

John Herrera
Alderman, Town of Carrboro
Vice President for Latino/Hispanic Affairs, Self-Help
Founder of Latino Community Credit Union
Contact: 919-417-3326

Immigrants' Economic Impact

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

- 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



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

EXECUTIVE SUMMARY

Immigrants from Latin America, authorized and unauthorized, are dramatically changing North Carolina's demographic and economic landscape. Hispanics live in every one of the state's 100 counties and work in all sectors of the economy.

North Carolina's rapidly growing Hispanic population contributes more than \$9 billion to the state's economy through its purchases and taxes, while the net cost to the state budget (after Hispanic tax contributions) is an estimated \$102 per Hispanic resident for health care, education, and corrections.

If recent migration trends continue, the total economic impact of Hispanic spending in North Carolina could increase to \$18 billion by 2009. Clear opportunities exist for financial institutions and other businesses statewide to capitalize on this increasingly significant market.

This study documents the nature and magnitude of North Carolina's Hispanic population change and estimates the economic impact of Hispanic residents on individual counties, metropolitan areas, and the state as a whole, along with their associated costs and benefits.

Among the study's key findings:

- North Carolina's Hispanic population in 2004 totaled 600,913, or 7 percent of the state's total population, and accounted for 27.5 percent of the state's population growth from 1990 to 2004.
- Between 1995 and 2004, 38.2 percent of North Carolina's Hispanic newcomers migrated from abroad, 40.2 percent migrated from another U.S. jurisdiction, and 21.6 percent were born in North Carolina.
- Nearly half (45 percent) of North Carolina's Hispanic residents in 2004, and over three-quarters (76 percent) of those migrating to the state from abroad between 1995 and 2004, did not have authorization.
- From school years 2000–01 to 2004–05, Hispanic students accounted for 57 percent of the total growth in North Carolina public schools.
- The average Hispanic household contains 3.7 persons (compared to 2.4 persons in the average non-Hispanic household) and earns about \$32,000 annually (compared to \$45,700 for non-Hispanics).
- Prime working-age adults (18–44) make up a significantly higher percentage of the population in Hispanic (55.3 percent) than in non-Hispanic (37.3 percent) households.
- Hispanics filled one in three new jobs created in North Carolina between 1995 and 2005, with a significant concentration in construction.
- North Carolina Hispanics had an estimated total after-tax income of \$8.3 billion in 2004. With about 20 percent of that total sent home to Latin America, saved, or used for interest payments, the remaining spending had a total impact of \$9.2 billion on the state—much of which is concentrated in the major metropolitan areas along the Interstate 40/Interstate 85 corridor, but which also supports businesses in every part of the state.
- Hispanics annually contribute about \$756 million in taxes (direct and indirect), while costing the state budget about \$817 million annually for K–12 education (\$467 million), health care (\$299 million), and corrections (\$51 million) for a net cost to the state of about \$61 million.
- The net cost to the state budget must be seen in the broader context of the aggregate benefits Hispanics bring to the state's economy. Above and beyond their direct and indirect impacts on North Carolina business revenues, Hispanic workers contribute immensely to the state's economic output and cost competitiveness in a

The Frank Hawkins Kenan Institute of Private Enterprise pursues cutting-edge programming and research in the areas of economic development, entrepreneurship and globalization. It is part of Kenan-Flagler Business School at the University of James H. Johnson Jr., Director Urban Investment Strategies Center, Kenan Institute of Private Enterprise (919) 962-8201 North Carolina at Chapel Hill. For more information, visit www.kenaninstitute.unc.edu.

Asian Buying Power in North Carolina

- North Carolina is home to the nation's second-fastest growing Asian consumer market, behind only Nevada.
- In 2006, the state's Asian market is projected to rank 18th in size, advancing three places from 21st in 1990.
- The estimates show that North Carolina's Asian buying power will rise to \$4.8 billion in 2006, up from \$706 million in 1990.
- North Carolina ranks 27th among the states for total share of Asian buying power
- At \$1.3 billion, the Raleigh-Cary MSA is the largest Asian consumer market in the state for 2006, followed by:
 - Charlotte-Gastonia-Concord MSA: \$1.25 billion
 - Durham MSA: \$562 million
 - Greensboro-High Point MSA: \$378 million
 - Fayetteville MSA: \$223 million

Hispanic Buying Power in North Carolina

- North Carolina's Hispanic buying power of \$9.6 billion will exceed its 1990 value of \$839 million by an astounding 1,042 percent, a percentage gain that is nearly four times larger than the 277-percent increase in U.S. Hispanic buying power.
- In 2006, North Carolina ranks 27th in terms of the percentage of total Hispanic buying power.
- At \$2.3 billion, the Charlotte-Gastonia-Concord MSA is the largest Hispanic consumer market in the state for 2006, followed by:
 - Raleigh-Cary MSA: \$1.3 billion
 - Durham MSA: \$922 million
 - Greensboro-High Point MSA: \$660 million
 - Winston Salem MSA: \$612 million

The complete report may be downloaded at www.ncimed.com. For more information or to obtain hard copies, contact the North Carolina Institute of Minority Economic Development, Contact: **Andrea Harris**, President, North Carolina Institute of Minority Economic Development (919) 956-8889

The N.C. Institute of Minority Economic Development is a nonprofit organization founded in 1986 to promote models and knowledge that build the asset base of minority and low-wealth communities, with a particular focus on minority- and women-owned businesses. Through research and data analysis on emergent trends in North Carolina's minority and low-wealth communities, the Institute works to close the information and data gap and to promote balanced public policies and private-sector practices.