

# DESTINATION, NEW JERSEY: How IMMIGRANTS BENEFIT THE STATE ECONOMY



by

Ira N. Gang

Anne Morrison Piehl

Program on Immigration and Democracy

Eagleton Institute of Politics

Rutgers, The State University of New Jersey

**Destination, New Jersey:  
How Immigrants Benefit the State Economy**

**Ira N. Gang  
Anne Morrison Piehl  
Rutgers University**

**December 2008**

**This study was prepared at Rutgers University by Professors Ira N. Gang and Anne Morrison Piehl of the Department of Economics in collaboration with the Eagleton Institute Program on Immigration and Democracy. The Eagleton Program is supported by a variety of funding sources including the Community Foundation of New Jersey and the Laborers' Eastern Region Organizing Fund.**

**The authors appreciate the excellent research assistance of Carl Shu-Ming Lin and Geoffrey Williams.**

**Thanks also to Anastasia R. Mann and Janice R. Fine of the Program on Immigration and Democracy at the Eagleton Institute of Politics.**

## Introduction

New Jersey's immigrants are so essential to its economy that if you did the thought experiment of subtracting their work, you'd find that New Jersey itself would grind to a halt. In this report we document the role of the foreign born in the New Jersey economy, looking at the issue from several vantage points.

The foreign born are a substantial part of the overall New Jersey workforce, especially at both the high and low ends of the earnings distribution. Along several key measures, we find that the facts about immigration in New Jersey are somewhat different from the reality in other states, making these findings a key ingredient in any public discussion about the impact of immigration statewide.

Highlights of the study show:

- **Immigrants make up 28 percent of the New Jersey workforce.** The state's 1.7 million foreign born represent 21 percent of the state's population. But because immigrants are more likely to be of working age, they are a larger fraction of the workforce.
- **Foreign-born workers are overrepresented in critical occupations at both ends of the earnings distribution.** For example, more than 40 percent of chemists, nursing aids, physicians, and janitors are foreign-born. Without them, significant segments of the economy would be totally transformed.
- The foreign born are critical to New Jersey as a center of innovation. **Over 40 percent of the state's scientists and engineers with higher degrees are foreign-born.**
- **According to the best analysis by economists, nationally immigrants have a negligible effect on the earnings of the native born.** More than in other states, immigrants to New Jersey tend to be highly educated, making it likely that the impact is actually positive.
- **Immigrants bring in almost one-quarter or 23 percent of all earnings statewide. Foreign-born entrepreneurs own one-fifth of the businesses in the state.** They are key contributors to New Jersey's economic output, and hence critical to the state's tax base.
- The best estimates indicate that **immigrants yield a modest positive fiscal impact on the state budget.** Generally, skilled immigrants have a substantial positive impact. Over time, immigrants and their families generally have a positive impact on government budgets.
- **Just as immigrants are more likely to be employed, they are less likely to depend on public assistance or to be incarcerated.** Evidence indicates that immigrants rely on welfare programs substantially less than native-born individuals.
- **Immigrants to New Jersey are strikingly diverse.** Hailing from nearly 100 nations and speaking more than 165 languages, these individuals make the state a truly global microcosm. More than half (54 percent) of the state's foreign born report speaking English 'very well.'
- **Nearly one-third of all children in New Jersey live in immigrant families,** that is, families where at least one member (usually a parent) is foreign-born.
- **Unemployment rates for immigrants are similar to those of the native born, but on average, immigrant workers earn less.** In the current economic climate, foreign- and native-born workers both face high levels of uncertainty.

## Background Facts about Immigrants in New Jersey

The subject of immigration elicits forceful emotions, only some of which reflect the facts about the population and economic conditions in New Jersey. This report presents a series of findings about immigrants in New Jersey, especially related to their role in the state economy. As we discuss in detail below, some of these facts set New Jersey apart from almost any other state. Therefore, policies and interpretations that may be appropriate in other contexts may be irrelevant here.

Generally, we use the term “immigrant” to refer to a person born outside the U.S. or its territories. Occasionally we make an additional distinction, referring to “native migrants.” Native migrants are U.S.-born individuals who came to New Jersey from other states. While these groups are not usually discussed together, foreign and domestic migrants to New Jersey may have certain features in common, having been drawn to this economically vital state.

### History

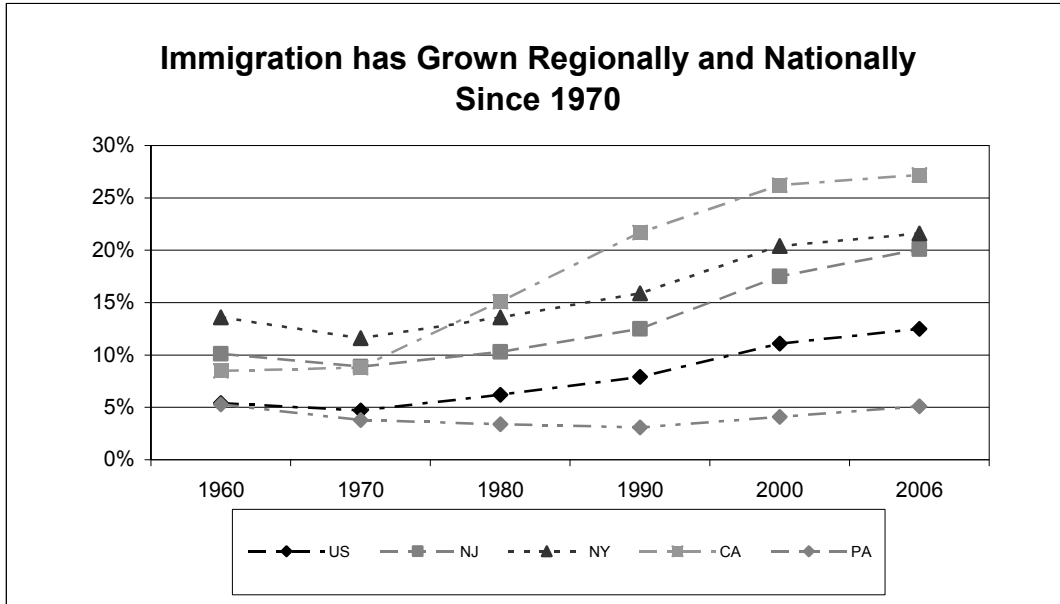
From the Swedish and Dutch settlers of the colonial era to the Jews, Italians and Irish of the turn of the 20<sup>th</sup> century, to the Central and South American, African, Caribbean and South Asian arrivals of today, immigrants have been a constant feature in New Jersey’s history. For at least the past 50 years, New Jersey has had a higher percentage of foreign-born residents than the United States as a whole. Today, the state follows only California and New York in the share of residents who are foreign-born.

State	Percent foreign born 2007
1. CA	27%
2. NY	22%
3. NJ	20%
4. NV	20%
5. FL	19%
6. HI	17%
7. TX	16%
8. AZ	16%
9. MA	14%
10. IL	14%

Source: 2007 American Community Survey.

**Growth Since the 1970s**

Along with the United States as a whole, over the past three and a half decades, New Jersey has experienced a substantial increase in the size of its foreign-born population which has more than doubled in many regions. New Jersey saw the biggest jump in its share of immigrants between 1990 and 2000. Yet from 2000 to 2006 alone, immigrants grew from 17.5 percent to 21 percent, bringing the total immigrant population in the state to 1.7 million.

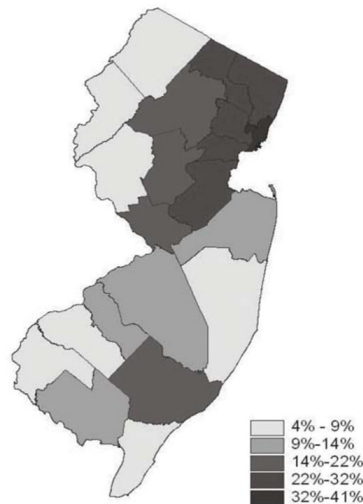


Notes: Authors' calculations from the decennial United States Censuses and the 2006 American Community Survey.

**New Jersey's Immigrant Geography**

Once New Jersey's immigrants clustered exclusively to the north. Due to this historical settlement pattern, the northern counties of Hudson, Union, Passaic, Bergen, Essex, and Middlesex still maintain the highest proportion of foreign-born residents.

**New Jersey Counties  
Percent Foreign Born**



Notes: Author's calculations from 2006 American Community Survey.

**Change in the Foreign-Born Share of  
New Jersey's Highest Immigrant Counties, 1980-2000**

County	% FB 2000	% FB 1990	% FB 1980	% Point change FB 1980-2000	% Recent FB 2000	% Recent RB 1990
Hudson	38.5	30.6	24.0	14.5	9.4	7.7
Passaic	26.6	19.4	14.7	11.9	5.7	5.0
Bergen	25.1	18.0	13.5	11.6	5.3	4.2
Union	25.1	18.4	14.2	10.9	5.4	4.1
Middlesex	24.2	14.2	9.3	14.9	6.8	3.5
Essex	21.2	15.6	12.5	8.7	5.1	3.9
Somerset	18.1	10.9	8.2	9.9	4.6	2.1
Morris	15.4	10.6	8.1	7.3	3.9	2.3
Mercer	13.9	8.7	7.6	6.3	4.0	2.2

Source: New Jersey County Data, 1980 to 2000, U.S. Census Bureau.<sup>1</sup>

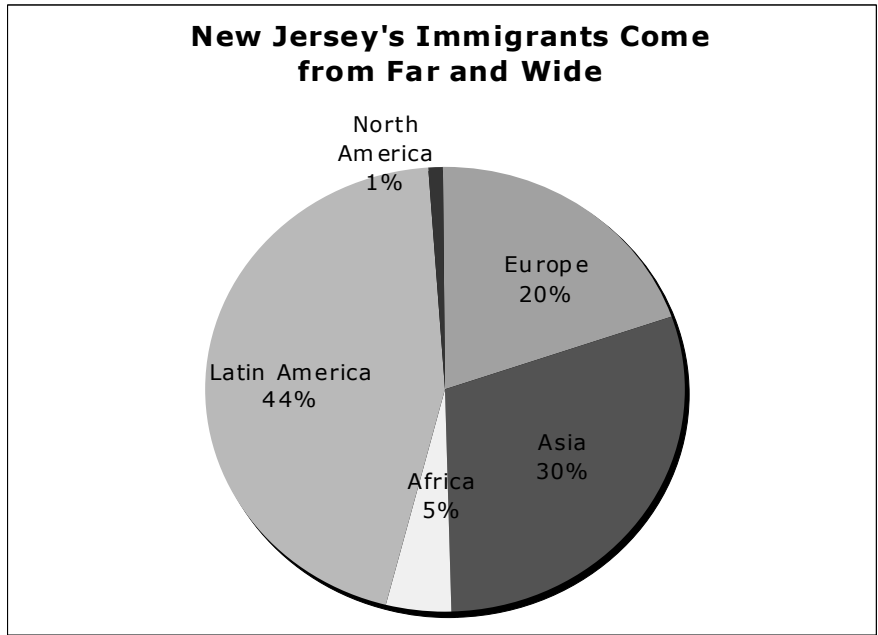
Change, however, is underway. **Like new immigrants nationwide, those in New Jersey have been following economic opportunities to the suburbs.** The following table shows how New Jersey counties experienced changes in immigration from 1990 to 2000. Most counties saw increases in the share of foreign-born residents. The next Census, to be conducted in 2010, will show a continuation of these trends.

County	Percent Foreign Born	
	1990	2000
Cape May	3%	3%
Gloucester	3%	3%
Salem	2%	3%
Burlington	5%	6%
Cumberland	4%	6%
Hunterdon	5%	6%
Ocean	6%	6%
Sussex	5%	6%
Warren	4%	6%
Camden	4%	7%
Monmouth	8%	10%
Atlantic	6%	12%
Mercer	9%	14%
Morris	11%	15%
Somerset	11%	18%
Essex	16%	21%
Middlesex	14%	24%
Bergen	18%	25%
Union	18%	25%
Passaic	19%	27%
Hudson	31%	39%
<b>New Jersey</b>	<b>13%</b>	<b>18%</b>

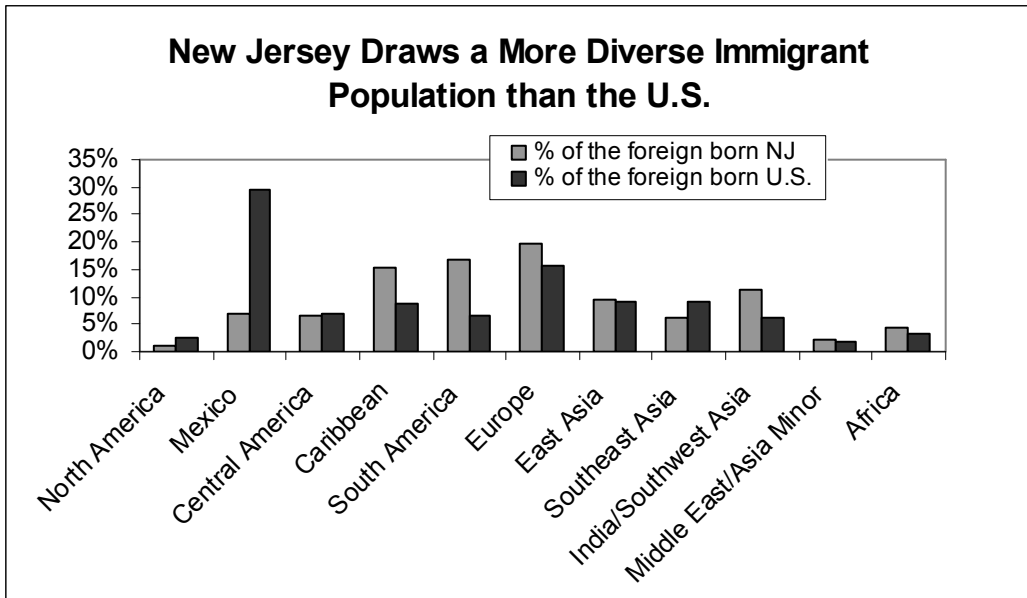
Notes: Authors' calculations from U.S. Census data, [www.factfinder.gov](http://www.factfinder.gov).

### Global New Jersey

Individuals flock to New Jersey from a wide range of regions around the globe. Compared with the U.S. overall, the number of Mexican immigrants making New Jersey their home is relatively small. Immigrants from Mexico comprise just 7 percent of the state’s foreign-born population and less than 2 percent of the total state population. Immigrants living in New Jersey today are more likely than those in the U.S. generally to have been born in all parts of Asia, the Caribbean, Central and South America, Europe or Africa. Nearly 30 percent of immigrants living in New Jersey today came from Asian countries.



Source: ACS, 2007

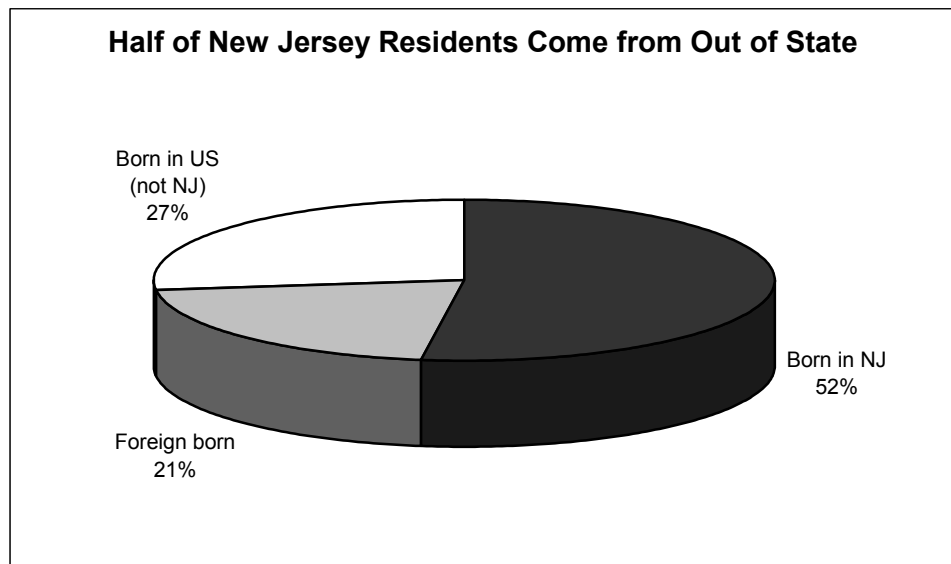


Notes: Authors' calculations from 2006 American Community Survey.



## New Jersey Attracts U.S.-born Migrants, Too

Some of the same features that draw foreign immigrants to New Jersey also attract individuals born elsewhere in the United States. Taken together these two groups of non-native New Jersey residents (those born in the U.S. and those born outside it) make up nearly half of the state's population: 21 percent came from foreign countries and 27 percent from other U.S. states. Both groups are drawn to the dynamic economy, and contribute to that dynamism as well. Although New Jersey has a lower percentage of such migrants than fast-growing western states, it draws a much higher share of U.S. migrants than either New York (22 percent born abroad, 13 percent born elsewhere in U.S.) or Pennsylvania (5 percent born abroad, 19 percent born elsewhere in U.S.).



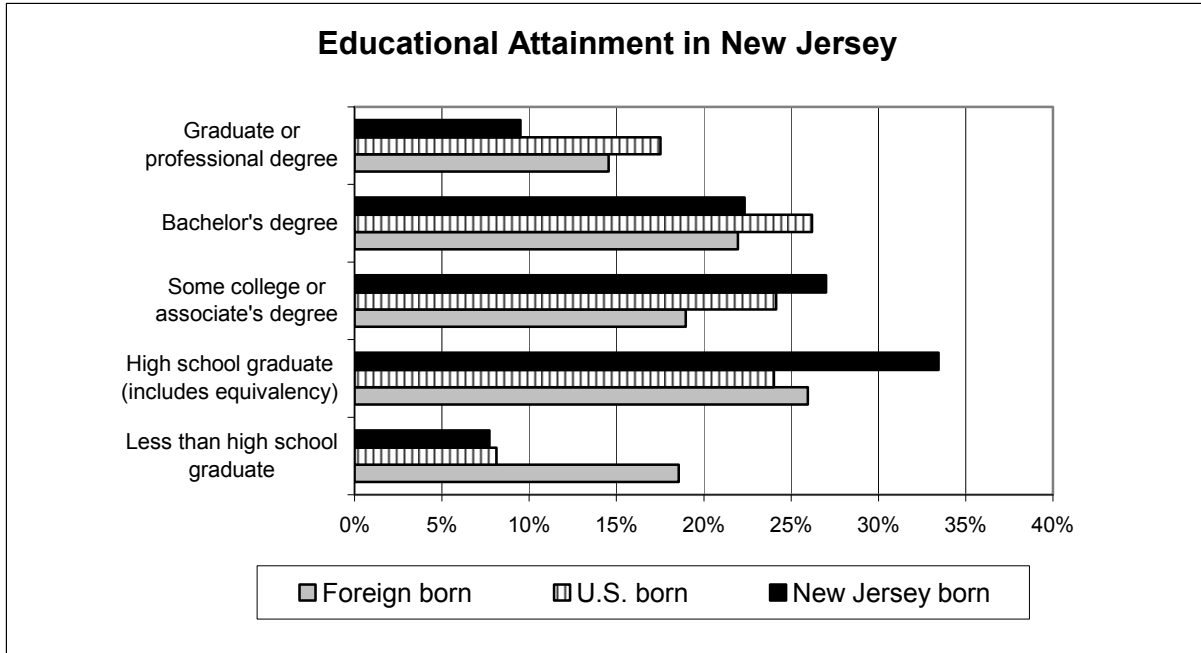
Notes: Authors' calculations from 2006 American Community Survey.

### Education

Education is a central marker of a vibrant and flexible economy. Compared with the general U.S. population, New Jersey residents (both native and foreign-born) tend to be more highly educated. And opportunities in New Jersey attract the highly educated, from across the U.S. and abroad.

Immigrants dominate both ends of the education spectrum. Compared to their U.S.-born neighbors, those who came to New Jersey from abroad are less likely to have completed high school but more likely to have earned graduate or professional degrees. Native migrants are the most highly educated of all three groups; nearly 18 percent of New Jersey migrants from other states have advanced degrees.

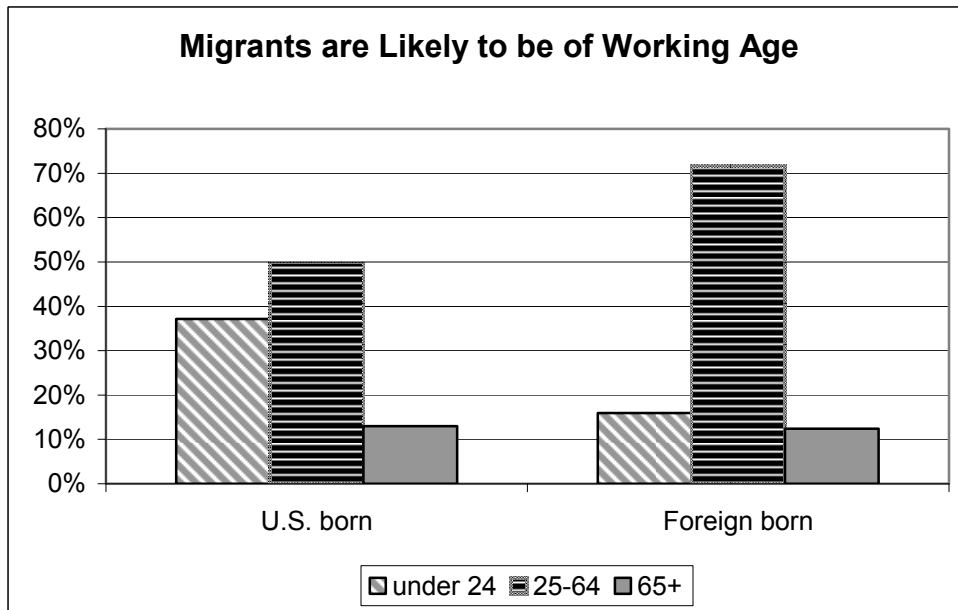
According to data gathered by the National Science Foundation almost half (48 percent) of state residents with master's degrees and 41 percent of those with doctorates in scientific fields are immigrants. The same data show that in fields like science and engineering, areas of expertise critical to the state's technology industries and likely to spawn innovation, the foreign born are dramatically overrepresented.<sup>ii</sup> Immigrants who come to New Jersey specifically to fill high-skilled jobs – usually in academia, pharmaceuticals, technology or medicine – require specialized work visas to do so. Another indication of New Jersey's strong appeal for high-skilled foreign-born experts is the fact that only California and New York outpace New Jersey in the share of these visas (known as H1-B visas) awarded.<sup>iii</sup>



Notes: Authors' calculations from 2006 American Community Survey.

### Age

Immigrants are attracted by the dynamic New Jersey economy. Most come to New Jersey to build better lives for themselves and their families, primarily through work. As a result, the foreign-born population is more likely to be of working age than the U.S.-born. It should not be surprising then, that the foreign born make up an even larger share of the labor force than of the population at large.



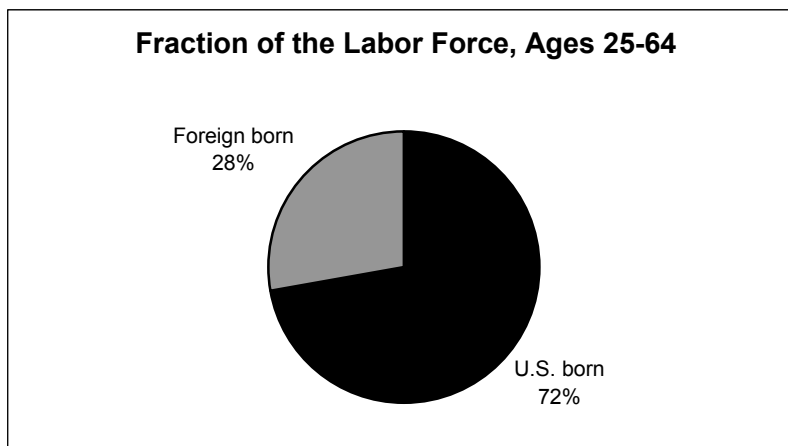
Notes: Authors' calculations from 2006 American Community Survey.

## Unemployment

Immigrants and the native born have the same unemployment rates. In 2006, the unemployment rate among prime working-age adults (age 25-64) was 3.9 percent for both immigrants and natives in New Jersey. Unemployment rates for both groups are likely to rise in any contraction.

## The New Jersey Workforce

With a full 28 percent of the workforce in New Jersey born overseas, an even larger share of the workforce than of the population overall, it is impossible to imagine the New Jersey economy without its foreign-born workers.



Notes: Authors' calculations from 2006 American Community Survey.

While immigrants work in every segment of the economy, those with lower levels of education and skill tend to cluster in occupations characterized by poor working conditions, low pay and benefits, and limited health and safety regulations.<sup>iv</sup> Undocumented workers may be particularly vulnerable to violations of safety and labor laws. According to a recent report by the ACLU of New Jersey, workers who lack proper legal documents have proven reluctant to report wage and hour and safety violations for fear of deportation.<sup>v</sup>

Whether their skills put them at the high or low end of the distribution, immigrants hold more than 40 percent of all jobs in a range of critical occupations. The following table highlights some of these, with average earnings reported in parentheses:

**Immigrant Workers Hold 40 Percent  
(or more) of the Jobs in Many Occupations**

**Low Earnings:**

Housekeepers (\$19,000)  
 Food preparation occupations (\$20,000)  
 Hand packers and packagers (\$21,000)  
 Nursing aides, orderlies, and attendants (\$24,000)  
 Cashiers (\$26,000)  
 Groundskeepers and gardeners (\$27,000)  
 Janitors and cleaners (\$28,000)  
 Cooks (\$29,000)  
 Taxicab drivers (\$33,000)  
 Machine operators (\$33,000)  
 Construction laborers (\$36,000)

**High Earnings:**

Computer scientists (\$75,000)  
 Chemists (\$76,000)  
 Computer programmers (\$85,000)  
 Physicians (\$179,000)

Notes: Authors' calculations from 2006 American Community Survey.  
 Earnings rounded to the nearest \$1,000.

On average, immigrants earn less than native-born workers. The middle of the earning distribution is called the 50<sup>th</sup> percentile. It is the point at which half a population earns more, and half earns less. Among native-born workers in New Jersey, the middle of the earnings distribution is about \$48,000. The middle of the foreign-born earnings distribution is about \$35,000, or more than \$10,000 lower. This same pattern holds at other points along the earnings distribution, where natives consistently earn more than their foreign-born counterparts.

**New Jersey's Foreign-Born Workers Earn Less**

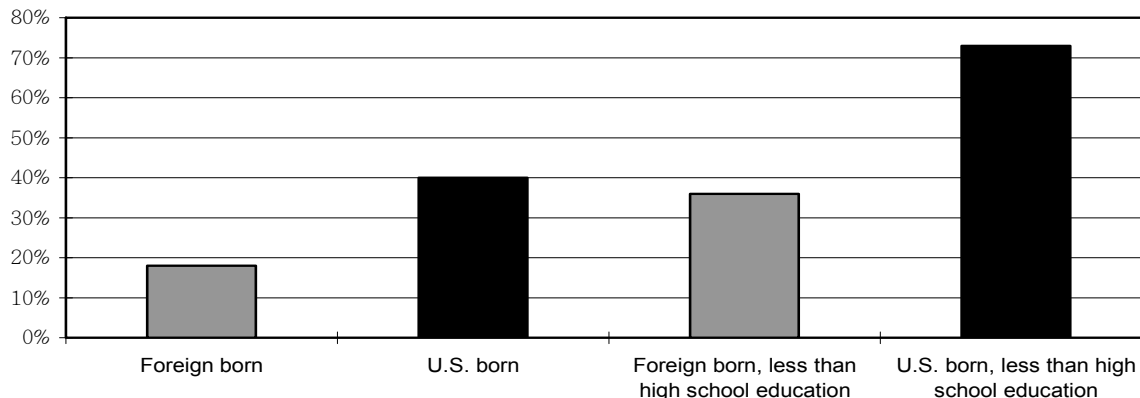
	<u>U.S. born</u>	<u>Foreign born</u>
25 <sup>th</sup> percentile	\$30,200	\$20,100
50 <sup>th</sup> percentile	\$48,300	\$35,200
75 <sup>th</sup> percentile	\$75,500	\$60,400

Notes: Authors' calculations from 2006 American Community Survey.  
 Earnings are rounded to nearest 100. Earnings calculated for those ages 25-64.

**Public Assistance**

Across the age and earnings spectrum, immigrants also rely substantially less than their native counterparts on government transfer programs such as Social Security, Temporary Assistance to Needy Families (TANF), and Supplemental Security Income (SSI). This is true even when restricting attention to those with lower levels of education. Immigrants' low reliance on transfer programs is partially a function of federal entitlement law. Since 1996 new immigrants have been prohibited from accessing Medicaid, TANF, SSI and food stamps, among other entitlements.

### NJ's Immigrants are Less Likely to Receive Government Assistance

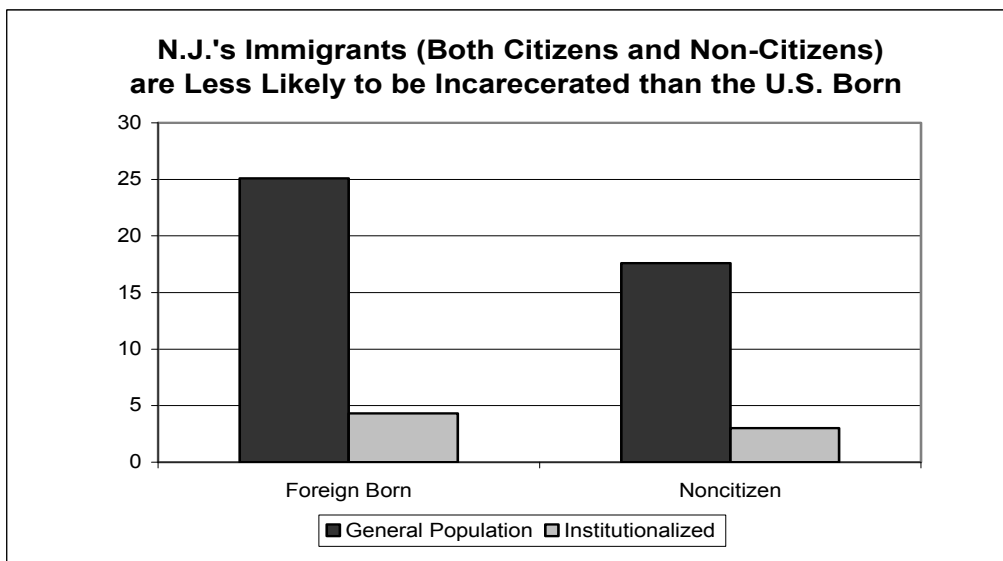


Notes: Authors' calculations from 2006 American Community Survey.

### Incarceration

Criminality is yet another dimension on which immigrants impose fewer costs than other New Jersey residents. Across all sectors, criminality is much higher for men than for women, and much higher for young adults than for the elderly. Therefore, studies adjust for these characteristics when analyzing criminal justice outcomes. The graph below features men aged 18-39, and compares the proportion of foreign born in the general population to those in institutions. (Ninety percent of those in institutions are in prisons or jails).

Although 1 in 4 New Jersey men aged 18 to 24 is foreign-born, only 4 out of every 100 men in prison are immigrants. Even immigrant non-citizens (a larger share of whom are undocumented than the foreign born overall), are a much smaller share of the institutionalized population than of the general population.



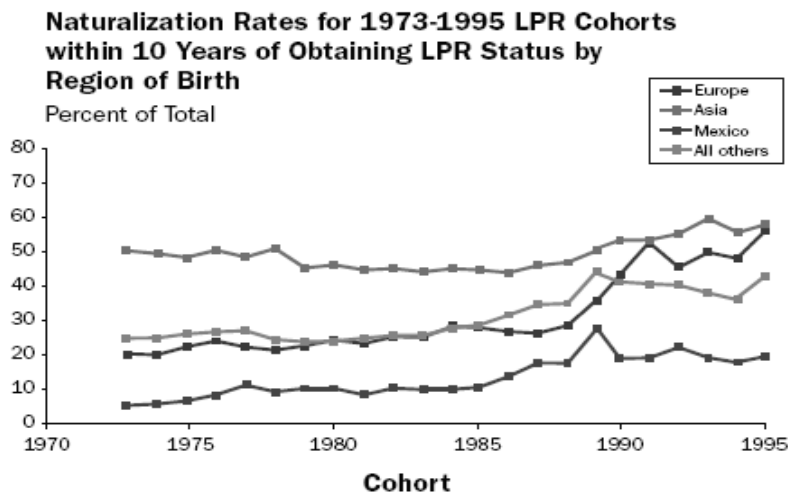
Notes: Authors' calculations from 2006 American Community Survey.

## Immigration Status

Naturalization is the process by which the foreign born become citizens of the United States. To naturalize, one must be 18 years old, a legal permanent resident (LPR) and in most cases have had five years of continuous U.S. residency. For a variety of reasons, completing the process of naturalization takes time. Since 1965 the median number of years in LPR status before citizenship has varied from seven to ten, with a maximum of ten years in 2000. Since then, the lag has been reduced. In 2007, the median time was eight years.<sup>vii</sup>

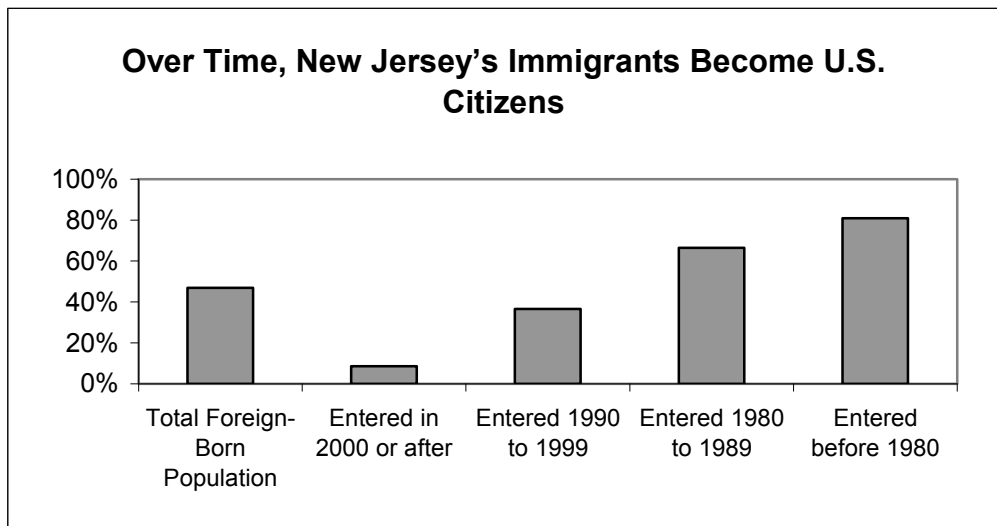
## Naturalization

The Office of Immigration Statistics in the Department of Homeland Security calculates national naturalization rates. The graph below represents the share of each cohort that has naturalized within ten years of obtaining LPR status. They illustrate that more recent cohorts of immigrants have achieved higher rates of citizenship more quickly than did earlier cohorts.<sup>viii</sup>



Source: U.S. Department of Homeland Security.

Census data track cumulative naturalization rates for New Jersey. They show that, among foreign-born New Jersey residents who arrived before 1980, 86 percent have become citizens.



Notes: Authors' calculations from 2006 American Community Survey.

## Unauthorized Immigrants

As immigration to New Jersey has increased, so has the number of undocumented immigrants who make their homes in the state. But data related to the number or characteristics of unauthorized immigrants is notoriously hard to gather. Census questionnaires only ask about citizenship status and nation of birth. Other smaller-scale estimates focus on different states or rely on cross-referencing information from multiple sources.

For the moment, the best New Jersey data come from the Office of Immigration Statistics in the Department of Homeland Security. Nationwide, the number of unauthorized immigrants in the United States is estimated to have increased by 39 percent since 2000, from about 8.5 million in 2000 to 11.8 million by January 2007. Over this period, according to these data, the population of unauthorized immigrants in New Jersey has grown somewhat more slowly, by 32 percent, from 350,000 to 470,000.

### State of Residence of the Unauthorized Immigrant Population: January 2007 and 2000

State of Residence	Estimated population in January		Percent change
	2007	2000	2000 to 2007
All states	11,780,000	8,460,000	39
California	2,780,000	2,510,000	13
Texas	1,710,000	1,090,000	57
New York	640,000	540,000	19
<b>New Jersey</b>	<b>470,000</b>	<b>350,000</b>	<b>32</b>

Detail may not sum to totals because of rounding. Source: U.S. Department of Homeland Security.

For policymaking purposes, it would be terribly useful to know the relative numbers of authorized and unauthorized immigrants. But even if such a figure were knowable, it would be of only limited use. Unlike most other characteristics, immigration status is fluid and changeable. Immigrants frequently change status after they arrive in the U.S. A person may move to the U.S. with a student or tourist visa but then overstay its term, becoming unauthorized. Or, they may “regularize” their status by obtaining a green card. A foreign-born individual may enter the United States as a legal permanent resident (LPR or green card holder), a temporary visa holder (e.g., tourist, seasonal worker, H-1B, or student visa), or as an unauthorized, illegal or undocumented immigrant (either as an illegal border crosser or a visa abuser). Estimates from FY 1996 suggest that as many as 1 in 10 of New Jersey’s legal permanent residents had at some time been unauthorized.<sup>ix</sup>

Not only can immigration status change with time, but, at any given moment, legal status may vary within individual families. According to data analyzed by the Association for Children of New Jersey, 90 percent of children in New Jersey’s immigrant families are citizens.<sup>x</sup>

## The Economic Impact of Immigration

As we have seen, immigrants come to New Jersey from diverse backgrounds and they play a critical role in the state’s workforce. We now examine a series of critical questions concerning the impact of immigration on New Jersey’s economy. In particular, we examine 1) the impact on the economic outcomes of the native born; 2) the impact on the state’s budget; and 3) the overall contribution immigrants make to the state economy.

Like every economy, New Jersey's is made up of interrelated markets – for labor, for products, and for capital. Questions concerning economic impact require complex modeling of the behavior of immigrant and native-born workers, business owners, and others. Due to their complexity and their implications for policy, these questions are the subject of vigorous debate among academics and advocates. Mindful of these concerns, we emphasize findings that we consider least sensitive to various modeling choices. Based on this literature we have been able to draw several cautious but confident conclusions.

## **Immigration appears to have a positive impact on the earnings and employment of the native born in New Jersey.**

Economists debate this issue extensively, with different studies yielding different estimates. Our review of an extensive literature revealed that the overwhelming majority find at most very small effects of the impact of immigration on native employment.

In fact, many economists argue that increased immigration has no negative effect on native employment rates. In 2007, the President's Council of Economic Advisors (CEA) summarized the research for the United States as a whole, concluding that,

On average, U.S. natives benefit from immigration. Immigrants tend to complement (not substitute for) natives, raising natives' productivity and income.<sup>xi</sup>

In a free market, any measurable effects of immigration on earnings and employment are largely overwhelmed by a range of other economic conditions. For example, capital is mobile, and businesses tend to expand in areas with sufficient labor. The agglomeration of high-skilled labor in close proximity tends to spur, not thwart, innovation. Moreover, immigration may alter the choices businesses make about where to locate. As a result of these and other mechanisms, immigration may attract innovation and investment sufficient to offset any direct competition with the native population.

Estimates of the earnings and employment effects of immigration on New Jersey's native-born population appear consistent with the range of estimates found in national-level studies. Indeed, the large share of highly-educated foreign-born workers making their homes in New Jersey makes it likely that immigrants exert a positive impact on the earnings and employment of the state's native-born workers.

## **Immigrant workers do not appear to lower employment rates for low-skilled, less-educated native-born workers in New Jersey.**

Many believe that while immigrants may have a generally positive impact on productivity, native workers at the bottom of the employment ladder must lose out when they compete directly with the low-skilled newcomers. This thinking leads some to argue that immigration should be limited to those with high levels of skill.

However, work by economists increasingly challenges this presumption. A recent study by Giovanni Peri and Chad Sparber highlights the ways that immigration stimulates native employment and increases wages. When more high-skilled immigrants are employed this drives up demand for less-skilled workers to do jobs that support their work. Additional workers are also needed to meet the needs of the new consumers. For example, a physician's arrival from India will create the need for increased secretarial and janitorial support (as well as trained nursing and financial services) and will stimulate demand for restaurant meals and household services.



In addition, immigration may actually provide improved employment opportunities for native workers because even natives with limited education maintain advantages over immigrants. Foremost among these are their language skills as well as superior knowledge of local technology and institutions. The arrival of immigrants allows native-born workers to specialize in tasks that complement the work of the low-skilled immigrants. This effect, referred to as “task complementarity,” depends on the presence of low-skilled immigrants to boost natives into supervisory positions that they might not have ascended to in the absence of immigration.

## How Immigration Affects Low-Skilled Natives

### High-skilled immigrants

- ↑ raise demand at work for complementary workers
- ↑ raise demand at home for products and services

### Low-skilled immigrants

- ↓ lower demand at work for comparable workers
- ↑ raise demand at work for workers who can upgrade themselves, using U.S.-specific skills

Both of these positive effects of immigration are likely to be relevant in New Jersey. The direct effect of high-skilled immigrants raises demand for low-skilled labor, and the indirect effect of low-skilled labor raises demand for low-skilled natives with enough language and other skills to take on supervisory or customer-oriented tasks. One way these outcomes can occur is through entrepreneurship – 20 percent of businesses in New Jersey are owned by immigrants.<sup>xii</sup>

Economic simulations suggest that the inflow of high-skilled immigrants to New Jersey between 1990 and 2000 raised the wages of natives without high school diplomas by 1.6 percent. Low-skilled immigrants raised the wages of these same less-educated native workers by an additional 1.4 percent. **By this account, general immigration to New Jersey drove up the wages of native workers without high school diplomas by 3.0 percent.**

New Jersey stands out for the strength of this positive effect. By contrast, New York saw a comparable wage increase of 1.1 percent, while in California, Arizona, and the United States as a whole, the impact on native wages was negative.<sup>xiii</sup>

## Immigrants Appear to Pay Enough Tax to Offset their Use of Services.

We examined many studies of the fiscal impact of immigration at local, state, and federal levels. Most indicate that the current fiscal impact is negative for state and local governments but positive for the federal government. This is because immigrants as a group have below-average incomes but larger than average family size. One New Jersey study based on 1990 census data compared “like” households and found that immigrants pay higher taxes and receive fewer government services than natives. But it also found that immigrant households are disproportionately poor, and poor families yield a small net fiscal deficit in the short run.<sup>xiv</sup>

One important component in these calculations is the cost of educating children. From an accounting perspective, assigning the costs of K through 12 education is a complex task. Some view education as an investment in the future of the state rather than as a transfer to individual recipients. Investments in education are borne in the present, but only years later do they result in tangible contributions to the economy.

Immigration to the United States is generally, though not always, for the long run. What happens in later generations is a relevant concern. Assessing the national picture, the Council of Economic Advisers noted, “careful studies of the long-run fiscal effects of immigration conclude that it is likely to have a modest, positive influence.”

Among the economists who have examined the fiscal impact of immigrants with an eye to intergenerational effects, some have concluded that the impact of immigration depends upon other fiscal policy choices made by the government. If governments run big deficits, making commitments now that will need to be paid by future generations, then immigrants and their offspring will bear a disproportionate share of the debt burden. Under certain circumstances, then, immigration can alleviate the fiscal stress of natives. But the overall impact of immigration on fiscal balance is extremely small. Immigration should neither be perceived as a major source of the existing imbalance, nor as a potential solution to it.<sup>xv</sup>

When it comes to the budget of the state of New Jersey, we cannot with any accuracy determine the net fiscal impact of immigrants. We do know that, contrary to public perception, even undocumented immigrants pay sales and property tax. Many receive a range of services whether K-12 education or the use of roads and libraries.

At the same time, we know that several factors (some of which are specific to New Jersey) reduce the potentially negative short-run fiscal impact of immigration:

- The age structure of the foreign born is concentrated in the working ages;
- Many of the state’s foreign born are highly-skilled, high-income workers; and
- Immigrants in New Jersey benefit less from social services than the native born.

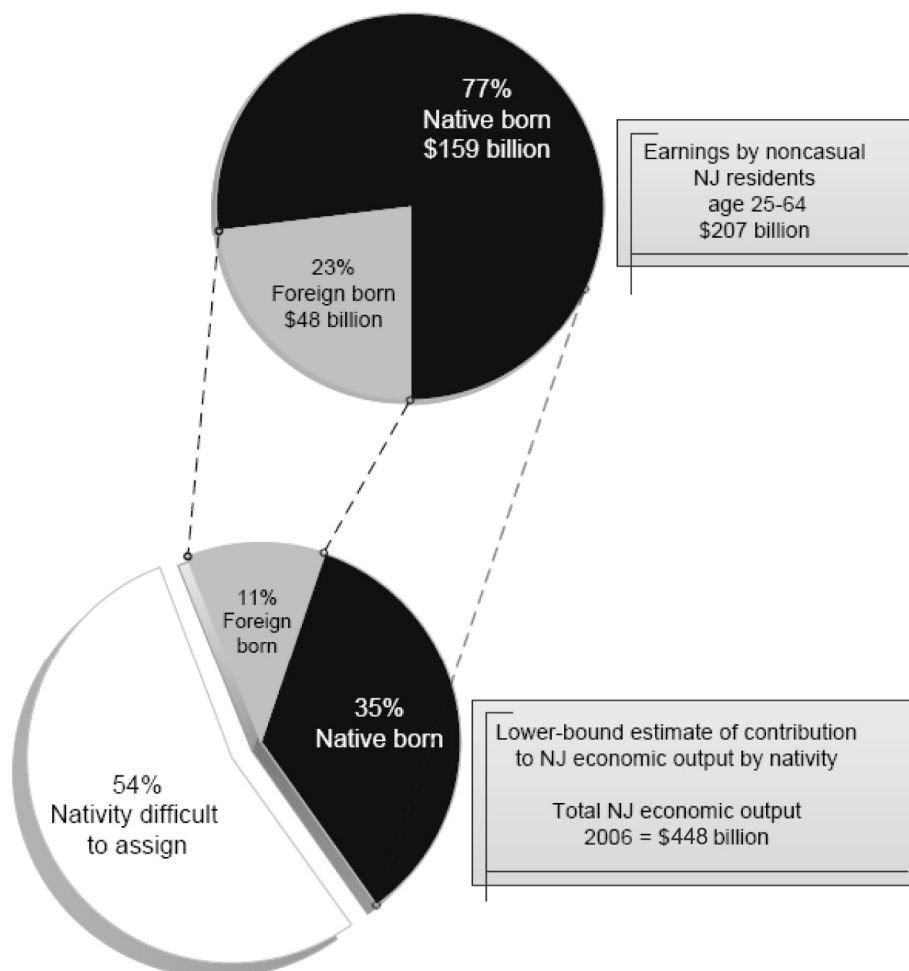
In much less advantageous circumstances than prevail in New Jersey, immigrants yield slightly negative or near zero effects in the short run and positive effects in the long run. When we factor in New Jersey’s unique immigrant population it seems more than likely that the short and long-term fiscal effects of immigrants are indistinguishable from those of natives.

## **Summing Up: Immigrants Are Integral to New Jersey’s Thriving Economy.**

Of the \$207 billion earned by residents of New Jersey in 2006, 77 percent (or \$160 billion) was paid to native-born workers, while the remaining 23 percent (\$47 billion) was earned by immigrant workers living in New Jersey.

The size and complexity of the state economy mean that any estimate of immigrants’ contributions to the state gross domestic product (GDP) is subject to critique. One approach assumes that the earnings proportions hold for the rest of the economy. This methodology would apply the 23 percent figure above to the state’s entire \$448 billion GDP (in 2006), the accepted measure of the size of the economy. This approach assumes that the 54 percent of the economy to which we cannot assign nativity belongs proportionately to immigrants and the native born. There is no way to test this assumption. We can be sure, however, that the contribution of immigrants is no lower than \$47 billion and no greater than \$288 billion.<sup>xvi</sup>

## Overall Contribution to New Jersey Economy by Nativity



Sources: Earnings calculations are from American Community Survey 2006. GDP estimates from the U.S. Bureau of Economic Analysis (<http://www.bea.gov/regional/gsp/>). Earnings calculations are for employed 25-64 year olds earning \$5000 or more (to remove “casual” laborers from our calculations) and living in New Jersey, totals \$206.594 billion, or 80 percent of total compensation to employees as calculated by the BEA (which was 57 percent of State GDP). State gross income is the more appropriate measure, not State GDP. If natives work out-of-state more than the foreign-born, the using GDP underestimates the contribution of the foreign-born to output.

## Conclusion

For decades New Jersey has benefited from higher than average rates of immigration, and higher than average levels of education among its immigrants. At 28 percent of the workforce and 23 percent of the earnings, immigrants are key players in New Jersey's vibrant economy; so much so that is impossible to imagine the state functioning without their contributions.

More than almost any other state, New Jersey benefits from the skills of highly-educated immigrants, individuals who account for 40 percent of all advanced degree holders statewide. But immigrants are overrepresented at the low end of the earnings distribution, too. These immigrants wash dishes, clean office buildings and build homes. They comprise large segments of some of the lowest-earning occupations in the state. They are likely to be among the most vulnerable during any economic downturn.

The dynamic mix of immigrants living and working in New Jersey should allay concerns about the negative impact of low-skilled natives on native earnings and negative fiscal consequences for state finances overall. Rather, our analyses suggest that New Jersey's immigrants do not produce negative effects in either of these arenas. In fact, immigrants are likely to bring modest improvements in both. And while it is true that immigrants add to the numbers of lower-skilled workers, who then compete with low-skilled natives, these immigrants also add to the demand for native workers with the language skills and local knowledge to supervise the new arrivals.

Immigrants to New Jersey are incredibly diverse in their talents and their countries of origin. This particular mix has long distinguished the state from other areas of the country. New Jersey must adopt policies that reflect its unique experience with immigration.

<sup>i</sup> Marta Tienda et al., “Integrating Immigrants In New Jersey: Local Perspectives,” Woodrow Wilson School of Public and International Affairs, Policy Task Force Report. May 2008.

<sup>ii</sup> National Science Foundation, Division of Science Resources Studies, Scientists and Engineers Statistical Data System (SESTAT), 2006. See <http://www.nsf.gov/statistics/sestat/>.

<sup>iii</sup> See, for example, “The Movement of Global Talent: The Impact of High Skill Labor Flows from India and China,” Udai Tambar, editor. Princeton: Princeton University, Woodrow Wilson School of Public and International Affairs, 2007.

<sup>iv</sup> Research on New York City has documented the concentration of immigrant workers in fields including domestic service, construction and janitorial work among others where regulation of health, safety, hours and pay is weak. See Annette Bernhardt, Siobhan McGrath, and James DeFilippis. 2007. “Unregulated Work in the Global City: Employment and Labor Law Violations in New York City,” New York: Brennan Center for Justice.

<sup>v</sup> American Civil Liberties Union of New Jersey, “The Rights of Immigrant Workers in New Jersey,” October 2008.

<sup>vii</sup> Nancy Rytina & Selena Caldera, 2008. “Naturalizations in the United States: 2007.” Office of Immigration Statistics, Policy Directorate, Department of Homeland Security.

[http://www.dhs.gov/xlibrary/assets/statistics/publications/natz\\_fr\\_07.pdf](http://www.dhs.gov/xlibrary/assets/statistics/publications/natz_fr_07.pdf).

<sup>viii</sup> The various factors affecting naturalizations rates are discussed in Claire Bergeron and Jeremy Banks, *Behind the Naturalization Backlog*, Migration Policy Institute, Fact Sheet No. 21, February 2008 [http://www.migrationpolicy.org/pubs/FS21\\_NaturalizationBacklog\\_022608.pdf](http://www.migrationpolicy.org/pubs/FS21_NaturalizationBacklog_022608.pdf).

<sup>ix</sup> See Guillermina Jasso, Douglas S. Massey, Mark R. Rosenzweig & James P. Smith (2008). *From Illegal to Legal: Estimating Previous Illegal Experience among New Legal Immigrants to the United States* IZA DP No. 3441.

<sup>x</sup> More information on children in New Jersey’s immigrant families can be found in Association for Children, NJ, “Immigrant Kids Count 2007,” available at [www.acnj.org](http://www.acnj.org).

<sup>xi</sup> Executive Office of the President, Council of Economic Advisers, *Immigration’s Economic Impact*, Washington DC: June 20, 2007.

<sup>xii</sup> Robert W. Fairlie, “Estimating the Contribution of Immigrant Business Owners to the U.S. Economy,” Small Business Association, Office of Advocacy. November, 2008.

<sup>xiii</sup> Giovanni Peri & Chad Sparber, 2008. “Task Specialization, Immigration, and Wages,” CReAM Discussion Paper Series 00802, Centre for Research and Analysis of Migration (CReAM), Department of Economics, University College London.

<sup>xiv</sup> Deborah L. Garvey, Thomas J. Espenshade & James M. Scully. 2002, “Are Immigrants a Drain on the Public Fisc?” State and local impacts in New Jersey. *Social Science Quarterly* 83(2) 537-553.

<sup>xv</sup> Alan J. Auerbach, & Pia Oreopoulos. 1999. “Analyzing the Fiscal Impact of U.S. Immigration,” *American Economic Review* 89(2): 176-80.

<sup>xvi</sup> Fiscal Policy Institute, “Working for a Better Life: A Profile of Immigrants in the New York State Economy,” November 2007.

[http://www.fiscalspolicy.org/publications2007/FPI\\_ImmReport\\_WorkingforaBetterLife.pdf](http://www.fiscalspolicy.org/publications2007/FPI_ImmReport_WorkingforaBetterLife.pdf).



**Eagleton Institute of Politics**  
**191 Ryders Lane**  
**New Brunswick, NJ 08901**