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The Economic Development Impacts of Immigration



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The Economic Development Impacts of Immigration

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Economic Development Research Partners (EDRP)

The EDRP Program is the “think tank” component of IEDC, designed to help economic development professionals weather the challenges and grab opportunities from economic changes affecting our communities. EDRP members are leaders in the field of economic development, working through this program to improve the knowledge and practice of the profession. IEDC would like to thank the Economic Development Research Partners program for providing the impetus and resources for this project.

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I. Executive Summary

A large body of research, from sources across the political spectrum, largely supports the notion that immigration strengthens the U.S. economy and contributes to society in several ways. One of the most significant ways in which immigrants support the American economy is by reinforcing the labor pool. In addition, immigrants also contribute to the public tax base, open up new businesses and create jobs, invest in the American economy, develop new products that help keep the United States at the cutting edge of global innovation, and make the U.S. a more diverse society.

However, misconceptions remain, as critics often express concern about immigrants becoming substitutes for native workers and otherwise placing a burden on public social services. Due to recent changes in immigration flows and settlement patterns, some economic development organizations (EDOs) are now facing immigration issues and immigrant populations without adequate knowledge or relevant experience. Certainly, conflicting sources and opinions—both within and outside of local communities—affect local EDOs' ability to engage in and influence the dialogue on immigration.

This paper, which is sponsored by the Economic Development Research Partners (EDRP) program, has two primary purposes:

1. To clearly understand the economic development impacts of immigration, and
2. To identify and learn from existing best practices for how EDOs can maximize the potential of both current and future immigrants for community advancement

Therefore, the paper does not delve into a policy debate regarding immigration legislation.

The research is divided into several sections, which are outlined below. It begins with a broad overview of the immigrant population in the United States before diving deeper into issues related to economic development, such as showing how immigrants can be a source of labor, entrepreneurship, investment and innovation. Continuing, the paper investigates the geography of immigration and undocumented workers before addressing some of the myths surrounding immigration. The recommendations section distills real world experience from case studies into suggested strategies.

The major findings and recommendations from the research are summarized below.

Immigrants Contribute to Economic Expansion

Immigrants add to the available pool of workers in local and regional economies, contributing skills that may not be easily available or taking jobs that native-born workers typically will not. They also feed into the virtuous cycle of economic activity, as they create demand for goods and services, which leads to businesses opening more stores, restaurants and production facilities.



Research shows that over the long term, immigrants raise wages and increase employment for native workers.

- From 1990-2006, immigration caused a 2.86 percent real wage increase for the average worker and an increase of 11 percent employment.¹
- This is especially true for the STEM fields. An additional 100 immigrants with advanced STEM (science, technology, engineering and math) degrees leads to an increase of 86 jobs for U.S. workers.²
- A 1 percent increase in foreign STEM workers increased the wages of native college-educated workers by 4 to 6 percent over the period 1990-2010.³

Immigrants Fuel U.S. STEM Industries

Immigrants are an essential component of the STEM workforce. Attracting new foreign STEM workers, as well as retaining talented foreign students, should be a priority.

- Foreign students studying in the U.S. comprise a large portion of the total number of students seeking STEM bachelor's and advanced degrees, and they have been found to contribute disproportionately to activities associated with innovation, such as patenting, publishing academic papers and starting companies.⁴

Immigrants and foreign temporary workers play a large role in expanding STEM industries through starting high-tech businesses and innovating in existing institutions.

- A Kauffman Foundation study found that between 2006 and 2012, 24.3 percent of engineering and technology companies had at least one immigrant founder. In that same time period, these companies generated more than \$63 billion in sales and employed more than 560,000 workers.⁵
- Immigrants are overrepresented among members of the National Academy of Sciences and the National Academy of Engineering, among authors of highly cited science and engineering journal articles, and among founders of biotech companies undergoing IPOs.⁶

¹ Peri, G. (2010). *The Impact of Immigrants in recession and economic expansion*, Migration Policy Institute, p. 10..

² Zavodny, M. (2011). *Immigration and American Jobs*. American Enterprise Institute for Public Policy Research and Partnership for a New American Economy.

³ Peri, G., Shih, K., Sparber, C. (February 5, 2013). *STEM workers, H1B visa, and productivity in U.S. cities*. Unpublished manuscript, UC Davis Department of Economics, Davis, CA, p.25.

⁴ Papademetriou, D. & Sumption, M. (2011). *The Role of immigration in fostering competitiveness in the United States*. Migration Policy Institute, p. 8.

⁵ Wadhwa, V., Saxenian, A., Siciliano, F.D. (2012). *Then and now: America's new immigrant entrepreneurs, part VII*. Ewing Marion Kauffman Foundation, p. 3.

⁶ Stephan, P.E. and Leven, S.G. (2001). *Exceptional contributions to US science by the foreign-born and foreign-educated*. Population Research and Policy Review, 20 pp.59-79.



Immigrant-Owned Businesses Have a Large Impact

Being an immigrant is an entrepreneurial endeavor, and this is reflected in immigrant business ownership patterns. Immigrants are twice as likely to start a business as the native born.⁷ Immigrant-owned firms now generate more than \$775 billion in revenue and \$110 billion in income.⁸

- Immigrant-owned businesses are 60 percent more likely to export than are non-immigrant-owned businesses.⁹
- A 2012 study by the Partnership for a New American Economy found that immigrant-owned businesses employ one out of every 10 private-sector workers in the country.^{10, 11}

Immigrant Settlement Patterns Mirror Jobs Growth in Different Parts of the Country

Traditionally, major cities on the east and west coast, particularly in and around New York and California, have been gateways for immigrants. In recent years, southeastern states have seen a large increase in foreign-born populations as immigrants follow construction and service jobs in these fast-growing areas.

- California, New York, Texas and Florida together are home to more than 50 percent of all immigrants in the U.S.¹²
- Seven of the 10 states with the highest percentage increase in immigrants from 2000 to 2010 were in the Southeast (Alabama, South Carolina, Tennessee, Arkansas, Kentucky, North Carolina, South Dakota and Georgia).¹³

Undocumented Immigrants Also Support the Economy

Several economic models show the devastating effects of a mass deportation of undocumented workers. Granting undocumented immigrants citizenship, on the other hand, could result in economic gains by allowing them to work to their full potential.

- Undocumented immigrants number 11.5 million, comprising about 28 percent the U.S. immigrant population.¹⁴

⁷ Fairlie, R. (2012). *Open for business: How immigrants are driving small business creation in the United States*. The Partnership for a New American Economy, p. 2.

⁸ Ibid, p. 2.

⁹ Ibid, p. 12.

¹⁰ Ibid, p. 15.

¹¹ Privately-owned companies excludes the government, nonprofits, public companies, which have no one person or group of people that can be called the "owner," and any other company where the owner is not identifiable.

¹² Grieco, E., Acosta, Y.D., de la Cruz, P.G., Gambino, C., Gryn, T., Larsen, L.J., Trevelyan, E.N., & Walters, N.P. (2012). *The foreign-born population in the United States: 2010*. American Community Survey Reports, U.S. Census Bureau, p. 3.

¹³ Camarota, S. A. (2011). *A record-setting decade of immigration: 2000-2010*. Backgrounder; Center for Immigration Studies, p.2



- A 2008 study found that, for the U.S. as a whole, the immediate negative effect of eliminating the undocumented workforce would include an estimated \$1.757 trillion in annual lost spending, \$651.511 billion in annual lost output and 8.1 million lost jobs.¹⁵

Immigrants Supplement the Labor Force in Critical Ways

The developed world is facing a crisis brought on by declining birthrates and an aging population. Shrinking pools of young native workers will not be able to replace retiring baby boomers; adding more immigrants can help. As baby boomers age and retire, immigrant workers will replace them in the workforce more than native-born workers. Furthermore, their contributions to public benefits such as Social Security and Medicare will help keep these programs afloat longer than without immigrant contributions. Immigrants moving to rural areas also can help to stem population decline.

- Roughly 80 percent of immigrants are “working age,” classified as ages 18 to 64, compared to only 60 percent of the native-born population.¹⁶
- The 2010 Census found that the average birthrate was 1.9 children per woman, which is below the replacement rate of 2.1 children per woman.¹⁷ Foreign-born women’s birthrates have exceeded native born women’s birthrates for the last two decades.¹⁸

Immigrants Assimilate

The longer they live in the United States, the more immigrants assimilate into American life, as is evident in increased citizenship, English proficiency, rising homeownership rates, and increased wages.

- By 2030, the percent of immigrants speaking English well or very well is projected to rise from 57.5 percent to 70.3 percent and the percent living in poverty is projected to fall from 22.8 percent to 13.4 percent.¹⁹

Immigrants Do Not Disproportionately Use Public Benefits

Immigrants are not a drain on public budgets and do not overuse social services. Evidence suggests that, at worst, immigrants have no impact on public budgets and deficits and, in instances of highly-skilled foreign-born workers, contribute significantly in fiscal terms.

¹⁴ Congressional Budget Office. (2013). Letter to the honorable Paul Ryan: A description of the immigrant population—2013 update.

¹⁵ The Perryman Group. (2008). *An essential resource: An analysis of the economic impact of undocumented workers on business activity in the US with estimated effects by state and by industry*, p. 6.

¹⁶ 2010 American Community Survey 1-Year Estimates, “S0501: Selected Characteristics of the Native and Foreign-Born Populations.”

¹⁷ Dye, J.L. (2008). Fertility of American women: 2006. U.S. Census Bureau, August 2008

¹⁸ Livingston, G. & Cohn, D. (2012). *U.S. birth rate falls to a record low; Decline is greatest among immigrants*. Pew Research Social & Demographic Trends.

¹⁹ Myers, D. & Pitkin, J. (2011). *Assimilation tomorrow: How America’s immigrants will integrate by 2030*. Center for American Progress.



- A 2013 Congressional Budget Office report found that benchmark immigration reform would raise the pace of economic growth by nearly a percentage point over the near term, raise the GDP per capita by over \$1,500, and reduce the federal deficit by over \$2.5 trillion.²⁰

Recommendations

Economic development organizations in the U.S. and other countries are starting to actively engage in immigration related matters in their own communities. Their efforts range from sponsoring or supporting training programs that are already available in the community, to matchmaking immigrant applicants to jobs at local businesses. Based on their experiences and opinions of several experts consulted for this study, below is a summary of the recommendations for EDOs.

- **Tailor your strategy to immigrant populations' economic needs**

In developing a strategy to engage immigrants, EDOs must evaluate current organizations serving immigrants in the community, identify an unmet economic need, and develop a program that builds on their own organization's existing strengths. An analysis of local immigrant populations is the starting point to developing such a strategy and can help to understand both needs and language and cultural sensitivities.

For example, St. Louis began a program on immigrant engagement by commissioning an economics professor at Saint Louis University to develop a study on the number and economic impact of immigrants in their community. The study informed their strategy to welcome and attract new immigrants.

- **Break down barriers to tap into immigrant potential**

Cultural, language, legal, and regulatory barriers block immigrants from achieving their full economic potential. Immigrants at all levels on the educational and legal spectrum encounter at least one of these barriers, if not all four. Programs such as cultural and language training, citizenship classes, and small business intervention can break down these barriers.

The Welcoming Center for New Pennsylvanians' programs break down barriers for both foreign-born professionals seeking professional licensing in the U.S., as well as immigrant businesses struggling with complex regulatory bodies. Each of these programs also contains a cultural education component to inform their clients about accepted norms of behavior in business and professional environments.

- **Create an environment where immigrants can flourish**

Typically, engaging the native-born community in welcoming and accepting immigrants is an ongoing challenge. Through their connections to government, nonprofits, education and other

²⁰Congressional Budget Office. (2013). The Economic Impact of S.744, the Border Security, Economic Opportunity, and Immigration Modernization Act.



community institutions, economic developers have a unique advantage to foster community conversations about contributions of immigrants.

Welcoming America is an affiliate network working in communities across the U.S. to promote accepting environments for immigrants. Their approach combines developing local leadership with strategic communication and public engagement to build a community conversation involving immigrants and native-born community members.

- **Retain immigrants for needed population growth**

An aging population, changing family demographics, and continued outmigration have created a void of workers in many communities. A low-hanging fruit for EDOs is focusing resources to retain immigrants that are already in the community, whether for education, jobs, or family reunification. As baby boomers age and retire, low- to middle-skilled immigrants can fill their positions. And as STEM fields continue to expand, retaining talented immigrant students and high tech workers can ensure continued competitiveness. Strategies include networking programs to connect immigrants to employers and the larger community.

Global Detroit's Global Talent Retention Initiative connects recently graduated foreign university students with Michigan employers in an attempt to keep them in the state. Since many of these students are STEM graduates, one of the outcomes is a stronger technology industry.

- **Engage immigrants to create links to the global economy**

Immigrants can open up new markets for business attraction and expansion through their knowledge and experience in foreign countries, language abilities, and connections. EDOs interested in helping their businesses expand abroad, or looking to attract foreign companies to the U.S., would be wise to tap into their community's immigrant knowledgebase. Program examples include those that tap immigrant knowledge for community education or those that collaborate with immigrants on reaching out to foreign companies.

The Greater Louisville International Professionals (GLIP) program engages immigrants as educators to the community and connectors to their home country. Through a series of luncheons focused on different business cultures, immigrants can share their knowledge with local business leaders. Additionally, the Ambassador Program works with professionals from 50 different countries who serve as contacts for foreign companies interested in moving to Louisville.





II. Introduction and Purpose of Paper

Immigration is an integral part of America's past, present, and future. In recent decades, the waves of immigrants coming to U.S. shores have grown larger. As the 113th U.S. Congress considers new comprehensive immigration reform, immigration has become a hotly debated and widely researched topic. In recent months, several studies and reports from myriad sources throughout the political spectrum have analyzed different facets of immigration, ranging from critiques of different visa programs to financial impact analyses of immigrants' effects on public budgets and the cost of illegal immigration.

Research studies largely support the idea that immigration strengthens the economy and contributes in several positive ways. For example, immigration provides specialized skills that may not be locally available in seasonal, temporary, and permanent jobs. Immigrants also create jobs for native-born residents by opening up new businesses, and they contribute to public coffers in the form of taxes.

Yet, stereotypes about immigrants persist, even among important decision makers at all levels. One such misconception is that immigrants draw on public benefits at a disproportionately higher rate than they pay taxes. A related misconception is that educating children of undocumented workers is an unmanageable burden on the states. Inaction at the federal level to clearly regulate the flow of immigrants into the country led some states to enact strict policies regarding undocumented immigrants, though some of those laws are now being rescinded in light of their negative economic impact.

Many economic development organizations (EDOs), which often view immigration from the perspective of local business and labor supply, are relatively new to dealing with immigration issues and immigrant populations. Even in communities that have long established histories of immigrant population influx, EDOs have only recently started actively engaging their communities on immigration. For the most part, it has been the realm of workforce and social development professionals working on issues of equal opportunity, skills training, language training, housing, and other social and settlement services. If EDOs are interested in engaging with immigrants, discerning between numerous opinions and studies can potentially be a challenge for organizations without the resources to extensively study immigration.

With this in mind, the Economic Development Research Partners (EDRP) program sponsored this research with dual purposes:

1. To clearly understand the economic development impacts of immigration, and
2. To identify and learn from existing best practices among EDOs on how to maximize the potential of current and future immigrants for community advancement.

The paper is divided into 11 sections. Sections I and II provide an executive summary and a brief introduction to the paper. Section III provides a broad overview of the immigrant population in the United States. Sections IV and V dive deeper into issues related to economic development—immigrants



as a source of labor, entrepreneurship, investment, and innovation. Sections VI, VII and VIII deal with the geography of immigration and examine the contributions of both skilled and unskilled undocumented workers. Section IX scrutinizes the impact of immigrants on public budgets. Section X concludes the paper with major findings from the research, and Section XI provides recommendations for EDOs. Case studies from across the country as well as other countries are included throughout the study. Appendices provide additional information at the end of the paper.



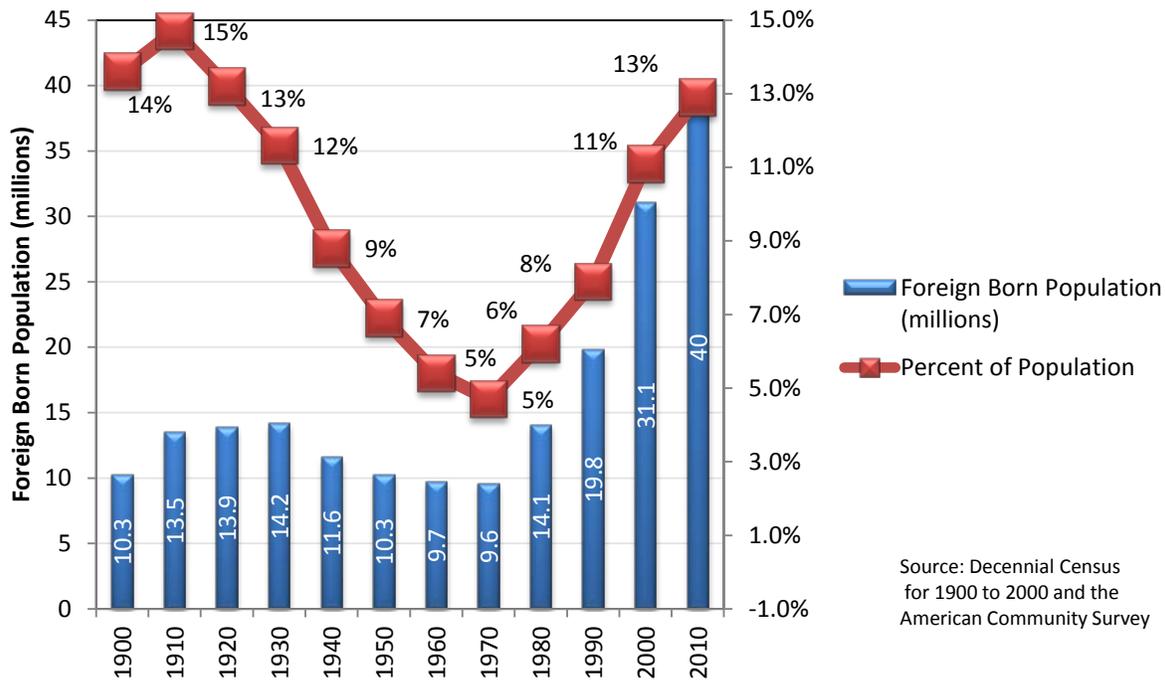
III. Overview of Immigrant Population

Immigrants, while coming from differing backgrounds and geographies around the world, share many common traits, some of which are described below. Comparing the foreign-born and native-born populations of the U.S. helps demonstrate how each group differs in its contribution to the economy and how to assist them. This section focuses on basic characteristics of the foreign-born population in the United States.

Demographics

Foreign-born individuals accounted for 40.4 million, or 13 percent, of the U.S. population in 2011.²¹ As shown in Figure 1 below, the immigrant population in the U.S. has grown steadily since the 1980s when the last major immigration reform took place. Today, the number of immigrants in the U.S. is larger than it has ever been, and the percentage of immigrants is nearly equal to that seen during the early 1900's. This includes approximately 11.5 million undocumented or unauthorized immigrants that make up approximately 28 percent of the immigrant population, although most immigrants come to the U.S. legally, as shown in Figure 2.²²

Figure 1: Number and Percent of Immigrants in the U.S. 1900 to 2010

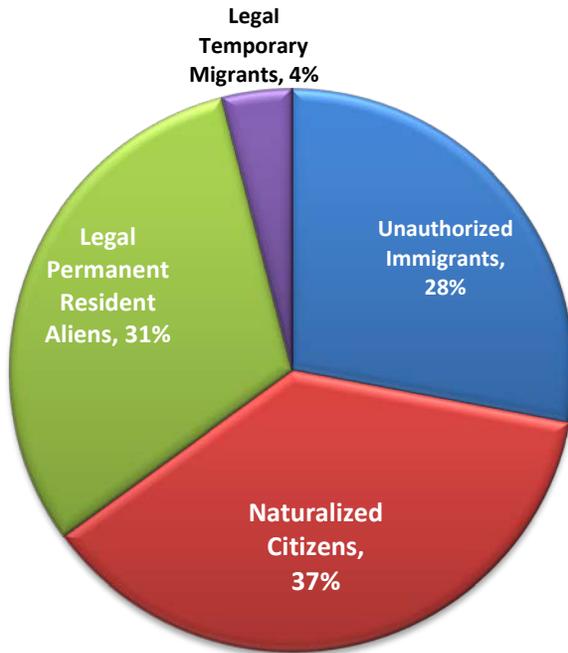


²¹ Grieco, E., Acosta, Y.D., de la Cruz, P.G., Gambino, C., Gryn, T., Larsen, L.J., Trevelyan, E.N., & Walters, N.P. (2012). *The foreign-born population in the United States: 2010*. American Community Survey Reports, U.S. Census Bureau, p. 1.

²² Greenstone, M. & Looney, A. (2010). *Ten economic facts about immigration*. The Hamilton Project, The Brookings Institute, p.1.

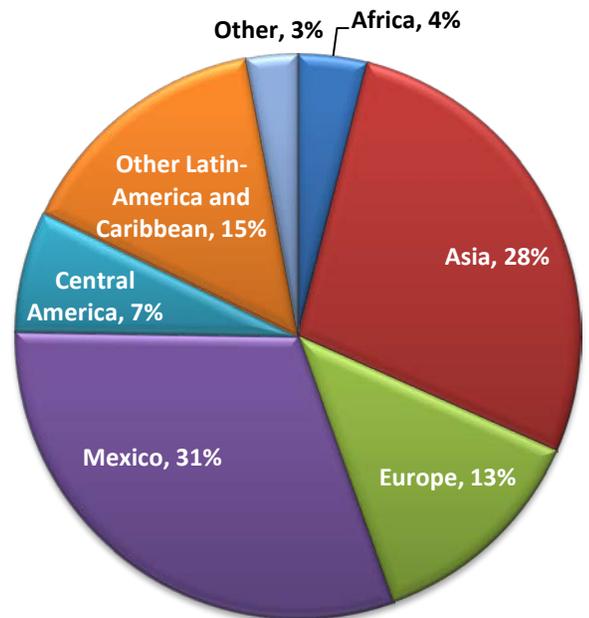


Figure 2: Legal Status of Immigrant Population



Source: Passel and Cohn Table 3(2010, p. 2). Estimates from Pew Hispanic Center, based on tabulations from the augmented March 2009 Current Population Survey.

Figure 3: Country of Origin



Source: U.S. Census Bureau (2010) American Community Survey.

As shown in Figure 3, people from Latin America, the Caribbean, and other Central American countries comprise over half of the immigrant population (53 percent), with the largest share coming from Mexico (31 percent). The chart above provides details on immigrants by region of birth according to the 2010 U.S. Census.²³

Immigrants' educational attainment levels are markedly different from native-born populations, as shown in Figure 4 below. Among the native-born population, the distribution follows a bell curve with a vast majority of adults 25 years and older completing high school. Educational attainment among immigrants, on the other hand, follows a steady declining curve at higher levels of education. Immigrants eclipse the native-born population both at the lowest end (less than a high school diploma) and the highest end (doctoral degrees) of educational attainment.^{24,25}

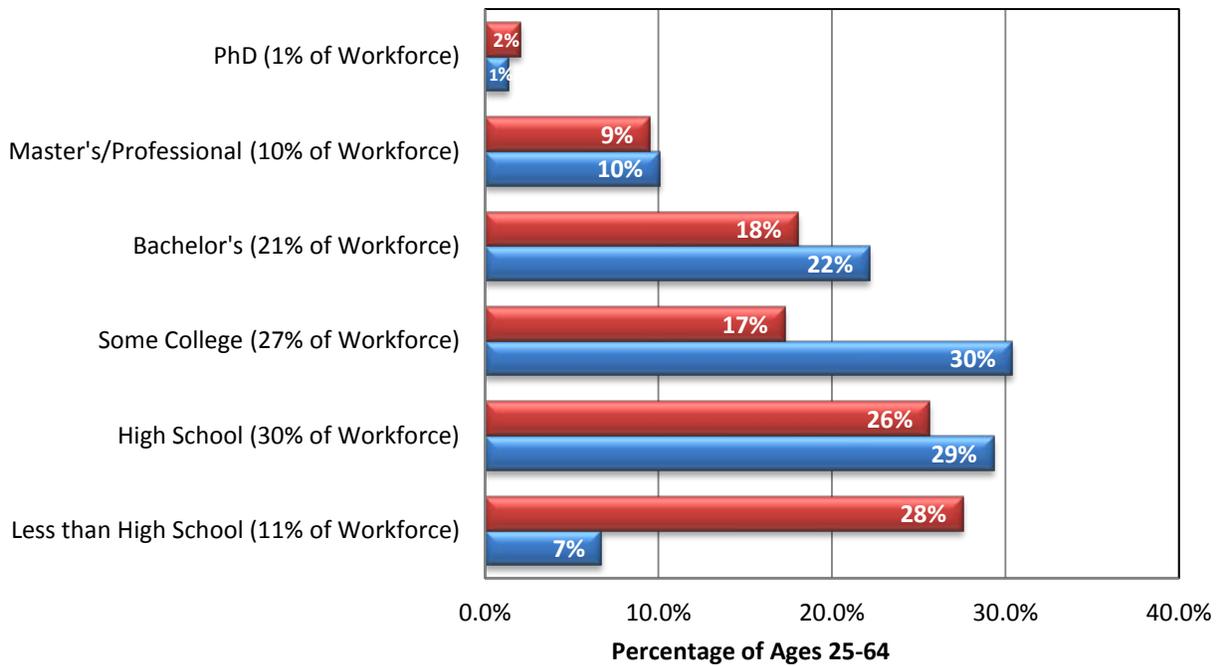
²³ Grieco, E., Acosta, Y.D., de la Cruz, P.G., Gambino, C., Gryn, T., Larsen, L.J., Trevelyan, E.N., & Walters, N.P. (2012). *The foreign-born population in the United States: 2010*. American Community Survey Reports, U.S. Census Bureau, p. 2.

²⁴ Ibid, p. 4.

²⁵ Ibid, p. 2.



Figure 4: Educational Attainment of Foreign and Native Born Population

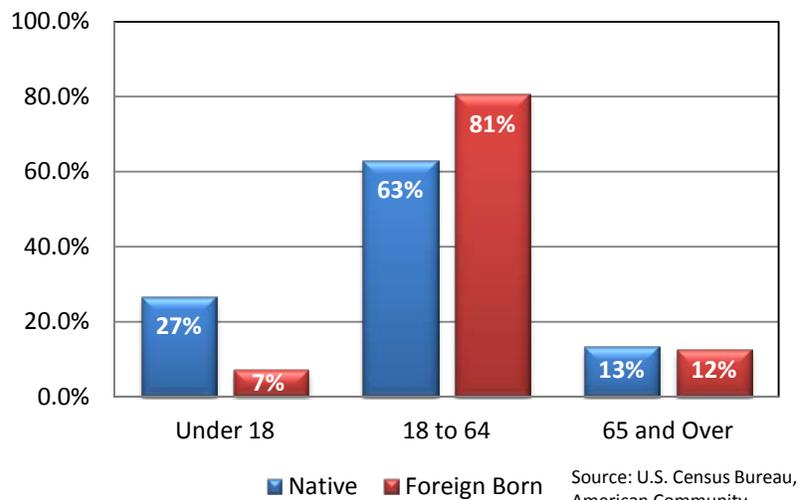


Source: IPUMS-CPS - 2008-2009 March CPS. Foreign Born Population Ages 25 to 64.

Foreign Born US Born

Figure 5: Age Distribution of Immigrant and Native Born Population

In terms of age, the immigrant population skews towards the middle; about half of the foreign-born population was between the ages of 18 and 44, whereas one-third of the native-born population falls in this group, as shown in Figure 5.²⁶ This is to be expected, since immigrants are typically adult job-seekers rather than minors or the elderly. The ratio of males to females in the immigrant population is about 49 to 51, which is comparable to the



Source: U.S. Census Bureau, American Community

²⁶ Grieco, E., Acosta, Y.D., de la Cruz, P.G., Gambino, C., Gryn, T., Larsen, L.J., Trevelyan, E.N., & Walters, N.P. (2012). *The foreign-born population in the United States: 2010*. American Community Survey Reports, U.S. Census Bureau, p. 3.



native-born population.²⁷ Hispanics comprise one of the most prominent and fastest growing immigrant groups, though many different nationalities and ethnicities make up this demographic.

The Hispanic Population in United States

The Hispanic population is fast eclipsing the African-American population as the largest minority group in the U.S. The term “Hispanic” refers to people with a historical and cultural relationship with Spain and, by extension, Latin America. Hispanics are the largest immigrant group in the country, accounting for 53 percent of the foreign-born population and 20.4 million people.²⁸ Fueled by immigration and high birth rates, the Hispanic population will grow to 30% of the U.S. population by 2050.²⁹ Not all Hispanics are immigrants. In the West, Hispanic populations have existed for generations. In fact, the 1970 census indicates Hispanics comprised 4.7 percent of the U.S. population.³⁰ The map below in Figure 6, which portrays the Hispanic percentage of each county in the United States, shows the extent to which this group has migrated out of traditionally settled Southwestern locales.

Compared to the native-born and other immigrant groups, Mexican and Central American immigrants are younger, more likely to be male, and more likely to be married with children.³¹ Hispanic immigrants are less likely to be highly skilled, and a majority had less than a high-school diploma.³² Their workforce participation rates are high, but they are concentrated in low-skilled and low-paying jobs.³³ A large portion—approximately 8.4 percent—of the Hispanic population is undocumented. However, research has shown that Hispanic immigrants assimilate into society, thereby increasing their income and skill level.³⁴ Furthermore, second-generation immigrants have higher education levels and higher household incomes than their parents.³⁵

A recent study from the Pew Hispanic Center spotlights some changes in the population. In recent years, immigration rates from Mexico have declined, and in 2012 Mexican immigration was zero or less.³⁶ This

²⁷ Grieco, E., Acosta, Y.D., de la Cruz, P.G., Gambino, C., Gryn, T., Larsen, L.J., Trevelyan, E.N., & Walters, N.P. (2012). *The foreign-born population in the United States: 2010*. American Community Survey Reports, U.S. Census Bureau,, p.7.

²⁸ Brick, K. Challinor & A.E., Rosenblum, M.R. (2011). *Mexican and Central American immigrants in the United States*. Migration Policy Institute. p. 1

²⁹ Taylor, P., Gonzalez-Barrera, Passel, J.S., & Lopez, M.H. (2012). *An awakened giant: The Hispanic electorate is likely to double by 2030*. Pew Research Center, Pew Hispanic Center.

³⁰ US Census Bureau. (2002). United States-Race and Hispanic origin: 1790 to 1990.

³¹ Brick, K. Challinor, & A.E., Rosenblum, M.R. (2011). *Mexican and Central American immigrants in the United States*. Migration Policy Institute. p. 1.

³² Congressional Budget Office. (2013). Description of Immigrant Population.

³³ Brick, K. Challinor & A.E., Rosenblum, M.R. (2011). *Mexican and Central American immigrants in the United States*. Migration Policy Institute. p. 1.

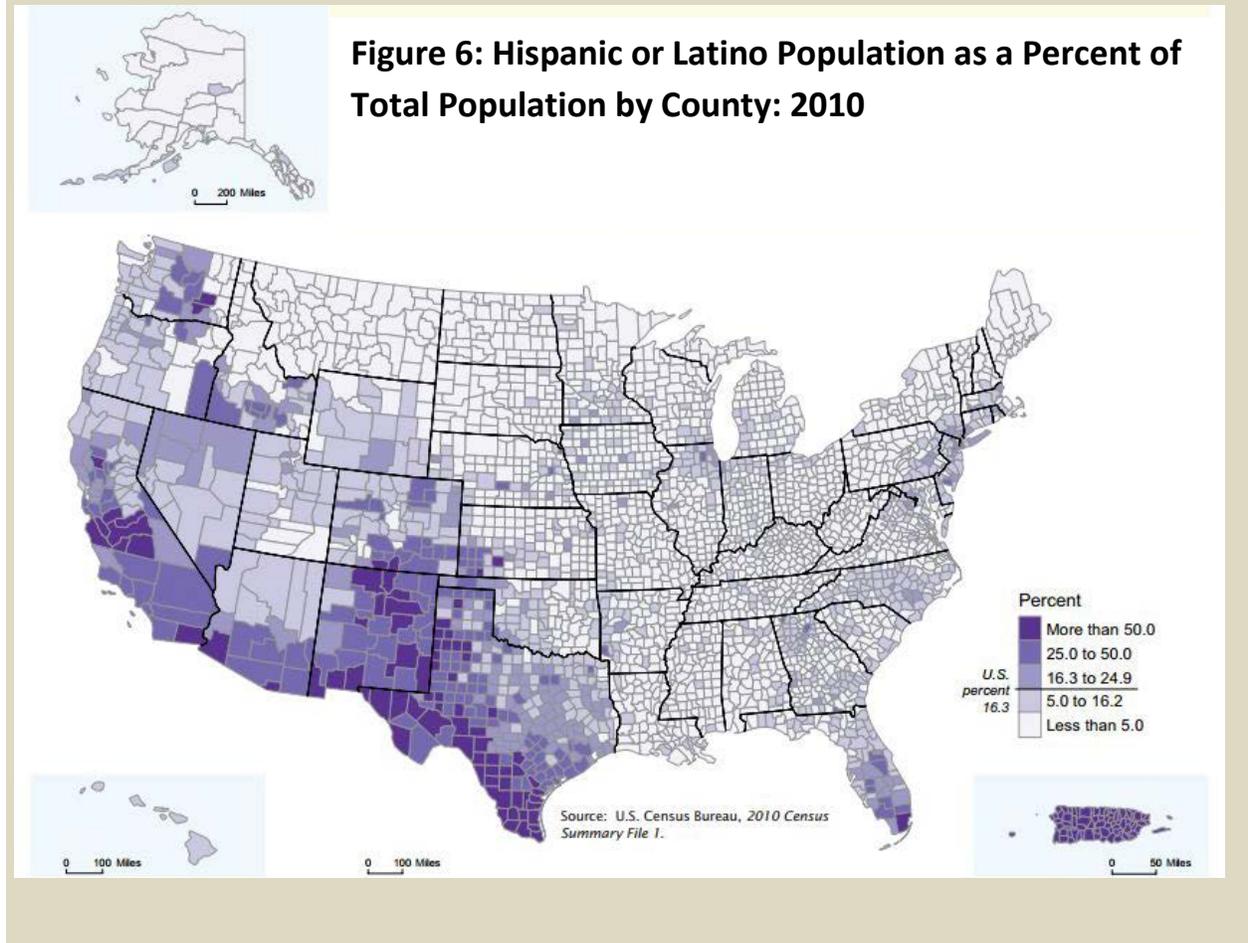
³⁴ Myers, D. & Pitkin, J. (2011). *Assimilation tomorrow: How America’s immigrants will integrate by 2030*. Center for American Progress, p. 2.

³⁵ Brick, K. Challinor & A.E., Rosenblum, M.R. (2011). *Mexican and Central American immigrants in the United States*. Migration Policy Institute. p. 1.

³⁶ Passel, J., Cohn & D., Gonzalez-Barrera, A. (2012). *Net migration from Mexico falls to zero—and perhaps less*. Pew Research Center, Pew Research Hispanic Center.



is likely due to a sluggish U.S. economy and an uptick in the Mexican economy. The Mexican population further decreased due to immigrants returning to Mexico either by choice or force. In the past 30 years, the immigrant flow from Mexico to the U.S. has accounted for a large share of the low-skilled workforce, thus allowing industries in the agricultural and hospitality sectors to keep costs low. The effect of the decline of Mexican immigration is unknown. Other Latin American immigrant groups from Central America and the Caribbean may increase immigration due to conditions in their native lands or the availability of jobs in the U.S.³⁷



Some immigrants encounter inhospitable communities when they first arrive in the U.S., but advocacy groups like Welcoming America want cities to realize the economic and cultural benefits of being more welcoming to newcomers.

³⁷ Passel, J., Cohn & D., Gonzalez-Barrera, A. (2012). *Net migration from Mexico falls to zero—and perhaps less*. Pew Research Center, Pew Research Hispanic Center, p. 31.



Welcoming America

Making the case for economic prosperity through creating more hospitable communities for immigrants

Welcoming America wants communities to understand that creating a welcoming environment for immigrants can be a key driver towards economic competitiveness and prosperity. But creating a hospitable environment for immigrants takes hard work and a lot of engagement throughout a community. This organization builds that environment in cities around the U.S. by raising awareness of the benefits of immigrants, connecting immigrants to settlement resources, and pushing cities to compete in a “race to the top” for embracing immigrants.

Welcoming America touts the economic benefits of immigrant-friendly policies and practices.

Welcoming America began in Tennessee and expanded their mission of cultural change and acceptance throughout the rest of the country. Executive Director of Welcoming David Lubell, began Welcoming America as a program through the Tennessee Immigrant and Refugee Rights Coalition (TIRRC) in Nashville, TN to help improve the climate for immigrants in the region and bridge a divide between new arrivals and long-time residents. After success in Nashville, Welcoming America left TIRRC and expanded into a national group of affiliates to use similar strategies. A major component of their work is media and leadership engagement, where they raise awareness of shared values between immigrants and members of the community and highlight the economic benefits of welcoming immigrants. The organization works to dispel the idea that immigrants harm economic development and hurt local economies. Mr. Lubell cites the cautionary tale of places like Phoenix, Arizona where cultural attitudes towards immigrants lead to the passing of strict legislation that caused a loss in tourism, consumers, and labor supply, to encourage other communities to become more hospitable or face potential economic disadvantages. Their arguments are also place-specific, for instance, noting the benefit of immigrants to combat population loss in the Midwest, and discussing the competitive advantages that immigrants bring to cities like Nashville in the southeast.

Impact comes in changing policies and shifting public opinion about immigrants.

The organization measures its impact through improvement in a community’s attitude towards immigrants. Welcoming America tracks how many outreach and education initiatives its affiliates attempt and tries to measure any shifts in public opinion from those efforts. Mr. Lubell cites Nashville as a success story, where he says the economy grew over the past few years, in part, due to the city’s welcoming attitude towards immigrants. Additionally, his organization cites statewide polling from Middle Tennessee State University, which shows an increasingly positive attitude towards immigrants in Tennessee.

Going forward, the organization hopes to increase its impact by doing more technical assistance work with refugee communities, continuing to help municipalities understand the economic potential of immigrants, and providing training to cities and workplaces on creating more welcoming environments. Welcoming America wants immigrants to feel at home in their new communities and for those

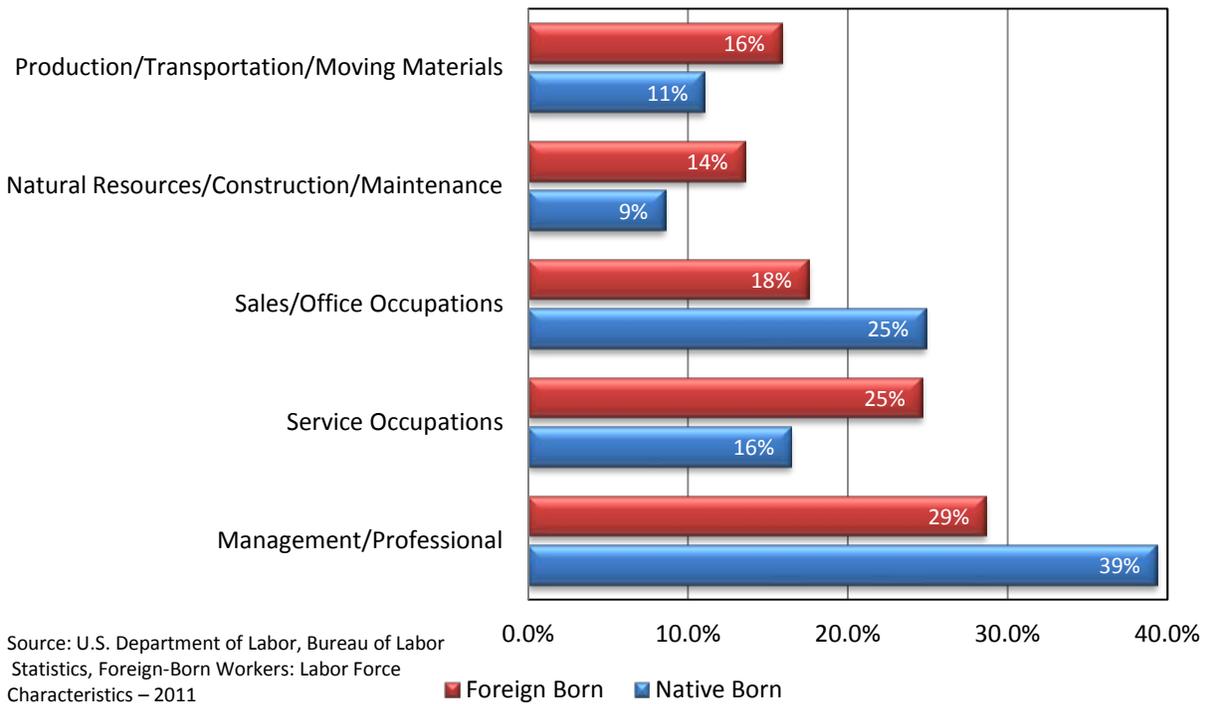


communities to realize the economic and cultural benefits of providing a supportive and open environment. To this end, they have released a workbook for community leaders to help design messaging around the economic benefit that immigrants bring to communities, which is available on their website. For this, or more information, visit Welcoming America’s website at www.welcomingamerica.org.

Employment

Immigrants comprise 16.1 percent of the workforce, an amount proportionally greater than their share of the population.³⁸ The immigrant workforce is more likely to be concentrated in service industries and blue-collar jobs and less likely to be in management positions as shown below in Figure 7.

Figure 7: Occupations in Foreign Born and Native Born in U.S. Labor Force



Immigrants Complement Native Workers

Immigrants more often complement native-born workers in the job market than compete with them for the same jobs. That is, immigrants facilitate economic growth, increased employment, and more productive companies due to their different skills and willingness to take jobs that native-born workers

³⁸Bureau of Labor Statistics. (2013). *Labor force characteristics of foreign-born workers summary*. Economic News Release. <http://www.bls.gov/news.release/forbrn.nr0.htm>

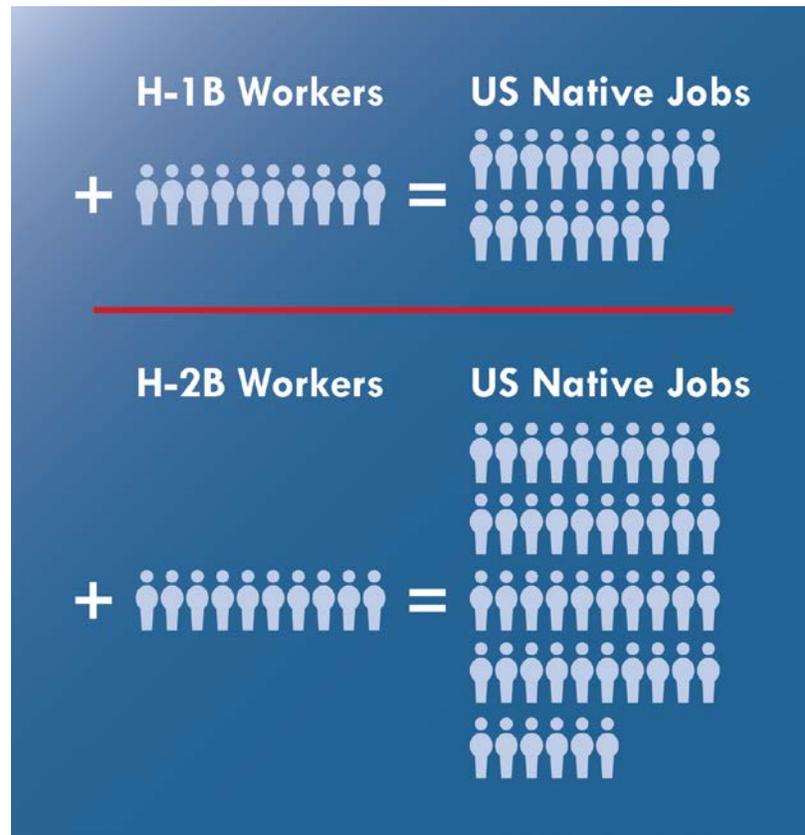


typically will not.³⁹ With a larger labor force, businesses are able to open more stores, restaurants, and production facilities.⁴⁰ Immigration feeds the virtuous cycle, as employed immigrants become customers who spend their wages within the community.

A study of temporary immigrant workers from the American Enterprise Institute illustrates that workers at all skill and education levels grow the economy and, as a result, the number of jobs for U.S. citizens, as shown in Figure 8. H-1B workers are required to have a bachelors degree or higher while H-2B workers have no education requirement. Adding 100 H-1B workers results in an additional 183 jobs among U.S. natives. Adding 100 H-2B workers results in an additional 464 jobs for U.S. natives.⁴¹

Immigrants can also help keep companies—and jobs—in their adopted countries. In an increasingly globalized economy, companies may move factories and jobs offshore if they cannot find or bring in workers with the right skills needed to fill essential positions.⁴² Furthermore, immigrants facilitate the productivity of high-skilled native workers by lowering the cost of services such as domestic chores and child care.

Figure 8: Presence of H-1B and H-2B Workers Linked to U.S. Jobs



³⁹Zavodny, M. (2011). *Immigration and American jobs*. American Enterprise Institute for Public Policy Research, Partnership for a New American Economy, pp. 4-5.

⁴⁰Greenstone, M. & Looney, A. (2010). *Ten economic facts about immigration*. The Hamilton Project, The Brookings Institution, p. 5.

⁴¹Zavodny, M. (2011). *Immigration and American jobs*. American Enterprise Institute for Public Policy Research, Partnership for a New American Economy, p. 4.

⁴²Ibid, p. 7.



Limited Negative Effects

One of the most relevant concerns for economic developers is whether new populations will displace native workers or drive down wages. Research shows some short term negative effects for native workers in terms of job displacement and wage depression. However, in the long term, as immigrants are absorbed into the workforce, their overall impact is positive.

Reports from both ends of the political spectrum have shown immigrant job gains, even when the native-born population has not found those same gains. For example, a report from the Center for Immigrant Studies found that over the five-year period from 2000 to 2005, populations of native-born, low-skilled male workers between the ages of 16 and 34 experienced some displacement by immigrant workers. This was true especially regarding younger workers who were in school and native-born black and Hispanic males in the construction, landscaping, retail, office cleaning, and leisure and hospitality industries.⁴³ Another report from the Pew Hispanic Center found that after the Great Recession, foreign-born populations had lower unemployment than native born populations.⁴⁴

This is due to job growth in industries that typically do not attract native born workers. Demand for lower-skilled workers remains high while the pool of native-born workers filling those spots is relatively small, as shown earlier. The Bureau of Labor Statistics (BLS) projects that 38 percent of all job openings between 2008 and 2018 will require only brief on-the-job training.⁴⁵ Furthermore, the immigrant-heavy construction and food service industries are expected to grow at a rate of 33 percent and 9 percent, respectively, through 2020, thereby adding approximately 2.8 million jobs.^{46,47} Immigrants will continue to play an important role in filling construction and service-industry jobs.

Another concern is that immigrants depress wages for native born populations. This has been shown to hold true only for some segments of the population. George J. Borjas produced the seminal study on this topic and found that, from 1980 to 2000, immigrants expanded the supply of working men by about 11 percent, which caused a 3.2-percent drop in average American worker wages. A more nuanced 2010 analysis from the Economic Policy Institute (EPI) of the high-immigration states of California, Texas, New York, and Florida from 1994 to 2007 found that wages increased at a higher rate for all members of the native-born population, but wages decreased for native workers without a high school degree. This was most likely due to large numbers of unauthorized immigrants—typically male and without a high school degree—putting downward pressure on the wages of similar workers.⁴⁸ Unlike Borjas, the EPI analysis shows an increase for all U.S.-born workers, relative to foreign-born workers, by 0.4 percent or \$3.68 per week.

⁴³ Harrington, P., Khatiwada, I., & Sum, A. (2006). *The impact of new immigrants on young native-born workers, 2000-2005*. Background, Center for Immigrant Studies.

⁴⁴ Kochhar, R., Espinoza, C.S., & Hinze-Pifer, R. (2010). *After the great recession: Foreign born gain jobs; Native born lose jobs*. Pew Research Center, Pew Hispanic Center, p. 1.

⁴⁵ Labor, Immigration & Employee Benefits Division. (2011). *Immigration myths and facts*. U.S. Chamber of Commerce.

⁴⁷ Bureau of Labor Statistics. (2013). *Occupation Outlook Handbook*

⁴⁸ Shierholz, H. (2010). *Immigration and wages: Methodological advancements confirm modest gains for native workers*. Economic Policy Institute, Briefing Paper #255, p. 4.



Another more comprehensive study by the Migration Policy Institute in 2010 shows an overall positive long-term impact from immigrants. It shows that immigration may slightly reduce native employment and average income in the short term, because the economic adjustment process is not immediate. This is especially true in times of economic weakness, as shown in the Pew study. However, long-term income and productivity gains become significant after seven to ten years. Thus, over the period from 1990-2006, immigration caused a 2.86 percent real wage increase for the average worker and an 11 percent increase in employment.⁴⁹

While immigrants have a demonstrably positive impact on job creation and productivity, integrating immigrants into local economies can be challenging. Organizations like the Greater Halifax Partnership Connector Program in Halifax, Nova Scotia, Canada try to connect immigrants with local mentors and business owners to better integrate them into the local economy.

The Greater Halifax Partnership Connector Program, Halifax, Nova Scotia

Local connections retain talented immigrants.

The Greater Halifax Partnership's Connector Program shows that engaging immigrants in economic development can be as simple as sharing a cup of coffee. The program introduces immigrants to business owners in Halifax, setting up the initial meeting as an informal coffee date. They share a conversation about their common industry, and perhaps job opportunities in Halifax, and the business owner gives the newcomer three referrals to contact, in turn, each of these three contacts are asked to provide three more contacts. The program benefits the immigrant jobseeker by growing their network, and helps the business owner discover new talent in their city. The local economy benefits from keeping skilled workers in their community, as well as becoming known as a welcoming community.

Immigrants may find integration into local economy difficult.

Immigrants new to the community of Halifax, Nova Scotia can find it difficult to penetrate the local business network and find work in their field. Many organizations, such as the non-profit Immigrant Settlement and Integration Services, provide new immigrants with social services such as English classes or access to legal aid, and most of the immigrant participants in the Connector Program utilize these groups. However, none focus on integrating immigrants into the economy. Fred Morley, Executive Vice President of the Greater Halifax Partnership, considers the Connector Program the "graduate program" that supplements other organization's work with immigrants, noting that participants in the program need to be professionally mature enough to see the value of networking.⁵⁰

Local businesses find new talent, community replenishes workforce.

⁴⁹ Peri, G. (2010). *The Impact of Immigrants in recession and economic expansion*, Migration Policy Institute, p. 10.

⁵⁰ Fred Morley, telephone interview with author, May 24, 2013.



Businesses benefit from the program because they have a chance to access the “hidden talent” of Halifax. Since immigrants could be passed over in application processes due to cultural misunderstandings, these meetings give employers access to talented workers they might not have encountered. Furthermore, hiring immigrants can open new markets for businesses. They have an understanding of product and service needs for minority markets in Canada, and can bring their experience to businesses interested in exporting globally.

Engaging immigrants strengthens the local economy by reinvigorating the workforce. According to the website of the Greater Halifax Partnership, the labor force in their region is depleting as professionals retire and recent graduates move away.⁵¹ Compared to other Canadian cities, Halifax is small, and somewhat isolated. Morley points out that if immigrants do not “have roots,” in a strong business network, then they may leave for opportunity in another city.⁵²

Program won awards for impact in Halifax.

The rapidly growing program has seen much success, growing from a network of 50 Connectors to upwards of 500 in three years. Morley estimates that more than 50 percent of all participants find jobs through the Connector Program.⁵³ In 2011-2012, local employers hired 66 participants in the program.⁵⁴ In 2012, the International Economic Development Council recognized the Greater Halifax Partnership with two Gold Excellence in Economic Development Awards. In 2013 Citizenship and Immigration Canada recognized the program with an International Qualifications Network Award. With the help of funding from this office, the Greater Halifax Partnership spread the Connector Program into 14 other communities. Morley reports that the program is quite scalable; although their organization has three people administrating the program, he notes that it could be done with fewer staff and resources in a smaller city.

⁵¹ Greater Halifax Partnership (2013). *Results & success from the connector program.*

⁵² Fred Morley.

⁵³ Fred Morley.

⁵⁴ Greater Halifax Partnership (2013). *Results & success from the connector program.*



IV. STEM and Knowledge Workers

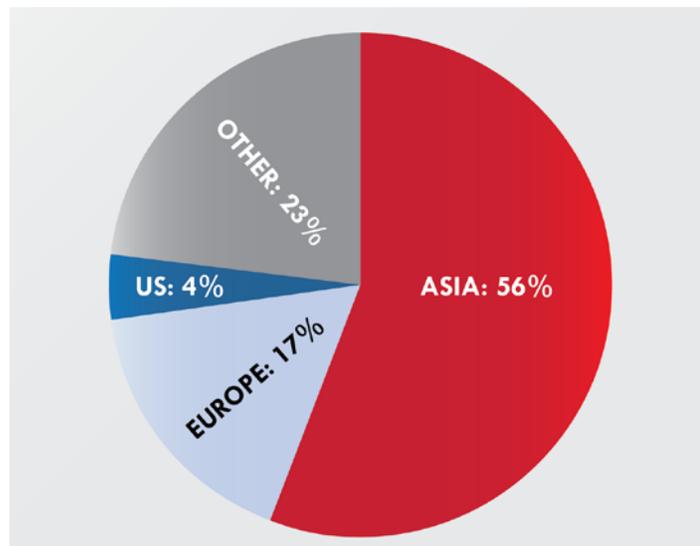
Maintaining a strong base of knowledge workers in the science, technology, engineering, and mathematics (STEM) fields is crucial to the continued competitiveness and economic growth of communities and the country as a whole. Scientific innovation produced roughly half of all U.S. economic growth in the last 50 years.⁵⁵ Moreover, STEM jobs grew faster than overall job growth for decades and will continue to do so.

The Center on Education and the Workforce at Georgetown University predicts that the share of STEM occupations in the economy will grow to 5 percent, up from 4.4 percent in 2005 through 2018, resulting in an increase of about 1.2 million jobs.⁵⁶ In order to fill these jobs, and the jobs of retiring STEM workers, it is necessary that the U.S. educate or recruit a workforce with competencies in the STEM fields. There appear to be two related issues pertaining to immigrants in STEM fields: i) retaining international students in American universities after graduation, and ii) attracting and retaining high-skilled workers from a global talent pool.

i) STEM Education in the U.S. and Abroad

The pipeline of STEM workers in the U.S. is declining. Students in American K-12 schools display inadequate preparation in STEM competencies, and when entering college, only 25 percent of students choose to pursue STEM fields.⁵⁷ Conversely, students abroad, especially in Asian countries, are pursuing STEM degrees at a faster rate than U.S. students. An international analysis of bachelor's degrees awarded in 2008 found that China had awarded 700,000 degrees in engineering, which is about 10 times the number awarded in the U.S, illustrated in Figure 9.⁵⁸ The disparity

Figure 9: Share of Global Engineering Bachelor's Degrees



Source: National Science Foundation. (2012). *Science and engineering indicators* (2012).

⁵⁵ Jobs for the Future. (2007). *The STEM workforce challenge: The role of the public workforce system in a national solution for a competitive science, technology, engineering and mathematics (STEM) workforce*. U.S. Department of Labor, Employment and Training Administration, pg. 2.

⁵⁶ Carnevale, A.P., Smith, N., and Melton, M. (2011). *STEM: Science Technology Engineering Mathematics*. Georgetown University: Center on Education and the Workforce, p. 21.

⁵⁷ Thomasian, J. (2011). *Building a science, technology, engineering and math education agenda: An update of state actions*. National Governor's Association, p. 30.

⁵⁸ National Science Foundation. (2012). *Science and engineering indicators 2012*, p. 2-5.



between the production of U.S. STEM workers and STEM workers in other countries results in predictions that, if trends continue, more than 90 percent of all scientists and engineers in the world will live in Asia.⁵⁹

Foreign STEM Students in the U.S.

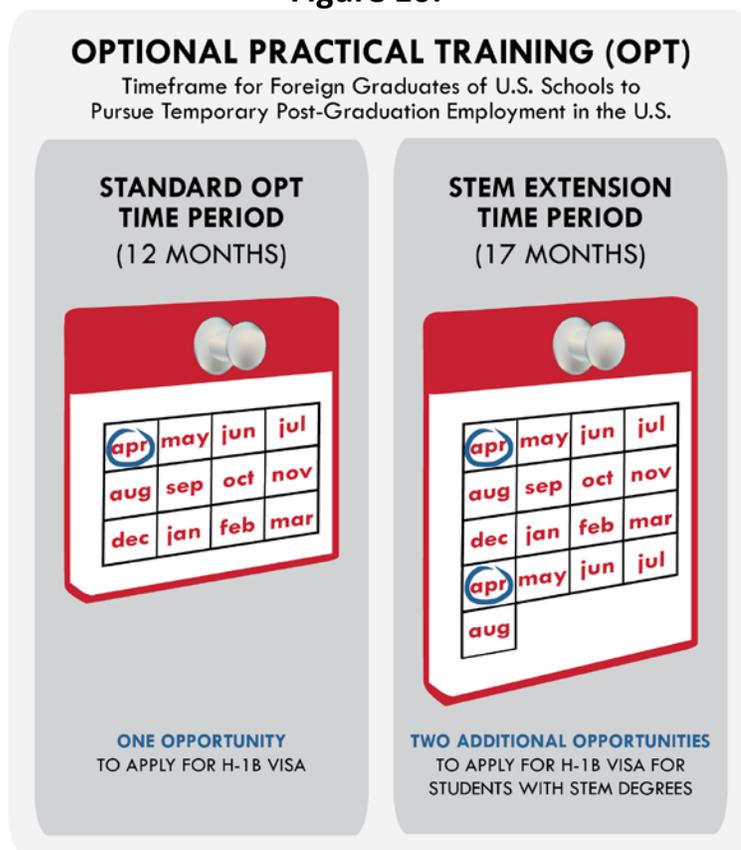
Dire predictions about the lack of a U.S. STEM workforce discount the new reality of workers in a global knowledge economy. Such an economy is one in which national boundaries become less relevant to highly talented workers who are seeking employment or education in top companies. This is apparent in the large number of foreign-born students who continue to attend institutions of higher education in the United States. In 2010, the U.S. attracted 21 percent of all students studying abroad, or 684,807 foreign students, the most of any country.⁶⁰ This number has increased in the last 20 years, due mainly to an increase in students from Asia. Together, Indian and Chinese students make up half of all incoming international students and 64 percent of all foreign students studying STEM.⁶¹

The number of foreign students pursuing advanced STEM degrees is even more significant. Foreign students comprise 41 percent of masters and 45 percent of PhDs in STEM.⁶² These students contribute disproportionately to activities associated with innovation, such as patenting, publishing academic papers, and starting companies.⁶³

Retaining International Students

Although foreign students represent a large portion of the potential STEM workforce, retaining them after graduation is a challenge. One piecemeal solution is Optional Practical Training (OPT), which allows foreign graduates of American schools the option of engaging in temporary employment directly aligned with their

Figure 10:



⁵⁹Carnevale, A.P., Smith, N., and Melton, M. (2011). *STEM: Science Technology Engineering Mathematics*. Georgetown University: Center on Education and the Workforce.

⁶⁰Ruiz, N. (2013). *Immigration facts on foreign students*. The Brookings Institution, p. 2.

⁶¹Ibid, p. 3.

⁶²Information Technology Industry Council. (2012). *Help wanted: The role of foreign workers in the innovation economy*. Partnership for a New American Economy, U.S. Chamber of Commerce, p. 3.

⁶³Papademetriou, D. & Sumption, M. (2011). *The role of Immigration in fostering competitiveness in the United States*. Migration Policy Institute.



main area of study for 12 months after graduation. During this time, they have one opportunity to apply for an H-1B visa. An additional 17-month training period is available for students who graduate with a STEM degree. According to the U.S. Citizenship and Immigration Services, this extension for STEM degree holders gives U.S. employers two more opportunities to recruit highly desirable graduates through the H-1-B process, as the extension is long enough to allow for H-1-B petitions to be filed in two successive fiscal years.⁶⁴ A graphic representation of this system is shown in Figure 10.

The other option for foreign-born graduates of American universities is to apply directly for an H-1-B visa. Out of 85,000 total visas available, the H-1-B visa program reserves 20,000 visas for foreign graduates with advanced degrees from American universities. However, these visas are in high demand, and foreign student graduation rates outpaced the number of reserved visas in recent years. For example, in 2010 only 26,502 new H-1-B visas approved went to U.S. foreign students, of which 19,922 held advanced degrees from American universities. This is about one third of all H-1-B visas issued in 2010, but it does not begin to address the demand from the foreign students attempting to stay in the United States. Other than the temporary options offered through the OPT program or H-1-B visas, there is no clear path for students to legally stay in the U.S. after graduation. Locally, groups like Global Detroit try to attract and retain these talented foreign students for the economic benefit of their region.

Global Detroit, Detroit Michigan

Creating a welcoming community and connecting talented foreign students to opportunities in Michigan.

Global Detroit is a non-profit organization in Michigan focused on the economic impact of immigrants on the regional economy. Their mission is to revitalize Southeast Michigan's economy by pursuing strategies to strengthen Detroit's connections to the world and make the region more welcoming to immigrants, internationals, and foreign trade and investment. This effort began in 2010 with the release of the Global Detroit study, funded by the New Economy Initiative of Southeast Michigan, the Detroit Regional Chamber of Commerce, and the Skillman Foundation. This extensive report documented the effect of immigration on regional economies. From the study, four initiatives for Global Detroit were chosen; two of which specifically target immigrants.

Initiative 1: "Attract and retain international talent in the region."

The Global Talent Retention Initiative of Southeast Michigan (GTRI) is the first and only program with full-time staff in the United States developed to retain international student talent as a strategy for economic growth.⁶⁵ Global Detroit was instrumental in launching GTRI in 2011, but it operates out of the University Research Corridor, an alliance of Michigan State University, the University of Michigan, and Wayne State University. Global Detroit plays a pivotal support role to GTRI as an advisor, performing data analysis, assisting in corporate outreach, and promoting GTRI's work. GTRI aims implement a wide

⁶⁴ U.S. Citizenship and Immigration Services. (2013). *Questions and answers: Extension of optional practical training program for qualified students.*

⁶⁵ Global Talent Retention Initiative. (2013). About GTRI. www.migtri.org



range of activities to welcome and retain international students in the state, and to capitalize on the talent represented in the 25,500 international students studying at Michigan universities.

The international student population has the potential to play a large role in building up a talented workforce in Michigan. As a group, they are three times more likely to be in STEM fields, and be pursuing a graduate degree. However, many of these students are not aware of employment opportunities in Michigan, or familiar with legal processes that facilitate remaining in the U.S. The GTRI staff works to expose students to these possibilities through on campus events and counseling on legal pathways.

The GTRI team also works with employers to show the benefits of hiring a graduating foreign student. They educate employers on Optional Technical Training, a program that allows foreign graduates of U.S. schools to stay in the country for 12-29 months after graduation. Like an internship, the OPT period serves as a test-run for an employee, during which time the employer assesses whether they would want to sponsor them for a visa. According to Steve Tobocman, Director of Global Detroit, even if the match is not successful, the employer benefits from the arrangement because their former employee can serve as an advocate, trade partner, and/or supplier in their home country.⁶⁶ Employers can work with GTRI to become certified as a Global Opportunity Employer, a designation that lets immigrants know they are interested in talking and interviewing.

Initiative 2: “Make the region welcoming to the international community and immigrants.”

Two additional programs through Global Detroit create a welcoming atmosphere. The Welcome Mat is an inventory of traditional integration services focusing on immigrants. This document provides information on 75 individual nonprofits offering services such as English language classes, citizenship classes, legal services, job training and placement, and cultural assimilation. This information is also available on a searchable database. Additionally, Global Detroit was instrumental in launching Welcoming Michigan, the local affiliate of Welcoming America. Welcoming Michigan aims to support Michigan’s “receiving community” members—U.S.-born Americans who live in communities where immigrants settle — in creating welcoming communities where immigrants can fully integrate into the social fabric of their adopted hometowns.

Global Detroit has seen significant growth since their start, and they are poised to take an even larger role in the future. In 2012, GTRI worked with seven university partners to conduct an upcoming study of approximately 2,500 international students using academic training to work in the US. They also conducted four employer webinars for over 100 attendees on how businesses can meet short term talent and workforce needs with foreign students. Additionally, they have launched a large scale campaign with Welcoming Michigan, hosting over 24 events throughout 2012, and securing a proclamation from Governor Snyder for the nation’s first “Welcoming Week.”

⁶⁶Steve Tobocman, telephone interview with author, May 20, 2013.

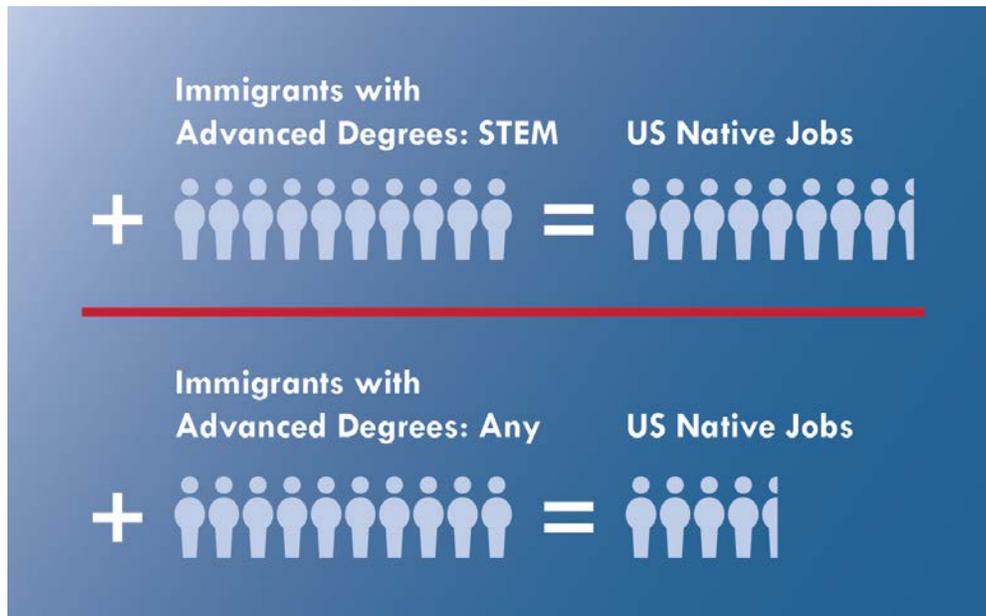


ii) Attracting and Retaining Global High-skilled Talent

Companies cite STEM worker shortages in the U.S. to justify hiring high-skilled foreign workers temporarily. They argue that if the U.S. is to continue to maintain its position as a top player in the world economy, companies must be able to recruit talent globally and not be restricted to local or national labor markets. Furthermore, other countries compete with the U.S. to recruit high-skilled workers. Businesses’ inability to recruit such sought-after talent can adversely impact innovation and economic growth in the long term.

Immigrants with advanced degrees also boost employment for U.S. natives, especially if their degree is in a STEM field. In the same American Enterprise Institute study that linked jobs and the presence of temporary foreign workers, Zavodny found that from 2000 to 2007 an additional 100 immigrants with advanced degrees in STEM fields were associated with an additional eighty-six jobs among U.S. natives. An additional 100 immigrants with advanced degrees in any field were associated with an additional 44 jobs among U.S. natives.⁶⁷ This is represented in Figure 11. For these reasons, some groups like Vibrant Pittsburgh try to attract and retain immigrants and young people to stimulate their workforce and economy. Vibrant Pittsburgh works directly with the region’s energy producers to recruit talented STEM workers.

Figure 11: Presence of Immigrants with Advanced Degrees Linked to U.S. Jobs



⁶⁷ Zavodny, M. (2011). *Immigration and American jobs*. American Enterprise Institute for Public Policy Research, Partnership for a New American Economy, p, 4.



Vibrant Pittsburgh, Pittsburgh, PA

Working with community partners to change a city's brand.

Pittsburgh's renaissance is the stuff of economic development legend—in the 1970's the region suffered a drastic decline in manufacturing, followed by a loss of jobs and an outmigration of people, but since then it has emerged as a powerhouse in the education, medical, and banking sectors. However, the workforce needs of the city are still catching up. The population is older than the rest of the U.S., and the immigrant wave of the 1990's and 2000's largely missed the city, due to a perception slow growth. Vibrant Pittsburgh is an organization that concentrates on bringing diversity to the city, and changing the attitudes of residents both new and old.

Program's mission for immigrants and young people in Pittsburgh.

The three-fold mission of the organization is to welcome newcomers, promote inclusivity, and energize the region. They target immigrants, as well as young workers in Generation X and Y in order to build a workforce for both middle and high-skilled jobs. Their programs to retain and attract young workers range from the "Pittsburgh Promise" scholarship, which gives \$40,000 scholarships to Pittsburgh residents, to promoting their city through trade missions focused on young people.

Partners and networking create welcoming environment.

Attracting immigrants is a more difficult task. While the city had large populations of European immigrants in its steel-producing days, today, the makeup is much less diverse. They work extensively with non-profit, business, and educational partners to create collaborative programs to connect immigrants and employers, thus creating a more welcoming atmosphere, and helping employers to think outside the box when hiring. For example, the Diversity in Energy Program, which concluded in 2011, was an effort to bring the region's energy employers together to showcase job opportunities, resulting in a video profiling the diverse Pittsburgh energy workforce. Programs are also in place to connect employers to potential immigrant employees, such as the Diversity Dinnerview with Pittsburgh Technology Council and the Western Pennsylvania Diversity Initiative.⁶⁸

Additionally, Vibrant Pittsburgh is running a marketing campaign, showing diverse community leaders, such as Latino health care professionals. This is designed to challenge the image that many people have of immigrants. They are also working to coordinate and strengthen different immigrant community groups to do outreach. As Harrington points out, diversity begets more diversity, and many immigrants moving into the city are undergoing a second migration to be near their family and friends in a place with a low cost of life.

Vibrant Pittsburgh's efforts are diverse and far reaching. Much of their strength lies in their strong community network. In order to support this network, in 2012 they awarded 14 grants to organizations

⁶⁸ Melanie Harrington, phone interview with the author, May 28, 2013.



representing seven different minority groups that are projected to impact more than 5000 people. They have a strong marketing platform, with a monthly newsletter that reaches more than 4000 people and 700 diverse community and professional groups in and outside the region. Additionally, they conduct targeted marketing and outreach in six target cities, as well as at seven conferences focused on minority professionals.

H1-B Visa Program

One of the most widely debated components of the current immigration system is the H1-B temporary worker visa. The program's main purpose is to allow employers to hire talented temporary foreign workers, a solution that advocates argue can help to remedy the lack of STEM workers. This visa program began as part of the Immigration Act of 1990. Each year USCIS grants 85,000 H1-B visas, accounting for 1 percent of all visas.

Consequently, demand has outstripped supply since the start of the program.⁶⁹ During the recession, the annual cap was met within a month of the visas becoming available; however, in 2013 the cap was met within a week. The program can serve as a barometer of economic recovery, and proponents of the visa program argue that a limited number of visas may impact business growth at the local level.

Criticisms and Realities of the H1-B Visas

While businesses demand higher numbers of H1-B visas annually, critics maintain that H1-B workers replace local workers, especially in high-tech fields such as computer programming. Research shows this to be untrue. In several studies, companies using the H1-B visa program expressed that they are not seeking just any employees with STEM degrees, but instead, they are looking for high-skilled individuals who have relevant educational backgrounds, a specific combination of skills, pertinent work experience, and exposure to the most up-to-date technologies.⁷⁰ However, critics contend that there is no real shortage of high-tech labor, and that companies take advantage of the visa system for its low cost and exportability.⁷¹

Nonpartisan studies have shown that there are, in fact, some components of the H1-B program that weaken U.S. workers' position in the labor market and are detrimental to visa holders as well.

- Workers under the H1-B program must maintain employment with the company that sponsored their visa. This limits their bargaining power, and critics of the program contend that this depresses wages for U.S.-born workers. A recent paper from the Brookings Institution refutes

⁶⁹ An exception was 2001-2003 when the annual cap was temporarily raised from 65,000 to 195,000 in response to the dot-com boom.

⁷⁰ National Foundation for American Policy. (2007). *Driving jobs and innovation offshore: The impact of high-skill immigration restrictions on America*. NFAP Policy Brief.

⁷¹ Department for Professional Employees, AFL-CIO, (2012). *Gaming the system 2012: Guest worker visa programs and professional and technical workers in the U.S.*



this claim, showing that H1-B visa holders earn more than comparable native-born workers, and that wages are increasing for all workers in occupations with the most H1-B requests.⁷²

- Another concern is that so-called “staffing companies” (companies that petition for H1-B visa holders but ultimately place workers in other companies) are among the top H-1B-hiring employers. Critics argue these companies facilitate the transfer of domestic jobs overseas by training workers in the U.S. (under the H1-B visa) but making them work for a lower pay in their home countries for American clients. The reality is that a majority of H1-B visa users do not operate with this business model. Most employers who use the program are approved for just one worker, but a small percent of employers apply for several visas. From 2000 to 2009, these companies, which are less than one percent of all H1-B employers, were approved to hire about 30 percent of all H1-B workers.⁷³

Although there are inherent issues and loopholes in the policies that allow high-skilled foreign-born workers to work in the United States, the overall effect of the H1-B program has been to raise wages and productivity for U.S. workers. A recent comprehensive study of 219 metropolitan areas found that a one-percent increase in foreign STEM workers increased the wages of native college-educated workers by four to six percent over the period of 1990 to 2010.⁷⁴ Other studies corroborate these results, showing that for every H1-B visa issued from 2001 to 2005, five to seven new jobs were created, as shown in Figure 12.⁷⁵ Subsequent research has found that foreign-born STEM workers are paid on par with U.S. STEM workers, and that unemployment rates for U.S. citizens in the STEM fields are much lower than in other non-STEM fields. This is an indication that there is at least some demand for foreign workers.⁷⁶

⁷²Rothwell, J. & Ruiz, N.G. (2013). *H1-B visas and the STEM shortage*. The Brookings Institution.

⁷³ US Government Accountability Office. (2011). *H1-B visa program: reforms are needed to minimize the risks and costs of current program*.

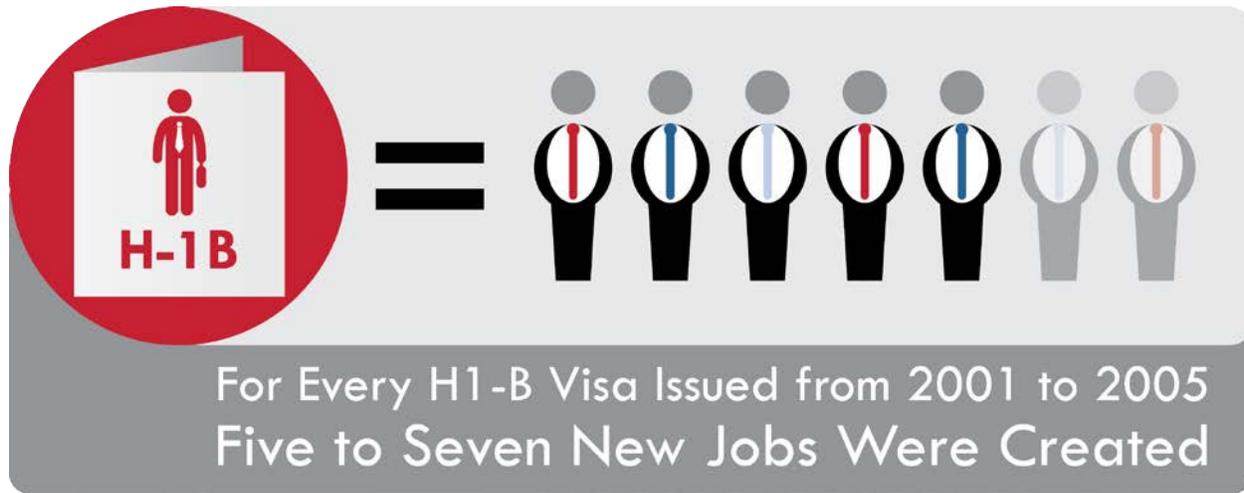
⁷⁴ Peri, G., Shih, K. & Sparber, C. (February 5, 2013). *STEM workers, H1B visa, and productivity in U.S. cities*. Unpublished manuscript, UC Davis Department of Economics, Davis, CA, p. 3.

⁷⁵ National Foundation for American Policy. (2008). *H1-B visas and job creation*. NFAP Policy Brief.

⁷⁶ Information Technology Industry Council. (2012). *Help wanted: The role of foreign workers in the innovation economy*. Partnership for a New American Economy, U.S. Chamber of Commerce, p. 2.



Figure 12: Jobs Correlate with H1-B Visas



Alternatives to H1-B Hiring

Employers unable to hire foreign workers through the H1-B program either have to wait another year to file new applications, seek alternate means of hiring these specialized workers (such as international employee transfer visas, i.e. the L1 inter-company transfer visa), consider moving parts of their operations overseas, or other similar measures. Large companies with a multinational presence are able to explore these options, but not all small companies or startups have such capabilities. Small firms are more likely to fill their positions with different candidates, which could result in delays and sometimes economic losses. This is particularly true for firms in rapidly changing technology fields.⁷⁷

The other alternative is to pursue business development outside of the United States. The results of an analysis of the Offshore Resource Network, a project of Duke University and Booz Allen Hamilton, show that off-shoring of product development is partially explained by the emerging shortage of high-skilled technical talent in the U.S.⁷⁸ Another study, completed by the National Venture Capital Association found that out of 340 privately held venture-backed companies, one-third said the lack of H1-B visas influenced their company's decision to place more personnel in facilities abroad.⁷⁹ One prominent example that made news in 2007 was Microsoft's establishing a new facility in Canada because it could not hire the developers it needed in the U.S.

Furthermore, foreign nationals seeking to start a company in the United States are often unable to qualify for H1-B visas, which can cause them to abandon a project or relocate operations to another

⁷⁷ US Government Accountability Office. (2011). *H1-B visa program: reforms are needed to minimize the risks and costs of current program*.

⁷⁸ Manning, S., Massini, S. & Lewin, A.Y. (2008). *A dynamic perspective on next-generation offshoring: The global sourcing of science and engineering talent*. *Academy of Management Perspectives*, Vol. 22, No. 3, pp. 35-54.

⁷⁹ Anderson, S. & Platzer, M. (2006). *American made: The impact of immigrant entrepreneurs and professionals on U.S. competitiveness*. National Venture Capital Association



country.⁸⁰ Again, this relates to the overall ability of the United States to attract and retain talent and business investment within its shores as a means to maintain its competitive position in the world. Organizations like the USA India Business Summit try to facilitate a greater understanding of global business and help attract foreign businesses to the U.S., though its experience shows some of the other barriers for new foreign investors and businesses entering the country.

U.S. India Business Summit, Atlanta, Georgia

Business to business events lead to international collaboration.

In a globalized world, connections to foreign markets create more resilient local economies. Even greater economic impact can be achieved through formalizing country to country connections through the networks of state and local governments and economic development organizations, which is the goal of the U.S.A. India Business Summit (UIBS) held in Atlanta, Georgia.

Background.

The event, which is organized by USA India Initiatives, Inc., Georgia Tech Center for International Business Education and Research (CIBER), the US Indian Business and Research Center (USIBRC), and the Georgia Department of Economic Development, is the brainchild of Ani Agnihotri, an immigrant businessman from India. The event had its start in 2006 with a series of half-day seminars offered by Georgia Tech's CIBER and Mr. Agnihotri's company USIBRC and grew to a one day summit to accommodate a larger audience in 2010 with a conference featuring then-Governor Sonny Perdue, as well as leadership from India and across Georgia. A second summit in 2012 drew over 385 people. The third annual summit will be held in September of 2013 focusing on creating business to business opportunities in both India and Georgia.

Some local leaders and economic developers need more education in global business.

According to Mr. Agnihotri, most economic development organizations do not have an understanding of global and international markets, nor do leaders in county or state governments.⁸¹ The USA India Business Summit is a way to educate business and governmental leaders about opportunities abroad, and to highlight the economic benefits of participating in a global economy.

From his work with both the US India Business Summit and USIBRC, Mr. Agnihotri has garnered many interesting insights about expanding operations in both the United States and India. He finds relocation and expansion of Indian companies in the United States to be much simpler than the reverse; noting that American companies going to India face a large and complex bureaucracy. He also stresses the importance of a welcoming community, citing an example of a major Indian investment that was greeted with zoning citations upon opening. Working with a knowledgeable mediator who is familiar

⁸⁰ US Government Accountability Office. (2011). *H-1B visa program: reforms are needed to minimize the risks and costs of current program.*

⁸¹ Ani Agnihotri, phone interview with the author, June 6, 2013



with both Indian and American business practices can limit these misunderstandings, while events such as the UIBS can help leaders recognize the benefits of connecting on a global scale.

Leaders take notice of UIBS and see the benefits.

The Summit made an impression on community leaders in Georgia, who are realizing the benefit of seeking out Indian companies and investments. Two municipalities and one university engaged Mr. Agnihotri as a consultant to facilitate these relationships. Furthermore, increased interests from community and business partners lead to a second event held in June of 2013 focused on the pending immigration legislation.

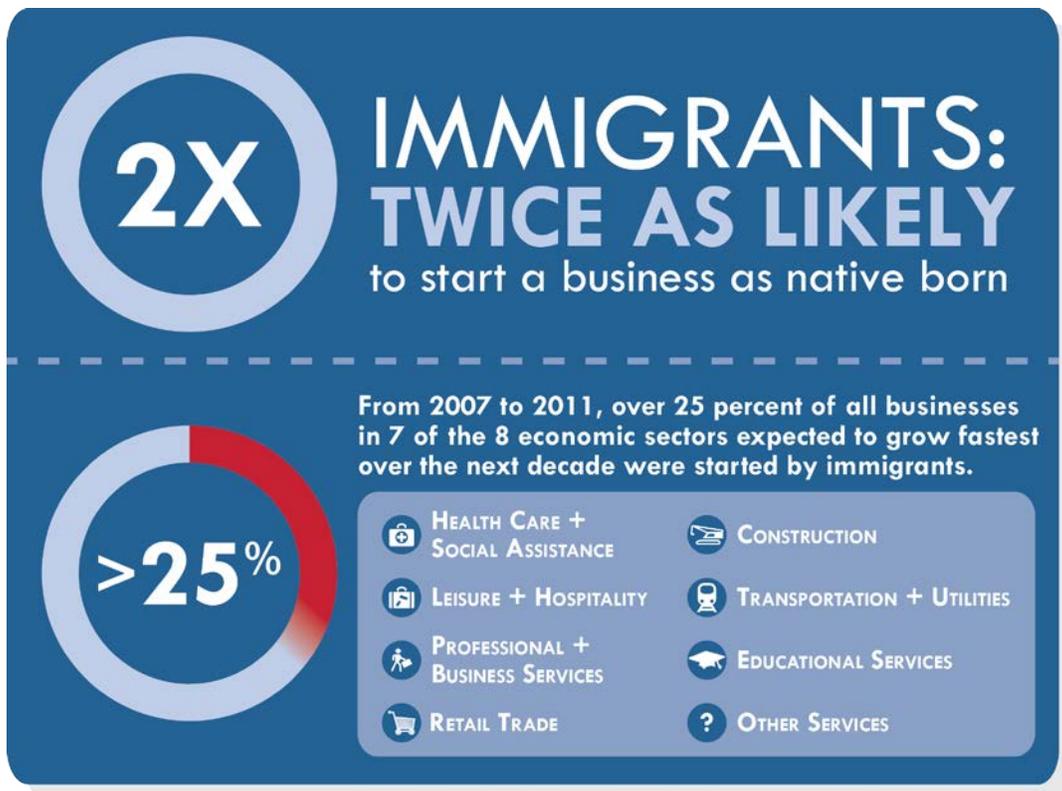


V. How Immigrants Create Jobs

Being an immigrant is an entrepreneurial endeavor. Those who come to the United States for education or employment have, at a minimum, recognized opportunities for personal achievement outside their native land.⁸² These traits lend themselves to higher rates of entrepreneurship, evident in statistics such as:

- Immigrants are twice as likely to start a business as the native born.⁸³
- From 2007 to 2011, immigrants started more than 25 percent of all businesses in seven out of eight sectors of the economy that the U.S. government expects to grow the fastest over the next decade, including health care and social assistance, professional and business services, construction, retail trade, leisure and hospitality, educational services, “other services,” and transportation and utilities, as shown in Figure 13.⁸⁴ The only sector that immigrant businesses did not grow was state and local government.

Figure 13: The Important Role of Immigrant Entrepreneurs



⁸² Hart, D.M., Zoltan, A.J., & Spencer, T.L. (2009). *High-tech immigrant entrepreneurship in the United States*. Small Business Administration Office of Advocacy.

⁸³ Fairlie, R. (2012). *Open for business: How immigrants are driving small business creation in the United States*. The Partnership for a New American Economy, p. 2.

⁸⁴ Ibid, p.3.



Immigrant-owned businesses have made a large impact on the economy as a whole, summarized in Figure 14.

Figure 14: Key Facts About Immigrant Firms

- In 2010, immigrant-owned firms generated more than \$775 billion in revenue and \$110 billion in income.⁸⁵
- Data from 2007 shows that immigrant-owned businesses employ one out of every 10 private-sector workers in the country.^{86, 87}
- Forty percent of the 2010 Fortune 500 companies were founded by immigrants or their children.⁸⁸ Of these, seven of the 10 most valuable brands in the world come from American companies founded by immigrants or children of immigrants, including Apple, Google, AT&T, Budweiser, Colgate, eBay, General Electric, IBM, and McDonald's.⁸⁹
- In 2010, immigrant-founded Fortune 500 companies employed 3.6 million workers worldwide. When those founded by children of immigrants are also counted, the number was more than 10 million worldwide.⁹⁰



Immigrant Business Ownership

Immigrants in states with large foreign-born populations own businesses at a rate proportionally greater than their population numbers. For instance, in California immigrants make up 27.2 percent of the population but own 36.6 percent of all businesses—676,537 in total.⁹¹ Immigrant-owned businesses produce more than \$34 billion per year in California alone, constituting 28.1 percent of all business

⁸⁵ Fairlie, R. (2012). *Open for business: How immigrants are driving small business creation in the United States*. The Partnership for a New American Economy, p. 3.

⁸⁶ Ibid, p. 14.

⁸⁷ Privately-owned companies” excludes the government, nonprofits, public companies, which have no one person or group of people that can be called the “owner,” and any other company where the owner is not identifiable.

⁸⁸ Partnership for a New American Economy (2011). *The ‘New American’ Fortune 500*. p. 6.

⁸⁹ Ibid, p. 6.

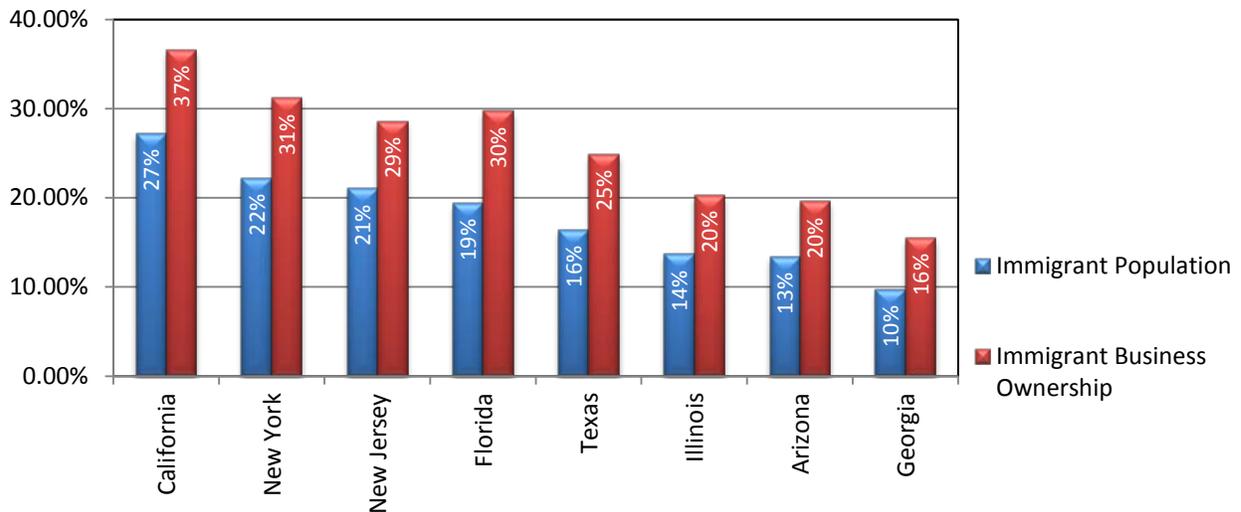
⁹⁰ Ibid, p. 10.

⁹¹ Fairlie, R. (2012). *Open for business: How immigrants are driving small business creation in the United States*. The Partnership for a New American Economy, p. 20.



income produced in the state. Similar patterns can be found in other states with large immigrant populations, such as New York, New Jersey, Florida, Texas, Illinois, Arizona, and Georgia, as detailed below in the chart.⁹²

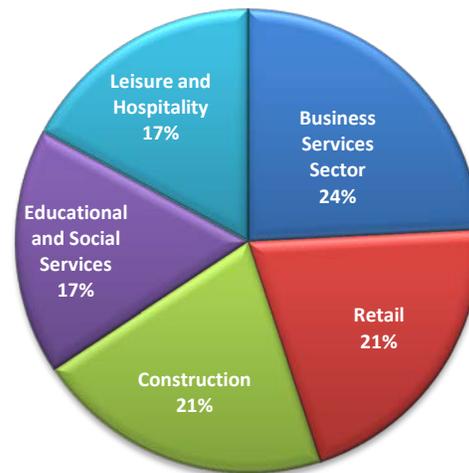
Figure 15: State Immigrant Populations and State Immigrant Business Ownership



Impact of Immigrant Small Businesses

Immigrants also play a vital role in opening small businesses. An analysis of the 2010 American Community Survey by researchers at the Fiscal Policy Institute found that immigrant small business owners in the U.S. number 900,000, or 18 percent of the 4.9 million small business owners overall. Business owners were defined as people who own an incorporated business and whose main job is to run that business.⁹³ This percentage is more than their share of the population and their share of the labor force.⁹⁴ More than half of these small businesses have at least one paid employee

Figure 16: Immigrant Business Industries



Source: Kallick, D.D. (2012). *Immigrant Small Business Owners*. Fiscal Policy Initiative.

⁹² Fairlie, R. (2012). Open for business: How immigrants are driving small business creation in the United States. *The Partnership for a New American Economy*. P. 20.

⁹³ Kallick, D.D. (2012). "Immigrant Small Business Owners." *Fiscal Policy Initiative*, p. 1.

⁹⁴ *Ibid*, p.1.



in addition to the owner, and overall, in million people or 14 percent of all people employed by small business owners.

As shown in the Figure 16, the largest number of immigrant small businesses are in the professional and business services sector (141,000 businesses), followed by retail (121,000), construction (121,000), educational and social services (100,000), and leisure and hospitality (100,000). The most common types of businesses owned by immigrants include restaurants, physicians' offices, real estate firms, grocery stores, and truck transportation services.⁹⁵ In addition to having a disproportionately large share of ownership and entrepreneurship, immigrants can also help revitalize distressed areas.

Immigrants' Effect on Distressed Communities

Immigrant entrepreneurs have a large impact on America's distressed communities. Immigrant entrepreneurs frequently move into neighborhoods that have little economic activity to start businesses, thus reviving disinvested areas. Quantitative studies from Boston and Philadelphia document the effect that immigrant owned businesses have had on declining neighborhoods; in both cases, increased economic development was the result. In fact, in New York City, immigrants helped counter the blight that threatened the city in the 1970s. The rebirth of several of the city's once-decaying neighborhoods can be attributed to immigrants.⁹⁶ They can play an outsized role in creating new jobs in some of these areas most in need of new economic opportunities.⁹⁷ As a study from the Immigrant Learning Center reports, immigrant owners of storefront businesses contribute to the economy and quality of life of the neighborhoods they serve in a number of ways.

- Revive commerce and investment in areas that have declined
- Provide needed products and services
- Address the particular needs of distinctive ethnic niches
- Incubate new businesses and mentor new ethnic entrepreneurs
- Attract new customers
- Improve the physical quality and appearance of the buildings in which they operate and surrounding areas
- Enhance public safety⁹⁸

⁹⁵ Hart, D.M., Zoltan, A.J., & Spencer, T.L. (2009). *High-tech immigrant entrepreneurship in the United States*. Small Business Administration Office of Advocacy, p.8.

⁹⁶ Thorp, E. (2004). *Immigration and urban revitalization in Philadelphia: Immigrant entrepreneurship and improving opportunity in the local economy*. Welcoming Center for New Pennsylvanians, pg. 7.

⁹⁷ Fairlie, R. (2012). *Open for business: How immigrants are driving small business creation in the United States*. The Partnership for a New American Economy, p. 24.

⁹⁸ Borges-Mendez, R., Liu, M., & Watanabe, P. (2005). *Immigrant entrepreneurs and neighborhood revitalization: Studies of the Allston Village, East Boston and Fields Corner neighborhoods in Boston*, pg. 3.



Immigrant Entrepreneurs of High-Tech Firms

In coming years, high-tech businesses will continue to drive the growth of the most competitive sectors of the U.S. economy. The new products, services, and business models that the high-tech sector generates give the United States an advantage over the rest of the world by enabling capital accumulation, wage gains, and productivity growth.⁹⁹ High-tech businesses started by immigrants play a large role in creating new sources of jobs and wealth, but beyond that, they influence the business culture of areas where they concentrate. Immigrant founders of high-tech companies bring the advantage of global networks for capital and talent that some experts argue is the key to success of places like Silicon Valley. In a global economy, immigrant-founded high-tech companies are an advantage to the United States economy.

Recent studies show that immigrants found high-tech companies at a rate proportionally larger than their share of the population. Several studies document the number of immigrants forming high-tech companies, and differing measures estimate that immigrants started between 15 and 26 percent of high-tech companies with date ranges from 1980 to 2009.¹⁰⁰ Two recent studies confirm this trend. A 2009 study from the Small Business Administration found that 16 percent of “high-impact” high-technology companies are founded by at least one immigrant.¹⁰¹ A Kauffman Foundation study found that between 2006 and 2012, 24.3 percent of engineering and technology companies had at least one immigrant founder. In that same time period, these companies generated more than \$63 billion in sales and employed more than 560,000 workers.¹⁰² The study’s authors also found that immigrants were most likely to start businesses in two sectors: i) innovation and manufacturing services and ii) software. Innovation and manufacturing services include the wholesale trade of computers and electronics, computer facilities management services, as well as computer, engineering, and research services. This study also highlighted the challenges for immigrants in starting high-tech companies in the U.S.

Barriers to High-Tech Immigrant Entrepreneurship

The Kauffman Foundation has extensively tracked immigrant entrepreneurship through a seven-article series covering the rise and plateau of immigrant-founded companies from 1995 to 2012. Research in the series tracks a boom from 1995 to 2005, with the percentage of companies with one or more immigrant founders at 25.3 percent, which was slightly higher than the most recent percentage.¹⁰³ Similarly, the percentage of immigrant-founded high-tech companies in Silicon Valley has decreased

⁹⁹ Hart, D.M., Zoltan, A.J., & Spencer, T.L. (2009). *High-tech immigrant entrepreneurship in the United States*. Small Business Administration Office of Advocacy, p. 8.

¹⁰⁰ *Ibid*, p. 35.

¹⁰¹ *Ibid*, p. 35.

¹⁰² Wadhwa, V., Saxenian, A., & Siciliano, F.D. (2012). *Then and now: America’s new immigrant entrepreneurs, part VII*. Ewing Marion Kauffman Foundation, p. 3.

¹⁰³ Wadhwa, V., Saxenian, A., & Rissing, B., Gereffi, G. (2007). *America’s new immigrant entrepreneurs*. Master of Engineering Management Program, Duke University; School of Information, U.C. Berkeley, p. 2.



from 52 percent in 1995 to 42 percent in 2012.¹⁰⁴ The decrease in high-tech immigrant entrepreneurs starting companies in the United States indicates that skilled foreign students and temporary workers may be returning to their home countries. This is due, in part, to a lack of employment-based visas and the subsequent difficulties for talented immigrants to achieve permanent residence status in the United States.

The most recent Kauffman Foundation study regarding immigrant entrepreneurs notes that in 2006 there were 500,040 applicants, in the United States and abroad, vying for the main employment-based categories; but, only about 120,000 employment-based visas were available.¹⁰⁵ (This study reflects the number of applicants for EB-1, EB-2, and EB-3 visas, and is not reflective of H1-B visas.) Employment-based visas are further limited by per-country caps. That is, only 7 percent of the total number of visas available can be issued to immigrants from any one country. Per-country caps may have an impact on high-technology entrepreneurs, as numerous studies have shown that the majority of immigrant high-tech firm founders are Indian and Chinese. The large populations of these countries often result in a longer wait for visas and green cards for immigrants from these countries as compared to others.

The Importance of Immigrant Connectedness

As important as the jobs and revenue created by immigrant-founded tech companies are the linkages they bring to networks beyond the United States. In a 1994 book, Berkeley professor Anna Lee Saxenian found that the circulation of people and money from abroad was a key factor in Silicon Valley's success as a regional technological powerhouse.¹⁰⁶ Subsequent research shows that immigrant-founded companies are about twice as likely as native-founded companies to state that they have a strategic relationship with a foreign firm, such as a major supplier, key partner, or major customer.¹⁰⁷

Immigrant-founded companies tend to be more globally focused and more apt to export to or interface with their home countries and regions. Immigrant-owned businesses are more than 60 percent more likely to export than are non-immigrant-owned businesses.¹⁰⁸ Immigrants often face lower barriers to entry in foreign markets because they have established networks in their home countries, an understanding of local markets, and shared languages and culture.¹⁰⁹

¹⁰⁴ Wadhwa, V., Saxenian, A., & Siciliano, F.D. (2012). *Then and now: America's new immigrant entrepreneurs, part VII*. Ewing Marion Kauffman Foundation, p. 2.

¹⁰⁵ Ibid, p. 2.

¹⁰⁶ Saxenian, A. (2004). *Local and Global Networks of Immigrant Professionals in Silicon Valley*. Public Policy Institute of California, p. 7.

¹⁰⁷ Hart, D.M., Zoltan, A.J., & Tracy, S.L. (2009). *High-tech immigrant entrepreneurship in the United States*. Small Business Administration, p. 42.

¹⁰⁸ Fairlie, R. (2012). *Open for business: How immigrants are driving small business creation in the United States*. The Partnership for a New American Economy, p. 10.

¹⁰⁹ Herander, M.G. & Saavedra, L.A. (2005). *Exports and the structure of immigrant-based networks: The role of geographic proximity*. *The Review of Economics and Statistics*, 87(2): 323-335



In 2002, Saxenian found that Chinese and Indian immigrants have a wide range of professional ties to their native countries.¹¹⁰ Many return to their native countries regularly for business purposes and exchange technology and labor market information with colleagues and friends. Some also advise companies, invest in startups and venture funds, and meet with government officials in their native countries. Saxenian also found that many foreign-born entrepreneurs set up operations in their native countries to gain access to low-cost labor and access to the domestic market.

To take advantage of those global connections for their own community's benefit, organizations like Greater Louisville International Professionals works to improve networking and partnerships among the native and immigrant businesses in Louisville.

Greater Louisville International Professionals, Louisville, Kentucky

Immigrants open a city's eyes to global business.

An initiative of the Greater Louisville Partnerships, the Greater Louisville International Professionals program (GLIP) is an example of how tools for growing human capital can be used to engage immigrants as valuable partners in economic development. GLIP's mission is to attract and retain international talent by serving as a source of information, conversations, and connections between international professionals and the region's business community. The GLIP program combines aspects of business networking, mentorship, outreach, and education into a multifaceted approach that emphasizes global connectedness for the entire city of Louisville.

Networking is a major part of GLIP's strategy for integrating immigrants into the business community.

When the program started in 2009, Louisville had an adequate amount of social services aimed at immigrants, but lacked a way to engage existing talented foreign workers, or to attract more. Starting out, GLIP focused on recruiting and retaining this population through networking events designed to create strong business and community relationships. Local businesses found an added benefit accessing resources and talent that could facilitate an expansion abroad. Increasingly, these events served to educate the local community about the importance of having a global world view.

The After-Hours Networking Series is a key component of the events roster. Held four times per year, and featuring ethnic food, and speakers covering global topics, these events give their 200+ attendees a chance to share ideas and culture. Additionally, each year, GLIP hosts a series of panel discussions and lectures from influential leaders, focusing on the importance of embracing foreign talent and global commerce as a sustainable business strategy. The 2013 event series, entitled "International Business and Cultural Norms Luncheon Series" will feature a business leaders, academics, and international professionals discussing the culture of business in India, China, the Middle East, and Brazil.

GLIP also offers mentorship, family resources, and educational programs.

¹¹⁰ Saxenian, A. (2002). *Local and global networks of immigrant professionals in Silicon Valley*. Public Policy Institute of California, p. 7.



The program also engages businesses and international professionals individually. The Mentorship-Protégé program offers professional guidance for international students in the United States while the Ambassador Program assigns one person from each local international community as the liaison to international companies and newly arrived immigrants. Additionally, GLIP's programs also reach into the community. Their members created the Family Resource Group, which assists the families of new-to-Louisville professionals in finding resources and employment. Another innovative program launched 2 years ago engages global companies, and the international community in teaching high school students about international markets through a program called "The Amazing Global Marketplace."

Strategic relationships are critical to this program's success. The Greater Louisville Partnerships' existing relationships allows GLIP to tap into key businesses and programs such as exploratory trade trips abroad. Their work is made possible through partnerships with local companies, who sponsor their events, and serve as mentors. The program was started with funding from a grant from the local CS&A Foundation. Additionally, GLIP benefits from their members' in-kind donations, such as event space and catering for events.

GLIP events see strong attendance and interest from the community.

Statistics from 2012 are evidence of GLIP's success. Their online social networking system boasts 1550 members, 95 percent of who have a 4 year degree or above. The population with the largest amount of members is India, although they have over 100 countries represented. Since 2009, GLIP has hosted about 25 events per year, and in 2012, their yearly attendance was 2,650.

Michael Iacovazzi-Pau, the Director of the GLIP program, explains that there is an immense advantage for economic development organizations to have programs that engage and connect immigrants, citing his conversations with foreign companies interested in relocating to Louisville. He notes that, in some cases, the presence of their program has been a dealmaker recruiting foreign companies.

Immigrant Innovation

High-skilled immigrants also contribute to the economy by introducing new concepts and ideas. Especially in the fields of science and engineering, immigrants contribute heavily to research resulting in innovations that in turn lead to economic development. Immigrants also boost innovation indirectly through positive influences on fellow researchers, achieving critical mass in specialized research areas, and providing complementary skills such as management and entrepreneurship.¹¹¹

Immigrants are overrepresented among members of the National Academy of Sciences and the National Academy of Engineering, among authors of highly cited science and engineering journal articles, and among founders of biotech companies undergoing IPOs.¹¹² A study from the Harvard Business School finds that 12 percent of all the patents granted in 2004 were to inventors with Chinese and Indian last

¹¹¹ Hunt, J. & Gauthier-Loiselle, M. (2009). *How much does immigration boost innovation?* Discussion Paper No. 3921. Institute for the Study of Labor, p.3.

¹¹² Stephan, P.E. & Leven, S.G. (2001). *Exceptional contributions to US science by the foreign-born and foreign-educated*. Population Research and Policy Review, 20 pp.59-79.



names.¹¹³ Furthermore, a Kauffman Foundation study finds that 24 percent of all international patent applications from the U.S. were from non-citizens.¹¹⁴ A study from the Institute for the Study of Labor found that the skilled immigrant patenting advantage over skilled natives is entirely accounted for by immigrants disproportionately holding degrees in science and engineering.¹¹⁵

EB-5 Program

The EB-5 program was created in 1992 to encourage investment during a time of recession in the United States. Developers favor the program because foreign investors are motivated more by the promise of U.S. citizenship than by the high returns on their investment. Since the downturn in the economy in 2008, it has become a popular way to finance projects, especially as domestic investment sources became harder to access. Since the creation of the program, EB-5 visa recipients invested more than \$6.8 billion, and about 50,000 American jobs have been created.¹¹⁶ In that time, more than 29,000 people received visas, with three-quarters of those being issued since 2008.

In order for immigrants to obtain legal permanent residence, they must invest \$500,000 to \$1,000,000 and show that their investment creates 10 new full-time jobs over two years. EB-5 visa holder who invests in a troubled business can count jobs preserved rather than jobs created. Another alternative is investing in a Regional Center. In 1993, the United States Citizenship and Immigration Services (USCIS) found that the 10-job requirement was off-putting to foreign investors interested in EB-5, so they created the Regional Centers program. Through this program, investors can contribute to a Regional Center, which would then distribute the funds to businesses and nonprofits. In this scenario, investors can meet the job requirement by demonstrating that their contribution to the Regional Center has created 10 or more jobs and has resulted in improved regional productivity.¹¹⁷ There are currently 230 Regional Centers in the country, and new centers can be set up by entrepreneurs, governments, or organizations. The USCIS approves new centers upon assessing whether the project will benefit a regional economy and provide significant improvement. If a center is approved, the promoter forms a limited partnership or corporation through which EB-5 investments may be made.

The USCIS approval of the Regional Center does not mean it endorses the activities of the center or that any risks to the investor are minimized or eliminated.¹¹⁸ However, some unscrupulous promoters have sold false business deals based on those assumptions. One example is the Intercontinental Regional Center Trust of Chicago, which, in partnership with the company A Chicago Convention Center,

¹¹³ Kerr, W.R., & Lincoln, W.F. (2008). *The supply side of innovation: H1-B visa reforms and US ethnic invention*. Harvard Business School Working Paper 09-005, p. 2.

¹¹⁴ Wadhwa, V., Saxenian, A., Rissing, B. & Gere, G. (2007). *America's new immigrant entrepreneurs*. Kauffman Foundation report, p. 4.

¹¹⁵ Hunt, J. & Gauthier-Loiselle, M. (2009). *How much does immigration boost innovation?* Discussion Paper No. 3921. Institute for the Study of Labor, p. 3.

¹¹⁶ Washington Post. March 21, 2013. Foreign citizens making big investments in U.S. in exchange for green cards.

¹¹⁷ U.S. Citizen and Immigration Services. (2012). *Immigrant Investor Regional Centers*,

¹¹⁸ *Ibid.*



defrauded 250 investors out of about \$145 million.¹¹⁹ In light of such cases, the USCIS has increased its staff by adding lawyers and economists to perform enhanced due diligence.¹²⁰ Furthermore, new regulations on the program were introduced as of May 30, 2013.

The program has been controversial for other reasons. Some critics question the nature of the program, charging that EB-5 visas allow would-be immigrants to pay for U.S. citizenship. In this view, EB-5 visa holders are “skipping ahead” of other immigrants due to the fact that they are able to make investments. However, the United States is not alone in offering this kind of program; both Canada and Australia offer investment-based immigration, though their programs are not tied to jobs.¹²¹

Despite dishonest dealings and philosophical objections, the EB-5 visa program can be a valuable economic development tool for communities, especially those that struggle to attract investment. The vast majority of EB-5 investors contribute at the \$500,000 level, which is available for projects in rural areas or in places with particularly high unemployment.¹²²

Projects incorporating multiple job-creating entities—such as hotels and restaurants—are especially popular due to the amount of jobs created. Such is the case with a multi-million-dollar project in Vermont. Jay Stenger, the owner of the Jay Peak ski resort, is utilizing EB-5 funding to expand the resort and add additional tourist attractions, such as an ice rink, a water park, and an indoor mountain bike park. So far, he has successfully attracted \$275 million to complete the first phase.¹²³ Vermont has built on the success of Jay Peak by opening a state Regional Center, an approach contrasted with the successful case of Philadelphia Industrial Development Council’s EB-5 development, both of which are described below.

Philadelphia Industrial Development Corporation Regional Center, Philadelphia, Pennsylvania

Vermont Regional Center

Contrasting EB-5 regional centers offer valuable lessons on structure, partnership for investing immigrant capital in local economic development projects.

Over 200 EB-5 regional centers exist in the U.S. with a range of organizational models from public-private partnerships to those owned and operated by private enterprises. Two contrasting examples of EB-5 regional centers are in Philadelphia and Vermont. While both include public sector involvement, the Vermont Regional Center is unique in that it is wholly owned and operated by a state government, while Philadelphia’s regional

¹¹⁹ Chicago Tribune. February 14, 2013. Judge halts O’Hare convention center project.

¹²⁰ Wall Street Journal, March 19, 2013, Chinese Investors Get Picky Over U.S. Visa-for-Cash Deal.

¹²¹ Ibid.

¹²² Washington Post. March 21, 2013. Foreign citizens making big investments in U.S. in exchange for green cards.

¹²³ New York Times, December 30, 2010, Lure of Green Cards Brings Big Investments for Remote Resort in Vermont.



center is a public-private partnership. Despite their different structures and processes, both centers provide valuable lessons in EB-5 investment and the economic development potential of regional centers.

Background on EB-5 regional centers in Philadelphia and Vermont.

In 2003, the Philadelphia Industrial Development Corporation (PIDC), the non-profit economic development organization for the city, and private investment firm, CanAm Enterprises, formed the PIDC Regional Center. Investments range from development of the Pennsylvania Convention Center to hotel construction and focus on the target areas of higher education, technology, trade, manufacturing, transportation and tourism.¹²⁴ As of May 2013, the PIDC Regional Center raised over \$548 million in capital and fully repaid 18 loans to foreign investors for economic development projects in the greater Philadelphia area.¹²⁵

The Vermont Regional Center is unique among EB-5 regional centers as the only one entirely owned and operated by a government entity.¹²⁶ The state of Vermont runs the regional center through its Agency of Commerce and Community Development while most other EB-5 regional centers are either public-private partnerships or entirely private entities.¹²⁷ As Vermont is mostly-rural, almost the entire state is designated as a targeted employment area (TEA), which means foreign investors must only provide a minimum of \$500,000 in investment funds as opposed to the \$1 million investment required in non-TEA projects.¹²⁸ Additionally, foreign investors are allowed to use a provision in the program that permits them to count indirect jobs created by their investment towards the job creation threshold necessary for receiving permanent residency.¹²⁹

Impact of regional centers on economic development in their communities.

Both centers contribute significant capital towards economic development projects in their respective areas. In Philadelphia, EB-5 investors provided capital during recent years when banks restricted lending due to the recession. For example, foreign investors provided \$45 million to the development of a Kimpton hotel in Philadelphia, which was needed to meet demand from an expanded convention center. The loan came when other private capital was not available for hotel financing and led to the creation of over 1,000 direct and indirect jobs in the city.¹³⁰ In Vermont, the regional center provided \$12 million from 24 investors to preserve 240 jobs at a local lawn care products manufacturing company, which struggled after the recession.

Benefits of public participation.

The amount of public sector involvement differs between the two centers, though both cite benefits from public sector participation. The Vermont Regional Center conducts a number of oversight activities for its investments including quarterly status reports, frequent site visits, and requirement of a memorandum of understanding with strict obligations for developers.¹³¹ The regional center also provides any regulatory expertise or help that project leaders may need from the state with regards to the EB-5 process.¹³² To help cover the expenses of this oversight,

¹²⁴ PIDC: Regional Center, (2013). *Overview*.

¹²⁵ PIDC. (2013) *Track Record*.

¹²⁶ Vermont Agency of Commerce & Community Development. (2013) *Vermont EB-5 Regional Center*.

¹²⁷ Carlson Consulting Enterprise (2013.) EB-5 Investor Program and the State of Minnesota, p. 17.

¹²⁸ Vermont Agency of Commerce & Community Development. (2013) *Vermont Investors*.

¹²⁹ *Ibid*.

¹³⁰ PIDC (2013) *Track Record*.

¹³¹ Vermont Agency of Commerce & Community Development. (2013) *Vermont EB-5 Regional Center*

¹³² *Ibid*.



the state charges developers \$1,500 per EB-5 investor in their project.¹³³ Meanwhile, PIDC staff identify and evaluate local projects for immigrant investment and make recommendations on investments for the regional center. CanAm serves as the actual lender and navigates the processing of immigrants and other EB-5 regulatory compliance issues on behalf of the regional center. Officials from both Vermont and Philadelphia point to public sector involvement as a key factor lending credibility to their regional centers and ensuring legitimate economic development projects receive funds.

Lessons learned about partnerships in EB-5 regional centers

Regardless of the organizational model, one of the most valuable lessons learned from these regional centers is to have an experienced partner or participant for handling immigration issues and investments. The stakes for immigrant investors are high as the failure of an investment to meet EB-5 job creation requirements leads to the deportation of immigrant investors and their families. Additionally, the rules and regulations for the program are complex. As such, it is important for any economic development organization involved with a regional center to either have in-house immigration expertise or to partner with firms experienced in handling immigration processes and issues, and who also understand the importance of successful investments for the foreign investors.

In addition to good partners for the regional center, another lesson learned specifically from PIDC's experience is to work with well-capitalized and motivated real estate developers. EB-5 loans can take up to a year to document and prepare, so interested developers need to have some financial flexibility until the EB-5 loans are ready. Some developers may be misled by less-reputable EB-5 regional centers or "middle men" to believe funds can be quickly obtained from foreign investors. But the process takes time and only works well for developers with flexible time constraints and a commitment to seeing a project through to completion.

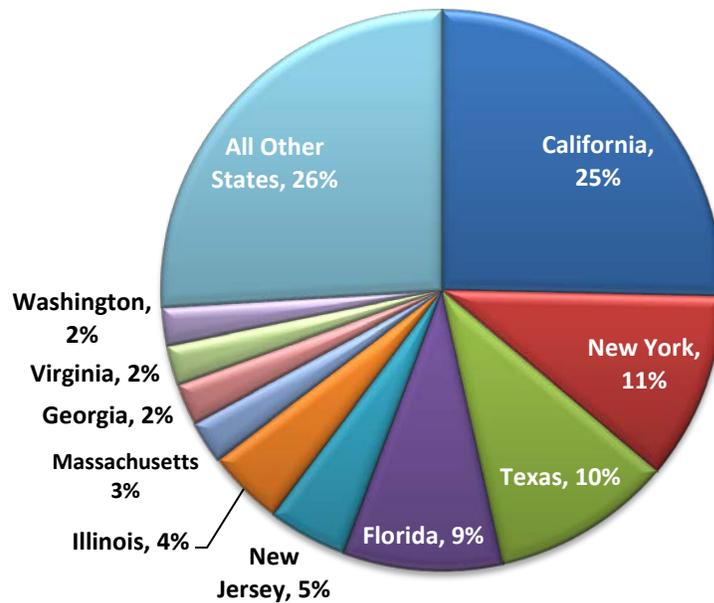
¹³³ Burlington Free Press, March 14, 2013, EB-5: The Whole Picture.



VI. Traditional and Recent Immigrant Settlement Patterns

Traditionally, major cities on the east and west coasts, particularly in and around New York and California, have been gateways for immigrants. California has the largest immigrant population, accounting for more than one-fourth of the national total.¹³⁴ Texas and Florida also attract large volumes of immigrants due to their proximity to Mexico, the Caribbean, and South America. Together, these four states are home to more than 50 percent of all immigrants. Chicago also is a traditional immigrant gateway, due to the city’s availability of jobs. Altogether, more than a third of the entire foreign-born population lives in New York, Los Angeles, Miami, and Chicago.¹³⁵

Figure 17: Immigrant Population by State



Source: U.S. Census Bureau, American Community Survey, 2010.

The shift of native-born, middle-class whites from cities to suburbs and exurbs increased demand for workers in construction and service industries, sectors that traditionally attract large numbers of immigrants. Between 2000 and 2009, the immigrant population grew more than twice as fast in the nation’s suburbs as in the primary cities.¹³⁶ Increasingly, immigrants are moving into states that had not seen large foreign born populations in the past. In fact, seven of the 10 states with the highest percentage increase in immigrants from 2000 to 2010 were in the Southeast (Alabama, South Carolina, Tennessee, Arkansas, Kentucky, North Carolina, South Dakota, and Georgia) while the other three states were in the West (South Dakota, Indiana, and Nevada).¹³⁷ This correlates with trends in native-born

¹³⁴ Camarota, S.A. (2011). *A record-setting decade of immigration: 2000-2010*. Backgrounder, Center for Immigration Studies, p.6.

¹³⁵ Suro, R., Wilson, J. & Singer, A (2011). *Immigration and poverty in America’s suburbs*. The Brookings Institution Metropolitan Policy Program. 3.

¹³⁶ Ibid, p.4.

¹³⁷ Camarota, S. A. (2011). *A record-setting decade of immigration: 2000-2010*. Backgrounder; Center for Immigration Studies, p.2.



population growth. From 2000 to 2010, the South and the West grew fastest, increasing by 14.3 and 13.8 percent respectively.¹³⁸

In addition to jobs, immigrants moved to suburbs seeking lower costs of living and better educational opportunities for their children. Once established, these suburban immigrants spread the word to family and friends living abroad, which resulted in migration from abroad directly to suburban areas.¹³⁹ This pattern is distinctly different from the settlement patterns of the past, where immigrants congregated mainly in urban neighborhoods, forming the Chinatowns and Little Italy's often seen in traditional gateway cities. These neighborhoods provide an established economic and social support system that new immigrants lack when migrating directly to suburbs. This decreases access to resources such as language classes and workforce training and can even contribute to higher poverty rates. For example, 14 percent of foreign-born residents in America's suburbs live in poverty, versus 10 percent of native-born suburbanites.¹⁴⁰

Geography of Undocumented Immigrants

Of the 11.5 million undocumented immigrants in the U.S. today, about three-quarters, or 8.4 million, are Hispanic.¹⁴¹ The majority of undocumented immigrants are from Mexico (just under 7 million), while 1.6 million are from El Salvador, Guatemala, and Honduras combined. The remaining 3.2 million are from other countries.¹⁴²

The proportion of unauthorized workers varies widely among states, as seen in the map below. They constitute roughly 10 percent or more of the labor force in Arizona, California, and Nevada but less than 2.5 percent in most Midwestern and Plains states.¹⁴³ As of 2008, California had the largest unauthorized immigrant population with about 2.7 million. California was followed by Texas with 1.4 million and Florida and New York with 1 million each.¹⁴⁴ States that showed a decline in unauthorized immigrant populations after the 2010 Census were Florida, New York, Virginia, Colorado, Arizona, Utah, and Nevada. There was an increase of undocumented immigrants in Texas, Louisiana, and Oklahoma.¹⁴⁵ The economic conditions behind this decrease are due mostly to changes in the U.S. and Mexican economies.

¹³⁸ Mackun, P. & Wilson, S. (2011). *Population distribution and change: 2000 to 2010*. 2010 Census Briefs, The United States Census Bureau, pg. 1.

¹³⁹ Maciag, M. (2013). Immigrant Population Growing Fastest in Many Cities. *Governing The States and Localities*.

¹⁴⁰ Ibid.

¹⁴¹ Congressional Budget Office. (2013). Letter to the honorable Paul Ryan: A description of the immigrant population—2013 update, p. 14.

¹⁴² Passel, J.S. & D. Cohn. (2009). *A portrait of unauthorized immigrants in the United States*. Pew Research Center, Pew Hispanic Center, p.2.

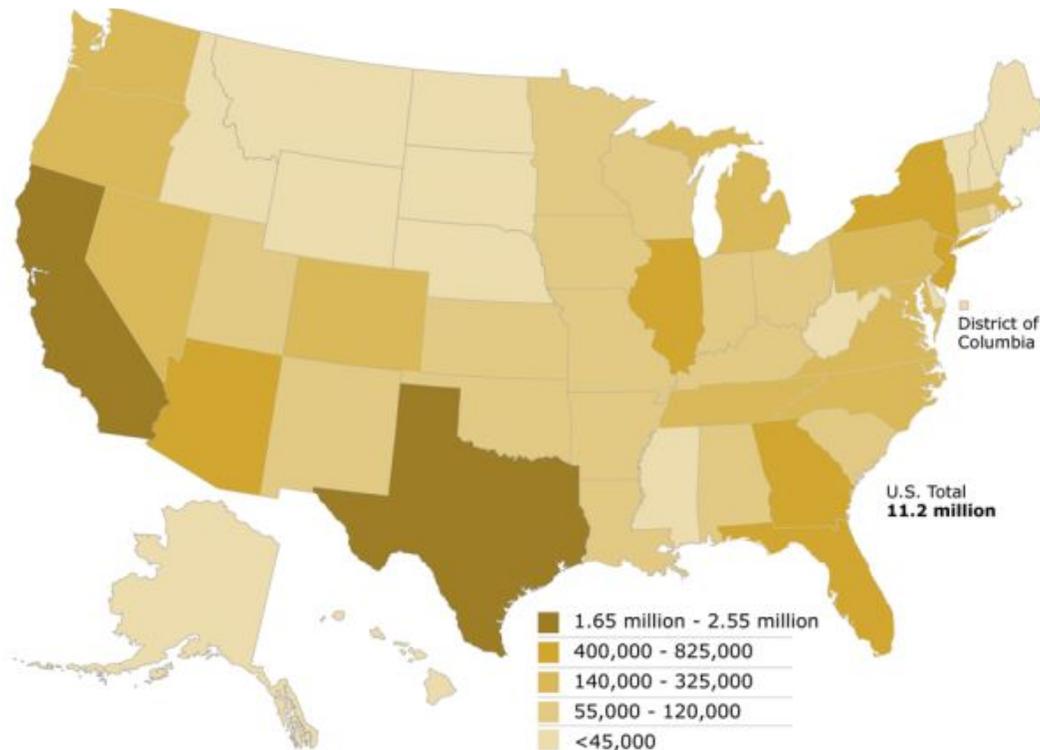
¹⁴³ Congressional Budget Office. (2013). Letter to the honorable Paul Ryan: A description of the immigrant population—2013 update, p. 14.

¹⁴⁴ Passel, J.S. & D. Cohn. (2009). *A portrait of unauthorized immigrants in the United States*. Pew Research Center, Pew Hispanic Center, p. 12.

¹⁴⁵ Passel, J.S. & D. Cohn. (2011). *Unauthorized immigrant population: National and state trends, 2010*. Pew Research Center, Pew Hispanic Center.



Figure 18: Unauthorized Immigrant Population by State 2010



Source: Passel, J.S. & D. Cohn. (2011). *Unauthorized immigrant population: National and state trends, 2010*. Pew Research Center. Pew Hispanic Center, p.28.

The Geography of Immigrant Skills

New immigrants tend to migrate to metropolitan areas with fast-growing economies and seek jobs that suit their skill level. Differences in economic and industrial structures create varying occupational demand across labor markets, leading to uneven geographic distribution of low- and high-skilled immigrants.¹⁴⁶

A 2010 Fiscal Policy Institute (FPI) analysis of the top 25 metro areas in the United States found that immigrants are drawn by economic expansion.¹⁴⁷ This is particularly true for service jobs (e.g., food services) and blue-collar jobs (e.g., construction). Fast-growing Houston is an example of a city that

¹⁴⁶Hall, M., Singer, A., De Jong, & G.F., Roempke Graefe, D. (2011). *The geography of immigrant skills: Educational profiles of metropolitan areas*. The Brookings Institution, p. 2.

¹⁴⁷Kallick, D.D. (2010). *Across the spectrum: The wide range of jobs immigrants do*. Fiscal Policy Institute, p. 17.



attracted large numbers of immigrants due to growth in its construction and service industries; 59 percent of immigrants in the city work in these sectors.

Slower-growing metros, on the other hand, attract fewer immigrants but have a proportionally larger population of high-skilled immigrants. In these cities, institutions such as universities, hospitals, and large companies draw on a global talent pool for doctors, engineers, and executives. In some cases, these high-skilled immigrants take the place of native-born professionals who have retired or left the area for better opportunities. For example, in Pittsburgh about 50 percent of immigrants work in managerial and professional specialty occupations, and 25 percent are employed in technical or sales jobs. Therefore, 75 percent of the immigrant labor force in Pittsburgh is in middle- or high-skill jobs.¹⁴⁸

A 2011 report from the Brookings Institution examining the settlement patterns of immigrants across the nation's 100 largest metropolitan areas corroborates these findings, illustrated in Figure 19 below.¹⁴⁹ The authors of the study calculated the ratio of high- to low-skilled adult immigrants to evaluate the representation of these groups in metropolitan areas. Cities are represented with different colored shapes to indicate the whether the immigrant population skews high-skilled or low-skilled. The report found that 44 of the nation's 100 largest metropolitan areas are high-skill immigrant destinations (blue triangle) in which college-educated immigrants outnumber immigrants without a high school diploma by at least 25 percent. The 30 low-skill destinations (red triangle) include many in the border states of the West and Southwest as well as some in the Great Plains.

In established, post-World War II immigration gateways such as Houston and gateways along the U.S.-Mexico border and in California, the population of low-skilled immigrants is higher than that of high-skilled immigrants.¹⁵⁰ Those cities with a balanced population have attracted immigrants with both high and low skills. Some of these cities, such as Portland and Minneapolis-St. Paul, have resettled high numbers of refugees in the past few decades. Depending on country of origin, refugee populations have a mix of skills, experience, and education, leading to a boost at both ends of the skills spectrum.¹⁵¹

¹⁴⁸Kallick, D.D. (2010) *Across the spectrum: The wide range of jobs immigrants do*. Fiscal Policy Institute, p. 3.

¹⁴⁹Low-skilled immigrants are defined as lacking a high-school diploma, while high-skilled are those with a college degree or more.

¹⁵⁰Hall, M., Singer, A., De Jong, & G.F., Roempke Graefe, D. (2011). *The geography of immigrant skills: Educational profiles of metropolitan areas*.. The Brookings Institution, p.1.

¹⁵¹Ibid, p. 10.



Figure 19: Immigration Skill Ratio, 100 Largest Metropolitan Areas, 2009



Source: Hall, M., Singer, A., De Jong, G.F., & Roempke Graefe, D. (2011). *The geography of immigrant skills: Educational profiles of metropolitan areas*. The Brookings Institution.

There are different reasons why cities contain larger numbers of high-skilled immigrants. Large coastal metro areas such as San Francisco and Washington, D.C. attract high-skilled immigrants due to cultural amenities and opportunities for college-educated workers in computing and IT services (San Francisco) and consulting (Washington, D.C.). Other metros, such as Knoxville, Tennessee, or Columbus, Ohio, have a large and highly skilled population due to the presence of universities.¹⁵² Several of the most highly educated immigrant populations nationwide (e.g., Pittsburgh and St. Louis) are located in former gateways that have transitioned, at least partially, into areas of concentration for science, health care, and education. In both this study and the FPI study, it is important to note that undocumented immigrants likely are underrepresented due to their tendency to avoid data-tracking measures.

¹⁵²Hall, M., Singer, A., De Jong, & G.F., Roempke Graefe, D. (2011). *The geography of immigrant skills: Educational profiles of metropolitan areas*. The Brookings Institution, p. 10.



Urban Farm Incubators for Immigrants and Refugees

Providing immigrants with the skills and assets to become urban farmers.

While numerous incubators in cities around the U.S. focus on fostering entrepreneurs for the workplace, a growing number of organizations want to help immigrants gain skills and income through urban farming initiatives. Many immigrants and refugees come to the U.S. with some knowledge or background in agriculture. But they are in need of more training in small-scale farming, and more importantly, in need of the tools and business skills to help make their farming profitable. Urban farm incubators, like those in Seattle, Houston, and Minneapolis, help teach immigrants and refugees how to earn income through growing crops on small plots of land in their cities. Several of these organizations began by specifically focusing on helping refugees farm, but expanded their scopes to include a wide range of immigrants. In addition to aiding immigrants, these organizations have the goal of improving the access to local, healthy foods in their communities through the crops raised on these farms. Cities benefit from healthier food options and immigrants earn income, develop a network of farmers, and feel more at home in their new communities.

Programs offer farm skills, land, business planning.

These urban farming organizations offer immigrants training in farming techniques, land to work on, and access to equipment and markets for selling their goods. The Seattle Tilth Farm Works provides a training program to immigrants that teaches them not only farming skills, but also business planning, marketing, and operations knowledge to eventually run their own small-scale farms as businesses.¹⁵³ Current farmers in the area provide mentorship and participants get access to equipment as well. In Houston, Plant it Forward offers a similar program to get refugees trained on not just farming, but how to make farming into a business. Both programs offer small plots of land to immigrants of approximately $\frac{1}{4}$ of an acre, often as part of larger urban farm plots. Churches, universities and neighborhoods offer land to the organizations for these initial urban farms, as sustainability initiatives or even neighborhood revitalization projects.

In order to train immigrant farmers, many of these incubators receive grants from federal programs such as the Refugee Agricultural Partnership Program, which is a joint effort between the Department of Health and Human Services (HHS) and Department of Agriculture (USDA). This federal program provided 14 grants to similar programs aimed at refugee farmer training around the country, ranging from \$50-85,000.¹⁵⁴ Immigrant farming organizations like Seattle Tilth also receive donations from a range of local businesses such as large corporations like Microsoft and small neighborhood hardware stores.¹⁵⁵

Farming helps immigrants earn income, communities gain healthy food options.

¹⁵³ Seattle Tilth Farm Works, (2013). *About us*.

¹⁵⁴ U.S. Office of Refugee Resettlement. (2013). Refugee Agricultural Partnership Program.

¹⁵⁵ Seattle Tilth Farm Works, (2013). *Our Community*.



Immigrant farming generates revenue from sales of produce and allows for immigrants to supplement their income or even farm as full-time employment. Throughout the U.S., many programs exist to help immigrant farming, but few of them do so as means of providing full-time employment for immigrants. Instead, they look to add supplemental income for immigrants or even just provide other benefits like emotional support or engagement for immigrants. But immigrant and refugee farmers still find some success in selling their goods and earning income. In Houston, the Plant It Forward participants are already selling over \$1000 a week in produce at local farmers markets with a goal of increasing sales to allow those farmers to become self-sufficient on their sales revenue. In Minneapolis, small, urban immigrant farmers use their low equipment and land costs to gain higher returns on their goods than many large-scale farms with much larger capital investments.¹⁵⁶ A New York Times article stated that immigrant farmers on these small plots could earn anywhere from \$5,000-\$50,000 annually from sales of their crops.¹⁵⁷

Immigrant farm incubators may not produce the next technology entrepreneurs for a region, but they can help new immigrants and refugees develop a useful hobby or even job. Additionally, they can provide a community with more locally grown produce and lead to healthier environment for immigrants and locals alike.

¹⁵⁶ Minnesota Public Radio, (2002). Reaching out to immigrant farmers.

¹⁵⁷ New York Times (October 9, 2011) When the Uprooted Put Down Roots.



VII. Low-Skilled and Undocumented Workers

Dual labor market theory suggests that skilled natives are averse to jobs that involve manual labor or poor working conditions, and therefore, unauthorized immigrant workers supply the labor force for these jobs. A look at the industries in which undocumented workers have a large presence reinforces this theory. A 2008 study estimated that, on a national scale, undocumented immigrants make up large percentages of the workforce in grounds keeping (19 percent), construction (17 percent), and food preparation occupations (12 percent).¹⁵⁸

The same study found that undocumented immigrants were most concentrated in farming, where they comprised 25 percent of the farming workforce. A more targeted survey of 50,000 farmworkers indicates that the number of undocumented workers in this industry is even more significant. In 2009, the National Agricultural Workers Survey, which is conducted by the United States Department of Agriculture, found that about 50 percent of all farmworkers surveyed were unauthorized, up from about 15 percent during the 1989 to 2001 timeframe.¹⁵⁹

Because undocumented immigrants typically are willing to accept lower wages, many businesses hire them to minimize production costs. The agriculture industry, for example, has mechanized extensively, but some crops still must be harvested by hand. To illustrate, hired farm labor accounts for 17 percent of variable production expenses in U.S. agriculture, but even more in labor-intensive sectors such as vegetables (35 percent), nursery products (46 percent), and fruit (48 percent).¹⁶⁰

Legislation affecting undocumented immigrants would have a large impact on the agriculture industry. For example, if federal legislation mirrored state policies that further restrict employers from hiring undocumented workers—such as those implemented in Georgia and Arizona—farmers could be discouraged from producing labor-intensive crops. Yet these crops are often more valuable. A 2011 study determined there could be a \$792 million crop value loss per year if Georgia replaced all of its handpicked crops with mechanized crops.¹⁶¹ Undocumented immigrant workers have even larger economic impacts beyond affecting crop production.

The Cost of Deportation

Undocumented immigrants have a significant impact on the American economy beyond agriculture. Several researchers have approached the impact of undocumented immigrants by calculating the impact of their absence. A 2008 study found that, for the United States as a whole, the immediate effect of

¹⁵⁸ Passel, J.S. & D. Cohn. (2009). *A portrait of unauthorized immigrants in the United States*. Pew Research Center. Pew Hispanic Center, p. 25.

¹⁵⁹ USDA Economic Research Service (2012). *Farm Labor*. United States Department of Agriculture.

¹⁶⁰ Zahniser, S., Hertz, T., Dixon, P.B., & Rimmer, M.T. (2012). *Immigration policy and its possible effects on U.S. agriculture*. Amber Waves.

¹⁶¹ Baxter, T. (2011). *How Georgia's anti-immigration law could hurt the state's (and the nation's) economy*. Center for American Progress, p. 2.



eliminating the undocumented workforce would include an estimated of \$1.76 trillion in annual lost spending, \$651.5 billion in annual lost output, and 8.1 million lost jobs.¹⁶²

A 2012 study concentrating on California, Los Angeles, and Arizona found similar results in an examination of a mass deportation scenario.¹⁶³ Below, in Table 1, are the impact numbers from mass deportation on local and states economies.

Table 1: Fiscal Impact of Mass Deportation

	California	Los Angeles	Arizona
Loss of Jobs	3.6m	1.2m	581,000
Lost Labor Income	\$ 176b	\$ 60.1b	\$29.5b
Reduction in Gross Product	\$ 300b	N/A	\$ 48.8b
Resulting contraction in the economy	17%	22%	20%

Missing Out on Immigrant Skills

Although undocumented immigrants' contribution to the U.S. economy is significant, their legal status hampers their ability to reach their full potential. As shown above, unauthorized workers tend to be concentrated in the lowest-wage occupations. Though they may have skills beyond these jobs, they try to minimize the risk of deportation, even if this means working for lower wages in lower-skilled jobs.

Analysis of the 1986 Immigration Reform and Control Act (IRCA), which granted authorized status to 3 million undocumented immigrants, shows that this newly legal population soon began to earn higher wages and moved on to better jobs.¹⁶⁴ Another study of the 20-year impact of IRCA shows that formerly undocumented immigrants began to invest more in their own education, opened bank accounts, purchased homes, and started businesses.¹⁶⁵

High-skill Undocumented Immigrants

Highly skilled immigrants also frequently cannot work to their full potential due to lack of legal status or lack of professional certification. The number of high-skilled undocumented immigrants is difficult to

¹⁶² The Perryman Group. (2008). An essential resource: An analysis of the economic impact of undocumented workers on business activity in the US with estimated effects by state and by industry, p. 6.

¹⁶³ Hinojosa-Ojeda, R. (2012). *The economic benefits of comprehensive immigration reform*. Cato Journal. Vol 32, No. 1 Winter 2012, p. 190.

¹⁶⁴ Smith, S. J.; Kramer, R. G.; & Singer, A. (1996) *Characteristics and labor market behavior of the legalized population five years following legalization*. Washington: Bureau of International Labor Affairs, U.S. Department of Labor (May)

¹⁶⁵ Kossoudji, S. A., & Cobb-Clark, D. A. (2002) *Coming out of the shadows: Learning about legal status and wages from the legalized population*. Journal of Labor Economics 20 (3) (July): 598–628.



estimate, but demographers do know that of the estimated 11.5 million undocumented immigrants in the United States, about 4 to 4.5 million have not entered the country illegally but instead overstayed their visas. The population is varied, and includes people who came here for many different reasons, from students to tourists to temporary workers. However, those who overstay their visa tend to be more educated than other illegal immigrants. To obtain a visa in the first place, visa applicants would have had to show some sort of substantial tie to their home country, such as an employment or enrollment in school, and they also must have the means to travel.¹⁶⁶

Immigrants with high levels of education and skills may underperform economically due to difficulties becoming certified in the United States. Although this is can be particularly challenging for undocumented immigrants, barriers to certification can also impact legal residents. More than 2.7 million immigrant professionals in the United States are unemployed or working in jobs below their capacity.¹⁶⁷ Barriers to professional employment include obvious factors such as lack of English skills and lack of access to a professional network; but, there are systemic gaps as well. Immigrants with advanced degrees earned in other countries may have difficulty validating their academic credentials in the United States. Similarly, certifications and licensures earned abroad may not correspond exactly to American programs.¹⁶⁸ Organizations such as the Immigrant Professional Integration Project (IMPRINT Project) help bridge the gap between highly skilled immigrants and qualified jobs by providing programs that facilitate professional integration. IMPRINT is a coalition of organizations active in the emerging field of immigrant professional integration, including the Welcoming Center for New Pennsylvanians, which is profiled below.

Welcoming Center for New Pennsylvanians, Philadelphia, Pennsylvania

Helping immigrant professionals and entrepreneurs reach their full potential.

Barriers such as language, bureaucratic systems, and differing education requirements can prevent talented immigrants from working in fields for which they have trained. For example, who has not heard of the stereotype of the immigrant doctor working as a taxi driver? The wasted human capital is significant; more than 2.7 million immigrant professionals across the U.S. are unemployed or work in jobs far below their capacity.¹⁶⁹ Those same barriers can inhibit immigrant entrepreneurs from starting or growing their business. The Philadelphia non-profit called the Welcoming Center for New Pennsylvanians works with immigrants and small business owners to break down these barriers and connect them with the resources they need to succeed.

Center connects immigrants with jobs and businesses with talent.

¹⁶⁶ Marks, A. (2002). A harder look at visa overstayers. *The Christian Science Monitor*.

¹⁶⁷ IMPRINT Project (2013). *The challenge*.

¹⁶⁸ Batalova, J., & Fix, M. (2008). *Uneven progress: The employment pathways of skilled immigrants in the United States*. Migration Policy Institute.

¹⁶⁹ Project Imprint. (2013). *The challenge*.



The Welcoming Center for New Pennsylvanians (WCNP) was opened in 2003 by an Irish immigrant named Ann O’Callaghan, a physical therapist who immigrated to the United States in the 1970s, and experienced the frustration of navigating professional licensing systems. The WCNP occupies a specialized niche as an economic development organization focused on serving immigrants. Their two main programs focus on helping immigrant jobseekers find jobs, and helping immigrant or US business owners grow their businesses.

The cornerstone of WCNP’s work is placing work-authorized immigrants in appropriate jobs. The Vocational Literacy Program helps clients who are interested in learning the basics of workplace English and American workplace culture. If clients are interested in gaining new skills, they can go through an assessment and career readiness training. Professional-level jobseekers looking to rebuild their career in the Philadelphia region are directed toward the Professional Career Laddering Program. Because the immediate transfer of professional credits is nearly impossible, professional workers can expect the career-rebuilding process to take 3-5 years. In the mean time, WCNP assists them in finding entry-level jobs in their field so they can learn relevant vocabulary and take the time to take classes or tests to recertify in the U.S.

Soft skills and culture training help immigrants prepare for job market.

In addition to English language classes, GED certification, and civics, WCNP facilitates soft skills training, recommending two hours for college educated clients, and one hour for those without a college education. These cross cultural training courses break the cultural codes of American workplace, explaining the importance of different social customs, such as eye contact and handshaking, and different application practices, such as submission of a resume rather than the longer and more academically focused Curriculum Vitae, or CV, which is the norm in many other countries. According to Amanda Bergson-Shilcock, Director of Outreach and Program Evaluation for the organization, committing these types of entry level mistakes can cause hiring manager to bypass even talented candidates.¹⁷⁰

WCNP also helps grow small businesses.

The WCNP’s Small Business Development program helps both native-born Americans and immigrant entrepreneurs successfully establish, stabilize, and expand their microenterprises. About 40 percent of clients in this program are American-born. Bergson-Shilcock indicates that they deliberately included the native-born population because they did not want to alienate that population, especially when offering services in disinvested neighborhoods. The program assists entrepreneurs in navigating pathways of business ownership through business development clinics, referrals to other service providers, and one-on-one business technical assistance. They also offer an “English for Entrepreneurs” class which helps immigrant small business owners learn the language and customs they may encounter from their

¹⁷⁰ Amanda Bergson-Shilcock, phone interview with the author, May 17, 2013



customers. Businesses range from laundries to tech companies, and the guidance they need could range from obtaining health licensing to accessing capital without a credit history.

Partnerships provide resources and programs for immigrants.

Since 2003, the WCNP has assisted more than 8,000 people from over 140 countries. Their mission has expanded through partnering with county and city agencies. The job placement work receives funding from the workforce development boards of several counties in the Philadelphia area. They partner with the City of Philadelphia's Commerce Department to offer the English for Entrepreneurs class, as well as working with them extensively to help small businesses in the program. They also partner with local businesses that are looking for employees.

Lessons for economic developers.

Economic developers interested in replicating this program in their communities should pay attention to the skill level demographics of the existing and incoming immigrant population. In Philadelphia, about 30 percent of the immigrant population has graduated from college while another 30 percent has graduated from high school, and another 30 percent are not educated, percentages that differ from the national average. The city has a proportionally larger Asian community than other cities its size. These and other factors weigh in on what the WCNP offers and how they structure their classes. Paying close attention to workforce gaps and immigrant skills training needs can help other communities fill the niche that WCNP has fit so well.



VIII. Beyond the Workforce

Local and national workforce needs typically dominate the debate on immigrants' contributions to a society, at least from an economic development perspective. Yet, immigrants influence far more than just the labor supply in their adoptive countries.

Throughout the developed world, especially in Europe, North America, and Australia, declining native birthrates over the past several decades have led to shrinking pools of young native workers needed to support the growing burden of an aging population.¹⁷¹ The 2010 Census found that the average birthrate was 1.9 children per woman, which is below the replacement rate of 2.1 children per woman.¹⁷² Additionally, millions of baby boomers will retire in the next decade, bringing labor-force growth to below 1 percent in the near future.¹⁷³ Immigrants can be a key component in growing the workforce and replacing—and caring for—this aging population.

Immigrants and Baby Boomers

From 2010 to 2030, the proportion of the national population older than age 60 will grow from 18 percent to 25 percent.¹⁷⁴ The accompanying wave of retirements over the next two decades will have a profound economic impact. Nationally, Social Security and Medicare systems will be overburdened and in need of a strong tax base to remain solvent. Meanwhile, the BLS projects that of 54.8 million job openings from 2010 to 2020, 21.1 million will result from economic growth, while 33.7 million will arise from the need to replace workers who either retire or change careers. In fact, according to the BLS, “in four out of five occupations, openings due to replacement needs exceed the number due to growth.”¹⁷⁵

Demographer Dowell Myers estimates that current levels of immigration will substantially temper the effects of an aging U.S. population over the next two decades. This is because in 2010 roughly 80 percent of immigrants were “working age,” classified as ages 18 to 64, compared to only 60 percent of the native-born population.¹⁷⁶ As the baby boomers retire, many of their replacements will be immigrants whose children, in the longer term, will be an even larger segment of the workforce. That is partly due to higher fertility rates in the immigrant population than those in the native population.¹⁷⁷ Altogether, Myers estimates that between 2010 and 2030, immigrants and their children will account for 38 percent of new U.S. workers. A graphic representation of the need for a supplementary immigrant workforce is shown in Figure 20.

¹⁷¹ Myers, D. (2008). *Immigrants and boomers: Forging a new social contract for the future of America*. Russell Sage Foundation Publications.

¹⁷² Dye, J.L. (2008). *Fertility of American Women: 2006*. U.S. Census Bureau, August 2008, p. 1.

¹⁷³ Myers, D. (January 11, 2012). The next immigration challenge. *The New York Times*.

¹⁷⁴ Cohn, D. (2007). *The divergent paths of baby boomers and immigrants*. Population Reference Bureau

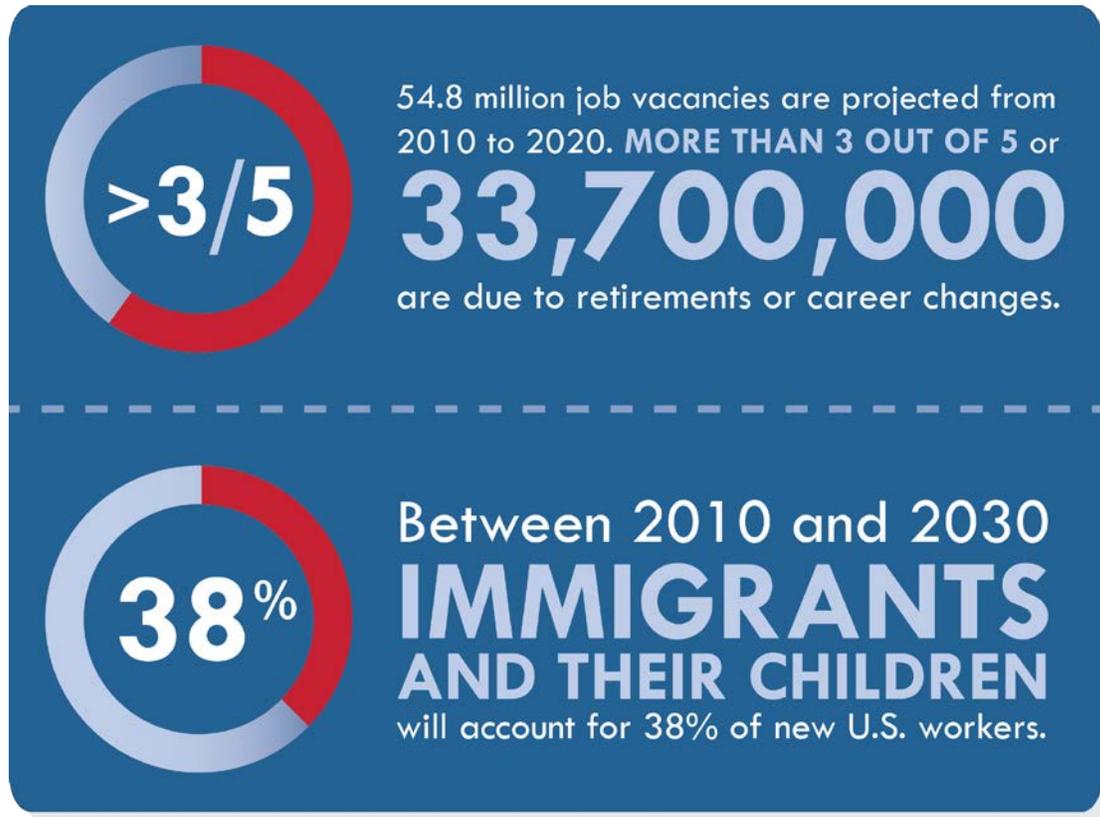
¹⁷⁵ Lacey, T.A. & Wright, B. (2009). *Occupational employment projections to 2018*, Monthly Labor Review 132, No. 11 97-98.

¹⁷⁶ American Community Survey 1-Year Estimates. (2010).S0501: Selected Characteristics of the Native and Foreign-Born Populations.

¹⁷⁷ Livingston, G. & Cohn, D. (2012). *U.S. birthrate falls to a record low: Decline is greatest among immigrants*. Pew Research Social & Demographic Trends, p.1.



Figure 20: Immigrants Replace Retiring Baby Boomers



Immigrants Fill Healthcare Workforce Gap

As baby boomers age, they will require increased healthcare and support services. Driven by this aging population, longer life expectancies, and new treatments and technologies, the healthcare and social assistance industry is projected to create about 28 percent of all new jobs in the U.S. economy through 2020.¹⁷⁸ The BLS projects that, between 2010 and 2020, employment will increase by 34.5 percent in healthcare support occupations (including home health aides, nursing aides, medical assistants, and dental assistants) and 25.9 percent in healthcare practitioner and technical occupations (including physicians, pharmacists, dentists, physical therapists, and clinical laboratory technicians).¹⁷⁹

Between 1990 and 2006, immigrants accounted for 25 percent of the growth in healthcare employment.¹⁸⁰ The number of immigrants working as home health aides increased 231.3 percent, about 50 percent more than the increase of native born in the field.¹⁸¹ There was also significant

¹⁷⁸ Bureau of Labor Statistics. (2013). *Occupation Outlook Handbook*

¹⁷⁹ *Ibid.*

¹⁸⁰ Capps, R., Fix, M. & Yi-Yang, L. (2010). *Still an hourglass: Immigrant workers in middle-skilled jobs*. Migration Policy Institute, p. 10.

¹⁸¹ Lowell, L.B. (2012). *The foreign born in the American healthcare workforce: Trends in this century's first decade and immigration policy*. Institute for the Study of International Migration, Georgetown University, p. 12.



immigrant growth in the occupations of Licensed Practical Nurses (230 percent), nursing aides (191 percent), and dental assistants (179 percent).¹⁸² Furthermore, the health sector includes several large low- and middle-skilled occupations that do not require a four-year college degree but nonetheless pay family-sustaining wages, such as Licensed Practical Nurses, registered nurses, and emergency medical technicians.¹⁸³

An understanding of the workforce needs of a community informs the type of immigrant engagement strategies EDOs can undertake. Both the Central Okanagan Economic Development Commission in British Columbia, Canada, as well as the St. Louis Mosaic Project, in St. Louis, Missouri took their workforce needs and existing immigrant populations into consideration through an in-depth analysis.

Central Okanagan Economic Development Commission, British Columbia, Canada

St. Louis Mosaic Project, St. Louis, Missouri

Population analysis leads EDOs to attract immigrants for workforce and economic development..

With its forested mountains, wineries, and miles of sandy beaches around Lake Okanagan, British Columbia's Okanagan Valley is known mainly as a "lifestyle region" with a population skewing heavily toward retirees. In 2000, the Central Okanagan Economic Development Commission (COEDC) conducted an analysis of their business constituency to gauge their workforce needs. From this study they deduced that businesses were worried about the lack of qualified workers. To address the concerns of their employers, and to further expand their economy, COEDC made talent attraction their first priority. They focused on expanding the already existing population of European immigrants, finding it easier to compete with costs of living in Europe than within the rest of Canada. Through a broad based approach utilizing provincial and federal resources, COEDC made large gains in attracting a diverse foreign workforce.

COEDC conducts outreach with local businesses, targets countries to promote region.

COEDC's strategy depends on their outreach to both local business and foreign talent. From their study, COEDC found that most businesses in the Greater Okanagan area did not know how to access foreign workers. The EDC identified the need to facilitate information between employers in the Okanagan Region, potential immigrant workers and representatives from both the Provincial and Federal immigration programs. With this goal in mind, they created the Foreign Skilled Worker Program, staffed part-time by a former officer of Citizenship and Immigration Canada; it provides information to about 100 Central Okanagan employers per year. This program also reaches out to foreign talent, assisting foreign entrepreneurs with the a program similar to the EB-5 program in the U.S, and acting as the liaison with post secondary institutions in the Central Okanagan to facilitate opportunities to retain a skilled workforce in the region.

¹⁸² Capps, R., Fix, M. & Yi-Yang, L. (2010). *Still an hourglass: Immigrant workers in middle-skilled jobs*. Migration Policy Institute, p. 9.

¹⁸³ *Ibid*, p. 9.



COEDC also takes the proactive measure of venturing to target countries to attract workers and investors. Due to their large European retiree population, and the relative low cost of housing in the Okanagan Valley, COEDC has identified the United Kingdom, the Netherlands, and Germany as their target attraction markets. They promote the Greater Okanagan region to skilled workers and entrepreneurs at 4-6 emigrate shows per year in Europe, working with local employers to showcase jobs that are readily available. Likewise, when the region experienced an extreme shortage of trade workers from 2007 to 2009, COEDC partnered with the Okanagan College to provide three 16-week programs to train 33 auto technicians from Jamaica to pass the Canadian licensing exam.

Challenges with job availability, spousal employment, and community resistance.

Robert Fine, Director of COEDC, sees great success with the program, but cautions other economic development organizations that there are challenges. First, due to changing economic conditions, job availability can change, which is problematic when immigrants move to Canada for a specific job. Secondly, if immigrants have jobs, finding employment for their spouses can be a challenge. Third, some members of the community may speak out against recruiting immigrant workers. Education about the importance of supplementing the workforce can help with this issue.

The program has been very successful at attracting new talent. Census data from Kelowna, the largest city in the Okanagan region, shows that from 2006-2011, 3300 people immigrated from abroad. Of those immigrants, 23 percent were from the United Kingdom, one of the program's target markets. Specifically, the Foreign Skilled Worker Program is connected with about 800, or 25 percent, of those new residents. They estimate that the economic impact of the new residents is about 250 million dollars, based on purchasing impacts and economic outputs.

St. Louis Highlights Need for Analysis

In St. Louis, a similar need for supplementing the workforce led the St. Louis Steering Committee on Immigration to commission a study which highlighted the importance of retaining and attracting immigrants. Using Census data, the report statistically demonstrates that the St. Louis economy and demographic profile are intimately related. The author implies causation between the relative scarcity of immigrants and the region's slow economic growth, comparing St. Louis immigrant population of 126,500, or 4.5 percent, to other top metros with four to five times the number of foreign-born residents. The report recommends immigration as the one clear and specific way to simultaneously redress the region's population stagnation, output slump, tepid employment growth, housing weakness and deficit in entrepreneurship.¹⁸⁴

In a second report, Strauss considers how the region can jumpstart growth in partnership with immigrant communities. The study benchmarked the St. Louis region with 10 other Midwest regions—such as the Greater Louisville International Professional program, and the Welcoming Center for New Pennsylvanians, also profiled in the paper—resulting in nine appropriate regional recommendations to

¹⁸⁴ Strauss, J. (2011). *The economic impact of immigration on St. Louis*. St. Louis University, pg. 3.



jumpstart growth of immigrant populations. The completed study was launched along with the St. Louis Steering Committee on Immigration's program, the St. Louis Mosaic Project, an initiative to recruit and retain immigrants through connections with businesses and universities.

Immigrants' Ascension to the Middle Class

As baby boomers downsize or move into eldercare facilities and begin to sell their suburban homes, upwardly mobile immigrants will be increasingly prominent housing consumers. Baby boomers drove up housing demand and prices since they started purchasing housing in the 1970s, but sales of these homes, en masse, could create a glut of housing that is less desirable to younger age groups.¹⁸⁵ Immigrants can help to fill this housing gap. Although the homeownership rate for immigrants is lower than that of the native born population (52.4 percent versus 67 percent, respectively), immigrants accounted for 39 percent of growth in homeownership between 2000 and 2010 and their homeownership rates will continue in this range.¹⁸⁶

Homeownership is correlated with upward mobility among immigrants. A study by demographer Dowell Myers of the University of Southern California for the Center for American Progress monitored the cohort of immigrants coming to the United States between 1985 and 1989 and compared their upward mobility in 1990 and 2008. The data indicate that, since coming here, a growing number of long-term immigrants have bought homes, earned higher wages, and become U.S. citizens. Between 1990 and 2008, the share of these immigrants who owned homes rose from 16 percent to 62 percent, while the share who earned incomes above the low income level rose from 35 percent to 66 percent.¹⁸⁷ These data indicate high levels of assimilation, both in economic measures such as housing and income and in measures of English language proficiency.

Immigrants Account for Rural Population Growth

The 2010 census showed that while the population in rural America grew just 2 percent since 2000 (compared with 7 percent nationwide), foreign-born residents accounted for 37 percent of that growth.¹⁸⁸ Three-quarters of them were not citizens, suggesting that they had arrived only recently in the states. During the period from 2007 to 2011, an average of 2.1 million foreign-born persons lived either in non-metro counties or in metro counties whose economies are heavily dependent on agriculture.¹⁸⁹ Although only a small share of all U.S. Hispanics live in non-metro counties, the rapid

¹⁸⁵ Myers, D. & Ryu, S. (2008). *Aging baby boomers and the generational housing bubble: Foresight and mitigation of an epic transition*. Journal of the American Planning Association., pp 17-19.

¹⁸⁶ Myers, D. & Pitkin, J. (2013). *Immigrant contributions to housing demand in the United States: A comparison of recent decades and projections to 2020 for the states and nation*. Research Institute for Housing America, Mortgage Bankers Association. P. 9.

¹⁸⁷ Myers, D. & Pitkin, J. (2010). *Assimilation today: New evidence shows the latest immigrants to America are following in our history's footsteps*. Center for American Progress, p. 2.

¹⁸⁸ New York Times. (December 14, 2010). *Immigrants Make Paths to Suburbia, Not Cities*.

¹⁸⁹ USDA Economic Research Service (2012). *Immigration and the total workforce*. United States Department of Agriculture USDA Economic Research Service.



growth of this population has had a significant impact. The Hispanic population grew only 10 percent in non-metro areas, yet was responsible for stemming overall population decline in over 100 non-metro counties.¹⁹⁰

In rural areas, low-skill jobs in agriculture and meat-packing attract immigrants. The agricultural sector has a long history of hiring immigrant workers who are often temporary. An analysis of the U.S. Department of Labor's National Agricultural Workers Survey from 200 to 2009 found that fully 70 percent of farmworkers were immigrants.¹⁹¹ The restructuring of the meat-processing industry offers immigrants permanent, low-skill jobs in rural areas that traditionally do not have much of a foreign-born population. Between 1980 and 2000, the share of Hispanic workers in the meat-processing industry increased from 10 percent to 30 percent, as the industry demanded additional lower skilled labor and relocated plants to rural areas.¹⁹² Rural immigrant populations grew primarily in the South, due to chicken-processing plants, and in the Midwest, due to pork plants. These jobs have attracted recently arrived Hispanics who are the least educated, have the most language and cultural barriers, and are most likely to be unauthorized among all U.S. immigrants.¹⁹³ Hispanic poverty rates were higher in new rural destinations (24 percent) than in metropolitan areas (18 percent) in 2006.¹⁹⁴ The mix between immigrant and local cultures can be challenging, but communities like Marshalltown, Iowa try to bridge the gap. As a result, Marshalltown maintains its population and workforce in the face of a national trend towards rural population loss.

Marshalltown, Iowa

Integrating a new immigrant population into a small town by providing language skills, bridging the divide between immigrant and native-born businesses, and fostering better cultural understanding.

While many small rural towns are seeing a decline in population, Marshalltown, Iowa has maintained its workforce and population thanks to immigration. Settled by Norwegians, Germans, and Irish settlers, the town was only 5 percent non-European ancestry in the 1990s. Today, over 6,000 Hispanic immigrants make up about 18 percent of the population, and a growing Burmese refugee population adds to the diversity. Although the town has experienced some growing pains, the immigrant influx contributed substantially to the community and local economy.

Need for immigrant language skills and integration between immigrant and native economies.

¹⁹⁰ USDA Economic Research Service. (2006) *Meat-processing firms attract Hispanic workers to rural America*. Amber Waves

¹⁹¹ USDA Economic Research Service. (2013). *Immigration and the total workforce*. United States Department of Agriculture.

¹⁹² Ibid.

¹⁹³ Donato, K.M., Tolbert, C.M., Nucci, A., & Kawano, Y. (2007). *Recent immigration settlement in the nonmetropolitan United States: Evidence from internal census data*. *Rural Sociology*, 72 pp 557-559.

¹⁹⁴ Kandel, W., Henderson, J., Koball, H., & Capps, R. (2011) *Moving up in rural America: Economic attainment of nonmetro latino immigrants*. *Rural Sociology* 76:101–28.



In the 1990's a group of Hispanic immigrants migrated from California to Marshalltown seeking jobs in the local pork processing plant along with better schools and a better quality of life, and as word got back to family and friends, more followed. The Iowa Valley Education and Training Center, a local community college, took a key role in meeting the immediate need for English. Their program grew to accommodate the increasing number of immigrants, and their scope enlarged to training their clients in work-based language skills as well as offering GED and citizenship classes.

Immigrant owned businesses comprise around 30 percent of all business in the town, and have played an especially crucial role in revitalizing the downtown. However, as these businesses flourished, the Marshalltown Economic Development Council and the Chamber of Commerce noted that two separate economies were developing, one serving the native-born population, and one serving the Hispanic population. A workshop identified the need for a small group of cross cultural liaisons to share the importance and benefits of participating in local business groups among immigrant business owners. Since this time, local non-profit boards have seen an increase in Hispanic participation, but full integration remains a challenge.

Another challenge is the tension resulting from cultural differences. Local churches have helped to bridge this divide, and focus on how the family values of the local immigrant population are similar to those of the native population. New ownership of the pork processing plant also contributed. The previous company had a high employee turnover rate, wreaking havoc on their workers' plans for schooling and housing and creating a transient environment. The new owners created a more stable working environment, which allows the immigrant workforce "sink roots" into the community.



IX. The Fiscal Impact of Immigration on Public Budgets

In the vast sea of reports, studies, and commentary coming from a plethora of academic institutions, think tanks and special interest groups, the conclusion is the same: immigration (even undocumented immigration, in some instances) represents a net positive impact on the economy and federal budget. Finding the true impact on state and local budgets as a result of different spending levels and reporting methods is challenging. The data shows a marginal negative impact on state and local budgets as a result of illegal immigration but an overall gain when the gap between expenditures and revenue is closed.

A National Perspective

Douglas Holtz-Eakin, a former Director of the nonpartisan Congressional Budget Office (CBO) and chief economic advisor to Senator John McCain's 2008 president campaign, recently highlighted just how disconnected U.S. immigration policy is from economic factors in a recent report for the American Action Forum. Just shy of three quarters of permanent immigrants to the United States were for the purposes of family reunification in 2010. When Holtz-Eakin compares the United States and the United Kingdom, he finds that fully one-third of visas issued in the UK in 2010 were for economic reasons versus only 6.4 percent in the U.S. Other countries that previously focused their immigration policies on family reunification, such as the UK and Canada, reformed their strategy in order to attract more immigrants for economic purposes in response to data that show immigration is overwhelmingly positive contributor to overall economic growth.

Holtz-Eakin puts it more plainly in his April 2013 report:

"A benchmark immigration reform would raise the pace of economic growth by nearly a percentage point over the near term, raise the GDP per capita by over \$1,500 and reduce the federal deficit by over \$2.5 trillion."

The impact of immigrants on the cost of entitlement programs such as Social Security and Medicaid has frequently been raised as a point of concern. The impact of these programs on the federal deficit, and thusly on federal spending on other programs from defense to water infrastructure, warrants close examination. According to the Office of the Chief Actuary at the Social Security Administration:

"...we estimate that earnings by unauthorized immigrants result in a net positive effect on Social Security financial status generally, and that this effect contributed roughly \$12 billion to the cash flow of the program for 2010." – Actuarial Note 151, April 2013, Social Security Administration

And a recent study by Harvard University's *Health Affairs* concluded:

"In 2009 immigrants made 14.7 percent of Trust Fund contributions but accounted for only 7.9 percent of its expenditures—a net surplus of \$13.8 billion. In contrast, U.S.-born people generated a \$30.9 billion



deficit. Immigrants generated surpluses of \$11.1–\$17.2 billion per year between 2002 and 2009, resulting in a cumulative surplus of \$115.2 billion.” Health Affairs, May 2013

The data supports that immigration does not have a negative impact on entitlement programs. Exactly the opposite, in fact, these cash-strapped programs have benefitted from contributions from immigrants—both legal and undocumented. It is worth noting that many immigrants contributing to these programs may never be eligible to receive benefits from them. The current legislation under consideration in the Senate specifically excludes large numbers of the immigrant population from being eligible for Medicaid or provisions of the Affordable Care Act for a decade or longer. These exclusionary provisions have a very strong chance of making it into the final legislation as they have bipartisan support in both chambers of Congress. Accordingly, concerns over the impact of federal spending on entitlement programs as a result of comprehensive immigration reform are unfounded.

The CBO and the Joint Committee on Taxation (JCT) released two reports on the June 18, 2013. One report focused on the economic impact of the *Border Security, Economic Opportunity, and Immigration Modernization Act (S. 744)*, while the second report was a standard CBO cost estimate report that details the costs of implementing the legislation. They represent the definitive ruling on the cost of implementing a piece of legislation and were the final piece to the puzzle that, when put together, will hopefully result in meaningful immigration policy reform. The findings are based on an analysis of the proposed legislation versus maintaining the status quo.

Key findings from the report include:

- Over the first ten years of the implementation of S. 744 (2014 to 2023), the CBO estimates spending will increase by \$262 billion and revenues will increase by \$459 billion, resulting in federal deficits decreasing by \$197 billion. In the decade following the first, federal deficits will be reduced by at least another \$700 billion and as much as \$1 trillion.
- Real GDP will increase by 3.3 percent by 2023 and by 5.4 percent by 2033.

The conclusion of the CBO is clear: passing S. 744 will result in economic growth and federal deficit reduction. The report soberly notes a temporary reduction in wages and a temporary minor increase in unemployment, but over the medium and long-term rates in both of these areas trend positively. The new visas structures and e-verify requirements do represent new costs for the private sector, in some cases significant new costs. However, the conclusion of the report remains favorable toward reform. Through a complex series of implementing new programs and revamping existing programs, the economy and federal budget win out at the end of the day. The following case study from Canada illustrates the expanded role the federal government plays in immigration.

Toronto Region Immigrant Employment Council, Toronto, Canada

Immigrant Employment Council of British Columbia, British Columbia, Canada

Canadian organizations working to bridge the gap between employers and immigrant talent.



In Canada, a gap exists between immigrants who want jobs and employers who want to hire them. To bridge that gap and help employers identify talented and skilled immigrants, organizations like the Immigrant Employment Council of British Columbia (IEC-BC) and the Toronto Region Immigrant Employment Council (TRIEC) work to connect immigrants and businesses. The two organizations have different geographic scopes, but both face similar challenges and provide comparable services to their communities.

Employment councils use joint stakeholder approaches.

Both organizations attempt to better integrate immigrants into the economies and communities of their regions. IEC-BC began in 2009 with the task of addressing immigrant unemployment in British Columbia. In particular, the organization sought to bridge the gap between employers and immigrants in the province. Founded in 2003, TRIEC has a similar mission in attempting to match the supply of immigrant labor to the demand for it from employers in the Toronto region. These two councils bring together a broad range of leaders from business, education, labor, immigrant communities, government, and other community organizations to work on immigrant integration into the local economy.¹⁹⁵ These joint stakeholder models are useful for demonstrating the importance of immigrant integration and help bring together the resources, such as education or employers, to effectively integrate immigrants into regional economies. TRIEC and IEC-BC also partner with other organizations, such as economic development organizations, to leverage their resources for helping immigrants.

Helping employers connect with immigrant labor.

IEC-BC and TRIEC primarily receive funding from the Canadian and provincial governments to provide services such as employer matching, educational initiatives on the benefits of immigrant labor, and mentoring programs for recent immigrants to their areas. One important issue for both areas is the number of small-to-medium sized businesses, which tend to struggle with identifying immigrant talent due to their smaller or less sophisticated human resources departments. In British Columbia, over 95 percent of businesses fall in this category, while 65 percent of overall jobs in Canada are with these types of employers. TRIEC and IEC-BC connect those employers with immigrants to fill their labor demand. Another important activity for both organizations is mentoring of immigrants. IEC-BC and TRIEC offer programs to connect immigrants with mentors in their professions of interest. This helps address immigrants' lack of a professional network in new places and also introduces employers to new talent in their region. These two groups also try to educate employers and their communities on the benefits of hiring immigrant labor. They point to the economic growth that comes with utilizing previously wasted or underemployed labor, as well as the benefits of diversity for productivity and opening up new markets for businesses.

Lessons learned about identifying gaps and building partnerships.

¹⁹⁵TRIEC. (2013) About Us.



The experiences of both TRIEC and IEC-BC provide some valuable lessons learned for other organizations trying to integrate immigrants into metropolitan or regional economies. One clear lesson both groups demonstrate is the importance of identifying and understanding gaps in the local economy and services for immigrants. In both Toronto and British Columbia, many immigrants have skills to meet certain labor demands, but employers and immigrant labor have trouble connecting without organizations like TRIEC and IEC-BC. The experiences of both of these groups also show the importance of building partnerships with other organizations in the region. For example, in British Columbia, partnerships with post-secondary institutions help train immigrants to meet region-specific labor needs. Through partnerships like this, immigrant integration organizations can help address gaps in the local labor force such as the need for more ship builders in British Columbia. Similarly, TRIEC partners with 13 different partners in the region for its mentoring program, which mentored over 7,000 immigrants since its inception in 2004.¹⁹⁶ Ultimately, the Canadian national government still plays a large role in helping ensure the labor pool matches job demand, but organizations like TRIEC and IEC-BC aid in bridging that gap and helping immigrants help Canada.

A Local Perspective

State and local governments do bear a fiscal burden for their role in providing services to immigrants. Determining the fiscal impact on state budgets is more challenging given the variations in spending and data collection timing and methodology, but the CBO tackles the challenge in a December 2007 report titled *The Impact of Unauthorized Immigrants and the Budgets of State and Local Governments*. The study focused on three main areas of spending: education, healthcare, and the administration of justice. The United States Supreme Court has limited the states' ability to restrict available resources for unauthorized immigrants in various court rulings, while the federal government prevents states from using certain federal resources (but not all) to cover costs. However, the CBO report found that unauthorized immigrants accounted for 5% or less of the total amount states spent on providing these services. In hard dollars, CBO estimates that state and local governments spend a few million to tens of millions annually on services for unauthorized immigrants.

California is the exception, where services for unauthorized immigrants cost the state billions of dollars annually (but still less than 10% of the total amount spent on those services). The costs incurred by state and local governments are offset, but not completely covered, by tax revenue from illegal immigrants and by federal money not statutorily ineligible for illegal immigrants. Tax revenue from illegal immigrants includes income tax, sales tax, and property taxes, where applicable.

The report points out the income disparity between unauthorized and authorized immigrant families, who earn on average \$27,400 and \$47,800, respectively, which itself impacts the amount of tax revenue a local or state government can collect. Increasing authorized immigration, through comprehensive reform that provides greater legal means for entering and working in the country, will have a net

¹⁹⁶ Leading Employers (November 29, 2012). "By mentoring newcomers, leaders prepare for Toronto's diverse workplace."



positive effect by increasing the income potential of immigrants who would otherwise be unauthorized. While state and local governments do spend resources on various services for immigrants—legal and otherwise—in their communities, the data indicates there is an opportunity to close the gap between expenditures and revenue through comprehensive immigration reform.

The conclusions that can be drawn from examining the fiscal impact on federal and state budgets are evident. From a national perspective, immigration is unquestionably a net positive. At the state and local level, it becomes more nuanced and rightly warrants a close examination of existing policies and procedures to ensure state and local governments fully share in the benefits of comprehensive immigration reform. The legislation currently being considered in the Senate, S. 744 (Border Security, Economic Opportunity, and Immigration Modernization Act), includes provisions that range from border security, to pathways to citizenship, to guest worker visas and high-skilled visas. From an economic development perspective, there are key components of the legislation that will, potentially dramatically, impact local economies.

Immigration Policy is Economic Policy

Comprehensive immigration reform will impact three main areas of importance to economic development: temporary worker visas, high-skilled worker visas, and investor visas. As a result of the work of the Gang of 8 in the Senate, and negotiations between organized labor and business, significant changes in these areas seem possible for the first time in the many years of false-start immigration reforms. Key provisions are discussed below.

- 1.) **H-1B visa quotas are set to dramatically increase to over 200,000 per year.** Balancing the current demands of U.S. employers for high-skilled workers versus future needs, the draft legislation also includes the creation of a STEM Education and Training Account.
- 2.) **Formalizes a guest worker/temporary worker program that includes the establishment of new visa classifications for seasonal agricultural and construction workers.** W visas will be issued based on market needs as determined by a newly established Bureau of Immigration and Labor Market Research. The amount distributed annually will be determined by the BILMR, likely with caps and floors set in each category in the final legislation. This represents a milestone agreement between organized labor and the U.S. Chamber of Commerce.
- 3.) **Establishes a new X-visa classification for qualified entrepreneurs.** A qualified entrepreneur is defined as one who has secured at least \$100,000 in investments from an accredited investor, venture capitalist, or government entity for a U.S. business or whose U.S. business has created at least three qualified jobs during the previous two years and has generated at least \$250,000 in annual revenue in the United States. The X-visa will come with extensions and waivers available based on a positive review that the business/entrepreneur are actively working toward meeting the requirements.
- 4.) **Establishes a Z-visa for workers entering the country to service or repair equipment not manufactured in the United States.**



- 5.) **Establishes a Y-visa for real estate investors over the age of 55.** Participants must invest at least \$500,000 in U.S. residential real estate, of which \$250,000 must be for a U.S. primary residence to be occupied by the visa holder for at least 180 days per year. The visa will be renewable every three years and inclusive of spouse and children.

There are significant implications for economic development in the comprehensive immigration reform legislation currently being debated in Congress. There are also challenges that need to be addressed as part of the overall package, such as the impact of decisions made in Washington on state and local budgets. These few changes highlighted here represent major advances that will enhance the national workforce and open the U.S. to the international investment community. The success or failure of this latest attempt at comprehensive reform will rest on a successful transition from immigration policy as social policy to immigration policy as economic policy. The economics of comprehensive immigration reform clearly paint a favorable outlook; however, an honest assessment must also include the potential impact on state and local budgets and plan accordingly.



X. Conclusions

Immigration may have previously been considered an issue concerning social service organizations or the federal government. In the age of increasing globalization and changing demographics, though, economic developers must learn how to attract, retain, and engage immigrants. Far from being a burden, immigrants can be a key component to economic development activities across the board, from boosting entrepreneurship to supplying needed skills in the local workforce and helping improve the business climate in the community. The research and case studies in this report demonstrate the enormous impact that immigrants can make upon their local economies. Irrespective of the outcome of the proposed comprehensive immigration reform in Congress, engaging and supporting immigrants is an economic development imperative for communities large and small. The main conclusions from the study are briefly discussed below.

Immigrants boost the workforce.

Current and projected demographics point to the increasingly significant role immigrants play in supporting and boosting the U.S. economy. Immigrants supplement the workforce where it is most needed, as they fill highly-skilled positions in the burgeoning STEM industries and provide care to an increasingly aging population. Since roughly 80 percent of immigrants are working age—compared to only 60 percent of the native-born population— they will supplement the workforce as baby boomers retire.¹⁹⁷ And while immigrants fill positions at high tech firms, their presence helps to grow these industries and results in more jobs for native workers. In fact, a 2011 study found that an additional 100 immigrants with an advanced STEM degree leads to an increase of 86 jobs for U.S. workers, while an additional 100 H-1B workers results in 183 jobs for U.S. workers.¹⁹⁸ A comprehensive study from the Migration Policy Institute also found that from 1990 to 2006, immigration caused a 2.86 percent real wage increase for the average worker and an 11 percent increase in employment.¹⁹⁹

Immigrants create jobs through entrepreneurship and investment.

Furthermore, immigrants play a huge part in creating jobs through entrepreneurship and investment. Immigrants are twice as likely to start a business as native-born citizens, be it grocery stores or high tech firms.²⁰⁰ Immigrant-owned firms generate more than \$775 billion in revenue and \$110 billion in income per year.²⁰¹ Nonmonetary positive externalities of immigrant business ownership include the

¹⁹⁷2010 American Community Survey 1-Year Estimates (2010). S0501: Selected Characteristics of the Native and Foreign-Born Populations.

¹⁹⁸ Zavodny, M. (2011). *Immigration and American Jobs*. American Enterprise Institute for Public Policy Research and Partnership for a New American Economy.

¹⁹⁹ Peri, G. (2010). *The Impact of Immigrants in recession and economic expansion*, Migration Policy Institute, p. 10.

²⁰⁰ Fairlie, R. (2012). *Open for business: How immigrants are driving small business creation in the United States*. The Partnership for a New American Economy, p. 1.

²⁰¹ *Ibid*, p. 15.



revitalization of cities and neighborhoods, increased innovation, and ties to global markets. Immigrants also create jobs through investment, which can be facilitated through the EB-5 program, a visa that grants citizenship in return for an investment of 500,000-1,000,000 and the creation of 10 jobs. Since the creation of the program, more than \$6.8 billion has been invested and about 50,000 American jobs have been created.²⁰²

Research overwhelmingly invalidates misconceptions about immigration.

The paper found evidence to refute many misconceptions about immigrants. First, many assume immigrants live in urban enclaves such as Chinatowns. Increasingly, that is not the case. In recent years, immigrant populations grew more than twice as fast in the nation's suburbs as in the primary cities.²⁰³ Second, immigrants are often accused of not assimilating. Evidence shows that the longer immigrants live in the U.S., the more likely they are to learn English, purchase a house, and move into higher-wage positions.²⁰⁴ Furthermore, immigrants are not a drain on public budgets and do not overuse social services. Evidence suggests that, at worst, immigrants have no impact on public budgets and deficits and, in instances of highly-skilled foreign-born workers, contribute significantly in fiscal terms.

²⁰² Washington Post. March 21, 2013. Foreign citizens making big investments in U.S. in exchange for green cards.

²⁰³ Suro, R., Wilson, J. & Singer, A (2011). *Immigration and poverty in America's suburbs*. The Brookings Institution Metropolitan Policy Program, p.4.

²⁰⁴ Myers, D. & Pitkin, J. (2010). *Assimilation today: New evidence shows the latest immigrants to America are following in our history's footsteps*. Center for American Progress, p. 1.



XI. The Role of Economic Development Organizations in Engaging Immigrants

Due to their position at the intersection of the business, government, and nonprofit sectors, it is clear that economic developers have a key role to play in engaging immigrants. The success of the organizations profiled in this report comes from their ability to engage partners across this spectrum, bringing resources from government entities, higher education, and large-scale employers to immigrant populations through outreach to immigrant-serving nonprofits, churches, and grassroots groups. Economic developers must use their capacity as connectors to break down social and cultural barriers that stand in the way of immigrant populations achieving their full potential. Connecting across barriers is a core competency of many EDOs. Engaging immigrants may require a different perspective but depends on the same skills found in many successful EDOs.

In discussing strategies for immigrant engagement, some common needs and challenges emerge; but, there are distinct differences in the approaches undertaken, due to differing community demographics or goals. We conclude our examination of immigration's connection with economic development with the below lessons learned. These strategies do not serve as a "check-off list", but rather as an "as applies" list:

- Tailor your strategy to immigrant populations' economic needs
- Break down barriers to tap into immigrant potential
- Create an environment where immigrants can flourish
- Retain immigrants for needed population growth
- Engage immigrants to create links to the global economy

Tailor your strategy to immigrant population's economic needs

Immigrants are not equally distributed across the United States. Some cities have higher percentages of low-skilled immigrants, while some are home to mainly refugees and others primarily to students. To implement a successful immigrant program, it is essential to understand the immigrant populations in your community and to identify what needs are not served by existing organizations. Section 6 discusses broad immigrant settlement patterns by state and city. While this provides an overview, a more thorough analysis can help understand the specific economic development needs of immigrants in different communities.

EDOs must start their efforts by identifying gaps in services for immigrants in the community. These gaps must then be analyzed against organizational strengths. The Immigrant Employment Council of British Columbia (IEC-BC) has excellent infrastructure for settling and educating immigrants, but local businesses were reluctant to hire immigrants due to perceived "red tape." The organization focuses on working with businesses and trade organizations to facilitate immigrant hires. Similarly, the Greater Halifax Partnership offers a Connector Program as "graduate school" that immigrants come to after having worked with organizations providing more basic immigrant services.



In both cases, these EDOs evaluated existing organizations serving immigrants, identified an unmet need, and developed a program that built on their existing strengths—their large networks of business contacts. Their approach generated new ties between EDOs and community partners, thereby creating pathways for mutual marketing and referrals.

Break down barriers to tap into immigrant potential

Cultural, linguistic, legal, and regulatory barriers inhibit immigrants from achieving their full economic potential. Immigrants at all levels on the educational and legal spectrum encounter at least one of these barriers if not all four. Significant cultural, linguistic, and regulatory barriers preclude talented and professional immigrants from working in their chosen field and hinder the growth and development of immigrant businesses. Meanwhile, legal restrictions on undocumented immigrants significantly reduce their earning potential. Strategies to combat barriers should be based on the demographics of the community's immigrant population.

Cultural and language barriers often go hand in hand. The most apparent solution to language barriers is offering English as a Second Language (ESL) courses; however, general courses may not be sufficient to prepare non-English speakers for highly technical mid-skilled jobs or jobs requiring a professional vocabulary. Programs such as the Welcoming Center for New Pennsylvanians' (WCNP) "English for Entrepreneurs" course addresses both the vocabulary and the social customs involved in business transactions in the U.S. This course, along with their workshops on networking and business skills, also address cultural barriers, such as differing ways of paying respect, and cultural conceptions of timeliness and personal responsibility. In particular, the WCNP's program targeting skilled and educated immigrants who are seeking U.S. licensure is a great example of breaking down barriers to unlock the potential of high-impact professionals.

Regulations at the state and local level create hurdles, especially for immigrant entrepreneurs. Immigrant small-business owners may not be aware of the different regulations and licenses needed to operate their enterprises and may avoid seeking assistance from local governments due to unfamiliarity and apprehension. Prolonged avoidance of regulations leads to fines and closures. Reaching out to these business owners can also be challenging, as visits from representatives of established business development programs can be misconstrued. Cross-cultural liaisons, such as those engaged by Marshalltown, Iowa, may be a better bridge between immigrant business owners and local authorities. Furthermore, translating business licenses and other business development materials into different languages can facilitate education.

Create an environment where immigrants can flourish

Immigrants create economic opportunities in the communities where they settle. They expand economies by contributing to communities' workforce, tax base, and customer base. Furthermore, their presence is shown to create more jobs and higher wages through levels of innovation and entrepreneurship that exceed those of the native population. Unsurprisingly, more and more cities—



including Detroit, St. Louis, and Louisville, which are all profiled in this report—are considering immigrants as part of their competitive edge. However, as nearly all of the case studies pointed out, the native-born populations do not always share this opinion. Engaging the community in welcoming and accepting immigrants is an ongoing challenge. Economic developers can be the catalyst to change their communities' outdated notions.

The nationwide affiliate network, Welcoming America, provides great resources and valuable tools to make the economic case for integrating immigrants into the social fabric of communities. Their approach combines developing local leadership with strategic communication and public engagement to build a community conversation involving immigrants and native-born community members. A more welcoming community can be a better landing place for foreign businesses and can also encourage existing immigrants to start new business projects and become more involved in leadership roles.

Economic developers can also utilize their capacities as branding agents to change a community's relationship with immigrants. One example is Vibrant Pittsburgh's television advertisements featuring immigrant professionals in the community. Beyond branding, practitioners can strive to introduce diversity in their organizations by including immigrant voices in community discussions and working with local organizations engaging immigrant businesses.

Retain immigrants for needed population growth

An aging population, changing family demographics, and continued outmigration have created a void of workers in many communities. Immigrants can form an important component of workforce development programs, especially as the U.S. weathers these dramatic shifts in its population and industry. As baby boomers age and retire, immigrants can fill their positions, while providing a workforce to care for their increasing health needs. Additionally, the burgeoning home healthcare field provides opportunity for low- to middle-skilled workers to earn a sustainable salary. And as the economy continues to favor knowledge workers and STEM fields, retaining immigrant students and talented workers can ensure continued competitiveness. Immigrants at all skill and education levels can help to satisfy new workforce needs.

Different strategies are needed to attract or retain different kinds of immigrant workers, although most depend on EDOs acting as a liaison between immigrants and employers. For instance, the Central Okanagan Economic Development Commission's goal is to attract a workforce to replace and serve the large retirement community in their area. While attracting skilled workers for their large employers is a priority, they also identified a need for auto repair workers and partnered with a technical college to offer classes to Jamaican immigrants. This approach can be contrasted with that of Global Detroit's Global Talent Retention Initiative, which connects recently graduated foreign university students with Michigan employers in order to keep them in the state. Since many of these students are STEM graduates, one of the outcomes is a stronger technology industry.



Drawing on economic analysis and employer feedback, economic developers can implement an immigrant engagement strategy to address workforce needs in their communities. Again, partnering with relevant organizations, especially community colleges and institutions of higher education, is critical.

Engage immigrants to create links to the global economy

To truly engage immigrants in developing a strong economy, EDOs should shift their paradigm from seeing themselves as a connection between immigrants and jobs to also seeing immigrants as a connection to the larger global economy. Smart economic developers take advantage of global networks represented by the 40 million immigrants in the United States. Immigrants can open up new markets for business attraction and expansion through their knowledge, language, and connections.

Immigrants can be engaged as global ambassadors both to their own countries and to their adopted communities. Two of the case studies have shown great success with this strategy. The Greater Louisville International Professionals (GLIP)'s Ambassador Program works with professionals from 50 different countries who serve as contacts for foreign companies interested in moving to Louisville. Global companies searching for opportunities in the United States learn about the ambassador's experience in the city and find reassurance that their employees' needs will be met. Similarly, the USA India Business Summit (UIBS) creates a dialog between Indian and American companies, thereby addressing the challenges that face businesses in each country.

Immigrants can also help educate a community about their cultures and international business. GLIP also sponsors events that allow immigrants to share their cultural knowledge. The International Business and Cultural Norms Luncheon Series consist of four events to educate the community about doing business in foreign countries. Additionally, immigrant professionals are heavily involved in an education effort to expose high school students to the global marketplace.

Immigrants can be a catalyst for shifting a community's economy from local to global. EDOs interested in helping their businesses expand abroad or looking to attract foreign companies would be wise to tap into their community's immigrant knowledgebase. Similarly, immigrants can be recruited to interface with foreign investors and businesses.



XII. Appendix 1: H1-B Fact Sheet

The H1-B temporary worker visa is granted to workers in specialty occupations only. The USCIS defines specialty occupations as “requiring theoretical and practical application of a body of highly specialized knowledge and the attainment of a bachelor’s degree or higher (or its equivalent) in the field of specialty.”²⁰⁵ Visas are granted for three years and can extend up to six years. The visas are dual intent, allowing visa holders to work and (simultaneously, with employer sponsorship) apply for permanent residency. The H1-B visa program distributes 85,000 visas per year, representing approximately one percent of all nonimmigrant visa admissions into the United States.²⁰⁶

Revenue from H1-B program is designed to fund workforce training. Over the last decade, the federal government has distributed about \$1 billion from employers’ visa fees to address skills shortages in the U.S. workforce. About half the funds go to the Department of Labor’s Employment and Training Administration. The other half goes to the National Science Foundation and primarily funds scholarships for low-income students interested in STEM. A 2013 study by the Brookings Institution finds that H1-B visa fees have not been proportionately distributed to metro areas requesting the highest number of H1-B workers, indicating that areas most in need of workforce development are not receiving H1-B funding.²⁰⁷

²⁰⁵ U.S. Citizen and Immigration Services. (2013). H1-B specialty occupations, DOD cooperative research and development project workers, and fashion models.

²⁰⁶ Monger, R., & Mathews, M. (2011). *Nonimmigrant admissions to the United States: 2010*. Annual Flow Report, Department of Homeland Security, p. 5.

²⁰⁷ Ruiz, N., Wilson, J.H., and Choudhury, S. (2012). *The search for skills: Demand for H1-B immigrant workers in U.S. metropolitan areas*. Metropolitan Policy Program at the Brookings Institution, p. 20.



XIII. Appendix 2: Visas, Green Cards, and Citizenship

The U.S. grants several different legal statuses to immigrants depending on their circumstances and length of stay. Visas allow for non-U.S. citizens to travel to a U.S. entry point and request entry into the country on a temporary basis. At least ten categories of temporary work visas exist, which the U.S. grants to immigrants looking to work in the country for a finite period of time. See the chart below for a more detailed description of those visas most relevant to economic development in the U.S.

Temporary work visas have varying durations of stay allowed, and some have quotas on the number of particular visas issued annually. Additionally, those holding immigrant visas may be eligible to apply for a “green card,” also known as permanent resident card. A permanent resident is sponsored by a U.S. citizen, family member, or an employer and is allowed to live and work in the U.S. on a permanent basis. After five years of being a permanent resident (or three years if the spouse of a U.S. citizen), an immigrant may apply to become a U.S. citizen after meeting criteria to do so. Once a U.S. citizen, an immigrant is granted the same rights and privileges of any natural-born U.S. citizen.

Visas:

A visa allows a non-U.S. citizen to travel to a port of entry, airport, or land border crossing and request entry into the U.S. from a Customs and Border Protection officer. A U.S. embassy or consular officer abroad issues visas after determining eligibility to enter the U.S.

- Nonimmigrant visas are for international travelers who do not wish to become permanent residents in the U.S. Several types exist, depending on the purpose of the visit.
- Immigrant visas allow for visitors to travel to the U.S. in anticipation of living in the U.S. permanently.

Temporary worker visas are for persons wishing to enter the U.S. for fixed periods of time of employment and are not considered permanent. Each type of worker visa requires sponsorship by a prospective employer. Ten different kinds of temporary visa categories exist. For economic development purposes, the following visas are most relevant.



Type of temporary visa	Description of eligible person	Duration of stay allowed	Limits
<i>H-1B: Person in specialty occupation</i> ²⁰⁸	Works in a specialty occupation that requires higher education.	3 years extendable to 6 years	65,000 per year but all H-1B non-immigrants at universities and 20,000 foreign nationals with graduate degrees from U.S. universities are exempt.
<i>H-2A Temporary Agricultural Worker</i> ²⁰⁹ and <i>H-2B Temporary Non-Agricultural Worker</i> ²¹⁰	These are both for seasonal/temporary work, limited to citizens of certain countries.	H-2A: 364 days. H-2B renewed annually up to 3 years before immigrant must leave.	No annual cap for H-2A. Capped at 66,000 per year for H-2B.
<i>L: Intercompany transferee</i> ²¹¹	To work at a U.S. office of their current employer in their home country in an executive, managerial or specialized capacity.	If establishing new office in U.S.: 1 year. All others: initial stay of 3 years which can be renewed for increments of 2 years until reach maximum of 7 year stay.	No annual cap.
<i>O: Individual with Extraordinary Ability or Achievement</i> ²¹²	Applies to those in the arts, sciences, business, education, athletics, motion pictures/television who have international acclaim.	Increments of 1 year up to 3 years maximum.	No annual cap.
<i>P-1, P-2, P-3 Artists, entertainers, athletes performing in the U.S.</i> ²¹³	These visas are for artists, entertainers and athletes to perform or teach in the U.S.	Time needed to complete the activity, event or performance not past 1 year. Can be extended in 1 year increments to complete activity	No annual cap.

²⁰⁸ U.S. Citizenship and Immigration Services, (2013). H-1B Specialty Occupations, DOD Cooperative Research and Development Project Workers, and Fashion Models.

²⁰⁹ U.S. Citizenship and Immigration Services, (2013). H-2A Temporary Agriculture Workers.

²¹⁰ U.S. Citizenship and Immigration Services, (2013). H-2B Non-Agriculture Workers.

²¹¹ U.S. Citizenship and Immigration Services, (2013). L-1A Intracompany Transferee Executive or Manager.

²¹² U.S. Citizenship and Immigration Services, (2013). O-1 Visa: Individuals with Extraordinary Ability or Achievement.

²¹³ U.S. Citizenship and Immigration Services, (2013). P-3 Artist or Entertainer Coming to Be Part of a Culturally Unique Program.



Permanent residency or “green cards”:

A permanent resident is someone who is authorized to reside and work in the U.S. on a permanent basis and is granted a “green card” as proof. Most permanent residents are sponsored by family members or employers in the U.S., although some may also gain residency through asylum or for humanitarian reasons.²¹⁴

Citizenship for immigrants:

Immigrants may become U.S. citizens through the naturalization process. Immigrants must have been permanent residents for at least five years and have met all eligibility criteria, such as passing the naturalization and English language tests. If the spouse of a U.S. citizen, an immigrant can apply for citizenship after three years of permanent residency in the U.S.

²¹⁴U.S. Citizenship and Immigration Services, (2013). Green Card (Permanent Residency).



XIV. Comparison of Immigrant Investor programs between U.S., Canada, and Australia:

	United States (Immigrant Investor Program: EB-5)²¹⁵	Canada (Immigrant Investor Program)²¹⁶	Australia (Business Innovation and Investment Program)²¹⁷
<i>Required investment in host country (in \$U.S. dollars)</i>	\$1,000,000 or \$500,000 in Targeted Employment Area	\$785,238	\$1,415,850
<i>Net worth prior to immigration</i>	Not required	\$1,570,475	\$2,122,200
<i>Investment period/ time to become permanent resident</i>	2 years	5 years	4 years
<i>Job creation from investment required</i>	10 new, full-time jobs created or preserved within 2 years. Indirect jobs may be counted if investment is through a regional center.	None	None for provisional visa, but 2 full-time jobs created for Australian citizens for permanent residency requirement.
<i>Investment risk</i>	Capital must be “at risk” so no guarantees of return of investment by recipient of investment funds allowed	Investment is guaranteed by Canadian provinces that use the funds and refunded after 5 years at 0% interest.	For “Investor” class visa, investors purchase government security. “Business Owner” class visas do not have government-backed investments.
<i>Types of investments allowed</i>	Must be in new commercial enterprises (established after Nov. 29, 1990) or in enterprises founded before 1990 which are expanded by at least 40% because of investment	Investment is made to Canadian government for economic development grants.	Immigrant investors purchase “Designated Investments” which are government-backed securities from Australian states.
<i>Age required for entry</i>	None	None	Must not be older than 45 years of age for “Investor” class visa.
<i>Demonstrated prior business experience</i>	None. Must prove source of investment funds from income, but no prior business experience	Must have operated a “qualifying business” or managed at least 5 full-time employees for at least 2 years	For at least 1 year in previous 5 years, must have maintained direct involvement in management of company in

²¹⁵ U.S. Citizenship and Immigration Services, (2013). EB-5 Immigrant Investor.

²¹⁶ Government of Canada: Citizenship and Immigration Canada. (2013). Investors.

²¹⁷ Australian Department of Immigration and Citizenship (2013). State Specific Regional Migration.



	necessary.	within the previous 5 years.	which investor has ownership interest.
<i>Involvement of states/provinces</i>	States, counties and cities can be involved in regional centers for pooling investment funds, though, public sector involvement is not required for regional centers and many are privately operated.	Immigrant funds are invested with Canadian provinces for economic development grants. Also, the province of Quebec administers its own, similar program.	States and territories were allowed to nominate business people and investors for visas to assist in economic development for particular areas. (Visa program suspended July 1, 2012.)
<i>Other requirements:</i>			<ul style="list-style-type: none"> • Must demonstrate a vocational level of proficiency in English language. • Must meet Health and Character requirements, as well as sign Australian values statement.