



New Mexico Fiscal Policy Project

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

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.¹

“Immigrants and the New Mexico Economy: Working Hard for Low Wages” looks at the earnings of all immigrants and how they help shape the landscape of the labor sector and, by extension, the New Mexico economy. This report also takes a look at the impact immigrants have on our national health care and Social Security systems.

¹ 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.

Population Characteristics

Like America itself, New Mexico's population is made up of both native- and foreign-born people. Foreign-born residents are either naturalized U.S. citizens or are not U.S. citizens. Non-citizens may or may not be legal residents.²

The total New Mexico population was about 1.955 million in 2006, with American-born citizens making up 90 percent of the total. The other 10 percent (195,000) are foreign born and, of those, 29 percent (56,550) are naturalized citizens and 71 percent (138,450) are non-citizens.

The native- and the foreign-born have different demographic characteristics overall, but the characteristics of the foreign-born who are naturalized citizens are quite different from the foreign-born who are not citizens. The characteristics of the New Mexico population by nativity and citizenship status tends to have a strong bearing on the contribution of the

² 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.

respective groups to the state’s economy. Age and education are also salient characteristics that distinguish the groups.

The median age of all New Mexicans was 35.2 in 2006. As Table 1 indicates, the median age of foreign-born citizens as a whole is higher than of native-born, with naturalized citizens having the highest median age and non-citizens the lowest.

**Table 1
Median Age of NM Population, 2006**

Total Population	35.2 years
Native-born	34.7 years
Foreign-born	38.1 years
Naturalized citizens	48.2 years
Non-citizens	33.6 years

Under American immigration law, anyone born in this country is automatically a citizen regardless of the status of their parents. This accounts for some of the fact that New Mexico’s immigrant population is also far less likely than the native-born population to be very young (Table 2).

**Table 2
Percentage of Children Under Age 5
in NM Population, 2006**

Total Population	7.3%
Native-born	8.0%
Foreign-born	.09%
Naturalized citizens	.02%
Non-citizens	1.1%

The foreign-born are also far less likely to be of primary and secondary school age than native-born Americans (Table 3). Again, we find that the percentage of school-aged children is remarkably lower for the foreign-born, especially for naturalized citizens.

**Table 3
Percentage of Children Age 5-17
in NM Population, 2006**

Total Population	18.9%
Native-born	19.8%
Foreign-born	10.9%
Naturalized citizens	5.3%
Non-citizens	13.2%

For the purposes of this report, the age group with which we are most concerned is the group between the ages of 25 and 44. These are the prime working years, and 26.4 percent of New Mexico’s total population is within this range. Here we find that a lower percentage of the native-born falls within the prime working age range, while a much higher percentage of the foreign-born population is in that age range. Although the foreign-born population is only 10 percent of the New Mexico population, the foreign-born population of prime working age is nearly 20 percentage points higher than that of New Mexico’s native population (Table 4).

**Table 4
Percentage of Adults Aged 25-44
in NM Population, 2006**

Total Population	26.4%
Native-born	24.7%
Foreign-born	42.2%
Naturalized citizens	31.7%
Non-citizens	47%

Ethnicity, Education and English Proficiency

Immigrants in New Mexico are overwhelmingly of Hispanic ethnicity (Table 5).

The educational attainment of the foreign-born population is clearly a problem, as the foreign-born are far less likely than the native-born to have at least a high school education by age 25 (Table 6). This poses a limitation on non-citizens’ contributions to the state’s economy.

**Table 5
Percentage of Hispanic Ethnicity of
NM Population, 2006**

	Hispanic	Non-Hispanic White
Total population	44%	42.4%
Native-born	40%	46%
Foreign-born	78%	12%
Naturalized citizens	65%	18%
Non-citizens	84%	9%

**Table 6
Percentage of NM Population Over Age 25
with Less Than High School Education, 2006**

Native-born	14%
Foreign-born	52%
Naturalized citizens	37%
Non-citizens	59%

The foreign born are also likely to be restricted in the work force by limited English language skills. Almost 60 percent of the foreign-born speak English less than very well, while only 5 percent of the native-born fall into that category. Two thirds of non-citizens speak English poorly, as opposed to 41 percent of naturalized citizens.

Employment and Earning Levels

The foreign-born make a very significant contribution to the New Mexico economy through their high participation levels in the work force. Labor force participation of the native population is 62.4 percent, while that of the foreign-born population is 64.6 percent. Both naturalized citizens (63.7 percent) and non-citizens (65.1 percent) are more active in the labor force than the native population. The proportion of the foreign-born not in the labor force is much lower than for those born in the United States. 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. The native-born are more likely than immigrants to work for government. Native-born workers are concentrated in higher-paying management and professional occupations while immigrants are more concentrated in lower-paying sectors such as the service industry and

**Table 7
Employment by Sector**

Employment by Sector	
Native-born workers employed in private sector	69%
Foreign-born workers employed in private sector	80%
Native-born workers employed in public sector	23%
Foreign-born workers employed in public sector	11%
Native-born workers self-employed	7.5%
Foreign-born workers self-employed	10%
Native-born workers in management and professional fields	37%
Foreign-born workers in management and professional fields	17%
Native-born workers in service industry	17%
Foreign-born workers in service industry	28%
Native-born workers in construction industry	11%
Foreign-born workers in construction industry	24%
Native-born workers in production industry	9%
Foreign-born workers in production industry	16%

construction (Table 7). The types of employment available to immigrants lead directly to the observed earnings distribution. About half of the foreign-born population earns less than \$25,000 per year. Only about 30 percent of the native population earns less than that. There is also a very significant difference between naturalized citizens and non-citizens by this measure. The earnings of 37 percent of naturalized citizens were below \$25,000, while 63 percent of non-citizens had earnings less than \$25,000.

The earnings level of the native-born and immigrants has a direct bearing on their poverty status. For the native population, just less than 18 percent lives below the official poverty line, while 26 percent of the foreign-born are below poverty. Poverty rates for households follow a similar pattern (Table 8). Poverty among non-citizen households is clearly a significant component of New Mexico's poverty problem.

Table 8
Families Living Below Poverty Level, 2006

Native-born	12%
Foreign-born	26%
Naturalized citizens	15%
Non-citizens	33%

Immigrants account for a significant share of the New Mexico economy as measured by earnings. About 91 percent of the state's earnings are generated by the native-born and 9 percent is generated by the foreign-born. Of the 9 percent of earnings generated by the foreign-born, about 4 percent is generated by naturalized citizens and 5 percent is generated by non-citizens.

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, and transfer payments such as Social Security, Medicare, unemployment compensation and Medicaid. Natives account for 93 percent of those earning dividends, interest, and rent, while immigrants account for only 7 percent. In the case of transfer payments, 96 percent go to the native-born, while only 4 percent go to immigrants.

Immigrants and Health Care³

Of the 37 million immigrants living in the U.S. in 2006 most (69 percent) were here legally, while about 11 to 12 million (30 percent) were undocumented. It is thought that up to 40 percent of the undocumented are people who came here through legal channels (i.e., work, student or tourist visas), but have simply overstayed their visas.

In the New Mexico section of this paper, the foreign population was shown to be a population of working people, albeit low income. The situation is the same nationally. In immigrant families, 83 percent had one or more workers, about the same as the 82 percent in citizen families. In non-citizen families 55 percent were considered low income compared to 33 percent of citizen families. While immigrants are here to work, only 38 percent of non-citizen workers had employer-provided health insurance, compared to 63 percent of citizen workers. For the entire non-elderly (less than 65 years of age) population, 78 percent of citizens and only 22 percent of non-citizens had health insurance. Clearly there is a large discrepancy in health insurance coverage between citizens and non-citizens.

Part of the reason for this discrepancy in health insurance is that federal law bars most undocumented immigrants and recent legal immigrants from receiving Medicaid and SCHIP (State Children's Health Insurance Program) coverage. This compounds the problem of a lack of access to employer-provided insurance. Among the restrictions on immigrants receiving Medicaid and SCHIP are: 1.) undocumented and temporary immigrants are generally ineligible for Medicaid and SCHIP; 2.) most legal immigrants are barred from Medicaid and SCHIP for the first five years

³ 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>.

that they reside in the U.S.; 3.) emergency Medicaid is available to the undocumented, temporary and recent legal immigrants under other program eligibility requirements; and 4.) states have the option to use SCHIP funds to provide prenatal care to pregnant women regardless of immigration status, but New Mexico does not do this.

A lack of health insurance leads, naturally, to a lack of health care. Non-citizens receive significantly less health care than citizens (Table 9).

Table 9

Have a Usual Source of Care	
Non-elderly adults, citizens	84%
Non-elderly adults, non-citizens	58%
Children age 0-17, citizens	95%
Children age 0-17, non-citizens	73%
Have Seen a Health Professional in Last Two years	
Citizens	90%
Non-Citizens	75%
Have Seen a Health Professional in the Last Year	
Children age 0-17, citizens	91%
Children age 0-17, non-citizens	70%
Received Preventative Care	
Non-elderly adults, citizens	89%
Non-elderly adults, non-citizens	67%
Had Well-Child Check-Up in Last Year	
Children age 0-17, citizens	75%
Children age 0-17, non-citizens	46%

Health centers that qualify for federal funds, such as the First Choice clinic in Albuquerque's South Valley, are a significant source of health care services for non-citizens because they are required to accept clients regardless of ability to pay. Fees are based on a sliding scale.

It is very important to note that non-citizens are much less likely to use a hospital emergency room than citizens (Table 10). Non-citizens are not using the emergency room for a variety of reasons, but studies show that emergency room use is lower in areas with high concentrations of immigrants than in areas with mostly non-immigrant populations.

Immigration and Social Security

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. It is impossible to know exactly how much is paid into the trust by undocumented immigrants because immigration status is not included on the W-2 form used by employers to report earnings to the Social Security Administration (SSA).

Everyone who works in the U.S. is required to have a Social Security number (SSN) for collection of the payroll tax, regardless of citizenship status. In general, only non-citizens who have permission to work from the Department of Homeland Security can apply for a SSN, and proof of immigration status is required.⁴ Foreign-born individuals must also show proof of citizenship or lawful immigration status in order to apply for Social Security benefits.⁵

Employers may use the Social Security Number Verification Service (SSNVS) or Employee Verification Service (EVS) to determine if the SSN given by an employee matches the SSA's records. Congress passed the Immigration Reform and Control Act in 1986, which penalizes employers for knowingly hiring undocumented immigrants, but SSN verification is not required of employers.

Table 10
Had Emergency Room Visit in 2006

Adults, citizens	20%
Adults, non-citizens	13%
Children, citizens	22%
Children, non-citizens	12%

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

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

Every year the SSA receives about 235 million W-2 reports, about 10 percent of which have SSNs that do not match individuals in the SSA records. These taxes are paid into the Social Security Trust Fund, but are held in the Earnings Suspense File (ESF). In testimony before Congress in 2006, Martin H. Gerry, the deputy commissioner of the SSA's Office of Disability and Income Security Programs, stated that \$7.2 billion had been credited to the ESF for tax year 2003.⁶ After common errors, such as transposed numbers, were caught and corrected, more than half of the erroneous W-2s for 2003 were credited to the correct employees. Commissioner Gerry testified that, as of October 2005, approximately 8.8 million W-2s remained in the ESF for tax year 2003, representing \$57.8 billion in wages.

It is important to note that 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.⁷ So while undocumented workers with ITINs can file for refunds of overpaid income taxes, it is unlikely they will ever see money they pay into the Social Security and Medicare systems.

This report, as well as other reports by the New Mexico Fiscal Policy Project, is available online at www.nmvoices.org. The New Mexico Fiscal Policy Project is a program of New Mexico Voices for Children.

Conclusion

In summary, the economic contribution of immigrants is lower than their presence in the state's population. Although immigrants make up about 10 percent of the population, they generate only about 8 percent of New Mexico's personal income – even though their labor force participation rates are slightly higher than they are for the native-born. Naturalized citizens make a slightly higher contribution than non-citizens because they tend to have higher earnings. The disadvantages of the foreign-born in education and English language skills contribute to their difficulties in the labor market, leading to a concentration in low-paying occupations and resulting poor economic performance. Low immigrant personal income is not caused by a lack of participation in the work force, but by the quality of the jobs held by immigrants. In other words, they are working hard for low wages. 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.

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 and, with few exceptions, undocumented immigrants are not eligible at all. Although immigrants are mainly working families, they tend to not have employer-provided health insurance. Even so, non-citizens are not heavy users of emergency rooms. Finally, although undocumented immigrants are not eligible for most federal safety-net programs, many support such programs through payroll tax deductions.

⁶ http://www.socialsecurity.gov/legislation/testimony_072506.html

⁷ <http://www.irs.gov/individuals/article/0,,id=96287,00.html#what>