

Immigration Enforcement and Business Dynamics*

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Abstract

We examine whether reducing the undocumented immigrant population affects business dynamics by leveraging the spatiotemporal variations in the implementation of the Secure Communities (SC) program, which coordinates data sharing between local law enforcement agencies to identify and arrest undocumented immigrants. Using difference-in-differences models with the 2001-12 county-level business dynamics panel data, we find that SC implementation at the commuting-zone level reduced the number of firms, establishments, and employment, increased establishment exits, and decreased establishment entries and job creation in the construction sector, but not in other labor-intensive sectors. We discuss several potential mechanisms, including entrepreneurial out-migration, higher labor costs, and changes in consumption.

Keywords: Immigration enforcement, business dynamics, labor markets

JEL Codes: F22, K37, L26, M13, O30

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