

Report Finds E-Verify Impacts Wages Of Likely Undocumented Immigrant Men

By Laura D. Francis

March 3 — State requirements that employers use the E-Verify electronic employment eligibility verification system have a negative impact on the wages of undocumented immigrant men, but not the employment rate of undocumented immigrants, according to a report released by the Federal Reserve Bank of Dallas.

The report, “How Do E-Verify Mandates Affect Unauthorized Immigrant Workers?,” found that such mandates reduce hourly earnings by 8 percent among Mexican immigrant men who are likely to be undocumented. On the other hand, the report, released Feb. 10, didn't find evidence that E-Verify mandates reduce employment among likely undocumented Mexican immigrants.

In fact, authors Pia Orrenius and Madeline Zavodny said states that adopt E-Verify requirements even see an increase in employment among undocumented women.

“Lower earnings among men may induce some women to enter the labor market, while men may move away from states that adopt E-Verify mandates, cushioning the disemployment impact,” the report said.

“Taken as a whole, the results indicate that E-Verify mandates to date are largely successful in achieving the goal of worsening labor market outcomes among unauthorized immigrants,” the report concluded. However, it added, “[t]he adoption of E-Verify mandates does not appear to affect labor market outcomes among non-Hispanic whites either positively or negatively.”

E-Verify Mandates in 19 States

According to the report, between 2006 and 2012, 19 states passed laws or had executive orders requiring employers to use E-Verify, with eight states imposing the requirement for all employers.

Orrenius and Zavodny said the main goal of E-Verify mandates is to deter unauthorized employment, with additional goals of discouraging undocumented immigrants from remaining in or moving to those states and to improve labor market opportunities for authorized workers. “The mandates aim to accomplish these goals by making it difficult for unauthorized immigrants to find work with employers who comply with the law,” the authors said.

“The primary effect of E-Verify mandates should be to reduce the number of unauthorized immigrants who are employed in a state via reductions in both labor demand and labor supply,” the report said.

However, according to the report, there are “complications,” including: Not all employers may comply; the mandate may cover only certain industries, thus reallocating unauthorized workers across industries but not decreasing their total number; or undocumented immigrants may shift from the formal to the informal sector, becoming self-employed instead of wage-and-salary employees.

Previous studies have shown that E-Verify mandates have reduced the undocumented population and number of undocumented workers in states that have them, but the effect on undocumented workers'

wages is less clear, the report said. The authors added that previous studies on the effects on other groups of workers are “mixed.”

Examined Employment, Earnings, Other Impacts

Using data from the Census Bureau's current population survey, the report examined the effects of E-Verify mandates in those states that require the system's use by all employers. The authors looked at the effects on undocumented workers' employment and earnings, as well as effects on unemployment, labor force participation and turnover.

As to employee turnover, Orrenius and Zavodny said because E-Verify mandates only apply to new hires rather than to existing employees, they may “trap unauthorized immigrants into their current jobs, reducing their job mobility and their bargaining power for higher wages.”

The report looked at immigrants who are likely to be undocumented—immigrants with an educational level of a high school diploma or less, who are from Mexico and who aren't naturalized U.S. citizens. These immigrants then were compared with low-education Mexican immigrants who are naturalized citizens, low-education U.S.-born Hispanics and low-education U.S.-born white non-Hispanics.

The authors said there are patterns “worth noting”: Likely undocumented men are more likely to be employed and in the labor force than the other three groups, with likely undocumented women less likely to be employed or in the labor force. In addition, the report said undocumented men and women earn “considerably less” than the other groups, are more likely to have switched employers in the last month and are more likely to live in states that have adopted an E-Verify mandate.

Increase in Women's Labor Force Participation

The report found that E-Verify mandates reduce the hourly earnings of undocumented male workers by about 8 percent, but don't impact whether or not they are employed overall, employed as wage-and-salary workers, self-employed, unemployed or in the labor force.

In addition, the report said E-Verify mandates raise the employment and labor force participation of undocumented women by about 3.5 percentage points.

Orrenius and Zavodny said this result “makes sense” because wives may enter the labor market as a secondary source of family income as their husbands' wages decline. Furthermore, more than 6 percent of employed undocumented women work in private households and thus may be more shielded from E-Verify mandates than men, the report said.

For both sexes, E-Verify mandates don't impact whether likely undocumented workers switch employers, the report said.

The report also found that E-Verify mandates have a greater negative impact on undocumented immigrant men who have resided in the U.S. for 10 years or more—men who arrived within the last 10 years are 4 percentage points more likely to be employed than those who have been here longer, and about 3 percentage points less likely to live in a state with an E-Verify mandate.

Most earnings losses are concentrated among undocumented immigrant men who have been in the U.S. for 10 or more years, with “substantial” losses of about 14 percent, the report added.

The authors said these results could be the result of recent immigrants moving away from or not moving to states with E-Verify mandates. Long-term residents, on the other hand, have “put down roots” and are less mobile in their jobs, thus experiencing earnings losses.

Not All Competing Groups Impacted

Some groups of male workers competing with undocumented workers have better labor market outcomes with E-Verify mandates, the report said. For example, the mandates increase employment and wage-and-salary employment rates and earnings among Mexican immigrants who are naturalized U.S. citizens and decrease their self-employment.

The mandates also increase earnings for U.S.-born Hispanics, but increase their unemployment as well—which the report said could mean that they are more apt to enter the labor force to look for employment if they perceive there to be more job opportunities.

The report added that there appears not to be any impact on non-Hispanic white workers, and women in all three comparator groups weren't affected.

The report authors listed several “caveats” to the results, including that undocumented immigrants' migration to other states may lessen the impact of state E-Verify mandates. In addition, they said they were unable to distinguish between E-Verify mandates that are strictly enforced and those that are simply “on the books,” and they don't know the level of federal enforcement in states with mandates.

The authors said they additionally were unable to determine E-Verify use among employers in states that don't have requirements for the system's use.

“Despite these limitations, this study offers new evidence on the effects of E-Verify mandates,” the report said. “If more states implement employment verification, unauthorized workers will likely have even lower wages and may not be able to avoid disemployment effects by moving to a state that does not have a mandate in place. This suggests E-Verify can be a powerful interior enforcement tool but could also lead to higher poverty and more social assistance needs among the unauthorized immigrant population.”

“E-Verify mandates might be used more effectively and with fewer unintended consequences as part of a comprehensive immigration reform where they would be a deterrent to future unauthorized immigration,” the report concluded.