

# **FEDCAP SOLUTION SERIES**

**BUSINESS IN THE 21<sup>ST</sup> CENTURY**

# Immigration and Its Impact on Business

**A JOB MAKES A DIFFERENCE**

Solution Series is a project of Fedcap's Community Impact Institute



# } A LETTER FROM FEDCAP'S PRESIDENT AND CEO

Dear Colleagues,

Welcome to Fedcap's 9th Solutions Series, Immigration and Its Impact on Business.

The nation's 40 million immigrants comprise a demographic that businesses cannot afford to ignore. Companies in all industry sectors and of all sizes, from multinational corporations to the smallest Main Street businesses, increasingly rely on the skills, talents, and entrepreneurial spirit of immigrants.

At a time when national immigration laws and policies are the subject of impassioned debate, we believe it is important to better understand and recognize the cultural and economic impact of immigrants in the workforce. Companies that do so—that leverage the vast cultural knowledge and know-how that the growing immigrant population represents—will be well positioned for growth and expansion in a global marketplace that has truly come home.

We convene our Solutions Series to engage business partners and stakeholders in discussions on matters of critical importance to the business community. Thank you for your support, and we look forward to continuing the conversation about this important topic in the future.

Sincerely,



Christine McMahon

Fedcap President and CEO

# IMMIGRATION AND ITS IMPACT ON BUSINESS

## THE CURRENT REALITIES

The United States is a nation of immigrants. Historically, the national perspective on immigration could best be summarized by the iconic poem written by Emma Lazarus that is mounted in the pedestal of the Statue of Liberty; Give me your tired, your poor, your huddled masses yearning to be free. America was a melting pot of ethnicities and cultures. During the 18th and early 19th centuries, immigration was unrestricted. It was only in 1875, after certain states passed immigration laws following the Civil War, that the Supreme Court made regulation of immigration a federal responsibility.

Today, immigration is the subject of heated debate even as the immigrant population has swelled. As of 2012 the foreign-born population in the United States consisted of over 40 million people, including approximately 11 million undocumented immigrants. The debate over immigration has become polarizing and politically charged. Many believe that immigrants negatively impact U.S. workers—basically “stealing their jobs.” The massive influx of immigrants has led to broad denials of naturalization petitions and strict quotas on visas for skilled immigrants.

The reality is that even as economists have pored through statistical evidence to support the theory that immigrants undercut American workers, most recent studies conclude that on the whole, immigration has not led to fewer jobs for American employees.

What the United States really needs are more immigrant workers at all skill levels. Employers consistently push for more skilled workers under the H-1B visa program (see pages 6–7), and last year, eleven CEOs from some of the nation’s largest companies—including McDonald’s,

Loews Hotels and Resorts, Tyson Foods, and Coca-Cola—signed on to a letter to Congress urging passage of immigration reform that includes massive increases in low-skilled foreign workers.

In fact, the working immigrant population is as diverse in its occupations as it is in language and culture. Of the 23.7 million employed foreign-born workers ages 16 and older in 2012, 30 percent worked in management, professional, and related occupations; 25 percent worked in service occupations; 17 percent worked in sales and office occupations; 15 percent in production, transportation, and material moving occupations; and 13 percent worked in natural resources, construction, and maintenance occupations.

The Bipartisan Policy Center, in pushing for immigration reform, projected that legalizing undocumented immigrants would boost gross domestic product by 4.8 percent and productivity by 1 percent over the next two decades. In 2006, an open letter to President George W. Bush, signed by 500 economists, including four Nobel laureates, stated: “While a small percentage of native-born Americans may be harmed by immigration, vastly more Americans benefit from the contributions that immigrants make to our economy.”

Further, while some strongly believe that immigrants are a drain on our economy, using resources intended to help Americans living in poverty, research has found that immigrants have a significant positive impact on the economy as a whole, boosting the profitability of American firms and reducing the prices of some products and services by providing employers with a new labor source and creating more opportunities for investment and jobs. Researchers Giovanni Peri and Gianmarco Ottaviano of Bocconi University in Milan concluded that the immigration wave into the United States from 1990 to 2006 changed the wages of American workers with no high school degree between minus 0.1 percent to plus 0.6 percent (\$5,400 in 2007 dollars). They also concluded that by lifting the overall economy the wave of immigrants had a small positive impact on the average wage of American workers.

A senate bill aimed at addressing immigration reform has been stagnating for years due to a divided Congress. On November 20, 2014, President Obama issued an executive action granting temporary legal status and worker’s permits to nearly 5 million undocumented immigrants that currently reside in the U.S. This action is currently being debated in Congress and the courts.

# LOOKING AT THE DETAILS

## THE IMPACT OF H-1B AND L-1 VISAS ON BUSINESS

The H-1B visa program lets companies in the United States employ foreign workers who are skilled in the STEM occupations—science, technology, engineering, and math—as well as finance, life sciences, and other skilled occupations. Immigrants working under H-1B visas can apply for a green card while living in the U.S. They may bring spouses and children under the age of 21 with them, but their families don't have clearance to work in the U.S.

There is strong ongoing demand for workers who qualify for H-1B visas, which are capped at 65,000 per year, with another 20,000 earmarked for foreign professionals who graduate with a Master's or Doctorate degree from a U.S. university. The visas are filled almost before the application process even begins; in 2014, U.S. Citizenship and Immigration Services (USCIS) received approximately 124,000 H-1B petitions.

Business moguls like Bill Gates and Mark Zuckerberg are among those petitioning for an increase in the number of H-1B visas, with Gates petitioning Congress twice for reform. These business leaders cite a massive shortage of skilled IT workers, as well as their belief that the U.S. will fall behind in STEM and other specialized fields without these workers.

Like the H-1B visa, the L-1 visa is a non-immigrant visa which allows companies operating both in the U.S. and abroad to transfer certain employees from foreign branches to U.S. branches for up to seven years.

The limit on H-1B visas impacts other industries that rely on skilled workers. A large farm equipment company in the Midwest struggles to find welders, exhausting their visa quota each

**The shortage of skilled workers is indeed critical; a 2013 study by the Brookings Institution found that 43 percent of new vacancies in STEM occupations for which there are H-1B requests go unfilled after one month. In the 100 largest U.S. metropolitan areas, 46 percent of job openings requiring significant STEM knowledge go unfilled for one month or longer.**

year. A geospatial data company is looking for cartographers but they can't find any in the U.S. with the requisite training.

While many U.S.-born IT workers claim that they are being displaced by H-1B visa workers, business leaders purport that each skilled worker who is brought into the U.S. creates an additional two jobs for U.S.-born employees. According to these employers technological growth translates into more job availability for U.S.-born workers.

Business leaders also express frustration that current immigration laws force the U.S. to send skilled individuals who receive their higher education in the United States back to their countries of origin—a further drain on the U.S. talent pool. They want these skilled workers back.

Another contentious issue is that many of the top procurers of H-1B visas are outsourcing companies based in countries outside of the United States, mostly in India. These consulting firms hire temporary workers, some say, exploiting a loophole in the H-1B visa program in order to help American businesses cut costs. Supporters of the H-1B visas claim this reasoning is false. The law states that H-1B workers must be paid the prevailing wages so these foreign workers aren't eligible for cheaper wages in any event.

Regardless of motives, American businesses are appealing for more of these skilled workers. While the final statistics are still unclear, the proposed Senate reforms, as well as President Obama's executive action of 2014 both include raising the H-1B visa quotas, the former to nearly 300,000 visas.

# THE IMPACT OF UNDOCUMENTED IMMIGRANTS ON BUSINESS

**“The U.S. needs a modern immigration system that keeps us competitive on the world’s stage.”**

**— Michael Bloomberg, former NYC mayor and cofounder of The Partnership for a New American Economy, a coalition of mayors and CEOs pushing for immigration reform.**

There is growing support for national immigration reform from all sectors of society, and nowhere more so than in the business community. The business case for immigration reform rests on the social and economic costs that result from the current system, and the fast-growing immigrant population. The millions of undocumented immigrants currently residing in the United States make up 5.2 percent of the national labor force, up from 3.8 percent in 2000. Without legal status, these individuals are less likely to contribute to Social Security or income taxes and their employers are less likely to pay into worker’s compensation and unemployment insurance systems. Many are subject to economic exploitation and other workplace abuses. Many of these undocumented immigrants work as agricultural laborers or in service, blue collar, or other low-wage positions, and live in fear of deportation.

Business owners who do not hire illegal laborers are at a competitive disadvantage. A study by the Federal Reserve Bank of Atlanta found that law-abiding construction firms were 1.4 times more likely to close than those who hire undocumented immigrants. In recent years there have been numerous lawsuits brought by conscientious business owners, alleging that the defendants’ hiring of illegal aliens presents an unfair competitive edge and a violation of antitrust laws.

For these and other reasons, the national business community supports immigration reform. The Partnership for a New American Economy, which includes over 500 U.S. mayors, and business partners who collectively generate \$1.4 trillion in annual sales, support reform that develops a simple system for employers to verify employment eligibility, increases employment opportunities for qualified immigrants, creates a streamlined process for employers to fill seasonal and permanent vacancies, establishes a path to legal status for undocumented immigrants currently living in the U.S., strengthens language and education classes for immigrants, and secures borders to prevent illegal immigration.

In 2014 the U.S. Chamber of Commerce organized a letter that was signed by 246 businesses—of all sizes and from multiple industry sectors, and including well-known companies such as Apple, Facebook, Google, Hilton, Intel, Marriott, Caterpillar, Halliburton, and Microsoft—and 390 business associations that articulated a case for immigration reform.

The letter stated: “We are united in the belief that we can and must do better for our economy and country by modernizing our immigration system. Done properly, reform will deter illegal immigration, protect and complement our U.S. workforce, better respond to changing economic and demographic needs, and generate greater productivity and economic activity, while respecting family unity. In short, immigration reform is an essential element of a jobs agenda and economic growth.”

## POSITIVE IMPACT OF IMMIGRATION REFORM ON BUSINESS

- **Conscientious business owners who were previously at a disadvantage for not hiring low-wage illegal laborers would have a level playing field.**
- **Immigrants would be able to pursue broader educational goals, leading to a better educated workforce and more stable communities.**
- **Higher wages for immigrants would translate into increased purchasing power which will lift all businesses.**
- **More businesses would be able to avail themselves of the pool of talented foreign workers under a reformed visa system for highly skilled immigrants.**
- **Businesses would be spared the time and expense of hiring attorneys and other professionals to navigate the legal labyrinth related to verification of employment status.**

## IMMIGRANTS AND MAIN STREET BUSINESS

Immigrant owners of Main Street businesses—grocery stores, restaurants, laundries, clothing stores, nail salons, and more—play a critical role in the U.S. economy and in contributing to the growth and vitality of thousands of communities nationwide.

*Bringing Vitality to Main Street: How Immigrant Small Businesses Help Local Economies*, a report by Americas Society/Council of the Americas and the Fiscal Policy Institute, found that **immigrants make up 28 percent of Main Street business owners**. Between 2000 and 2013, immigrants—both documented and undocumented—accounted for 48 percent of overall growth of business ownership in the U.S. and were responsible for all of the net growth in Main Street business nationally as well as in 31 of the 50 largest U.S. metropolitan areas. In 2013, Main Street immigrant business owners earned \$13 billion. Immigrant entrepreneurs make up 64 percent of all Main Street business owners in the Los Angeles metro area, 61 percent in metro San Jose, 56 percent in metro Washington, D.C., and 54 percent in metro Miami.

The number of immigrant Main Street business owners increased even in the seven metro areas that saw an overall decline in the number of Main Street business owners: Detroit, Birmingham, Columbus, Cleveland, Milwaukee, Pittsburgh, and Providence.

Immigrant-owned Main Street businesses serve to revitalize communities in decline. They boost local, state, and national tax rolls and boost consumer spending, which strengthens other businesses.

The immigrant population of New York City, the largest in the nation, has doubled over the past four decades, accounting for all of NYC's population growth over that period. The approximately two million immigrants working in NYC account for almost half of

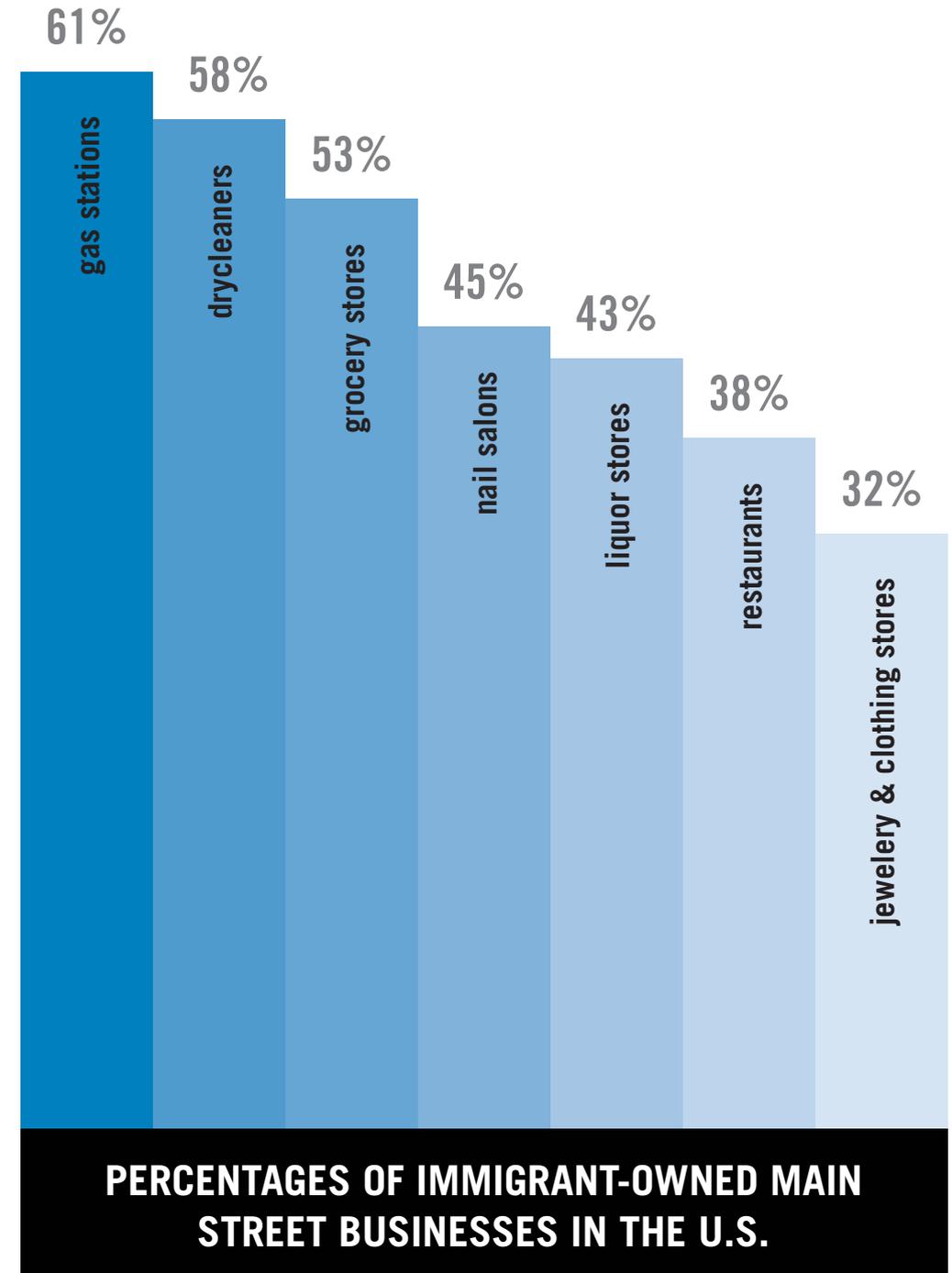
the city's workforce and half of its entrepreneurs. The Office of the State Comptroller estimates that in 2011, immigrants generated \$210 billion in economic activity in NYC. Occupations in which well over half of workers are immigrants include taxi drivers, cooks, construction laborers, housekeepers, nurses, carpenters, child care workers, janitors, truck drivers, and cashiers.

Many other cities with good support systems for immigrant Main Street business owners have benefitted from their work ethic and entrepreneurial spirit. In Philadelphia and Minneapolis–St. Paul, immigrant businesses have played a significant role in reversing decades of population decline and helped reestablish a commercial base for neighborhoods that needed an economic boost. In Nashville, which has seen continual growth in population, immigrants helped transform neighborhoods and supported the economic revitalization enjoyed by the city as a whole.

Nonprofit agencies as well as government organizations are working to create environments that support immigrants and business growth. In Minneapolis–St. Paul four nonprofits and a number of community groups worked to revitalize a former Sears Roebuck distribution center that had become blighted. The partners transformed the space into the Midtown Global market, which gives new and emerging entrepreneurs, many of them low income and recent immigrants, a prime location and support to build a business. It now hosts 53 businesses representing people and products from five continents.

In 2006, some long-time residents of Riverside, N.J., were rankled by the arrival of new immigrants, many of whom flew the flags of their homelands on their front lawns. In response, the municipality of Riverside passed a law fining people for hiring or renting to undocumented immigrants. The law negatively impacted all of the town's immigrants—it can be difficult for landlords and employers to determine legal standing—and the immigrants, primarily from Brazil and other Latin American countries, left Riverside en masse. Within months, many businesses closed and storefronts were boarded up as Riverside began a precipitous decline.

Realizing their mistake, the local government reversed course and many residents had a change of heart. "If they don't know English, why don't we teach them?" asked David Verduin, president of the Riverside Coalition of Business Owners.



# THE INTEGRATION OF IMMIGRANTS INTO THE WORKFORCE

## CREATING COMPETITIVE ADVANTAGE

Hiring immigrants deepens the corporate talent pool and creates more diversity in the workplace, which can broaden the customer base and enhance a company's image in local, national, and international markets. An overarching goal for any business is to maximize the talents of its employees, and the immigrant employee should be no exception. The language skills and cultural knowledge that immigrants bring to a company are a huge asset in today's global economy. Businesses should leverage these skills and use them to competitive advantage.

Most large organizations today have global mobility and they're aware of the need for cross-cultural immersion training for their employees. When they're moving an employee from one location to another, in addition to taking care of technicalities such as tax equalization, they often provide the employee with coaching and communication training. Businesses are also building cultural competency skills at home since virtual global teams are the norm. If your caller in the West is communicating with a call center in India and there is no cultural awareness there, that's a formula for failure.

There are barriers to hiring, training, and maintaining immigrant employees. When hiring an immigrant, it can be difficult to assess their training and prior work credentials as you may be unfamiliar with the foreign equivalents. Even their body language may project different messages than U.S.-born employees, as their cultural mores may be different. When language and accent are not an issue, there may be different approaches toward communication based on a person's cultural upbringing. For example, since in certain cultures harmony is valued above ambition, an employee may be perceived as unambitious when they are merely being loyal to their tradition.

## CONSIDER THE FOLLOWING AS WAYS TO EFFECTIVELY TAP IMMIGRANTS' SKILLS

→ Culturally sensitive interviewing that assesses competencies through the lens of culture.

→ Employing specialists who know how to translate foreign education and experience into a "language" the employer can understand.

→ Pre-employment counseling so that expectations are clearly understood.

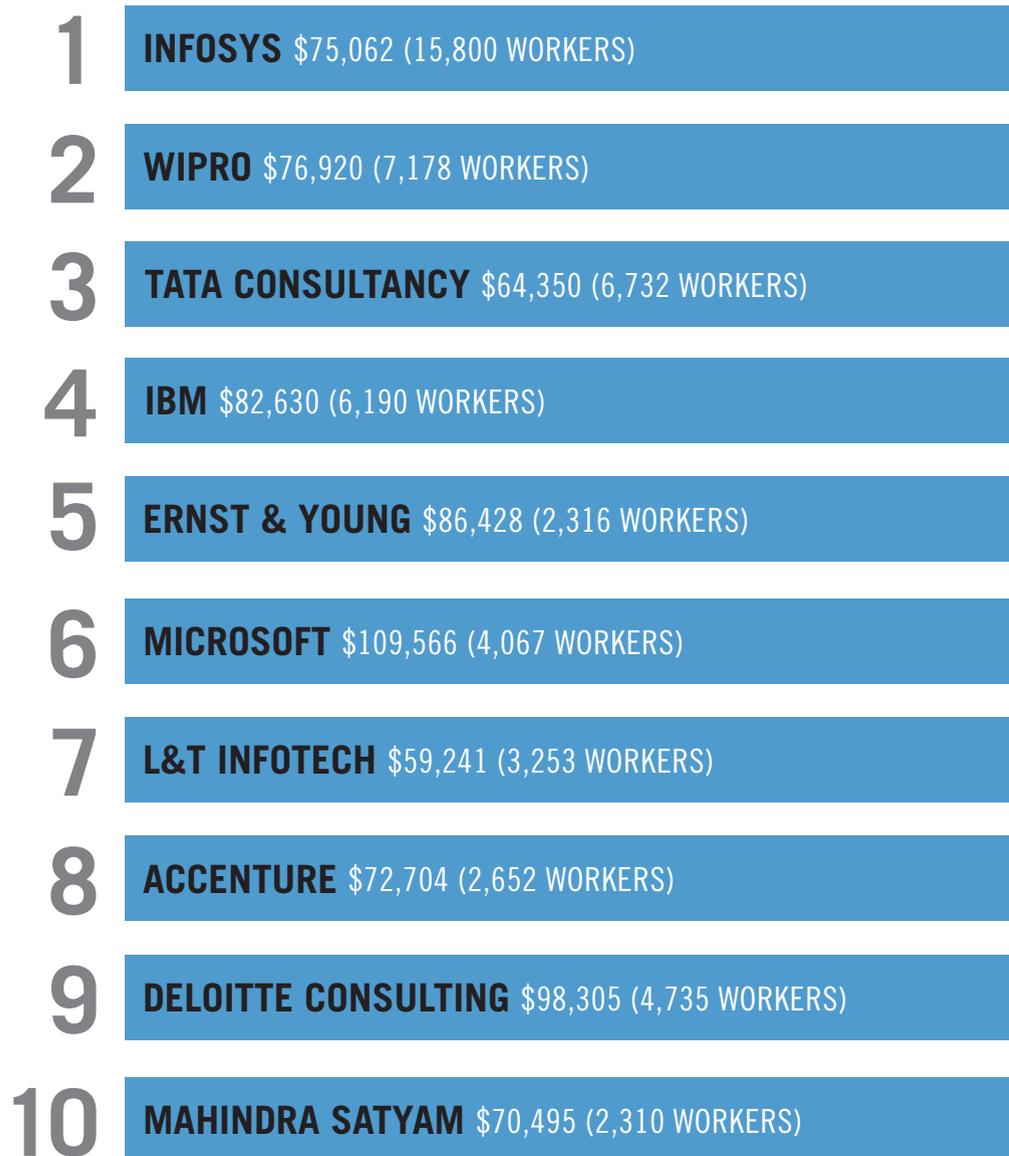
→ Training to advance proficiency in English.

→ Providing an in-house mentor may also abbreviate the immigrant employee's initial adjustment period, leading to greater productivity at a quicker pace.

→ Once immigrants are absorbed into the company, they should be provided with opportunities to work on special projects, and they can be engaged to gain fresh perspective. They should be given fertile ground for innovation and problem solving. They are bringing "different" to the table and innovation can be groundbreaking and lead to new business opportunities.

→ Performance appraisals should always incorporate multi-directional feedback so that employers can understand the cultural context of their employee's behaviors. Care should be taken to focus on actual performance as opposed to personality or pizzazz as their disposition vis-a-vis the world around them may be a function of cultural habits.

## TOP 10 COMPANIES HIRING IMMIGRANT WORKERS ON VISAS AND AVERAGE SALARIES PAID



Source: Forbes

## HELPING MAIN STREET BUSINESS OWNERS ACCLIMATE AND SUCCEED

When Main Street businesses open in communities the social and economic gains can be significant, but integrating immigrants into the fabric of a community can be challenging. These challenges can best be addressed through the combined efforts of local government, nonprofits, and community groups.

The Welcoming Center for New Pennsylvania is a nonprofit that helps immigrants find employment, and offers English classes, business skills training, and more. The Center helped build bridges between the nascent immigrant community and long-term residents. They hired a Kenyan immigrant, Herman Nyamunga, whose primary purpose was to build trust between the groups. Nyamunga claims that, “There’s a lot of mistrust among the players—and if we could get past that, we would all benefit.” The organization has had broad success in creating mutual understanding, resulting in a booming economy that is benefiting business, schools, and the community as a whole.

An innovative loan program developed by the Neighborhood Development Center (NDC) in St. Paul, Minnesota, offers a good example of how communities can accommodate the needs of immigrant-owned businesses. The NDC became aware that Muslim immigrants, who are prohibited from taking out loans that accrue interest, were having a hard time finding funding that did not violate this religions practice. In response, the NDC hired a Palestinian immigrant who was well versed in both Muslim culture as well as finance, to develop an interest-free loan, similar to what is available in most Middle Eastern countries.

Great strides have been made in helping Main Street business owners to “feel at home” in this country. Perhaps these sorts of initiatives can be replicated across a broader swath of corporate America.

# EXAMPLES OF U.S. BUSINESSES EFFECTIVELY HELPING IMMIGRANTS ACCLIMATE

## Scotiabank: A Case Study

Scotiabank is a leading financial services provider, headquartered in Canada and serving 21 million global customers in 55 countries. The company is heavily reliant on the skills and talents of immigrants.

“It makes keen business sense for us to have a diverse workforce that reflects the communities in which we operate,” says Pankaj Mehra, director, India, South Asia and the Philippines markets at the bank.

Beginning with the recruitment process, Scotiabank seeks out a diverse pool of applicants. The bank has implemented a program called IADP, the International Associate Development Program, that serves as an entry point for a career in international banking. The program consists of six-month rotations in different areas of banking, exposing immigrants to people, projects, and opportunities to help them gain an understanding of the company goals and practices. Program participants leave IADP with an extensive network of contacts and a wide berth of skills.

Mentoring is an integral part of the program, providing employees with support from other immigrants who have successfully integrated into the company’s culture.

Scotiabank also supports Hispanic Organization for Leadership and Advancement, HOLA, that sponsors numerous programs aimed at creating a sense of community within the bank, not just for Latinos, but for everyone. One of HOLA’s flagship programs showcases Latin culture and gives Latinos an opportunity to network with colleagues.

Scotiabank leverages the diversity of its workforce to create a powerful international platform. Collectively, the company’s employees speak 53 languages, and the bank has compiled a database of languages spoken and levels of proficiency. The bank’s customers know there is always someone on staff who speaks their language.



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