

From **Brawn to Brains**
How Immigration Works for America



2010 ANNUAL REPORT
FEDERAL RESERVE BANK OF DALLAS

TEDA
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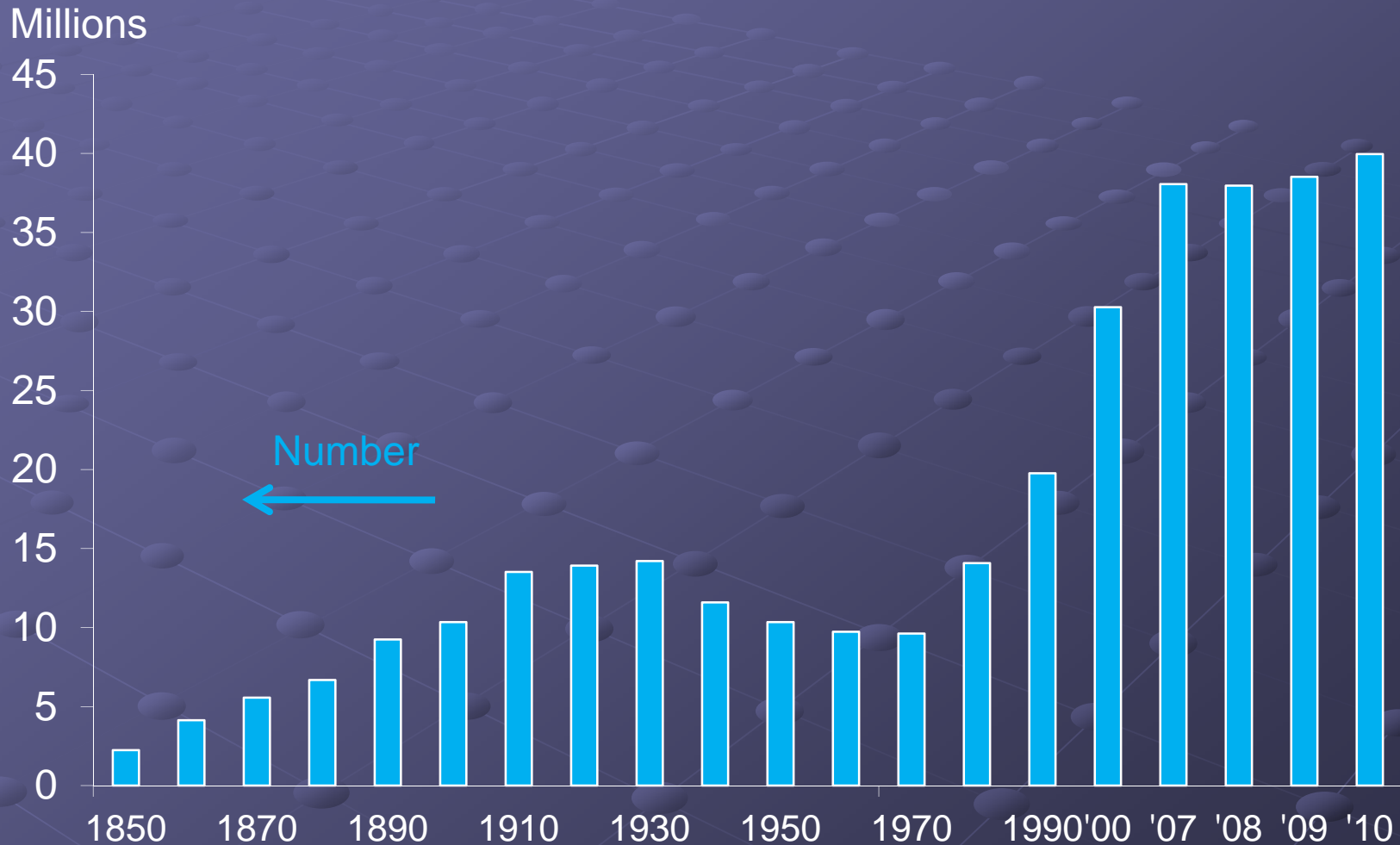
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Disclaimer: The views expressed herein are those of the presenter; they do not necessarily reflect the views of the Federal Reserve Bank of Dallas or the Federal Reserve System.

Road map

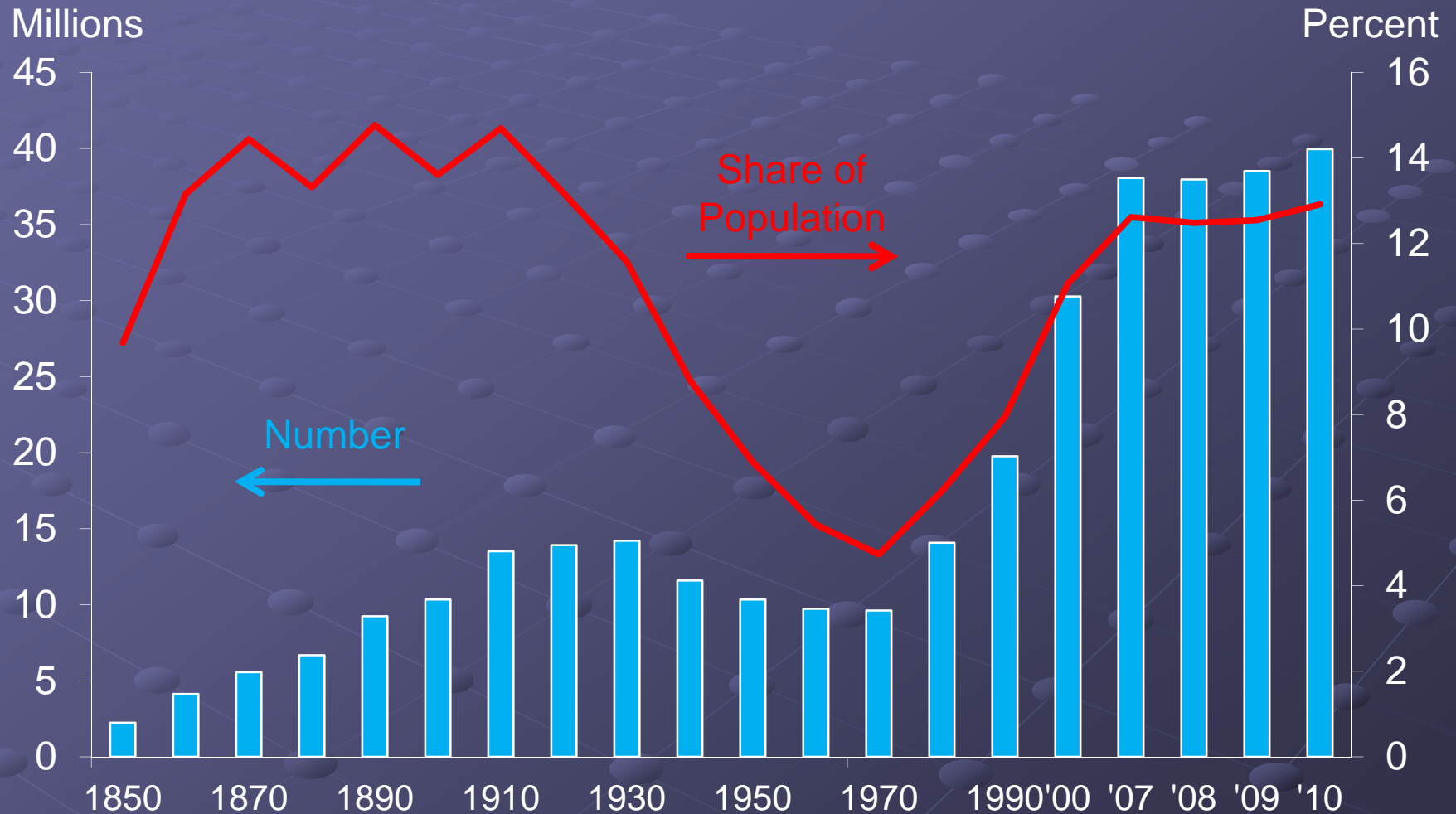
- A look back
 - Immigration then and now
- Why they come
 - Push factors: Gains to migration
 - Pull factors
 - Growing labor demand
 - A changing native labor force
- Who comes
 - Immigration policy

The foreign-born population 40 million in 2010



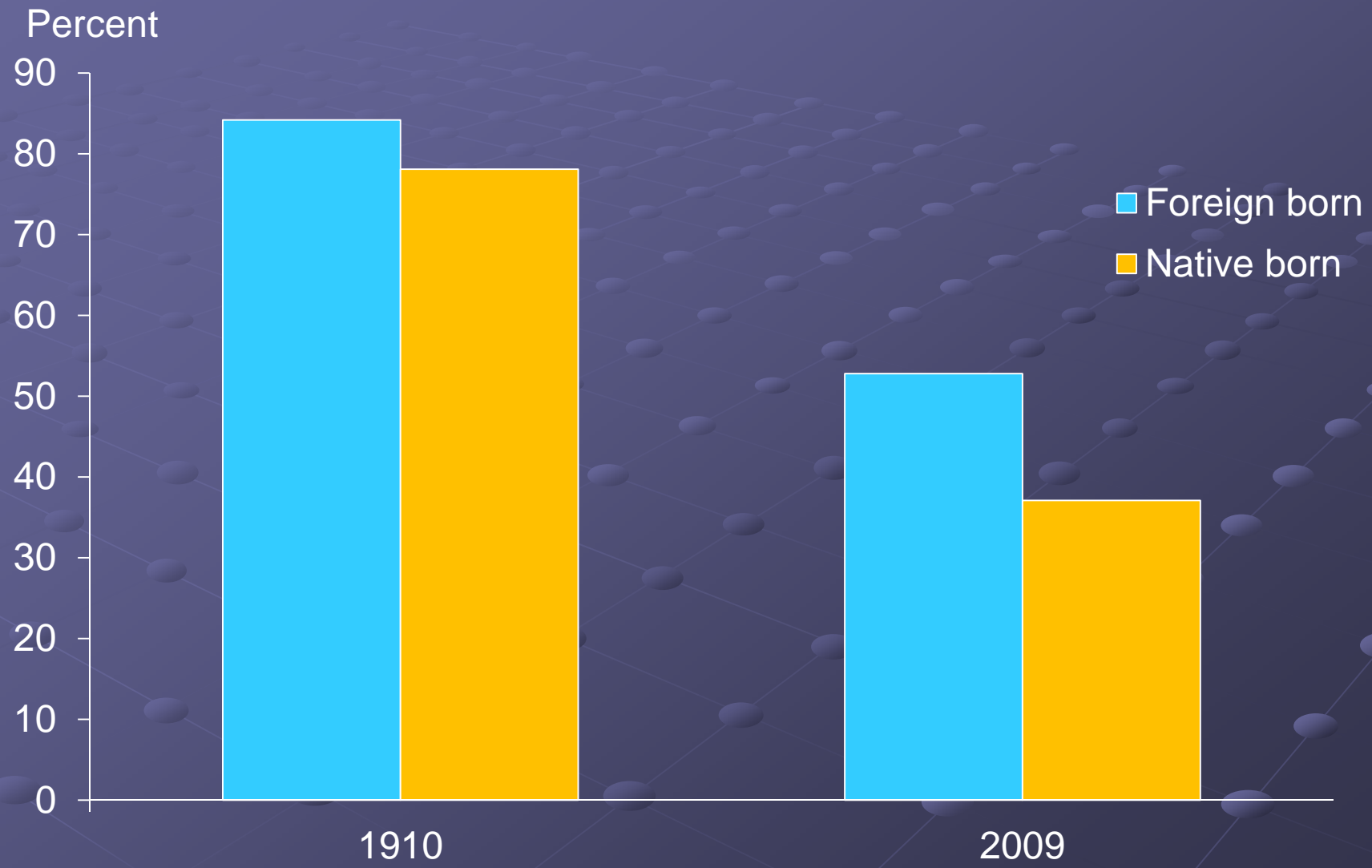
Source: Census Bureau through 2010

Despite large numbers, the foreign-born share below historic peak



Source: Census Bureau through 2010

Blue collar work on the decline



Source: 1910 Census, 2009 American Community Survey



Determinants of International Migration

WHY THEY COME

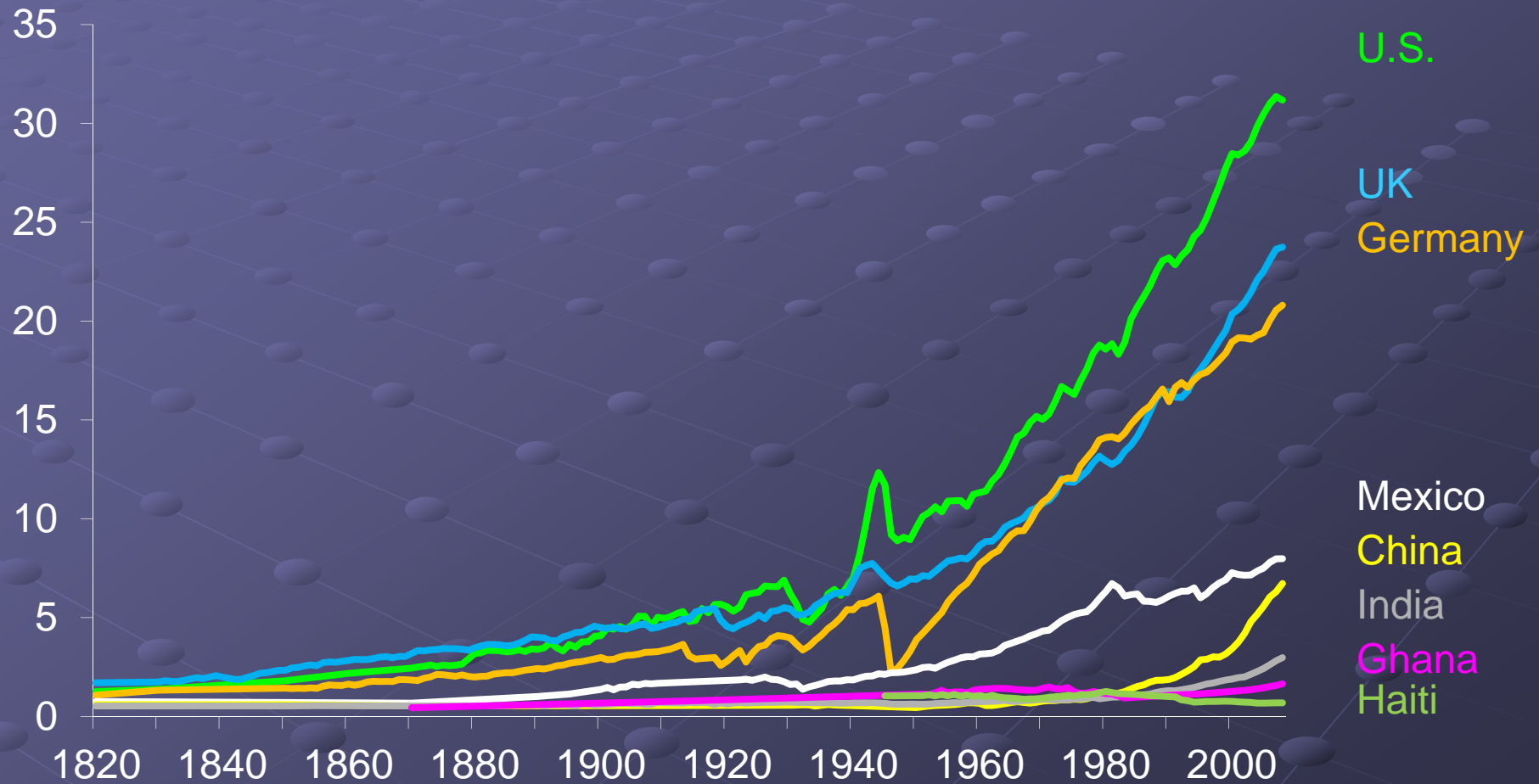
Push Factors

THE GAINS TO MIGRATION



Extent of global inequality unprecedented

GDP per capita
(1990 \$)



Source: Historical Statistics of the World Economy: 1-2008 AD by Angus Maddison

Wage gains from migration to U.S.



Source: Clemens, Montenegro, Pritchett (2008), "The Place Premium: Wage Difference for Identical Workers across the U.S. Border"

Other factors in world mobility

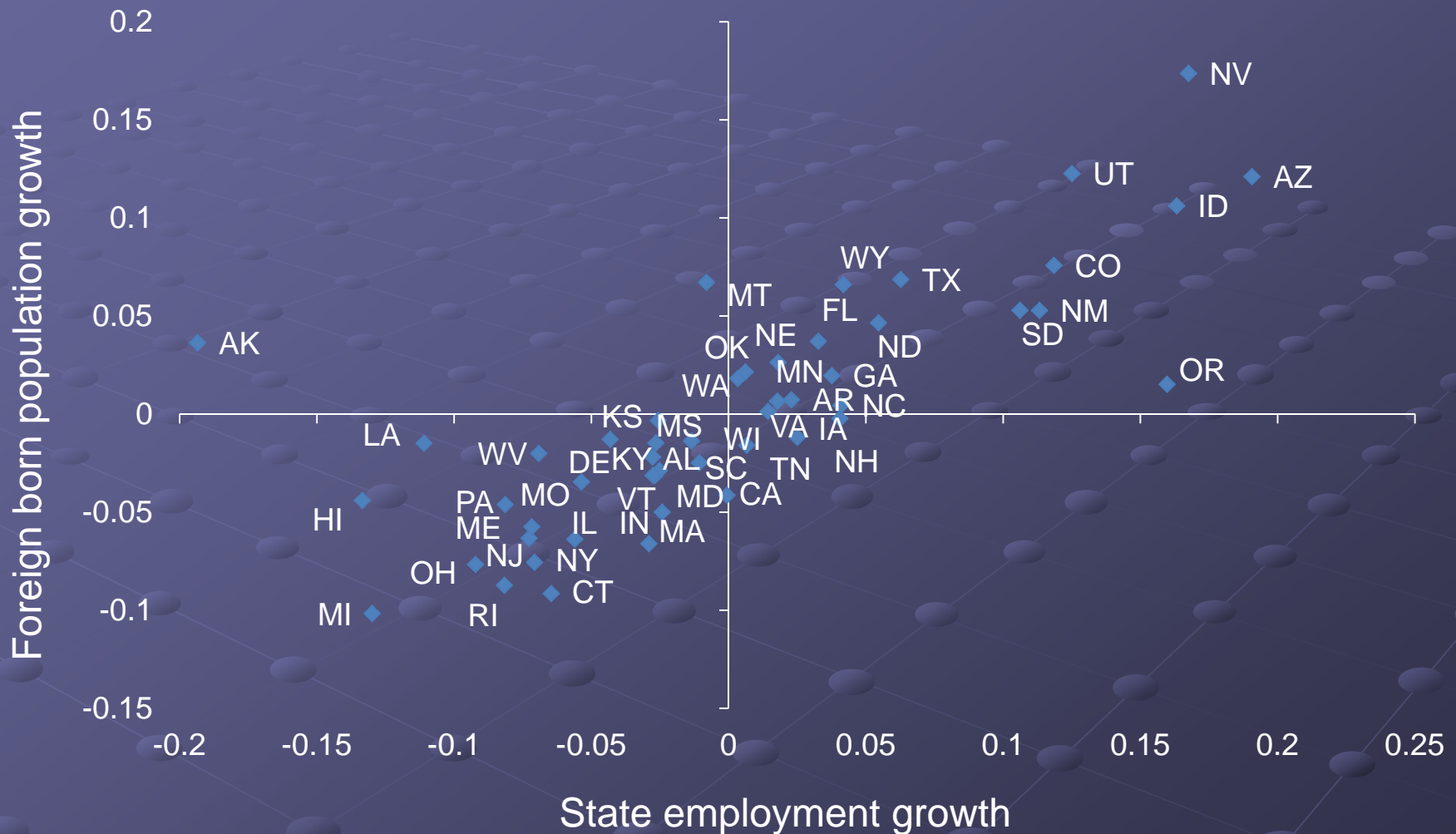
- Costs of moving at historic lows
 - Technological change
 - Transportation
 - Information

Pull Factors

U.S. LABOR DEMAND

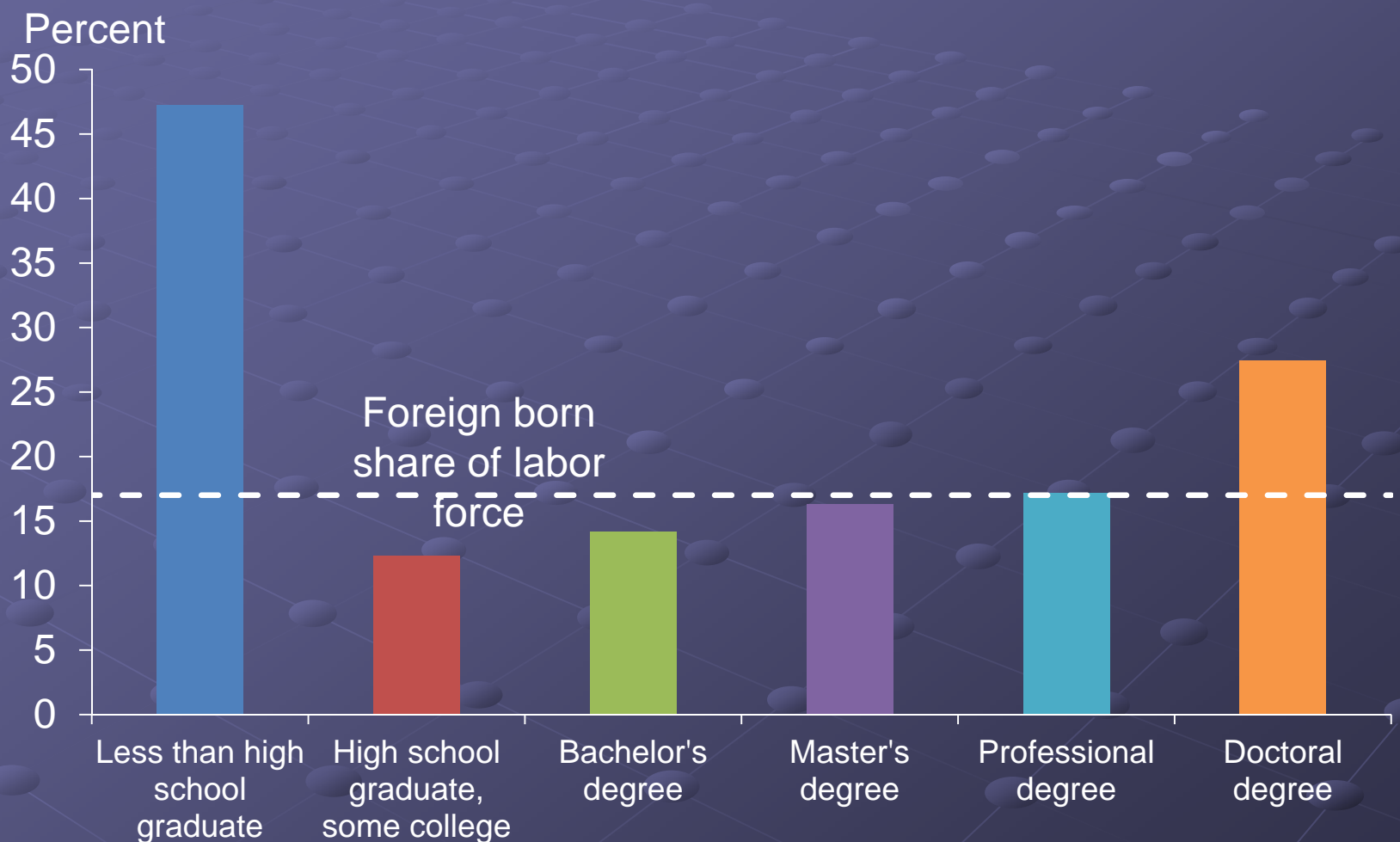


Immigrants go where the jobs are



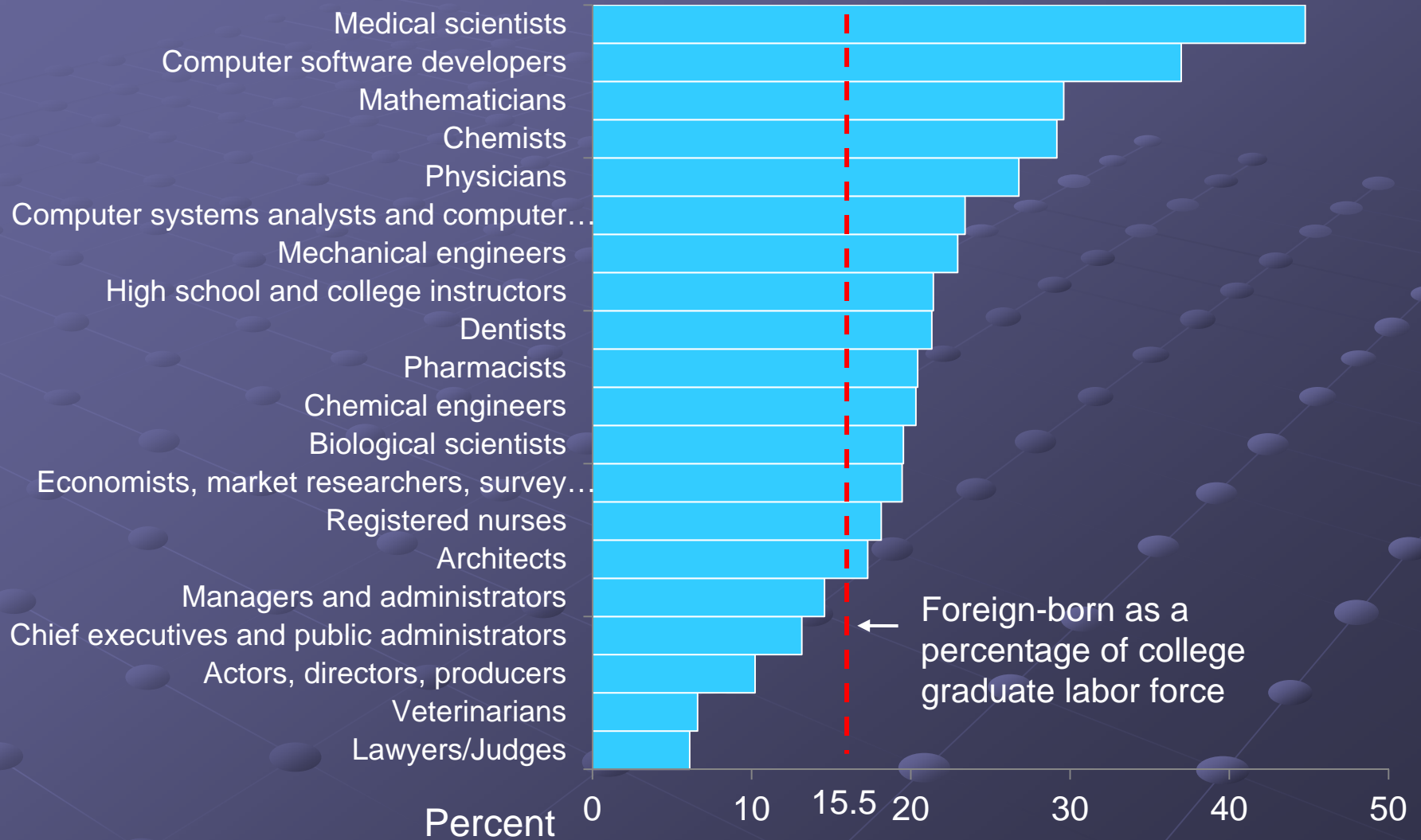
Note: Coordinates indicate deviation from average foreign born population growth (vertical axis) and from average state nonfarm payroll growth (horizontal axis) from 1990 to 2009. Source: 1990 Census, 2009 American Community Survey, Bureau of Economic Analysis.

Immigrant workers overrepresented at extremes of the education distribution



Source: 2009 American Community Survey

STEM, health care occupations rely on high-skilled foreign workers (2009)



Source: 2009 American Community Survey

Benefits of high-skilled immigration

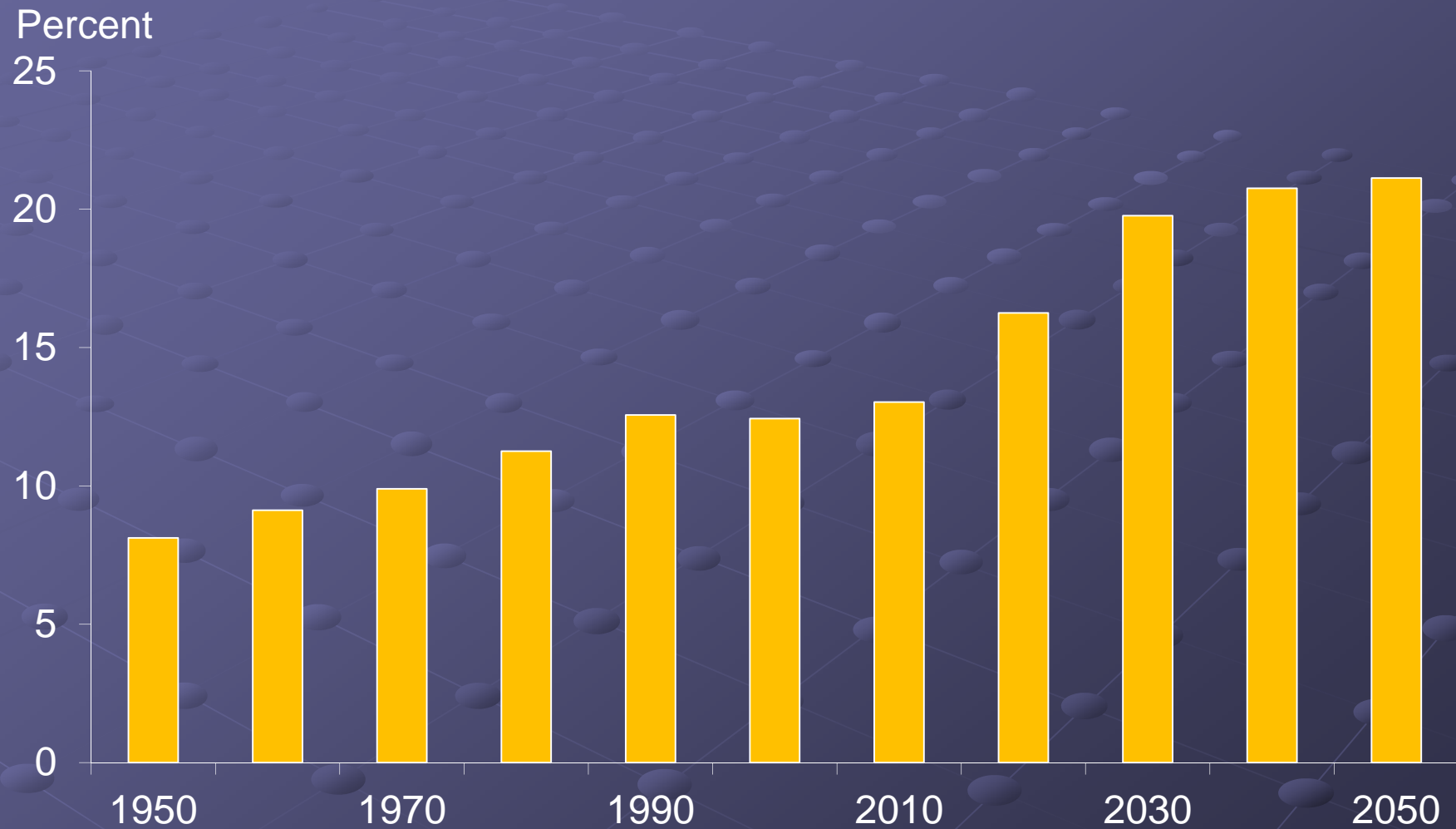
- Important source of human capital
 - Account for 35% growth in high skilled labor force
 - Fill gaps, particularly in STEM fields
- Innovative
 - Foreign born scientists patent at higher rates
- Fiscal boon
 - Pay more in taxes than consume in publicly provided services
- Possible additional benefits

Pull Factors

A CHANGING NATIVE LABOR FORCE



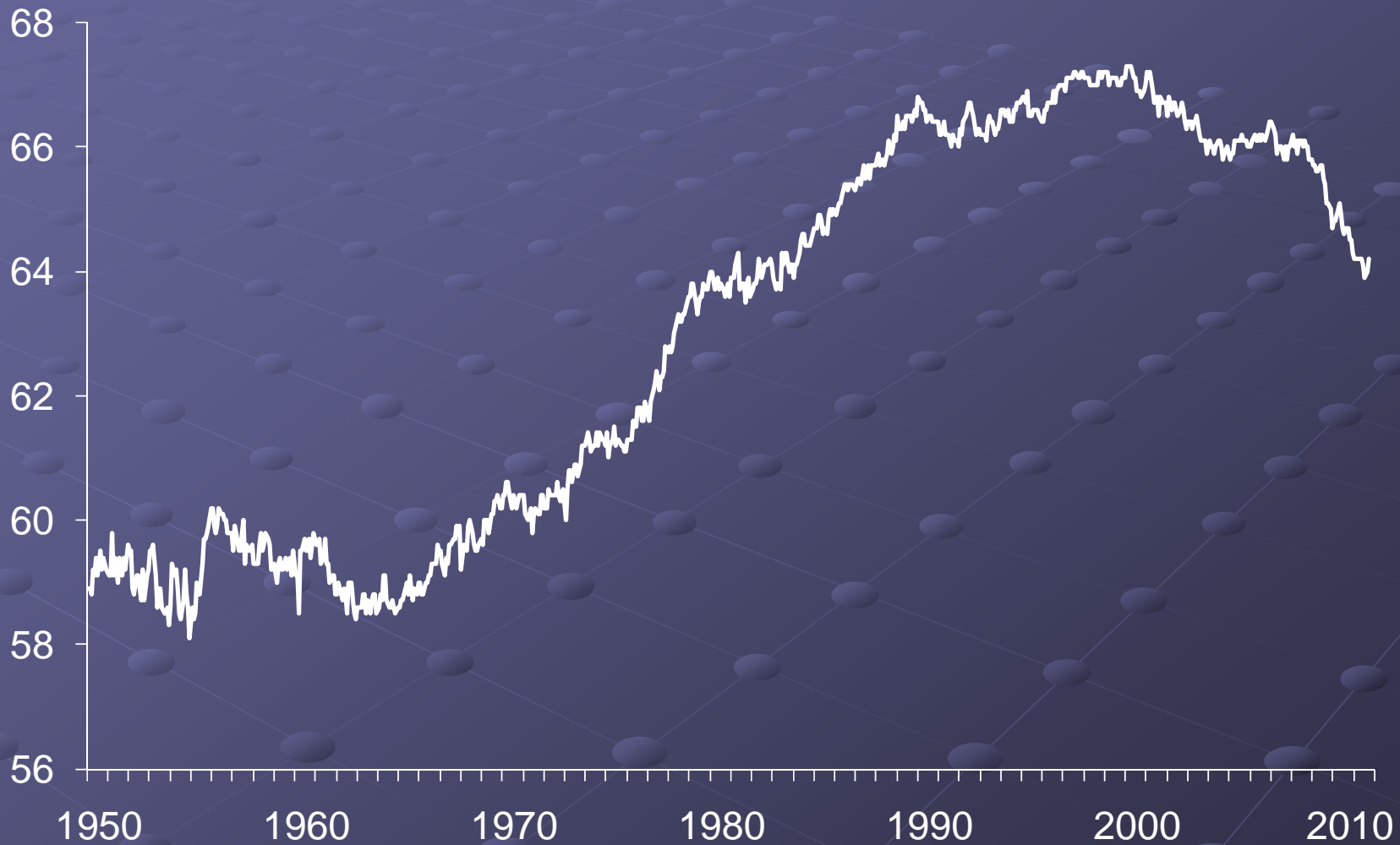
Aging underway: seniors will be 20% of U.S. population by 2030



Source: Bureau of the Census

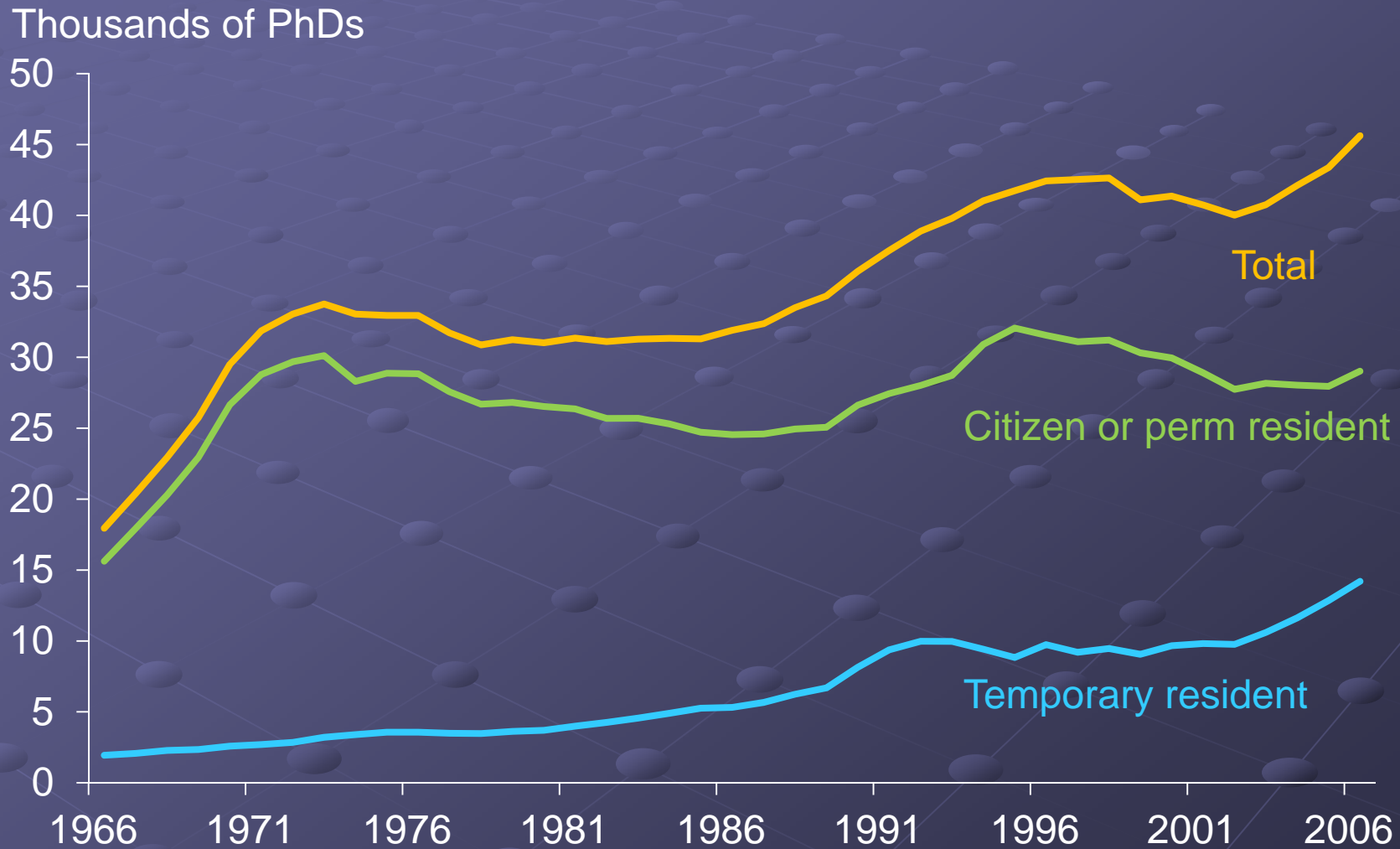
U.S. labor force participation rate in decline

Percent



Source: Bureau of Labor Statistics

Foreign students drive the rise in PhDs awarded since 2000



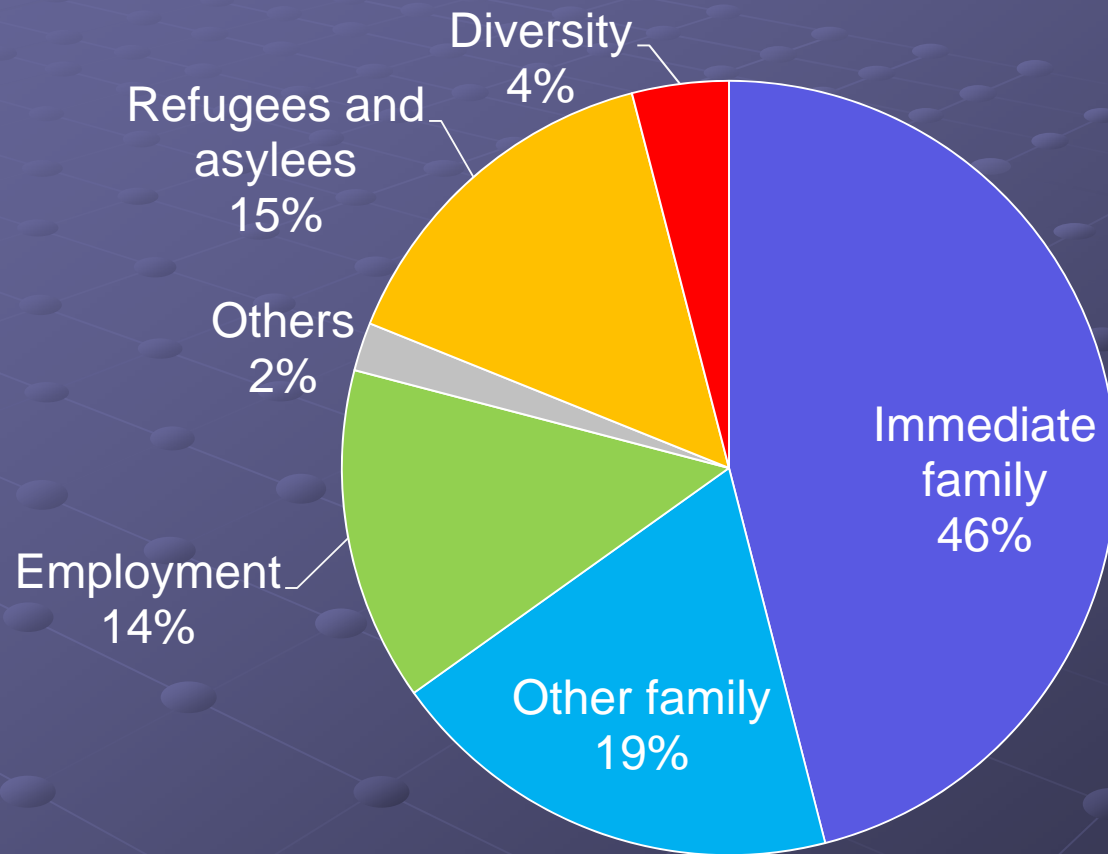
Source: 2010 Science and Engineering Indicators, NSF

Immigration Policy

WHO COMES?

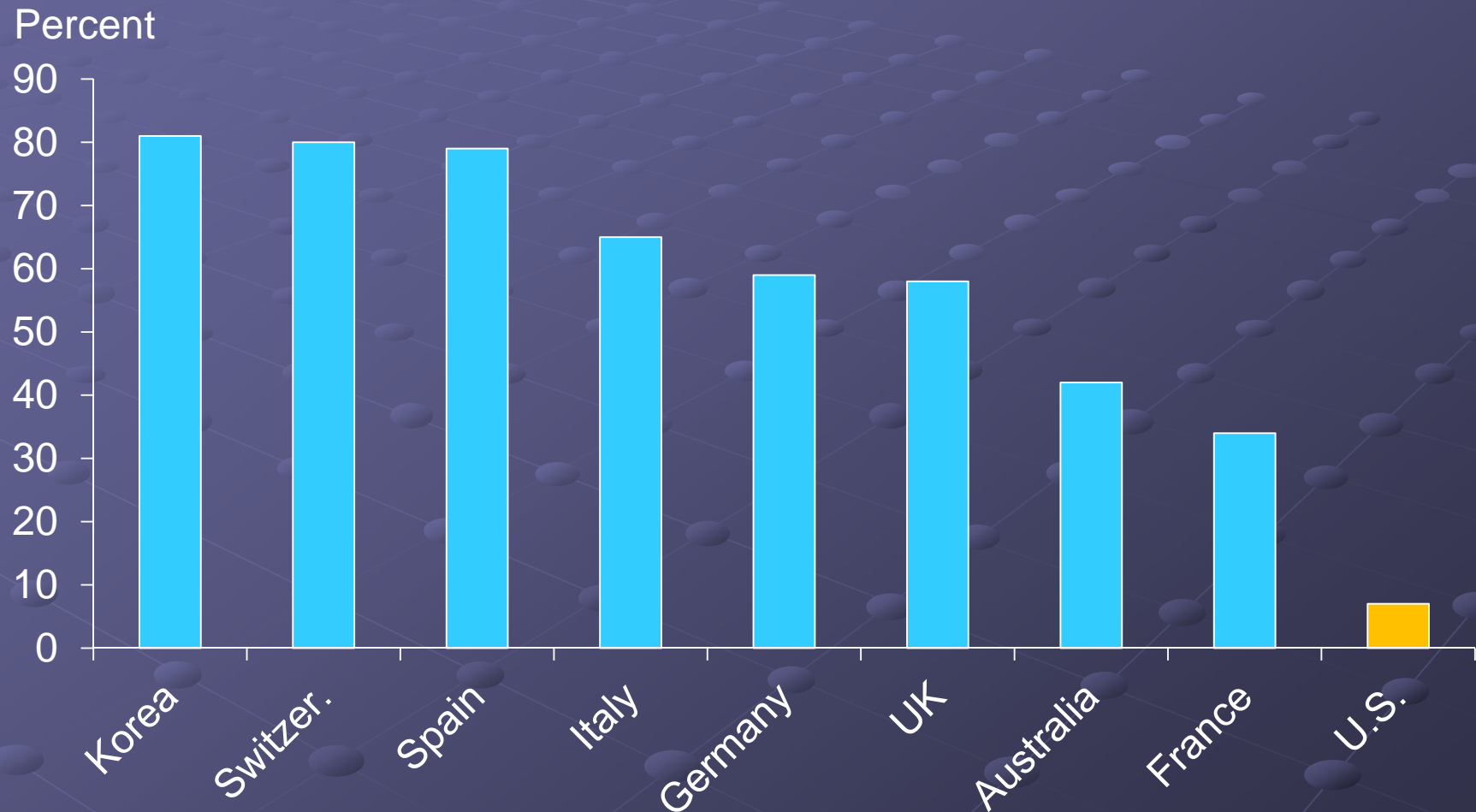


Green cards go to family, not work-based immigrants



Note: Data represent FY 2006-2010 averages
Source: DHS, 2010 Yearbook of Immigrant Statistics

U.S. an outlier in small share of permanent work-based immigration



Source: *International Migration Outlook 2010*, Organization for Economic Cooperation and Development.

U.S. labor migration policy

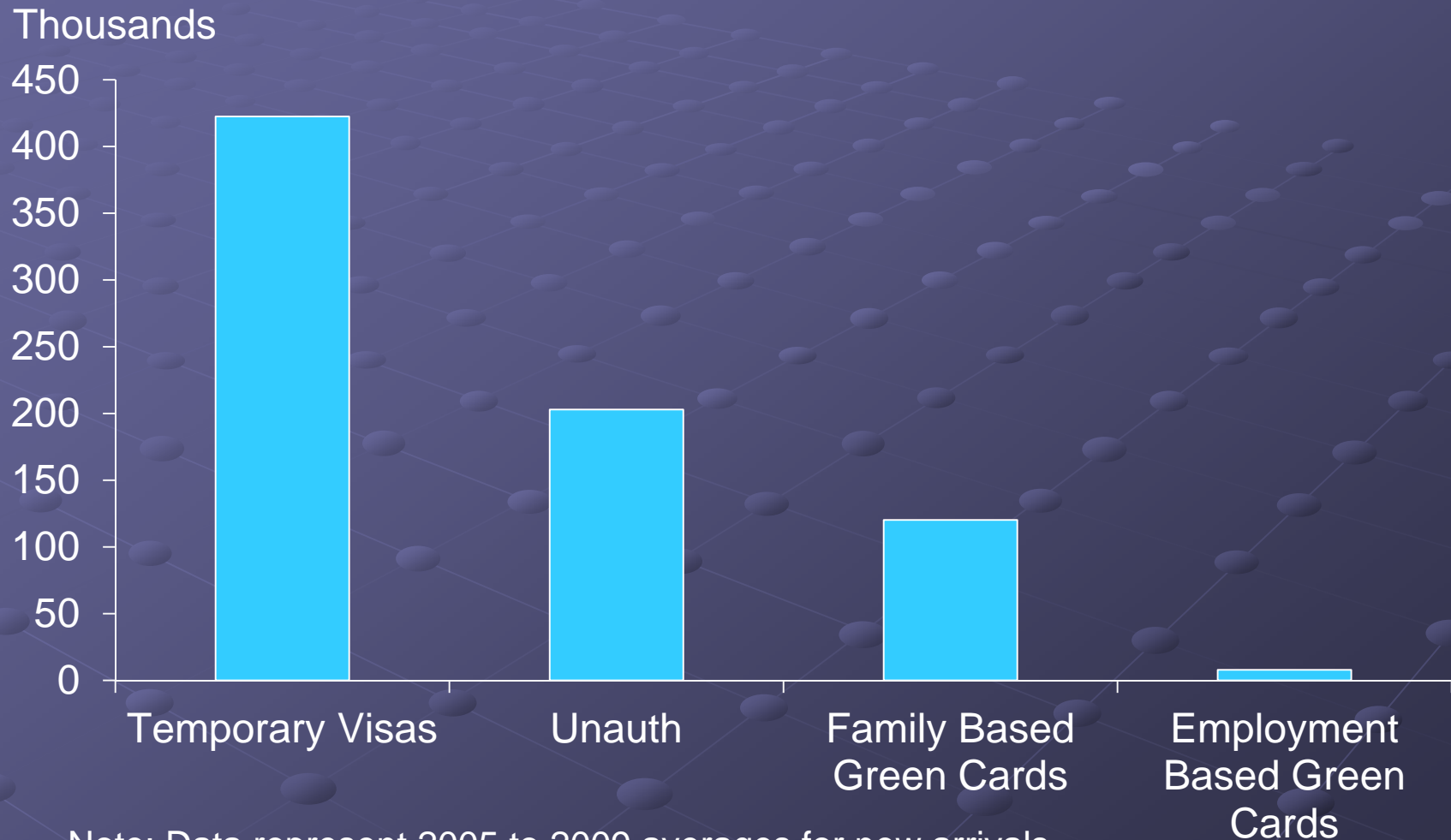
● Brawn

- Unauthorized immigration
- Temporary visas: H-2A, H-2B

● Brains

- Temporary visas: H-1B, TN, L
- Employment-based green cards

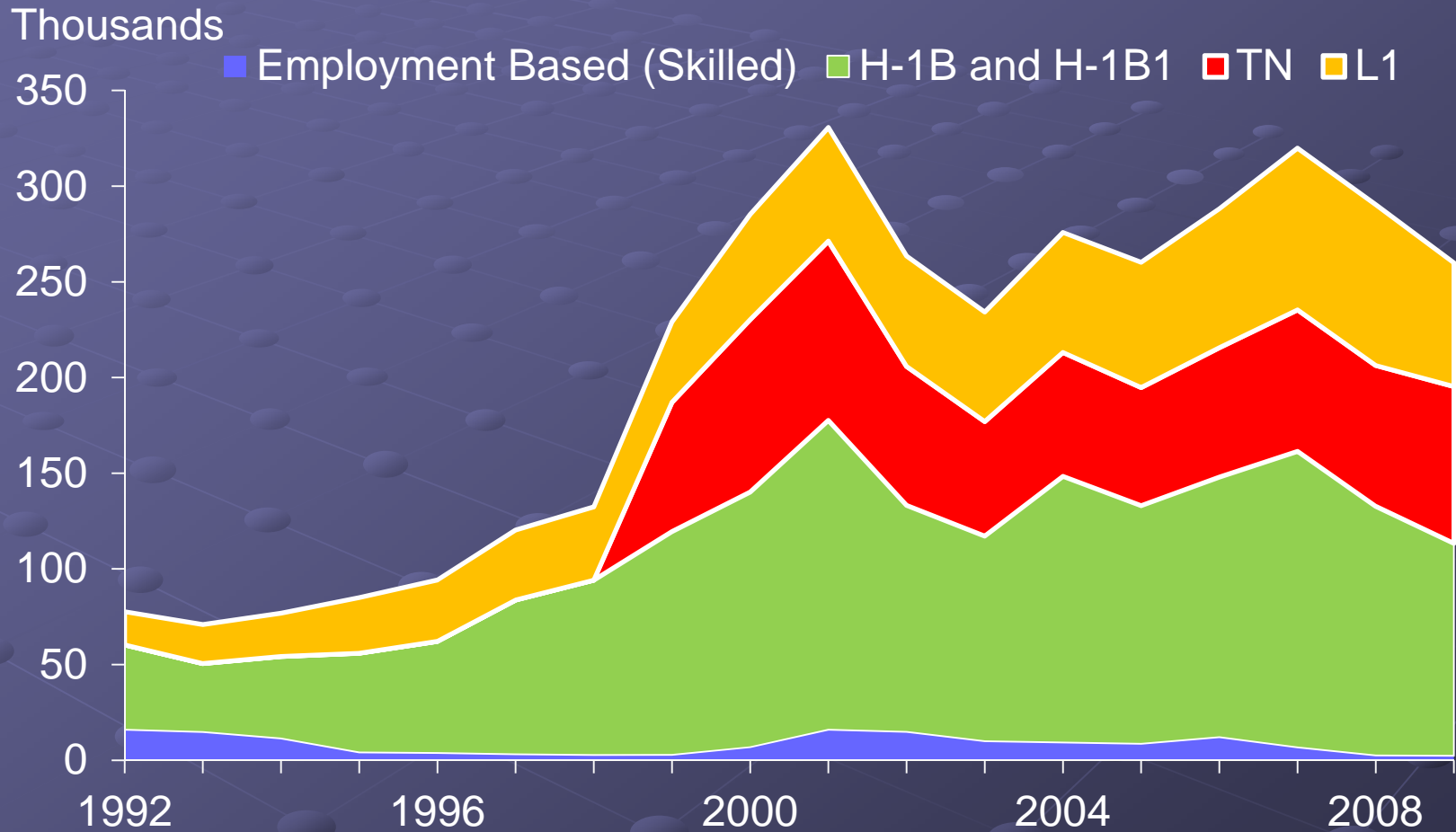
Green cards don't bring workers in, so they come on temporary visas or illegally



Note: Data represent 2005 to 2009 averages for new arrivals

Source: State Department Visa Office; Passel and Cohn 2008, Pew Hispanic Center; DHS Yearbook of Immigration Statistics

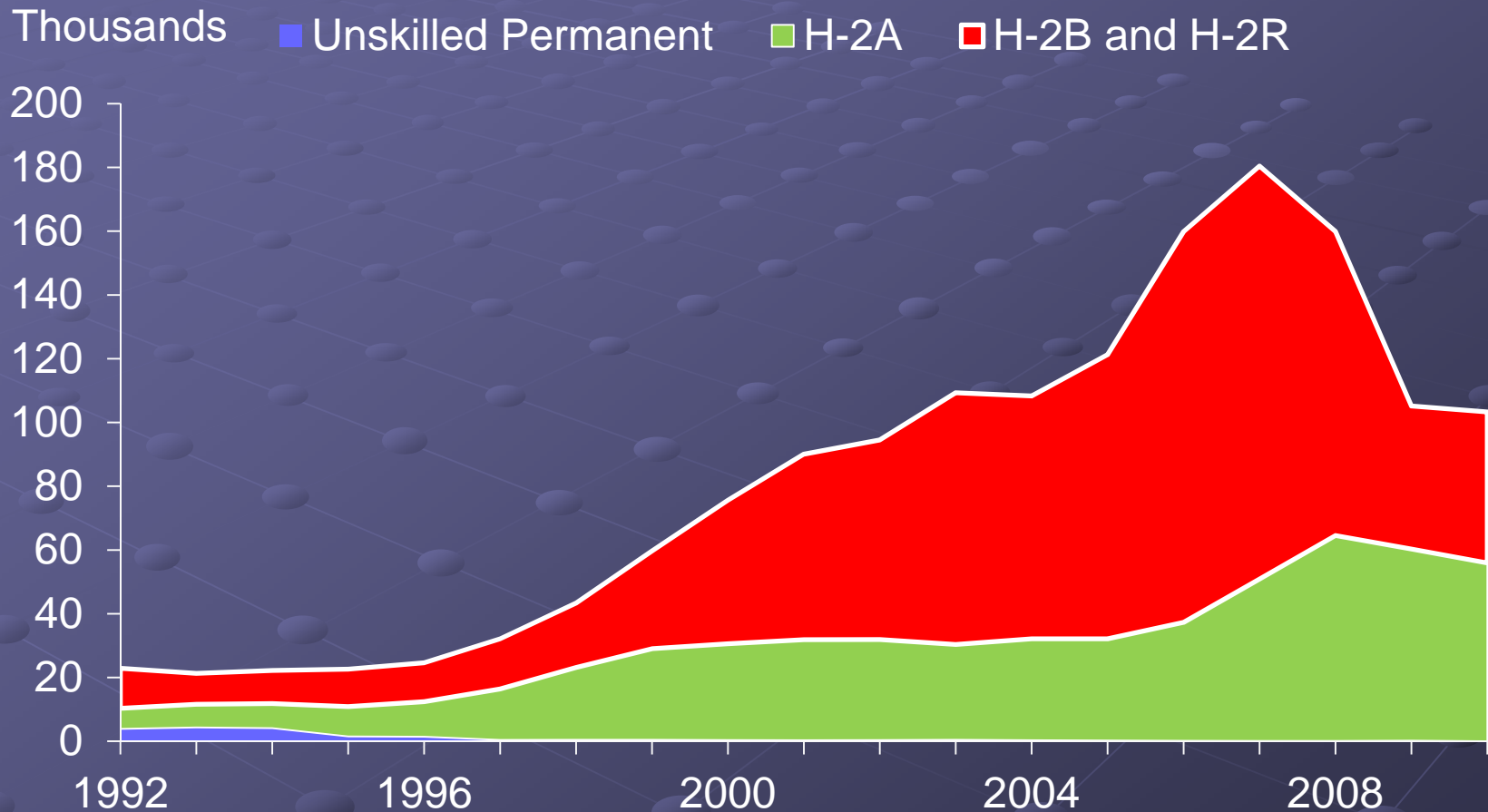
Most skilled workers use temporary visas



Note: Data from 1992 to 2009

Source: Statistical Yearbook of the INS; DHS Yearbook of Immigration Statistics; Visa office of the State Department

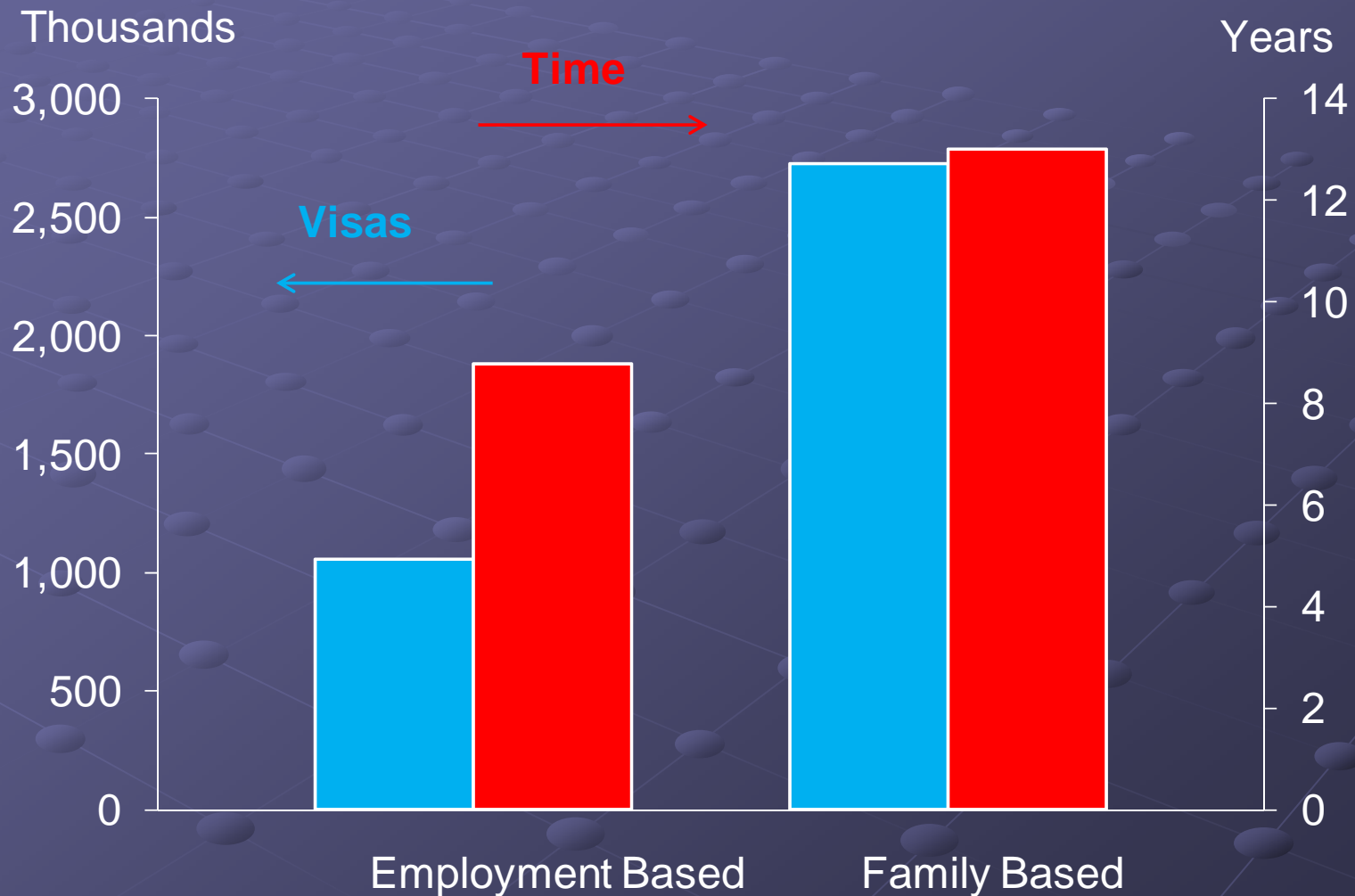
Almost all legal low-skilled workers use temporary visas



Note: Data from 1992 to 2010

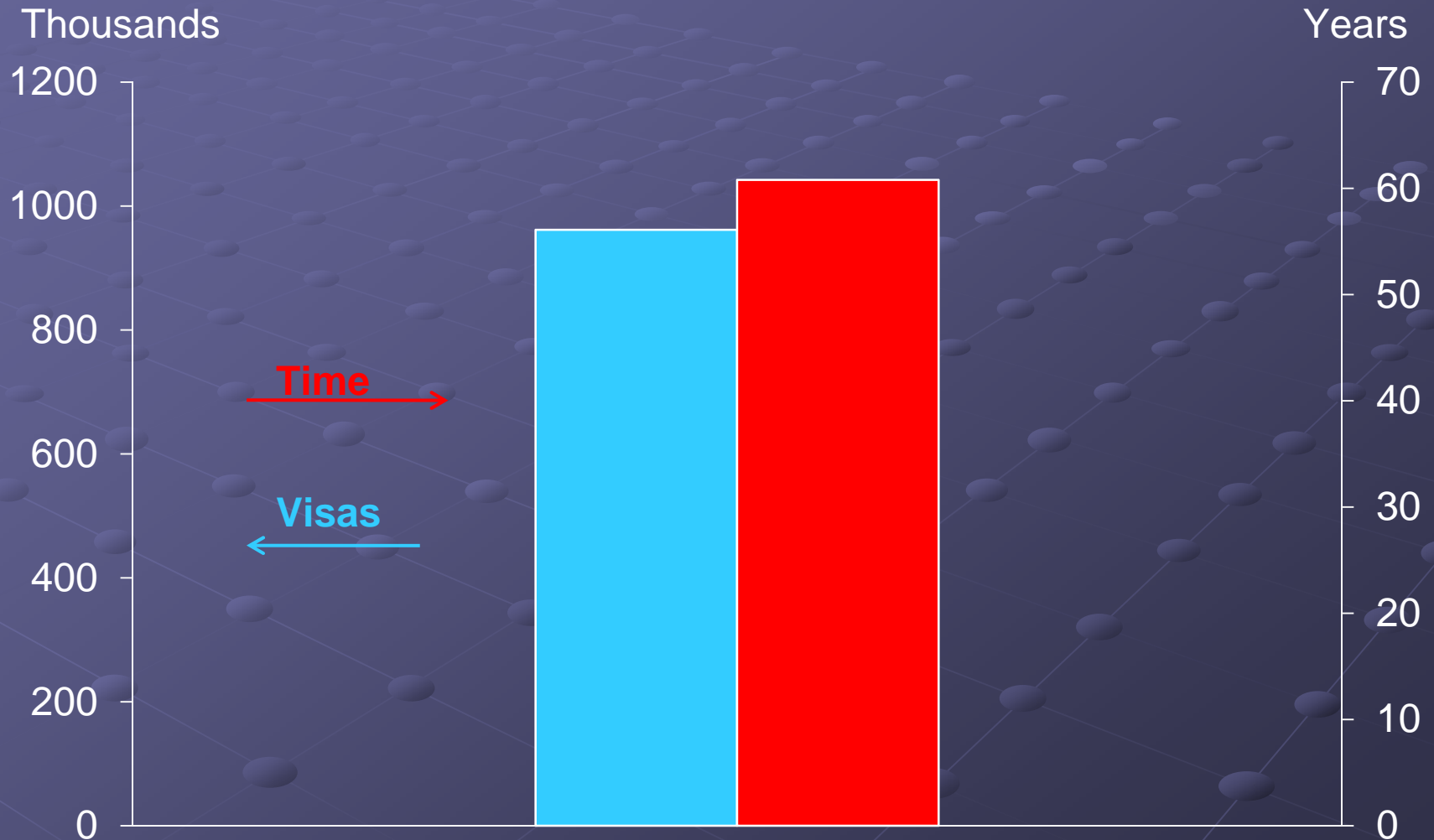
Source: Statistical Yearbook of the INS; DHS Yearbook of Immigration Statistics; visa office of the State Department

Green card queues spell a decade-long wait in many cases



Source: State Department Visa Bulletin, March 2009; Wadhwa et al. 2007, Ewing Marion Kaufmann Foundation ; Authors' own estimates

Family-based green card queue for Mexicans 60 years?



Source: State Department Visa Bulletin, March 2009; Authors' own estimates

Problems with current U.S. policy

- Priority is family, not work or skills
- Skilled workers face long queues if want to stay permanently
- Temporary visa quotas fixed at low levels
- Country quotas penalize populous nations
- No alternative for unauthorized immigration
- Costs of the broken system?

Conclusions

- Forces for migration are large and growing
- Immigration can play a major role in U.S. long-run economic growth and competitiveness
- To capitalize on immigration, nation would have to change immigration policy
 - Selection
 - Mechanism