

The Real Economic Impact of Immigration

(Third of a series)

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As Congress ponders the best formula for immigration reform, we are confronted with a slew of anti-immigration propaganda that could sway the American public and our lawmakers toward restrictionist measures.

One of the most insidious half-truths that are making the rounds concerns the effect of immigration on the US economy. Many anti-immigrant proposals are premised on the view that immigrants are an added burden to already limited state or federal resources, or that immigrants take jobs away from American citizens.

Fiscal Benefits of Legal Immigration

Are immigrants really a drain on the US economy? No. Immigration actually benefits the economy.

According to the National Research Council (NRC), the benefits of immigration could be as high as \$10 billion per year. The authoritative NRC study which was done in 1997 was the basis for the report of President George W. Bush to Congress in February 2005. The President's report concluded that "a comprehensive accounting of the benefits and costs of immigration shows that the benefits of immigration exceed the costs."

The average immigrant actually pays \$1,800 more in taxes than the cost of the public benefits (such as healthcare and education) that s/he receives, according to NRC. It further emphasized that the net fiscal contribution of an immigrant is about \$80,000, if the public costs and the tax contributions of an immigrant's children are factored in.

Since a vast majority of immigrants comprise a younger segment of the workforce, their contributions actually finance to a large extent the Social Security and Medicare benefits of native retirees.

A February 2005 study of the National Foundation for American Policy concluded that new legal immigrants over the next 50 years are expected to "provide a net benefit of \$407 billion in present value to America's Social Security system."

Social Security Subsidized by TNTs

Legal migrants are not the only ones contributing to this great nation's coffers.

A majority of undocumented migrants (the so-called "TNTs") are working "on the books" with invalid social security numbers. They pay their contributions to the social security system but do not receive any corresponding public assistance or benefit because they are not eligible.

Their contributions are funneled into the Earnings Suspense File (ESF) of the Social Security Administration (SSA). The ESF is an account that holds social security taxes paid by those with mismatched names and social security numbers.

Some monies find their way to the ESF because of administrative errors or misspellings of US citizen's names. The bulk of the ESF, however, actually comes from undocumented migrants.

Stephen Goss, the SSA chief actuary, estimates that three-quarters of undocumented migrants pay social security.

A *New York Times* article last April said undocumented migrants subsidize the social security system by about \$7 billion per year. The ESF, according to the President's report, had already accumulated \$463 billion in 2002.

The contributions of undocumented migrants are "gravy for social security," according to Dan Griswold of CATO Institute, Washington, D.C. He said that the ESF will eventually be rolled into the general fund for the benefit of American citizens.

Replacement of Aging Workforce

The American workforce is steadily aging and may not adequately meet the needs of a growing economy.

The Bureau of Labor Statistics has projected that the number of workers aged 55 years and over will rise by nearly 50 percent for 2002 to 2012, while the number of younger workers (aged 25 to 54) could not catch up with an increase of only 5.1 percent.

The aging of the American workforce is not expected to slow down, according to the BLS, even if the projected annual levels of legal immigration for the same ten-year period were taken into account. With fertility rates in the US going down, according to a February 2005 UN study, the native population would be unable to provide new blood to the American workforce.

Despite this trend, however, the President's report noted that total employment grew by 11 million between 1996 to 2003, with foreign-born workers comprising 58 percent of the net increase.

Foreign-born workers, however, have little or no effect on the wages of their US-born counterparts because these two groups are unlikely to compete for the same jobs. For instance, foreign-born workers who have unique or highly specialized skills, or a non-English speaking foreign worker could not compete with most US workers.

The President has categorically stated in his report that economic benefits accrue to the US because of immigration—both through fiscal contributions, and the infusion of skill and energy into an aging workforce. Congress must acknowledge the valuable contributions that migrants make to the wealth and economic stability of this nation. It must pursue a genuine comprehensive immigration reform.