



# IMMIGRANTS AND WAGES

**Economists find no significant wage effect.** Virtually no economist has found that immigrants have a significant downward effect on U.S. wages. Even economists skeptical about the economic benefits of immigration find little effect: Harvard University's George Borjas argues that low-skilled immigrants lower wages of low-skilled U.S. workers by 4 percent over 20 years.<sup>i</sup> Most other economists estimate that the effect is less than 1 percent.<sup>ii</sup>

**Fact** According to economists Giovanni Peri and Gianmarco Ottavani, immigration boosts Americans' productivity and raises wages for 90 percent of American workers.<sup>iii</sup>

**A dramatically smaller pool of low-skilled workers.** Wages are not the main reason many employers can't find enough Americans to fill low-skilled jobs. American workers are increasingly educated, and they have better options.

**Fact** In 1950, 56 percent of American workers were high school dropouts willing to do physically demanding, low-skilled work. Today, the figure is less than 5 percent.<sup>iv</sup> But many U.S. businesses still rely on less-skilled workers to remain competitive.

**Most employers can raise wages only so far.** There are limits to how much consumers will pay for most goods and services, and raising wages without raising prices can make doing business unsustainable. Many industries that rely on immigrant workers have high labor costs and low profit margins.

**Fact** Labor costs account for one quarter to one third of expenses at most quick service restaurants. Profit margins are typically 3 percent to 5 percent.<sup>v</sup>

**Fact** In 2010, an average single-family homebuilder reported a profit margin of just .5 percent.<sup>vi</sup>

**Fact** When the price of a standard-size home rises by \$1,000, more than 200,000 Americans can no longer afford a 30-year fixed-rate mortgage.<sup>vii</sup>

**Small businesses can do little to affect prices.** Unlike some companies – brand-name manufacturers, for example – small employers in construction and other sectors have little pricing power. If they bid too high, they don't get the job.

**Fact** A 2012 Forbes online poll found that 46 percent of small business owners are unable to raise prices to offset costs and expenses. Another 49 percent said they could pass some price increases but not enough to match rising costs.<sup>viii</sup>

**Employers will relocate to find cheaper labor.** If companies can't afford labor in the United States, many will move their business to another country. Many American farmers are already moving production to Mexico.

**Fact** According to the Western Growers Association, between 2007 and 2008 American farmers doubled production in Mexico, farming nearly 84,000 acres and employing 22,000 people.<sup>ix</sup>

**Multiplier effect.** Far from competing with U.S. workers, most immigrants create and support jobs for Americans.

- Immigrant workers are a mainstay of several U.S. industries, including farming, hospitality and construction, allowing them to flourish and grow and employ more U.S. workers.
- One hundred less-skilled foreign workers employed in seasonal occupations – at summer vacation towns, ski resorts and on landscaping crews, for example – create 464 jobs for native-born workers.<sup>x</sup> And a ready supply of low-skilled immigrant workers creates more jobs for managers, often filled by better-skilled U.S. workers.
- Jobs done by low-skilled immigrant workers free better-skilled U.S. workers to focus on their professions, increasing Americans’ productivity and earning power. The availability of low-skilled immigrant labor has enabled millions of American women to work outside the home in recent decades.

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<sup>i</sup> Center for Immigration Studies, “Immigration and the American Worker,” April 2013.

<sup>ii</sup> Immigration Policy Center, “Temporary visas and wage pressure,” 2007.

<sup>iii</sup> Ibid.

<sup>iv</sup> U.S. Census 1950 to 2000. American Community Survey 2010.

<sup>v</sup> National Restaurant Association and Deloitte & Touche LLP, “Restaurant Industry Operations Report: 2010 Edition,” 2010.

<sup>vi</sup> National Association of Homebuilders, “A Look Inside Builders’ Books,” February 2012.

<sup>vii</sup> U.S. Census 1950 to 2000. American Community Survey 2010.

<sup>viii</sup> Forbes, “Execute the pricing power imperatives,” May 2012.

<sup>ix</sup> *Christian Science Monitor*, “New pressures force U.S. farmers south of the border,” July 2008.

<sup>x</sup> American Enterprise Institute for Public Policy Research and the Partnership for a New American Economy, “Immigration and American jobs,” December 2011.

*ImmigrationWorks USA is a national federation of employers working to advance better immigration law. The network links major corporations, national trade associations and 25 state-based coalitions of small to medium-sized business owners concerned that the broken immigration system is holding back the nation’s economic growth. Their shared aim: legislation that brings America’s annual legal intake of foreign workers more realistically into line with the country’s labor needs.*