Immigrants and the economy: Are we Missing out?

St. Louis is not the major draw for immigrants it once was. Yet new residents fill a vital role, building new businesses and filling gaps in the workforce — often with an entrepreneur’s spirit.

By Eric Henderson
ST. LOUIS POST-DISPATCH

As ports of the South and West ponder problems caused by immigration, the question might be flipped in St. Louis: Is our economy hurt by a lack of foreign-born residents? Here, a tiny base of immigrants plays a small — but very real — role in the local economy.

In recent years, St. Louis-area immigrants have revived decaying parts of the city, filled important low-wage jobs and opened new businesses.

But because of their small number, their overall impact remains modest. In places such as Phoenix, new Americans may be quickly changing the landscape. In St. Louis, however, they’re barely making a dent.

With that in mind, St. Louis-area employers and business boosters wonder whether more immigration could give the region an economic job.

“The contribution of immigrants is often presented in a less-than-favorable light, but when you look at places like the Silicon Valley and the rest of California, you can’t deny it’s been a competitive advantage,” said Chris Dornfeld, director of the Skandalaris Center for Entrepreneurial Studies at Washington University. “Immigrants bring ideas to the world, and they do it with few resources.”

In a recent article, Dornfeld cites reports that more than half of all businesses started in the Silicon Valley during the 1990s were formed by immigrants.

An intense national debate has focused on the economic benefits — or costs — of immigration. Many conservatives argue that immigrants burden schools and public services but add little to the tax base. Others counter that immigrants fill key jobs, help to revitalize crumbling inner cities and start businesses at a higher rate than native-born Americans.

ST. LOUIS WAS

31st

cost of 35 metro areas from 1995 to 2000 for drawing new immigrants.

The Bosnian influx

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<tr>
<th>Year</th>
<th>Number of Immigrants</th>
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<tr>
<td>1995-1999</td>
<td>19,921</td>
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<td>2000-2004</td>
<td>19,843</td>
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Source: Brookings Institution | Post-Dispatch

Abdel Rashied
Aslari, a native of Pakistan, runs Modern Tailoring LLC
from a storefront in Kirkwood.
Wayne Coulon | Post-Dispatch
Are we missing out on benefits of immigrants?

The debate was elevated recently by President George W. Bush’s plan to allow some 11 million illegal immigrants to become temporary workers. Bush, who has encountered opposition from some fellow Republicans, argued that the plan is needed to “help meet the demands of a growing economy.”

In terms of drawing immigrants, today’s St. Louis is a far cry from the Mississippi River port that was a magnet for immigration in the early 20th century.

In 1900, one in five St. Louisans was born outside the United States. The new residents helped to fuel growth in the shoe- and apparel-making industries.

Today, however, few new arrivals find their way to St. Louis. Reasons range from geography to a lack of economic opportunity. Between 1995 and 2000, the St. Louis area drew a mere 35,000 immigrants, or just 1.45 percent of the region’s population. That ranks St. Louis 31st among the nation’s 35 largest U.S. metropolitan areas.

Still, many immigrants play an economic role here. For St. Louis-based Century Building Services, the city’s burgeoning Bosnian population has meant an influx of new workers. Century, which cleans office buildings for landlords, relies on cheap but reliable workers to staff its $20 million-a-year business. Today, the company employs about 800 Bosnians, who scrub toilets and sweep floors.

“With immigrants, you get really cheap labor, and that helps to hold down the costs of goods and services,” said David Lewis, a public policy professor at the University of Missouri at St. Louis, who studies the region’s labor market. “Lots of jobs that our society has turned our backs on get filled with immigrants. . . . We might not be able to afford broccoli or lettuce if it wasn’t picked by migrant workers.”

Hispanics and Bosnians staff construction crews, too, in St. Louis. Many use skills honed in their native lands and quickly fit in at local unions.

A direct link exists between job growth and the number of immigrants in an older city, according to a report released last month by Harvard Business School professor Michael Porter. He found that cities that added jobs also tended to add immigrants.

Not only do immigrants fill jobs, they apparently create them, too. Immigrants become entrepreneurs at a rate 90 percent higher than that of native-born Americans, according to a report from the Ewing Marion Kauffman Foundation in Kansas City.

“Just look at who immigrates. It’s an aggressive person who’s making an innovation in their life,” said Joel Kottkin, a metropolitan growth consultant, who authored a report this year about St. Louis’ economic future.

That makes immigrants a great benefit to the area, he said, because they tend to be risk-takers who want to start businesses. So, the St. Louis region is haunted by a lack of entrepreneurs, Kottkin said.

“Perhaps the best thing about immigrants may be their attitudes, which, unlike many native St. Louisans, reflect the entrepreneurial commitment of newcomers,” Kottkin wrote in his report.

It’s the sort of gamble Abdul Kassim took when he left a secure job at a local Men’s Warehouse store. Today, Kassim, 30, a Pakistani native, runs Modern Tailoring LLC from a storefront in Kirkwood.

Immigrants also benefit older cities by helping cure blight. In south St. Louis, formerly decaying areas have been revived with Italian businesses and homes remodeled by immigrants.

Despite these obvious benefits, many experts warn about oligarchy for an influx of immigrants. Drawing too many immigrants, especially poor ones, can be a costly proposition for a region, said Bill Perry, a demographer at the Brookings Institution, a think tank in Washington.

“If you put attractive low-skilled immigrants, you’re not going to increase your tax base very much, and you’re not going to increase the demand for schools and public services,” Perry said. “I think that in order to make the economy better, they need to be integrated into the community. If they’re isolated, it’s not going to be a good situation.”

And there may be limits, too, when it comes to immigrants’ ability to foster entrepreneurship. In many cases, the businesses they start are small retailers or restaurants, said Betsy Slaus, director of economic development for the St. Louis-based International Institute.

“It’s not a myth that immigrants tend to be entrepreneurs. But they’re not the entrepreneurs that establish high-growth companies,” Slaus said. “They’re the small-shop kinds of businesses, for the most part.”

In addition, Frey said, drawing immigrants might not be a cause of a booming regional economy, but rather, an effect of one. For example, Atlanta tends to draw immigrants simply because an influx of money and residents has demanded the cheap labor that immigrants provide.

Another important consideration: St. Louis might be drawing the best type of immigrant, in terms of economic benefits, said Audrey Singer, an immigration fellow at the Brookings Institution.

“The Bosnians are mostly refugees. Such immigrants are committed to their new home and eager to brighten an area. In contrast, other immigrants might intend to be in the United States for a short time and send their money home while they’re here.

“’There’s a big difference between refugees and voluntary immigrants who come for very different reasons,’” she said.

Reporter Eric Hilscher writes about development and the economy for the Post-Dispatch.

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