

Media Briefings

FOREIGN-BORN WORKERS BOOST EXPORTS: Evidence from France

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The export performance of French manufacturing firms improves with the employment of immigrant workers, according to research by Léa Marchal and Clément Nedoncelle, to be presented at the Royal Economic Society's annual conference at the University of Sussex in Brighton in March 2018.

Their study shows that this pro-trade effect is not restricted to skilled workers: employing unskilled immigrants also favours exports. What's more, foreign employment increases exports to many destinations and not only to the origin country of immigrants.

These results suggest that employing low- and high-skilled immigrants is at worst harmless and at best positive for export outcomes. In that respect, simplifications of labour regulations for immigrant workers including low-skilled immigrants could create further incentives for manufacturing firms to hire these workers. This could, in turn, create favourable conditions within the employing firm to start exporting or to expand its export activities.

In the current European context, policy-makers should bear in mind that a tightening of immigration policies and labour regulations for immigrants may damage exports.

More...

Understanding why, how and how much immigrants impact the export activity of firms is a crucial issue for immigration recipient countries. Existing research points toward a positive correlation between immigration levels and export performance, while remaining silent about the precise underlying mechanisms. In particular, little evidence has been provided about the export-enhancing effect of immigrants at play within firms.

The new study investigates the export-enhancing effect of immigrant workers at the firm level and explore how this effect varies across occupations. It finds that:

- Firm export performances positively react to the employment of immigrant workers. This pro-trade effect is not restricted to skilled workers: employing unskilled immigrants also favours exports.
- Foreign employment increases exports to many destinations and not only to the origin country of immigrants.

More precisely, the study is based on a dataset covering the universe of French manufacturing firms which engage in export at least once over the 1997-2008 period.

In the first part of the study, the researchers show that, on average, firms employing foreign-born workers have a probability of exporting 0.4% higher than other firms. Among exporting firms, those firms export 11.7% more in value than other firms.

Importantly, this pro-trade effect is not restricted to immigrants in high-skilled occupations. Immigrants in low-skilled jobs are also associated with an increase in the export value.

The pro-trade effect of immigrants is usually explained by the fact that these workers possess operational knowledge about foreign markets, which decreases export costs (Rauch, 2001; Parsons and Winters, 2014). While this explanation seems valid for immigrants in high-skilled jobs, it is hardly compatible for immigrants in low-skilled jobs.

The pro-trade effect of immigrants in low-skilled jobs could, nonetheless, be explained by a productivity-enhancing effect: complementarity of immigrant workers with native workers can lead to task reallocation and to more efficient technological choices (Peri and Sparber, 2009). Hence, foreign employment in both low- and high-skilled occupations can increase firm productivity, which, in turn, can increase export flows.

Because the pro-trade effect of immigrant workers may take place through productivity, the researchers infer that immigrant workers should foster exports beyond exports to their origin country. The second part of their analysis supports this prediction for both low- and high-skilled occupations, thus confirming the idea that productivity effects may be at play. Thereby, they provide additional evidence to the burgeoning body of research showing that labour immigration is a potential source of productivity gains (Mitaritonna et al., 2017).

The results provided in this research suggest that employing low- and high-skilled immigrants is at worst harmless and at best positive for export outcomes. In that respect, simplifications of labour regulations for immigrant workers including low-skilled immigrants could create further incentives for (French) manufactures to hire these workers. This could, in turn, create favourable conditions within the employing firm to start exporting or to expand its export activities.

In the current European context, policy-makers should bear in mind that a tightening of immigration policies and labour regulations for immigrants may affect firm export outcomes:

- First, firms may experience a loss of opportunities to start exporting.
- Second, firms could expect a negative impact on their export performance.

If these restrictions target immigrants from a particular origin country, the effect may be unevenly spread across export destinations, and could even lead to the redistribution of existing export flows toward a more restrictive set of destinations.

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Contact details:

During the RES conference, you may contact Léa Marchal (lea.marchal@ifw-kiel.de, 0033 6 31 75 64 63)

Before and after the conference, you may contact Léa Marchal or Clément Nedoncelle (clement.nedoncelle@inra.fr, 0033 6 86 33 25 36).

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