Immigration expected to help sustain replenishing the U.S. labor force

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Kengo Tahara
Economist
Japan Center for Economic Research

The United States has a more robust demographic than other advanced economies, in no small part a result of more robust immigration (legal and other). The population is now growing at a little less than 1.0% annually (roughly 0.5 percent native population growth and a little over 0.4 percent immigrant growth). This more robust demographic trend makes the U.S. economy more robust and more flexible relative to trading partners and competitors.

The U.S. population, now 310 million, is projected to grow to 340 million by 2020 and 410 million in 2040. Conversely, the population in Germany and Japan (experiencing relatively less fertility and considerably less immigration) has already started to decline.

Japan accepts very little immigration. Germany conversely, has a significant Turkish immigration population as well as some African and other Eastern European immigrants. However, these demographic changes are dwarfed by the Asian and Latin immigration patterns into the United States. More than 40 percent of the total annual population growth (approximately 1.3 million out of 3 million) comes from net migration. More than a half of the immigrants are Hispanic. And about one in four new immigrants come from Southeast Asia (the three largest groups are from China, Korea, and the Philippines). About 40 million of today’s population are foreign-born, more than half of whom are from Latin America. That ratio has actually been even higher in the past, for example in the 1920’s. What is significant is that despite some political opposition to continued immigration today, the American society has always been in no small part, an immigrant population. And the significance of that is that despite that opposition, there is little reason to think that immigration patterns are going to slow down significantly over the next decade or two.

Successive waves of immigrants also results in successive waves of population growth, as immigrants historically have had more children than native families. This is partly a function of the fact that new immigrants generally are poorer than natives. And the poor typically have more children than more well-off
families. The Hispanic fertility rate is 2.4 (children per family). This is considerably higher than 1.8 of non-Hispanic white.

The total national fertility rate in Japan and Germany has decreased to nearly 1.4, or not much above normal replacement (as many babies as old people dying). The demographic problem resulting in outright population decline is the disproportionate number of older persons in these societies relative to the number of child rearing young families.

The U.S. fertility rate had fallen to as low as 1.8 (the so-called birth dearth among the Generation Y population). It has edged back up to 2.0 over the last decade or so, due to the higher immigrant fertility (more so among Hispanic than Asian immigrants) — a grouping now referred to as the millennials.

Like Germany and Japan, the U.S. has a relatively large group of older people (65 years of old and older — the baby boom generation). But one effect of immigration is that there are more younger families, more millenials relative to baby boomers. Thus while there are many approaching retirement age, or have retired, the impact on the labor force is not as severe as in countries with lower immigration.

Another important demographic is the female participation in the work force. It is higher in the U.S. than in many, though not all countries. In U.S., it reached 70% in late 1990s and has remained almost flat. At the same time the fertility rate has gradually recovered since 1980s as mentioned above. Female participation rate and total fertility rate are typically thought to move in opposite directions. Women typically stop working to have babies and tend to very young children.

But some researchers show that the inverse relationship has weakened or even turned positive from cross-country analyses. In the United States, immigration has contributed to keeping both rates higher. Perhaps more importantly, changes in the working environment allow women to continue to work while tending to family responsibilities. These changes include but are not limited to telecommuting. Working at home allows the woman (and even a few men) to take care of household chores without interrupting work schedules.

Many studies show immigration is a net plus for an economy (adding more workers, potentially increasing skill level and development, allowing a more diverse workforce, etc). There are complicating factors however. First, some complain immigrants take jobs away from natives, because they will work for lower wages. Second, if there are undocumented (are here illegally), they may not be paying taxes. But they consume
medical services, require more spending by police forces, have their children in school, etc. By some estimates there are at least 11 million undocumented Mexicans in the United States today. Many believe that figure is actually much higher. And there non-Mexican illegal Latin immigrants present as well.

The laws on immigration have been adjusted many times in the past, generally with respect to how many in total may be eligible for a visa and from which parts of the world. Both democrats and republicans agree that these rules have to be reformed. They do not agree however on how to reform. Generally speaking, republicans want few immigrants and more restrictions on which ones and from where. On this as with many political issues, compromise has been difficult and as a result, no new rules have been adopted.

In addition, there is sharp disagreement on what to do with those already here illegally. The republican position is that essentially they should be tossed out of the country. More than that, many feel that the best way to accomplish this is to penalize those who hire illegals. Some democrats agree. Others feel that such steps would be too draconian and in any event not very practical.

Even if the republican wins the Presidential election in 2012 (and hold their majority in the house, and take control of the senate) some of the more draconian steps are unlikely to be enacted. Why? Many businesses (some agriculture, meat processing, construction, etc) benefit from immigration and would be harmed by tightening immigration rules. This is already evident in Alabama and Arizona, two states that have tried to adopt their own stringent policies.

In sum, while there are problems with respect to immigration, especially controlling illegal immigration, the U.S. has been, remains, and will likely remain a nation of immigrants over the next decade or two, or longer. As stated above, there are two principal reasons for drawing this conclusion. First, the benefits outweigh the drawbacks. Second, as a practical matter, while other countries have more stringent policies, adopting such policies for the United States is neither practical nor easily achievable any time soon.

Kengo Tahara is an economist in Japan Center for Economic Research (JCER). He joined JCER in 2008 after receiving a master's degree and completing the course requirement for the doctoral program in agricultural economics from the University of Tokyo. For the last three years he specialized in business forecast for Japan's economy. He has worked as an economic intern at the Conference Board in U.S. since June 2011.
Figure 1: Population growth prospect in the United States (Census Bureau)

Source: Census Bureau

Figure 2: Female and elderly participation rate and total fertility rate in U.S., Japan and Germany

Notes: Female participation rate = (female labor force of age 15-64) / (female population of age 15-64). Elderly participation rate = (labor force of age 65+) / (population of age 65+). Sources: OECD; United Nations

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Japan Center for Economic Research (JCER)
Nikkei Inc. Bldg. 11F 1-3-7 Otemachi, Chiyoda-ku, Tokyo 100-8066, Japan
Phone: +81-3-6256-7710 / FAX: +81-3-6256-7924