LABOR MARKET IMPACTS OF AMNESTY: A COMPARATIVE ANALYSIS OF IRCA AND CURRENT CONDITIONS

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The Immigration Reform and Control Act (IRCA) of 1986 serves as an important precedent to any discussion regarding new amnesty legislation. The legalization program under IRCA was intended to "bring out of the shadows" longer-term undocumented immigrants who had been contributing to society and had developed significant social (family) and economic "equities" in the process. Conclusions drawn from studies evaluating the effect of IRCA support the introduction of new amnesty legislation to address both labor shortages in our expanding economy and large populations of undocumented workers.

1. IRCA had the immediate result of decreasing the flow of undocumented immigrants and has over time decreased the number of those undocumented immigrants who arrived before 1982:

There was a sharp decline in INS border apprehensions in the immediate post-IRCA period, and the reason cited most often is the combined effect of IRCA's two major legalization programs, which effectively removed three million individuals from the universe of those risking apprehension.

<table>
<thead>
<tr>
<th>Item</th>
<th>Pre-IRCA</th>
<th>Post-IRCA</th>
<th>Percentage Deviation of Post-IRCA Values from Pre-IRCA Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly flow of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>undocumented</td>
<td>Jan. '77 -</td>
<td>Dec. '86 -</td>
<td></td>
</tr>
<tr>
<td>immigrants</td>
<td>Oct. '86 (118 mos.)</td>
<td>Sept. '86 (118 mos.)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>175,000</td>
<td>178,300</td>
<td></td>
</tr>
</tbody>
</table>


INS statistics illustrate that IRCA substantially reduced the size of the undocumented resident population. Under section 245A alone, about 1.76 million long-term undocumented residents became legitimate members of American society. Overall, 3.04 million were legalized under IRCA. As a short-run solution to the numbers problem, this program was clearly a success. However, because undocumented
flows have not been curtailed, the stock of unauthorized residents has continued to grow (Warren, Estimates of the Undocumented Immigrant Population Residing in the United States, by Country of Origin and State of Residence: October 1992, 1995). This trend, illustrated in the previous graph “U.S. Undocumented Population,” presents the same problem that IRCA was designed to address in 1986, indicating the necessity for immediate legislative action to reduce the number of immigrants living in the “shadows.”

III. IRCA’s amnesty programs raised wage levels for those undocumented workers who applied for legalization.

(Continued on page 8)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>U.S. Workers</td>
<td>$8.98</td>
<td>$17,146</td>
</tr>
<tr>
<td></td>
<td>Legalized Workers</td>
<td>$7.57</td>
<td>$12,670</td>
</tr>
<tr>
<td>Sex</td>
<td>Male</td>
<td>$8.33</td>
<td>$15,198</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>$6.15</td>
<td>$8,748</td>
</tr>
<tr>
<td>Place of Residence</td>
<td>California</td>
<td>$7.67</td>
<td>$12,597</td>
</tr>
<tr>
<td></td>
<td>Texas</td>
<td>$6.34</td>
<td>$11,019</td>
</tr>
<tr>
<td></td>
<td>New York</td>
<td>$8.38</td>
<td>$14,778</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>$7.75</td>
<td>$13,211</td>
</tr>
<tr>
<td>Ability to Speak English</td>
<td>Not at all</td>
<td>$6.08</td>
<td>$9,165</td>
</tr>
<tr>
<td></td>
<td>Not very well</td>
<td>$7.22</td>
<td>$11,943</td>
</tr>
<tr>
<td></td>
<td>Very well</td>
<td>$8.87</td>
<td>$16,119</td>
</tr>
<tr>
<td>Years of Schooling</td>
<td>6 or less</td>
<td>$6.91</td>
<td>$10,963</td>
</tr>
<tr>
<td></td>
<td>7 to 11</td>
<td>$7.29</td>
<td>$12,470</td>
</tr>
<tr>
<td></td>
<td>12 or more</td>
<td>$8.93</td>
<td>$16,903</td>
</tr>
</tbody>
</table>

* U.S. workers, annual average, 1987; Legalized workers’ wages during week prior to application in either 1987 or 1988.  
* Earnings of U.S. production or non-supervisory workers on private non-farm payroll.

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Low wages before IRCA

A variety of studies computed the average wage rate of undocumented migrants identified through small, nonrandom surveys of local communities and showed that undocumented migrants generally earn very low wages (North and Houston, 1976; Villalpando, 1977; Flores and Cardenas, 1978; Cornelius, 1978; Keeley et al., 1978; Maram, 1980); and when studies compared legal and undocumented migrants directly, the latter’s wages were always lower (Grasmuck, 1984; Simon and DeLey, 1984).

Average wage differentials (before and after IRCA)

The Department of Labor’s Bureau of International Labor Affairs conducted a study published in 1996 that earnings of newly legalized workers rose by 15 percent when compared to earnings immediately prior to their application for legal status under IRCA. (See table illustrating Earnings of Legalized Workers by Various Characteristics on page 7)

When differences with respect to important background variables, such as education and experience, are held constant, the wage gap attributable to legal status
narrow somewhat, but remains statistically significant in several studies (Heer and Falasco, 1983; Morales, 1983; Kossoudji and Ranney, 1984).

IRCA opened door to investments in human capital.

As implied above, wage growth is most heavily influenced by such factors as education, English proficiency, sector of employment, and recency of arrival in the United States. Prior to legalization, a large share of the IRCA legalized population was caught in a pattern of “occupational churning.” The need to avoid detection prevented undocumented immigrants who were capable of seeking training from doing so. Without adequate credentials, they could not rise out of entry level “immigrant” jobs.

Legalization appears to be a turning point for these immigrants. Studies show that amongst newly legalized immigrants, there was a surge of investment in language skills, education, training and general economic assimilation, particularly necessary for more effective and productive participation in an increasingly technological and information-based economy. A 1996 Department of Labor study by Kossoudji and Cobb-Clark titled “Legalization, Wages, and Self-Investment” found that about 43 percent of Mexican men, 53 percent of those from Central America, 48 percent of those from other Western Hemisphere countries, and 44 percent of those from countries outside the Western Hemisphere undertook some type of skill enhancement training post-legalization. This represented more than a doubling of the previous rate of human capital accumulation for most origin groups.

“Off the books” employment

One purpose of the IRCA legalization program was to reduce the number of undocumented immigrants in the underground economy. Advocates reasoned that by granting these immigrants work authorization, the government could more effectively protect wages and working conditions and better integrate these workers into the tax system. The implicit assumption was that many, if not most, worked “off the books.”

Neither undocumented migration nor underground employment lends itself to statistical analysis. Hence, the validity of this initial assumption has never been rigorously tested. However, various case studies have cast some doubt on its accuracy. For instance, in their study of migrants circulating between 21 Mexican communities and the United States, Donato and Massey (1995) found that most unauthorized immigrants pay taxes, suggesting that they hold jobs in the formal economy. Sixty-six percent of undocumented workers paid taxes through payroll deduction. An even larger percentage of legalized immigrants in their sample (87 percent of SAW’s and 97 percent of pre-1982 LAW workers) reported such tax-related deductions, suggesting that legalization may have marginally increased tax receipts. The Department of Labor Bureau of International Labor Affairs reports that 90 percent of legalized immigrants surveyed in 1992 said their employers withheld Social Security and other Federal, State, and local taxes from their pay.

IV. Impact on Native Workers

By examining differences in wages by geographic areas using Census data from 1970 and 1980 LaLonde and Topel (1991) found that an increase in immigrants has only minor effects on native populations. Most impacts are felt on immigrants themselves, decreasing wages for new immigrants up to 9%. However, they also found that these same immigrants have the capacity to assimilate quickly into the American labor force once they have gained legalization.

In terms of less-skilled natives, Altonji and Card (1991) found that immigrants are not sufficiently concentrated in low-skill industries to have a significant effect. They found that high concentrations of immigrant labor pools were a necessary factor in sustaining low-skill industries.

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V. Current Characteristics of Undocumented Workers

Top Ten Countries of Origin, Legal Immigration Fiscal Year 1996 (51.8%)

- Jamaica 35%
- Mexico 35%
- Russia 4%
- Ukraine 4%
- Cuba 6%
- Dominican Republic 8%
- China 9%
- Vietnam 9%
- India 9%
- Philippines 12%

Source: Immigration and Naturalization Service

Top Ten Countries of Origin, Illegal Immigrant Population October 1996 (76.4%)

- Mexico 71%
- Honduras 2%
- Philippines 2%
- Haiti 3%
- Canada 3%
- Guatemala 4%
- El Salvador 9%
- The Bahamas 2%
- Nicaragua 2%
- Poland 2%

Source: Immigration and Naturalization Service
NATIONAL ALLIANCE FOR NEW AMNESTY (Continued from page 5)

Migration and Refugee Services/U.S. Catholic Conference, Most Reverend Bishop Nicholas DiMarzio, Chairman, National Conference of Catholic Bishops' Committee on Migration
National Asian Pacific American Legal Consortium,
Karen Narasaki, Executive Director
National Association of Latino Elected and Appointed Officials,
Arturo Vargas, Executive Director
National Coalition for Haitian Rights,
Jocelyn McCalla, Executive Director
National Council of La Raza, Raul Yzaguirre, President
National Farm Worker Ministry, Virginia Nesmith, Executive Director
National Immigration Forum, Frank Sharry, Executive Director
National Immigration Law Center, Susan Drake, Executive Director
National Puerto Rican Coalition, Manuel Mirabal, President/CEO
New America Alliance, Tom Castro, President
New York Association for New Americans,
Mark Handelman, Executive Vice President
New York Immigration Coalition,
Margie McHugh, Executive Director
One Stop Immigration and Educational Center,
Juan José Gutiérrez, Executive Director
Polish American Congress,
Edward Moskal, Executive Director
Salvadoran American National Network,
Oscar Chacón, President
Service Employees International Union,
Andrew Stern, President
Southeast Asia Resource Action Center,
Ka Ying Yang, Executive Director
Spanish Speaking Citizens Council, Nellie Reyes
United Farm Workers of America, AFL-CIO,
Arturo Rodriguez, President
Union of Needletrade, Industrial and Textile Employees, Jay Mazur, President
William C. Velásquez Institute,
Antonio González, President