

National Foundation for American Policy

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New Study Shows Immigrants May Boost Employment of Natives

Arlington, Va. – New research from a former Federal Reserve Bank economist finds an increase in immigration in a state appears to reduce the unemployment rate of natives and increase their labor force participation rate, according to a new [report](#) released by the National Foundation for American Policy (NFAP), an Arlington, Va.-based policy research group.

Madeline Zavodny, a Research Fellow at the National Foundation for American Policy, is a Professor of Economics at the University of North Florida (UNF) in Jacksonville and formerly an economist in the research department of the Federal Reserve Bank of Atlanta and Federal Reserve Bank of Dallas. Zavodny employed a state-level analysis to research the impact of immigrants for the years 2005 to 2013. “The results of the state-level analysis indicate that immigration does not increase U.S. natives’ unemployment or reduce their labor force participation,” writes Zavodny. “Instead, having more immigrants reduces the unemployment rate and raises the labor force participation rate of U.S. natives within the same sex and education group.”

The [report](#), “Immigration, Unemployment and Labor Force Participation in the United States,” is available at <https://nfap.com/>.

The research addresses a primary argument made against immigration, namely that immigrants harm the employment prospects of U.S. workers. Others have implied that the labor force participation rate in the country, which has been declining, would be higher if not for immigrants. The new research undermines these assertions.

Specifically, the study finds:

- A 1 percentage point increase in the share of the labor force comprised of immigrants appears to reduce the unemployment rate of U.S. natives in the same sex-education group by 0.062 percentage points, on average.
- A 1 percentage point increase in the share of the labor force comprised of immigrants appears to raise the labor force participation rate of U.S. natives in the same sex-education group by 0.045 percentage points, on average.
- There is no evidence of significant adverse effects among less-educated U.S.-born workers, while immigration appears to boost labor force participation among more-educated U.S.-born workers.
- Having more immigrants overall does not significantly affect U.S. natives’ unemployment or labor force participation rate.

“The results here may be surprising,” writes Zavodny, “but they are consistent with research that finds immigration has little adverse effect on native-born workers’ wages and employment. The results do not deny, however, not all workers in America are doing well. The results simply point to the fact that immigrants are not to blame for deeper structural forces or circumstances that may have led to dim labor market prospects for some workers.”

The results provide no evidence that immigration harms U.S. natives in the labor market. If anything, immigration appears to have a positive effect when looking within sex and education groups. How can this result be reconciled with standard economic models that predict adverse effects? One potential answer, the study notes, is many immigrants do not compete directly with many U.S. natives for jobs because they work in different sectors and live in different parts of the country.

One way to look at whether immigrants and natives work in similar sectors is to look at the share of immigrants working in an occupation relative to the share of natives working in that occupation. For example, immigrants are more than three times as likely as U.S. natives to work in farming, forestry and fishing occupations, while U.S. natives are more than twice as likely as immigrants to work in protective service occupations. Immigrants and U.S. natives clearly tend to work in different occupations.

A similar calculation for place of residence shows that immigrants and U.S. natives tend to live in different states. For example, immigrants are more than two and a half times as likely as U.S. natives to live in California, but less than one-tenth as likely as U.S. natives to live in West Virginia. In addition, immigrants and U.S. natives often live in different geographic labor markets within states, further reducing competition among them.

In addition, native-born workers respond to immigration in a number of ways that reduce the competition for jobs between immigrants and natives. One way is that natives may move into different jobs when immigration occurs. Research shows that U.S. natives tend to move into communications-intensive jobs in response to an inflow of immigrants (Peri and Sparber, 2009, 2011). This occurs at both the top and bottom of the skill distribution. Further, the jobs that U.S. natives move into tend to be higher paying than the jobs disproportionately filled by immigrants. U.S. natives also may respond to immigrant inflows by moving to different parts of the country. Empirical evidence is mixed on whether this actually occurs (e.g., Card and DiNardo, 2000; Borjas, 2006), but such migration would cushion any adverse impact of immigration on U.S.-born workers.

Immigration also may have little adverse effect on natives because immigrants may actually create or preserve jobs. Immigrants may boost consumer demand, start their own businesses, and reduce offshoring, among other channels. Recent research concludes that each additional immigrant creates 1.2 local jobs for local workers, most of them U.S. natives, by increasing consumer demand for local services (Hong and McLaren, 2015). Immigrants are more likely than U.S. natives to start or own a company (Hunt, 2011; Fairlie and Lofstrom, 2014). In particular, immigrants have played a key role in founding a number of high-tech U.S. companies (e.g., Wadhwa et al., 2007). Relatedly, inflows of highly educated immigrants boost patent activity and productivity (Hunt and Gauthier-Loiselle, 2010; Kerr and Lincoln, 2010). Immigration may have reduced offshoring of manual-labor intensive jobs in the U.S. (Ottaviano, Peri, and Wright, 2013).

Immigration may create other benefits to U.S. natives as well. Immigration may reduce the price of immigrant-intensive goods and services. Research suggests that an increase in the share of low-skilled immigrants in the labor force decreases the price of immigrant-intensive services, such as housekeeping and gardening, primarily by decreasing wages among immigrants (Cortes, 2008). The lower price and greater availability of private household workers—nannies, housecleaners, gardeners, and the like—as a result of immigration has allowed highly educated U.S.-born women to increase their hours of work (Cortes and Tessada, 2011).

Critics of immigration frequently allege that immigration harms U.S. natives in the labor market by reducing their wages, boosting their unemployment, or decreasing their incentive to participate in the labor market at all. Using data from the 2005-2013 American Community Survey—the most recent and comprehensive data available—this study shows that there is no evidence that immigration leads to higher unemployment rates or lower labor force participation rates among U.S. natives. On the contrary, sex-education groups with a higher immigrant share have lower unemployment rates and higher labor force participation rates. Combined with the sizable literature that concludes that immigration has little effect on natives' wages, this suggests that immigration has not had an appreciable adverse impact on U.S. natives overall in the labor market.

The study concludes, “This is not to say that the labor market picture is rosy for all U.S. workers. Inflation-adjusted wages have stagnated for many workers since the early 2000s, unemployment is persistently high for low-skilled workers, and the labor force participation rate has been declining for at least a decade. But focusing on immigration as the cause of these woes distracts attention from more important economic forces, including the minimum wage, the structure of government transfer programs, and the failures of the education system, that affect the U.S. labor market.”

About the National Foundation for American Policy

Established in the Fall 2003, the National Foundation for American Policy (NFAP) is a 501(c)(3) non-profit, non-partisan public policy research organization based in Arlington, Virginia focusing on trade, immigration and related issues. The Advisory Board members include Columbia University economist Jagdish Bhagwati, Ohio University economist Richard Vedder, Cornell Law School professor Stephen W. Yale-Loehr and former INS Commissioner James W. Ziglar. Over the past 24 months, NFAP's research has been written about in the *Wall Street Journal*, the *New York Times*, the *Washington Post*, and other major media outlets. The organization's reports can be found at www.nfap.com. Twitter: [@NFAPResearch](https://twitter.com/NFAPResearch)

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