
Labor Enforcement Risk Is Reshaping Deal Terms in Staffing-Heavy Sectors¹

By Amy E. Lott

Partner, Barnes & Thornburg LLP, Dallas, TX

Introduction: Enforcement Risk Meets Policy Reform

A renewed surge in workplace enforcement is reshaping deal dynamics across labor-reliant industries. From construction and logistics to food service and light manufacturing, buyers are recalibrating diligence timelines, pricing structures, and risk assessments in response to heightened immigration scrutiny and operational shock risk.

This shift is unfolding against a backdrop of significant immigration reforms in fall 2025. In September, the termination of Temporary Protected Status (TPS) for over 70,000 Hondurans and Nicaraguans, combined with expanded ICE enforcement quotas (1,500 arrests/day), raised immediate concerns for employers relying on TPS-authorized labor. In addition, U.S. Citizenship and Immigration Services (USCIS) announced a new \$100,000 application fee for most new H-1B visa petitions filed on or after September 21, 2025. October brought further changes: new executive orders lifted restrictions on enforcement in sensitive locations like schools and hospitals and USCIS clarified that the \$100,000 H-1B fee does not apply to petitions requesting an amendment, change of status, or extension of stay for individuals already in the U.S. These developments are directly impacting deal strategy and diligence in labor-heavy sectors.

1. Deal Delays and Repricing in Labor-Reliant Industries

The September 5 HSI raid at Hyundai's Georgia EV-battery complex, along with multi-city enforcement operations this summer, has amplified continuity concerns for buyers targeting staffing-heavy businesses. Contractors and subcontractors are under the microscope, and buyers are increasingly building in buffers—both in time and valuation. Diligence periods are stretching, and price chips or earnouts are being negotiated to hedge against potential revenue drops tied to labor

¹ This article is a follow-up to a panel discussion titled "ICEd DEALS: The Impact of Immigration Reform on M&A Deals" that the author and her guests presented to the Dallas chapter of the Association of Corporate Counsel on September 25, 2025.

disruptions. Buyers are more willing to pause deals or walk away when a price reduction does not resolve operational concerns.

2. Intensified Employer-Sanctions Diligence (I-9/E-Verify)

Immigration compliance is no longer a back-office issue; it's front and center in M&A diligence. Buyers are demanding comprehensive I-9 file reviews, often with 100% sampling for high-risk roles. E-Verify documentation, audit histories, and subcontractor vetting are now standard asks. Law firm advisories have emphasized the need to be "raid-ready," and that guidance is bleeding directly into diligence checklists and interim covenants. Texas employers considering an exit during the current administration's term should consider implementing E-Verify and conducting a pre-transaction audit to identify and address any compliance gaps before going to market. Employers should prioritize comprehensive document verification training for their human resources personnel, rather than delegating this critical responsibility to lower-level administrative staff.

3. Increased Friction from Lenders and RWI Underwriters

Lenders and representation & warranty insurance (RWI) underwriters are tightening their approach to immigration-related risk. Workforce authorization and contingency planning are now common diligence topics. RWI carriers are requiring robust I-9 sampling and may exclude coverage for known deficiencies—mirroring carve-outs seen in other high-risk compliance areas. Buyers should prepare for more extensive underwriting due diligence and deal-specific exclusions and address these issues early on to avoid unnecessary deal delays.

4. Operational Shock Risk Is Now "Priced In"

Worksite raids and near-misses can trigger immediate absenteeism, production slowdowns, reputational damage, and loss of key personnel. Buyers are stress-testing revenue continuity and contractor dependencies more aggressively than in prior years. The risk of operational shock is no longer hypothetical; it's being modeled into deal structures and valuations. Sellers should implement written 'raid-ready' protocols, maintain comprehensive training records, and ensure outside counsel is readily available to provide immediate guidance in the event of a regulatory raid.

5. A Challenging Macro Backdrop

The broader M&A environment isn't helping. Lower-middle market and middle-market activity in 2025 has been uneven, with slower exits and mixed multiples. Immigration enforcement uncertainty joins a list of policy headwinds—including tariffs and interest rate volatility—that buyers are citing as

reasons for caution. While GF Data reported a Q2 dip in average multiples, other sources show year-to-date stability, suggesting that the impact varies by sector and deal profile.

Conclusion: Compliance Is Now a Deal Driver

The fall 2025 immigration reforms have added urgency to compliance readiness. With TPS rollbacks, expanded enforcement zones, and stricter visa eligibility rules, buyers are scrutinizing workforce authorization more deeply than ever. For sellers, proactive compliance, especially around I-9 documentation, subcontractor vetting, and contingency planning, is essential to preserving deal value and momentum.