

# Immigration and Wages

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## TL;DR

A long-standing debate over how immigration affects native wages is being re-evaluated through the lens of survey methodology and demographic sampling. While historical natural experiments like the Mariel Boatlift are heavily contested, broad economic consensus points to minimal average wage impacts that are instead concentrated on specific vulnerable subgroups. Understanding these dynamics requires looking past aggregate averages to focus on sector-specific and skill-group realities.

## The Methodological Battle over Historical Natural Experiments

The debate over historical labor shocks is shifting from simple wage measurements to intense scrutiny of survey design and demographic sampling bias. The Mariel Boatlift brought 125,000 refugees to Miami, boosting the low-skill workforce by 20% The Mariel Boatlift Debate, as originally detailed in David Card's seminal study.

*"The study is based on a wage survey from a sample of workers. The study focuses on a small group within that larger sample, a group where the sample shifted to include a lot more black male workers with relatively low wages—simultaneously with the Boatlift." — Methodological Reconciliation of Mariel*

*"The Clemens and Hunt assertion is demonstrably false. The timing of the post-Mariel decline in Miami's wage does not coincide with the increase in the black share of Miami's low-skill workforce in the relevant period." — Methodological Reconciliation of Mariel*

This methodological clash matters because it exposes how fragile localized natural experiments can be when researchers rely on small survey samples. If a massive wage contraction can be explained away as a statistical artifact of improved census coverage of Black men, then the empirical foundation of the restrictionist argument is deeply compromised.

**What to watch:** Watch for whether upcoming replications of other historical refugee waves similarly find that apparent wage contractions are driven by sudden shifts in survey composition rather than actual labor market competition.

## Sectoral and Skill-Based Segmentation of Wage Impacts

Broad wage averages mask highly localized labor dynamics where negative pressures are heavily concentrated on prior immigrants and low-skilled workers while high-skilled arrivals boost overall productivity. When measured over 10 years, the average wage impact of immigration is very small, though specific sectors feel the pressure intensely [Labor Economics Consensus](/top-ics/019e89d0-1359-70a2-95cf-80adebbdd875/notes/labor-economics-consensus-skill-groups-nasem), according to the comprehensive consensus report by the National Academies of Sciences, Engineering, and Medicine.

*"Because prior immigrants are the closest substitutes for new arrivals in terms of skills, language proficiency, and sector concentration, they experience the most direct wage competition."* — Labor Economics Consensus

This matters because looking at aggregate, economy-wide wage impacts obscures the real-world friction felt in specific industries like construction and agriculture. While the average native worker feels almost no impact, the concentrated pressure on high school dropouts and prior immigrants explains why immigration remains a potent political flashpoint despite benign macroeconomic averages.

**What to watch:** Watch how major infrastructure and agricultural firms manage labor costs as policy adjustments shift the supply of low-skilled versus high-skilled visa holders.

## What surprised us

- **A census correction explained away a famous wage drop:** The massive shift in the Current Population Survey's Miami sample—where the proportion of Black men in the low-skill sample jumped from 33% to 91%—reconciles the famous dispute Methodological Reconciliation of Mariel. It is surprising that a highly publicised wage drop could be entirely explained by a census bureau correction of its racial undercount Methodological Reconciliation of Mariel.
- **The persistence of the academic stand-off:** George Borjas's steadfast refusal to accept this demographic reconciliation highlights how deeply entrenched these academic disagreements remain The Mariel Boatlift Debate. Despite the compelling evidence of compositional bias, he maintains his original stance, calling the critique demonstrably false The Mariel Boatlift Debate.

## Open threads worth a vote

- Track new empirical research, replications, and policy-induced natural experiments on immigration wage effects

## **Appendix: Findings**

### **The Mariel Boatlift Debate: Card's No-Effect Finding vs. Borjas's Reanalysis**

## **The Mariel Boatlift Debate: Card's No-Effect Finding vs. Borjas's Reanalysis**

The 1980 Mariel Boatlift serves as one of the most famous natural experiments in labor economics. Over a period of just a few months, approximately 125,000 mostly low-skilled Cuban refugees arrived in Miami, increasing the city's overall labor force by 8% and its low-skill workforce by an estimated 20%. Because this labor supply shock was sudden, exogenous, and concentrated in a single metropolitan area, it became the premier testing ground for how low-skilled immigration affects native wages and employment.

### **David Card's Seminal Study (1990)**

In 1990, economist David Card published a highly influential study analyzing the impact of the boatlift. Card compared labor market outcomes in Miami to a control group of four other cities (Atlanta, Los Angeles, Houston, and Tampa-St. Petersburg) that had similar employment trends. He defined "low-skilled workers" broadly as those with a high school education or less. Card's analysis found no statistically significant negative effects on either the wages or unemployment rates of native-born workers or earlier Cuban immigrants.

### **George Borjas's Reappraisal (2015/2017)**

In 2015, Harvard economist George Borjas published a reappraisal of Card's study, arguing that Card's broad definition of "low-skilled" (high school or less) masked the negative impacts on the most vulnerable subgroup: high school dropouts (those with less than a high school education). By isolating non-Hispanic prime-age males with less than a high school education, Borjas identified a massive wage contraction in Miami relative to a control group of cities (Anaheim, Rochester, Nassau-Suffolk, and San Jose). Borjas concluded that the boatlift had caused a severe decline in native wages for this specific, narrow skill group.

### **Sources**

- The Impact of the Mariel Boatlift on the Miami Labor Market (David Card, 1990)
- What the Mariel Boatlift of Cuban Refugees Can Teach Us about the Economics of Immigration (Michael Clemens, 2017)

### **Methodological Reconciliation of Mariel: Compositional Bias and the Role of Race**

## **Methodological Reconciliation of Mariel: Compositional Bias and the Role of Race**

Following the publication of George Borjas's reappraisal of the Mariel Boatlift, a major methodological debate emerged over whether the reported 10% to 30% wage drop was a real economic effect or a statistical artifact of compositional bias in the survey data.

### **The Clemens and Hunt (2017/2019) Reconciliation**

In a 2017 study (published in the *ILR Review* in 2019), economists Michael Clemens and Jennifer Hunt demonstrated that the wage decline identified by Borjas was spurious, driven by a sudden shift in the demographic composition of the Current Population Survey (CPS) sample in Miami.

During the 1970s and 1980s, the Census Bureau faced intense legislative and judicial pressure to correct its severe undercount of low-skilled Black men, particularly in Miami. Consequently, starting with the 1981 CPS (which reported wages earned in late 1980), the Census Bureau dramatically improved its survey coverage. In Miami's less-than-high-school sample, the proportion of Black men jumped from roughly one-third (33%) in 1979 to two-thirds (66%) in 1980, eventually reaching 91% in 1985. This shift did not occur in Borjas's control cities, where the Black fraction in the sample actually fell (sometimes to zero).

Because a substantial wage gap existed between Black and non-Black low-skilled workers in Miami at the time, this sudden demographic shift artificially dragged down the average wage of the sample. Clemens and Hunt showed that multiplying the increase in the Black sample share by the racial wage gap explained the entire 10% to 30% wage drop found by Borjas.

Furthermore, this explanation resolved why Borjas's findings were three times larger in the March CPS than in the Outgoing Rotation Group (ORG) dataset: the post-1980 increase in the coverage of low-wage Black men was three times larger in the March CPS than in the ORG.

### **Borjas's Defense: "Still More on Mariel"**

Borjas responded to this critique in his 2017 working paper, "Still More on Mariel: The Role of Race" (also published in the *ILR Review* in 2019). He argued that the Clemens and Hunt thesis is "demonstrably false" because the timing of the post-Mariel wage decline in Miami does not perfectly coincide with the increase in the Black share of the low-skilled workforce in the survey. Borjas maintained that even after adjusting for racial composition, a significant wage decline persisted for low-skilled native workers in Miami, suggesting that the debate over how to adjust for compositional shifts in small survey samples remains active.

#### **Sources**

- What the Mariel Boatlift of Cuban Refugees Can Teach Us about the Economics of Immigration (Michael Clemens, 2017)
- The Wage Impact of the Marielitos: The Role of Race (George Borjas, 2019)
- The Labor Market Effects of Refugee Waves: Reconciling Conflicting Results (Michael Clemens and Jennifer Hunt, 2017)

### **Labor Economics Consensus: Skill-Group Effects and the NASEM Report**

# Labor Economics Consensus: Skill-Group Effects and the NASEM Report

To move beyond the highly localized Mariel Boatlift debate, labor economists have conducted aggregate and sector-specific analyses of how immigration affects native wages and employment. The consensus literature emphasizes that the overall impact of immigration on the average native-born worker is very close to zero, but that this average conceals important differences across skill groups, time horizons, and sectors.

## The NASEM Consensus Report (2017)

The most comprehensive adjudication of this evidence is the 2017 report by the National Academies of Sciences, Engineering, and Medicine (NASEM), titled *The Economic and Fiscal Consequences of Immigration*. The panel of economists concluded that:

1. **Average Impact:** When measured over a period of 10 years or more, the impact of immigration on the wages and employment of native-born workers overall is very small.
2. **Subgroup Vulnerabilities:** The negative wage and employment effects of new immigration are concentrated among two specific groups:
  - **Prior Immigrants:** Because prior immigrants are the closest substitutes for new arrivals in terms of skills, language proficiency, and sector concentration, they experience the most direct wage competition.
  - **Native-Born High School Dropouts:** Some evidence suggests that native-born workers who did not complete high school experience short-run negative wage pressures, particularly in areas with high concentrations of low-skilled immigrants.
3. **High-Skill Complementarities:** High-skilled immigration (such as H-1B visa holders in technology and engineering) has a positive complementary effect, raising the wages and productivity of college-educated native-born workers and spurring innovation.

## Short-Run vs. Long-Run Dynamics

A key distinction in labor economics is the time horizon. In the short run, a sudden influx of labor can depress wages in specific sectors because capital (e.g., machinery, buildings, land) is fixed. In the long run, however, capital adjusts. Businesses invest more to take advantage of the larger labor pool, and the overall demand for labor rises, neutralizing the initial downward wage pressure. Furthermore, immigrants are not just producers; they are consumers whose demand for housing, food, and services expands the local economy and creates new jobs.

## Sector-Specific Impacts

The effects of immigration are most heavily concentrated in specific sectors:

- **Agriculture:** This sector relies heavily on immigrant labor for harvesting and processing. As seen in the Agriculture Market View, major agribusinesses like Archer-Daniels-Midland (ADM, \$38.45B market cap) and Bunge Global (BG, \$23.92B market cap) operate in highly globalized supply chains where agricultural labor supply directly impacts production costs and competitiveness.
- **Construction:** Immigrant labor is a significant component of the construction workforce. Large infrastructure and materials companies like Caterpillar (CAT, \$403.42B market cap) and Vulcan Materials (VMC, \$36.71B market cap), profiled in the Construction Market View, are highly sensitive to labor availability and wage rates, which dictate project costs and profit margins (ranging from 12.7% to 18.2% for major construction constituents).

#### **Sources**

- The Economic and Fiscal Consequences of Immigration (National Academies of Sciences, Engineering, and Medicine, 2017)