

# Do foreign-born workers affect Americans' labor market decisions?

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As evidenced by the recent U.S. federal government shutdown, immigration is a fiercely debated topic in the public sphere. Many immigration detractors argue that foreign-born workers are taking jobs that should be going to Americans. Proponents argue that foreign-born workers are doing the jobs Americans don't want. Which is true? To shed light on the subject, a recent study explores the relationship between immigration and the native-born labor force.

Most empirical studies of immigration focus on how it affects wages and unemployment. But a November 2017 *Economic Commentary* article published by the Federal Reserve Bank of Cleveland examines a different question: “Do foreign-born workers cause native-born workers to move or leave the labor force?” Authors Allen Dizioli and Roberto Pinheiro find that in states with higher percentages of foreign-born workers, native-born workers are more likely to either move to a different state or drop out of the workforce altogether.

Dizioli and Pinheiro use Current Population Survey (CPS) monthly data to track labor force participation rates and data from the Annual Social and Economic Supplement to the CPS to track changes in interstate migration. Controlling for workers' age, race, gender, health, education, marital status, and place of birth, they limit their analysis to men of prime working age (25–54) who have moved within a year of the study period. Older workers, younger workers, and women are excluded from the analysis to limit the impact of nonmarket decisions (e.g., retirement, schooling, leaving the labor force to care for a relative, etc.).

The data showed that in the states where the men in the sample *moved from*, the average unemployment rate was 6.75 percent and the average share of foreign-born workers was 10.98 percent. In the states where the men *moved to*, the average unemployment rate was 6.65 percent and the average share of foreign-born workers was 9.39 percent. So the men moved to states where the difference in unemployment was negligible, but the difference in percentage of foreign-born workers was significant.

Overall, the authors found that a 10-percent increase in the foreign-born share of a state's labor force was correlated to an increased likelihood of native-born workers moving to a different state. The additional probability of interstate migration related to the increase was 1.45 percent for college-educated native-born workers and 1.71 percent for less-educated native-born workers. The same correlation existed with respect to native-born workers' propensity to drop out of the labor force, but it was far less meaningful, 0.05 percent for college-educated native-born workers and 0.46 percent for less-educated native-born workers.

The results suggest that a prevalence of foreign-born labor was, in fact, related to native-born workers—particularly those without a college degree—moving across state lines or dropping out of the labor force. The

results were consistent with earlier research cited by the authors that showed “a large influx of Mexican immigrants . . . induced substantial internal relocation.”