THE ECONOMIC CONTRIBUTIONS OF IMMIGRANTS IN MINNESOTA

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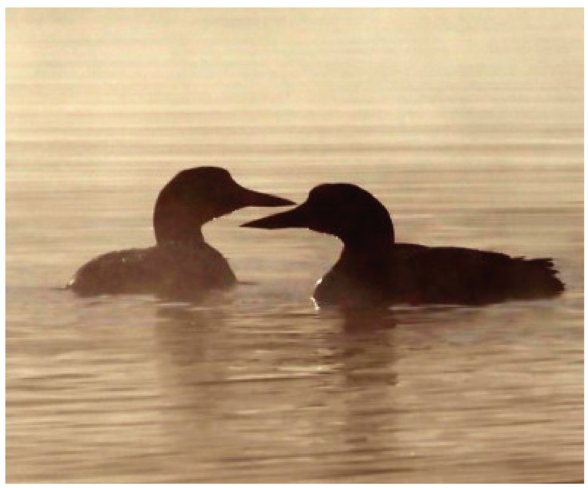
September 2013



MINNESOTA
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Minnesota Business
Immigration Coalition

With support from

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Reducing Poverty. Building Prosperity.

MNBIC is: The Business Immigration Coalition includes the Minnesota Chamber of Commerce, Minnesota Agri-Growth Council, Minnesota Nursery & Landscape Association, Minnesota Milk Producers Association, Midwest Food Processors Association, Hospitality Minnesota, Minnesota Restaurant Association, and Minnesota Lodging Association.

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African Immigrant Neighborhood, Minneapolis. Ethnic Market Series by Cristina Corrie ©

EXECUTIVE SUMMARY

Minnesota's immigrant communities are critical to the state's economic success. This report presents the latest data and research on the economic contributions and costs of immigrants in Minnesota.[1] It uses the multidimensional framework of "immigrant capital" to capture the ways in which immigrants serve as assets to Minnesota and the United States. Over the long-term, immigrants provide economic benefits in many different ways:

- Immigrants are younger than native Minnesotans: They fill jobs vacated by retiring workers, and pay taxes that provide needed state and local revenues.
- As consumers, immigrants in Minnesota have an estimated $659 billion in lifetime earnings and annual purchasing power of $5 billion. Immigration slows population decline in rural towns and struggling urban neighborhoods, and contributes to the growth of housing values.
- Immigrants comprise 7% of the state's population but 9% of the workforce. In six industry sectors and 17 occupations, both higher- and lower- skilled, immigrants comprise more than one quarter of the workforce.
- Immigrants pay an estimated $793 million in state and local taxes annually.
- Six percent of the state's business owners are immigrants.
- Through networks and cultural assets, immigrants strengthen Minnesota's global connections and make the state more attractive to global investors, businesses and talent.

This report offers recommendations to policymakers on how to fully leverage the benefits of our immigrant communities:

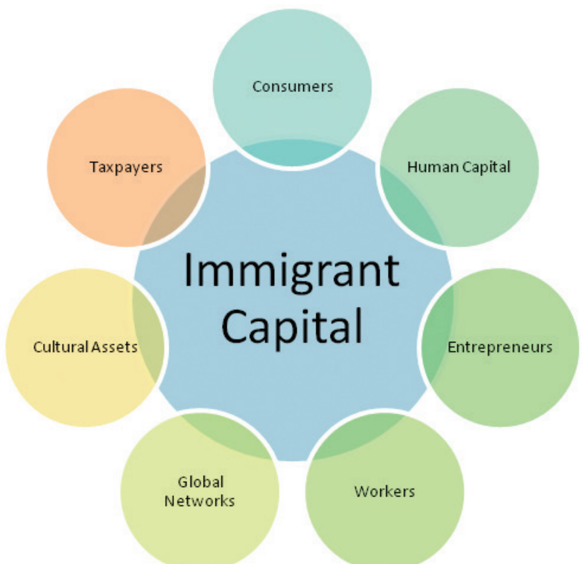
1. View immigrants as "capital," providing the state with a talented workforce, skills, culture, new businesses and global networks. Minnesota should leverage this capital in its economic development strategies.
2. Take a long-term perspective on the economic impact of immigrants: One-dimensional or short-term analyses are likely to understate the benefits. In the short run, immigrants may impose a cost; however, over two or more generations the sum of the evidence suggests that they bring a significant net benefit to Minnesota and the United States.
3. Pass immigration reform legislation that is comprehensive, factoring in industry demand for both higher- and lower- skilled workers, and including avenues for temporary study and work, permanent residence, family reunification and humanitarian assistance. Legislation can include strict requirements, but should resolve the status of unauthorized individuals. A 21st century perspective is needed. The goal should be to enhance national and local efforts to sustain a competitive economy.

Finally, Americans need to continue to act with economic and cultural self-confidence in the presence of globalization, and continue to welcome immigrants. In the words of Mahatma Gandhi:

> *"I do not want my house to be walled in on all sides and my windows to be stuffed. I want the cultures of all lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any.[2]"*

IMMIGRANT CAPITAL: A FRAMEWORK TO ANALYZE IMMIGRANT CONTRIBUTIONS

This report documents the economic costs and contributions of immigrants in Minnesota. It builds on earlier local and national studies[3] and data resources.[4] The framework of "immigrant capital"[5] is used to capture the value immigrants provide as consumers, current and future workers, taxpayers and entrepreneurs, and through global networks and cultural assets. Each of these lenses highlights a different aspect of the impact immigrants have on Minnesota's economy.



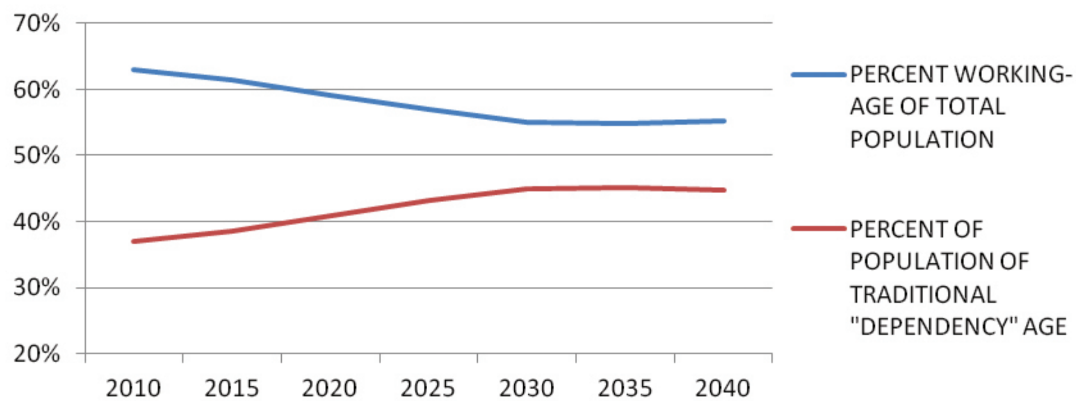
1. **Immigrant Consumers** demand products and services offered by Minnesota businesses.
2. **Immigrant Workers** fill lower- and higher-skilled roles, often complementing the local workforce.
3. **Immigrant Taxpayers** contribute revenue to local, state and federal governments.
4. **Immigrant Entrepreneurs** create wealth and employment by growing businesses in Minnesota, and increase the state's global linkages.
5. **Immigrant Human Capital** captures the value of immigrants' skills and education, including the future labor force contributions of today's immigrant children.
6. **Immigrant Global Networks** bring trade and investment opportunities and grow Minnesota's exports.
7. **Immigrant Cultural Assets** make Minnesota a more attractive destination for global talent, business and investment.

MINNESOTA'S DEMOGRAPHIC SQUEEZE

Minnesota's economic future is tied to its demographics.[6] The state's population is aging, which increases the proportion of dependent members of society, old and young,[7] relative to working age adults (see Figure 1). Fewer tax receipts are flowing into state and local coffers, just as more of the population requires support from public programs.[8] Comparing only the elderly (age 65 and older) to the working age population (age 25-54), Minnesota's dependency ratio will rise from 0.25 in 1990 to an estimated 0.39 in 2030.[9] In other words, while Minnesota used to have four working adults to support each elderly member of society, we will soon have only two and a half.

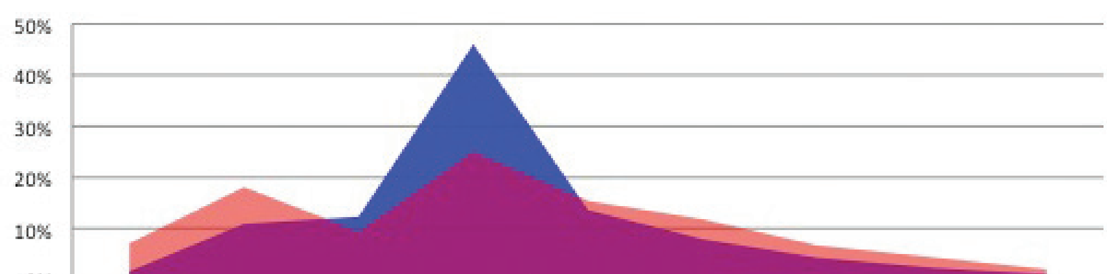
Immigrants are younger on average than native Minnesotans (Figure 2) and more likely to be of working age. In Minnesota, 80% of immigrants are age 18-64 while only 61% of natives are. Only 7% of immigrants are over the age of 64, while 13% of natives are.

Figure 1. Minnesota's Population is Increasingly of "Dependent" Age



Source: Minnesota Department of Employment and Economic Development 2013

Figure 2. Age Distribution of Immigrant and Native Minnesotans



	Under 5 years	5 to 17 years	18 to 24 years	25 to 44 years	45 to 54 years	55 to 64 years	65 to 74 years	75 to 84 years	85 years and over
Immigrant	2%	11%	12%	46%	14%	8%	4%	2%	1%
Native	7%	18%	9%	25%	15%	12%	7%	4%	2%

Source: American Community Survey 2009-2011

According to the State Demographer, immigrants have given Minnesota a net influx of educated and creative talent in recent years. Of native U.S. residents, more college-educated individuals leave Minnesota each year than relocate to the state. The same is true for entrepreneurs, individuals in creative industries, and individuals with degrees in the STEM (science, technology, engineering and math) fields.[10] Immigrants reverse this outflow of highly educated and creative talent.

Immigrants also fill lower-skill jobs in agriculture, food processing, manufacturing and other industries. According to the Migration Policy Institute, in 2011 37.2% of lower-skilled workers in Minnesota were immigrants.[11] See the "Immigrants as Workers" section for further discussion. The minority and immigrant population is increasing in every region of Minnesota (Figure 3), helping to ease demographic and workforce challenges in urban and rural communities alike.

Figure 3.
Percentage of Minnesota's Population that is foreign-born by Region

	1990	2007-2011
Central	0.90%	2.30%
Northland	1.80%	1.90%
Northwest	1.20%	2.00%
Southern	1.60%	4.60%
Southwest	1.00%	4.00%
Twin Cities	3.80%	10.60%
W. Central	1.20%	2.10%
OVERALL	**2.60%**	**7.10%**

Source: MN Compass, American Communities Survey

Signs of Renewal.
Latino Economic Development Center.

Terms like "immigrant" can be defined differently in public media, legal and scholarly sources. In this report, the terms "immigrant" and "foreign-born" are used interchangeably. The U.S.–born children of foreign-born parents are sometimes referred to as "second-generation" immigrants. To avoid politically charged terms, we refer to "unauthorized immigrants" rather than "illegal" or "undocumented" immigrants.

"Lower-skilled" occupations are defined as requiring at most a high school diploma, though they may require skill gained through experience. "Higher-skilled" occupations require at least a Bachelor's degree. "Middle-skill" occupations fill the gap between higher-skilled and lower-skilled, and refer to jobs that require some technical training or experience, and/or jobs that provide family-sustaining income.

MINNESOTA'S IMMIGRANTS

As of 2011 (the most recent figures available), Minnesota had an immigrant population of 375,000 to 390,000. Of these:

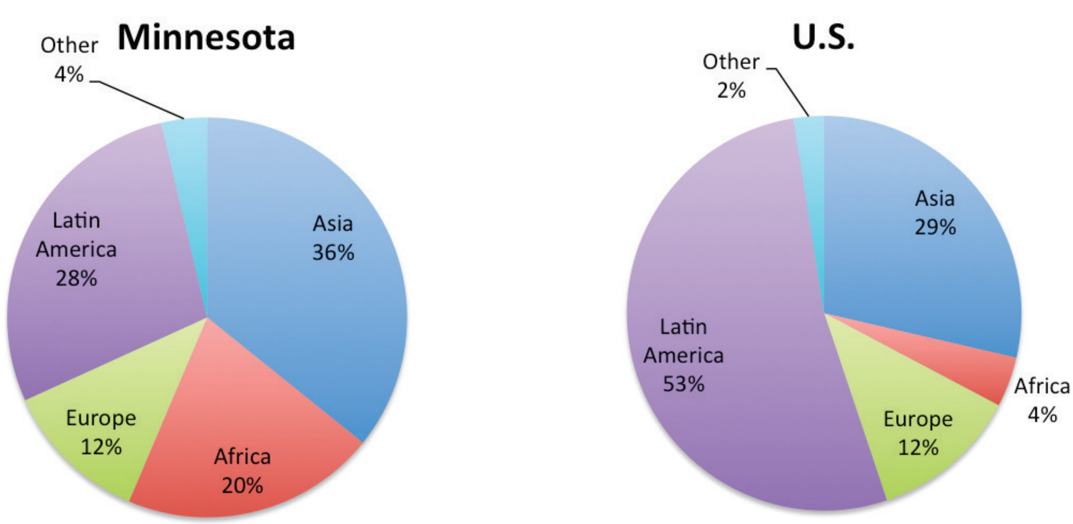
- 46% were U.S. citizens;
- 31-40% were authorized noncitizens (temporary workers, students, or in the citizenship process)
- 14-23% were unauthorized[12]

In 2011, Minnesota's immigrant population was the 20th largest among states and the 17th fastest growing, according to the Migration Policy Institute.[13]

Immigrants comprise 7% of all Minnesotans, and 9% of the workforce.[14] Six percent of business owners in Minnesota are immigrants.[15]

Minnesota has a greater proportion of Asian and African immigrants than the United States, and a smaller proportion of Hispanic immigrants. Twenty-eight percent of immigrants in Minnesota were born in Latin America, compared with 53% of immigrants nationwide (Figure 4). Thirty-two percent of Minnesota's immigrants identify as Caucasian or White.[16]

Figure 4. Regions of Birth of the Foreign-born Population, Minnesota and U.S. (2011)



Source: Migration Policy Institute (2013) Data Hub.

Refugees comprise 8.9% of Minnesota's immigrants, a far greater portion than the national average of 1.7%.[17] Minnesota is home to more than 33,000 refugees. From 2000 to 2011, 82% of refugees arriving in Minnesota were originally from African nations: primarily Somalia (14,312), Ethiopia (3,526) and Liberia (2,629).[18] In earlier decades, Laotian and Vietnamese refugees were predominant. Bhutanese and Karen refugees are among the recent arrivals in Minnesota.[19]

The number of unauthorized immigrants in Minnesota is difficult to determine with accuracy. Estimates from 2010 place the number between 55,000 and 85,000, or 14% to 23% of the state's immigrant population.[20] Unauthorized immigrants comprise about 1% to 1.5% of the state's total population and about 2% of the workforce.[21]

Immigrants account for about 25% of the total movement of people within and into Minnesota.[22] In other words, for every immigrant entering, leaving or relocating within Minnesota, three United States citizens are moving to, moving away from or relocating within the state.

CC License: Minnesota Welcomes You

IMMIGRANTS AS CONSUMERS

As consumers, immigrant households have an estimated buying power, or disposable income after taxes, of more than $5 billion.[23] Asian Indian buying power in Minnesota alone is estimated at $1 billion. Chinese and Hmong communities each have a buying power of about $500 million; Mexican immigrants have a buying power of more than $600 million.[24] The buying power of Minnesota's African immigrants is about $1.4 billion – almost equal to the GDP of Liberia in 2011.[25]

Immigrant buying power benefits existing companies and creates opportunity for new businesses to form to meet immigrants' distinctive demands. By a 2009 estimate, African immigrants in Minnesota do 82% of their grocery shopping at supermarkets, grocers and warehouse clubs.[26] As a result, mainstream chains have gained business and adapted to offer a greater variety of the products immigrants seek. For example, imported fruits like mangos are more readily accessible thanks in part to immigrant demand. The remaining 18% of African immigrant grocery shopping takes place at African grocery stores – businesses that would not exist, employ local residents or pay taxes but for the presence and the buying power of the African immigrant population.[27]

Figure 5 presents estimates of ethnic Asian and Latino buying power in Minnesota cities. This includes second-generation immigrants and anyone who identifies as Asian or Latino: a broad category, but indicative of the spending potential of Minnesota's immigrants and their communities.

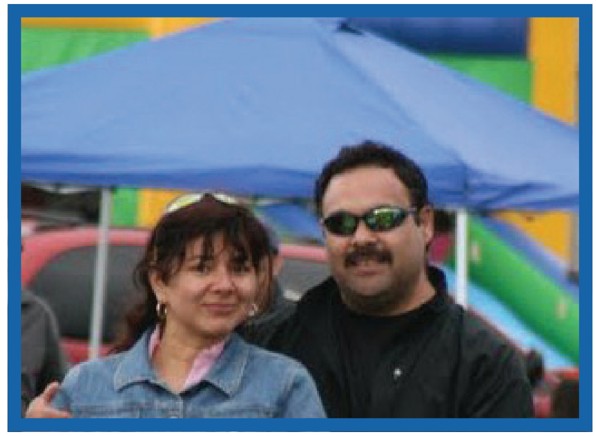
Figure 5.
Asian & Latino Buying Power in Minnesota Cities, 2009

St. Paul	$863 million
Minneapolis	$705 million
Brooklyn Park	$203 million
Rochester	$147 million
Bloomington	$121 million
Eden Prairie	$104 million
Worthington	$46 million
St. Cloud	$45 million
Willmar	$40 million
Faribault	$36 million
Duluth	$34 million
Austin	$32 million

Source: Author estimates from ACS 2009.
See Appendix Table 4 for an expanded list.

Somali Mall, Minneapolis.
Cristina Corrie, Ethnic Markets Series©

Hmong Town. Cristina Corrie, Ethnic Markets Series ©



Cinco do Mayo, Willmar Middle School. Willmar Area Chamber of Commerce

Over time immigrants accumulate assets and take steps that strengthen and stabilize their communities. The U.S. housing and rental markets provide a great example. A 2013 analysis found that the 40 million immigrants in the United States contributed $3.7 trillion to the growth in housing wealth between 1970 and 2010.[28] While homeownership is only 20% for immigrants in the United States 10 or fewer years, the rate is 78% for those in the United States more than 30 years.[29]

Immigrants often move into depressed neighborhoods seeking affordable housing, and revitalize their new communities. This author documented the phenomenon in ethnographic studies of neighborhoods near Lake Street in Minneapolis and University Avenue in Saint Paul.[30] It is also documented statistically: A 2013 study by Jacob Vigdor of Duke University found a positive relationship between the number of immigrants in a county and the county's housing values. Neighborhoods with lower housing values were the beneficiaries: Immigrants were not found to crowd residents out of higher income neighborhoods.[31]

Further, Vigdor found that the neighborhoods immigrants revitalize tend to attract American-born residents. For every 1,000 immigrants who move to a county about 250 U.S.-born residents follow.[32] Immigrants are also linked with lower crime rates: Research from Harvard University, University of Colorado and Pennsylvania State University shows a correlation between the size of cities' immigrant populations and declining crime rates in those cities.[33]

As consumers of real estate, immigrants contribute significantly to the stability and vitality of neighborhoods. Immigrants accounted for 20% of Minnesota's growth in homeownership from 2000 to 2010, and are projected to create 17% of growth this decade. Immigrant renters accounted for 44% of rental growth from 2000 to 2010, and are projected to create one-third of rental growth this decade.[34]

IMMIGRANTS AS WORKERS

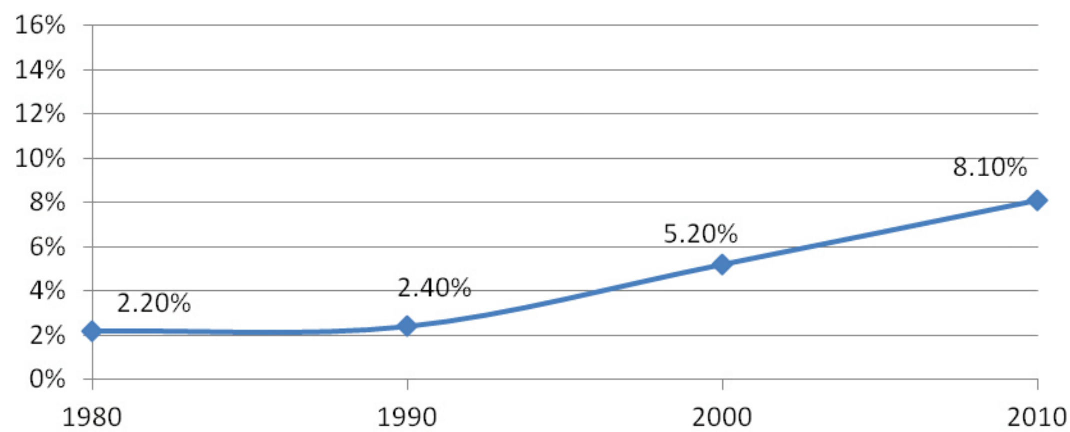
Since 1990, the number of immigrant workers in Minnesota has grown from about 53,000 to 230,000.[35] Including all skill levels, immigrants made up 2.2% of Minnesota's workforce in 1980 and 8.6% of the workforce in 2011 (Figure 6).[36] Immigrants comprise 37.2% of lower-skilled workers, and 8.5% of college-educated workers in the state.

Foreign-born workers bring a different mix of skills and education to the economy. They are more likely to be highly educated or to have minimal formal education than native workers (Figure 7). They complement the local workforce by filling different roles. For example, 34% of medical scientists and 42% of atmospheric and space scientists in the state are naturalized or noncitizens, as are 38% of butchers and 14% of farm workers (see Appendix Tables 6, 7).[37] In six industries and 17 occupations they represent more than 25% of the workforce.[38] Immigrants comprise 50% of workers with doctoral degrees in math and computer science occupations and 57% of those in engineering occupations.[39]

Woman scrubs shaver blade for recycling. SterilMed, Maple Grove.

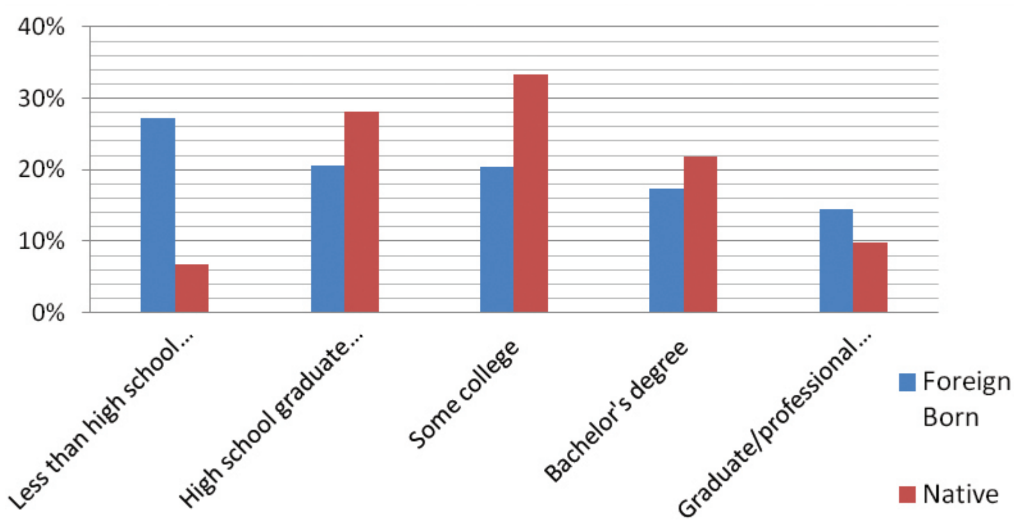
Cooking. Willmar Area Chamber of Commerce.

Figure 6. Foreign-Born as a Percentage of Minnesota's Workforce



Source: Migration Policy Institute Data Hub; ACS 2007-2011

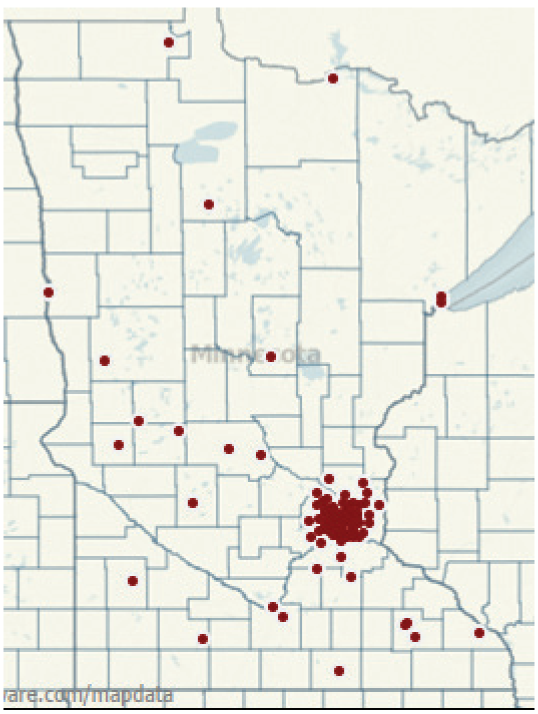
Figure 7. Education of Minnesota's Immigrants and Native-born Population (2011)



Source: American Community Survey 2007-2011

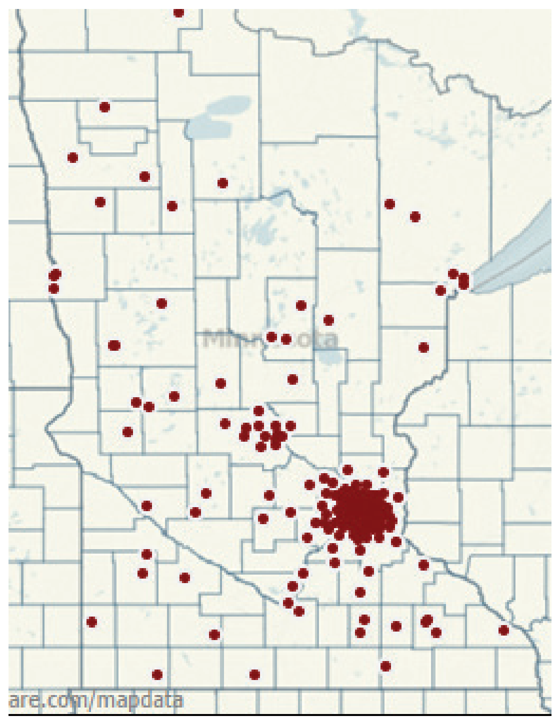
Across Minnesota, businesses have a strong demand for higher-skilled foreign workers. The Twin Cities ranks 16th in the nation in demand for H-1B visas (for immigrant workers who hold at least a Bachelor's degree). The city of Rochester also has high demand for these educated workers.[40] In 2012, companies in 141 Minnesota cities requested an H-1B visa for a skilled immigrant worker (Map 1). Companies in 60 cities applied for a green card for an immigrant worker (Map 2).[41]

MAP 1. Applications for a Temporary Professional (H-1B), 2012



Source: FLC Datacenter. Map produced by author

MAP 2. Applications for an Employee's Permanent Residency (Green Card), 2012



Source: FLC Datacenter. Map produced by author

Experts debate the degree to which immigrants complement or substitute for native workers. Evidence suggests that while some substitution is occurring, on the whole immigrants complement the domestic workforce and even create new job growth. The Brookings Institute found that demand for H-1B visas has fluctuated with economic and political cycles, increasing in times of prosperity. This suggests that foreign workers complement rather than substitute for native workers. One hundred and six metro areas had at least 250 requests for H-1B visas in 2010-2011. More than half of the requests were for workers in STEM fields,[42] which is consistent with reports of worker shortages in these fields.

In 2013, Brookings reported on hiring difficulties in agriculture, nursing, accommodation and STEM fields, suggesting that immigrants may be filling in where American workers are unavailable.[43] However, analysts at Minnesota's Department of Employment and Economic Development (DEED) found that some vacancies go unfilled not for lack of qualified workers, but because the jobs fail to attract applicants due to wage, location, shift schedules or other factors.[44] If positions are then filled, this suggests that for some roles, immigrants may be sought as substitutes for more demanding native workers.

Even though substitution likely occurs in some small-scale or individual cases, Madeline Zavodny finds that immigrant workers increase native employment. In work for the American Enterprise Institute and the Partnership for a New American Economy, Zavodny found that 100 additional H-1B visa recipients are associated with 183 additional jobs for U.S. natives.[45] A 2013 Harvard study also found rising employment for skilled native workers with the entry of immigrant workers.[46] For lower-skilled positions, Zavodny found that 100 additional H-2B seasonal or one-time visas are associated with 464 new jobs for U.S. workers.[47]

Immigration helps the state maintain its reputation for a high quality, productive workforce by bringing educated and creative workers to Minnesota.[48] From 2007-2010 Minnesota lost domestic "educated talent," or persons age 25 or older with a Bachelor's degree or higher (Figure 8). If immigrants are included, Minnesota *gained* educated talent. Minnesota lost domestic "creative talent" as well (entrepreneurs and workers in creative occupations or STEM fields). Counting immigrants, Minnesota *gained* 783 people with creative talent.

Figure 8. Immigration Reverses Minnesota's Brain Drain, 2007-2010

	Domestic Emigration from Minnesota	Domestic Migration to Minnesota	Net Domestic Flow	Immigrant Migration to Minnesota
Educated Migrants	25,369	24,033	-1,336	+4,324
Creative Talent Migrants	8,755	7,424	-1,331	+2,114

*Minnesota State Demographer (2013). *Educated: persons 25 or older with a Bachelor's degree or higher. Creative: entrepreneurs, workers in creative occupations or science, technology, engineering and math fields.*

Creative and educated individuals, as well as diversity, may be more critical to economic growth than we realize. Richard Florida, an urban studies theorist and senior editor of The Atlantic, writes about the "creative class" and its link to prosperity. He finds that countries that perform well on measures of talent, technology and cultural "openness" are also strong economic performers and innovators.[49]

Immigrants have been Minnesota's second largest external source for educated talent and the largest external source for creative talent over 2007-2010 (see Figure 9).[50]

Figure 9. Source of Talent for Minnesota, 2007-10			
Source	**BA or higher**	**Source**	**Creative Talent**
Wisconsin	19,764	Abroad	8,454
Abroad	17,296	Wisconsin	4,963
North Dakota	6,360	California	2,609
Florida	5,800	Texas	2,168
California	5,680	North Dakota	1,970

*Source: Minnesota State Demographer (2013). *Educated: persons age 25+ with a Bachelor's degree or higher.*
***Creative: entrepreneurs, workers in creative occupations or science, technology, engineering and math fields.*

It is worth noting immigrants' impact in the healthcare industry where they constitute a large percentage of the workforce. Immigrant workers contribute critically to all levels of health care. In 2011, a third of medical scientists, 16% of physicians, 5% of nurses and 16% of nursing aides were immigrants (see Appendix Table 6). The Liberian community has a concentrated presence: More than 3,000 Liberians, or approximately 45% of the state's Liberian population, work in Minnesota's healthcare industry. A 2008 econometric simulation found that Liberians contributed to the existence of more than 12,000 Minnesota jobs and increased statewide earnings by $492 million.[51]

Nearly 46% of Minnesota's arts and entertainment performers are immigrants (see Appendix Table 6). Map 3, provided by think tank Minnesota 2020, gives another example of the importance of immigrants to particular industries. There is clear co-location of Somali immigrants and the state's food processing manufacturers. The same can be seen for the Hmong population (see Case Study) and the Latino population (see Minnesota 2020).

MAP 3. Existing Food Processing Manufacturers (2012) and Estimated Somali Population (2010). Minnesota 2020.

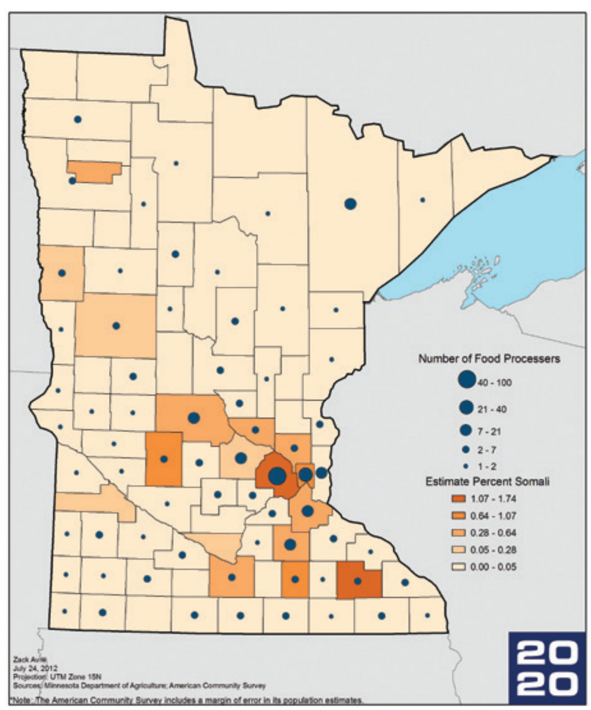


Figure 10 shows the top 10 occupations in demand in each region of Minnesota. In each column, occupations in which immigrant workers are over represented are highlighted in blue. In every region of the state, immigrant workers are performing hard-to-fill jobs.

Figure 10. Top 10 Occupations in Demand by Minnesota Region and Top Immigrant Areas of Work (in blue) 2011

	Northwest	Arrowhead	West Central	Twin Cities Metro Area	Southeast	Southwest	Central
1	Cashiers	Social and Human Service Assistants	Home Health Aides	Registered Nurses*	Registered Nurses*	Nursing Aides, Orderlies, Attendants*	Home Health Aides
2	Stock Clerks and Order Fillers	Combined Food Prep and Serving Workers, Inc	Nursing Aides, Orderlies, Attendants*	Computer Systems Analysts	Nursing Aides, Orderlies, Attendants*	Home Health Aides	Nursing Aides, Orderlies, Attendants*
3	Combined Food Prep and Serving Workers, Inc	Office Clerks, General	Heavy and Tractor-Trailer Truck Drivers	Personal Care Aides	Home Health Aides	Heavy and Tractor-Trailer Truck Drivers	Heavy and Tractor-Trailer Truck Drivers
4	Team Assemblers	Welders, Cutters, Solderers, and Brazers	First-Line Supervisors of Retail Sales Workers	Combined Food Prep and Serving Workers, Inc	Personal Financial Advisors	Cashiers	First-Line Supervisors of Retail Sales Workers
5	Nursing Aides, Orderlies, Attendants*	Registered Nurses*	Combined Food Prep and Serving Workers, Inc	Software Developers, Applications	Cashiers	Registered Nurses*	Combined Food Prep and Serving Workers, Inc
6	Business Operations Specialists, All Other	Nursing Aides, Orderlies, Attendants*	Welders, Cutters, Solderers, and Brazers	Home Health Aides	Combined Food Prep and Serving Workers, Inc	Slaughterers and Meat Packers	Welders, Cutters, Solderers, and Brazers
7	Bartenders	Retail Salespersons	Farmworker and Laborers, Crop, Nursery, and Green	Office Clerks, General	Heavy and Tractor-Trailer Truck Drivers	Combined Food Prep and Serving Workers, Inc	Farmworker and Laborers, Crop, Nursery, and Green
8	Registered Nurses*	Industrial Machinery Mechanics	Personal Care Aides	Retail Salespersons	Licensed Practical and Licensed Vocational Nurses	Packag-ing, Filling Machine Operators and Tender	Personal Care Aides
9	Industrial Engineers	Janitors and Cleaners except Maids, Housekeeping	Office Clerks, General	Laborers and Freight, Stock, and Material Movers	Office Clerks, General	Licensed Practical and Licensed Vocational Nurses	Office Clerks, General
10	Licensed Practical and Licensed Vocational Nurses	Maids and Housekeeping Cleaners	Registered Nurses*	Management Analysts	Food Preparation Workers	Cooks, Institution and Cafeteria	Registered Nurses*

Source: ACS 2009-11 from IPUMS/USA.

= Strong immigrant presence. Industries reflect quantity of demand, and thus represent primarily lower-skilled occupations.

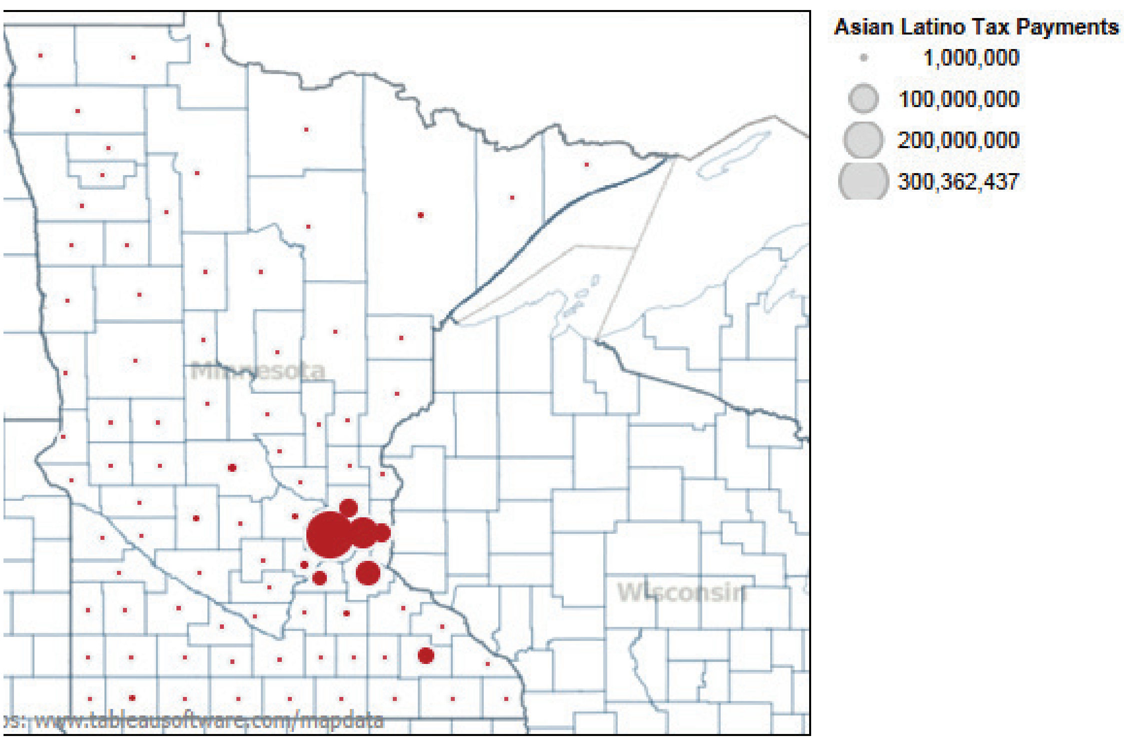
IMMIGRANTS AS TAXPAYERS

Immigrants pay property taxes, sales taxes and payroll taxes if legally employed. Immigrant-owned businesses contribute to state and local tax revenue as well. In a 2011 study of 32 African Development Center client businesses in the Twin Cities, Omar Da'ar of Wilder Research found that they paid an estimated $13,500 in state and federal taxes, $50,000 in sales tax, and $13,000 in other taxes during the year. In a review of 163 individual clients, Da'ar found that ADC members paid an average of $1,575 in property taxes per year.[54]

An estimate of immigrant tax payments is found by multiplying the average state and local combined tax rate (11.5% as calculated by the Minnesota Department of Revenue[52]) by the annual income of foreign-born households in Minnesota ($6.9 billion[53]). This yields an estimated annual tax payment of $793 million.

Map 4 shows estimated tax payments of Latinos and Asians using the average tax rate of 11.5%. Forty-five counties generated more than a million dollars in tax payments from Latino and Asian immigrant and ethnic communities. Hennepin County generated the most: $300 million per a 2009 estimate.

Map 4. Ethnic Asian and Latino Minnesotans: Tax Payments by County, 2009



American Community Survey 2009. Author estimates

Latino Food Truck. Cristina Corrie,
Ethnic Markets Series ©

Immigrant Entrepreneur: High Graphics Design,
Minneapolis.

Immigrants pay in to the Social Security and Medicare systems through payroll taxes, though non-citizen immigrants are ineligible for benefits. A 2013 study in Health Affairs shows that immigrants (primarily noncitizens) in the United States contributed $115 billion to the Medicare Trust Funds from 2002 to 2009. In 2009 alone, immigrants made 14.7% of contributions and accounted for 7.9% of expenditures—a net surplus for the funds of $13.8 billion.[55] In the Wall Street Journal, the Chief Actuary for U.S. Social Security calculates a potential $4.6 trillion surplus for the funds over 75 years if immigration levels hold.[56]

IMMIGRANTS AS ENTREPRENEURS

Immigrant entrepreneurs provide a vibrant energy to Minnesota's economy, as Fiscal Policy Institute and Small Business Administration reports document.[57] Immigrant entrepreneurs have transformed commercial corridors such as University Avenue in Saint Paul and Lake Street in Minneapolis, and are an established presence in smaller cities including Willmar, Austin, Worthington, and Faribault-Northfield.[58]

Eighteen percent of small-business owners in the United States today are immigrants, and the number is increasing. Thirty percent of the growth in the number of small businesses between 1990 and 2010 is attributed to immigrant owners. Immigrant owners are just as likely to be female as native owners are (about 30%).[59] Rani Engineering, GCI Systems (now part of GSS Infotech), and Tempo Creative Consultants are all Minnesota businesses created by immigrant women.

Immigrant entrepreneurs are overrepresented in certain sectors:

- 28% of all small-business owners in the leisure and hospitality industries are immigrants.
- Immigrants comprise 65% of taxi owners, 54% of dry cleaning and laundry businesses, 53% of gas station owners, and 49% of grocery store owners.[60]
- More than 7% of immigrant-owned firms derive revenue from exports, compared to 4.4% of non immigrant owned firms.[61]
- Nationally, 40% of Fortune 500 companies have at least one founder who is an immigrant or child of an immigrant.[62] Together, these companies – including Google, Goldman Sachs and Minnesota-based companies Thrivent Financial for Lutherans, 3M and Medtronic – employ more than 10 million people worldwide.[63]

Susan Rani, Rani Engineering. Light rail station, Saint Paul.

Cortec Inc. Founder, Boris A. Miksic (left). Saint Paul.

Comprehensive data on Minnesota's immigrant entrepreneurs are not readily available. National studies with state components and local reports help to describe their impact. To find the number of immigrant-owned businesses in Minnesota, we combine two estimates:

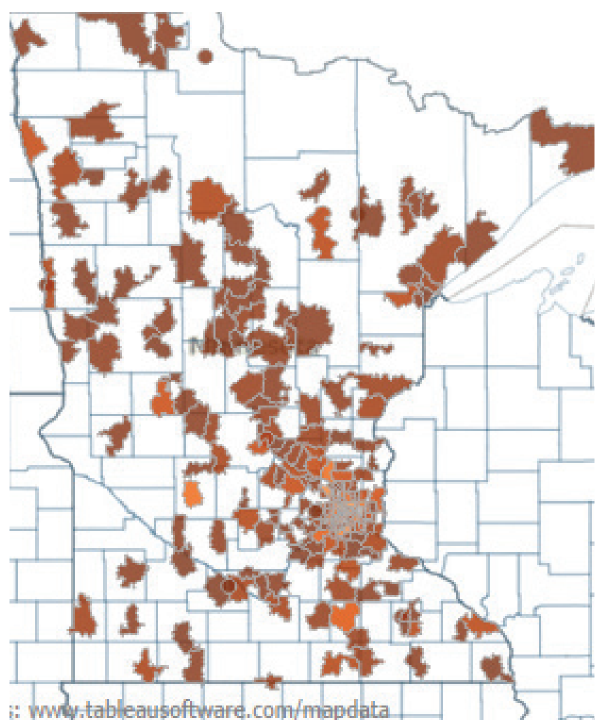
- The 2007 Survey of Business Owners estimates that 56% of minority firms in the United States are owned by immigrants. This gives Minnesota 17,400 immigrant-owned minority firms.
- The survey found that 9.1% of Caucasian-owned businesses are immigrant-owned, though this may high for Minnesota. We substitute a conservative estimate of 6%, based on Fiscal Policy Institute research.
- Combining the above, we estimate a conservative total of 44,500 immigrant-owned firms in Minnesota.

In the United States overall, immigrants are 10% more likely than the native born to own a business. In Minnesota however, immigrants are 20% less likely to own a business.[64] There has been progress: Mexican American-owned firms in Minnesota grew 61% from 2002 and 2007. The growth rate for minority firms was 43%; the growth rate for all firms was 12%. However impressive, the growth rate of 61% was average nationwide: Minnesota ranked 27th nationally for growth of these firms.[65]

Immigrant owners often help foster the growth of ethnic economies: sub-economies that develop when businesses form to meet the distinctive demands of immigrant consumers. Just as African grocery stores meet needs that traditional stores do not, these businesses spring up across the state to fill demand for products such as traditional foods, celebration supplies, or language- and culturally- appropriate services. This is just one indication of the strength and geographic diversity of ethnic economies in the state.

Map 5 shows the distribution of Asian and Latino-owned businesses in Minnesota. Immigrants are more likely to be business owners in the metro area than outstate. In the metro area, immigrants comprise 10% of the population and own 11% of all businesses. Statewide, immigrants comprise 7% of the population and own 6% of all firms.

MAP 5. Asian or Latino-owned Firms by Zipcode



Source: Author Database

Figure 11 illustrates the employment and wealth created by ethnic firms, many of which are owned by immigrants or their children. As a group, Asian Indian firms, with sales of $720 million, or Mexican-owned firms, with sales of $732 million, would be the 39th largest firm in Minnesota— larger than Fair Isaac Co. or Piper Jaffrey.[66]

On a smaller scale, the African Development Center (ADC) has reported on local economic impacts of African-owned businesses. In Willmar, a 2012 survey found significant recent growth: 10 of 15 African-owned businesses contacted had started within the previous 5 years. Roughly 23 full-time jobs and 16 part-time jobs had been created.[67] In Rochester, a 2011 survey of 30 African-owned businesses found they had created 100 full-time and 74 part-time jobs.[68] Local nonprofits working with immigrant entrepreneurs include Neighborhood Development Center, Latino Economic Development Center, Asian Economic Development Association and African Economic Development Solutions.

Figure 11. Minority-Owned Minnesota Firms, 2007

	Number of firms	Receipts ($000's)	Paid employees	Annual payroll ($000's)
Asian Total	**11,371**	**$2,300,000**	**16,950**	**$431,000**
Asian Indian	2,404	$720, 000	4,352	$140,000
Chinese	2,184	$498,000	4,402	$98,000
Filipino	582	$53,000	205	$7,000
Japanese	490	$263,000	722	$28,000
Korean	1,031	$172,000	1,414	$32,000
Vietnamese	1,693	$150,000	1,914	$32,000
Other Asian	3,219	$497,000	3,975	$94,000
Hispanic Total	**5,002**	**$1,600,000**	**5,970**	**$199,000**
Mexican	3,077	$732,000	4,039	$125,000

Source: Survey of Business Owners 2007. Many of these business owners are immigrants, but the precise proportion is not available.

Roughly 20% of the jobs in Minnesota are tied to agriculture, so it is no surprise that immigrants have made a mark in this sector.[69] A 2010 report from Minnesota 2020 finds that immigrant and minority farmers have a growing presence in Minnesota. Asian and Latino farm operators work in every county with the possible exception of Lake and Cook counties in northeastern Minnesota.[70] The 2007 Census of Agriculture shows 823 Latino, Asian and Black farm operators in Minnesota with $74 million in sales.[71]

Minority and immigrant farmers are more likely than native farmers to grow specialty crops and introduce Minnesotans to new foods. In 2011 the University of Minnesota reported that Hmong farmers in the Twin Cities produced 23 specialty crops not included in the state crop table, including bitter melons and Chinese long beans.[72] Minnesota 2020's report identified an opportunity for immigrant entrepreneurs to prosper in farming, particularly by focusing on demand for such specialty items.[73]

IMMIGRANT HUMAN CAPITAL

Human capital represents the value of a person's labor including their education, skills, cultural attributes and personal attributes such as creativity. Beyond the contributions of today's workers, immigrant human capital includes the economic contributions immigrant children will make as working adults in the future. Methods for calculating human capital vary, but a simple one uses earnings to measure the value of a person's human capital to the labor market. Figure 12 uses Census Bureau estimates for lifetime earnings, combining the projected lifetime earnings of Minnesota's immigrants in the workforce and immigrant students in high school, college and graduate school.[74] The expected earnings of this population are currently $659 billion (Figure 12).[75]

Figure 12. Projected Lifetime Earnings of Minnesota Immigrants ("Human Capital")

Immigrants In School	Number	Lifetime Earnings Estimate
High School (Grades 9-12)	21,496	$52 billion
College or Grad School	41,808	$109 billion
Immigrants in the workforce		
Less than HS	76,760	$72 billion
HS Graduate	57,852	$80 billion
Some College	57,570	$94 billion
Bachelor's degree	49,104	$120 billion
Graduate or Professional	40,638	$134 billion
Total	**345,228**	**$659 billion**

Source: ACS 2007-11; ACS Lifetime Earnings Estimate, Author calculations.

Minnesota develops the human capital of its young immigrant residents, paying up-front for public school education. As shown above, immigrant youth repay the investment upon entering the labor force. Their presence can also benefit school districts in the present day. The Minnesota Department of Education estimates 75% of school districts have experienced enrollment declines.[76] In rural Minnesota and smaller school districts, enrollment declines can cause schools to close or consolidate. Immigrant enrollment restores the school-age population and can draw significant revenue to communities: For example, by 2007 increases in immigrant and minority enrollment had brought about $7 million to the Willmar School District.[77]

The success of second-generation immigrants illustrates the importance of taking the long-term view on immigration. Between the first and the second generation, immigrants often make significant gains in education, earnings and integration. Longitudinal studies following families over time would allow the best analysis of this progress; unfortunately, such studies are not prevalent. Figure 13 compares first-generation and second-generation immigrants as groups; though they are not perfectly matched comparison groups, the improvements achieved by the second generation are impressive.

Compared to today's first generation immigrants, more than 30 percent fewer second-generation immigrants live in poverty. Today's second-generation immigrants also surpass first-generation immigrants in average income, English language ability and education.[78] Second-generation immigrants are more likely to have completed a four-year college degree than the U.S. population as a whole.[79]

A 2013 Pew Research report provides some measures of increased integration for second-generation immigrants:

> *Pew Research surveys find that the second generations of both [Hispanics and Asian Americans] are much more likely than the immigrants to speak English; to have friends and spouses outside their ethnic or racial group, to say their group gets along well with others, and to think of themselves as a "typical American.[80]"*

Figure 13. Immigrant Intergenerational Mobility, 2010

	First Generation	Second Generation
Median Annual Household Income	$48,500	$58,100
College Graduation	29%	36%
Homeownership Rate	51%	64%
Poverty Rate	18%	11%
Think They are Typical American (Asian)	30%	61%
Think They are Typical American (Hispanic)	33%	61%
Speak English Very Well (Asian)	54%	82%
Speak English Very Well (Hispanic)	28%	85%
Intermarriage (Asian)	10%	23%
Intermarriage (Hispanic)	7%	26%

Source: Pew Research Center (2013)

Comparing Minnesota to other states can identify opportunities to improve how the state utilizes and attracts immigrant human capital. Which states attract more foreign workers? Which have higher rates of immigrant entrepreneurship, or larger export markets? Figure 14 presents a few of these comparisons to highlight the possible gains Minnesota could make by better leveraging it's immigrant human capital.

For example, Minnesota's exports to India totaled $230 million in 2012. In the same year, Wisconsin's exports to India totaled $456 million. Though of similar size, Minnesota has a higher proportion of immigrants (7.1% vs 4.6%) and Asian-owned businesses (2.3% vs 1.6% in 2007).[81] There may be unique factors explaining Wisconsin's success, but there could also be an opportunity for Minnesota to improve and expand its Indian market connections.

Of course, Minnesota may not want to rank first on items such as the proportion of foreign-born scientists and engineers in the workforce: The state should also produce its own and attract talent from other states. However, identifying why New Jersey companies employ a high proportion of foreign-born workers in these fields could help Minnesota strategize to fill future workforce gaps. Likewise, the success of other Midwestern areas in attracting international students could provide a model for future workforce strategies.

Human capital captures the value and importance of the long-term benefits and contributions Minnesota receives from immigrant youth and subsequent generations. Furthermore, human capital is an asset that Minnesota can work to increase internally. Over the past several decades education has been shown to increase earnings significantly and the effect of education on earnings is only growing.[82] By ensuring that immigrants and native residents have access to education and training opportunities, Minnesota can maximize its supply of this critical asset.

Figure 14.
How Minnesota Compares to Other States: Attracting and Leveraging Immigrants[83]

	Gap	Minnesota's Rank
Percentage of Immigrant Scientists and Engineers New Jersey (41%), MN (14%)	27%	21
Likelihood of Entrepreneurship: foreign born/U.S. Born (equal likelihood = 1.0)		
West Virginia (2.7), MN (.8)	1.9	40
H-1B Visa Demand NY-NJ-PA Area (14.3%), MSP (1.3%)	13%	16
Exports to India WI (rank 14: $456 million), MN ($230 million)	$226 million	26
International Students Midwest IL ($1 billion), MN ($319 million)	$681 million	19

IMMIGRANT GLOBAL NETWORKS AND CULTURAL ASSETS

Immigrant cultural ties increase Minnesota's participation in global networks of people and commerce.

According to sociologists at Princeton, a majority of immigrant-owned businesses depend on international linkages.[84] A study of Latin American entrepreneurship in the United States found that fully two-thirds of the businesses in the communities studied relied on transnational ties for survival and/or expansion.[85] Studies found similar results in Chinese, Indian and Korean immigrant communities.[86]

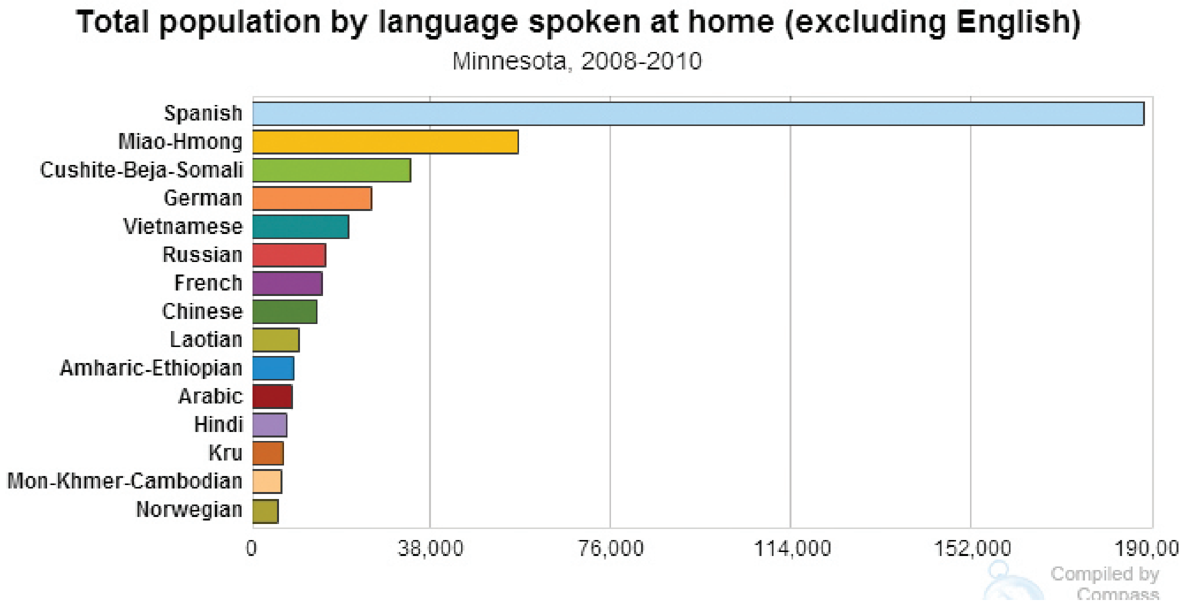
According to sociologists, immigrants exploit links to their native country and other expatriates, using culturally based trust to overcome capital shortages and other barriers to business entry.[87] These connections help immigrant owners secure competitively priced goods for import. The businesses then remain globally connected: Just over 7% of immigrant-owned firms derive revenue from exports, compared with only 4.4% of non immigrant owned firms. Among exporting firms, the immigrant-owned firms are also likely to export *more* than the non immigrant owned firms.[88]

Immigrants also provide skills and knowledge that help American firms compete abroad. Figure 15 illustrates the language assets of Minnesota's immigrants. Nearly 190,000 residents speak Spanish at home; 50,000 speak Hmong at home. Language skills are increasingly critical to business. More than one million U.S. firms conduct some business in Spanish; more than 33,000 conduct business in Arabic (see Appendix Table 3). The availability of immigrant workers benefits Minnesota companies. Using language skills, cultural knowledge and cultivated global networks, immigrants help to facilitate the international success of local businesses.

The Brookings Institute reported in 2012 that the Twin Cities "is asset rich but not effectively tapping these assets to increase exports"[89]. It warns that global-oriented growth is "imperative" as 87% of global market growth is expected to occur outside the United States.[90] Minnesota's assets include 19 Fortune 500 companies, strong export services and immigrant capital. The region attracts large foreign investments: Mumbai-based CPI Banani is expanding in Winona; Tata Consultancy Services' expansion is expected to create 150 jobs in Bloomington; Essar Steel is investing close to $2 billion in Itasca County.[91] According to Brookings, Minnesota has the assets it needs to attract more such investments, and should do so as a matter of economic security. Immigrant capital is key to this effort.

San Asato (center), McNellis & Asato, Ltd. Bloomington

Figure 15. Total Minnesota Population Speaking a non-English Language at Home (2008-2010)



Source: Minnesota Compass Project. Wilder Research. Data from the American Communities Survey 2007-2011.

Immigrants increase the creative and cultural diversity of Minnesota, adding variety to the state's art, theater, food, dance and music scenes. Twenty six percent of professional dancers and nearly 46% of arts and entertainment performers in the state are foreign-born as are ten percent of athletes (see Appendix Table 6). Immigrants' cultural assets make the state more attractive to foreign investors and businesses. The Twin Cities ranks high in surveys of U.S. cities on arts and cultural infrastructure.[92] The presence of vibrant immigrant communities enriches this infrastructure across the state.

Diverse cultural assets can be an effective economic and community building tool.[93] The American Planning Association describes how diversity of culture and economic development are connected:

> *The recognition of a community's arts and culture assets (and the marketing of them) is an important element of economic development. Creatively acknowledging and marketing community assets can attract a strong workforce and successful firms, as well as help sustain a positive quality of life…*

Planners can make deliberate connections between the arts and culture sector and other sectors, such as tourism and manufacturing, to improve economic outcomes by capitalizing on local assets.[94]

One way for Minnesota to capitalize on its diversity is to promote cultural heritage tourism.[95] According to the U.S. Department of Commerce, in 2011 there were more than 16 million visitors to the United States who could be classified as cultural heritage visitors.[96] Apart from Canadians, visitors from Mexico, Brazil, China and India were among the most numerous, and spent a combined $29.8 billion in 2011.[97] With among the nation's largest Liberian, Hmong and Somali populations and a well-developed hospitality industry, Minnesota has the opportunity to be a cultural destination for visitors from every part of the world.

Mural on the Neighborhood House, Saint Paul.

THE NET COST AND BENEFIT OF IMMIGRANTS

Determining the net economic impact of immigrants is a complex undertaking. The length of time considered – a year, a generation or multiple generations – affects the results. The net impact also varies by point of view: state or federal government, for example. Most studies measure costs or benefits, giving readers an incomplete picture. Single-year estimates ignore the benefits that immigrant children will provide upon entering the workforce.

The framework of immigrant capital offers a distinctive viewpoint. It captures long-term benefits and other contributions often overlooked, including the contributions immigrants make as workers, entrepreneurs, consumers and through their global connections. While immigrant capital encompasses a broad set of measures, it focuses on economic costs and benefits.

Collectively, research supports the conclusion that immigrants overall bring a net benefit to the U.S. economy. The benefit of higher-skilled immigrants is widely accepted, while the fiscal benefit of lower-skilled immigrants is debated and sometimes found to be negative in the short run. This is particularly true of studies that focus on the impact to native lower-skilled workers.

What are the primary economic costs immigrants impose?

Public assistance, nutrition, health care and education account for the primary costs immigrants impose on the U.S. economy. Immigrants use some state and federal assistance programs, though unauthorized immigrants and temporary workers are not eligible for Social Security income support, cash welfare or food stamps. Green card holders are eligible after five years of residency, though states can waive this waiting period for youth and pregnant women.[98] All pregnant women and children under 5 are eligible for nutritional assistance (WIC) if their income falls within limits.

In terms of health care costs, only immigrants holding or eligible for green cards and under an income limit can use MinnesotaCare, the state's supplemental Medicaid program.[99] All lawfully present immigrants are eligible for the health insurance tax credits in the Patient Protection and Affordable Care Act[1].[100] All residents regardless of status are eligible for prenatal care. In terms of education, immigrant children impose a cost as public schools are legally required to educate all children.[101]

What are the primary economic benefits associated with immigrants?

As this report has documented, immigrants contribute work, experience and skills to U.S. companies. They start businesses that employ workers; make local, state and federal tax payments; and fuel growth through consumer purchases, homeownership, and cultural assets and connections.

The National Research Council (NRC) conducted a rigorous analysis in a 1997 report, "The New Americans: Economic, Demographic and Fiscal Effects of Immigration." The NRC found that immi-

[1] Under the 2013 Senate immigration reform bill, unauthorized immigrants who apply for *registered provisional immigrant* status (part of the 13-year process towards citizenship) would not be eligible for these tax credits.

grants with less than a high-school education cost society a net $13,000 per capita in 1996 dollars. High school educated immigrants averaged a net benefit of $51,000, while immigrants with more education averaged a net benefit of $198,000. The overall net benefit per immigrant was $80,000.[102] The NRC found that immigrants benefit society economically if we measure across three generations. Compared to forces such as budget policy, immigration had a small impact on the economy.[103]

In most NRC scenarios, the fiscal impact of immigration on the federal government was positive while the state-level impact was negative. In the baseline scenario the state incurs a cost of $25,000 per immigrant due to expenditures on education and services; the federal government gains $105,000.[104]

The NRC also concluded that long-term benefits such as lifetime earnings are far more important to the calculation than immediate costs.[105] In other words, ensuring that immigrants access education, which increases earnings, can significantly increase the benefits immigrants provide to the state.

Subsequent studies support the NRC's findings of a significant net benefit to the U.S. for the immigration of higher-skilled workers and for immigrants overall:

- A 2006 Congressional Budget Office (CBO) study finds that immigrants will contribute 0.8% to 1.3% of GDP from 2012 to 2016.[106] A former CBO director, Douglas Holtz-Eakin, produced a higher estimate in April 2013: 3.0% to 3.9% of GDP over 10 years. He argues that reform legislation can raise GDP per capita by more than $1,500 and reduce the deficit $2.5 trillion by allowing unauthorized workers to participate more deeply and productively in the labor market.[107]
- A July 2013 modeling, performed by Regional Economic Models Inc. (REMI), found positive net impacts on employment and GDP for the United States and for each individual state as a result of the H-1B visa expansion provisions in the Senate immigration reform bill.[108]
- The CBO released its review of the 2013 Senate immigration bill in June 2013, finding that its reforms would increase labor force participation, productivity and capital investment. The CBO estimated that the bill would raise GDP by 5.4% ($1.4 trillion) by 2033.[109]
- A letter from the Social Security Chief Actuary in May 2013 stated that immigration reform would strengthen the solvency of the Social Security Trust Fund. The 2013 Social Security Trustees Report supports this claim: it found that a 25% increase in net immigration would reduce the 75-year Social Security imbalance by 7%.[110]
- Immigrants with advanced degrees, particularly in science, technology, engineering and math (STEM) disciplines or who studied in U.S. universities, are associated with increased native employment. An additional 100 immigrant workers with advanced degrees in STEM fields from U.S. universities is associated with an additional 262 jobs among U.S. natives.[111]
- Partnership for a New American Economy notes that 40% of Fortune 500 companies have at least one founder who is an immigrant or child of immigrants. This includes Google and Minnesota-based 3M, Medtronic, and Thrivent Financial for Lutherans. It is impossible to predict such success, but important to recognize the transformative impact immigrant entrepreneurs have on the economy.[112]

Children at a street fair. Willmar Area Chamber of Commerce

A few studies have concluded that immigrants displace native workers or negatively impact wages:

- In a 2013 report, The Economic Policy Institute cautions that on average, domestic workers are just as qualified as immigrants, though immigrants are sometimes referred to as "the best and the brightest." EPI finds that immigrants may be hired as substitutes to domestic workers if policy does not protect against abuses of the immigration system.[113, 114]
- George Borjas, economist at Harvard University, uses labor market theory to explain a hypothetical interaction among immigrants, employers and native workers. The interaction results in the native workers losing wages while employers and immigrants receive equivalent gains. Borjas finds that empirical research supports the theory.[115]
- Though the NRC study found a net positive economic impact of immigration overall, it also identified a reduction in native worker wages of 1% to 2% associated with immigrant workers.[116]

The short-term impact of lower-skilled immigrant workers on the economy is debated. However, the range of fiscal impact tends to fall between "slightly negative" and "negligible." In longer-term analyses, lower-skilled immigrants were associated with job gains for all workers, and productivity and wage increases.

- REMI's 2013 study modeled the effect of changes to the visa categories for seasonal and temporary workers, finding a positive net impact of more than 82,000 jobs in the United States by 2014 and more than 428,000 jobs by 2045.[117]
- Gordon Hanson with the National Bureau of Economic Research attributes a net gain of 0.03% of U.S. GDP to unauthorized workers. The fiscal gains and costs are small: Hanson considers them a "wash."[118]
- In 2010, Economist Giovanni Peri of UC Davis found that lower-skilled immigrants crowd out native workers in the short-term (one to two years) when the economy is weak. In a seven- to 10-year frame, immigrants were associated with job creation, wage and productivity gains.[119]
- Harry Holzer, former chief economist of the U.S. Department of Labor, found modest, mixed impacts of lower-skilled immigrant workers on native workers in a 2013 article. He does not support curtailing immigration, as it would disrupt the labor supply in many industries.[120]
- Both Holzer and the NRC consider immigrants to be complements to native workers, filling different roles and pushing native workers to greater responsibility. Fix et al. have similar findings: In a 2013 study they found that the groups hurt most by lower-skilled immigrants tend to be earlier waves of immigrants who compete for similar jobs.[121]
- In a 2006 study, Peri similarly found that immigration had a negative effect on the wages of native workers without high school diplomas, reducing average wages by 1%.[122] Workers with less than a high school education comprised 8.2% of the workforce in 2010.[123]
- Fix and Batalova studied immigrants in middle-skill jobs. Their workforce participation is a sign of integration as many immigrated on family-based or other non work-related visas. However, many found employment in manufacturing and construction, industries now evolving to require more skill and fewer workers. The authors find that in the future, these immigrants may require training programs to help them access new roles and industries.[124]

Nationally, though some studies find a slight negative impact on less-skilled native workers, the majority of studies find a significant net benefit to immigration overall.

Latino Farmers in Long Prairie, Minnesota. Latino Economic Development Center.

MINNESOTA DATA

In 2006, the nonpartisan Minnesota Office of the Legislative Auditor (OLA) surveyed existing research on the economic impact of immigrants. The OLA found the 1997 NRC study to be the most comprehensive national study to date, and found no reason to believe the net impact in Minnesota would differ substantially from the NRC estimate of $80,000 per immigrant.[125]

While some studies show adverse wage impacts on native workers, the OLA concluded that the benefits of immigration offset this impact. As the state's immigrants are slightly younger and better educated than the national average, the OLA reasoned that they possessed a greater potential to produce earnings and tax revenues over time.[126]

In its 2013 model, REMI produced state-level results of the impact of immigration reform. REMI's findings include the following for Minnesota[127]:

- For every unauthorized immigrant who enrolls in the Senate's proposed Pathway to Legal Status, Minnesota would gain more than $1,876 in Gross State Product in 2014, increasing to more than $9,296 by 2020.

- The proposed increase in the availability of H-1B visas would result in an estimated 1,000 new higher-skilled workers in the state. This would result in more than 3800 new jobs in 2014, increasing to more than 7100 jobs by 2020. The new jobs would generate $212 million in additional personal income in the state in 2014, increasing to more than $2.5 billion by 2045.
- The expansion of the lower-skilled visa H-2A and H-2B categories coupled with the proposed W-1 category (for immigrants with less than a Bachelor's degree) would increase employment by more than 1300 jobs in 2014 and more than 8,800 jobs by 2020. Personal income would increase as a result of the changes as well, by more than $61 million in 2014 and more than $348 million by 2020.

While the REMI model supports the value of immigration reform, it is also worthwhile to estimate Minnesota's economic experience with immigrants in the recent past. Solid retrospective data on the net impact of immigrants to date is not available specifically by state. Combining estimates for public assistance and health care costs with education costs and tax revenue gives a very rough net benefit calculation for recent years.

- The 2006 OLA health care and public assistance cost estimates for Minnesota immigrants totaled $420 million.[128]
- Using per-pupil system cost ($9,435[129]) and the number of foreign-born students in Minnesota schools (46,453) we estimate 2010-2011 spending on immigrant education to be $438 million.
- Tax revenue is estimated by multiplying the average state and local combined tax rate (11.5%[130]) by the total average annual income of foreign-born households in Minnesota ($6.9 billion over 2007 to 2011[131]). This yields an annual tax payment of $793 million.

Comparing these estimates, immigrant tax payments ($793 million) cover the cost of immigrant health care and public assistance ($420 million), and nearly cover education costs for immigrant youth ($438 million). Of a rough total cost of $858 million, immigrant tax payments make up for all but $65 million. Immigrant children will also pay taxes as adults; this revenue is not counted here, but is significant. The earning potential of Minnesota's current population of immigrant high-school and college students is $161 billion (Figure 12).

What about unauthorized immigrants by themselves? The net cost of this group can be similarly constructed. A 2005 estimate by the state Department of Administration calculated the costs of unauthorized immigrants for education, public services and health care at $176-$188 million.[132] A 2000 study by HACER estimated that unauthorized workers pay $345 million in state and local taxes, indicating a significant positive contribution.[133] As mentioned above, unauthorized immigrants have limited access to public programs beyond emergency medical assistance, prenatal and child nutrition programs, and public K-12 education. This limits the costs they impose on the state, though lack of legal status also holds many back from working as many hours or in as skilled a role as they would like.

The starting point for Minnesota's immigrants varies tremendously. Some arrive as educated professionals, and some as victims of extensive trauma; however, economic and social progress is evident across the spectrum of immigrant backgrounds. This is shown in the three case studies that follow, profiling Minnesota's Hmong, Asian Indian and Mexican communities.

CASE STUDY: THE HMONG IN MINNESOTA

The Hmong people, from the highlands of Laos and Vietnam, were offered refuge in the United States after fighting alongside U.S. forces in the Vietnam War. Lacking formal education, many Hmong refugees were initially reliant on welfare but have since developed much greater self-reliance.

Figure 16. Hmong Progress in Minnesota 1990-2011

	1990	2011
High School Completion	21%	26%
Some College	14%	29%
Bachelor's Degree	2%	9%
Master's Degree	1%	2%
Professional degree	0.3%	0.3%
Doctoral degree	0%	0.5%
Lifetime earnings	$4 billion	$40 billion
Poverty Rate*	62.3%	27.6%
Homeownership Rate*	12.1%	47.50%
Median Home Value	$85,927	$161,100
Per Capita Income**	$2,692	$11,506
Households*	3,049	11,587
Population total #	17,764	60,637
Estimated State and Local Taxes paid per year	$9.5 million	$80 million
Buying Power	$62 million	$523 Million
Percent in Managerial Roles**	13%	21%
Hmong Firms (All other Asian) 2002, 2007+	786	3,219
Hmong Firm Sales (All other Asian) 2002, 2007+	$239 million	$498 million

*Source: ACS 2007-11; *Grover and Todd (2008) p 43 for 1990; **Vang (2012), for 1990; # Pfeifer et al (2012), + Survey of Business Owners 2002, 2007); IPUMS data used for education data.*

The poverty level for today's second-generation Hmong immigrants is significantly below that of the first generation (Figure 16). Home ownership increased almost 400% between the generations, and more Hmong have entered managerial occupations. The population increased its purchasing power to about $523 million in 2011, though this is in part due to population increase.[134]

In 2011, more than 100 Hmong possessed doctoral qualifications. Twenty-nine percent had completed some college.[135] A recent issue of the Hmong Times illustrates the community's commitment to education: A front-page article explains dual enrollment options that allow high school students to jump-start postsecondary education. A half-page ad in the Hmong language explains Minnesota's ratings system for childcare and early childhood education programs, encouraging parents to find and choose quality options for their children.[136]

The number of Hmong-owned businesses in Minnesota is not available: The Survey of Business Owners includes the Hmong in a category labeled "Other Asian". However, it is reasonable to assume that most of the individuals in this category, at least in Minnesota, are Hmong as other major ethnic groups have separately collected data. During 2002-2007, the number of "other Asian" firms grew 400%. Sales doubled to almost half a billion dollars.

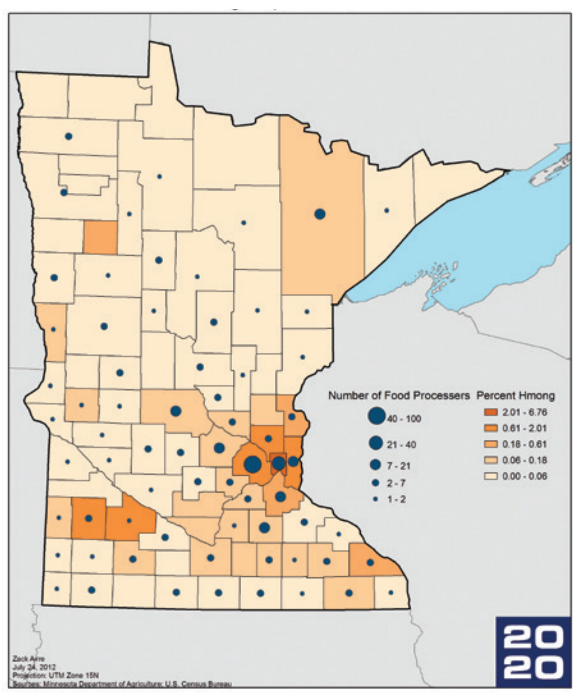
Between 1990 and 2011, the Hmong added $36 billion in estimated lifetime earnings through population gains and an increasing number of graduates at all education levels (Figure 17).[137] By a conservative estimate, the Hmong have paid at least $1 billion in state and local taxes since 1990.[138]

Figure 17. Hmong Human Capital in Minnesota: Gains with Population and Education Increases

Individuals by Education Level	1990	2011	Change in Graduates	Additional Lifetime Earnings
High School	1540	9197	+7657	$10,497,747,000
Some College	1035	10200	+9165	$15,672,150,000
Bachelors	127	3330	+3203	$7,757,666,000
Masters	65	661	+596	$1,688,253,476
Professional	23	90	+67	$278,653,000
Doctoral		166	+166	$585,150,000
Total				**$36,479,619,476**

Source: IPUMS education data from American Communities Survey 1990 and 2007-2011. Author calculations. 2011 estimates are lower in IPUMS ACS 2007-2011 than in ACS 2011 data: the chart shows IPUMS ACS data for both 1990 and 2011 for consistency. Data is for age 18 and above.

The Hmong workforce is critical to certain industries including food processing. Map 6 from Minnesota 2020 shows how the Hmong workforce has co-located with food processing companies.[139]



MAP 6. Co-locating: Hmong Population (2010) and Food Processing Industries (2012)

Source: Minnesota 2020. Data from the Minnesota Department of Agriculture and U.S. Census Bureau

CASE STUDY: ASIAN INDIANS IN MINNESOTA

A small, primarily immigrant community of Asian Indians has a deep footprint on Minnesota's economy. Arriving primarily as educated professionals, Asian Indians have a low poverty rate of 2.5% and a labor force participation rate of 77%: 14 points above the U.S. average in 2011.[140] Asian Indian human capital is valued conservatively at $66 billion. This represents lifetime earning potential with current educational attainment.[141]

Figure 18 presents some of the economic achievements of Minnesota's Asian Indian population. As consumers, Minnesota's Asian Indians were estimated to have a buying power of $1 billion in 2011.[142] They pay about $154 million in state and local taxes per year, or about $7.2 billion over a lifetime.[143]

As of 2007, there were more than 2400 Asian Indian-owned firms in Minnesota including second- and third- generation immigrant owners. These businesses had sales of $740 million, and employed more than 4,000 people with an annual payroll of $140 million.[144]

The presence of Asian Indians in Minnesota contributes to foreign direct investment (FDI) from Indian companies and state exports to India. In 2011-2012, FDI from India was over $2 billion[146] and Minnesota's exports to India totaled $203 million.[147] The Commissioner of Minnesota's Department of Agriculture, Dave Frederickson, considers India a prime market for Minnesota's agricultural products.[148] Minnesota's Asian Indians also connect Minnesota to global networks of commerce. For example, a local chapter of the Silicon Valley-based The Indus Entrepreneurs, or "TiE", has a global business network of more than 11,000 members that leverages ethnic and cultural ties and aims to promote entrepreneurship.[145]

FIGURE 18. Asian Indian Capital in Minnesota, 2011

Population in Minnesota	32,385
Value of Asian Indian Human Capital (Lifetime Earnings)	$66 billion
Buying Power	$1 billion
Firms	2404
Firm Sales	$740 million
Employees	4352
Payroll	$140 million
Rental Payments, annual	$ 65 million
Poverty Rate	2.50%
Real Estate Value	$1.6 billion
Percent in Managerial, Business, Science, or Arts Occupations	75%
Foreign Born	73%
Private Wage and Salary Workers	90%
Labor Force Participation Rate	77%
Annual State and Local Tax Payments	$154 million
Lifetime Earnings Tax potential	$7.2 billion

Source: ACS 2009-11; Author estimates of Lifetime earnings, buying power, taxes, rental payments, real estate value.

CASE STUDY: MEXICAN IMMIGRANTS IN MINNESOTA

People of Mexican origin have been in Minnesota longer than many other immigrant groups: since the 1800s, they have worked in the agricultural and manufacturing industries. Mexican workers were recruited to work on farms and in factories during World War II and afterwards, frequently in seasonal roles.[149] Historical records show that Mexican workers and their families were often treated poorly.[150] Figure 19 gives a snapshot of the community today.

Figure 19.
Ethnic Mexican Capital in Minnesota

Total Population in Minnesota	68,732
Buying Power	$631 million
Average Annual Tax payments	$97 million
Total Firms (ethnic Mexican owners)	3,077
Firm Sales	$732 million
Firm Employees	4,039
Firm annual payroll	$125 million
Human Capital Portfolio	$88 billion
Youth in Education	$21 billion
In the Workforce	$67 billion
Minnesota Exports to Mexico (2012)	$1.3 billion
Impact on the MN Economy	$6 billion*

*Sources: Buying Power and tax payments: ACS 2007-11; Firms: SBO 2007; Human capital: ACS lifetime earnings projections; Exports: US Dept of Commerce International Trade Administration; *Corrie (2008)*

- Immigrants from Mexico have a buying power of more than $600 million.[151]
- The human capital represented in the school-age population and workforce gives an estimated lifetime earnings of $88 billion.[152]
- Many Minnesota businesses export products and services to Mexico. In 2012, these exports totaled $1.3 billion.[153]
- Ethnic Mexican residents of Minnesota paid an average of $97 million in state and local taxes per year from 2007 to 2011.[154]
- Between 1997 and 2007 the number of Mexican or Mexican-American owned businesses in Minnesota more than doubled, from 1,163 to 3,077 (Figure 20).[155] Sales more than tripled from $213 million to $732 million.[156]

Figure 20.
Growth of Mexican-Minnesotan Firms (1997-2007)

	Firms	Sales
1997	1,163	$213 million
2002	1,908	$277 million
2007	3,077	$732 million
Growth (1997-2007)	165%	244%

Source: Survey of Business Owners 1997 and 2007.
Includes U.S. citizens owners who identify as Mexican.

- Kielkopf estimated in 2000 that 33% of workers in the meatpacking and food processing industries in Southern Minnesota were Latino.[157] In a 2008 simulation by this author, the loss of all noncitizen employees in these industries would cost the affected companies $400 million in lost productivity and replacement hiring.[158] In turn, this loss would affect up to 16,000 jobs in Minnesota.[159]

CONCLUSION

Immigrant capital benefits the Minnesota economy in many ways. Despite potential short-term costs to segments of the labor force, the bulk of recent research finds that over the long-term immigrants bring a significant net benefit to Minnesota and to the United States Demographically, Minnesota needs immigrants: The population is aging, leaving a decreasing proportion of working adults relative to dependents. Immigrants fill job vacancies at a time of low labor supply due to retirements; their tax payments also replenish state and local coffers. Beyond their demographic importance, immigrants benefit Minnesota in many capacities.

- Immigrants bring $659 billion in lifetime earnings and a purchasing power of $5 billion to Minnesota.
- In the workforce, immigrants are overrepresented. They comprise 7% of Minnesota's population, and 9% of the workforce.
- Six percent of all firms in Minnesota are owned by immigrants.
- In six industry sectors and 17 occupations, both higher- and lower- skilled, immigrants comprise more than a quarter of the workforce.
- Annual state and local tax payments from Minnesota's immigrants are an estimated $793 million.
- Immigrants revitalize rural and urban neighborhoods, contributing to housing values and neighborhood stability and appeal.
- Immigrants connect Minnesota to global business networks, and make Minnesota more attractive to global investors, businesses and talent.

The immigration debate exposes a vulnerability of the U.S. economy. Concerns about the impact of immigration often focus on the effect of immigrant workers on lower-skilled native workers. While estimated to be small, the wage impacts can have localized effects. Yet, lower-skilled native workers may require assistance *regardless of immigration policy*: they face threats from productivity increases, globalization and limited skill sets. The U.S. should provide a strong education to children and offer retraining opportunities to adults, giving everyone the skills to thrive in a changing economy. Localized costs should not overshadow the significant and critical benefits immigrants provide to Minnesota and the United States through their roles as consumers, workers, entrepreneurs and taxpayers; through their large and growing human capital; and through their global networks and cultural assets.

RECOMMENDATIONS

1. View immigrants as "capital," providing the state with a talented workforce, skills, culture, buying power, new businesses and global networks. Minnesota should leverage this capital in its economic development strategies.

The elements below may require the state to shift funds from existing economic development programs; however, they are well worth it.

   a. Help immigrants to integrate: Assist immigrant youth in the K-12 school system, and help adults to navigate housing, health care and employment systems. Ensure that affordable, culturally adaptable housing with transit access is available including culturally acceptable financing arrangements.
   b. Encourage immigrant entrepreneurship. Help immigrant business owners to access capital and technical assistance, and develop export markets.
   c. Provide quality training and education opportunities to all residents including immigrants, as this maximizes their ability to contribute economically. Support immigrant adults in training and job placement. Refugees in particular are likely to be underemployed without assistance.

2. Take a long-term perspective on the economic impact of immigrants. One-dimensional or short-term analyses are likely to understate the benefits of immigration. In the short run, immigrants may impose a cost; however, over two or more generations the sum of the evidence suggests that they bring a significant net benefit to the state and to the United States.

3. Immigration reform legislation should be comprehensive. It should factor in industry demand for both higher- and lower- skilled workers, and include avenues for temporary study and work, permanent residence, family reunification and humanitarian assistance. Reform can have stringent requirements, but should resolve the status of unauthorized individuals. A 21st century perspective on the issue is needed. The goal should be to enhance national and local efforts to sustain a competitive economy.

Finally, Americans need to continue to act with economic and cultural self-confidence in the presence of globalization, and continue to welcome immigrants. In the words of Mahatma Gandhi:

> *I do not want my house to be walled in on all sides and my windows to be stuffed. I want the cultures of all lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any.*[160]

APPENDIX A

Table 1. Minnesota Foreign-born Population by County

	Counties	Percent Foreign Born 2007-2011
1	Nobles	15.60%
2	Ramsey	13.70%
3	Hennepin	12.70%
4	Watonwan	10.30%
5	Olmsted	9.40%
6	Scott	8.20%
7	Dakota	8.00%
8	Anoka	7.00%
9	Mower	6.90%
10	Rice	6.70%
11	Carver	6.00%
12	Washington	6.00%
13	Lyon	5.20%
14	Koochiching	5.00%
15	Kandiyohi	4.40%

Source: Minnesota Compass

Table 2. Minnesota Foreign-born Population by City

	Cities	Percent Foreign Born 2009-2011
1	Brooklyn Ctr	25.20%
2	Brooklyn Park	20.70%
3	Richfield	20.20%
4	St. Paul	17.90%
5	Shakopee	16.10%
6	Minneapolis	15.20%
7	New Hope	14.20%
8	Eden Prairie	14.00%
9	Burnsville	12.50%
10	Chaska	12.40%
11	Roseville	12.20%
12	Bloomington	12.10%
13	Rochester	11.80%
14	Savage	11.80%
15	Fridley	11.60%
16	Eagan	11.10%
17	Austin	10.80%
18	Faribault	10.60%
19	Edina	10.40%
20	New Brighton	10.40%
21	Woodbury	10.40%
22	Maplewood	10.30%
23	Apple Valley	10.10%
24	Plymouth	10.10%
25	Rosemount	9.70%
26	St. Louis Park	9.60%
27	Golden Valley	9.30%
28	Crystal	9.00%
29	Oakdale	8.70%
30	Blaine	8.60%

Source: Minnesota Compass

Table 3. Firms Doing Business in non-English Languages (2007)

Language	Number of Firms
Arabic	33,777
Chinese	130,979
French	68,927
German	47,226
Greek	15,856
Hindi/Urdu	30,979
Italian	38,867
Japanese	39,701
Korean	59,331
Polish	40,344
Portuguese	41,370
Russian	60,703
Spanish	1,079,350
Tagalog	31,317
Vietnamese	57,141
Other	113,523

Source: Survey of Business Owners, 2007

Table 4. Asian and Latino Buying Power Minnesota Cities 2009

City	Buying Power
St. Paul	$863 million
Minneapolis	$705 million
Brooklyn Park	$203 million
Rochester	$147 million
Bloomington	$121 million
Eden Prairie	$104 million
Plymouth	$101 million
Woodbury	$98 million
Eagan	$91 million
Burnsville	$87 million
Blaine	$84 million
Richfield	$83 million
Brooklyn Center	$82 million
Shakopee	$75 million
Apple Valley	$69 million
Maplewood	$68 million
Maple Grove	$65 million
Coon Rapids	$53 million
Savage	$50 million
Edina	$48 million
Worthington	$46 million
Roseville	$46 million
Lakeville	$46 million
St. Cloud	$45 million
Cottage Grove	$40 million
Oakdale	$40 million
Willmar	$40 million
St. Louis Park	$39 million
West St. Paul	$38 million
Faribault	$36 million
Inver Grove Heights	$36 million
Fridley	$36 million
Hopkins	$34 million
Duluth	$34 million
Chaska	$33 million
Austin	$32 million
Crystal	$32 million
Columbia Heights	$31 million

Source: ACS 2009, Author est. assuming 25% federal and local taxes. Includes all generations.

Table 5.
Firms by Select Owner Ethnicity and Industry (2007)

	Number of firms	Receipts ($1,000s)
Asian Indian		
Manufacturing	56	$125,000
Professional, scientific, and technical services	603	$199,000
Accommodation and food services	231	$100,000
Chinese		
Construction	115	$80,000
Wholesale trade	41	$58,000
Accommodation and food services	589	$143,000
Mexican		
Construction	407	$68,000
Retail trade	267	$52,000
Accommodation and food services	113	$59,000
Other Asian (Hmong, others)		
Retail trade	582	$184,000
Professional, scientific, and technical services	415	$66,000
Health care and social assistance	519	$55,000

Source: Survey of Business Owners, 2007

Table 6. Foreign Born Shares in Select Minnesota Occupations (2011)			
Occupations	Percent Foreign Born*	Occupations	Percent Foreign Born*
194: Art/entertainment performers	45.9	453: Janitors	15.3
74: Atmospheric and space scientists	41.8	759: Painting machine operators	15.3
686: Butchers and meat cutters	38.5	813: Parking lot attendants	15.3
754: Packers, fillers, and wrappers	36.7	756: Mixing and blending machine	15.2
666: Dressmakers and seamstresses	36.1	887: Vehicle washers cleaners	15.2
83: Medical scientists	34.4	488: Graders and sorters - agricultural	15.0
888: Packers and packagers by hand	29.7	584: Plasterers	14.6
225: Other science technicians	29.4	55: Electrical engineer	13.9
748: Laundry workers	29.4	69: Physicists and astronomers	13.9
744: Textile sewing machine operators	29.1	479: Farm workers	13.8
595: Roofers and slaters	29.0	64: Computer systems analysts and	13.6
405: Housekeepers, maids, butlers,	27.3	525: Repairers of data processing	13.6
785: Assemblers of electrical equip	26.6	535: Precision makers, repairers,	13.0
229: Computer software developers	26.5	736: Typesetters and compositors	12.9
193: Dancers	26.1	326: Correspondence clerks	12.8
743: Textile cutting machine operator	25.8	579: Painters	12.8
745: Shoemaking machine operators	25.4	59: NEC engineers	12.4
726: Wood lathe, routing operators	24.5	458: Hairdressers cosmetologists	12.4
875: Garbage and recycling collectors	23.9	679: Bookbinders	12.3
865: Helpers, constructions	23.7	169: Social scientists, n.e.c.	12.1
224: Chemical technicians	23.4	709: Grinding, abrading, buffing, polishing	12.1
769: Slicing and cutting operators	23.4	757: Separating, filtering,operators	12.1
675: Hand molders and shapers,	23.2	723: Metal platers	12.0
874: Production helpers	23.0	597: Structural metal workers	11.7
878: Machine feeders and bearers	21.5	774: Photographic process workers	11.7
809: Taxi cab drivers and chauffeurs	20.3	73: Chemists	11.6
76: Physical scientists, n.e.c.	19.9	17: Managers of food-serving establishments	11.3
45: Metallurgical, materials engineers,	19.4	57: Mechanical engineers	11.2
779: Machine operators, n.e.c.	19.1	464: Baggage porters	11.2
154: Subject instructors (HS/college)	18.0	729: Nail and tacking operators	11.1
84: Physicians	17.9	37: Management support	10.9
687: Bakers	17.2	65: Operations and systems analysts	10.9
328: Human resources clerks,	17.1	165: Archivists and curators	10.8
688: Batch food makers	17.0	365: Stock and inventory clerks	10.8
347: Office machine operators, n.e.c.	16.7	446: Health aides, except nursing	10.7
436: Cooks, variously defined	16.7	707: Rollers, metal finishers	10.7
447: Nursing aides, orderlies, attendants	16.6	765: Paper folding operators	10.6
68: Mathematicians and m.scientists	16.0	448: Supervisors of cleaning	10.3
799: Graders, sorters - manufacturing	16.0	593: Insulation workers	10.3
444: Misc food prep workers	15.4	526: Repairers of household appliances	10.2
573: Drywall installers	10.0	199: Athletes, officials	10.0

Source: Steven Ruggles, et. al (2010) IPUMS
**Includes non citizens*

Table 7. Foreign Born Shares in Select Minnesota Industries (2011)

Industry	Foreign Born* Percent	Industry	Foreign Born* Percent
100: Meat products	37.5	623: Apparel and accessory stores	12.7
122: Food industries, n.s.	35.1	761: Private households	12.5
340: Household appliances	34.5	832: Nursing and personal care	12.5
402: Taxicab service	31.7	391: Miscellaneous manufacturing	12.3
301: Metal industries, n.s.	29.2	112: Sugar and confectionery prod	12.1
151: Apparel and accessories, except knit	27.1	192: Industrial, misc. chemicals	12.0
142: Yarn, thread, and fabric mills	24.5	351: Motor vehicles and equip	11.9
722: Services to dwellings and other buildings	23.8	641: Eating and drinking places	11.9
372: Medical, dental, and optical instruments	20.8	212: Miscellaneous plastics products	11.6
732: Computer and data processing services	20.0	750: Automobile parking, carwashes	11.6
742: Automotive rental and leasing, without drivers	19.1	231: Sawmills, planing mills, millwork	11.0
762: Hotels and motels	19.1	893: Misc. professional services	10.9
121: Misc. food preparations	19	652: Book and stationery stores	10.7
152: Miscellaneous fabricated textile products	18.8	300: Miscellaneous fabricated metal	10.5
322: Computers and related equipment	18.7	873: Labor unions	10.4
771: Laundry, cleaning, and garment services	17.8	361: Railroad locomotives and equip	10.2
420: Water transportation	17.5	871: Social services, n.e.c.	10.2
342: Electrical machinery, equipment, supplies,	17.3	471: Sanitary services	10.1
731: Personnel supply services	17.1	341: Radio, TV, and communication	10.0
610: Retail bakeries	16.7	270: Blast furnaces, steelworks, rolling and finishing mills	9.9
250: Glass and glass products	16.6	101: Dairy products	9.7
392: Manufacturing industries, n.s.	16.5	432: Services incidental to transp.	9.7
352: Aircraft and parts	16.3	630: Shoe stores	9.7
371: Scientific and controlling instruments	16.2	663: Catalog and mail order houses	9.7
571: Wholesale trade, n.s.	15.2	102: Canned, frozen, and preserved fruits and vegetables	9.6
161: Miscellaneous paper and pulp products	14.3	840: Health services, n.e.c.	9.4
162: Paperboard containers and boxes	13.7	20: Landscape and horticultural services	9.2
111: Bakery products	13.6	642: Drug stores	9.0
791: Miscellaneous personal services	13.5	550: Groceries and related products	13.0
222: Leather products, except footwear	13.0	850: Colleges and universities	13.0

Source: Steven Ruggles, et. al (2010) IPUMS
**Includes non citizens*

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FOOTNOTES

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[6] This fact is from the Minnesota State Demographer and the Director of Minnesota's Labor Market Information office at the Minnesota Department of Employment and Economic Development.

[7] Sources define "young" in different ways, which can lead to differences in the calculated dependency ratio. Some sources use ages 0-15 as the set of dependent young people, as they are too young to work. Others use ages 0-18 or even 0-24.

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