



# LEFT ON THE TABLE: THE UNREALIZED ECONOMIC POTENTIAL OF THE UNDOCUMENTED POPULATION

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## Introduction

Undocumented immigrants living in the United States have been an important and often unrecognized driver of the economy for decades. These residents are fully engaged in economic activities that produce wealth and contribute to the well-being of American society. They play an especially vital role in the construction and agriculture sectors of the U.S. economy, as well as the entertainment, arts, recreation, accommodation, and food service industries. Undocumented immigrants are also frequently business owners, and nearly all are taxpayers, paying income and sales taxes to the local, state, and federal governments. However, much of the immigration debate centers on the costs of providing public services to these individuals and ignores the benefits they generate.

Several studies have already shown that the economic benefits produced by undocumented immigrants are greater than their cost to society at large. Studies have also shown that deporting undocumented immigrants would have a negative impact on the U.S. economy.<sup>1</sup> Even limiting their participation in key economic activities, such as the financial sector, would restrict their economic contributions. For example, a major ceiling on the economic potential of undocumented immigrants is their lack of access to the banking system to obtain credit and mortgages. Having access to credit would provide them with financial stability to further their own wealth as well as that of the country, since they could make financial plans to buy homes, vehicles, or pay for their children's higher education. Tapping into these resources would result in a further expansion of the U.S. economy and boost economic growth in the mid- and long-terms. By limiting what this population can do economically and financially, we are also limiting additional growth in the U.S. economy.

The objective of this study is to estimate the economic impact that undocumented immigrants would have on the financial system and the economy at large if they had access to credit and the U.S. banking system. This paper will also analyze the impact of their inclusion in the health care system and housing market and will project these impacts on the overall U.S. economy. There is a double urgency to calculating these impacts. First, there is a crucial need for a more informed political debate over the fate of the 10.7 million undocumented immigrants living in the United States. Second, given that the United States is faced with an increasingly older workforce and stagnating population growth, the country will need immigrants to stay and work in the U.S. and may even need to increase immigration in the future. Deporting undocumented workers—who tend to be young, economically active taxpayers with the potential to create new jobs and businesses and to generate new products and technology—could be counterproductive.

This paper further hypothesizes that the legalization (temporary or permanent) of undocumented immigrants and their inclusion in the banking system, the health care system, and the housing market would produce a positive ripple effect in the economy, leading to a “win-win” outcome for both the unauthorized population and the United States as a whole. Therefore, the central question of this paper is, “Will the U.S. economy benefit from the inclusion of undocumented immigrants in the banking, health care, and housing sectors?”

## Literature Review

Several past studies estimate the economic benefits of providing legal status to undocumented immigrants. Some even provide evidence demonstrating that undocumented immigrants working in the United States are earning much less than their potential, paying much less in taxes, and contributing less to the U.S. economy than they would be able to, if they had legal status or a path to citizenship.<sup>2</sup> Other studies reveal that the economic benefits are even greater if undocumented immigrants have the opportunity to earn citizenship, rather than merely gaining legal status.<sup>3</sup> The main reason for this is that immigrants who earn citizenship have greater certainty in their status and feel freer to invest in homeownership, a business, or education. Additionally, many jobs are only open to U.S. citizens, and citizenship signals to employers that an individual can live and work in the United States and is committed to staying—which also means that the individual is more likely to get future promotions. All of these studies suggest that if the U.S. government does not provide undocumented individuals the opportunity to earn citizenship, or opts for a kind of legal status short of citizenship, it is capping the potential economic and fiscal benefits produced by this population.

The Institute for Taxation and Economic Policy estimates that allowing undocumented immigrants to work legally in the country would increase their state and local tax contributions by \$2 billion a year, totaling \$12.7 billion.<sup>4</sup> Other studies have shown that giving undocumented individuals the opportunity to earn citizenship boosts wages and income significantly, stimulating the U.S. economy in turn.<sup>5</sup> These wage gains would have a multiplier effect on the economy since undocumented immigrants are not only workers—they are also consumers and taxpayers. They would likely spend their increased earnings buying more goods and services, which would stimulate aggregate demand and expand the economy.

Another study by Lynch and Oakford estimates the direct wage premium that would result from granting citizenship to undocumented immigrants, based on the direct impact of higher labor productivity and the indirect effects of higher spending throughout the economy. The study found that the economic benefits of citizenship are approximately 68% greater than those of legalization alone.<sup>6</sup> But both scenarios (citizenship and legalization) are predicted to have significant gains for the U.S. economy in terms of growth, earnings, tax revenue, and jobs. In the scenario of granting legal status to undocumented immigrants within 10 years, gross domestic product (GDP) would increase by \$832 billion, personal income by \$470 billion, and state and federal taxes by \$109 billion. Meanwhile, granting citizenship to undocumented immigrants within 10 years would increase GDP by \$1.4 trillion, personal income by \$791 billion, and state and federal taxes by \$184 billion. Lynch and Oakford also pointed out that the sooner the federal government grants legal status and citizenship to undocumented immigrants, the greater the economic benefits for the country.<sup>7</sup>

Hinojosa-Ojeda analyzed two scenarios: a comprehensive immigration reform that would create a pathway to legal status, and a temporary worker program that would not include a

pathway to permanent status. He found that comprehensive immigration reform would generate the greatest benefits for the U.S. economy, with an increase in U.S. GDP of at least 0.84%. Over a 10-year period, this would amount to a cumulative \$1.5 trillion in additional GDP. This scenario would also enhance wages for both native-born and newly legalized immigrant workers. The second scenario would generate an increase in U.S. GDP of 0.44%. This would translate into \$792 billion of cumulative GDP over 10 years. However, in this case, wages would decrease for both native-born and newly legalized workers.<sup>8</sup>

If these studies are correct, the U.S. economy could benefit greatly, as long as paths to legal status and citizenship are provided for all or most undocumented immigrants who have already been residing in the United States for anywhere between five and 30 years.

Still, there are further issues to examine. One of them is how the inclusion of the undocumented population in some markets (to which they currently do not have much access) would affect the U.S. economy. What would happen if undocumented individuals became legal residents or citizens? Would the economy benefit if these individuals had access to the U.S. banking system and financial credit? If they are able to earn more, invest more, and consume more, what kind of boost would consumer markets see? This paper tackles these questions and analyzes the economic impact of the inclusion of undocumented individuals in the banking system, as well as in the health care sector and the housing market.

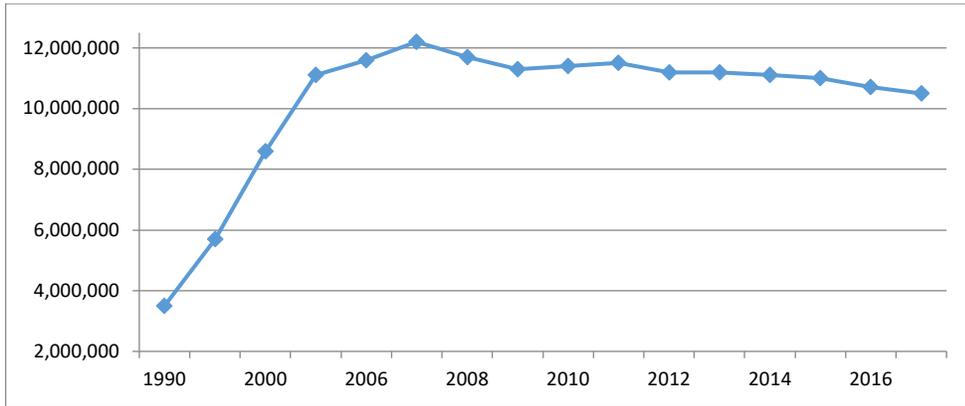
## Undocumented Resident Demographics

The population of the United States increased by 13.4% from 1990 to 2000, by 9.9% from 2000 to 2010, and by 6.11% from 2010 to 2019. The population of foreign-born residents grew 58.2% from 1990 to 2000, 28.2% from 2000 to 2010, and 12.5% from 2010 to 2019.<sup>9</sup> The foreign-born population has been growing faster than the total U.S. population in the last 20 years—a 44.3% increase compared to the 16.6% increase of the total U.S. population. However, the foreign-born population has been growing at a decreasing rate. Indeed, this population growth has been slowing in recent years due to more rigorous anti-immigration laws and increased regulations for entering the United States. In particular, during the administration of former President Donald Trump and while the coronavirus pandemic was ongoing, strict barriers were established to reduce the entry of foreigners into the country.

Undocumented immigrants are part of the foreign-born population. Other groups that comprise this population are legal permanent residents, legal temporary residents, and humanitarian-visa residents. In 2018, the Migration Policy Institute (MPI) estimated the number of unauthorized immigrants in the United States to be 10.9 million (representing around 3.4% of the total U.S. population).<sup>10</sup> In 2017, the Pew Research Center estimated that the number of undocumented immigrants was 10.5 million.<sup>11</sup> These figures are similar, and even though the number of undocumented immigrants entering the U.S. has slowed in recent years (Figure 1), the total number of undocumented immigrants remains high. And, regardless of being a vital part of the U.S. economy, undocumented immigrants have fewer rights, are without health services, and lack a voice in U.S. politics.

The total number of undocumented immigrants in 2017 represented a drop of 13.9% from the highest level in 2007. This differs from the trend of the U.S. lawful immigrant population, which has continued to grow and represented 35.2 million people in 2017.<sup>12</sup>

**Figure 1.** Undocumented Immigrant Population, 1990-2017

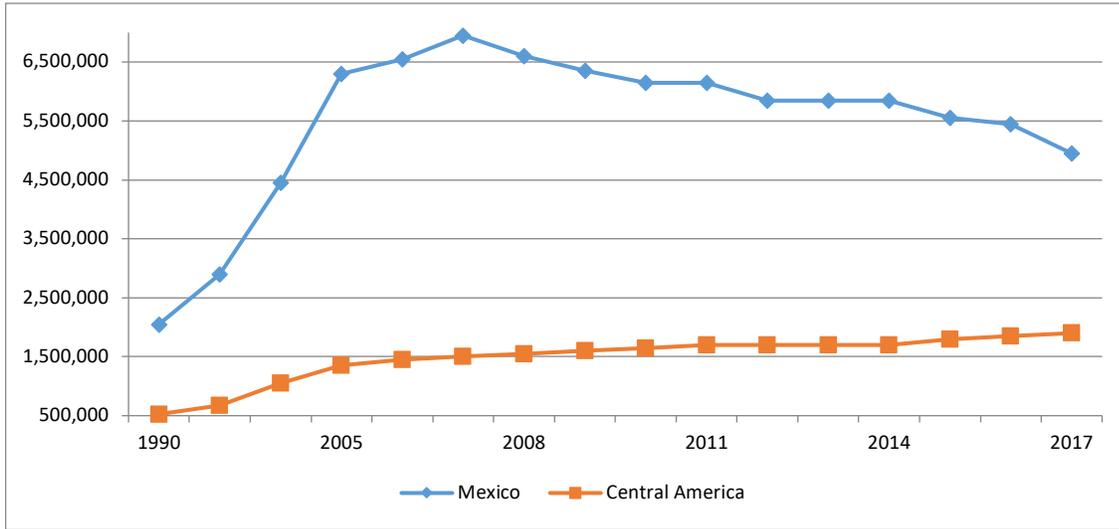


Source: Pew Research Center, “Unauthorized immigrant population trends for states, birth countries and regions,” June 12, 2019, <https://www.pewresearch.org/hispanic/interactives/unauthorized-trends/>.

The states with the most undocumented immigrants are California, Texas, New York, and Florida. These states account for more than half of all undocumented immigrants in the country (54.2%). On the other hand, the states with the fewest undocumented immigrants are Vermont, Montana, North Dakota, and West Virginia (0.2% of all undocumented immigrants).<sup>13</sup>

Of all unauthorized immigrants, 68% were born in Mexico or Central America, 14% in Asia, and 7% in South America.<sup>14</sup> According to the Pew Research Center, the number of undocumented immigrants from Mexico has declined since 2007, largely because more Mexican immigrants have left the United States than have arrived. However, the arrival of undocumented immigrants from other countries has offset the decline of Mexican immigrants in the U.S. labor market. This scenario suggests that a growing number of undocumented immigrants are not crossing the border illegally, but instead are arriving on legal visas and overstaying their required departure dates. Meanwhile, the number of undocumented immigrants from Central America has grown, but the rate is still low (Figure 2). Mexicans still account for the majority of undocumented immigrants in the United States, representing 51% of the total undocumented population, followed by unauthorized immigrants from El Salvador (7%), Guatemala (5%), Honduras (4%), and India (4%).<sup>15</sup>

**Figure 2.** Undocumented Immigrant Population coming from Mexico and Central America, 1990-2017



Source: Pew Research Center, “Unauthorized immigrant population trends for states, birth countries and regions,” June 12, 2019, <https://www.pewresearch.org/hispanic/interactives/unauthorized-trends/>.

Undocumented immigrants account for roughly 4.4% of the labor force in the United States. They are more likely to work in low-wage sectors such as construction (20%) or the accommodation and food services (17%). They also work in professional, scientific, management, and administrative services (14%), manufacturing (10%), and retail (8%).<sup>16</sup>

According to MPI estimates in 2017, 60% of all undocumented residents in the United States have been in the country for 10 years or more, 19% for between five and 10 years, and 21% for less than five years. In 2017, undocumented immigrants had lived in the United States for a median of 15.1 years.<sup>17</sup> Adults comprised the largest number of unauthorized immigrants (95%), and males represented 54% of all undocumented immigrants in the country. Only a small percentage of undocumented immigrants over the age of 25 had a professional degree (19%). Forty-three percent of undocumented residents did not speak English, and the majority spoke Spanish at home (73%). Thus, the lack of a higher education and English language skills likely generated barriers that prevented them from working in high-skilled jobs. Consequently, they were more likely to work in low-skilled jobs with lower wages. Despite this, there were more undocumented immigrants living well above the poverty line—43%—than there were living under it (26%) in 2017. Additionally, a minority of undocumented residents were unemployed (5%).<sup>18</sup> There were also fewer unauthorized immigrants in the labor force in 2017 than a decade earlier, and in 2017, undocumented immigrants constituted 4.6% of the workforce compared to 5.4% in 2007.<sup>19</sup> Finally, 52% of these individuals were uninsured, and 29% owned a house.<sup>20</sup>

These statistics help us to understand this population and reveal that most undocumented immigrants are in a better economic position than they were in their country of origin. However, some of these statistics also reveal unintended consequences, such as the lack of health insurance among undocumented individuals. Many delay or go without needed medical care because of the high costs or because they do not qualify for medical programs. Others are afraid of being deported if they decide to visit a health care center. By delaying or forgoing medical attention, their health outcomes become worse, and if they wait to seek help until their condition becomes severe, they could face long-term, expensive treatments and a lower probability of survival.

The fact that most undocumented immigrants hold jobs and live above the poverty line tells us that they are here to improve their economic situation and, by default, that of the country. However, they could be better off if they had access to credit, mortgages, or better jobs. Since they do not have legal status or citizenship, this cannot happen and affects both their economic well-being and that of the United States.

The following sections analyze how including undocumented immigrants in the financial sector—such as the insurance and housing credit sectors—would improve the U.S. economy. The inclusion of undocumented individuals in the financial sector is contingent on providing them a pathway to legal status or citizenship in the country. This analysis is based on these potential scenarios and also provides an estimate of the gains the country as a whole would obtain in each situation.

## **Data and Methodology**

This paper analyzes the unrealized economic potential of the undocumented population. Since they are not citizens or a part of the legal population of the United States, they cannot normally access the banking system, the health insurance market, or the housing market. But, allowing them to participate in these markets would likely generate gains for the American economy. The following sections discuss the data, methodology, and reasons for these potential gains. Finally, the impact of including undocumented immigrants in these sectors is estimated.

### *1. Financial System*

The Federal Deposit Insurance Corporation (FDIC) conducts a survey every two years to estimate, among other things, the number of households that are “unbanked” or do not have a checking or savings account at a bank in the United States. Formally, the unbanked are people who do not have a transaction account with a traditional financial institution, such as a commercial bank, a credit union, or a thrift institution. Being unbanked means that these individuals choose to stay out of conventional banking and are losing access to credit. In 2019, the FDIC survey revealed that 5.4% of U.S. households—roughly 7.1 million—were unbanked.<sup>21</sup> However, if we decompose this variable by different population groups, the results vary significantly. Households comprised of U.S. citizens had an estimated 4.8% that were unbanked, while an estimated 3.8% of foreign-born households

whose members had achieved citizenship were unbanked. Meanwhile, approximately 14.6% of foreign-born, noncitizen households were unbanked in 2019.<sup>22</sup>

Being unbanked is related to various unfavorable socioeconomic conditions, such as poverty and lower levels of education and income in comparison to banked people.<sup>23</sup> Minority groups are more likely to be unbanked, and those who are banked have more diverse opportunities for participating in the economy. They can save money and invest that money in different goods and services such as buying a house or paying for their children's college education. They are better equipped to face unforeseen health events or difficult financial situations, such as the economic slump caused by the COVID-19 pandemic. Banked individuals can also help local communities by using credit to support residential and business financing. As a result, money flows into the economy due to a higher level of investment, saving, and consumption. The plausible result of an increase in banked households is positive. As investment, consumption, and saving increase, GDP must also increase, and with that, economic growth.

Some people believe that undocumented immigrants should not have any access to bank accounts or other traditional financial services.<sup>24</sup> Despite the lack of hard evidence, they believe that allowing undocumented immigrants this access encourages more people to enter and remain illegally in the country. However, if undocumented immigrants do not have access to the banking system, it puts them at a disadvantage since alternative credit options available to them are scarce and quite expensive. Moreover, they cannot have financial stability or plan their future investments. They must rely on payday loans, check cashing services, money orders, and pawn shop loans. The cost of credit for them—considering that they are usually living in low-income households—is higher than for middle-income and high-income individuals. The banking system also loses large amounts of money that undocumented immigrants could deposit in the system. Since this group lives mostly in the shadows, there are no official records of the number of undocumented immigrants who are unbanked. Thus, we have to estimate this figure using data from other studies and institutions.

Undocumented immigrants do not need to have a social security number to open a bank account, obtain a bank loan, or even get a credit card. Many institutions only ask them to have an individual taxpayer identification number (ITIN). However, many undocumented immigrants prefer not to get an ITIN, since they think it could be difficult to obtain or that providing personal information could lead to their detention and deportation. Additionally, many of them do not speak English well or at all (43%),<sup>25</sup> which is an obstacle to understanding the characteristics of different financial products. Thus, unauthorized immigrants prefer not to obtain financial products and not to enter the U.S. banking system.

To estimate the number of undocumented immigrants who are unbanked, different scenarios must be considered. Nathalie Martin, a professor of law at the University of New Mexico, recently conducted a survey of undocumented immigrants in New Mexico and their banking and credit habits. She established that the number obtained for this unbanked group was very close to the figure obtained in the 2013 FDIC National Survey of Unbanked and Underbanked Households—specifically the percentage of households that were unbanked and only spoke Spanish.<sup>26</sup>

Following Martin, we assume that the FDIC figure is a good estimate of undocumented immigrants in the United States. Of course, this number does not include people from other countries who do not speak Spanish. However, around 80% of undocumented immigrants come from predominantly Spanish-speaking countries.<sup>27</sup> In the 2017 FDIC study, the percentage of unbanked households where only Spanish was spoken was about 24.4%.<sup>28</sup> Thus, the first estimate of unbanked undocumented immigrants in the United States is 25%.

Next, we focus only on undocumented Mexican immigrants. They are usually unlikely to have a bank account or use other financial services in the United States compared to other groups.<sup>29</sup> According to data from the Mexican Migration Project, among Mexican undocumented immigrant household heads whose last trip to the United States was after the 2000s, only 10% had a U.S. bank account.<sup>30</sup> Thus, the second estimate for unbanked undocumented immigrants in the United States is 90% (only Mexicans). Finally, assuming that the two values mentioned before are the upper and lower limits for the unbanked undocumented population, we will use the midpoint as the third scenario. Our third estimate of unbanked undocumented immigrants in the U.S. is therefore 58%.

To calculate the economic impact of moving undocumented immigrants from unbanked to banked to meet the banked levels of U.S.-born citizens, foreign-born citizens, and foreign-born noncitizens, we need the average balance that households have in their bank account. American households had a median balance of \$5,300 and an average balance of \$41,600 in their transaction bank accounts in 2019, according to data collected by the Federal Reserve in the 2019 Survey of Consumer Finances.<sup>31</sup> Transaction accounts include savings accounts as well as checking accounts, money market accounts, and prepaid debit cards. If we break this figure down by race or ethnicity, the result is overwhelming: There is great inequality between these groups. Non-Hispanic white households had a median balance of \$8,200 and an average balance of \$51,510 in their transaction bank accounts. Meanwhile, Hispanic households had a median balance of \$1,950 and an average balance of \$11,860 in their transaction bank accounts in 2019 (4.3 times lower than the first group). Since there is no information available for undocumented immigrants, we will use the value for Hispanic households as a proxy for their average bank account balance. Given all this information, we can now estimate the economic impact of including undocumented immigrants in the U.S. banking system. The expected outcome is that with more money entering the banking system, there will be more resources to invest, consume, and save, which will translate into overall gains for the U.S. economy.

## *2. Health Insurance Coverage*

In 2019, 9.2% of people (29.6 million) did not have health insurance in the United States, up from 8.9% (28.6 million) in 2018.<sup>32</sup> This increase in the number of uninsured probably reflects the impact of the Trump administration's actions that decreased access to health coverage. For example, the administration's policies toward immigrants, particularly its so-called "public charge" rule, created a climate of fear that discouraged eligible individuals from enrolling in health care coverage.

Health insurance is vital for everyone since it provides financial protection in the event of a serious accident or illness. Having coverage from an insurance company can protect people from high and unexpected costs. With health care coverage, people also have access to preventive services (vaccinations and screenings) that will allow them to act before a disease can no longer be treated. Preventive services help people achieve better health outcomes. Access to such services also typically results in people taking fewer days off from work to cope with illness.

Census data shows that the number of uninsured people in the United States varies considerably depending on one's citizenship and nativity status (whether a person is native born or foreign born). In 2019, 6.5% of U.S.-born citizens were uninsured, compared to 8.7% of foreign-born citizens and 27.1% of foreign-born noncitizens.<sup>33</sup>

According to MPI estimates in 2018, 52% of undocumented immigrants did not have health insurance.<sup>34</sup> The high percentage of uninsured individuals in this population reflects their limited access to employer-provided insurance, as well as the eligibility restrictions that prevent them from participating in the U.S. health insurance system. Being uninsured can also impact the well-being and financial stability of undocumented families—not just individuals. By comparing the level of uninsured undocumented immigrants with the other three groups (U.S.-born citizens, foreign-born citizens, and foreign-born noncitizens), we can see that the number is almost six times greater than the average for all these groups combined. This means that undocumented households are largely unprotected when it comes to health.

To calculate the economic impact of undocumented immigrants increasing their health coverage from their current level (48%) to the levels of U.S.-born citizens (93.5%), foreign-born citizens (91.3%), and foreign-born noncitizens (72.9%), we need the average annual cost for a household to be covered by insurance. Annual premiums for employer-sponsored family health coverage reached \$20,576 in 2019, with workers on average paying \$6,015 toward the cost of their coverage (29.2%). For this economic impact analysis, we consider both figures.<sup>35</sup> Given all this information, we are able to estimate the economic impact of providing undocumented immigrants with health insurance coverage in the United States. The expected outcome is the same as for the banking system—an improvement in the U.S. economy overall, since more money would enter the insurance sector and multiply in other sectors, resulting in economic growth.

### *3. Homeownership*

A major financial decision that many households make is to purchase a home. Given the high prices of houses in the United States, people normally buy them with credit or by taking out a mortgage. This is an important long-term investment. Home values tend to increase over time, depending on the economic factors that affect the housing market. National appreciation values average around 3.5% to 3.8% each year for the U.S. housing market.<sup>36</sup> Over time, a household's equity grows as they pay down their mortgage, and households typically pay the same monthly amount for the principal and interest, meaning they can plan for these payments in advance. However, only a small proportion of undocumented immigrants have access to this kind of long-term investment. This is mainly due to fears of deportation and uncertainties about being able to stay in the United States for a long period of time. Many undocumented individuals also do not have a stable source of income, since they often work without contracts that specify the length and terms of their employment. However, owning a home would help them gain financial stability and build their wealth over time. If more undocumented immigrants were able to access this market and purchase homes, what would the overall economic impact be?

Regarding homeownership statistics, about 65% of all households were owner occupied in the United States in 2011.<sup>37</sup> If we classify this variable by nativity status, we see that around 67% of U.S.-born households were owner occupied compared to 52% percent of foreign-born households. The level of homeownership between U.S.-born households and foreign-born citizen households is similar (66% for the latter group). However, there is a significant difference with respect to homeownership among foreign-born households when looking at citizenship status. While 66% of naturalized U.S. citizen households were owner occupied, only 34% of noncitizen households were owner occupied.<sup>38</sup> This could be because the latter group lives and works temporarily in the United States and may not be certain they will stay long enough to pay for a house. Some of them may also eventually choose to return to their home countries.

According to MPI estimates in 2018, undocumented immigrants had a homeownership level of 29%.<sup>39</sup> Their low level of homeownership likely reflects their uncertainty of staying in the United States due to possible deportation, as previously mentioned. For that reason, they are not investing their money in the housing market, and the U.S. economy is losing those resources. When comparing the rates of homeownership of undocumented immigrants with U.S.-born households and foreign-born citizen households, there is a large gap. In the case of foreign-born noncitizens, the rates of homeownership are very similar to that of undocumented immigrants.

To calculate the potential economic impact of undocumented immigrants increasing their rate of homeownership from their current level (29%) to the levels of U.S.-born citizens (67%), foreign-born citizens (66%), and foreign-born noncitizens (34%), we first need the average monthly mortgage payment amount. According to the U.S. Census Bureau's American Housing Survey, the mean mortgage payment for a household in 2019 was \$1,487, while the median was \$1,200.<sup>40</sup>

Given all the above information, the economic impact of including more undocumented immigrants in the U.S. housing market can be calculated. The expected outcome of this is the same as for the other cases—an overall improvement in the U.S. economy.

## **Methodology: IMPLAN**

This report uses the software IMPLAN to analyze the impact of the legalization of undocumented residents on the U.S. economy, if they had access to the financial system, health care coverage, and the housing market. IMPLAN is a platform that combines a set of extensive databases (the U.S. Census Bureau, the U.S. Bureau of Labor Statistics, and the U.S. Bureau of Economic Analysis), with economic factors, multipliers, and demographic statistics. IMPLAN replicates the U.S. economy using a model with more than 540 sectors and the above data.<sup>41</sup> IMPLAN is known for accurately estimating the economic impact of a specific change in a variable or an external shock on a specific county, state, or the entire United States.

IMPLAN allows for the identification of direct, indirect, and induced economic effects. Direct effects refer to the initial changes in industries, if undocumented immigrants were granted access. Their money will enter those systems as a direct expense. Then the multipliers estimate the changes in related economic sectors that will also be affected by the inclusion of these individuals in these sectors to generate the indirect effects. The change in employment levels due to direct and indirect effects will affect household income in the United States. So, induced effects are the values derived from household spending due to the changes in household incomes. The sum of these three effects represents the total impact on the U.S. economy of the inclusion of undocumented immigrants in the banking system, health care insurance sector, and housing market.

## **Results**

### *1. Banking System*

This study uses 2019 data and assumes that the inclusion of undocumented immigrants in the U.S. banking system can be accomplished in one year. As noted, we will have three different scenarios for unbanked undocumented immigrants: 25% (all), 90% (only Mexicans), and 58% (all). For these three scenarios, we will assume that once undocumented immigrant households enter the banking system, they could behave as U.S.-born citizens (4.8% unbanked), foreign-born citizens (3.8% unbanked), or foreign-born noncitizens (14.6% unbanked).

To obtain the results for each scenario, we first compare the level of undocumented immigrants who are unbanked with the levels for each group (U.S.-born citizens, foreign-born citizens, and foreign-born noncitizens). We then multiply these differences by the number of unauthorized immigrant households living in the United States (5.2 million households),<sup>42</sup> and we obtain the number of households that will enter the banking system. Finally, we multiply these amounts by the average balance of \$11,860 (their transaction bank accounts in 2019) to obtain the total amount in dollars that would enter the U.S.

banking system.<sup>43</sup> We enter these amounts in IMPLAN to estimate the economic impact of including undocumented immigrants in the U.S. banking system.

For all cases, we have a positive economic impact by including undocumented immigrants in the banking system. As undocumented immigrants enter this system, they will provide more resources to banking institutions that they can allocate to other households in need. For example, in the first scenario, which assumes that undocumented immigrants would enter the banking system and have the unbanked level of U.S.-born citizens, the total amount that would enter the system would be around \$12.45 billion (direct effect). This amount would be used by other economic agents in other sectors of the economy and would generate a total amount of \$27.8 billion (\$7.4 billion in indirect effects and \$8 billion in induced effects). This means that output would increase, as well as labor income (Table 1). Since households would have more income, they could buy more goods and services and pay more taxes. So, the local, state, and federal governments would collect more revenue in all cases (Table 2).

**Table 1.** Economic Impacts of Including Undocumented Immigrants in the Banking System: Labor Income and Output (values in millions)

	Scenario 1		Scenario 2		Scenario 3	
	Labor Income	Output	Labor Income	Output	Labor Income	Output
<b>U.S.-Born Citizens</b>	\$7,916	\$27,821	\$17,024	\$59,831	\$20,652	\$72,584
<b>Foreign-Born Citizens</b>	\$8,308	\$29,199	\$17,223	\$60,534	\$21,044	\$73,961
<b>Foreign-Born Noncitizens</b>	\$4,075	\$14,324	\$15,065	\$52,948	\$16,811	\$59,086

**Table 2.** Economic Impacts of Including Undocumented Immigrants in the Banking System: Taxes (values in millions)

	Scenario 1		Scenario 2		Scenario 3	
	Federal Taxes	Total Taxes	Federal Taxes	Total Taxes	Federal Taxes	Total Taxes
<b>U.S.-Born Citizens</b>	\$1,845	\$2,898	\$3,969	\$6,233	\$4,815	\$7,561
<b>Foreign-Born Citizens</b>	\$1,937	\$3,041	\$4,016	\$6,306	\$4,907	\$7,705
<b>Foreign-Born Noncitizens</b>	\$950	\$1,492	\$3,512	\$5,515	\$3,920	\$6,155

Scenarios 1 and 3 estimate the economic impact of including all undocumented immigrants in the banking system but with different initial levels of unbanked households (25% and 58%, respectively). However, even the lowest level (25%) would result in a positive economic impact that would generate employment, better labor income, more revenue for the government, and, of course, economic growth.

## 2. Health Insurance Coverage

As in the previous case, we will assume that inclusion of undocumented immigrants in health insurance programs can be accomplished in one year (2019). The uninsured level of this group is 52%. If given access to the health insurance market, undocumented immigrants could behave as U.S.-born citizens (6.5% uninsured), foreign-born citizens (8.7% uninsured), or foreign-born noncitizens (27.1% uninsured).

To obtain the results for this case, we first compare the uninsured level of undocumented immigrants with the levels of each group (U.S.-born citizens, foreign-born citizens, and foreign-born noncitizens). These differences are multiplied by the number of unauthorized immigrant households in the United States (5.2 million households) to obtain the number of households that will gain insurance coverage. Finally, we multiply these amounts by the annual average contributed by covered workers for family coverage. Here we have two amounts—the first is the average contribution of a worker (\$6,015), and the second is the total average amount (the sum of the contribution of the worker and the employer—\$20,576). The result provides the total dollar amount that will enter the U.S. health insurance system. We enter these amounts in IMPLAN to estimate the economic impact of giving undocumented immigrants access to health insurance.

As expected, there is a positive economic impact by including undocumented immigrants in the health insurance system. Health insurance firms will have more resources to invest if undocumented immigrants enter this system. For example, in the first scenario, which assumes that undocumented immigrants would enter the health insurance system and have the uninsured level of U.S.-born citizens, the total amount that would enter the system would be around \$14.2 billion (direct effect). Health insurance companies would multiply this money in other sectors of the economy, generating a total amount of \$38.5 billion (\$14.9 billion in indirect effects and \$9.4 billion in induced effects). This also means that output would increase, as well as labor income and taxes collected by the government (Tables 3 and 4).

**Table 3.** Economic Impacts of Including Undocumented Immigrants in the Health Insurance System: Labor Income and Output (values in millions)

	Scenario 1		Scenario 2	
	Labor Income	Output	Labor Income	Output
<b>U.S.-Born Citizens</b>	\$9,272	\$38,488	\$31,717	\$131,660
<b>Foreign-Born Citizens</b>	\$8,823	\$36,627	\$30,184	\$125,294
<b>Foreign-Born Noncitizens</b>	\$5,074	\$21,062	\$17,357	\$72,051

**Table 4.** Economic Impacts of Including Undocumented Immigrants in the Health Insurance System: Taxes (values in millions)

	Scenario 1		Scenario 2	
	Federal Taxes	Total Taxes	Federal Taxes	Total Taxes
<b>U.S.-Born Citizens</b>	\$2,170	\$3,643	\$7,423	\$12,463
<b>Foreign-Born Citizens</b>	\$2,065	\$3,467	\$7,064	\$11,860
<b>Foreign-Born Noncitizens</b>	\$1,187	\$1,993	\$4,062	\$6,820

As shown in Tables 3 and 4, including undocumented immigrants in the health insurance market would lead to significant gains. These gains are not only economic, but also health-related. These individuals would have a better quality of life due to their access to health services. Therefore, we have a win-win situation, where both the U.S. economy and undocumented immigrants would be better off due to this access. The U.S. economy would experience overall growth, and undocumented immigrants would have higher incomes and better health.

### *3. Homeownership*

As in the other cases, we will assume that inclusion of undocumented immigrants in the housing market can be achieved in one year (2019). Many undocumented immigrants cannot afford to buy a house outright, so they have to pay for it in multiple payments and with a mortgage loan. The homeownership rate of this group is 29%. Once they enter the housing market, undocumented immigrants could behave as U.S.-born citizens (67% homeownership), foreign-born citizens (66% homeownership), or foreign-born noncitizens (34% homeownership).

To obtain the results for each case, we first compare the homeownership rate of undocumented immigrants with the rates of each group (U.S.-born citizens, foreign-born citizens and foreign-born noncitizens). We then multiply these differences by the number of unauthorized immigrant households living in the United States (5.2 million households), and we obtain the number of households that will enter the housing market. Finally, we multiply these amounts by the average annual mortgage payment (\$17,844) of a household on a national level. The result provides the total dollar amount that would enter the U.S. economy. We enter these amounts in IMPLAN to estimate the economic impact of including undocumented immigrants in the housing market.

As expected, there is a positive economic impact by including undocumented immigrants in the housing market. The total mortgage payments would help the economy to have more resources to distribute among the economic agents who need them, creating a positive ripple effect on the rest of the economy. For example, assuming that more undocumented immigrants would enter the housing market and have the homeownership rate of U.S.-born citizens, the total amount that would enter the system would be around \$35 billion (direct effect). The housing market would multiply this money in other sectors

of the economy, generating a total amount of \$58 billion (\$21 billion in indirect effects and \$37 billion in induced effects). Hence, output would increase, as well as labor income and taxes collected by the government (Tables 5 and 6).

**Table 5.** Economic Impacts of Including Undocumented Immigrants in the Housing Market: Labor Income and Output (values in millions)

	Labor Income	Output
U.S.-Born Citizens	\$36,702	\$93,731
Foreign-Born Citizens	\$35,736	\$91,265
Foreign-Born Noncitizens	\$4,829	\$12,333

**Table 6.** Economic Impacts of Including Undocumented Immigrants in the Housing Market: Taxes (values in millions)

	Federal Taxes	Total Taxes
U.S.-Born Citizens	\$7,889	\$11,956
Foreign-Born Citizens	\$7,682	\$11,641
Foreign-Born Noncitizens	\$1,038	\$1,573

There are a number of gains from including undocumented immigrants in the U.S. housing market. These gains not only benefit the economy as a whole, but also provide financial stability to undocumented households. Therefore, we again have a win-win situation, where both the United States and undocumented immigrants would be better off due to this access. The U.S. economy would grow, and undocumented immigrants would be able to invest their money in a house and generate more wealth.

#### *4. Banking, Insurance, Homeownership, and Remittances*

This section analyzes the inclusion of undocumented immigrants in all three markets previously analyzed. The most likely scenarios would involve undocumented immigrants entering the three markets and behaving either like foreign-born citizens or foreign-born noncitizens. Assuming this, we can estimate the impact of these two scenarios on the U.S. economy.

For financial access, we will use the lower-bound case for undocumented immigrants (25% unbanked). For those without health insurance, we will use the case where the total average cost is \$20,576, and for the housing market, we have only one scenario.

The results show a significant economic impact due to inclusion. All key variables in the U.S. economy would improve. For example, if undocumented immigrants had access to these three markets and they behaved as foreign-born noncitizens, labor income would increase (\$26 billion), as well as output (\$98.7 billion) and total taxes (\$9.8 billion) (Table 7).

In the case of production, this would represent 0.46% of U.S. GDP. However, if undocumented immigrants were to behave as foreign-born citizens, the impact would be greater than if they were to behave as foreign-born noncitizens. In this case, labor income would increase (\$74 billion), as well as output (\$245.8 billion) and total taxes (\$26 billion). In the case of production, this would represent 1.15% of U.S. GDP. Of course, we can't know for sure how undocumented immigrants would behave if they were legalized, but we do know that they are rational agents who would likely take advantage of access to health care, the banking sector, and the housing market, if they were sure that they could legally stay in the United States. This reinforces the argument in favor of immigration reform, so that these immigrants can legally work and live in the United States. The amount of money the U.S. economy could obtain from either temporarily or permanently legalizing undocumented immigrants would not only positively affect the well-being of these individuals, but it would also benefit the country as a whole.

**Table 7.** Economic Impacts of Including Undocumented Immigrants in the Banking, Health Insurance, and Housing Markets (values in millions)

	Labor Income	Output	Federal Taxes	Total Taxes
<b>Foreign-Born Citizens</b>	\$74,243	\$245,811	\$16,687	\$26,549
<b>Foreign-Born Noncitizens</b>	\$26,269	\$98,734	\$6,052	\$9,888

A Caveat: Remittances

One argument that some anti-immigrant groups use against immigration reform is the issue of remittances—transfers of money from international migrants to family members in their country of origin.<sup>44</sup> These groups point out that the U.S. loses billions of dollars annually in remittances. Remittances have become one of the largest sources of financial flows in many developing countries. Indeed, in 2019, remittances to low- and middle-income countries totaled \$548 billion (76.2% of total remittances worldwide).<sup>45</sup> The top recipient countries for remittances are India, China, and Mexico, and the United States leads the remittance-sending countries with nearly \$159 billion a year.<sup>46</sup> Anyone living in the United States can make remittance payments, but most of them are made by immigrants—including undocumented immigrants, lawful permanent residents, and naturalized citizens.

Opponents of immigration reform argue that remittances generate losses for the U.S. economy and that these resources should stay in the United States. However, this argument is flawed, at best. Any individual living in the United States has the right to spend his or her money on whatever he or she wants (legal goods and services inside or outside the country). Immigrants also have the right to decide how they use their money, and, since they want to maximize their utility, they frequently spend that money on remittances as if they were spending it on any other commodity. To say that remittances cause losses to the U.S. economy is the same as saying that U.S. residents spending money on travel abroad also cause losses, since these resources do not stay in the country. Indeed, the amount of money that U.S. residents spent outside the U.S. was around \$182 billion in 2019.<sup>47</sup> Yet, U.S. citizens are not asked to travel only within the borders of their own nation. This is their

decision. The same is true of people who send remittances to their home country. Regardless, including remittances in the above analysis does not change the positive results of including undocumented immigrants in the housing, health insurance, and banking sectors, as explained below.

The amount remitted from the United States to other countries each year is approximately \$159 billion.<sup>48</sup> Since this paper only focuses on undocumented immigrants, we have to estimate the figure remitted by this group. According to the Pew Research Center, undocumented immigrants make up 23.4% of the U.S. foreign-born population.<sup>49</sup> Assuming that this percentage represents the same proportion as the remittances they send to other countries, the total amount of remittances that undocumented immigrants send is around \$37 billion.<sup>50</sup> We have to subtract the average cost of sending remittances from the latter figure, since undocumented immigrants must pay a fee charged by the sending agent. The average cost of sending remittances from the U.S. is 5.4% of the total transaction, and this amount normally stays in the country.<sup>51</sup> So, the total amount of remittances sent by undocumented immigrants is around \$35 billion.

If we consider remittances along with the inclusion of more undocumented immigrants in the three sectors discussed, we still obtain a net positive economic impact in the United States (Table 8). The results show that all key variables in the U.S. economy would improve. If more undocumented immigrants had access to the three markets, sent remittances to their home countries, and behaved as foreign-born noncitizens, labor income would increase (\$3.8 billion), as well as output (\$19.9 billion, representing 0.09% of U.S. GDP) and total taxes (\$1.6 billion). As in the previous case, the results in which undocumented immigrants behave as foreign-born citizens are much higher than if they behave as foreign-born noncitizens. In this case, labor income would increase (\$51.8 billion), as well as output (\$167 billion, representing 0.78% of U.S. GDP) and total taxes (\$18.3 billion). To conclude with remittances, even when adding them to the analysis as a “cost” (which is not accurate), the resources that are “left on the table” would help boost the U.S. economy since they would be greater than the “cost” of remittances.

**Table 8.** Economic Impacts of Remittances and Including Undocumented Immigrants in the Banking, Health Insurance, and Housing Markets (values in millions)

	Labor Income	Output	Federal Taxes	Total Taxes
Foreign-Born Citizens	\$51,830	\$167,040	\$11,461	\$18,343
Foreign-Born Noncitizens	\$3,856	\$19,963	\$826	\$1,682

## Conclusion

The debate surrounding immigration reform in the United States does not encompass the importance of undocumented immigrants to its economy. This paper provides evidence on the enormous amount of money that the U.S. economy is losing due to the failure to legalize undocumented immigrants (either temporarily or permanently). The money that these individuals have “left on the table” is vital not only for the economy, but also for them. With full access to the banking system, health insurance system, and homeownership, they could have financial stability and generate more wealth. This would increase not only their well-being, but also the well-being of the country.

An important element to consider is the fact that the U.S. population is continuing to age rapidly and is expected to have low fertility rates in the coming years. Indeed, the year 2030 marks a demographic turning point for the United States.<sup>52</sup> In that year, the size of the older population will expand, with one in every five Americans expected to be of retirement age. After that year, older adults will outnumber children for the first time in the history of the country. If that is the case, immigration will play a key role in population growth and economic growth in the future. Immigrants could potentially fill the gap in the labor market due to the aging of the American population.

This report strengthens the argument of those who would advocate for allowing undocumented immigrants to stay in the United States, under certain conditions. This paper demonstrates that their presence is beneficial and that they can contribute to the U.S. economy. They have a positive influence and impact on the economy, since they pay taxes and constitute an important part of the labor market. If we consider the potential gains of including undocumented immigrants in the economy as legal residents, the benefits would be significant and could be even greater if they obtained U.S. citizenship.

This report estimates that the inclusion of undocumented immigrants in any of the three sectors discussed (banking, health insurance, and housing) would generate gains for the U.S. economy. If they earned citizenship and gained access to the three sectors simultaneously, the gains in output would be around \$246 billion (representing 1.15% of U.S. GDP), and the tax revenue collected from undocumented immigrants would total \$26 billion (representing 0.77% of government revenue), according to 2019 data.

The results of this report are of value as they demonstrate the importance of undocumented residents in the United States, if their status were regularized. Regularization makes sense since they are a vital part of the economy. Most undocumented immigrants come to the United States to find work, and there are plenty of unfilled jobs for them. Firms need workers and these immigrants need jobs, so they will keep coming to the U.S. to work until demand for workers wanes. This means there should be different options to allow these workers to move across the border legally, based on employer and market needs. Undocumented workers already in the United States should also be able to obtain recognition for their work and earn legal status, as the benefits would be enormous.

Immigrants (including the undocumented) have enriched and strengthened the fabric of American life and its economy.

## Endnotes

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<sup>3</sup> Ibid.

<sup>4</sup> Institute on Taxation and Economic Policy, "Undocumented Immigrants' State and Local Tax Contributions," July 2013, <https://itep.sfo2.digitaloceanspaces.com/undocumentedtaxes.pdf>.

<sup>5</sup> B.R. Chiswick and P.W. Miller, "Language in the Immigrant Labor Market," *Immigration, Language and Ethnicity: Canada and the United States*, edited by B.R. Chiswick and M. Koster (Washington, D.C.: American Enterprise Institute, 1992); Bernt Bratsberg, James F. Ragan, and Zafar Nasir, "The Effect of Naturalization on Wage Growth: A Panel Study of Young Male Immigrants," *Journal of Labor Economics* 20, no. 3 (2002): 568-597, [https://econpapers.repec.org/article/ucpjlabec/v\\_3a20\\_3ay\\_3a2002\\_3ai\\_3a3\\_3ap\\_3a568-597.htm](https://econpapers.repec.org/article/ucpjlabec/v_3a20_3ay_3a2002_3ai_3a3_3ap_3a568-597.htm); Manuel Pastor and Justin Scoggins, *Citizen Gain: The Economic Benefits of Naturalization for Immigrants and the Economy*, Center for the Study of Immigrant Integration, University of Southern California, 2012, <http://csii.usc.edu/CitizenGain.html>; Robert Lynch and Patrick Oakford, "The Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants," Center for American Progress, March 20, 2013, <https://www.americanprogress.org/issues/immigration/reports/2013/03/20/57351/the-economic-effects-of-granting-legal-status-and-citizenship-to-undocumented-immigrants/>.

<sup>6</sup> Lynch and Oakford, "The Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants."

<sup>7</sup> Ibid.

<sup>8</sup> Raúl Hinojosa-Ojeda, "Raising the Floor for American Workers: The Economic Benefits of Comprehensive Immigration Reform," Center for American Progress, January 7, 2010, <https://www.americanprogress.org/issues/immigration/reports/2010/01/07/7187/raising-the-floor-for-american-workers/>.

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<sup>10</sup> MPI (Migration Policy Institute), “Profile of the Unauthorized Population: United States,” <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/US>.

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<sup>12</sup> Jeffrey S. Passel and D’Vera Cohn, “Mexicans decline to less than half the U.S. unauthorized immigrant population for the first time,” Pew Research Center, June 12, 2019, <https://www.pewresearch.org/fact-tank/2019/06/12/us-unauthorized-immigrant-population-2017/>.

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<sup>14</sup> MPI, “Profile of the Unauthorized Population: United States,” <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/US>.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Krogstad, Passel, and Cohn, “5 facts about illegal immigration in the U.S.”

<sup>18</sup> MPI, “Profile of the Unauthorized Population: United States.”

<sup>19</sup> Passel and Cohn, “Mexicans decline to less than half the U.S. unauthorized immigrant population for the first time.”

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- <sup>39</sup> MPI, “Profile of the Unauthorized Population: United States.”
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<sup>45</sup> “Remittance flows to low- and middle-income countries worldwide from 2015 to 2022 (in billion U.S. dollars),” Statista, May 2021, <https://www.statista.com/statistics/962813/remittance-flows-to-low-and-middle-income-countries/>; “Value of remittance flows worldwide from 2015 to 2022 (in billion U.S. dollars),” Statista, May 2021, <https://www.statista.com/statistics/962796/value-of-remittance-flows-globally/>.

<sup>46</sup> *Yearbook of Migration and Remittances: Mexico 2020*, BBVA, 2020, [https://www.bbva.com/wp-content/uploads/2020/10/Anuario\\_Migracion\\_y\\_Remesas\\_2020.pdf](https://www.bbva.com/wp-content/uploads/2020/10/Anuario_Migracion_y_Remesas_2020.pdf).

<sup>47</sup> U.S. Travel Association, “Restoring International Travel: Essential to Recovery,” [https://www.ustravel.org/system/files/media\\_root/document/Research\\_Fact-Sheet\\_International-Inbound.pdf](https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_International-Inbound.pdf). The amount of money international visitors spent in the U.S. was around \$233.5 billion in 2019.

<sup>48</sup> *Yearbook of Migration and Remittances: Mexico 2020*, BBVA, 2020.

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<sup>51</sup> “Average cost of sending remittances from the United States from 4th quarter 2013 to 4th quarter 2020,” Statista, December 2020, <https://www.statista.com/statistics/962747/average-cost-of-sending-remittances-from-usa/>.

<sup>52</sup> Jonathan Vespa, Lauren Medina, and David M. Armstrong, “Demographic Turning Points for the United States: Population Projections for 2020 to 2060,” U.S. Census Bureau Current Population Reports P25-1144, issued March 2018, revised February 2020, <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1144.pdf>.