



Penny Schwab has spent two decades helping immigrants in southwest Kansas.

In her job as executive director of Western Kansas Mexican-American Ministries, a nonprofit operator of health clinics and provider of social services, Schwab has assisted countless immigrants. Ask her why these new Americans come to this windswept corner of the High Plains, and Schwab can answer almost without even thinking about it.

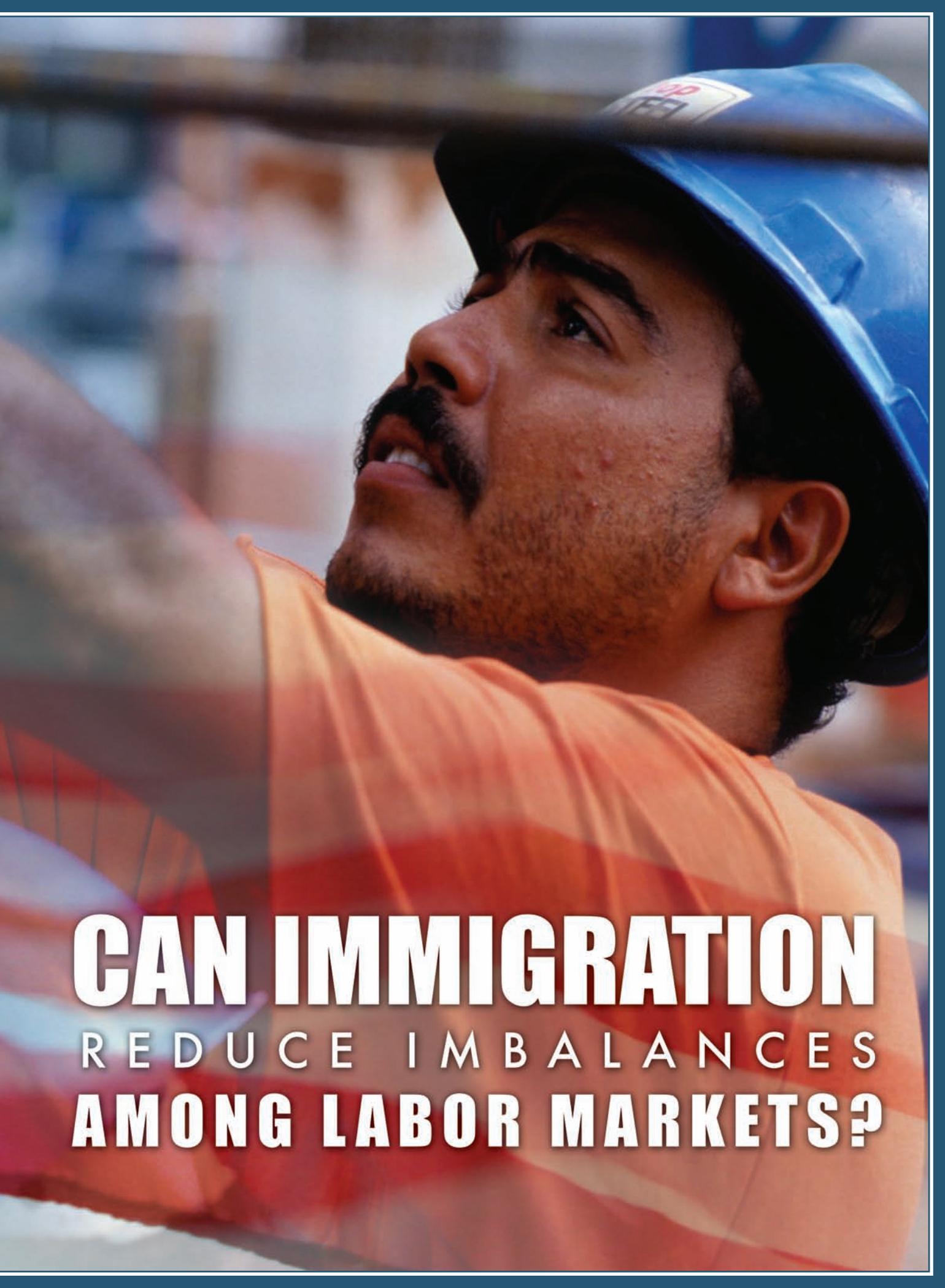
“Because there is work,” Schwab says. “The jobs are not all pleasant, but people come because there is work.”

When it comes to immigration, this question of “why” might be the only one with an easy answer. The rest of the questions are, at best, complex and, in many cases, emotionally charged.

Recently, William Keeton, an assistant vice president and economist at the Federal Reserve Bank of Kansas City, and Geoffrey Newton, a research associate, completed a research project exploring a complex question related to immigration that has received relatively little attention: Does immigration reduce or increase

PHOTO BY STEVE DUNWELL, GETTY IMAGES





**CAN IMMIGRATION
REDUCE IMBALANCES
AMONG LABOR MARKETS?**



imbalances among labor markets?

As perhaps should have been expected, they did not find a simple answer.

The workers

Since the 1960s, immigration has dramatically increased in the United States. This second wave of immigration, after the influx of Europeans in the late 1800s and early 1900s, has been criticized by some as having reduced job opportunities for native workers. Keeton and Newton did not explore that issue specifically, instead looking at how immigration can alter the allocation of all workers across markets.

A particular job market can experience job growth that is stronger than its peers for innumerable reasons—high consumer demand for a particular good or a production advantage that equates into lower consumer prices. As a job market grows, employers trying to attract employees from a dwindling supply of workers will tend to increase wages, creating a disparity with what is being paid in low-demand markets.

The authors write that the disparity between markets is an inefficient allocation of labor. Relocating workers into the high-de-

mand markets can improve efficiency and thereby increase total production of goods and services. The problem, however, is that workers may be unwilling to relocate.

“According to some estimates ... it would take 30 years for (native) migration to eliminate just half the difference in wages across the U.S.,” Keeton says.

Immigration, however, could help eliminate these market imbalances, Keeton says, if immigrants gravitate to markets where the demand for labor is strong.

To explore this issue, Keeton and Newton examined census data from the last half of the 1990s in considering two theories related to immigration trends:

- Immigrants moving to markets with exceptionally high labor demand could reduce differences in wages and unemployment between strong and weak cities.
- Immigrants moving to markets with an average or below-average demand for labor could create an excess supply of workers.



WHILE EMPLOYMENT is a significant factor in where immigrants choose to locate, the pull of a strong, pre-existing immigrant community, such as this area in Kansas City, Mo., is also of considerable influence.

Both theories could have significant implications for immigrants, native workers and the economy.

The markets

Although southwest Kansas has received much attention for the arrival of Mexican and Latin American immigrants in recent years, Schwab says that immigration has played a vital role in the region for nearly a century. In the early 1900s, immigrant workers came to work the sugar beet crops and do other agricultural fieldwork. The recent flow of immigrants is also related to agriculture, starting in the mid-1980s with workers coming to the region's massive meatpacking operations.

While the meatpacking plants offer an opportunity for employment, southwest Kansas is not a booming job market. Still, immigration to the area remains strong. Bank research focusing on census data from the last half of the 1990s

found that the southwest Kansas triangle of Dodge City, Garden City and Liberal all saw immigration rates far in excess of similar-sized communities with similar overall job demand.

In that period, Liberal had an immigration rate of 7.7 percent of its 1995 population—the third-highest figure for any community of a similar size. Rates for Dodge City and Garden City were also high at 6.4 percent and 5.4 percent, respectively. In comparison, the average for a community of a similar size was less than a percentage point at .8 percent.

Although these immigrants came to the United States looking for work, Keeton says that the decision to settle in rural Kansas was likely influenced by friends or relatives who had previously come to the same area.

“A number of studies have found that immigrants tend to move to markets where established immigrants of the same nationality are already living,” Keeton says.



Schwab says that has been the case in southwest Kansas.

“The majority are coming to work in an area where they know someone,” she says. “They can at least house you.”

Although immigrants can find the support of family and friends in communities such as those in southwest Kansas, conditions for finding employment are more favorable in a booming job market.



PHOTO BY STEVE DUNWELL, GETTY IMAGES

In the 1990s, Colorado was home to some of the nation's hottest markets for job growth. In Denver, the 1990s were everything that the previous decade was not.

After watching its population slip 5 percent in the 1980s, Denver grew 19 percent in the 1990s, thanks largely to a single source.

"This growth was almost entirely attributable to an increase in the city's Hispanic population, the majority of whom are immigrants from Mexico," reads the Brookings Institution's analysis at the Denver 2000 census data.

During the 1990s, Denver's foreign-born population jumped 178 percent compared with a 45 percent average increase for the nation's 100 largest cities, according to the Brookings analysis.

Denver's job market was also booming. According to the Bank's analysis, the Denver metropolitan area recorded employment growth of 21 percent during the last half of the 1990s.

The figure is more than 5 percentage points higher than what would have been projected for the same period based on the region's industrial mix and above the 12.6 percent average employment growth for the nation's largest metropolitan areas during the same period.

The jobs attracted workers.

During the last half of the 1990s, the Denver metro area had an immigration rate of 3.5 percent of its approximate 1995 population—nearly twice the average of 1.8 percent for the nation's large metropolitan areas.

The Bank study also found immigration was strong in the neighboring city of Boulder, where job growth was also ahead of the national average during the same period. Boulder recorded employment growth of 18.2 percent and an immigration rate of 3.2 percent of its 1995 population.

While immigration was strong in Denver and Boulder, the two cities also experienced strong growth in the migration of U.S.-born and foreign-born individuals living in the United States, known as established immigrants.

According to the Bank study, Denver's net inflow of U.S. natives, a figure that accounts for both arriving and departing residents who were born in the United States, was 2.9 percent of the area's 1995 population—more than three times the .9 percent national average for large metropolitan areas. Meanwhile, Denver's net inflow of established immigrants was 1.4 percent, compared with an average of only .1 percent for all large metro areas. In Boulder, net inflow of U.S. natives was 2.2 percent while inflow of established immigrants was .5 percent.

The analysis

In their research, Keeton and Newton analyzed similar census data for the last half of the 1990s from numerous U.S. communities ranging from metropolitan areas to small towns. After controlling for any unrelated factors that might have influenced migration trends—the climate or favorable amenities, for example—the economists found a few clear trends:

- During the last half of the 1990s, immigrants tended to move to markets

that could be expected to experience strong job growth;

- U.S. natives tended to stay away from markets that could have been expected to receive large inflows of immigrants.

In southwest Kansas, the numbers clearly suggest a connection between inflows of immigrants and movements of native workers.

Nationwide, the average net native inflow for micropolitan areas during the period was a gain of .6 percent. However, the numbers from three southwest Kansas communities during the same period were negative, with Dodge City at -8.5 percent, Garden City at -3.9 percent and Liberal at -6.4 percent. Established immigrant inflows were mixed, with Dodge City at -.9 percent and Liberal at -1.1 percent, while Garden City gained slightly at .3 percent.

more willing to relocate to stronger job markets.

Certainly the question of legal status is a major issue in the immigration debate. Census data used in the Bank's study does, in principle, include all immigrants regardless of status. However, critics would argue that at least some undocumented workers were likely unwilling to talk to census takers.

"There's a lot of disagreement about how many immigrants should be allowed into the U.S.," Keeton says. "But however many immigrants do come to this country, most people agree it's not a good situation for so many of them to be undocumented and not in the system."

Documented workers likely also would find it easier to secure employment, which, as Schwab points out from her southwest Kansas clinic, is why the immigrants come to America.

“Immigrants tend to move to markets where established immigrants of the same nationality are already living.”

Keeton and Newton currently are conducting research to determine how closely the outmigration by southwest Kansas natives relates to the arrival of immigrants.

"It is hard to tell if natives are moving out because of competition with the immigrants or if they would have moved out anyway because of rural depopulation," Keeton says. "I suspect at least part of that outmigration is something that would have occurred anyway."

So, looking more broadly, does immigration reduce or increase imbalances among labor markets?

The study found a little of both positions to be correct: The impact of immigration on the geographic allocation of labor is neither as adverse as opponents might suggest nor as benign as supporters sometimes claim.

"As is often the case in such controversies, the truth appears to lie somewhere in between," the authors write.

However, Keeton says immigration could be more beneficial toward eliminating the labor market disparity if a larger percentage of immigrants living in the United States had legal status. Documented immigrants, he believes, might be

"Anytime times get bad somewhere, people go somewhere else," she says. "I think people would still come if the borders were closed. They need the work."

T

BY TIM TODD, EDITOR

FURTHER RESOURCES

DOES IMMIGRATION REDUCE IMBALANCES AMONG LABOR MARKETS OR INCREASE THEM? EVIDENCE FROM RECENT MIGRATION FLOWS.

www.KansasCityFed.org/TEN

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.