

# Increase in immigration has little impact on the wages of US citizens

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A new study in *Review of Economic Studies* suggests that a large increase in the stock of immigrants to the United States would have little impact on the wages of native US citizens. Allowing for more high-skill immigration could be detrimental to some highly skilled workers in the country, but disproportionately beneficial to low skilled workers.

The researcher involved in the study, Suphanit Piyapromdee of the economics department at University College London, quantified the impact of immigration in a spatial equilibrium model. Using a framework that incorporates characteristics of workers and local labour markets, Piyapromdee studied welfare implications of changes in the skill mix and stock of immigrants as well as the welfare effects of the border wall between the United States and Mexico. The researcher measured the [wage](#), rent, and welfare effects of immigration on different groups of workers across cities. Piyapromdee also measured the increased rental income accruing to landlords, highlighting a potential benefit that is often not included in welfare analysis of immigration.

Ultimately the study found that a policy favoring the entry of high-skill immigrants leads to wage gains for natives, particularly those with low skill. The average wage gains are about 4% for low skilled natives and low skilled immigrants. There is a small positive effect on the average wages of high skilled natives. The adverse wage effects, however, are concentrated on the incumbent high skilled immigrants—the average wage loss is about 5%. Although rents may initially go up more proportionately in popular destinations of immigrants and offset some of

the wage gains of low skill workers, internal migration can equalize the rent effects across locations. Overall, this policy also reduces local real wage inequality across workers.

"The adverse effects are concentrated on the wages of incumbent high skilled immigrants since they are in direct competition with the new high skilled immigrants," said Piyapromdee. "But since these new arrivals are not close substitutes to high skilled natives, and given some complementarity between the new arrivals and low skill workers, a skill selective policy can lead to higher productivity and raise natives' wages regardless of their skill levels. However, the gains are larger for low than high skilled natives. As a result, this policy can reduce local real wage inequality."

The same [research methods](#) were additionally used to analyze the potential benefits of President Donald Trump's proposed border wall between Mexico and the United States, and whether those benefits would outweigh the cost of the wall's construction. The study found the effects on wages, rent, and welfare would be small for workers in the four states adjacent to Mexico as well as in other cities. Given the number of workers, the proposed construction cost of the border would be approximately \$47 per worker. Calculations suggest that even if 80% of the inflow of potentially undocumented immigrants was removed, the additional gains relative to the baseline (the case of no wall) would be \$5 per [worker](#). These results show that the potential benefits of the border wall are considerably lower than the estimated construction cost.

"In all cases, there is a significant increase in rental income accruing to landlords from increased immigration," said Piyapromdee. "An appropriate tax scheme on rental income and housing regulations would be an important consideration if policymakers want to redistribute gains or losses more evenly."

**More information:** Suphanit Piyapromdee, The Impact of Immigration on Wages, Internal Migration, and Welfare, *The Review of Economic Studies* (2020). [DOI: 10.1093/restud/rdaa029](https://doi.org/10.1093/restud/rdaa029)

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