

The Immigration Lab

Working Paper: Methodological Appendix

Asylum Seekers Will Contribute Billions to New York's Economy

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The busing and arrival of immigrants and asylum seekers following the pandemic and until the end of 2024 have frequently been portrayed as an economic burden on New York City. Much attention has been paid to the immediate cost of housing new arrivals.

However, little has been paid to the long-term economic impact of adding over 282,000 workers and consumers to the city's economy. This population will continue to work, spend money, pay taxes, and consume public services in New York long after they fade from the headlines.

For this reason, we sought to provide rough estimates for two main figures. First, how much would asylum seekers contribute to New York's economy in a typical year? This estimate includes both their wages, which are spent predominantly at New York businesses, and their impact on worker productivity and employer revenue.

Second, how would asylum seekers impact state, local, and federal budgets in the long term? We draw on previous literature to estimate the taxes paid and benefits received over the course of a typical asylum seeker's lifetime.

We provide floor figures, using the most conservative estimates and assumptions. We assume that this population has low education levels and will work similar occupations to the city's undocumented population. We also assume they will obtain legal status and thus qualify for public benefits. Our estimates focus on asylum seekers themselves; they do not include the costs and contributions of any children they may have in the US.

Our figures are very imprecise, but it's clear that the economic benefits will be large. We estimate that asylum seekers will contribute \$8.7 billion annually to the city's economy. In a typical year, they will pay around \$856 million more in taxes than they receive in benefits at the state, local, and federal levels.

These figures do not include the care, creativity, ingenuity, and humanity contributed by all these unique individuals. Like all previous waves of immigrants, some of them and their children will go

on to become Broadway stars, novelists, scientists, or other figures with large contributions to the life of the city and the country.

Part 1: Fiscal Impact

Previous studies of the fiscal impact of immigrants and refugees ([Blau et al 2017](#), [DHHS 2017](#), [Orrenius 2017](#), [Smith 2018](#), [Nowrasteh et al 2023](#), [DHHS 2024](#)) all conclude that immigrants, regardless of education level, have a net positive fiscal impact for the federal government but a net negative fiscal impact for state and local governments. The latter is primarily due to the cost of educating their children, who are often U.S.-born citizens. When looking only at the fiscal impact of the immigrants themselves, it tends to be positive at all levels of government.

[Clemens \(2022\)](#) calls the inclusion of the costs of immigrants' children "an error of method", as it accounts for the cost of educating Americans and ignores their future economic contributions. Using the estimate from [Card \(2001\)](#) that each year of schooling increases median annual wages by 10%, Clemens estimates that each additional year of public K-12 education costs \$12,162 but increases future tax revenue by \$30,040--a return on investment of 238%. Clemens notes that this estimate, "is conservatively low because it counts only fiscal benefits from positive effects of education on labor market performance, not by any other channel such as reducing incarceration rates (Lochner 2020) or reducing the usage of public benefits such as welfare or unemployment insurance when educated children become adults" (Clemens 2022, p14).

Further, public school enrollment in NYC was declining rapidly prior to 2022 because of the pandemic and families moving outside of NYC proper because of the cost of living. School enrollment has stabilized largely due to the arrival of 50,000 asylum seeker students ([DOE 2024](#)) saving some school jobs. However, total enrollment remains over 100,000 students below 2020 levels. Therefore, NYC public schools are not being overwhelmed with more students than they can handle. Enrollment of migrant children may prevent the city from cutting education spending but is very unlikely to push spending levels above previous norms.

Some studies show that the adult children of immigrants have a very positive fiscal impact, more so than both adult immigrants themselves and other US-born adults. (Blau et al 2017, Boustan and Abramitzky 2022). Blau et al. found that "At any given age, adult members of the second generation typically have had a more positive net fiscal impact for all government levels combined than either first or third-plus generation adults" (p404). However, because of the difficulty of assessing how many students will stay in New York as adults, we have decided to exclude both the cost and contributions of second-generation Americans from our calculations and focus entirely on asylum seekers themselves.

Blau et al. (2017) estimate the net present value of immigrants depending on education level and age upon arrival in the US. They exclude public goods in their calculation of benefits. A new immigrant with less than a high school education pays \$272,000 in direct taxes over an average working lifetime of 25.8 years and receives \$381,000 in benefits. A new immigrant with only a high school education pays \$365,000 in taxes over the same average working lifetime and receives \$354,000 in benefits. This calculation does not include the indirect impact of immigrants on economic activity.

Using [Naidu et al \(2018\)](#)'s conservatively high estimate of a labor share of $\frac{2}{3}$ (meaning wages amount to $\frac{2}{3}$ of the value produced by labor), and [Saez and Zucman \(2019\)](#)'s estimate of a 25% effective tax rate on both labor and capital, Clemens estimates that an additional \$136,041

in tax revenue comes from capital generated as a result of labor by immigrants without a high school degree.

[Gutierrez and Piton \(2020\)](#) and [Yeh et al \(2020\)](#) conservatively estimate that \$0.50 of capital is generated for every \$1 paid in wages. [Colas and Sachs \(2020\)](#) estimate that an immigrant without a college education provides an annual indirect fiscal benefit of \$1,065 due to the higher productivity of more educated workers, who use immigrant labor for lower paying tasks. Accounting for this increased productivity, capital generation, and the cost of asylum proceedings, Clemens estimates that each immigrant without a high school degree has a net present value of \$47,754. The same calculation for immigrants with only a high school degree yields a lifetime net present value of \$220,840.

To find the specific effects on the finances of New York, there are a few steps we can take to build on Clemens' estimate:

Step 1: Disaggregating by level of government

- According to [Department of Health and Human Services' 2017 report](#), 75% of spending on refugees came from the federal government. Since we are focusing on asylum seekers, not refugees, we can subtract expenditures by the Office of Refugee Resettlement. This brings the federal share of spending to 73.67%
- Using IRS data on [income tax brackets](#) and [FICA contributions](#), we can calculate the effective federal tax rate for a New York resident making \$35,169 (the median for a low-education, documented immigrant).
 - Income tax: $0.1 * 11,000 + 0.12 * 24,169 = 3,666$
 - $3,660 / 35,169 = 11.37\%$
 - FICA contribution: 14.9%
 - Effective federal tax rate: $11.37\% + 14.9\% = 26.27\%$
- The [Institute on Taxation and Economic Policy](#) estimates that undocumented immigrants, if given full legal status, would pay an effective state and local tax rate of 9.9%.
- Therefore, the share of a typical asylum seeker's taxes going to the state/local level can be calculated as,
 - $.099 / (.099 + .2627) = .2737$

High school degree	Federal	State/local	Total
Taxes	$.7263 * 574,480 = \$416,106.95$	$.2737 * 574,480 = \$157,373.05$	\$574,480

Benefits	$.7367 * 354,000 = \$260,791$	$.2633 * 354,000 = \$93,208.20$	\$354,000
Net	$416,106.95 - 260,791 = \$156,315.15$	$157,373.05 - 93,208.20 = \$64,164.85$	\$220,480
No high school degree	Federal	State/local	Total
Taxes	$.7263 * 428,754 = \$311,301.13$	$.2737 * 428,754 = \$117,452.87$	\$428,754
Benefits	$.7367 * 381,000 = \$280,682.70$	$.2633 * 381,000 = \$100,317.30$	\$381,000
Net	$311,301.13 - 280,682.70 = \$30,618.43$	$117,452.87 - 100,317.40 = \$17,135.57$	\$47,754

Step 2: Adjusting for different earning and spending levels in New York

- While useful, the figures used by Blau and Clemens are nationwide, and New York is obviously different from other states. To assess the fiscal impact of asylum seekers in New York, we need to account for both New York's higher taxable earnings and its more generous safety net programs, many of which are available to noncitizens.
- According to the [Bureau of Labor Statistics](#), wages in New York are 27% higher than the national average.
- According to the [Tax Policy Center](#), state and local government spending per person, including public goods, is \$11,807 nationwide and \$15,899 in New York. This makes New York's per capita public expenditure 43.4% higher than the national average.
- Applying both figures:

High school degree	Federal	State/local	Total
Taxes	$1.27 * 417,106.95 = \$529,725.83$	$1.27 * 157,373.05 = \$199,863.78$	$1.27 * 574,480 = \$729,589.60$
Benefits*	\$260,791.80	$1.434 * 93,208.80 = \$133,660.56$	$133,660.56 + 260,791.80 = \$394,452.36$
Net	$529,725.83 - 260,791.80 = \$268,934.03$	$199,863.78 - 133,660.56 = \$66,203.22$	$729,589.60 - 394,452.36 = \$335,137.24$
No high school degree	Federal	State/local	Total
Taxes	$1.27 * 416,106.95 = \$311,301.13$	$1.27 * 117,452.87 = \$149,165.15$	$1.27 * 428,754 = \$544,517.58$

Benefits	\$280,682.70	$1.434 * 100,317.30 =$ \$143,855.01	280,682 + 143,855.01 = \$424,537.71
Net	311,301.13 - 280,682.70 = \$114,669.73	149,165.15 - 143,855.01 = \$5,310.14	544,517.58 - 424,537.71 = \$119,979.87

*Assuming federal benefits are constant regardless of where the recipient lives

Step 3: Aggregating different education levels

- For this, we will use a very conservative estimate of education levels: 50% of asylum seekers have a high school degree only, and the other 50% have less than a high school degree. (based on [Blau et al 2017](#))

	Federal	State/local	Total
Taxes	$0.5 * 529,725.83 + 0.5 * 311,301.13 =$ \$462,539.13	$0.5 * 199,863.78 + 0.5 * 149,165.15 =$ \$174,514.46	$0.5 * 729,589.60 + 0.5 * 544,517.58 =$ \$637,053.59
Benefits	$0.5 * 260,791.80 + 0.5 * 280,682.70 =$ \$270,737.25	$0.5 * 93,208.80 + 0.5 * 143,855.01 =$ \$138,757.78	$0.5 * 394,452.36 + 0.5 * 424,547.71 =$ \$409,495.03
Net	$0.5 * 268,934.03 + 0.5 * 114,669.73 =$ \$191,801.88	$0.5 * 66,203.22 + 0.5 * 5,310.14 =$ \$35,756.68	$0.5 * 335,137.24 + 0.5 * 119,979 =$ \$227,558.56

Step 4: Summing the impact

- $282,315 * 191,801.88 =$ \$54,148,547,752.2 in 75-year net present value for the federal government
 - $54,148,547,752.2 / 75 =$ \$721,980,636.7 in annual net value for the federal government
- $282,315 * 35,756.68 =$ \$10,094,647,114.2 in 75-year net present value for New York City and State
 - $10,094,647,114.2 / 75 =$ \$134,595,294.9 in annual net value for New York City and State
- $282,315 * 227,588.56 =$ \$64,251,664,316.4 in total 75-year net present value

Part 2: Economic Contributions

- A key assumption of this calculation is that asylum seekers resemble undocumented immigrants in demographics, employment, and earnings. We make this assumption in

part based on the fact that the two are frequently lumped together in public discourse, have similar characteristics and take on similar jobs.

- A 2017 New York City mayoral study found that undocumented immigrants make a median wage of \$25,300 with a labor force participation rate of 76.6% ([Mayor's Office of Economic Opportunity 2017](#)).
- According to the [Bureau of Labor Statistics inflation calculator](#), 2024 prices exceed 2017 prices by 28%. The median wage in 2024 dollars would be $1.28 * 25,300 = \$32,384$.
- [Borjas and Cassidy \(2019\)](#) estimate an 8.6% wage penalty for undocumented workers after accounting for demographic factors. Therefore, the median wage for documented workers who otherwise resemble the undocumented would be $1.086 * 32,384 = \$35,169$.
- NYC's [unemployment rate](#) was 5.2% in August 2024. Subtracting this from the 76.6% labor force participation rate, we can multiply the median earnings of asylum seekers by 0.714.
- $0.714 * 35,169 = \$25,110.66$ in annual wages per working-age asylum seeker.
- We use Nadia et al's method to estimate the additional capital generated as a result of this labor as follows: $(1/.666 - 1) * \$25,110.66 = \$12,593.04$ in additional capital generated per working-age asylum seeker.
- In addition, we have Colas and Sachs' finding that each non-college educated immigrant generates \$1,065 in taxes on added productivity of educated workers. Very conservatively assuming this labor is taxed at the same rate as labor of low-skilled documented immigrants (it would in reality be taxed at a higher rate due to the progressive tax system), we could calculate the total increase in productivity as $\$1,065 * (1/ (.099 + 0.262394)) = \$2,946.92$.
- Adjusting for employment rates, $0.714 * 2,946.92 = \$2,104.10$.
- Total annual economic contribution = $\$2,104.10$ (higher productivity of educated workers) + $\$13,510.17$ (additional capital generated) + $\$25,110.67$ (wages) = $\$39,807.81$ per working-age asylum seeker per year.
- **219,524 working age adults * \$39,807.81 = total annual contribution of \$8,738,801,590.**

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