Lessons from the 2007 Legal Arizona Workers Act

Magnus Lofstrom,
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Introduction

- Employment opportunities are what draws unauthorized immigrants to the U.S.
  - Recognized in the 1986 Immigration Reform and Control Act (IRCA)
- IRCA did not succeed stemming the flow
  - Unauthorized immigrant population has grown, now estimated to be around 11 million
- Jobs continue to be magnet
  - In many ways, back to where we were in the 80s
- Several failed attempts to pass a comprehensive immigration reform

Introduction

- Many states have reacted by implementing legislation against the hiring of unauthorized immigrants

- Very little is know about impacts of these laws

  - The 2007 Legal Arizona Workers Act (LAWA)

    - Did LAWA reduce the unauthorized population in Arizona?
    - Did it affect employment opportunities?
      - Low-skilled unauthorized and authorized workers

The Legal Arizona Workers Act (LAWA)

- Passed July 2007 and enacted January 2008

- Focused on employers

- E-Verify mandate
  - All employers in state must verify work authorization of all new hires using the federal government's online E-Verify system.

- Penalties
  - Business license suspension or revocation

- Few penalties imposed to date but E-Verify enrollment compliance relatively strong
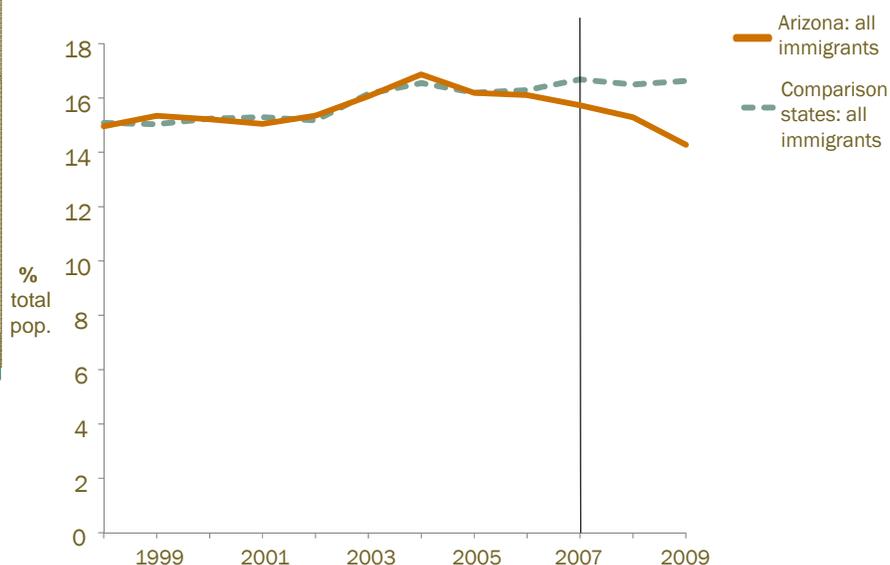
How Do We Pinpoint LAWA's Effect?

- Compare Arizona to states with similar population/employment characteristics and trends BUT did not pass similar laws
  - Bordering regions
  - Data driven approach ("synthetic control")

- Approaches isolate LAWA from recent recession

- Draw unauthorized population information indirectly
  - Most likely to be foreign-born non-citizen Hispanic (low schooling, working age men)
  - No unauthorized among naturalized immigrants

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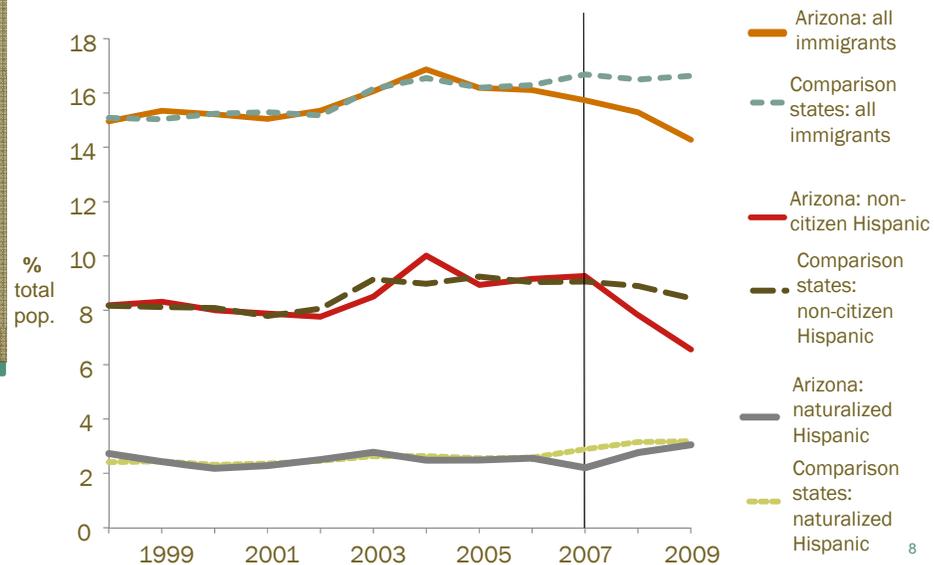# Clear Divergence from Comparison States Seen post-LAWA

Clear Divergence from Comparison States Seen post-LAWA...

Legend:
- Arizona: all immigrants
- Comparison states: all immigrants
- Arizona: non-citizen Hispanic
- Comparison states: non-citizen Hispanic

Y-axis: % total pop. (0–18)
X-axis: 1999, 2001, 2003, 2005, 2007, 2009

...Except Among Naturalized Hispanic Immigrants

Legend:
- Arizona: all immigrants
- Comparison states: all immigrants
- Arizona: non-citizen Hispanic
- Comparison states: non-citizen Hispanic
- Arizona: naturalized Hispanic
- Comparison states: naturalized Hispanic

Y-axis: % total pop. (0–18)
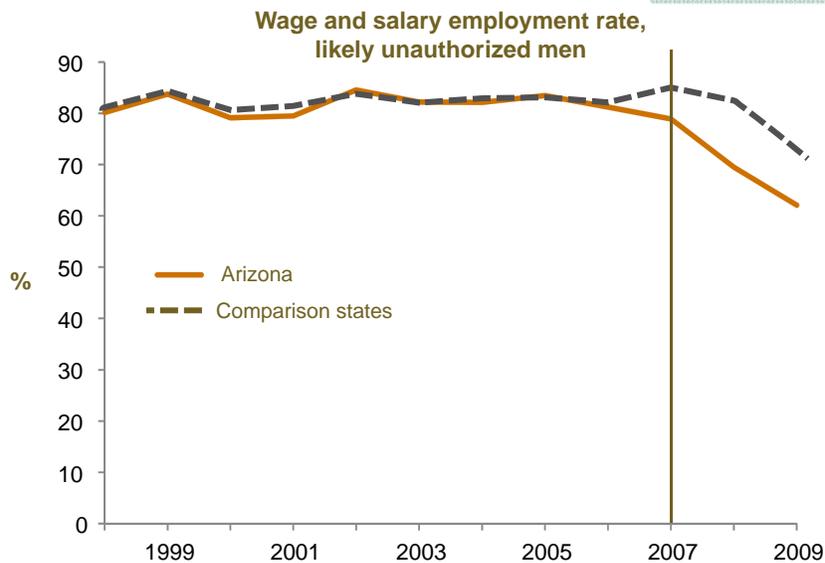X-axis: 1999, 2001, 2003, 2005, 2007, 2009

Population Change and LAWA

- Unauthorized population fell 17 percent due to LAWA
  - Measured as the decline among non-citizen Hispanics
  - Equivalent to about 92,000 people during 2008–2009

- No declines among the naturalized population or other ethnic groups
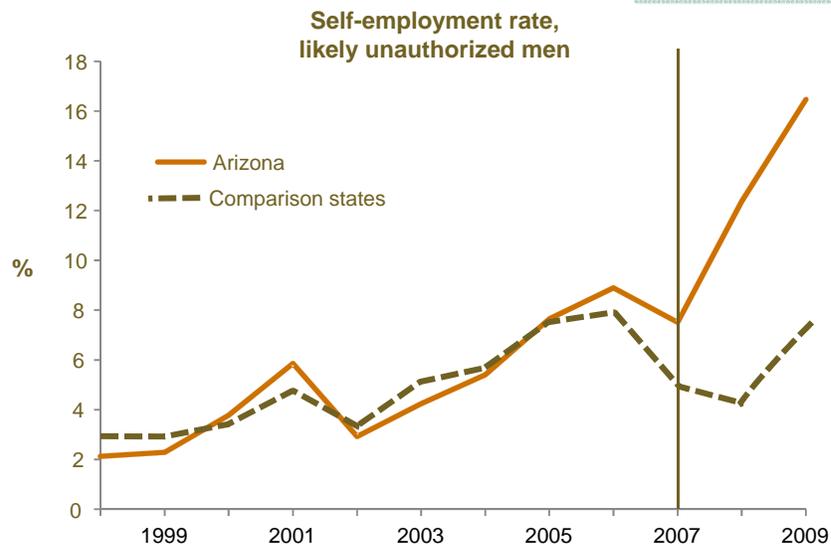
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Employment Fell Among Arizona's Unauthorized Workers (I)

Wage and salary employment rate, likely unauthorized men

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Employment Fell Among Arizona's Unauthorized Workers (II)

- Percentage of employed non-citizen Hispanics with less education fell about 11 points after enactment
  - About 56,000 workers

- Results not driven by recession

- No statistically significant employment effects among competing groups

But Substantial Increase in Self-Employment

Self-employment rate, likely unauthorized men

Conclusions

- LAWA noticeably and substantially
  - Reduced Arizona's unauthorized immigrant population
  - Limited wage and salary employment opportunities for unauthorized workers

- But also caused a substantial push into reported self-employment among unauthorized immigrants
  - Suggests growth in informal employment

- Effects likely stem from deterrence (E-Verify)

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Conclusions

- These effects may differ in a growing economy
  - Larger with more hiring
  - But may be off-set by employers desire/need to hire unauthorized workers

- Effects may diminish over time in the absence of employer sanctions and/or limited participation in E-Verify

- Expected effects with federal E-Verify mandate
  - Smaller population effect
  - But larger push towards informal employment

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Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.

Timing of the Great Recession

■ Recession coincide with LAWA, but AZ employment declines similar to other states, even in construction

Annual Employment Growth in Construction, Arizona and Bordering States

Legend:
- Arizona
- Inland California
- Nevada, New Mexico and Utah

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