

Written Testimony of

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Madame Chairman and members of the committee, thank you for the opportunity to appear before you today. My name is Dowell Myers and I am a demographer and professor in the School of Policy, Planning, and Development at the University of Southern California, where I direct a research unit known as the Population Dynamics Research Group. Over the last decade we have completed a number of studies pertaining to immigration and the future of immigrants living in this country. I am pleased to report that a summary of these research findings has just been published in a book from the Russell Sage Foundation. The title is *Immigrants and Boomers: Forging a New Social Contract for the Future of America*.¹ I would like to highlight some of the key demographic insights from this book as they inform the future of immigrants, their success, and the future well-being of our American community.

Today's hearing on the reform of U.S. immigration policy, and its relation to our past, present and future, is extremely timely. It is essential to consider crucial changes in the context within which immigrants are being incorporated. With or without immigrants we face a perilous change, and it is important to see how immigrants fit into this broader concept of our opportunities and pitfalls in the future.

Part of a Global Demographic Transition

Immigrants do not arrive in a vacuum, and in fact they may well provide at least part of the solution to a grave crisis that is about to overtake us. The rapid aging of our population creates stresses that are unprecedented, and the overall effect has enormous social, political, and economic implications for our future. Although this is well known to demographers, the crisis has been generally ignored by the public at large.

Our challenge today is not unique, even if it is exceptional. All across Europe and the rest of the developed world we are facing a global demographic transition. Leading nations of Europe, such as Germany and Italy have seen their births fall to only 1.3 per woman,

and the entire continent averages only 1.4.ⁱⁱ Countries of east Asia, such as Japan and Korea have fallen to only 1.2 babies per woman. Stable population growth requires a replacement rate of 2.1 births per woman, and the result of this “birth dearth” is a diminished labor force in many of the developed nations. At the same time, the aging of previous large generation is imposing unprecedented burdens on the diminished numbers of working age residents. At root our crisis is about our elderly and our young, and how we care for one another. One solution to a diminished workforce is immigration to fill labor needs, and that has been growing in many of the developed nations.

The crucial point is that we cannot evaluate the true import of new immigrant arrivals, or the value of our longer-settled previous immigrants, unless we view them in the context of the overall demographic changes we face. Immigrants have especially important roles to play in the two decades just ahead. Some of these needs can be met by new arrivals, but those who are already settled and becoming incorporated into our communities can provide even more assistance.

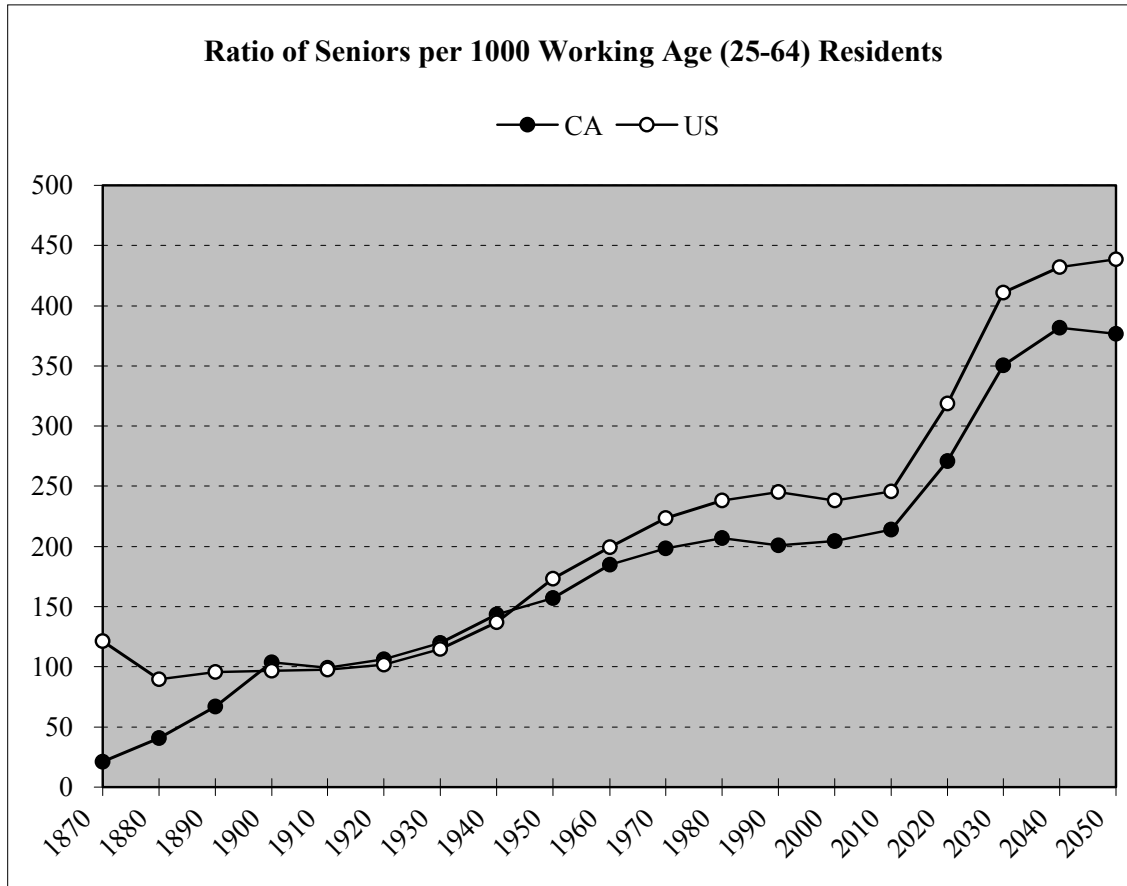
The Aging Crisis

The plunge in birth rates has led to slowing, even shrinking labor forces, and at the same time the previous generation grows older, which threatens to overwhelm the support offered by the working age group. Our giant Baby Boom generation will pose a heavier burden of support in retirement than what we have seen before. As difficult as it will be, we can handle this and handle it well, because other countries are currently in far worse shape than the U.S. For a time Japan appeared to be the most prosperous in the world, but now it is in the realm of population aging where it leads most, and in fact this has steadily undermined its economy. At this moment, fully 20% of Japan’s population is age 65 and older, the highest of any country in the world. Italy (19.5%) and Germany (18.6%) are close behind, and indeed all of Europe averages 16% elderly.ⁱⁱⁱ The United States currently has 12.4% of its population age 65 and older, but that is projected to increase to 16.3% in 2020 and 20.0% in 2030.^{iv} In other words, in 23 years we will be where Japan is now.

The most relevant way to reflect on the changes ahead is to track the trend in what is called the old-age dependency ratio, which is the balance between the numbers of elderly and working age residents. There are different ways to calculate this, depending on when “old age” begins, but most accept age 65 as the key threshold. The retirement benefits of this group are supported by the working age population, which some define as young as 15 or 16 but which I prefer to demarcate as the prime working age population of 25 to 64. (Younger workers are often employed part-time and their earnings are not sufficient to support others.) Viewed over nearly two centuries, from 1870 to 2050, we can better appreciate how historically extreme are the coming increases. Figure 1 is taken from my book, *Immigrants and Boomers* (Figure 3.2). The ratio in the United States actually dipped slightly before the Baby Boomer retirements, but beginning in 2010 the old-age dependency will climb sharply from 246 elderly per 1000 working age residents to 318 in 2020, and then to 411 in 2030, before growing more slowly to 432 in 2040 and 439 in

2050. Just in the coming decade of the 2010s, the ratio will increase by 29.6%, and in the 2020s it will increase by another 29.0%. For simplicity we can think of this old-age dependency burden as increasing roughly 30% each decade for the next two decades. **Our crisis is that, starting in three years, we face double decades of 30% increase in the elderly burden.** That is the demographic truth to which our public policies must adjust.

Figure 1



Source: Dowell Myers, *Immigrants and Boomers*, Figure 3.2

This increase in the old-age ratio is so important that it may be advisable to compare an alternative assessment. Some studies assert a ratio of elderly relative to all *workers* (the presumed taxpayers), rather than working age *residents* (potential workers). The worker-based calculations also often include teenage and elderly workers. Under the latter broad definition, and based on Census Bureau population projections, the Bureau of Labor Statistics has shown that the old-age dependency ratio will increase from 213 elderly dependents per 1000 workers in 2010 to 259 in 2020 and 331 in 2030.^v This amounts to a relative increase of 21.6% in the elderly burden during the 2010s and 27.8% in the 2020s. These estimates are performed in a very credible manner, but I believe their definition of terms leads to an underestimation of the soaring burden, because they include teenage

workers who often work part-time and elderly workers who are phasing into retirement.

Nonetheless, by any reasonable calculation, we face extraordinary increases in the ratio of seniors to working age residents. Our seniors have well-earned our generous support, but they are so numerous that it will severely burden taxpayers in the next decade, as illustrated in the fiscal simulations prepared August 2006 by the Government Accountability Office (GAO). Due to Baby Boomer retirements, the weight of growing Social Security and Medicare will drive deeper deficits, according to the GAO, and the resulting interest payments on the mounting debt are expected to double from 9.3% of total federal revenue in 2006 to 18.8% in 2020, and double again to 39.2% in 2030.^{vi} After debt payments and the major entitlement costs, there will be little revenue left for regular government functions like defense, parks or transportation. In fact, the GAO calls these debt payments unsustainable, and there is growing recognition that it is no longer acceptable to rely on debt to fund our current budget deficits. From a demographic perspective we see that passing the buck to future generations is unwise, even unconscionable, given that the future generations also will be so hard-pressed to carry the extraordinary elderly burden at that time. Deficit financing merely compounds the future demographic crisis.

The GAO does not propose solutions for the fiscal woes rooted in our demographic transition. Somehow the elderly burden, growing 30% each decade (or 22% or 28%), must be accommodated by one means or another. Immigration has the potential to increase the number of taxpayers that help share the load. Alternatively, it might be possible to increase the incomes and tax capacity of more workers, including immigrants and the children of immigrants. Barring those successful adjustments, the demographic burden could be covered by some highly undesirable choices, either by reducing the support benefits paid per elderly citizen or by raising the effective tax rates. Our demographic reality is that the force of the sharply increasing old-age burden is inexorable, and it will confront future administrations and congresses no matter what party has the leadership.

How Much Help Can Immigrants Provide?

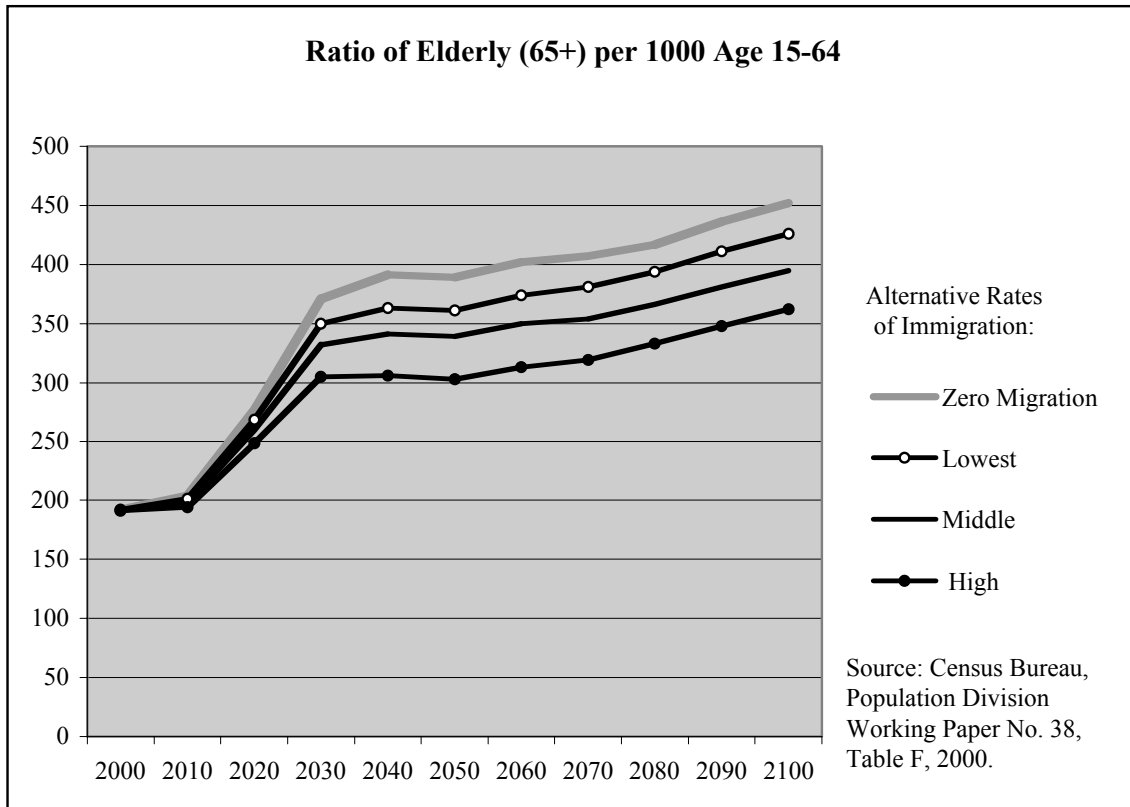
Immigration surely has some role to play in increasing the number of workers to share the load. Critics of immigration have recognized the importance of the aging problem but they have sought to dismiss any role for immigration. One widely distributed but flawed analysis is by the Center for Immigration Studies, which attacks the presumption that immigrants can help provide younger workers.^{vii} This study throws out so many different analytical perspectives that it appears to obfuscate the issue. The Center buries the number of immigrants in overall population averages, it looks backward to 1980 when the native-born population was much younger and not that different from the immigrants, and it misconstrues the old-age dependency ratio, turning it upside down (workers as a share of all population, rather than numbers of elderly relative to the working age). The naïve observer might glean from all these arguments that the baby boom never happened, or at least that the Boomers are not growing older and not about to sharply increase the

number of elderly. What may be equally surprising to some is that the Center's study appears to argue that immigration is so small as to be unnoticeable and not of consequence.

The question to focus on is how much difference immigration provides in helping us to cover our future old-age dependency that will soar in the two decades ahead. A recent authoritative demographic study in Europe concluded that immigration can offset the depressed working age numbers caused by excessively low births: "...there is a clear compensatory relationship between fertility and migration. A TFR of 1.0 [i.e., total fertility rate of 1 child over the lifetime of each woman] and a migration gain of 1.2 million per year yields the same old-age dependency ratio in 2050 as a TFR of 2.2 and a migration gain of zero."^{viii} This conclusion that immigration can help shoulder the burden of old age dependency differs sharply from that of the Center for Immigration Studies, which examines projections by the Census Bureau for the United States and concludes that immigration has "little impact on the working age share of the nation's total population."

Examining the same projection data from the Census Bureau,^{ix} I draw a different conclusion, and I share that evidence with you today so that each observer can draw his or her own conclusion. The data in Figure 2 show that the old-age dependency ratio is substantially higher by 2030, and thereafter, under the assumption of zero immigration rather than if a moderate (net increase of 751,000 per year in 2020) or high (1,854,000) level of immigration occurs. A moderate level of immigration curbs the growth in the old-age dependency ratio, *reducing its increase* by 2030 from 179 to 141, a 21.2% smaller increase. At the same time, a high rate of migration shrinks the increase by 36.3%. Our current rate of net immigration is about 1.2 million per year, midway between the moderate and high rates cited here. Thus, while a moderate level of immigration reduces the rate of increase in the elderly burden by one-fifth, our current level of migration reduces the increase by more than one-quarter. Regardless of this benefit, the data also suggest that even with a high level of immigration, the old-age ratio cannot be held at its 2000 level. Clearly additional steps must be taken to accommodate the growing old-age ratio.

Figure 2



Growing the New Middle Class

An additional solution that must be emphasized is to increase the size of our middle class. After a decade of growing income polarization, we need to consider the merits of pulling more of the residents from lower income levels into the middle class. For our own benefit, we must increase the taxpaying capacity of the next generation so that they can help carry the burden of the growing old-age ratio.

In this regard, some observers believe immigration goes in the wrong direction. They look at immigrants when they are newcomers and think that they are often poor and disadvantaged. However, my studies have found repeatedly that, even when this is true, this poverty effect is largely temporary. The longer immigrants reside in the United States, the higher is their economic status. The evidence is unequivocal and is well summarized in two of my studies.^x

For example, among Latino immigrants in the United States who were newly arrived in the 1970s, the 1980 census showed 28.0% were living below the poverty line.^{xi} Ten years later the 1990 census showed that this group of arrivals had reduced its poverty rate to 22.4%, and 20 years later when they were even longer settled, this group of arrivals had reduced its poverty rate to 16.7%. A similar pattern of poverty reduction has been found among all the immigrant arrival waves I have examined, and a similar pattern is observed

in California, the major immigrant receiving state, as in the data reported here for the United States as a whole.

Escape from poverty may be one thing, but entry into the middle class is another. For that reason we should examine an additional indicator. Homeownership is widely considered to be the American dream, and entry into homeownership is a prime indicator of middle class status.^{xiii} My studies have shown a pervasive pattern of strong upward mobility into homeownership by immigrants living in both the nation and the major immigrant receiving states of California, New York, Texas, Florida, and Illinois.^{xiii} Each arrival group of Latino immigrants has moved progressively up the ladder into homeownership. In the United States as a whole, the 1980 census reported 19.4% homeownership among those who had arrived in the 1970s. Ten years later, when they were longer settled, 37.7% of these Latino immigrants were homeowners, and after another decade of residence, the 2000 census showed that 55.9% had become homeowners.^{xiv}

This is an extraordinary rate of progress for a group of immigrants that began its residence in the United States with relatively fewer advantages, but it is no surprise to members of the real estate industry. Spanish surnames are becoming increasingly prevalent in real estate transactions. By 2005, four of the top 10 surnames among home buyers nationwide were Spanish, up from only two in 2000.^{xv} It is clear from these data that Latino immigrants are climbing into the ranks of the middle class.

Conclusion

Immigration poses challenges but it also holds great opportunity. My testimony today has emphasized the future context in which immigrants can be of important assistance. Beginning in three years time we enter the double decades of 30% increase in elderly burden. From 2010 to 2030 the giant Baby Boom generation will exit the workforce and join the ranks of retirees, and at that time they will claim their entitled benefits. In this period we are going to need a great deal of help, and young immigrants can help fill this gap. Without the contributions of immigrants, our difficult situation of supporting such a growing elderly population will become even more dire.

Much of the developed world is passing through a similar transition of an aging population, but the United States holds key advantages. Our population is a little younger, but more important is that we have a much stronger tradition of successfully incorporating immigrants. Indeed, the achievements of our recent immigrants have been remarkable, demonstrating a deep commitment to our American dream. With greater attention to the education of their children, these new Americans can help us even more. The aging crisis that is upon us will lead to rediscovery of just how much the generations need each other. That those generations are composed of citizens of many different ethnicities and diverse origins is only fitting. This is our heritage. Indeed, our great history of building a nation from so many diverse peoples can also be our proud future.

Notes and References

- ⁱ Newly released March 1, 2007, *Immigrants and Boomers* is available through booksellers or direct from the publisher: www.russellsage.org/publications.
- ⁱⁱ The fertility data in this section are drawn from the Population Reference Bureau, 2006 World Population Data Sheet.
- ⁱⁱⁱ Ibid
- ^{iv} Projections by the Census Bureau.
- ^v Mitra Toossi, "A New Look at Long-term Labor Force Projections to 2050," *Monthly Labor Review* (November 2006), 19-39.
- ^{vi} Based on data supplied in "Long-Term Fiscal Simulation Data," August 2006 GAO analysis, available at <http://www.gao.gov/special.pubs/longterm/data.html>. These figures are for the simulation scenario described as "Discretionary Spending Grows with GDP and All Expiring Tax Provisions are Extended." For explanation, see Government Accountability Office, "The Nation's Long-Term Fiscal Outlook: September 2006 Update—The Bottom Line: Today's Fiscal Policy Remains Unsustainable," GAO-06-1077R, Washington: GAO, 2006.
- ^{vii} Steven A. Camarota, "Immigration in an Aging Society: Workers, Birth Rates, and Social Security," Background, April 2005, Washington, D.C.: Center for Immigration Studies.
- ^{viii} Wolfgang Lutz and Sergei Scherbov, "Future Demographic Change in Europe: The Contribution of Migration," pp. 207-222 in Demetrios G. Papademetriou, ed., *Europe and Its Immigrants in the 21st Century: A New Deal or a Continuing Dialogue of the Deaf?* Washington: Migration Policy Institute, 2006.
- ^{ix} Frederick W. Hollmann, Tammany J. Mulder, and Jeffrey E. Kallan, "Methodology and Assumptions for the Population Projections of the United States: 1999 to 2100," Population Division Working Paper No. 38, Washington: Census Bureau, 2000; table F.
- ^x Dowell Myers, "Cohorts and Socioeconomic Advancement," in Reynolds Farley and John Haaga, eds., *The American People: Census 2000*, New York: Russell Sage Foundation 2005), and Dowell Myers, *Immigrants and Boomers: Forging a New Social Contract for the Future of America*, New York: Russell Sage Foundation, 2007, especially chapter 6.
- ^{xi} The data reported in this paragraph for the United States are taken from Figure 6.2 in *Immigrants and Boomers*.

^{xii} For example, see William A.V. Clark, *Immigrants and the American Dream: Remaking the Middle Class*, New York: Guilford Press, 2003.

^{xiii} Dowell Myers and Cathy Yang Liu. “The Emerging Dominance of Immigrants in the US Housing Market 1970-2000,” *Urban Policy and Research* 23, 3 (2005): 347-65.

^{xiv} These data for the United States are taken from Figure 6.3 in *Immigrants and Boomers*.

^{xv} Data collected by DataQuick Information Systems were reported by Haya El Nasser, “Analysis Finds Boom in Hispanics' Home Buying,” *USA Today*, May 11, 2006, p.1.