



# **Volunteer Leadership Institute - Hawaii**

## **IMMIGRATION ECONOMICS**

---

**Byron Gangnes**

*Professor Emeritus of Economics*

*University of Hawaii at Manoa*

### **Learning Objectives**

1. Review economic perspectives on immigration. What are the primary economic factors that determine the flow of migrants, both documented and undocumented? How has US immigration evolved.
2. Learn about the various ways that immigration affects the US economy, as well as economies abroad. What role may immigration play in the US economic future? Are there implications for financial institutions?
3. Explore what we know about the economic impacts of immigration policy.

# Immigration Economics

Byron Gangnes

Professor Emeritus of Economics

UHERO Senior Research Fellow

University of Hawaii at Manoa



About the Economy

Making Economics Make Sense

**ROCHDALE** 

Volunteer Leadership Institute

Maui, January 31, 2025

# US Immigration

- We are a country of immigrants
- But we have a love-hate relationship
- The unauthorized immigration challenge
- Let's (try to) ignore the political and focus on the economic
  - What do we know from economic research about the impact of immigration on the US economy?



Andrew & Susie Gangnes  
From Norway in 1910 and she from  
Canada about 1918.  
Settled in Fragaria, WA



Frances & Jacob Papiez  
From Poland about 1905.  
Settled in Pe Ell, then in Olympia,  
WA

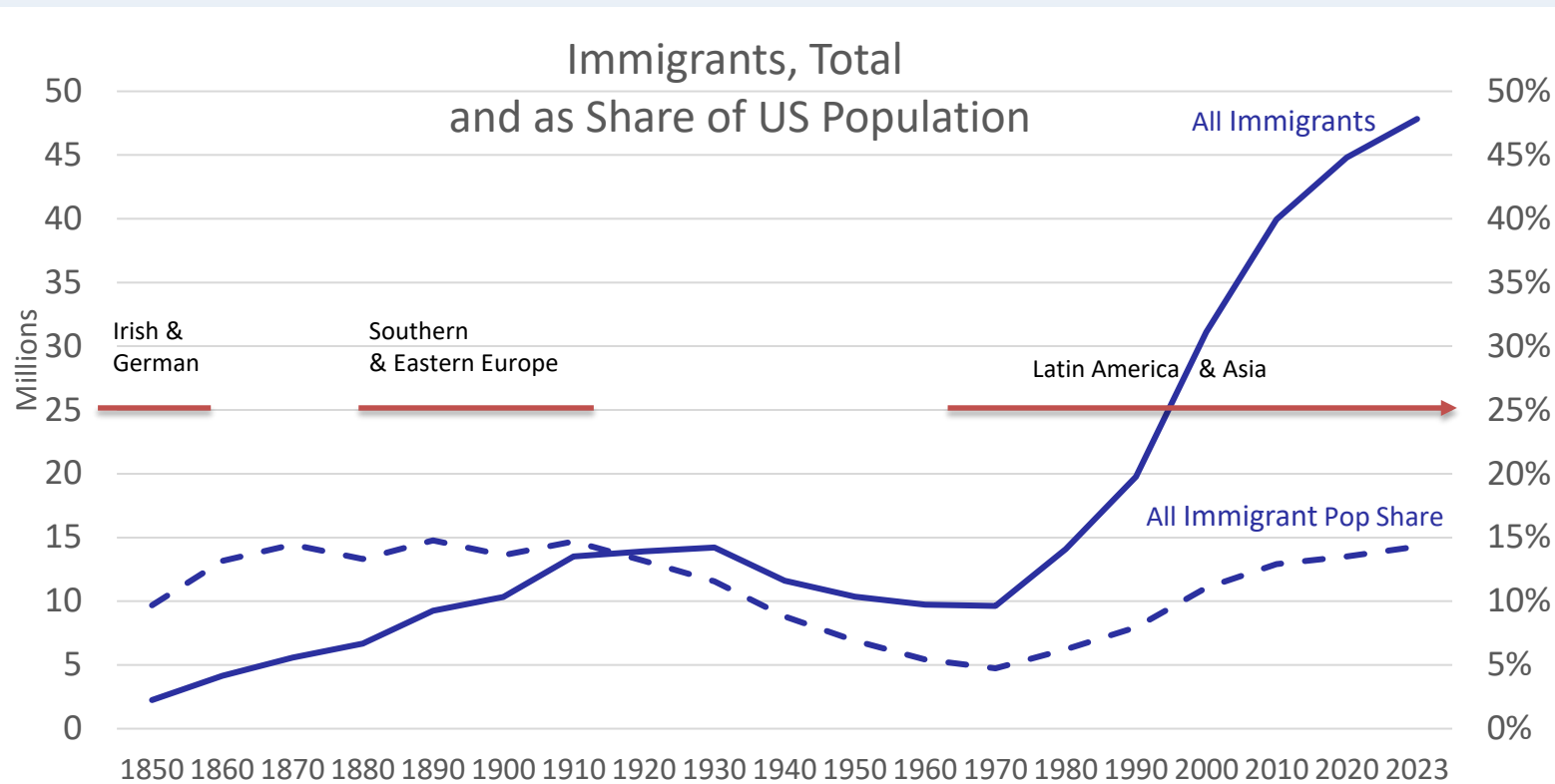


# Immigration Economics

- US immigration trends. What drives immigration?
- How does immigration affect the US economy?
  - Legal and unauthorized immigration
  - Implications for financial institutions
- The future of immigration
  - Deportation and restrictions
  - Long-run role in US economy?



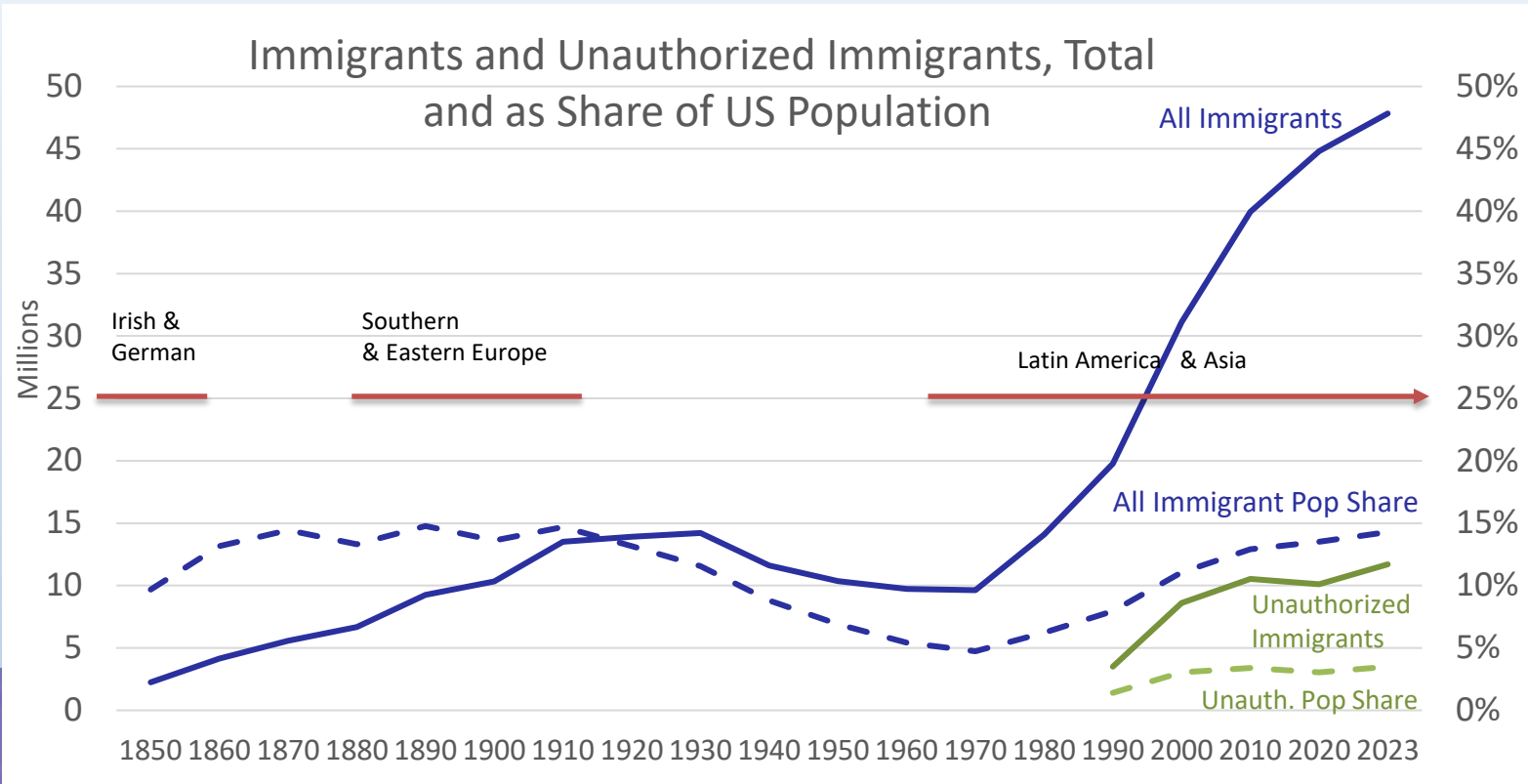
# A long history of immigration to US



Source: Migration Policy Institute, author's calcs, PBS.

[www.about-the-economy.com](http://www.about-the-economy.com)

# Unauthorized immigration a limited share



Source: Migration Policy Institute, author's calcs, PBS.

[www.about-the-economy.com](http://www.about-the-economy.com)

# Immigration Economics

- What drives immigration?
  - Push factors
    - Displaced by war, crime, poverty, and climate factors in all continents
      - They come despite risks
  - Pull factors
    - Better job and income opportunities
    - Better educational opportunities
    - Family ties
  - Policy
    - Regulations, treaties, enforcement, etc.



# Legal pathways to US immigration

- Family-based
  - No limits to immediate family
  - Various family preference categories
- Employment-based
  - Related to skills, job-creating investment
  - Permanent visas (Green Cards)
  - Temporary work visas
- Humanitarian
  - Refugees, asylum, TPS, DACA, cooperating crime victims, trafficked, etc.



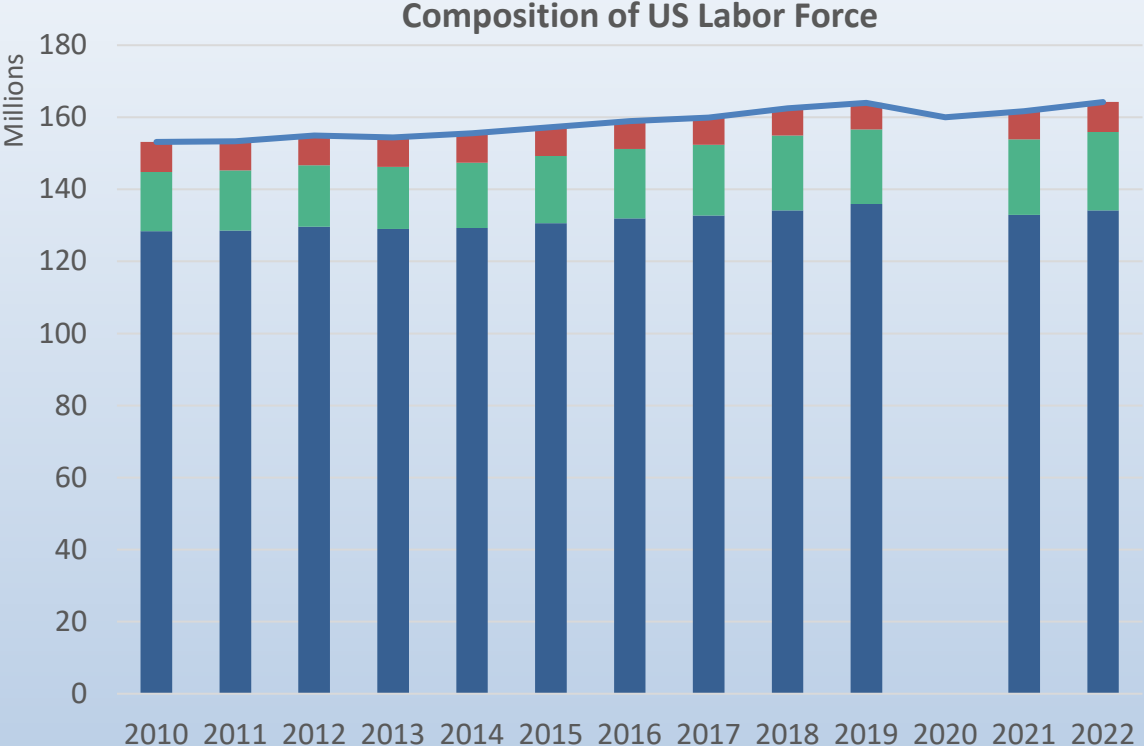


# Immigration Economics

- How does immigration affect the US economy?
  - Labor markets
  - Inflation
  - Housing
  - Government budgets
  - Other



# Foreign-born workers are a key part of labor force



About 20% of the US labor force, but more in some industries

- Native-born
- Foreign-born other than Unauthorized
- Unauthorized Immigrants

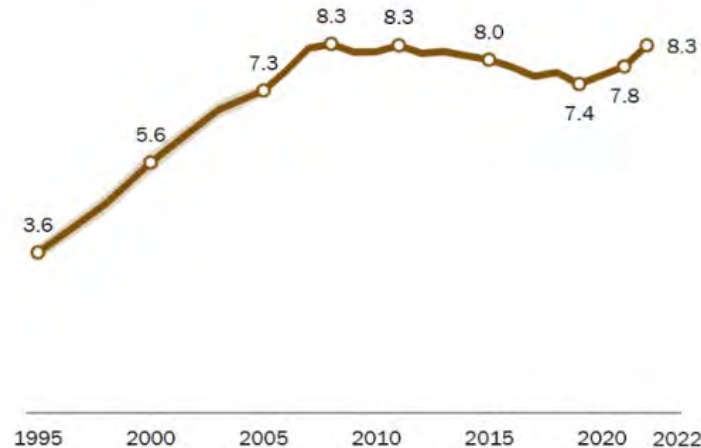


# Unauthorized in the Workforce

- Some can legally work
  - DACA (300k In LF?)
  - Asylum applicants (800k?)
  - Temporary protected status (800k?)
  - Special categories – avoiding crime, trafficked, etc. (250k?)
  - Delays before eligible
- Many others not legally permitted
- About 5% of the US labor force

## The number of unauthorized immigrants in the U.S. workforce grew rapidly from 2019 to 2022

*Unauthorized immigrants in the U.S. who are working or looking for work, in millions*



Note: Shading shows the range of the estimated 90% confidence interval. The data points labeled are 1995, 2000, 2005, 2008 (peak), 2011, 2015, 2019, 2021 and 2022.

Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

PEW RESEARCH CENTER



# Immigration Economics 201: the labor market

- Effect on native-born workers?
  - Theory says employment & wage effects depend on immigrants' skills
    - May lower employment and wages of workers of similar skill level
    - May raise them for people with higher skills
      - Immigrants' work is “complementary” to existing labor and capital
      - Raises productivity of these workers
  - Long run positive effects of larger workforce, increased demand, entrepreneurship



# How big are the labor market effects?

- There have been many studies, different methods, varying results
- General conclusion
  - At most a small negative wage effect for lowest-skilled workers
    - One survey: “...a 10 percent increase in the fraction of immigrants in the population reduces native wages by at most 1 percent.”\*
    - A recent study-of-studies: “...an average negative, close-to-zero wage effect”\*\*
  - Short-term effects on employment are also small or negligible
- Long run: Immigrants do not replace native-born workers, and they support wage growth

\*The Impact of Immigration on Host Country Wages, Employment and Growth, Rachel M. Friedberg and Jennifer Hunt, *Journal of Economic Perspectives*, 1995

\*\*Does Immigration Affect Native Wages? A Meta-Analysis. C. Nedoncelle, L. Marchal, A. Aubry, and J. Héricourt, CEPREMAP, 2022.



# Labor market concerns are largely misplaced

“Despite the popular belief that immigrants have a large adverse impact on the wages and employment opportunities of the native-born population, the literature on this question does not provide much support for this conclusion.”

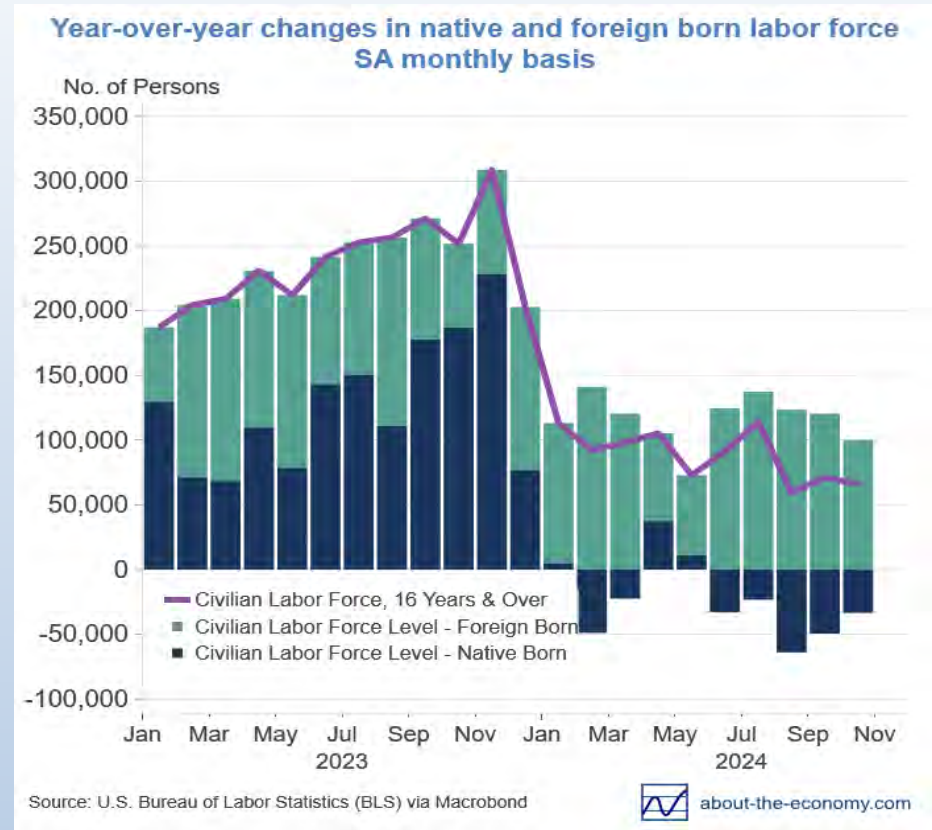
— The Impact of Immigrants on Host Country Wages, Employment and Growth,  
Rachel M. Friedberg and Jennifer Hunt, *Journal of Economic Perspectives*, 1995



# Immigration and inflation

“...much of the progress on inflation last year was due to supply-side improvements, including...increases in the number of available workers, due both to increased labor force participation and strong immigration....”

—Fed Governor Michelle W. Bowman,  
May 3, 2024.

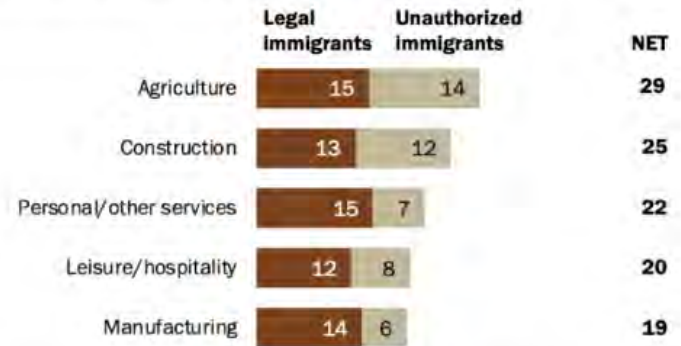


# Immigration and the housing market

- It's complicated
  - Immigrant demand could push up rents in some cities
  - But immigrants are big part of the construction workforce, new home building
    - 15-20% of that workforce, 40-50% in some states.

## Legal and unauthorized immigrants make up a significant share of workers in some industries

*% of workers in industries who are immigrants, 2017*



Note: Percentages calculated from unrounded numbers. Rankings based on unrounded percentages. "Personal/other services" refers to the Census Bureau's "Other services" group and includes those who work in private households. Other industry group names correspond to Census Bureau classifications for major industry groups. See "How we did this" for more.

Source: Pew Research Center estimates from augmented 2017 American Community Survey (IPUMS).

PEW RESEARCH CENTER



# Immigration and public finances

- Government budgets:
  - Immigrants pay taxes but also *may* receive benefits
    - Federal
      - Nearly all studies find positive budget effects
        - » Immigrants pay more in taxes than they receive in benefits
        - » Particularly true for recent or unauthorized; many are not eligible.
      - Despite costs of border control, etc.
    - State and local government
      - Short-term fiscal effects are negative
        - » Cost of educating children
    - In both cases, long-term effects are very likely positive



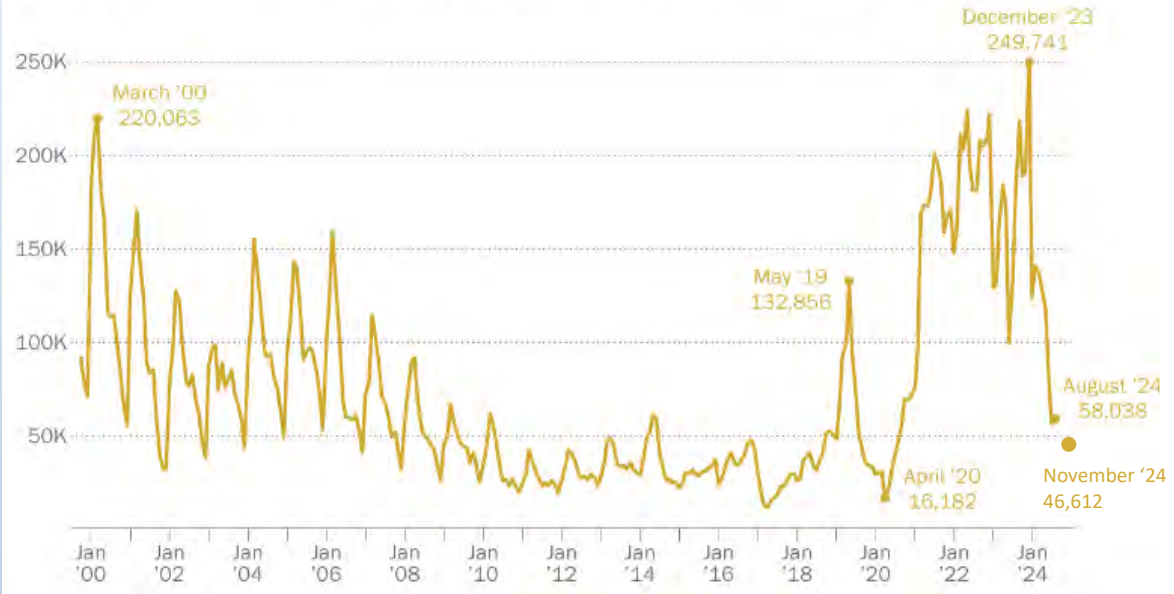
# “The surge”

- Unauthorized immigration surged in 2022-2023
  - Perhaps additional 5 m. 2022 to mid-2024

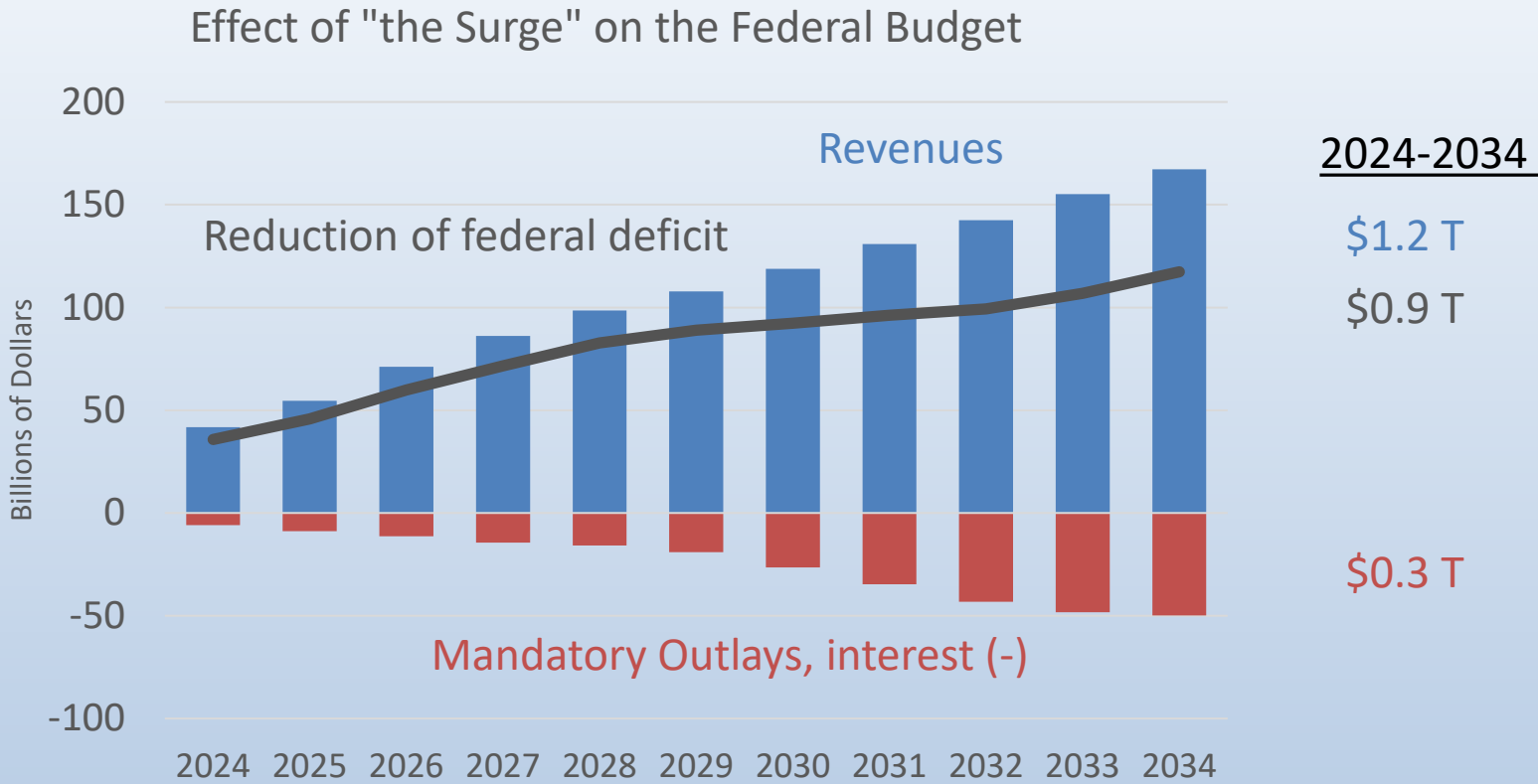
The surge is over.

## Encounters with migrants at the U.S.-Mexico border peaked in December 2023 but have plummeted since then

Monthly migrant encounters by U.S. Border Patrol at the U.S.-Mexico border



# Positive budget effects from unauthorized immigrants, too



# Immigration Economics

- Other economic effects
  - Immigrants are a source of demand
  - Entrepreneurial immigrants raises investment, productivity
  - Will become a critical source of labor in the future
    - I'll come back to this



# Implications for financial institutions

- Growing foreign-born population means
  - New markets
    - New clients
    - More entrepreneurial
  - But unique needs, challenges
    - Remittance services, foreign accounts, multilingual support
    - Lack of traditional credit history – an underserved market
    - Need for financial education
  - For unauthorized in particular
    - Compliance challenges if clients lack traditional ID
    - Risks from potential status changes, employment, income insecurity



# Trump immigration plans

- Mass deportations
  - Deport millions of unauthorized immigrants
  - Use mass detention centers
- Enhanced border security
  - Finish the border wall
  - Deploy troops to Southern Border
- Revoke birthright citizenship
- Reinstate travel bans for certain “high-risk” countries
- Expel DACA recipients (?)
- Use of military and litigation
  - Alien Enemies Act and Insurrection Act

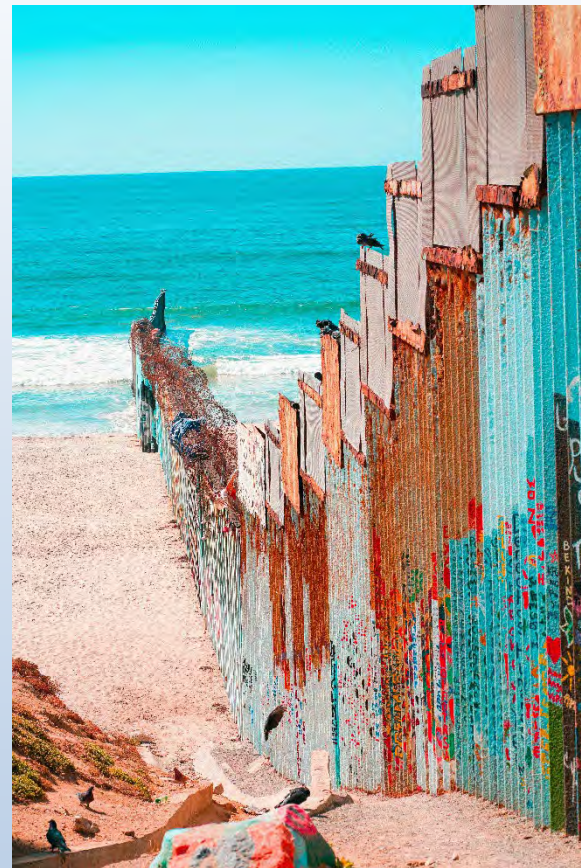


Photo: Barbara Zandoval via Unsplash

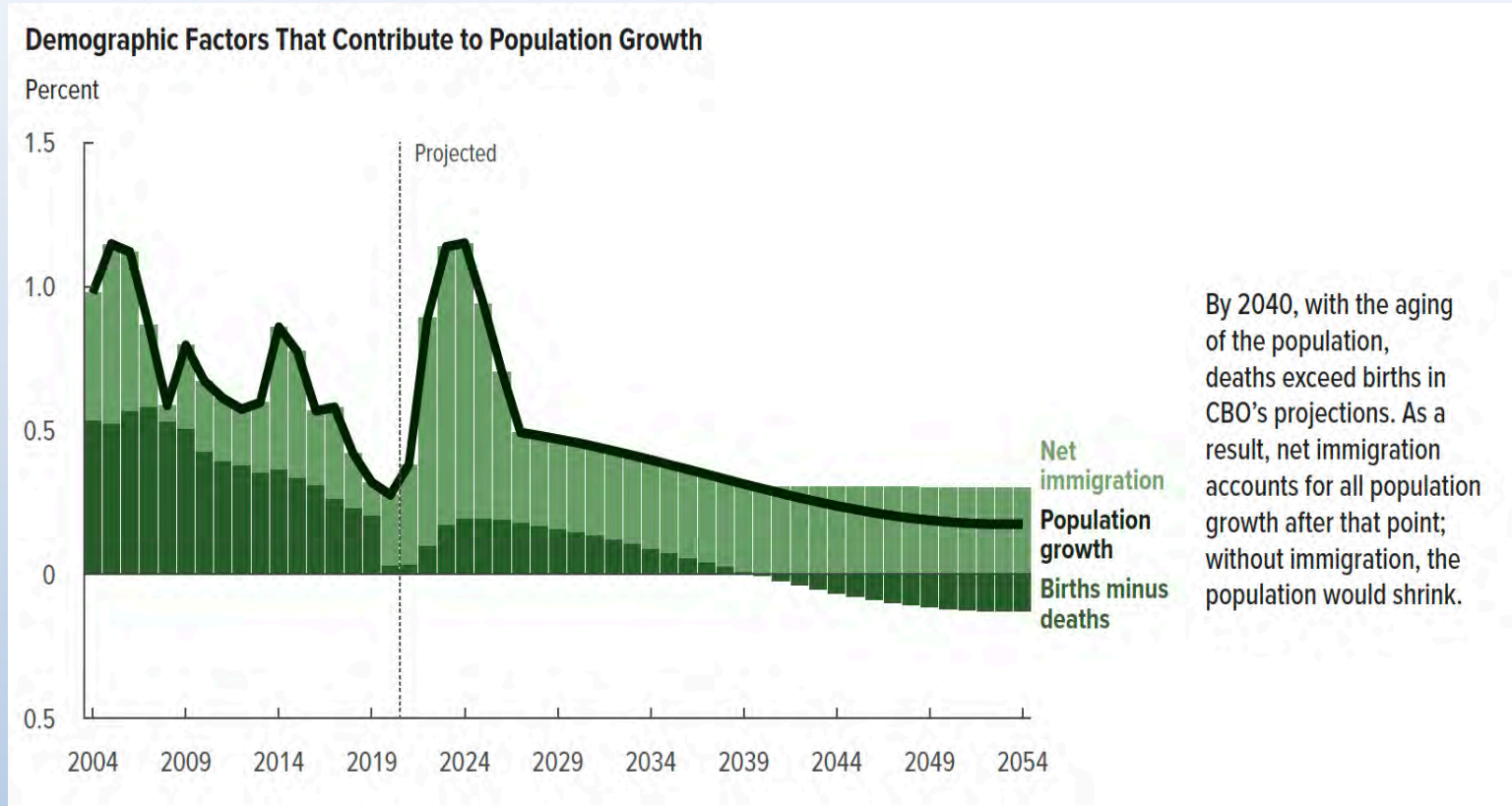


# Trump immigration plan: Knowns and unknowns

- First, we don't really know what will be implemented
  - Legal and constitutional challenges
- Or how effective it will be
  - US has never deported more than 500k in a year, including at border
- Mass deportation of 11 million would be very costly to finance
  - Conservative \$216-315 billion to deport 11 million?
  - \$1 trillion over a decade ongoing
- Broad economic costs would be large
  - Estimates range widely: 1.5-10% off GDP?



# Immigration will be vital in the future



Source: CBO, The Demographic Outlook: 2024 to 2054, January 2024.

[www.about-the-economy.com](http://www.about-the-economy.com)





# Immigration policy reforms?

- Who and how many. Should we?
  - Reduce legal limits
  - Put more emphasis on merit vs family-based
  - Allow more temporary work visas
    - But tends to make them indentured, underpaid
  - Increase enforcement
  - Increase assistance to trouble-prone source countries
- Integration
  - Reduce processing backlogs
  - Have quicker paths to Green Cards
  - Improve labor standards enforcement
  - Help local agencies meet immigrant and labor force needs



# A few good readable articles and data sources

- [“What the data says about immigrants in the U.S.”](#) Moslimani & Passel, 2024; and [“What we know about unauthorized immigrants living in the U.S.”](#) Passel & Krogstad, 2024, Pew Research Center.
- [“Frequently Requested Statistics on Immigrants and Immigration in the United States,”](#) Jeanne Batalova, Immigration Policy Institute, 2024.
- [“Are immigrants taking jobs from ‘native’ U.S. workers? Here’s what economists say,”](#) Greg Iacurci, CNBC.com
- [“Why Trump Allies Say Immigration Hurts American Workers,”](#) Lydia DePillis, November 2024. (may be behind paywall).
- [“The Foreign-Born Population, the U.S. Economy, and the Federal Budget,”](#) CBO, 2023.
- [“Trump's Deportation Plan Would Cost Nearly \\$1 Trillion,”](#) Eric Boehm, October 2024 (may be behind paywall).
- [“An Economist’s Guide to Immigration Reform,”](#) Tara Watson, Kenan Institute of Private Enterprise, 2023.





# Thank you

Byron Gangnes  
Professor Emeritus of Economics  
UHERO Senior Research Fellow  
University of Hawaii at Manoa



## About the Economy

Making Economics Make Sense

[www.about-the-economy.com](http://www.about-the-economy.com)

Follow me on [LinkedIn](#)