

# **The Effect of Immigration on Job Creation, Business Survival, and Firm Mobility: Evidence from NETS Data\***

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September 2018

## **Short abstract:**

A voluminous literature using data from household surveys concludes that immigration has a negligible effect on the U.S. labor market overall but appears to harm workers who are most substitutable for new immigrants. Why immigration has little overall effect is unclear. One possibility that has received little attention is that immigration may spur job creation and business expansion, particularly in areas that receive large immigrant inflows. This study examines that question by combining data on immigrant inflows from the American Community Survey with data on job creation and destruction, business formation and survival, and business location choices and mobility from the National Establishment Time-Series (NETS) database. The NETS database, which is proprietary, has never been used to examine the impact of immigration. It offers a wealth of information about labor markets, firms, and industries, allowing us to examine how immigration into an area affects a number of previously unexamined variables.

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\* The views expressed here are solely those of the authors and do not reflect those of the Federal Reserve Bank of Dallas or the Federal Reserve System.

**Extended abstract:**

A voluminous literature examines how immigration affects wages and employment in the United States and other countries. Most of those studies conclude that immigration has a negligible effect on the U.S. labor market overall but appears to harm workers who are most substitutable for new immigrants. Why immigration has little overall effect is an unresolved question. One possibility is that immigration spurs job creation and business expansion, particularly in areas that receive large immigrant inflows.

While we already know a lot about how immigration affects wages and employment among U.S. workers, we know very little about how it affects U.S. business formation. Do businesses add more jobs in areas where immigrants live, and who fills those jobs? Are businesses more likely to start up and less likely to shut down in areas where immigrants live? Do businesses relocate to areas where immigrant workers are available? How has the drop in inflows of less-skilled immigrants over the last decade affected job growth and business creation across the U.S. and in specific areas? Our study will address these questions.

We will use data from the American Community Survey (ACS) and the National Establishment Time-Series (NETS) database to examine the relationship between changes in the share of workers in an area who are foreign-born and job creation, business survival, and employer mobility across locations. The ACS is a large-scale annual survey that includes demographic characteristics that enable us to determine how many workers in a geographic area, industry, and occupation are foreign born, along with other characteristics. The ACS is widely used to study the effects of immigration. The NETS data, however, have not been used before to examine the effects of immigration.

The NETS database tracks business establishments over time and offers a wealth of information about job creation and destruction, business closures, and business mobility, among other topics. The NETS database is a unique, proprietary data source that is well-suited for the questions outlined above, which cannot be answered solely with household- or individual-level surveys.

We plan to conduct the analysis at the state level using annual data from 2005 forward. We will use standard instrumental variables techniques to control for the possibility that immigrants go to areas where the economy is doing well, or endogenous locational choice.

Understanding how immigration affects job creation, business formation, and employer mobility is important for several reasons. Policy makers and researchers would benefit from knowing whether immigration has little effect on U.S. natives' earnings and employment because it leads to job creation and business formation. Local and state economic development officials would benefit from knowing whether businesses move into or out of areas that receive large numbers of immigrants, or into or out of areas that receive few immigrants.

A finding that immigration leads to job creation and business formation that largely offsets adverse labor market effects in the medium to long run would have implications for immigration policy and for the public perception of immigration. It could lead to greater support for visa programs designed to allow foreign workers to enter the country legally as well as spur areas to try to attract immigrants in order attract businesses and jobs.