



Transcript for “Reconsidering the Effects of Immigration of the U.S. Labor Market” (9m45s)

Featuring Giovanni Peri

Hosted by David Chancellor

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[Chancellor] You’re listening to a March 2014 podcast from the Institute for Research on Poverty. I’m Dave Chancellor. For this podcast we’re going to talk about the effects of immigration on the U.S. labor market. I was lucky enough to speak with economist Giovanni Peri of UC Davis during his recent visit to IRP. Professor Peri says that many of the accounts on the effects of immigration that you would see, say, if you did an internet search, would represent it as almost all bad or almost all good. Political debates aside, this perhaps reflects that there is a lot of uncertainty about what is actually going on—and that the story can be widely different from region to region in the U.S. As Professor Peri points out, there is a lot of worry about the immediate impacts of immigration on U.S. jobs.

[Peri] There are a lot of strong feelings when we talk about immigration and I would say that most of the general opinion and general take on immigration and jobs is that ‘why do we need to get some people from abroad stealing away our jobs?’ Especially now, we’re coming out of a Recession and there are not too many jobs and the idea is that for every immigrant that is here is one less job for an American worker. My take, my contribution is that it is not true, that one job taken is one less job for an American worker. Because, first of all, jobs combine in companies and firms. So if a company can hire a person and expand, it needs to hire other persons to do related things.

[Chancellor] So, there are a couple things going on. There’s what economists might call a “displacement effect” as immigrants can displace native-born workers or depress wages but at the same time, this expansion within companies and across the economy can be the rising tide that floats more boats.

[Peri] So, if you start thinking about these connections of jobs, it’s clearly what you want is an economy that can expand and grow and these immigrants are crucial in some bottlenecks to allow growth because you don’t have very many Americans who are willing to pick vegetables, but if you have vegetables available to be picked then you have a restaurant industry, a transportation industry which can use them. When you start thinking like this you realize that this idea ‘one immigrant = one less job for Americans’ and when you do the serious data analysis, it is confirmed this is not the case. In fact the economies which have been more dynamic and have been growing the most have been the economies which have attracted immigrants and in which they have played an important role.

[Chancellor] Professor Peri says that there are a number of challenges to communicating this effectively in the policy arena and to the broader population, but that part of the story that is often missed is the

wide variance in skill and education level that immigrants have. In the last decade in the U.S. at least, the bulk of immigrants have been either very high skill—with a college degree or more—or lower skilled—with the equivalent of less than a high school education.

[Peri] The skilled workers are key—so there are two things then that have helped to put things in frame. First: Very smart scientists and engineers are very mobile all over the world and they are key contributors to innovation and technological growth. And most economists think that innovation and technological growth are the engine of productivity and economic growth. So, there is a huge, I would say, world competition, to have some of these highly productive skilled scientists and engineers. Second, there are a lot of other countries that are doing this very well—Canada and Australia are specifically targeting, but now the UK and a lot of European countries. So a lot of these people—many would really prefer coming to the United States which is still the leader in a lot of these human capital intensive and science intensive sectors but they will go elsewhere if not and I think this would be a net loss of productivity for America.

[Chancellor] Still, the effects of immigration on the domestic labor market—and by extension, on the larger economy tend to be felt in a very regional or local way because immigrants tend to congregate in particular cities or metro regions.

[Peri] Immigrants are very concentrated geographically in the United States. The top city for immigrants, which is New York, has 11% of all the immigrants in the country while it only has 4% of the population. The top state, which is California, has 25% of all immigrants and only 8% of the population. So immigrants tend to concentrate and the idea is that they tend to go where communities of other immigrants are. It's not hard to think that it is pleasant for a person to have available nearby not only a network of people they know but also a network of amenities they like. And, there is literature that says that a lot of immigrants have an easier time finding jobs because information circulates there.

[Chancellor] But even as cities with significant immigrant populations like New York flourish—at least partially on the basis of companies and firms developed by immigrants, Peri says that there may also be a tipping point at which immigrants begin move to other parts of the country that haven't recently been known for having a significant immigrant population.

[Peri] Immigrants are spreading themselves into the country and I think the interesting evidence recently is that this situation of adding all of the undocumented immigrants makes them willing to move and look for a job in other places. Where there's a huge concentration of them, they could crowd themselves out. And so, in recent years, states like Georgia, or Colorado, or North Carolina that did not used to have a lot of immigrants are starting to see a lot of immigrants both of the low-educated manual worker type and the high skilled worker type. So the geography is historically determined, very dependent on the community, but has been evolving over the last decade.

[Chancellor] One of the major critiques of a more open immigration policy is that an influx of low-skill immigrants will displace low-skill native-born workers—or at least that it will depress wages for the types of jobs available to lower-skill workers.

[Peri] Native born low-skilled—so people that don't have a high school degree and they probably do a manual job—I think they are at risk and not just because of immigration. Offshoring or outsourcing, which is the movement of production abroad and technology, which is this mechanization and informatization have all taken away jobs from there. So, number one, I would say that we--the policy response should be that we need to have the largest part of Americans to at least achieve a high school degree and possibly a little bit of college education. I don't see why a country like the United States, which is becoming so rich cannot at least guarantee a high school education. There are issues which are linked to family policy and I think that's where we need to focus.

[Chancellor] Peri says that using more sophisticated ways of thinking about the impact of immigration—and of the sorts of adjustments that happen in a local economy—is important for informing good immigration policy and better understanding the complexities of the immigration debate.

[Peri] I think one thing that we are understanding in the research on immigration is that it is very important to evaluate the impact of immigration, to understand all of the margin of adjustment that the local economy sets in place when immigration happens. This is a little bit as the research on global warming. So, I was sitting in a conference a few days ago in which they were presenting the different waves of research on global warming. Ten years ago, the whole game of economic consequences of global warming was trying to see what is the economy right now and increase the temperature and keep everything else fixed and see what losses we have and quantify them. Now the game is to find what kind of response and margin of response individuals have. In this end, for accounting for that, global warming in some cases can create opportunity because some parts can become more productive. If you allow for a response, the economic effects are very different. This is, I think, an area in which economist can really help a little bit. Economists have always thought that people are smart—they're not perfectly rational, but they're sufficiently smart to respond in an efficient way to their incentives and to the changing of the incentives outside. So, I think we should look at immigration in exactly the same way. Immigrants come in and create opportunity and natives adjust—native firms and workers adjust and respond to that. If you account for that, I think you end up with a much more positive assessment than if you don't.

[Chancellor] Professor Peri says that immigration, especially as it affects the labor market, is going to be a very big issue for the U.S. and for other countries in the coming decades. Domestically, we're likely to see both winners and losers. And, as Peri indicates, for the most vulnerable native-born low-wage workers, immigration is far from the only threat. So, for lower wage workers, investments in education and other forms of skill development will continue to be important as they seek ways to stay competitive in an evolving labor market.

Many thanks to Giovanni Peri for sharing his work with us. You've been listening to a podcast from the Institute for Research on Poverty.