

# BOTTOM LINE

## THE ECONOMIC CONSEQUENCES OF STATE IMMIGRATION LAW

With Congress deadlocked and unable to act on immigration, more and more states are taking matters into their own hands. State enforcement statutes have evolved, growing more ingenious and sophisticated with every passing year. And many legislators are now looking beyond merely enforcing the law. They want to drive unauthorized immigrants out of their states – a policy known as “attrition through enforcement.” The only problem: state after state is finding that it is the victim of its own success. The more effective lawmakers are at threatening immigrants, the higher the economic cost – whether because needed workers are fleeing or potential investors and customers are hesitating to do business with the state.

The effects aren't always easy to measure. Economic consequences tend to kick in slowly. Even when costs do materialize, it can be hard to disentangle the results of tougher immigration law from the consequences of the downturn or some other, local economic shift. In other instances, data is lacking, and the only symptoms of the unfolding damage are anecdotes – one farmer's story or a sensational arrest.

Still, the evidence is mounting, and there can be little doubt about the trend. Even with today's high unemployment, employers in many sectors – agriculture, high-tech, the seasonal economy – need immigrant workers to keep their operations running. And eager as many Americans are to crack down on illegal immigration, there is a growing backlash against policies many feel are unduly harsh. As state after state is proving, an enforcement-only approach to immigration comes at a cost – one that will only grow heavier as the economic recovery takes off.


## GEORGIA

In April 2011, Georgia passed an omnibus immigration package that included tough worksite enforcement and provisions modeled on Arizona's controversial 2010 policing law, SB 1070. Core sections of the Georgia statute were blocked in court before they could go into effect. But immigrant workers are fleeing the state in anticipation of enforcement, and employers are reporting worker shortages.

**Farms.** In October 2011, the University of Georgia conducted a survey of farmers who grow handpicked specialty crops: melons, berries, onions and cucumbers, among others. Of the 189 growers who responded to the survey, 148 said they were experiencing labor shortages. The farmers with shortfalls cultivate close to 40 percent of the Georgia acreage devoted to specialty crops. Together, they need some 13,000 workers a year to harvest their produce – and in 2011, according to the survey, they were short more than 5,000 men.<sup>i</sup>

A second survey of Georgia farmers, conducted in December 2011 by the Georgia Department of Agriculture, found that 56 percent of those surveyed were having difficulty finding workers.<sup>ii</sup>

Georgia normally produces \$11 billion dollars worth of agricultural products a year.<sup>iii</sup>



According to the University of Georgia survey, \$75 million worth of crops rotted in the fields in 2011 because there were not enough workers available to harvest them.<sup>iv</sup>

Growing anecdotal evidence confirms these survey results:

- **Squash and peppers.** Winston Bridges from Quitman, Georgia, could not fill 40 jobs in June 2011, and he had to make do with less than half his usual workforce – 30 seasonal workers. Without enough farmhands, 60 percent of the squash and 40 percent of the peppers Bridges planted last spring were never harvested.<sup>v</sup>
- **Blackberries.** Gary Paulk, a blackberry farmer from Irwin County, lost a third of his farmhands after the immigration law passed. Without enough workers, he calculated, 10 percent of the blackberries that were ripening in his fields rotted before they could be picked.<sup>vi</sup>

Blackberries, blueberries, squash, peppers, onions and other specialty crops that Georgia farmers pick by hand cannot be replaced by mechanically harvested produce – the fruit and vegetables would be too damaged to sell fresh and would have to be frozen or canned. According to the Center for American Progress, this would diminish the value of Georgia's agricultural production by \$800 million a year.<sup>vii</sup>

Last summer, Georgia Gov. Nathan Deal acknowledged that farmers were experiencing labor shortages and launched a program to connect them with unemployed probationers. In July, a vegetable farm in Leslie, Georgia signed up for the program, hoping it would supply workers for the annual cucumber harvest. A story by the *Associated Press*, picked up by news outlets across the country, reported on the probationers' first week in the cucumber fields. Picking cucumbers is physically demanding work: the plants hug the ground, and workers have to crouch down, untangle leaves and pull the vegetables from the vine. The probationers complained about the hard work, long hours and blistering heat. After two days, all of them had quit.<sup>viii</sup>


**Dairies.** In July 2011, Georgia Milk Producers asked dairy farmers about labor shortages. Farms that account for two-thirds of the state's cows responded to the survey, and 45 percent reported they were unable to fill open positions.<sup>ix</sup>

**Restaurants.** A Georgia Restaurant Association survey conducted in July 2011 found 49 percent of surveyed restaurants reporting labor shortages, and 88 percent of respondents were concerned about shortages in the future. Lack of workers and related business losses have cut some restaurants' revenue by as much as \$80,000 per month.<sup>x</sup>

**Ripple effects.** In Georgia as elsewhere, agricultural jobs support many other jobs up and downstream in the local economy – at businesses ranging from feed supply stores to banks and insurance companies. Altogether, agricultural production accounts for 8 percent of the Georgia economy.<sup>xi</sup> And according to the University of Georgia's October survey, the worker shortages being experienced by specialty crop farmers shrank state output by \$181 million in 2011.<sup>xii</sup>

## **ALABAMA**

In June 2011, Alabama passed an omnibus immigration law that combines worksite enforcement, an Arizona-like policing measure and a raft of other, novel immigration enforcement provisions not yet seen in other states. The statute mandates E-Verify for all Alabama employers. It gives local police authority to check the immigration status of people



they stop for other reasons who they suspect are in the country illegally. It requires public schools to collect data on the immigration status of students and their parents. And it cancels all contracts, private and public, with unauthorized immigrants – a blanket provision that could cover almost anything, from leases to zoning permits.

## WORKER SHORTAGES

Immigrants are fleeing the state in droves – not just unauthorized immigrants, but also legal residents who fear they will be caught in the dragnet. In January, a report by the University of Alabama found that as many as 80,000 of the 120,000 unauthorized immigrants in Alabama had fled the state.<sup>xiii</sup>


Anecdotal evidence is mounting on the economic damage their flight is causing.

- **Construction.** According to the Associated General Contractors, the number of workers employed in construction in Alabama fell from 85,900 to 80,700 in the five months after the law passed – 2,700 jobs were lost in September alone.<sup>xiv</sup> Worker shortages have been particularly acute in Tuscaloosa, where residents are rebuilding in the wake of tornado damage last spring. Construction companies reported “no-show employees” in a variety of trades and say rebuilding slowed significantly.<sup>xv</sup>
- **Apples.** Bob Deutscher from Jackson County, Alabama, lost half his workers at the height of the apple-picking season in October. The damage: two-thirds of his apples could not be picked – overripe, they fell from the trees and rotted.<sup>xvi</sup>
- **Tomatoes.** Tomato farmer Lana Boatwright from Chandler Mountain, Alabama, lost 40 of 48 Hispanic workers after the new law took effect. Tomato grower Chad Smith, also from Chandler Mountain, lost 80 percent of his workers.<sup>xvii</sup>
- **Landscaping.** Bill Cook, a Montgomery horticulture farmer, received only two applications for the landscaping supervisor position he fills every spring – most years, more than 30 people apply for the job. And Rick Pate, who runs a commercial landscaping company in Montgomery, spent thousands of dollars to train a crew of legal immigrants, only to have them disappear after the law passed.<sup>xviii</sup>

**Economic cost to the state.** In Alabama, as in Georgia, immigrant jobs support other jobs up and downstream in the local economy. The January report by the University of Alabama estimated that the exodus of 80,000 immigrants would eliminate the need for 60,000 additional jobs in Alabama – for a total loss of 140,000 jobs and 6 percent of state GDP. And even that doesn’t include what immigrants contribute to the economy as consumers. Fewer immigrants means fewer people buying food, clothes, cars, appliances and other goods and services. According to the report, this decreased consumption could cost Alabama \$260 million in annual sales and income tax revenue – 3 percent of the state’s total tax revenue.<sup>xix</sup>

## REPUTATIONAL DAMAGE

Alabama is a right-to-work state, and over the past 15 years it has persuaded several large foreign car manufacturers to open assembly plants: Mercedes-Benz, Honda and Hyundai. In 2010, cars accounted for 30 percent of Alabama’s total exports and 16 percent of its manufacturing GDP. Since 2001, the automotive industry has created 35,000 jobs in the state.<sup>xx</sup>



But Alabama's new immigration enforcement law is threatening the state's business-friendly reputation as critics' worst fears of racial profiling appear to be coming true.

- **Mercedes-Benz.** A 46-year old manager from Germany was arrested and jailed in Tuscaloosa in November for not carrying a driver's license while driving a rental car.
- **Honda.** Just 12 days later, a Japanese man on assignment at Honda's assembly plant in Lincoln was stopped and detained at a traffic checkpoint where officers were looking for immigrants without licenses. The Honda employee was carrying an international driver's permit and passport, but not an Alabama or country-of-origin license as required by the law.
- **Giving new meaning to an old stereotype.** Both the Mercedes and Honda stories have been widely reported in the national media, prompting charges that 50 years after the civil rights movement, Alabama is undoing everything residents accomplished over the decades to transform the state's reputation and remove the stains of the past. "Jim Crow is dead," a *New York Times* editorial quoted one Alabama resident, "but his cousins are still alive."
- **Buyers' remorse.** In the wake of the Mercedes and Honda arrests, Alabama's Republican Gov. Robert Bentley – once a key supporter of the new immigration law – admitted to the media that the measure could potentially hurt the state's ability to attract foreign businesses.<sup>xxi</sup>

## ARIZONA


For nearly a decade, Arizona has been at the forefront of state efforts to take over from the federal government, passing and implementing an array of enforcement measures designed to drive unauthorized immigrants out of the state. A ballot initiative passed in 2004 required residents to prove their citizenship before voting or receiving public benefits. In 2007, Arizona was the first state in the country to require all employers in the state to enroll in E-Verify – and this sweeping mandate, the Legal Arizona Workers Act, was soon imitated in states across the country. Then in 2010, Arizona once again spearheaded a national trend: its controversial policing law, SB 1070, which requires local police to check the immigration status of people they suspect are in the country illegally, has spawned copycats in four other states.<sup>xxii</sup>

### WORKER SHORTAGES

**One exodus after another.** Reports that workers were fleeing Arizona began to surface in the media in mid-decade. In 2007, following passage of the Legal Arizona Workers Act, a study by the Public Policy Institute of California reported that 92,000 – 17 percent – of Arizona's noncitizen Hispanics had left the state.<sup>xxiii</sup> A second study, conducted in 2010 by BBVA Bancomer Research, estimated that 100,000 Hispanics fled after passage of the 2010 policing law.<sup>xxiv</sup>

Anecdotal evidence confirms many Arizona businesses are having trouble finding workers.

- **Lettuce.** During the summer, most American lettuce comes from California. But in winter months, farmers in Yuma, Arizona, supply 90 percent of the lettuce consumed nationwide. In 2011, Yuma growers were so pressed for workers that they were able



to pick only 40 percent of their crop, doubling the price of lettuce not just in Arizona but across the country.<sup>xxv</sup>

- **Onions.** Santiago Gonzalez, a farmer in El Mirage, Arizona, used to cultivate 700 acres of onions. In 2011, he planted only ten acres. He would have liked to plant more, but could find no one to finance the crop – investors were afraid he would not find workers to harvest it.<sup>xxvi</sup>
- **Construction.** Housing construction has plummeted in Arizona since the national downturn began in 2006. Even so, David Jones, president of the Arizona Contractors Association, reported in 2008 that builders were having trouble finding workers.<sup>xxvii</sup>
- **Farm closures.** Unable to count on finding workers or harvest their crops reliably, some Arizona farmers are simply closing down. In 2010, there were 15,500 farms operating in the state – 137 fewer than in 2007.<sup>xxviii</sup>

**A bottom-line estimate.** In 2008, economic consultants at the Texas-based Perryman Group calculated that if all unauthorized immigrants left Arizona, the state would lose \$26.4 billion in economic activity, \$11.7 billion in gross state product and 140,000 jobs.<sup>xxix</sup>

## REPUTATIONAL DAMAGE

Groups across the nation reacted to passage of SB 1070 with calls to boycott Arizona. More than 15 U.S. cities passed measures forbidding their employees to travel to the state on work-related business. Dozens of conferences and conventions were canceled. And tens of thousands of people across the country participated in demonstrations pillorying the law as a racially motivated assault on immigrants and an invitation to ethnic profiling.

**Boycott costs.** The tourism industry has been the hardest hit. According to Arizona Employers for Immigration Reform, Arizona's \$18 billion tourism industry has lost \$490 million since the policing law was passed in April 2010. Hotel cancellations have totaled \$45 million and conference cancellations \$141 million. Bottom line: as a result of this drop in business, the state's 150,000-person tourism industry has shed 3,000 jobs.<sup>xxx</sup>

## LEGAL COSTS

The state of Arizona has been defending itself in court since 2007. A coalition of Arizona business associations, civil rights groups and the U.S. Chamber of Commerce challenged the Legal Arizona Workers Act shortly after it passed, and Arizona fought the case all the way through the federal system – from district court through the Ninth U.S. Circuit Court of Appeals and onto the U.S. Supreme Court. In 2010, SB 1070 was challenged by the Department of Justice and that case too has now made it to the Supreme Court.

Taxpayers are not footing the bill. Most of the expenses have been paid with donations to a legal defense fund. But according to one estimate, the SB 1070 defense alone has already cost Arizona and its supporters more than \$2 million.<sup>xxxi</sup>

*ImmigrationWorks USA is a national nonprofit organization building a grassroots business constituency in favor of immigration reform. The national network links major corporations, trade associations and 25 state-based coalitions of small to medium-sized employers working to advance better immigration law. Their shared aim: legislation that brings America's annual legal intake of foreign workers more realistically into line with the country's labor needs.*

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- <sup>iii</sup> Georgia Farm Bureau, "Georgia agriculture – the state's \$65 billion industry."
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- <sup>xxv</sup> *Deseret News*, "Arizonans highlight economic cost of tough immigration law," February 2011.
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