

Paying Their Way and Then Some

Facts about the Contributions of Immigrants to Economic Growth and Public Investment

September 2006

Immigrants make a variety of economic, social and cultural contributions to the United States. This fact sheet details the economic contributions of immigrants. It finds that immigrants are net contributors to the economy and the Treasury and play an essential role in shoring up Social Security for future generations. Expanding pathways to legal status for immigrants is a central element of what has come to be known as “comprehensive immigration reform.” One example of a more comprehensive approach, the legislation passed by the Senate (S 2611) would boost economic growth and improve the solvency of the Social Security Trust Fund.

The economic and fiscal benefits of immigration should not be the sole driver of immigration policy but are important to keep in mind, particularly because “some of the fundamental economics of immigration are too often obscured by misguided commentary.”¹ A lack of understanding about the economic and fiscal benefits of immigration has also led to misguided public policies that discriminate against immigrants despite their contributions. For example, federal policies adopted in 1996 deny subsidized health insurance and other federal public benefits to many immigrant workers, even though they pay federal and state taxes that fund these benefits.

Key Findings

- Immigrants fuel the U.S. economy through their hard work and entrepreneurship.
- Immigrants are net contributors to the economy and Treasury, and play an essential role in shoring up Social Security.
- The immigration bill passed by the Senate earlier this year, S 2611, would boost economic growth by hundreds of billions of dollars over the next decade.

Immigrants Fuel the U.S. Economy through Their Hard Work and Entrepreneurship

- Immigrants comprise approximately 15 percent of the United States labor force. They figure prominently in key economic sectors in the U.S., including agriculture, construction, and services.²
- Immigrants provide leadership and labor for the expansion of growing economic sectors — from telecommunications and information technology to health services and housing construction. In fact, immigrants accounted for almost half of the increase in the labor force in the U.S. between 1990 and 2000.³



National
Immigration
Law Center
www.nilc.org

Los Angeles (Headquarters)
3435 Wilshire Blvd
Suite 2850
Los Angeles, CA 90010
213 639-3900
213 639-3911 fax

Washington, DC
1101 14th Street, NW
Suite 410
Washington, DC 20005
202 216-0261
202 216-0266 fax

Oakland, CA
405 14th Street, NW
Suite 1400
Oakland, CA 94612
510 663-8282
510 663-2028 fax

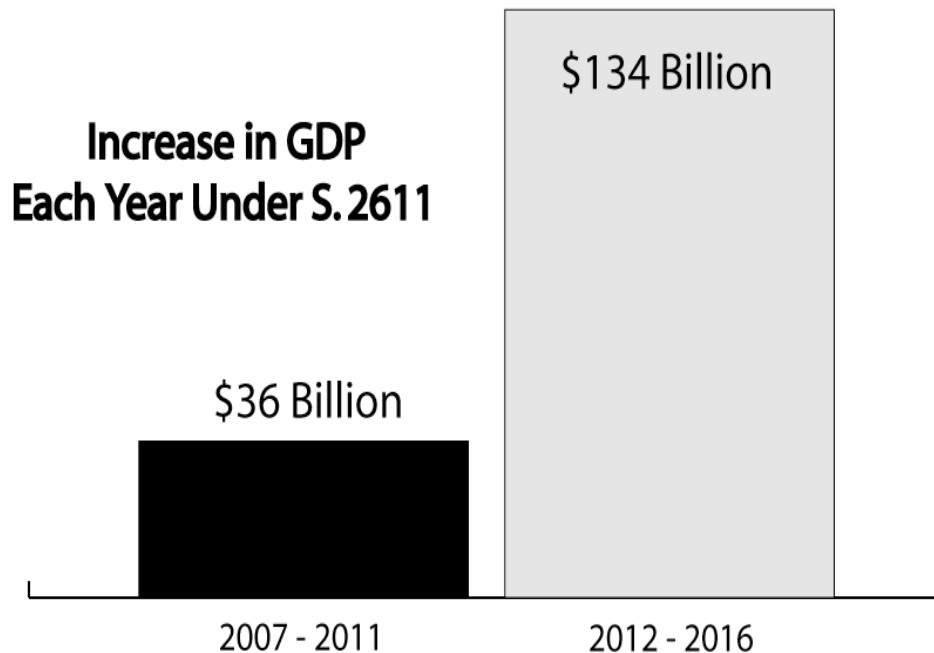
- Over the next few decades, immigrants will play an increasingly critical role in boosting economic growth in the U.S. According to David Ellwood, Dean of the Kennedy School of Government at Harvard University, most of the future growth in the labor force will come from immigrants.⁴
- The latest research finds that recent immigration has a “sizable beneficial effect on the wages of U.S. born workers.” Wages are boosted “because immigrants stimulate investment, have skills sets and educational levels that complement those of natives, and do not compete for the same jobs as most natives.”⁵ Similarly, a recent study by the Pew Hispanic Center finds that “[t]he relative youth and low levels of education among foreign workers appear to have no bearing on the employment outcomes of native-born workers of similar schooling and age.”⁶

Immigrants are Net Contributors to the Economy and Play an Essential Role in Shoring Up Social Security

- In June 2006, more than 500 economists and social scientists of varying political perspectives signed a letter to President Bush and members of Congress expressing their concern that, in the current debate over immigration, “some of the fundamental economics of immigration are too often obscured by misguided commentary.”⁷ The prominent signatories, including five Nobel Prize winners, reiterated the consensus that immigration is a positive force on the U.S. economy and a net gain to U.S. citizens.
- The 2005 Economic Report of the President concludes that “summing up the economic benefits and costs of immigration shows that over time, the benefits of immigration exceed the costs.”⁸ The report also states, “[I]mmigrants typically do not impose a net cost at the Federal level.” Even George Borjas, the economist most often cited by advocates of greater restrictions on immigration agrees that the benefits of immigration to the U.S. exceed its costs.⁹
- A 1997 study by the National Academy of Sciences found that tax payments generated by immigrants outweigh any costs associated with services used by immigrants.¹⁰
- A 2005 report from the National Foundation for American Policy (NFAP) found that a moratorium on legal immigration would require increasing Social Security taxes on Americans by \$407 billion in present value over 50 years.¹¹ According to the NFAP, such a tax increase would cost an American earning \$60,000 in 2004 more than \$1,860 in higher payroll taxes over the next ten years. Conversely, the NFAP finds that increasing legal immigration by a third would mean that American earning \$60,000 in 2004 could have their Social Security taxes reduced by \$600 over ten years.
- Undocumented immigrants contribute to the tax rolls and the Social Security Trust Fund. The U.S. Social Security Administration has estimated that undocumented immigrants contribute approximately \$8.5 billion in Social Security and Medicare funds each year.¹² The U.S. Internal Revenue Service has determined that undocumented immigrants paid almost \$50 billion in federal taxes from 1996 to 2003.¹³

The Economic Benefits of the Senate's Immigration Bill

The Senate's Immigration bill (S. 2611) would boost economic growth. Based on the projections of the Congressional Budget Office, it is estimated that the bill would boost the nation's Gross Domestic Product (GDP) by \$36 billion a year, on average, in 2007-2011, and by \$134 billion a year, on average, in 2012-2016.



Source: Analysis of CBO Cost Estimate of S. 2611

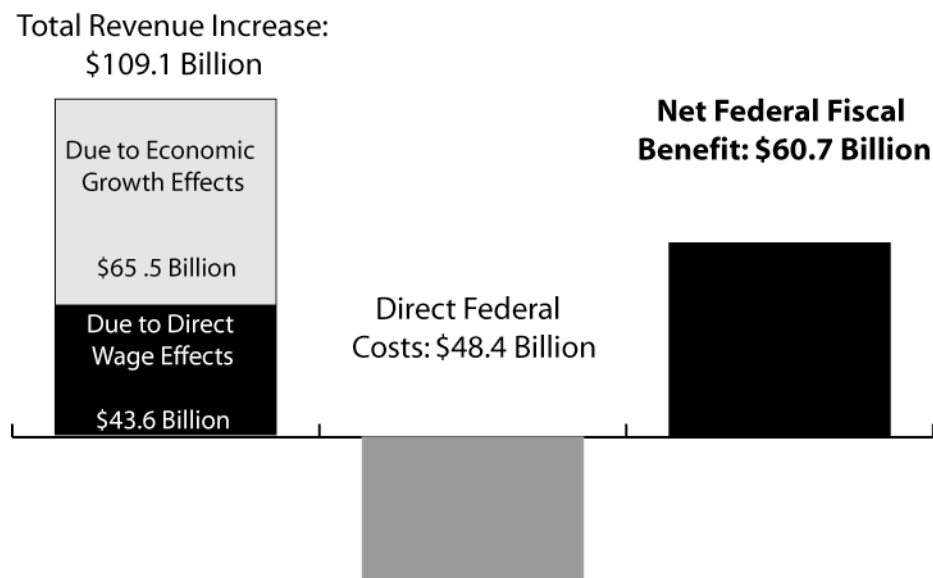
The Senate's Immigration Bill (S 2611) Would Boost Economic Growth by as Much as \$1 Trillion over the Next Decade and Improve the Solvency of the Social Security Trust Fund

The Senate bill contains two types of provisions: (1) enforcement provisions that increase funding for various immigration enforcement measures and personnel, and (2) provisions that create new pathways to legal status, including allowing some currently undocumented immigrants to obtain legal status, reducing current visa backlogs, and providing new visas for certain "guest workers." According to the Congressional Budget Office (CBO), the provisions that provide new pathways to legal status would result in increased federal tax revenues, increased spending for certain federal benefits, and greater economic growth.

- According to the CBO, the Senate bill would add about 2.5 million employees to the U.S. workforce by 2016. The CBO finds that "the work performed by these additional employees would increase the production of goods and raise the level of gross domestic product (GDP)" ¹⁴ Based on the CBO's estimate of the impact of S 2611 on

The Fiscal Benefits of S. 2611

This chart compares the federal revenues that would be generated by the Senate's immigration bill over the next ten years with the direct federal costs of the bill (the amount by which the bill would increase spending on health care and other federal benefit programs).



Source: Analysis of CBO Cost Estimate of S.2611.

economic growth, the immigrant provisions of the bill would add \$36 billion a year to GDP on average from 2007 to 2011 and \$134 billion a year from 2012 to 2016. Over the next ten years, S 2611 could add more than \$1 trillion to gross domestic product.¹⁵

- The provisions of the Senate bill that provide new pathways to legal status would boost federal revenues in two ways: (1) the amount of federal taxes paid by immigrants would increase under the bill by about \$43.6 billion over the next decade; and (2) the increases in economic growth would increase the federal taxes paid by the (mostly U.S.-citizen) beneficiaries of that growth by about \$65.5 billion. Thus, S 2611 would boost federal revenues by \$109.1 billion over the next decade. As the figure above shows, the net federal fiscal benefit of S 2611 would be almost \$61 billion over 10 years.
- According to an estimate by the Social Security Administration, implementation of the Senate bill would reduce the projected long-term deficit in the Social Security trust fund. Between now and 2016 alone, the net cash flow of the Social Security fund would improve by \$27 billion.¹⁶

¹ “Open Letter on Immigration,” June 19, 2006, www.independent.org/newsroom/article.asp?id=1727.

² Ishwar Khatiwada, et al, NEW FOREIGN IMMIGRANT WORKERS AND THE LABOR MARKET IN THE U.S.: THE CONTRIBUTIONS OF NEW IMMIGRANT WORKERS TO LABOR FORCE AND EMPLOYMENT GROWTH AND THEIR IMPACT ON NATIVE BORN WORKERS, 2000 TO 2005 (Center for Labor Market Studies and National Center on Education and the Economy, Aug. 2005), www.levitan.org/resources/New%20Immigrant%20Population_2005.pdf.

³ Andrew Sum, et al, IMMIGRANT WORKERS AND THE GREAT AMERICAN JOB MACHINE: THE CONTRIBUTIONS OF NEW FOREIGN IMMIGRATION TO NATIONAL AND REGIONAL LABOR FORCE GROWTH IN THE 1990S (Report prepared for the Business Roundtable, Aug. 2002).

⁴ David Ellwood, “How We Got Here,” in GROW FASTER TOGETHER OR GROW SLOWLY APART: HOW WILL AMERICA WORK IN THE 21ST CENTURY? (The Aspen Institute Domestic Strategy Group, undated).

⁵ Stuart Anderson, THE DEBATE OVER IMMIGRATION’S IMPACT ON U.S. WORKERS AND THE ECONOMY (National Foundation for American Policy, July 2006), www.nfap.com/researchactivities/studies/EDO0706.pdf; Giovanni Peri, IMMIGRANTS, SKILLS, AND WAGES: MEASURING THE ECONOMIC GAINS FROM IMMIGRATION (Immigration Policy Center, Mar. 2006), www.aifl.org/ipc/infocus/2006_skillswages.shtml.

⁶ Rakesh Kochhar, GROWTH IN THE FOREIGN-BORN WORKFORCE AND EMPLOYMENT OF THE NATIVE BORN (Pew Hispanic Center, Aug. 2006), <http://pewhispanic.org/reports/report.php?ReportID=69>.

⁷ “Open Letter on Immigration,” *supra* note 1.

⁸ ECONOMIC REPORT OF THE PRESIDENT (2005), ch. 4, www.gpoaccess.gov/eop/2005/2005_erp.pdf.

⁹ Tyler Cowen and Daniel Rothschild, “Hey, Don’t Bad-Mouth Unskilled Immigrants,” LOS ANGELES TIMES, May 15, 2006, www.latimes.com/news/opinion/commentary/la-oe-cowen15may15.0401627.story?coll=la-news-comment-opinions.

¹⁰ Testimony of Ronald D. Lee, Member, National Academy of Sciences Panel on the Demographic and Economic Impacts of Immigration, before the Senate Immigration Subcommittee: “Economic and Fiscal Impact of Immigration,” Sept. 9, 1997. The full report is available at <http://darwin.nap.edu/books/0309063566/html>.

¹¹ Stuart Anderson, “The Contribution of Legal Immigration to the Social Security System” (National Foundation for American Policy, Mar. 2005), www.nfap.com/researchactivities/studies/SocialSecurityStudy2005Revised.pdf.

¹² Eduardo Porter, “Illegal Immigrants Are Bolstering Social Security with Billions,” NEW YORK TIMES, Apr. 5, 2005, www.immigrationforum.org/DesktopDefault.aspx?tabid=724.

¹³ Statement of The Honorable Mark W. Everson, Commissioner, Internal Revenue Service, Testimony Before the House Committee on Ways and Means, July 26, 2006, <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5171>.

¹⁴ Statement of Paul R. Cullinan, Chief, Human Resources Cost Estimates Unit, Congressional Budget Office, before the Committee on the Budget, United States Senate: “The Budgetary Impact of Current and Proposed Border Security and Immigration Policies,” Aug. 30, 2006, www.cbo.gov/ftpdocs/75xx/doc7511/08-30-Immigration.pdf.

¹⁵ See Shawn Fremstad, “The Economic and Fiscal Effects of the Senate’s Comprehensive Immigration Reform Act of 2006” (National Immigration Law Center, Sept. 26, 2006), www.nilc.org/immlawpolicy/CIR/econbenefitsofCIR_2006-9-26.pdf.

¹⁶ Letter from Social Security Administration to Senator Charles Grassley, July 24, 2006, available at http://inclusionist.org/files/SSA_Analysis.pdf.