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Why the Industrial Market Needs Immigration Reform

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As an industrial broker for the past three decades, I have personally come to know many business owners and leaders, and have come to understand the needs of their organizations. From manufacturers to third-party logistics firms, businesses rely on access to a skilled and reliable workforce. The problem, however, is a significant shortage of just such a demographic. In fact, a survey conducted by Deloitte and the National Association of Manufacturers' Manufacturing Institute found that despite the higher levels of unemployment, U.S. manufacturers could not fill 600,000 open positions for skilled workers; and with manufacturing contributing to 13% of the U.S. gross domestic product, this is a critical issue. In fact, unless something is done to combat the growing labor shortage, the U.S. is likely to experience a decline in U.S.-based manufacturers. Therein lays the argument for immigration reform.

Jeanne Rogers

Immigrants are essential to the nation's competitiveness, particularly in the case of manufacturing. According to a report by the Partnership

for a New American Economy in September 2013 entitled, "Immigration and the Revival of American Cities," immigration not only assists in the preservation of manufacturing jobs, but it also helps to create them. The study found for every 1,000 immigrants in a county, 46 manufacturing jobs are created or preserved; and that nationally, 1.8 million manufacturing jobs have been created or preserved by over 40 million immigrants. In other words, foreign-born residents are helping to stabilize and even grow the U.S. manufacturing sector and prevent jobs from moving overseas. In fact, communities with higher rates of immigration have been able to retain more manufacturing jobs.

Case in point, the report demonstrates the drastic differences between two of the largest manufacturing hubs in the U.S., Los Angeles County and Cook County between 1970 and today. In 1970 both counties held the largest concentration of manufacturing jobs, each with more than 800,000 positions. Over the next four decades, while both areas have lost many manufacturing jobs, Los Angeles County has significantly outpaced Cook County. Despite an only 3% difference between the counties in 1970, today, Los Angeles County has more than double the number of manufacturing jobs than Cook County and remains the largest manufacturing hub in the U.S.

The reason for the drastic difference – immigration. The immigration population in Los Angeles County from 1970 through today has quintupled with more than 2.7 million immigrants, while Cook County's has only doubled with 600,000 immigrants. Accounting for more than 35% of Los Angeles County's population, immigrants are responsible for the drastic difference in the number

of manufacturing jobs between the two counties. For example, when using the statistics from the study as indicated above, Los Angeles County will have created or preserved 124,200 jobs while Cook County only created or preserved 27,600. In short, the significance of immigration cannot be taken lightly.

One of the most common arguments against immigration reform has been that U.S. born residents will lose jobs to immigrants. However, with more than 80% of manufacturers reporting a shortage of skilled labor; there is a clear demand for workers that cannot currently be found in our own country. Furthermore, unlike service jobs, manufacturing jobs do not require American soil. Most manufacturing can be completed globally and as we have seen over the past several decades, is being done globally. In order to maintain manufacturing jobs and retain the competitiveness of the U.S. economy, manufacturers must have access to a skilled workforce at competitive costs.

What are the hurdles associated with the current system of immigration as they pertain to manufacturing? The H1-B visa, required for foreign-born citizens to work legally in this country, reaches the maximum number of applications each year. The only alternative to an H1-B is a green card which can take up to 10 years to be fulfilled. In the meantime, these skilled workers are not allowed access to gainful U.S. employment and manufacturers scramble to find qualified workers to fill the demand of their organizations. In other cases, foreign-born workers find ways around the required paperwork which presents its own set of problems for both the workers and the employers, not to mention puts a burden on U.S. taxpayers.

In one such case relayed to me by a U.S.-based manufacturer, two long-time employees were recently deported for discrepancies on their applications, which they had completed decades prior. These two gentlemen were skilled laborers and highly dependable. They had become part of the fabric of the company and were pillars of their local communities. Sadly, due to discrepancies made years earlier, the workers were deported and the jobs left to be filled. With immigration reform, this situation could have been avoided and the manufacturer could have retained two of its best employees.

Many groups, including the National Association of Manufacturers (NAM) are lobbying for immigration reform recognizing the significant impact it has on the industry and the U.S. economy as a whole. The NAM suggests as part of this reform, fundamental changes in determining the number of employment-based visas allowed; streamlining and simplifying procedures for the temporary or non-immigrant visa; and creating a reliable employment eligibility verification system that provides fair enforcement of the laws on behalf of employers. Others including the economist, Bryan Caplan from George Mason University, suggest opening all world borders and allowing citizens to move in and out as they so choose. In other words, he advocates a job market without borders, one that is driven by market forces and free enterprise.

The opinions on the extent of immigration reform required are varied. While some like the NAM favor a more structured reform and others like Mr. Caplan suggest a complete elimination of borders all together, one thing is clear, reform is critical to the competitiveness of this country, particularly as it relates to manufacturing. In order to stem the loss of manufacturing in the United States, a greater number of immigrants are needed in the workforce. Forty percent of Fortune 500 companies, with manufacturers well-represented in the list, were started by an immigrant or the child of an immigrant. This country depends upon the innovation and hard work of immigrants and the broken immigration system is threatening this legacy, as well as the competitiveness of the country. It is time to elevate from dialogue to action.

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