

Testimony of

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Thank you, Chair Lofgren and Ranking Member McClintock, for the opportunity to appear before the Subcommittee. I am a labor economist at Rutgers University where I research the economics of immigration.

There is a remarkable amount of agreement among economists about the economic and fiscal impacts of immigration. This is reflected in the peer-reviewed 2017 report of the National Academies of Sciences, Engineering and Medicine (NAS) entitled *The Economic and Fiscal Consequences of Immigration*. I was a member of the panel of social science experts on immigration which authored this consensus study. The report is a mixture of original research and careful weighing and synthesis of the results of the existing scientific literature. In my testimony, I will summarize the findings and comment on an area where consensus was not found.

1. Immigrants have a positive impact on the economy as a whole

The report finds that immigration increases the size of the economy (Gross Domestic Product, GDP) by increasing the amount of labor. More subtly, the report finds that immigration also increases GDP per capita, and GDP per native-born person. The mechanisms behind this include the response of the capital stock to the size of the work force; the flexibility of immigrants to move to the areas of the country where opportunities are best; and the increased specialization of workers permitted by the arrival of workers with skills different from those of native-born workers. Such specialization increases worker efficiency. Furthermore, because high-skill immigrants have been shown to increase patents, the best available marker for innovation, they must also increase growth in GDP per capita.

2. Immigrants reduce neither employment nor average wages of the native born

The NAS report reaches consensus on what originally seemed a controversial issue: the impact of immigration on native-born wages and employment. The studies of the impact on employment are not difficult to summarize, and the panel found, “The literature on employment impacts finds little evidence that immigration significantly affects the overall employment levels of native-born workers.” (p.4). The picture for wages is more complex, as the report explains (p.4):

When measured over a period of 10 years or more, the impact of immigration on the wages of natives overall is very small. However, estimates for subgroups span a comparatively wider range, indicating a revised and somewhat more detailed understanding of the wage impact of immigration since the 1990s. To the extent that negative wage effects are found, prior immigrants—who are often the closest substitutes for new immigrants—are most likely to experience them, followed by native-born high-school dropouts, who share job qualifications similar to the large share of low-skilled workers among immigrants to the United States. Empirical findings about inflows of skilled immigrants, discussed shortly, suggest the possibility of positive wage effects for some subgroups of workers, as well as at the aggregate level.

The lack of impact on employment and average wages may appear surprising, but there is data-based evidence on the underlying mechanisms. As part of increased specialization in the labor market, native-born workers switch into jobs using language and communication more intensively, for example, thus avoiding competition with immigrants. Another mechanism is the adoption by firms of the technology most suited to the skill set of the work force. On the other hand, if the skills of native-born and immigrant workers are sufficiently similar, such offsetting effects do not occur.

3. Low-skill immigrants can benefit the economy as a whole

The report also considers links between immigration and economic outcomes beyond GDP and the wages and employment of native-born Americans. For example, low-skill immigrants reduce the prices of services, such as child-care, benefiting both immigrant and native-born consumers. These considerations, along with the increased specialization brought about by low-skill as well as high-skill immigration, underline that immigrants of all skills can increase the efficiency of the economy as a whole.

4. Public education plays an important role in immigrants' effect on fiscal balance

The NAS panel studies whether immigrants pay more or less in taxes than they receive in benefits from the government. An analysis of data for the year 2012 shows that both immigrants and the native-born are net beneficiaries (due to the budget deficit), but that immigrants' net benefit is greater. The main reason for this is that immigrants have more children, and thus receive more services from public schools. The report notes, however, that the education of immigrants' children might be viewed as an investment rather than a cost.

Projections into the future are more complex, relying as they do on future policy decisions. The main conclusions to be drawn from the scenarios under various assumptions are that immigrants make a net positive contribution at the federal level, but negative at the state and local level due to the cost of public schooling and state tax systems which tax high and low incomes at similar rates.

5. Where consensus is lacking

While the NAS report concludes that U.S. immigration has put downward pressure on wages of low-skill native-born workers, it is silent on the magnitude. My own assessment of the academic literature is that the negative effect is small. Yet, the lack of wage growth for less-educated Americans has been the most concerning aspect of the labor market in recent decades, and raising low wages should be a priority. Despite this, the significant economic benefits provided by immigration, including low-skill immigration, mean that policies other than cutting immigration should be used to raise wages of native-born workers.

6. Conclusion

There is consensus among economists that immigration at the levels seen before 2017 has brought significant benefits to the overall U.S. economy, without lowering employment or average wages of native-born workers. However, new, bold policies should be set in place to boost the wages of low-skill native-born workers who are most similar to immigrants.

References

National Academies of Sciences, Engineering, and Medicine. 2017. *The Economic and Fiscal Consequences of Immigration*. Washington, D.C.: The National Academies Press. <https://doi.org/10.17226/23550>