

The Demographic, Economic, and Fiscal Impact of Immigration

Steven A. Camarota, Director of Research

Center for Immigration Studies

1629 K Street N.W., Suite 600

Washington, DC 20006

Phone: (202) 466-8185

Email: sac@cis.org

February 2, 2016



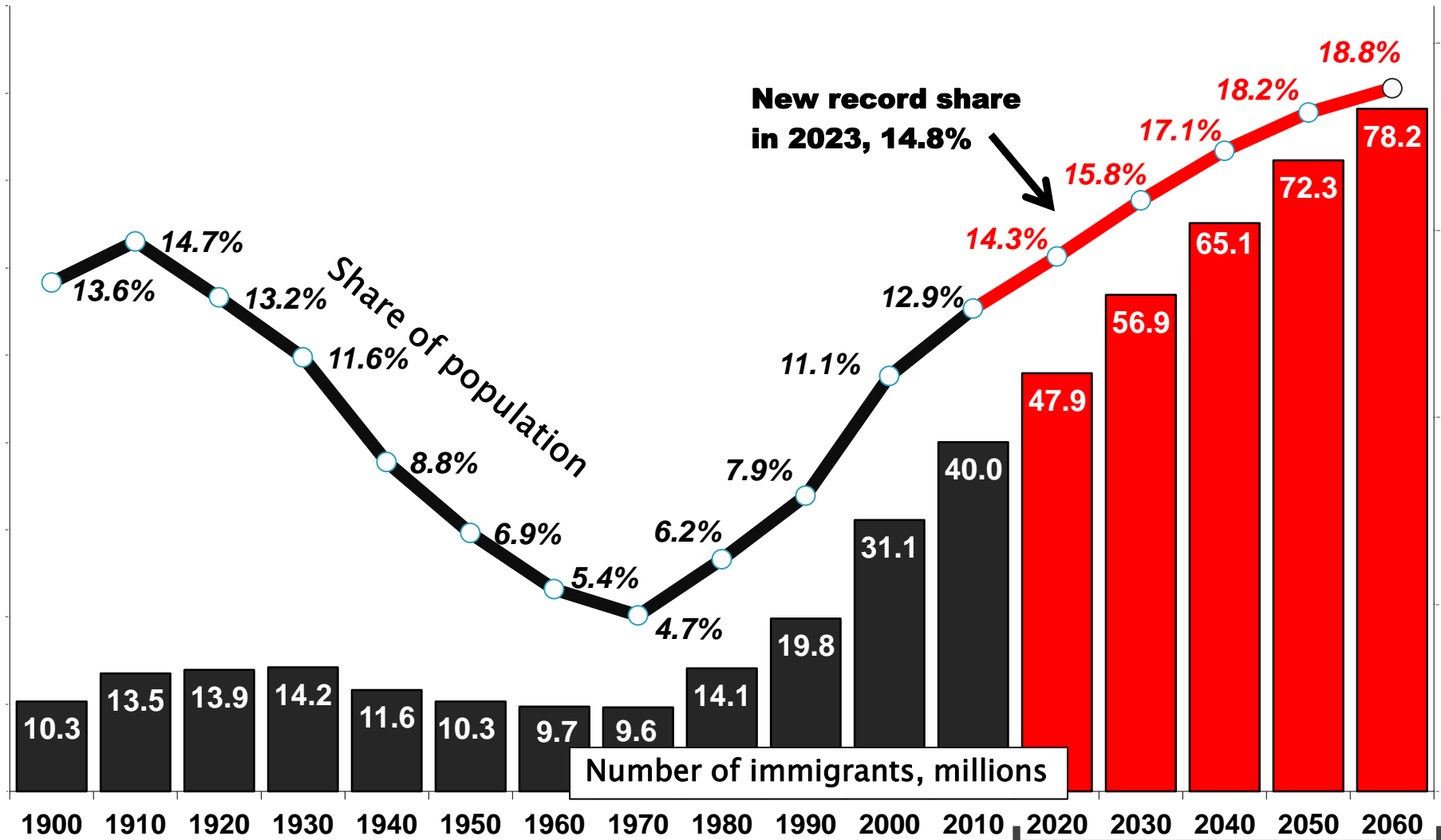
www.cis.org

Immigration to the US

- ▶ **Permanent Immigration 1.1 million each year¹**
 - **66% family sponsored, 16% employment-based, 13% refugees and asylees, 5% lottery**
- ▶ **About 2 million long-term temporary immigrants live in US, mostly guest workers, foreign students, plus their families²**
- ▶ **11 to 12 million illegal immigrants are in US³**
 - **2.5 million new arrivals since 2009, arrivals offset by returns, deaths & legalizations so population has been stable**
 - **Perhaps 40% to 50% visa overstays**

¹Yearbook of Immigration Statistics, DHS <http://www.dhs.gov/yearbook-immigration-statistics> ²DHS estimate of the non-immigrant population, http://www.dhs.gov/sites/default/files/publications/ois_ni_pe_2012.pdf ³Estimates of the unauthorized immigrant population from DHS, <http://www.dhs.gov/publication/estimates-unauthorized-immigrant-population-residing-united-states-january-2012> . Pew Hispanic Center, <http://www.pewhispanic.org/2015/09/28/statistical-portrait-of-the-foreign-born-population-in-the-united-states-1960-2013-key-charts/> and Center for Immigration Studies: <http://cis.org/2.5-Million-Join-Illegal-Population-under-Obama>

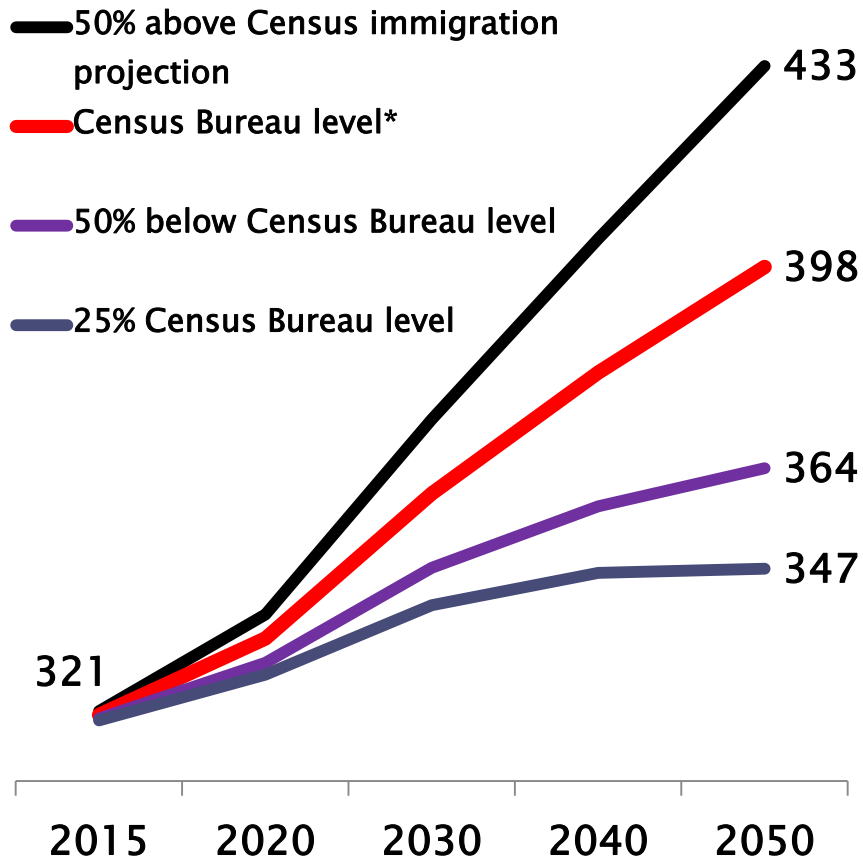
Number and percent of U.S. population comprised of immigrants 1900-2010. Census Bureau projections to 2060



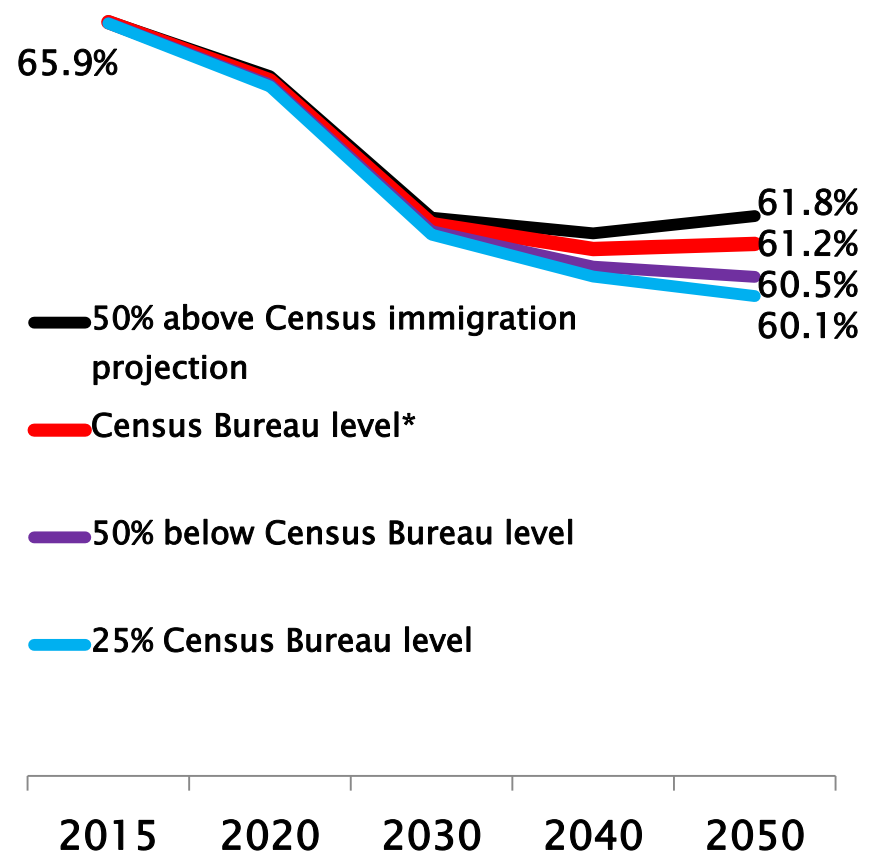
Source: Decennial Census and 2010 American Community Survey. Census projections
Published March 2015, <https://www.census.gov/population/projections/data/national/2014.html>

Immigration makes for a much larger population, but has modest impact on aging

U.S. population size based on different immigration levels (in millions)*

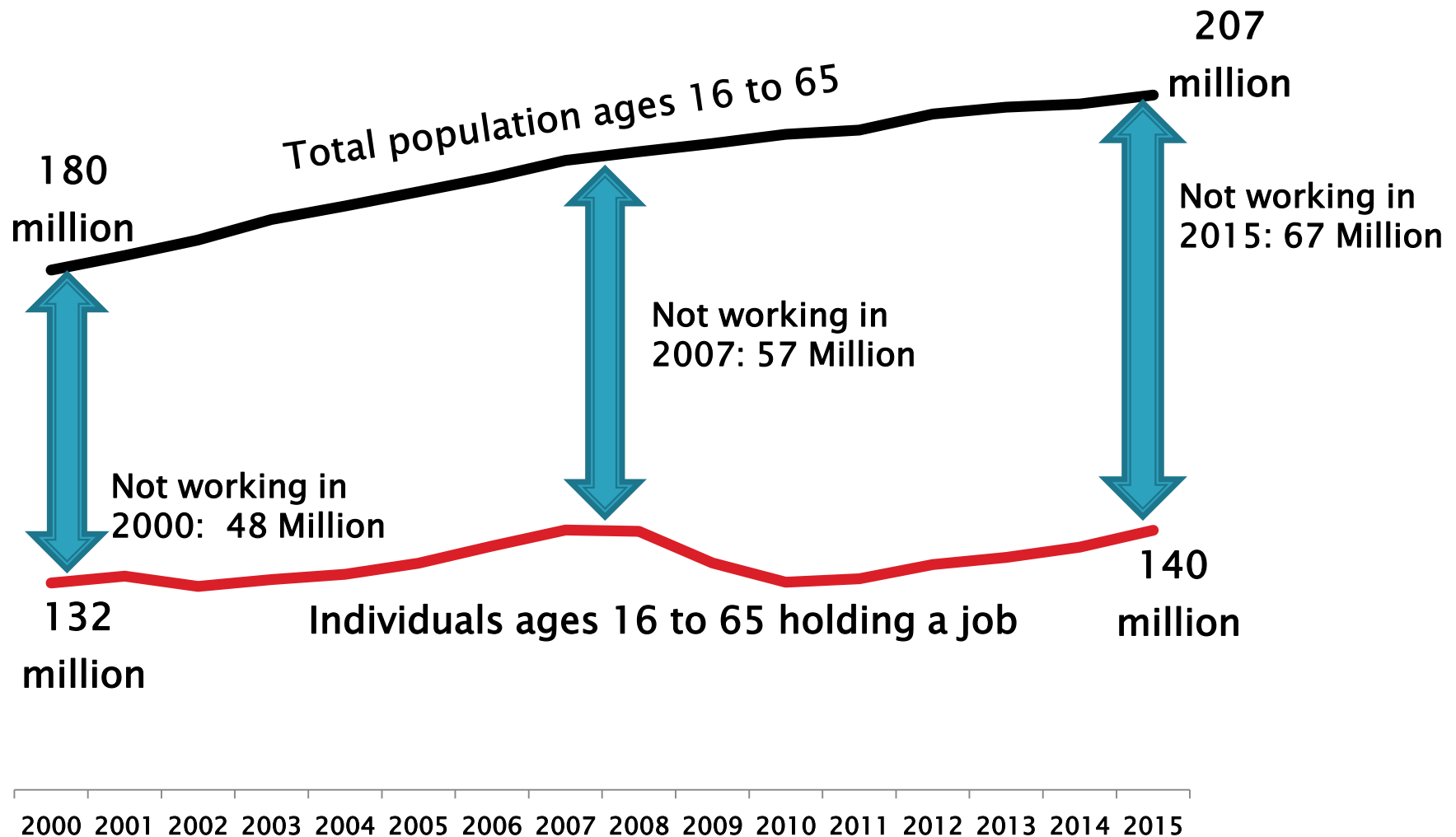


Work-age (16-65) share of population based on different immigrant levels*



*In its most recent projections (March 2015) the Census Bureau assumes net immigration will total 48.5 million by 2050.
<https://www.census.gov/population/projections/data/national/2014.html>. Alternative levels vary this assumption.

Natural population growth and new immigration have greatly exceeded employment growth, 2000-2015



Source: Monthly public use files of the Current Population Survey for the first quarter of each Year, 2000 to 2015.

“Textbook” model of immigration’s impact on economy

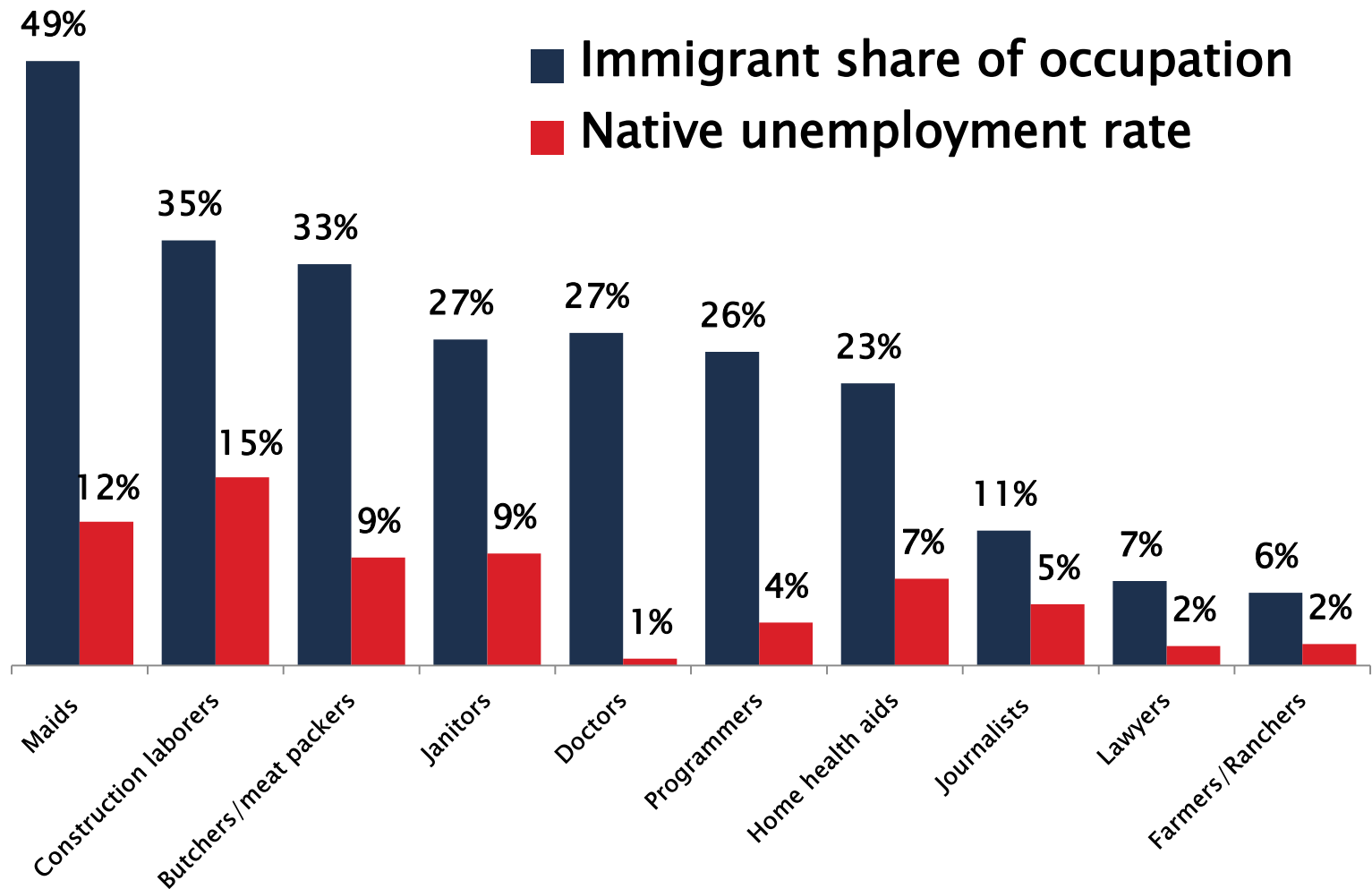
- ▶ **1) Overall economy is larger**
 - Immigrants add \$1.6 trillion in GDP
 - 98% of increase goes to immigrants as wages & benefits

- ▶ **2) Net gain to natives relatively small**
 - “Immigration surplus” — \$35 billion or 0.2% of GDP

- ▶ **3) Redistribution of income is large**
 - Surplus created by reducing wages for natives in competition with immigrants (–\$402 billion), while workers not in competition and businesses gain (+\$437 billion)

*Assumes a \$15 trillion US dollar economy where immigrants are 15% of workers and the elasticity of wages of is 0.3 and labor is 70% of GDP. See “Immigration and the American worker,” <http://cis.org/immigration-and-the-american-worker-review-academic-literature>. For a more technical explanation of the immigration surplus see “The New Americans: Economic, Demographic, and Fiscal Effects of Immigration (1997) National Academy Press: “<http://www.nap.edu/catalog/5779/the-new-americans-economic-demographic-and-fiscal-effects-of-immigration>

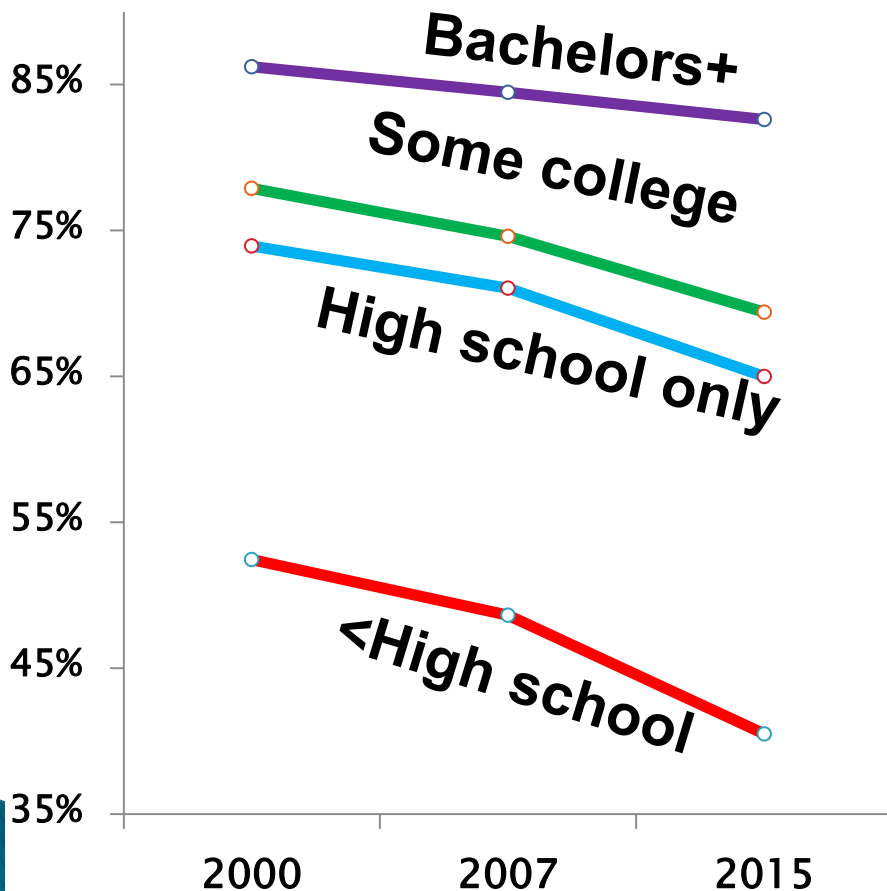
Some workers face much more competition from immigrants than others



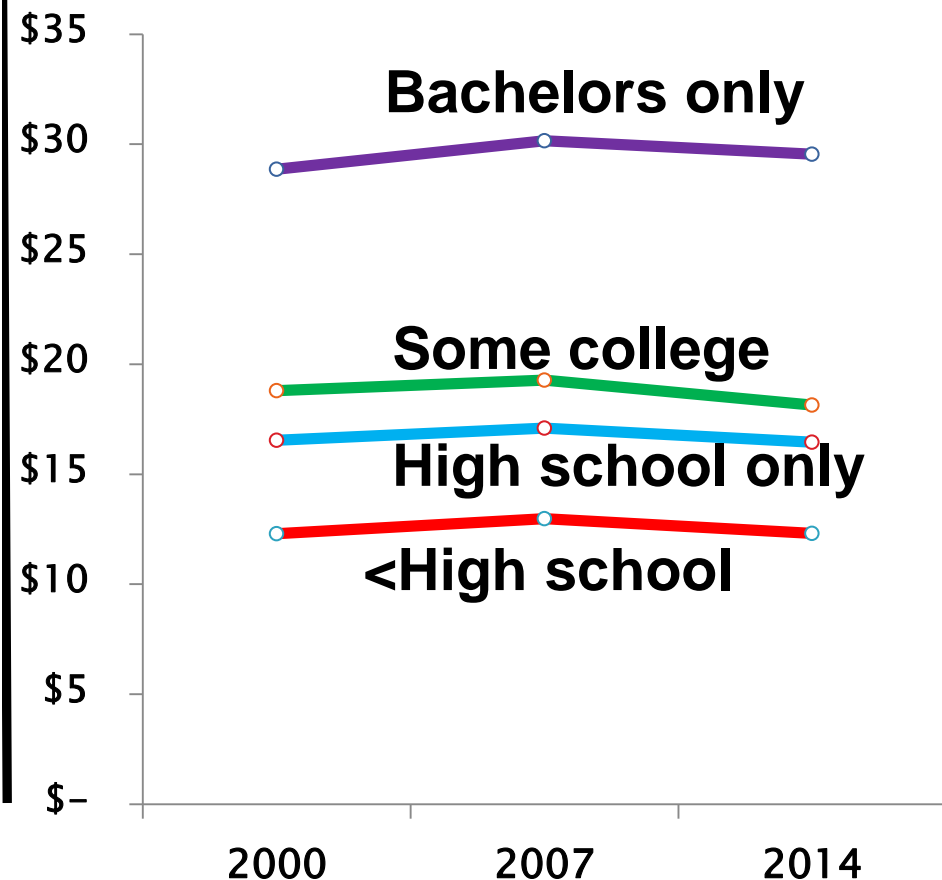
Source: Public use file 2014 American Community Survey. Journalists only includes those who are likely to work at English language media outlets.

Employment and wages show no evidence of labor shortage

Share holding a Job



Hourly wages

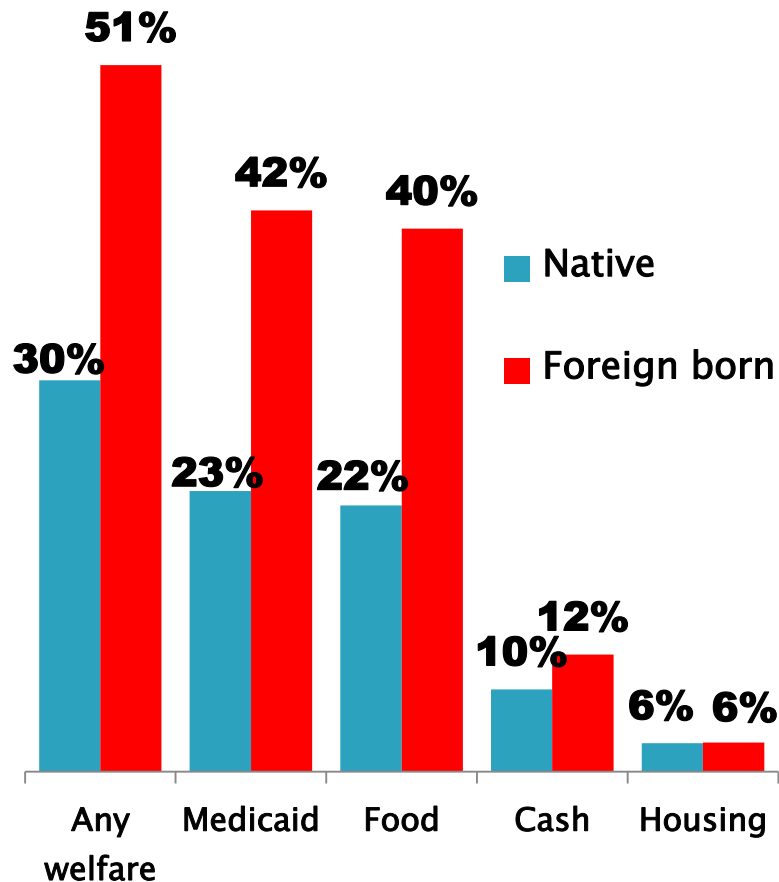


Employment figures are from the public use files of the Current Population Survey for the first quarter of 2000, 2007 and 2015, ages 18 to 65. Wage figures are for all workers and come from Economic Policy Institute:

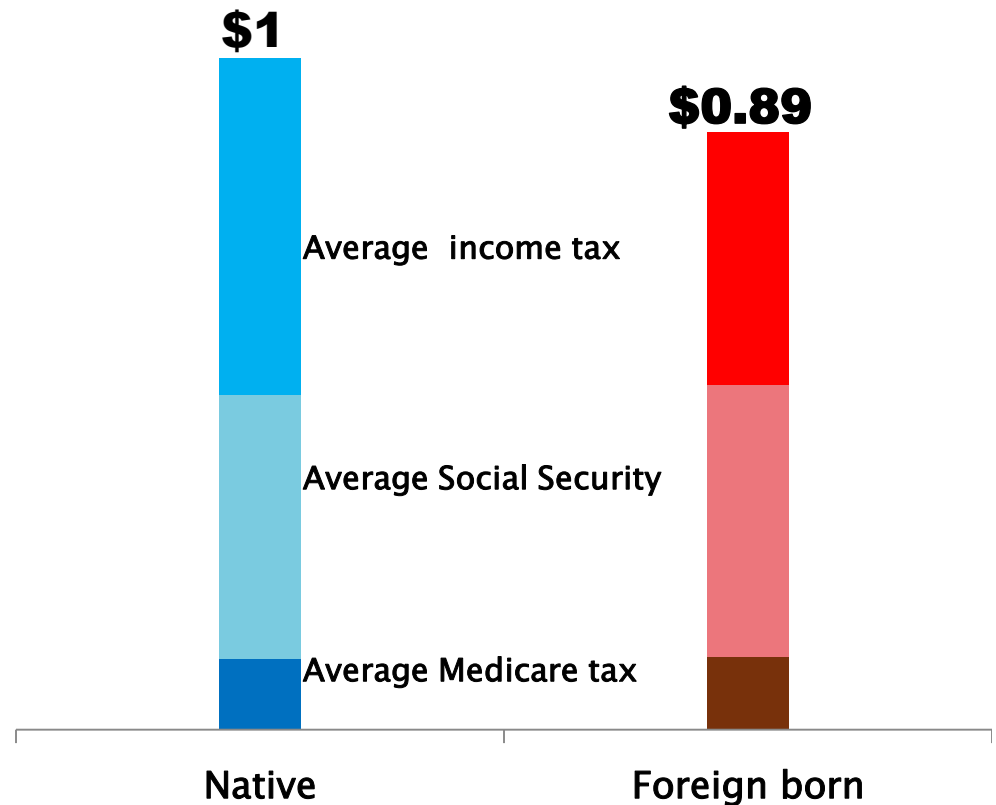
<http://www.epi.org/publication/stagnant-wages-in-2014/> and <http://www.epi.org/publication/a-decade-of-flat-wages-the-key-barrier-to-shared-prosperity-and-a-rising-middle-class/>

Immigrant households use more in services and pay less in taxes than natives

Immigrant headed households have significantly higher welfare use



For every \$1 in income & payroll taxes native households pay, immigrant households pay \$0.89 (assumes equal rates of tax compliance for both groups)



Welfare figures are from the 2012 Survey of Income and Program Participation and include free/subsidized school lunch, WIC, SNAP, SSI, TANF, Medicaid, subsidized and public housing. Tax figures are from the 2013 Current Population Survey ASEC.

Net fiscal impact (taxes paid minus services used) depends on education level

- ▶ **National Academy of Sciences (NAS) in 1996 found immigrant households fiscal drain: –\$11 to –\$20 billion¹**
 - Less-educated large drain, well-educated a fiscal benefit
- ▶ **Long term: NAS found immigrants create fiscal drain for first 22 years, then in next 18 years they & their kids pay back drain from first 22¹**
- ▶ **Heritage Foundation found net fiscal drain of immigrant households in 2010 of –\$105 billion²**
 - Like NAS, net fiscal impact depends on education level
 - About half the drain was from illegal and half from legal

¹*The New Americans: Economic, Demographic, and Fiscal Effects of Immigration* (1997) National Academy Press: "<http://www.nap.edu/catalog/5779/the-new-americans-economic-demographic-and-fiscal-effects-of-immigration>"

²*The Fiscal Cost of Unlawful Immigrants and Amnesty to the U.S. Taxpayer* (2013) Heritage Foundation.

<http://www.heritage.org/research/reports/2013/05/the-fiscal-cost-of-unlawful-immigrants-and-amnesty-to-the-us-taxpayer>

Conclusion

- ▶ If no policy change, country headed into record territory
- ▶ Immigration makes population larger, but only slightly younger
- ▶ Basic economic model shows immigration creates small benefit for natives, but large income redistribution
- ▶ We've struggled to create enough jobs since 2000
- ▶ Hard to find evidence of a labor shortage
- ▶ Current fiscal drain looks to be negative, but fiscal impact could be better in the long term
- ▶ Big policy question: What's the goal of immigration?