

**STATEMENT OF  
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U.S. DEPARTMENT OF COMMERCE  
BEFORE THE  
HOUSE JUDICIARY SUBCOMMITTEE ON IMMIGRATION, CITIZENSHIP,  
REFUGEES, BORDER SECURITY AND INTERNATIONAL LAW**

**May 3, 2007**

Madam Chair and members of the Committee, it is my pleasure to appear before you today to present a statistical overview describing our foreign-born population. The data presented below can be summarized very simply: immigration has been a key contributor to our past growth and is necessary to ensure our future prosperity. The United States benefits from a growing, reliable workforce, and this workforce is likely to make a much larger contribution if all of our foreign-born workers have the security and stability that comes from operating within the law.

**Capturing the Economic Impact of Immigration**

The drivers of economic growth—labor force, investment, and productivity—are inter-related. Sufficient workers to support the expansion of new and existing business will encourage capital to flow toward, or remain in, nations with the labor to support those businesses. And without adequate capital investment, we would not be able to maintain our productivity growth rates.

An important segment of the foreign-born are not in the United States to find a job—they are here to create jobs. The high rates of entrepreneurship among the immigrant population contribute to the dynamism of the economy, fostering both investment and employment.<sup>1</sup> However, even those who come to the United States in order to find employment create benefits for the existing population and it is on this aspect of the foreign-born population that I would like to focus.

By providing additional workers that complement our native-born workforce, immigration offers the opportunity to generate more growth than could be generated internally. The distribution of our foreign-born population is distinctly different from the distribution of our native-born population with respect to age and educational attainment. These differences combine to produce an occupational distribution of the foreign-born that complements existing workers.

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<sup>1</sup> For example, according to the Kauffman Foundation, “approximately 350 out of 100,000 immigrants started a business per month in 2005 compared to 280 out of 100,000 native-born Americans.” Robert W. Fairlie, “Kauffman Index of Entrepreneurial Activity, National Report 1996-2005,” Ewing Marion Kauffman Foundation, 2006. (This comparison in part may reflect the different age distribution of the two groups.)

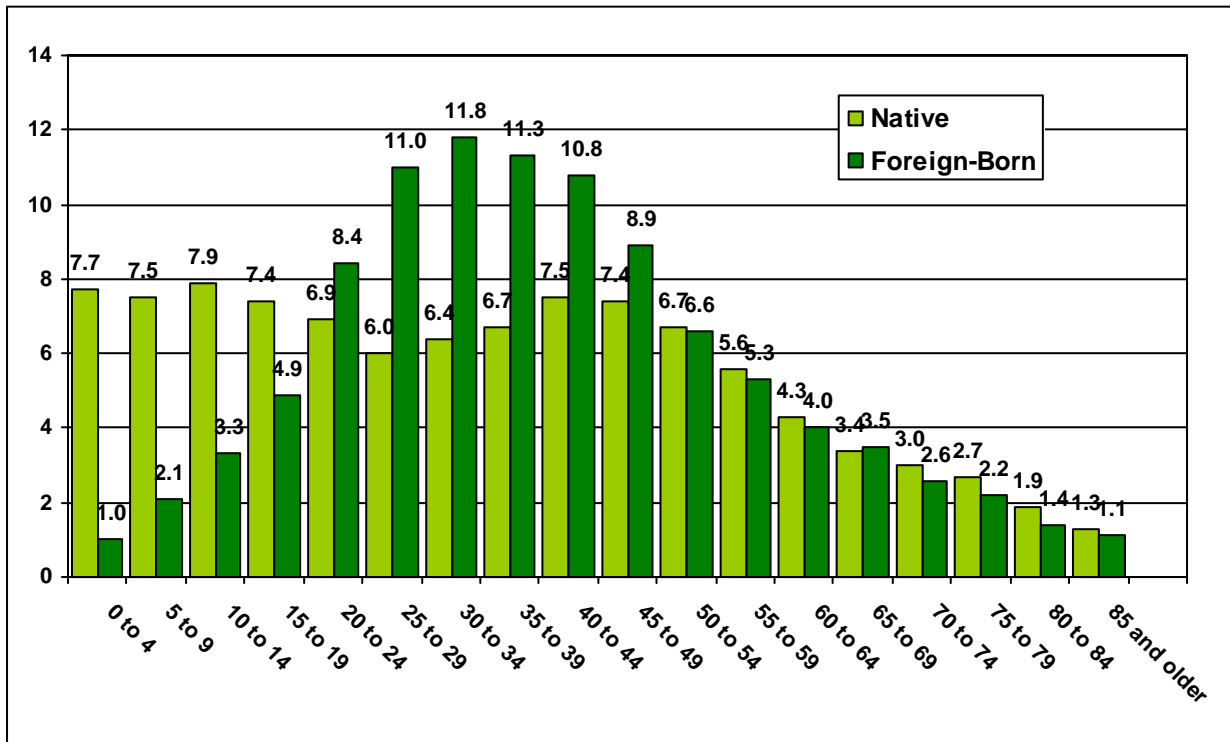
## Demographics

Immigration has shaped, and will continue to shape, the demographic profile of this country by altering age and educational distributions.

As shown in Figure 1, the foreign-born population in the United States is concentrated in the workforce age group. Nearly 70 percent of the foreign-born are between the ages of 20 and 54, while less than 50 percent of the native-born fall into that category.

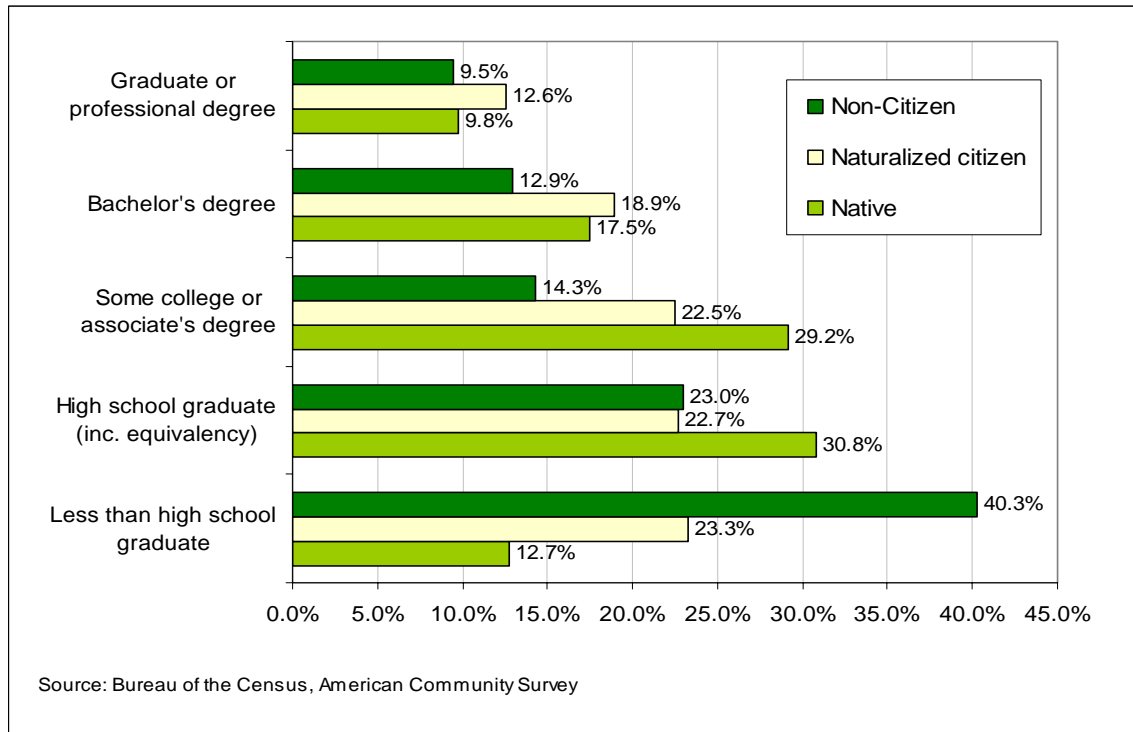
Educational attainment varies not only with birth status, but also with citizenship status. Figure 2 shows the distribution of educational attainment with the foreign-born population separated into those who are naturalized citizens and those who are not. While only 12.7 percent of the native-born population aged 25 and older does not have at least a high school diploma, the proportion is much higher for naturalized citizens (23.3 percent) and non-citizens (40.3 percent). At the other end of the scale, naturalized citizens have the highest proportion of those with a bachelor's degree (18.9 percent) and those with a graduate or professional degree (12.6 percent).

**Figure 1: Population Distribution of the Native Born and Foreign Born: 2004**



Source: Bureau of the Census, Current Population Survey, Annual Social and Economic Supplement, 2004.

**Figure 2: Educational Attainment of Natives, Naturalized Citizens and Non-Citizens, Aged 25 and Above, 2005**



**The Labor Force**

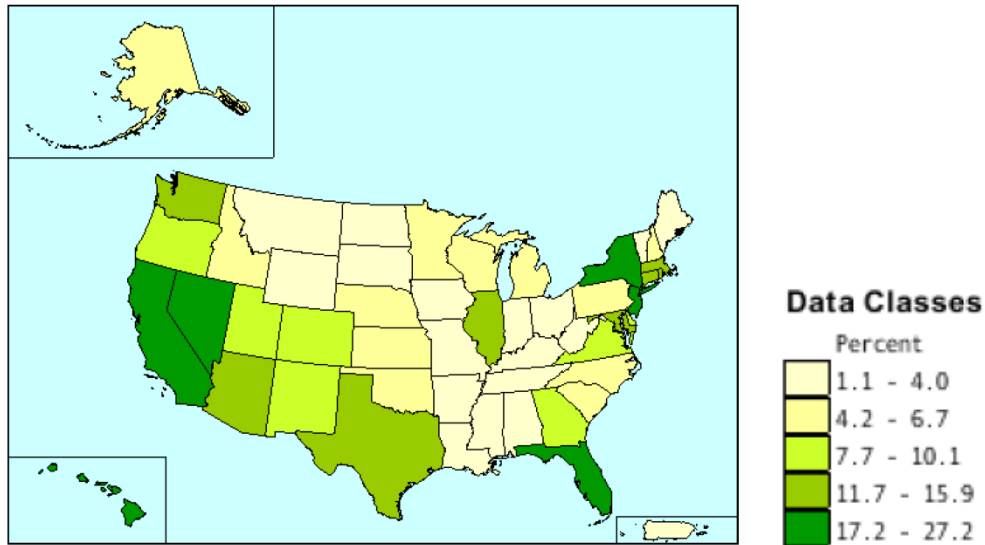
In 2006, 14.7 percent of the population was foreign born. However, as demonstrated by the demographic characteristics presented above, the foreign-born account for a larger proportion of the employed population. And the proportion has been growing over time. In 1996, 10.6 percent of those employed in the United States were foreign born. By 2006, that proportion had risen to 15.4 percent.

The addition of these workers into the workforce has allowed the rate of employment to grow about twice as fast as it would have otherwise. Of the 17.6 million net new workers during the period, 8.8 million were native workers, 4.1 million were naturalized citizens, and 4.7 million were non-citizens. The U.S. labor market accommodated these new workers quite well, as shown by the current (very low) unemployment rate of 4.4 percent.

With the foreign-born making up a growing proportion of the labor force, concerns have been raised about the degree to which foreign-born workers compete with existing workers. Some argue that if the two groups of workers can substitute for each other, then absent other factors, the increase in foreign-born workers would drive down wages and reduce job opportunities for the native born.

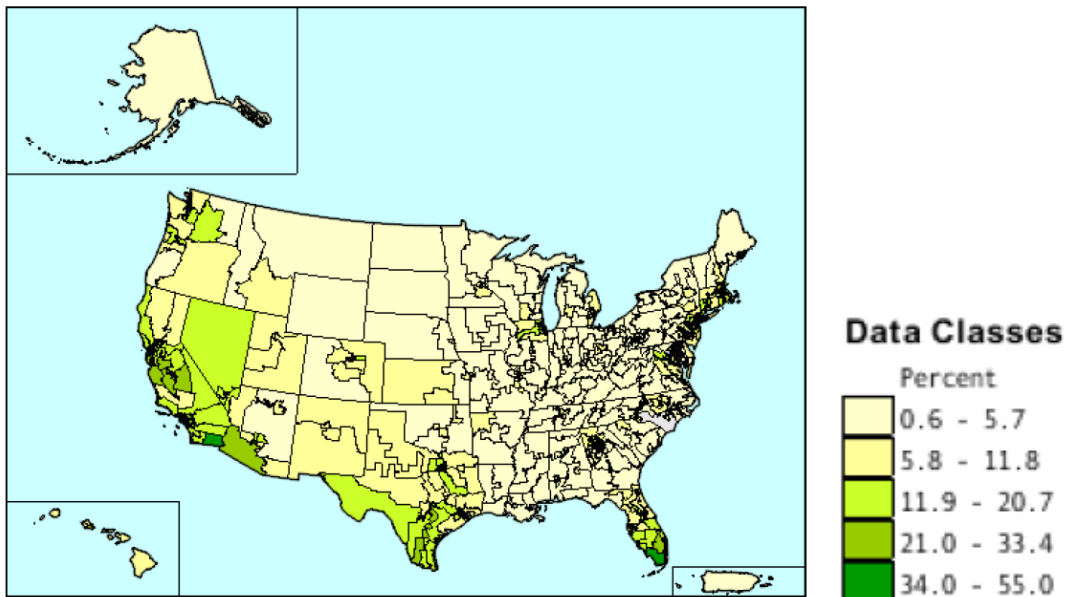
A look at the geographic and occupational distribution of the foreign-born may shed some light on this question.

**Figure 3: Percent of Population Who Are Foreign Born by State, 2005**



Source: Bureau of the Census, American Community Survey.

**Figure 4: Percent of Population Who Are Foreign Born by Congressional District, 2005**



Source: Bureau of the Census, American Community Survey.

As shown in Figure 3, the distribution of the foreign-born varies substantially from states with a very high proportion of foreign-born such as California (27.2 percent), New York (21.1 percent), and New Jersey (19.5 percent) to states with very low rates of foreign born such as Montana (1.8 percent), Mississippi (1.5 percent), and West Virginia (1.1

percent). And even within states, the proportion of the foreign-born population is highly concentrated when viewed by Congressional district (see Figure 4).

Table 1 shows the occupations where those who are foreign-born have a large share of the total employment. These are primarily occupations that are location-specific. That is, these workers must be located where demand for the labor is—at the construction site, farm, or healthcare facility. Therefore, the foreign born will only provide direct employment competition to the native born in the same general location, particularly in the short run.

**Table 1:  
Occupations with the Highest Proportion of Foreign-born  
Workers, 2005  
(Percent)**

Tailors, dressmakers, sewers	53
Graders and sorters (agriculture)	53
Miscellaneous personal appearance workers	52
Plasterers and stucco masons	52
Pressers, textile, garment, and related materials	49
Miscellaneous agriculture workers	49
Drywall, ceiling-tile installers and tapers	48
Sewing machine operators	48
Medical scientists	46
Maids and housekeepers	45

Note: The sample includes all employed individuals over the age of 15

Source: Bureau of the Census, American Community Survey.

Of course, these figures and tables do not by themselves answer the types of questions that are being asked about the impact of immigration on the U.S. economy. There is, however, a large and growing body of economic literature that examines these issues. These studies are generally in agreement that the addition of high-skilled workers does not negatively impact native high-skilled workers and, on balance, provide a net gain for the economy as a whole. There remain questions about the economy impact on native-born workers with limited skills.

The following two papers, which are generally taken to represent the extremes of the debate, are examples of the more extensive literature that examines the impact of immigration on wages from a number of perspectives:

- Combining data from the 1960 -1990 Censuses and 1998 -2001 Current Population Surveys, Borjas (2003)<sup>2</sup>, who is the most pessimistic, found not only a large negative impact for native high school dropouts (8.9 percent), but also found small, but still negative, impacts for high school and college graduates.
- Using data from the 2000 Census, Card (2005)<sup>3</sup> found little impact on the wages of less-educated natives. Considering the local labor markets of large U.S. cities, Card found that “although immigration has strong effect on relative supplies of different skill groups, local labor market outcomes of low skilled natives are not much affected by these relative supply shocks.” He noted that the wage gap between high school dropouts and graduates has remained constant since 1980, despite rising immigration.

A more recent piece of research by Ottaviano and Peri (2006)<sup>4</sup> attempts to refine the Borjas study by: (1) allowing for imperfect substitutability between foreign and native born to reflect possible differences in abilities or occupational choices within education and experience groupings and (2) allowing capital to adjust in response to a change in the supply of skills rather than holding it fixed. Ottaviano and Peri found “a positive and significant effect of the 1990-2004 immigration on the average wage of U.S.-born workers overall, both in the short and in the long run. This positive average effect resulted from a positive effect on wages of all U.S.-born workers with at least a high school degree and a small negative effect on wages of U.S.-born workers with no high school degree.” The negative impact on those without a high school diploma was only 1.1 percent.

### **Looking Forward**

It is clear that immigration will continue to play an important role in promoting economic growth in the future. This is particularly true given the aging of the populations in much of the world.

Over the past ten years, the labor force has grown by 1.2 percent per year. According to the Census Bureau, even at the current level of net migration, this growth rate will begin to slow. Without migration it will slow faster. As shown in Figure 5, this slowing, which is driven by the aging of the population, is also being experienced by most of our trading partners. However, because of immigration, past and future, the United States will

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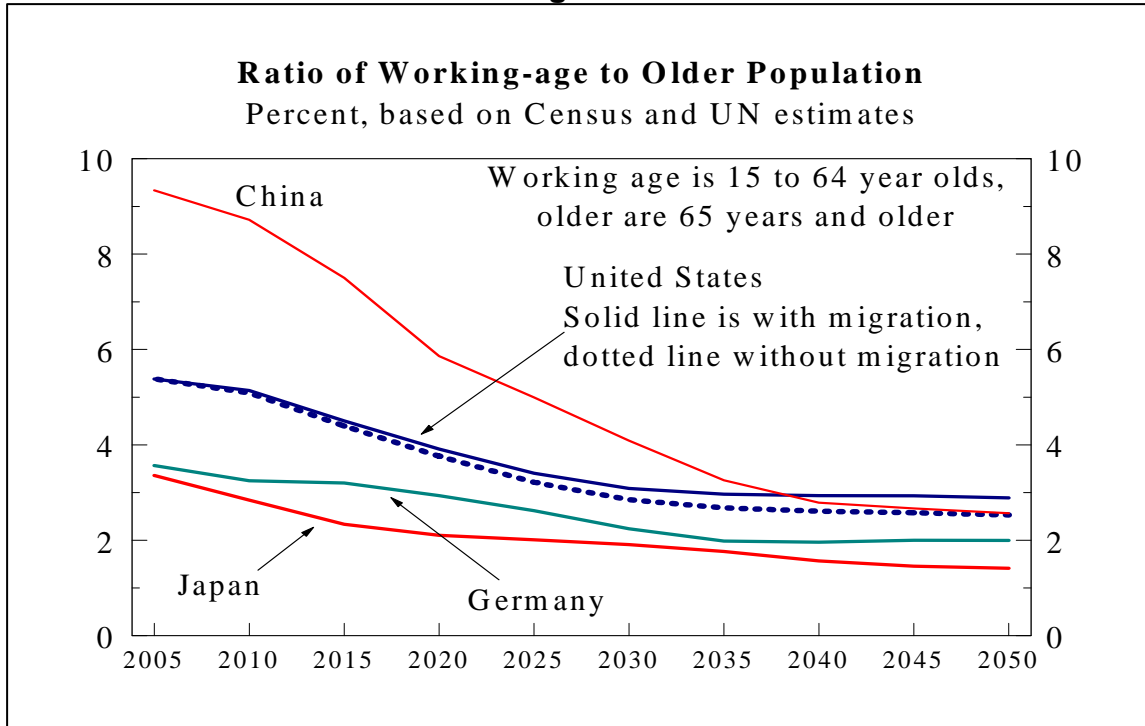
<sup>2</sup> George J. Borjas, “The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market,” National Bureau of Economic Research, Working Paper 9755 (<http://www.nber.org/papers/w9755>).

<sup>3</sup> David Card, “Is the New Immigration Really so Bad?” National Bureau of Economic Research, Working Paper 11547 (<http://www.nber.org/papers/w11547>).

<sup>4</sup> Gianmarco I.P. Ottaviano and Giovanni Peri, “Rethinking the Effects of Immigration on Wages,” National Bureau of Economic Research, Working Paper 12497 (<http://www.nber.org/papers/w12497>). Summary points from “Immigrants, Skills, and Wages: Measuring the Economic Gains from Immigration,” Immigration Policy Center, March 2006.

maintain a more balanced population over the next 40+ years. And that should positively influence our potential for future economic growth.

**Figure 5**



Source: Economics and Statistics Administration, US Department of Commerce calculations based on data from the Bureau of the Census and United Nations.