implement restrictions on immigration to give preference to American workers first.⁶¹

Although there are a variety of different avenues in which to discuss the long-standing controversy linked to immigration, when it comes to economics, there isn't much of a debate at all as the overwhelming majority of economists, regardless of their political affiliations, agree that immigrants, those here legally or not, boost the overall economy.⁶² As such, and as congressional policymaking remains stalled, it is important to keep in mind how large and dynamic the U.S. economy is and how essential immigration has been and continues to be for its vitality and competitiveness.⁶³

There is no doubt about it: immigration is a creature of politics and economics; it is an issue that people take personally, and a good starting point is to figure out why people feel so strongly about this topic.⁶⁴ In order to elevate our conversation on immigration, there must be compromise and civility.⁶⁵ Critical to achieving common ground is to appreciate where advocates from both sides of this debate are coming from, and equally important is addressing certain misconceptions and unrealistic views, one being that immigration advocates want open borders, that anyone wanting to immigrate to the U.S. can do so.⁶⁶ As a sovereign state, we must have control over our borders; however, it is also essential to understand that these are real people we are debating

⁵⁹ *Fifty Years On, the 1965 Immigration and Nationality Act Continues to Reshape the United States*, supra note 15.

⁶⁰ Julia Preston, *Immigrants Aren't Taking Americans' Jobs, New Study Finds*, N.Y. TIMES (Sept. 21, 2016), <https://www.nytimes.com/2016/09/22/us/immigrants-arent-taking-americans-jobs-new-study-finds.html>.

⁶¹ *Id.*

⁶² Adam Davidson, *Do Illegal Immigrants Actually Hurt the U.S. Economy?*, N.Y. TIMES (Feb. 12, 2013), <http://www.nytimes.com/2013/02/17/magazine/do-illegal-immigrants-actually-hurt-the-us-economy.html>.

⁶³ Muzaffar Chishti & Stephen Yale-Loehr, *The Immigration Act of 1990: Unfinished Business a Quarter-Century Later*, MIGRATION POL'Y INSTITUTE, 15, (July 2016), http://www.migrationpolicy.org/sites/default/files/publications/1990-Act_2016_FINAL.pdf.

⁶⁴ Gonzales interview, supra note 58.

⁶⁵ *Id.*

⁶⁶ *Id.*

about.⁶⁷ With that being said, and focusing strictly on the economic aspects of immigration, one cannot ignore, push aside, or gloss over what is undeniable: the positive impact immigrants have had and will continue to have on the U.S. economy.⁶⁸ Economic realities have not changed, rather political ones have.⁶⁹

⁶⁷ *Id.*

⁶⁸ Ivanova, *supra* note 27.

⁶⁹ *Id.*