The Baby Boomers are retiring! The Baby Boomers are retiring! And only immigration can prevent a decline in our working-age population and, by implication, declines in U.S. GDP and living standards! That is the message contained in a recent Pew Research Center report.\(^1\)

According to Pew, the retirement of Baby Boomers will reduce the number of U.S.-born people of working age (25 to 64) by 8.2 million, or 6.4%, over the 2015 to 2035 period. Pew projects that 17.8 million new immigrants will enter over these two decades, enough to offset and exceed the aging and death of working-age immigrants already here by about 4.6 million.

But as seen in the table, the biggest immigration related component of workforce growth over the next two decades will be U.S.-born children of immigrants, projected to increase by a net 13.5 million, or 122%, between 2015 and 2035. Regarding these second-generation immigrants, Pew researchers Jeffrey Passel and D’Vera Cohn note that “This group already lives in the U.S.; they were ages 5 to 24 in 2015.”

Immigration over the next 20 years will increase the working age population by about 10 million above current levels, according to Pew. Had an immigration moratorium been in effect, the working age population would have fallen by about 7 million:

The bottom line: immigration over the next 20 years will increase the working age population by about 17 million, or 10%, above the level that would have been reached under a moratorium.

Pew likely overstates immigration’s future role, first by blithely assuming that the current level of legal immigration – about 850,000 working-age immigrants per year – will persist over the next two decades. That outcome is highly unlikely given Donald Trump’s preference for a lower and more merit-based influx.

Similarly, by projecting a sharp rise in first generation immigrant workers on grounds that this group “already lives” here, Pew ignores the possibility that many of them – including U.S.-born Dreamers - will be deported. Or leave voluntarily: more than 4 million legal immigrants emigrated back to their home countries over the past thirty years, according to the Department of Homeland Security.\(^2\)

But these numbers beg a more important question: Does the U.S. economy need any immigration at all?
A typical pro-immigration screed runs like this:

“Relatively faster growth in the US population will translate into relatively faster economic growth… This is not optimism, but simple arithmetic. Japan and many European countries face long-term stagnation or even decline in their real GDPs - and hence the aggregate economic and fiscal resources available to pursue future-oriented agendas, from investing in the young to investing in national defense.”

Get it? More immigration means more workers, which means higher GDP – which means… we need more immigration.

Reality check: GDP does indeed rise when new immigrants enter the labor force. But living standards are best measured by per capita income, not total GDP.

Per capita income falls if immigrants are less educated, productive, motivated, - and earn less - than natives. This is the case in the U.S., as seen in the Bureau of Labor Statistics’ latest survey of the immigrant workforce.

Comparing median wage and salary income of immigrant and native-born workers in 2016, BLS found:

**Native-born workers:** $44,720

**Immigrant workers:** $37,180

Immigrant workers earned 83.1% of the native median income. Male immigrants earned only 79.0% of what native-born males earned in 2016.

Recent arrivals (arriving within five-years of the survey year) are at an even greater disadvantage, earning only 65% of native-born median family income, according to a study released by Pew to mark the fiftieth anniversary of the 1965 immigration law. In 1970 new arrivals received 88% of native average incomes. These figures are adjusted for both inflation and family size, giving a true picture of relative decline in the living standards of new entrants.

Even so, the immigrants themselves are the major beneficiaries of immigration. Harvard Professor George Borjas estimates that immigrant workers increased U.S. GDP by about $1.6 trillion, or 10.7%, in 2013. The vast bulk of this gain went to the immigrants themselves. Only 0.24% went to natives.

Natives who own businesses are big winners: more immigrants mean more customers, a larger pool of cheap employees, and higher profits. Natives affluent enough to hire immigrant nannies, household help, and landscapers, also gain. But most of us do not own a business. Most of us are not affluent: we depend on wages or a salary. Foreign workers reduce wages of all native workers, especially the less educated who compete directly with immigrants in the labor force. On balance, immigration redistributes income from working class natives to upper class natives. The gap between haves and have-nots is wider because of it.

Do we need any immigration? Perhaps not. Nations with stagnant or falling populations often enjoy faster per capita GDP growth than those with high immigration and population growth. Take Japan, for example, where population has actually declined in recent years while the labor force is rising as older people rejoin the workforce and more women take jobs. From 1960 to 2011 Japan’s per capita GDP, measured in 2011 dollars of fixed purchasing power, rose by a factor of 5.6-to-1, more than twice the 2.7-to-1 growth multiple recorded in the U.S.

Over this period Japan followed a “Japan First” economic policy, discouraging the influx of people as well as foreign capital. Japan’s immigration policy is based on two principles: admission exclusively of highly skilled workers and immigration on a temporary basis. The only exception to these rules: persons of Japanese descent. The government allows the recruitment of ethnic Japanese living abroad on long-term visas that include an unlimited work permit.

Foreigners today make up 1.4% of the Japanese labor force, tiny compared to the 16% to 17% immigrant share of the U.S. workforce. In recent years Japan’s immigrant population barely budged, edging up from 1.55 million, or 1.22% of total population in 2005, to
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1.98 million, or 1.55% in 2013. Over the same period the U.S. immigrant population rose by more than 6 million, from 35.2 million (12.1% of total population) in 2005 to 41.3 million (13.1% of total population) in 2013.

Slowing population growth forced Japanese employers to enhance the productivity of their racially homogeneous workforce with better technology, equipment, and training – producing the exceptional rise in GDP per capita.

Closer to home, two episodes in recent U.S. economic history make the same point.

**THE MARIEL BOATLIFT: LABOR FORCE SURGES, PER CAPITA INCOME FALLS**

Most immigrants come here to work. They are naturally attracted to “boom towns,” places where employment and wages are increasing at above average rates. The correlation between the size of the immigrant workforce and higher wages is often misinterpreted as evidence of causation – i.e., a sign that, somehow, immigrants themselves are the reason for higher wages enjoyed by native-born workers. With so many other factors influencing wage levels in a city’s economy, it is often hard to isolate the impact of newly arrived immigrants.

Occasionally there is an isolated non-economic event that triggers a large surge of foreign-born workers to a city. The Mariel Boatlift is one such event. In 1980, when a group of Cubans drove a bus through the Peruvian embassy in Havana and demanded asylum, the Peruvian ambassador refused to return them to Cuban soil. When thousands of additional Cubans flooded the embassy, Fidel Castro declared that any Cuban national wishing to leave for the United States could leave freely through the port of Mariel. Around 125,000 Cubans quickly accepted the offer.

Within a few months Mariel increased the size of Miami’s labor force by 55,700 persons, of which almost 60% were high school dropouts. The city’s unskilled labor force rose a remarkable 18%. Economist George Borjas calculates the average wage of native workers most likely to compete with the Marielitos – non-Hispanic male high-school dropouts – fell a whopping 30%. A decline of this magnitude more than offset the income gains caused by higher immigrant employment. As a result, the average wage of unskilled workers in Miami fell after 1980 even as their employment soared.

Nor was the damage limited to unskilled workers. Miami’s manufacturers found ways to use suddenly cheaper unskilled workers in processes that once required mainly skilled workers. Relative to those in other cities, manufacturers in Miami were slower to purchase computers after 1980. In economic parlance, they substituted labor for capital – an activity that is good for profits, but bad for the productivity and wages of workers.

The post-1980 wage decline is not at all surprising. It is a textbook case of supply and demand: the boatlift increased the supply of unskilled workers in Miami relative to the demand for those workers. As seen in the graphic, wages bounced back in the late 1980s. Borjas attributes this to an “exodus” of unskilled non-Cuban workers from Miami to cities that were not inundated by boatloads of competing workers from abroad. By migrating to other cities, Miami’s unskilled workers reduced wages of similar workers in their new home towns. In this way Miami’s economic trauma was felt, at least to some degree, in cities outside of Miami. The graphic shows this.

Mariel was a unique event. No U.S. city has experienced the sudden population surge and wage decline that Miami did in 1980. But the lesson gleaned from Mariel - that population growth is not a good indicator of economic growth - is relevant to all cities in the country. This point is driven home in a study of U.S. cities over the decade spanning 2001 and 2011.

Using government figures, Richard Florida and his colleagues from the Martin Prosperity Institute compared trends in population growth and productivity growth (as measured by economic output per capita) for the nation’s 366 metropolitan areas. Their main conclusion: There is
no connection between the two. In fact, the metropolitan area with the highest population growth, Palm Coast, Florida (6.08% population growth over the decade), also had the lowest productivity growth, a decline of 3.18%. Only one of the top 100 population growth metros – Austin, Texas – also made it into the top 100 in terms of productivity growth.

Like many Sunbelt cities, retirees from northern climes swelled Palm Coast population in the first decade of this century. The Mayor may have welcomed the influx as a sign of economic growth, just as Miami’s Mayor saw opportunity when inundated by Marielitos in 1980. Reality intervened: living standards – as measured by wages or output per capita – fell in both places.

It’s time to abandon the notion that a growing population equals a growing economy. More than a decade ago, urban economist Paul Gottlieb dubbed this disconnect between population and economic growth “Growth Without Growth.” Population growth creates a false illusion of prosperity.

“America’s economic winners,” Florida writes, “are not those places that are growing population fastest, but those that are developing the skills and capabilities that improve their underlying productivity.”

**THE BRACERO PROGRAM: LABOR FORCE PLUMMETS, WORKER PRODUCTIVITY RISES**

After Pearl Harbor, the country faced a farm labor shortage as millions of young men were drafted into the armed services. To alleviate the problem the U.S. signed an agreement with Mexico allowing the importation of contract laborers, guaranteeing decent living conditions and a minimum wage of 30 cents per hour. The Bracero Program (from the Spanish word *Bracero*, meaning “manual laborer”) was supposed to be a temporary wartime measure. In fact, the program lasted 22 years (1942 to 1964), employed 5 million Braceros, and became the largest foreign worker program in U.S. history.

Southwestern farmers became addicted to cheap Mexican labor, often ignoring the promised wage and workplace protections. Not until the Kennedy Administration took office was sufficient political support garnered to end the program. Over the objections of the farm lobby, the Bracero program was ended unilaterally in 1964, amid predictions that labor intensive farm output would shift to Mexico, and U.S. fruit and vegetable prices would skyrocket. Those predictions proved to be exaggerated.

The period from 1960 to 1975 (roughly from the end of the Bracero to the onset of mass illegal immigration) was a golden age for agricultural technology and innovation. At the risk of providing too much information for city folks, here are a few examples from the California tomato harvest:

“... In 1960, a peak 45,000 workers, 80 percent Braceros, handpicked 2.2 million tons from 130,000 acres of the processing tomatoes used to make ketchup. In 2000, about 5,000 workers were employed to sort 11 million tons of tomatoes that were picked by machines from 350,000 acres....Plant scientists developed smaller tomatoes more uniform in size that ripened at the same time, and were firm enough so that the stalk could be cut, and the tomatoes shaken off, without damage... Engineers developed a machine to cut the plant, shake off the tomatoes, and used electronic eyes to distinguish red and green tomatoes and discard the green ones...”

Labor costs were not the only drivers behind innovation: “....For example, drip irrigation systems reduce the need for water as well as irrigator labor, and harvesting wine grapes at night results in higher-quality grapes and uses less labor.”

The rapid transformation of the California tomato harvest – none were harvested by machine in 1960, and all were harvested by machine by 1970 – was expected to usher in an era of machines replacing men on farms. Economists and engineers predicted that by 2000 there would be practically no jobs left for unskilled seasonal farm workers. But with the onset of mass illegal immigration in the late 1970s, California farmers lost interest in agricultural innovation. Their addiction to cheap labor goes on, unrelentingly, today: in 2015 283,580 farm workers were admitted to the U.S. under the H2A temporary agricultural visa program– six times the number that were admitted in 2006. More than 95% are from Mexico.

That this happened should not be a surprise. Julian Simon described the nexus between innovation and scarcity in his 1981 classic, the *Ultimate Resource*:

“It is all-important to recognize that discoveries of improved methods and of substitute products are not just luck. They happen in response to scarcity – a rise in cost. Even after a discovery is made, there is a good chance it will not be put into operation until there is a need for it due to rising cost. This point is important: Scarcity and technological advance are not two unrelated competitors in a Malthusian race; rather, each influences the other.”
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NATIONAL DATA: POPULATION GROWTH SLOWS ECONOMIC GROWTH

By increasing U.S. population and the number of workers, immigration increases the size of GDP. But immigration also diminishes the average skill and education level of the workforce, and evidence suggests that this negative more than offsets any positives arising from population growth. As a result, economic growth (as measured by per capita GDP) is reduced when our population is increased by immigration.

Since the onset of mass immigration following the 1965 immigration act, the foreign-born share of U.S. employment has risen steadily, from 5% in 1970 to 16.1% in 2012. Over this period the average earnings of immigrant workers have fallen vis a vis those of natives:

In 1970 the average male immigrant worker made 0.1% more than his native-born counterpart. In subsequent decades the gap reversed and widened, so that by 2012 the average male immigrant earned 15% less than the average native, while European immigrants were 44% ahead. Chinese immigrants (third line from the top) earned about 11%, less than the average native-born worker in 1970, but gained steadily over the next four decades, reaching a level 22.1% above the average native in 2012. At the other extreme are immigrants from Mexico and South America. They not only trailed natives throughout the period, their disadvantage grew over time. By 2012 the average Mexican immigrant earned less than half (47.5%) of what native-born workers earned, and South American immigrants earned 70%.

Human capital is the term economists use for the skills, experience, and other non-tangibles embodied in workers that enhance their productivity. (Physical capital, by contrast, refers to tools, equipment, and other tangible items that have this effect.) Education is the quintessential marker for human capital. It is no surprise, therefore, that the relative success of Indians, European, and Chinese immigrants mirrors their high levels of education relative to immigrants from Mexico and South America.

Indian immigrants working in the U.S. are more than twice as likely to have a BA and above than the average immigrant and the average native-born worker. By contrast, Mexican immigrants are 7-times more likely to be High School dropouts than native-born workers, and about twice as likely as the average immigrant worker.

The preeminent role of education can be seen in every measure of economic wellbeing. For example, the poverty rate for adult immigrants without a high school education (28.5% in 2014) was over 2.5-times the rate for adult natives overall (11.9%). The gap narrows substantially for better educated immigrants, so that college-educated immigrants are actually less likely to live in poverty than the native-born overall – 9.2% versus 11.9%. The same pattern persists for welfare recipiency rates, the lack of health insurance, and –

But all immigrants are not created equal in this regard. A better way of raising worker productivity would focus on the quality rather than the quantity of immigrants. Quality differences among workers from different countries of origin are far greater than the difference between native-born and immigrant workers in general.

The top two lines show that immigrants from both India and Europe earned more than the average native-born worker throughout the 1970 to 2012 period, expanding their lead over time. By 2012 Indian immigrants earned 52% more than the average native, while European immigrants were 44% ahead. Chinese immigrants (third line from the top) earned about 11%, less than the average native-born worker in 1970, but gained steadily over the next four decades, reaching a level 22.1% above the average native in 2012. At the other extreme are immigrants from Mexico and South America. They not only trailed natives throughout the period, their disadvantage grew over time. By 2012 the average Mexican immigrant earned less than half (47.5%) of what native-born workers earned, and South American immigrants earned 70%.
most importantly – for average total income – where immigrants lacking a HS degree make only 42% of what the average native-born American makes ($16,075 versus $40,334), while those with a BA or better earn about 53% more ($61,815.)

Over time poorly educated immigrants reduce, but do not eliminate, their economic disadvantage vis a vis natives. Income, poverty, home ownership rates, and English language skills all improve over time. Welfare use is the one exception. It does not diminish over time.

Even immigrants with BAs or better fall into the welfare trap: Those here for 20 years or more, while x-times more likely to own a house than those here for 5 years or less, are also x% more likely to be on welfare. Two possibilities spring to mind: 1. They lost their jobs to the younger – and presumably cheaper – immigrant
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BAs; or 2. After 20+ years they learned how to “game” the welfare system, making themselves appear eligible for benefits they were, in fact, not entitled to. We are not aware of data on this issue.

A HUMAN CAPITAL IMMIGRATION POLICY

Before 1965, U.S. immigration policy was based on a national-origins quota system. This scheme allocated immigrant visas based on a country’s share of the U.S. population in 1920. The total annual influx was capped, and skills played a role in selecting applicants from a given country. The 1965 immigration act repealed the national origin quota system, increased the numerical limit for immigration, and enshrined a new objective: the reunification of families, for allocating visas. This change triggered a sharp increase in legal immigration along with a sharp reduction in the human capital embodied in new arrivals: low-skilled relatives of immigrants already in the country. There was no cap placed on the number of immigrants admitted based on family ties.

Canada’s immigration policy followed much the same trajectory, with one crucial difference. When Canada abandoned its national origins quota system, the resulting surge in visa applicants forced the government to create a system for vetting and limiting the influx. In 1967 Canada adopted a new class of “economic immigrants” who were granted visa only if they “promoted Canada’s economic, demographic, cultural, and social policies.” Applicants in this class are chosen through a points system heavily weighted towards human capital:

<table>
<thead>
<tr>
<th>Factors Considered</th>
<th>Maximum Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Education</td>
<td>25</td>
</tr>
<tr>
<td>2 Proficiency in English and French</td>
<td>24</td>
</tr>
<tr>
<td>3 Work experience</td>
<td>21</td>
</tr>
<tr>
<td>4 Age</td>
<td>10</td>
</tr>
<tr>
<td>5 Arranged employment</td>
<td>10</td>
</tr>
<tr>
<td>6 Adaptability</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total maximum points</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
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Source: Fraser Institute, Canada’s Immigrant Selection Policies, 2013.

Education and language proficiency are the most important criteria, accounting for nearly half of the total points available. Work experience is valued only slightly less. Age, arranged employment (commitments from future employers), and a trait called adaptability, together contribute a maximum of 30 points. Recent applicants need at least 67 points to receive an immigration visa. The minimum number of qualifying points is adjusted over time as the perceived need for new immigrants changes.

More than 60% of Canada’s legal immigrants are admitted on the basis of economic skills; only one-quarter are admitted on the basis of family ties. In the U.S. those proportions are nearly reversed: about 66% of legal immigrants are admitted because they are closely related to someone living in the country, while less than 15% of legal immigrants (including their accompanying dependents) are admitted on the basis of their work skills.

Canada’s policy is not without problems. Skilled immigrants earn less than Canadian natives with comparable credentials, and many cannot find employment in their fields. This may reflect discrimination by employers, the ready availability of counterfeit Graduation Degree certificates in countries like India, or the reality that many institutions of higher education in India and China are inferior to those in Canada or the United States. Canadian employers may be right to hire native-born even when “comparable” foreign-born help is available.

But at least Canadians control their own immigration system. It can be tweaked, revised, and perhaps even perfected. Our system, at least in its current configuration, is beyond our control. We have relinquished the selection of new immigrants to immigrants already in the country.

CONCLUSION

Nothing in our society is tracked more obsessively than economic growth. Every tenth of a percent change in GDP is the subject of endless commentary in print, TV, and social networks. But GDP conceals more than it reveals. Since 1980 this measure of total economic output has increased about 160%, in real terms, and you know what we have: stagnant wages, increased welfare dependency, a more unequal distribution of income, higher long-term unemployment, the loss of high-wage manufacturing jobs to other countries, and fewer opportunities for U.S. native minorities to get a foothold in the labor force.

The problem? The quantity of economic growth, as measured by GDP, is not nearly as important as the quality of that growth, as measured by GDP per worker. The same forces that propel GDP to ever higher levels also diminish economic quality. Foremost among them: the increased share of unskilled, poorly educated immigrants in the American workforce and an expanding informal economy.
Unlimited access to unskilled foreign workers has diminished the need for U.S. employers to invest in capital – human and technological – for their native-born workers. As worker productivity falls, workers must work longer hours just to maintain their current standard of living. This vicious cycle has been at work for decades.

A reduction in overall immigration levels, coupled with a vetting process that emphasizes human capital rather than family ties, could enhance both the quality and the quantity of U.S. economic growth.

SOURCES
5. Both figures assume full-time employment at the median wage for 52-weeks a year.
8. www.bls.gov/iic/intl_gdp_capita_gdp_hour.htm#table01
16. ibid.
20. Ibid.
21. Herbert Grubel, Canada’s Immigration Selection Policies, Fraser Institute, August 2013.

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