

POLICY BRIEF

Does Migration Cause Income Inequality?

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STATEMENT OF ISSUE

Inequality has been rising across the world in recent decades. Latin America has been an exception to what otherwise seems to be the prevalent trend in the U.S., Europe and Asia. In the U.S. the rise in inequality since the 1970s has coincided with the rise in Mexican immigration. In Mexico, inequality has been declining since the mid-1990s, a period during which emigration to the U.S. first increased to historic highs and then declined steeply. Are the two trends causally related? Has emigration from Mexico increased income inequality in the U.S. while lowering it in Mexico?

KEY FINDINGS

- Low-skilled immigration to the U.S., much of it from Mexico, has only played a minor role in rising income and wage inequality. Other trends, most notably globalization in the form of international trade and skill-biased technological change, have played a larger role.
- Low-skilled immigration to the U.S. and migrants' remittances have played a large role in lowering global inequality by moving millions of low-income Mexican families further away from poverty and closer to the global middle class.
- Voters and lawmakers in destination countries appear to put little weight on the global gains from migration— the increase in world productivity and output that would follow if workers could freely migrate across international borders.
- While Mexican migration may have slightly reduced wages for some U.S. workers and slightly increased inequality in the U.S., it raised wages in Mexico. The outflow of Mexican workers to the U.S. between 1970 and 2000 increased the wage of the average Mexican worker by 8 percent.
- Statistically significant negative wage and employment effects on natives are generally only found among high school dropouts, who are a shrinking share of the U.S.-born labor force.

POLICY RECOMMENDATIONS

- Given that migration plays only a small role in inequality trends and is beneficial on net for migrants, sending communities, and destination countries, public policy should focus on reducing migration barriers and making international mobility more efficient and less costly. For example, boosting legal employment-based migration from Mexico to the U.S. would benefit both sides of the border.
- Safeguarding or spurring income mobility is essential and can be accomplished by early childhood education for at-risk kids and high-quality public schools.
- Workforce training and apprenticeship programs can help workers adjust to labor market changes.
- Safety net programs can sustain families who are hit by shocks, such as unemployment or a health crisis.
- Financial literacy and innovative banking regulations can boost access to credit. Payments that help people move to areas where jobs are plentiful, from areas where they are not, can help spur socioeconomic mobility with a country.

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