



# Allies, Not Enemies

How Latino Immigration Boosts  
African American Employment and Wages

by Jack Strauss

June 2013

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**ABOUT PERSPECTIVES ON IMMIGRATION**

The Immigration Policy Center's *Perspectives* are narratives written by leading academics, researchers, and advocates who bring a wide range of multi-disciplinary knowledge to the issue of immigration policy.

**ABOUT THE AUTHOR**

Professor Jack Strauss is the Simon Chair of Economics at Saint Louis University and Director of the Simon Center for Regional Forecasting. He is currently an adviser to the St. Louis Steering Committee on Immigration. The taskforce, backed by both Mayor Slay and County Executive Dooley, is exploring avenues to promote a more proactive and friendly immigration policy in the St. Louis region. Dr. Strauss was the keynote speaker at the conference that kick-started the immigration taskforce, and his paper has shown that immigration can produce significant positive economic effects to the St. Louis region. He is the author of more than three dozen refereed articles in economics in top journals.

**ABOUT THE IMMIGRATION POLICY CENTER**

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A [comprehensive analysis](#) of Census data from hundreds of U.S. metropolitan areas indicate that immigration from Latin America improves wages and job opportunities for African Americans.<sup>1</sup> This analysis serves to dispel the common myth that African Americans are negatively impacted by the immigration of less-skilled workers from Mexico and elsewhere in Latin America. It is often assumed that Latino immigrants and African Americans are locked in ruinous competition for the same jobs, resulting in lower wages and higher unemployment rates for African Americans. In fact, Latino immigrants and African Americans fill complementary roles in the labor market—they are not simply substitutes for one another. In addition, cities which have suffered the effects of declining population are rejuvenated by an inflow of Latino immigrants who increase the labor force, tax base, consumer base, etc. To the extent that there really is a “black-brown” divide, it is rooted in politics and perception—not economics.

## **The Economic Impact of Latino Immigration on African Americans**

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[Our analysis](#) uses a cross-section of 907 Metropolitan Statistical Areas (MSAs) in 2010, and 455 Metros in 2005, making it the largest economic examination of immigration’s effect on African Americans in terms of wages and employment.<sup>2</sup> The statistical tests carefully control for simultaneity (cause and effect). The evidence shows that cities with greater immigration from Latin America experience:

1. Higher wages for African Americans. For every 1% increase in a city’s share of Latinos, African median and mean wages increase by 3%. This relationship is large. Consider St. Louis, which has 1.5% of its population from Latin America. If St. Louis were to have a Latino population share as large as other large metropolitan areas, African American wages would be approximately 30% higher.<sup>3</sup>
2. Lower shares of African Americans in poverty (less than \$20,000) and greater shares of African Americans who are well-off (incomes exceeding \$60,000). For every 1% increase in a city’s share of Latinos, the city experiences a 1.6% increase in relatively well-off African Americans and fall in poor African Americans.<sup>4</sup>
3. Less poverty across different African American age groups. A 1% increase in a city’s young (ages 18-24), middle aged (25-34) and more mature Latinos (35-64) yields approximately 1.1-2.3% fewer African Americans in poverty in the same age cohorts. At the same time, more young, middle-aged, and older Latinos lead to more African Americans of similar cohorts with incomes exceeding \$60,000.
4. Lower African American unemployment. This finding is significant at the 99% level across different age cohorts. For instance, cities with a 1% increase in Latinos ages 20-24 leads to a .26% decrease in unemployment rates among African Americans ages 20-24; a

rise in Latinos ages 25-34 implies even greater declines in African Americans unemployment with ages 25-34.

5. More jobs among all African American age cohorts. A 1% rise in Latino immigration contributes to a 1.4% increase in employment rates among African Americans, and increases in young Latinos (20-24) contribute to 0.5% increase in employment among young African Americans.

The positive economic impact of Latino immigration is related to population. Many metros, particularly in the Midwest, including Cleveland, Dayton, Detroit, and St. Louis, are not experiencing vibrant population growth.<sup>5</sup> Instead, aging baby boomers and negative net migration are leading to a hollowing out of cities, declining school revenue, falling housing prices, big businesses moving their headquarters, and a dearth of small businesses. St. Louis, for instance, has experienced a sharply declining population, and at the same time, very little Latino immigration. As a result, Saint Louis has closed more than a dozen schools in recent years, which has cost the jobs of hundreds of African American teachers, administrators, and staff. Our research shows that an increase in immigration from Latin America would have sustained St. Louis's population, tax base, school enrollment, and most of the lost African American jobs. Further, it would have reduced crime among young African American men by giving them more economic opportunities.

Why are population size and composition so important for economic development? Edward Glaeser and Joshua Gottlieb argue that larger cities are successful because they have thriving clusters of people and companies working together.<sup>6</sup> More people from Latin America increases the vibrancy of a city, its culture, and the opportunities it offers. Further, research shows that specialization by encouraging different skill patterns leads to higher wages and more jobs.<sup>7</sup> After all, as Adam Smith and David Ricardo pointed out long ago, specialization and comparative advantage improve economic efficiency. *The Economist* likens immigration to international trade which “benefits countries by letting workers specialize in activities in which they are relatively more productive, raising output. And the larger market created by trade spreads the fixed costs of innovation more thinly, encouraging the development of new goods and ideas.”<sup>8</sup> From this perspective, Latinos are not substitutes for, but complements to, African American workers—and an essential component of competition and capitalism.

## Deficiencies in the Existing Literature

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The impact of Latino immigration on the African American labor market is a critical but scarcely addressed topic in the economic literature. The examination of the economic consequences of immigration, particularly from Latin America—and explicitly on African Americans—is rooted not in economic analysis, but in the popular perception that both ethnic groups tend to have large numbers of low-skilled workers who possess similar education and demographic profiles, live predominantly in urban areas, and sometimes compete directly for the same jobs. There is also a prevailing view that immigrants, including Latinos, are willing to work for less, and

therefore have taken jobs away from African Americans. As a result, widely reported tensions between African Americans and Latinos have emerged, and been extensively covered by policy institutes, political science and sociology journals, as well as the popular press.<sup>9</sup> Although these strains are widely perceived as economic in nature, they have paradoxically received no recent attention in the economic literature.

What are the effects of increases in Latino immigration on African American wages, employment, and unemployment? A number of recent studies have begun to document, in rising levels of detail, the tension that has emerged between immigrant groups and lower-skilled American natives, a high proportion of whom are African American.<sup>10</sup> The studies attribute these tensions to “economic competition among ethnic groups.”<sup>11</sup> Claudine Gay focuses specifically on African American and Latino economic rivalry: “the trend is disturbing: anti-Latino sentiment among the black mass public may undermine elite efforts to build black-Latino alliances, putting at risk the group’s future political and economic status...most accounts of the conflict identify the competition over scarce resources as a central force in Black-immigrant relations.”<sup>12</sup> According to Leticia Saucedo: “Much has been written about the tensions between African Americans and immigrants, especially Latino immigrants. For civil rights advocates and African-American communities, the issue of immigration brings with it concerns about the impact of immigration on African Americans, who are concentrated in the domestic low-wage work force and are often said to face the greatest competition from modern migrant flows into the United States.”<sup>13</sup>

Although a perceived “brown versus black” conflict may exist, it is not based on economics. Rather, it stems from political competition for representation and, at times, misinformation. Claudia Sandoval surveys the recent literature on interethnic competition and discusses how Latinos and African Americans compete for social status and political power.<sup>14</sup> The rapid rise of Latinos carries with it the implication that they do not need African Americans for political support, which might lead to an erosion of African American political power.

## Conclusion

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This paper provides extensive evidence that African Americans in MSAs with more Latino immigration experience significantly higher wages, lower unemployment, and higher job creation. The effect is typically very significant and robust across different age groups and income levels. Cities experiencing Latino immigration have fewer African Americans in poverty and more with higher incomes. Statistical tests that control for simultaneity and causality further show that Latino immigration leads to/or causes improved African American economic outcomes.

## *Comments on Methodology*

A central problem with many studies of immigration is the failure to determine causality. Cities where an economic boom is occurring may simultaneously attract immigrants, who are drawn to the jobs there, but who do not create them. In this case, increases in immigration will be related to higher wages and job creation, but not contribute to or cause these improving economic outcomes. To mitigate this “simultaneity,” this study adopts a method called GMM (Generalized Methods of Moments), uses demographic/educational control variables identified by the literature, controls for domestic migration of native-born Americans from other states, and uses Granger Causality tests. If the simultaneity issue is relevant (and a driving factor generating spurious significance), a significant relationship should occur between domestic migration and improving economic outcomes, as well as between native and foreign-born migration patterns, since both should respond similarly to economic incentives. However, this is not the case.

The statistical evidence documents that there is little relationship between native and foreign-born migration (including migration of Latinos), that domestic migration is not substantially correlated to economic activity, and that Latino immigration and African American economic activity are significantly, positively related. Further, controlling for native-born migration does not affect the results since there is no relationship between native-born and foreign-born inflows to a city. Overall then, there is significant evidence against the booming cities hypothesis. The evidence instead shows that increases in foreign-born workers from Latin America, not increases in native-born workers from other states, lead to significantly higher African American wages, wage growth, and job growth. Granger Causality results reveal that increases in Latino immigration result in higher wages and more jobs for African Americans, and lower rates of African American unemployment and incarceration. Improved economic outcomes in the African American community have no significant impact on Latino immigration. Therefore, one-way causation exists from Latino immigration to improved African American opportunities. Lastly, the results are robust across different sample sizes, different years, and different specifications, including immigration shares of the population and changes in these shares. Overall, there is significant evidence that Latinos contribute to an economic boom in a city, and are not simply innocent or lucky bystanders.

## **Endnotes**

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<sup>1</sup> Jack Strauss, [\*Does Immigration, Particularly Increases in Latinos, Affect African American Wages, Unemployment and Incarceration Rates?\*](#) (Social Science Research Network, December 8, 2012).

<sup>2</sup> More complete results with detailed tables and methodology can be found in Jack Strauss, [\*Does Immigration, Particularly Increases in Latinos, Affect African American Wages, Unemployment and Incarceration Rates?\*](#) (Social Science Research Network, December 8, 2012).

<sup>3</sup> The response is significant at the 99.9% level.

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<sup>5</sup> At the same time, cities in the South with both large Hispanic and African American communities including Charlotte, Dallas, Houston and Memphis are experiencing faster economic growth and lower unemployment among all its residents; further, African American unemployment in the North Central and Midwest Regions average more than 25% higher than the Southwest and Southeast Regions, which have considerably more Latino immigration. Latinos are not replacing African American workers.

<sup>6</sup> Edward Glaeser and Joshua Gottlieb, "The Wealth of Cities: Agglomeration Economies and Spatial Equilibrium in the United States," *Journal of Economic Literature* 47, no. 4 (2009): 983–1028.

<sup>7</sup> David Card and John Dinardo, "Do Immigrant Inflows Lead to Native Outflows?" *American Economic Review* 90, no. 2 (May 2000): 360–367; David Card, "Immigrant Inflows, Native Outflows, and the Local Labor Market Impacts of Higher Immigration," *Journal of Labor Economics* 19, no. 1 (2001): 22–64; David Card, *How Immigration Affects U.S. Cities* (London: University College London, Centre for Research and Analysis of Migration, Discussion Paper 11/07, June 2007); David Card and Ethan G. Lewis, *The Diffusion of Mexican Immigrants in the 1990s: Patterns and Impacts* (Berkeley: UC Berkeley Center for Labor Economics Working Paper, February 2005); Maude Toussaint-Comeau, "The Occupational Assimilation of Hispanic Immigrants: Evidence from Panel Data," *International Migration Review* 40, no. 6 (2006); Heidi Shierholz, *Immigration and Wages: Methodological Advancements Confirm Modest Gains for Native Workers* (Washington, DC: Economic Policy Institute, 2010).

<sup>8</sup> "Giant Low-Hanging Fruit," *The Economist*, November 15, 2012.

<sup>9</sup> Leticia Sancedo, "African American Immigrant Tension: Myths, Realities and Political Implications," *Berkeley Law Review* (2008).

<sup>10</sup> Paula D. McClain, et al., "Racial Distancing in a Southern City: Latino Immigrants' Views of Black Americans," *Journal of Politics* 68, no. 3 (July 2006): 571–584; Clare Jean Kim, *Bitter Fruit: The Politics of Black-Korean Conflict in New York City* (New Haven: Yale University Press, 2000); Nicolas C. Vaca, *The Presumed Alliance: The Unspoken Conflict Between Latinos and Blacks and What it Means for America* (New York: HarperCollins, 2004); Charles Hirschman, Philip Kasinitz, and Josh DeWind, eds., *The Handbook of International Migration: The American Experience* (New York: Russell Sage Foundation, 1999).

<sup>11</sup> See Edna Bonacich, "A Theory of Ethnic Antagonism: The Split Labor Market," *American Sociological Review* 37 (1972): 547–559; Edna Bonacich, "Advanced Capitalism and Black/White Race Relations in the United States: A Split Labor Market Interpretation," *American Sociological Review* 41 (1976): 34–51; Scott Cummings, "Racial Prejudice and Political Orientations among Blue-collar Workers," *Social Science Quarterly* 57 (1977): 907–920; Scott Cummings, "White Ethnics, Racial Prejudice and Labor Market Segmentation," *American Journal of Sociology* 90 (1980): 938–950; Scott Cummings and Thomas Lambert, "Anti-Hispanic and Anti-Asian Sentiments among African-Americans," *Social Science Quarterly* 78, no. 2 (1997): 338–353; H. Donald Forbes, *Ethnic Conflict: Commerce, Culture and the Contact Hypothesis* (New Haven: Yale University Press, 1997); Susan Olzak, *The Dynamics of Ethnic Competition and Conflict* (Palo Alto: Stanford University Press, 1992).

<sup>12</sup> Claudine Gay, "Seeing Difference: The Effect of Economic Disparity on Black Attitudes toward Latinos," *American Journal of Political Science* 50, no. 4 (2006): 982–997.

<sup>13</sup> Leticia Sancedo, "African American Immigrant Tension: Myths, Realities and Political Implications," *Berkeley Law Review* (2008).

<sup>14</sup> Claudia Sandoval, "Allies or Aliens? Black-Latino Relations and Perceptions of Political Membership in the U.S." (Chicago: University of Chicago, Center for the Study of Race, Politics and Culture, Workshop Paper, Fall 2010).