

Immigration, Household Services, and Women's Economic Opportunities

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on 'Low-skilled immigration and gender gaps in the labor market'

There are more than 12 million foreign domestic workers in the world today; most of them are women. Female foreign domestic workers represent 17.2% of all female migrants, and account for 15% of domestic workers (migrants represent just 3% of the population). Migrant domestic workers are unevenly distributed across the world. Table 1 shows that the most common destination for migrant domestic workers is East Asia and the Pacific (35.7%), followed by Europe (22.8%), and the Arab states (19%). This distribution is very different from the overall migrant distribution, where only 12.2% and 4% of female workers live in East Asia and the Pacific, and the Arab States, respectively. More than 60% of migrant women in the Arab States are employed as domestic workers, and more than one out of three in East Asia. Even if the number of migrant domestic workers as a share of the labor force – or as a share of the migrant population – is not nearly as high in other parts of the world, there is a significant over-representation of migrants in the household services sector. As shown in Table 1, more than two out of three domestic workers in North America and Western Europe are foreign-born.

The concentration of migrants in the household services sector has different implications than overall migration and thus deserves a separate analysis. Given the gender division of household work, migrant domestic workers mostly substitute for unpaid female labor in the household, and therefore, have the potential to increase native women's labor supply to the market. Within native women, high-skilled women, who have the highest opportunity cost of devoting time to housekeeping and childcare, are the most likely to hire domestic workers to help them with their household chores. In this policy brief, I review the existing literature on the effects of low-skilled immigrants on native women's labor market outcomes and discuss some policy implications.

More than two out of three domestic workers in North America and Western Europe are foreign-born



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| | Share of the world's migrant workers | Share of the world's FDW | FDW share of domestic workers | FDW share of migrants |
|-----------------------|--------------------------------------|--------------------------|-------------------------------|-----------------------|
| East Asia | 5.3 | 35.7 | 12.5 | 35.5 |
| Western Europe | 26.6 | 22.1 | 65.8 | 10.6 |
| Arab States | 4.0 | 19.0 | 73.1 | 60.8 |
| Latin America | 2.9 | 8.1 | 4.4 | 35.3 |
| North America | 26.3 | 6.9 | 71.0 | 3.3 |
| Sub-Saharan Africa | 4.9 | 3.6 | 4.9 | 9.4 |
| Central and West Asia | 6.0 | 2.1 | 33.4 | 4.5 |
| South Asia | 5.5 | 1.2 | 2.5 | 2.8 |
| Eastern Europe | 11.4 | 0.7 | 23.6 | 0.8 |
| Northern Africa | 0.3 | 0.6 | 9.8 | 23.0 |

Table 1: Geographic Distribution of Migrants and Foreign Domestic Workers (FDW) in 2013

Source: Ilo (2015) and author's calculations

Effects on Prices

Immigration of foreign domestic workers impacts native's women labor supply as long as it reduces the price of outsourcing household production. In Cortes (2008), I directly examine this question for the case of prices in the U.S. In particular, I look at the effect on city-level price indices for babysitting and childcare, housekeeping, gardening, laundry services, and shoe repair. My methodology compares changes in prices of these services in U.S. cities that experienced a large inflow of low-skilled migrants with cities with smaller flows. The magnitude of the effect suggests that the low-skilled immigration wave between 1980 through 2020 in the U.S. lowered the prices of these immigrant-intensive services by at least a city average of 9-11 percent.

Effects on Labor Supply

Having found that low-skilled immigration lowers the price of household services, I study the effects on several margins of native female

labor supply (Cortes and Tessada, 2011). Using the same methodology as for the price response, I find a large positive and statistically significant effect on the weekly hours worked for women at the top quartile of the female wage distribution. Furthermore, low-skilled immigration allows high-earning native women to work very long hours. The magnitude of the effects suggests that low-skilled immigration flows to the U.S. between 1980 and 2020 increased the probability that affected native women at the top quartile of the wage distribution work more than 50 or 60 hours a week by 1.8 and 0.5 percentage points, respectively.

To check for effects along the extensive margin (i.e., the decision to be active in the labor market), I look at the labor force participation of women at the top of the educational distribution. I find no evidence that low-skilled immigration increases the labor force participation of highly educated women. I find a much smaller effect, but still statistically significant, on hours worked by women in the third quartile, but no effects for women below the median. This differential impact on

labor supply only makes sense if low-skilled immigration leads native women earning above the median wage to increase their consumption of market-provided household services, and to devote less of their own time to household production. Using data from the American Time Use Survey and from the Consumer Expenditure Survey, I find that women in the top quartile of the wage distribution spend less time per week doing housework, and spend more on outsourced housekeeping services. Interestingly, I do not find that within any of the four female wage groups, mothers of small children increase their labor supply more compared to other women after an immigration shock.

Low-skilled immigrants increase the hours worked of high-skilled women but has no effect on their labor force participation

The effect that immigration may have on the labor market decisions of highly educated native women has been tested empirically using data for other countries. Farré, González, and Ortega (2011) study how the low-skilled immigration wave from 1999 to 2008 in Spain changed the labor supply of high-skilled women, particularly those with important responsibilities for others living in the household, defined as ensuring the care of young children or elderly parents. Their results are broadly consistent with my study (i.e., low-skilled female immigration to Spain has a positive effect on the labor supply of high-skilled Spanish women). However, their findings differ

in two important ways. First, the effect in Spain is present only for high-skilled native women who also have heavy family responsibilities (a child under age eight or an elderly dependent). Second, the effect mostly operates along the participation rates (extensive margin). Their estimates are large: they calculate that immigration flows of low-skilled female workers account for one-third of the increase in the employment rate of college-educated women providing child or elder care.

My results are also consistent with those obtained for Italy. Barone and Moretti (2011) find that the labor supply effects for highly-skilled women comes mostly from the intensive margin (hours worked). Like in the Spanish case, the effects are larger for highly-educated women with children under three years old or permanently disabled persons at home. Another study by Peri and Rossi (2015) focuses on a different margin that drives female labor supply decisions, namely the consideration whether to retire early to care for their elderly parents. They find that a one-percentage point increase in the share of immigrants is associated with an increase in the planned retirement age gap between women and men with a living parent over 80, by 0.45 years.

Finally, Forlani, Lodigiani, and Mendolicchio (2015) conducted cross-country comparisons by combining data from five industrialized countries—Australia, Germany, Switzerland, the United Kingdom, and the U.S. Their results suggest that low-skilled immigrants increase the hours worked that high-skilled women spent in the labor force but has no effect on their labor force participation. Interestingly, they find that low-skilled immigrants taking jobs in the service sector increase the probability that native low-skilled women work.

Effects on the Gender Pay Gap

If there are increasing returns to working long hours in some high-skilled occupations, low-skilled immigration—by allowing highly-educated native women to work longer hours—might contribute to the narrowing of the gender pay gap. I explore this possibility for the U.S. in Cortes and Pan (2019). I compare changes in the gender wage gap over time in occupations that vary in terms of their returns to working long hours, across cities where women face different costs associated with outsourcing household production because of geographical variation in the concentration of low-skilled immigrants. Occupations with high returns to working long hours are defined as those in which workers working very long hours earn disproportionately more than those working fewer hours. Examples include occupations in business, finance, academia, and law. My results suggest that low-skilled immigration narrows the gender earnings gap in occupations in the top tercile of the distribution of returns to long hours.

Further analysis shows that for high-skilled native women working in occupations with high returns to

long hours, an increase in low-skilled immigration in a city significantly reduces the probability that their wages are in the bottom quartile of the male wage distribution. Rather, low-skilled immigration “moves” these women up to a range between the 25th and the 90th percentile of the male wage distribution, with the largest effects concentrated in the 75th to 90th percentile. Since it seems unlikely that such large shifts would occur if women remained in the same jobs and increased their hours of work, I see these findings as suggestive evidence that the availability of affordable household services enables these highly-skilled women to take a different, high-paying job—one with higher returns to working long hours—within the same occupation.

Finally, I show that the effects of low-skilled immigration on highly-educated native women also extends to the occupational choice margin. I find that U.S. cities with larger increases in low-skilled immigration inflows experience larger increases in the employment share of young college-educated women in occupations that have higher returns to working long hours relative to occupations with lower returns.

Figure 1: Synthesis of FDW impacts on female labor market outcomes



Although low-skilled immigration on net is likely to increase the welfare of natives, it comes at the cost of increased inequality

Policy implications

To summarize, studies across various countries consistently find that migrant domestic workers allow high-skilled native women to increase their labor supply, and narrow large gender differences in representation and earnings in some high-powered occupations. At least two important concerns arise when thinking about the policy implications of this phenomenon for host countries. The first is that low-skilled immigration might crowd out other types of policies or institutions designed to support native mothers' labor force participation. The second is that there are potentially negative effects of low-skilled immigration on the labor market outcomes of low-skilled natives.

Evidence on the first concern comes from Barone and Moretti (2011), who explore whether female immigration substitutes for welfare policies in the host country. Exploiting cross-municipality variation in publicly provided care services, measured by the number of local workers employed by social assistance institutions (childcare centers, etc.) and by local public spending for welfare services, they find that the effect of low-skilled immigrants on native women's labor outcomes is smaller (though still positive) in places with stronger welfare services, suggesting some substitution between the two.

Moving to the potentially negative effects on the outcomes of low-skilled natives, I show in Cortes and Tessada (2011) that low-skilled immigration negatively impacts the extensive margin of labor supply for women with at most a high school degree, but has no effect on hours worked, conditional on working. The magnitude of the coefficient suggests that the U.S. immigration flow from 1980 to

2020 reduced the labor supply of low-educated female natives by almost 1.5 percentage points. Evidence from Spain points to the same pattern. Farré, González, and Ortega (2011) find that immigration has negative effects on labor force participation when women of all education levels are grouped together, but much smaller effects when the sample is restricted to women with a high school degree or more, suggesting a strong negative effect on immigration for those women with very little formal education. Looking at the Italian case, Barone and Moretti (2011) find no evidence that low-skilled immigrants working in the household sector have negative effects on the labor outcomes of native workers with at most a compulsory education.

Overall, there is suggestive evidence that there is a cost incurred from relying on low-skilled immigration to increase the labor supply of high-skilled female natives. The finding that those workers who are already better off also are the ones benefiting the most suggests that although low-skilled immigration on net is likely to increase the welfare of natives, it comes at the cost of increased inequality. This should be considered when evaluating alternatives to support native women's participation in the labor market. A potential solution to avoid the negative effects of overall low-skilled migration on the labor outcomes of low-skilled women is to design a visa program specifically for domestic workers. These types of visa programs have been in place for decades in East Asian and Arab countries and are also found in Western countries: Canada has a live-in caregiver program, as does Denmark. These programs, however, present their own risks related to the potential abuse and exploitation of domestic workers by their employers – most programs are live-in and do not allow workers to change employers.

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