Immigration & Economic Growth in the Bi-State Region

For Presentation at:
Gateways for Growth
Donna K. Ginther
Professor, Department of Economics, University of Kansas,
Director, Center for Science, Technology & Economic Policy
at the Institute for Policy & Social Research
National Bureau of Economic Research
Acknowledgements

- We thank the Kauffman Foundation for providing financial support to conduct this study.

- Work co-authored with Patricia Oslund & Jennifer Boden
Immigration Overview

- We provide a statistical portrait of immigration in the bi-state region.
- Our study examines how immigration affects the population and economy in Kansas, Missouri, and the Kansas City Metropolitan area (KC Metro).
- We find that immigration has a positive impact on population and economic growth.
Who is an immigrant?

- Immigrants in our study are defined as individuals born outside of the US.
- Includes naturalized citizens

- We compare immigrants to native-born citizens
- We also examine recent immigrants (in the US 1-5 years) with established immigrants
Data on Immigration

- Map Public Use Micro Areas in ACS onto metropolitan areas.
- We compare KC Metro to other mid-sized metros:
  - St. Louis, Oklahoma City, Omaha, Des Moines, Denver, Milwaukee, Minneapolis & Wichita
Kansas, Missouri & KC Metro have lower share of immigrants than The US.
Immigrants as a percent of population are concentrated in Southwestern Kansas, Johnson & Sedgwick counties.
Missouri has a lower share of immigrants than Kansas. Immigrants Locate in urban areas (St. Louis & Kansas City)
In the KC Metro, there are more immigrants on the Kansas side—in Johnson & Wyandotte counties.

On the Missouri-side, immigrants are concentrated in the Northlands.
Compared with Missouri, a larger share of Kansas immigrants and natives live in non-metro areas.
Geography of Immigration

Only Omaha and St. Louis have a lower share of immigrants than Kansas City in 2013.
Immigrant Gateways

- Immigrant gateways are areas that attract high numbers of immigrants.
- Immigrant gateways started as major metropolitan areas (e.g. New York), but have moved South and West over time.
- Denver & Minneapolis are top 25 immigrant gateways. KC Metro ranks 43rd.
Immigrants, especially recent immigrants, are younger and prime-working age compared with natives.
Children of Immigrants

The majority of children of immigrants are US citizens. In the US, Kansas & the KC Metro 80% of children of immigrant parents who are not citizens are US citizens.
Over half of the immigrants in the US, Kansas, Missouri, and the KC Metro have lived in the US more than 10 years.
The KC Metro, Wichita and St Louis have a more-established immigrant community than other metros.
Educational Attainment

Educational Attainment
2013 Working Age Population

Immigrants are more likely to be low-skilled in the US, Missouri, Kansas & KC Metro. The US has more high-skilled immigrants than we have in the bi-state region.
Immigrants in the bi-state region speak English well, better than in the US as a whole.
40% of immigrants in the KC Metro are citizens. This is about average compared with other metro areas.
Immigrant Labor Force Participation is comparable to natives.
Female immigrants have much lower labor force participation rates than natives. Male immigrants have higher LFP than natives.
Top 5 Immigrant Occupations

- Kansas: Cooks, Janitors, Housekeepers, Butchers, Construction, HS & College Instructors
- Missouri: Cooks, Managers, HS & College Instructors, Housekeepers, Janitors, Software developers
- KC Metro: Cooks, Housekeepers, Janitors, Software developers, Managers, Nurses aides
Immigrant Entrepreneurship

- Literature shows immigrants are more likely to be entrepreneurs.
- Entrepreneurship is difficult to measure—we proxy this using self-employment.
- Also examine business owners who are foreign—2007 Survey of Business owners.
Immigrant Self-Employment

In US immigrants are more likely to be self-employed than natives. However in Kansas and KC Metro this is not the case.
Immigrant Business Ownership

Foreign born business ownership is much higher in US than in Missouri or Kansas.
Immigrant Earnings

- Immigrants with a college degree or less education earn less than natives in the bi-state region.
- Immigrants with graduate or professional degrees earn more than natives.
Immigrants are significantly more likely to be in poverty than natives. A much higher share is below 2x the poverty level.
International Students

Kansas (~1%) and Missouri (~2%) have very low numbers of international students enrolled in universities.
Kansas has a very low share (<1%) of H1-B visas. The Missouri share is low as well.
Kansas and Missouri have less than 1% of permanent resident visas.
Kansas has higher numbers of undocumented immigrants than Missouri. Undocumented immigrants are approximately 1% of the Missouri population and 2.6% of the Kansas population.
Economic Effects of Immigration

- Following a model developed by Card (2007, 2009) we estimate the effect of immigration on metropolitan areas.
  - Population, employment and wages of native workers.
- We use previous period’s change in immigrants and share of immigrants in 2007 as instruments for immigrants’ choice of a metropolitan area.
Economic Effects of Immigration

- Since models are specified as changes in population and employment, coefficients $> 1$ indicate a positive impact of immigration. A positive coefficient in the wage model is indicative of a positive impact of immigration.

<table>
<thead>
<tr>
<th>Regression</th>
<th>Key variable</th>
<th>Coefficient estimate</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>change in foreign-born population (2007-2012)</td>
<td>$a_1 = 1.26$</td>
<td>1%</td>
</tr>
<tr>
<td>Total Employment</td>
<td>change in foreign-born work age population ages 25-64 (2007-2012)</td>
<td>$b_1 = 1.23$</td>
<td>1%</td>
</tr>
<tr>
<td>Wages of Native-born (log)</td>
<td>Share of foreign-born in total population</td>
<td>$c_1 = 0.74$</td>
<td>1%</td>
</tr>
</tbody>
</table>
Conclusions--Population

- The immigrant population in Kansas is a larger percentage of the population and more likely to live in rural areas; consequently immigration differs from that of Missouri and the US.

- KC Metro has a small share of immigrants (6.5%) compared with other midwestern metropolitan areas.
  - The percentage of foreign-born who are naturalized citizens has grown to 40% in the KC Metro.
Conclusions—Education & Employment

- Immigrants are either low-skilled or higher-skilled than natives.
- Labor Force participation rates are similar those of natives.
- Immigrants earn less than natives unless they have graduate degrees.
- Kansas and Missouri have lower shares of H1-B and permanent resident visas compared to their share of the US population.
Conclusions—Economic Impact

- Although in the US immigrants are more likely to be self-employed or own businesses, these rates are lower in Kansas and Missouri.

- Our econometric models indicate that immigrants add to population growth and employment in metropolitan areas.

  - Despite the increase in labor supply, we find no negative effect of immigration on native wages. This suggests immigrants are complements to natives in the labor market.