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The Effect of Immigration on Productivity: Evidence from US States

03/01/2010

Summary of [Working Paper 15507](#)

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A one percent increase in employment in a US state, attributable only to immigration, is associated with a 0.4-0.5 percent increase in income per worker in that state.

Immigration during the 1990s and the 2000s significantly increased the presence of foreign-born workers in the United States, but the increase was very unequal across states. In **The Effect of Immigration on Productivity: Evidence from US States** (NBER Working Paper No. [15507](#)), NBER Research Associate [Giovanni Peri](#) analyzes state-by-state data to determine the impact of immigration on a variety of labor market outcomes, including employment, average hours worked, and average skill intensity, and on productivity and income per worker.

Peri reports a number of distinct findings. First, immigrants do not crowd-out employment of (or hours worked by) natives; they add to total employment and reduce the share of highly educated workers, because of their larger share of low-skilled relative to native workers. Second, immigrants increase total factor productivity. These productivity gains may arise because of the more efficient allocation of skills to tasks, as immigrants are allocated to manual-intensive jobs, promoting competition and pushing natives to perform communication-intensive tasks more efficiently. Indeed, a measure of task-specialization of native workers induced by immigrants explains half to two thirds of the positive effect on productivity.

Third, Peri finds that inflows of immigrants decrease capital intensity and the skill-bias of production technologies. The decrease in capital intensity comes from an increase in total factor productivity; the capital-to-labor ratio remains unchanged because investment rises coincident with the inflow of immigrants. The reduction in the skill-intensity of production occurs as immigrants influence the choice of production techniques toward those that more efficiently use less educated workers and are less capital intensive.

Finally, Peri finds that for less educated natives, higher immigration has very little effect on wages, while for highly educated natives, the wage effect of higher immigration is positive. In summary, he finds that a one percent increase in

employment in a US state, attributable only to immigration, is associated with a 0.4 to 0.5 percent increase in income per worker in that state.

A central challenge in establishing a causal link between immigration and economic outcomes is the fact that immigrants may be disproportionately attracted to states with strong economic performance. Peri recognizes this problem, and uses information on state characteristics, such as the location of a state relative to the Mexican border, the number of ports of entry, as well as the existence of communities of immigrants there before 1960 to predict immigrant inflows. He then studies how these predicted inflows, rather than actual inflows, are related to labor market outcomes. He argues that the state characteristics that underlie his predictions are not likely to be associated with either labor market outcomes or productivity. He also controls for several other determinants of productivity that may vary with geography such as R and D spending, computer adoption, international competition in the form of exports, and sector composition.

-- Claire Brunel

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After a reform in Minnesota, children over age six spent an average of five fewer months in foster care.

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When short-term rental regulations were introduced in Chicago, Airbnb listings fell by 16 percent.

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Modest increases in educational spending on Black students would have substantially improved their educational attainment and lifetime income.

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Guaranteeing admission to a flagship state university to the top 10 percent of high school graduates raised enrollment of economically disadvantaged students but had few other effects on diversity.

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The Declining Status of the Teaching Profession

Teachers' prestige and job satisfaction, as well as student interest in the profession and the number of college graduates earning teaching degrees, are currently near 50-year lows.

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When steam power became widely available, many firms that initially adopted waterpower faced substantial switching costs that slowed adoption of the new technology.

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Labor Market Returns from International Migration

The annual wage increase from a year of employment for an average worker with 10 years of experience is at least 60 percent higher if that year is worked in the US rather than at home.

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Construction of new manufacturing facilities in rural US counties during WWII created a ladder to the middle class, particularly for sons in low-earning families.

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By eight years after high school graduation, students who just barely won admission to a four-year college see an earnings premium and ultimately more

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In less than a decade, the United States has gone from being a net importer of liquified natural gas (LNG) to the worlds largest exporter. This change resulted from two developments: the fracking revolution and the construction of a number of LNG export terminals. A decade ago, the US natural gas...

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Within-jail misconduct and recidivism rates upon release were significantly reduced when jailed individuals had access to a free education and training program, Marcella Alsan, Arkey M. Barnett, Peter Hull, and Crystal Yang find in *Something Works in US Jails: Misconduct and Recidivism Effects of...*

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