Immigrant influx raises wages of native workers in California

by Bend_Weekly_News_Sources

One of the most common charges in the immigration debate is that immigrants compete for jobs and lower the wages of U.S.-born workers. This isn't the case, according to a study released today by the Public Policy Institute of California (PPIC). Examining over 40 years of data using precise statistical methods, the analysis goes beyond most previous research to show comprehensively how immigration affects the job opportunities and wages of U.S.-born workers in the state.

Between 1990 and 2004 alone, new immigrants accounted for a 20 percent increase in the state's total employment. Yet, rather than hurting job prospects for natives, the influx of immigrants increased the average real wages of native workers in California by 4 percent. The wage effects differ across education and experience categories. For example, wages increase by about 3 percent for natives with a high school diploma or a college degree and about 7 percent for native workers with some college. But almost without exception, the effects are positive. Even native-born high school dropouts see a slight uptick in their wages (0.2%).

"The strong positive effect on native workers' wages seems remarkable if you assume that by increasing the labor supply, immigrants reduce the demand for native workers," says study author Giovanni Peri, an associate professor of economics at the University of California, Davis. "But because the data reveal that these groups actually complement -- rather than compete with -- each other, the positive wage effects make economic sense."

After examining more than four decades of employment and wage data (1960- 2004), the study finds a clear, positive overall association between the increase of foreign-born workers and the wage growth of native workers. The primary reason for this is that as the number of immigrants available for certain jobs and tasks increases, so does the need for complementary jobs in managing, organizing, and training -- work typically done by natives. "Native workers benefit because they are able to specialize more," says Peri. "In other words, the increased supply of one type of worker fuels the demand for another."

The boost in wages is sharpest among natives who are of a different age and education level than the immigrants they are being compared with -- however, there is a slight positive effect even between those in the exact same bracket. The finding refutes a central assumption in most previous research -- that immigrant labor is a perfect substitute for native labor.

The actual losers in the equation are prior immigrants, whose wages are hurt by the newcomers. In 2004, immigrants who had entered California before 1990 lost between 17 and 20 percent of their real wages due to the entry of new foreign-born workers. Put another way, previous immigrants would have experienced wage gains of as much as 1.4 percent per year over that time -- had no more immigrants arrived and their services become scarcer as native employment grew.

The study also challenges the belief that the rapid growth of foreign-born workers in California has led to displacement or out-migration of native workers by decreasing job opportunities. Again, the study's analysis of data spanning 1960 to 2004 finds no connection between the inflow of immigrants and the outflow of natives to other states. In fact, in comparing the number of natives and immigrants entering the labor market over this period, the data show a slight rise in both, resulting in an increase in the overall labor supply.

The new report, How Immigrants Affect California Employment and Wages, could have important national implications. Because California has a higher share of immigrants in its population and workforce than any other state, the findings provide a realistic glimpse into the effect immigration could have on employment and wages at the national level.

Immigrant influx raises wages of native workers in California by Bend_Weekly_News_Sources