

---

**Immigration Has Contributed to California's Economic Growth**

---

**Context**

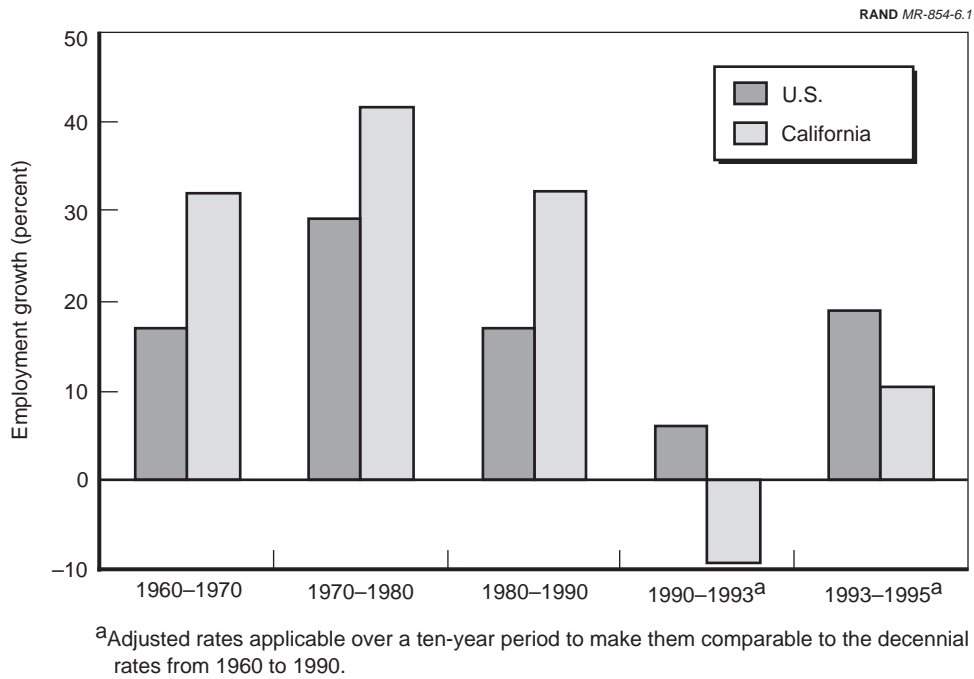
As Figure 6.1 shows, from 1960 to 1990, California's total employment consistently grew more rapidly than the nation's total employment regardless of whether immigration levels were low (1960s) or high (1970s and 1980s). That situation changed during the recession of the early 1990s—the state lost some 450,000 jobs, suffering much more severely than the rest of the nation. Today, however, California job growth once again exceeds that of the rest of the nation.

**Question**

Has immigration contributed to California's disproportionate economic growth?

**Immigrant labor has contributed to California's disproportionate growth.**

Immigration contributed to the more rapid growth of California's economy between 1960 and 1990. We found a statistically significant, positive association between the rate of an industry's growth in California (relative to that industry's growth in the rest of the nation) and its dependence on immigrant labor. We made this comparison for 80 industries over three decades. Our analysis suggests that, on average, for every increase of five percentage points in the share of immigrants in a California industry's workforce (relative to the share for the industry's workforce in the rest of the country), total employment in that industry grew one percentage point faster in California than in the rest of the country.



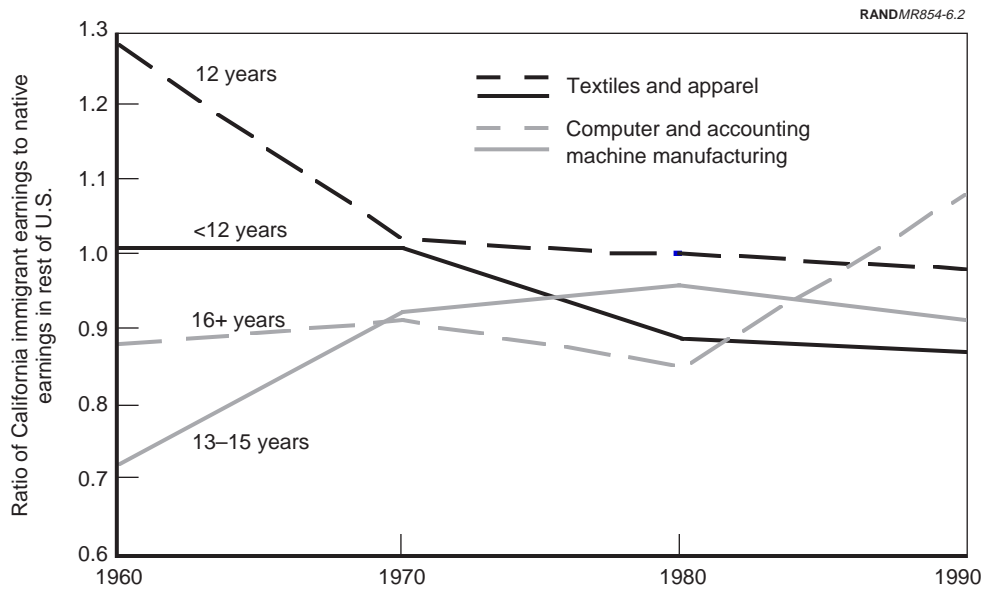
**Figure 6.1—Employment Has Consistently Grown Faster in California Than in the Rest of the Nation**

**Immigrants, though they earn less, are just as productive as native workers.**

One main reason why immigration has had a positive effect on California's employment growth is the lower cost of immigrant, versus native, labor. As we demonstrated earlier, California natives have consistently outearned immigrants regardless of educational level. But immigrants' wages have also been falling relative to wages paid both to California natives and to immigrants and natives elsewhere in the United States—at least for workers having a high school diploma or less.

Figure 6.2 compares earnings within a predominantly low-skill industry (textiles and apparel) and a more high-skill industry (computer and accounting machine manufacturing).<sup>1</sup> In the case of the less-educated workers (high school diploma or less), California's immigrants have seen a decline in their wages relative to the wages of natives outside the state. For the more-educated workers,

<sup>1</sup>The pattern shown is generally consistent across all major manufacturing industries.

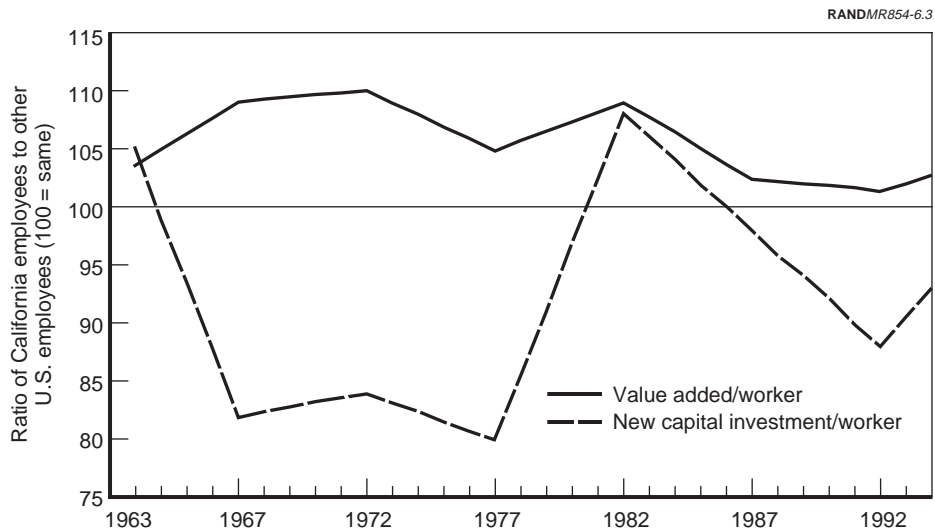


**Figure 6.2—Trends in Most Immigrant Earnings Give California's Employers a Competitive Advantage**

the results are mixed, but the earnings of California's immigrants have generally remained lower than those of natives elsewhere in the country. Other things being equal, these trends have been to the competitive advantage of California employers.

These lower earning patterns could simply mean that the productivity level of California's immigrants is lower than that of native workers. However, employers report preferring immigrants to other workers because they are "hard working," "motivated," and possess "a strong work ethic," and we found no evidence to support the proposition that immigrants are less productive. As Figure 6.3 shows, value added per manufacturing employee was 10 percent higher in California than in the rest of the nation in the 1960s and early 1970s, and although that advantage has eroded somewhat since then, it is still an advantage. Despite an increasing reliance on immigrants and, as the figure also shows, a somewhat lower level of capital investment per worker, California has maintained its productivity advantage.

In sum, California's employers have seen their labor costs decline relative to those of employers elsewhere in the United States and yet have not lost their productivity advantage.



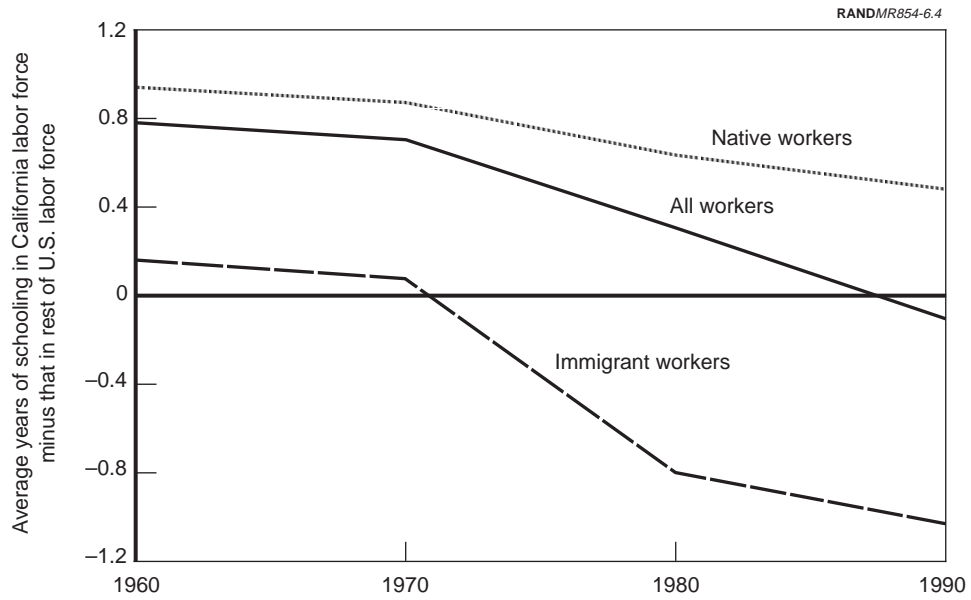
**Figure 6.3—Productivity of California's Manufacturing Workers Remains Competitive**

**However, California's labor force has lost its educational advantage.**

The disproportionate entry of immigrants with less than a high school education into California's labor force has caused it to lose the educational advantage it once held over the rest of the country (see Figure 6.4). In 1960, the typical California worker had almost one more year of education than the typical U.S. worker did. In 1990, there was little difference. Moreover, immigration's effects on the labor force's educational standing are not confined to the sharply dropping "Immigrant workers" curve in the figure: The relative decline in the educational level of California's natives reflects the lower educational attainment of children born to immigrant parents in the state.

**The Short Story**

Immigrants have kept wages in California lower than those elsewhere in the nation, causing employment in the state to grow at a faster rate than it would have otherwise. However, the disproportionate entry of immigrants having less than a high school education has led to the loss of the educational advantage California's labor force traditionally held over the rest of the country. California's level of productivity has also dropped, but it is still higher than elsewhere in the country. What remains to be seen is whether California will be able to



**Figure 6.4—California's Labor Force Has Lost Its Educational Advantage**

keep its productivity advantage over the long term if the educational level of its workers continues to decline relative to that of U.S. workers and capital investment per worker does not increase.