EconoFact Chats: Immigration and the Economy
Giovanni Peri, University of California, Davis
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I'm Michael Klein, executive editor of EconoFact, a non-partisan web-based publication of the Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein
Immigration promises to be a key issue in the upcoming presidential and congressional campaigns. Donald Trump has promised the largest deportation of immigrants in American history if he is re-elected. President Biden recently announced a crackdown on migrants trying to cross the country's southern border. What has happened to the idea of America as a land of immigrants? How important are immigrants to this country's economy? What is likely to happen if we deport large numbers of people, or close our doors to people coming from other countries? To address these issues, I'm very pleased to welcome back to EconoFact Chats Professor Giovanni Peri of the University of California at Davis. Giovanni is the founding director of the UC Davis Migration Research Cluster. He has widely published on the economic effects of immigration, including, I'm pleased to say, a number of EconoFact memos that have attracted a lot of attention. Giovanni, welcome back to EconoFact Chats.

Giovanni Peri
Thank you, Michael.

Michael Klein
Giovanni, we've all heard about the surge of immigrants coming across the U.S.-Mexican border, and this has been an especially hot-button issue. What are the numbers, and how does this compare to what's happened in the past?

Giovanni Peri
Well, the U.S. immigrant population was actually growing the fastest in the 1990 to 2000 decade. It was increasing by a million per year net. Then in the 2000 to 2010 period, it was growing by 800,000 per year, and in the 2012 to 2022, by only about 500,000 per year. So immigration has slowed down significantly in the 20 years before COVID. The official number for immigration in 2023, which is the last year available, is that about 1 to 1.2 million came in as net increase during the year, and this is a high value for that year relative to the year around, and it mainly make up for the low immigration during the COVID years, but it's not so different from any of the years during the 1990s.
**Michael Klein**

Many of the people, especially ones from Honduras, Guatemala, and Venezuela, are fleeing situations where they're threatened and seeking asylum. Doesn't the United States have an obligation to hear and adjudicate people's asylum claims?

**Giovanni Peri**

Well, the standard to adjudicate asylum claims are very high, and they are set internationally following the Geneva Convention. The person has to have a reasonable fear of personal persecution for a limited set of reasons, like ethnicity, political view, religion, to qualify for asylum. So most immigrants from Central America certainly flee poverty and violence, but not such a type of individual persecution. Therefore, they will very likely not qualify for asylum. The problem is that for these people who are, I would say, really, economic migrants, and who would indeed help the U.S. labor market, to have a chance to enter the U.S., they use this way, as legal immigration system does not really allow any entry for people without a college education, except in very specific and limited temporary visa. So, I actually think that the real obligation for the U.S. would be to have a better and more updated and reasonable immigration policy.

**Michael Klein**

So even though there's been a recent surge in undocumented immigrants, the number of them in this country has actually dropped in the past dozen years, right?

**Giovanni Peri**

Yes, yes. According to official numbers, there were 11.6 million undocumented in 2010, and there were 11 million in 2022. In fact, most calculations say that there has been no net growth in undocumented since 2006. Some entries of undocumented were offset by a large number of undocumented who were deported and returned home, especially to Mexico. So most undocumented workers now in the U.S. do work, and they have been in the country for more than 10 years. So, we will see if the people who enter now asking for asylum and do not get it will stay as undocumented, but in net, undocumented population has not changed between 2006 and 2022.

**Michael Klein**

Yeah, we had a really interesting memo by Randy Akee about immigrants returning to their own country, and he did some very compelling research about that, something that I hadn't realized until I read Randy's paper. So we're talking about undocumented. What about the overall number of immigrants in the United States? And I guess, do you count yourself in that number?

**Giovanni Peri**

Definitely, yes. I am one of those for which I'm going to tell you some numbers. So that number of total immigrants in the U.S. has grown from 31.1 million in 2000 to 46.2 million in 2022. This
is Census sources. But two qualifications are very important. First, as we already said, the net growth of immigrants has been due to documented immigrants, as undocumented remain constant. And second, this growth was really all due to college-educated immigrants, interestingly enough. In fact, foreign born without a college degree have remained essentially constant during this period, or declined a bit, while college-educated have grown significantly.

**Michael Klein**
So I guess you're an example of very highly educated, very well-qualified immigrant who's come to this country and helped the country by providing important labor.

**Giovanni Peri**
I am one, but most of these people may have contributed even more. There are a lot of doctors and engineering and scientists who have come, and that has been really the bulk of people coming to the U.S.

**Michael Klein**
What about the population growth of the native born during this time?

**Giovanni Peri**
So, the natural growth of the population in the U.S. has been declining for a long time. On average, there has been just a 0.4 percentage growth, yearly growth, and this number has even declined since the 2000s. Immigration has contributed to population growth by having a faster growth rate, which was 1.5 percent a year between 2007 and 2017, but even that declined to only 0.45 percent before COVID. And then the growth of immigrant was essentially zero in 2020 during COVID. It did rebound in 22 and 23, but this trend had been declining and had slowed to almost zero during COVID.

**Michael Klein**
So just to recap, the growth in the U.S. population has been mostly among documented immigrants, right?

**Giovanni Peri**
Correct, yes.

**Michael Klein**
So the slowdown in immigration during the COVID-19 period is something that you documented in an EconoFact memo with Reem Zaiour, and that had some important implications, especially in particular industries, right?
Giovanni Peri
Yes, so there was a strong decline of immigrants in 2020 and part of 2021, and this was due, as we remember, by the fact that the border of the U.S. was closed, the processing of visa was stopped or slowed dramatically, and international travel was very limited. Compared to pre-2019, if we continue the trend of immigration as it was before 2019, as of early 2021, there were 1.65 million missing immigrants, so 1.65 million fewer foreign born than before. And this gap has remained for the following three years and only is almost closed as of April 2024. So, this was a big slowdown that generated a quite persistent gap. That's the work that we did with Reem.

Michael Klein
Yeah, and I was very pleased to see how much attention that got. It was featured, for example, in an article in The Economist magazine. What were the economic effects of this, Giovanni?

Giovanni Peri
Yeah, so in this study we find that the fact that some sector had a large presence of pre-COVID immigrants and immigration dropped so dramatically in 2020 caused shortages of workers in this sector, especially in sectors like hospitality, hotel, food preparation, personal services. These shortages are essentially indicating that the number of jobs which are offered, the number of jobs which are available, relative to the number of employed people, increased substantially. And this happened in many of these sectors in the period 2021-2022.

Michael Klein
So, I guess that means that the native born weren't taking these jobs, that they were just being left vacant, right?

Giovanni Peri
Yes, at least for the one, two years after COVID that we analyzed, a native did not take this job. In fact, part of the reason why shortages in this job existed was that not only immigration dropped, but many natives who were doing this job either retired because of COVID or were less willing to take these jobs because of the risk. These were in-person jobs, manual jobs. And as a consequence, this type of manual, relatively low-wage job were those in which these post-COVID shortages were the largest. And when they were not filled by immigrants, really they remained unfilled.

Michael Klein
Giovanni, there's a big issue about immigrants replacing native born workers. This is an example where that did not happen. More specifically, your research considers this more broadly, the question of which immigrants take jobs from native born, if in fact that happens at all. What do you find in your research, Giovanni, about this issue?
Giovanni Peri
Yeah, so I have really worked on this interaction between immigrants and natives on American labor market for a very long time, for two decades of research. And in most of my study, I've emphasized how immigrants and natives, by doing different jobs, by filling and covering different types of tasks, they don't only compete with each other, but they also complement each other. And as a consequence, they don't necessarily have a negative effect on each other's wages. In a recent update of this research with Alessandro Caiumi, who's a graduate student at UC Davis, we have updated this type of analysis for the U.S. to the 2000 to 2022 period, the most recent that we have data for. And we have updated using a more modern econometric statistical methodology that is used by recent work. And in these recent decades, we also find that immigration has actually contributed to increase the demand for native workers, especially for non-college educated workers, because these immigrants have stimulated the economy. They have supplied this type of highly educated worker that grow companies and require other type of workers. And by generating firm growth, they've also generated more demand for natives.

Michael Klein
So in contrast to the trope that we usually hear, that immigrants are driving down the wages of the native born, you're finding just the opposite.

Giovanni Peri
I am. And in this recent paper that expand the work that I have done previously with Gianmarco Ottaviano and other co-authors, we actually found that over these 22 years, the inflow of immigrants both has increased the wages and employment of natives. The magnitude is not huge of this increase, but we calculated that native worker with no college degree have had an increase in their wage by one, two percent just because of the inflow of these foreign worker who were taking complimentary job, helping firm to grow, helping other type of worker to find job. So yes, a positive and non-negligible effect on the wages of American workers.

Michael Klein
People might say one, two percent, that's not very big, but think about your annual raise is only a few percent. So, it could be a substantial part of the increase in your wages, right?

Giovanni Peri
It can. And keep in mind that this was a period in which the wage of the median American worker or the American worker who was in the low part of the wage distribution did not grow at all, almost. In fact, over this whole period that are all average wage of American only increased by two, three percent. So, it's not a huge amount, but it's certainly relevant and significant.
Michael Klein
Giovanni, in an earlier EconoFact Chats podcast, I interviewed Lant Pritchett, the development economist, about the substitutability between immigrant workers and automation. Lant made the point that we could solve labor shortages with immigrants rather than with technology. And this could be a win-win situation. What's your view of Lant's argument?

Giovanni Peri
I do agree with this argument. There are a lot of manual, or labor intensive type of jobs in health care, personal care, hospitality, food preparation. And this job can be done by immigrants in a way which is more efficient and less costly, at least in the foreseeable future, than it would be if we do this with robots or machines. Additionally, if these jobs are filled by immigrants, they will help themselves, their own family, and their presence in the local economy will stimulate the local demand, which will not happen if the robot and machine are owned by corporations who take the money and will spend them somewhere else. So, I would say that both in terms of helping themselves and helping the local economy, the idea of filling this job with immigrants is a win-win relative to the use of machines.

Michael Klein
In that interview, one of my favorite parts of it was Lant commenting on a grocery store where he lives in Utah and there is a sign above the self-checkout machine, “we honor our workers.”

Giovanni Peri
Yes, that's interesting, right? Sometimes we really kind of don't see the big picture for just our little part of the woods.

Michael Klein
So there are self-checkout machines, but some other jobs like home health workers are unlikely to be replaced by technology and immigrants make up a disproportionately large share of these workers in that sector. So, I imagine this is a sector that would be really harmed by a cutoff in immigration, especially as we see the aging of the U.S. population.

Giovanni Peri
Absolutely. So, health care is certainly an important one, but even just elderly care, home care, are types of jobs whose demand will increase because the American population is aging and life expectancy is growing and the income of this older population is relatively high. So there will be a lot of demand for this type of jobs and without immigrants, of course, the supply will be limited and this sector will be really harmed. Other sectors too, I would say construction, food industry will also be, but this one of the health and silver economy, as it's called, the economy where older people will demand services will be hurt quite a bit.
Michael Klein
In the introduction, I mentioned that both Trump and Biden are in favor of immigration restrictions, but does that mask differences in the policies or are they really quite similar?

Giovanni Peri
No, their overall approach to immigration is extremely different. For Trump, the anti-immigration sentiment is at the core of his message in order to attract a group of Americans who are clearly feeling economic pain and think that eliminating immigration is the solution. Biden has a much more compassionate and reasonable approach. However, in looking at both of them, I have to say that first, Biden has already accepted the idea that he needs to be tough on some aspect of immigration in order to try at least to acknowledge this group of workers. And neither of them, neither Trump nor Biden does enough to change the approach and the message when we talk about immigration. I would like an approach which has less to do with this very gut sentiment that the immigrants are good or bad or we need compassion to one in which immigrants are an opportunity, are a potential engine of economic and demographic growth and so planning and reasonable policies based on facts, analysis rather than on sentiment and are rooted in reality are really what we need. I would like a little bit more of a change in discourse and approach and I don't see this in either of them.

Michael Klein
And to be fair, Congress itself has really dropped the ball on immigration reform.

Giovanni Peri
You're right, yes. So ultimately will be Congress, and the leadership of Congress have completely given up the idea of immigration reform. In fact, after 2013 when there was the last failed attempt, they never really picked this up in a serious way.

Michael Klein
So, you complain about it Giovanni, what would you do if you were the immigration czar?

Giovanni Peri
Yeah, so that's a tough one but let me start with this idea that as I said before communication on immigration is really wrong. So, I would say that I will start with a communication campaign that tries to inform Americans about what immigration has been for real in the last 20 years. I will talk a little bit less about the border and a little bit more about immigration as people who have arrived in the U.S., they have lived and worked here in the last decade and they've been mostly legally immigrant, highly educated and contributing to the U.S. growth. Second, I will take an approach in which talking about immigration needs planning, and needs reform and I don't like how immigration is always spoken about as a crisis but other important factors that are changing the American society like technology are always referred as opportunities. Immigration
is an opportunity for the U.S. and in that we need to change the language. Third, I would certainly propose a reform of immigration that may regularize those 8.5 million undocumented workers who have worked and contributed to the U.S. economy and then I will propose an immigration reform to allow legally into the country a reasonable number of college and non-college educated immigrants based on how many of them the U.S. economy can absorb without any harm to the U.S. wages, especially of less educated and to fill those shortages we talked about and this number which we can calculate is certainly significantly higher than what we allow right now. But in order to have this consensus for reform I think we need to change the conversation and the way we talk with more facts, more reasonable approach and that would be my first step there.

Michael Klein
So, Giovanni you're an immigrant, I'm the child of an immigrant so our hearts are with the immigrants wanting to come to this country, but we can also with our heads think about how important immigration is to the United States especially when we have flatlined the population growth of the native born. So, I really appreciate you joining me today to help explain some of these issues which as I mentioned is a really hot button topic and one that really doesn't have enough facts but your research, your work with EconoFact, has helped people understand this better. So, thank you for joining me.

Giovanni Peri
Thank you Michael, it's been my pleasure.

Michael Klein
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