From Brawn to Brains: Immigrants in the U.S. and Texas Labor Markets

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Road map

- Recent trends in immigration
- Characteristics of immigrants in U.S., Texas
- Effects of immigration on economic activity
- Labor market and fiscal effects
- Policy implications
Recent Trends in Immigration

VOLUME AND CHARACTERISTICS
Immigrants account for over half of recent labor force growth

Thousands of Workers

- Number of Foreign Born Workers
- Percent of Labor Force Foreign Born

Rising influx of foreign-born, low-skilled workers

NOTE: Number of foreign-born workers with less than a high school education aged 25 and older. Source: Census; 2011 American Community Survey
Age Profile of Immigrants vs. Natives in Texas

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<th>Age</th>
<th>Natives</th>
<th>Immigrants</th>
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<td>Over 80</td>
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Percent
Migration Decision

Pull factors
- Host country economic growth, migrant networks

Push factors
- Home country conditions

Costs/Barriers
- Geographic proximity
- Current policy
  - Restricts high-skilled immigration; work-based immigration
  - Encourages family reunification; unauthorized immigration
Temporary high-skilled visas always run out before year-end

Days elapsed until high skill temporary work visas (H-1Bs) exhausted
Unauthorized immigrant flows

Thousands

NOTE: Shaded bars represent U.S. recessions.

Nearly one-third of the foreign born lack a high school degree

Migrant workers concentrated in a few states

Foreign Born Worker Concentration by State
IMMIGRANTS TO TEXAS
Native-born in Texas, U.S. similar in education

- Less than High School
- High School Only
- Some College
- Bachelor's Degree
- Graduate/Professional Degree

Comparison between Texas Native Born and U.S. Native Born in educational attainment.
Foreign-born in Texas have much lower education
Texas immigrants also lag in English ability

Percent

Texas Immigrants
U.S. Immigrants

Does not speak English
Speaks English, not well
Speaks English well
Speaks English very well
Speaks only English
Texas immigrants
60% from Mexico

- Mexico: 59.8%
- Latin America: 11.4%
- Caribbean: 1.3%
- Africa: 3.2%
- Asia: 5.7%
- Europe, Canada, Oceania: 18.6%

- Mexico: 25.9%
- Latin America: 14.7%
- Caribbean: 10.1%
- Africa: 4.0%
- Asia: 29.1%
- Europe, Canada, Oceania: 16.2%
Texans, foreign and native, have higher employment rates

- Texas Foreign Born
- Texas Native
- U.S. Foreign Born
- U.S. Native
And lower unemployment rates
Still Texan immigrants earn less
Except for low-skilled, who earn the same as in the rest of the U.S.
EFFECT ON ECONOMIC ACTIVITY
Economic Benefits

- Immigrants benefit from higher wages
- Natives also benefit
  - More workers, lower prices
  - Higher productivity through specialization; efficiency through mobility
  - Higher return to capital boosts investment
  - Immigration surplus $38-$75 billion per year
    - Complementary immigration, bigger boost
Immigration and Economic Growth

Faster growth relies on productivity growth

Innovation
- High-skilled immigrants, particularly in STEM fields
  - Highly educated immigrants receive patents at more than twice the rate of natives

Entrepreneurship
- 25 percent of high-tech startups between 1995 and 2005 founded by immigrants
- Immigrants 30 percent more likely to start a business
Note: Percent of workers age 25 and over, with bachelor's degree or higher who are foreign born for selected occupations.

Source: 2011 American Community Survey
LABOR MARKET AND FISCAL IMPACTS
Adverse wage and employment effects of immigration?

- Biggest impact on low-skilled natives and prior immigrants

Effects on natives lower than expected given conventional model

- Many mitigating factors
Fiscal Impact

- High-skilled immigrants pay more in taxes than they consume in public services.
- But low-skilled immigrants are a net fiscal drain:
  - Low wages, large families, lack of employer-provided health insurance coverage.
- In the very long run, negative fiscal impact of low-skilled immigrants dissipates.
POLICY IMPLICATIONS
Economics of Immigration & Policy

- Expand high-skilled employment-based immigration
  - 86% of green cards go to family & humanitarian
  - Only 7% of green cards to principal workers
  - Resolve LPR backlogs

- Provide low-skilled employment-based visas

- Implement legalization program
  - Speed integration; improve outcomes
  - Restore circularity
  - Bring workers onto books; employers compliant
Summary

- Immigration has transformed the U.S., Texas workforce
- Flows have been skewed toward low-skill
  - Texas more than most other states
- Macro economy has benefited
  - But fiscal impact detracts
- Reform should give economics of immigration a bigger role in policy