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CHAPTER 5 OF THE
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The Economics of Skilled and
Unskilled Migration



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CHAPTER 5: THE ECONOMICS OF SKILLED AND UNSKILLED MIGRATION

In Chapter 2 of the Republican Response in the *2024 Joint Economic Report (Response)*, Joint Economic Committee Republicans outlined the various demographic trends that are adversely impacting the U.S.’ fiscal situation, such as the aging population and declining fertility rate.¹ In that Chapter, JEC Republicans also outlined policies to address these demographic trends and increase growth, including those that encourage high-skilled immigration.² We concluded that high-skilled immigrants—especially those in science, technology, engineering, and mathematics (STEM) fields—have an outsized economic impact that benefits all Americans, but that this economic potential is held back by various restrictions, such as caps on the number of work visas appropriated in a year. These caps on high-skilled immigration, which limit the U.S.’ economic potential, are especially egregious considering the recent influx of low-skilled immigration, which offers less economic benefit and involves substantial tradeoffs.

The dramatic influx of undocumented immigrants since the start of 2021 has spurred considerable debate over the economics of high- and low-skilled immigration. Relatively few low-skilled visas are available, with the number of permanent low-skilled

¹ Joint Economic Committee Republicans, “Chapter 2: Demographics and the Deficit,” in *The 2024 Joint Economic Report, Republican Response* (U.S. Congress Joint Economic Committee, 2024), https://www.jec.senate.gov/public/vendor/_accounts/JEC-R/jer-chapters/2024JERChapter2.pdf.

² High skilled migration is typically defined as individuals with a university degree or higher or significant technical work experience. Migration Research Hub, “High-skilled migration,” <https://migrationresearch.com/taxonomies/topics-migration-processes-migration-forms-high-skilled-migration>.

visas being capped at 5,000 per year.³ Despite this, there has been a recent, significant influx of undocumented, low-skilled workers who now comprise a significant portion of the workforce, especially in certain industries.⁴ This Chapter will overview the aggregate economic impact of high- and low-skilled immigration and recommend policies that maximize the U.S.’ economic potential, weighing the tradeoffs that arise from such immigration. While social and cultural considerations are important in any debate on immigration, the intention of this Chapter is to view this debate with a purely economic perspective.

High-skilled migration

The *2024 Response* highlighted how it is imperative to pursue policies that can help stabilize the country’s skyrocketing debt-to-GDP ratio.⁵ Two ways to do this are by expanding the tax base and increasing economic growth through technological innovation. One avenue to accomplish both is by taking advantage of one of the U.S.’ most valuable privileges—its ability to attract high-skilled foreign individuals who wish to work, study and invest

³ This figure does not fully capture the growth in the low-skilled labor force as there are a number of temporary and seasonal visa programs that constitute a large number of foreign low-skilled workers, including the H-2A and H-2B visa programs. U.S. Citizenship and Immigration Services, “Temporary (Nonimmigrant) Workers,” <https://www.uscis.gov/working-in-the-united-states/temporary-nonimmigrant-workers>; Madeleine Sumption and Demetrios G. Papademetriou, “Legal Immigration Policies for Low-Skilled Foreign Workers,” Migration Policy Institute policy brief (April 2013), <https://www.migrationpolicy.org/research/legal-immigration-policies-low-skilled-foreign-workers>.

⁴ Steven A. Camarota, “Illegal Immigration and the U.S. Labor Market,” prepared testimony for the U.S. House Committee on Education and Workforce, September 13, 2023, p. 6, https://edworkforce.house.gov/uploadedfiles/9.13.23_camarota_testimony_help_subcommittee_hearing_on_open_borders_and_workforce.pdf.

⁵ Joint Economic Committee Republicans, *The 2024 Joint Economic Report, Republican Response* (U.S. Congress Joint Economic Committee, 2024), p. 6, <https://sen.gov/LVQNL>.

here. Skilled immigrants, especially those in STEM fields, lead to outsized economic growth and their contributions result in positive wage and employment outcomes for native-born Americans.⁶ For example, for every 100 foreign-born workers who receive a STEM degree in the U.S., 262 jobs are created for native-born Americans in part due to the disproportionate rate at which foreign-born workers innovate and create businesses.⁷ In the case of H-1B visa workers, for every 100 additional H-1B workers, 183 jobs are created for native-born individuals.⁸ Skilled immigrants also have a positive impact on the country's fiscal situation as the net fiscal impact of all high-skilled immigrants with at least a college degree is estimated to be \$13 trillion over the course of their lives largely due to their higher than average incomes leading to greater tax receipts.⁹ In the near term, it is estimated that granting permanent residency to immigrants with advanced STEM degrees would reduce the deficit by \$129 billion over the next ten years and \$634 billion over the subsequent ten.¹⁰

⁶ Madeline Zavodny, "Immigration and American Jobs," American Enterprise Institute Working Paper, December 15, 2011, <https://www.aei.org/research-products/working-paper/immigration-and-american-jobs/>.

⁷ Zavodny, "Immigration and American Jobs," 6; Shai Bernstein, Rebecca Diamond, Abhisit Jiranaphawiboon, Timothy McQuade, and Beatriz Pousada, "The Contribution of High Skilled Immigrants to Innovation in the United States," NBER Working Paper no. 30797 (December 2022), <https://doi.org/10.3386/w30797>; Pierre Azoulay, Benjamin F. Jones, J. Daniel Kim, and Javier Miranda, "Immigration and Entrepreneurship in the United States," NBER Working Paper no. 27778 (September 2020), <https://doi.org/10.3386/w27778>.

⁸ Zavodny, "Immigration and American Jobs."

⁹ Robert Rector, "The Net Fiscal Costs of Low-skilled and Illegal Immigration for the U.S. Taxpayer," prepared testimony for the U.S. Senate Committee on the Budget, September 13, 2023, https://www.budget.senate.gov/imo/media/doc/rector_testimony_913.pdf.

¹⁰ Alex Arnon, Vidisha Chowdhury, Duncan Haystead, Brendan Novak, and Youran Wu, "Budgetary Effects of Granting Green Cards to Immigrants with Advanced STEM Degrees," Penn Wharton Budget Model, January 18, 2024,

Current high-skilled immigration system

Despite the outsized impact that skilled immigrants have on the U.S. economy and fiscal situation, total skilled immigration has remained stagnant due to caps on the number of individuals who can receive work visas and permanent residency.¹¹ The current system presents issues not only by preventing willing and talented individuals from working in the U.S., but also through abuse in existing programs which deteriorates trust in the programs and steals spots from legitimate candidates. The most well-known visa program for skilled immigration, the H-1B, is intended to allow employers to temporarily hire foreign workers for jobs which require specialized knowledge that cannot be otherwise filled by American workers.¹² While the program is effective in the aggregate at producing economic benefits,¹³ it is in need of reform to prevent abuse and ensure that the brightest, most talented individuals are able to work in the U.S.

A September 2008 report from the Department of Homeland Security (DHS) that sampled 246 H-1B petitions found at least one disqualifying violation in 20.7 percent of cases, consisting of fraud in 13.4 percent of cases and technical violations in 7.3 percent.¹⁴ Examples of fraud included the use of forged or falsified documents, the use of illegitimate shell companies that did not extend legitimate job offers to candidates, misrepresentation of job

<https://budgetmodel.wharton.upenn.edu/issues/2024/1/18/budgetary-effects-of-stem-green-cards>.

¹¹ U.S. Citizenship and Immigration Services, “H-1B Cap Season,”

<https://www.uscis.gov/working-in-the-united-states/temporary-workers/h-1b-specialty-occupations/h-1b-cap-season>.

¹² Wage and Hour Division, “H-1B Program,” U.S. Department of Labor,

<https://www.dol.gov/agencies/whd/immigration/h1b>.

¹³ Joint Economic Committee Republicans, *2024 Republican Response*, 51–56.

¹⁴ U.S. Citizenship and Immigration Services, “H-1B Benefit Fraud & Compliance Assessment” (September 2008), <https://lawandborder.com/wp-content/uploads/2008/10/h-1b-benefit-fraud-assessment.pdf>.

roles or a petitioner's H-1B status, and cases where petitioners or beneficiaries were currently under investigation by ICE, among others.¹⁵ Accounting, human resources, sales, and advertising had the highest fraud rate of 42 percent, and managerial, art, and computer professional jobs had the next highest fraud rates between 27 and 33 percent.¹⁶ Additionally, fraud was more prevalent among beneficiaries who only had bachelor's degrees compared to those with graduate degrees.¹⁷

There are several reform proposals to address the fraud and inequity within the H-1B program and ensure that the program is not used as a tool to undercut Americans' wages by importing cheaper labor. The first major reform proposal is eliminating the randomness of the H-1B lottery and replacing it with a points-based system that prioritizes giving visas to individuals who have the greatest long-run expected fiscal contributions to the economy. The points-based system would favor individuals who are younger, have higher-level degrees, rank highly in English proficiency, provide an investment for American business creation, are self-employed, or have a high salary offer relative to both other applicants and the prevailing wage in the industry. The program would also be reformed so that employees are self-sponsored rather than employee-sponsored, which would avoid the current issue of beneficiaries having multiple companies

¹⁵ U.S. Citizenship and Immigration Services, "H-1B Benefit Fraud & Compliance Assessment," 9–11.

¹⁶ U.S. Citizenship and Immigration Services, "H-1B Benefit Fraud & Compliance Assessment," 13.

¹⁷ U.S. Citizenship and Immigration Services, "H-1B Benefit Fraud & Compliance Assessment," 12.

submit applications on their behalf to boost their chances of receiving a visa.¹⁸

In addition to the proposals intended to strengthen the applicant pool and selection process, a number of proposals have been made to explicitly address fraud. In October 2020, the DHS implemented a number of policies to reduce H-1B fraud, but these rules were rescinded shortly after by the subsequent Administration.¹⁹ The two interim final rules made a number of changes to the H-1B program. These changes include: tightening the definition of specialty occupations to require applicants to have specialized, rather than generalized, degrees in their field; increasing the DHS's authority to perform workplace inspections to ensure that fraud is not occurring and that H-1B workers are doing the specific job they were hired to do; requiring employers who contract or place their employees at third-party worksites to prove that the employees' work is relevant to their specialization; and increasing the minimum wage required for an H-1B application to be approved.²⁰ The current Administration should

¹⁸ Yekrangi & Associates, "Can Multiple Companies File an H1B for the Same Applicant?" March 17, 2023, <https://www.yeklaw.com/blog/2023/march/can-multiple-companies-file-an-h1b-for-the-same-/>.

¹⁹ U.S. Department of Homeland Security, U.S. Citizenship and Immigration Services, "8 CFR Part 214, Strengthening the H-1B Nonimmigrant Visa Classification Program, CIS No. 2658-20 DHS Docket No. USCIS-2020-0018," *Federal Register* 85, no. 196 (October 8, 2020): 63918–65, <https://www.govinfo.gov/content/pkg/FR-2020-10-08/pdf/2020-22347.pdf>; U.S. Department of Homeland Security, U.S. Citizenship and Immigration Services, "8 CFR Part 214, Strengthening the H-1B Nonimmigrant Visa Classification Program, Implementation of Vacatur, CIS No. 2658-20 DHS Docket No. USCIS-2020-0018," *Federal Register* 86, no. 95 (May 19, 2021): 27027–8, <https://www.govinfo.gov/content/pkg/FR-2021-05-19/pdf/2021-10489.pdf>.

²⁰ Lars-Erik A. Hjelm, Maka Y. Hutson, Jillie B. Richards, and Casey Christine Higgins, "Trump Administration Introduces Major Changes to H-1B Visas and Employment-Based Green Cards," Akin Gump Strauss Hauer & Feld

consider reimplementing these rules and pursuing further action to clear the program of fraud and ensure that the program’s intended goal is achieved.

Reforming current immigration system to retain talent

Policies should ensure that high-skilled workers—who, as outlined in the *2024 Response*, make overwhelmingly positive economic contributions that benefit all Americans—are able to do so without onerous burdens or restrictions.²¹ The U.S. stands to benefit from admitting more qualified and legitimate high-skilled individuals, and, at a minimum, lawmakers must ensure that individuals already working or studying in the U.S. are not forced to leave due to poor policy.

The U.S. has a large comparative advantage because the country’s research and higher education institutions are highly attractive to talented individuals. The ability for American institutions to attract talent is a valuable resource, but equally important is the country’s ability to maintain it. Because of current immigration policies, a significant number of highly educated individuals who would otherwise prefer to work here are leaving the country. For example, from 2012 to 2020, of all international students who graduated in the U.S. with a bachelor’s degree, master’s degree, or PhD, only 41 percent stayed in the U.S. after graduation. That amounts to around 1.1 million U.S.-educated individuals leaving the U.S.²² Retention rates for those with PhDs and master’s degrees was stronger at 76 and 51 percent, respectively, but for

LLP, October 22, 2020, <https://www.akingump.com/en/insights/alerts/trump-administration-introduces-major-changes-to-h-1b-visas-and-employment-based-green-cards>.

²¹ Joint Economic Committee Republicans, *2024 Republican Response*, 51–56.

²² Connor O’Brien, “Most international graduates of American universities ultimately leave the U.S.,” Economic Innovation Group Analysis, June 27, 2024, <https://eig.org/immigrant-retention-estimates/>.

those with bachelor's degrees the rate was only 17 percent. While a number of those who choose to return abroad likely do so for personal reasons, many others do so because of restrictions on work visas and permanent resident green cards.²³ Excessive restrictions on skilled immigration constrict economic growth potential and push the one million skilled workers on waitlists towards countries like China.²⁴ Implementing sensible reforms to the high-skilled immigration system that not only attract the brightest talent but also address fraud will maximize American economic potential and ensure the U.S. does not squander its advantage as the top destination for work and innovation.

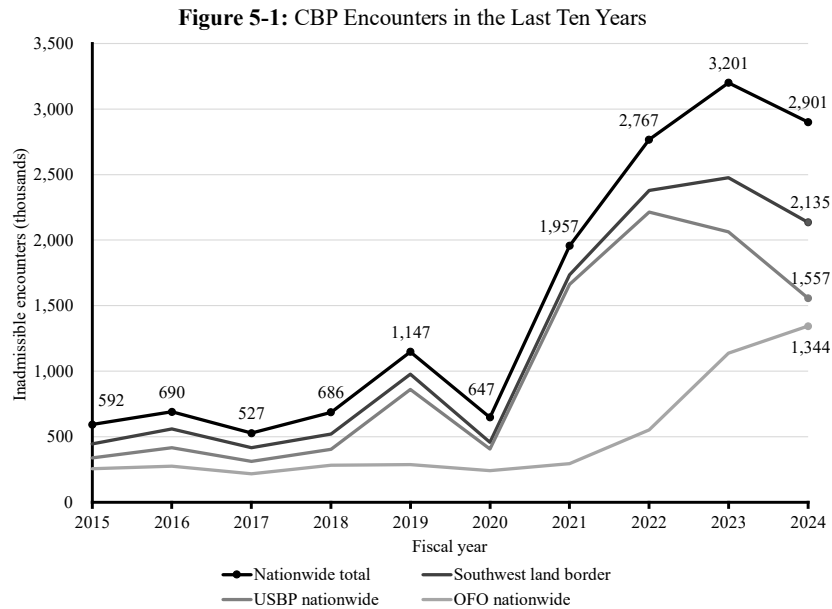
Immigration trends

Onerous restrictions on high-skilled immigration are especially egregious given the recent, rapid influx of low-skilled workers who offer much less clear net economic benefits for the U.S. and native workers. Estimating changes in the number of low-skilled workers in the U.S. driven by undocumented immigration is difficult due to the scarcity of accurate and up-to-date data, but existing data suggests that there has been a significant influx of undocumented migrants over the past four years. From FY2021 to FY2024, there were 10.8 million inadmissible encounters at U.S. borders compared to only around 3 million in the prior four fiscal years.²⁵

²³ O'Brien, "Most international graduates of American universities ultimately leave the U.S."

²⁴ David J. Bier, "Backlog for Skilled Immigrants Tops 1 Million: Over 200,000 Indians Could Die of Old Age While Awaiting Green Cards," Cato Institute Immigration Research and Policy Brief no. 18 (March 30, 2020), <https://www.cato.org/publications/immigration-research-policy-brief/backlog-skilled-immigrants-tops-1-million-over>.

²⁵ U.S. House Committee on Homeland Security, "STARTLING STATS FACTSHEET: Fiscal Year 2024 Ends With Nearly 3 Million Inadmissible Encounters, 10.8 Million Total Encounters Since FY2021," October 24, 2024,



Source: Office of Homeland Security Statistics²⁶

Inadmissible aliens are individuals met at ports of entry who are ineligible to enter the U.S. or receive visas due to a number of factors including but not limited to security reasons, lack of proper documentation, criminality, and failure to provide labor certification.²⁷ Although this figure is not a perfect proxy for the number of migrants who have entered illegally since it only counts individuals who have been apprehended, the increase in the past

<https://homeland.house.gov/2024/10/24/startling-stats-factsheet-fiscal-year-2024-ends-with-nearly-3-million-inadmissible-encounters-10-8-million-total-encounters-since-fy2021/>; U.S. Customs and Border Protection, “Southwest Land Border Encounters,”

<https://www.cbp.gov/newsroom/stats/southwest-land-border-encounters>.

²⁶ Office of Homeland Security Statistics, “CBP Encounters,” U.S. Department of Homeland Security, <https://ohss.dhs.gov/khsm/cbp-encounters>.

²⁷ *Inadmissible aliens*, U.S. Code 8 (2023), § 1182, <https://www.govinfo.gov/app/details/USCODE-2023-title8/USCODE-2023-title8-chap12-subchapII-partII-sec1182>.

four years relative to the preceding four years indicates that there has at least been significant growth in the number of individuals attempting to enter without authorization. Many of these individuals likely evaded border enforcement and are currently in the U.S. This is further evidenced by estimates from the U.S. Customs and Border Protection that suggest there are nearly 2 million individuals who have evaded border enforcement since the start of FY2021 and are in the U.S. without any vetting or documentation.²⁸

Determining the exact number of unauthorized immigrants in the country at any given time is difficult, but the most recent estimates from 2022 based on the 2020 census estimate it to be almost 11 million.²⁹ Of these nearly 11 million individuals, around 40 percent are individuals who overstayed their visas.³⁰ More recent estimates that incorporate data from the Census Bureau estimate it may be as high as 12.8 million as of October 2023.³¹ Much of the growth in undocumented immigration has been driven by a

²⁸ U.S. House Committee on Homeland Security, “STARTLING STATS FACTSHEET: Biden and Harris’ Border Crisis Still Wreaking Havoc—at the Borders and in the Interior,” September 23, 2024, <https://homeland.house.gov/2024/09/23/startling-stats-factsheet-biden-and-harris-border-crisis-still-wreaking-havoc-at-the-borders-and-in-the-interior/>.

²⁹ Bryan Baker and Robert Warren, “Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2018–January 2022,” (Office of Homeland Security Statistics, U.S. Department of Homeland Security, April 2024), https://ohss.dhs.gov/sites/default/files/2024-06/2024_0418_ohss_estimates-of-the-unauthorized-immigrant-population-residing-in-the-united-states-january-2018%25E2%2580%2593january-2022.pdf.

³⁰ Center for Migration Studies, “Correcting the Record: False or Misleading Statements on Immigration,” July 24, 2024, <https://cmsny.org/correcting-record-false-misleading-statements-on-immigration/>.

³¹ Steven A. Camarota, “The Cost of Illegal Immigration to Taxpayers,” prepared testimony for the U.S. House Committee on the Judiciary, January 11, 2024, https://budget.house.gov/imo/media/doc/the_cost_of_illegal_immigration_to_taxpayers.pdf.

number of policy changes that began in the prior Administration. A multitude of programs, including mass-parole programs and those intended to streamline refugee settlement in the U.S. like the Safe Mobility Initiative, played a part in allowing nearly eight million undocumented migrants at least temporary entry into the U.S. since 2021.³² Because more granular data on the population of these migrants is unavailable, it is difficult to estimate how many individuals are of working age or currently working in the U.S. However, as of 2022, Pew Research estimates the number of undocumented immigrants in the labor force to be around 8.3 million, or 4.8 percent of the overall labor force.³³

Wage effects

The rapid influx of migrants on top of the existing undocumented population has large implications for the overall economy, especially regarding the labor market and budget. The previous Administration argued that providing citizenship pathways for existing undocumented migrants increases potential economic

³² U.S. House Committee on the Judiciary, “Inside the Biden-Harris Administration’s Open-Borders Alliance with United Nations Bureaucrats,” Interim Staff Report (November 1, 2024), <https://judiciary.house.gov/sites/evo-subsites/repUBLICans-judiciary.house.gov/files/evo-media-document/2024-11-01%20Inside%20the%20Biden-Harris%20Administration%27s%20Open-Borders%20Alliance%20with%20United%20Nations%20Bureaucrats.pdf>; U.S. House Committee on Homeland Security, “STARTLING STATS FACTSHEET: Fiscal Year 2024 Ends With Nearly 3 Million Inadmissible Encounters.”

³³ Historically, this figure has ranged from 4.4 to 5.4 percent. More recent numbers may be higher given changes in immigration policy. Jeffrey S. Passel and Jens Manuel Krogstad, “What we know about unauthorized immigrants living in the U.S.,” Pew Research Center, July 22, 2024, <https://www.pewresearch.org/short-reads/2024/07/22/what-we-know-about-unauthorized-immigrants-living-in-the-us/>.

output by increasing the size of the labor force.³⁴ It is true that increases to the labor force support higher output and lower costs for producers; however, there are a number of tradeoffs that make the net benefits to native-born Americans and the country's fiscal situation much less clear. While undocumented workers are estimated to have made the economy \$321 billion larger and contributed \$25.9 billion in taxes in 2019, it is not clear that this has led to tangible benefits for other working Americans or had a net-positive contribution to the budget.³⁵ One study estimates that, in 2021, illegal immigrants received \$42 billion in benefits through various welfare programs like SNAP and Medicaid and that public schools spend \$68.1 billion annually on the children of illegal immigrants.³⁶

Economic studies shows that there is a negative wage effect associated with an increase in the labor supply due to immigration for those who are low-skilled or less educated.³⁷ Low-skilled individuals, such as those without a high school degree, were most adversely affected by low-skilled immigration, and this effect was especially pronounced for minorities.³⁸ As general economic theory would suggest, this effect was more pronounced for the low-skilled migrants who were close labor substitutes to native

³⁴ Cecilia Rouse, Lisa Barrow, Kevin Rinz, and Evan Soltas, "The Economic Benefits of Extending Permanent Legal Status to Unauthorized Immigrants," Council of Economic Advisers blog (The White House, September 17, 2021), <https://bidenwhitehouse.archives.gov/cea/written-materials/2021/09/17/the-economic-benefits-of-extending-permanent-legal-status-to-unauthorized-immigrants/>.

³⁵ Steven A. Camarota, "The Cost of Illegal Immigration to Taxpayers."

³⁶ Steven A. Camarota, "The Cost of Illegal Immigration to Taxpayers."

³⁷ National Academies of Sciences, Engineering, and Medicine, *The Economic and Fiscal Consequences of Immigration* (The National Academies Press, 2017), p. 224, <http://www.nap.edu/23550>.

³⁸ National Academies of Sciences, Engineering, and Medicine, *The Economic and Fiscal Consequences of Immigration*, 224.

workers. The willingness to take a wage lower than the prevailing wage depresses wages for native workers, especially in the short term.³⁹ As previously stated, the number of undocumented immigrants in the labor force is around 8.3 million or 4.8 percent of the overall labor force. Since the majority of those undocumented individuals are low-skilled, they represent a much higher percentage of the low-skilled labor market, and any effects of low-skilled immigration on wages or job growth are much more pronounced in the low-skilled labor market compared to the overall U.S. labor market.

Figure 5-2: Supply and Demand of Labor, Effect of Short-Term Increase of Labor on Wages

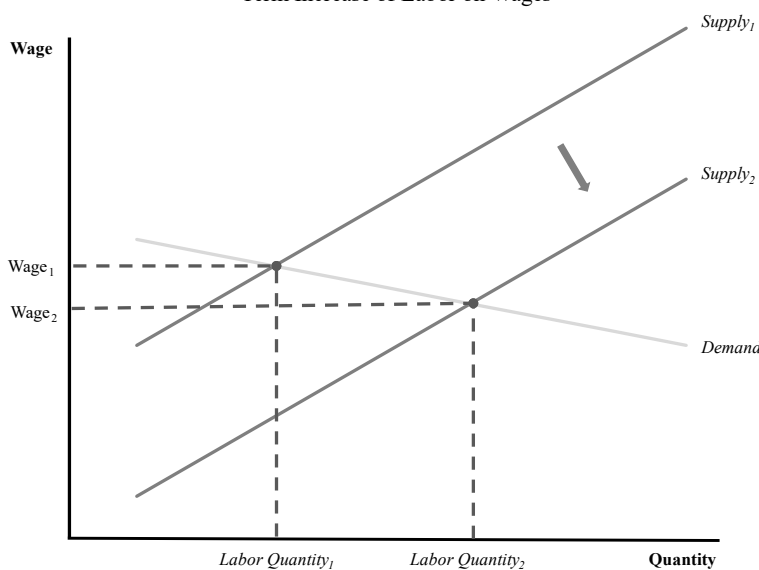


Figure 5-2 illustrates a basic overview of how increases in the supply of labor affect individuals' wages. Barring changes in demand, a positive shift in the supply of labor will result in a reduction in the price paid for labor. This basic theory is backed

³⁹ National Academies of Sciences, Engineering, and Medicine, *The Economic and Fiscal Consequences of Immigration*, 224–8.

by the academic literature, although in practice the effects of immigration are more complex. The adverse wage effects outlined previously may be more pronounced for certain groups due to the composition of immigration inflows. While the overall effect of low-skilled immigration on the average wage may be dampened due to their labor being a close substitute only in certain industries, the wage impact within those specific sectors is likely to be disproportionately large relative to the change in the average wage. This dynamic applies across all types of immigration; however, unlike high-skilled immigration, low-skilled immigration typically lacks the positive externalities—such as innovation and job creation—that benefit native-born Americans and help offset wage reductions.

Budgetary impact

Debate over the aggregate fiscal impact of immigration has largely centered on whether immigrants' labor and tax contributions outweigh the benefits they receive through various social programs. Educational attainment, which influences an individual's income, and age of arrival, which determines how long an individual will be working and thus contributing taxes, are the most important factors in determining an individual's aggregate fiscal impact. A recent paper from the Manhattan Institute estimated the lifetime impact of immigrants on the federal budget by estimating the net impact of immigrant cohorts based on their age and educational attainment.⁴⁰ The author found that, as a whole, the average new immigrant will reduce the federal budget deficit by around \$10,000 over the course of their lifetime, but that this budget reduction is largely driven by young, educated

⁴⁰ Daniel Di Martino, "The Lifetime Fiscal Impact of Immigrants," Manhattan Institute Report (September 19, 2024), <https://manhattan.institute/article/the-lifetime-fiscal-impact-of-immigrants>.

immigrants.⁴¹ Meanwhile, older and less-skilled migrants have a negative lifetime fiscal impact. In the case of the most successful cohort, individuals arriving the U.S. between the ages of 18 and 24 with a graduate degree, their lifetime fiscal impact is over \$1.1 million.⁴² The average immigrant who arrives between the ages of 0 and 54 and attains a graduate degree will have a positive lifetime fiscal impact ranging between \$147,000 and \$1.1 million. This wide range is largely driven by age of arrival, as older immigrants will be in the labor force for a relatively short period and will start receiving various retirement benefits sooner. The average immigrant who arrives between ages 0 and 34 and attains a bachelor's degree also has a positive lifetime fiscal impact. Conversely, for immigrants arriving after the age of 55, there is no level of educational attainment that generates a positive lifetime fiscal impact.⁴³ Although immigrants receive less in benefits than the average native-born American, the amount of taxes paid is not enough to generate a positive fiscal impact for most cohorts.⁴⁴

These results suggest that the U.S. stands to benefit by implementing selective immigration policies that incentivize younger and more educated workers to come to the U.S. while restricting lower-skilled and older immigration. The U.S. has significant economic potential to gain from high-skilled, younger workers, while low-skilled and older immigrants represent a relative fiscal drain. Unfortunately, due to the previous Administration's border policies the opposite has happened, and there has been a large increase in low-skilled immigrants, especially relative to the number of high-skilled immigrants who immigrated at the same time. It is estimated that the cost of the

⁴¹ These figures do not estimate the fiscal impact on state budgets.

⁴² Di Martino, "The Lifetime Fiscal Impact of Immigrants," 26.

⁴³ Di Martino, "The Lifetime Fiscal Impact of Immigrants," 26.

⁴⁴ Di Martino, "The Lifetime Fiscal Impact of Immigrants," 25.

current border crisis, which CBO estimates will result in 8.7 million new unlawful immigrants from 2021 to 2026, will cost around \$1.15 trillion over the lifetime of these immigrants.⁴⁵ To fully capture the economic advantages of selective immigration, it is crucial that future policies prioritize the integration of high-skilled, younger workers while recognizing the fiscal consequences posed by low-skilled and older immigration.

Housing

Beyond its effects on wages and the budget, immigration impacts other aspects of the economy, including housing costs. A rapid increase in immigration, as has been observed over the past four years, increases the aggregate demand for housing, especially in areas where the immigration is concentrated. Given that the U.S. is facing a housing shortage of over 20 million homes and that, due to a variety of regulatory hurdles, builders are unable to respond quickly to the demand, an increase in the aggregate demand for housing will cause shelter costs to rise, especially in the short term.⁴⁶

A paper studying the effects of international immigration on German shelter costs found that a 1 percent increase in international migration within a district was associated with a 3 percent increase in the cost of buying an apartment unit and a 1

⁴⁵ Di Martino, “The Lifetime Fiscal Impact of Immigrants,” 1.

⁴⁶ Joint Economic Committee Republicans, “The HOUSES Act: Addressing the National Housing Shortage by Building on Federal Land” (U.S. Congress Joint Economic Committee, August 2022), https://www.jec.senate.gov/public/_cache/files/efdd0c37-af95-40cd-9125-e80f8a11504b/the-houses-act---addressing-the-national-housing-shortage-by-building-on-federal-land.pdf; Salim Furth, “Housing Affordability: Trends, Shocks, and State Legislation,” prepared testimony for the U.S. Congress Joint Economic Committee, January 17, 2024, https://www.jec.senate.gov/public/_cache/files/f21b79f5-6b16-45c4-bb6f-7c257ef94c94/furth-testimony.pdf.

percent increase in the cost of renting an apartment.⁴⁷ As with wages, low-skilled migrants disproportionately impact housing prices, especially on the lower end of the housing market. The increase in apartment prices was nearly double for low-cost housing for which low-skilled immigrants typically have higher demand. Another study from Spain found similar effects, finding that “a one percentage point increase in the immigration rate raises average house sale prices by 3.3%.”⁴⁸

Studies in the U.S. on the effect of immigration on housing costs have found similar results. In a study of home and rent data from 282 metropolitan statistical areas (MSAs), a 1 percent rise in the immigrant population relative to an MSA’s total population was associated with a 0.8 percent increase in both rent and home prices.⁴⁹ The authors also found a corresponding 1.6 percent increase in rents and a 9.6 percent increase in home prices in surrounding MSAs as the native-born population moves in response to rising immigration. Reasons for this increased flight of the native-born population in response to a rising immigrant population are theorized to be a response to increased competition in the labor market.⁵⁰

⁴⁷ Umut Unal, Bernd Hayo, and Isil Erol, “The Effect of Immigration on Housing Prices: Evidence from 382 German Districts” (April 8, 2024), <https://doi.org/10.2139/ssrn.4325192>.

⁴⁸ Rosa Sanchis-Guarner, “Decomposing the Impact of Immigration on House Prices,” *Regional Science and Urban Economics* 100 (2023), <https://doi.org/10.1016/j.regsciurbeco.2023.103893>.

⁴⁹ Abeba Mussa, Uwaoma G. Nwaogu, and Susan Pozo, “Immigration and Housing: A Spatial Econometric Analysis,” *Journal of Housing Economics* 35 (2017): 13–25, <https://doi.org/10.1016/j.jhe.2017.01.002>.

⁵⁰ Randall Filer, “The Effect of Immigrant Arrivals on Migratory Patterns of Native Workers,” in *Immigration and the Work Force: Economic Consequences for the United States and Source Areas*, ed. George J. Borjas and Richard B. Freeman (1992): 245–70, <https://ideas.repec.org/h/nbr/nberch/6911.html>.

Other studies have also found longer-run effects on home prices in response to immigration.⁵¹ A 1 percent increase in legal immigration relative to a city's population was found to have increased rent and home prices by around 1 percent.⁵² The adverse effects of increased immigration on the housing market were even higher than the effects on the labor market, meaning that increased immigration raised shelter costs by magnitudes larger than it suppressed wages for the local population.⁵³ Alleviating restrictions on housing construction would address some negative effects of immigration on shelter costs, but in situations like the U.S., in which the supply of housing is inflexible, increases in demand for housing will ultimately raise costs.

Conclusion

The U.S. has a significant competitive advantage in part because many individuals desire to work here. The U.S.' immigration system should be reformed and streamlined so that the best and brightest are able to work and expand the economy. Policy changes to the high-skilled immigration system will reduce fraud and admit those who provide the greatest net economic benefit. While such heavy restrictions on skilled immigration have persisted, misguided policies enacted by the prior Administration have led to a substantial influx of low-skilled immigration that has failed to provide sufficient economic benefits to Americans. Policymakers should pursue targeted immigration policies that incentivize high-skilled immigration while limiting the amount of low-skilled immigration. Such policies would positively impact

⁵¹ Albert Saiz, "Immigration and Housing Rents in American Cities," *Journal of Urban Economics* 61, no. 2 (2007), <https://realestate.wharton.upenn.edu/wp-content/uploads/2017/03/433.pdf>.

⁵² Saiz, "Immigration and Housing Rents in American Cities," 2.

⁵³ Saiz, "Immigration and Housing Rents in American Cities," 27.

the deficit and assist in setting the U.S. on a more sustainable fiscal path.