

Do Local Immigration Laws Impact Employment and Wages? Evidence from the 287(g) Program

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1 Introduction

Despite a growing push for comprehensive immigration reform regarding the treatment of undocumented immigrants, the federal government has not passed coherent immigration legislation since 1986. In the absence of federal guidance, many local governments have taken actions to deal with constituents' concerns. However, the economic consequences of these local actions are not fully understood.

We focus on one set of such actions at the local level, the 287(g) program, started in 2006. 287(g) allows for agreements between local law enforcement and Immigration and Customs Enforcement (ICE), that enables local authorities to enforce federal immigration law. The program is intended to aid in the removal of undocumented immigrants at the local level, as well as to deter undocumented immigrants from living and working in these communities. We estimate the impact of 287(g) on local-level outcomes, including overall and industry-specific employment and wages. Estimating the magnitude of economic consequences will provide guidance to both local governments considering these actions, as well as increases our understanding of potential local economic impacts resulting from prospective federal laws.

The main identification problem with estimating the impacts of 287(g) is its non-random implementation across localities. There is reason to believe that implementation of local immigration policies is related to economic outcomes leading up to such policies (Hopkins 2010). Further, the financial crisis that started in 2007, which overlaps with the period we are analyzing, had different local impacts across the United States. If the passing of these laws are related to local economic shocks, then looking at direct relationships can lead to spurious conclusions. There is no reason to believe, however, that these economic shocks are not shared with other local economies in geographically close regions. If neighboring counties have integrated economic markets, but do not share the same immigration policies, they can act as comparison groups for one another. By matching counties in this manner and exploiting variation in the timing of the passing of laws, a difference-in-difference type of specification

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can be used to identify the economic consequences of these policies.¹ To implement this strategy, we create a county-level panel dataset combining information on population composition from the Census, industry-level employment and wages from the Quarterly Census of Employment and Wages (QCEW), and the timing of 287(g) agreements.² The variation across geography and time identifies the impacts of these local policy actions.

Before describing our data and methodology in more detail, it is instructive to consider important immigration laws from the past to put current policy into perspective. The Immigration Reform and Control Act (IRCA) of 1986 was the last comprehensive overhaul of immigration policy in the United States. Its purpose was to eradicate the presence of undocumented workers by using three policy instruments, the main one being to levy sanctions on employers that hired undocumented workers. The goal was to effectively terminate demand for undocumented workers so that illegal immigration to the United States would end. The policy was rarely enforced and did not reach its goal—the number of undocumented migrants continued to reach record highs. However, this policy failure does not imply that workers and employers were unaffected. For example, Bansak and Raphael (2001) found that IRCA caused a depression of wages for Hispanics in the years immediately following IRCA, even though the policy was never strictly enforced (Bansak and Raphael 2001). This analysis of IRCA contains a potent message: Laws do not need to be enforced to have powerful and immediate consequences.

Given the continued push for changes in immigration policy, as well as the continued propositions of local and statewide laws, the answers to the questions posed in this research are timely and relevant. Indeed, if these laws act as a deterrent to immigrant workers, the consequences on the economic health of these areas could be substantial. This work will help shed light on the additional economic impacts that should be considered when passing these laws and will be relevant for estimating local economic consequences of federally enforced laws. The remaining components of this proposal are as follows. In the next section we provide a more detailed description of the data sets and their sources. The final section provides the empirical specification.

2 Data

2.1 Local Cooperation with ICE - 287(g)

The 1996 Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) included section 287(g) which allowed for agreements between the Attorney General and states or any political subdivision of a state in qualifying local officers to function as immigration officers as related to investigating,

¹A similar strategy was used to look at consequences of state-wide minimum wage laws on employment and wages of low skilled workers, using contiguous counties across state borders (Dube, Lester, and Reich 2007). In many instances, the local laws are not county-wide. However, after the initial analysis is complete, we can run robustness exercises where we separate county wide laws, versus more local measures.

²Another study by (Pham and Pham 2010) attempted to measure the impacts of a wide range of local immigration laws on economic outcomes using a more traditional difference-in-difference approach. However, the laws included in their analysis cannot be clearly defined and their specification cannot control for time-varying local economic shocks shared by contiguous-county pairs. We believe this is a critical distinction from the analysis we present here given the importance of the Great Recession.

apprehending and detaining aliens of the U.S. 287(g) was largely ignored until September 11, 2001, when pressure on lawmakers to confront illegal immigration accelerated. By 2002 and 2003, the first 287(g) agreements were initiated between ICE and Florida and Alabama, respectively. Since then, over 60 agreements have been made in at least 24 different states, most since 2006. All 287(g) agreements are documented on the Immigration and Customs Enforcement website. There are, of course, a variety of other policy levers utilized by localities to confront the issues of illegal immigration. Included are the Secure Communities Program (also of ICE) and local ordinances on a wide range of issues under local purview. While we focus on 287(g) here, we are also collecting and validating other local immigration policies for a wide-ranging evaluation.

2.2 Quarterly Census of Employment and Wages

The QCEW collects quarterly data on industry level employment and wages by county. There are a number of reasons why these data are the most appropriate for this study. The first is that it is a quarterly census, which improves the ability to match the economic state of counties with the passing of local laws over time.³

An immediate challenge in this study is identifying industries relevant to the immigrant population. Surely, most industries are not present in every county. Even within industries, there are varying levels of immigrant concentration. As outcomes, we will first use measures of overall employment and wages across all industries within counties. We will then focus our attention on outcomes for industries characterized by their demographic makeup. This will be done using the 5% PUMS of the 2000 decennial census.⁴ Industry counts of low skilled immigrants, low skilled natives, and high skilled workers will be created at the PUMA level. These counts allow us to create a number of local concentration estimates of industry workers.

2.3 County Demographics

Although the 2000 census gives us a snapshot of industry demographics, time-varying county level controls are needed for population and other demographic changes. Yearly county level estimates will be taken directly from the census and ACS. These data are available at the yearly level and include changes in immigrant population. Although these data are all that will be required in the empirical strategy presented below, if needed, more detailed data files can be constructed using separate county level data files.

3 Empirical Strategy

Our estimation strategy is akin to a difference-in-difference model with the exception that time-varying shocks shared by each pair of contiguous counties are directly controlled for. The specification is similar

³One thing to note is that the QCEW is not representative of the agricultural sector, which is a very relevant industry for illegal immigrant workers. Although this is a concern, low-skilled immigrant workers have transitioned into many new industries. A number of robustness checks based on the importance of agriculture in the communities can be run.

⁴We use the dataset made available by (Ruggles, Sobek, Alexander, Fitch, Hall, King, and Ronnander 2008).

to the setup found in Dube, Lester, and Reich (2007), which studies the effect of minimum wage laws on employment and wages. The impact of the 287(g) program, represented by L on overall employment or wages in a county is given by

$$\ln(y_{cpt}) = \alpha + \beta L_{cpt} + \delta \ln(pop_{ct}) + \phi_c + \tau_{pt} + \varepsilon_{cpt}, \quad (1)$$

where y is employment or wages in county c , for county-pair p , at time t . The variable pop represents the total non-immigrant population in the county, ϕ is a county-level fixed effect, and τ_{pt} is a time-varying contiguous-county-pair fixed effect. In this way, the effect of 287(g) is identified by changes in these laws over time within a county, while controlling for local economic shocks shared by every contiguous county pair. This strategy is appropriate as long as local economic shocks that relate to the presence of 287(g) are shared by each pair. We have identified a number of robustness checks, such as checking predictors of the policy as an outcome in the primary specification and checking for impacts before the policy is implemented, to see if the model is able to correctly control for selection bias.

The sample will include counties that have implemented a 287(g) policy, as well as all bordering counties. It is important to note here that counties with immigrant policies will appear once for every bordering county.⁵ After estimating impacts on overall employment and wages, we will also measure impacts on industries with high shares of immigrant workers, high shares of low-skilled workers, high shares of high-skill workers, and, finally, the wage gap between high-skilled and low-skilled industries.

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⁵As pointed out by Dube, Lester, and Reich (2007), the presence of repeated county entries requires standard errors are corrected using the appropriate clustering as discussed in (Cameron, Gelbach, and Miller 2006).