Introduction

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**Illegal Aliens: Their Employment and Employers**

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Introduction

This book is an analysis of the illegal alien labor market. It develops and tests hypotheses about the characteristics of the employment of illegal aliens, such as wages, investments in job training, job mobility, and workplace and employer characteristics. It also analyzes the employers of illegal aliens and how they differ from other employers. The empirical analysis is largely based on a unique data file. Detailed demographic and labor market data were transcribed from a sample of Immigration and Naturalization Services (INS) apprehension reports on illegal aliens in the Chicago metropolitan area. This was followed by an extensive interview of businesses in the Chicago metropolitan area, of whom half were identified by the illegal aliens and half were randomly selected. As a result it was possible to link data on the characteristics of illegal aliens to the survey responses of their employers, creating a unique employee-employer data file. Furthermore, the double-blind methodology of the employer survey permits the analysis of the similarities and differences between employers known to have hired an illegal alien and randomly selected employers. No comparable data has ever been constructed for the systematic study of illegal aliens.

I. The Background

Illegal aliens are individuals whose presence in the United States is in violation of the law. Some become illegal aliens as a result of a surreptitious entry: that is, by entering the U.S. without a proper inspection of their documents by INS border officials. This is
referred to as "entry without inspection," and in INS parlance these aliens are called "EWIs." They form the vast majority of the annual flow, as well as the majority of the stock of illegal aliens residing in the U.S. Others become illegal aliens because they violate a condition of a lawfully permitted entry. "Visa abusers" include foreign students who work in violation of their visas, tourists who stay longer than is permitted, and "temporary workers" (e.g., seasonal farm workers) who either work in sectors not covered by their permits or who remain longer than is allowed. Less numerous are those who enter with fraudulently obtained documents, which may be outright counterfeit visas or doctored documents. And there are those seamen, tourists and airline personnel who literally "jump ship" to enter the United States.

For obvious reasons the exact number of illegal aliens cannot be estimated with precision. This is a population which seeks to hide its identity and to avoid contact with governmental authorities. A recent review of various studies that have attempted to use indirect techniques to estimate the size of the resident illegal alien population suggests that in 1980 there were between 3.5 and 6.0 million, about half of whom were Mexican nationals (Siegel, Passel and Robinson, 1981). The large illegal alien flows across the border since then, deteriorating economic conditions in Mexico, prospects for amnesty, and other factors suggest that the number has grown since 1980. Since most newly arrived illegal aliens are young adults who come in search of work, a disproportionate number are in the labor force. By 1986 there may have been as many as 4 million illegal alien workers, comprising about 4 percent of the U.S. labor force. Surely the presence of such a large and growing component of the population and the labor force must have far-reaching effects.

For the past decade, the Executive Branch and Congress have been concerned with controlling illegal immigration. Starting with the Domestic Council Committee on Illegal Aliens under President Ford, which issued its report in 1976, through the task forces and the Select Commission on Immigration and Refugee Policy (1981 report) created during the Carter administration, and the further
study groups and Congressional hearings during the Reagan administration, illegal aliens have been a primary focus of political and media attention.¹

A compromise legislative package on illegal aliens that had been under discussion for a decade included penalties against employers who knowingly hire illegal aliens (referred to as “employer sanctions”), amnesty (or legalization) for illegal aliens who could prove they were in the U.S. prior to a specified date, and increased resources for INS enforcement activities. Quite unexpectedly, in the closing days of the legislative session, Congress passed and the President signed the Immigration Reform and Control Act of 1986.² This is the most sweeping immigration legislation since the 1965 Amendments which abolished the “national origins” quota system. The 1986 Act included employer sanctions, amnesty for illegal aliens who have continuously resided in the U.S. since January 1, 1982, and promises of increased enforcement resources, as well as other less central provisions. The implementation of the employer sanctions and legalization provisions began in the first half of 1987, and it will be some time before it will be possible to ascertain their consequences. Over 2¼ million illegal aliens have received legal status under the various amnesty provisions in the 1986 legislation.

Rather than laying to rest the illegal alien issue, the 1986 Act is a public acknowledgment that past policies failed. There is considerable skepticism that the new policies will succeed. Amnesty, intended to wipe the slate clean, may encourage additional illegal migration in the expectation of fraudulently qualifying for amnesty under the current act, and in the expectation that there will be future amnesties. Employer sanctions may have little if any effectiveness because of the difficulty of enforcement, particularly in the face of the nation’s abhorrence of a national identity card system. Skeptics suggest that the promised resources for the enforcement of employer sanctions and for INS border and interior enforcement activities are not likely to be forthcoming. Since the political process
failed to provide INS with adequate resources in the past, there is no reason to believe meaningful enforcement resources will be provided in the future.

Furthermore, the skeptics argue, as long as there are such large differences in economic well-being between the U.S. and so many other countries—in particular, our southern neighbor Mexico—the incentive for illegal migration will continue. The most effective deterrent, additional penalties against the illegal aliens themselves, was not seriously considered in the debate over immigration reform. If anything, a contrary approach was taken—rewarding with legal status those who entered the U.S. illegally, while continuing to deny visas to millions of applicants who have obeyed U.S. immigration law.3

It is clear that the illegal alien issue has not been legislated away by the 1986 Act. It is also clear that there is still too little rigorous social science research for the development of a deeper understanding of the illegal alien labor market, which is a prerequisite to the development of effective public policy.

Research on the labor market activities of illegal aliens has been hampered by the virtual absence of systematic and reliable data. This is not surprising—illegal aliens have an incentive to avoid revealing their status to an interviewer or in a questionnaire. As a result, anthropological or ethnographic approaches have sometimes been used by investigators. This type of research is subject to many pitfalls, including the problems inherent in small samples, selective respondents, and respondents reporting what they think the investigator wishes to hear. Others have relied on censored or preselected samples of illegal aliens, such as those who return to their home villages (Cornelius, 1976, and Diez-Canedo, 1980), have applied for social welfare benefits (Van Arsdol et al., 1978), or have been apprehended (North and Houstoun, 1976). Yet with few exceptions, even these techniques have not generated adequate data for labor market analysis.
Although limited, the research to date on the labor market opportunities and behavior of illegal aliens suggests that this topic is not beyond fruitful study. David North and Marion Houstoun (1976) interviewed nearly 800 apprehended illegal aliens in 1975, demonstrating that the illegal aliens would respond to survey interviews and reporting in tabular form descriptive statistics on the labor market and demographic characteristics of the aliens. Using the North-Houstoun data, it has been shown (Chiswick, 1984) that econometric techniques can usefully be applied to the analysis of illegal alien labor market activities. Earnings in the U.S. were found to rise with schooling level, labor market experience in the U.S., and labor market experience in the country of origin, and that Mexican illegal aliens earned less than those of Canadian and European origins. Using a sample of Mexican-origin women in California who reported their legal status, Simon and DeLey (1984) analyzed the demographic and labor market characteristics of female illegal aliens.

Several studies have attempted to address the issue of "exploitation," that is, whether illegal aliens have lower status jobs or get paid less than other workers (see, for example, the summary and analysis in Massey, 1987). The key to the answer appears to be: which "other workers?" Illegal aliens, particularly those from Mexico, have a lower occupational attainment and lower earnings than workers in general. However, the gap apparently disappears when they are compared to other immigrants (by country of origin) with the same level of schooling and labor market experience in the U.S. Illegal aliens do apparently make fewer investments specific to the U.S. labor market, presumably because they and their employers are aware of a potentially less permanent attachment to this country.

These studies, and others, suggest that there can be substantial increases in our knowledge from the current very low base. The purpose of this project is to learn more about the labor market opportunities, role and impact of illegal aliens in urban areas of the
U.S. This is done through the analysis of data on apprehended illegal aliens and their employers in the Chicago metropolitan area labor market.

II. The Survey

A more complete analysis of illegal alien labor market behavior requires information on the characteristics of both the illegal aliens and their employers. Data on where, with whom, and under what circumstances illegal aliens work would be difficult to acquire from the illegal aliens. First, sampling illegal aliens is difficult; and even when they are identified, the administration of a lengthy questionnaire in a variety of languages other than English would require complex and costly survey procedures. Second, there are many characteristics of the employer that may not be known to a typical worker. These characteristics include the wage structure of the firm, percent unionized, hiring policies and practices, and on-the-job training opportunities. This information would be even less accurate if obtained from workers who are relatively new to the country, and hence are less familiar with the language and labor market institutions, and are likely to have fewer years of experience with their current employer.

It was therefore decided that an analysis of the labor market behavior of illegal aliens required data on the person's demographic characteristics to be derived from the alien as well as data on the workplace to be derived from the employer. It was concluded that the most cost-effective and statistically reliable method for obtaining these data would be through combining administrative records on the illegal aliens with a survey of their employers.

Whenever an illegal alien is apprehended by the Immigration and Naturalization Services (INS), a Record of Deportable Alien, referred to by its form number, I-213, is completed. The form includes questions on demographic characteristics (e.g., age, sex, marital status), on nationality and immigrant status (e.g., country of birth, nationality, date of entry, method and place of entry), and
II. The Survey

on the person's labor market experience (e.g., whether employed, salary, and the name and address of the current or most recent employer). The alien's identification of the employer was used to obtain a sample of employers of illegal aliens that could then be interviewed about the characteristics of the establishment and its employees. The matching of data on the alien's characteristics and the employer's characteristics generates a unique data file. A limitation of the methodology is that INS apprehensions may not constitute a random sample of the resident illegal alien population.

To understand the characteristics of the employers of illegal aliens, a benchmark is needed. It is not possible to determine which firms have never employed illegal aliens. As an alternative, randomly selected employers can serve as the basis of comparison. Hence, the employer survey consists of two sets of employers—those identified by apprehended illegal aliens on the I-213 and those randomly selected from directories of establishments but matched by industry to the illegal alien employers.

By combining the data on the I-213 with the employer's responses, it is possible to analyze the labor market adjustment of illegal aliens. For example, to what extent do the earnings of illegal aliens vary not only with their age and duration of residence in the U.S., but also with the wage structure of their employer, the size of the establishment, the degree of unionization, and the racial/ethnic composition of co-workers? In addition, it is possible to trace the variation in employer (workplace) characteristics by the nationality and duration of residence in the U.S. of the illegal alien. For example, to what extent do illegal aliens in the U.S. a longer period of time work in larger, more highly unionized establishments that provide more on-the-job training?

Furthermore, the sample permits comparing the characteristics of establishments known to have employed an illegal alien with randomly selected establishments in the same industry. It is therefore possible to determine systematic differences between these employers by analyzing a variety of variables, including degree of
unionization, ethnic heterogeneity, skill level, wage structure, and on-the-job training opportunities, among other characteristics.

The Chicago metropolitan area was selected as the site for the survey because it has a large, diversified economy and a large illegal alien population from a wide range of countries of origin. This permits an analysis of one type of variation of particular interest for the study of illegal aliens, differences in labor market characteristics and employer characteristics by country of origin. It is particularly important to be able to distinguish between those of Mexican and non-Mexican origin in studies of this labor market. By limiting the analysis to only one site, findings from the analysis are not confounded by systematic variations that may exist across sites. Since the survey methodology is not site-specific, the procedures could be replicated elsewhere.

III. Chapter Outline

Chapter 2 sets the stage for the discussion of the survey and the data analysis. Illegal aliens are defined and there is a discussion of the number and characteristics of illegal aliens in the U.S. and Illinois. Since illegal immigration can only be understood as a result of the lack of concordance between the incentives for migrating and the provisions for lawful migration, both issues are discussed.

The survey methodology is presented in chapter 3. It includes the unique sampling plan and the interviewing procedures. This is followed by an analysis of the effectiveness of the overall survey design and particular features of the survey.

The illegal alien is treated as the unit of observation in chapter 4. In addition to presentation of descriptive statistics, multiple regression analyses are reported for the wages of the illegal aliens. The wage rate analyses take advantage of the unique data features and analyze, in addition to the usual demographic and skill variables (such as marital status, labor market experience and country of
origin), the relation between employer characteristics and wages. This is followed by an analysis of how the characteristics of the employers of illegal aliens vary by the country of origin and duration of U.S. residence of the aliens. Insights from the data analysis for this study, as well as other studies, are explored in the discussion of employer “exploitation” of illegal aliens.

The establishments become the unit of observation in chapter 5. The chapter begins with the some general descriptive statistics. It then develops and tests a model of the differences between employers of illegal aliens and randomly selected employers. An attempt is made to study the “underground economy” through an analysis of the differences between the two sets of employers. On-the-job training, another key issue in the discussion of illegal alien labor markets, is analyzed to test for differences between the two samples of employers. Finally, there is an analysis of employer differences in their understanding of their legal liabilities in the hiring of workers. Particular attention is given to their perception, or more accurately nonperception, regarding hiring foreign-born workers in general, and illegal aliens in particular.

This study closes in chapter 6 with a summary of the major findings, a synthesis of their implications, and an analysis of the likely effectiveness of the Immigration Reform and Control Act of 1986.

NOTES

1 My own involvement with illegal alien research and policy began in 1975 when then-Attorney General Edward Levi, who was also chairman of the Domestic Council Committee on Illegal Aliens, asked the Council of Economic Advisers to provide technical assistance to the committee. As the CEA’s Senior Staff Economist in human resources I was assigned to the task. I quickly discovered that very little was known about illegal aliens, or even immigrants in general. In part because of the clandestine nature of the illegal alien population and limited research resources, the increase in knowledge about illegal aliens over the decade has been quite small.

Although most applicants for legalization will have to demonstrate they have resided "continuously" in the U.S. for at least five years, less stringent provisions apply for seasonal farm workers. Under special provisions in the 1986 Act, seasonal agricultural workers (SAWs) may be granted amnesty if they worked in U.S. perishable crop agriculture for at least 90 days in 1986. About one-fifth of those granted amnesty applied under the SAW provisions.

Other studies of illegal aliens that are relevant for understanding their decision to migrate illegally, their adjustment in the U.S., and their impact include Bustamante (1977), Cross and Sandos (1981), Davidson (1981), Cardenas (1979), Huddle, Corwin and MacDonald (1985), Papandemetriou and DiMarzio (1986); Piore (1979), Portes (1977), Van Arsdol et al. (1978). See also the special issue of the *International Migration Review*, entitled *Irregular Migration: An International Perspective* (Fall 1984).

The classic analysis of employer-based urban labor market data also used Chicago as the survey site. See Rees and Shultz (1970).

For a more detailed discussion see Chiswick (1985, Volume I, chapters 2 and 3). The I-213 abstract form, establishment questionnaire, interviewer training manual and other documents for the survey are reproduced in Chiswick (1985, Volume II).