Lessons from the 2007 Legal Arizona Workers Act [LAWA]
by Magnus Lofstrom, Public Policy Institute of California

Discussion by Roberto Coronado
Federal Reserve Bank of Dallas, El Paso
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Motivation of the paper

• Some states, including Arizona, have enacted legislation to address the issue of unauthorized immigrants working illegally.
• Current federal employer sanctions (do not include E-verify) have been ineffective.
• This paper evaluates the effectiveness of LAWA. In particular, the authors concentrate on E-verify.
Why LAWA? Most comprehensive and restrictive legislation

- Covers all firms, not just public agencies or those with state government contracts.
- Mandates all employers located in the state to use E-verify.
- Tough sanctions to employers who "knowingly" employ unauthorized workers:
  - 1st offense: business license suspension
  - 2nd offense: business license revocation
- Bottom line: Mimics federal reform proposals.
Evaluating LAWA effects

• Authors evaluate LAWA effects on three fronts:
  1. Population
  2. Rental market


• These datasets provide detail on employment, race/ethnicity, education, age, and other demographic characteristics.
The challenge...

• Authors are not able to precisely identify unauthorized immigrants at the individual level.

• Solution: authors create a “likely unauthorized” group:
  – Men
  – Working age (16-60 yrs old)
  – Hispanic origin
  – Fewer years of formal education
Methodology

• Authors use synthetic control method [Abadie et al 2010] to select a group of states against which Arizona can be compared.

• This will result in treatment and control groups.

\[ DD_{AZ} = (Outcome_{AZ}^{Post} - Outcome_{Synth}^{Post}) - (Outcome_{AZ}^{Pre} - Outcome_{Synth}^{Pre}) \]

• Thus, authors employ diff-in-diff methods to estimate the impact of LAWA.
Empirical findings

• Since 2008 the proportion of Arizona’s population that was likely unauthorized fell 1.5 percentage points [-92K unauthorized immigrants in 2009].

• Rental vacancy rate in Arizona was 5.8 percent higher [no effect on housing vacancy rates].

• Non-citizen Hispanic employment rate was 11 to 12 percentage points lower in Arizona [-56K non-citizen Hispanic workers].
Empirical findings

• LAWA also had the unintended consequence of shifting unauthorized workers into the informal or underground economy.

• LAWA’s self-employment effect is about 8 percentage points [+25K self-employed Hispanic non-citizens].

• This could represent other substantial economic/social costs.

• No significant impact to authorized workers.
In sum

• The paper addresses an important question regarding immigration policy and provides interesting empirical results.

• It would be interesting if authors consider:
  – Break-down the analysis by sector: agriculture, construction sector.
  – Break-down the analysis by city (MSA).
  – What about the 2010 census?
  – What about employment turnover? Does E-verify apply to people already employed?
  – What about the great-recession?
On the Timing and Effectiveness of SB 1070 in Arizona
by Catalina Amuedo-Dorantes, San Diego State University

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Motivation

• Arizona’s Senate Bill 1070 (AZ SB 1070) got enacted in 2010.
• The Act was established with the main goal to enable local authorities to identify unauthorized immigrants.
• Authors are interested in:
  1. Justification of multiple legislative measures targeting unauthorized immigration [LAWA & SB 1070].
  2. What is the “marginal” effect of SB 1070?
  3. Does SB 1070 complement LAWA?
Stylized facts about previous studies

• There is a vast literature that explores the impact of immigration measures adopted at the federal level on the flow of undocumented immigrants:
  1. Studying aggregate data (apprehensions) before and after IRCA.
  2. Using individual data on specific Mexican communities.

• Most of these studies find that border enforcement policies do not seem to have much of an impact on illegal immigration.
New wave of studies...

• As states have started to take action on immigration issues, researchers are now studying the impact of state-level legislation on residential choices and labor market outcomes of unauthorized immigrants.

• There are just a few studies [Lofstrom et al 2011] that concentrate on state-level legislation impacts.

• This study attempts to fill in this gap.
Methodology

- Authors use the synthetic control method.
- The main idea is to identify a group of states that can be used as a counterfactual (treatment vs. control group).
- In essence, the authors use a diff-in-diff estimate of the impact that AZ SB 1070 had on the population of unauthorized immigrants:

\[ \Delta_{AZSB1070} = (Y_{Post}^{AZ} - Y_{Post}^{Control}) - (Y_{Pre}^{AZ} - Y_{Pre}^{Control}) \]
Empirical findings

• LAWA resulted in a significant contraction in the shares of Hispanic and Mexican non-citizens; however, the contraction was short-lived.

• The impact of SB 1070 appears to also be short-lived.

• The impact of SB 1070 is concentrated on reducing the population of Hispanic and Mexican male non-citizens. Thus, SB 1070 does not complement LAWA in targeting Hispanic and Mexican female non-citizens.
In sum

• This paper provides evidence that the “marginal” impact of SB 1070 is practically non-existent.

• It would be interesting if authors consider:
  – Break-down the analysis by sector: agriculture, construction, services.
  – Break-down the analysis by city (MSA).
  – What about the great-recession, mild-recovery?
  – Expand the paper. Currently it only offers a brief discussion.
  – Exploit more the policy implications of empirical findings.
Hispanic Entrepreneurship: An Analysis of Industry Choice and Entrepreneurial Success
by Mary J. Lopez, Occidental College

Discussion by Roberto Coronado
Federal Reserve Bank of Dallas, El Paso
Hispanic Economic Experience Conference
June, 2011

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Motivation

• Hispanic owned-businesses in the U.S. have increased three-times faster than those owned by non-Hispanic.
• This paper examines the factors that contribute to the difference in self-employment income between Hispanics and non-Hispanic whites.
• In particular, this paper explores the role of industry choice.
A new approach

• The existing literature concentrates on the impact that education, start-up capital, work experience, and English proficiency have on Hispanic entrepreneurial success.

• This paper concentrates on the industry of the business and explores what impact that might have on Hispanic self-employment outcomes.
Data

• This study uses the Integrated Public Use Microdata (IPUMS) of the 2000 U.S. Census.

• In particular, the data is for individuals (Hispanics and non-Hispanics) that:
  1. Between 20 and 64 years old.
  2. Worked ≥15 hrs/wk and ≥20 wks/yr
  3. Income≥0.
  4. Part of labor force and were not in school.

• Income = Gross Receipts – Business Expenses
Empirical findings

• Industry plays a small role in contributing to the self-employment income gap (not necessarily for women).

• “Other” factors (i.e. education) play a much larger role.

• Across Hispanic sub-groups industry plays a significant role (although small).

• Using detailed industry dataset, industry has a large and statistically significant impact.
In sum

- The paper provides interesting results on Hispanic entrepreneurship.
- It would be interesting if the author considers:
  - Will the results change if you allow: Income<0?
  - Use other datasets (smaller \( df \)) for robustness check. If results are the same, then you can exploit the richness of other datasets.
  - Given the great recession, it will be interesting to replicate w/2010 Census data. Will the results be same? Change?
  - What about including D(less than HS) in the regression? Shifting action away from intercept.
  - Exploit the 3-digit level data. Industry becomes an important driver for income differences.