The Second Great Migration: Economic and Policy Implications
Roadmap

- Number and composition of immigrants
- Economic forces attracting immigrants
- Economic performance of immigrants
- Economic effects of immigration
- Current policy and reform options
Immigration rises to historic high

![Chart showing millions of legal immigrants by decade from 1821-1990. The y-axis represents millions, ranging from 0 to 14. The x-axis represents decades from 1821-1830 to 1981-1990. The chart shows a significant increase in legal immigration in the 1901-1910 decade, peaking in the 1981-1990 decade.](chart.png)
Immigration rises to historic high

![Chart showing immigration trends from 1821 to 1990. The chart displays data on legal and net illegal immigration, with bars indicating millions of immigrants per decade. The x-axis represents the decades, starting from 1821-1830 to 1981-1990, and the y-axis represents millions of immigrants. The chart highlights significant increases in immigration, particularly after 1965, with notable peaks in the late 19th and early 20th centuries.](chart_image)
Number of foreign-born rises to historic high
But foreign-born share of population is below historic peak
Immigrant origins have shifted to Latin America and Asia.
Immigrants are more likely to be high school dropouts
But, they are also more likely to have advanced degrees

Percent with Master’s degree or above

- Native men
- Foreign-born men
What determines immigrant flows?

- Economics: Which foreigners want and are financially able to immigrate?
- Policy: Which of them are legally allowed to immigrate?
Economic forces attracting immigrants

- Low-skilled: Scarce supply in United States
U.S. wages 9 times higher than Mexico’s

1995 $/hour

U.S.

Mexico
Economic forces attracting immigrants

- Low-skilled: Scarce supply in United States
- High-skilled: Strong demand in United States
Enrico Fermi  
Physicist  
(Italy)

Albert Einstein  
Theoretical Physicist  
(Germany)

Andrew Grove  
Founder  
Intel Corporation  
(Hungary)

Madeleine Albright  
U.S. Secretary of State  
(Czechoslovakia)

Jerry Yang  
Co-founder  
Yahoo! Inc.  
(Taiwan)

Alexander Graham Bell  
Inventor  
(Scotland)
Wage differential related to an immigrant’s country of origin

Native-immigrant wage differential

<table>
<thead>
<tr>
<th>Region</th>
<th>1990 Differential</th>
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<tbody>
<tr>
<td>Asia</td>
<td>-50</td>
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<tr>
<td>Europe and Canada</td>
<td>-40</td>
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<tr>
<td>Mexico</td>
<td>-30</td>
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<tr>
<td>Other Latin America</td>
<td>-20</td>
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1990
Recent immigrants are doing worse relative to natives
Low-skilled immigration has increased income inequality.
Most immigrants do not reach parity with average natives
But they reach parity with comparable natives.

The graph shows the predicted native-immigrant income gap over years since arrival. The income gap is expressed in percent, with a line indicating the gap from 0 to 20 percent. The x-axis represents years since arrival, ranging from 0-5 to 16-20, and the y-axis represents the percentage gap.
Immigration and economic growth

- Gains from immigration analogous to gains from trade
- Gains larger when immigrants differ from natives - more, less, or different skills
- Native income rises - $14 billion estimate
Immigration and economic growth

- **Winners**
  - Employers of immigrants
  - Consumers
  - Suppliers of goods and services to immigrants
  - Skilled natives (complements to immigrant labor)

- **Losers**
  - Low-skilled natives (substitutes for immigrant labor)
Immigration holds down Texas consumer prices

<table>
<thead>
<tr>
<th>Job</th>
<th>Texas</th>
<th>U.S.</th>
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<tbody>
<tr>
<td>Baby Sitter</td>
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<tr>
<td>Housekeeper</td>
<td>20</td>
<td>30</td>
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<td>Gardener</td>
<td>35</td>
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Immigrant homeownership rates increase with time in the U.S.

Percent of households

Current U.S. homeownership rate

Years since arrival

1995 data
Measuring fiscal impact of immigration

- Include descendants of immigrants
- Fiscal impact = tax contributions - transfer payments and cost of public services
- Compute expected present value
- Study does not reflect 1996 welfare reform
Most immigrants have positive fiscal impact
Most immigrants have positive fiscal impact

![Bar chart showing the fiscal impact of immigrants with different levels of education in 1996 dollars.]
Immigrants rely more on public assistance

Household participation in public assistance programs

Percent

Native
Immigrant
But, adjusted welfare gap is only two percentage points
Immigrants are younger than natives

Age distribution of immigrants and natives

- Immigrants
- U.S. Population
Immigration extends trust fund solvency

Projected trust fund solvency

Real trillions (2000 $)

-35 -30 -25 -20 -15 -10 -5 0 5

2000 2010 2020 2030 2040 2050 2060 2070

1,210,000 immigrants per year

655,000 immigrants per year
Recent immigration laws

- 1965: national-origins quotas abolished
- 1986: one-time amnesty for 3 million undocumented immigrants
- 1990: increased employment immigration
- 1996: crackdown on illegal immigration
Current policy

- Only specific groups allowed to immigrate
- Emphasis on family reunification, limited role for employment
Family immigration dominant as total immigration rises

Thousands

1970

1998

- Other
- Employment
- Family
Most green cards reserved for family reunification

- Employment: 140K limit
- Immediate relatives: No limit (300K average)
- Refugees: 110K limit
- Other family: 226K limit
- “Diversity” lottery: 55K limit
140,000 employment green cards

- 130,000 for workers, 10,000 for investors
- Spouses and children count against limit
One-third of employment green cards are unused
Unused employment green cards

- INS backlogs
- Strict eligibility criteria
- 80,000 visas require job offer, “labor certification”
- Country quota - waiting period for India and China natives (repealed Oct. 17, 2000)
H1-B temporary visas

- Specialty workers, including high-tech
- Education/experience requirement
- No country quotas
- Job offer required, but not labor certification
H1-B visas soar as cap is temporarily raised

Thousands

Annual Cap

<table>
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<th>Year</th>
<th>Annual Cap</th>
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<td>1992</td>
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<td>2004</td>
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Congress, President raise H1-B cap

- 65,000 cap (not including spouses, children) imposed in 1990
- Temporarily raised to 115,000 - Oct. 1998
- Temporarily raised to 195,000, university hiring exempted - Oct. 17, 2000
- Reverts to 65,000 in fiscal 2004
Short and long run reform options
Proposals under consideration

- Raise H1-B limit (raised Oct. 17, 2000)
- Increase H2-A, H2-B visas
- Institute guest worker program
- Offer second amnesty
Eliminate barriers

- Labor certification process
- Country quotas (eliminated Oct. 17, 2000)
- Renewal limits
- “Specialty” worker provisions, education/experience requirements
- Housing requirements
- Single-employer visas (eased Oct. 17, 2000)
Three-fourths of new jobs over next decade in service sector and retail trade
Mexico & Canada among top senders of undocumented immigrants

Top six origin countries of illegal immigration

- Mexico
- El Salvador
- Guatemala
- Canada
- Haiti
- Philippines
Conclusion

- Work within existing policy framework today
- Consider integrating NAFTA labor markets in future