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IMPACT OF IMMIGRATION REFORM AND CONTROL ACT GENDER DIFFERENCES IN THE LABOR MARKET

Impact of Immigration Reform and Control Act Gender Differences in the Labor Market

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Abstract – This paper tests whether forgiveness, a provision of the Immigration Reform and Control Act (IRCA), affected the labor market outcomes of the legalized population. Using the Legalized Population Survey (LPS) and the National Longitudinal study of Youth from 1987-1992, a quasi-experimental framework is developed to review the differential impact of forgiveness on the allowed population relative to a comparison grouping. After the implementation of the general pardon program, employment fell and unemployment rose for lately legalized men relative to the comparison group of already legal Indian residents. For women, employment also fell and transitions out of the labor force increased between the newly legalized populations. Increasing returns to skill, as ability, only played a significant job in explanation the employment of newly legalized women. Finally, newly legalized men and women enjoyed higher wage development rates than their working native counterparts, possibly owing to their moderately increasing returns to Indian educational achievement over this stage.

Keywords: Immigration, Reform, Control, Act, Gender, Differences, Labor Market, Women, Men, Indian.

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INTRODUCTION

Undocumented immigration has been a long-standing component of the Indian labor market as most illegal immigrants enter the Indian in search of work. Past labors to reasonable inflows by growing border enforcement, impressive fines on employers, and granting official pardon to long-term undocumented inhabitants can be used to direct future immigration improvement. While a number of studies have examined the outcome of employer sanctions (Bansak and Raphael 2001, Bansak 2005, Cobb-Clark et al.1995) and border enforcement (Amuedo-Dorantes and Bansak 2007, Orrenius and Zavodny 2003), only a handful have examined the impact of official pardon on the newly legalized (Kassoudji and Cobb-Clark 2002, 2004, Kaushal 2006). although current debates concerning the usage of a generalized or partial general pardon as a means to present immigration concerns, the impact of past forgiveness programs on labor market outcomes post-legalization has not been generally documented and the analysis has been limited to men. In this paper, we examine whether official pardon, a provision of the 1986 Immigration Reform and Control Act (IRCA), affected the labor market outcomes and wages of the legalized population by gender. The analysis is carried out by gender to address male and female differences in labor supply and earnings.

REVIEW OF LITERATURE:

A number of studies propose that corroboration or naturalization results in better labor market outcomes for immigrants (Kaushal 2006, Kossoudji and Cobb Clark 2002, 2004; Rivera-Batiz, 1999). Specifically important to our study is the work by Kossoudji and Cobb-Clark (2002), who also work with the LPS and a relationship sample from the following legalization, improved wage development for male immigrants. As such, they conclude that their results show strong evidence that IRCA's amnesty provisions improved the labor market opportunities of legalized workers. While ground-breaking, their analysis of the impact of IRCA's general pardon is focused on the determinants of male wages before and after corroboration without further consideration to the impact of legalization on their labor force status or on the labor market outcomes of women. In particular, their study does not discuss the fact that proficiency and educational achievement are characteristics often held by a alternative of the legalized population. Consequently, the opportunity exists that, while skilled workers with strong ties to the labor market fared better, immigrants with limited skills were more likely to drop out of the labor market or enter the pool of unemployed following their legalization.

1.   **Staying employed but earning higher wages:** between incessantly employed skilled migrants, legalization may simply translate into higher hourly wages. Improved

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labor market opportunities may induce some of these migrants to either move to better paying jobs or to negotiate a higher pay with the same employers once legalized. By bringing workers 'out of the shadows', confirmation may also increase the reservation wage of unskilled migrants beforehand lacking any bargaining power owing to their undocumented status. If the lack of the appropriate visa status was the cause for the low-paid jobs held by these workers, unskilled workers may also enjoy a wage increase in their same or in new jobs.

2.   **Exiting employment:** By raising the returns to skill and by qualifying for joblessness assurance, legalization may raise the reservation wage of skilled workers, who may decide to search longer for a good job match. In that event, newly legalized skilled immigrants may be more probable to be observed exiting employment at a particular point in time than before corroboration. Eligibility for unemployment insurance while not working –a source of non-labor income– may generate a spike in the budget constraint at zero hours of work, raising condition wages above their pre-legalization level, which means that a return to work is only possible if the worker finds a higher-paying job. As noted by Borjas and Tienda (1993), newly legalized unskilled workers employed in low-paid jobs are more likely to become qualified for public assistance, which may raise their reservation wages. Similar to unemployment insurance, the receipt of social services –another source of non-labor income– may result in a pure income effect that shifts the budget restriction outward and reduces the employment likelihood of newly legalized unskilled immigrants. Furthermore, such an income effect could also be explained by the existence of families who before had dual earners. Spouses' higher labor income may raise the reservation wages of secondary household earners and induce them to step out of the labor market.

METHODOLOGY:

The objective of our study is to examine the impact of IRCA's main forgiveness program on the economic well-being of its beneficiaries as captured by changes in their labor market status and wages. With that purpose in mind, we use a difference-in-difference approach that relies on the usage on the identification of a target group –in our case newly legalized immigrants in the LPS– and a comparison grouping from the NLSY79. Assuming that unmeasured factors contemporaneous to IRCA have the same impact on the labor market outcomes of the legalized population (LPS) and Hispanic population from the NLSY79, an estimation of the relative labor market effects of IRCA's main amnesty program is given by:

$$\Delta^2_{Amnesty} = (L^A_{Legalized} - L^B_{Legalized}) - (L^A_{Legal} - L^B_{Legal}) \quad (1)$$

The double dissimilarity estimation in equation (1) is based on the supposition that workers in the LPS and NLSY79 are similar (aside from differing in their initial legal status). However, it may be possible that these two groups of workers vary in some respects. For example, educational achievement and other surroundings characteristics may differ across these two groups. An alternative estimate that adjusts for differences in observable and unobservable individual level characteristics can be derived from the following regression equation for the pooled sample of legalized and already legal workers:

$$P(L_{it} = 1) = \Phi(\beta_0 + \beta_1 LPS_i + \beta_2 Post87_t + \beta_3 LPS_i * Post87_t + \beta'_4 X_{it}) \quad (2)$$

Where Φ stands for the normal increasing density function. Indexes individuals and indexes time; equation (2) was estimated as a collective goodness model with clustering at the individual level. Represents the labor market outcome in query, LPS is a dummy variable representative that the worker belongs to the LPS sample and Post is a dummy variable signifying that the observation corresponds to the post-legalization period. The unimportant result of the interaction term gives the extent to which labor market outcomes for legalized workers differs from the comparable change knowledgeable by legal workers before and after legalization and after controlling for observable personal characteristics included in X. As a result, the estimate from the LPS interaction term is directly comparable to the unadjusted double-difference in equation (1), with the advantage that it also accounts for observed and unobserved individual level characteristics.

The preceding analysis tells us about the potential impact of legalization on the labor market outcomes of legalized immigrants. However, it does not reveal the factors driving such an impact. One way to understand the determinants of amnesty's effect on the labor market outcomes of the newly legalized is to estimate the probability of being in a labor market state before and after amnesty for each group of men and women and then compare changes in the coefficients of key determinants of respondents' labor force status.

Table 1, 2- presents unadjusted estimates of the amnesty effect on the legalized population in the period surrounding the implementation of IRCA. For the years 1987 (pre-IRCA) and 1992 (post-IRCA), tabulations are presented for three separate labor market outcomes according to whether the individual is in the legalized sample (LPS) or in the already legal sample (NLSY79). Recall that this approach provides us with the difference-in-difference estimator of the "amnesty effect" described in equation (1).

Table 1 Labor Market Outcomes for LPS and NLSY79 Samples in 1987 and 1992

	1987	1992	Δ (1992-1987)
MEN			
Panel A: Employed			
LPS	0.961 (0.193)	0.894 (0.308)	-0.067 (0.013)***
NLSY	0.871 (0.336)	0.846 (0.361)	-0.021 (0.021)
Diff-in-diff	-	-	**-0.046 (0.024)** *
Panel B: Unemployed			
LPS	0.014 (0.120)	0.065 (0.246)	0.050 (0.010)***
NLSY	0.056 (0.229)	0.079 (0.271)	0.024 (0.015)
Diff-in-diff	-	-	**0.026 (0.018)** *
Panel C: Not in the Labor Force			
LPS	0.024 (0.154)	0.041 (0.199)	0.017 (0.009) *
NLSY	0.074 (0.261)	0.074 (0.263)	0.001 (0.015)
Diff-in-diff	-	-	**0.016 (0.018)**
WOMEN			
Panel D: Employed			
LPS	0.735 (0.442)	0.656 (0.475)	-0.079 (0.027)***
NLSY	0.687 (0.464)	0.682 (0.466)	-0.005 (0.027)
Diff-in-diff	-	-	**-0.074 (0.038)** *
Panel E: Unemployed			
LPS	0.035 (0.185)	0.057 (0.232)	0.022 (0.013) *
NLSY	0.056 (0.231)	0.070 (0.256)	0.014 (0.014)
Diff-in-diff	-	-	**0.008 (0.020)**
Panel F: Not in the Labor Force			
LPS	0.229 (0.421)	0.287 (0.453)	0.057 (0.026)
NLSY	0.256 (0.437)	0.247 (0.432)	-0.009 (0.025)
Diff-in-diff	-	-	**0.066 (0.036)** *

Table 2 Wages (1987-1992): Legalized Population Survey (LPS) vs. National Longitudinal Survey of Youth (NLSY79)

	1987	1992	Δ (1992-1987)
MEN			
Panel A: Log Real Hourly Wages			
LPS	2.020 (0.393)	2.086 (0.388)	0.067 (0.021)***
NLSY	2.177 (0.450)	2.219 (0.430)	0.042 (0.028)
Diff-in-diff	-	-	**0.025 (0.035)**
WOMEN			
Panel A: Log Real Hourly Wages			
LPS	1.791 (0.370)	1.891 (0.384)	0.100 (0.028)***
NLSY	2.047 (0.441)	2.094 (0.454)	0.048 (0.030)
Diff-in-diff	-	-	**0.053 (0.041)**

CONCLUSIONS:

Using data from the 1992 waves of the LPS and NLSY79 surveys, we grow a quasi-experimental structure to review the differential impact of IRCA's amnesty provisions on the labor market result and salary of the recently legalized population relative to a comparison grouping of Hispanic community. Although avail-able data do not authorize us to eliminate challenging clarifications completely, our findings indicate that employment rates fell and unemployment rates rise for the lately legitimate male population relative to their evaluation group following legalization. Between immigrant women, employment rates fell and transitions out of the labor force improved relative to Hispanic natives. These findings are investigative of improved job mobility for men and reduced labor market attachment for women; verify the theoretical prediction that corroboration may induce immigrants to exit employment owing to higher reservation wages. Furthermore, legalization likely enhanced the wage development of recently legalized men and women. Therefore, amnesty may have improved labor market

effectiveness by growing intelligibility, job mobility, and the excellence of job matches for some, while also growing eligibility for social services and reducing labor market participation for others. As a result, it appears that legalization may have improved the economic well-being of immigrant men and women.

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