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Politics, Unemployment, and the Enforcement of Immigration Law

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Abstract

Immigration control-related audits and their resulting sanctions are not solely determined by impartial enforcement of laws and regulations. They are also determined by the incentives faced by vote-maximizing congressmen, agents acting on their behalf, and workers likely to compete with immigrants in the local labor market. In this paper we test to what extent congressional oversight, i.e., legislative involvement, determines the bureaucratic immigration enforcement process. We examine the determinants of decisions made at each stage of regulatory enforcement for over 40,000 audits from 1990 to 2000. This includes an analysis of the determinants of whether a firm is 1) found in violation, 2) whether a warning or fine issued, 3) the size of the fine issued, and 4) how much of dollar reduction fined employers were able to negotiate after the fact. Consistent with the hypothesis that locals will provide more tips to the enforcement agency when unemployment is high, we find that the number of audits conducted grows with increased local unemployment. We also find that a congressman's party affiliation and its interaction with committee membership, party rank, and party majority status, as well as firm size and local union membership, correlate to bureaucratic decisions made at every stage of immigration enforcement.

JEL Codes: J61, K31, K42

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I. Introduction

Immigration law is a frequent part of the national political discussion, particularly in election years. While immigration laws do not change with every election, this does not imply that the regulatory institutions that implement and enforce the law are free of political capture. Given the discretion allowed in the enforcement of immigration laws, bureaucratic decisions made can reveal the underlying motivations of both the government bodies overseeing immigration enforcement, and the civilian population whose tips and complaints initiate the majority of investigations.

Hanson (2006), for example, argues that laws regulating the hiring of unauthorized immigrants are imperfectly enforced and that enforcement reflects political interests. This hypothesis has not been subject to systematic tests. It remains an open question whether immigration laws are enforced with the sole intent of ensuring proper documentation of employees, or whether they reflect the shifting political tides, the business cycle, and unemployment.

The politics of immigration are subject to concentrated costs and diffused benefits. While a country as a whole is likely to benefit from additions of both skilled and unskilled labor, for some domestic workers immigrant labor is a substitute, reducing the market price for their labor. The politics of immigration law may also be affected by the vicissitudes of popular opinion regarding immigrants. While most economists take the view that immigrants are a valuable part of the work force that contribute to economic growth and the long run welfare of the nation they are joining (Borjas 1995), the popular attitude is often one of resistance, pressuring politicians to enact stricter immigration legislation (Caplan 2002; Mayda 2006).

The enactment of the Immigration Reform and Control Act (IRCA) of 1986 was at least to some extent motivated by those political pressures. Beyond the establishment of laws and penalties, the IRCA also built a significant amount of officer discretion into the enforcement mechanism of the law. Enforcement with officer discretion can be an appealing institutional arrangement for legislators. It grants them an opportunity to adjust the *de facto* enforcement of the law to satisfy constituency demands. Thus, depending on the views of voters in the district, congressmen may intervene to encourage bureaucrats to vary the strictness by which they apply enforcement procedures. Thus officer discretion may provide a political gain to the intervening legislator through congressional oversight.

Further, the IRCA enforcement process provides additional opportunities for political gain to legislators. After an auditing official finds an employer in violation and issues a monetary fine, the employer has the opportunity to negotiate with the INS in the hopes of negotiating a lower fine. This negotiation can be brokered by the constituent services branch of the local congressman's staff.

In a broader context, we empirically test whether there are interdependencies between Congress and the Federal Bureaucracy. There exists a longstanding question as to who controls the Bureaucracy, the mechanisms used to exercise influence and power, and their efficacy.[1] We contribute to the literature on congressional oversight, testing whether congressional power, such as majority status, and oversight authority, such as membership on the judiciary committee, are correlated with decisions taken by the agents of the bureaucracy. Often, we do not know whether an agency makes decisions in anticipation of what Congress wants or whether Congress

1 There is a large literature on congressional oversight in economics and political science. Important works include Kiewiet and McCubbins (1991) , Weingast and Moran (1983), McCubbins and Schwartz (1984), McCubbins et al (1987), Moe (1989), Balla and Wright (2001), and Huber and Shipan (2002). See Moe (2012) for an extensive and thorough review of the literature.

intervenes directly in the process. But by testing whether there is a correlation between political power and oversight and enforcement outcomes, we can establish whether politics has an influence over the bureaucracy of day to day decisions, and if so, over which decisions.

We use records from 42,405 worksite audits from 1990 to 2000 to investigate the economic and political determinants of IRCA enforcement efforts, specifically the I-9 employment verification audit (Rojas 2002), the initiation of audits, the discretionary issuing of fines by investigating officers, and the negotiated reduction in issued fines. We test the hypotheses that enforcement is partly determined by local economic and political conditions with respect to the i) frequency of worksite audits , ii) probability of being found in violation of the law, iii) probability of being issued a monetary penalty, iv) the size of the monetary fines issued, and v) the negotiated reduction in issued fines.

At each stage of the auditing process, we find support for the hypothesis that discretionary enforcement of immigration law is influenced by both local political interests and labor market conditions. For example, the number of audits increases with the local unemployment rate. Further, party affiliation, rank, and committee membership of the local congressman have a significant effect on forgiveness, issued fines, and negotiated reductions. The effects of party affiliation are limited, however, when the congressman's party does not hold a majority in Congress. During a Republican majority, we find that federal agents in Republican districts issue larger fines, and that the subsequent negotiated reductions in these fines are larger in Republican districts. Several of our other variables, such as firm size and the union membership within the state, have significant interaction effects with the local congressman's party affiliation.

I. Background on Institutions

The IRCA of 1986 requires employers to verify the citizenship status and employment eligibility of their employees. The Act creates sanctions, both civil and criminal, for employment-related violations (Form I-9 Inspection Overview: Worksite Enforcement Unit Office of Investigations November 19, 2009). Prior to IRCA, employers bore no requirement to verify the citizenship status of their employees nor faced any penalty for employing undocumented immigrants. After the IRCA was passed, there was significant confusion created for employers and human resources departments with respect to proper I-9 compliance. The resultant mistakes made by firms contributed, at least in part, to an increase in allegations of discriminatory hiring practices (Briggs Jr. 1990). The Immigration Act of 1990 (IMMACT) was an attempt to address these issues by imposing additional civil fines for violations of IRCA's antidiscrimination provisions (Office 2006).

The IRCA establishes the I-9 employment verification process based on documents presented by potential employees to employers to document their identity and work eligibility. On the I-9 Form, employees must attest that they are U.S. citizens, permanent residents, or aliens authorized to work in the U.S. Employers must certify that they have reviewed employee documents, that the documents appear genuine, and that they relate to the individual in question. Employers are found IRCA-compliant if they have followed the Form I-9 process. In the event that an unauthorized alien presents fraudulent documents that appear genuine, employers are found compliant so long as there is documentation to prove that they followed the Form I-9 process, and that they made a "good faith" attempt to inspect the documents (Lowell and Jing 1994). The difficulty in assessing whether an employer who hired an employee with fraudulent documents made a "good faith" attempt is one of the reasons that there is auditor discretion with

respect to enforcement, including the option to issue a warning when an employer is found in violation. The opportunity for plausible deniability and non-compliance without financial penalty, however, is one possible reason why a significant number of employers illegally hire people with fraudulent documents (ICE 2009).

During the time span of our data (1990-2000), employment verification audits were conducted by the Immigration and Naturalization Services (INS) agency. The INS was a part of the Department of Justice. In 2003, the INS ceased to exist, and was subsumed by the U.S. Citizenship and Immigration Services. Employment verification audits now fall under the jurisdiction of the Immigration and Customs Enforcement (ICE)[2], which is a unit within the Department of Homeland Security (DHS). The enforcement units of the INS and ICE, with respect to employment verification audits, are largely identical, and thus we will refer to documents that describe enforcement procedures under both agencies.

According to the Worksite Enforcement Unit, ICE Office of Investigations, "The administrative inspection process is initiated by the service of a Notice of Inspection (NOI) upon an employer compelling the production of Forms I-9. ICE typically will allow three business days to present the Forms I-9. Often, ICE will request that the employer provides supporting documentation, which may include a copy of the payroll, list of current employees, Articles of Incorporation, and business licenses" (ICE 2009). If any errors, technical or procedural, are found, the employer is given ten days to make corrections. If it is determined that the employer knowingly hired unauthorized workers, or continues to employ unauthorized workers identified

[2] In March 2003, INS was merged into the Department of Homeland Security and its immigration functions were divided between U.S. Citizenship and Immigration Services, U.S. Immigration and Customs Enforcement, and U.S. Customs and Border Protection. U.S. Immigration and Customs Enforcement is responsible for managing and implementing the worksite enforcement program. (GAO-06-895T, a testimony before the Subcommittee on Immigration, Border Security, and Citizenship, Committee on the Judiciary, U.S. Senate)

by the federal enforcement agency, employers may be fined, prosecuted criminally, and debarred from participating in federal contracts and other government benefits (ICE 2009).

Monetary penalties for hiring violations range from $375 to $16,000 per violation, with repeat offenders receiving larger fines. Penalties for technical or procedural violations, such as failing to produce a Form I-9, range from $110 to $1,100 per violation. "In determining penalty amounts, ICE considers five factors: the size of the business, good faith effort to comply, seriousness of violation, whether the violation involved unauthorized workers, and history of previous violations" (ICE 2009). The enforcement agency notifies the audited employer in writing of the results of the inspection once completed. We summarize the most common notices in Table 1.

In instances where the INS serves a Notice of Intent to Fine (NIF), the charging documents specify the violations committed by the employer. The employer has the opportunity to either negotiate a settlement with the enforcement agency or to request a hearing within 30 days of receipt of the NIF. If the employer takes no action after receiving a NIF, the INS issues a Final Order. If a hearing is requested, the Chief Administrative Hearing Officer assigns the case to an Administrative Law Judge and sends to all parties a copy of a Notice of Hearing and the government's complaint.

As late as 1988, the GAO reported that INS officials allocated 60 percent of their enforcement resources for employment verification audits directed toward employers who were suspected of employing unauthorized aliens (e.g. audit initiation was information driven). The remaining 40 percent, however, was devoted to a program of random selection of employers nationwide for I-9 compliance inspections (GAO 1988). Since then, and for the period analyzed

in our study, immigration enforcement policy has shifted away from random investigations towards a policy of only conducting investigations of employers based on outside information.

The information that leads to a worksite investigation comes from an array of sources - tips from the public, reports from a company's current or former employees, and referrals from other law enforcement agencies. Cases relevant to national security or public safety receive top priority, as do investigations involving allegations of egregious worker exploitation and threats to worker safety (ICE 2009). Most audits are conducted by federal agents from the INS/ICE. The remaining enforcement is conducted by local officers; subsection 287(g) of the IRCA permits the delegations of immigration authority to those officers.[3]

II. Data

With the abandonment of the INS, some of the documentation for the data we use in our analysis went missing. Specifically, an official codebook of our audit data has proven to be unavailable. However other information allows us to identify the fields in our data set that are relevant for testing our hypotheses. Using the information contained in the official I-9 inspection overview, as summarized in the flow chart in Appendix A, and documentation graciously provided by the Department of Homeland Security (see Appendix B), we can identify key variables in our data set. Specifically, we can determine the "Administrative Disposition," i.e. the outcome of the audit. The audit outcomes are Warnings, Notification of Intent to Fine (NIF), dollar fine issued, and the dollar amount collected. The NIF and dollar fine issued is associated with the Tier code assigned to the offense (1, 2, or 3), with higher tiers correlating to larger fines.

[3] "The 287(g) program cross-designates state and local officers to enforce immigration law as authorized through section 287(g) of the Immigration and Nationality Act. Scores of state, county and municipal agencies nationwide have requested 287(g) memorandums of agreement with ICE and hundreds of officers have been trained under the program." - (*ICE Agreements of Cooperation in Communities to Enhance Safety and Security* ICE ACCESS Fact Sheet)

Our data set includes observations from all fifty states across 348 separate Core Based Statistical Areas (CBSAs).[4] In Figure 1 we show a map of the U.S., shaded by the total number of audits conducted from 1990-2000.[5] The largest number of audits occurs in the southwest, from Texas to California. The next largest number of audits are in New York and Florida, likely due to their large immigrant communities. The Midwestern states have similarly large numbers of audits, which may reflect the season to season demand for migrant labor. Figure 2 presents the number of audits per capita. Contrary to the total number of audits in Figure 1, the number of audits per capita is relatively uniform. Thus, proportional to population, audits are not confined to a few specific geographic U.S. regions.

III. Modeling the Determinants of IRCA Audits and Sanctions

We hypothesize that worksite enforcement of immigration law is in part determined by local economic and political conditions, rather than solely by the letter of the law. The INS depends on local intelligence (e.g., tips) for initiation of worksite investigations. Therefore, more tips are likely to come from areas where people perceive that they are negatively affected by immigrant labor. For example, it has been shown that immigration preferences correlate with the condition of the economy and the skill makeup of the labor force (Mayda 2006). Since these citizens are likely to complain to their congressmen, INS enforcement may also be influenced by congressmen who seek to increase employment in their districts. While INS officers follow the directives of their superiors, those superiors are agents of congressional principals. The latter can

[4] Core Based Statistical Areas are the most recent designation of what were previously referred to as Metropolitan Statistical Areas. We excluded audits from U.S. territories, such as the Puerto Rico and the U.S. Virgin Islands.
[5] Brownell (2005) notes a decline, from 1999 through 2003, in the number of IRCA enforcement fines and administrative worksite arrests. Our data set includes 1999 and 2000, and we observe this decline as well. ICE has attributed this decline to various factors, including the widespread use of counterfeit documents that make it difficult for ICE agents to prove that employers knowingly hired unauthorized workers (Office 2006).

exert control over the INS agency through a variety of legislative mechanisms (Weingast and Moran 1983).

Immigrant labor is often a close substitute for members of the preexisting local labor pool, particularly in high GDP per capita countries such as the United States (Mayda 2006).[6] A simple model of the local labor market, based on the premise than that there is a high elasticity of substitution between native and immigrant labor (Card 2001; Okkerse 2008), predicts that individuals from the local labor pool have incentives to reduce the supply of local immigration labor by increasing the cost of hiring immigrant labor. These incentives increase as unemployment rises.

For firms, being audited and potentially fined increases the costs of hiring immigrant labor, both legal and illegal. The number of audits largely reflects the number of tips being given by locals to INS/ICE officials. A simple model of native and immigrant labor as close substitutes, where the demand for native labor will increase if the supply of immigrant labor decreases, predicts that the number of tips, and in turn number of audits, will increase with unemployment.

To test the hypothesis that immigration enforcement is a function of unemployment, we organize the data as a state-year panel, and have as our outcome variable the total number of audits conducted within the state *k*, during year *t*.

(1) $\text{TotalAudits}_{kt} = \beta_0 + \beta_1 \text{Unemployment}_{kt} + \beta_2 \text{Union}_{mt} + \beta_3 \mathbf{Demographic}_{mt} + \text{State}_k + \text{Year}_t + \varepsilon_{kt}$

In this specification, there is some concern with respect to reverse causality. Specifically, that the larger the number of audits, the less likely employers are to hire immigrants, resulting in

[6] While there is increasing evidence that immigrant labor is strongly complementary to existing labor, this remains a far from a popular view (Borjas 1995).

a higher overall unemployment rate. To address this concern, we estimate (1) with Two-Stage Least Squares (2SLS), in addition to Ordinary Least Squares (OLS).

In the 2SLS specifications, our instruments for the annual state unemployment rate are the levels and annual changes in federal civilian and federal military compensation spending within a state, as reported by the Bureau of Economic Analysis. The rationale for choosing these instruments is that while government hiring affects the unemployment rate, government-funded positions, at the local, state, and federal level, are not accessible to illegal immigrants, and as such are not influenced by the IRCA enforcement audits. In all specifications we include year and state fixed effects, and cluster the standard errors by state.

In our regression equation (1), we include the current unemployment rate in the state, as reported by the Bureau of Labor Statistics ($Unemployment_{kt}$), and the percentage of survey respondents from state, *m*, who report being a member of a labor union ($Union_{mt}$), as reported by the Current Population Survey. We further include a vector of state demographic variables ($\mathbf{Demographic}_{mt}$), all obtained from the Current Population Survey and aggregated to the state level. This vector includes average state income, as well as the fraction of respondents who are self-identified as Hispanic, non-Hispanic minority ethnicity, and not having received a high school diploma.

Congressmen have a number of mechanisms by which they can influence the actions of federal agencies, including setting agency budgets, leadership appointments, new legislation, and the altering of agency jurisdiction (Weingast and Moran 1983; Shughart, Tollison et al. 1986; Ferejohn and Shipan 1990; Bawn 1995). For congressmen seeking reelection, stricter enforcement of immigration laws may offer the possibility of garnering additional votes for being "tough on illegal immigration." When voters in congressional districts voice an anti-

immigrant sentiment or complain to Congressmen that immigrants are "taking their jobs", these legislators may have an incentive to encourage individuals in the enforcement agency to more strictly follow procedures and exercise their discretion in a less forgiving manner. At the same time, the same Congressmen may also respond to complaining firms in their district, i.e., firms that were found in violation of IRCA, by encouraging the INS to lower the fines that were issued by the auditors. Congressmen must weigh these incentives when deciding whether to motivate strictness or leniency in agent and agency discretionary decision-making.

While officers have some discretion in whether they find a firm's employee documentation in compliance with the IRCA, the primary form of officer discretion is the determination of whether an out of compliance firm will be issued a monetary fine or a warning. The decision to issue a warning may reflect the pressures of legislators. For example, members of Congress can directly influence the reduction in issued fines, because congressional staff may participate in negotiations between firms and the INS.

To test these hypotheses, we estimate one regression for each of the four stages of the audit process, modeling the determinants of the outcome of an audit *i*, of employer *j,* conducted in location *k,* in year *t* as

(2) $\text{Audit Outcome}_{ijkt} = \beta_0 + \beta_1 \text{Unemployment}_{kt} + \beta_2 \mathbf{Firm}_j + \boldsymbol{\beta}_3 \mathbf{Demographic}_{mt} + \beta_4 \text{Union}_{mt} + \boldsymbol{\beta}_5 \mathbf{Politics}_{ct} + \text{Location}_k + \varepsilon_{ijkmt}$

(3) $\text{Fine}_{ijkt} = \beta_0 + \beta_1 \text{Unemployment}_{kt} + \beta_2 \mathbf{Firm}_j + \boldsymbol{\beta}_3 \mathbf{Demographic}_{mt} + \beta_4 \text{Union}_{mt} + \boldsymbol{\beta}_5 \mathbf{Politics}_{ct} + \text{Location}_k + + \varepsilon_{ijkmt}$

(4) $\$\text{Amount}_{ijkt} = \beta_0 + \beta_1 \text{Unemployment}_{kt} + \beta_2 \mathbf{Firm}_j + \boldsymbol{\beta}_3 \mathbf{Demographic}_{mt} + \beta_4 \text{Union}_{mt} + \boldsymbol{\beta}_5 \mathbf{Politics}_{ct} + \beta_7 \text{Violation\_tier}_{ijkmt} + \text{Location}_k + \varepsilon_{ijkmt}$

(5) $$\%\text{Reduction}_{ijkt} = \beta_0 + \beta_1 \text{Unemployment}_{kt} + \beta_2 \mathbf{Firm}_j + \boldsymbol{\beta}_3 \mathbf{Demographic}_{mt} + \beta_4 \text{Union}_{mt} + \boldsymbol{\beta}_5 \mathbf{Politics}_{ct} + \beta_7 \text{Violation\_tier}_{ijkmt} + \text{Location}_k + \varepsilon_{ijkmt}$$

where, depending on the specification, Audit Outcome_{ijkt} is whether a violation was found, Fine_{ijkt} is whether a fine was issued given that a violation was found, $\$\text{Amount}_{ijkt}$ is the fine amount issued given that a fine was issued, and $\%\text{Reduction}_{ijkt}$ the percent reduction of the fine obtained by the firm given that a fine was issued. The audit outcome variable equals one if the auditor determines that the employer is in violation of IRCA employment documentation requirements. The variable equals one if an employer found in violation is issued a fine and equals zero if that employer is issued a warning. A warning is an officially documented issuance that does not include any monetary or criminal penalty. We assume that the error terms in these regressions are not correlated, allowing us to estimate each model with OLS. We use fixed effects for location, where location is either the state or the CBSA. We use robust standard errors because we cluster standard errors by location. CBSA and state fixed effects control for time-constant local and state idiosyncrasies, such as a criminal culture and ethnic tensions.[7]

$\mathbf{Firm_i}$ is a vector of variables specific to the employer being investigated, and includes the number of employees at the investigated location and a dummy variable indicating whether the firm is in a high alien industry.[8] In some specifications we include the variable ViolationTier, which is a measure of the severity of the violation as determined by the auditing official. ViolationTier takes a value of 1, 2, or 3, with larger values assigned to violations by repeat offenders, instances of observed abuse or exploitation, and egregiousness on the part of violating employers.

[7] Results are similar when we use congressional district fixed effects. Also, our results are comparable when using only observations after the 1992 redrawing of congressional district boundaries. We do not include year fixed effects because of insufficient within-state political variation within single years.

[8] High Alien industries include agriculture, hospitality and accommodations, food service, and textiles (Hill and Pearce 1990).

Politics$_{ct}$ is a vector of variables to test our political economy hypotheses **regarding congressional oversight**. Using ArcGIS, we matched congressional districts to the zip codes of the inspected firms, as reported in the audit records. For the 103rd through the 108th Congresses, we matched the latitude and longitude of the central point in each zip code with the geographic maps of congressional boundaries, provided by the US Census Bureau. For the 102nd Congress, we used data made publicly available by the Missouri Census Data Center.[9] **Politics**$_{ct}$ includes variables from Stewart and Woon (2012), including indicator variables for the party membership of the congressmen (equaling one if Republican, zero otherwise) from the local congressional district, whether he or she is assigned to House Judiciary Committee, whether his/her party is currently the majority party in the House of Representatives, and the congressman's rank within his/her party. The "rank within party" variable orders the members of a congressional committee based on the Resolution that appointed the members. Highest ranking members have the lowest number. The chair and ranking member always have a rank of one within their party. In some of our specifications we also include interaction variables.

The congressional oversight hypothesis predicts that judiciary appointment is an important predictor of bureaucratic decisions. We predict that the influence of the judiciary committee membership and variables measuring political power, such as majority status, grows with each stage of the enforcement process.

We predict that the largest effect of oversight will be found at the final stage of the enforcement process - that is, when fine reductions are negotiated between the agency and the firm found in violation. It is at this final stage that congressional staffers (or the representatives themselves) can participate in the negotiation process. Their status and ability to affect the

[9] In the event that a zip code was split across congressional boundaries with the data from the 102nd Congress, we assign the zip code to the Congressional district based with the greater overlapping area.

incentives facing agents of the bureaucracy (oversight) is likely to have the greatest impact here. Conversely, due to their indirect participation, we predict a less pronounced effect of congressmen on decisions made in the earlier stages of the enforcement process (assessment of violations, the decision to whether to issue a fine or a warning, the initial dollar amount of the fine).

IV. Results

We now describe the results from our examination of political determinants of enforcement decisions at each step of the enforcement process: whether to audit, whether to find that a violation occurred, and, if so, the fine that was issued, and whether the fine amount was lowered after review of the case.

We present summary statistics of variables used in our empirical analysis in Table 2. The top panel of Table 2 shows descriptive statistics for our socio-economic variables at the state level, as well as the number of audits per state, which we computed from our source data, which contain individual audits and indicates in which state the audit was performed. We observe on average 79 audits per state and per year. There is a large variation in audits rates. For example, across states, audits range from zero to 1,386 per year. In our state data set, about ten percent of the observations include zero recorded audits.

The bottom panel of Table 2 shows descriptive statistics at the lowest level of aggregation, i.e., at the audit level. It shows that of all audits, 47 percent resulted in a violation. When a violation was found, 76 percent of those firms were fined, carrying an average penalty of $4,385. Further, on average, firms negotiated their fines down by about eight percent.

Since we know the zip code of each audit, we merged congressional district variables to those zip codes. The descriptive statistics show that about half of all audits are conducted in

districts with a Republican Representative, and ten percent of all audits are conducted in districts of members of the House judiciary committee. When estimating regressions when the dependent variable is the number of audits at the state level, we average our explanatory variables at the state level.

Table 3 shows results from the regressions with the log of audit counts by state as the dependent variable. The first four columns show the OLS specifications and the next two columns show the 2SLS specifications. When we include only state and year fixed effects in the OLS regression, we find a positive correlation ($p < 0.05$) between unemployment and the number of audits (Table 3, column 1). That correlation remains statistically significant when we include control variables, but the magnitude is getting smaller (Table 3, column 2). In Table 3, column 3 we limit the model to only observations from low alien states (10.4% with zero audits).[10] Limiting the model to this subset is one means of addressing endogeneity – immigration enforcement is less likely to impact the economy and the unemployment rate in states with low numbers of undocumented aliens. The coefficient on unemployment is positive, but not statistically significant. In Table 3, column 4 we include lagged unemployment instead of contemporaneous unemployment, and we find that the correlation between unemployment and audits remains positive and is statistically significant at the five percent level. These results are consistent with the hypothesis that higher rates of regional unemployment lead to larger numbers of audits by federal agents.

If an increase in audits makes employers more cautious in hiring and thus leads to higher unemployment, our OLS estimates on unemployment in Table 3 are biased downwards. Because of this concern, we estimate our model with 2SLS. In the first stage we use as instruments the level of and the change in state per capita federal civilian compensation and state per capita

[10] Low alien states are all states other than Texas, California, Illinois, Florida and Arizona (Hill and Pearce 1990).

federal military compensation. These variables serve as a measure of the level of (and change in) employment that is generated by the federal government in the state. We use these instruments because audit frequency is not directly affected by employment created by the federal government, but only through unemployment, altered by federal employment changes. We show the first stage results in Appendix Table A. The first column excludes lagged unemployment from the regression and the second column does not. We find the expected negative effect on both types of compensation – increases in federal employee-related spending within a state reduces state unemployment as the Federal government hires people. F-tests suggest that we have strong instruments, resulting in a low relative bias.

The specification in Table 2, column 5 corresponds to first stage in Appendix Table A, column 1. Here we find that a one percentage point increase in unemployment leads to a 53 percent increase in the number of audits. Table 2, column 6 reports the results from an alternative model specification that includes lagged unemployment (Appendix Table A, column 2). In this specification the coefficient on unemployment shows that a one percent increase in unemployment leads to a 27 percent increase in audits conducted. Thus, in both specifications we find that the coefficients on unemployment in these 2SLS increase relative to those in the OLS specifications. This increase is likely a result from higher audits reducing local employment.

The results in Table 3 are consistent with the hypothesis that audit activity within a state is correlated with economic conditions: the findings are consistent with the hypothesis that more people report potentially illegal employment to the enforcement agency when state unemployment is high. This finding may be related to research that has established that immigration falls as unemployment increases (Withers and Pope 1985; Winegarden and Lay Boon 1991; Passel and Cohn 2010). Our results offer a potential explanation for this:

immigration falls because immigrants may expect to get reported in times of high rates of unemployment.

Table 4 presents the results from regressions testing hypotheses regarding determinants of whether an audit resulted in a violation or a warning. These regressions have the audit as the unit of observation. Some specifications include state fixed effects (Table 4, columns 1 and 3); others include CBSA fixed effects (Table 4, columns 2 and 4).[11]

We find that the likelihood of being found in violation is higher for employers in high alien industries. This may be due to more severe violations in those industries, or because federal agents want to discourage violation of the law in especially those industries. Being in a high alien industry increases the probability of a fine by between 2.8 and 3.7 percentage points. At the same time, we find that the likelihood of being in violation decreases in the Hispanic fraction of the state population.

Another result is that the larger the firm, the less likely the firm will be found in violation. This is consistent with a hypothesis that larger firms have more recourse to appeal decisions, and thus the enforcing agency adopts extra care deciding whether to fine a large firm.

Since we mapped the geographical location of the audits to congressional districts the specifications in Table 4 allow us to test whether congressional influence and oversight is one determinant of being found in violation with the immigration law. Table 4, column 1 shows that audits in Republican congressional districts are less likely to result in a violation. However, the effect is not statistically significant in the other three specifications in Table 4. We find that the probability of being found in violation decreases with the number of employees, and this effect is stronger in Republican districts, as shown by the negative sign on the interaction effect between

[11] We did not estimate the state level regressions in Table 3 at the CBSA level because it serves as too small a level of aggregation, dominated by zeros and small numbers, and for lack of good instruments for unemployment at the CBSA level.

log employees and whether the Representative is a member of the Republican party. The probability of being found in violation decreases with greater rates of state union membership in Republican districts (Table 4, column 4). This result is consistent with the view of the 1990s Republican Party being less supportive of unions than Democrats.

Consistent with our previous findings that political affiliations of Representatives matter in enforcement decisions, Table 4 shows that when a Representative is a member of the Judiciary Committee, the increase in the violation probability rises when the Representative is a Democrat, and decreases when he or she is a Republican. This finding is consistent with legislative oversight over the bureaucracy, or alternatively, legislative intervention in the enforcement of the law.

Table 5 analyzes the subsample of audits that resulted in a violation. It shows the determinants of whether firms that were found to be in violation were issued a monetary fine or a warning. Our results show that firms in high alien industries have a higher probability of receiving a fine, that larger firms are more likely to receive a warning, and that this lenience towards larger firms is greater in Republican districts. That larger firms are treated less harshly is similar to our finding in Table 4, showing that larger firms are less likely to be found in violation. The results in the table show that the probability of receiving a fine is increasing with the unemployment rate. A one percent increase in unemployment rate correlates to a roughly three percentage point increase in the probability of receiving a fine across all four specifications.

In Table 5, almost all of the political variables are statistically significant. A fine is less likely if the district in which the audit is conducted is represented by a Republican (column 2). The probability of receiving a fine is also lower when the local Representative has lower rank within

his or her respective committees (columns 2 and 4). The probability of receiving a fine is greater when the local Representative is a member of Judiciary Committee, regardless of party affiliation. Perhaps surprisingly, while many of the political variables are statistically significant determinants of whether a firm receives a fine, majority status is not statistically significant in any of the four specifications in Table 5. With respect to congressional oversight, our results on committee appointment and majority party status support the theory of congressional influence over what is an agency that is, by law, under executive branch authority.

Table 6 presents results for the subsample of firms that were issued a fine. In these regressions the dependent variable is the log dollar amount of fine. Officers have some discretion with regards to the dollar amount of the fine levied, but that discretion is limited by formulas (ICE 2009). The formula for reducing or increasing the fine, beyond the baseline dollar value assigned by law, includes both the size of the firm and the violation tier assigned by the officer. Consistent with these guidelines, our results show that these two variables are statistically significant in all of the regression models. The results show evidence for political influence because we find that the increase in penalties for larger firms is greater when the local congressman is a Republican. We also find that fines for firms in high alien industries are between 7.6 and 11.6 percent larger than fines imposed on firms in low alien industries.[12]

In Table 6, a number of the political variables are important determinants of the size of fines issued, but their statistical significance is sometimes sensitive whether we include state or CSBA fixed effects. If the local congressman is a member of the Republican Party while Republicans hold the majority status in the House of Representatives, fines issued are 36 percent larger. We find this effect in Table 6, column 4, but not in column 3. All specifications find that

[12] All semi log marginal effects of dummy variables are calculated as the effect of going from a 0 to 1, or simply $exp(\beta) - 1$.

fines are larger, and the effect is statistically significant in all specifications, when the local Representative is a Democrat and on the Judiciary committee. The effect is reversed when the local representative is a Republican on the Judiciary Committee, but the magnitude of the effect is only non-trivial with CBSA fixed effects (Table 6, column 4).

Table 7 presents results for regressions modeling the determinants of the percentage reduction in the fine that employers negotiated down. Here we analyze the subsample of firms that were issued a fine. All four specifications find that the larger the fine, the higher the percent reduction in the fine. Also, firms with larger numbers of employees receive lower fine reductions (Table 7). Further, reductions are larger in areas with fewer high school graduates and reductions are smaller in areas with a larger Hispanic population. Thus, in addition to political considerations, the socio-economic characteristics of the area matter as well for fine reductions.

We document the largest political impact on fine reductions when analyzing the effect of the majority party status of the Representatives: when the local congressman is a member of the Democratic party when Democrats are in the majority in the U.S. House of Representatives, fine reductions are 12 to 13 percentage points lower. In contrast, when the local Representative is a Republican while the Republican party holds the majority of seats in the U.S. House, local firms enjoy fine reductions that are 23 to 26 percent larger.

This finding provide further evidence that is consistent with legislative oversight and the accompanying hypothesis that reelection concerns of politicians are involved in the execution in the law. When the district is represented by a Republican, and when Republicans have more influence over the bureaucracy because they hold a majority of the seats in the U.S. House, then firms facing fines for violations are likely to enjoy larger negotiated reductions in those fines.

Similarly, when the district representative is a member of the Judiciary committee, which oversees immigration policy and enforcement, their position allows them greater influence over enforcement. If the local congressman is a Republican and a member of the Judiciary Committee, firms are less likely to be found in violation, more likely to receive warning instead of a fine if they are in violation, and the fines they do receive are on average on smaller. Conversely, if the local congressman is a Democrat with a seat on the judiciary committee, firms can expect more violations, fewer warnings, and larger fines. These results are not consistent with the view in the 1990s that Democrats, relative to Republicans, looked more favorably towards immigration. Rather, they reflect the view that Republicans were more generally pro-business, and that obtaining majority status in Congress allowed them to more effectively represent the interests of their constituent businesses as they interacted with immigration enforcement agents.

Our results show that congressional status has its clearest impact on the actual dollar costs being imposed on constituent firms. Here, legislators can actually show firms found in violation how much money they help them save and, in turn, obtain for legislators the largest payoff in terms of reelection support. Legislators have a strong incentive to use their political status to help constituent firms when said firms can actually see how much money they are being saved by their representative.

V. Concluding Remarks

This paper shows that the enforcement of current immigration law is determined, in part, by both economic and political conditions. The dependence of enforcing agencies on local tips to initiate audits leads to additional investigations where there is a greater supply of unemployed,

particularly recently unemployed, constituents. We find support for the hypothesis that Congress leverages its oversight authority to influence bureaucratic agencies. In particular, majority status and membership on the judiciary committee are important explainers of agency decisions. The importance of these predictors grows as the agency moves into later stages in the enforcement process, consistent with legislators' increasing opportunities to directly influence agents of the bureaucracy.

There is a long running debate in political economy and political philosophy regarding the merits of writing laws that allow for discretion and those that do not (Barro 1986). A part of that debate that is often underemphasized is the incentives facing lawmakers themselves as they look forward. While formal models of delegation find that Congress should, in theory, prefer laws be written with greater structural restriction and less administrative discretion (Moe 2012), this does not preclude Congress from benefiting from the administrative discretion that is built into these laws. Elected officials have the opportunity to serve different constituent groups at the various stages of the enforcement process. They can motivate stricter enforcement as a means to appeal to anti-immigrant and pro- native labor sentiment, while later serving local businesses by helping to negotiate larger reductions in fines that have been issued. By allowing federal officers discretion in how they enforce existing immigration law and ex post discretion in the reduction of fines paid by violating employers, lawmakers have created an additional means through which they can generate political capital, appealing to the preferences of their constituents or contributors. Sometimes both.

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Table 1. Audit Outcomes[†]

(1) *Notice of Inspection Results* – also known as a "compliance letter," used to notify a business that they were found to be in compliance.
(2) *Notice of Suspect Documents* - advises the employer that based on a review of the Forms I-9 and documentation submitted by the employee, ICE has determined that the employee is unauthorized to work and advises the employer of the possible criminal and civil penalties for continuing to employ this individual. ICE provides the employer and employee an opportunity to present additional documentation to demonstrate work authorization if they believe the finding is in error.
(3) *Notice of Discrepancies* - advises the employer that based on a review of the Forms I-9 and documentation submitted by the employee, ICE has been unable to determine their work eligibility. The employer should provide the employee with a copy of the notice, and give the employee an opportunity to present ICE with additional documentation to establish their employment eligibility.
(4) *Notice of Technical or Procedural Failures* – identifies technical violations identified during the audit and gives the employer 10 business days to correct the forms. After 10 business days, uncorrected technical and procedural failures will become substantive violations.
(5) ***Warning Notice*** - issued in circumstances where substantive verification violations were identified but circumstances do not warrant a monetary penalty and there is the expectation of future compliance by the employer.
(6) ***Notice of Intent to Fine (NIF)*** - may be issued for substantive violations, including i) uncorrected technical failures, ii) knowingly hired undocumented employees, and iii) and employing previously identified violations.

†All audit outcomes from the Form I-9 Inspection Overview as of November 19, 2009 (Office 1988)

Table 2. Summary Data

Variable	N	Mean	Std. Dev.	Min	Max
State Level					
Audits Per Year	561	79.25	168.79	0.00	1386.00
High Alien State	561	0.10	0.30	0.00	1.00
Unemployment (State)	561	5.31	1.59	2.20	11.20
Union Membership	561	0.14	0.06	0.00	0.35
Average Household Income	561	47477.09	9781.19	27998.60	77916.23
Percent without H.S. Diploma	561	0.41	0.04	0.33	0.52
Percent Hispanic	561	0.07	0.08	0.00	0.41
Percent Minority Ethnicity (non-Hispanic)	561	0.16	0.14	0.00	0.74
Population (1000s)	561	5197.37	5754.67	453.59	33871.65
Audit Records					
Violation	42405	0.47	0.50	0	1
Fine	19948	0.76	0.43	0	1
Fine Amount ($)	5013	4385.05	10511.43	10.00	365,000
Fine Reduction % (n=4,599)	4601	0.08	0.19	0	1
Employees	42405	87.10	4793.88	0.00	950,100
High Alien SIC	42405	0.43	0.50	0	1
House Republican	42405	0.48	0.50	0	1
Judiciary Committee	42405	0.10	0.30	0	1
Party Rank	42405	11.97	8.46	1	38
Majority Party	42405	0.57	0.50	0	1
Unemployment (CBSA)	36290	6.50	3.63	1.60	31.10

Table 3. State Unemployment and Number of Audits in the State

	(1) OLS	(2) OLS	(3) OLS	(4) OLS	(5) 2SLS	(6) 2SLS
Unemployment	0.137**	0.105*	0.085		0.525**	0.268***
	(0.061)	(0.057)	(0.062)		(0.207)	(0.100)
Unemployment, t-1				0.145**		
				(0.072)		
Union membership percent		-0.181	-0.066	-0.383	0.001	-0.110
		(1.279)	(1.229)	(1.228)	(1.523)	(1.301)
Log Household Income		-2.162*	-1.886	-1.775	-1.208	-1.791*
		(1.212)	(1.242)	(1.107)	(1.041)	(1.002)
Percent Hispanic		0.598	0.112	-0.145	-0.509	0.168
		(2.699)	(2.915)	(2.657)	(2.592)	(2.435)
Percent without Diploma		-2.819	-3.069	-2.556	-2.566	-2.721
		(2.598)	(2.630)	(2.568)	(2.832)	(2.489)
Percent Minority		2.211	2.223	2.153	1.406	1.898
		(3.670)	(3.705)	(3.545)	(3.562)	(3.386)
Log Population		3.279	3.709*	3.634*	2.740	3.070
		(2.129)	(2.183)	(2.029)	(2.090)	(1.986)
Constant	-0.712*	-25.273	-33.741	-34.955		
	(0.381)	(34.047)	(34.500)	(31.938)		
Year and State Fixed Effects?	Yes	Yes	Yes	Yes	Yes	Yes
Error Clustering by State	Yes	Yes	Yes	Yes	Yes	Yes
Angrist-Pischke F-stat					25.8	43.7
Observations	561	561	506	561	561	561
R-squared	0.836	0.841	0.822	0.842	0.717	0.743

Robust standard errors in parentheses*** p<0.01, ** p<0.05, * p<0.1 Column 3 excludes observations from the 5 states identified as "High Alien Population." The dependent variable is the natural logarithm of audits.

Table 4. Determinants of whether a firm was found in violation

	(1)	(2)	(4)	(5)
Unemployment	0.011	0.007	0.016	0.005
	(0.012)	(0.008)	(0.015)	(0.009)
High Alien SIC	0.028	0.033***	0.027	0.031***
	(0.017)	(0.011)	(0.017)	(0.011)
Republican (=0,1)	-0.025**	-0.014	1.533	1.260
	(0.010)	(0.017)	(1.111)	(1.073)
Judiciary (=0,1)	-0.003	0.009	0.022	0.047**
	(0.019)	(0.019)	(0.036)	(0.019)
Judiciary*Republican			-0.050	-0.089***
			(0.043)	(0.029)
Party Rank	-0.000	-0.000	-0.001**	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Party Rank*Republican			0.002	0.002
			(0.002)	(0.001)
Majority	-0.009	-0.017*	-0.033	-0.000
	(0.006)	(0.009)	(0.036)	(0.021)
Majority*Republican			0.049	-0.046
			(0.066)	(0.036)
Log Employees	-0.061***	-0.059***	-0.056***	-0.052***
	(0.005)	(0.004)	(0.006)	(0.005)
Log Employees*Republican			-0.011*	-0.013**
			(0.006)	(0.006)
Union membership percent	-0.413	-0.067	-0.281	0.083
	(0.291)	(0.267)	(0.313)	(0.285)
Union			-0.196	-0.369*
Membership*Republican			(0.161)	(0.208)
Log Household Income	0.066	-0.062	0.118	0.045
	(0.230)	(0.140)	(0.225)	(0.148)
Log HH Income*Republican			-0.123	-0.093
			(0.097)	(0.094)
Percent Hispanic	-1.229**	-1.937***	-1.238**	-1.980***
	(0.488)	(0.507)	(0.555)	(0.485)
Percent Hispanic*Republican			0.028	0.146
			(0.080)	(0.118)
Percent without Diploma	-0.006	0.800	0.398	1.065
	(0.589)	(0.597)	(0.731)	(0.659)
Percent w/o			-0.590	-0.485
Diploma*Republican			(0.392)	(0.398)
Percent Minority	-0.937**	-1.028***	-1.265***	-1.116***
	(0.455)	(0.366)	(0.461)	(0.388)
Percent Minority*Republican			0.222	0.173
			(0.157)	(0.183)
Log Population	-0.827**	-0.003	-0.983***	0.008
	(0.312)	(0.044)	(0.298)	(0.042)

Constant	13.557***	1.467	15.338***	0.002
	(4.829)	(1.813)	(4.732)	(1.867)
Regional Fixed Effects	State	CBSA	State	CBSA
Errors Clustered by	State	CBSA	State	CBSA
Observations	42172	36337	42172	36337
R-squared	0.159	0.197	0.161	0.199

The dependent variable equals one if the firm was found in violation and zero otherwise. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 5. Determinants of whether a firm was fined

	(1) State	(2) CBSA	(4) State	(5) CBSA
Unemployment	0.030***	0.027***	0.034***	0.028***
	(0.009)	(0.007)	(0.008)	(0.006)
High Alien SIC	0.012	0.015*	0.011	0.013*
	(0.014)	(0.008)	(0.014)	(0.008)
Republican (=0,1)	-0.025	-0.019**	1.528	1.324
	(0.020)	(0.010)	(1.157)	(1.811)
Judiciary (=0,1)	0.046**	0.022	0.046**	0.028
	(0.017)	(0.017)	(0.018)	(0.020)
Judiciary*Republican			-0.022	-0.020
			(0.041)	(0.041)
Party Rank	-0.001	-0.002**	-0.001	-0.003**
	(0.001)	(0.001)	(0.001)	(0.001)
Party Rank*Republican			-0.001	0.000
			(0.001)	(0.002)
Majority	0.001	0.002	-0.018	-0.001
	(0.012)	(0.011)	(0.038)	(0.031)
Majority*Republican			0.057	0.016
			(0.060)	(0.052)
Log Employees	-0.064***	-0.060***	-0.058***	-0.051***
	(0.007)	(0.007)	(0.008)	(0.007)
Log Employees*Republican			-0.014*	-0.020***
			(0.008)	(0.007)
Union membership percent	-0.645	-0.923*	-0.519	-0.896*
	(0.482)	(0.490)	(0.500)	(0.479)
Union			-0.286**	0.023
Membership*Republican			(0.137)	(0.145)
Log Household Income	-0.124	-0.192	-0.098	-0.157
	(0.244)	(0.204)	(0.276)	(0.266)
Log HH Income*Republican			-0.144	-0.115
			(0.102)	(0.155)
Percent Hispanic	-0.617	-0.477	-0.580	-0.511
	(0.516)	(0.501)	(0.511)	(0.511)
Percent Hispanic*Republican			-0.214*	-0.136
			(0.119)	(0.163)
Percent without Diploma	0.860	0.813	0.826	0.877
	(0.957)	(0.961)	(0.942)	(1.012)
Percent w/o			0.271	-0.041
Diploma*Republican			(0.398)	(0.573)
Percent Minority	0.563	0.226	0.471	0.273
	(0.671)	(0.748)	(0.673)	(0.707)
Percent Minority*Republican			-0.122	-0.207
			(0.164)	(0.246)

Log Population	-0.128	-0.059	-0.289	-0.061
	(0.249)	(0.039)	(0.284)	(0.044)
Constant	3.862	3.603	6.163	3.214
	(4.616)	(2.780)	(6.142)	(3.628)
Regional Fixed Effects	State	CBSA	State	CBSA
Errors Clustered by	State	CBSA	State	CBSA
Observations	19791	17007	19791	17007
R-squared	0.135	0.188	0.138	0.190

The dependent variable equals one if a firm was fined and zero otherwise. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 6. Determinants of the fine (in logs) issued

	(1) State	(2) CBSA	(4) State	(5) CBSA
Unemployment	-0.014	0.033	0.013	0.052**
	(0.037)	(0.025)	(0.044)	(0.023)
Tier Code	1.013***	1.071***	1.004***	1.035***
	(0.066)	(0.073)	(0.063)	(0.071)
High Alien SIC	0.060	0.104***	0.049	0.095**
	(0.036)	(0.035)	(0.039)	(0.037)
Republican (=0,1)	-0.047	-0.048	-6.813	-0.187
	(0.068)	(0.035)	(6.502)	(5.271)
Judiciary (=0,1)	0.299*	0.131**	0.398***	0.186***
	(0.163)	(0.055)	(0.130)	(0.043)
Judiciary*Republican			-0.431**	-0.290*
			(0.167)	(0.148)
Party Rank	0.001	-0.002	0.003	-0.001
	(0.003)	(0.004)	(0.003)	(0.005)
Party Rank*Republican			-0.008	-0.003
			(0.007)	(0.006)
Majority	-0.050**	0.007	-0.155	-0.145
	(0.023)	(0.055)	(0.114)	(0.104)
Majority*Republican			0.217	0.320**
			(0.193)	(0.132)
Log Employees	0.317***	0.310***	0.343***	0.326***
	(0.025)	(0.018)	(0.023)	(0.022)
Log Employees*Republican			-0.069***	-0.041*
			(0.022)	(0.025)
Union membership percent	2.202*	2.982**	2.989**	3.492**
	(1.214)	(1.428)	(1.233)	(1.412)
Union			-2.351***	-0.917
Membership*Republican			(0.695)	(0.648)
Log Household Income	0.491	0.277	0.118	-0.093
	(0.910)	(0.602)	(0.919)	(0.663)
Log HH Income*Republican			0.710	0.083
			(0.557)	(0.457)
Percent Hispanic	-4.140*	-0.312	-4.267	-1.680
	(2.439)	(1.735)	(2.624)	(1.626)
Percent Hispanic*Republican			-0.474	0.544
			(0.524)	(0.468)
Percent without Diploma	2.556	-0.367	2.923	0.516
	(3.847)	(2.046)	(4.069)	(2.343)
Percent w/o			-0.139	-1.556
Diploma*Republican			(1.997)	(1.548)
Percent Minority	-6.444*	-2.743	-6.806*	-3.644
	(3.339)	(2.204)	(3.380)	(2.258)

Percent Minority*Republican			-1.260*	-0.073
			(0.722)	(0.699)
Log Population	1.969	0.333**	1.297	0.284**
	(2.047)	(0.141)	(2.233)	(0.131)
Constant	-31.227	-2.735	-16.687	1.880
	(30.442)	(8.024)	(34.654)	(8.760)
Regional Fixed Effects	State	CBSA	State	CBSA
Errors Clustered by	State	CBSA	State	CBSA
Observations	4989	4376	4989	4376
R-squared	0.314	0.419	0.323	0.423

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 7. Determinants of the Percent Fine Reduction

	(1) State	(2) CBSA	(4) State	(5) CBSA
Unemployment	-0.029***	-0.012*	0.004	0.004
	(0.007)	(0.006)	(0.006)	(0.005)
Log Fine Issued	0.039***	0.050***	0.038***	0.047***
	(0.004)	(0.008)	(0.005)	(0.008)
Tier Code	0.020	0.022	0.013	0.011
	(0.035)	(0.036)	(0.037)	(0.038)
High Alien SIC	0.017	0.017	0.017	0.014
	(0.011)	(0.011)	(0.012)	(0.010)
Republican (=0,1)	-0.004	-0.010	1.000	0.359
	(0.005)	(0.007)	(1.189)	(1.854)
Judiciary (=0,1)	-0.007	0.027**	-0.003	0.036***
	(0.008)	(0.013)	(0.009)	(0.011)
Judiciary*Republican			-0.012	-0.049**
			(0.018)	(0.021)
Party Rank	0.000	0.000	-0.000	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)
Party Rank*Republican			0.001	0.001
			(0.001)	(0.001)
Majority	-0.007	-0.015	-0.132***	-0.119***
	(0.005)	(0.011)	(0.020)	(0.016)
Majority*Republican			0.259***	0.225***
			(0.035)	(0.031)
Log Employees	-0.007*	-0.009***	-0.005	-0.006*
	(0.004)	(0.003)	(0.006)	(0.003)
Log Employees*Republican			-0.007	-0.006
			(0.006)	(0.005)
Union membership percent	0.162	-0.197	0.139	0.052
	(0.523)	(0.304)	(0.472)	(0.263)
Union			0.215**	-0.070
Membership*Republican			(0.104)	(0.193)
Log Household Income	-0.017	0.135	-0.127	-0.110
	(0.155)	(0.099)	(0.138)	(0.110)
Log HH Income*Republican			-0.096	-0.031
			(0.102)	(0.161)
Percent Hispanic	-0.647*	0.117	-0.732**	-0.526**
	(0.372)	(0.343)	(0.328)	(0.231)
Percent Hispanic*Republican			0.134	0.104
			(0.091)	(0.142)
Percent without Diploma	0.870**	0.649	0.815*	0.833
	(0.420)	(0.455)	(0.451)	(0.531)
Percent w/o			-0.335	-0.306
Diploma*Republican			(0.346)	(0.467)

Percent Minority	0.561	0.561	-0.419	-0.004
	(0.756)	(0.391)	(0.555)	(0.287)
Percent Minority*Republican			-0.037	-0.081
			(0.127)	(0.168)
Log Population	0.705***	0.020	-0.062	-0.027
	(0.211)	(0.035)	(0.205)	(0.020)
Constant	-11.673***	-2.353	2.030	1.110
	(3.011)	(1.593)	(3.011)	(1.453)
Regional Fixed Effects	State	CBSA	State	CBSA
Errors Clustered by	State	CBSA	State	CBSA
Observations	4580	4009	4580	4009
R-squared	0.127	0.194	0.155	0.229

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A. First Stage Results: Determinants of State Unemployment Rate

	(1)	(2)
Unemployment, t-1		0.551***
		(0.052)
Federal Military Compensation per capita	-3,551.255**	-1,559.836*
	(1,695.350)	(788.779)
ΔFederal Military Compensation per capita	-828.054	-1,792.003
	(1,335.252)	(1,309.952)
Civilian Compensation per capita	590.331***	209.780***
	(116.685)	(72.888)
ΔFederal Civilian Compensation per capita	-609.169***	-263.674***
	(97.926)	(77.724)
Union membership percent	-0.888	-1.166
	(1.682)	(1.131)
Log Household Income	-1.677	0.324
	(1.113)	(0.791)
Percent Hispanic`	2.785	-1.286
	(2.493)	(1.459)
Percent without Diploma	-1.036	0.506
	(3.231)	(1.958)
Percent Minority	2.698	1.093
	(2.511)	(1.854)
Log Population	1.581	2.338*
	(1.794)	(1.221)
Constant	0.674	-35.672*
	(28.179)	(20.069)
Year and State Fixed Effects?	Yes	Yes
Error Clustering by State	Yes	Yes
Angrist-Pischke F-stat	24.4	41.8
Observations	561	561
R-squared	0.859	0.912

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

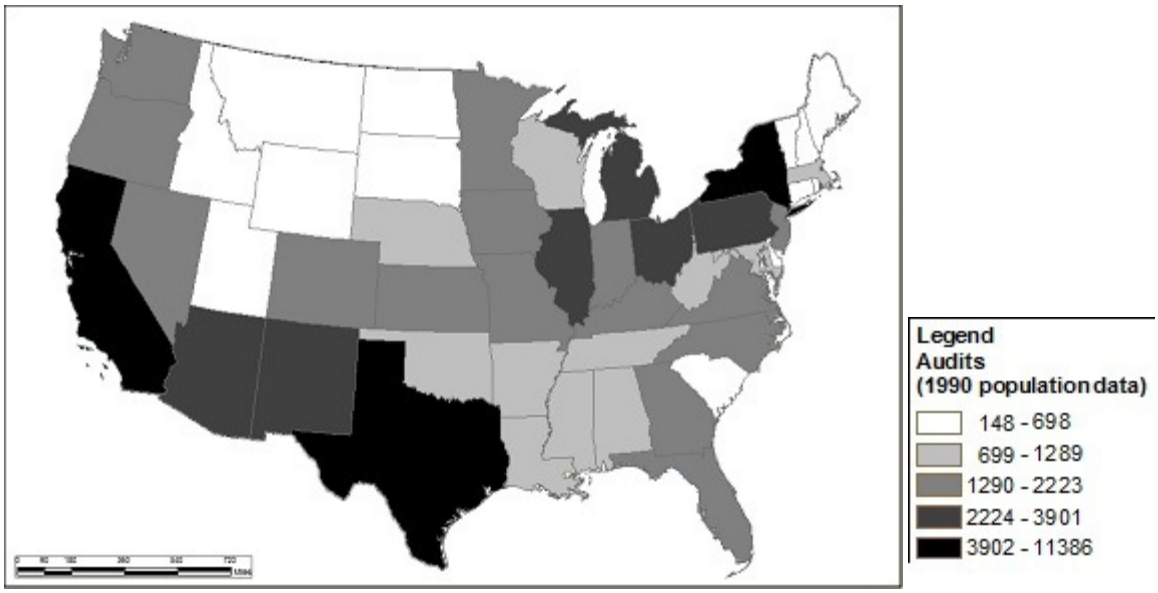

Figure 1. Total Audits

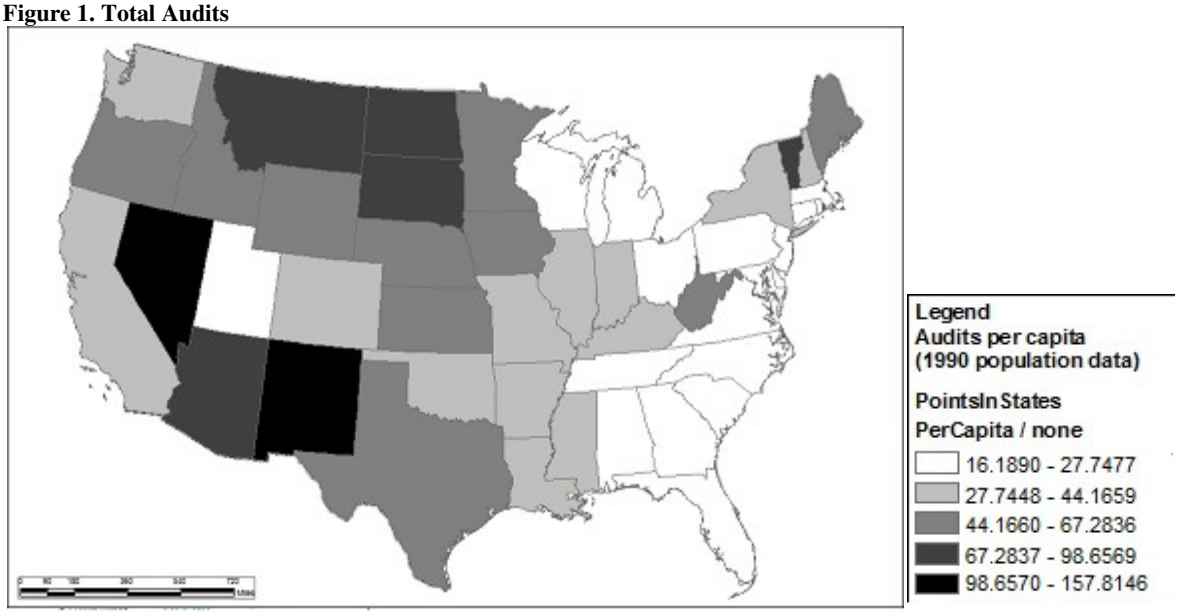

Figure 2. Audits Per Capita

Appendix A

Form I-9 Inspection Overview
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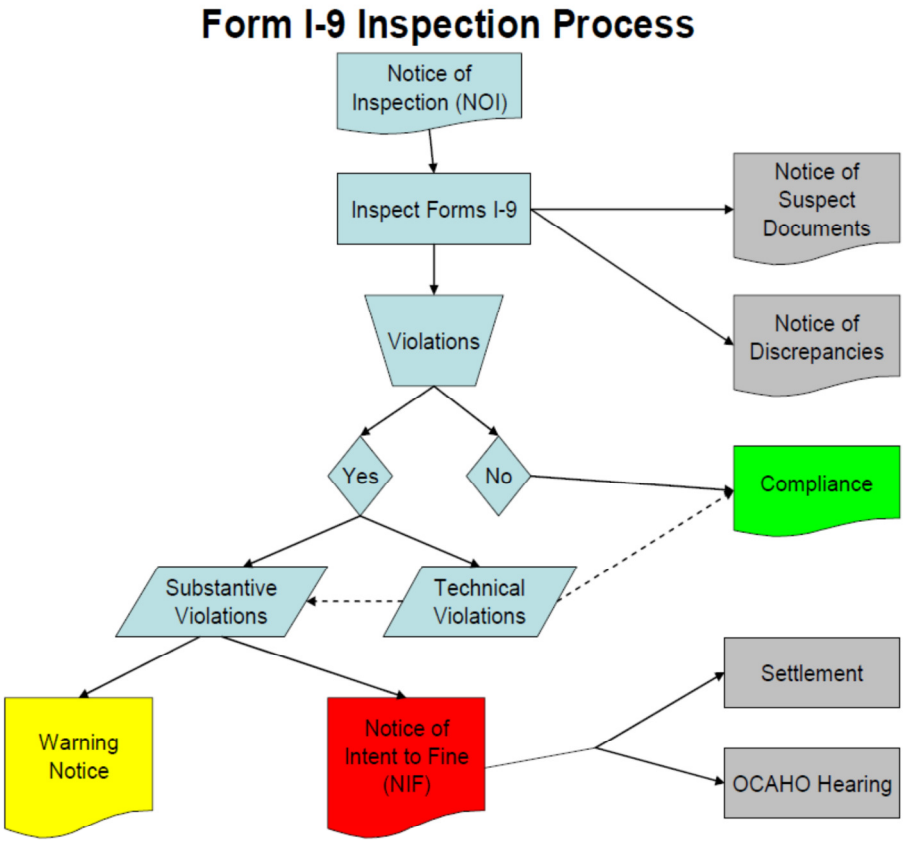

Appendix A

US DEPARTMENT OF JUSTICE — EMPLOYER SANCTIONS/FRAUD — ** PRELIMINARY DATA ** — DATE: 10/27/2008
IMMIGRATION AND NATURALIZATION SERVICE — SERVICEWIDE LEVEL SUMMARY — REPORTING PERIOD: OCT 1993 TO SEP 1994
PROGRAM = ALL — SERVICEWIDE

		ADMINISTRATIVE CASES				CRIMINAL CASES					
A	CASE INFORMATION	(A) GRAND TOTAL	(B) TOTAL ADMIN	(C) 274A	(D) GAP	(E) 274C	(F) TOTAL CRIM	(G) PAT/ PRAC	(H) FRAUD USE	(I) BOGUS DOCS.	(J) FALSE ID/ATT.	(K) SMUG/ HARB
1	CASES OPENED	11686	11537	6585	2519	2433	349	6	154	140	44	5
2	INV/INSP COMPLETED	7005	6955	4044	1695	1216	50	3	15	14	16	2
3	CASES CLOSED	8028	7779	4480	1771	1528	249	6	93	107	37	6
4	ARRESTS- EMPLOYEES	10972	10712	9354	52	1306	260	112	70	53	16	9
5	ARRESTS- EMPLOYERS	430	422	190	6	226	8	4	3	1	0	0
6	ARRESTS- VENDORS	2370	2308	2138	93	77	62	0	22	38	0	2
7	HOURS- OFFICERS/AG	608038	510219	444608	39660	25951	97819	5333	23692	57214	5994	5586
8	*HOURS- SUPERVISORY	80114	64381	55863	5222	3296	15733	918	4320	9205	773	517
9	*HOURS-CLERICAL	28557	24950	21343	1745	1862	3607	68	848	1947	290	454
10	*HOURS- OTHERS	17088	13865	10254	2840	771	3223	31	620	2468	76	28

		(B)		(G)	(H)	(I)	(J)	(K)
B	CRIMINAL DISPOSITION	TOTAL	U S C V I O L A T I O N	PAT/ PRAC	FRAUD USE	BOGUS DOCS.	FALSE ID/ATT.	SMUG/ HARB
11	EMPLOYEES PROSECUTED	87	XXXXXXXXXX	0	26	32	29	0
12	EMPLOYEES CONVICTED	49	XXXXXXXXXX	0	26	15	8	0
13	EMPLOYERS PROSECUTED	5	XXXXXXXXXX	2	3	0	0	0
14	EMPLOYERS CONVICTED	3	XXXXXXXXXX	0	0	0	0	3
15	VENDORS PROSECUTED	65	XXXXXXXXXX	0	22	38	3	2
16	VENDORS CONVICTED	38	XXXXXXXXXX	0	9	29	0	0

	C ADMINISTRATIVE DISPOSITION	(B) TOTAL	(C) 274A	(D) GAP	(E) 274C
17	COMPLIANCE	3092	1983	1109	//////////
18	ADJUSTED COMPLIANCE	628	451	177	//////////
19	NO ACTION	1558	774	784	//////////
20	WARNINGS	934	808	126	//////////
21	NIFS - TIER 1	3753	1328	44	2381
22	NIFS - TIER 2	28	26	0	2
23	NIFS - TIER 3	5	5	0	//////////
24	FINAL ORDERS-TIER 1	1850	1171	34	645
25	FINAL ORDERS-TIER 2	30	27	1	2
26	FINAL ORDERS-TIER 3	4	4	0	//////////

	D FINES	(B) TOTAL	(C) 274A	(D) GAP	(E) 274C
27	TOTAL AMOUNT-NIFS	12819462	10811547	114839	1893076
28	TOTAL AMOUNT-FINAL ORDERS	5064702	4438920	80782	545000
29	AMOUNT COLLECTED	3538519	3503475	13400	21644

FORM G-908 (REV. 09/04/92) — REQUESTED BY: