Economic Impact of Latin American Immigration to the U.S. from 1990 - 2015

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The United States is a country fueled by immigration. Aside from a small percentage of Native Americans, Americans are either immigrants or the descendants of immigrants. Yet throughout its history, this country has also passed numerous laws to bar entry to these immigrants, ranging from the Naturalization Act of 1790, which limited naturalization to only white people, to the Chinese Exclusion Act of 1882, which barred all immigration from China, to the Immigration Act of 1917, which barred entry of homosexuals, people with intellectual disability, and virtually all individuals from Asian countries, and the National Origins Act of 1924, which established national quotas that blatantly discriminated against southeastern Europeans and Asians. Much of this anti-immigrant sentiment stems from fear of the negative economic effects of this immigration on native workers.[1]

The most recent and largest immigrant wave is that from Latin Americans, whose population in the United States rose from one million in 1960 to nearly nineteen million in 2010 and consisted primarily of unskilled workers with low educational attainment.[2] Like other immigrant waves in the past, Latin American immigration produced expressions of xenophobia. President Donald Trump exemplifies this anti-immigrant standpoint today. He ran his presidential campaign in 2016 capitalizing on the fact that he would build a wall to prevent immigration from Mexico and promised to crack down on immigration. His administration has followed through on his promise with increased regulation of immigration as well as deportation. Trump justifies his policies on the grounds that Latin American immigrants "compete for jobs against the most vulnerable Americans and put pressure on our social safety net and generous welfare programs."[3] Therefore, the president and his supporters are opposed to immigration, yet many argue the opposite—that immigrants in fact contribute more to the American economy than they disturb it. This paper attempts to investigate the extent to which the Latin American immigrants from 1990 to 2015 helped or hurt American economic growth in order to gain a better understanding of the current situation.

Competition in the Labor Market Hurt Unskilled Natives

Latin American immigration in the period from 1990 to 2015 caused competition and fewer opportunities for native-born high school dropouts. These workers had similar levels of education as the majority of Latin American immigrants, and therefore looked to fill similar low skill, low-wage jobs. In fact, David Jaeger's 2007 study found that unskilled immigrants and unskilled natives competed directly for the same jobs.[4] As a result, in some of these cases, Latin American immigrants crowded out local workers, causing them to leave the job market. A study done by RAND Corporation explains that Latino immigration caused between 128,200 and 194,000 workers in California to withdraw from the workforce in 1990, the majority of whom were high school dropouts or those who only had a high school degree.[5] Thus, for this specific group, Latino immigration led to job loss due to labor market competition.

Further, Latin American immigration also contributed to lowered wages. Based on the simple concept of supply and demand, a large stream of workers from abroad allowed employers to pay lower wages for the same quality of work, since the amount of people looking for the same jobs was greater. Therefore, the wave of Latin American workers caused an increase in supply of labor, which suppressed the wages of native-born workers with whom they were in direct labor market competition.[6] Though these changes benefited the employers, they resulted in lower pay, and therefore a lower quality of life for native-born low-wage workers, who were often already paid very low salaries.

Though it should be acknowledged that these native-born high school dropouts did not necessarily benefit from Latin American immigration, the negative impact of the Latin American immigration on this group was actually quite small. In fact, according to Tamar Jacoby's article Immigrant Nation, even the most pessimistic economists report that no more than ten percent of the U.S. labor force was affected by depressed wages.[7] The economists also believe that the drop in American earnings has never been more than five percent over the last 20 years.[8] These low skill native workers actually benefited from immigration in other ways as the lower wages paid to Latin American immigrants allowed them to benefit from lower prices for goods such as food and housing.

Labor Force Growth Promoted Economic Growth

The Latin American immigrants from 1990 to 2015 entered the economy at a time of economic growth and job creation, providing much needed labor force growth. Particularly, the downgrading of the manufacturing sector during the 1980s and 1990s produced large numbers of low-wage jobs requiring few skills, while the rapid growth of the service sector during the 1980s supplied even more low-skill, low-wage jobs.[9] These jobs were the perfect positions to fill for the majority of Latin American immigrants, who were largely lower skill workers. Further, the growth of the service sector also created low-wage jobs through the demand for workers to service the growing professional and managerial classes.[10] The growing economy, the decrease in fertility rates, and the retirement of many baby boomers during this time created a perfect environment for low-skilled worker immigration.[11] Latin American immigrants provided just that: they migrated to the United States from their home countries due to supply and demand, filling jobs that were available in the market. In fact, immigrants from Latin America accounted for half of the labor force growth during the 1990s.[12] Therefore, without them, there would likely have been a significant labor shortage.

Rather than hurting the native-born by taking their jobs, Latin American immigrants took on jobs that native-born Americans were unable or unwilling to fill, playing an indispensable role in the economy. Latin Americans often entered the economy at the bottom due to their low skill levels and English speaking abilities, taking low-paying and unpleasant jobs that the native-born Americans were not keen to partake in.[13] According to the 2017 study titled "The Power of the

Purse: How Hispanics Contribute to the U.S. Economy," Hispanic workers constituted 33.0% of the agricultural workforce, 27.7% of the construction workforce, and 27.5% of the administration support and waste management workforce.[14] In a study done by the Office of Latino/Latin American Studies at the University of Nebraska, researchers investigated what would happen if the immigrant portion of the labor force was unavailable in three key sectors—construction, food services, and animal slaughtering—in which the population was found to make a substantial contribution, focusing specifically on the Latin American immigrants.[15] The study found that total production losses in Nebraska and Iowa would have been $18.2 billion (10.7 percent of total production) and $12.0 billion (4.2 percent of total production), respectively, representing 82,000 jobs in Nebraska and 62,000 jobs in Iowa.[16] These numbers demonstrate the tremendous economic impact of this Latin American labor. Without these immigrants, there would be a shortage of American workers willing to partake in these jobs, demonstrating the indispensability of these immigrants. In addition, the labor-force participation among foreign born men exceeded that of the native in 2006, suggesting that the Latin American immigrants contribute more to the economy than their native-born counterparts.[17]

Employers benefited the most, since these immigrants supplied them with abundant, cheap labor.[18] However, these immigrants also benefited the workers. This can especially be seen in construction, as more low-skill immigrant construction workers meant more jobs and higher wages for plumbers, electricians, and architects. [19] Over time, the higher pay for higher skill jobs created incentives for Americans to pursue higher skill, higher pay jobs. Therefore, the Latin American immigrants pushed native-born workers up in the labor market rather than out of it, making the economy more productive.

Further, the immigrants who worked in the service industry increased the affordability and availability of services such as child care, cleaning services, and gardening.[20] This is because Latin American workers were often willing to do the same work for lower wages, and worked harder for longer hours.[21] In this way, immigrants provided more cost-effective labor in the service industry. These services in turn allowed more skilled and educated Americans to spend time doing work and contributing to the economy. As Tamar Jacoby put it in his article "Immigrant Nation," Latin American immigrants allowed "the brain surgeon [to have] time for more brain surgeries."[22]

Thus, the entrance of Latin American immigrants into the American economy aided employers as a source of cheap labor, encouraged native workers to attain higher paying positions, and allowed higher skill Americans to have more time to do their job. Therefore, all of this contribution from these immigrants benefited the majority of the economy, increasing productivity and producing jobs. Thus, the labor force growth caused by Latin American immigration during the 1990s added significantly to the economic prosperity enjoyed by Americans.

Latin American Taxes and Spending Stimulated Economic Growth

In addition to contributing to the American economy through labor, Latin American immigrants also benefited the economy through tax contribution. From 1990 to 2015, Latin Americans made contributions to federal, state, and local budgets through the taxes they paid, funding federal services such as social security and Medicare. In 2015, Hispanics were estimated to have contributed $101.8 billion to Social Security and $25.3 billion to Medicare.[23] Furthermore, they also helped pay for critical local services like public schools, police and fire safety, local road and street maintenance, and emergency medical services.[24] Thus, Latin American immigrants contributed to their community on both a local and national level. In fact, in 2015, foreign-born Hispanics paid a total of $96.9 billion in taxes, and Hispanics in general paid $76.0 billion in state and local taxes and $139.0 billion in federal taxes.[25] According to another study done by the University of Nebraska, in Iowa, the immigrant population accounted for 3.4 % of state revenues from income, sales, and gasoline taxes in 2010, and in Nebraska, the number was at 4.3%.[26] Therefore, rather than slowing the economy, Latino immigrants contributed sums comparable to their native counterparts, doing their part in the community. It is true that much of the Latin American immigrant population was poor and unskilled, inevitably reducing their tax contribution. However, they nonetheless contribute as much if not more than their native-born counterparts did.[27]

As a matter of fact, Latin American immigrants contributed more in taxes than the benefits than they received, in part because these immigrants tended to be much younger than their native counterparts. Indeedt, in 2015, while the average age of Hispanics was 28.7 years old, the average age of white Americans was 43.3 years old, a shocking 15 year difference.[28] Therefore, due to this higher ratio of working age to non-working age people, Latin American immigrants tended to be younger and contributed more to the American economy through both work and taxes, and did not benefit as much from services such as Social Security.

This trend of Latinos receiving fewer benefits that they contributed was present not just in social security. Latino immigrants were also found to have contributed to 3.1% of total state expenditures on public assistance, Medicaid, and education in the state of Iowa and 4.1% in the state of Nebraska in 2010.[29] According to the Congressional Budget Office, “most efforts to estimate the fiscal impact of immigration in the United States have concluded that, in aggregate and over the long term, tax revenues of all types generated by immigrants—both legal and unauthorized—exceed the cost of the services they use.”[30] Therefore, they helped Americans by contributing in the form of taxes rather than taking advantage of government aid like many accuse them of doing. In fact, even legal immigrants—about two thirds of the influx—were not eligible for enough government welfare to sustain them without work.[31] Therefore, all of these immigrants received less money in government aid than they contributed through taxes due to limits set in place by the American government, making them contributors to taxes rather than recipients of services. Thus, through these taxes, the immigrants helped the economy and improved natives’ quality of life.

For illegal immigrants, the ratio of tax contribution to aid was higher due to the fact that many opted not to apply for welfare in fear of deportation. Many paid taxes through the use of an IRS-issued Individual Taxpayer Identification Numbers (ITIN). In fact, 50 to 80% of undocumented immigrants households filed federal income taxes annually.[32] Furthermore, they paid sales and property taxes, thus contributing their fair share into the American economy and government. In total, households led by unauthorized Latin American immigrants paid $11.2 billion in state and local taxes in 2010, including $1.2 billion in personal income taxes, $1.6 billion in property taxes, and $8.4 billion in sales taxes.[33]

However, the majority of these immigrants were unable to apply for government benefits, with the exception of Emergency Medicaid.[34] They contributed much more to the American tax system than the welfare they receive in return, making them not a drag on the economy, but instead a helpful positive force.

Furthermore, Latin American immigrants were also beneficial to the American economy through their spending power. The term “spending power” refers to the quantity of disposable income that a group has, which they can spend and thus contribute to the economy with. The spending power of Latinos totaled to $1 trillion in 2010, an increase of 392.9% in 1990, but by 2015, it had already grown to $1.3 trillion, an amount larger than the GDP of Australia or Spain.[35] With their purchasing power, Latin American immigrants were able to spend, encouraging more production and therefore spurring economic growth. In a study done by the University of Nebraska, researchers found that, in 2010, Central and South American immigrant spending accounted for between $749 and $963 million worth of production in Iowa and was responsible for between $834 million and $1.1 billion worth of production in Nebraska.[36] Thus, purchases made by Latino immigrants were extremely beneficial to the economy as they directly resulted in increased production, as shown in these two example states. Their purchase of goods and services stimulated local business activity, creating jobs.

One particular sector that benefited from Latino immigration was the housing sector, in which Hispanic buyers were the key to fueling the market. In fact, it was reported that from 2000 to 2016, Hispanic households increased by 6.7 million, representing 42.5 percent of the nation’s overall household growth.[37] Further, these immigrants purchased homes in neighborhoods formerly in decline, positively impacting housing values.[38] Therefore, without these home buyers, housing values likely would have decreased, negatively impacting the housing industry.

Thus, through their tax contribution—which was often higher than the benefits they received—as well as their spending, Latin American immigrants caused increased production and stimulated the American economy.

Conclusion

Latin American immigration to the United States from 1990 to 2015 contributed positively to the American economy. Although it could be argued that the immigration had a negative impact on the American economy due to immigrants' competition with native-born workers, that claim can be refuted by the fact that only a small portion of the population experienced a negative impact from these immigrants, and these individuals benefited from the immigration through other aspects such as lowered prices and incentives to work in higher-skill jobs. Overall, Latin American immigrants during this period stimulated the economy through the immigrants' contribution to the labor force as they filled low-wage, low-skill jobs. They provided cheap labor for employers and allowed their native counterparts to pursue jobs that require higher skill levels. Further, they were beneficial to the economy due to their contribution to taxes, which was higher than the benefits they received from the government, as well as their spending power. Thus, Latin American immigrants were a net positive contributor to the economy during 1990 to 2015.

Through these findings, it can be concluded that the surge in Latin American immigration during this period of time was indeed beneficial to the United States economy. Not only that, but it also suggests that the continuation of Latin American immigration in years since 2015 and into the future in the next few years will also contribute positively to the economy. It is projected that Latinos will be 128 million in 2050, thus comprising 29% of the population, and this growth will likely continue to stimulate American economic progress.[39] Contrary to the President Donald Trump's belief, these Latin American immigrants—both legal and illegal—were a key part of the economy from 1990 to 2015 period and will likely continue to play a key role in the American economy in the future.

Yet, even so, President Trump continues to attack immigrants and encourage nativist sentiment. His anti-immigrant views have been evident in his response to the COVID-19 pandemic, as he decided to withhold green cards for immigrants for 60 days, arguing that they would pose a threat to the livelihood of local workers in their search for work in the aftermath of the pandemic, continuing the economic argument against immigration that he has been preaching since his presidential campaign.[40] In fact, the current pandemic has exacerbated xenophobia and nativism throughout the country, and likely will lead to stricter regulation of immigration. Nevertheless, in light of the current de-globalization throughout the world and the rise of xenophobia, I hope that we will continue to remember the positive impact that immigration and globalization has had on the economy thus far.

Notes

[1] R.R. Sundstrom, "Sheltering Xenophobia," *Critical Philosophy of Race* 1, no. 1 (2013): 75-76.

[2] Gibson Campbell and Jung Kay, "Historical Census Statistics on the Foreign-Born Population of the United States," U.S. Bureau of the Census working paper (February 1999).

[3] Donald Trump, "Remarks by President Trump on Modernizing Our Immigration System for a Stronger America," (speech, Washington DC, May 16, 2019), The White House.

[4] David A. Jaeger, "Skill Differences and the Effect of Immigration on the Wages of Natives," Bureau of Labor Statistics (May 2007): 274.

[5] Kevin F. McCarthy and George Vernez, "Immigration in a Changing Economy: California's Experience," RAND Corporation report (1997).

[6] Steven Raphael and Lucas Ronconi, "The Effects of Labor Market Competition with Immigrants on the Wages and Employment of Natives," *Du Bois Review* 4, no. 2 (2007): 414.

[7] Tamar Jacoby, "Immigration Nation." *Foreign Affairs* 6, no. 6 (November December 2006): 57-58

[8] Ibid.

[9] Saskia Sassen, "America's Immigration 'Problem,'" *World Policy Journal* 6, no. 4 (Fall 1989): 826-827.

[10] Ibid., 827.

[11] Mark Mather, "The Decline in U.S. Fertility," Population Reference Bureau report (July 18, 2012).

[12] Marta Tienda and Susana Sanchez, "Latin American Immigration to the United States," *Daedalus* 142, no. 3 (Summer 2013): 61.

[13] Nancy Foner, "Immigration Past & Present," *Daedalus* 142, no. 3 (Summer 2013): 17.

[14] "The Power of the Purse: How Hispanics Contribute to the U.S. Economy," New American Economy position paper (December 2017): 20.

[15] Christopher S. Decker et al., "Economic Impact of Latin American & Other Immigrants," University of Nebraska at Omaha, Office of Latino/Latin American Studies (November 2012): 2.

[16] Ibid.

[17] Jacoby, "Immigration," 53.

[18] Raphael and Ronconi, "The Effects," 416.

[19] Jacoby, "Immigration," 57.

[20] John Bellows, "The Many Contributions of Immigrants to the American Economy," U.S. Department of the Treasury, Treasury Notes (May 2011).

[21] Jacoby, "Immigration," 57.

[22] Ibid.

[23] "Purse," 2.

[24] Ibid., 1.

[25] Ibid., 9.

[26] Decker et al., "Economic Impact," 2.

[27] Ibid., 54.

[28]" Purse," 10.

[29] Decker et al., "Economic Impact," 9.

[30] "The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments" Congress of the United States, Congressional Budget Office, A Series on Immigration (December 2007): 1.

[31] Jacoby, "Immigrant," 53.

[32] "Purse," 9.

[33] "Unauthorized Immigrants Pay Taxes, Too," American Immigration Council report (April 2011).

[34] Nancy Foner, "Immigration Past & Present," *Daedalus* 142, no. 3 (Summer 2013): 19.

[35] "Latinos in America: A Demographic Overview," American Immigration Council report (April 26, 2012).

[36] Decker et al., "Economic Impact," 1.

[37] Patrick Sisson, "Booming Hispanic Homeownership Helping Fuel U.S. Housing Market," Curbed (September 5, 2017).

[38] "Taxes & Spending Power," New American Economy report (2014).

[39] Jeffrey S. Passel and D'Vera Cohn, "U.S. Population Projections: 2005-2050," Pew Research Center, Hispanic Trends, (February 11 2008).

[40] Gerald F. Seib, "Crisis Strengthens Nationalist Currents" Wall Street Journal (April 28, 2020).

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