

The Economic Impact of Immigration on St. Louis

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Fact Sheet of the Economic Impact of Immigrants to the St. Louis Region

- The St. Louis Metro has approximately 126,500 immigrants, and immigrants comprise 4.5% of the region's population. Other metros in the top 20 average four to five times the number of foreign-born residents.
- The region's relative scarcity of immigrants largely explains our poor economic growth, and the St. Louis metro's fall from the 10th largest MSA in 1970 in the U.S. to 18th in population and 20th in economic output in 2010. Other metros in the top 20 averaged 40% faster economic growth over the past decade. This report statistically demonstrates that a lack of immigration explains a considerable portion of the region's slow income growth.
- If St. Louis had experienced inflows of immigrants similar to other large metros, income growth would have been 4-7% greater, and the region's income would be 7-11% larger.
- Encouraging an inflow of foreign-born to match other large metros would increase job growth 4-5%; thus, the region's lack of immigration explains in large part its poor job creation engine.
- Immigration is responsible for raising average wages by \$600 in the region over the past decade; however, average immigration patterns imply wages should have risen by \$2800.
- Increasing inflows of immigrants to St. Louis would markedly lower housing vacancies and boost housing prices. If St. Louis had matched the immigration inflow of other large metros, housing prices would be 26% higher in St. Louis City and 20% in St. Louis County over the last decade.
- The foreign-born community in the region is highly educated, with predominantly white collar jobs. They earn \$83,000, 25% more than the average American born. Immigrants are three times more likely to be high-skilled than unskilled, one of the highest ratios in the country. The foreign-born tend to be scientists, professionals and managers, and are 44% more likely to have at least a college education and 130% more likely to have an advance degree.
- The foreign-born in St. Louis have higher labor force participation rates, and substantially lower unemployment rates than native-born in the region.
- Immigrants are 60% more likely to be entrepreneurs in the region, and therefore, the relative lack of immigrants is a major factor in explaining the region's shortage of new business startups.
- The region's poor immigrants are less likely to received food stamps and cash assistance; thus, they are not a burden to the system.
- Encouraging immigration can lower both the White and African-American unemployment rate by approximately 2%.

Executive Summary

Look at photographs of downtown St. Louis in the first decades of the 20th century and you'll see a bustling metropolis, a scene of economic prosperity that began in the years of the Civil War and continued, in spite of the Great Depression, to prosper well into the middle years of the 1900s. After 1950, however, the economic climate began to change. The economy of the region has performed poorly in recent decades, lagging significantly behind most major metros in employment, income and wage growth as well as entrepreneurial activity, an important driver of economic activity.

At the same time, the metro's population and percentage of foreign-born residents have both considerably trailed other large metropolitan areas.¹ Outward migration from the region and a surfeit of aging baby boomers indicate that the metro's workforce will shrink over the next decade. Without a plan to entice new workers to the region, our tax base, businesses and employment opportunities will decline. This report statistically demonstrates that the St. Louis economy and our demographic profile are intimately related. It shows that there is one clear and specific way to simultaneously redress the region's population stagnation, output slump, tepid employment growth, housing weakness and deficit in entrepreneurship - Immigration. This report provides considerable economic evidence and statistical analysis using U.S. Census data that increasing immigration will significantly raise employment and income growth as well as boost real wages in the St. Louis region. An influx of foreign-born could reverse the region's housing prices declines and lower unemployment rates for both whites and African Americans in our region.

A profile of the foreign-born in St. Louis reveals a highly trained workforce. More than 50% of immigrant occupations in the region are high paying white-collar jobs, and the number of high-skilled foreign-born workers outnumbers low-skilled by three to one. The foreign-born in the region are significantly more likely to have graduated college than native-born Americans, and twice as likely to hold advanced degrees, particularly as medical doctors and scientists. As a result of higher pay and

¹ The St. Louis region or metro (MSA, Metropolitan Statistical Area) includes 9 counties in Missouri and 8 counties in Illinois.

labor force participation rates, the average foreign-born contributes 29% more to the region's income than the average native-born in St. Louis; further, the foreign born possess substantially lower rates of unemployment, receive less food stamps and cash assistance and pay far more taxes than the average St. Louis worker. Further, a Brookings Report (Hall et al., 2011) shows the high educational levels of immigrants in St. Louis are compensating for the brain drain of native-born Americans due to negative net-migration. Influxes of immigrants hence are critical in maintaining advanced skill levels, which are critical to our premier companies and institutions.

Both economic theory and statistical analyses demonstrate that immigration expands a region's productive capacity by stimulating investment and promoting specialization. This in turn leads to efficiency gains, higher profits and raises wages for all workers. Economists have shown that American economic sectors with high exposure to immigration fared better in employment growth than more insulated sectors, even for low-skilled labor. One reason is that hiring immigrants can reverse off-shoring, which pulls away not only low-wage jobs but also many related occupations that include high-skilled managers, tech repairmen and others. Thus, by hiring immigrants, we make it more likely that a company will remain in the region than move overseas.

It is shortsighted in a globalized economy to expect we can fill all of our labor needs with a homegrown workforce from the St. Louis region or neighboring states. Increased globalization and changes in technology imply skill sets are substantially changing and companies need to hire world-wide to compete in a global market. For instance, a prominent 2011 study by Deloitte finds that 67% of more than 1,100 manufacturers report a moderate to severe shortage of available, qualified workers: "skilled production jobs – machinists, operators, craft workers, distributors, technicians, and more – are taking their toll on manufacturers' ability to expand operations, drive innovation, and improve productivity." Overall, nationwide 600,000 jobs, or 5% of manufacturing jobs, remain unfilled due to a lack of qualified candidates.

Hiring immigrants with specific skills supplement existing hiring over the entire skill spectrum from managers to office workers and janitors, and does not lead to higher unemployment. When hiring immigrants, companies have to register them with the Department of Labor and indicate no qualified U.S. applicant exists for H1 and H2 guest workers. This means the applicant has particular qualifications lacking in the local job market and the company is paying an appropriate wage. Companies that are hiring foreign-born workers then are not hiring them because they are cheaper. Rather firms are hiring immigrants due to particular expertise that is sometimes lacking in U.S. born individuals.

If St. Louis wishes to further cultivate clusters of biotech, financial services, healthcare or information systems, it must also attract the best talents to complement our existing workforce. Business location theory posits that the number one factor in establishing and promoting a successful cluster is a highly trained work force. Because immigrants often have technical and scientific skills in these areas, they should be part of the region's strategy to build on our strengths in these occupations. For example, Sigma Aldrich hires in bioinformatics, a highly specific profession that requires advanced knowledge of both biology and IT. This expertise is difficult to find in native St. Louis graduates, so the company must look elsewhere, often overseas to find the best qualified applicant. In this search process, the company, like all companies, has an obligation to both their customers and stockholders, to hire the most qualified.

The St. Louis Cardinals are the 2011 World Champions, not because their recruitment focuses on St. Louis. On the contrary, they recruit the best talent from everywhere, not just the local metropolitan area. This often includes players from Latin America, an area full of baseball talent such as Albert Pujols, Jaime Garcia, Fernando Salas, Eduardo Sanchez and Rafael Furcal. Without attracting the best players in the world to this region, it is unlikely the Cardinals would be World Champions.

This argument also extends to our businesses and educational institutions. For instance, Washington University's Business and Medical schools are world renowned as they hire the best possible faculty. Approximately half of the business school's

tenure-track faculty and its medical school's bioengineering, genetics and biostatistics departments are prominent foreign-born scholars.

A study by the University of Washington's Economic Policy Research Center shows that every job that Microsoft creates, supported 5.81 jobs elsewhere in the region – from bakers to butchers. A large multiplier also exists for high-skilled St. Louis firms such as Boeing, Sigma Aldrich, the Danforth Plant Science Center, Novus International, Monsanto, Washington University and Saint Louis University. Hiring immigrants has a multiplier effect on the economy, because these individuals spend their money in the region, which in turn leads to more local economic activity and supports jobs for native-born Americans in St. Louis retail shops and other service businesses.

St. Louis benefits not just from foreign-born doctors and scientists from India and China, information technology experts from Russia, and engineers from Latin America, but also from middle and low skilled immigrants arriving in our region. Skilled foreign-born electricians and plumbers make it easier for both businesses and consumers to build and maintain their properties, while low-skilled lawn workers save St. Louis consumers money, inexpensive high school janitors save the community tax revenue and cheap cleaning workers save businesses cash, boost their profits and encourage them to expand locally. Further, attracting immigrants of all skills is critical, as 2nd generation immigrants, including the children of low-skilled workers, have a long tradition of success in this region. For example, George Paz, the CEO of Express Scripts, is the son a blue-collar Mexican immigrant.

Foreign-born workers employed by St. Louis firms such as Monsanto expand export opportunities and commercial contacts as they possess strong business and social networks with the rest of the world, making it easier for Monsanto to trade with India, Brazil and other countries, which multiply business and employment opportunities for the region. The region, therefore, should recognize these individuals have the knowledge, experience, connections and drive to help St. Louis companies compete in the global marketplace.

The foreign-born have earned an entrepreneurial reputation, since we often attract both the risk-takers and the best these countries have to offer. To immigrate and to succeed, they have to pass through hurdles that only the most motivated and experienced can achieve. The foreign-born workers and their children have become successful small businesses owners here, and have created hundreds of other jobs for native-born Americans. These include dozens of small Bosnian and Chinese restaurants to the CEOs of Monsanto, Sigma Aldrich, Express Scripts and the local head of Citibank. The Horatio Alger stories of the American dream have prospered among foreign-born immigrants and include companies that are home-grown with millions in revenue, including the head of Rose International and Nextgen.

The St. Louis region had a good track record of integrating Bosnian immigrants in the 1990s into our region's social fabric. They revitalized parts of South St. Louis City and South St. Louis County by moving into older neighborhoods, opening businesses and rehabbing housing. Bosnians opened many thriving small businesses including bakeries, butcher shops, coffee shops, construction and heating and cooling companies, insurance companies and a truck-driving institute, and continue to be a key source of high skilled production work. The region in the 1990s also welcomed tens of thousands of Chinese, Russians and Indians who have integrated and prospered. St. Louis needs to build on these experiences as this influx was more than a decade ago, and now encourage a new wave of immigrants into our urban core.

While some regions are passing laws aimed at restricting immigration, the National League of Cities reports cities such as Boulder, Chattanooga, Columbus, Indianapolis, Louisville, Los Angeles, New York City, Philadelphia, Princeton, and Richmond have initiated innovative municipal policies to encourage immigrant integration. If St. Louis wishes to advance in future decades, it must take its cue from cities that are devising targeted welcoming strategies to attract immigrants through economic and social policies that embrace, rather than drive away, this vital workforce. What are these best practices? The most effective strategies include several simple components: a central organization that serves as an information clearinghouse, a welcoming mat network, and business/government partnerships.

The central organization in Louisville, for instance, help integrate immigrants and refugees by connecting them with government and nongovernmental resources, and providing them with services such as a community language bank, interpreters and translators as well as social services including resettlement agencies, English as a second language classes, and career and leadership opportunities. Philadelphia has a nine-member commission on immigrant affairs that encourages the development and implementation of effective policies and strategies that facilitate immigration's role in regional population growth, neighborhood revitalization, and economic development.

The National Conference of State Legislatures reports that Lowell, Nashville and Portland have effective central coalitions that coordinate immigration through government, NGOs and private partnerships. They recommend that a central organization implement immigrant integration policies that include: "English-language training; Credential recognition and assistance with meeting professional and trade licensing requirements; Strong vocational/professional skills development; Higher education opportunities; and upgrading courses; Youth-training and development services; Civic-participation training and opportunities for involvement in the wider community; Health care; and Adequate and affordable housing."

A welcoming campaign that creates "Welcoming Committees" is critical to engage local chambers of commerce, drive home the message that immigration can create opportunities through new businesses and create networks for immigrants to feel welcomed, facilitate their transition and become engaged in the local community. Many metros have adopted regional cultural ambassador programs such as G.L.I.P. (Greater Louisville International Professionals) that work to increase awareness of the international community's contributions to the region as well as provides international community and business connections. Philadelphia's Welcoming Center for New Pennsylvanians connects immigrants, employers, & communities and is designed to attract international talent by recruiting skilled immigrant professionals. This initiative is less about dollars, than a change in mind-set of our local business leaders and public: the region needs to view immigration as an opportunity, not as a threat - a chance to hire the best. We need clear messaging that immigration is a positive force

for economic development, and that local talent can be supplemented by hard-working, entrepreneurial individuals.

Many metros have created a range of government and business partnerships that help recruit immigrants to their regions. These include an EB5 Investor Visa program that can attract international investment and foreign talent; efforts in St. Louis should initially concentrate in promoting clusters in biotech, health science and IT, since the Brookings Institution reports that immigrants tend to cluster in these sectors due to having advanced scientific degrees. The metro should further promote initiatives to attract and retain foreign students at St. Louis and Missouri colleges and universities by providing mentors and internships that create incentives for retention. The region should expand its initiatives to organize small business mentorship and community bank funding for both domestic and foreign-born residents.

The region has much of the infrastructure in place to implement effective immigration strategies. These organizations include the International Institute of St. Louis, MIRA (Missouri Immigrants and Refugee Advocates), the World Trade Center and the Urban League. To facilitate these transitions, they need only moderate increases in core funding, and backing from both public and business leaders.

St. Louis has many positive attributes and resources to attract hard working, immigrants. We have affordable housing as well as some excellent public, private and Charter schools and Universities. Immigrants in St. Louis already have more than twice the small business success rate, and hence building on this achievement should not be difficult. St. Louis has premier companies in healthcare, biotech, engineering, finance and IT that should be allowed to attract the best so they flourish in a global environment. Globalization and economic development include attracting the foreign-born as well as foreign companies to our region.