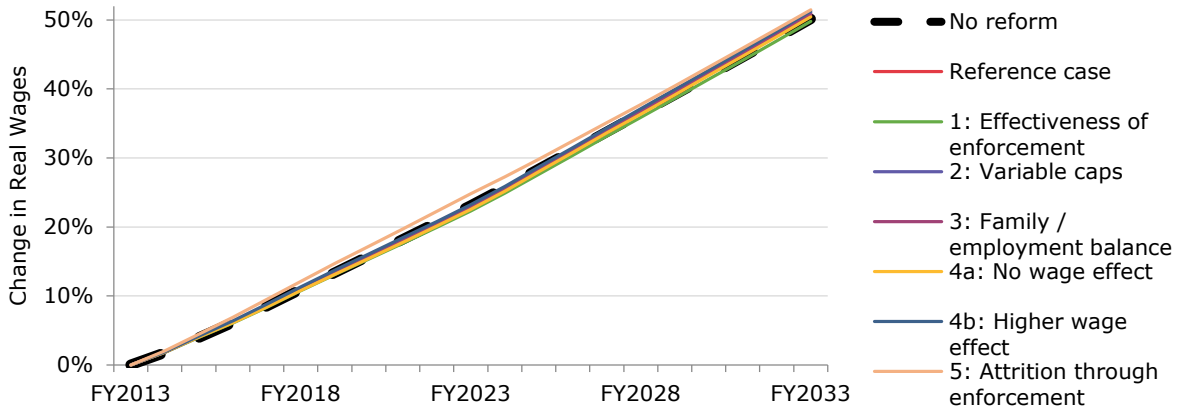
BIPARTISAN POLICY CENTER

FACT SHEET • June 10, 2014

Immigration and Wages: Decoding the Economics

Previous Bipartisan Policy Center (BPC) studies confirm the broad consensus that immigration grows the economy. Immigration's wage impacts are less understood. Economists agree that immigration has a small effect on wages, but disagree on whether those small effects are positive or negative for different types of workers. To help make sense of the issue, BPC recently examined the competing claims about immigration and wages. Among the key findings:

- **Economists agree that immigration's wage effects are small.** Most studies find that immigration has a very small impact on existing workers' wages. This is because immigrants do not just compete with existing workers for "a slice of the same pie"—as consumers, they buy goods and services, enabling businesses to create jobs that expand the economy for everyone. For example, BPC's October 2013 study looked at seven immigration reform scenarios and found that none of them caused wages to deviate substantially from the economy's long-term path (see chart below).



- **The impact on the overall economy is larger than the impact on wages.** BPC and Congressional Budget Office (CBO) studies showed that immigration reform would make average annual wages grow $5 to $9 per year slower in the first ten years and $30 per year faster in the years 11–20. By comparison, the studies estimate deficit reduction of about $80 to $110 per worker per year in the first ten years and more than five times that in years 11–20.
- **Some workers may be more affected than others.** Though economists do not agree how immigration affects different types of workers, the workers most likely to experience negative effects appear to be previous immigrants and less-educated individuals. Since 2009, a new line of research suggests that workers who may otherwise be adversely affected in the short term could be expected to upgrade their skills and move to a better job.
- **Enforcement-only approaches would shrink the economy, which could reduce wages.** If millions of less-educated workers were removed from the United States, the economy would shrink. One model suggests that under such a scenario, wages would rise in certain low-paying occupations. However, because the economy would be shrinking, many good jobs would be lost as well, and overall average wages would fall.

This document reflects the key findings of the Bipartisan Policy Center's June 2014 issue brief, "Immigration and Wages: Decoding the Economics." To read the full brief and learn more about key issues in the immigration debate, please visit ***bipartisanpolicy.org/immigration****.*