

What Immigration Means for U.S Employment and Wages

Lilibeth Lopez

Winthrop University

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Introduction

Immigration has a significant impact on the U.S. economic growth. Currently, immigrants account for 14.4% (over 44 million) of the U.S population. Their success has an important impact on the U.S. economy. In this paper I will focus on the impact of immigration on employment and wages. The Center for Immigration Studies shows that immigration has impacts on wages and employment. The negative effect of immigration on wages is primarily confined to native workers in low-skilled occupations (Center for Immigration Studies). Immigration lowers wages for those at the bottom of the economic scale. Factors such as technological change and globalization have also played a role in the deterioration in wages for lower-skilled workers. Lower wages increase unemployment which leads to the reduction of Americans wanting to accept lower wages. Even with lower wages, the introduction of immigrants in the labor force increases consumption, spending, investing which leads to an increase in GDP and in the economic growth. In this paper I will address the benefits and costs of immigration on the U.S labor market.

Background

We often hear the mission statement “America is a Nation of Immigrants.” But what exactly are immigrants and how do they impact America? Immigrants contribute to our country in ways that go far beyond their impacts on the economy. The Center on Budget and Policy Priorities (CBPP) states, immigrants work at high rates and make up more than a third of the workforce in some industries. “Immigrant workers help support the aging native-born population, increasing the number of workers as compared to retirees and bolstering the Social Security and Medicare trust funds.” (Sherman, Arloc, et al., 2019). The CBPP, also states that the children born to immigrant families are now reaching high levels of education. The 2015 NAS immigration study concluded that children of foreign-born parents meet or exceed the schooling level of the general population of native-born Americans. Additionally, promising future benefits not only to their families, but to the U.S economy overall. According to the U.S Bureau of Labor Statistics, in 2008, the labor force participation rate of foreign-born adults was 65.7 percent, compared to 62.3 percent rate of the native born. That year 27.2 million foreign-born adults, 63.4 percent of all foreign-born adults were employed, compared to 59.8 percent of native-born adults. The CBPP states, about 78% of the foreign-born population is of working age, between 18 and 64 years, compared to 59% of the native born. Foreign born immigrants are more likely to maintain a full time job throughout their life than their native peers (Sherman, Arloc, et al., 2019). Moreover, immigrants make significant progress the longer they reside in the United States.

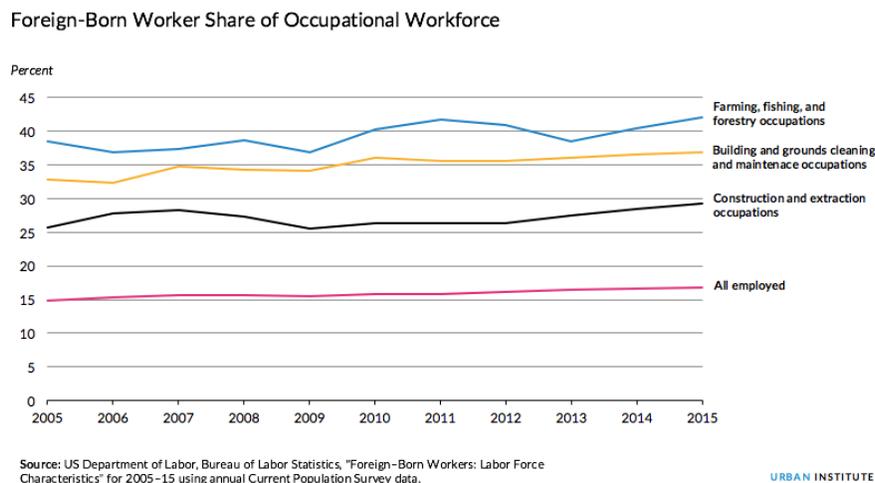
So how exactly does immigration affect the average American? Some of the benefits immigration brings to Americans are lower labor costs for employers, lower prices of goods and services for consumers, and decrease unemployment. There are positive impacts of immigration

on the construction and agricultural industries towards the housing market and prices of goods for society. Even though the benefits outweigh the costs of immigration in the U.S labor market, there are many negative externalities that arise from immigration.

Data

Have immigrants lowered wages for Americans? The impacts of immigration on wages and employment of Native American workers depend on factors such as whether migrants' skills are substitutes or complements to the skills of the native workers (e.g. Borjas 1995). Immigration impacts the substitute as well as the complement labor market. Since most immigrants are low-skilled workers, they mostly effect or compete against low- skilled native-born workers with similar jobs. Some economist argue that immigration has a positive impacts on the American economy, but a vast majority of academic studies show that America's least fortunate bear the burden of immigration's impact. The competitive low-skilled jobs include the food and beverage industry, construction, agricultural, among many others. An economic research "The Economics of Immigration: A Story of Substitutes and Complements" by Scott A. Wolla, an economic education coordinator at the Federal Reserve Bank of St. Louis, states that when immigrants compete for similar jobs as Americans, immigrants end up substituting them in those jobs. When foreign born workers are substitutes for native workers, immigration increases competition for same skilled jobs and reduces wages in the short run. This is because the rise of substitute workers in low-skilled jobs increase the labor supply which then depresses wages for everyone with those similar skills including native-born workers. According to The New York Times, "Do Illegal Immigrants Actually Hurt the U.S. Economy?" by Adam Davidson, labor economists concluded that illegal workers have lowered the wages of U.S. adults without a high-school diploma (25 million of them) by anywhere between 0.4 to 7.4 percent. "The impact on everyone

else, though, is surprisingly positive.” (Davidson 2013) Low-skilled native-born workers are faced with a choice of either accepting lower pay or not working in the field at all. Now, some immigrants that come to the U.S to work are high-skilled, “a similar substitution effect occurs” for some high skilled professionals (Wolla). Although, the high-skilled jobs are not significantly affected since the majority of immigrants work in the low-skilled jobs.



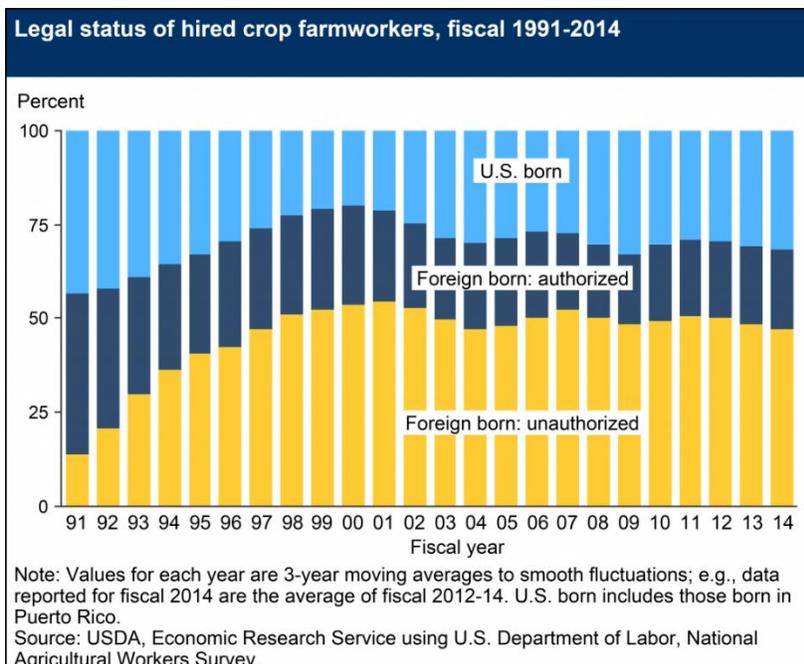
A majority of immigrants tend to pursue jobs that require less training and education. Immigrant workers often perform dangerous low-paying jobs. The construction industry is one that is significantly affected by the influx of immigrants. The influx of immigrant substitutes in this industry vastly benefits the average American and the U.S economic growth. Construction work has been a critical role for the immigrant community. According to the Urban Institute, the construction industry has been a “historical launching pad for immigrant communities” going back to the 19th century. About 2.2 million construction workers are foreign born, making up one quarter of the US construction workforce in 2015 (Martín, 2016).

In my primary research I was able to conduct data on a local American owned successful multimillion dollar Construction Company. The subcontractor I interviewed said that the

company uses Latino work force from its managers all the way down to its field workers. They do that because an American company in the construction industry can get a job done better and faster by hiring Hispanics. The subcontractor said that a significant amount of Hispanics are more geared towards manual labor intensive work, such as stucco, framing, roofing, siding, sheetrock, concrete, etc. due to the high supply and demand of the labor. He stated that the main difference between American and Latino workers in this industry is the time and speed to get the job done. "Hispanics get a good job done for the same price, if not less." He mentioned that just because it is a Latino workforce does not mean that a Latino worker will make less income than if it were an American worker. He states that the immigrant workers possibly make more money in the same field than American workers because illegal immigrants do not report taxes nor do they pay for a health care plan, since they are not eligible to apply for benefits. In other words, because illegal immigrants in the construction industry do not have a social security number they get paid cash and do not have to report taxes. Their income does not get deductions compared to Americans in the same field that would have to pay taxes and health insurance. Additionally stating that even though all of his workers were low-skilled, some had more technique and experience than others. "The average higher skilled craftsman or carpenter makes \$240 a day, about \$65,000 a year. The lower skilled immigrants with less experience make an average of \$170 a day, \$45,000 a year." He stated that they all work about 10 hours a day. "I pay high skilled labor, but get the jobs done 3 times faster. I am not cheap, I am fast. The workers get to the job site at 7am and don't leave until 5 or 6pm. A Hispanic will give me 10 times more work than any other worker because they tend to work 3 times faster and are more efficient. I don't spend as much time, so my overhead is lower." This allows their company to offer better prices than American workforce companies. With a Latino workforce, everybody wins. It is better for

the consumers due to the low price of the service and better profit for the business owners. “Latin labor is efficient.” The sub-contractor stated that because most big companies will be American owned, but the people actually doing the work are Hispanics, without the Latino workforce the construction industry would go down. The real estate market will collapse because even the top 1% of the wealthiest people benefit from low cost of labor. Immigrants increase consumer demand for goods and services, and employers expand production where immigrants provide their labor.

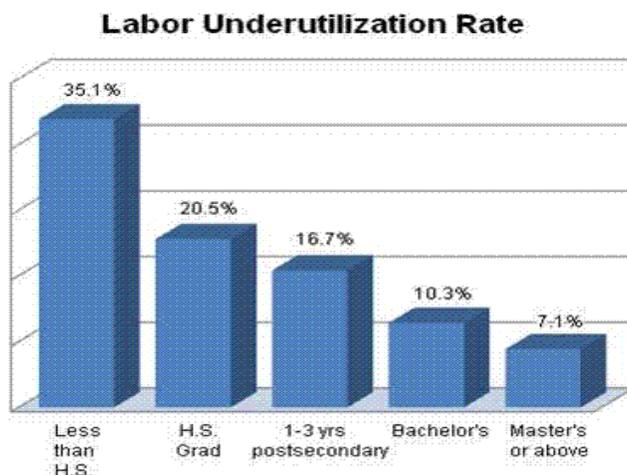
Agriculture is another industry in which the influx of immigrants cause a substitution effect towards native-born workers. It is another industry that could not function efficiently without the contributions of immigrants. “Much of our agricultural system, and frankly, much of our country, has been built by immigrants”, states farmer Randy Mooney, Chairman of the Board of the Dairy Farmers of America (Kurn, 2018). Immigrants are deeply involved in this complex journey from seed to plate. They are an essential link in the chain of our food system, and are an indelible part of rural America, contributing to the economic and cultural fabric of these communities. It’s hard to picture our food system without them. The USDA cites that about 60% of all agriculture workers are foreign born, even though Farmworker Justice, estimates that about 70 to 80 % of farmworkers are immigrants (Kurn).



“Today, most Americans have little to no farm knowledge or experience—something many immigrants arrive with. But farm work is intensely grueling and dangerous.” (Randy Mooney). Mooney addresses the fear farmers face due to Trump’s Administration’s focus on deportations because it will cause harm and disruption to the food system. “Estimates from the Partnership for a New American Economy show labor shortages cost the American economy nearly \$3.1 billion a year. A 2014 Farm Bureau study showed that an enforcement only approach to immigration could lead to a 5-6% increase in food prices for consumers, with fruits and vegetables hit the hardest.” This will lead to a 15-29% drop in the net farm income “due to lower production, lower gross receipts, and higher expenses.” (Kurn). Without undocumented labor performing routine tasks, meals, which factor labor costs into the price, would be more expensive. The U.S food system simply could not function without the contributions of immigrants.

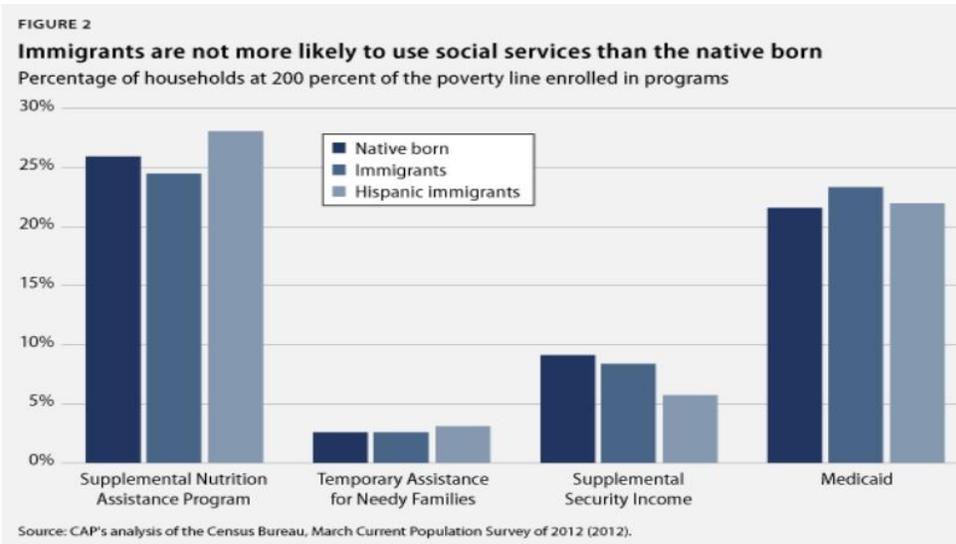
The substitution effect in the labor market is not the only negative externality that arises from the influx of immigrants. There are other negative externalities, such as income taxes. Higher-skilled workers incomes are higher, in addition pay more income taxes than lower-skilled

workers. Higher-skilled workers also provide more benefit programs to lower income workers, thus affecting the U.S. federal budget. The center for Immigration Studies states, on average immigrants who have been in the country for 20 years significantly fall behind natives in “most measures of economic well-being”. According to the Federation for American Immigration Reform, our immigration system imports poverty because the U.S allows entry to family members of immigrants and U.S citizens rather than gaining immigrants with needed workplace skills. Illegal immigration does have some negative economic effects. Immigration significantly increases the poverty population in our country negatively contributing to the wealth inequality. In 2010, 18.6 percent of immigrants were in poverty, compared to 12.5 percent of natives. Additionally stating, the median income per worker among immigrants is 17.7 percent lower than among natives, and the median illegal worker earns 36.2 percent less (Poverty, 2010).



For the most part immigrants are denied access to federal welfare assistance for the first few years. Immigrants, even undocumented immigrants pay taxes to support benefits they cannot receive. Adam Davidson states that as the baby boomers retire, the post-boom generation's

burden to finance their retirement is greatly alleviated by undocumented immigrants. “Stephen Goss, Chief actuary for the Social Security Administration stated undocumented workers contribute about \$15 billion a year to Social Security through payroll taxes. They only take out \$1 billion (very few undocumented workers are eligible to receive benefits).” (Davidson 2013). Additionally stating that throughout the years they have contributed up to at least \$300 billion (nearly 10 percent) of the \$2.7 trillion Social Security Trust Fund. According to ProCon.org, some economist and politicians argue that immigrants on average tend to have larger families than those in the U.S. This difference can strain the resources of local school districts, hospitals, and social programs. Others state that immigrant’s nationwide pay on average an estimated 8 percent of their incomes in state and local taxes compared to the top 1 percent of taxpayers that pay an average nationwide effective tax rate of 5.4 percent. The *Center for American Progress* states that mainstream economist find that immigrants are a net positive for the economy and pay more into the system than they take out. Additionally stating that immigrants play a key role in prolonging the “solvency” of the Social Security Trust Fund. The National Foundation for American Policy suggests that immigrants will add a net of \$611 billion to the Social Security system over the next 75 years and that cutting off immigration to the country would increase the size of the Social Security deficit by 31 percent over 50 years (Fitz, Marshall, et al. 2013). Even though some illegal immigrants do not report taxes, most of them do. Immigrants are no more dependent on welfare programs than the native born.



On the other hand, immigrants can be complements to native-born workers. An increase in the supply of unskilled-labor leads to an increase in job opportunities for high-skilled native-born workers. According to Davidson, a study done by Giovanni Peri, an economist at the University of California indicated that the economy's productivity grew from 1990 to 2007 because undocumented workers increased legal workers' pay by up to 10 percent. Since immigrants lower the price of goods and services, the reduced cost of production of these goods increases the demand for other high-skilled jobs. "The supply of immigrant labor has decreased the cost and presumably increased the number of homes produced and sold over time. The increase in house construction has increased the demand for higher-skilled construction workers..." (Wolla). An increase in the demand of high-skilled construction workers include, plumbers, electricians, and contractors. This boosts productivity in the housing market, thus raising wages for all.

In addition to the complementary effect in the labor market, many immigrants do not bring competition to native- born Americans in the higher-skilled professions. Most unskilled

immigrants do not have the education, training, or experience required for those professions. Although, as stated earlier by the CBPP, children born to immigrant families are now reaching high levels of education. Additionally, benefitting themselves and the U.S economy. The U.S currently has more college-educated immigrants than other economically advanced countries. According to the Pew Research Center, as of 2015, the U.S. had about 14.7 million immigrants ages 25 and older with at least a college degree, which is more than 3 times higher than Canada falling in second with 4.4 million college-educated immigrants. “The U.S immigrant population is better educated than ever.” (Connor & Ruiz, 2019). In addition, foreign professionals compete with the jobs of the high-skilled native-born workers, but they complement them as well. The perspectives and different cultures that foreign workers provide gives the U.S an advantage to advance in speed, technology, and innovation, than in any other country. Additionally, all workers experience increased productivity which can be expected to lead to a rise of wages overall. Immigrants keep American companies competitive internationally.

Conclusion

Even with the rise of these negative externalities and other non-wage factors, the benefit immigration brings to the U.S employment and wages far outweigh the costs. There has been a significant amount of studies done on the economic consequences of immigration, and they do not all agree. The research I conducted shows that overall, immigration has a small impact on employment and wages, though there is a significant impact among those with lower levels of education and skills. Economic studies’ indicate that immigration does affect the wage and employment structure at the bottom of the labor market. From my research I have concluded that immigration has both negative and positive impacts on U.S employment and wages. There are

winner and loser. Thus, it would be a mistake to say that we are absolutely certain that immigration reduces the labor market opportunities for low- and unskilled natives. Based on my research, most American workers are not significantly affected by immigration competition. Additionally, immigration does make the economy stronger because while immigration takes jobs, they also create them. The benefits of immigration outweigh the costs not only in the housing market, but the overall U.S. economy.

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