

## **Rethinking the Effects of Immigration on Wages: New Data and Analysis from 1990-2004**

By [Giovanni Peri, Ph.D.](#) [1]

A crucial question in the current debate over immigration is what impact immigrants have on the wages of native-born workers. At first glance, it might seem that the simple economics of supply and demand provides the answer: immigrants increase the supply of labor; hence they should decrease the wages of native workers. However, the issue is more complicated than this for two reasons that have been largely overlooked. First, immigrants and natives tend to differ in their educational attainment, skill sets, and occupations, and they perform jobs that often are interdependent. As a result, immigrants do not compete with the majority of natives for the same jobs. Rather, they “complement” the native-born workforce—which increases the productivity, and therefore the wages, of natives. Second, the addition of new workers to the labor force stimulates investment as entrepreneurs seize the opportunity to organize these new workers in productive ways that generate profits. When these two factors are included in the analysis of immigration and wages, it becomes clear that immigration has a positive effect on the wages of most native-born workers.

Among the findings of this report:

- Immigrants are increasingly concentrated among workers with the lowest and highest levels of education, but comprise a relatively small share of workers in intermediate groups.
- During the 1990-2004 period, immigration accounted for 20 percent of employment growth among workers without a high-school diploma and 14.1 percent among workers with at least a college degree. In contrast, immigration accounted for 9.9 percent of employment growth among workers with only a high-school diploma and 6.5 percent among those with some college.
- The share of foreign-born workers within each educational group varies according to years of experience, sometimes by wide margins. In 2004, for instance, 34.1 percent of workers without a high-school diploma were foreign-born, but the foreign-born share ranged from 11.6 percent to 49.3 percent depending on years of experience.
- Since workers with different levels of experience tend to fill different types of jobs, even if they have comparable levels of education, this pattern suggests that natives are in direct competition only with a subset of immigrants within a given educational group, while benefiting from complementarities with workers in other experience groups.
- Immigrants tend to choose different occupations than natives. Since the services provided by different occupations are not perfectly substitutable for each other, this implies that natives and immigrants are not perfect substitutes for each other even if they have similar levels of education and experience.
- During the 1990-2004 period, the 90 percent of native-born workers with at least a high-school diploma experienced wage gains from immigration that ranged from 0.7 percent to 3.4 percent depending on education. Native-born workers without a high-school diploma lost only 1.1 percent of their real yearly wages due to immigration.

Published On: **Sun, Oct 01, 2006** | [Download File](#) [2]

### **Source URL:**

<http://immigrationpolicy.org/special-reports/rethinking-effects-immigration-wages-new-data-and-anal>

[ysis-1990-2004](#)

**Links:**

[1] <http://www.immigrationpolicy.org/giovanni-peri-phd>

[2] [http://immigrationpolicy.org/sites/default/files/docs/IPC Rethinking Wages, 11-2006.pdf](http://immigrationpolicy.org/sites/default/files/docs/IPC_Rethinking_Wages_11-2006.pdf)