

Do immigrant workers depress the wages of native workers?

Short-term wage effects of immigrants are close to zero—and in the long term immigrants can boost productivity and wages

Keywords: immigration, wages, productivity, complementarity, skills, wage distribution, dynamic adjustments

ELEVATOR PITCH

Politicians, the media, and the public express concern that immigrants depress wages by competing with native workers, but 30 years of empirical research provide little supporting evidence to this claim. Most studies for industrialized countries have found no effect on wages, on average, and only modest effects on wage differentials between more and less educated immigrant and native workers. Native workers' wages have been insulated by differences in skills, adjustments in local demand and technology, production expansion, and specialization of native workers as immigration rises.

KEY FINDINGS

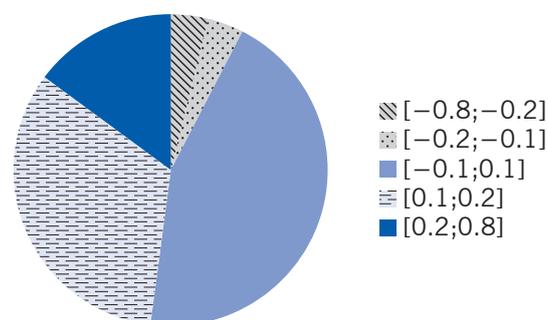
Pros

- ⊕ Immigration has a very small effect on the average wages of native workers.
- ⊕ There is little evidence of immigration lowering wages of less educated native workers.
- ⊕ In the long term, immigration, especially of high-skilled workers, increases innovation and the skill mix, with potentially positive productivity effects.
- ⊕ In many countries, the share of graduate workers is higher for immigrants than for native workers.
- ⊕ Firms have absorbed immigrants by adopting appropriate technologies, expanding production, and moving native workers into more communication-intensive jobs.

Cons

- ⊖ There is some evidence of a negative effect of newly settled immigrants on the wages of earlier immigrants.
- ⊖ The positive wage effects of immigration are weaker in countries with rigid labor markets, which may even experience some negative employment effects.
- ⊖ In some southern European countries, immigrants have been more concentrated among less educated workers.

Share of empirical evidence showing negative and positive effects of immigrant share on native wages



Source: Based on averages of 270 baseline estimates from 27 empirical studies listed in the additional references.

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AUTHOR'S MAIN MESSAGE

While the literature reports a range of wage effects of immigration, most estimates are small and, on average, essentially zero. Recent evidence shows that immigration is likely to boost firm productivity and the wages of native workers in the long run by stimulating firm growth and contributing a range of skills and ideas. More open immigration policies, which allow for balanced entry of immigrants of different education and skill levels, are likely to have no adverse effects on native workers' wages and may pave the way for productivity growth.