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REPORT



The Economic and  
Fiscal Consequences of  
Immigration

# Labor Market Effects of Immigration

- Impact on wages of natives very small, most affected: prior immigrants.
- Little effect on employment of natives except prior immigrants
- High skilled immigrants have positive effects on wages and employment of both college and non college educated natives
- Immigrants in labor market reduce costs of child care, food preparation, house cleaning, repair and construction
- As consumers and entrepreneurs, immigrants contribute to economic growth of the economy

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# Fiscal Effects of Immigration

- Over the long run, the net effects of immigration at the federal level are positive.
- The state and local effects vary quite a lot but overall are negative for the immigrant generation.
- The largest cost is education of immigrants' children, the majority of whom are citizens. Is this a cost or an investment?

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# Integration of Immigrants

- Immigrants and their children (the second generation) represent one of every four U.S. residents.
- Integration is defined as a two-way process as immigrants and the host society come to resemble each other.
- Immigrants and their descendants are integrating into American society. Integration as a process unfolds with increased time in the U.S. for immigrants, as well as across the generations of their descendants.

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# Integration across Dimensions

- Socioeconomic
  - Education
  - Occupation
  - Income
  - Poverty
- Political
  - Naturalization
  - Civic Participation
- Sociocultural
  - Language
  - Crime
  - Religion
  - Attitudes
  - Intermarriage
- Spatial
- Familial
- Health

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# Quick Summary

- In every domain we find a narrowing of the gap between natives and immigrants, with remarkable progress for the second generation, often faster than earlier outcomes among European immigrants in the 20<sup>th</sup> century
- On the whole, integration increases the well-being of immigrants and their descendants, e.g., in schooling, labor-market position, and residential situation.
  - Exceptions include health and crime. Immigrants have lower crime rates and better health than natives.
- Major causes for concern:
  - Legal Status for 11 million people and their families
  - Racial disparities
  - Low naturalization rates

- Legal Status: 11 million undocumented and their families.
  - Undocumented status slows but does not fully impede integration. It fails as both integration and anti-integration policy.
  - 60% of undocumented people have been here longer than 10 years.
  - Multi-generational effects. 5.2 million children have an undocumented parent, (7% of all K-12 children) 4.5 million citizen children have an undocumented immigrant parent
- Race and Ethnic Disparities
  - Black immigrants & their children integrating more slowly with non-Hispanic whites despite higher human capital
  - Some evidence of discrimination impeding Latino integration: Racial discrimination and undocumented status
- Naturalization and Citizenship
  - Citizenship rate in US 50% vs. 61% OECD average. Adjusting for undocumented population, still well below Canada, Australia, Sweden. Surveys show immigrants want to naturalize.

# Suggestions for Policy in 2021

- Immigration is very positive for the economy, policies should even out some of the distributional effects in terms of state and local fiscal costs.
- We need to reform our immigration system to provide more avenues for legal immigration, and we need to provide a path to citizenship for those who are long term residents.
- We should address racial discrimination that impedes the social mobility of Black and Latino immigrants.
- The naturalization process should be made more accessible and user friendly to capitalize on immigrant desires to naturalize.