

Discuss: Employing Undocumented Workers: Immigration Enforcement Impacts on Small Businesses and the Role of Bank Monitoring

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May 20th, 2026
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Outline of the Paper

- This paper investigates the impact of the Secure Community Program on small businesses in the U.S.
- This program depressed the employment of undocumented workers (UWs) and drove some small firms out of market
- Then the authors consider the role of banks as "deputization"

Outline of the Paper

- In general, I believe this paper examines an important and controversial question
- They use various datasets to tackle a hard question because UWs are usually not observable
- Here are some comments

Main Comments 1: Substitution or Composition Effect?

- They directly interpret the results (more firm exits, more formal employment) as formal workers substituting UWs
- Throughout the paper, no direct evidence
- However, this can be simply generated by a mechanical composition effect
- Small poor-performed firms who hired more UWs were kicked out of market due to the SC program
- Then the survived firms will give you a higher formal worker ratio
- No need for substitution effect at all

Main Comments 2: Bank and Deputization

- The authors also claim that banks can play a role to monitor the hire of UWs
- Again, with this strong statement, they do not give us any direct evidence
- They find that unbanked firms are affected more by SC and claim that it is because they are not monitored by the bank for UWs before the SC
- But unbanked firms are small, unstable and have poorer business performance
- I believe that is the main reason they are unbanked

Main Comments 2: Bank and Deputization

- It is actually "small poor-performed firms are affected by the SC more", not "unbanked firms are affected more"
- Even if banks did not monitor UWs at all, we still have the observed results
- Again, the authors do not provide any institutional evidence
- Hard for me to believe why banks should care about the usage of UWs conditioning on firm performance and credit
- Especially, some liberals may think hiring and helping illegal immigrants is a good behavior with compassion (not necessarily undermining reputation)

Main Comments 3: Employment of Likely UWs

- In Table IV, the authors show that effects on LEFB (more likely undocumented workers) is large compared with LEUB
- But UWs are less likely to appear in the data as they claim
- Who are these LEFB guys? Many of them are legal low-skilled immigrants
- They are direct competitors of UWs
- They will have exactly the opposite effect of UWs
- Mixing up these two groups, messing up all policy effect

Main Comments 3: Employment of Likely UWs

- An overall negative impact on LEFB can be because:
 - Positive impact on DWs, negative impact on UWs, but more UWs in LEFB
 - Negative impact on DWs, positive impact on UWs, but more DWs in LEFB
- Which one is the case?

Other Comments (Not Minor)

- Implement formal statistical tests for all comparison of reg coefficients
- In figure 2, the unparallel pretrends are obvious for A, B, and C

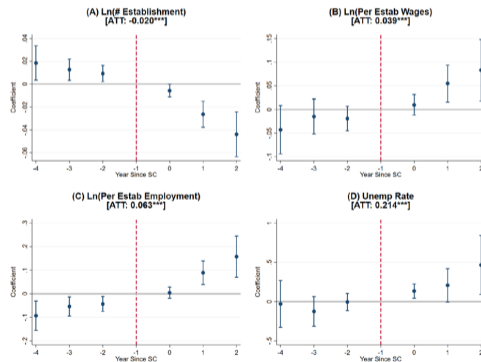


Figure 2. Event-study Plots: County-Level Industry Outcomes

Other Comments (Not Minor)

- Introduction is too long, 5 to 6 pages should be better
- Why imperfect substitution is unlikely to improve formal workers' employment?
Any degree of substitution can
- In general, many claims are too strong, given no model or GE analysis
- Why non-tradable sectors may hire more UWs? Evidence?