



## New Mexico Fiscal Policy Project

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## Immigrants and the New Mexico Economy: Working Hard for Low Wages

### (Executive Summary)

The current debate over immigration – and particularly over immigrants without legal residency status – often centers on whether or not this group of people contributes to the economy or diminishes it. A 2006 Fiscal Policy Project report, “Undocumented Immigrants in New Mexico: State Tax Contributions and Fiscal Concerns,” concluded that undocumented immigrants contribute more in state and local sales, income and property taxes than the state spends to educate their children.<sup>1</sup>

“Immigrants and the New Mexico Economy: Working Hard for Low Wages” concludes that immigrants make a very significant contribution to the New Mexico economy while at the same time they have a very small impact on national safety-net programs.

<sup>1</sup> Population estimates were from the U.S. Immigration and Naturalization Service (now ICE), estimates of tax payments from the Pew Hispanic Center, and education costs from the NM Public Education Finances 2004, with analysis from the Institute for Taxation and Economic Policy. The report is available online at [www.nmvoices.org/fiscalpolicyproject.htm](http://www.nmvoices.org/fiscalpolicyproject.htm).

### Active in the Workforce, Private Enterprise

**New Mexico's foreign-born population – regardless of their legal status – contributes to the state economy through their high participation levels in the work force.<sup>2</sup>** A higher percentage of the foreign-born population falls between the ages of 25 and 44 than of the native-born population. The foreign-born population also participates in the state's labor force in a slightly higher percentage than does the native-born. Non-citizens are in the United States to work, as are naturalized citizens, though to a lesser extent.

**Immigrants are more likely to work in the private labor force and be self-employed than the native-born,** who are more likely to work for the government. Native-born workers are concentrated in higher-paying management and professional occupations while immigrants are more concentrated in lower-paying sectors such as

<sup>2</sup> All data is from the U.S. Census Bureau, which collects data on citizenship status, but does not differentiate between non-citizens who are legal residents and those who are not.

the service, production and construction industries. This is due in part to the fact that the foreign-born are less likely than the native-born to have a high school diploma, and are more likely to have English proficiency issues.

## Earning Lower Wages

**Because foreign-born workers skew toward low-wage occupations, they tend to have lower earnings as a group.** In other words, they are working hard for low wages. Although immigrants make up about 10 percent of the state population, they generate only about 8 percent of New Mexico's personal income. Naturalized citizens make a slightly higher contribution than non-citizens because they tend to have higher earnings. That the average wages of citizens are higher than those of non-citizens is a good argument for immigration policies that include a path to citizenship.

The contrast between the native- and foreign-born is even clearer in the case of the other two sources of income: dividends, interest and rent (which are generally in the domain of the wealthy), and transfer payments such as Social Security, Medicare, unemployment compensation and Medicaid (which generally go to those on the low end of the wage scale). The vast majority (93 percent) of those receiving unearned income from dividends, interest, and rent are native-born. An even greater majority (96 percent) of those receiving transfer payments are native-born.

## Not Draining Safety Net, Health Care Programs<sup>3</sup>

**It is very clear that immigrants do not constitute a drain on the economy through transfer payments such as Social Security and Medicare benefits.** Legal immigrants have to live in the U.S. for five years before they are eligible for most

federal safety-net programs. The only federally mandated programs for undocumented immigrants are public K-12 education and emergency medical care. States have the option to use federal funds to provide prenatal care to pregnant women regardless of immigration status, but New Mexico does not do this.

While immigrants are here to work, only 38 percent of non-citizen workers have employer-provided health insurance, compared to 63 percent of citizen workers. A lack of health insurance leads, naturally, to a lack of health care. Non-citizens receive significantly less health care than citizens. However, it is very important to note that **non-citizens are much less likely to use a hospital emergency room than citizens.** Studies show that emergency room use is lower in areas with high concentrations of immigrants than in areas with mostly non-immigrant populations.

## Paying Into the Safety Net Trust Funds

**While undocumented immigrants are ineligible to receive Social Security and Medicare benefits, many of them pay into the trust funds that support these programs** through the payroll taxes that are deducted from their paychecks. In general, only non-citizens who have permission to work from the Department of Homeland Security can apply for a Social Security number, and proof of immigration status is required.<sup>4</sup> Foreign-born individuals must also show proof of citizenship or lawful immigration status in order to apply for Social Security benefits.<sup>5</sup>

Immigrants who are not authorized to work in the U.S. may apply for an Individual Taxpayer Identification Number (ITIN) from the IRS. An ITIN can only be used for federal income tax purposes and has no bearing on social security and Medicare payroll taxes or benefits.<sup>6</sup>

<sup>3</sup> The data in this section are taken from: "Five Basic Facts on Immigrants and Their Health Care," Kaiser Commission on Medicaid and the Uninsured, March 2008, <http://www.kff.org/Medicaid/7761.cfm>.

<sup>4</sup> <http://www.socialsecurity.gov/pubs/10096.html>

<sup>5</sup> <http://www.socialsecurity.gov/pubs/10024.html>

<sup>6</sup> <http://www.irs.gov/individuals/article/0,,id=96287,00.html#what>