

# **Immigration, Economic Growth and Recent Policy Impacts**

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**Disclaimer: The views expressed are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Dallas or the Federal Reserve System.**

# Questions

- How has immigration contributed to economic growth?
- How have post 9/11 policies impacted immigration?

# How do immigrants contribute to economic growth?

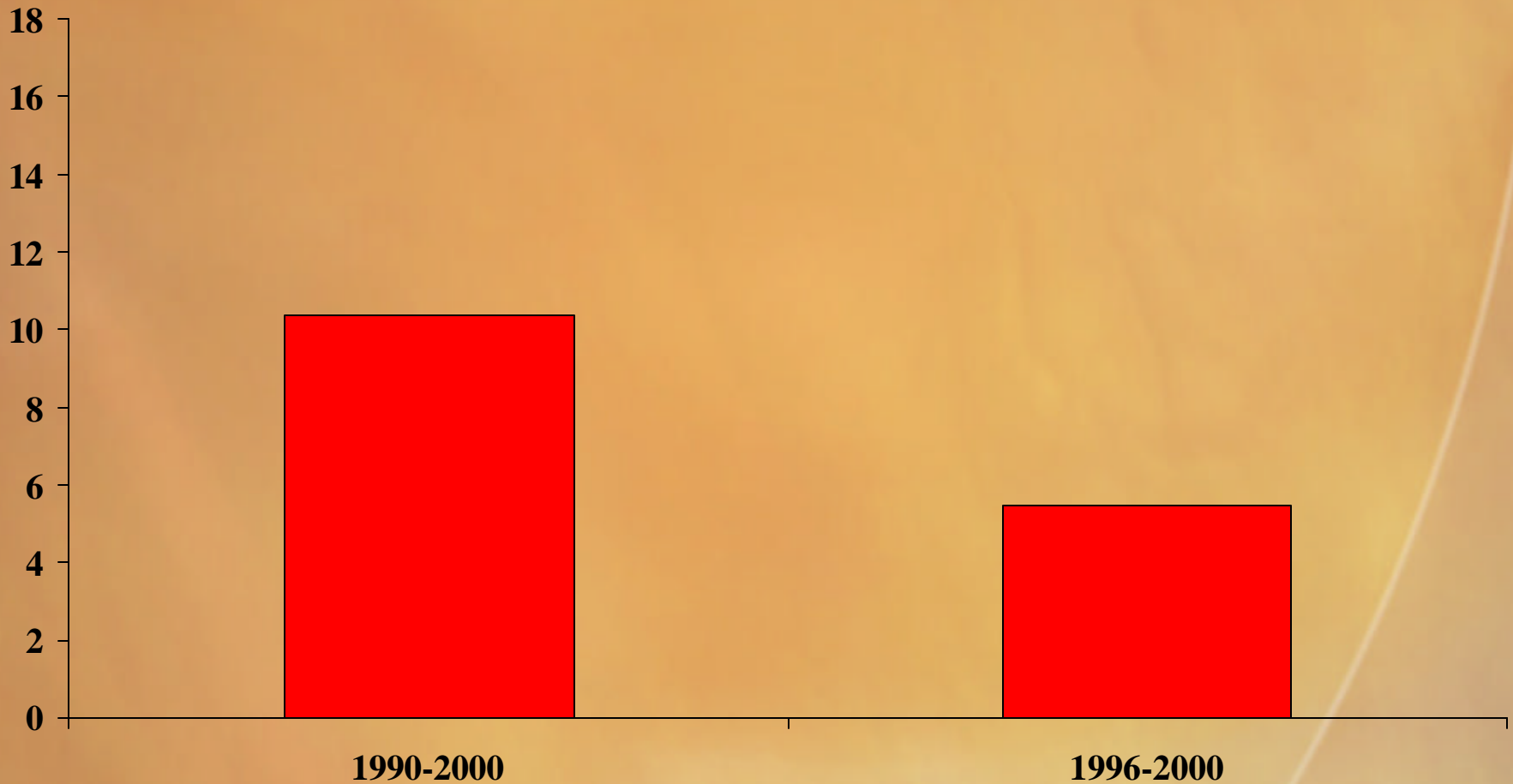
- Account for a large and growing share of new workers, both skilled and unskilled
- Are mobile and move to where jobs are
- Respond to business cycles, making the Fed's job easier

# 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

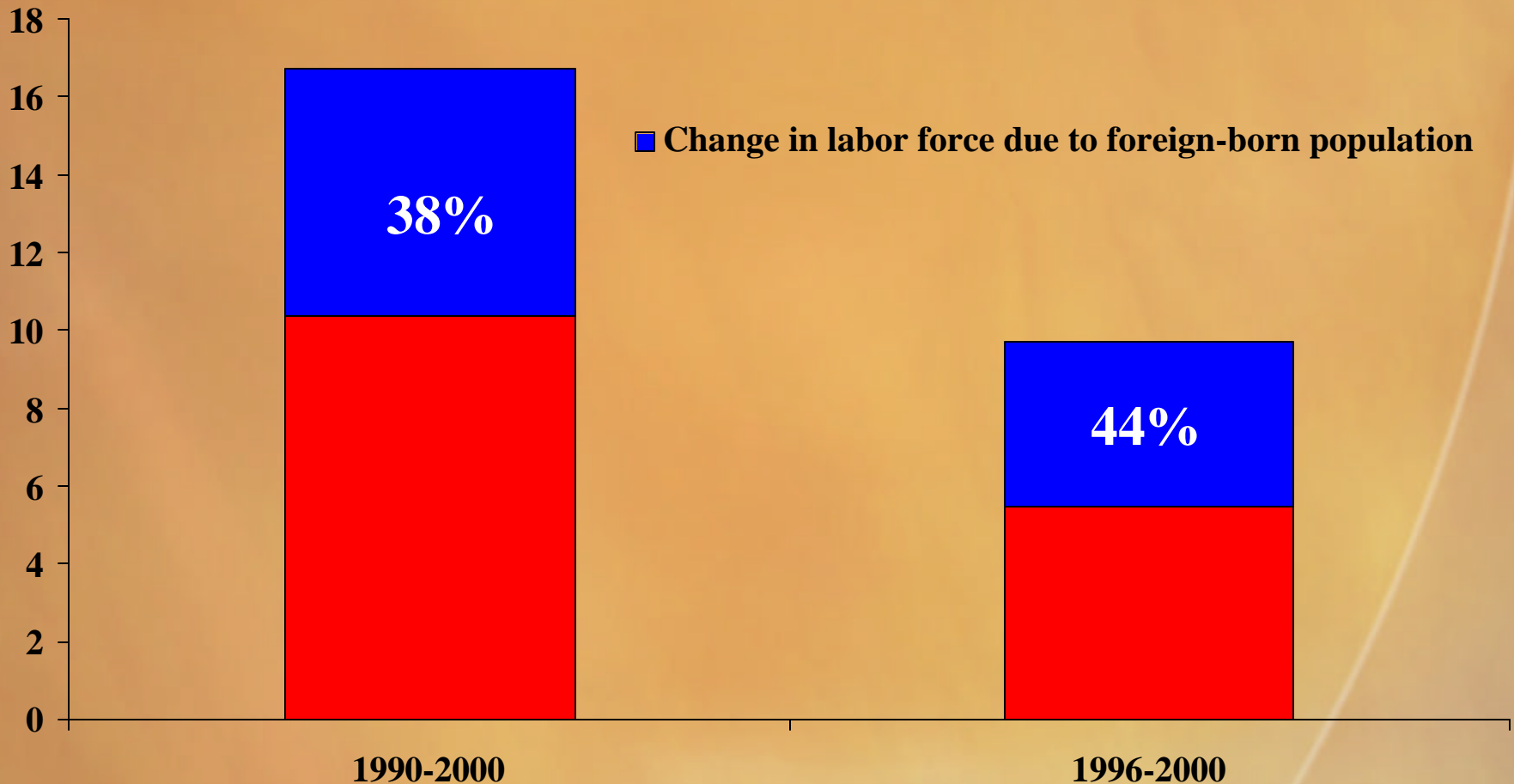
# Labor force growth: native workers

**Change in Millions**

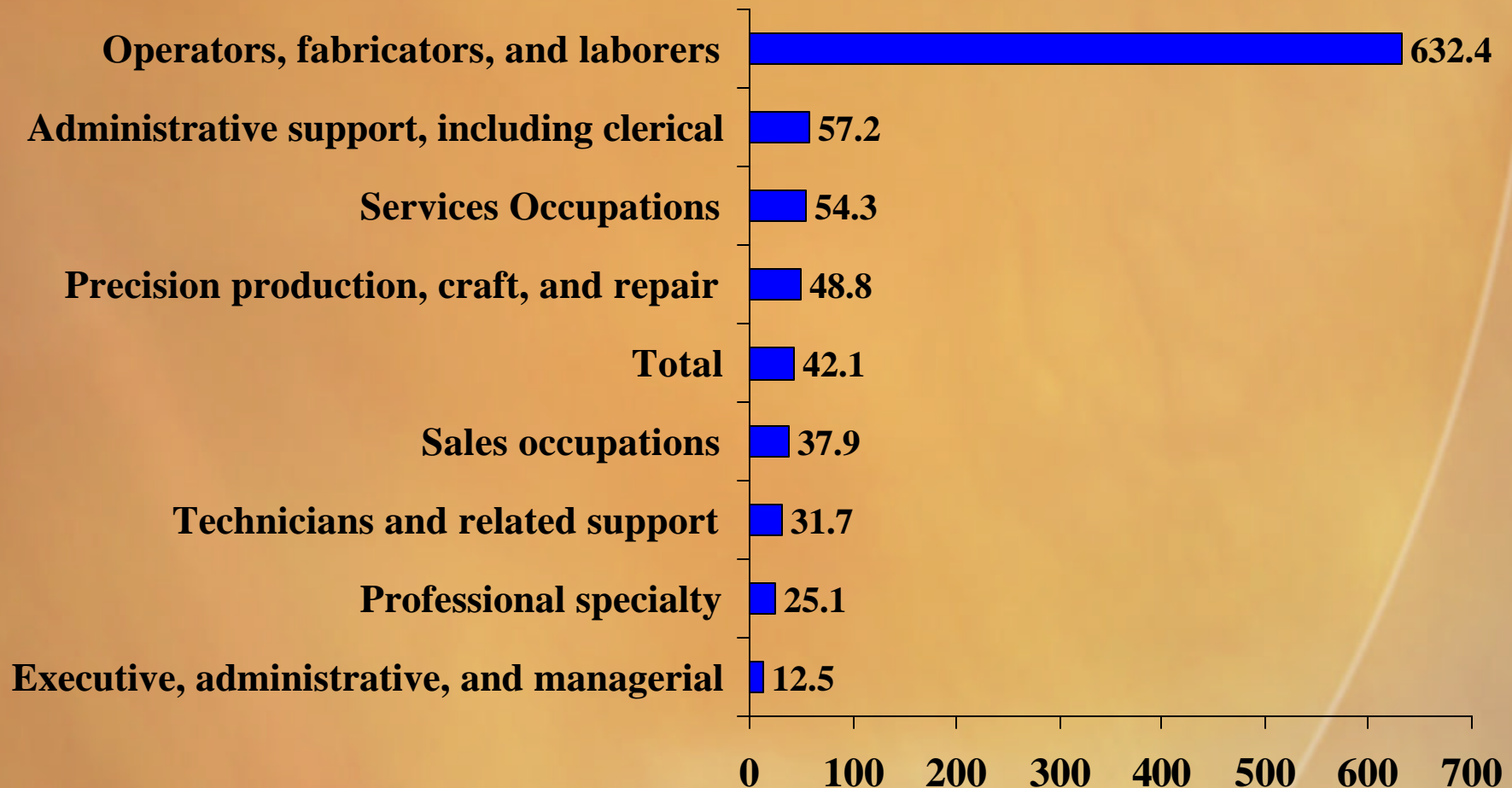


# Immigrants a growing share of labor force growth

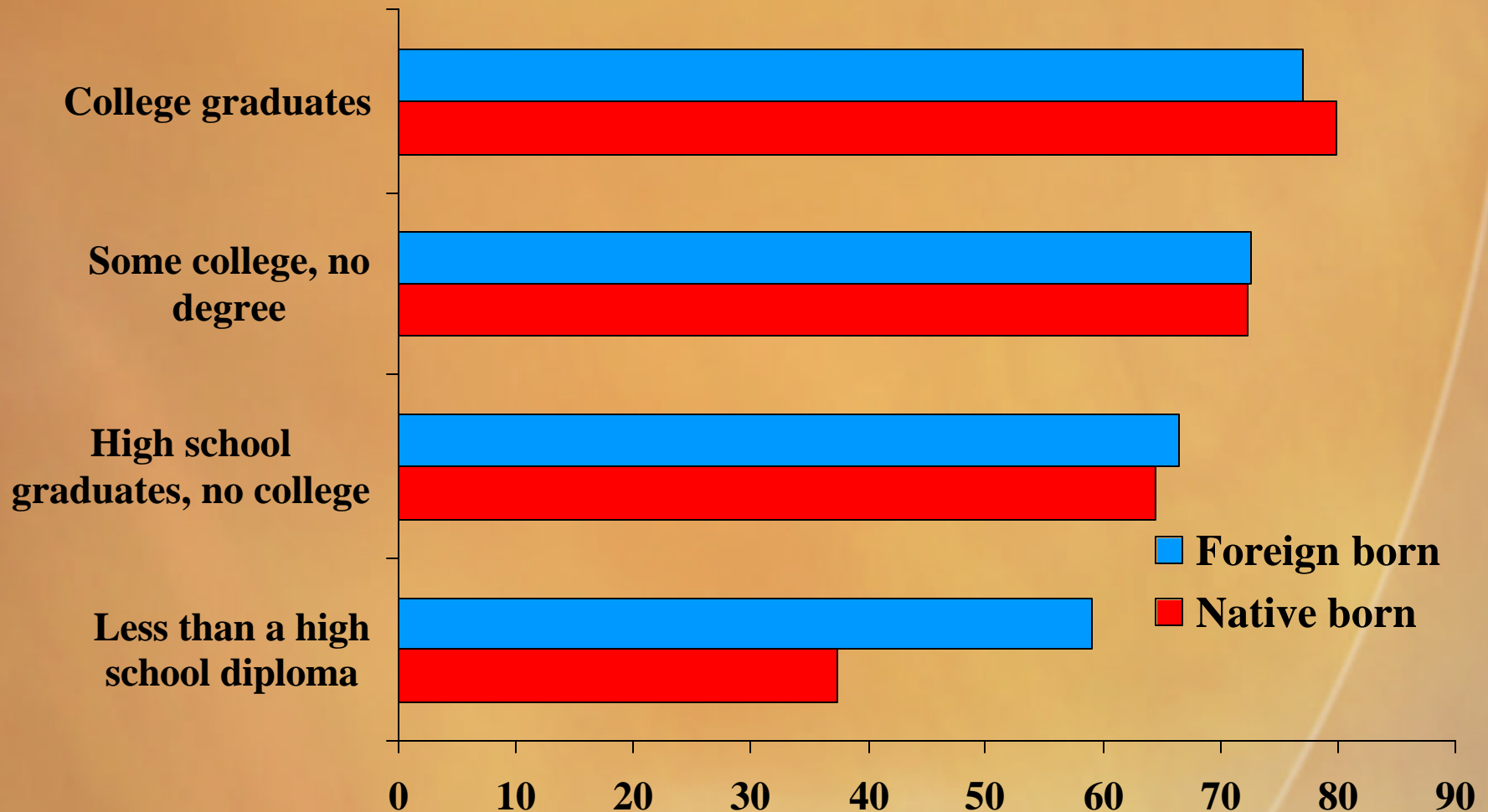
Change in Millions



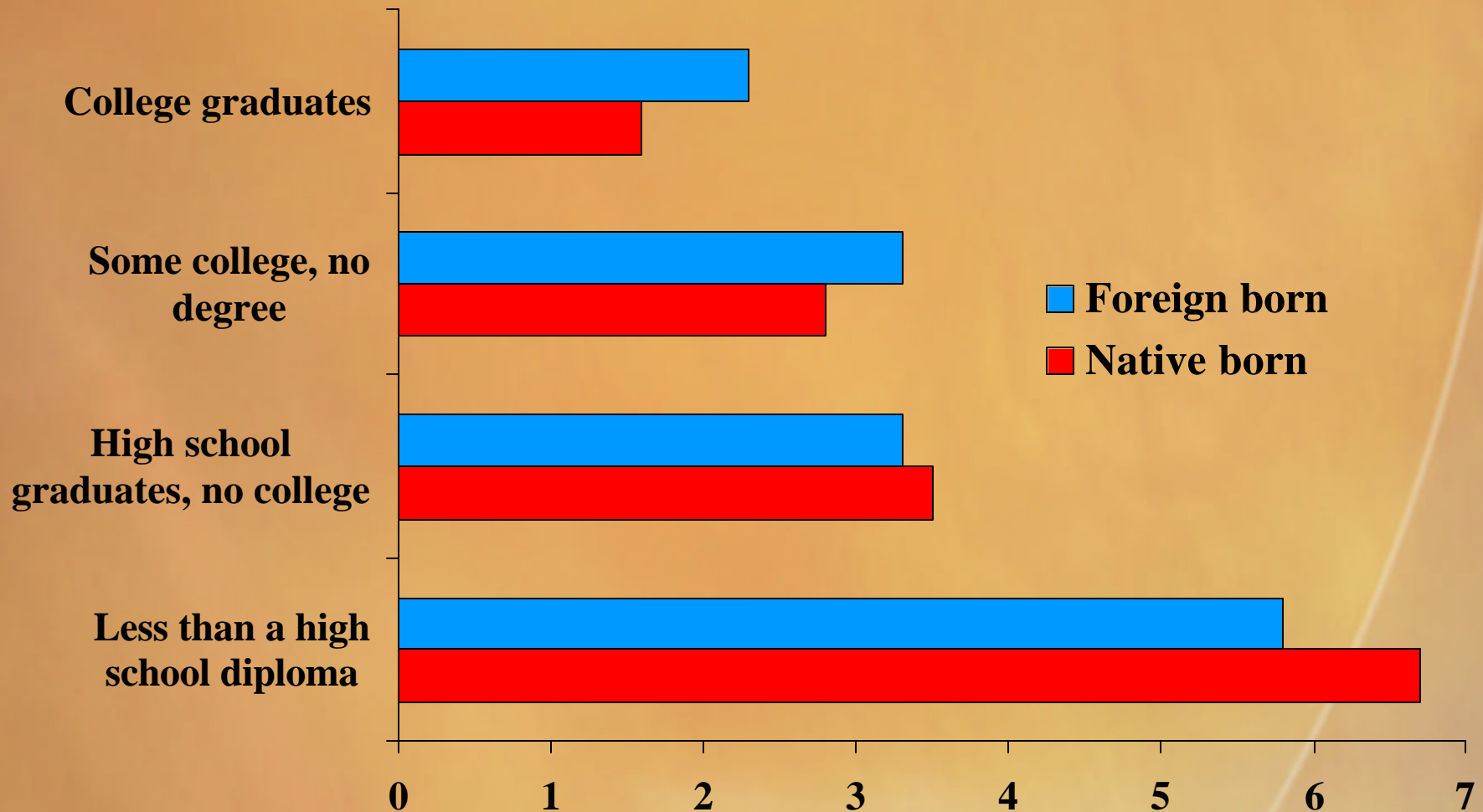
# Immigrant share of job growth by occupation (1996-2000)



# Labor force participation rates: low-skilled immigrants more likely to work



# Low-skilled immigrants less likely to be unemployed

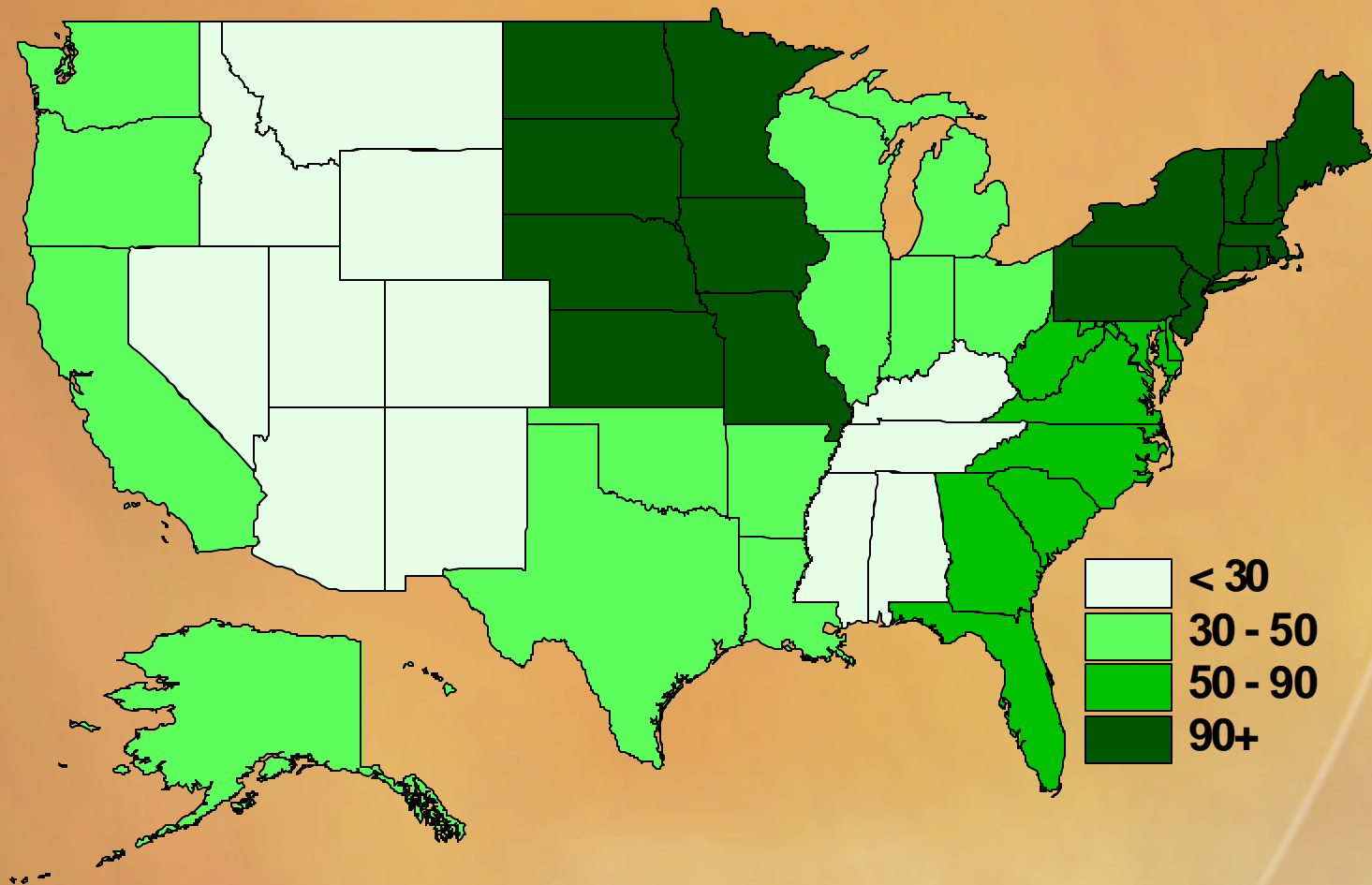


# Immigrants fill jobs where needed

## **In the 1990s, immigrants**

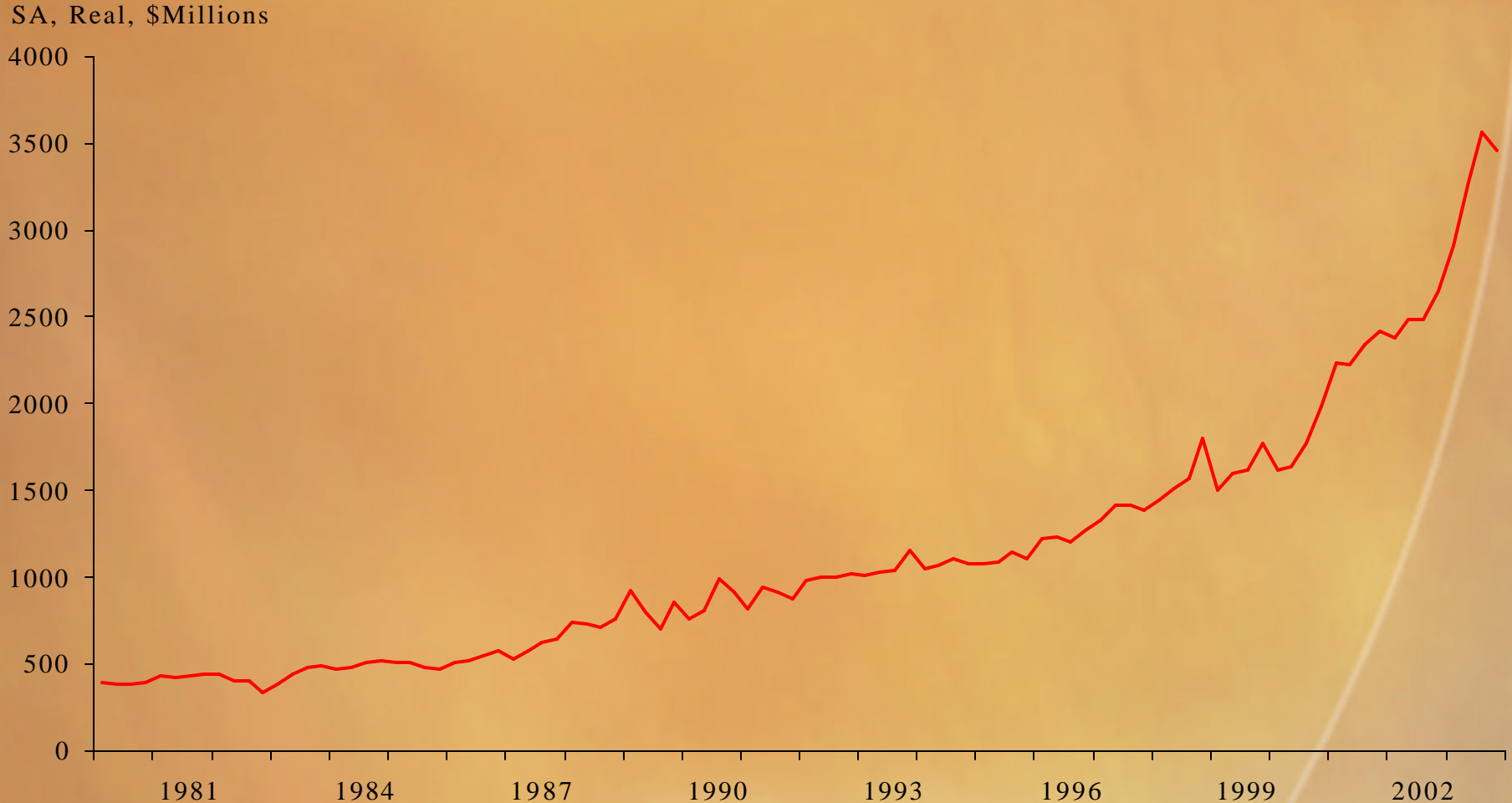
- Left or bypassed traditional gateway cities such as Los Angeles, Chicago & New York
- Took jobs in midwest, northeast, and south Atlantic states

# Immigrant share of labor force growth (1996-2000)



# Immigrants save and invest in their home countries through remittances

## Remittances to Mexico



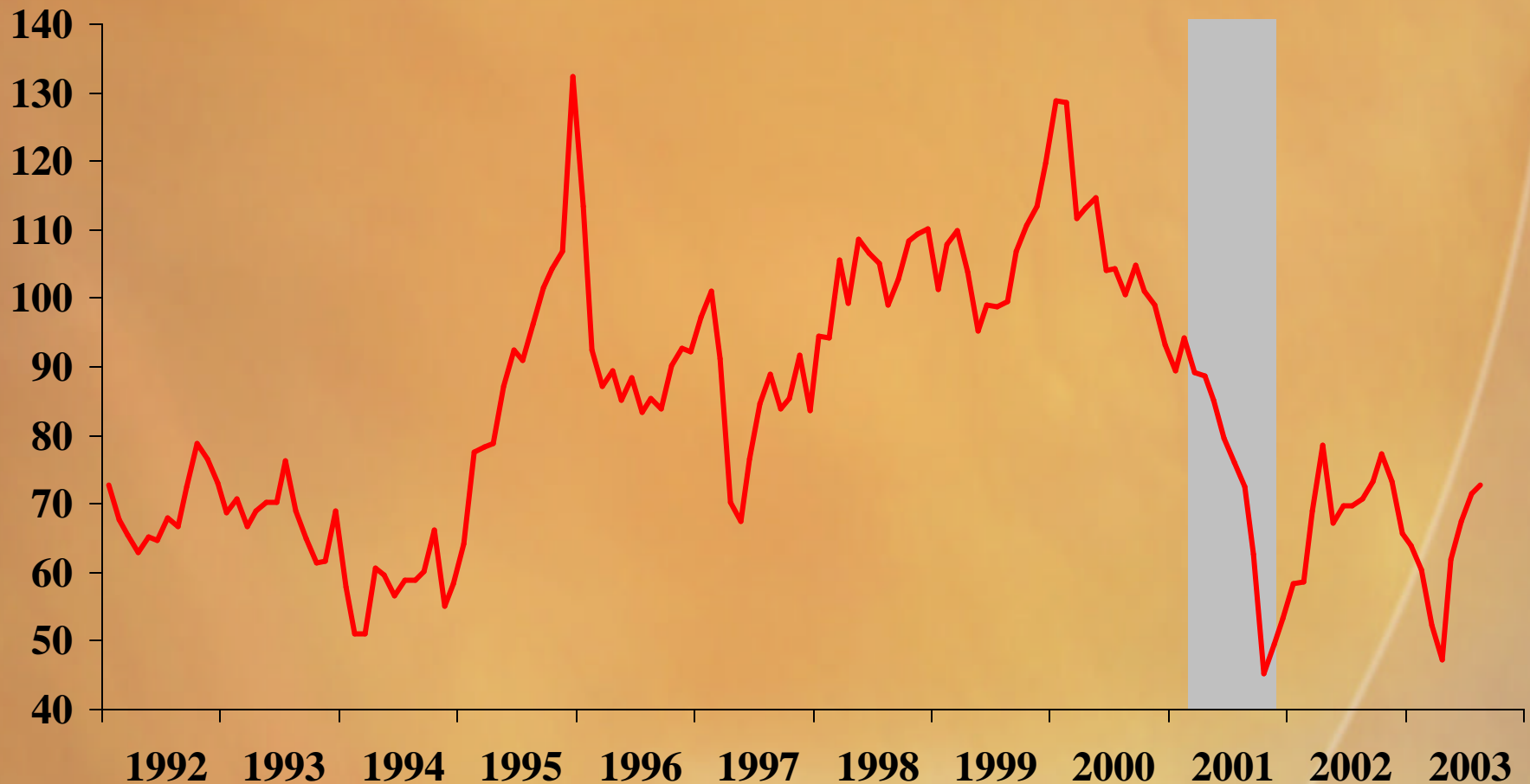
# Immigration slows down in recession

- 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

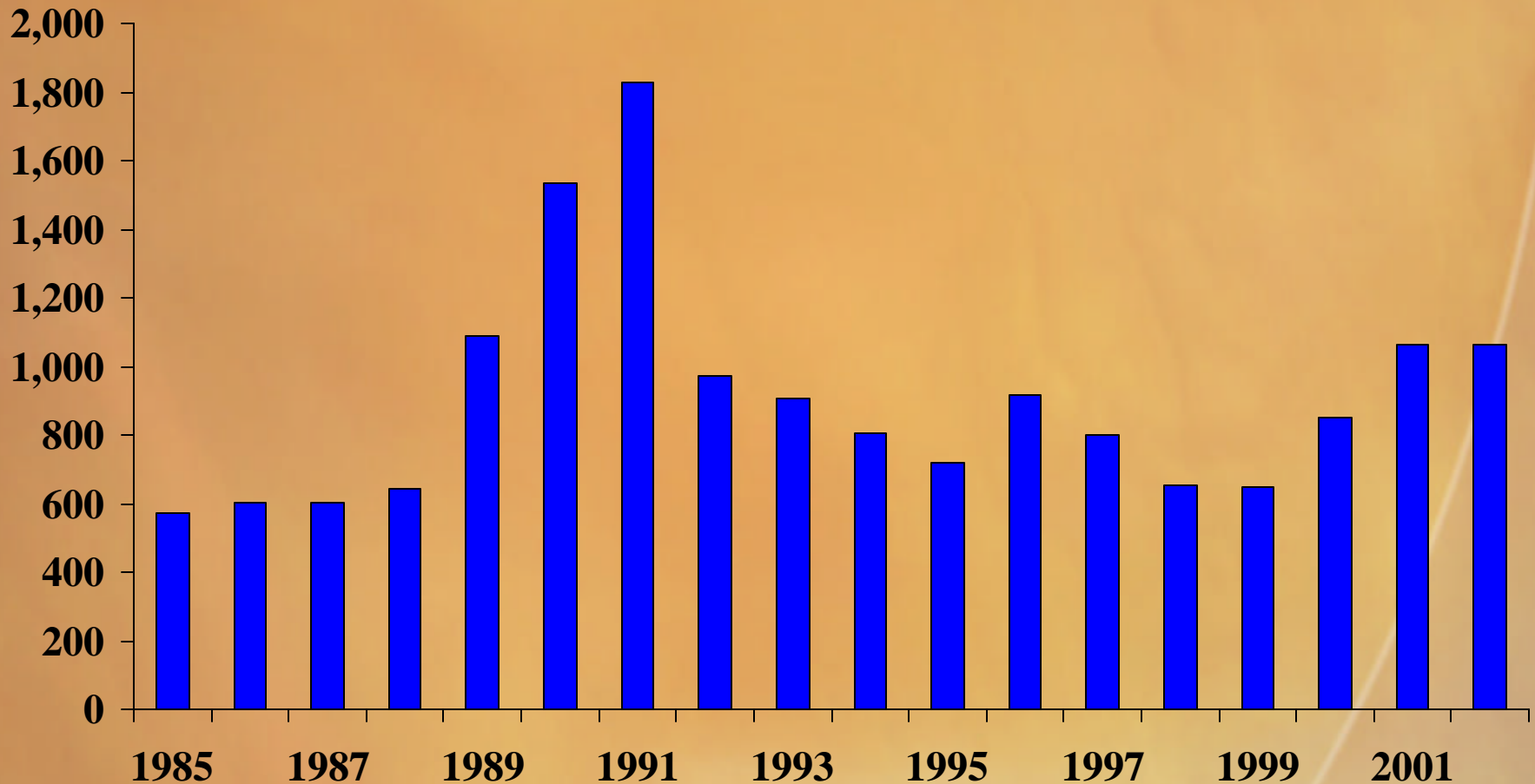
# Relevant post 9/11 policy changes

- Laws Implemented
  - USA Patriot Act, Enhanced Border Security Act, Homeland Security Act of 2002
- 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:

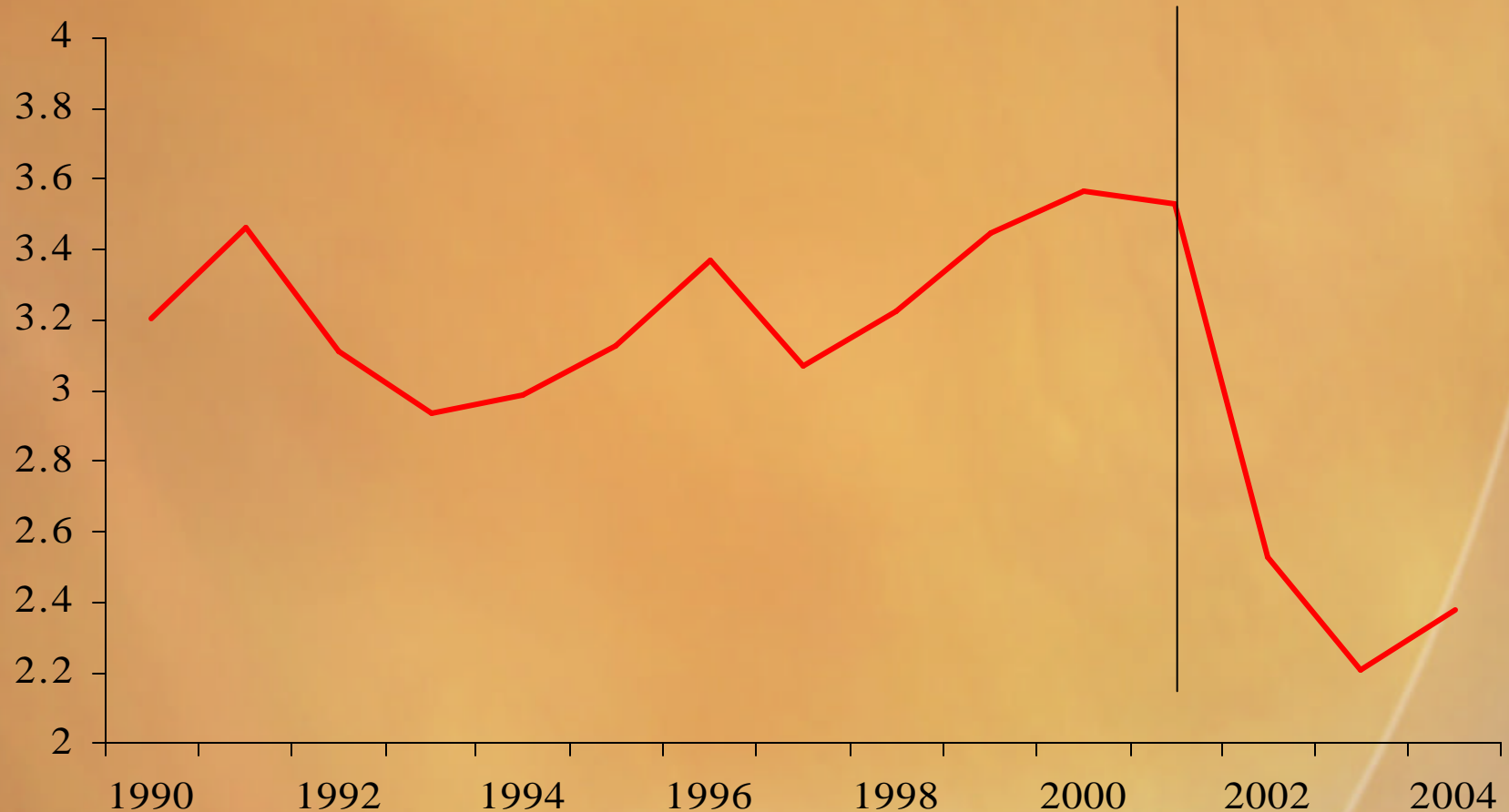
No change in # of green cards issued

Thousands



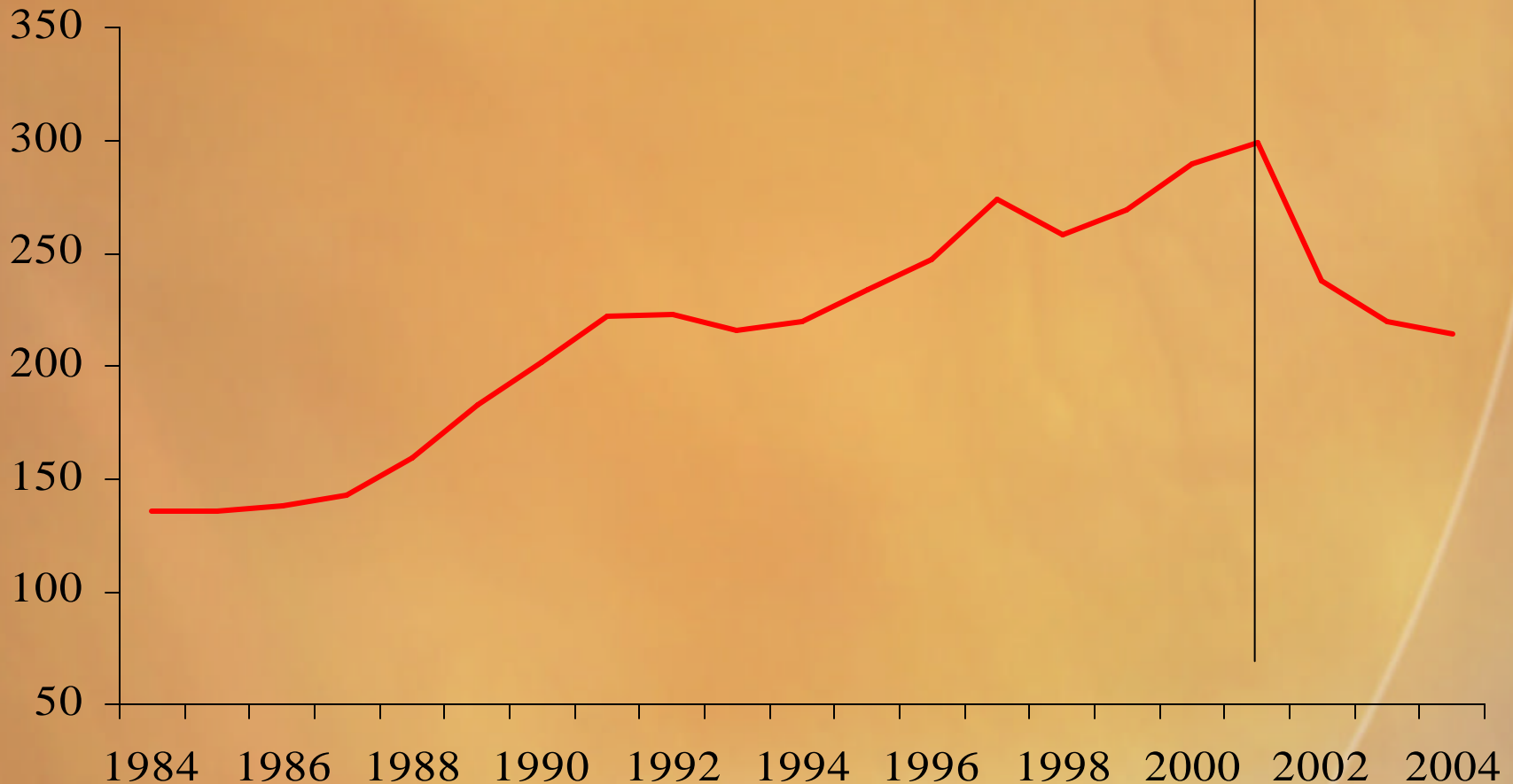
# Tourist and Business Visas Decline

B1/B2, Millions

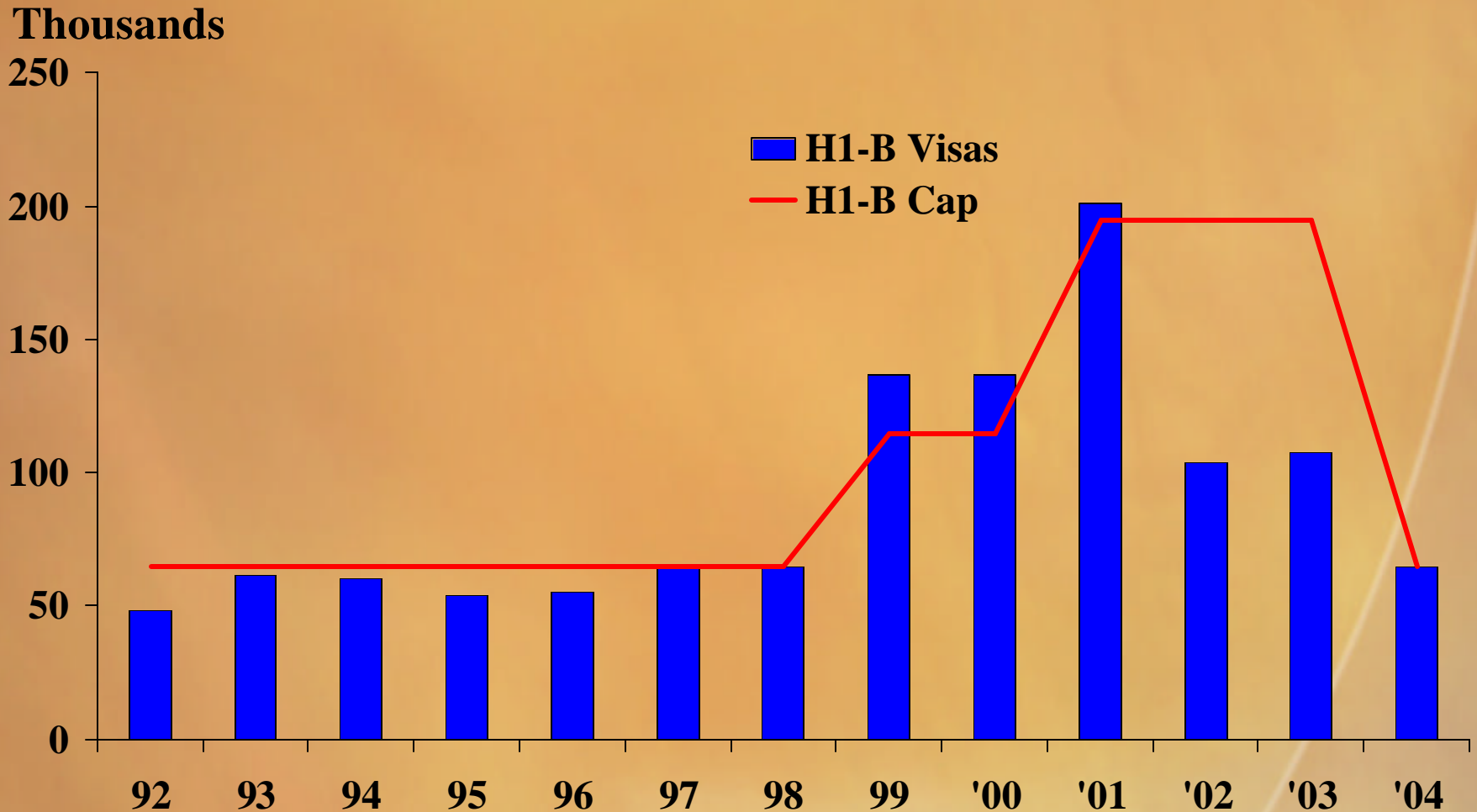


# Foreign student visas drop off

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

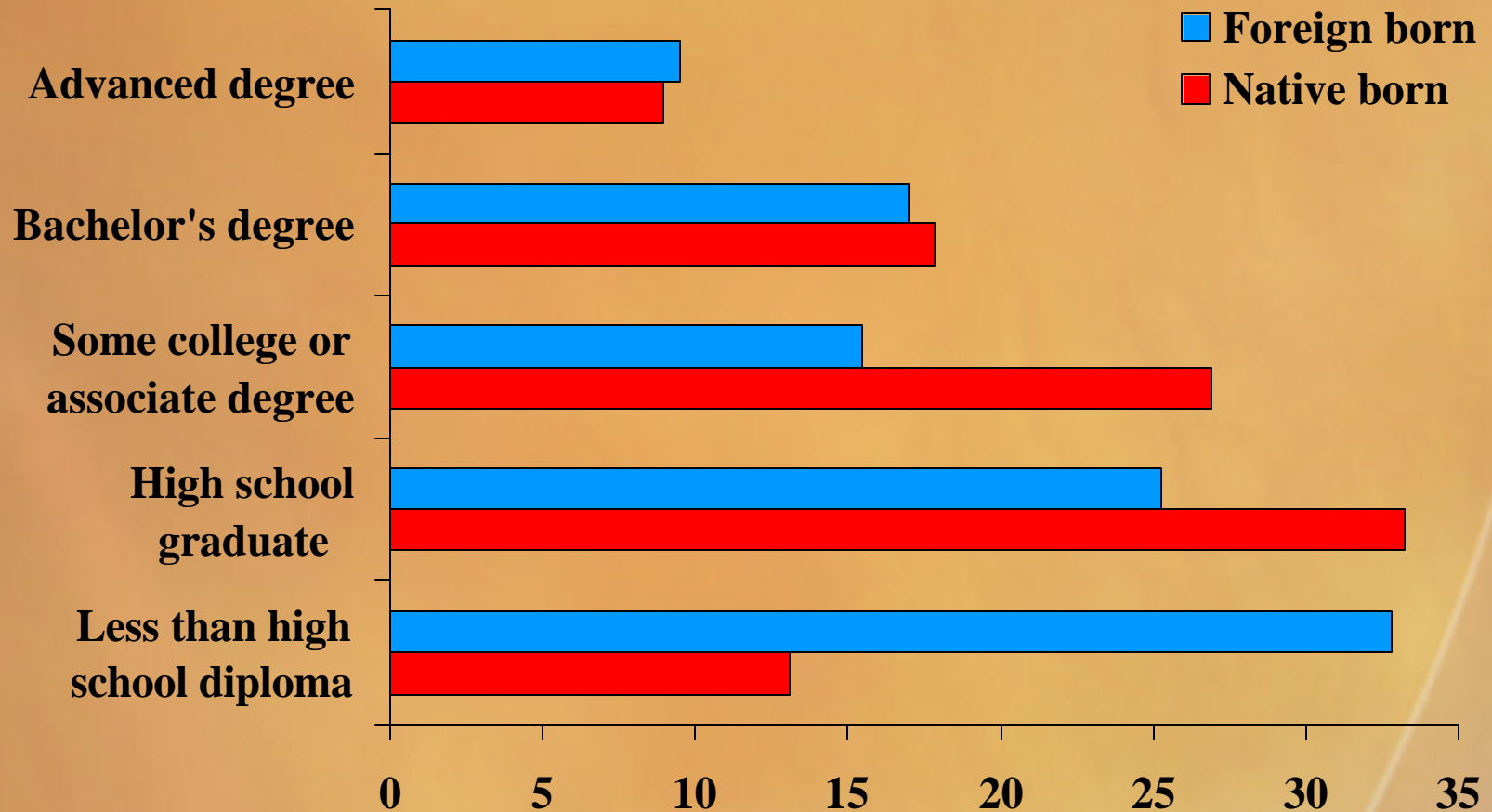






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# Native-Immigrant skill distribution— many immigrants are low-skilled



# Weekly earnings: Immigrants earn less

