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POLICY BRIEF

Migrating to Recovery: The Role of Immigration in Urban Renewal

by Walter A. Ewing, Ph.D.*

Policymakers in states from Iowa to Utah and in cities from Albuquerque to Boston have realized that immigration is a key source of long-term economic vitality, particularly in urban areas experiencing population loss, shrinking labor pools and growing numbers of retirees. Immigration, if properly cultivated, can be a key ingredient in urban economic development and recovery.

The number one issue at this year's meeting in San Francisco of the National Conference of State Legislatures is the billions of dollars in budget shortfalls facing most states.[1] As policymakers search for ways to revive moribund state and local economies, thereby replenishing public coffers, they should keep in mind a simple truth embraced by officials in states from Iowa to Utah and in cities from Albuquerque to Boston: immigration is a key source of long-term economic vitality, particularly in urban areas. The 2000 Census revealed that many metropolitan areas would have lost population during the 1990s – with a resulting decline in labor force, business formation and tax base – if not for the arrival of immigrants. Moreover, immigrants comprise a rising share of the workforce paying taxes that fund Social Security and Medicare for a rapidly aging U.S. population.

The New Demographics

The 2000 Census revealed the extent to which immigration has become an engine of growth in metropolitan areas throughout the United States. An April 2001 analysis of Census data by the Brookings Institution's Center on Urban and Metropolitan Policy found that, during the 1990s, 71 of the 100 largest cities lost at least 2 percent of their white populations, amounting to "a net reduction in non-Hispanic white population of 2.3 million people, or 8.5 percent." As a result, 18 of these cities "went from majority white to majority non-white."[2] The analysis highlighted the particular importance of Hispanic immigration in sustaining urban populations, finding that of "the 74 cities among the top 100 that grew by at least 2 percent during the 1990s, 19 would have lost population[3] had they not gained the number of Hispanic residents they did."[4]

A June 2001 Brookings study found a similar trend in suburban areas, concluding that minorities accounted for "the bulk of suburban population gains in a majority" of the 102 largest metropolitan areas in the country. The study identified 35 "melting pot metros" that "have experienced large, immigrant-driven Hispanic and Asian population growth in their cities and suburbs in recent decades,"[5] and found that 18 of these experienced "drops in the white suburban population in the 1990s."[6] The study concluded that "minorities now constitute more than a quarter (27.3 percent) of suburban populations in the nation's largest metropolitan areas, up from 19.3 percent in 1990." Furthermore, "Melting pot metro areas, and the Hispanics locating within them, are the major drivers of national minority suburbanization trends."[7]

This demographic transformation has had a major impact on local labor markets. A December 2001 study by the Center for Labor Market Studies at Northeastern University in Massachusetts found that "All of the growth in the state's resident civilian labor force during the decade of the 1990s was due to foreign immigration." In fact, "the state's resident labor force would have declined by nearly 170,000 or 5 percent in the absence of these new waves of foreign immigrants into the state."[8] Similarly, a June 2003 study by the Institute for Metropolitan Affairs at Roosevelt University, concluded that almost "all net growth in the metro Chicago labor force in the 1990s was due to immigration. Immigrants contributed 252,049 or 93.8 percent of the 268,718 workers added to the regional economy in the decade."[9]

A Source of Economic Vitality

In spite of the dramatic demographic changes taking place in metropolitan population centers across the country, many policymakers remain unaware of the economic potential that immigration represents. Dowell Myers, professor of urban planning and demography at the University of Southern California, notes that "Immigration is well recognized for its importance in building cities prior to 1920, but many experts and policy makers fail to perceive its continuing influence…" This policymaking blind spot is ironic given that the "housing and retail markets at the heart of many of our large cities are sustained by these new arrivals. And the ready supply of willing workers encourages new job creation."[10]

Recent studies illuminate the varied ways in which immigrants contribute to economic growth. A report released in June 2003 by Harvard University's Joint Center for Housing Studies predicts that "Household growth, the primary driver of housing demand, may well exceed 12 million between 2000 and 2010" and immigrants will "contribute more than one-quarter of this net increase."[11] According to data from the 2001 American Housing Survey, there are more than 5.7 million foreign-born homeowners in the United States, representing $1.2 trillion in home value and $876 billion in home equity.[12] Van Davis, president and chief executive of Century 21 Real Estate, observed in May 2003 that the "influx of immigrants in the last five years has been one of the foundations of the housing market" and the "gigantic growth of the Hispanic population – both from immigration and birthrate – will be the most significant factor in the first-time home market during the next decade."[13]

Immigrant communities also make significant contributions in terms of business formation and consumer purchasing power. According to a November 2001 report by the U.S. Small Business Association, in 1997 the nation's 1,199,896 Hispanic-owned firms provided jobs to 1,388,746 employees, had receipts of $186.3 billion and generated payroll of $29.83 billion. Of these, 472,033 Mexican American firms employed 695,372 people, had $73.7 billion in receipts and generated payroll of $13 billion. The nation's 912,959 Asian-owned firms provided jobs to 2,203,080 employees, had receipts of $306.9 billion and generated payroll of $46.18 billion. Of these, 252,577 Chinese American firms employed 691,757 people, had $106.2 billion in receipts and generated payroll of $13 billion.[14] The University of Georgia's Selig Center for Economic Growth estimates that the purchasing power of Hispanic American consumers stood at $580.5 billion in 2002 and will grow to $926.1 billion in 2007. The purchasing power of Asian Americans was $296.4 billion in 2002 and is projected to increase to $454.9 billion in 2007.[15]

Aging Baby Boomers

The economic contributions of immigrants take on added importance in light of the fact that immigrants tend to be younger than the rapidly aging native population. As a result, the tax dollars of immigrant workers are increasingly important in funding the nation's retirement system. Federal Reserve Board Chairman Alan Greenspan succinctly described the significance of this issue in testimony before the Senate Special Committee on Aging on February 27, 2003. He noted that "the aging of the population in the United States will have significant effects on our fiscal situation. In particular, it makes our social security and Medicare programs unsustainable in the long run, short of a major increase in immigration rates, a dramatic acceleration in productivity growth well beyond historical experience, a significant increase in the age of eligibility for benefits, or the use of general revenues to fund benefits."[16]

A January 2003 study by the Brookings Institution's Center on Urban and Metropolitan Policy quantified this "racial generation gap." Using Census 2000 data, the study found that in "'Melting Pot' suburbs, over half of younger residents are non-white or Hispanic, while only a third of older residents are." Moreover, "the multiethnic 'Melting Pot' metros are home to significant Hispanic and Asian populations" in which "greater percentages of females are in their prime child-bearing years – 35 percent of Hispanics and 33 percent of Asians, compared to 27 percent of the U.S. population at large." In addition, "some of the immigrant groups that continue to populate the 'Melting Pot' metros, particularly those from Latin America, have higher fertility rates than native-born Americans." The study found that, "in the central cities of the 102 metro areas" surveyed, 64 percent of the population under the age of 35 was "minority," compared to 48 percent among the population 35 or older. In the suburbs, 35 percent of the under-35 population was "minority," compared to 21 percent among the population 35 or older.[17]

An August 2002 study by the Center for Competitive Workforce Development at Duquesne University described the implications of the immigrant-native age gap for Pennsylvania. According to the study, a "silent crisis threatens the prosperity of Pittsburgh and Southwest Pennsylvania" due to "a declining and aging population." The report found that "As older people retire and fewer young ones are available to take their place, the region may face a shortage of as many as 125,000 workers within ten years, a situation that would greatly limit future growth and development." The report concludes that, "in concert with exhaustive efforts to retain the current population and train young workers, initiatives to attract and support newcomers can play an important role in growing the regional economy."[18] A May 28, 2003, article in the *Wall Street Journal* reported that, heeding warnings such as these, the Heinz Endowments of Pittsburgh are funding projects with the purpose of "flagging down the immigrant traffic that has kept so many other hollowed-out cities humming."[19]

Tapping Into Immigration

A number of state and local governments have indeed sought to "flag down" immigrants. In Utah, the Offices of Ethnic Affairs, created in 1996, proclaim that "Ethnic people have been a part of Utah's culture since pioneers arrived! Their contributions have been and continue to be an integral part of Utah's community and economic development."[20] In Iowa, the governor's office released a report in 2000 detailing a ten-year plan for the state that has as its first goal increasing the population "by 310,000 working people by retaining Iowans of all ages and welcoming diverse new residents, including immigrants, who perceive Iowa as providing economic, political, cultural and social opportunities." The report notes that "Iowa is already exhausting its supply of skilled workers and the shortage will worsen as baby boomers retire in increasing numbers. Iowa must significantly increase its population." The report contends that "By taking bold action, Iowa can become an international leader in immigration, welcoming people from around the world to its neighborhoods and communities. Through a growing international population, Iowa can expand its cultural and ethnic diversity, bring new skills and knowledge to the workplace and increase its role in the global marketplace. This infusion of diversified backgrounds in Iowa schools and communities will also offer a worldwide, world-wise education for Iowa children."[21]

Similarly, the office of New Bostonians, established in 1998, endeavors to "assist the city to reach and serve diverse cultural and linguistic communities and create a model of a welcoming multicultural city."[22] In 2000, the Albuquerque city council passed a resolution declaring "Albuquerque to be an immigrant-friendly City. The Council welcomes and encourages immigrants to live, work, and study in Albuquerque and to participate in community affairs, and recognizes immigrants for their important contributions to our culture and economy."[23]

Conclusion

Debates over immigration frequently center on the perceived "costs" that immigrants impose on taxpayer-funded programs and institutions. Frequently overlooked in these debates is the fact that immigrants are themselves taxpayers, as well as workers, employers and consumers. In metropolitan areas experiencing population loss, shrinking labor pools and growing numbers of retirees, immigrants are a crucial source of new labor, business formation and tax revenue. Immigration, if properly cultivated, can be a key ingredient in economic development and recovery.

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Endnotes

[1] National Conference of State Legislatures, Press Release: "State Budget Shortfalls Key Issue for State Legislators' Annual Meeting," May 29, 2003.

[2] These cities were Anaheim, CA; Riverside, CA; Milwaukee, WI; Rochester, NY; Sacramento, CA; Fort Worth, TX; Augusta-Richmond, GA; Philadelphia, PA; Boston, MA; San Diego, CA; Mobile, AL; Montgomery, AL; Columbus, GA; Norfolk, VA; Albuquerque, NM; Baton Rouge, LA; Shreveport, LA; and St. Louis, MO.

[3] These cities were Los Angeles, CA; Chicago, IL; Long Beach, CA; Dallas, TX; El Paso, TX; Santa Ana, CA; Yonkers, NY; Miami, FL; Riverside, CA; Oakland, CA; Boston, MA; Anaheim, CA; Grand Rapids, MI; Kansas City, MO; Minneapolis, MN; Des Moines, IA; Hialeah, FL; Jersey City, NJ; and Corpus Christi, TX.

[4] Alan Berube, *Racial Change in the Nation's Largest Cities: Evidence from the 2000 Census*. Washington, DC: Brookings Institution, Center on Urban and Metropolitan Policy, April 2001.

[5] These metropolitan areas were Los Angeles-Long Beach, CA; New York, NY; Chicago, IL; Washington, DC; Houston, TX; Dallas, TX; Riverside-San Bernardino, CA; Phoenix-Mesa, AZ; Orange County, CA; San Diego, CA; Oakland, CA; Miami, FL; Newark, NJ; San Francisco, CA; Fort Worth-Arlington, TX; San Jose, CA; Orlando, FL; Sacramento, CA; Fort Lauderdale, FL; San Antonio, TX; Las Vegas, NV; Bergen-Passaic, NJ; Austin-San Marcos, TX; Middlesex-Somerset-Hunterdon, NJ; Fresno, CA; Honolulu, HI; Tucson, AZ; Ventura, CA; Albuquerque, NM; El Paso, TX; Bakersfield, CA; Jersey City, NJ; McAllen-Edinburg-Mission, TX; Stockton-Lodi, CA; and Vallejo-Fairfield-Napa, CA.

[6] These metropolitan areas were Honolulu, HI; Miami, FL; El Paso, TX; Los Angeles-Long Beach, CA; San Jose, CA; Bakersfield, CA; Jersey City, NJ; Bergen-Passaic, NJ; Oakland, CA; San Francisco, CA; Riverside-San Bernardino, CA; New York, NY; Newark, NJ; Middlesex-Somerset-Hunterdon, NJ; San Diego, CA; Orange County, CA; Ventura, CA; and Fresno, CA.

[7] William H. Frey, *Melting Pot Suburbs: A Census 2000 Study of Suburban Diversity*. Washington, DC: Brookings Institution, Center on Urban and Metropolitan Policy, June 2001.

[8] Andrew Sum, Sheila Palma, Mykhaylo Trubb'sky & Ishwar Khatiwada, *Foreign Immigration and Its Contributions to Population and Labor Force Growth in Massachusetts and the U.S.: A Recent Assessment of 2000 Census and CPS Survey Findings*. Boston, MA: Center for Labor Market Studies, Northeastern University, December 2001.

[9] Rob Paral & Michael Norkewicz, *The Metro Chicago Immigration Fact Book*. Chicago, IL: Roosevelt University, Institute for Metropolitan Affairs, June 2003.

[10] Dowell Myers, "Immigration: Fundamental Force in the American City," *Housing Facts & Findings* (Fannie Mae Foundation), Winter 1999 (Volume 1 Issue 4).

[11] Joint Center for Housing Studies, *The State of the Nation's Housing: 2003*. Cambridge, MA: Harvard University, 2003.

[12] Rachel Bogardus Drew, *New Americans, New Homeowners: The Role and Relevance of Foreign-Born First-Time Homebuyers in the U.S. Housing Market*. Cambridge, MA: Harvard University, Joint Center for Housing Studies, August 2002.

[13] John Handley, "Destination Chicago," *Chicago Tribune*, May 11, 2003.

[14] U.S. Small Business Administration, *Minorities in Business, 2001*. Washington, DC: November 2001.

[15] Jeffrey M. Humphreys, "The multicultural economy 2002: Minority buying power in the new century," *Georgia Business and Economic Conditions*, Second Quarter 2002, Vol. 62. No. 2.

[16] *Statement of Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Special Committee on Aging, United States Senate,* February 27, 2003.

[17] William H. Frey, *Boomers and Seniors in the Suburbs: Aging Patterns in Census 2000*. Washington, DC: Brookings Institution, Center on Urban and Metropolitan Policy, January 2003.

[18] Center for Competitive Workforce Development, *New Americans and the Future of Pittsburgh: International Communities and Regional Economic Development*. Pittsburgh, PA: Duquesne University, August 2002.

[19] Barry Newman, "Feeling Snubbed by Immigrants, Pittsburgh Residents Take Action," *Wall Street Journal*, May 28, 2003.

[20] Offices of Ethnic Affairs website: dced.utah.gov/Ethnic/.

[21] *Iowa 2010: The New Face of Iowa: Final Report of the Governor's Strategic Planning Council*, Des Moines, IA, 2000.

[22] Office of New Bostonians website: www.cityofboston.gov/newbostonians/default.asp.

[23] City of Albuquerque, 14th Council, Council Bill No. F/S R-151, Enactment No. R-2001-009.