MYTH THAT IMMIGRANTS “STEAL JOBS”: AN ECONOMIC BLAME GAME?

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―Abstract―

The economic impact of migration has several dimensions. These include positive economic consequences for the host country, such as a possible effect on economic growth, an improvement in the labour market through job creation and on the prices consumers pay for goods and services. Many economists, journalists and politicians have been very verbal on whether immigrants have a positive or negative impact on a host country’s labour market and its economy as a whole. In addition, there exists a stream of literature which argues that, in terms of the labour market, citizens and immigrants will never be perfectly substitutable. The purpose of this article is to arguably dispel the myth that a high level of immigrants causes unemployment and it explores the impact of migration on the labour market in general. It argues that presuming a general equilibrium, immigrants do not only affect labour supply, but also labour demand. This is because immigrants do not only serve as additional workers available to the labour supply, but also as additional consumers, and consequently provide a boost for the local labour market by increasing demand for unskilled and semi-skilled labour. This paper concludes that immigrants do not only have a positive effect on labour markets but also contribute to the wellbeing of the host country’s citizens’ wage. Furthermore, policy implications are highlighted and suggestions for quantitative research on the topic are made.

Key Words: Immigrants, labour market, wages, prices, unemployment

JEL Classification: J61, J68, F66
1. INTRODUCTION

One of the characteristics of the 21st century labour market is migration, which is essential, unavoidable and a potentially beneficial component of the economic and social life of all countries and regions (Kalitanyi & Visser, 2010). The impact of immigration on the labour market is a topical issue among economists and the general public in many developed and developing countries (Sibanda, 2008). Economics literature extensively discusses both theoretically and empirically the consequences of immigration on labour market outcomes and welfare of the host country (Moreno-Galbis & Tritah, 2014). Researchers such as Borjas (2003), Card (2001), Card (2005), Card (2009), and Ottaviano and Peri (2012) theoretically established a standard neoclassical labour market framework with migration. Most of these studies indicate an absence of the negative impact regarding immigration on the host labour market’s outcomes. In addition, other researchers support immigration by arguing that it is impossible for citizens or natives and immigrants to be perfectly substitutable in production (Ottaviano & Peri, 2012).

A major economic concern is how immigrants influence the wages and employment levels in the host country. There are various tremendous economic impacts of immigration depending on which type of skill or qualification the immigrant has. Among immigrants, three categories of skills are likely to be found namely unskilled, semi-skilled and highly skilled. Although their consequences are often conflated, it is constructive to review the empirical impacts of low-skilled and high-skilled immigrants independently (Greenstone & Looney, 2010). The myth is that immigrants worsen local citizens’ employability by displacing them in the labour market meaning labour immigrants who hold skills similar to those of locals compete for jobs and may displace them in the process. Here is where the myth that immigrants steal jobs from local workers or increase unemployment rate comes from. From free market perspective, economists argue that the continued extension of unemployment insurance coverage, the large increases in the minimum wage, and future business costs determined by taxes and expectations resulting sometime from political uncertainty are likely reasons why unemployment persists among citizens of the host country (Anderson, 2010).

In light of the negative reaction to immigrants, the debate about whether they do, actually, bring any value to the economic wellbeing of host countries, given their education, experience and high involvement in small businesses, as whenever
immigration issues are discussed there are some who assert that immigrants increase the level of unemployment (Kalitanyi & Visser, 2010). Few countries do have welcoming policies regarding immigrants, encouraging them to settle permanently and obtain citizenship and naturalisation. Among those few are Australia, Canada, Israel, New Zealand and the United States of America. Therefore, “the way in which governments label migration says much more about the nature of government policy on international migration than the one particular motivations and characteristics of the individuals who migrate. These different labels correspond to policies imposed on populations who cross the borders, almost always with very mixed individual motivations” (Kalitanyi & Visser, 2010:377). Therefore, the issues around immigrants should shift by looking into more positive outcomes from having them in the host country.

High unemployment rate is one of the most global pressing challenges faced by many countries especially developing ones. Therefore, it brings heated debates about the extent and cause of the problem and policies of how it should be addressed (Mabiala, 2013). Using South Africa as an example, during the time of writing this paper, the unemployment rate in South Africa is around 26.6 per cent and despite its extraordinary efforts to reduce it, the government and other businesses in the formal sector have not managed to create employment for all (Kalitanyi & Visser, 2010). South Africa is currently facing an unprecedented inflow of migrant labour mostly from the Southern Africa Development Community (SADC), other African regions and the rest of the world (Sibanda, 2008).

Anderson (2010) postulates five important points about the economic role of immigrants. Immigrants may contribute to output through the investment of savings they bring with them. They may expand the demand for goods and services through their consumption. Some of them are highly entrepreneurial, which may lead to the creation of new jobs for host country’s unemployed citizens. In addition, immigrants fill vital niches in the low and high skilled ends of the labour market, thus creating subsidiary job opportunities for citizens of the host country. Lastly, immigrants may contribute to economies of scale in production and the growth of markets. Therefore, the paper questions the view whether immigrants contribute to unemployment or is just an economic blame game. It also explores through a theoretical review the impacts of immigration on economic growth and job creation.
2. CAUSES OF IMMIGRATION

According to Adepoju (1998) economic considerations are of primary importance in decisions to migrate, in other words people migrate to make sure that they improve their economic wellbeing. Economic reasons are not the only factors that may cause migration; it can also be a result of social, political and environmental factors among others (Singh, 2009). These factors can be divided into pull and push factors. Push-pull theories are basically a prototype version of neo-classical migration theories. Neo-classical theorists see migration at the macro-level as a function of income and other opportunity gaps between origin and destination areas (de Haas, 2014). This means that immigration should be considered as an opportunity to the host country. According to Castles, de Haas and Miller (2014) the gravity model developed by Newton in 1687 and adapted by the first economist in 1962 can be used to predict the volume of migration between places and countries on the basis of distance, population size and economic opportunities in destination and origin areas.

2.1 Push factors

The push factors are those which push people to leave their original countries in search for a better life. Economic push factors include unemployment or/and underemployment, one’s low wages and high cost of living, high inflation, bad working conditions, low productivity, poor economic conditions and lack of opportunities for personal advancement in the origin country (Chiranga, 2013). In other words, people move from one country to another due to lack of being more productive. Hussein (1996) poses that in Africa the prime motive for migration is the improvement in quality of life and in searching for opportunities. A recent example is the case of Zimbabwe whereby high unemployment levels, declining wages and deteriorating working conditions push the economically active age group out of Zimbabwe to neighbouring countries such as Botswana, Namibia and South Africa. According to Chirwa (1996) high levels of unemployment in Malawi in the 1970s, led the president of that country to negotiate with the South African government to import labour from Malawi. Hence many Malawians were employed in South African mines which was a beneficial to both countries.

In terms of the social push factors, the main causes of migrating might be violent conflict, poor living conditions, political oppression, political instabilities and conflict; war, racism and gender discrimination (Mosala, 2008 & Sibanda, 2008). One may also add the human right violation by the ruling political parties in some
countries with lack of democracy and without strong institutions. Datta (2004) notes that people leave their countries not necessarily looking for opportunities but as a response to their fear of riots and terrorism. Political change has also been a factor in determining labour movements. Civil and ethnic conflicts within a country cause migration of a certain people. Racism and oppressive governments during colonialism led people to flee their homes. Independence wars in most African countries such as Mozambique, Zimbabwe and Zambia led people to seek refuge in South Africa. Similarly, South Africa faced such situation during the apartheid regime. Currently European and North American countries are facing serious challenges due to mass migration of people from all over seeking for refuge due to continuous wars in the Middle Eastern countries and political instabilities in some African countries. Moreover, the social push factors can also include poor education levels, social insecurities, religious harassment and presence of relatives in the receiving countries (Datta, 2004). People would always prefer to go to places where they have some form of social networks. Policies that governments pass such as ‘affirmative action’ make other people feel socially and economically excluded and hence leave the country (Crush, et al., 2000).

In addition to push factors, according to The Levin Institute (2011) most environmental factors will lead to receiving countries having environmental refugees. These are defined as people who have been forced to leave their traditional habitat temporarily or permanently because of a marked environmental disruption either being natural or people triggered. Such disasters or unforeseen circumstances jeopardise people’s existence and seriously affect their quality of life.

2.2 Pull factors

Datta (2004) indicated that immigrants are attracted by job opportunities and economic security. As a result, immigrants prefer to move to a country where they can find better employment, higher wages, better facilities, better working conditions, higher standards of living and technological advancement (Singh, 2009). The availability of safety nets of welfare would be another reason to pull them (The Levin Institute, 2011). For example, European countries redistribute a large share of their Gross Domestic Product through social protection. Another example is that half of the SADC’s Gross Domestic Product (GDP) is in South Africa, therefore; South Africa’s relative economic buoyancy in a region of
declining economies has become a centripetal force attracting both skilled and unskilled labour which uses both formal and informal migratory routes into the country (Akokpari, 1999).

People from countries which are characterised by lack of political stability, communal harmony, strong democratic structures, respect for human rights and a flexible law and order normally are attracted to move to countries which have these factors. People also move to an environment where the political parties do not interfere with the choice of religion. Moreover, if the receiving country and sending country are geographically close to each other and have some similarities such as culture, language and homo-ethnic climate, it contributes to the movement of people between them (Datta, 2004). Additionally, family reunion is another way people may move from to their country to the host country.

3. DO IMMIGRANTS REALLY “STEAL JOBS”?  

Immigrants’ presence is an important labour market phenomenon which has positive social-economic impacts to the host country. In some instances, immigration is associated with negative influences on a receiving country’s labour market (Sibanda, 2008). It is believed by many politicians, economists and locals that the labour migration may not be beneficial to the host country. Instead they exert pressure on resources and increase crime rate (Adepoju, 1998). A common myth is that immigration increases the number of unemployed people (Chiranga, 2013). It should be noted that no statistically reliable correlation between number of immigrants and national unemployment rate as discovered by Vedder and Gallaway (1993) in their book Out of Work: Unemployment and Government in the Twentieth Century. Another point of controversy in today’s debate involves the impact of unauthorized immigrants on the economic wellbeing (Greenstone & Looney, 2010). There is also another myth that how immigrant negatively influence local workers’ real wage. However, when scrutinizing the poor wage performance of uneducated USA workers in the context of labour market competition from immigrants, the recent empirical literature has provided a mixed set of results (Ottaviano & Peri, 2012). The most recent academic research suggests that, on average, immigrants raise the overall standard of living of native workers by boosting wages and lowering prices.

As Anderson (2010:1) postulates “the fallacy that drives most discussions of the impact of immigrants on natives is that only a fixed number of jobs exist.” On the
contrary “there is no fixed pie or fixed number of jobs, so there is no way for immigrants to take away jobs from citizens of the host country instead immigrants expand the economic pie” (Anderson, 2010:1). Bodvarsson and Van den Berg (2003) used interviews to assess the effect of immigration on the labour market. Their findings indicate that immigrants created their own demand for labour and as a result, they do not contribute to the unemployment rate of the host country. Therefore, there is no evidence that immigrants diminish the employment opportunities for native workers. In fact, taking into consideration demographic characteristics such as education, gender and experience as noted by Ottaviano and Peri (2012), local and foreign-born workers are not perfect substitutes. Anderson (2010) maintains that there is no evidence that immigrants crowd out local workers in either the short or long run. The results of a comparative study in USA indicate that the median unemployment rate between the 1960–91 period was about 5.9 per cent in 10 high immigrants states compared with 6.6 percent in the 10 low immigrant states. Between 1980 and 1990, the median proportion of immigrants was 1.56 per cent in the high unemployment states, compared with 3.84 percent in the low-unemployment states. Thus more immigrants, probably means lower unemployment rate (Vedder & Gallaway, 1993). Other studies show that new immigrants are substitutes with old immigrants while they are imperfect substitutes of natives. This can be explained by different relative skill endowments between natives and immigrants, whereas natives have a comparative advantage in language and communication skills, immigrants have a comparative advantage in manual skills (Peri & Sparber, 2011 and D’Amuri & Peri, 2011). Furthermore, labour immigrants solve the problem of labour shortages in the receiving country, as they fill the gaps created by emigration and inadequate education and training in the host country (UNFPA, 2005). In other words, the receiving country benefits from knowledge and skill transfers from immigrants and Vis versa.

Furthermore, increased migration leads to an increase in demand for goods and services (Sibanda, 2008). Immigrants may expand the demand for goods and services through their consumption. In other words, there is significant economic reward to the community of increase in jobs through demand for goods. Immigrants bring also cultural diversity which is an economic force to be reckoned with as it is good for business, and for the community (Chow, 2003). This has given rise to the term “productive diversity” (Chow, 2003). If there is a surge in the demand for goods and services, more jobs will be created hence the
unemployment rate will fall. In addition, as demand for goods and services increases, wages are also likely to increase (Sibanda, 2008). Therefore, immigrants create employment since they increase demand for goods and services. Demand for labour is output driven, thus an increase in demand for goods and services increases demand for labour. This will lead to an increase in employment opportunities for both citizens and immigrants. In addition, immigrants have a great impact in the increase of demand for infrastructure through food, clothing, electrical appliances and housing. This is also explained by the expansion of regional business and investment links and additions to labour and skills levels brought by migrants. For example, economic and strategic relations can be strengthened through trade initiatives between the migrant’s country of origin and the host country (Encina, 2015).

Chiranga (2013) reveals that a positive relationship exists between immigration and economic growth. Immigrants increase the host country’s GDP through increased consumption, increased productivity and labour force growth. Using cointegration model and causality analysis, Mete (2004) assesses the impact of immigration on GDP and unemployment in Finland. The results indicate that when levels of immigration increase, the GDP per capita also increases. Therefore, there is evidence of a two-way causality running through GDP growth and immigration. Thus, it demonstrates that both GDP growth and immigration inflows reinforce each other in the course of economic development (Mete, 2004).

Immigrants have high rates of entrepreneurship, which may lead to the creation of new jobs for citizens of the host country. A significant number of these migrants have successfully applied their entrepreneurial flair in establishing small enterprises and employing workers, often to the envy of their local counterparts. The findings from a paper on South Africa indicate that more than 80 percent of African immigrant entrepreneurs who participated in the study employ South Africans in their businesses (Kalitanyi & Visser, 2010). In the USA, immigrants are 30 percent more likely to form new businesses than USA born citizens (Greenstone & Looney, 2010). Another empirical evidence on Australia shows that migrants have contributed to the development and expansion of small businesses, which are the cornerstone for the economy. They have contributed to the development of technology bringing to the country cutting edge technology in particular from Asia and Eastern Europe. Encina, (2015) confirms that immigrants’ knowledge, connections and understanding of international business markets has contributed to the development of Australia international market.
Hence, immigrants possess a strong entrepreneurial spirit. This paper does not address which type of entrepreneurs (revolutionary, growth, lifestyle or survivalist) immigrants are as it is not its purpose.

Another important point is that the increase of immigrants makes businesses to adjust by opening more stores, restaurants, or production facilities to take advantage of the added supply of workers; more workers translate into more business (Greenstone & Looney, 2010). Immigrants bring new ideas, skills, technology, understanding and contacts. They help by developing new businesses, contributing to technological development and enhancing knowledge of international business markets (Chow, 2003). Furthermore, evidence shows that foreign-born university graduates are important contributors to the USA innovation. This is indicated by a number of patents filed. Among people with advanced degrees, immigrants are three times more likely to file patents than United States of America (USA) born citizens (Greenstone & Looney, 2010). Such investments in new businesses and in research may provide spillover benefits to USA born workers by enhancing job creation and by increasing innovation (Greenstone & Looney, 2010). Table 1 shows immigrants or children of immigrants who created jobs in the USA through their innovation and entrepreneurial actions.

Table 1: Jobs created by skilled immigrants or the child of immigrant in USA

<table>
<thead>
<tr>
<th>Founder or co-founder Name</th>
<th>Company name</th>
<th>Country of Origin</th>
<th>Number of employees</th>
<th>Market cap* (on 27/08/2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charles Ranlett Flint</td>
<td>IBM</td>
<td>Germany</td>
<td>377,757</td>
<td>$150.93 billion</td>
</tr>
<tr>
<td>Steve Job</td>
<td>Apple</td>
<td>Syria</td>
<td>115,000</td>
<td>$573.79 billion</td>
</tr>
<tr>
<td>William Procter &amp; James</td>
<td>Procter &amp;</td>
<td>England &amp; Ireland</td>
<td>110,000</td>
<td>238.43 billion</td>
</tr>
<tr>
<td>Gamble</td>
<td>Gamble Co.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andy Grove</td>
<td>Intel</td>
<td>Hungary</td>
<td>95,000</td>
<td>$166.53 billion</td>
</tr>
<tr>
<td>William Edward Boeing</td>
<td>Boeing</td>
<td>Germany</td>
<td>83,347</td>
<td>$82.30 billion</td>
</tr>
<tr>
<td>Sergey Brin</td>
<td>Google</td>
<td>Russia</td>
<td>57,100</td>
<td>$536.06 billion</td>
</tr>
<tr>
<td>Andy Bechhtolsheim &amp; Vinod</td>
<td>Sun</td>
<td>Germany &amp; India</td>
<td>38,600</td>
<td>$3.34 billion</td>
</tr>
<tr>
<td>Khosla</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>William Colgate</td>
<td>Colgate</td>
<td>England</td>
<td>37,900</td>
<td>$66.63 Millions</td>
</tr>
<tr>
<td>Pierre Omidyar</td>
<td>eBay</td>
<td>France</td>
<td>34,600</td>
<td>$35.45 billion</td>
</tr>
<tr>
<td>Jerry Yang</td>
<td>Yahoo</td>
<td>Taiwan</td>
<td>9,400</td>
<td>$40.3 billion</td>
</tr>
</tbody>
</table>

Source: compiled by current authors from NYSE Website
Immigrants bring economic benefits to the host country. For example Encina (2015) posits that skilled migrants help Australian employers fill critical labour gaps at a time when many businesses and industries are facing capacity constraints. The most important fact is that migrants and refugees intake programs are becoming vital to keep the economy growing as well as helping local corporate and businesses overcome skills and labour shortages. The host country receives highly skilled workers who fill positions that might go unfilled (Castel-Branco, 2002). For instance, Berry and Soligo (1969) revealed that immigrant labour generally improves the economic situation of natives. It is believed that the inflow of skilled labour should be embraced as this could reduce the skill shortages that are currently prevailing in South Africa for example. This is explained by the recent immigration laws which seek to attract scarce skills. ASGISA illuminates that South Africa faces an acute skills shortage which is one of the obstacles of growth (Chamunorwa & Mlambo, 2014). In fact, Chow (2003) confirms that today's skilled migrants are younger than those of earlier generations, have better language skills and hold qualifications that are in national shortage. Migrants and refugees have made a substantial contribution to the economic, social and cultural development of Australia. They have assisted in the expanding of consumer markets for local goods, opening new markets; they brought skills needed by the Australian Labour Market which has created employment and filling empty employment places. They have made cultural, social and economic contributions that have moulded the Australian society and impart vitality and multiculturalism into Australia (Encina, 2015).

In some countries, migrants receive benefits, goods and services from the government, this brings a myth that immigrants are a burden to government of host countries but one cannot ignore that at the same time they pay taxes. Using Australia as an example; (Encina, 2015) shows that migrants and refugees contribute more in taxes than they consume in benefits and government goods and services. For example, as migrants generate surpluses for government, Australia’s economic growth is significantly enhanced as migrants directly impact on the economy through their contribution to supply and demand and their indirect contribution to government surpluses (Encina, 2015).

4. THE WAY FORWARD AND AVENUES FOR RESEARCH

Migration contributes to the economy in many ways. As well as the up skilling of the workforce, economies of scale and the development of new export markets
would further add to the economic benefits of migration. This paper supports the view that immigrants and local workers are complements and will never be substitutes. It is widely recognised that migrants have made, and are still making, a vast contribution to host countries’ economies such as USA and Australian. A country receiving immigrants benefits from increased GDP, employment creation and increased labour force (Holtz-Eakin, 2005). As much as we believe in positive immigrants’ contribution of the host country’s economy, the linkage between immigration and unemployment remains a subject of continuing debate and a matter of public concern in many countries globally because of the political ball and the economic blame game. Thus, a consensus based upon robust empirical evidence is yet to emerge especially in developing countries where the research on the topic in question is scant.

During the course of this research, several directions for future research are indicated to make sure that myths about immigration are clarified. Some of these possible future research are as follows:

1. A robust empirical research to establish whether immigration has statistically significant positive or negative effect on unemployment, national citizens’ wages and economic growth in developing countries.
2. Besides being more productive, there is a lack of research that focuses on how immigrants are contributing socially and economically to the host country’s GDP especially for developing countries.
3. Recently, African Union introduced pan-African passport which will allow members of all African countries except Morocco to move freely on the continent. A research is needed to show what will be its social-economic benefits and challenges or if is not another political ball game by African leaders.

5. CONCLUDING REMARKS

Measuring impacts of migration on labour market broadly is an ongoing international concern, especially reaching levels not seen since the Second World War. This paper set out to show the importance of immigrants. From a review of international literature, two types of factors are identified: push and pull factors. The debates around the relationship between migration and unemployment rate, economic growth and job creation are also addressed. This paper concludes that immigrants do not only have a positive effects on labour markets but are also
contributing to the wellbeing of the host country’s citizens’ wage. As globalisation is not reversible, in this paper we support the idea of open immigration with some regulations. The same way free trade economy of goods and services between countries bring prosperity, we believe there are more benefits for host country to have an open immigration policy especially for highly skilled labour.

REFERENCES


