

ECONOMIC PROGRESS VIA LEGALIZATION



LESSONS FROM THE LAST LEGALIZATION PROGRAM

By Rob Paral & Associates

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EXECUTIVE SUMMARY

The data analyzed in this report indicate that unauthorized immigrants who gained legal status in the 1980s through the legalization provisions of the Immigration Reform and Control Act (IRCA) experienced clear improvement in their socioeconomic situation. Between 1990 and 2006, the educational attainment of IRCA immigrants increased substantially, their poverty rates fell dramatically, and their home ownership rates improved tremendously. Moreover, their real wages rose, many of them moved into managerial positions, and the vast majority did *not* depend upon public assistance.

Many factors affect the socioeconomic improvement of IRCA immigrants, including their increased familiarity with American society, their advancing age, and others. But the fact remains that the data indicate that the IRCA population improved its status both as a group and compared to natives.

The findings presented in this report support the notion that legalization of unauthorized immigrants can play a role in promoting economic growth and lessening socioeconomic disparities. Reforming our immigration system is not an obstacle to getting our economy back on track—it is part of the solution.

IRCA immigrants became better educated.

- In 1990, only 30 percent of IRCA immigrants 16-24 years old had a high-school diploma or better. By 2006 (when that group was 31-41 years old), the share had increased to 58 percent.
- In 1990, IRCA immigrants 16-24 years old were only half as likely as their native-born counterparts to have a high-school diploma. By 2006, that same group was two-thirds as likely as natives to have completed high school.

Legalization dramatically reduced poverty rates among IRCA immigrants.

- By 2006, only half as many IRCA immigrants were below the poverty line as in 1990.
- Although the poverty rates of IRCA immigrants were higher than those of natives in both 1990 and 2006, IRCA immigrants experienced faster declines in their poverty rates than natives during this period.

A Note on Definitions

This report examines Mexican immigrants who arrived in the United States between 1975 and 1981. We refer to them as “IRCA immigrants.” Many of these persons were unauthorized immigrants, and Mexicans were the great majority of IRCA legalizations. Census data on these immigrants therefore provide a highly useful proxy for the IRCA population.

Real wages grew significantly among IRCA immigrants.

- The real wages of IRCA immigrants in all age groups increased between 1990 and 2006
- Although the wages of IRCA immigrants rose between 1990 and 2006, the wages of native-born Americans rose even more quickly.

The home ownership rates soared among IRCA immigrants.

- While 34 percent of IRCA immigrants age 35-44 years owned homes in 1990, 68 percent owned homes in 2006. IRCA immigrants age 25-34 years in 1990 experienced an increase of 41 percentage points in home ownership rates by 2006.
- In 1990, the homeownership rate of IRCA immigrants age 25-34 was only 55 percent that of native-born Americans. By 2006, their homeownership rate was nearly equal to that of natives in the same age range.

Younger IRCA immigrants saw their labor-force participation rate rise.

- IRCA immigrants who were 16-24 years old in 1990 substantially increased their labor-force participation, from 67 percent in 1990 to 80 percent in 2006.
- The oldest IRCA immigrants increased their labor-force participation compared to natives. In 1990, IRCA immigrants age 35-44 years had a labor-force participation rate .92 that of natives, but by 2006 the Mexican rate rose to .96 that of natives.

Younger IRCA immigrants moved into management occupations.

- The share of younger IRCA immigrants employed in managerial-level positions rose substantially, from 9 percent in 1990 to 17 percent in 2006.
- However, younger natives moved into managerial-level positions at an even faster rate, so the gap between IRCA immigrants and natives in managerial-level positions grew between 1990 and 2006.

Use of public assistance among IRCA immigrants remained largely unchanged overall.

- Between 1990 and 2006, use of public assistance declined slightly among IRCA immigrants who were 25-34 years old in 1990, and remained roughly the same among those who were 35-44 years old in 1990.
- The two older groups of IRCA immigrants became less likely than natives to receive public assistance during the 1990-2006 period.

INTRODUCTION

At a time of high unemployment, Americans are understandably concerned about the impact that comprehensive immigration reform might have on U.S. workers and the U.S. economy. However, there is a growing body of evidence that immigration reform, including a legalization program for unauthorized immigrants, would contribute to our economic recovery. The data analyzed in this report indicate that unauthorized immigrants who gained legal status in the 1980s through the legalization provisions of the Immigration Reform and Control Act (IRCA) experienced clear improvement in their socioeconomic situation. Between 1990 and 2006, the educational attainment of IRCA immigrants increased substantially, their poverty rates fell dramatically, and their home ownership rates improved tremendously. Moreover, their real wages rose, many of them moved into managerial positions, and the vast majority did *not* depend upon public assistance. In many respects, IRCA immigrants came to resemble their native-born counterparts over time.

It's important to recognize that factors other than legalization may contribute to the improved status of IRCA immigrants. For example, it's true that over time the immigrants simply grew older and became more experienced as workers. Yet it is also true that the benefits of IRCA – such as the ability to move freely in the labor market, to take advantage of financial services such as home or business loans, to attend a junior college, etc. – are surely critical factors in the immigrants' upward mobility.

The socioeconomic gap between IRCA immigrants and native-born Americans narrowed in the years following legalization. While a gap still remains, the data indicate that unauthorized immigrants who have been given the chance to acquire legal status significantly improved their socioeconomic standing relative to the rest of the population. These findings are consistent with other research which has found that legal status allows workers to earn higher wages:

- According to surveys conducted by Westat, Inc. for the U.S. Department of Labor, workers legalized under IRCA experienced an average hourly wage increase of 15 percent after four to five years.¹
- Another study of Mexican men legalized under IRCA found that 38.8 percent had moved into higher-paying occupations by 1992.²

Furthermore, higher wages, combined with a greater level of certainty following legalization, leads newly legalized immigrants to invest more in themselves and their families: mastering English, increasing their educational level, and gaining additional skills. This, in turn, further increases their earning power.³ Increased earnings also result in increased consumption, which in turn creates jobs.

The experience of IRCA provides insights into the potential impact that a new legalization program might have. The immigrants legalized under IRCA have lived in the United States for over 20 years now, and their current socioeconomic status provides clues as to the impact that obtaining legal

status may have had on them and their families. Data from the Census Bureau permit us to look at the improvement experienced by immigrants of different age groups after they legalized under IRCA. While the Census data does not identify individuals as IRCA beneficiaries, data on immigrants who came from Mexico in the years prior to IRCA can be expected to be representative of unauthorized immigrants who acquired legal status under IRCA. A large portion of Mexicans who arrived in the late 1970's and early 1980's were unauthorized, and approximately 75 percent of all immigrants legalized through IRCA were of Mexican origin.⁴

In this report we examine the experiences of Mexican immigrants of different age groups who came to the United States during the 1975-1981 period; the years immediately prior to the 1982 deadline by which immigrants had to have been in the country in order to qualify for legalization under IRCA. We compare the status of these immigrants—whom we refer to for the sake of convenience as “IRCA immigrants”—in 1990 and 2006 in terms of education level, poverty rates, real wages, home ownership, labor-force participation, occupation, and use of public assistance.⁵ Our research shows that immigrants legalized under IRCA moved up the socioeconomic ladder, which suggests that legalization can aid the unauthorized population in improving its socioeconomic status. To further gauge the significance of the gains experienced by IRCA immigrants, we also compared them to native-born Americans of the same age group and educational attainment. Our data show that, over time, IRCA immigrants did close the gap with natives to some extent. This suggests that legalization can play a role in ameliorating social and economic disparities between currently unauthorized immigrants and native-born Americans.

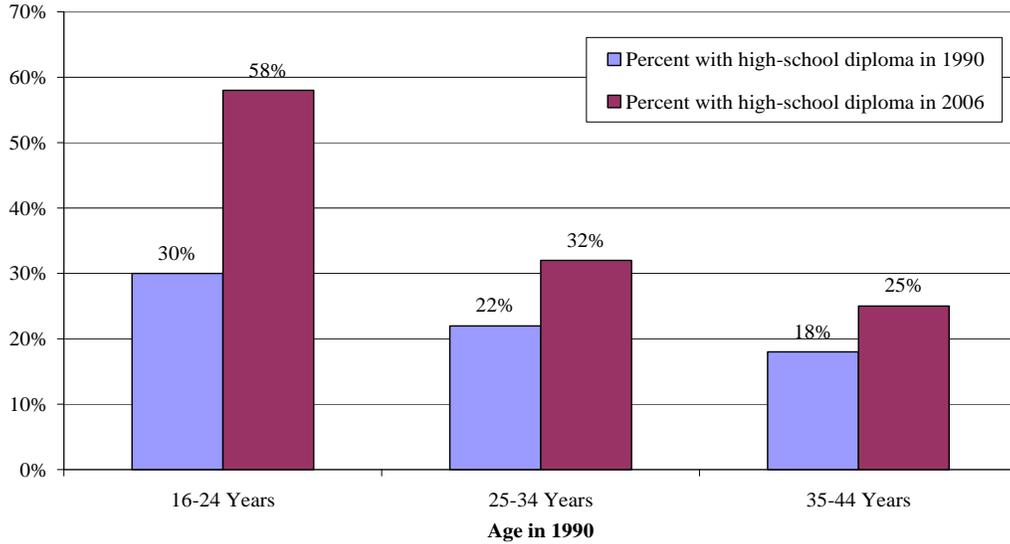
The findings presented in this report support the notion that legalization of unauthorized immigrants can help spur economic growth and lessen socioeconomic disparities. It also disputes the claims that newly legalized immigrants will cling to public assistance. Reforming our immigration system is not an obstacle to getting our economy back on track—it is part of the solution.

Education

IRCA immigrants became better educated:

- In 1990, only 30 percent of IRCA immigrants 16-24 years old had a high-school diploma or better. By 2006 (when that group was 31-41 years old), the share had increased to 58 percent. Similar improvements are seen across all three age groups examined. Even IRCA immigrants who were 35-44 years old in 1990 improved their education, with an additional 7 percent obtaining a high-school diploma by 2006 {Figure 1}.

Figure 1: High-School Completion Rates Among IRCA Immigrants, by Age Group, 1990 & 2006

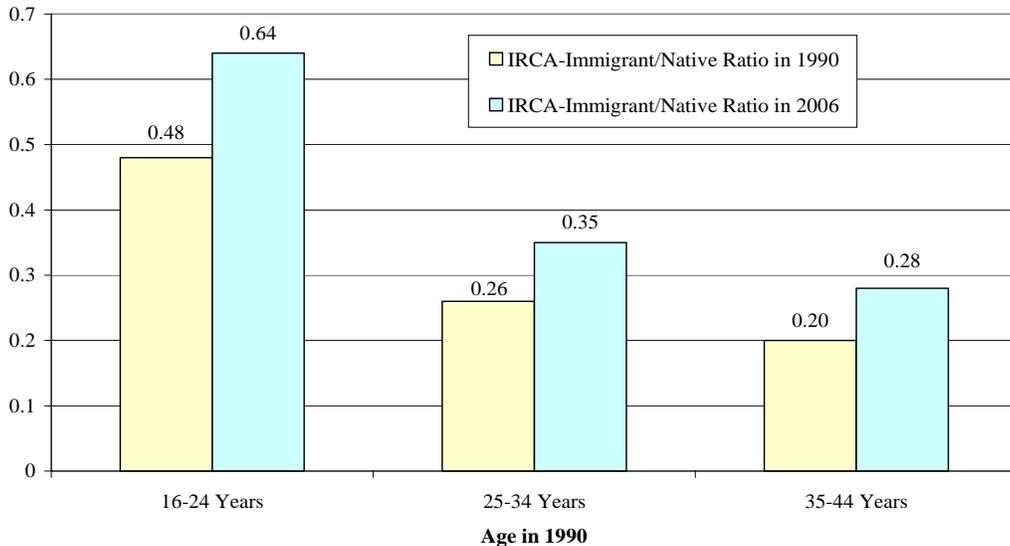


Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

IRCA immigrants narrowed their education gap with natives:

- In 1990, IRCA immigrants 16-24 years old were only half as likely as their native-born counterparts to have a high-school diploma. By 2006, that same group was two-thirds as likely as natives to have completed high school. IRCA immigrants in each age group improved its standing vis-à-vis natives {Figure 2}.

Figure 2: IRCA-Immigrant/Native Ratio of High-School Completion Rates, by Age Group, 1990 & 2006



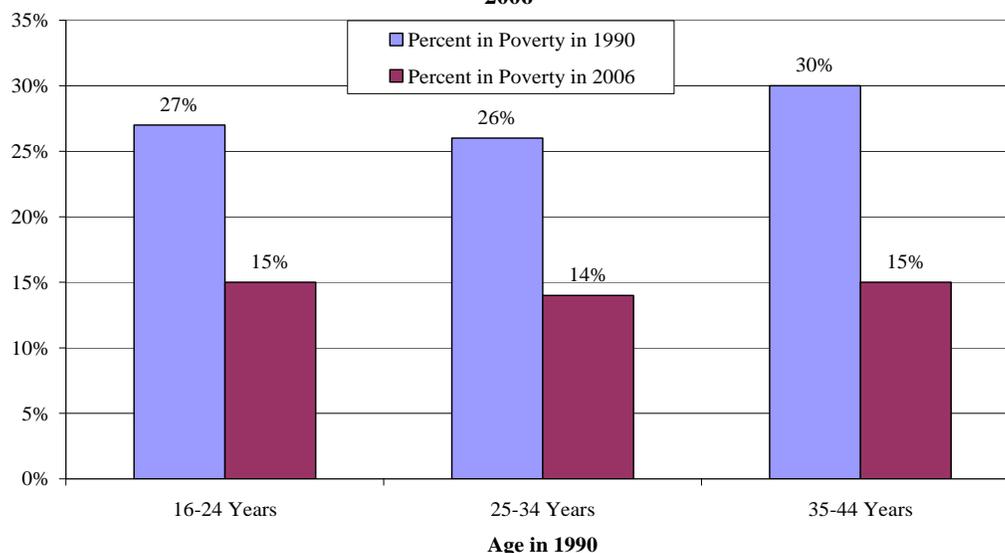
Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

Poverty

Legalization dramatically reduced poverty rates among IRCA immigrants:

- The number of IRCA immigrants below the federal poverty line fell sharply between 1990 and 2006. These results are consistent across each age group {Figure 3}.
- By 2006, only half as many IRCA immigrants were below the poverty line as in 1990 {Figure 3}.

Figure 3: Poverty Rates Among IRCA Immigrants, by Age Group, 1990 & 2006

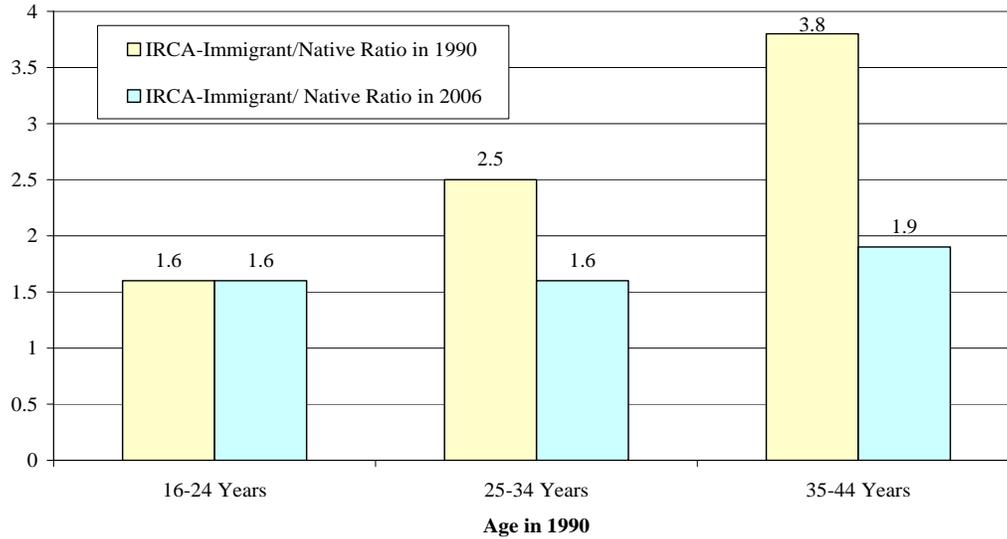


Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

The poverty rates for IRCA immigrants fell faster than those of natives:

- Although the poverty rates of IRCA immigrants were higher than those of natives in both 1990 and 2006, IRCA immigrants experienced faster declines in their poverty rates than natives during this period {Figure 4}.
- For example, among IRCA immigrants who were 25-34 years of age in 1990, the poverty rate was 2.5 times the poverty rate of natives in 1990. By 2006, the rate among IRCA immigrants in this age group was only 1.6 times that of natives in the same age group {Figure 4}.

Figure 4: IRCA-Immigrant/Native Ratio of Poverty Rates, by Age Group, 1990 & 2006



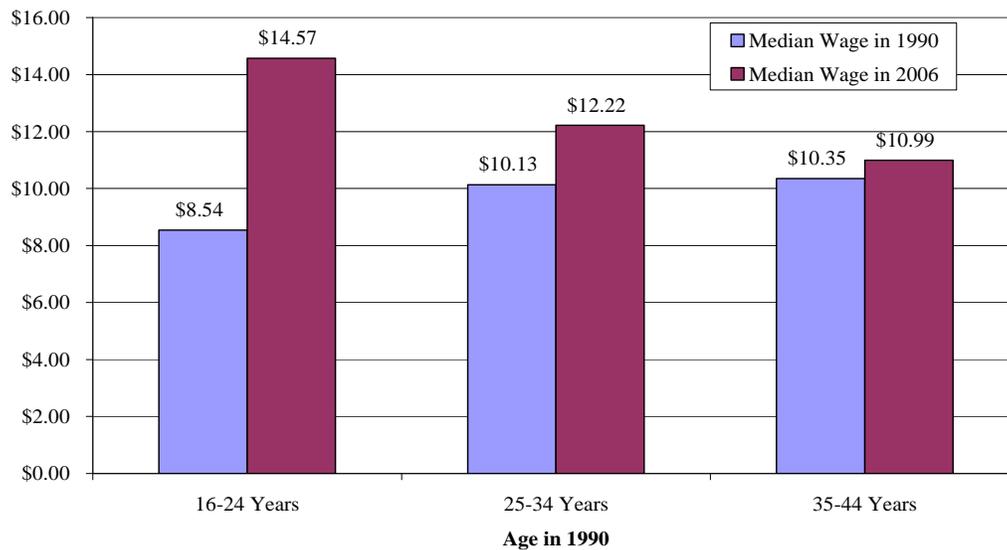
Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

Real Wages

Real wages grew significantly among IRCA immigrants:

- The real wages of IRCA immigrants in all age groups increased between 1990 and 2006 {Figure 5}. ("Real wages" are wages adjusted for inflation to make them comparable over different time periods.)

Figure 5: Median Real Wages of IRCA Immigrants, by Age Group, 1990 & 2006

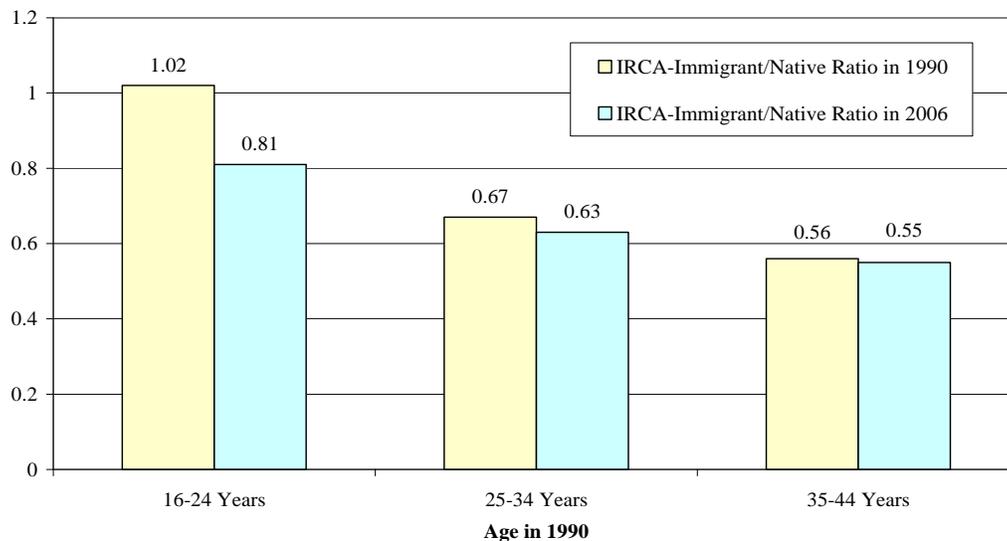


Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

While the real wages of IRCA immigrants increased, the wage gap with natives widened:

- IRCA immigrants saw their wages rise between 1990 and 2006, but the wages of native-born Americans rose even more quickly {Figure 6}.
- In 1990, the wages of IRCA immigrants age 25-34 were only 67 percent of the wages of natives in the same age group. By 2006, the wages of these IRCA immigrants were 63 percent of the wages of natives in the same age group. In other words, IRCA immigrants saw their wages increase, but not as quickly as those of natives {Figure 6}.

Figure 6: IRCA-Immigrant/Native Ratio of Median Real Wages, by Age Group, 1990 & 2006



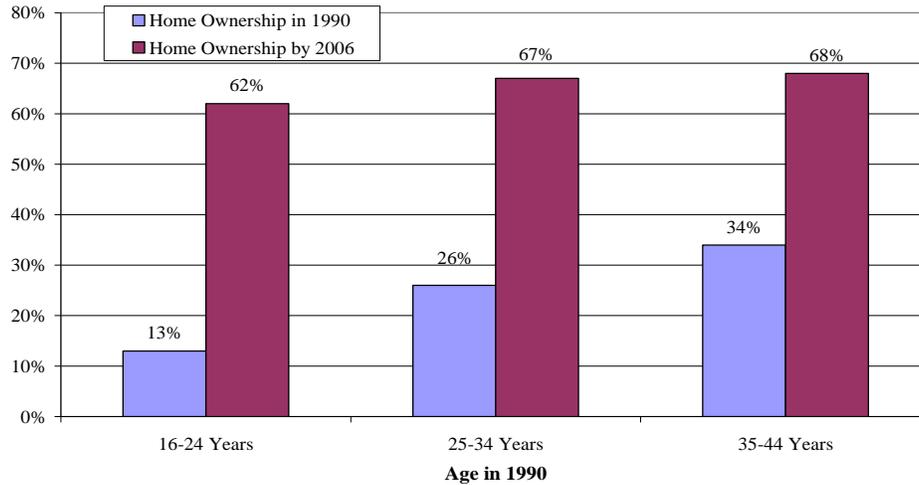
Note: "IRCA immigrants" = immigrants who arrived between 1975 and 1981.

Home Ownership

The home ownership rates soared among IRCA immigrants:

- The home ownership rates of IRCA immigrants rose dramatically between 1990 and 2006 {Figure 7}.
- While 34 percent of IRCA immigrants age 35-44 years owned homes in 1990, 68 percent owned homes in 2006. IRCA immigrants age 25-34 years in 1990 experienced an increase of 41 percentage points in home ownership rates by 2006 {Figure 7}.

Figure 7: Home Ownership Rates Among IRCA Immigrants, by Age Group, 1990 & 2006

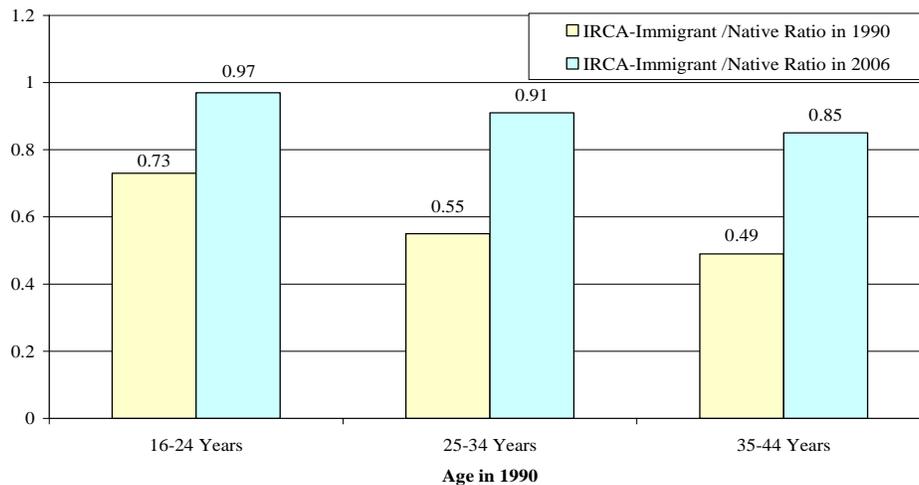


Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

IRCA immigrants narrowed the home ownership gap with natives:

- In 1990, the rate of home ownership among IRCA immigrants was dramatically lower than among natives. By 2006, IRCA immigrants of all ages had closed the gap and increased their homeownership rate compared to natives {Figure 8}.
- In 1990, the homeownership rate of IRCA immigrants age 25-34 was only 55 percent that of native-born Americans. By 2006, their homeownership rate was nearly equal to that of natives in the same age range {Figure 8}.

Figure 8: IRCA-Immigrant/Native Ratio Home Ownership Rates, by Age Group, 1990 & 2006



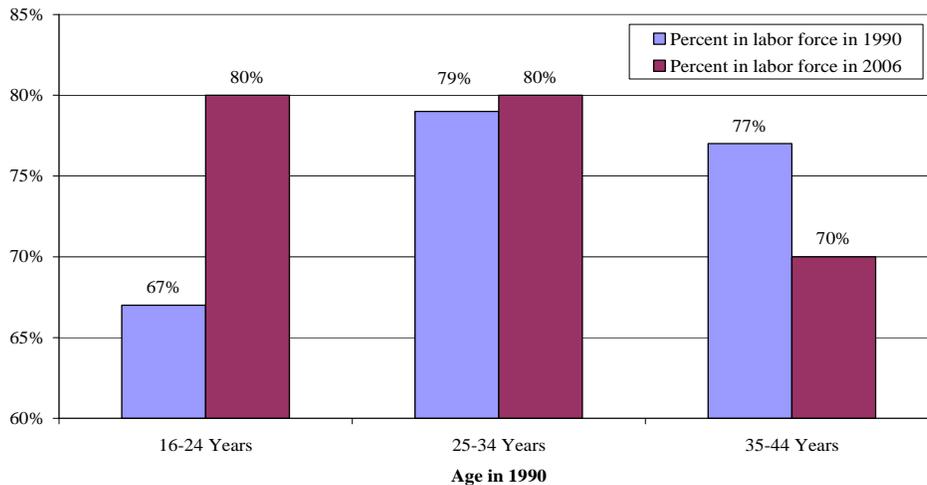
Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

Labor-Force Participation

Younger IRCA immigrants saw their labor-force participation rate rise:

- IRCA immigrants who were 16-24 years old in 1990 substantially increased their labor-force participation, from 67 percent in 1990 to 80 percent in 2006. The oldest immigrants—those age 35-44 years in 1990—saw their participation in the labor force fall as they aged (which is to be expected since some of these immigrants were 60 years old by 2006) {Figure 9}.

Figure 9: Labor-Force Participation Rates Among IRCA Immigrants, by Age Group, 1990 & 2006

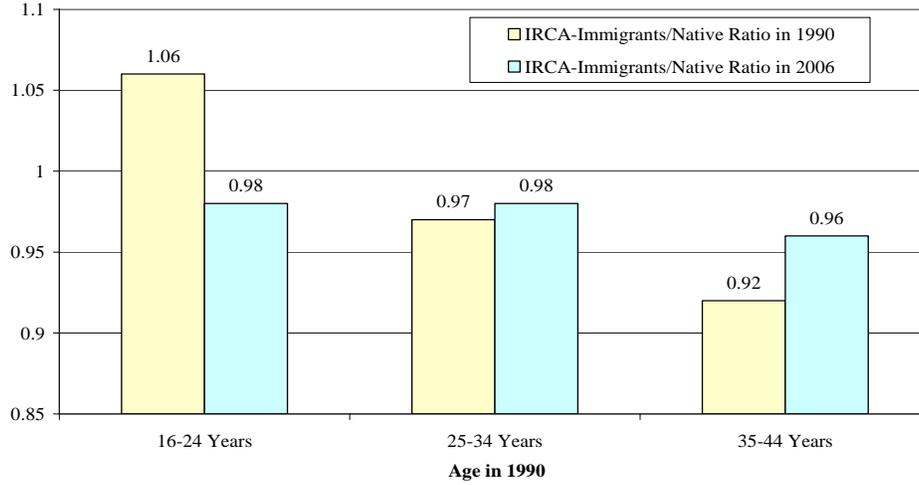


Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

IRCA immigrants maintained labor-force participation rates close to those of natives:

- The youngest IRCA immigrants had labor-force participation rates that exceeded those of natives of similar age in 1990. By 2006, their rate of labor-force participation was slightly lower than that of natives, but close enough that the rate was .98 that of natives {Figure 10}.
- The oldest IRCA immigrants increased their labor-force participation compared to natives. In 1990, IRCA immigrants age 35-44 years had a labor-force participation rate .92 that of natives, but by 2006 the rate rose to .96 that of natives {Figure 10}.

Figure 10: IRCA-Immigrant/Native Ratio of Labor-Force Participation Rates, by Age Group, 1990 & 2006



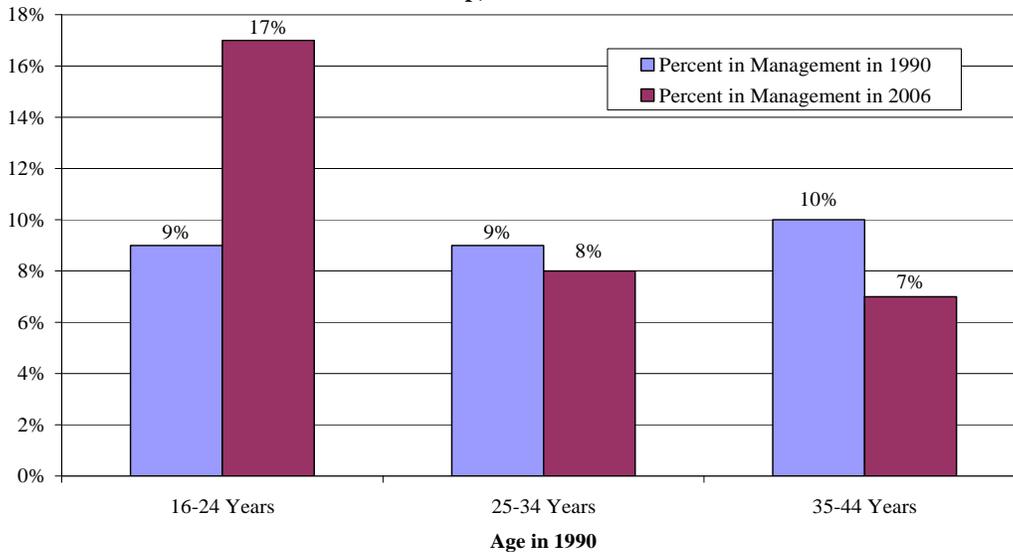
Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

Occupation

Younger IRCA immigrants moved into management occupations:

- The share of younger IRCA immigrants employed in managerial-level positions rose substantially, from 9 percent in 1990 to 17 percent in 2006, indicating that younger workers experienced significant upward job mobility following IRCA {Figure 11}.

Figure 11: Share of IRCA Immigrants in Management Occupations, by Age Group, 1990 & 2006

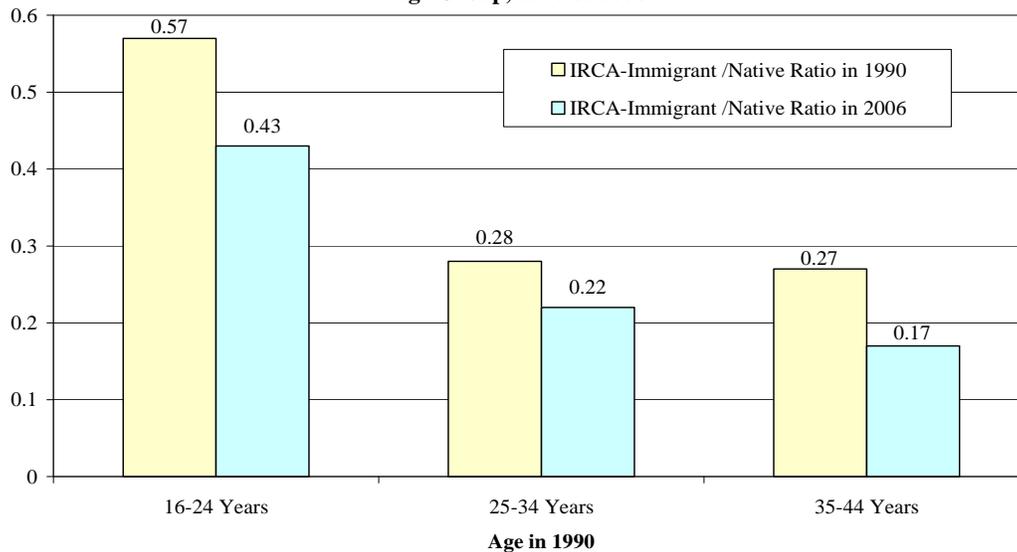


Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

The gap between IRCA immigrants and natives widened in terms of managerial employment:

- Despite younger IRCA immigrants moving into managerial-level positions, the rate at which they moved into those jobs was less than that for natives—which means the gap between IRCA immigrants and natives in managerial-level positions grew between 1990 and 2006 {Figure 12}.
- IRCA immigrants age 16-24 in 1990 were only 57 percent as likely as natives to work as managers. By 2006, they were 43 percent as likely as natives to work as managers {Figure 12}.

Figure 12: IRCA-Immigrant/Native Ratio of Employment as Managers, by Age Group, 1990 & 2006



Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

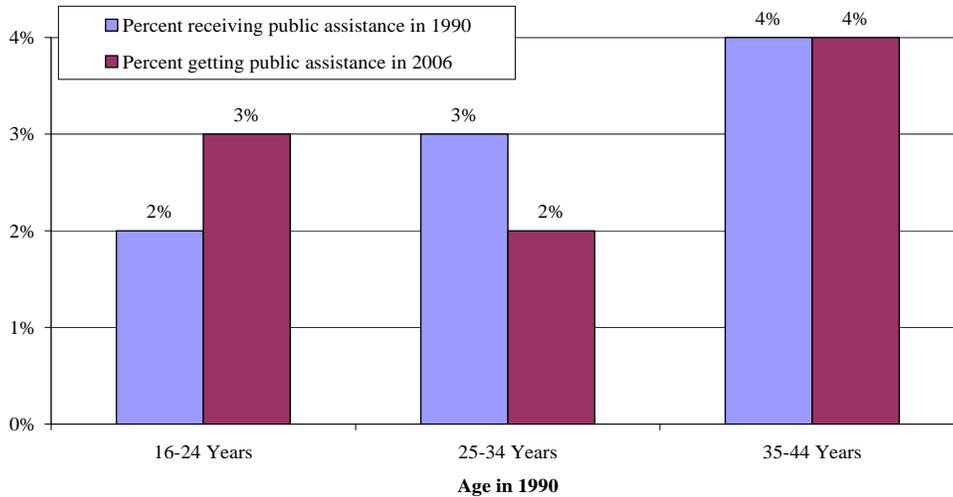
Public Assistance

Use of public assistance among IRCA immigrants remained largely unchanged overall:

- While unauthorized immigrants have never been eligible for the major public benefits programs, legal immigrants' eligibility for public benefits has changed significantly since IRCA's passage, making direct comparisons between 1990 and 2006 difficult.⁶ However, the data show that IRCA immigrants did not greatly increase their use of public benefits upon legalization, even though they became eligible to receive benefits. Between 1990 and 2006, use of public assistance declined slightly among IRCA immigrants who were 25-34 years old in 1990, and remained roughly the same among those who were 35-44 years old in 1990 {Figure 13}.
- Between 1990 and 2006, use of public assistance rose slightly among IRCA immigrants who were 16-24 years old in 1990 {Figure 13}. This most likely reflects the fact that immigrants were barred from participating in several federal benefit programs during their first 5 years

after legalization, and that after that period, an increased number attained eligibility as legal immigrants or naturalized citizens.

Figure 13: Rates of Public-Assistance Use Among IRCA Immigrants, by Age Group, 1990 & 2006

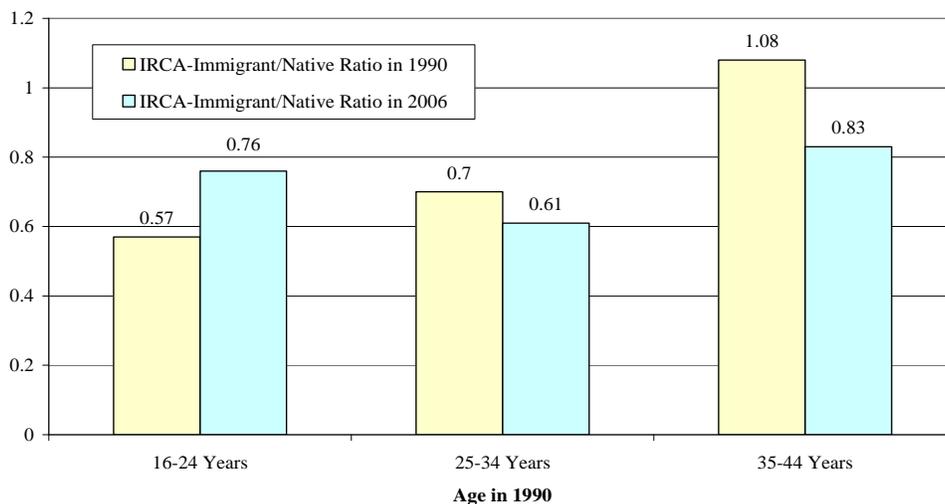


Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

Use of public assistance by IRCA immigrants compared to natives varied by age:

- The two older groups of IRCA immigrants became less likely than natives to receive public assistance during the 1990-2006 period. For example, among IRCA immigrants age 25-34 in 1990, the rate of welfare use declined from .70 of natives' rate in 1990 to .61 of natives' rate in 2006 {Figure 14}.
- The rate of public-assistance use of the youngest IRCA immigrants increased compared to natives {Figure 14}.

Figure 14: IRCA-Immigrant/Native Ratio of Public Assistance Use, by Age Group, 1990 & 2006



Note: "IRCA immigrants" = Mexican immigrants who arrived between 1975 and 1981.

CONCLUSION

This report adds weight to the contention that it is time for Congress and the Administration to change our current, ineffective immigration policies and enact comprehensive immigration reform. Moving immigrants into a legal status contributes to the U.S. economy. Providing legal status does not mean that the newly legalized would become dependent on the state for welfare and other public assistance. The data in this report suggest that newly legalized immigrants will become better educated, earn higher wages, heighten consumer participation, and not rush to sign up for the public dole once legalized.

Endnotes

¹ Shirley J. Smith, Roger G. Kramer, and Audrey Singer, *Characteristics and Labor Market Behavior of the Legalized Population Five Years Following Legalization* (Washington, DC: Bureau of International Labor Affairs, U.S. Department of Labor, May 1996), p. 43.

² Sherrie A. Kossoudji and Deborah A. Cobb-Clark, "IRCA's Impact on the Occupational Concentration and Mobility of Newly-Legalized Mexican Men," *Journal of Population Economics* 13, no. 1, February 2000: 81-98.

³ Sherrie A. Kossoudji and Deborah A. Cobb-Clark, "Coming Out of the Shadows: Learning about Legal Status and Wages from the Legalized Population," *Journal of Labor Economics* 20, no. 3, July 2002: 598-628.

⁴ Nancy Rytina, [*IRCA Legalization Effects: Lawful Permanent Residence and Naturalization Through 2001*](#) (Washington, DC: U.S. Immigration and Naturalization Service, October 25, 2002).

⁵ Data for "2006" in this report actually represent an average of the 2005-2007 period. We aggregate those three years to improve the quality of the data.

⁶ The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Welfare Act) and the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRAIRA) placed restrictions on immigrants' eligibility for public benefits. Since the passage of the 1996 laws, Congress has approved some benefit restorations. Nevertheless, many classes of immigrants remain ineligible for federal public benefits, and even lawful permanent residents continue to be subjected to a five year waiting period in several programs. See Tanya Broder and Jonathan Blazer, [*Overview of Immigrant Eligibility for Federal Programs*](#) (Washington, DC: National Immigration Law Center, May 2009).