

# Latinos and the Economics of Immigration

By Paul McDaniel and Guillermo Cantor  
American Immigration Council

Latinos have a heavy stake in the immigration debate. More than one-third (35.6 percent) of the nation's nearly 53 million Latinos were foreign-born as of 2012.<sup>1</sup> This group represents 16.9 percent of the U.S. total population.<sup>2</sup> Over half (53 percent) of the country's 40 million immigrants were from the countries of Latin America,<sup>3</sup> as were 79 percent of the 11.4 million unauthorized immigrants.<sup>4</sup> Latinos, in other words, have a vested interest in dispelling the misinformation that so often clouds public and policy debates about immigration. The best available evidence, however, reveals that most stereotypes are not grounded in facts. Immigrants—including the unauthorized—occupy distinct niches in the job market and *create* jobs through their purchasing power and their entrepreneurship, buying goods and services from U.S. businesses and creating their own businesses, both of which sustain U.S. jobs. The presence of new immigrant workers and consumers in an area also spurs the expansion of businesses, which creates new jobs. In addition, immigrants and native-born workers are usually not competing in the same job markets because they tend to have different levels of education, work in different occupations, and specialize in different tasks.

## **Immigrants fill labor needs, create jobs and strengthen the economy in many ways.**

Immigrants comprise a sizable portion of the U.S. labor force. In 2013, there were 25.3 million foreign-born persons in the U.S. labor force, representing 16.3 percent of the total.<sup>5</sup> Aside from contributing directly through their occupations, immigrant workers spend their wages in U.S. businesses—buying food, clothes, appliances, and cars—which sustains the jobs of the workers employed by those businesses.<sup>6</sup> Moreover, businesses respond to the presence of new workers and consumers by investing in new restaurants, stores, and production facilities.<sup>7</sup> And immigrants create their own businesses, which have their own employees. The end result is more jobs for more workers. In addition, immigrant scientists and engineers can revolutionize entire industries with their discoveries or inventions, creating an untold number of new jobs in the process. According to economist Giovanni Peri, “immigrants expand the U.S. economy’s

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<sup>1</sup> US Census Bureau, 2012 American Community Survey, Table B05003I: “Sex by Age by Citizenship Status (Hispanic or Latino).”

<sup>2</sup> US Census Bureau, 2012 American Community Survey, Table DP05: “ACS Demographic and Housing Estimates.”

<sup>3</sup> US Census Bureau, Current Population Survey, Annual Social and Economic Supplement 2012, Table 3.1: [“Foreign Born Population by Sex, Age, and World Region of Birth: 2012.”](#)

<sup>4</sup> Bryan C. Baker, and Nancy Rytina, *Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2012* (Washington, DC: U.S. Department of Homeland Security, Office of Immigration Statistics, March 2013).

<sup>5</sup> Bureau of Labor Statistics, *Labor Force Characteristics of Foreign-Born Workers Summary* (Washington, DC: May 2014).

<sup>6</sup> Heidi Shierholz, *Immigration and Wages: Methodological advancements confirm modest gains for native workers* (Washington, DC: Economic Policy Institute, February 4, 2010), p. 22.

<sup>7</sup> Michael Greenstone and Adam Looney, *Ten Economic Facts About Immigration* (Washington, DC: The Hamilton Project, Brookings Institution, September 2010), p. 5.

productive capacity, stimulate investment, and promote specialization that in the long run boosts productivity,” and “there is no evidence that these effects take place at the expense of jobs for workers born in the United States.”<sup>8</sup>

Immigrant-fueled job creation occurs at all levels of education, skill, and location. Immigrants with advanced degrees create jobs for native-born workers, according to a study from the American Enterprise Institute and the Partnership for a New American Economy. The study, which analyzed state-level employment data from 2000 to 2007, found that every 100 foreign-born workers who worked in science, technology, engineering, and mathematics, and who had advanced degrees from U.S. universities, were associated with an additional 262 jobs for native-born workers. Immigration also positively influences job growth in metropolitan areas. Through an analysis of 505 metropolitan areas from 2005 to 2011, a 2013 report found that an increasing number of immigrants moving to an area leads to significantly higher employment growth and a decline in the unemployment rate.<sup>9</sup>

### *Immigrants in the Labor Force*

Immigrants and native-born workers are usually not competing in the same job markets because they tend to have different levels of education, work in different occupations, and specialize in different tasks. Concerning education, for instance, according to a report from the Brookings Institution around 32 percent of native-born and 30 percent of foreign-born individuals had at least a bachelor’s degree. Conversely, 29 percent of foreign-born persons lacked a high-school diploma, compared to only 7 percent of native-born workers.<sup>10</sup>

Immigrants are disproportionately represented in high- and less-skilled industries. According to the Brookings Institution, in 2010 immigrants made up 23 percent of all workers in both the information technology and high-tech manufacturing sectors. At the same time, immigrants are also in abundance in industries such as construction, food service, and agriculture, where they represent around one-fifth of all workers.<sup>11</sup> Immigrants and native-born workers fill different kinds of jobs that require different sets of skills. Even if they work in the same occupation or industry—or the exact same business—they usually specialize in different tasks.<sup>12</sup>

There is no correlation between immigration and unemployment. An analysis of 2011 data from the American Community Survey found that, at the county level, there is no statistically significant relationship between the unemployment rate and the presence of recent immigrants who arrived in 2000 or later.<sup>13</sup> Furthermore, a 2009 study found that there was little apparent relationship between recent immigration and unemployment rates at the regional, state, or county

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<sup>8</sup> Giovanni Peri, “[The Effect of Immigrants on U.S. Employment and Productivity](#),” FRBSF Economic Letter 2010-26 (San Francisco, CA: Federal Reserve Bank of San Francisco, August 30, 2010).

<sup>9</sup> Jack Strauss, [Immigration and Job Creation: Which Comes First?](#) (New York: Social Science Research Network, 2013).

<sup>10</sup> Audrey Singer, [Immigrant Workers in the U.S. Labor Force](#) (Washington, D.C.: Brookings Institution, 2012).

<sup>11</sup> Audrey Singer, [Immigrant Workers in the U.S. Labor Force](#) (Washington, D.C.: Brookings Institution, 2012).

<sup>12</sup> Giovanni Peri, [The Effect of Immigrants on U.S. Employment and Productivity](#), FRBSF Economic Letter 2010-26 (San Francisco, CA: Federal Reserve Bank of San Francisco, August 30, 2010).

<sup>13</sup> Analysis by American Immigration Council.

level in 2008.<sup>14</sup> The highest unemployment rates were found in counties located in manufacturing centers and rural areas—which tend to have relatively *few* recent immigrants. Recent immigrants usually go where the jobs are: metropolitan and non-manufacturing counties where unemployment rates are lower.<sup>15</sup>

### *Immigrants as Consumers*

Immigrant consumers sustain jobs—and pay taxes—with every purchase they make in a U.S. business. Although consumer-purchasing statistics are not available for immigrants, they are available for the two largest immigrant communities: Latinos (37 percent of whom are foreign-born) and Asians (67 percent of whom are foreign-born).<sup>16</sup> Together, Latinos and Asians accounted for 15.6 percent of the nation’s total purchasing power in 2012, according to the Selig Center for Economic Growth at the University of Georgia. The purchasing power of Latinos totaled \$1.2 trillion in 2012 and is projected to reach \$1.7 trillion by 2017. The purchasing power of Asians totaled \$718 billion in 2012 and is projected to reach \$1 trillion by 2017.<sup>17</sup>

### *Immigrants as Entrepreneurs*

Immigrants are more likely than natives to start their own businesses. According to a report from the Kauffman Foundation, “immigrants were nearly twice as likely to start businesses each month as were the native-born in 2013.”<sup>18</sup> A report from the Partnership for a New American Economy found that “immigrants started 28 percent of all new U.S. businesses in 2011.” The report also quantifies the scale of the economic contributions made by immigrant business owners. Immigrant businesses “generate more than \$775 billion in revenue, \$125 billion in payroll, and \$100 billion in income, employing one out of every 10 workers along the way.” And, “in addition to creating jobs, the businesses that immigrants start also create revenue to boost our GDP, exports to alleviate our trade imbalance, taxes to fund our deficit, and new consumption that fuels our economy.”<sup>19</sup>

The power of immigrant entrepreneurs is evident in businesses large and small. At the small end of the spectrum, the Fiscal Policy Institute found in an analysis of 2007 Census data (the last year for which data are available) that immigrant-owned small businesses employed 4.7 million people and had \$776 billion in receipts. Moreover, 18 percent of all small business owners in the United States were immigrants, which was higher than the immigrant share of the population (13 percent) or labor force (16 percent). Immigrants comprised 65 percent of all taxi service owners, 54 percent of dry cleaning and laundry service owners, 53 percent of gas station owners, and 49

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<sup>14</sup> Rob Paral & Associates, [\*The Unemployment and Immigration Disconnect: Untying the Knot, Part I of III\*](#) (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, May 2009), pp. 4-6.

<sup>15</sup> *Ibid.*, pp. 7-8.

<sup>16</sup> 2010 American Community Survey.

<sup>17</sup> Jeffrey M. Humphreys, [\*The Multicultural Economy 2012\*](#) (Athens, GA: Selig Center for Economic Growth, University of Georgia, 2012), pp. 9, 11, 35, 37.

<sup>18</sup> Robert W. Fairlie, [\*Kauffman Index of Entrepreneurial Activity: 1996–2013\*](#) (Kansas City, MO: Ewing Marion Kauffman Foundation, April 2014), p. 3.

<sup>19</sup> Robert W. Fairlie, [\*Open For Business: How Immigrants Are Driving Small Business Creation In The United States\*](#) (New York, NY: Partnership for a New American Economy, August 2012), pp. 2-3.

percent of grocery store owners.<sup>20</sup> As these data show, immigrant entrepreneurs play key roles in growing industries such as the transportation and food processing industries. According to the Immigrant Learning Center, immigrant entrepreneurs fulfill transportation needs in urban daily life, including taxi, limousine, and bus services.<sup>21</sup> Immigrant business owners are also present throughout the entire spectrum of food production, including in restaurants, groceries, specialty retail markets, and food manufacturing.<sup>22</sup> Furthermore, the contributions of immigrant entrepreneurs are not limited to small businesses and growing industries. According to a 2011 report by the Partnership for a New American Economy, as of 2010 nearly one-fifth (18 percent) of all Fortune 500 companies—businesses like Google, Sun Microsystems, Yahoo!, and Kohl’s—had at least one founder who was an immigrant. Collectively, these companies generated \$1.7 trillion in annual revenue and employed 3.6 million workers worldwide.<sup>23</sup>

The number of Hispanic entrepreneurs has grown exponentially in recent decades, according to a 2014 report by the Partnership for a New American Economy and the Latino Donor Collaborative.<sup>24</sup> Specifically, from 1990 to 2012, the number of Hispanic entrepreneurs in the United States grew from 577,000 to more than 2 million, a growth that far outpaced population growth among the working-age Hispanic American population.<sup>25</sup> While entrepreneurship rates for non-Hispanic, native-born individuals dropped from 2000 to 2010, the number of Hispanic entrepreneurs grew by 71.5 percent.<sup>26</sup> Additionally, the U.S. Census Bureau’s 2007 Survey of Business Owners found that the nation’s 2.3 million Latino-owned businesses had sales and receipts of \$350.7 billion and employed 1.9 million people in 2007 (the last year for which data are currently available from the survey).<sup>27</sup>

### *Immigrants as Community Builders*

Immigrant entrepreneurs can positively impact neighborhood revitalization. According to a 2012 report from the Immigrant Learning Center, neighborhood immigrant-owned businesses contribute to reviving commerce and investment in areas that had declined.<sup>28</sup> Immigrant entrepreneurs are also expanding their enterprises beyond traditional neighborhood businesses, developing new businesses in additional locations; the rise of businesses owned or co-owned by

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<sup>20</sup> David Dyssegaard Kallick, [Immigrant Small Business Owners: A Significant and Growing Part of the Economy](#) (New York, NY: The Fiscal Policy Institute, June 2012), p. 1-4.

<sup>21</sup> James Jennings, Marlene L. Bryant, Chia-Hui Chawla, Ann Jankie, and Jennifer Lawrence, [Immigrant Entrepreneurs: Creating Jobs and Strengthening the U.S. Economy in Growing Industries](#) (Malden, MA: The Immigrant Learning Center, 2013).

<sup>22</sup> Ibid.

<sup>23</sup> Partnership for a New American Economy, [The “New American” Fortune 500](#) (New York, NY: June 2011), p. 1-3, Appendix A.

<sup>24</sup> Partnership for a New American Economy, [Better Business: How Hispanic Entrepreneurs are Beating Expectations and Bolstering the U.S. Economy](#) (New York, NY: April 2014), p. 2.

<sup>25</sup> Ibid., p. 2.

<sup>26</sup> Ibid., p. 2.

<sup>27</sup> U.S. Census Bureau, [2007 Survey of Business Owners](#), Statistics for All U.S. Firms by Geographic Area, Industry, Gender, Ethnicity, and Race: 2007.

<sup>28</sup> Ramón Borges-Méndez, Michael Liu, and Paul Watanabe, [Immigrant Entrepreneurs and Neighborhood Revitalization](#) (Malden, MA: The Immigrant Learning Center, 2005).

immigrants has greatly improved once-blighted neighborhoods.<sup>29</sup> And cities are taking note: a 2014 report from the American Immigration Council observes that “a budding place-based awareness of the important contributions that new and existing immigrants make to neighborhood revitalization is seen in the increasing number of cities pursuing a nexus of immigrant welcoming, integration, and economic development initiatives.”<sup>30</sup>

### *Immigrants as Innovators*

Immigrants play a major role in fueling technological and scientific innovation in the United States. According to a report from the National Academy of Sciences, “the United States has benefited immensely from, and is highly dependent upon, foreign-born individuals talented in science and engineering who elect to study in the United States and decide to remain here—if eligible—after completing their education.”<sup>31</sup> One of the ways immigrants contribute to the United States’ economic growth and competitiveness is by joining the workforce or starting businesses after earning degrees in science, technology, engineering, and mathematics (STEM) fields from U.S. research universities. In 2009, according to the Partnership for a New American Economy, foreign-born graduates comprised almost 41 percent of all masters and doctorate degrees in STEM fields.<sup>32</sup> The importance of immigrants’ contribution to science and engineering is apparent by many measures. For instance, according to a report from the Brookings Institution, “among people with advanced degrees, immigrants are three times more likely to file patents than U.S.-born citizens.” These immigrant inventors “may provide spillover benefits to U.S.-born workers by enhancing job creation and by increasing innovation among their U.S.-born peers.”<sup>33</sup>

### **We need an immigration system based in reality.**

Our immigration system should acknowledge, and seek to maximize, the economic contributions that immigrants make. As is, however, temporary and permanent avenues of immigration to the United States, whether through the family-based system or the employment-based system, are unresponsive to the forces of supply and demand. That is why 11 million unauthorized immigrants now live in the country.

Last year, the U.S. Senate passed the “Border Security, Economic Opportunity, and Immigration Modernization Act,” or S.744, which attempted to address some of the major problems with the current immigration system. Among its provisions, S. 744 makes changes to the family and employment-based visa categories for immigrants, provides critical due-process protections, increases the availability of nonimmigrant workers to supplement all sectors of the workforce,

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<sup>29</sup> Marcia Drew Hohn, [\*Immigrant Entrepreneurs: Creating Jobs and Strengthening the Economy\*](#) (Washington, D.C.: Immigration Policy Center, 2012).

<sup>30</sup> Paul McDaniel, [\*Revitalization in the Heartland of America: Welcoming Immigrant Entrepreneurs for Economic Development\*](#) (Washington, D.C.: American Immigration Council, 2014).

<sup>31</sup> National Academy of Sciences, [\*Rising Above the Gathering Storm, Revisited: Rapidly Approaching Category 5\*](#) (Washington, DC: National Academies Press, 2010), p. 53.

<sup>32</sup> Information Technology Industrial Council, [\*Help Wanted: The Role of Foreign Workers in the Innovation Economy\*](#) (Washington, D.C.: Information Technology Industrial Council, 2012).

<sup>33</sup> Michael Greenstone and Adam Looney, [\*Ten Economic Facts about Immigration\*](#) (Washington, DC: The Hamilton Project, Brookings Institution, September 2010), p. 11.

and provides a path to citizenship to 11 million undocumented immigrants within the United States. According to the Congressional Budget Office (CBO), the fiscal and economic effects of the Senate immigration reform bill (S. 744) would be overwhelmingly positive<sup>34</sup>. If enacted, the bill would help reduce the federal budget deficit by approximately \$1 trillion over 20 years, would boost the U.S. economy as a whole without negatively affecting U.S. workers, and would greatly reduce future unauthorized immigration. However, ever since the Senate passed S.744 in May 2013, the U.S. House of Representatives has failed to consider the bill or act on comprehensive immigration reform through a different vehicle.

The U.S. government would be wise to take a much more purposeful and strategic approach to immigration by legally admitting immigrants who can fuel the U.S. economy—and by creating a pathway to citizenship for those unauthorized immigrants who have already made the United States their home. This would ultimately benefit not only immigrants and Latinos, but everyone in the country.

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<sup>34</sup> Congressional Budget Office, [“Cost Estimate S.744 Border Security, Economic Opportunity, and Immigration Modernization Act.”](#) June 18, 2013.