

RESEARCH SUMMARY

## Immigration and US Labor Market Outcomes: Who Benefits, Who Doesn't, Net Impact

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Is immigration a boon for the US economy or the opposite? Robert Krol addresses the issue in “Immigration and US Labor Market Outcomes.” He finds that receiving immigrants results in a large net gain to the country and that, from an economic perspective, expanding immigration would be a desirable policy reform.

### IMMIGRATION BENEFITS MOST AMERICANS

Immigration has a positive impact on the wages and job opportunities of native workers with at least some college education, and it accelerates economic growth.

- Immigrants provide skills that raise productivity in the economy.
- The skill sets of immigrants are often different from the skill sets of native workers. They can thus complement each other, raising productivity and wages. As immigrants increase in number, native workers adjust and switch jobs to better fit their skill sets.
- Immigrants consume goods and services produced by native workers. Their consumption increases demand for labor and may cause wages to rise.
- Immigrants invest in new businesses, increasing the capital stock in the economy. This raises the productivity of labor, expands employment opportunities for all workers, and results in higher wages.

### THE NEGATIVE IMPACTS OF IMMIGRATION

Immigration often harms the wages of native high school dropouts and less-skilled minorities, though only modestly so. But the fact that not every American is better off by expanding immigration does not mean we should place more limits on it. Rather, we should take steps to limit its effect on wages.

- We should improve the skill sets of those harmed by immigration. For example, a better K-12 education system can help provide improved job-market skills for those individuals who choose not to go to college.
- Taxes and regulations that discourage firms from hiring low-skilled workers (e.g., payroll taxes and minimum wages) should be reduced to encourage businesses to increase job opportunities for these individuals. So should licensing requirements, which often limit opportunities for individuals without a bachelor's degree.

## **THE CHANGING SKILL MIX OF IMMIGRANTS**

Over time the proportion of high-skilled immigrants has increased. In particular, high levels of STEM-related education among recent immigrants have contributed to high-tech entrepreneurship and innovation. These positive productivity effects of immigration push up wages overall. To promote economic growth, we should, at a minimum, attract immigrants with high skills by expanding the number of H-1B visas issued each year.