

National Foundation for American Policy

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New Research: Immigrants Boost Economic Growth And Employment Growth, Make U.S. Economy More Dynamic

Metro Areas With More Immigrants Have Faster Job Growth And More New Businesses

Arlington, Va. – Immigrants boost economic growth, employment growth and economic dynamism through their contributions to the workforce, entrepreneurial activities and purchases of goods and services, according to a [new study](#) released by the National Foundation for American Policy (NFAP), a nonpartisan research organization. The analysis in the study finds that immigrants may slow the offshoring of manufacturing activity by U.S. businesses, indicating the importance of immigration to increasing U.S. domestic manufacturing production. Metro areas with a higher share of immigrants have more dynamic economies and experience faster growth in the number of jobs created and new business establishments. During 2010 to 2019, foreign-born workers accounted for up to one-quarter of employment growth and up to three-quarters of the growth in business establishments in the 248 metro areas examined.

The study's author is Madeline Zavodny, a Professor of Economics at the University of North Florida (UNF) in Jacksonville. Zavodny was an economist in the research department of the Federal Reserve Bank of Atlanta and Federal Reserve Bank of Dallas.

The report, "Immigration, Employment Growth and Economic Dynamism," can be found at <https://nfap.com/>.

This study presents new estimates of the relationship between foreign-born workers and measures of economic growth, including:

- Across 248 metro areas, a 1 percentage point higher share of the population composed of the working-age foreign born in 2010 is associated with a 0.58 percentage point higher growth rate in the number of establishments during 2010-2019. Foreign-born workers accounted for up to three-quarters of the growth in business establishments in 248 U.S. metro areas between 2010 and 2019.
- A 1 percentage point higher share of the population composed of foreign-born workers is associated with a 0.7 percentage point higher employment growth rate. Foreign-born workers can account for up to one-quarter of employment growth during the 2010s in the 248 metro areas examined.
- Foreign-born college graduates have a significant impact: A 1 percentage point higher share of the population composed of working-age foreign born who are college graduates is associated with a 1.64 percentage point higher growth rate in the number of business establishments and a 2.1 percentage point higher job growth rate.

The report also presents new estimates of the relationship between foreign-born workers and business dynamism, or the entry and exit of businesses and job creation and destruction, a topic that has received little prior attention:

- Immigration appears to boost business entry and exit rates. A 1 percentage point higher immigrant share in 2010 is associated with a 1.7 percentage point higher entry rate and a 1.2 percentage point higher exit rate over 2010-2019.
- A 1 percentage point higher immigrant share in 2010 is associated with a 1.6 percentage point higher job creation rate and a 0.8 percentage point higher job destruction rate from 2010 to 2019.
- The estimated relationships are again larger for foreign-born college graduates: A 1 percentage point higher college graduate immigrant share in 2010 is associated with a 5.4 percentage point higher business entry rate, a 3.7 percentage point higher business exit rate, a 4.8 percentage point higher job creation rate, and a 2.5 percentage point higher job destruction rate.

The analysis examines how immigration is related to business dynamism by combining data from the American Community Survey with the U.S. Census Bureau's Business Dynamics Statistics program. Metro areas with a higher foreign-born share have more dynamic economies, with higher rates of business entry and exit and job creation and destruction. The college graduate immigrant share appears to have a larger impact on establishment and employment growth and on business dynamism than the immigrant share that includes all education groups, but both measures appear to have positive impacts. Foreign-born workers appear to be particularly important to business dynamics in the construction industry, while foreign-born workers who are college graduates appear to be particularly important to business dynamics in the information industry. Foreign-born workers also appear to reduce the growth rate of offshoring in the manufacturing industry.

Business dynamism has been declining in the United States since the 1980s. The causes of the decline in business dynamism are unclear, but the implications are not: an economy with less "churn" means that most peoples' living standards rise more slowly. Business dynamism is a vital part of a growing economy. Immigrants promote economic growth by moving to areas where businesses are forming or expanding and need more workers. As workers, consumers and entrepreneurs, immigrants promote business dynamism by adding their skills to the labor force, serving as a new group of customers and starting up new businesses. Immigrants enable the U.S. economy to add more businesses and jobs and help it to grow continuously and change instead of stagnating. The results here suggest that having more immigrants would boost business dynamism and lead to slower growth of offshoring or even "reshoring" of some activities to the U.S.

Business formation and job creation are vital to a growing economy. Some new businesses offer new or better products, and others help fill gaps in underserved markets. Successful young businesses are the engine of job creation in the United States. While the benefits of business formation and job creation are obvious, business closure and job destruction play important roles in economic growth as well. Business exits and job destruction can free up scarce resources for more highly valued uses. In a dynamic economy, entrepreneurs, employees and other resources readily shift from declining areas or sectors to growing ones. Business dynamism – the perpetual process of businesses forming, expanding, shrinking and dying, and creating and destroying jobs as they do – is fundamental to economic growth and rising living standards.

Immigration contributes to business dynamism in several ways. Since the foreign born tend to be more entrepreneurial than U.S. natives, higher rates of immigration are likely to lead to more business formation. Immigrants are more likely than U.S. natives to start businesses at every size, not just at small sizes. Immigrants' roles as workers and consumers may also boost business dynamism. Greater availability of workers because of immigration is likely to stimulate business entry and expansion. Workers with the skills most in demand are particularly important. Similarly, an increase in the number of consumers due to immigration is likely to stimulate business entry

and expansion. Further, immigration-induced changes in what and where businesses produce may lead to more business entry and exit along with more job creation and destruction.

Immigration can also shape business dynamics by affecting whether goods are produced domestically or abroad. The analysis shows that immigrants may contribute to the U.S. economy by slowing the offshoring of manufacturing activity by U.S. businesses. The result confirms and updates earlier research that shows that having more immigration reduces the share of manufacturing employment that is offshored, without reducing the employment of U.S. native-born workers. It also supports research showing that restrictions on immigration boost offshore employment in high-tech industries.

About the National Foundation for American Policy

Established in 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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