Immigration and Florida’s Economy

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Policy Statement: Florida needs a well rounded and competitive workforce to produce goods and services that will ensure a robust economic future for the state. For any immigration reform to succeed, it must accommodate the needs of Florida employers seeking to hire workers required to meet the demands of their customers while respecting the rule of law. Florida must provide a dynamic environment to meet the increasing trends of the free movement of capital and labor in the global economy, as well as plan for the gaps left by an aging labor force and a potential skills shortage to meet future growth. Appropriately managed immigration can meet labor market demands without disproportionally impacting native-born citizen’s occupational opportunities and wages.

State officials can create positive change by working with Florida’s federal delegation to pursue a national immigration policy that achieves increased intergovernmental coordination, addresses the cost burden at the state and local levels, and replaces illegal immigration with legal immigration.

The Florida Chamber Foundation is a research organization and problem solver, working in partnership with state business leaders to advance and fund activities in public policy research that promote the future of Florida. Founded in 1969 by the Florida Chamber of Commerce, the Foundation has been a critical voice for improving Florida’s pro-business, climate.
Summary of Key Points:

- In contrast to claims that the United States is being overwhelmed by immigrants, the current inflow of immigrants, legal and illegal, is well within American historical norms. The flow of immigration tends to be cyclical and related to economic conditions. An efficient immigration system would provide flexibility that is complementary to labor demand.

- Contrary to some perceptions, there is general agreement among economists that in the long run, immigration has a small positive impact on wages of native-born workers overall, as well as boosting productivity and benefiting the economy in general. The group most negatively impacted by immigration is other immigrant workers.

- Recent trends show increased involvement by state and local governments in supplementing national immigration policies partially due to frustrations that the federal government is not fully addressing immigration issues.

- In 2009, states enacted a total of 222 laws related to immigrants and immigration, including 46 state laws related to status verification through identification/drivers licenses, 28 laws related to eligibility and access to healthcare, and 27 laws related to education, including eligibility for in-state tuition, scholarships and student loans.

- While unauthorized immigrants are not eligible for most state aid programs, states do incur expenses related to immigration, especially in the areas of criminal justice and education. Further, hospitals that are mandated to provide service regardless of immigration status also incur non-reimbursed expenditures related to providing care to unauthorized immigration. Still, a cost-benefit analysis must include both sides of the equation as many studies demonstrate the net positive impact of immigration on the economy and tax revenues.
Background

As the fourth largest state in the nation with a $737 billion economy and an increasingly international presence, Florida has many reasons to take an interest in comprehensive and functional immigration policies. In 2009, Florida’s established economic triad - agriculture, construction and tourism – employed 1.49 million people and accounted for $87.65 billion of economic value, or roughly 12% of state Gross Domestic Product. Florida’s international dealings are also of growing significance, as is evidenced by its rank as the ninth highest state for Foreign Direct Investment, which reached $33.65 billion in 2007 (The Florida Scorecard, 2010). To maintain the success of established industries, promote growth in emerging industries, and encourage future foreign investment, state action related to immigration should focus on ensuring economic growth by creating an environment where innovation and production efficiencies are possible, and new business investment within the state is encouraged.

There are many different immigrant groups – both by legal status and purpose – that comprise the inflow of people in the United States and the state of Florida. In 2009, 5.75 million immigrants came to Florida, including 127,006 persons that obtained permanent resident status, 82,788 persons that were naturalized and an additional 5,538,668 persons that were admitted to the state for tourism, business, education, temporary work, diplomatic and other purposes. Also in 2009, the Department of Homeland Security identified a total of 5,745 deportable aliens through Board Patrol and Investigation programs in the state of Florida, and 613,003 in the United States (Department of Homeland Security, 2009).

While the number of unauthorized immigrants is more difficult to determine, an estimate by the Pew Research Center indicates that there are approximately 1 million unauthorized immigrants that reside within Florida, or about 5.7% of the state’s population, and approximately 750,000 unauthorized immigrants in the labor force, which represents 8.2% of Florida’s labor force (Passel and Cohn, 2009). According to the Pew Hispanic Center’s Jeffrey Passel and D’Vera Cohn, the annual inflow of unauthorized immigrants dropped by two-thirds during 2007-09 compared to 2000-05. That plunge has contributed to an overall decline in the
total number of illegal immigrants in the United States from a peak of 12 million in March 2007 to 11.1 million in March 2009.

Historically, immigration policies have been derived and implemented under federal purview, however, recent trends have shown increased involvement by state and local governments in supplementing national immigration policies for both symbolic and substantive purposes. Following the terrorist attacks in 2001, the United States Department of Justice issued an opinion stating that state and local police have “inherent authority” regarding the enforcement of immigration. Several states, including Florida, have subsequently entered into a Memorandum of Understanding (MOU) with the Department of Justice in order to delineate specific roles and responsibilities between the state and federal governments (Newton and Adams, 2009). Despite the additional clarity that is needed surrounding these responsibilities, it is important to consider the known aspects of the existing governance framework, including knowledge learned from legislative measures taken by other states and the overall impact that immigration has on the economy and public resources.
The Economic Impact of Immigration

As a mature economy competing in a global context, Florida’s residents and businesses alike have much to gain or lose from changes in public policy. Especially during the struggle of a down economy, Florida must create policies that enhance its reputation as a desirable destination for both domestic and international travel, education and investment.


“America’s attractiveness to immigrants is essential to its prosperity, and will be especially important in helping the United States recover and emerge stronger from the current global economic downtown. In a world in which many of the barriers to free trade have been eliminated and high-wage countries are in direct competition with lower-wage countries, innovation is the essence of maintaining economic advantage.”

Pursuing a workforce that is capable of creating innovation is essential for both Florida’s traditional and emerging industries; and the immigrant population can be a source of that innovation. In the United States, immigrants have a higher rate of entrepreneurial activity than native-born residents. In 2009, approximately 510 out of 100,000 immigrants started a business each month as opposed 300 in every 100,000 to native-born residents (Fairlie, 2010). Also, as pointed out by the Council on Foreign Relations Task Force, a competitive economy must have a constant replenishment of talent supply and skill diversification in order to maintain economic leadership and its enhance competitive edge.

One commonly cited concern regarding immigration is its impact on employment opportunities for the native-born labor force; in fact immigrants are often blamed for contributing to high unemployment rates. Economists Richard Vedder, Lowell Gallaway and Stephen Moore completed research on the 10 states with the highest and lowest concentration of immigrants for the period 1960 - 1990 and found that the median unemployment rate in the 10 high-
immigrant states was about 5.9%, compared with 6.6% in the 10 lowest immigrant states. Between 1980 and 1990, "the median proportion of the population that was foreign born was 1.56 percent in the high-unemployment states, compared with 3.84 percent in the low-unemployment states. The economists concluded that the benefits of immigrants to the U.S. economy may be attributed in a variety of ways: (1) expanding demand for goods and services through their consumption, (2) contributing to investment of savings they bring with them, (3) creating jobs through entreprenuership, (4) filling vital niches in the low and high skilled needs of the labor market and (5) contributing to economies of scale in production and the growth of markets (Vedder, Gallaway and Moore, 1994).

Research also shows that immigrant workers are employed across the occupational spectrum, with some variation between employment among national aggregates and urbanized areas. The immigrant’s legal status can be a determinate that leads to disparate occupational opportunities and wage potential among authorized and unauthorized immigrant workers. The Pew Center estimates indicate that across the United States, a higher share of unauthorized immigrants find employment in farming (estimated at 25% of total farm workers employment), landscape/maintenance (estimated at 19% of total landscape/maintenance employment) and construction (estimated at 17% of total construction employment). However, when looking specifically within urbanized areas, industry employment for immigrants within the 25 largest Metropolitan Statistical Areas (MSAs), dramatically shifts, revealing that approximately 48% of immigrant workers in managerial/professional and technical/sales industries (Fiscal Policy Institute, 2009). Thus, the influx of talent and skills found in the immigrant population is varied and contributes to the overall functioning of both labor-intensive as well as professional industries in the United States.

Also, contrary to popular perception there is general agreement among economists that in the long run, immigration has a small positive impact on wages of native-born workers overall (Shierholz, 2010; Peri 2010). This analysis is based on several factors:

1. As immigrant workers enter the labor force, they also become consumers of goods and services, which creates more jobs;
2. Immigration improves production efficiencies by providing organizational opportunities for native-born workers to compete for higher paid communication-intensive positions;

3. Immigrant workers can be used as either substitutes for or complements to native-born workers in the production process, which means that native-born workers are not de facto displaced by immigrant workers

In fact, the group of individuals whose wages were found to be negatively impacted by new immigrant workers were the existing low-skilled immigrant workers, because their skill set is most substitutable for the new immigrant labor supply. Economists Gianmarco Ottaviano and Giovanni Peri demonstrated that immigration during the 1990-2004 period lowered the real wages of the least educated U.S.-born workers by 1.1 to 2.2%. The study found that for all other native-born American workers, that is, for those with at least a high school diploma, immigration delivered real wage gains in the long-run of between 0.7 and 3.4% through lower prices and a more efficient economy (Gianmarco and Peri, 2006)

A separate analysis on the effects of immigration and wage was performed for the four states with the highest levels of immigration – California, Florida, New York and Texas. The results show that the overall effect of immigration on native-born worker wages was positive 0.7%, or $6.44 per week; however, the subgroup of native-born male workers with less than a high school degree in these states fared slightly worse, with Florida males with less than a high school education experiencing a relative decline of $2.13 in weekly wages (Shierholz, 2010).

Restricting immigration has been modeled by researchers and demonstrates a negative impact on the U.S. economy. Of two possible scenarios invoking stricter border security and internal enforcement, respectively, the negative impact of stricter immigration policies results in a negative impact on gross domestic product (GDP) as high as $80 billion or .55 percent. The greatest opportunity for contributions to an expanded economy are found in forms of expanded legalization of immigration, with the greatest impact realized under a scenario that includes a visa tax, which would result in an additional $180 billion or 1.27% of gross domestic product annually (Dixon and Rimmer 2009).
Further, the Cato Institute’s Daniel Griswold cites U.S. Census data to demonstrate that today’s immigration rate is lower than during any decade between 1840 and 1920, with the annual number of legal and illegal immigrants per 1,000 U.S. residents averaging 5.1 since 2000 compared to a rate of 10.4 immigrants per 1,000 in the decade 1901-1910. Out of Florida’s labor force of 9.2 million, the Pew Center estimates that approximately 8.2% or roughly 750,000 people were unauthorized immigrants as the nation entered the Great Recession. While this percentage is higher than the national average of 5.4%, it is not atypical among the most populous states of California (12.2%), Texas (7.9%) and New York (6.7%), which also happen to have the highest rates of immigration. Immigration is cyclical, following the general flow of the economy. A study issued in September 2010 by the Pew Hispanic Center, reported that Virginia, Florida and Nevada were among the states with the steepest declines in their illegal immigrant populations.

Table 1.
Number and Share of Unauthorized Immigrants
for Labor Force and Total Population, Nation and Selected States Comparison 2008
(population in thousands)

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<tr>
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<th>Labor Force</th>
<th>Population</th>
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<tbody>
<tr>
<td></td>
<td>Unauthorized Immigrants</td>
<td>Unauthorized Immigrants</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Estimate</td>
</tr>
<tr>
<td>United States</td>
<td>154,772</td>
<td>8,300</td>
</tr>
<tr>
<td>Florida</td>
<td>9,231</td>
<td>750</td>
</tr>
<tr>
<td>Texas</td>
<td>11,748</td>
<td>925</td>
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<tr>
<td>New York</td>
<td>9,673</td>
<td>650</td>
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<tr>
<td>California</td>
<td>18,824</td>
<td>1,850</td>
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In terms of preventing negative impacts to the existing labor force, programs and procedures are in place that attempt to prohibit unauthorized immigrations from obtaining employment within the United States. Current federal law requires that employers verify a new hire’s legal status and eligibility by proving an I-9 Employment Eligibility Verification form. Also, “E-Verify” is federal program administered by the Department of Homeland Security which allows employers to electronically verify the accuracy of a worker’s I-9 documentation at no cost to the employer. While the system is available for use in all fifty states, only 4% of new hires in 2007 were processed using the system (Newton and Adams, 2009). There are ongoing challenges with these procedures, including gaps in enforcement and the use of fraudulent documentation related to the verification of legal status for employment. One glaring issue with the E-Verify system is that while the system has the capacity to identify a potential unauthorized worker, there is no follow up or coordination at the federal level to pursue more information or the individual once they have been identified as potentially unauthorized. Also, employers cannot use “E-Verify” to check the legal status of current employees, which limits the system’s usefulness as a guard against unauthorized worker employment.

It is clear that employment is a main driver of immigration and thus, it is no surprise that the flow of immigration patterns to the United States tends to be cyclical and related to the economic conditions within a particular jurisdiction. During times of economic recession, evidence suggests that immigration flows decline as job opportunities disappear (Council on Foreign Relations, 2009). From 1994 to 2000 when labor demand was high, 941,000 immigrant workers entered the United States each year, slowing to 342,000 in 2000 to 2003 when labor demand was weak, and then increasing again to an average of 502,000 immigrant workers per year from 2003-2007 (Shierholz, 2010). In both times of economic expansion and downturn there is a period of adjustment in which the economy must absorb the additional labor. While in the long run (seven to ten years) the net impact of immigration is positive, during the short term in periods of economic recession the impact of immigration is slightly negative on employment and wages (Peri, 2010).
Thus, in an expanding, economy increased immigration flows can be anticipated in response to the market demand for labor and during recessionary periods immigration flows will decrease. A balanced immigration policy would recognize the relationship between economic cycles and immigration patterns, and reasonably provide for labor force adjustments that mirror the natural cycle.

Public Issues Related to Immigration

Immigration policy can evoke many controversial responses as a result of its cultural, moral and ethical implications. It is not the intention of this report to touch upon such controversial issues, however, there is a broader discussion regarding access to public resources that should be addressed.

The vast majority of federal welfare programs that are administered by state and local governments, including Temporary Assistance to Needy Families (TANF), Food Stamps, Supplemental Security Income (SSI) require legal status to be eligible to receive benefits. In many instances it is left up to the state to determine how to verify legal status, for example showing a valid form of government identification, proof of lawful residence or in some instances documentation of immigration status. Likewise, undocumented immigrants are not eligible to qualify for the Medicaid or the State Children’s Health Insurance Program (SCHIP) programs, although in some instances they may receive Emergency Medicaid or prenatal care. Healthcare is an area with seemingly contradictory policies related to unauthorized immigrants, where hospitals are required to provide emergency care to all individuals regardless of legal status, however there is no public funding or reimbursement allocated for the hospitals to provide such care (Newton and Adams, 2009).

One area of public provision that departs from the requirement of legal status for eligibility is children’s access to the K-12 public education system. A Supreme Court case, Plyler v. Doe, requires states and localities to educate children in K-12 regardless of immigration status under the equal protection clause of the 14th Amendment in the United States Constitution (Newton,
The Pew Center estimates that in 2008, 6.8% of students enrolled in K-12 in the United States have at least one parent who was an unauthorized immigrant. In Florida, the Department of Education reports that 82,005 immigrant students were enrolled in the K-12 public school system during the 2009-2010 school year with Miami-Dade, Palm Beach, Broward and Hillsborough having the highest populations of immigrant students. The number of reported immigrant students in Florida public schools is likely to be under represented given that schools are restricted from inquiring about a student’s legal status for any educational purpose (Florida Department of Education presentation, January 10, 2011). Given Florida’s 2010-2011 total funding level of $6,899.32 per Unweighted Full Time Equivalent, the estimated cost to Florida’s state and local governments to educate the immigrant student population is $565,778,736.60 annually (Florida Education Finance Program, 2010).

In the area of criminal justice, increased enforcement activities related to immigration have clearly impacted the system, with the federal convictions related to immigration increasing substantially between 1991 to 2007, growing from 7% to 24% of all convictions. At the national level non-citizen offenders varied greatly by ethnicity with non-citizen Latino, white and black offenders comprising 29%, 8% and 6% of all federal offenders, respectively. Although enforcement activity has increased, analysis shows that an increase of unauthorized immigrants does not correspond to an increase in violent crime. According to a 2007 study, the unauthorized immigrant population doubled in the United States since 1994, however, the violent crime rate declined by 34.2% during the same time period (Rumbaut and Ewing, 2007).

Further, while immigration offenses are handled exclusively under the jurisdiction of the federal courts, states incur expenses related to imprisoning immigrants (Lopez and Light, 2009). According to the Florida Department of Corrections, there were 5,641 non-U.S. citizen immigrants in Florida’s prison population as of November 2010, which cost an average per diem of $52 per inmate. While there is a federal reimbursement program to assist with expenditures related to incarceration – the State Criminal Alien Assistance Program, or SCAAP-reimbursement amounts to the state of Florida have been in decline since 2006 (Florida Department of Corrections presentation, January 10, 2011). Even with the federal
reimbursement of $13,842,030 in fiscal year 2010, the state still incurred an estimated $93,224,150 related to these incarcerations. Thus while the total effect of immigration on public resources is difficult to quantify, it is apparent that some areas of public provision such as education and criminal justice bear a disparate impact, and that these impacts are mostly absorbed at the state and local levels.

Like its effect on wages and the economy, immigration must be comprehensively viewed in terms of its impact on public resources. While the state and local costs related corrections and education were an estimated $659 million in 2010, a 2007 study concludes that immigrant workers in the state of Florida contribute an average of $4.5 billion in tax revenues per year, including $1.3 billion in local property taxes and $3.2 billion in state sales tax. Florida immigrants also contribute significantly to the federal tax base with an estimated average of $6.5 billion in federal income tax and $3.98 billion in payroll taxes annually (Eisenhauer, et.al., 2007).

Other State Initiatives

According to the National Conference of State Legislatures, in 2009 states enacted a total of 222 laws related to immigrants and immigration nationwide. The most frequent topics of legislative activity pertaining to immigration included 46 state laws related to status verification through identification/drivers licenses, 28 laws related to eligibility and access to healthcare, and 27 laws related to education, including eligibility for in-state tuition, scholarships and student loans (Morse, 2009). The first group of legislation, legal status verification, can require screening and proper identification to participate in array of activities including employment, accessing health services, voting and purchasing a weapon. Arizona, Colorado, Georgia and Oklahoma in particular have been known to pass aggressive laws that challenge the traditional roles between the state and federal government on the issue of immigration. While the federal framework encourages state participation and cooperation in the enforcement of immigration policies, there is a concern that a system with multiple layers may lead to inconsistent implementation of these regulations and potentially to discriminatory practices. Such laws may
also increase immigrant fears as being targets to law enforcement actions, regardless of their legal status (Krestsedemas, 2008).

A recent example of state action is Arizona’s controversial law Senate Bill 1070, which expands the powers of state and local law enforcement where there is “reasonable suspicion” that a person is “unlawfully present in the United States”. It is worth noting that this legislation has been challenged by the federal government and is currently pending court action to determine its constitutionality. Enacted in April 2010 there is little academic research on how SB 1070 is impacting legal and unauthorized immigration flows, or the economy. There is evidence, however, that many localities and national groups are boycotting Arizona to demonstrate displeasure with the legislation, which results in a negative impact for both business and government revenues.

According to a Phoenix based news outlet, azcentral.com, approximately twenty-two local governments around the United States including Los Angeles, San Francisco, Austin, Seattle and Boston and another sixteen national organizations have boycotted Arizona over the state’s stance on immigration. In addition to direct boycotts, other local governments such as Boulder, Colorado and New York City have restricted use of public funds for travel to Arizona, and several groups such as the National Urban League and The American Immigration Lawyers have cancelled events scheduled to be held in Arizona. (www.azcentral.com/business/articles/2010). Further, Arizona’s Hotel and Lodging Association estimates that lodging establishments lost $15 million in revenue due to conference cancellations in the four months following the passage of SB 1070, while the Center for American Progress puts the loss much higher at $45 million in lost lodging revenue and a total revenue loss of $141 million in other spending related to conference attendance and activities (Fitz and Kelly, 2010).

As a state that is an established domestic and international destination with a growing amount of foreign investment within its borders, Florida must weigh the effects of any potential state action on immigration with the implications for its residents, businesses and overall reputation as a desirable place to live, visit and invest.
Discussion

The issues related to authorized and unauthorized immigration are many; however research and the experience of other states can help inform Florida’s actions. Contrary to popular perception, analysis shows that immigration overall has a positive impact on the economy and minimal impact on native-born worker’s wages. Immigrant workers are found across the occupational spectrum, including both labor-intensive and highly-skilled positions that augment the natural gaps left by a workforce that is aging and has varied skills and aptitudes.

We can also learn from the experiences of other states. Arizona, for instance, is embroiled in a legal battle regarding the constitutionality of SB 1070 and many local businesses that are geared towards visitors and tourism in Arizona have endured negative impacts of lost revenue of boycotts related to the legislation. Without knowing the outcome of Arizona’s legal proceedings, producing legislation that falls outside of existing federal law would subject the state of Florida and its taxpayers to a legal challenge with unclear benefit. Further, notwithstanding the frustration felt towards the lack of a comprehensive immigration policy at the federal level, it would be counterproductive to Florida’s economic stability - and future - if legislation were to pass that cast a negative perception of Florida as a desirable destination for residents, visitors and a place for business.

Currently, states can execute Memorandums of Understanding with the federal government, but states do not have the authority to produce legislation that is contradicts federal law. Because immigration policy resides solely at the federal level, a reasonable path forward is one of collaborative advocacy with a focused and shared agenda among the business community, policy experts, immigration rights organizations, elected officials and other interested parties. Although it is estimated that the benefit to Florida’s economy and tax base far outweigh the costs associated with immigration, states would be well served to encourage their federal partners to reduce the state and local burden by maximizing the beneficial aspects of legal immigration activities that contribute to the economy, increase tax revenue, and reduce enforcement costs.
If Florida is to successfully compete in a global economy, we must have a labor force that supports efficiency in production and encourages innovation and new ideas. Because many immigrants come to Florida seeking employment that coincide with economic conditions, it would be reasonable to advocate for a national immigration policy that allows for more legal immigration in times of economic expansion, thus meeting the demand of production while simultaneously decreasing the number of unauthorized immigrants and the need for costly enforcement action.
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