



Insight

Economic Benefits of Immigration

MAY 10, 2021

- Through a variety of mechanisms, immigrants boost the economy, with the result that immigrants contributed 15 percent to the economy between 1990 and 2016.
- Immigrants not only increase aggregate demand and the size of the labor force but also boost productivity in a way that raises wages for everyone.
- Immigrants are net contributors to both federal and state budgets.

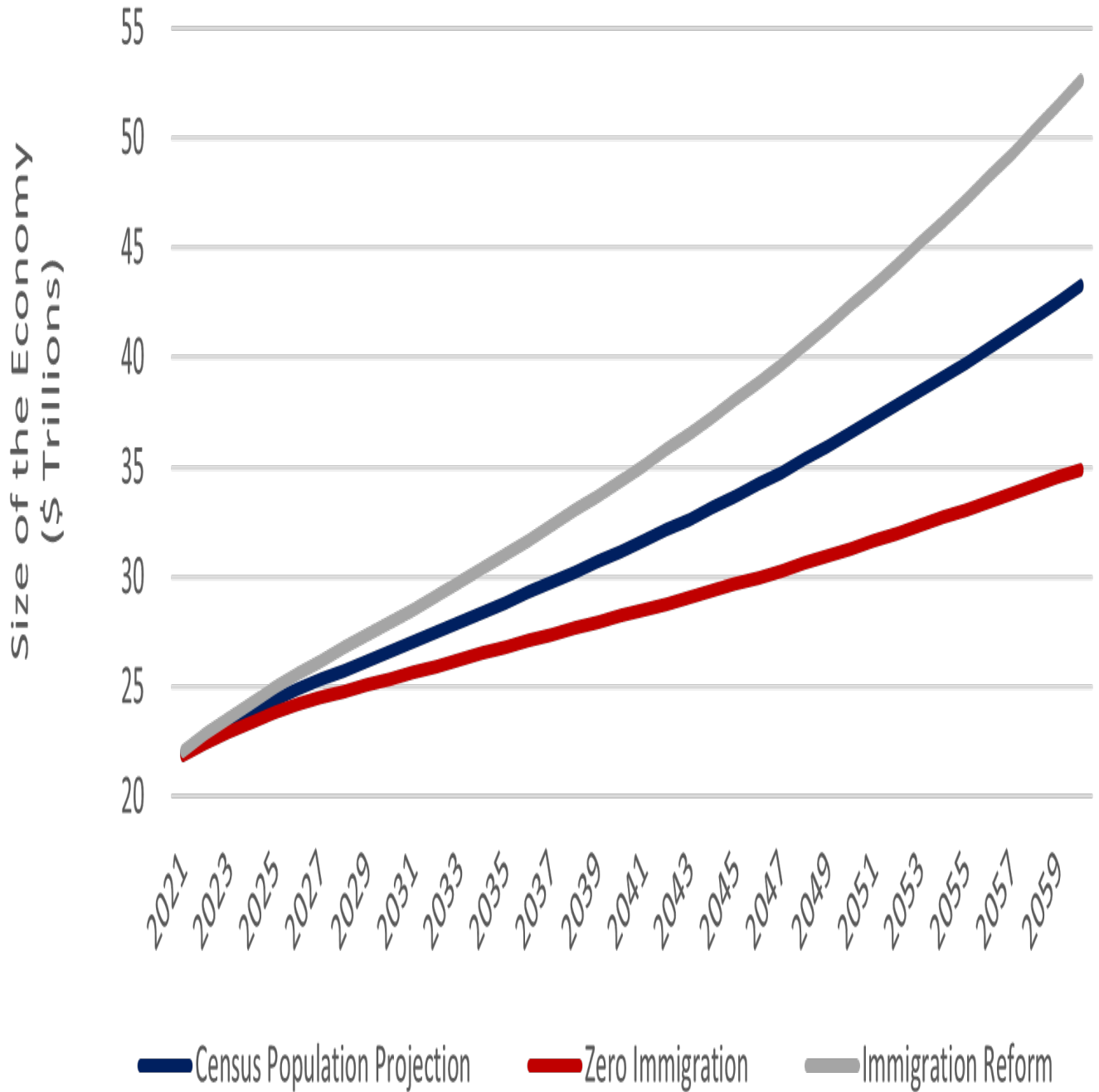
The Economic Benefit of Immigration

Between 1990 and 2016, the size of the economy would have been approximately 15 percentage points lower without immigration, according to one [study](#). [Research consistently finds](#) that immigrants contribute to the economy in a variety of ways.

Consumption and Work

One obvious way that immigrants boost the economy is through consumption. Recipients of Deferred Action for Childhood Arrivals (DACA)—only one class of immigrant—provide \$40 billion in economic activity annually. But immigrants also contribute to the economy by working. Not only do immigrants add to the overall labor force, but foreign-born workers have higher [labor-market participation rates](#) (65.2 percent) than native-born workers (62.8 percent), compounding the benefits of immigration.

Immigration Increases the Size of the U.S. Economy



Entrepreneurship and Specialization

Immigrants spur higher productivity in a couple of ways. One is through entrepreneurship. Immigrants are disproportionately more likely to start their own business, and in 2020, 44 percent of the Fortune 500 companies were founded by immigrants or their children, with these companies employing 62,000 workers on average.

Immigrants also spur productivity gains through specialization. A [study](#) from the National Bureau of Economic Research found that immigrants have different skill sets and preferences than U.S.-born workers, leading them to specialize in different types of jobs. This boost to productivity translates to wage gains for native-born workers as well as immigrants.

Taxes and Spending

Immigrants are also a net benefit to federal and state budgets. First-generation immigrants might initially cost more, but that trend is reversed for subsequent generations. One [study](#) found that second-generation immigrants are “among the strongest economic and fiscal contributors in the U.S. population, contributing more in taxes than either their parents or the rest of the native-born population.” DACA recipients provide nearly [\\$3 billion](#) to the Treasury.

This brief is adapted from “[Building a Pro-Growth Legal Immigration System](#),” AAF’s immigration-reform proposal.