

*Undocumented Latino Workers  
in MN: A study of their Economic  
Impact*

Prepared by:



Hispanic Advocacy and Community Empowerment through Research

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**Contents**

**About Hispanic Advocacy and Community Empowerment through Research (HACER) .....2**

**Executive Summary.....4**

**Introduction .....5**

**Background .....6**

**Methodology .....10**

**Results.....13**

**Discussion.....21**

**Conclusion .....25**

**Bibliography .....26**

# About Hispanic Advocacy and Community Empowerment through Research (HACER)

HACER's mission is to provide the Minnesota Latino community with the ability to create and control information about itself in order to affect critical institutional decision-making and public policy. General support for HACER has been provided by Minnesota-based philanthropic organizations and the Minnesota Council of Nonprofits.

*Executive Director: Rodolfo Gutierrez*

HACER 155 Wabasha Ave. S., Ste. 105

St. Paul, MN 55107

954-240-0821

[www.hacer-mn.org](http://www.hacer-mn.org)

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*HACER Research and Admin Staff:*

Rodolfo Gutierrez (Executive Director)

Carolina De La Rosa Mateo (Director of Operations)

Gabriela Hanzel (Administrative Director)

Ericka Lara (Research and Evaluation Coordinator)

Brenda Jarosiewicz (Accounting and Office Specialist)

Jacqueline Portillo (Administrative Assistant)

Alex Jensen (Research Associate)

Monica Yañez (Research Associate)

Patricia Mudoy (Research Associate)

Rodrigo Escobar (Research Associate)

Rodrigo Gutierrez (Research Associate)

Deisy Canon Lovera (Southern Community Outreach Coordinator)

Zadkiel Molina (Digital Communications Manager)

Estrella Ramirez (Digital Communications Specialist)

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# Executive Summary

Undocumented Latino immigrant workers in the United States have historically been at the center of controversial discussions surrounding immigration policy and reform. At a time where our country is recovering from the COVID-19 pandemic and struggling to avoid entering another recession, it is worth looking at this important yet highly criticized population and the direct and indirect economic role it plays in contributing to the Southern part of Minnesota.

## Purpose

This study focuses on the economic contribution of undocumented workers in Southern Minnesota, specifically in labor-intensive industries. This research was made possible through the contribution and support of grants sponsored by Blandin Foundation, Southern Minnesota Initiative, and Northwest Area Foundation.

## Methods

The study utilizes an input-output analysis, building upon similar research conducted by HACER in 2000 that aimed to quantify the value of undocumented labor in Minnesota. By using the same econometric tool, the research identifies the economic impact of Hispanic/Latino undocumented workers in Southern Minnesota.

## Findings

- The profile of undocumented workers indicates that they are predominantly young adults aged 20 to 40, originating from Mexico, Honduras, El Salvador, and Guatemala.
- Undocumented workers are found to be playing a significant role in shaping labor-intensive industries in Southern Minnesota.
- The estimated number of undocumented workers in Southern Minnesota ranges from a low estimate of 4,294 to a high estimate of 10,450.
- Undocumented Latino workers in Southern Minnesota earn a total net income between \$650 million and \$1 billion USD.
- Direct economic generation by undocumented Latino workers in Southern Minnesota amounts to \$4.1 billion and \$5.8 billion USD.
- The overall economic production in Southern Minnesota attributed to undocumented Latino workers ranges from \$6.5 billion to \$9.3 billion USD.
- For every 10 employed undocumented Latino workers, approximately eight jobs are created in the South of Minnesota.

## Conclusion

Understanding the economic impact of undocumented workers is crucial for informed policy discussions and efforts to address labor market dynamics. This research provides valuable insights into the economic contribution of Hispanic/Latino undocumented workers in Southern Minnesota. The study's findings can be used by organizations and individuals dedicated to collaborating with undocumented communities and advocating for immigrant rights. Moving forward, HACER will work on advocating to further explore this topic, addressing the limitations of the current study and extending the analysis to include the economic impact of undocumented workers across the entire state of Minnesota.

# Introduction

The aim of this study is to calculate the economic impact of Latino/Hispanic undocumented workers across different labor-intensive industries in Southern Minnesota. Undocumented workers refer to those immigrants that reside and work in another country without the official legal documentation that is required for employment. Most undocumented immigrants come to the United States in search of work opportunities and are more likely than the rest of the population to be in their prime working years (New American Economy 2017). Undoubtedly, this population plays an important role in labor intensive industries, such as construction, natural resources, hospitality, among other industries that are essential to the US economy. Although the contribution of undocumented workers to the American economy seems evident, there are no official statistics on their economic impact. This study attempts to further contribute to the understanding of this economic sector by utilizing an input-output analysis to provide an estimate of the economic impact of Latino/Hispanic undocumented workers in Southern Minnesota.

The present study draws inspiration from previous research conducted by Hispanic Advocacy and Community Empowerment through Research (HACER) in 2000 that quantified the value of undocumented labor in Minnesota. By utilizing the same econometric tool of input-output analysis, the research found that undocumented immigrants played a critical role in maintaining economic growth and employment opportunities for Minnesotans, as well as helping reduce the state tax burden (Kielkopf 2000). The study, however, was criticized at the time by the Office of the Legislative Auditor of the State of Minnesota (2006) for its assumptions, which stated that the “analysis assumed the removal of illegal immigrants from the economy would typically result in business closures rather than market adjustments, such as wage and price increases, which is debatable.” Despite its critiques and controversy, HACER's 2000 study set a precedent for attempting to measure the economic impact of unauthorized immigration across different industries.

As a research organization, HACER recognizes the relevance of this issue for the Latino/Hispanic community living in Minnesota. With the generous contribution and commitment from Blandin Foundation, Southern Minnesota Initiative, and Northwest Area Foundation, HACER was able to conduct a new study that utilizes relevant census and economic data to highlight the economic contribution of undocumented workers in Southern Minnesota. Our specific focus on Southern Minnesota enabled us to produce vivid and rich data about labor intensive industries where Latino/Hispanic undocumented worker are primarily concentrated.

# Background

Unauthorized immigration has been one of the most contentious issues in American policy. Many scholars trace the initial roots of undocumented immigration to the end of the Bracero Program, which aimed to shift to a native labor force and mechanized agriculture (Nadadur 2009). In addition, there was an increased demand for agricultural jobs and other unskilled jobs in transportation, construction, production, and service (Nadadur 2009). Furthermore, the Immigration Reform and Control Act (IRCA) created the first penalties for those employers hiring undocumented immigrants and gave amnesty to those already residing in the United States (Nadadur 2009).

At the intersection of immigration policy and civil rights, it is important to recognize that despite their significant contributions to the country, unauthorized immigrants are denied the same civil rights as legal immigrants, resulting in limited access to benefits (Nadadur 2009). Some politicians argue that they represent a big financial burden, related to the cost of law enforcement and their use of public services such as education and healthcare (Becerra et al. 2012). In reality, unauthorized immigrants living in the United States provide economic contributions through their employment, purchases, and tax revenue, contributing at a federal and state level (Porter, 2005; Strayhorn, 2006).

**Studies have illustrated that there are specific trends that emphasize the distinctive characteristics associated with unauthorized immigration in the United States.** For instance, most unauthorized immigrants residing and working in the country have lived in the United States for an average of 16 years or more and are of working age (Bodvardsson and Van der Berg 2009). Another common characteristic of Latino/Hispanic immigration in the United States is that they tend to cluster in certain urban areas and states (Bodvardsson and Van der Berg 2009). In a study by Kochlar, Suro, and Tafoya (2005) they discuss how economies in the South and Midwest have been evolving and developing rapidly, making it attractive to “young, male, foreign-born Latinos migrating in search of economic opportunities.” This observation is accurately reflected in a report by the American Immigration Council (2019), which estimates that the unauthorized population in Minnesota is around 75,000 and of these, 87.8% are of working age.

Unauthorized immigrants, nevertheless, are a difficult population to count since, by definition, they either successfully evade detection when they enter the United States or do not leave when their visa expires (Nadadur 2009). Additionally, Latino/Hispanics and other minority groups are undercounted in official census data, making it harder to accurately track the number of unauthorized immigrants (Orrenius 2016). Different studies and researchers have developed and adopted methods to count this population, but there are limited systematic estimates of the unauthorized population specified by origin, state, and year (Leerkes 2013).

Three primary methods have been utilized to estimate the number of unauthorized immigrants in the United States: Immigration and Naturalization Service (INS) and Department of Homeland Security (DHS) Methods apprehension-based estimates, survey-based methodologies, and the residual method. First, the homeland security apprehension estimate is a technique that relies on the apprehension data

provided by the Department of Homeland Security and the Immigration and Naturalization Service to estimate the size of the immigrant population (Nadadur 2009). By analyzing the number of individuals apprehended by immigration enforcement agencies, researchers can make inferences about the total population of undocumented workers.

Similarly, survey-based methodologies involve collecting data through surveys and using statistical techniques to extrapolate findings to the broader population. Researchers conduct surveys targeting specific populations, such as foreign-born individuals or employers, to gather information on immigration status and employment. By analyzing the survey responses, researchers can estimate the likelihood that people are undocumented based on characteristics in a sample to help estimate the percentage who are undocumented (Nadadur 2009). This approach relies on self-reported data, which may introduce some limitations due to potential underreporting. However, survey-based methodologies provide valuable insights into the demographic and labor market characteristics of undocumented workers, helping policymakers and researchers understand the dynamics of this population.

Lastly, the residual method is another approach used to estimate the number of undocumented workers (Warren and Passel 1987). This method involves subtracting the Census or Current Population Survey estimated number of legally authorized immigrants and native-born individuals from the total foreign-born population (Nadadur 2009). The remaining population, referred to as the "residual," is then considered to consist of undocumented immigrants. By subtracting these estimates from the total foreign-born population, an approximation of the undocumented population can be derived. However, it is important to note that the residual method is subject to certain limitations and assumptions, such as potential errors in population data and the assumption that all individuals not accounted for are undocumented.

Undocumented immigration literature has also focused on analyzing the economic impact of unauthorized workers — specifically in the labor market. Namely, there exist different views on the impact of unauthorized workers in the economy (Borjas 2013). Economic theory suggests that immigration benefits the host country because they can harness productive labor instead of the costs associated with this phenomenon (Nadadur 2009). However, there has been critique to this assumption in the United States due to the rates of undocumented immigration. According to other studies there has been little evidence showing that immigration has large net gains for native-born Americans (Yang 2013; Borjas 2013). Therefore, the impact of immigration on the labor market in the United States has been a long-standing debate, particularly with regards to unauthorized immigrants (Borjas 2013; Orrenius 2016).

The dual labor market theory illustrates the impact of unauthorized immigration in the labor market since it accounts for the different characteristics of workers in both markets (Nadadur 2009). This theory suggests that there is a segmentation of labor due to the different conditions and skills required in the jobs of the primary and secondary sector. The secondary labor market consists of low or unskilled work or service jobs, that are low earning, and have low job permanence such as seasonal jobs (Nadadur 2009). Previous literature suggests that immigrants do not displace native-born workers but may have some



impact on their hours worked and income (Yang 2013). According to this theory, skilled natives do not participate in jobs that entail more manual labor or more precarious working conditions (Nadadur 2009). Consequently, the secondary market is sustained by low wage unauthorized immigrants, making products and services cheaper. Moreover, the arrival of low skilled, unauthorized workers with limited English allows natives to shift to higher productivity tasks that require communication, which are often better compensated (Spaber 2009, Peri 2012, Hotchkiss 2015). Since natives, and unauthorized immigrants are not part of the same labor market, unauthorized workers serve as compliments in the labor market.

Borjas (2016), however, argues that unauthorized workers can still cause substantial wage losses for some natives. He emphasizes that these native workers doing similar types of low skill jobs face greater competition with the presence of unauthorized workers. Borjas (2016) further argues that the primary beneficiaries are the business owners who hire unauthorized workers, as well as the undocumented workers themselves (Borjas 2016). In an effort to improve labor market opportunities for these native workers and reduce the number of unauthorized workers, some states have incorporated E-Verify<sup>1</sup> laws. These electronic verification employment laws, have a greater impact on newly arrived immigrants (Bohn and Lofstrom 2012). For example, Arizona implemented the Legal Arizona Workers Act, aimed to stop the hiring of unauthorized workers by imposing employer sanctions against firms that knowingly hired unauthorized immigrants, while simultaneously making Arizona less attractive for current and future immigrants (Bohn and Lofstrom 2012). Although the initiative achieved its goal of decreasing the participation of unauthorized workers, some of the unintended consequences were a doubling of the rate of self-employment for unauthorized immigrants and a shortage of less skilled workers for businesses (Bohn and Lofstrom 2012).

Edwards and Ortega (2017) also provided a quantitative assessment of the economic contributions from unauthorized workers to the U.S economy and examined the potential gains from legalization of their status. Similar studies suggest that the lack of legal status prevents unauthorized workers from finding employment that matches their educational attainment, leading to a productivity loss of 10% - 13% (Frances and Hsin 2018). This research distinguished between short and long-run effects of legalization, where the latter scenario considers the adjustment to the capital stock following changes in the workforce. They found that granting legal status and citizenship to undocumented immigrants would increase their income by 25 percent, with a roughly similar contribution from legalization and naturalization (Lynch and Oakford 2013, Edwards and Ortega 2017). As well, legalization of undocumented workers would increase their contribution to 3.6% of private-sector GDP (Edwards and Ortega 2017). Beyond the highlighted economic contributions, unauthorized immigrants are important members of the communities – and a path to a legal status can catalyze the economic gains to the whole country (Peri and Zaiour 2021).

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<sup>1</sup> E-Verify, is a web-based system through which employers electronically confirm the employment eligibility of their employees.

When analyzing the economic impact of unauthorized workers by industry, studies utilize the North American Industry Classification System (Edwards and Ortega 2017). An estimate from Warren (2013) indicates that, between 2010 and 2013, the industries that have the highest concentrations of unauthorized workers in the United States are agriculture, forestry, fishing, and hunting (17.7%), construction (12.7%), hospitality and leisure (9.5%), manufacturing (5.9%), and wholesale and retail (4.2%). While variations at the annual and state level exist, these figures aid in identifying industries with a higher prevalence of unauthorized workers, making them a focal point in this research.

Additionally, input-output modeling<sup>2</sup> serves as an econometric tool for regional economic analysis (Kielkopf 2000, Hastings and Bruckner 1993). In this model, there are two assumptions that are particularly relevant to the examination of undocumented labor. Firstly, input-output analysis assumes no substitution between inputs, implying that capital cannot be substituted for labor (Hastings and Bruckner 1993, Kielkopf 2000) — while some industries can replace labor with capital when labor costs become prohibitive.

The second assumption is that the amount of input is solely determined by the amount of output, disregarding price effects, productivity changes, and economies of scale. This assumption overlooks the potential increase in wages resulting from the removal of undocumented workers (Hastings and Bruckner 1993, Kielkopf 2000). Although some industries in the study may experience wage increases, the more plausible outcome would be the closure of affected businesses due to the inability to attract workers without the supply of undocumented labor. These caveats and assumptions emphasize the complexities and limitations of input-output analyses in understanding the impact of undocumented workers on wages and industry viability.

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<sup>2</sup> Input-Output models are mathematical models where a set of data is run through an algorithm that outputs another set of data like an economic projection.

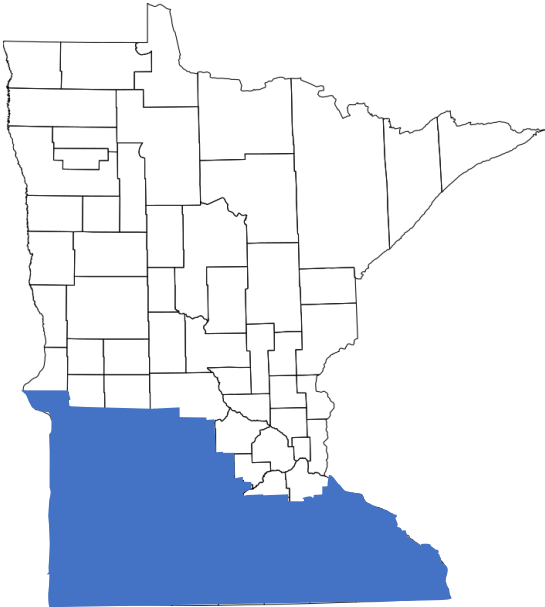
# Methodology

To assess the economic impact of undocumented Latino workers in the state of Minnesota and paint a more accurate landscape of the present issue, HACER decided to perform a mixed methods assessment of the most current economic available data. This examination consisted of, (1) a quantitative statistical analysis of population and demographic data using the 2020 United States Census, the 2021 American Community Survey (ACS), the Pew Research Center 2020 report on U.S. immigrants, and the 2019 Migration Policy Institute data of unauthorized immigrant populations in the United States; (2) a qualitative analysis of personal interviews with expert key stakeholders in different work sectors in MN; and (3) an economic impact analysis using the Quarterly Census of Employment and Wages (QCEW) from The Bureau of Labor Statistics, LSC Agricultural Worker Poverty Population Estimates using the IMPLAN input-output model.

A team of two HACER researchers and an Economist from the University of Minnesota Extension lead the analysis of the data.

Due to the clandestine nature of undocumented immigrant labor, researchers were only able to calculate the number of undocumented immigrants paid through an official payroll. Undocumented immigrants remunerated in cash or in other unofficial ways were not considered for this study.

Researchers defined southern Minnesota as counties including and south of Big Stone County, Swift County, Kandiyohi County, Meeker County, McLeod County, Sibley County, Le Sueur County, Rice County, and Goodhue County.



**Image 1.** Southern Minnesota

## Quantitative Data Analysis

Three data sources — the 2021 American Community Survey, the Pew Research Center, and the Migration Policy Institute — were used to calculate a **lower and upper limit estimate** of undocumented Latinos in Minnesota. For this calculation, researchers assumed that the proportion of undocumented Latin American immigrants was consistent across all fields of work at the time the studies took place, and that an estimated 90% of undocumented Latinos were part of the workforce.

To produce the **proportion of undocumented Latinos in MN**, researchers used the total number of Latinos in MN — regardless of migratory status — from the 2020 US Census and divided it by the previously calculated lower and upper limit estimates.

## Personal Interviews

After producing the initial estimates on the Latino undocumented worker population, researchers sought to find a variety of key experts in relevant fields. The purpose of conducting personal interviews was to collect insights from individuals who have direct experience or extensive knowledge of the Latino migrant worker community and gather their perspectives on the economic effects of undocumented workers.

Six areas of expertise were covered: state economics and employment, immigration law, employment law, education, finance, and consulates. HACER reached out to over 10 individuals, who possessed extensive knowledge and years of unique experiences with the Latino migrant community in Minnesota. A total of 9 experts agreed to participate resulting in 6 interviews (Table 1). During the interviews, researchers explored whether their initial assumptions and estimations of the undocumented worker population in southern Minnesota felt accurate to these experts.

	Area of Expertise
Interview 1	Works supporting agricultural workers with employment and economic development needs.
Interview 2	An immigration lawyer working with migrants of all migratory statuses.
Interview 3	Provides civil and employment legal services to agricultural workers in Minnesota and North Dakota.
Interview 4 (Four Participants)	Provide education and educational resources to rural Latino workers.
Interview 5	Regional economist with migration policy background.
Interview 6	Works with the Mexican community across Minnesota to connect them with services and provides resources.

**Table 1.** List of interviews and areas of expertise.

The structure of the interview consisted of questions addressing the interviewees' experience with undocumented workers, the demographics of migrant workers in their field, and their perception of the role of undocumented labor in Minnesota. Additionally, participants were prompted to give an educated guess, to the best of their knowledge, of the number of undocumented workers they estimated could be working in different industries. Interviewees were also asked what they think the economy would look like without undocumented immigrants. The researchers inquired about the

interviewees' areas of expertise and their experience working with undocumented immigrants. Moreover, the interviewees made valuable contributions by suggesting potential sources that could assist in the study. Overall, the personal interviews served to adjust assumptions in the data analysis while having verbal input into the economic benefits that undocumented labor.

## **Economic Impact Analysis**

This analysis used a combination of (1) the previous calculations, (2) data from the Quarterly Census of Employment and Wages (QCEW) from The Bureau of Labor Statistics, and (3) the IMPLAN economic model.

The IMPLAN model is an established economic input-output model that contains employment data from over 500 private and government industries including worker wages, employer income, and employee demographics among other variables. There are three outputs to the IMPLAN model: direct effects, indirect effects, and induced effects.

1. **Direct effects** refer to a set of expenditures that are immediately applied to the given industry; in other words, how much an industry spends.
2. **Indirect effects** signify business-to-business purchases in the supply chain.
3. **Induced effects** refer to household spending of the income calculated with the direct effects after consideration of taxes, savings, and commuter income. In other words, where is the money earned by the employees being directly spent on?

Researchers assumed that there was a consistent ratio of undocumented workers across all industries. After calculating the number of undocumented workers in each industry using the QCEW data, researchers applied the number of jobs to the IMPLAN model. In addition, two of the interviewees provided an agricultural worker database called Legal Services Corporation (LSC) Agricultural Worker Poverty Population Estimates.

The number of agricultural workers listed in the LSC Agricultural Worker Poverty Population Estimates was higher than the number of Agricultural workers listed in QCEW data. The QCEW data only counts Minnesota residents and not seasonal migrant workers which are listed in the LSC Agricultural Worker Poverty Population Estimates. Researchers calculated the percentage of agricultural labor found in the QCEW that was in southern MN and applied that percentage to the total seasonal agricultural jobs found in the LSC database to calculate seasonal migrant workers in southern Minnesota. Based on information acquired from interviews a separate percentage of undocumented workers was applied to the seasonal migrant workers in southern Minnesota.

# Results

## Quantitative Data Analysis

### Assessment of the number of Latin American Undocumented Workers in Southern Minnesota

One of the most challenging aspects of this work was determining how many Latin American undocumented workers were in Southern Minnesota. Since formal counts are not conducted, the researchers had to formulate an approach. Following a review of the literature and using population data statistics, the team landed on **two approaches to estimating the total number of undocumented workers**. The approaches yielded a low estimate (4,294) and a high estimate (10,450) for Southern MN.

#### Approach One: Estimating undocumented workers using the United States Census data.

A main source of population and demographic data is the United States Census. According to the 2021 ACS 5-year estimates, there are 72,290 people in Minnesota that identify as

- 1) being born outside the United States,
- 2) not being a naturalized citizen, and
- 3) being born in Latin America.

**Latin American undocumented workers meet all three of these criteria** and are a subset of this group, so the 72,290 serves as a base point for further calculations (Table 2). There are 17,445 people that fit the same categories for southern Minnesota.

Research from the Pew Research Center indicates the Census undercounts undocumented immigrants, due to concerns about participating in the Census. The Pew Research Center, through its own methods, has determined Census figures undercount this population by 10 percent. Thus, to calculate undocumented workers in Minnesota, the research team adjusted the count of foreign-born Latin American non-citizens up by 10 percent, landing an estimated population of 79,519 for all of Minnesota and 19,190 for Southern Minnesota.

The figures needed to be adjusted to account for undocumented workers as a component of the total non-citizen, foreign-born, Latin American-born, employed population. The Pew Research Center has also researched this question, concluding that 25 percent of that population is undocumented. Assuming Minnesota follows the same trend, there are an **estimated 19,880 undocumented Latin American workers in the state and 4,797 in Southern Minnesota**. The census reports that the Latino population for Minnesota is 319, 828 and for Southern Minnesota 70,582. **This results in 6.2% of the total Latino population in Minnesota being undocumented and 6.8% of Southern Minnesota.**

Additionally, since not all people are engaged in the workforce, further adjustments needed to be made. First, there are people either too young or too old to be considered working age. Second, there are those who opt not to work or are unemployed. Unemployment rates are currently at historically low levels in

Minnesota<sup>3</sup>, so that is less of a factor than those opting not to work. Reasons for not working vary widely – from people attending school full time, stay-at-home parents, or caring for elderly relatives. Still, the undocumented population will have a higher percentage of labor participation. Data from the Migration Policy Institute indicates a 90% labor participation of immigrants of working age. This percentage was also supported by the QCEW in their Economic Impact Analysis and was therefore used for this study. Assuming a 90% labor participation of immigrants of working age is true, the working undocumented population in Minnesota would be 17,892 and 4,294 for Southern Minnesota (Table 2).

	Minnesota	Southern Minnesota
<b>Non-citizen, foreign-born, Latin American<sup>1</sup></b>	72,290	17,445
<b>Adjustment for undercount (10%)<sup>2</sup></b>	79,519	19,190
<b>Undocumented population (25%)<sup>2</sup></b>	19,880	4,797
<b>Total Latino population<sup>3</sup></b>	319,828	70,582
<b>Percentage of Latino population that are undocumented</b>	6.2%	6.8%
<b>Labor force participation (90%)</b>	17,892	4,294

**Table 2: Estimated Latin American undocumented workers count, based on United States Census data.**

Sources. 1: 2021 ACS 5-Year estimates. 2: Pew Research Center. 3: 2020 US Census.

### **Approach Two: Estimating undocumented workers using Migration Policy Institute data.**

Another source for population and demographic data related to foreign-born Americans is the Migration Policy Institute. According to their profile on the unauthorized population in Minnesota, there are 53,000 people in Minnesota who are undocumented (Table 3). This makes up about 48.1% of the Latin American, foreign-born, non-citizens living in Minnesota. Adjusting for labor force participation rates and the percentage of Latin American, foreign-born, non-citizens, researchers estimated that there are 11,611 unauthorized Latin American workers in Minnesota and an estimated 10,450 undocumented Latin American workers in Southern Minnesota. This results in 16.57% of the total Latino population in Minnesota being undocumented which remains consistent for southern Minnesota.

	Minnesota	Southern Minnesota
<b>Unauthorized population from Latin America<sup>1</sup></b>	53,000	11,611
<b>Labor force participation (90%)<sup>2</sup></b>	47,700	10,450
<b>Percentage of the Latin American, foreign-born, non-citizen population<sup>3</sup></b>	48.1%	48.1%
<b>Total Latino population<sup>4</sup></b>	319,828	70,582
<b>Percentage of the Latino population</b>	16.57%	16.57%

**Table 3: Estimated Latin American undocumented workers based on Migration Policy Institute data.**

Sources. 1: Migration Policy Institute. 2: Pew Research Center. 3: 2021 ACS 5-Year estimates. 4: US census.

<sup>3</sup> Quinlan, Casey. "States see record low unemployment across the US." Minnesota Reformer, 06/25/2023, <https://minnesotareformer.com/2023/05/25/states-see-record-low-unemployment-across-the-us/>. Accessed 06/30/2023.

## Personal Interviews

The interviews conducted with key experts provided insights into the characteristics, employment patterns, and economic impact of undocumented Latino workers in Minnesota. As mentioned before, interviews were conducted with professionals from diverse backgrounds, including representatives from organizations supporting agricultural workers, education programs, and legal services. The findings shed light on the demographics of undocumented workers, their means of employment, participation rates, and an overall picture of their economic presence in the state.

The interviews revealed that there is a significant number of undocumented workers in Minnesota, particularly in the agricultural sector. However, their influence extends beyond agriculture, as they are also employed in construction, services, food processing, and manufacturing. These workers form a diverse group primarily consisting of young adults aged 20 to 40, with varying educational backgrounds and Spanish as their primary language. While some have high school diplomas, others have limited formal education. Finally, interviewees highlighted that most undocumented workers in Minnesota come from Latin American countries such as Mexico, Honduras, El Salvador, and Guatemala.

According to the respondents' insights, these workers tend to gravitate towards agricultural and food packing industries, which is consistent across different regions in Minnesota. They mentioned undocumented workers find jobs through various channels, including recruitment efforts, word of mouth, and seasonal work arrangements where employers provide housing. Some may have come through visa programs such as the H-2A and H-2B<sup>4</sup> but overstayed the end date of their authorized stay. Undocumented workers face challenges in navigating the employment system and may resort to using false documents or signing unofficial contracts.

During the interviews, experts discussed the effects of COVID-19 on the participation rates of undocumented workers. They highlighted how the pandemic impacted various industries, including those typically reliant on undocumented labor. Interestingly, while the pandemic caused disruptions across the board, there was an increased demand for migrant workers in sectors like agriculture and food production. The interviewees acknowledged that despite the absence of legal and health protections, undocumented workers played a crucial role in these essential industries. They were the backbone of these sectors, working on the frontlines and essentially filling the labor gaps that existed during that period to allow the continued operation of these industries.

There was a general agreement among the interviewees that the figures researchers provided on the participation of unauthorized workers in different industries were reasonable but might be underestimated for certain sectors like agriculture, construction, and food processing. This suggests that there is a perception that undocumented workers have a significant presence in these industries. Participants also highlighted the challenges of accurately reporting the number of undocumented workers, particularly when it comes to identifying Hispanic/Latino workers. This implies that there may be underreporting or difficulty in capturing the full extent of undocumented labor, which can affect the accuracy of the figures and our understanding of their economic impact.

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<sup>4</sup> According to the United States Citizenship and Immigration Services: "The H-2A and H-2B visa programs allows U.S employers to bring foreign nationals to the United States to fill temporary agricultural and nonagricultural jobs, respectively." <https://www.uscis.gov/newsroom/alerts/dhs-announces-countries-eligible-for-h-2a-and-h-2b-visa-programs>. Accessed 06/30/2023.



The findings from the interviews with key experts highlight the characteristics, employment patterns, and impact of undocumented Latino workers in Minnesota. The information gathered complemented the literature examined, contributing to a deeper understanding of the experiences and challenges encountered by undocumented workers, as well as their economic contribution to the various industries. The interviews also provided valuable insights into the intricate process of measuring and comprehending the participation of unauthorized workers. Furthermore, they influenced the calculations made in this study, allowing for adjustments that more accurately describe the contribution of this population.

## Economic Impact Analysis

### Assessment of jobs done by Latin American undocumented Minnesota residents in Southern MN.

To determine the economic impact provided by undocumented labor, researchers used the Quarterly Census of Employment and Wages (QCEW) from The Bureau of Labor Statistics. The QCEW provides in-depth employment statistics across different industries. Researchers narrowed the QCEW to apply to Southern Minnesota. The QCEW does not track migration status of any form but does provide information on how many residents identify as Hispanic/Latino. Researchers were able to apply the percentage of undocumented Latinos derived from the quantitative data analysis (6.8% to 16.57%) to the Hispanic Latino employees found in the QCEW. According to the QCEW there are 31,597 Hispanic/Latino workers in Southern Minnesota which yields 2,148 to 5,236 undocumented workers.

	2022 Jobs	Hispanic/Latino workers	Low Undocumented Hispanic/Latino worker estimate	High Undocumented Hispanic/Latino worker estimate
<b>Food Processing Workers</b>	10,750	3,782	257	627
<b>Material Moving Workers</b>	19,527	2,110	143	350
<b>Agricultural Workers</b>	8,338	2,084	142	345
<b>Other Production Occupations</b>	13,405	1,950	133	323
<b>Home Health and Personal Care Aides;</b>	23,129	1,583	108	262
<b>Food and Beverage Serving Workers</b>	21,629	1,525	104	253
<b>Retail Sales Workers</b>	26,957	1,497	102	248
<b>Building Cleaning and Pest Control Workers</b>	10,597	1,370	93	227
<b>Cooks and Food Preparation Workers</b>	10,179	1,262	86	209
<b>Construction Trades Workers</b>	16,042	1,073	73	178
<b>Total</b>	501,452	31,597	2,148	5,236

**Table 4.** Employment across sectors in Southern Minnesota.

## **Assessment of the jobs done by temporary migrant agricultural Latino workers in Southern MN.**

The QCEW only provides data on Minnesota residents. However, many undocumented immigrants are temporary migrants and thus would not be reported in the QCEW. Researchers separated the economic impact of undocumented Minnesota residents and undocumented temporary agricultural Minnesota migrant workers resulting in two separate economic impacts. There are not many sources for the number of undocumented temporary migrant workers.

LSC Agricultural Worker Poverty Population Estimates offers comprehensive data on the number of migrant workers in the agricultural industry for all of Minnesota but does not provide region-specific information. Researchers used the QCEW to determine that Southern MN holds 45% of the total agricultural employment in the state. According to LSC Agricultural Worker Poverty Population Estimates, there are a total of 46,000 temporary migrant workers across Minnesota. During the interviews, multiple sources that work with these numbers and worked with the agricultural migrant community attested that about 50% of migrant agricultural workers are undocumented. Combining these findings, HACER researchers estimated that there are around 10,350 undocumented Latino temporary migrant agricultural workers in Southern Minnesota.

## **IMPLAN findings**

### **Economic impact of Latin American undocumented Minnesota residents in Southern MN**

To calculate the economic impact that undocumented Latino workers produce, researchers used three estimates on the Latino undocumented worker populations previously determined in this paper. The researchers used the low estimate of 4,294, the high estimate of 10,450, and the temporary migrant agricultural worker number of 10,350.

The low and high estimates of undocumented workers were applied to the distribution of Hispanic workers found in the QCEW to calculate where undocumented workers fit in each employment sector. The IMPLAN model has an internal database of job distribution by employment sector. Researchers used the IMPLAN's employment sector distribution to distribute the number of undocumented workers according to the high and low estimates. In the IMPLAN economic model, each employment yields the income each worker receives, and the output produced by their labor. This model can take the number of workers in each industry and extrapolate the number of jobs created in other industries due to their workers' labor participation as well as their expenses after consideration of taxes, savings, and commuter income in Minnesota (See tables 6 - 13).

Based on the low estimate of 4,294 undocumented workers, the model shows that undocumented Latino workers in Southern MN:

1. Earn about \$270 million US dollars.
2. Directly generate about \$1.2 billion US dollars.
3. Produce \$1.2 billion US dollars overall.

When using the high estimate of 10,450, the model indicates that undocumented Latino workers in Southern MN:

1. Earn \$650 million US dollars.
2. Directly generate about \$3 billion US dollars.
3. Produce an estimated \$4.7 billion US dollars overall.

Additionally, the IMPLAN model shows that the estimated 10,350 undocumented Latino temporary migrant agricultural workers in Southern MN:

1. Earn about \$380 million US dollars.
2. Directly generate about \$2.9 billion US dollars.
3. Produce about \$4.5 billion US dollars overall.

By combining these figures, the model estimated that undocumented Latino workers in Southern MN:

1. Earn between \$650 million USD and \$1 billion USD.
2. Directly generate between \$4.1 billion and \$5.8 billion USD.
3. Produce between \$6.5 billion to \$9.3 billion dollars overall.

**The IMPLAN model determined that about eight jobs are created in the state of MN for every 10 employed undocumented Latino workers.**

According to the QCEW, there are about 620 thousand jobs in Southern MN of which undocumented immigrants take up 2.4% - 3.4%. The amount of income derived from labor in Southern MN is about \$38 billion USD of which undocumented Latino immigrants only receive between 1.7% and 2.7%. The total economic output of Southern MN employees is about \$130 billion USD of which undocumented immigrants produce 3.1% to 4.5%. When accounting for all the labor created directly and indirectly from the employment of undocumented Latino workers, there is an estimated 5% to 7.1% contribution to the overall economic output of Southern MN.

#### Low estimate

	Employment	Labor Income	Output
<b>Food Manufacturing</b>	635	\$50,804,498	\$503,943,129
<b>Food Services and Drinking Places</b>	370	\$9,117,355	\$29,986,876
<b>Ambulatory Health Care Services</b>	215	\$22,150,670	\$31,063,192
<b>Construction of Buildings</b>	203	\$13,123,854	\$28,055,829
<b>Animal Production and Aquaculture</b>	199	\$12,163,505	\$53,693,980
<b>Nursing and Residential Care Facilities</b>	198	\$8,201,491	\$14,974,372

**Table 5.** Direct effects using the low estimate (4,294 undocumented workers).

	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
<b>Food Manufacturing</b>	683	\$54,883,118	\$537,492,981
<b>Food Services and Drinking Places</b>	604	\$14,860,818	\$48,739,269
<b>Animal Production and Aquaculture</b>	440	\$25,675,037	\$127,010,916
<b>Administrative and Support Services</b>	354	\$14,608,363	\$33,440,756
<b>Ambulatory Health Care Services</b>	345	\$33,978,064	\$49,124,275
<b>Nursing and Residential Care Facilities</b>	265	\$10,996,302	\$20,088,947

**Table 6.** Total effects using the low estimate (4,294 undocumented workers).

	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
Direct	4,294	\$ 266,115,348	\$ 1,222,213,798
Indirect	1,837	\$ 126,614,079	\$ 485,057,074
Induced	1,429	\$ 69,545,901	\$ 225,910,901
<b>Total</b>	<b>7,559</b>	<b>\$ 462,275,328</b>	<b>\$ 1,933,181,773</b>

**Table 7.** Overall results using the low estimate (4,294 undocumented workers).

#### High estimate

	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
<b>Food Manufacturing</b>	1,530	\$122,440,118	\$1,217,682,157
<b>Food Services and Drinking Places</b>	899	\$22,144,874	\$72,899,975
<b>Administrative and Support Services</b>	511	\$24,412,974	\$45,780,177
<b>Ambulatory Health Care Services</b>	485	\$49,396,273	\$69,541,894
<b>Nursing and Residential Care Facilities</b>	483	\$20,029,592	\$36,653,339
<b>Animal Production and Aquaculture</b>	472	\$28,895,266	\$122,191,705

**Table 8.** Direct effects high estimate (10,450 undocumented workers).

	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
<b>Food Manufacturing</b>	1,646	\$132,153,668	\$1,297,358,317
<b>Food Services and Drinking Places</b>	1,470	\$36,148,402	\$118,602,949
<b>Animal Production and Aquaculture</b>	1,050	\$61,308,237	\$298,274,376
<b>Administrative and Support Services</b>	972	\$44,060,602	\$89,109,895
<b>Ambulatory Health Care Services</b>	802	\$78,179,375	\$113,466,527
<b>Nursing and Residential Care Facilities</b>	647	\$26,839,049	\$49,114,810

**Table 9.** Total effects high estimate (10,450 undocumented workers).

	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
<b>Direct</b>	10,450	\$ 649,647,283	\$ 2,966,814,170
<b>Indirect</b>	4,470	\$ 307,204,860	\$ 1,174,679,675
<b>Induced</b>	3,481	\$ 169,461,578	\$ 550,476,966
<b>Total</b>	18,401	\$ 1,126,313,721	\$ 4,691,970,812

**Table 10.** Overall results using the high estimate (10,450 undocumented workers).

### Economic Impact of Temporary Migrant Agricultural Latino Workers in Southern Minnesota

	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
<b>Animal Production and Aquaculture</b>	6,720	\$210,088,726	\$1,761,986,366
<b>Crop Production</b>	2,401	\$95,814,465	\$888,485,481
<b>Support Activities for Agriculture and Forestry</b>	637	\$25,739,391	\$29,311,314
<b>Merchant Wholesalers, Nondurable Goods</b>	487	\$42,650,687	\$155,911,041
<b>Food Manufacturing</b>	74	\$5,011,557	\$38,684,607
<b>Building Material and Garden Equipment and Supplies Dealers</b>	31	\$1,311,406	\$3,611,938

**Table 11.** Direct effects of temporary agricultural workers (10,350 undocumented workers).

	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
<b>Animal Production and Aquaculture</b>	7,478	\$231,427,830	\$1,919,357,810
<b>Crop Production</b>	2,797	\$109,064,375	\$1,016,697,229
<b>Support Activities for Agriculture and Forestry</b>	1,872	\$75,659,599	\$86,159,081
<b>Merchant Wholesalers, Nondurable Goods</b>	1,229	\$108,443,870	\$403,238,347
<b>Real Estate</b>	905	\$18,595,006	\$215,865,857
<b>Food Services and Drinking Places</b>	497	\$11,171,976	\$34,308,337

**Table 12.** Total effects of temporary agricultural workers (10,350 undocumented workers).

	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
<b>Direct</b>	10,350	\$ 380,616,232	\$ 2,877,990,747
<b>Indirect</b>	6,172	\$ 300,438,095	\$ 1,300,744,054
<b>Induced</b>	2,875	\$ 126,688,992	\$ 420,069,754
<b>Total</b>	19,397	\$ 807,743,320	\$ 4,598,804,556

**Table 13.** Overall results of temporary agricultural workers (10,350 undocumented workers).

# Discussion

Undocumented workers play a significant role in the labor market of Southern Minnesota, contributing to various industries such as agriculture, construction, services, food processing, and manufacturing. Our research confirmed that Latin American undocumented workers make important economic contributions to state economy. Specifically, this study provided valuable insights into the economic impact of undocumented workers in Southern Minnesota.

When discussing the economic impact of undocumented workers there is oftentimes a tendency to rely on purchasing power as the only indicator – leading to a limited picture of the actual economic contributions. This study aimed to provide a comprehensive understanding of the economic impact of undocumented workers by not only considering their role as consumers but also recognizing the valuable human capital they contribute to the form of labor to the overall economy.

Notably, our calculations estimated that undocumented workers in Southern Minnesota earn between \$650 million and \$1 billion dollars but contribute between \$6.5 to \$9.3 billion dollars to the overall economy. These figures demonstrate that undocumented workers are a strong economic force, that helps shape the market in the region.

However, the findings are even more impactful when considering the economic context of Southern MN. One of the interviews emphasized that the labor force participation is declining, specifically there is an aging white population close to retirement that threatens to leave a considerable gap in labor positions across different industries. In contrast, the Latino community is experiencing the largest growth in population and labor participation<sup>5</sup>. Consequently, the data strongly indicates that Hispanic/Latinos are already making a positive impact on the state economy and are projected to become an even stronger driving force in the future.

Our study estimated that there are between 4,294 and 10,450 undocumented Latin American workers in Southern Minnesota. Unfortunately, it was impossible to calculate a single number that could accurately depict the number of undocumented workers in the region. Several articles (Bodvarsson and Van den Berg 2009, Orrenius 2017, Leerkers et al. 2013) have identified an undercount of the undocumented population in census data, posing a limitation for studies. However, researchers have developed various methodological approaches to address this issue. For instance, in a study by Orrenius 2017 on the inflows of Mexican immigrants to the United States, estimates were adjusted upward by 20% and supplemented with simple proxies representing the characteristics of undocumented workers to compensate for the undercount in Census data. Our study employed two different approaches to estimate the number of undocumented workers which can be referred to in more detail in the methodology section of this report. This method allowed us to have a range rather than a single number to reflect the variation in data. Our estimations can provide a reference to grasp the scale of the undocumented worker population among Hispanic/Latino individuals in Southern Minnesota. More importantly, these estimates support the view that substantial presence of undocumented workers in various sectors significantly shapes the local economy.

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<sup>5</sup> Macht, Cameron. "Hispanic and Latino Minnesotans: An analysis of employment, educational and other economic trends and disparities related to the labor force". Minnesota Department of Employment and Economic Development. March 2023. <https://mn.gov/deed/newscenter/publications/trends/march-2023/hispanic-latino.jsp>. Accessed 06/30/2023.

Key experts also provided characteristics, employment patterns, and economic impact of undocumented Latino workers in the state. For example, interviewees agreed that the profile of the average undocumented worker consists of young adults, aged from 20 to 40 years, mostly coming from the countries of Mexico, Honduras, El Salvador, and Guatemala. Additionally, the conversations with experts allowed us to further understand the relevance and importance of the issues surrounding undocumented migration. Specifically, the participants emphasized the crucial role of undocumented workers in essential industries throughout the pandemic despite lacking labor and healthcare protections. Altogether, these interviews provided valuable insights that went beyond mere numerical calculations, uncovering the nuanced details mentioned above that numbers alone could not have captured.

### **Does undocumented labor take away jobs?**

In the background for this study, we presented two competing theories on how undocumented labor affects native-born US workers. The dual labor market theory suggests that undocumented workers do jobs that native citizens are unwilling to do allowing for products and services to be produced cheaper and more effectively. However, Borjas (2016) argues that undocumented workers take away jobs from native U.S. citizens and overall harm US native workers.

Our research supports the dual labor market theory. During the interviews, experts working with the migrant worker population repeatedly emphasized that Latino undocumented workers do jobs that native U.S. citizens are unwilling to do but that are essential for the Southern Minnesota economy to function. In addition, interviewees pointed out that employers would probably be unwilling to hire US native citizens due to the higher cost of having to contribute to retirement funds and healthcare benefits. While we couldn't find a statement in the literature that supported this theory, this would be an important aspect to explore in a future study.

Furthermore, interviewees were consistent in saying that there is a labor shortage in agriculture, food production, construction, and service industries that undocumented immigrants reduce but are unable to eliminate. This means that there are still positions available if US citizens wanted to occupy these jobs.

Ultimately, our experts agreed that the Southern Minnesota economy relies heavily on undocumented labor and if it were to cease to exist, vital industries would not be able to continue functioning. In the economic impact analysis, the IMPLAN model suggests that for every 10 Latino undocumented workers, 8 jobs are created in other industries that can be taken up by US citizens. In addition to supporting the Southern MN economy, this study finds that undocumented workers actually increase available jobs that US citizens are more likely to take.

## Limitations

### 1. Calculating Latino undocumented workers in Southern MN

Reaching a realistic estimate for the number of Latino undocumented workers in Southern MN presented several challenges. Like many population statistics, the total number of Latino undocumented workers is hard to calculate and is subject to ebbs and flows throughout the year. For instance, in Orrenius' (2017) work, a specific challenge is highlighted regarding circular migrant workers who frequently move between Mexico and the United States. The undercounting arises because the estimation method relies on the workers' reported year of initial entry, typically missing subsequent entries as they move back and forth between the two countries each year. There are no data points from the US government or elsewhere that account for these fluctuations. Estimates for this study relied on data derived from the US Census. While this survey is regarded as a highly reliable data source, we know from different reports that, in general, undocumented immigrants are less likely to participate in the census. Orrenius (2017) also concludes that this group, due to their undocumented status, is less likely to be willing to cooperate in government surveys. Additionally, they frequently change phone numbers and residences, which makes it more challenging to reach them. This attitude may have been further exacerbated by the COVID-19 pandemic.

Another related challenge that researchers faced was the lack of official data on the number of Latino undocumented workers specifically for MN and its regions. This study used nationwide findings from Pew Research to infer an approximate number for the state of MN. Since this was a national estimate, our calculation may not reflect the actual distribution in Southern Minnesota.

Another difficulty in reaching an accurate estimate for MN was the discrepancy, albeit minimal, between the total population listed in the US Census and the American Community Survey. These assessments usually depend on participants self-identifying as Hispanic or Latino, which may not reflect the actual population. Therefore, the difference in these surveys makes us question how accurately the Hispanic and Latino populations may be reported. While the reviewed literature did not specifically discuss this discrepancy, previous studies such as Orrenius (2017) have acknowledged this issue of undercounting the Hispanic/Latino population. They address this challenge by incorporating a 20% baseline increase in their calculations to compensate for the variations in numbers caused by the undercounting.

### 2. Assuming the proportion of Latino undocumented workers in Southern MN is constant.

This study assumed the proportion of Latino undocumented workers remained consistent throughout the year across different industries in Minnesota. This assumption was called into question during the interviews with experts. They consistently agreed that the entrance and exit of undocumented workers in Southern MN fluctuate depending on the seasonal demand for certain positions. This argument is further supported by Bodvarsson et al, who also reported fluctuation in the undocumented workforce (Bodvarsson et al 2009). In this study, researchers thought it would be more realistic to use a range (low and high estimate) rather than an absolute number to better reflect this phenomenon.



### **3. Undocumented labor force participation rate.**

Another difficulty we encountered was calculating how many undocumented Latinos in Southern MN actively participated in the labor force. As explained in our methodology section, not every undocumented immigrant will join the workforce as there are a multitude of reasons for doing so such as age (children and elderly) or household commitments such as taking care of family members, among others. Based on the Migration Policy Institute's data and internal discussion, researchers used a 90% labor force participation rate for undocumented Latino workers in Southern MN. It would be incredibly valuable to explore the labor participation rate of undocumented immigrant workers in the future and have more accurate numbers for MN.

### **4. Experts interviews.**

Information derived from the interviews was limited by a variety of factors. We interviewed a small sample of six experts, each involved in a different field. Ideally, we would have wanted to consult more experts within each field to gather more points of view and have a better idea of the undocumented worker population in Southern MN.

Additionally, most of the interviewees worked directly with the migrant Latino workers which could have led to a bias favoring and overestimating the economic impact of undocumented Latino workers in Minnesota. In addition, some of the experts interviewed work directly in Southern Minnesota but many had a statewide or multi-state focus and thus might not have been able to accurately reflect the situation specific to the Southern Minnesota region.

### **5. Job field distribution among Latino undocumented workers.**

This study relied on the QCEW to report on the number of Latinos working in different job sectors. Researchers used the assumption that the percentage of Latinos who are undocumented remained consistent across all job sectors. This assumption, unfortunately, may not reflect the reality in each of the fields of work included in this study. Both the literature review as well as the expert interviews pointed to the fact that construction holds many undocumented Latino workers, but the QCEW database doesn't show many reports of Hispanic or Latino workers in the construction industry in Minnesota. This situation may be an underreporting issue and should be further studied in future assessments.

Furthermore, this study was unable to account for any economic output produced by labor outside the QCEW or LSC Agricultural Worker Poverty Population Estimates databases. This includes the underground economy, unreported cash payments, and unpaid labor. While the LSC Agricultural Worker Poverty Population Estimates provided data on undocumented temporary migrant workers in the agricultural industry, those that worked in other fields could not be accounted for due to a lack of data.

### **6. The IMPLAN input-output model**

The final economic analysis done by the IMPLAN input-output model also had limitations due to assumptions and concessions. Many undocumented workers work part-time and have multiple jobs which could lead to an overlap in calculating the economic output. The taxes generated from sales tax and ITIN tax payments were not considered in the final calculations. Adding this aspect in future studies may show

that the economic contribution of undocumented Latino workers in Southern Minnesota is even higher than currently estimated.

## Conclusion

Our findings demonstrate that Hispanic/Latino undocumented workers are playing a significant role in shaping the labor-intensive industries in Southern Minnesota. As far as we are aware, this is the first study to specifically focus on calculating the economic impact of undocumented workers in this region. While HACER conducted a study in 2000 that examined undocumented workers in the state of MN, their economic analysis was centered around the hypothetical scenario of removing undocumented workers from the state. In contrast, our research provides calculations that strive to capture and represent the current economic contributions made by undocumented workers in the state.

Further research and data collection efforts should focus on addressing the limitations discussed above to gain a more comprehensive and well-rounded understanding of the economic impact of undocumented workers. Additionally, we hope that our research can serve as the basis for an expanded assessment of the economic impact of undocumented workers in all of Minnesota. Understanding the economic impact of undocumented workers in our region can inform policy discussions and efforts to address labor market dynamics. We hope that this study can be utilized by organizations and individuals dedicated to collaborating with undocumented communities, fostering more discussions on public policy, and ultimately leading to greater recognition of immigrant rights.

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