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The Impact of E-Verify on California's Economy

Some members of Congress have proposed making it mandatory for all employers to use E-Verify—the federal, web-based program through which U.S. businesses can verify the work authorization of new hires. However, mandatory E-Verify without immigration reform is not a solution to the problem of unauthorized immigration. Addressing the reality of a workforce that relies on unauthorized immigrants requires a more comprehensive package of reforms—including a legalization program that brings unauthorized workers out of the shadows, and the creation of sufficient legal visas for the immigrant workers America needs. Mandatory E-Verify alone is likely to harm the economy and U.S. workers.

Immigrants in California.

- California was home to **9,946,758 immigrants** in [2009](#).¹
- **The foreign-born share** of California's population rose from 21.7% in [1990](#)² to 26.9% in [2009](#),³ according to the U.S. Census Bureau.
- Immigrants comprised **34.5% of the state's workforce** (or 6,447,844 workers) in [2009](#).⁴ Unauthorized immigrants comprised **9.7% of the state's workforce** (or 1,850,000 workers) in [2010](#).⁵

Mandatory E-Verify without immigration reform will result in lost tax revenue for California.

- **Households headed by unauthorized immigrants in California paid \$2.7 billion in state and local taxes** in 2010, according to estimates prepared for the IPC by the Institute for Taxation and Economic Policy.⁶
- If E-Verify is made mandatory, unauthorized workers will move into the unregulated, underground economy, where they will be paid under the table. As a result, California will lose **\$177 million in income tax revenue** from these workers.⁷

Unemployment in California will likely INCREASE as a result of mandatory E-Verify.

- California's civilian **labor force** is 18,064,600 workers, and its unemployment rate is 11.7%.⁸

- [Surveys of E-Verify](#) have found that between 0.8%⁹ and 2.3%¹⁰ of workers received an erroneous response from E-Verify, meaning they had to either correct their records or lose their jobs. Applying these error rates to California, we estimate that between **144,517 and 415,486 U.S. citizens and legal workers** in the state would have to correct their records to keep their jobs.
- An estimated 0.5% of workers receive an erroneous final non-confirmation. In California, up to **90,323 U.S. citizens and lawful workers** would receive an erroneous final non-confirmation and lose their jobs.¹¹

Mandatory E-Verify without comprehensive immigration reform will burden California businesses.

- Currently, only 24,035 businesses in California are enrolled in E-Verify,¹² which amounts to 3.4% of all California businesses.¹³ Mandatory E-Verify would mean a 2,880% increase in the number of businesses using E-Verify in a short time period.
- Small businesses would be hardest hit. In California, there are [711,313 small businesses](#), and 99% of all state employers are small businesses.¹⁴
- Bloomberg estimated that E-Verify would cost small business \$435 per year. That amounts to **more than \$312 million per year paid by small businesses** in California to use E-Verify.¹⁵

Endnotes

¹ 2009 [American Community Survey](#) (1-Year Estimates).

² U.S. Census Bureau, [The Foreign-Born Population: 2000](#), December 2003.

³ 2009 American Community Survey.

⁴ Ibid.

⁵ Jeffrey S. Passel and D'Vera Cohn, [Unauthorized Immigrant Population: National and State Trends, 2010](#) (Washington, DC: Pew Hispanic Center, February 1, 2011), p. 24.

⁶ Immigration Policy Center, [Unauthorized Immigrants Pay Taxes, Too: Estimates of the State and Local Taxes Paid by Unauthorized Immigrant Households](#) (Washington, DC: American Immigration Council, April 18, 2011).

⁷ Ibid.

⁸ U.S. Bureau of Labor Statistics, [California Economy at a Glance](#) (as of May 2011).

⁹ Westat, [Findings of the Web-Based E-Verify Program Evaluation](#), December 2009, p. xxix.

¹⁰ Error rate calculated from William T. Fujioka, Chief Executive Officer, "[Report on \[L.A.\] County's Use of E-Verify System](#)," March 10, 2010.

¹¹ Westat, p. xxix.

¹² Number of MOUs signed by employers. Data provided to IPC and CAP by USCIS, July 11, 2011.

¹³ Based on 717,133 firms. U.S. Census Bureau, [Statistics of U.S. Businesses: 2008: All industries: California](#).

¹⁴ Ibid.

¹⁵ Jason Arvelo, "[Assessing E-Verify Costs for Employers, Taxpayers](#)," *Bloomberg Government*, January 2011.