

Blocking Employment for Illegal Immigrants Doesn't Necessarily Create Job Opportunities for Citizens

By: Peter Suderman
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Supporters of tougher immigration laws frequently argue that if unauthorized immigrants are prevented from getting employment, the jobs they would have had will instead be filled by legal residents. The idea is that the economy has a fixed number of jobs available, and blocking immigrants from taking those jobs will leave them open for others.

In reality, however, when laws make it harder for employers to hire unauthorized immigrants, the jobs they would have had simply disappear. Everyone loses.

That's exactly what happened in Arizona, as Cato Institute immigration expert Alex Nowrasteh explains in new paper on Arizona's immigration restrictions, previously noted by *Reason's* Shikha Dalmia this morning.

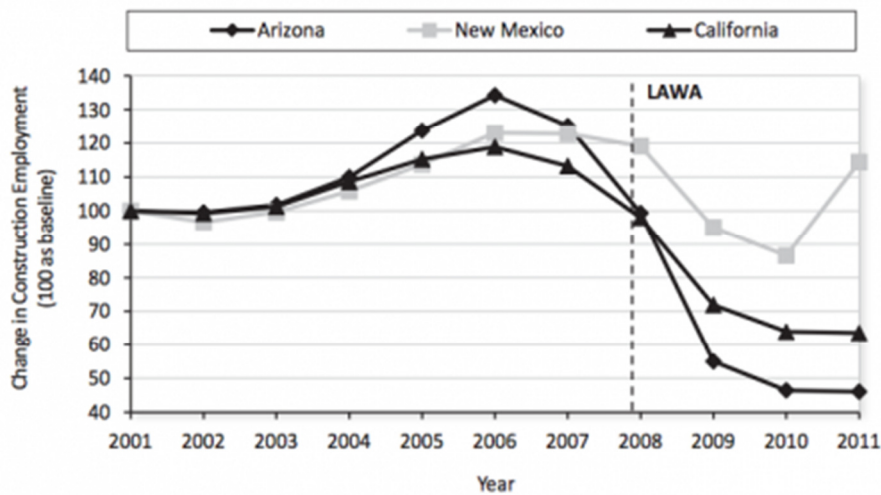
In 2007, the state passed the Legal Arizona Workers Act (LAWA), which required that all new workers be subjected to E-Verify, an electronic identification system intended to verify the employment status of new hires. The system is costly — employers pay \$147 for each query — as well as buggy: Nowrasteh notes one instance in which a restaurant owner tried to hire his own, American-born daughter, only to find her rejected by the E-Verify system. But employers who hired unauthorized workers faced the potential for harsh penalties. The second time an employer knowingly or intentionally hired an illegal immigrant, the state reserved the right to yank its operating licenses, essentially shutting it down, a punishment that became known as the "business death penalty."

After LAWA passed, employers in Arizona's construction business, where many unauthorized immigrants are employed, changed their practices. Employment went down in construction for legal and illegal workers, but the bulk of the reduction came from noncitizen immigrants. In 2006, 8.7

percent of the state's native born population was employed in construction, a figure that decreased to 7.4 percent in 2010. But over the same period of time, the percentage of the state's noncitizen immigrant population working construction jobs dropped from 27.9 percent to 20.4 percent.

Unauthorized immigrants, in other words, bore the brunt of the decrease. Did that create employment gaps that could be filled by Americans? It doesn't look like it. Nowrasteh compares Arizona's new construction hires to new construction hires in California and New Mexico — surrounding states that didn't have E-Verify laws. All experienced a drop in new construction jobs coinciding with the recession. But Arizona's drop was far steeper.

Figure 1
Change in New Construction Employment (E-Verify)



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Nowrasteh comments:

After E-Verify went into effect, the foreign-born population bore the brunt of the employment decline in the construction industry, but native employment in construction did *not* increase to fill the gap, contrary to the claims of E-Verify supporters. From the time E-Verify went into effect in January 2008 until January 2009, construction employment decline accelerated. Employment for new construction declined more in Arizona after LAWA was passed than in the neighboring states of New Mexico and California (see Figure 2 and Table 3). E-Verify is not to blame for the entire decline in construction jobs in Arizona, but by raising the costs of hiring, it is one major reason that the construction employment decline in Arizona was greater than neighboring states that did not mandate E-Verify.

This should be a lesson, and a warning, to other states looking to pass similar verification requirements. It might be possible to decrease employment of unauthorized workers. But rather than freeing up work for legal residents, it may simply mean that the jobs go away.