



COMMITTEE ON THE BUDGET

Chairman John Yarmuth

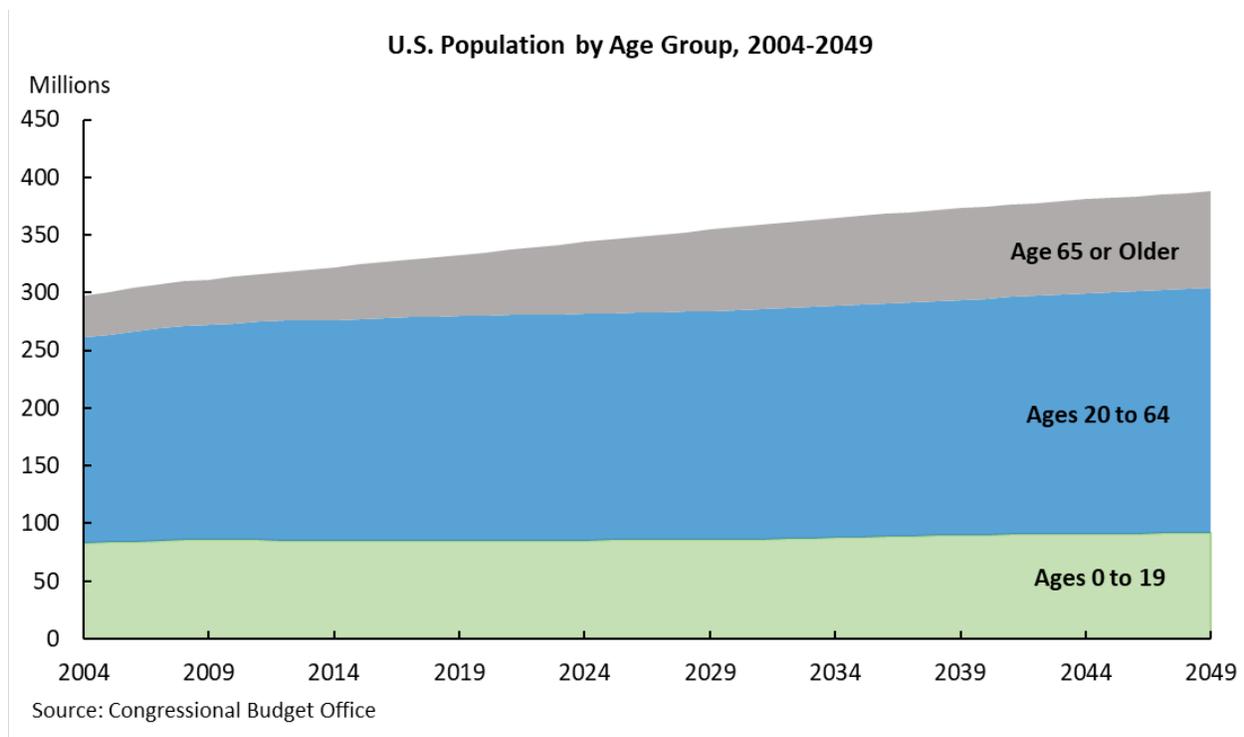
July 10, 2019

Congress Must Act on Comprehensive Immigration Reform

The United States is home to more immigrants than any other country in the world, with more than [44 million](#) people – nearly 14 percent of our population – born abroad. In a [hearing](#) earlier this month, “Building A More Dynamic Economy: The Benefits of Immigration,” the House Budget Committee heard from witnesses who highlighted the critical contributions immigrants make to the economy and affirmed how comprehensive immigration reform can act as an engine for job creation, innovation, economic growth, and fiscal stability.

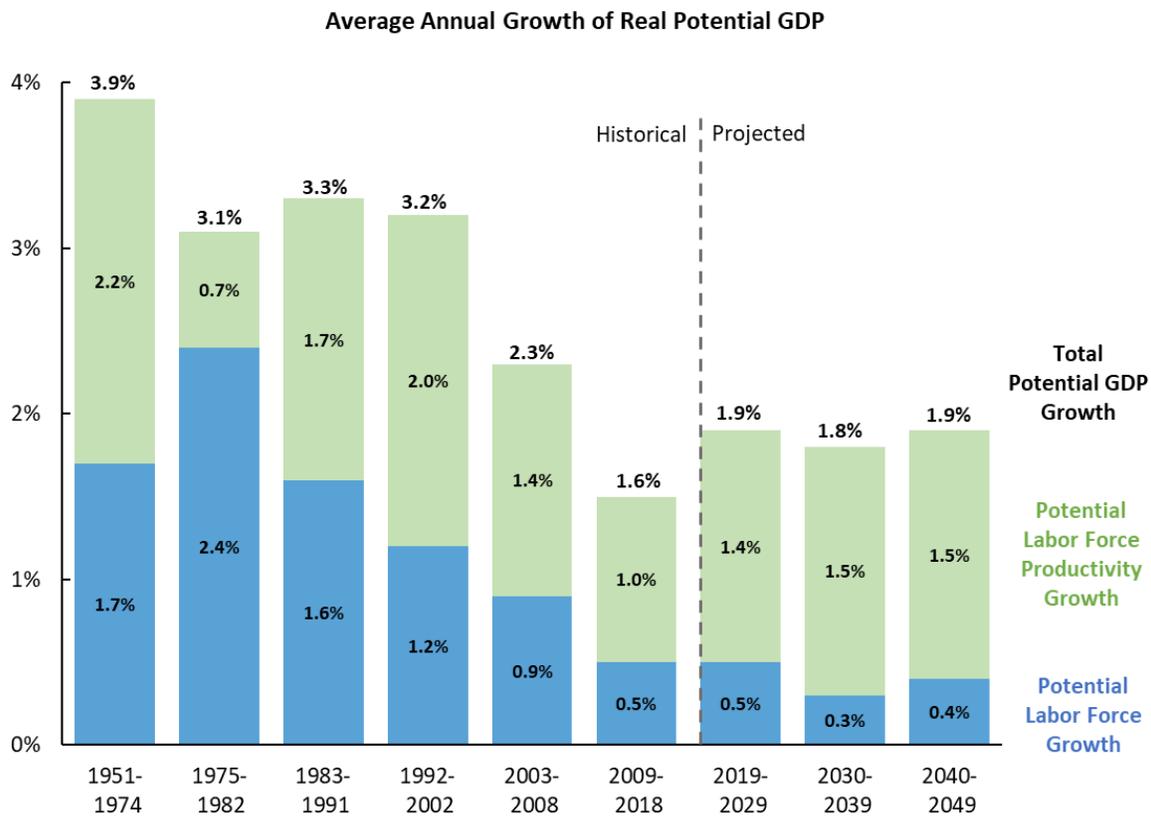
Immigrants Alleviate Our Demographic Challenge

An aging population is one of the most critical challenges facing our country today. The share of Americans aged 65 or older has increased from [12 percent](#) in 2004 to 16 percent today, with the share projected to rise to 22 percent by 2049. At the same time, growth in the working-age population and labor force is slowing – reducing productivity, eroding business dynamism, and lowering our economic growth potential over the long run. In short, sustaining labor force growth is vital for ensuring our economic growth and competitiveness over the long run.



This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members.

Yet in recent decades, the retirement of the baby boomers, coupled with falling fertility rates, have significantly slowed – and will continue to slow – growth in the labor force and the working-age population. About [80 percent](#) of counties in America, with a combined population of 149 million, saw a decline in their number of prime working-age adults between 2007 and 2017; by 2037, two-thirds of American counties are projected to have fewer working-age adults than they did in 1997. According to the Congressional Budget Office (CBO), moreover, the labor force is expected to grow by a mere [0.4 percent](#) on average each year over the next 30 years – more than a percentage point below the average annual labor force growth rate over the past half century. This slowing labor force growth is the primary factor underlying CBO’s projection that real potential GDP will grow at an annual rate of [less than 2 percent](#) over the next three decades, compared to the nearly 3 percent average rate over the last 50 years.



Source: Congressional Budget Office

Note: Real potential GDP is the maximum sustainable output of the economy, adjusted to remove the effects of inflation.

These trends endanger our long-term growth potential and fiscal outlook. As Chairman John Yarmuth noted in his opening remarks, welcoming more immigrants to our country is “the only realistic solution for addressing the slow growth of our labor force and alleviating some of our demographic challenges that put even greater pressure on federal budgets.”

Immigrants Grow the Economic Pie

Throughout the hearing, witnesses testified on the many ways – replenishing the labor force, creating new jobs, increasing productivity, promoting innovation, fostering competition, and boosting consumer demand for goods and services – immigrants, regardless of skill level or legal status, increase the size of the economy and the pace of economic growth. According to one estimate, doubling the number of immigrants we take in each year – to 2 million, roughly the number that came to the United States during the early 2000s – would accelerate our GDP growth rate from an average 2.0 percent per year to [2.3 percent](#). CBO, moreover, found that enacting comprehensive immigration reform, like the bipartisan legislation approved by the Senate in the 113th Congress, would have boosted real GDP by 5.4 percent, per capita income by 0.2 percent, and average wages by 0.5 percent after 20 years. In total, each new immigrant’s economic contribution in just the first decade would have totaled [\\$12,000](#) each year.

“Over the next 10 years, without immigrants and their children, the country’s working age population would plummet by 7 million people” — Mr. Tom Jawetz, Vice President of Immigration Policy at the Center for American Progress, highlighted the importance of immigration for rejuvenating our aging labor force and ensuring that we have a sufficient supply of labor to meet current and future demand. America currently faces costly [labor shortages](#) in fields such as construction, health care, and agriculture. The decade-long shortage in agriculture, for example, is estimated to have cost more than [\\$3 billion](#) a year in lost production – a situation that would have been even worse if not for immigrants. Immigrants are also prevalent in occupations that are projected to be the [most in-demand](#) over the next decade, including personal care and home health aides. As Mr. Jawetz noted, “As baby boomers retire, immigrants will disproportionately work as their doctors, nurses, and home health aides. Immigrants and their children will also fill enormous holes in the workforce left behind, as they retire.”

“Immigrants are complementing the American workforce” — Mr. Jawetz explained that lesser-skilled immigrants not only help fill labor shortages, but they also tend to [complement](#) lower-skilled native-born workers, allowing them to upgrade their skills and obtain jobs with higher compensation. Rather than compete with native-born workers for the same jobs, immigrants open up opportunities for native-born workers to move into managerial and other higher-skilled positions and boost worker productivity. The inflow of less-educated immigrants between 1980 and 2000, for instance, led native-born women to [increase](#) their work hours due to less-expensive home care services. Higher-skilled immigrant workers also [boost](#) productivity and wages among native-born workers given their concentration in STEM fields. Lower- and higher-skilled immigrants are both critical for sustaining growth in the economy.

“It’s a false notion that less-skilled immigrants or immigrants without a college degree don’t provide something for the economy” — Dr. Sari Pekkala Kerr, a Senior Research Scientist at Wellesley College, stressed that lower-skilled immigrants are “economic powerhouses” like their higher-skilled counterparts. Among immigrant (and native-born) entrepreneurs, for instance,

about half hold a college degree. But as Dr. Kerr noted, “both types of entrepreneurs, skilled and not, create a lot of jobs.” The Trump Administration’s proposals to keep lesser-skilled immigrants out of this country would turn away potential entrepreneurs and deprive our economy of jobs and revenue. Immigrant business owners without college degrees alone generated [\\$43 billion](#) in business income in 2015.

“Unlocking that potential would be a great long-term investment for our country and we would reap the benefits of that in the long run” — Mr. Jawetz also underscored the critical economic contributions of Dreamers – the [3.6 million](#) individuals living in the United States who were brought here as minors and are now at risk of deportation following President Trump’s attempt to end the Deferred Action for Childhood Arrivals (DACA) program. H.R. 6, the Dream and Promise Act of 2019 – which passed the House earlier this month – would establish a path to citizenship for Dreamers, as well as for individuals who either held or were eligible for Temporary Protected Status (TPS) or Deferred Enforced Departure (DED), two designations that provide protection for certain noncitizens on humanitarian grounds. As Mr. Jawetz noted, these households have been in the country for years, contribute more than \$27 billion in taxes annually, and hold more than \$75 billion in spending power.

Immigrants Foster a Dynamic, Vibrant, and Entrepreneurial Economy

Witnesses also highlighted the outsized role immigrants play in creating new businesses and innovations. Immigrant entrepreneurship generates jobs, earnings, and revenues for the American economy while promoting a more dynamic business sector that is vital to our long-term economic growth. Restricting immigration would deprive the United States of critical entrepreneurial talent and jeopardize our nation’s standing as the most innovative, vibrant, and competitive economy in the world.

“The overall employment base in America would be much smaller without the contribution of immigrant-owned and -founded businesses” — Dr. Kerr described her research which finds that [25 percent](#) of all new businesses in the United States – and as much as 40 percent of new businesses in some states – are created by first-generation immigrants, up from 16 percent in 1995. As she noted, the share of immigrant entrepreneurs is twice as high as their representation in the U.S. population; indeed, immigrants are “much more likely to start firms than natives are.” These firms create job opportunities for native-born and immigrant workers alike while serving as a critical source of earnings for local communities across the country.

“Immigrants are not only creating jobs, but they also bring new ideas and entrepreneurial spirit” — Mr. Abdirahman Kahin, the owner of Afro Deli – a fast-casual chain of restaurants in Minnesota – testified about his own experience as a successful immigrant entrepreneur. Mr. Kahin came to the United States in 1996 as an asylum seeker from Somalia and opened Afro Deli in 2010. He has grown his business from a single location to four restaurants, employing 60 people – half of whom are immigrants themselves. Mr. Kahin explained that his success in the

industry is the result of investing in his employees, such as by offering paid sick leave, as well as by partnering with local farms and other small businesses in his community. He also described his efforts to promote American entrepreneurship at home and abroad, including by visiting local schools to inspire young people to start their own businesses. Mr. Kahin said that his goal is to expand his business beyond Minnesota, becoming the first African restaurant chain in the United States: “I want to grow so I can share our food, our culture, our values, and create more jobs across the country.”

“Immigrant entrepreneurship has also boomed at the same time when the overall rate of business startups in America has been falling, making them even more important” — Dr. Kerr underscored that the entrepreneurialism and creativity immigrants like Mr. Kahin bring to this country is especially critical today. Business dynamism – the churn in the economy whereby new firms are born, grow, decline, and exit – has declined in the United States since the late 1970s, with the business startup rate having fallen by [nearly half](#). Dr. Kerr’s written testimony cited research showing that [two-thirds](#) of the decline in the startup rate is due to the slowdown in labor supply growth. Immigrants thus pack a one-two punch in boosting our economic dynamism: not only do immigrants alleviate the startup deficit by increasing labor force growth, they are also significantly more likely than native-born individuals to start new businesses and innovate in the first place.

Immigrants Brighten Our Long-Term Fiscal Outlook

Immigrants and their native-born descendants contribute billions of dollars to government coffers each year, with undocumented immigrants alone paying more than [\\$9 billion](#) in federal payroll taxes and nearly [\\$12 billion](#) in state and local taxes annually. At the same time, immigrants are [less likely](#) to use social assistance programs and, when they do, generally consume a lower dollar value amount of benefits. On balance, immigrants at all educational attainment levels have a [more positive](#) net fiscal contribution than their native-born counterparts. CBO, moreover, found that the 2013 immigration reform legislation would have reduced the deficit by nearly [\\$900 billion](#) over the subsequent 20 years – amounting to nearly [\\$5,000](#) of deficit reduction per new legal immigrant per year by the second decade.

“The contributions of foreign-born workers through payroll taxes are shoring up the country’s social safety net for years to come” — Mr. Jawetz stated that immigrants substantially improve the financing outlook for programs like Social Security and Medicare – two of the biggest drivers of our long-term budget challenge – and help “ensure that we honor the commitment we made to older Americans now turning to those programs for support.” Between 2000 and 2011, undocumented immigrants alone contributed a [\\$35 billion](#) net surplus to the Medicare Hospital Insurance Trust Fund, extending Trust Fund solvency by one year. By the same token, significantly restricting immigration, as some Republicans propose, would worsen the Social Security trust funds’ unfunded liability by [\\$1.5 trillion](#), or 13 percent, over 75 years. Repealing

the DACA program, moreover, would reduce Social Security and Medicare tax contributions by nearly [\\$25 billion](#) over a decade.

“Children are investments. And then eventually, that investment pays off. And it pays off in spades, especially for second-generation immigrants” — Mr. Jawetz explained that while immigration has a positive fiscal impact on federal budgets, to the extent that immigrants do impose net costs, they fall primarily on [state and local governments](#) and are due to the costs of educating the children of immigrants in public schools. But as Mr. Jawetz noted, all children – native-born and immigrant alike – are investments in our future. By the time these children grow up, they (and their own children) join the labor force and become a net fiscal positive for states. Overall, the fiscal impacts of immigration at both the federal and state levels become more positive when considering the contributions of second- and third-generation immigrants. Dr. Kerr added that among immigrant entrepreneurs, moreover, many came to the United States as children of visa holders or as students. Investing in young immigrants can thus also be viewed as an investment in a more innovative and dynamic future economy.

Refugees and Asylum Seekers Help the American Economy Thrive

Witnesses also discussed the positive economic and fiscal contributions made by refugees and asylum seekers. While these individuals come to America for humanitarian reasons, often with limited resources, they stimulate growth by settling in areas facing population decline, expanding the labor force, and even becoming entrepreneurs and creating jobs. In fact, refugees in the United States may have even [higher](#) entrepreneurship rates than other immigrants. Refugees also participate in the labor force at [high](#) rates – with refugee men [employed](#) at higher rates than their native-born counterparts – and earned more than [\\$77 billion](#) in household income in 2015, of which nearly \$21 billion was paid in taxes. The U.S. Department of Health and Human Services, moreover, found that refugees in America strengthened federal and state and local budgets over the last decade, bringing in [\\$63 billion](#) more in revenue than public services used – a finding the Trump Administration tried to suppress.

“I came to the U.S. like many immigrants, to find safety and opportunity, as an asylum seeker: a young man from Somalia without much experience or skills” — While describing his experience fleeing violence from Somalia, Mr. Kahin described himself as “one of the luckiest people on Earth.” Upon gaining asylum in the United States, he found work as an overnight parking attendant, a job that allowed him to attend English classes in the afternoon. He was then able to attend community college and obtain the skills he needed to start his first business, before eventually realizing his dream in opening up Afro Deli. In less than 15 years, Mr. Kahin went from an asylum seeker with few skills to a successful entrepreneur. As he noted, others are not as lucky: “I know thousands of people in Africa and Somalia who are fleeing from the civil war and lying in the sea. Those are by the thousands, every month.” The Trump Administration’s policies to cut immigration by asylum seekers and refugees not only contradicts our values, but it also forgoes untold economic and entrepreneurial potential.

“I came as a refugee. I’m here in Congress and my vote here is a good as anybody who was born here. And I care for this country as much as anybody who was born here” — During the hearing, Congressman Albio Sires shared his own personal story of coming to America as a refugee from Cuba. When he arrived in the country at 11 years old with his family, the government gave him a coat, hat, and gloves. That investment led to him becoming a business owner, a mayor, and ultimately a member of Congress. As Mr. Sires noted: “as far as I’m concerned, this country made a great investment in the Sires family.”

“My immigrant experience is not unusual” — Beyond opening businesses and creating jobs, Mr. Kahin emphasized the critical role he and other immigrants play in contributing to and supporting the local economy and community. As he explained in his written testimony, “We have been successful because of our community’s support and it is our connection with our community that anchors our success.” He noted that giving back to the community and paying it forward is an important part of the organizational culture at Afro Deli. To that end, Mr. Kahin encourages employees to serve on local boards, partners with traditionally disadvantaged businesses in the area, and even helped feed local federal workers during the government shutdown earlier this year. As he noted, “We are so proud to be a product of Minnesota and believe we represent the best our state has to offer.” Mr. Kahin’s experience clearly demonstrated how asylum seekers and refugees not only contribute to the economy, but also strengthen the fabric of local communities.

Trump Administration’s Immigration Policies Threaten the Economy

While Committee Republicans claimed “[t]here’s not a person in this room who doesn’t think we need more legal immigration,” their “pro- legal immigration” assurances throughout the hearing conveniently ignored the Trump Administration’s myriad efforts to restrict not just illegal, but also *legal*, pathways to entry. These policies risk economic catastrophe and significantly weaken our long-term fiscal outlook.

“Their goal is to drive down significantly legal immigration” — Mr. Jawetz pointed out that in contrast to the position many Committee Republicans espoused during the hearing, the Trump Administration does not support increasing legal immigration. In fact, the Administration’s official policy has been to limit opportunities for foreign-born individuals to enter or stay in the country. The United States admitted fewer than [23,000](#) refugees in 2018, roughly a quarter of the average [81,000](#) refugees our country took in each year between 1980 and 2015; 2018 was the [first year](#) that America did not lead the world in resettling refugees. The Administration’s policies are also responsible for sharp declines in visas for foreign [students](#) and applications and acceptance rates for [H-1B](#) visas for highly skilled foreign workers. From banning visitors from Muslim-majority countries to ending protections for [hundreds of thousands](#) of individuals with Temporary Protected Status, the Administration has pursued a range of policies with the explicit aim of slashing the number of *legal* immigrants in the country.

“It’s certainly not the case that the country is full” — Contrary to President Trump’s claim that “our country is full,” Dr. Kerr argued that many areas of the country are actually losing population. This makes it more difficult for local communities to maintain services like public schools, keep businesses in town, and provide economic opportunities for young residents. As Dr. Kerr warned, “that can lead to these vicious cycles where areas become less and less attractive, and the young individuals will leave because there’s nothing much for them to do. And those kinds of situations can be very hard to correct.” Not only is our country not full but by stabilizing local populations, immigrants are helping communities and local governments stay afloat. [One in 10](#) counties – encompassing metro and rural areas alike – grew over the last fiscal year chiefly because of immigration. Going forward, a whopping [87 percent](#) of total U.S. population growth in 2049 is projected to come from immigrants, up from 45 percent today. The Administration’s efforts to reduce legal immigration put communities across the country at greater risk of depopulation and significantly depress our long-run economic growth potential.

“No one supports illegal immigration. Illegal immigration is a sign of a dysfunctional system” — Mr. Jawetz reminded Committee Republicans that the [10.5 million](#) undocumented immigrants living in the country today is the consequence of a broken immigration system. These undocumented immigrants have lived in the country for an average of nearly 15 years, contribute about [2.6 percent](#) of U.S. GDP annually, and pay billions in federal and state and local taxes each year. Indeed, deporting all 7 million undocumented workers in the United States, as President Trump repeatedly threatens, could reduce GDP by [\\$4.7 trillion](#) over 10 years, cost the government nearly \$900 billion in lost revenue, and reduce the workforce by up to 18 percent in certain industries. But rather than focus on these individuals’ legal status, we should aim to “harness the benefits of immigration within the legal system.” As Mr. Jawetz argued, “we can keep banging our heads against the wall with our broken system and be really angry about the fact that we have 10.5 million undocumented immigrants here...or we can fix the system and bring people within the legal immigration system so that our system can work as it is designed rather than through workarounds and us just turning a blind eye to what’s going on.”

Commonsense Immigration Reform is Key to Our Nation’s Future

As Chairman Yarmuth noted in his opening remarks, America needs an immigration system that encourages hardworking and creative people to come to our country, provides pathways to citizenship, protects our borders, and keeps families together. Committee members on both sides of the aisle agreed that our immigration system is broken. By passing a comprehensive immigration reform bill that reflects our national needs and our values, Congress can help secure our long-term fiscal health and create a more vibrant and dynamic economy.

“There are two signs on the Southwest border: one says help wanted, one says no trespassing” — Mr. Jawetz emphasized that over the last several decades, America has sent an inconsistent message to immigrants: while we rely upon them for their labor and their purchasing power, we have failed to clear pathways to facilitate their participation in our economy. As he argued, “if

we can establish a well-functioning, modernized, and humane immigration system that both lives up to our nation’s past and works for our nation’s present and future, we can be true to the vision of this country as a nation of laws and a nation of immigrants and can begin to restore respect for the rule of law in that system.”

“It’s not only been ‘enforcement first’ for the last 30 years, it’s been ‘enforcement only’ for the last 30 years” — In response to Ranking Member Womack’s suggestion that we secure the border before pursuing immigration reform, Mr. Jawetz noted that the Department of Homeland Security reported in 2017 that the southwest border is [more difficult](#) to cross than ever before. Even so, we have not changed our legal immigration system since [1990](#). As Mr. Jawetz argued, focusing solely on enforcement without addressing the underlying system that shapes the flow of migrants – as we have over the last 30 years – cannot adequately secure the border: “We’ve got a broken immigration system and it’s the system that’s broken. You cannot enforce your way into fixing that system. More enforcement of that broken system will not improve it.” The best way to secure the border is through comprehensive immigration reform.