

*The Effect of Immigrants on U.S. Employment and Productivity*  
Giovanni Peri, FRBSF Economic Letter; August, 2010

The author assesses the impact of immigrant workers on the US economy and labour market in terms of total output, income per worker, and employment. He finds no significant impact of immigration on these areas in the short, medium, and long terms suggesting that the US economy absorbs immigrants and expands net job growth.

- **The short and long term effects of immigrants**
- The author looks at the effects of immigration on employment, income, and productivity and found three results
- 1. Studies find no evidence that immigrants displace US-born workers from jobs in the short or long term
- There is also insignificant effects on hours per worker in the short term and a small but significant positive effect on hours per worker in the long term
- Since immigrants in the study had a lower average education level than US-born workers, immigration slightly reduces the skill intensity of workers in the short and long terms
- 2. In the long term, a net inflow of immigrants equal to 1% of employment increases income per worker by 0.6% to 0.9% suggesting that between 1990-2007, immigration in the US can be associated with a 6.6% to a 9.9% increase in real income per worker (equal to about \$5,100 in the yearly income of the average US worker)
- 3. In the medium to long term, increase in income per worker associated with immigrants is mainly due to increases in the efficiency and productivity in state economies
- In the short term, physical capital per unit of output is decreased by net migration but in the medium to long terms, businesses expand their equipment and physical plant proportionally to their increase in production
  
- These effects are due to the adjustments that businesses make over time to take full advantage of new immigrant labour supply
- US-born workers and immigrant workers with the same level of education tend to take different jobs and within different industries and specific businesses, US-born workers and immigrant workers tend to take on different tasks, depending on language levels
- US-born workers tend to take jobs requiring higher-intensity communication skills while immigrant workers tend to take jobs in manual labour
- Higher-intensity communication jobs pay more than manual jobs so this interaction has stimulated the productivity of US-born workers and generated new employment opportunities

**Key Stats:**

“In the short run, small insignificant effects are observed. Over the long run, however, a net inflow of immigrants equal to 1% of employment increases income per worker by 0.6% to 0.9%. This implies that total immigration to the United States from 1990 to 2007 was associated with a 6.6% to 9.9% increase in real income per worker. That equals an increase of about \$5,100 in the yearly income of the average U.S. worker in constant 2005 dollars. Such a gain equals 20% to 25% of the total real increase in average yearly income per worker registered in the United States between 1990 and 2007” (p. 3).