



IMMIGRATION POLICY CENTER

...providing factual information about immigration and immigrants in America

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The Economic Impact of Immigration

Most studies claiming to calculate the net “costs” of immigration to the U.S. economy suffer from one or more fatal flaws:

- They rely upon single-year “snapshots” of the immigrant population that fail to account for the fact that the income levels and tax contributions of immigrants increase over time and from generation to generation;
- They count the education and care of the U.S.-born children of immigrants as “costs” incurred by immigrant households, but classify these same children as “natives” when they are working, tax-paying adults;
- They do not consider economic contributions such as consumer purchasing power and the formation of businesses, both of which create jobs and provide federal, state, and local governments with additional revenue through sales, income, business, and property taxes.

More comprehensive studies that seek to avoid these pitfalls have found that...

...Immigrants use relatively few federal or state public-benefit programs

- The vast majority of immigrants [are not eligible to receive public benefits](#) such as Medicaid, State Children’s Health Insurance Program (SCHIP), Temporary Assistance to Needy Families (TANF), Supplemental Security Income (SSI), or food stamps for many years after their arrival in the United States, if ever. Legal permanent residents (LPRs) must pay into the Social Security and Medicare systems for approximately 10 years before they are eligible to receive benefits when they retire. In most cases, LPRs can not receive SSI, which is available only to U.S. citizens, and are not eligible for means-tested public benefits until 5 years after receiving their green cards. Undocumented immigrants, who comprise nearly one-third of all immigrants in the country, are not eligible for any kind of public benefits—ever.¹
- A 2007 analysis of U.S. Census data by the Center on Budget and Policy Priorities found that, between 1995 and 2005, the share of low-income, [noncitizen](#) immigrant children receiving Medicaid or SCHIP dropped from 36 percent to 30 percent. In comparison, there were increases in the Medicaid or SCHIP participation of low-income [citizen](#) children, whether they lived in immigrant-headed households or households headed by native-born citizens (rising from 45-47 percent in 1995 to 53-54 percent in 2005).²
- An [analysis of welfare data](#) by researchers at the Urban Institute reveals that [less than 1 percent](#) of households headed by undocumented immigrants receive cash assistance for needy families, compared to 5 percent of households headed by native-born U.S. citizens.³

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- A [2003 report](#) from the Center on Budget and Policy Priorities found that “participation by noncitizens in the Food Stamp Program declined 64 percent between 1996 and 2000.” Furthermore, “*U.S.-citizen children* account for *all* of the increase in Medicaid or SCHIP participation among U.S. citizens living in low-income households headed by noncitizens” between 1996 and 2001.⁴

...Immigrants account for very little of the increase in poverty in the United States

- According to a 2007 analysis of U.S. Census data by the Center on Budget and Policy Priorities, the number of people in the United States with incomes below the poverty line grew by 3.9 million between 2000 and 2006, but the foreign-born accounted for only 16 percent of that increase, while native-born U.S. citizens accounted for 84 percent. Only 10 percent of the total increase consisted of noncitizen immigrants, which includes undocumented immigrants. Moreover, poverty rates for immigrants actually fell slightly from 2000 to 2006, while they increased for U.S.-born citizens.⁵

...Immigrants do not strain the U.S. healthcare system

- A [2007 study](#) based on data from the 2003 California Health Interview Survey found that “undocumented Mexicans and other undocumented Latinos reported less use of health care services and poorer experiences with care compared with their U.S.-born counterparts.”⁶
- A [2005 study](#) found that “per capita health care expenditures were 55 percent lower for immigrants than for natives in 1998, even after adjusting for sociodemographic characteristics. On average, immigrants received about \$1,139 in health care, compared with \$2,546 for native-born residents. Although immigrants comprised 10 percent of the U.S. population in 1998, they accounted for only 8 percent of U.S. health care costs.” In addition, “despite the fact that all immigrants are eligible for emergency medical services, they had lower expenditures for emergency room visits, as well as doctor’s office visits, outpatient hospital visits, inpatient hospital visits, and prescription drugs.”⁷

...Immigrants are a net fiscal benefit to the U.S. economy

- In a [2007 report](#), the White House Council of Economic Advisers concluded that, because immigrants increase the size of the total labor force, complement the native-born workforce, and stimulate capital investment by adding workers to the labor pool, immigration increases the U.S. Gross Domestic Product (GDP) by roughly \$37 billion each year.⁸
- According to a [1997 study](#) by the National Research Council, “the average fiscal impact of immigrants...is positive in part because they tend to arrive at young working ages, in part because their descendants are expected to have higher skills and incomes, in part because they pay taxes for some items, such as national defense and interest on the federal debt, for which they do not impose costs, and in part because they will help to pay the public costs of the aging baby-boom generations.” In addition, “the economic benefits of immigration that operate only through lower prices, without displacing or disadvantaging competitive domestic labor, add to the positive effects of immigration.”⁹

...Immigrants pay more in taxes than they consume in public benefits

- The [National Research Council](#) estimated in 1997 that “the average immigrant pays nearly \$1,800 more in taxes than he or she costs in benefits.”¹⁰ However, the net tax contribution of an immigrant and his or her descendants is \$80,000: +\$105,000 at the federal level, but -\$25,000 at the state level.¹¹
- The [National Research Council](#) concluded that immigration has different fiscal impacts at the state and federal levels primarily for two reasons: “First, state and local investments in education pay off in higher tax payments later in life, although only a portion of the payoff is at the state and local level; the remainder is at the federal level, where tax payments are also raised. Second, at the state and local level, an individual or a household typically first receives costly services and transfers, particularly for education, and then in a sense pays for them later in life through taxes...At the federal level, the opposite occurs: workers pay taxes first, and receive their pension and health care benefits about 30 years later on average.”¹²
- According to a [1998 study](#) by the National Immigration Forum and the Cato Institute, immigrant households and businesses paid \$162 billion in taxes to federal, state, and local governments in 1997. The study found that immigrants become net economic contributors after 10 to 15 years in the United States.¹³

...Undocumented immigrants are taxpayers, too

- Between one-half and three-quarters of undocumented immigrants pay federal and state income taxes, Social Security taxes, and Medicare taxes. Moreover, all immigrants (legal and undocumented) pay sales taxes (when they buy anything at a store, for instance) and property taxes (even if they rent housing).¹⁴
- According to the [2005 Economic Report of the President](#), undocumented immigrants working “‘on the books’...contribute to the tax rolls but are ineligible for almost all Federal public assistance programs and most major Federal-state programs.” The report also notes that immigrants in general “contribute money to public coffers by paying sales and property taxes (the latter are implicit in apartment rents).”¹⁵
- A [2006 study](#) by the Texas State Comptroller found that “the absence of the estimated 1.4 million undocumented immigrants in Texas in fiscal 2005 would have been a loss to our gross state product of \$17.7 billion. Undocumented immigrants produced \$1.58 billion in state revenues, which exceeded the \$1.16 billion in state services they received.”¹⁶
- A [2007 study](#) by the Oregon Center for Public Policy estimated that undocumented immigrants in Oregon pay state income, excise, and property taxes, as well as federal Social Security and Medicare taxes, which “total about \$134 million to \$187 million annually.” In addition, “taxes paid by Oregon employers on behalf of undocumented workers total about \$97 million to \$136 million annually.” As the report goes on to note, undocumented workers are ineligible for the Oregon Health Plan, food stamps, and temporary cash assistance.¹⁷
- A [2007 study](#) by the Iowa Policy Project concluded that “undocumented immigrants pay an estimated aggregate amount of \$40 million to \$62 million in state taxes each year.” Moreover, “undocumented immigrants working on the books in Iowa and their employers also contribute annually an estimated \$50 million to \$77.8 million in federal Social Security and Medicare taxes

from which they will never benefit. Rather than draining state resources, undocumented immigrants are in some cases subsidizing services that only documented residents can access.”¹⁸

...Immigrants—legal and undocumented alike—contribute to the Social Security system

- The Social Security Administration (SSA) has concluded that undocumented immigrants “account for a major portion” of the billions of dollars paid into the Social Security system under names or social security numbers that don’t match SSA records; payments from which immigrants cannot benefit while undocumented.¹⁹ As of October 2005, the reported earnings on which these payments are based—which are tracked through the SSA’s Earnings Suspense File (ESF)—totaled [\\$520 billion](#).²⁰
- A [2005 study](#) by the National Foundation for American Policy calculated that “over the next 50 years, new legal immigrants entering the United States will provide a net benefit of \$407 billion in present value to America’s Social Security system.”²¹

...Immigrants climb the socioeconomic ladder

- According to a [2003 RAND Corporation study](#), “2nd and 3rd-generation Hispanic men have made great strides in closing their economic gaps with native whites. The reason is simple: each successive generation has been able to close the schooling gap with native whites which then has been translated into generational progress in incomes. Each new Latino generation not only has had higher incomes than their forefathers, but their economic status converged toward the white men with whom they competed.”²²
- A [2007 report](#) by the Pew Hispanic Center found that “the proportion of foreign-born Hispanics who were at the bottom when ranked by hourly wage decreased from 42% in 1995 to 36% in 2005.”²³
- A comprehensive [2007 study](#) released by the Russell Sage Foundation found that:
 - Among Latino immigrants who arrived in California between 1960 and 1970, the poverty rate declined from 23.9 percent in 1970 to 16.8 percent in 1980 and 12.6 percent in 1990.²⁴
 - Latino immigrants in California exhibit exceptionally large gains in homeownership—a key indicator of entry into the middle class. Homeownership rose from 16.4 percent of Latino immigrant householders in California who arrived in the U.S. in the last 10 years to 64.6 percent among those who have lived here for 30 years or more.²⁵
 - Latino immigrants who arrived in the 1970s in California had a 16.3 percent homeownership rate in 1980, which rose to 33.6 percent in 1990, and then climbed to 51.9 percent in 2000.²⁶
- A [2001 Urban Institute study](#) found that “by the second generation, immigrants overall end up doing as well as, or in some instances, better than third generation non-Hispanic white natives in terms of their educational attainment, labor force participation, wages, and household income.”²⁷

...Immigrants are essential to the growth of the U.S. labor force

- According to a [2007 report](#) by the Pew Hispanic Center, foreign-born workers accounted for 49% of labor-force growth between 1995 and 2005.²⁸
- The [2005 Economic Report of the President](#) points out that “between 1996 and 2003, when total employment grew by 11 million, 58 percent of the net increase was among foreign-born workers,” almost all of whom had arrived since 1995. The immigrant share of employment growth was even higher in particular occupations, amounting in the 1996-2002 period to 86 percent of the 1 million new positions in “precision production, craft, and repair” (which includes mechanics and construction workers) and 62 percent of the 2 million new positions in service occupations (such as janitors, kitchen workers, and grounds workers).²⁹
- According to data from the [Bureau of Labor Statistics](#), in 2003 foreign-born workers comprised roughly 41 percent of the labor force in “farming, fishing, and forestry occupations”; 33 percent in “building and grounds cleaning and maintenance occupations”; 22 percent in “food preparation and serving related occupations”; 22 percent in “construction and extraction occupations” (which includes mining); 19 percent in “computer and mathematical occupations”; and 17 percent in “life, physical, and social science occupations.”³⁰
- Immigrants account for an enormous share of the most highly educated scientists and engineers in the United States. For instance, the [National Science Board](#) estimates that among all doctorate holders in the United States in 2003, the foreign-born accounted for 57.4 percent of computer scientists, 50.6 percent of engineers, 43.1 percent of mathematicians, 40.1 percent of physicists and astronomers, 37.4 percent of biologists, 37.0 percent of chemists, and 31.5 percent of economists.³¹
- Because of long-term demographic trends in the U.S. population, the U.S. economy is likely to grow increasingly reliant on immigrant workers. According to estimates released in February 2005 by the [United Nations](#), the fertility rate in the United States is projected to fall below “replacement” level by 2015-2020, declining to 1.91 children per woman (lower than the average of 2.1 children per woman required for parents to “replace” themselves in the population).³²

...Immigrants create jobs

- Given that 40 percent of the 44.3 million Latinos and 67 percent of the 13.1 million Asians in the United States were foreign-born as of 2006,³³ immigrants account for a large share of the hundreds of billions of dollars in Latino and Asian purchasing power and entrepreneurship.
 - According to the [Selig Center for Economic Growth](#) at the University of Georgia, Latino buying power totaled \$862 billion in 2007 and is expected to increase to \$1.2 trillion by 2012.³⁴ Asian buying power totaled \$459 billion in 2007 and is expected to increase to \$670 billion by 2012.³⁵
 - According to the U.S. Census Bureau, in 2002, 1.6 million [Hispanic-owned firms](#) provided jobs to 1.5 million employees, had receipts of \$222 billion, and generated payroll of \$36.7 billion.³⁶ The same year, 1.1 million [Asian-owned firms](#) provided jobs to 2.2 million employees, had receipts of \$326.4 billion, and generated payroll of \$56 billion.³⁷

- A [2002 study](#) by the Center for Urban Economic Development at the University of Chicago found that undocumented immigrants in the Chicago metropolitan area alone spent \$2.89 billion in 2001. These expenditures stimulated “an additional \$2.56 billion in local spending,” for a total of \$5.45 billion in additional spending, or 1.5% of the Gross Regional Product. This spending, in turn, sustained 31,908 jobs in the local economy.³⁸
- A [2005 report](#) from the Ewing Marion Kauffman Foundation found that “immigrants have substantially higher rates of entrepreneurship than U.S.-born individuals.” During the 1996-2004 period, 0.46 percent of immigrants created a new business, compared to 0.35 percent of natives.³⁹

...Immigrants are a driving force in the housing market

- According to Harvard University’s [Joint Center for Housing Studies](#), in 2001 there were more than 5.7 million foreign-born homeowners in the United States, representing \$1.2 trillion in home value and \$876 billion in home equity.⁴⁰ In addition, “household growth, the primary driver of housing demand, may well exceed 12 million between 2000 and 2010” and immigrants will “contribute [more than one-quarter](#) of this net increase.”⁴¹

...Immigrants do not undermine the wages of most native-born workers

- The White House Council of Economic Advisers concluded in a [2007 report](#) that roughly 90 percent of native-born workers experience wage gains from immigration, which total between \$30 billion and \$80 billion per year.⁴²
- A [2006 study](#) by University of California, Davis, economist Giovanni Peri found that because immigrant workers generally “complement”—rather than substitute for—native workers in terms of their education and skills, immigration tends to increase the productivity, and therefore the wages, of natives. According to Peri, between 1990 and 2004, the 90 percent of native-born workers with at least a high-school diploma experienced wage gains from immigration ranging from 0.7 percent to 3.4 percent, depending on education. Native-born workers without a high-school diploma lost only 1.1 percent of their real yearly wages due to immigration.⁴³
- A [2004 study](#) by University of California, Berkeley, economist David Card found that, despite the large influx of immigrants without a high-school diploma from 1980 to 2000, the wages of U.S.-born workers without a diploma relative to the wages of U.S.-born workers with a diploma “remained nearly constant.”⁴⁴
- The [National Research Council](#) concluded in 1997 that “the impact of immigration on the wages of competing native-born workers is small—possibly reducing them by only 1 or 2 percent”⁴⁵ and that “the numerically weak relationship between native wages and immigration is observed across all types of native workers, white and black, skilled and unskilled, male and female.”⁴⁶
- Harvard economist George J. Borjas, who is now commonly cited by critics of immigration, concluded earlier in his career that “modern econometrics cannot detect a single shred of evidence that immigrants have a sizable adverse impact on the earnings and employment opportunities of natives in the United States.”⁴⁷

Endnotes

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