

PERSONNEL NOTEBOOK

For Your Most Important Resource

IMMIGRATION

Why We Have It, Why We Need It, What We're Doing About It

Immigration is currently the hottest political issue in the U.S. today. Many think it the most significant cause of the Republican losses in the recent presidential election. Most agree that immigration has changed the face of American politics for the next three generations. But immigration is also the hottest issue in most of the developed countries on the planet. And the reasons across the globe are almost all the same; demographics, economics and politics.

Demographics

Countries with the highest income levels and highest levels of education have the lowest birth rates. The birth rates in many of the developed countries has dropped to the extent that it is now lower than the death rate when combined with the number of people who are leaving that country. That is also true in five American states. Accordingly, nations with the lowest incomes and lowest levels of education have the highest birth rates. Some comparative examples:

<u>Country</u>	<u>Birth rate per woman</u>
Niger	7.52 children
Uganda	6.65
Afghanistan	5.64

Britain	1.9
United States	1.89
Japan	1.4
Singapore	0.8

Demographers and the U.S. Census bureau tell us that in order for a country or nationality to survive more than a few generations it must maintain a birth rate of 2.1 births per woman. The U.S. has been below that number for a few years now. And note that the United Nations forecast on global demographics reported that by 2050 the world population will decline for the first time in 70,000 years!

In those higher income nations, more children go to college, delaying marriage and child birth. Combined with the enormous college loan debt of those students they're delaying marriage and children even longer. Children are very expensive in time and money, so when marriage occurs, the economics point to fewer children.

In addition, the advancement of career opportunities for women combined with the advancement of contraceptives and abortion result in later and fewer births.

One other, often overlooked, element of our American demographic is the issue of job choices among our workers. Does anyone remember the inability to find workers for factories, agricultural jobs, farmworkers, mechanics, landscapers and fast-food workers that existed for twenty years and overall still exists today? Ever hear a teacher say “Don’t you ever let me hear you asking if I want fries with that.” McDonalds was paying \$100 sign-on bonuses to get entry level workers and couldn’t get them. Americans didn’t want such jobs. This is not to denigrate American workers. In every society that advances, the people gravitate towards the highest status work and shun the lower level work.

The overall result is that wealthier, developed countries like the United States have better economies, more jobs, aging populations and fewer workers for entry level positions.

Economics

A citizen living in one of those countries with lower incomes and education and a bad economy, who is also energetic with a growing family and is *young* will make his/her way to the country that has opportunities for growth, development, wealth and families. All things considered this should be a symbiotic relationship. A country with a good economy and not enough workers to fill entry level jobs, teaming up with a neighboring and friendly country with an abundance of young people needing entry level work should be cooperative partners.

Addressing immigration in economic terms is a new concept in the U.S. Since it became an official public concern in 1899, immigration has been a racial and quota system. With very few and short-lived exceptions, immigration was a pre-determined quota assigned to each acceptable country regardless of skill levels or work force needs. Although other developed countries have always used a skill-needs system, the U.S. still uses a racial/nationality system for

some elements of the law. Visas for permanent residency are still capped, so that no country can have more than 7% of the total number allowed each year. Today, however, the issue is mostly expressed, and applauded or condemned, in economic terms. There is now an annual limit for *employment* based green cards set at 140,000 immigrants.

Opponents say that the cost illegal immigrants place on public provided services is calculated at \$23 billion over 10 years.

Proponents say that all the new workers will be paying taxes and boosting revenues by \$48 billion over 10 years. And the availability of these workers to the businesses needing them will be an additional boost.

The former official of the Congressional Budget Office (CBO), Arlene Holen estimates in a recent institute paper that if we can add sufficient skilled workers from the immigration ranks the additional boost would bring in \$100 billion over that same period. Foreign countries using a system based on skill needs are outcompeting the U.S. for the skills needed to compete on a global scale.

Although the economic numbers seem to be in favor of an expanded and comprehensive immigration plan, a few other numbers complicate the answers. For example; almost all the emphasis is being placed on fulfilling the lack of American high skilled labor (The H-1a Visa). But the immigrants we have are 85 percent unskilled labor (The H-2b Visa) and only 15 percent have the needed skills. And that also means those lower paying jobs pay very little taxes and in some cases none at all.

Now for a few new wrinkles; Immigration like poverty is not static. People who are in poverty generally stay there on average about 18 months. At which time they begin their move up out of poverty. Immigration while we see it as an ocean of people coming in from the south to find work lasted as long as our economy was booming. That immigrant level has diminished rapidly as fewer immigrants are coming in. (As

one economist quipped, "Want to solve the immigration problem? Have a recession!" And we did.) Of course we expect them to come back when the economy returns to our previous levels. But that is now estimated as 3 to 5 years at best. And, those young Latinos who came here before are not so young anymore as Mexico's population is now aging also There's not so many babies being born there either. Not many 45 year old people are prepared to walk, swim and climb those miles again.

And to further the economic discussion, they've been sending 100s of millions of dollars back to their families for over twenty years. The Mexican country's a national budget actually has a line item for that revenue stream. Mexico's economy is improving and growing faster than ours! They are becoming a majority middle class country. *We will not likely ever again see the level of immigrants coming from Mexico we had in the past.*

Wrinkle number two; skilled Americans are emigrating to Canada! The Canadians are also doing very well. They didn't have a recession, because they didn't have a housing bust. Canada like Sweden, facing economic crises back in the 1990s, sharply cut public spending. Their economies have done very well since and both governments have been running budget surpluses.

And more significantly Canada is expanding their industrial base into the hydraulic drilling of natural gas or *fracking*, which, for the most part, the U.S has forbidden. They are also moving ahead with pipelines, which the U.S. has also forbidden, and oil drilling etc. Canada is also aging and is in need of skilled workers to grow their economy. They are forecasting severe labor shortages in these industries over the next 10 years. They're paying as much as double to treble wages for electricians¹⁰ plus production and longevity bonuses. Pipefitters are starting at \$150K. On the wanted list are also welders, mechanics, engineers, machinists and production professionals. And as one American recruiting firm noted, *there wasn't a single call*

for money managers, insurance professionals or economists. Americans are going North by the hundreds for those jobs and are expected to be going by the thousands soon. We are now the Mexican immigrants, only legal.

Politics

Immigration has been blessed or plagued, depending on your point of view, by its politics. And there's new politics and old politics. Let's start with the old.

In the early 1980s we already had an illegal immigrant problem. President Reagan, coming from California, knew well about that problem. He created a bipartisan immigration program that was voted into law by both Republicans and Democrats. This was the 1986 Immigration Reform and Control Act (IRCA).

The basic elements of the program were that the federal government would allow up to 3 million illegal immigrants to gain work permits leading to legal status. There were conditions, the borders would first have to be secured and those illegal immigrants who had resided here before 1982 would be required to formally admit guilt, pay a fine and back taxes. How did that work out? Well Reagan carried the majority of the Latino vote in both of his Presidential elections. But today there are over 11 million illegal immigrants and the borders are still not secured.

Republican President G.W. Bush who carried over 40 percent of the Latino vote in the 2004 presidential election proposed an immigration plan in 2006. It required a major program of border security including 6,000 National Guard troops, a temporary worker program, stricter immigration enforcement both on the immigrant and employers, a requirement to learn English and a combination of path to citizenship for most and a mass deportation for the rest.

This time the Democrats were for it but the Republicans voted it down. Their reasons were obvious, these people were here illegally, they

were being put ahead of all the thousands who were here legally and had been in line for years, and they wanted the borders secured before any such bills were passed. They may have been right legally and even morally but they were dead wrong politically. In the 2008 presidential race, the Republican candidate's Latino vote dropped to 31 percent. And in the recent presidential election Democratic President Obama suggested a series of programs to assist and support Latinos while several Democratic leaning cities became "Sanctuary Cities" where illegal immigrants were encouraged and protected. Some Democratic states passed laws allowing illegal immigrants to acquire driver's licenses as well as business licenses.

The Republican candidate, on the other hand, at one point suggested mass deportation of undocumented immigrants who had no approved status. The Republican candidate's Latino vote dropped to 27 percent and the Democratic candidate's Latino vote soared to 71 percent. That's a message everyone understands. Now everyone wants to be the provider of an immigration program for Latinos.

Most Republicans want to reverse this trend by fixing the immigration problem even if it means less focus on the legal and moral history and more on a practical and friendlier resolution. And that will take a bi-partisan effort, but with this, the most partisan government in over 50 years there's been very little cooperation between the parties, until now.

A group of four Republicans and four Democrats in the Senate (now referred to as "The Gang of Eight"), bit the bullet and worked out a bipartisan proposal they could all agree upon. It provides each side with their most cherished objectives and eliminates the most egregious of each. The plan which they intend to promote and then submit for vote probably in late March includes the following key points:

Border enforcement first: Fences at some sections of the border, unmanned aerial vehicles, entry-exit tracking systems and identity cards linked to a data base system.

(Note that over 60 percent of Latinos favor tougher border security.)

High skill immigration focus: Historically the focus has been on unskilled labor and family members. Today's lack of skilled technical workers calls for a guest worker program refocused on our greatest needs like advanced degrees in science, math and technical degrees and family members as well. No criminal background and payment of all back taxes are also part of the requirements.

Employment verification: E-verify is very popular with some employers and very unpopular with others. Although there are still inadequacies, glitches and bureaucratic fumbles, E-Verify is required on federal contracts and by some states. It will likely become mandatory.

Cue up at the end of the line for citizenship please!: Illegal immigrants may not cut in front of the thousands of legal immigrants in line for years. They must go to the back of the line and wait their turn.

Strict enforcement against employers hiring illegals: There are thousands of new government employees assigned to labor regulations and this will be a priority.

Not eligible for federal benefit programs: This includes welfare as well as federal subsidies under the new health care law. Although they still come under the employer mandated health coverage, but will not receive funds if unable to pay their premiums.

English required: Learning English is required before a green card will be allowed.

The fragile bipartisanship is endangered by the President's response to the proposal. He and some fellow Democrats indicate that border security is of little value or interest. He also wants the Latino immigrants to go to the head of the line, be eligible for the new health care subsidies and he wants to add a same-sex marriage clause to the bill. Whether Republicans can keep the bipartisan proposal alive or will they be destined to go along to get

along. Or is this a new fight getting underway?
Stay tuned.

H-2b Visas: Users of the H-2b Visa program for non-skilled workers have had little good news in a long time. When the DOL was given the authority to control wage levels for H-2b immigrants they took their new found authority with gusto. They created a new formula for calculating worker wages that raised the wage levels by as much as 30 percent. They then added another rule that required all non H-2b workers to be paid the same rate thereby requiring an across the board increase that could drive some companies out of business. The new rules and wages were to go into effect in October 2012. Some legal action stayed that until March 27, 2013. Petitions are being circulated in several industries to prevent or delay the inception of the new rules.

The current number of H-2b visas allowed is still at 66,000 per year for all U.S. employers. The first half being allocated in the first 6 months of the fiscal year and the last 33,000 in the last 6 months of the year. They actually allocated about 35,000 in the first half and so far only 5,000 for the second half. This program will continue despite rumors to the contrary, the question is, will employers still find enough value in H-2b at the much higher and broader scope of cost?

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