

Immigration Policy and Firms' Labor Demand

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Abstract

This paper examines how firms adjust their labor demand to changes in immigration policy. Using a novel panel data on firms' H-2B visa applications and exploiting the temporal and geographic variation in the adoption of tougher immigration enforcement, we find that firms request fewer low-skilled workers under the H-2B program in response to stricter immigration enforcement, even though more firms are participating in the program. The reduced demand for workers under the H-2B program appears to be driven by firms whose prior H-2B worker requests had been only partially certified, and by a decrease in very large labor requests. Altogether, the results point to higher recruiting costs as the likely explanation. Stricter immigration enforcement creates labor shortages that push firms to search for low-skilled labor through the H-2B program; however, the bureaucracy, uncertainty, and higher costs associated to that recruitment process deters them from requesting a larger number of workers.

Keywords: Labor Demand, Immigration Enforcement, Unauthorized Immigration, Low-skilled Workers, United States.

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