The End of Mass Migration from Mexico

Pia M. Orrenius
Federal Reserve Bank of Dallas

Disclaimer: The views expressed herein are those of the presenter; they do not reflect the views of the Federal Reserve Bank of Dallas or the Federal Reserve System.
U.S. IMMIGRATION IS SLOWING

Migrant inflows as a percent of working age population

NOTE: Working age population is 16 to 64.

ROAD MAP

- Trends in Mexico-US migration
- Why is Mexico-US migration declining?
  - Contributing factors
- Implications
  - Changing composition of migrants
  - Effects on US industry, remittances
- Emerging trends
  - If not Mexicans, then who?
  - If not for work, then what for?
MEXICAN IMMIGRANT POPULATION IN DECLINE

About half of Mexican immigrants are undocumented.

Unauthorized: 48%
Naturalized citizens: 26%
Legal permanent residents & temp. workers: 26%

Source: 2014 ACS, 1-year estimates; estimate for unauthorized from PEW Research Center.
MEXICAN UNAUTHORIZED IMMIGRANT POPULATION IN DECLINE

Source: Pew Research Center.
FLOW MEASURES: FEWER MIGRANT APPREHENSIONS ALONG BORDER

MEXICAN MIGRANTS ACCOUNT FOR THE DECLINE IN APPREHENSIONS

NOTE: The category "migrants headed toward the United States" is restricted to those migrants who are traveling to the United States, are ages 15 and older, were born and resided in Mexico, and do not have a return itinerary. The available data do not include Mexicans entering the United States by air.

SOURCE: Migration Policy Institute tabulations of the Survey of Migration on the Northern Border of Mexico.
WHY IS MEXICAN MIGRATION FALLING?
FACTORS BEHIND THE DECLINE

- Two U.S. recessions in one decade
  - Housing bust and construction downturn
- Increased enforcement
  - Border, interior: higher migration costs, lower benefits
- Better conditions in Mexico
  - Changing demographics
  - Employment growth
  - Access to credit
  - Social safety net
MIGRATION DECLINES COINCIDE WITH U.S. RECESSIONS, JOBLESS RECOVERIES

MIGRATION DOWNTURN MIRRORS DECLINE IN SINGLE FAMILY CONSTRUCTION JOBS

MIGRATION FALLS AS JOBS GROW FASTER IN MEXICO

Index, 1995 = 100

- Mexico Formal
- Mexico Total
- Texas Total
- U.S. Total
MIGRATION FALLS AS BORDER ENFORCEMENT RISES

SMUGGLER FEES RISE TO NEAR $4,500

Source: Mexican Migration Project.
Effect of push and pull factors on Mexico-US migration

- U.S. Wage: 8.2
- U.S. Employment: 2.8
- Building Permits: 0.4
- Border Enforcement: -0.1
- Mexico Wage: 0.2
- Mexico Employment: -9.0

Note: Hollow bars represent estimates that are not statistically significantly different from zero.

In the past, border enforcement was shown to be largely ineffective at deterrence, but very effective in diverting flows.

More recent research suggests enforcement now has more bite:

- **Obstacles:** Increased manpower, fences, checkpoints
- **Technology:** Fingerprinting, sensors, cameras, drones
- **Consequence policies:**
  - Expedited removal; Re-admission bars; Criminal prosecution (‘zero tolerance’ policies)
Enforcement raises smuggler usage rates and fees

- From < $1,000 in 1990 to > $2,500 in 2010 to > $4,500 in 2014
  - One study finds enforcement led to 17 percent rise in fees between 1986-2004; crossing time also increased by 2 to 5 days
  - Migrant sensitivity to costs is high: a 20 percent rise in fees leads to a 13 percent decline in probability of migrating

Studies measure effect of border enforcement on apprehensions

- 10% increase in BP lw hours leads to 4 to 8% decline in crossings; effect has increased over time
- Zero tolerance policies negative effect probability of crossing
INTERIOR ENFORCEMENT ANOTHER BARRIER TO MIGRATION

- **E-Verify mandates**
  - Over 20 states have some form of E-Verify mandates, 7 have universal mandates
  - Electronic verification of authorization to work
  - Affects primarily new hires
    - Half of new hires in US now go through E-Verify

- **Impact on labor market outcomes**
  - Should lower demand for unauthorized workers, hurting employment and wages
  - Worse outcomes should deter migration
## The Effect of E-Verify Mandates on Labor Market Outcomes Among Likely Unauthorized Mexican Immigrants

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>0.006</td>
<td>0.024</td>
</tr>
<tr>
<td>Employed, wage &amp; salary</td>
<td>0.014</td>
<td>0.015</td>
</tr>
<tr>
<td>Self-employed</td>
<td>-0.008</td>
<td>0.009</td>
</tr>
<tr>
<td>Unemployed</td>
<td>-0.008</td>
<td>0.001</td>
</tr>
<tr>
<td>In labor force</td>
<td>-0.001</td>
<td>0.025*</td>
</tr>
<tr>
<td>Real hourly earnings</td>
<td>-0.075***</td>
<td>-0.005</td>
</tr>
<tr>
<td>Switched employers</td>
<td>-0.004</td>
<td>0.003</td>
</tr>
</tbody>
</table>

Note: Each cell represents a separate regression. Standard errors are clustered on the state.

* p<0.1; ** p<0.05; *** p<0.01.
### The Effect of E-Verify Laws on Likely Unauthorized Immigrant Population Size

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Recent Arrivals</th>
<th>New arrivals</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Effect of E-Verify in effect last year on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population size</td>
<td>-0.122</td>
<td>-0.364**</td>
<td>-0.158</td>
</tr>
<tr>
<td>B. Effect of E-Verify in effect this year on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population size</td>
<td>-0.055**</td>
<td>-0.250**</td>
<td>-0.495*</td>
</tr>
</tbody>
</table>

Note: Shown are estimated coefficients on a variable measuring the fraction of the year that a universal E-Verify law was in effect in a state. The dependent variable is logged. Each entry is from a separate OLS regression.

* p<0.05; ** p < 0.01
CHANGING COMPOSITION OF MEXICAN MIGRANTS
EDUCATIONAL LEVELS HAVE RISEN AMONG RECENT MEXICAN IMMIGRANTS

Note: Recent immigrants arrived in the U.S. in the prior five years.
Sources: 2000 Census; 2013 American Community Survey.
ENGLISH FLUENCY HAS RISEN AMONG MEXICAN IMMIGRANTS, RECENT AND ALL

Notes: Recent immigrants arrived in the U.S. in the prior five years. Data based on men ages 16-54.

Sources: 2000 Census; 2013 American Community Survey.
EMPLOYMENT RATES HAVE RISEN AMONG MEXICAN IMMIGRANTS, RECENT AND ALL

Notes: Recent immigrants arrived in the U.S. in the prior five years. Data based on men ages 16-54.

Sources: 2000 Census; 2013 American Community Survey.
SELF-EMPLOYMENT RATES HAVE RISEN AMONG MEXICAN IMMIGRANTS, RECENT AND ALL

Notes: Recent immigrants arrived in the U.S. in the prior five years. Data based on men ages 16-54.
Sources: 2000 Census; 2013 American Community Survey.
REAL WAGES UP SLIGHTLY AMONG RECENT MEXICAN IMMIGRANTS

Notes: Recent immigrants arrived in the U.S. in the prior five years. Data based on men ages 16-54.
Sources: 2000 Census; 2013 American Community Survey.
IMPLICATIONS AND EMERGING TRENDS
WHAT TO EXPECT NEXT...

- Cyclical and structural factors have suppressed Mexican immigration
  - US Housing market may recover, Mexican job growth may slow with the oil downturn
  - But other changes are here to stay, including demographic changes in Mexico, access to credit, social safety net, and growing formal sector.
  - Enforcement regime also unlikely to be rolled back.
- US Industries that employ Mexican immigrant workers will continue to feel the tightness, difficulty hiring.
  - Wage pressure
  - Increasing innovation; incentive to substitute technology for workers
- Remittances unlikely to grow
TOP 10 OCCUPATIONS OF RECENT MEXICAN MEN

Source: American Community Survey 2013.
TOP 10 OCCUPATIONS OF RECENT MEXICAN WOMEN

Source: American Community Survey 2013.
MEXICO REMITTANCES STAGNANT

Source: Banco de Mexico.
- Decline of work-based immigration and rise of humanitarian migration, including child migration
  - Central America
  - Middle East
- In the future, Asian immigrants will be the nation’s largest group of immigrants, not Mexicans.
APPREHENSIONS OF UNACCOMPANIED CHILDREN

Note: 2016 data is October 2015 through January 2016.

IMMIGRANT INFLOWS FROM CHINA, INDIA HAVE SURPASSED THOSE FROM MEXICO

Source: Migration Policy Institute, “In Historic Shift, New Migration Flows from Mexico Fall Below Those from China and India,” May 2015.
UNAUTHORIZED POPULATION ROSE UNTIL 2007

Millions

Note: Grey bars represent U.S. recessions.

Source: Pew Hispanic Center.
REGRESSION RESULTS SUGGEST WAGE SPECIFICATIONS

Note: Hollow bars represent non-significant results.