Immigration

Economics of Public and Social Issues

Jonathan Moreno-Medina

ECO3253, UTSA

9/13/23

Plan for today

Immigration:

1. Background facts and trends
2. Why do different kind of immigrants come to the US? Supply and demand...
3. How do economists think about labor market effects of immigration?
4. Different kinds of evidence
5. Economic mobility on the side of immigrants
6. How does the general public think about migration policy?
   Slides based on those of David Card (2017)

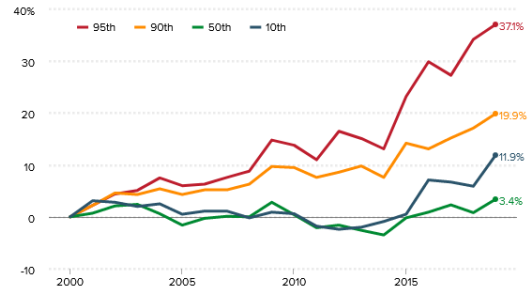
Immigration

Background

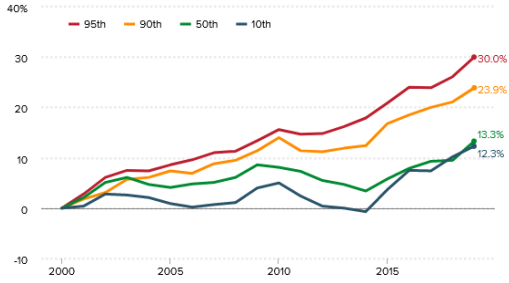
- Very little growth in median real wages for last 40 years
- Male wages: about the same now as in 1974
- Female wages: slow growth since 2000

Background

Cumulative percent change in real hourly wages of men, by wage percentile, 2000–2019



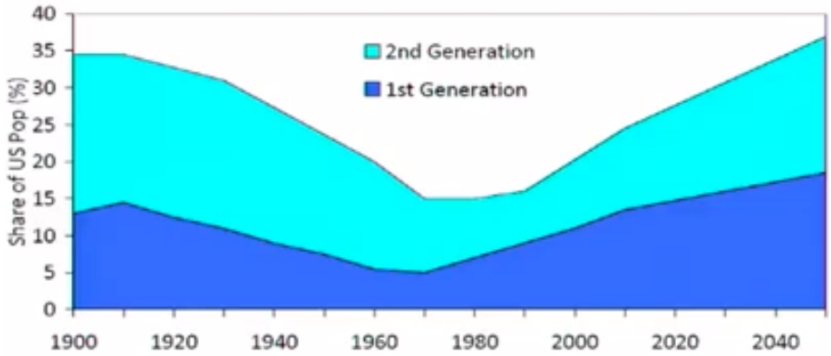
Cumulative percent change in real hourly wages of women, by wage percentile, 2000–2019



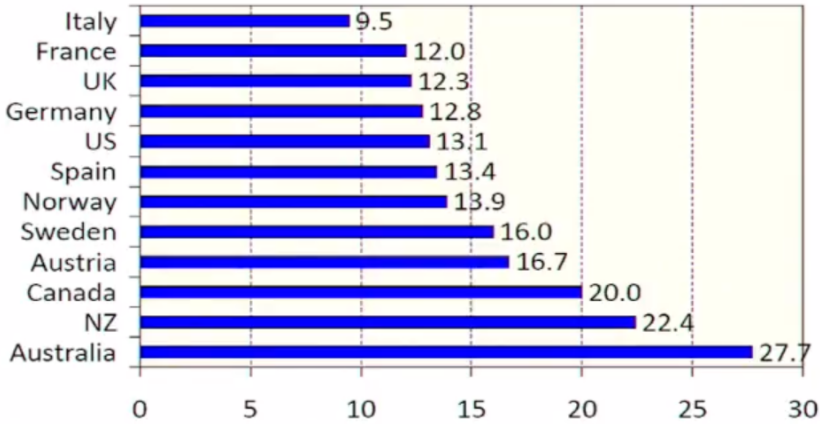
Background

- Stagnant wages $\rightarrow$ people age 20-50 earn no more than their parents
- And many earn less
- Did something 'go wrong' in US labor market? Technology? International trade? Immigration?

First and Second Generation Shares of US Population (Actual and Projected)



Percent of immigrants by OECD country (2013)



How many immigrants?

	2000	2015
Total US pop(millions)	282	320
Number of Immigrants (millions)	31	42
Number of Unauthorized (millions)	8	11
Immigrant Share of Pop. (%)	11	14
Fraction Unauthorized (%)	27	25

Top Source Countries

	Number	Percent of immigrants
Mexico	11.7	29.0
India	1.9	4.6
Philippines	1.8	4.5
China	1.7	4.1
Vietnam	1.3	3.1

Other big sources: El Salvador, Cuba, Korea

Importance of Education Differences

Immigration from different places could have differential effects for each group of natives:

	Natives	All Imms	Hispanic	S.E. Asians
Dropout HS	11	32	51	17
HS Graduate	30	22	27	16
Some College	31	19	13	18
BA or more	29	28	10	49
(including)				
Adv. Degree	11	12	3	21

Other differences

- Immigrants are clustered in cities/states
  - LA/Miami/TX border: 50%+ immigrant
  - NY/Boston/SF/Chicago: 20%+
  - Pittsburgh/Cleveland: <10%
  - Many rural areas: 2-5%
- Also clustered in jobs/sectors:
  - Agriculture, food processing: 50%+
  - Health care: 30%

Why do imms come to US? Supply side

- Rich countries: highly skilled workers most likely want to come to US (lower taxes, very high wages at the top)
- Poor countries: many people would earn more in the US – but gains largest for least skilled
- US immigration combines: high skill (H1-B), family based, low-skill demand (H2-A), and unauthorized
- Different than Canada/Aus/NZ

Demand side: (1) at the top of skill distribution

- Increasing demand for highly-educated workers throughout 20th C. and into 21st
- Growth in new college grads slowed in 1970s (esp. for men) and has never fully recovered
  - Limited expansion in public sector slots
- Shortfalls in STEM

Demand side: (2) at the bottom of skill distribution

- High demand for low-wage services
- Relative few regulations that limit low-wage jobs
- Low wage jobs subsidized by EITC, health insurance subsidies
- Flexible institutions (e.g. subcontracting) tolerance for untaxed/undocumented workes

Insights

- Supply/demand and institutional policies are all adopted to supply 2 main groups:
  - High skilled imms (mostly Asian, European)
  - Low skilled imms (mostly South and Central America, some Asian)
- They are targeting different jobs!

How do immigrants affect Labor Markets?:

- Most people intuition:
  - More people $\rightarrow$ lower wages
- This idea was proposed by Malthus in 1826 (or more recently by Thanos in Avengers)
- But:
  - Larger countries do not have lower income
  - Larger cities typically have higher pay
  - Many countries try to promote population growth and immigration!

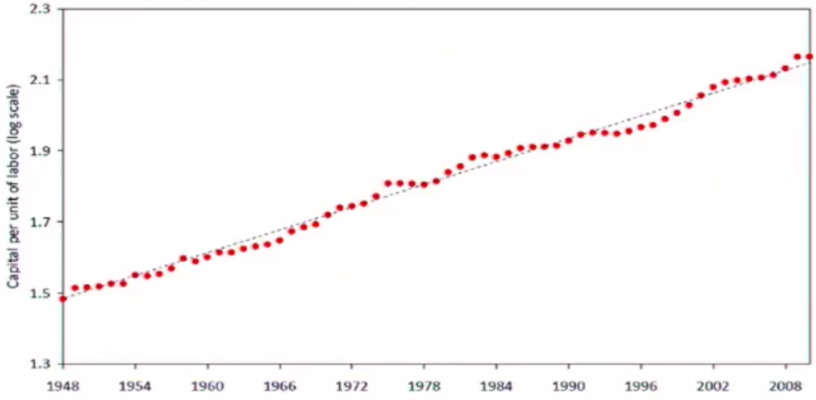
How do immigrants affect Labor Markets?:

- Malthus was thinking of the medieval world with fixed land
- In the late 1800s it was pointed out that as long as capital expand with population, you can avoid Malthusian trap
- Increase in population by itself does no mean doom! (Thanos was wrong...)

First order effects of immigration

- Rise in labor force leads to increase in investment, wages unaffected if K/L stays on trend
- In fact, many economic models suggest 'size matters': larger economy is more productive
- What is the historical record of K/L?

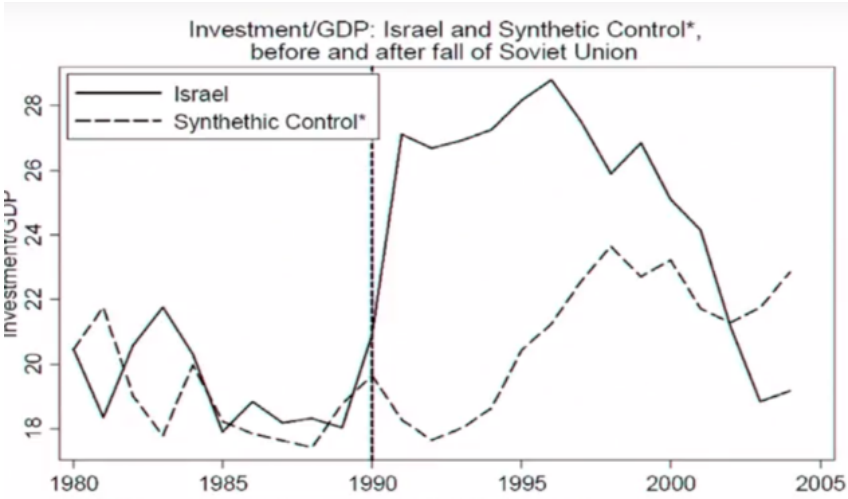
Long Run Trend in Capital per Unit of Labor



What happens to capital after big increase in population?

- Best example is in Israel: increase of 25% in population in 1990 from former Soviet Union
- Labor ratio goes back on track soon after

What happens to capital after big increase in population?



Methodology: Synthetic Controls

- Can we say something of causal effects when the number of observations is small?
- Say because we are looking at aggregates?
  - To see the effect of a policy in a state, we can only have a total of 50 states
- Synthetic Controls averages other observations 'not-treated' with specific weights so that the Synthetic Control and the treated unit look the same in the period before the intervention and along other characteristics.
- The estimated effects are the difference between treated unit and synthetic control.

What about different skill groups?

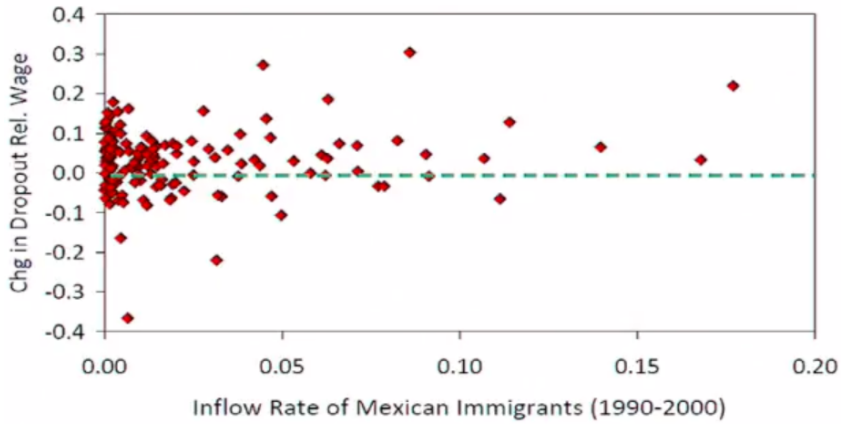
- As we saw, US immigration flows include excess shares of workers from the bottom and top
- Does this matter? Maybe...
- Agreement on 2 major skill groups
  A) Bottom + lower-middle
  B) Upper-middle + top
- Imms and natives nearly equal in these two groups

Different types of evidence

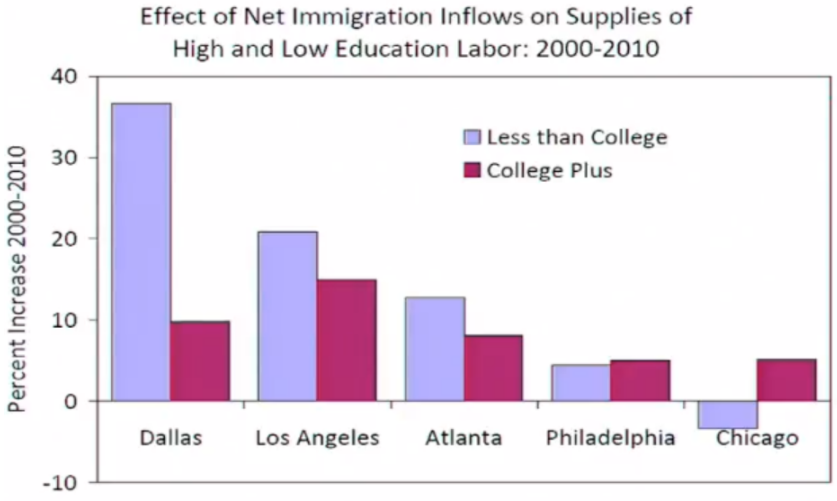
A)

- Cross-city comparisons: Immigrants are clustered in selected cities:
- On average: more immigrants -> more low education workers in city
- But relative wages of lowest-education natives are very stable across cities
- Comparison enhanced by isolating 'supply push' components of immigrant inflow to different cities

Inflows of Mexican Immigrants vs. the Change in Relative Wages of Native Male Dropouts



Even using feature of composition of imms gives same answer

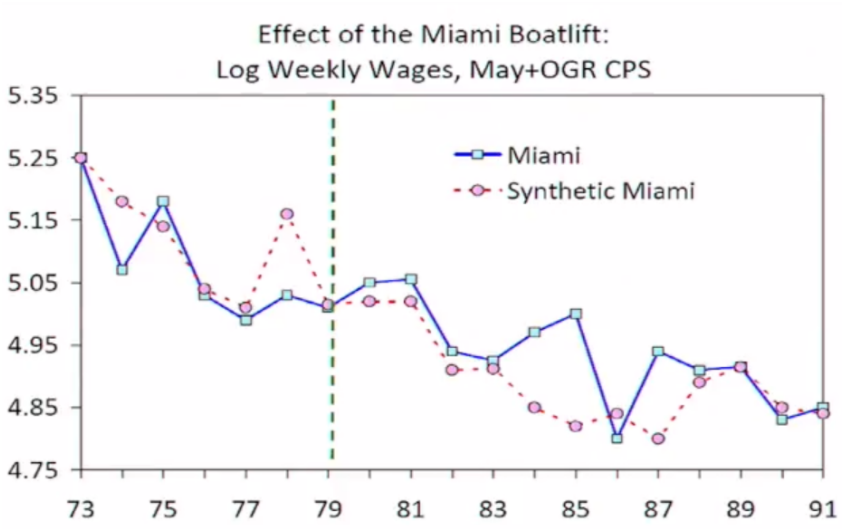


Different types of evidence

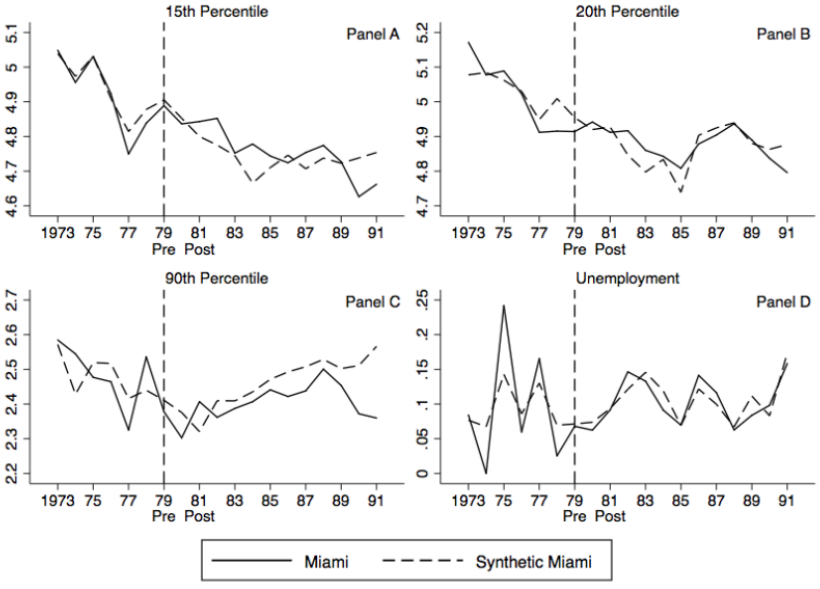
B)

- Big shocks - Mariel Boatlift (1980)
- Arrival of about 150,000 Cuban migrants to Miami in a few months
  - Non-English speaking, low skilled
- Many stayed
- What happened to wages in Miami?

Miami vs Synthetic Miami



Miami vs Synthetic Miami



Similar evidence

B)

- Big shocks in reverse:
- Mexican 'Repatriation' program, 1929 – 1937
- 400-500k Mexican imms and 2nd generation removed
- Brownsville, El Paso : 24% loss of labor force
- Anaheim, Tucson: 10% loss
- Lee, Peri and Yasenov (2017) find no effect on 'native' employment, unemployment.
  - If anything, where more people left, there are lower wages

What about mobility of immigrant population?

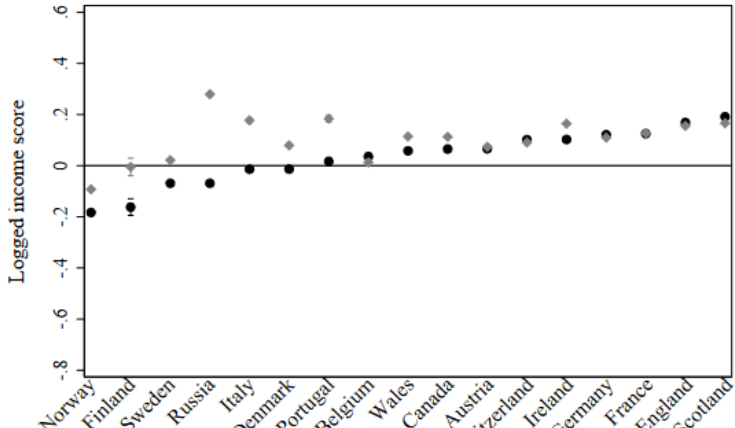
- So, no effect on native population.
- How do immigrants do in terms of mobility versus natives?
- Abramitzky, Boustan, Jacome and Perez (2019) use millions of father-son pairs across more than 100 years of US history
- Big recent study using same (and more) big data as Chetty et al (2017) + GSS Survey to capture unauthorized immigrants

Findings:

- Immigrant have higher mobility than natives. That advantage is similar today as it was historically (even if sending countries are changing)
- Advantage explained by immigrants moving to areas with better prospect for their kids and 'under placement' of the first generation

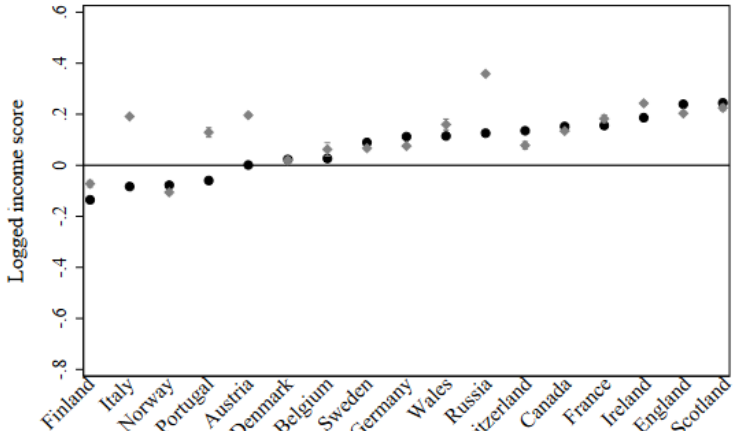
Cross-Sectional Earning Gaps for First and Second-Generation Imms and US-born men by Country of Origin

(a) 1880–1910 Cohort



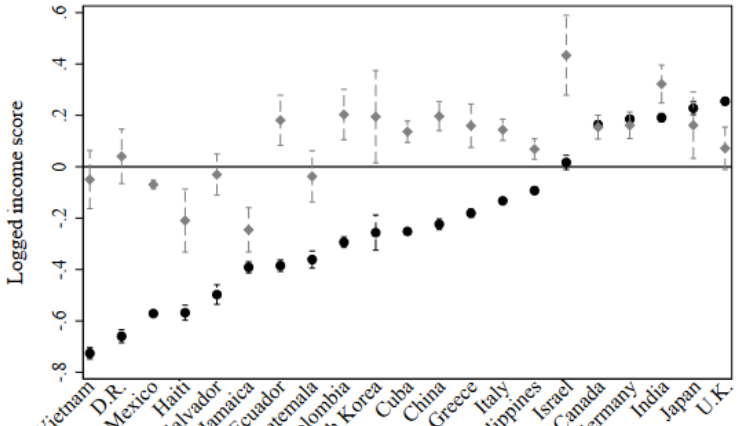
Cross-Sectional Earning Gaps for First and Second-Generation Imms and US-born men by Country of Origin

(b) 1910–1940 Cohort



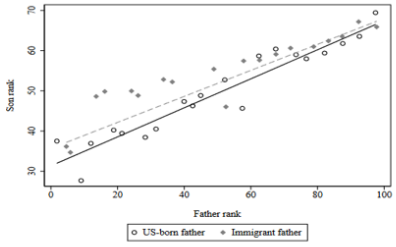
Cross-Sectional Earning Gaps for First and Second-Generation Imms and US-born men by Country of Origin

(c) 1980–2010 Cohort

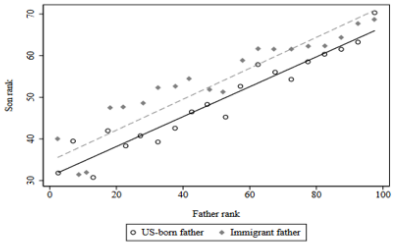


Intergenerational mobility of Imms and US-born (rank-rank)

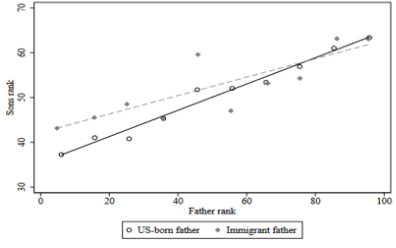
(a) 1880–1910 Cohort



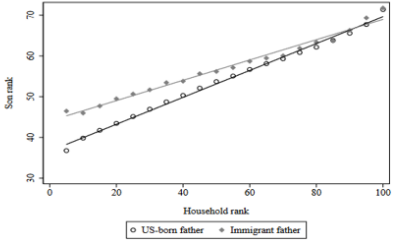
(b) 1910–to 1940 Cohort



(c) GSS: 1984–2006 Cohort



(d) Opportunity Insights: 1997–2015 Cohort



Conclusion

- No evidence of effects on native population (at most are small)
- Evidence of gains for migrant population, and to aggregate productivity in many cases
- So, what explains many native's attitudes of opposition (or deep ambivalence) to immigration?
- Not necessarily the economics of it.
- We will explore it more on next lecture on political economy