



Migration as a Driver of Economic Growth: Increasing Productivity and Filling Labor Gaps

**Washington, DC
February 26, 2024**

**Ernesto Castañeda, PhD
Edgar Aguilar
Natalie Turkington**

CLALS WORKING PAPER SERIES | NO. 47



**CENTER FOR
LATIN AMERICAN
& LATINO STUDIES**
AMERICAN UNIVERSITY | WASHINGTON, DC

The Immigration Lab

Introduction

There is a common sentiment in the United States and other countries that immigration is a threat to the economy and the working class. This report shows why such an assessment is incorrect. Immigration produces economic growth and more jobs and, therefore, can be a mechanism for improvements in the income of most native-born citizens. We make this argument by looking at migration as a source of needed labor that fills the voids in a country's labor market. Rather than seeking costly anti-immigrant policies, countries should pursue policies to maximize the benefits of immigration.

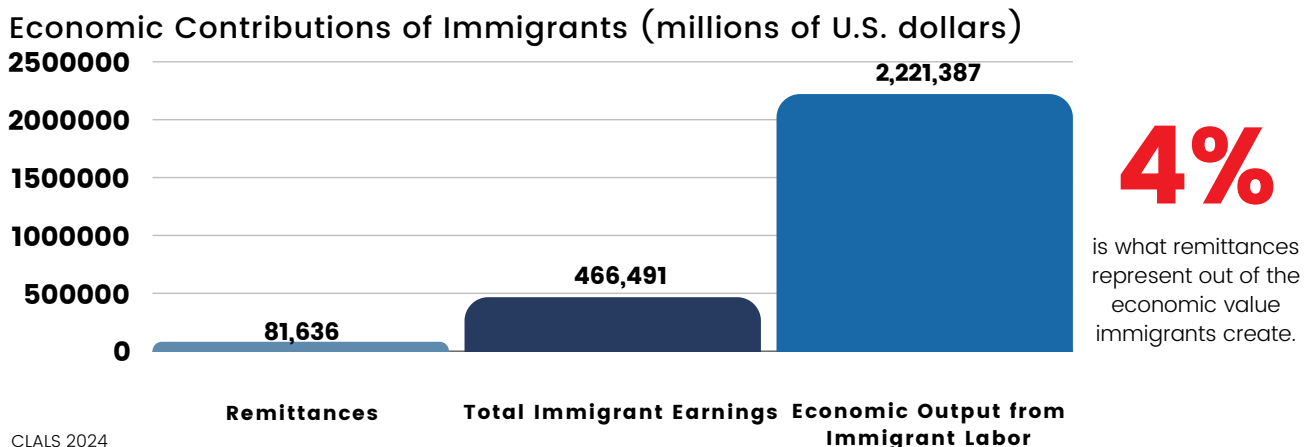
Different public opinion polls show that two of the biggest fears are that immigrants might reduce the number of jobs available for U.S. citizens and that they might increase demands for government services. For example, a 2021 poll showed that 51% of people in the United States worry that migration over time could reduce jobs available, 34% worried that immigration reduces wages, and 59% worried that immigration could lead to too many demands on government services.[1] Nonetheless, the same poll shows that support for immigration has increased over the past several decades. This sympathy towards immigrants might be surprising given the statements by some politicians and loud anti-immigration groups. Yet, many other polls show similar results where public opinion is more in favor of immigrants than it would seem from media coverage of anti-immigrant politicians.

Another specific fear is that immigrants take jobs away from the native-born citizens in the working class. However, evidence suggests that more immigration creates a positive net effect for the country by creating wealth, reducing the price of goods, and allowing the native-born working class to access better-paying jobs.

The Contributions of Migrants

Even though it is hard to put a dollar value on the contribution of immigrants to the U.S. economy, an easy way to conservatively assess this is to go up the chain from remittance outflows. International banks have put much effort in the last two decades to better measure remittances, the money migrants send to family members in their places of origin. The data on remittances challenge the notion that immigrants drain financial resources from the U.S. economy. On the contrary, they serve as a compelling indicator of the significant monetary value generated by immigrants within the country.

Remittances are just one piece of the puzzle when it comes to measuring the value immigrants bring to the economy. The data on remittance flows provides a solid starting point for estimating immigrants' significant financial contributions. It is safe to say that remittances from the U.S. represent less than 4% of the economic output that industries in the United States generate thanks to the labor of the immigrants who remit.[2] Remittances represent just a fraction of the vast value that immigrants contribute through the production of goods and services in the United States.



We estimated how migrant labor impacts the U.S. economy by looking at the total amount of money sent abroad as remittances in 2022, the share of earnings this represents for migrants, and the proportion of overall economic output that these earnings are associated to. A total of \$81.6 billion flowed out of the country in remittances during 2022, according to the World Bank.[3] Additionally, a 2023 survey conducted by the Association of Central Banks of Latin America and the Caribbean found that remittances typically make up 17.5% of migrant workers' incomes.[4] This suggests that migrants collectively earned approximately \$466.5 billion annually excluding benefits and payroll taxes. Then, we calculated that labor costs make up around 21% of total economic output. This calculation is based on the U.S. Census Bureau data on payroll and the U.S. Bureau of Labor Statistics on economic output.[5] **Therefore, we estimate that immigrants who remit contributed to producing goods and services worth over \$2.22 trillion in 2022.**

This means that more than \$2.14 trillion of the value immigrants create with their labor remains within the United States, and less than 4% leave the country as remittances.

Figure 2: Economic Output, Migrants Earnings, and Remittances

Item	Amount (USD)
Economic Output from Migrant Labor	\$2,221,387,755,102
Total Migrants Earnings	\$466,491,428,571
Remittances	\$81,636,000,000

CLALS 2024.

This a relatively low estimate because these figures do not consider the multiplier effects of immigrants' participation in the economy. Immigrants spend most of their income on food, housing, services, taxes, and other expenses in the United States, contributing to overall higher demand. Additionally, many immigrants start businesses and hire others. Some immigrants who arrive also have savings and resources to invest in the U.S., including millionaire investors who get visas because of the cash they invest in the U.S. So the real contribution of immigrants is larger than this figure. Furthermore, [2.2 trillion dollars represents around 8% of the U.S. 2022 GDP of 25.46 trillion US dollars.](#)[6]

As of 2023, there were 2,140,000 migrants actively sending remittances within the United States [6]. Our analysis reveals that these 2.14 million remitters collectively generated \$2.22 trillion in economic output annually. Consequently, on average, each migrant contributes approximately \$1,038,031 to the economy per year. With conservative OMB projections indicating 16,500,000 new migrants entering the country over the next decade [6], this influx represents a substantial boost and a significant increase compared to current levels of economic output. [According to our calculations, the Influx of new immigrants to the United States has the potential to elevate the country's economic output in 2034 by a staggering \\$17 trillion.](#)

The Case for the Freer Movement of People

There is vast evidence that reducing constraints in the flow of goods and capital made the world richer in the 20th century. Some argue that, in the same way, reducing the constraints on the movement of people could be a force that significantly makes the world richer in the 21st century.

Land, labor, capital, and technology are factors of production that facilitate economic growth and wealth creation. The flow of labor globally can improve productivity and increase output. A paper by Michael Clemens estimates what percent of the world's GDP could be gained from removing international barriers for the flow of people by averaging the estimates of existing studies [7]. The removal of barriers to merchandise trade was calculated at around 1.7% of world GDP. The removal of barriers to capital flows came to 0.9% of global GDP. However, for the effects of the removal of barriers to labor mobility, he calculated an expected gain of 108.2% of world GDP.[7] Many others argue about the economic benefits of increasing international labor migration.[8] Tearing down the barriers to the free movement of people internationally would be one of the fastest ways to boost global economic growth.[9] Nevertheless, this is politically unlikely to happen in the short term, and in any case, most of the world population prefers not to migrate and stay close to their families of origin even in areas with open borders.[10]

In the next section, we discuss how migration encourages economic growth in the United States even amidst the current limitations in the free flow of people.

Migration as a Labor Input in the U.S.

The positive economic change that arose in England during the Industrial Revolution was largely a result of migration from rural to urban areas. Countries with prosperous economies today have rich histories of immigration. They have opened their territories to new people leading to increased prosperity. Populations in countries such as Japan and many in Europe are getting older and have no or little economic growth because of low immigration rates.[11] As such, a growing number of European governments now accept that there is a positive economic case for immigration. Notably, Germany has been receiving more foreigners, relative to the size of its population, than the United States.[12]

In the United States, immigration has “generated significant economic benefits for today’s population, including significantly higher incomes, less poverty, less unemployment, more urbanization, and higher educational attainment.”[13] Further, integration efforts and investment in humanitarian support for migrants may be costly in the short term, but in

the long term, will produce immense country-wide economic benefits. Empirically demonstrated by Venezuelan immigrants, in Colombia, “by promptly integrating migrants, the economies of host countries stand to increase their GDP by as much as 4.5 percentage points by 2030.”[14]

Immigrants Fill Labor Gaps

Birth rates are on the decline in the U.S., Western Europe, Japan, Mexico, and China, among other countries.[15] Higher-income countries have rapidly aging populations. By 2050, we will see high-income countries with over 6 elderly persons per 1 child, with low and lower-middle-income countries averaging 1 elderly person per 1 child. Population numbers will continue to decline in higher-income countries due to these demographics, while lower-income countries will grow and/or remain steady with a stable and youthful population.[16] Naturally, population growth and economic growth are highly intertwined, and maintaining a youthful, working-age population is key to continuing to thrive economically.

Migrants and children born from newly arrived migrants might help ameliorate the declining population in rich countries. In the United States, there is population growth thanks to immigration and the children of immigrants—particularly Latin families given that 25% of children in the U.S. are Hispanic.[17] Immigrants keep a country’s aging population younger than it would be without migration.

The COVID-19 pandemic resulted in an additional 7 million deaths worldwide, with 1 million deaths occurring in the United States.[18] This resulted in volatility in the labor market. In April of 2020, we saw 8.3 million workers, which is around 5%, drop out of the labor force.[19] After the return to normalcy, migrant workers have been key to economic recovery. In December of 2023, the size of the labor force was 167.45 million people.[20]

Many industries still cannot find workers, with some estimating that there are 8.8 million unfilled jobs as of November 2023.[21] As exemplified by for-hire signs, we can see this in the restaurants, service, and construction industries, including in the DC-Maryland-Virginia (DMV) area (Figure 3). It is worth noting the inclusion of Spanish on these signs. This is reflective of the large number of Latin American migrants that fill these positions.[22] In the DMV, the maintenance and construction industries are largely dependent on a Central American immigrant labor force.

Immigrant-owned businesses are another sector in which immigrants contribute to the expansion of the U.S. economy and provide jobs to the U.S. labor force. An example of the benefit of immigrant-owned businesses is a concrete pouring company founded by a Salvadoran in Northern Virginia that has provided jobs for dozens of immigrants and native-born workers alike. The company is subcontracted by well-known businesses in the sector and has participated in projects, including MGM Casino at National Harbor, Amazon Fresh, and military bases.



Figure 3: Shows a building in Rosslyn in Arlington, Virginia, just across the river from D.C. with two banners: the one above says, “painter wanted” and “necesitamos pintor” below. The bottom banner says, “trim carpenter wanted” and “necesitamos carpintero de interiores” just below. Photo by Dr. Ernesto Castañeda (2023).

Immigration from Latin America has grown in recent decades and gone from a regional phenomenon concentrated in certain states to multiple new destinations like Atlanta, partly due to voids in low-skilled labor markets in these metro areas (Figure 4).[23] Figure 5 below shows the increase in the percentage of Latin people. One can see a dip in 2020 due to border closures. It is important to note that the growth in Latin population numbers is now mainly driven by Latin individuals born in the U.S. rather than by new arrivals from abroad.

Figure 2: Atlanta Population Data

Year	Latinos/ Total Population
2018	4.60%
2019	4.90%
2020	4.90%
2021	5.80%
2022	5.70%

American Community Survey showing the Hispanic/Latino population and population percentage in Atlanta, GA, for 2018 to 2022.

Figure 2: Nationwide Population Data

Year	Latinos/ Total Population
2018	18.30%
2019	18.40%
2020	18.20%
2021	18.80%
2022	19.10%

Figure 5: U.S. Census Bureau data compilation based on the American Community Survey showing the Hispanic/Latino population and population percentage for 2018 to 2022. The great majority are US-born, naturalized citizens, or authorized immigrants.

Most native-born "low-skilled" workers are often reluctant to switch locations to fill jobs elsewhere, while foreign-born workers are more open to relocating again.[24] Furthermore, there is no conclusive data that immigrants compete for jobs with the native-born, even those without a high school diploma, or that they drive overall wages down.[25] The percentage of the U.S. population that faces such competition is small and would benefit in the long run from the larger, overall gains for the U.S. economy.[26] Research shows that the arrival of a large number of 'low-skilled' migrant workers allows working-class native-born workers to get better jobs.[27]

An increase of more laborers and consumers boosts future GDP gains for the host economy, benefitting the working class through cheaper products and the business sector through increased profits.[28] The important thing here is to create mechanisms to compensate those who might be more prone to negative effects in the short run.

The Cost of Anti-immigrant Policies

Anti-immigration policies do not only close off the pipeline of benefits to the host economy but also create unnecessary costs. Here we discuss two specific examples of this. The first one is the suspension of DACA, the Deferred Action to Childhood Arrivals program.[29] The second is the construction of a border wall and its cost.

DACA allows individuals who arrived in the United States as undocumented children to petition for delayed deportation action and the opportunity to apply for work and residence permits. DACA holders, colleagues, friends, and family members, have proven to be powerful economic contributors. “[They] have added more than \$108 billion in wages to the economy over the last decade and paid \$33 billion in federal, state, local, and payroll taxes. Some 56,000 DACA recipients are also homeowners making \$567 million in mortgage payments each year.”[30] Despite the immense legal challenges DACA continues to face within the United States legal-political system, its success in terms of economic and social growth cannot be refuted.

The effects of building a border wall on migration and economic growth in the U.S. have also proven to be negative. In 2006, George W. Bush passed the Secure Fence Act, which spurred the construction of more fencing at the Southern border of the United States with Mexico.[31] The theorizing of the Bush administration and the supporters of the wall was that it would benefit low-skilled American workers and prevent immigrants from ‘stealing’ their jobs. However, the effects were quite the opposite.[32] The reality of the inclusion of immigrants and migrants in the U.S. labor (and consumer) market is that they bring down the cost of goods and services, increase corporate profits, and have only a very small effect on wages. Some estimates show that between 2007 and 2010, the border fencing resulted in a predicted decrease in immigration but an inconsequential 36-cent increase in workers’ annual income and a \$4.35 annual loss for high-skilled workers.[33] More consequentially, scholars Allen, Dobbin, and Morten estimate that the further wall build-up stopped about 144,256 foreign-born workers from earning money in the U.S.[34] For each migrant lost, the United States’ GDP fell by \$30,000, equaling a loss of over \$2.5 billion.[35] In the end, the United States economy suffered immensely from having a weaker immigrant presence.

Conclusion

The analysis presented supports the premise that migration acts as a pivotal driver of economic growth. Despite prevalent concerns and misconceptions about the negative impact of immigration on the economy, ample evidence demonstrates the contrary. Rather than posing a threat, migration significantly contributes to economic expansion by addressing labor shortages, fostering productivity, and stimulating consumer demand. This paper refutes common misconceptions about the adverse effects of immigration on the working class, revealing that immigrant labor not only complements but also enhances the economic prospects of native-born workers. Migrants play a crucial role in filling labor gaps, sustaining industries, and creating enterprises.

Restricting immigration would detrimentally impact economic growth, diminishing both supply and demand in the labor market. Policies aimed at curbing immigration, the suspension of DACA, or the further construction of border walls and fences, would not only stifle economic contributions from migrants but also incur unnecessary costs for the country.

We argue for the strategic management of immigration to complement labor needs. Governments at different levels can leverage migration to meet labor needs and facilitate migrant inclusion while addressing the social impacts that may raise concerns amongst citizens.[36] Destination countries gain significantly from the contributions of migrants whose skills and attributes strongly match their needs, irrespective of migrants' legal status or motivation.[37] Instead of perceiving immigration as a threat, embracing its potential and leveraging the diverse contributions of immigrants stands as a crucial step in maximizing economic prosperity in the United States in the 21st century.

Find more at:

**<https://www.american.edu/centers/latin-american-latino-studies/>
www.immigraitonlab.org**

References

- [1] Emily Ekins and David Kemp, "Poll: 72% of Americans Say Immigrants Come to the United States for Jobs and to Improve Their Lives," CATO Institute (blog), April 27, 2021,
- [2] U.S. Census Bureau. (2019). County Business Patterns; U.S. Bureau of Labor Statistics. (2022). Output by Major Industry Sector. Note: The percentage of payroll relative to total output was calculated as follows: $(\text{Payroll} / \text{Total Output}) \times 100 = 21\%$. Payroll represents the total compensation paid by U.S. businesses, while total output reflects the value of goods and services produced. It's important to note that this percentage is an estimate based on available data and may vary across different industries and time periods.
- [3] The Global Knowledge Partnership on Migration and Development (KNOMAD)/World Bank, 2023. Remittances Data. <https://www.knomad.org/data/remittances>
- [4] Foro Remesas América Latina y el Caribe, 2023. www.cemla.org/foroderemesas/notas/2023-03-notas-de-remesas.pdf U.S; Baker Institute for Public Policy <https://www.bakerinstitute.org/research/economic-lifeline-how-remittances-usimpact-mexicos-economy>
- [5] U.S. Bureau of Labor Statistics. (2022). Output by Major Industry Sector. <https://www.bls.gov/emp/tables/output-by-major-industry-sector.htm>; Census Bureau. (2019). County Business Patterns, U.S. Bureau of Labor Statistics. (2022). Output by Major Industry Sector. Census Bureau. (2019). County Business Patterns.
- [6] Gross domestic product of the United States from 1990 to 2022 <https://www.statista.com/statistics/188105/annual-gdp-of-the-united-states-since-1990/>; Statista Market Insights. Remittance Users. January 2024. Statista Market Insights; Congressional Budget Office. The Demographic Outlook: 2024 to 2054. <https://www.cbo.gov/publication/59697>
- [7] Michael J. Clemens. "Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?" Journal of Economic Perspectives 25, no. 3 (2011): 83-106, doi:10.1257/jep.25.3.83.
- [8] Paul Krugman, Maurice Obstfeld, and Marc J. Melitz, International Economics: Theory and Policy, 12 Edition, (Pearson: Global Editions, 2022), 71-72.
- [9] The Economist, "The Longest Journey," The Economist (Special Report), August 14, 2018, <https://www.economist.com/special-report/2018/08/14/the-longest-journey>.

References

- [10] Ernesto Castañeda. "Immigrants are only 3.5% of people worldwide – and their negative impact is often exaggerated, in the U.S. and around the world." June 13, 2022. <https://theconversation.com/immigrants-are-only-3-5-of-people-worldwide-and-their-negative-impact-is-often-exaggerated-in-the-u-s-and-around-the-world-184522>
- [11] Ernesto Castañeda. 2020. "Introduction to "Reshaping the World: Rethinking Borders"" Social Sciences 9, no. 11: 214. <https://doi.org/10.3390/socsci9110214>
- [12] Dietz, Joshua, Bulin Li, and Ernesto Castañeda. 2023. "Keeping in Motion or Staying Put: Internal Migration in the United States and China" Societies 13, no. 7: 162. <https://doi.org/10.3390/soc13070162>
- [13] U.S. Bureau of Labor Statistics, "Civilian Labor Force Level – Foreign Born [LNU01073395]," retrieved from FRED: Federal Reserve Bank of St. Louis, December 7, 2023, <https://fred.stlouisfed.org/series/LNU01073395>.
- [14] Paul Krugman, Maurice Obstfeld, and Marc J. Melitz, International Economics: Theory and Policy, 12 Edition, (Pearson: Global Editions, 2022), 99.
- [15] The Economist, "The Longest Journey," The Economist (Special Report), August 14, 2018, <https://www.economist.com/special-report/2018/08/14/the-longest-journey>.
- [16] Ibid.
- [17] Nathan Nunn, Nancy Qian, and Sandra Sequeira. "Migrants and the Making of America: The Short- and Long-Run Effects of Immigration During the Age of Mass Migration," Research Briefs in Economic Policy: CATO Institute, no. 77 (May 31, 2017), 2, <https://www.cato.org/publications/research-briefs-economic-policy/migrants-making-america-short-long-run-effects>.
- [18] Marco Arena et al., "Venezuela's Migrants Bring Economic Opportunity to Latin America," IMF, Country Focus, December 7, 2022, <https://www.imf.org/en/News/Articles/2022/12/06/cf-venezuelas-migrants-bring-economic-opportunity-to-latin-america>.
- [19] United Nations, "World Population Prospects 2022: Graphs/Profiles," United Nations Department of Economic and Social Affairs: Population Division, <https://population.un.org/wpp/Graphs/DemographicProfiles/Pyramid/1503>.
- [20] World Bank, "World Development Report 2023: Migrants, Refugees, and Societies," World Bank, 2023, <https://www.worldbank.org/en/publication/wdr2023>.
- [21] Samantha Cleaver, "25 Meaningful National Hispanic Heritage Month Facts," last modified August 17, 2023, <https://www.weareteachers.com/hispanic-heritage-month-facts/>.

References

- [22] Center for Disease Control (CDC), "Covid Data Tracker," Center for Disease Control, last updated December 4, 2023. <https://covid.cdc.gov/covid-data-tracker/#datatracker-home>.
- [23] U.S. Bureau of Labor Statistics, "Civilian Labor Force Level [CLF16OV]", retrieved from FRED: Federal Reserve Bank of St. Louis, December 6, 2023, <https://fred.stlouisfed.org/series/CLF16OV>.
- [24] Jens M. Krogstad et al., "Key facts about U.S. Latinos for National Hispanic Heritage Month," Pew Research Center, September 22, 2023, <https://www.pewresearch.org/short-reads/2023/09/22/key-facts-about-us-latinos-for-national-hispanic-heritage-month/#:~:text=The%20U.S.%20Hispanic%20population%20reached,increase%20in%20the%20Asian%20population>.
- [25] Cathy Yang Liu, "Latino Immigration and the Low-Skill Urban Labor Market: The Case of Atlanta," *Social Science Quarterly*, 94 (2013): 131-157. <https://doi.org/10.1111/j.1540-6237.2012.00858.x>.
- [26] U.S. Census Bureau, "Atlanta Hispanic Population Data. 2018-2022," Explore Census Data, <https://data.census.gov/>.
- [27] U.S. Census Bureau, "National Hispanic Population Data. 2018-2022," Explore Census Data, <https://data.census.gov/>.
- [28] Brian C. Cadena and Brian K. Kovac, "Immigrants Equilibrate Local Labor Markets: Evidence from the Great Recession," *American Economic Journal: Applied Economics* 8, no. 1 (2016): 287, <http://dx.doi.org/10.1257/app.20140095>.
- [29] Audrey Singer, "Immigrant Workers in the U.S. Labor Force," Brookings, March 15, 2012, <https://www.brookings.edu/articles/the-immigrant-workforce-supports-millions-of-u-s-jobs/>.
- [30] Ibid.
- [31] Uri Dadush, "The Effect of Low-Skilled Labor Migration on the Host Economy," *KNOMAD Working Papers*, April 2014, 14 <https://carnegieendowment.org/files/Effect-of-Low-Skilled-Labor-Working-Paper-1.pdf>.
- [32] Tim Callen, "Gross Domestic Product: An Economy's All," *International Monetary Fund, Finance and Development*, <https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/gross-domestic-product-GDP#:~:text=It%20has%20become%20widely%20used,than%20when%20it%20is%20not>.

References

- [33] U.S. Citizenship and Immigration Services, “Consideration of Deferred Action for Childhood Arrivals (DACA),” United States Department of Homeland Security, last revised September 18, 2023. <https://www.uscis.gov/DACA>.
- [34] Office of the Press Secretary, “Fact Sheet: The Secure Fence Act of 2006,” George W. Bush White House Archives, October 26, 2006, <https://georgewbush-whitehouse.archives.gov/news/releases/2006/10/20061026-1.html>.
- [35] Treb Allen, Cauê Dobbin, and Melanie Morte, “Border Walls,” National Bureau of Economic Research, November 2019, https://web.stanford.edu/~memorten/ewExternalFiles/Allen_Dobbin_Morten_BorderWalls.pdf.
- [36] World Bank, “World Development Report 2023: Migrants, Refugees, and Societies,” World Bank, 2023, <https://www.worldbank.org/en/publication/wdr2023>.
- [37] World Bank, “World Development Report 2023: Migrants, Refugees, and Societies,” World Bank, 2023, <https://www.worldbank.org/en/publication/wdr2023>.



Center for Latin American & Latino Studies
American University
4400 Massachusetts Ave., NW Washington,
DC 20016-8137

clals@american.edu

www.american.edu/clals



[www.facebook.com/
CenterForLatinAmerican
AndLatinoStudies](https://www.facebook.com/CenterForLatinAmericanAndLatinoStudies)



[@AU CLALS](https://twitter.com/AU_CLALS)



[CLALS YouTube Channel](https://www.youtube.com/CLALSYouTubeChannel)