FEDERAL RESERVE BANK *of* ATLANTA

What Are the Consequences of an Amnesty for Undocumented Immigrants?

Pia M. Orrenius and Madeline Zavodny

Working Paper 2004-10
May 2004

WORKING PAPER SERIES

FEDERAL RESERVE BANK *of* ATLANTA WORKING PAPER SERIES

What Are the Consequences of an Amnesty for Undocumented Immigrants?

Pia M. Orrenius and Madeline Zavodny

Working Paper 2004-10
May 2004

Abstract: The United States has not created a major amnesty program that would allow undocumented immigrants to legalize their status since 1986. As the number of undocumented immigrants has surged in recent decades, momentum for a new amnesty program has gained ground. This paper discusses the current position of undocumented immigrants in the U.S. economy and the likely economic consequences of an amnesty program. The results of the 1986 amnesty indicate several lessons for designing an amnesty plan that would improve the lives of the currently undocumented, minimize adverse effects on other groups, and stem the continuing tide of undocumented immigrants.

JEL classification: J61, F22

Key words: illegal immigration, undocumented immigrants, amnesty

---

The authors thank Daniel Allott for helpful comments. The views expressed here are the authors' and not necessarily those of the Federal Reserve Bank of Dallas, the Federal Reserve Bank of Atlanta, or the Federal Reserve System. Any remaining errors are the authors' responsibility. This paper is forthcoming in the Spring 2004 issue of *Georgetown Public Policy Review*.

Please address questions regarding content to Pia M. Orrenius, Research Department, Federal Reserve Bank of Dallas, 2200 N. Pearl Street, Dallas, Texas 75201, pia.orrenius@dal.frb.org, or Madeline Zavodny, Research Department, Federal Reserve Bank of Atlanta, 1000 Peachtree Street NE, Atlanta, Georgia 30309, madeline.zavodny@atl.frb.org.

Federal Reserve Bank of Atlanta working papers, including revised versions, are available on the Atlanta Fed's Web site at www.frbatlanta.org. Click "Publications" and then "Working Papers." Use the WebScriber Service (at www.frbatlanta.org) to receive e-mail notifications about new papers.

What Are the Consequences of an Amnesty for Undocumented Immigrants?

At the time of its passage in 1986, the Immigration Reform and Control Act (IRCA) was the most substantial change in United States (US) immigration policy in decades. The law's primary purpose was to end undocumented immigration by legalizing certain unauthorized immigrants and preventing future inflows. In addition to granting amnesty to nearly 2.7 million undocumented immigrants, IRCA attempted to accomplish its objective by requiring employers to verify workers' eligibility to work legally and by increasing funding for the Border Patrol.

Almost two decades later, it is clear that IRCA has failed in its primary goal: there are at least eight million undocumented immigrants present in the US, most of them working (Passel, Capps, and Fix 2004). This has led to repeated calls for a new amnesty program to give legal status to at least some of these undocumented immigrants.

The Bush administration recently indicated that it intends to propose a guest worker program that would include a limited legalization of undocumented workers currently in the US, and several bills that would grant legal status to certain groups of undocumented immigrants were proposed in 2003 and early 2004. Although details have not yet been offered, the Bush plan would grant temporary job-based visas to undocumented workers who would then become eligible to apply for permanent legal status.[1] Congressional proposals include, for example, granting legal status to farm workers who have worked in the US for a specified period and commit to do so for a certain additional period; making it easier for undocumented immigrants brought here as children by their parents to normalize their status; allowing illegal aliens currently present in the US to pay a fine and apply for temporary legal status, that would lead to

[1] See White House Fact Sheet at http://www.whitehouse.gov/news/releases/2004/01/20040107-3.html

permanent legal status under certain conditions; and creating a guest worker program with Mexico (Greenhouse 2003).

Before creating a new amnesty program, it is important that policymakers evaluate what we know about the impact of an amnesty for immigrants. The results of IRCA suggest that an amnesty program benefits those individuals who legalize their status but may also have unintended adverse effects on other groups and on future flows of undocumented immigrants. Given that wages are substantially higher in the US than in Latin American countries, particularly Mexico, how can the US best prevent large flows of undocumented immigrants? Does undocumented immigration have negative effects that justify the costly attempts to discourage it? Are repeated amnesties a viable long-term immigration policy? To answer these questions, this study surveys the economic literature on undocumented immigration as well as the impact of the last amnesty program in the United States, and proposes a framework for a new amnesty.

An amnesty is most likely to succeed if accompanied by a guest worker program that allows low-skilled workers to legally enter the US and either gives such workers sufficient incentives to return to their home countries or provides them with a legal way to remain permanently in the US. A successful amnesty must also incorporate workplace enforcement to eliminate job opportunities for undocumented workers and stop the cycle of illegal immigration.

BACKGROUND ON THE UNDOCUMENTED

Undocumented immigration to the US was not a substantial issue until the late 1960s. The undocumented immigrant population rose from a few hundred thousand, primarily agricultural workers, in the late 1960s to several million, largely living in urban areas, in 1980.

This increase in the undocumented population was partly due to the end of the *Bracero* program in 1964, in response to greater regulation of working conditions and waning political support. The *Bracero* program allowed seasonal migrants from Mexico to work as temporary farm laborers in the US. Undocumented inflows rose further after country-specific quotas on the number of legal immigrants admitted each year were extended to the Western Hemisphere, including Mexico, in 1977 (Donato and Carter 1999).

Undocumented migration, officially referred to as unauthorized immigration, occurs in two primary ways. An individual can illegally enter the US ("entry without inspection") or can enter legally with a visa but remain beyond the visa time limit ("visa overstayers"). Illegal border crossings (entry without inspection), primarily by Mexicans and Central Americans, make up the majority of undocumented immigration and occur predominantly along the US-Mexico border. Overstayers, who are much more geographically diverse, composed about 33 percent of the undocumented population in 2000 (Immigration and Naturalization Service 2003).

The number and characteristics of undocumented immigrants are difficult to ascertain.[2] The Immigration and Naturalization Service (INS 2003), now the Office of Immigration Statistics in the Department of Homeland Security, estimates that there were seven million unauthorized immigrants in the US as of January 2000, or 2.5 percent of the total US population. Some other estimates for that year are even higher, ranging from 7.7 to 10.9 million (Costanzo et al. 2001; Porter 2001; Robinson 2001).

The undocumented immigrant population has risen dramatically in recent years. The INS (2003) estimates the average annual increase was about 350,000 during the 1990s, while the US Census Bureau put it at almost 500,000 per year, on average (Porter 2001). If these flows did not

[2] See Bean et al. (2001) for a discussion of the difficulty of estimating the number of undocumented immigrants.

abate during the U.S. economic downturn in recent years, then the undocumented population reached at least eight million at the end of 2003. Other estimates suggest that the undocumented population may be as large as 12 million (Eggen 2003).

Mexico is the primary source country of undocumented immigrants, accounting for almost 70 percent of the unauthorized population in 2000 (INS 2003). Several other Latin American and Caribbean countries also contribute heavily to the undocumented population. China, India, the Philippines and South Korea were among the top 15 countries of origin for unauthorized immigrants, but only account for about 355,000 undocumented immigrants, or just five percent of the total (INS 2003).

Much like the population of authorized immigrants, undocumented immigrants are highly geographically clustered. The INS (2003) estimates that in 2000 over 46 percent of unauthorized immigrants lived in California and Texas, and these states experienced the largest increases during the 1990s. However, the decade was also marked by widespread geographic dispersion of the undocumented immigrant population. As a result, states such as Colorado, Georgia and North Carolina experienced unprecedented increases in the number of undocumented immigrants as well.

Undocumented immigrants tend to be near the bottom of the US skill distribution and are disproportionately employed in low-wage jobs.[3] An Urban Institute study estimates that about eight percent of low-wage workers—workers who earn less than 200 percent of the minimum wage—are undocumented immigrants, and these low-wage workers compose 65 percent of the

[3] Interestingly, although undocumented immigrants have less education and lower earnings, on average, than the native-born or legal immigrants, they are not from the bottom of the education or skill distribution in their home country. Because migrating is costly, undocumented migrants are from the middle of the education or skill distribution, not from the bottom (Orrenius and Zavodny 2002). However, undocumented migrants tend to have less education and lower skill levels than legal immigrants from the same country (Massey 1987). This occurs because the penalty to being an undocumented worker in the US likely increases with skill level (Hanson et al. 2001).

undocumented work force (Capps et al. 2003). According to the study, undocumented workers are disproportionately employed as farm workers and private household workers. Low levels of education and poor English skills are among the reasons why undocumented immigrants are clustered in low-wage jobs.

Undocumented immigrants face other challenges besides relatively low earnings. Lacking a Social Security number or other valid form of US identification makes it nearly impossible for undocumented immigrants to apply for financial and educational services, including everything from bank accounts and English classes to student loans and mortgages to library cards.[4] Undocumented immigrants are also barred from getting drivers' licenses in several states, including California. They are ineligible also for virtually all government assistance except emergency medical services, and few work in jobs that provide health insurance. According to the Census Bureau, fewer than one-third of foreign-born Hispanics—who are not naturalized citizens—have private health insurance (Mills and Bhandari 2003), and this number is likely to be even lower among those who are here illegally. Their children are US citizens if born in the US, but these children face the challenge of having parents who could be deported at any time.[5]

These numbers and characteristics point to the importance of addressing the problems posed and faced by the undocumented immigrant population. First of all, it is large and rising at a record pace. Additionally, an increasing number of undocumented immigrants are settling in the US for long periods of time or even permanently (Reyes 2002). As more people gain

[4] The recent decision by some U.S. banks to begin accepting the *matrícula consular* (an identity card issued by the Mexican government) as a valid form of identification has allowed unauthorized immigrants from Mexico access to formal banking services.

[5] The number of households headed by undocumented immigrants containing a child who is a U.S. citizen is unknown, but a study of New York by the Urban Institute estimates that over 34% of households headed by an undocumented alien in 1995 contained a child who is a U.S. citizen (Passel and Clark 1998).

experience at illegally crossing the border and as immigrant communities grow in the US, this creates a network of contacts that fosters future inflows of undocumented immigrants.[6] The relatively low skill levels of undocumented immigrants put them at a disadvantage relative to other workers, and these immigrants face many other obstacles to socioeconomic advancement as well. Legalization may help address some of these concerns, but, as discussed below, it is unlikely to be a sufficient means of solving the problems created by undocumented immigration.

REASONS FOR UNDOCUMENTED MIGRATION

To design a program that succeeds at stanching the flow of undocumented immigration, policymakers must understand the forces that drive unauthorized migration. Economic factors play a key role, but the desire to live with relatives already present in the US also underlies some migrant flows.

The substantial wage difference between the US and source countries underlies much of the continued flow of undocumented immigrants. Average wages in Mexico—the primary source of undocumented immigrants—are about one-ninth those in the US.[7] This sizable wage gap, combined with proximity to the US, has led many Mexicans to choose to work in the US. Indeed, when the Mexican economy falters, undocumented immigrant inflows, as proxied by migrant apprehensions along the Southwest border, surge (Hanson and Spilimbergo 1999). All other major source countries also have much lower average wages than the US.

[6] Studies indicate that networks or ties between sending communities and specific points of destination in receiving societies, mitigate risk and reduce information costs in international migration, and therefore, play a key role in undocumented immigration (Massey et al. 1987; Taylor 1986).

[7] The comparison is based on average hourly compensation costs for production workers ($21.33 per hour in US versus $2.38 in Mexico, according to the Bureau of Labor Statistics International Comparison of Hourly Compensation Costs for Production Workers in Manufacturing, 2002). The Mexican minimum wage is also about one-tenth of the U.S. minimum wage.

Money earned in the US allows undocumented immigrants to support families back home, to cushion income shocks, and to save. Many migrants remit a substantial fraction of their wages, allowing both for a higher and more stable standard of living among relatives remaining in the source country.[8] Total remittances to Latin America and the Caribbean likely reached $30 billion in 2003; about 18 percent of all adults in Mexico and 28 percent in El Salvador received funds remitted from the US (Suro 2003). A portion of remittances are also used for investment purposes. Savings from a job abroad can be used to buy a house or start a business, helping undocumented immigrants and their families to overcome the incomplete capital markets that prevail in developing countries. One study estimates that while only about six and a half percent of migrant remittances and savings go directly to productive ends, such as investment, instead of to consumption, the indirect effect of remittances on investment in the local production of goods and services is much larger (Massey and Parrado 1994).

The fact that undocumented immigrants have high labor force participation rates and are ineligible for most public assistance programs reinforces the fact that the majority migrate to work. Research indicates that the expected value of welfare and medical services does not help explain undocumented immigration from Mexico (Massey and Espinosa 1997). Moreover, male undocumented immigrants have higher labor force participation rates than men who are either native-born or legal immigrants despite having lower average earnings (Capps et al. 2003). The responsiveness of migrant flows to changes in economic conditions also reinforces the importance of economic factors in driving unauthorized migration. Apprehensions along the Southwest border tend to decline when the US economy weakens, albeit less so than when the Mexican economy booms (Hanson and Spilimbergo 1999).

[8] Migration as a mechanism to smooth consumption over time is particularly important for farming communities where crop failure or other disasters cause disruptions to household income (Stark and Levhari 1982).

Family reunification also drives a substantial fraction of undocumented immigration. Some undocumented immigrants come to the US to live with relatives already present here, legally or otherwise. Surveys indicate that women and children have comprised an increasing proportion of the undocumented immigrant inflow in recent years (Massey et al. 2002). Many of these are migrating to join a head of household who migrated earlier for economic reasons.

Any amnesty program needs to consider the fundamentally economic motivation behind undocumented immigration. Somewhat paradoxically, migration from Mexico to the US raises wages in Mexico relative to what they would be otherwise, reducing further migrant flows. Mishra (2003) finds that a 10 percent decrease in the number of Mexican workers due to emigration in a given skill group increases that group's average wage by four percent. Migrants have also been found to impact wages in border communities. When increases in US border enforcement trap migrant workers on the Mexican side, they flood the local labor market and push wages down (Hanson et al. 2002). Combining amnesty with increased border enforcement could shut off the escape valve, causing lower wages in Mexico and possibly prompting even more people to desire to migrate illegally for economic reasons.

If an amnesty program includes tighter border control, there needs to be an alternate way for at least some of these workers to enter the US—such as through a guest worker program, as discussed further below. The economic motivation underlying much of undocumented migration also points out the importance of US support of economic development in Mexico to create jobs and deepen financial markets there. Further, policymakers need to recognize that an amnesty program will likely create a snowballing effect as relatives in source countries desire to join emigrants who have gained legal status.

LABOR MARKET EFFECTS OF UNDOCUMENTED IMMIGRATION

Undocumented immigration has consequences not only for the migrants themselves, but for all workers in the destination country. Economic theory indicates that, under standard assumptions, undocumented immigration results in lower wages for comparable native-born workers and legal immigrants. If capital is fixed and there are constant returns to scale, an increase in the supply of labor will lower wages as long as labor supply is not perfectly elastic with respect to wages (Smith and Edmonston 1997). Undocumented immigration acts as such an increase in the labor supply. The magnitude of the decline in wages depends on the degree of substitution between undocumented immigrants and other workers. Because most undocumented immigrants are relatively unskilled, they are most substitutable for other low-skilled workers and hence have the largest impact on low-skilled natives and other immigrants.

Despite theoretical predictions, research suggests that undocumented immigration has at most a small adverse effect on wages.[9] Increases in border enforcement in California and Texas, which may reduce the number of undocumented immigrants or change where migrants cross the border, have no impact on US wages in those states, including the wages of the least educated workers (Hanson et al. 2002). In addition, studies that do not distinguish between legal and illegal immigrants have generally found little evidence that wages fall in areas with large inflows of immigrants (for a survey, see Borjas 1999). However, adjustment in US labor markets may occur via unemployment instead of wages, with undocumented immigrants displacing natives and legal immigrants. Few economists have studied this possibility, but existing research suggests that employment rates among natives (and previous immigrants) decline by about one

[9] Downward pressure on wages may be less than predicted by standard economic theory because of offsetting migration by natives or other immigrants or changes in output mix or production technology in response to immigrant inflows (Hanson et al. 2001).

to two percent for each 10 percent increase in the immigrant inflow into a low-skilled occupation groups (Card 2001).

Undocumented immigration can actually cause an increase in the earnings of skilled workers. This occurs if unskilled undocumented immigrants act as complements to other workers. For example, skilled workers who hire undocumented immigrants as housekeepers, nannies, or gardeners may devote more time and energy to their own jobs, becoming more productive and raising their own incomes. Therefore, undocumented immigration in effect allows high-skilled workers to specialize in market production and devote less time to home production.

These differential effects on unskilled and skilled workers suggest that undocumented immigration—or, more generally, illegal or legal immigration by less-skilled workers—can lead to an increase in inequality. "Between-group" inequality, or differences in average earnings between age, experience or education groups (such as between high school graduates and college graduates), began increasing in 1979 before leveling off during the mid-1990s. Some research suggests that immigration contributed to this increase by lowering the wages of less-educated workers, but the effect appears to be small. The consensus among economists is that immigration accounts for about 10 percent of the increase in earnings inequality in the US (Council of Economic Advisors 1997).

Undocumented immigration also imposes fiscal burdens on state and local governments. A major study sponsored by the National Research Council on the impacts of immigration, while it did not consider illegal immigrants exclusively, concluded that the net fiscal impact of immigrants in California in 1994-95 was about $1,178 per native-born household (Smith and Edmonston 1997). This was largely due to an increase in public education costs (mainly

resulting from children born to immigrants) and because immigrants are more likely to be poorer than native-born households and therefore pay less in taxes but receive more in transfer payments, such as welfare. Although undocumented immigrants are not eligible for most welfare programs, any children born in the US are US citizens and eligible for public assistance regardless of their parents' legal status.[10] Nevertheless, while this study likely overstates the fiscal impact of undocumented immigrants, it makes two important points: one, negative impacts tend to increase as skill levels decline; and two, immigrants from Latin America pose a larger fiscal burden than other groups, in part because of higher fertility rates.

When considering whether to implement an amnesty program, it is important to recognize its potential effects on labor markets. Undocumented immigrants have become an integral part of US economic growth. Immigrant inflows—about one-third to one-half of which are comprised of illegal immigrants—accounted for almost one-half of total labor force growth in the US in recent years, and even more in certain areas and industries (Mosisa 2002). An amnesty program might make formerly undocumented workers more substitutable for low-skilled natives, increasing any adverse impact. However, having legal status might enable migrants to move more freely within the US to areas with low unemployment rates and pent-up demand for low-skill workers. Legal status might also lead to skill-upgrading and economic advancement among some formerly undocumented workers. An analysis of undocumented immigrants who legalized their status as part of the IRCA amnesty shows they experienced significant wage growth in the first four years following legalization, with about 44 percent of

[10] The passage of the Personal Responsibility and Work Opportunity Reconciliation Act in 1996 reduced the negative fiscal impact of legal immigrants by making most non-citizen immigrants ineligible for many welfare programs, such as cash welfare (Temporary Assistance for Needy Families) and food stamps. Some states have opted to continue to extend benefits at state expense to legal immigrants who do not qualify under federal rules.

the increase in men's wages due to changes in measured characteristics such as educational attainment, English proficiency and experience (Rivera-Batiz 1999).[11]

Combining an amnesty with stricter border enforcement would reduce any adverse effects of undocumented immigration on low-skilled natives and legal immigrants by stemming illegal inflows, if effective. However, smaller flows of low-skilled workers would put pressure on low-wage industries that depend on such workers, particularly agriculture and construction. Undocumented immigration contributed to the US economic boom during the 1990s by supplying large numbers of workers. Creating a way for such workers to come to the US legally would therefore be an important part of any amnesty program.

FAILURES OF CURRENT IMMIGRATION POLICY

Current immigration policies have become increasingly irrelevant, with unauthorized immigration making up as much as one-half of annual immigrant inflows for much of the last two decades. Undocumented immigration occurs because of a divergence between whom the US will admit as a legal immigrant and the foreigners who want to live in the US regardless of official permission to do so (Chiswick 1988). The current policy helps create large flows of undocumented immigrants by cutting off other legal avenues.

Current immigration law favors relatives of US citizens and legal permanent residents, with immediate relatives of US citizens admitted without limit and other relatives subject to quotas. Immigration policy also favors skilled workers. About 14 percent of recipients of legal permanent resident status in recent years were admitted because of their occupation or skills. This leaves few slots available to persons without a relative who is a legal resident of the US and

[11] The remaining 56 percent of the wage gain is unexplained by differences in characteristics, suggesting there is a sizeable wage penalty (perhaps due to discrimination) for undocumented workers that legalization removes.

who can sponsor them. Even for those with a relative, queues can be long. The backlog for Mexican adult siblings of legal permanent residents is currently over 10 years, and over 20 years for those from the Philippines (US Department of State 2003). Current immigration policy thus leaves many foreigners with a choice of not entering the US at all or doing so illegally. Obviously, millions have chosen to do so illegally.

The US spent almost $712 million on border enforcement in fiscal year 2003, most focused on the border with Mexico. However, research suggests that border control does little to stem the tide of unauthorized migration in the short run, although it may change the composition of undocumented immigrants in the longer run.[12] As border enforcement increases, the costs of attempting to cross the border increase in terms of money, time, and lives lost, but little is gained. However, surveys indicate that most people who are apprehended while attempting to cross the border illegally simply try again until successful (Kossoudji 1992).

Current policies, while they have not notably slowed the pace of illegal immigration, they have had many adverse effects. Stricter border enforcement has contributed to record number of migrant deaths along the US-Mexico border (Cornelius 2001; Eschbach et al. 1999). Many of these deaths are due to exposure to extreme temperatures as migrants take circuitous routes through dangerous deserts and over mountains in order to get into the US. A rising number of deaths are also due to abuse and carelessness at the hands of human smugglers who transport their migrant cargo in sealed rail cars and trucks. Smuggling has flourished as the border patrol has increased both the personnel and the technology it uses to patrol the border.

[12] A potential benefit of border enforcement is positive self-selection among migrants. Migrants who are willing to cross the border under tougher conditions might be more risk tolerant, younger, and healthier—more likely to work hard and less likely to use public services (Karlson and Katz 2003). In addition, because evading border controls is expensive, enforcement tends to discourage the least skilled potential migrants, who are less able to pay for a "coyote" (a human smuggler) to help them cross. Tougher border control has been found to increase the average skill level among undocumented immigrants in the US (Orrenius and Zavodny 2002).

Recent policies have also adversely affected the rate of immigrants' socio-economic progress while in the US. For example, the federal government began a large-scale verification of workers' Social Security numbers in 2002, mailing about 950,000 letters to employers who reported having employees with numbers that did not match administrative records (Porter 2003). This caused many unauthorized immigrants, leery of being apprehended, to quit those jobs and move to other employers. Such job-hopping is costly for employers who lose workers familiar with that company's procedures but also costly for the workers themselves as their firm-specific skills become worthless, they experience a spell of unemployment, and some are pushed into jobs in the informal sector.

Of course, if the policy objective is to permanently remove unauthorized immigrants, then their economic success while in the US should be of secondary importance. However, there is little evidence that permanent removal of unauthorized immigrants is a goal of current policy. Little effort —less than three percent of funds spent on border control— was devoted to interior enforcement in fiscal year 2003, and interior apprehensions accounted for only three to 10 percent of total apprehensions during the period 1986-2002 (Office of Immigration Statistics 2003). In addition, individuals apprehended by the INS solely for being in the US illegally are treated relatively leniently, with most simply sent back to their home country at US expense. Those who agree to be voluntarily deported are typically not prosecuted and face no restrictions on their ability to enter the US legally in the future (Hanson et al. 2001).

At the same time, research suggests that heightened border enforcement is increasing the duration of time spent in the US by undocumented migrants (Reyes 2002; Massey et al. 2002). Whereas many unauthorized migrants previously engaged in repeat circular migration, leaving the US at the end of the agricultural season or when job prospects worsened and later returning,

many are now staying in the US. Increased border surveillance has, in effect, "trapped" them inside the border by making circular migration more difficult. Given that unauthorized migration was occurring, this circular pattern had several benefits for the US: some migrants left when they did not have jobs instead of contributing to the unemployment pool, and relatives were more likely to remain at home. Researchers estimate that, until the 1990s, circular migration composed more than 50 percent of the flow of undocumented Mexican immigrants, and about 85 percent of undocumented entries were offset by return trips (Massey et al. 2002; Massey and Singer 1995).

Because undocumented migrants are now less likely to leave than in past years, their socio-economic progress should be of concern for natives. Granting them legal status would help these immigrants achieve both higher rates and greater levels of economic assimilation. In the long run, immigrant assimilation benefits the nation as a whole as immigrants accumulate more human capital and contribute to the tax base. Studies suggest that low-skilled immigrants represent a net drain on public funds in areas in which they are concentrated (Smith and Edmonston 1997). In addition, because human capital is transmitted across generations, ensuring the economic success of the first generation is important to the progress of the second and third generations. Concerns that allowing undocumented immigrants to legalize their status would result in significant costs to welfare programs could be addressed by restricting amnesty applicants' eligibility for welfare programs, as IRCA did.

Another problem of the current immigration policy is that it also creates national security problems. This large population not only lacks legal US documents but is also largely untrackable within the country. An amnesty could help alleviate national security risks by incorporating background checks as part of legalization. As undocumented immigrants come

forward to apply for amnesty, those meeting the criteria could be legalized while those who pose security risks could be deported. Of course, undocumented immigrants who are security risks are the least likely to apply for amnesty (or worker program) if doing so will result in deportation. Nevertheless, an amnesty or guest worker program that enables the US to track currently undocumented workers would be an improvement over the status quo, in which law enforcement officials have little information about these migrants.

What are the reasons not to have an amnesty? Critics argue that an amnesty rewards those who broke the law and creates an incentive for more unauthorized immigration in the hopes of yet another amnesty in the future. But absent large-scale workplace enforcement and deportations, there does not seem to be other obvious solution to addressing the problems of having millions of unauthorized persons present in the US. The status quo allows employers to hire workers more cheaply while hindering the economic progress of the undocumented.[13] Although creating a more even playing field by granting these individuals legal status would remove some advantages natives have relative to undocumented workers, native-born workers are protected in other ways—they speak the language, have a higher quality of education, and are more familiar with US labor market institutions.

DESIGNING AN IDEAL AMNESTY

The fact that the undocumented population has been growing over the last thirty years, suggests that policy makers have found it more costly to implement effective policy changes than to allow the status quo to continue. Yet a consensus is building that the US needs to once again

[13] There is even evidence that border enforcement weakens when demand for undocumented workers increases. Increases in product prices and capacity utilization rates in industries that employ large numbers of undocumented immigrants are associated with a subsequent decline in border enforcement (Hanson and Spilimbergo 1999).

implement a legalization program and the experience with the 1986 IRCA suggests several lessons for designing an amnesty.

IRCA involved two separate legalization programs: the Legally Authorized Workers (LAW) program and the Special Agricultural Workers (SAW) program. The LAW program allowed undocumented immigrants who had lived in the United States since January 1, 1982, and met certain other criteria to apply for temporary legal residency. Successful applicants could then become legal permanent residents after 18 months by meeting several criteria, such as demonstrating basic knowledge of the English language and American civics. The SAW program required that illegal immigrants have worked in US agriculture for at least 90 days during each of the previous three years or for at least 90 days during the last year to receive temporary permanent resident status. SAWs could then receive legal permanent resident status in one or two years.

One major problem with IRCA's implementation was rampant fraud. Surveys by sociologists suggest that 73 percent of LAW applications were fraudulent, as were 28 to 40 percent of SAW applications (Donato and Carter 1999; Cornelius 1989). Given that over 90 percent of applications were approved, many unqualified persons were granted at least temporary legal residency. The high level of fraud was due to lax verification of documents, which were easily falsified, and the complex residency requirements in the LAW program. This experience suggests that any legalization program needs strict document verification as well as simpler requirements.

IRCA is also believed to have led to increased discrimination against Hispanic workers. Some employers concerned about possible sanctions for hiring illegal workers paid lower wages to workers they suspected of being illegal or refused to hire such applicants. Wages among

Hispanics suspected of being undocumented fell by about eight percent (Bansak 2001), and employment by almost two percent (Lowell, Teachman, and Jing 1995). Legal workers, including some born in the US with Hispanic ancestry, were unintended victims of IRCA because of employer difficulty in distinguishing between legal and illegal workers. In addition, unequal enforcement across industries created more of a burden for some employers than others (Davila and Pagan 1997). A legalization program accompanied by a low-cost, reliable way for employers to verify legal work status, such as quick verification of Social Security numbers, could not only reduce employer discrimination against Hispanics but would also help stem the demand for unauthorized workers.

Another failure of IRCA was not in the implementation of the amnesty, but in not implementing the other measures that were intended to stem future illegal immigration. Although border enforcement was increased, few additional funds were devoted to interior enforcement, particularly at workplaces. Continued availability of jobs resulted in a continued flow of unauthorized migrants after people realized that they could still earn higher wages in the US than in their home country. Research indicates that apprehensions at the border declined right after the policy was enacted as potential migrants were deterred by stricter enforcement and concerned about job availability, but then quickly reverted to pre-IRCA levels (Donato et al. 1992; Orrenius and Zavodny 2003; Woodrow and Passell 1990). Any legalization program intended to reduce future undocumented inflows therefore needs to provide a legal means for such migration or must reduce employment prospects, which would discourage potential migrants.

Amnesty should be viewed as part of a comprehensive reform of immigration policy, not as sufficient in and of itself. A fundamental problem with an amnesty is that it creates an

expectation of future amnesties. Hopes of gaining legal status conditional on living or working in the US for a certain period of time would likely encourage more undocumented immigration. In addition, an amnesty is likely to lead to larger undocumented flows as families reunify in the US with members who qualified for legal status. If the US goal is to discourage undocumented immigration, then policymakers need to consider other policies as well, including a guest worker program and tougher workplace enforcement.

A guest worker program that enables migrants to come to the US for a specified period of time to work would reduce undocumented migration motivated by economic considerations. The US already has temporary visa programs for low-skill, seasonal workers in agriculture and other industries. The visa requirements are onerous, with employers having to demonstrate that they searched unsuccessfully for available US workers and that the wages and working conditions of other workers will not be adversely affected by admitting these temporary workers.[14] Few of these visas have been issued in recent years, with less than 16,000 agricultural worker visas and about 87,000 nonagricultural worker visas issued in fiscal year 2002 (Office of Immigration Statistics 2003).

A guest worker program should include incentives to encourage workers to return to their home countries after a certain period of time. The program could require that a fraction of guest workers' earnings be set aside, with workers able to obtain those funds after returning to their source country. Credit toward the home country's analog of Social Security for time worked in the US could also be given to guest workers who return home.

The role of the US business cycle should be recognized if a guest worker program is implemented. Periods of high (low) demand for workers should coincide with higher (lower)

[14] The H2A visa program (for agricultural workers) also requires that employers provide housing and transportation as well as pay the market wage.

annual quotas on work permits or temporary visas. Given that Mexico accounts for the majority of undocumented workers, the quota might also be increased when the Mexican economy experiences a downturn. More generally, a guest worker program might incorporate country-specific quotas that respond to changes in economic conditions in those countries as well.

A guest worker program would need to be combined with enforcement of laws barring employers from hiring undocumented workers. Despite the high degree of media attention received by raids on several Wal-Mart stores in November 2003, immigration officials have not emphasized workplace enforcement in recent years. The number of workplace arrests by the INS, for example, fell from 17,552 in fiscal year 1997 to 451 in fiscal year 2002 (Office of Immigration Statistics 2003). Although hiring workers who do not have permission to work in the US is illegal, employers who do so are not subject to civil or criminal penalties as long as they make a good faith effort to verify workers' legal status. The number of firms fined for hiring undocumented workers has been low, with the INS collecting only about $2 million in total fines for immigration and naturalization violations in fiscal year 2002 (Office of Immigration Statistics 2003). Credible workplace enforcement would need to include easy document verification as well as stiff penalties for firms that violate the law.

A legalization or guest worker program also needs to be combined with a mechanism enabling immediate relatives of those receiving legal or guest worker status to come to the US The experience with IRCA suggests that otherwise many of these relatives will cross the border illegally, putting themselves at great risk. If current undocumented workers are allowed to convert to legal guest worker status, some provision needs to be made for their non-working spouses and children to also have legal status. Otherwise, an undocumented population will continue to exist, perpetuating current problems.

An amnesty can solve a one-time problem by allowing undocumented immigrants to legalize their status, but experience indicates that it will not stanch the continued flow of undocumented immigrants to the US. The best way to discourage undocumented immigration in the long run is to implement a guest worker program combined with enforcement of legal status at workplaces. Emphasis on border enforcement has done little to reduce illegal crossings but has cost millions of dollars and hundreds of lives. Devoting funds to workplace enforcement and creating a way for employers to legally meet their need for low-skill workers are more viable long-term solutions.

REFERENCES

Bansak, Cynthia. 2001. "Immigration Reform and the Earnings of Latino Workers: Do Employer Sanctions Cause Discrimination." Mimeo, Board of Governors of the Federal Reserve System.

Bean, Frank D., et al. 2001. "Circular, Invisible and Ambiguous Migrants: Components of Difference in Estimates of the Number of Unauthorized Mexican Migrants in the United States." *Demography* 83(3): 411-422.

Borjas, George J. 1999. "The Economic Analysis of Immigration." In: Orley Ashenfelter and David Card, eds., *Handbook of Labor Economics*, Vol. 3. Amsterdam: Elsevier, pp. 1697-1760.

Capps, Randy, et al. 2003. "Immigrant Families and Workers." Urban Institute Immigration Studies Program Brief No. 4. Washington, DC: Urban Institute.

Card, David. 2001. "Immigrant Inflows, Native Outflows, and the Local Labor Market Impacts of Higher Immigration." *Journal of Labor Economics* 19(1): 22-64.

Chiswick, Barry R. 1988. "Illegal Immigration and Immigration Control." *Journal of Economic Perspectives* 2(3): 101-115.

Cornelius, Wayne A. 1989. "Impacts of the 1986 Immigration Law on Emigration from Rural Mexican Sending Communities." *Population and Development Review* 15(4): 689-705.

Cornelius, Wayne A. 2001. "Death at the Border: Efficacy and Unintended Consequences of U.S. Immigration Control Policy." *Population and Development Review* 27(4): 661-685.

Costanzo, Joe, et al. 2001. "Evaluating Components of International Migration: The Residual Foreign Born." U.S. Census Bureau Working Paper Series, No. 61.

Council of Economic Advisors. 1997. *Economic Report of the President*. Washington, DC: Government Printing Office.

Davila, Alberto, and Jose A. Pagan. 1997. "The Effect of Selective INS Monitoring Strategies on the Industrial Employment Choice and Earnings of Recent Immigrants." *Economic Inquiry* 35(1): 138-150.

Donato, Katherine M. and Rebecca S. Carter. 1999. "Mexico and U.S. Policy on Illegal Immigration: A Fifty-Year Retrospective." In: David W. Haines and Karen E. Rosenblum, eds., *Illegal Immigration in America: A Reference Handbook*. Westport, CT: Greenwood Press.

Donato, Katharine M., Jorge Durand, and Douglas S. Massey. 1992. "Stemming the Tide? Assessing the Deterrent Effects of the Immigration Reform and Control Act." *Demography* 29(2): 139-157.

Eggen, Dan. 2003. "Ridge Revives Debate on Immigrant Status." *Washington Post.* December 11, p. A8.

Eschbach, Karl, et al. 1999. "Death at the Border." *International Migration Review* 33(2): 430-454.

Greenhouse, Steven. 2003. "Congress Looks to Grant Legal Status to Immigrants." *New York Times.* October 13, p. A9.

Hanson, Gordon H., and Antonio Spilimbergo. 1999. "Illegal Immigration, Border Enforcement, and Relative Wages: Evidence from Apprehensions at the U.S.-Mexico Border." *American Economic Review* 89(5): 1337-1357.

Hanson, Gordon H., et al. 2001. "Immigration and the U.S. Economy: Labor-Market Impacts, Illegal Entry, and Policy Choices." Mimeo, University of Michigan.

Hanson, Gordon H., Raymond Robertson, and Antonio Spilimbergo. 2002. "Does Border Enforcement Protect U.S. Workers from Illegal Immigration?" *Review of Economics and Statistics* 84(1): 73-92.

Immigration and Naturalization Service. 2003. "Estimates of the Unauthorized Immigrant Population Residing in the United States: 1990 to 2000." Washington, D.C.: Immigration and Naturalization Service.

Karlson, Stephen H., and Eliakim Katz. 2003. "A Positive Theory of Immigration Amnesties." *Economics Letters* 78: 231-239.

Kossoudji, Sherri. 1992. "Playing Cat and Mouse at the U.S.-Mexican Border." *Demography* 29 (2): 159-180.

Lowell, Lindsay B., Jay Teachman, and Shongren Jing. 1995. "Unintended Consequences of Immigration Reform: Discrimination and Hispanic Employment." *Demography* 32(4): 617-628.

Massey, Douglas S. 1987. "Do Undocumented Migrants Earn Lower Wages than Legal Immigrants? New Evidence from Mexico." *International Migration Review* 21(2): 236-274.

Massey, Douglas S., et al. 1987. *Return to Aztlan: The Social Process of International Migration from Western Mexico*. Berkeley and Los Angeles: University of California Press.

Massey, Douglas S., Jorge Durand, and Nolan J. Malone. 2002. *Beyond Smoke and Mirrors: Mexican Immigration in an Era of Economic Integration.* New York: Russell Sage Foundation.

Massey, Douglas S. and Kristin E. Espinosa. 1997. "What's Driving Mexico-U.S. Migration: A Theoretical, Empirical and Policy Analysis." *American Journal of Sociology* 102(4): 939-999.

Massey, Douglas S. and Emilio Parrado. 1994. "Migradollars: The Remittances and Savings of Mexican Migrants to the U.S." *Population Research and Policy Review* 13(1): 3-30.

Massey, Douglas S., and Audrey Singer. 1995. "New Estimates of Undocumented Mexican Migration and the Probability of Apprehension." *Demography* 32(2): 203-213.

Mills, Robert J., and Shailesh Bhandari. 2003. "Health Coverage in the United States: 2002." U.S. Census Bureau Consumer Income Report P60-223.

Mishra, Prachi. 2003. "Emigration and Wages in Source Countries: Evidence from Mexico." Mimeo, Columbia University.

Mosisa, Abraham T. 2002. "The Role of Foreign Born Workers in the US Economy." *Monthly Labor Review* May: 3-14.

Office of Immigration Statistics. 2003. *Yearbook of Immigration Statistics*. Washington, D.C.: Department of Homeland Security.

Orrenius, Pia M., and Madeline Zavodny. 2002. "Self-Selection among Undocumented Immigrants from Mexico." Mimeo, Federal Reserve Bank of Atlanta.

Orrenius, Pia M., and Madeline Zavodny. 2003. "Do Amnesty Programs Reduce Undocumented Immigration? Evidence from IRCA." *Demography* 40(3): 437-450.

Passel, Jeffrey S., and Rebecca L. Clark. 1998. "Immigrants in New York: Their Legal Status, Incomes and Taxes." Washington, DC: Urban Institute.

Passel, Jeffrey S., Randy Capps, and Michael Fix. 2004. "Undocumented Immigrants: Facts and Figures." Washington, DC: Urban Institute.

Porter, Eduardo. 2001. "Illegal Immigrants May Total 8.5 Million." *Wall Street Journal*, August 14, p. A4.

Porter, Eduardo. 2003. "Wrong Numbers: Social Security Doesn't Match Up." *Wall Street Journal*, November 28, p. A7.

Reyes, Belinda I. 2002. "U.S. Immigration Policies and Patterns of Mexican Unauthorized Immigration to the United States." Mimeo, Public Policy Institute of California.

Rivera-Batiz, Francisco L. 1999. "Undocumented Workers in the Labor Market: An Analysis of the Earnings of Legal and Illegal Mexican Immigrants in the United States." *Journal of Population Economics* 12(1): 91-116.

Robinson, J. Gregory. 2001. "ESCAP II: Demographic Analysis Results." Washington, DC: U.S. Census Bureau. Available on line at www.census.gov/dmd/www/pdf/Report1.PDF

Smith, James P., and Barry Edmonston. 1997. *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration*. Washington, DC: National Academy Press.

Stark, Oded, and D. Levhari. 1982. "On Migration and Risk in LDCs." *Economic Development and Cultural Change* 31: 191-196.

Suro, Robert. 2003. "Remittance Senders and Receivers: Tracking the Transnational Channels." Washington, DC: Pew Hispanic Center.

Taylor, Edward. 1986. "Differential Migration, Networks, Information and Risk." In: Oded Stark, ed., *Research in Human Capital and Development: Migration, Human Capital, and Development*, Vol. 4. Greenwich, CT: JAI Press Inc., pp. 147-171.

U.S. Department of State, Bureau of Consular Affairs, Visa Services. 2003. "Visa Bulletin Number 65." Washington, DC: U.S. Department of State. Available on-line at http://travel.state.gov/visa_bulletin.html.

Woodrow, Karen A., and Jeffrey S. Passel. 1990. "Post-IRCA Undocumented Immigration to the United States: Assessment Based on the June 1988 CPS." In: Frank D. Bean, Barry Edmonston, and Jeffrey S. Passel., eds., *Undocumented Migration to the United States: IRCA and the Experience of the 1980s*. Santa Monica: RAND, pp. 33-72.