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VALUE ADDED:
Immigrants Create Jobs and Businesses, Boost Wages of Native-Born Workers

Immigrants are not the cause of unemployment in the United States. Empirical research has demonstrated repeatedly that there is no correlation between immigration and unemployment. In fact, immigrants—including the unauthorized—*create* jobs through their purchasing power and their entrepreneurship, buying goods and services from U.S. businesses and creating their own businesses, both of which sustain U.S. jobs. The presence of new immigrant workers and consumers in an area also spurs the expansion of businesses, which creates new jobs. In addition, immigrants and native-born workers are usually not competing in the same job markets because they tend to have different levels of education, work in different occupations, specialize in different tasks, and live in different places. Because they *complement* each other in the labor market rather than compete, immigrants increase the productivity—and the wages—of native-born workers. In the words of economist [Giovanni Peri](#), “immigrants expand the U.S. economy’s productive capacity, stimulate investment, and promote specialization that in the long run boosts productivity,” and “there is no evidence that these effects take place at the expense of jobs for workers born in the United States.”¹

There is no correlation between immigration and unemployment.

If immigrants took jobs away from large numbers of native-born workers, one would expect to find high unemployment rates in those parts of the country with the largest numbers of immigrants—especially immigrants who have come to the United States recently, are more likely to be unauthorized, and are more willing to work for lower wages than native-born workers. However, that is not the case.

- Rob Paral & Associates [found](#) that there was no correlation between the size of the foreign-born population and the African American unemployment rate in U.S. metropolitan areas in 2009.²
- Rob Paral & Associates also [found](#) that there was little apparent relationship between recent immigration and unemployment rates at the regional, state, or county level in 2008.³
 - For instance, recent immigrants comprised an average of 3.1 percent of the population in counties with the highest unemployment rates. But recent immigrants accounted for a *higher* share of the population (4.6 percent) in counties with the *lowest* unemployment rates.⁴

- The highest unemployment rates were found in counties located in manufacturing centers and rural areas—which tend to have relatively *few* recent immigrants. Recent immigrants usually go where the jobs are: metropolitan and non-manufacturing counties where unemployment rates are lower.⁵

Immigrants actually *create* jobs as consumers and entrepreneurs.

- Immigrant workers [spend](#) their wages in U.S. businesses—buying food, clothes, appliances, cars, etc.—which sustains the jobs of the workers employed by those businesses.⁶ Moreover, businesses [respond](#) to the presence of new workers and consumers by investing in new restaurants, stores, and production facilities. The end result is more jobs for more workers.⁷
- Immigrants also are more likely than natives to start their own businesses. According to a [report](#) from the Kauffman Foundation, “immigrants were more than twice as likely to start businesses each month than were the native-born in 2010.”⁸
- Immigrants fuel technological and scientific innovation as well. According to a [report](#) from the Brookings Institution, “among people with advanced degrees, immigrants are three times more likely to file patents than U.S.-born citizens. Such investments in new businesses and in research may provide spillover benefits to U.S.-born workers by enhancing job creation and by increasing innovation among their U.S.-born peers.”⁹

Immigrants and native-born workers are usually in different job markets, so they don’t compete.

Immigrants and native-born workers have different levels of education.

- According to a [report](#) from the Congressional Budget Office (CBO), nearly one-third (30 percent) of native-born workers age 25+ had some college education short of a bachelor’s degree in 2009, compared to only 17 percent of foreign-born workers. More than one-quarter (27 percent) of foreign-born workers lacked a high-school diploma, compared to only 6 percent of native-born workers.¹⁰
- Rob Paral & Associates [found](#) that nearly one-third (30.6 percent) of all employed recent immigrants had a bachelor’s degree or more education in 2008, compared to only 14.1 percent of unemployed natives. Over one-quarter (27.4 percent) of all unemployed natives had some college short of a bachelor’s degree in 2008, compared to only 14.4 percent of employed recent immigrants.¹¹

Immigrants and native-born workers are employed in different occupations.

- According to the [CBO](#), the top occupation for foreign-born workers age 25-64 was construction and extraction in 2009, accounting for 8.8 percent of the total foreign-born labor force, followed by production occupations (8.7 percent); building and grounds cleaning and maintenance (8.5 percent); and sales (8.4 percent).¹²

- The top occupation for native-born workers age 25-64 was office and administrative support in 2009, accounting for 13.8 percent of the total native-born labor force, followed by management (12.9 percent); sales (10.5 percent); and education, training, and library occupations (7.0 percent).¹³

Immigrants and native-born workers specialize in different kinds of tasks.

- Immigrants and native-born workers fill different kinds of jobs that require different sets of skills. Even if they work in the same occupation or industry—or the exact same business—they usually specialize in different tasks, with native-born workers taking higher-paid jobs that require better English-language skills than many immigrant workers possess.¹⁴

Immigrants and native-born workers live in different places.

- The CBO estimated that 62.5 percent of foreign-born workers lived in six states as of 2009: California, New York, Florida, Texas, New Jersey, and Illinois. In contrast, 66.2 percent of native-born workers lived in the other 44 states.¹⁵
- Even within the six high-immigration states, immigrants still differ from native-born workers in terms of education, occupation, and specific skill sets.

Immigration gives a small wage *boost* to the vast majority of native-born workers.

This wage boost occurs in two ways. First, because immigrants and natives tend to have different levels of education, work in different occupations, and possess different skills, the jobs they perform are frequently interdependent and complementary. This increases the productivity of natives, which increases their wages. Second, the addition of immigrant workers to the labor force stimulates investment as new restaurants and stores open, new homes are built, etc. This increases the demand for labor, which exerts upward pressure on wages.¹⁶

- A 2010 report from the Economic Policy Institute estimated that, from 1994 to 2007, immigration increased the wages of native-born workers by 0.4 percent. The amount of the wage gain varied slightly by the education level of the worker.
 - College graduates got a boost of 0.4 percent; workers with some college 0.7 percent; high-school graduates 0.3 percent; and workers without a high-school diploma 0.3 percent.¹⁷
- A 2008 study by economist Giovanni Peri estimated that, from 1990 to 2006, immigration increased the wages of native-born workers by 0.6 percent.
 - College graduates experienced an increase of 0.5 percent, workers with some college 0.9 percent, high-school graduates 0.4 percent, and workers without a high-school diploma 0.3 percent.¹⁸

Endnotes

- ¹ Giovanni Peri, "[The Effect of Immigrants on U.S. Employment and Productivity](#)," FRBSF Economic Letter 2010-26 (San Francisco, CA: Federal Reserve Bank of San Francisco, August 30, 2010).
- ² Data provided to the IPC by Rob Paral and Associates. See Immigration Policy Center, [The Racial Blame Game: Immigrants Are Not the Cause of High Unemployment and Low Wages Among Minority Workers](#) (Washington, DC: American Immigration Council, March 1, 2011), pp. 1-2.
- ³ Rob Paral & Associates, [The Unemployment and Immigration Disconnect: Untying the Knot, Part I of III](#) (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, May 2009), pp. 4-6.
- ⁴ *Ibid.*, p. 6.
- ⁵ *Ibid.*, pp. 7-8.
- ⁶ Heidi Shierholz, [Immigration and Wages: Methodological advancements confirm modest gains for native workers](#) (Washington, DC: Economic Policy Institute, February 4, 2010), p. 22.
- ⁷ Michael Greenstone and Adam Looney, [Ten Economic Facts About Immigration](#) (Washington, DC: The Hamilton Project, Brookings Institution, September 2010), p. 5.
- ⁸ Robert W. Fairlie, [Kauffman Index of Entrepreneurial Activity: 1996–2010](#) (Kansas City, MO: Ewing Marion Kauffman Foundation, March 2011), p. 2.
- ⁹ Michael Greenstone and Adam Looney, [Ten Economic Facts About Immigration](#) (Washington, DC: The Hamilton Project, Brookings Institution, September 2010), p. 11.
- ¹⁰ Congressional Budget Office, [The Role of Immigrants in the U.S. Labor Market: An Update](#), July 2010, p. 7.
- ¹¹ Rob Paral & Associates, [The Disparity Between Immigrant Workers and Unemployed Natives: Untying the Knot, Part III of III](#) (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, August 2009), p. 4.
- ¹² Congressional Budget Office, [The Role of Immigrants in the U.S. Labor Market: An Update](#), July 2010, p. 13.
- ¹³ *Ibid.*
- ¹⁴ Giovanni Peri, [The Effect of Immigrants on U.S. Employment and Productivity](#), FRBSF Economic Letter 2010-26 (San Francisco, CA: Federal Reserve Bank of San Francisco, August 30, 2010).
- ¹⁵ Congressional Budget Office, [The Role of Immigrants in the U.S. Labor Market: An Update](#), July 2010, p. 5.
- ¹⁶ Giovanni Peri, [Rethinking the Effects of Immigration on Wages: New Data and Analysis from 1990-2004](#) (Washington, DC: Immigration Policy Center, American Immigration Law Foundation, October 2006), p. 1.
- ¹⁷ Heidi Shierholz, [Immigration and Wages: Methodological advancements confirm modest gains for native workers](#) (Washington, DC: Economic Policy Institute, February 4, 2010), p. 12.
- ¹⁸ Gianmarco I.P. Ottaviano and Giovanni Peri, [Immigration and National Wages: Clarifying the Theory and the Empirics](#), NBER Working Paper No. 14188 (Cambridge, MA: National Bureau of Economic Research, July 2008), p. 58.