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Economic Impact of Immigrants

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Studies show that immigration probably has positive economic impacts overall, although certain workers and levels of government might experience adverse impacts.

In the 2000 census, immigrants comprised 5 percent of Minnesota's population and 11 percent of the nation's population.[1] But Minnesota's immigrant population grew more rapidly than the nation's in recent years, leading to questions about immigrants' financial impacts.

This study examined what previous research has shown about (1) the economic impact of immigrants on non-immigrants, and (2) the impact of immigrants on government costs and revenues. The study did not conduct original research on the impact of Minnesota's immigrants.

Immigration May Reduce The Wages Of Some U.S.-Born Workers, But Studies Suggest These Impacts Are Offset By Economic Benefits

Immigration increases the supply of workers in the American economy. Some studies have estimated that this has adverse impacts on the wages of certain U.S.-born workers, particularly those who compete for the same jobs as immigrants.

However, there remains disagreement among reputable researchers about the size of these wage impacts. Some analyses suggest that immigration has reduced wages of non-immigrant men without high school diplomas by more than 7 percent in the short run, while other analyses have concluded that the wage impacts have been negligible.

Meanwhile, most studies suggest that any adverse wage impacts are offset by the economic benefits of immigration—including more efficient use of labor, lower prices, and increased economic activity. Economists have usually concluded that, in aggregate, non-immigrants are slightly better off economically due to immigration. Individually, however, some workers probably experience net losses due to immigration, while others experience net gains.

Research Indicates That Immigrants Will Typically Benefit Taxpayers Over The Long Term, Although Costs Could Exceed Revenues For State And Local Governments

Immigrants have impacts on government revenues and expenditures. They pay federal, state, and local taxes but also use a variety of publicly-funded services, such as roads, schools, and health care.

In 1997, the National Research Council conducted a comprehensive analysis of immigration's fiscal impacts, and this remains the best study of this topic to date. The council's analysis considered impacts on all levels of government, and it looked at immigrants' fiscal impacts over the long term, not just on an annual basis.

[1] In this report, the term "immigrants" refers to people residing in the U.S. who were born in another country, including both U.S. citizens and noncitizens.

The council concluded that, in aggregate, new immigrants were likely to have positive impacts on government budgets over the long term—that is, immigrants' tax revenues would typically exceed their public costs. However, the federal government was more likely to benefit from immigration than state and local governments. The council also found that immigrants with high school or college educations were more likely to have positive impacts on government finances, while less-educated immigrants would probably cost governments more over the long term than the taxes they paid.

There is little compelling evidence to suggest that the impacts of Minnesota's immigrants on taxpayers would be less positive than those suggested by such national analyses. Minnesota's immigrants tend to be somewhat younger and better educated than immigrants nationally, suggesting greater potential for earnings and tax revenues over time.

The long-term impact of immigrants on taxpayers depends considerably on the earnings of immigrants' children and grandchildren, and this may depend on their success in Minnesota's schools. Statewide data on students' educational performance do not identify which students were born outside the U.S., but there is room for improvement in the performance of Minnesota students in some racial and ethnic groups (such as Hispanics) that include substantial numbers of immigrants.

The Overall Economic Impacts Of Illegal Immigrants In Minnesota Are Largely Unknown

There has been considerable speculation about the impact of illegal immigrants on Minnesota's economy and its taxpayers. However, firm conclusions cannot be drawn from existing information and research.

First, there have been several estimates of the number of illegal immigrants in Minnesota, but state demographic officials do not view any of these as definitive. There is also a lack of good information on the age, education, and other characteristics of illegal immigrants. As a result, it is difficult to estimate the economic impact of these immigrants in Minnesota.

Second, previous studies have not provided a comprehensive accounting of the benefits and costs of illegal immigrants in Minnesota. For example, a 2005 study by the Minnesota Department of Administration estimated the additional public costs due to illegal immigrants but did not estimate the additional tax revenues they generate.

The full evaluation report, *Economic Impact of Immigrants*, is available at 651-296-4708 or:

www.auditor.leg.state.mn.us/ped/2006/immig.htm