

## Research Brief: Measuring the Economic and Fiscal Contributions of Michigan's Latino Population

Steven R. Miller

Rubén O. Martinez

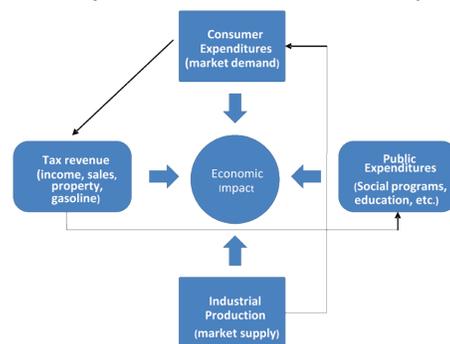
April 2010

The nation is undergoing a major demographic shift that will present major challenges in the coming decades. One dimension of the demographic shift is the aging of the Baby Boomers, who will leave a major void in the labor force when they retire. Another dimension is the growth of the Latino population, which is projected to go from 15% of the population to 30% by mid century. Because of this group's marginal status within the larger society, this growth can either lead to increased demands on public goods and services or to increased economic productivity if programmatic steps are taken to increase their human capital levels. The year 2010 is when the Baby Boomers begin to retire in substantial numbers, and it is the year when race and ethnic minority births are expected to exceed those of White Americans.

This brief summarizes the findings of an extensive research effort to track the economic and fiscal impacts of Michigan's Latino population. The study documents the Latino population's contribution to economic production, consumption of goods and services, and their contribution to overall economic output. An economic

and fiscal impact model was developed to measure the economic and public revenue contributions of Latino workers and households. Additionally, consumption of public services is traced to document net fiscal impacts of Michigan's Latino population (See Figure 1).

**Figure 1.**  
The Major Elements of an Economic Impact



In the context of the demographic changes that are underway across the nation, the report provides baseline measures of the economic and fiscal impact of Michigan's Latino population and sheds light on their economic contribution to the state. Given data limitations, however, we were unable to capture separately the impact of agricultural migrant workers. Most of these workers leave the state when seasonal employment ends. And while their expenditures may be relatively limited, their presence in the state brings in millions of dollars from the

<sup>1</sup> Miller, S., R. Martinez, and A. Faun. 2010. *Measuring the Economic and Fiscal Contributions of Michigan's Latino Population*. East Lansing, MI: Julian Samora Research Institute, Michigan State University.

Federal Government, especially in migrant education, that benefit the state's economy.

Actual and projected demographic shifts expose several concerns about the ability of Michigan's population to supply the workforce necessary to compete in the emerging global economy. Michigan's population is getting older and by 2020, approximately 30% of the population will reach retirement age. This is occurring as a substantial portion of its young, skilled workforce continues to emigrate to other states. Together these processes suggest that Michigan will face increasingly scarce labor resources in the coming years. However, one segment of the population continues to experience growth—the Latino population in Michigan continues to grow despite net outmigration of other population segments. For Michigan, the growing Latino population segment affords an opportunity to mitigate the impact of the coming labor shortfall created by the retirement of the Baby Boomers.

Although Michigan has experienced a recent upsurge in the number of Latino residents, this growth is lower than the pace experienced at the national level. Much of this is attributable to the location choice of the majority of U.S. and immigrant Latinos to western and southern states. However, some of this effect can be attributed to limited employment opportunities in Michigan, as Michigan's Latino population growth has ebbed considerably as a result of recent contractions in the U.S. auto sector and the impact of the Great Recession. Despite recent declines in growth, however, the Latino population in Michigan continues to grow and offset net outmigration of non-Latino residents. Indeed, many Michigan communities would experience

net reduction in population if not for the immigration of Latinos.

While Michigan's Latino population is much more likely to be U.S.-born citizens than is the case in many other states, Latinos still face many challenges. Approximately 71% of Michigan Latinos are native born, while 60% are native born for the nation as a whole. Regardless, Latino workers systematically experience higher unemployment rates, earn less than their non-Latino counterparts earn and are more likely to be concentrated in low-paying occupations. This population segment tends to lack occupational characteristics and educational attainment levels required to move up in the occupational structure. Additionally, Latinos generally reside in underserved neighborhoods, and their children are less likely to pursue and complete a post-secondary education. Research suggests that exclusion from institutions common to most Americans contributes to the social and economic isolation of Latino households.

Though only 4.1% of the state's overall population, Latinos comprise approximately 6% of the K-12 student population and 3.1% of Michigan's labor force. A numeric minority component of the Latino labor force is comprised of non-U.S. residents who are likely to be less educated and possess fewer marketable skills. When comparing Latino wages to non-Latino wages by occupation or by industry, we find that Latino workers, on average, command about 76% of the wages of non-Latino workers. However, this varies by industry and occupation where Latino workers in some categories earn premiums on average. In addition to generating lower earnings when employed, Latino workers are about 30% more likely to be unemployed than

non-Latino workers nationally, especially White American workers.

We also find that Latino workers tend to be concentrated in certain occupations and industries. Relative to the U.S., Michigan Latino workers tend to occupy services and production occupations and are scarce in professional and sales related occupations. Similar industry breakouts are evident with a relatively high percentage of Latino workers occupying manufacturing and leisure and hospitality industries, and fewer in information, financial and administrative services industries. Several factors beyond the scope of this project may contribute to these outcomes, but the results suggest unequal overall access to employment opportunities.

In this study, standard economic impact multipliers are used to gauge secondary impacts, or ripple effects, of Latino workers and households. Direct fiscal revenue calculations take into consideration revenues generated from property, sales and use, and various excise and personal income taxes generated at the household level. Alternatively, direct fiscal expenditures take into consideration household consumption of public services including Medicaid, childcare, housing subsidies, public housing and K-12 education. The findings provide benchmarks from which progress in removing social and economic barriers can be measured.

Overall, approximately 154,797 Latino workers contribute \$25.2 billion in state output. Moreover, these jobs generate additional jobs that impact Latino and non-Latino households alike. In addition to the direct jobs occupied by Latino workers, an additional 162,554 jobs are generated for a total state-wide employment impact

of 317,351 Michigan jobs. Taking into consideration secondary impacts, the Latino workforce contributes approximately \$48.4 billion to total state output.

Multipliers that take into consideration secondary impacts or ripple effects throughout the economy suggest that each Latino worker generates an additional 1.05 Michigan jobs. In addition, for every dollar earned by a Latino worker, an additional \$1.02 dollars is paid in labor income.

The direct and secondary impacts of Michigan's Latino population contribute to both public revenues and expenditures. This report shows that direct revenues from Latino households exceed direct expenditures, but the difference is smaller than that of non-Latino households. On average, Latino households generated \$1.82 for every dollar of consumption of public services compared to \$3.86 for non-Latino households. However, once we take into consideration secondary impacts the total ratio becomes \$2.50 for every dollar of public expenditure.

Unequal earnings opportunities negatively impact the potential of Latino households to contribute to government revenue. Michigan's tax system is driven directly and indirectly by earnings. The relatively low earnings of Latino workers translates into lower personal income tax receipts, sales and use tax generation, and property tax of Latino households. Furthermore, lower household income increases the demand for public services. However, Latino demand for public services is partially offset by reduced access to such services.

We find that relative differences in net fiscal outcomes are not related to increased consumption of public services per household but rather to lower household income, which drives tax revenues. Latino households, especially immigrant households, are less likely to seek public assistance. Regardless, Latino households are more likely to receive Medicaid benefits, as access to jobs that provide health benefits are often limited.

With the impending demographic shifts that will occur over the next several decades, the possible integration of Latinos into higher paying jobs will help off-set losses arising from the retirement of the Baby Boomers and the outmigration of Michigan's young workforce. Michigan's preferential tax treatment of retirees posits additional fiscal concerns since income from pensions is generally not taxed. Removing economic barriers of the Latino

population is one solution to Michigan's forthcoming fiscal pressures. However, the Latino workforce is currently confined in low-skill, low-pay occupations and industries, limiting the fiscal contributions of this workforce segment.

The Latino segment of the workforce will be able to offset workforce losses only if provided equal access to human capital-building opportunities. That integration will require greater access to human capital-building opportunities for the Latino segment of the workforce and more effective school systems that can position Latinos for lifelong human capital development. This segment of Michigan's workforce is an increasingly important component of Michigan's economy. Not confronting the obstacles to fully integrate this segment into high-skilled occupations and high-pay industries will surely limit the capacity of Michigan residents to compete in the emerging global economy.

---

**MICHIGAN STATE**  
UNIVERSITY



**DTE Energy  
Foundation**



The Julian Samora Research Institute is part of the College of Social Science at Michigan State University. Visit its webpage at: [www.jsri.msu.edu](http://www.jsri.msu.edu)

The Center for Economic Analysis is sponsored by the Michigan Agriculture Experiment Station, Michigan State University Extension, and the MSU Department of Agriculture, Food, and Resource Economics. Visit its webpage at: [www.cea.msu.edu](http://www.cea.msu.edu)

Publication of this report was made possible with the support from the  
DTE Energy Foundation

**For More Information**

Rubén O. Martinez, Director, Julian Samora Research Institute, (517) 432-1317 or [rmartinez@jsri.msu.edu](mailto:rmartinez@jsri.msu.edu)  
Steven Miller, Center for Economic Analysis, (517) 355-2153 or [mill1707@msu.edu](mailto:mill1707@msu.edu)