Immigrant Legalization: Assessing the Labor Market Effects

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Comprehensive Immigration Reform Likely to Include Legalization

- Approximately 11-12 million would be affected
- Potentially widespread economic effects
- Same impact as 1986 IRCA amnesty?
Main Findings

- A legalization program is unlikely to lead to dramatic changes in the labor market for most:
  - Unauthorized workers
  - Native workers
- Small gains for unauthorized workers may be attributed to legalization, but only among high-skilled workers
- We do not expect significant changes in tax revenues or public assistance expenditures
Overview

- Differences among groups
- Labor market effects
- Other economic effects
- Conclusions and recommendations
We Compared Unauthorized and Continuously Legal Immigrants

- New Immigrant Survey (NIS)
- All became legal permanent residents (LPRs) in 2003
  - Detailed work and migration histories
- Unauthorized immigrants
  - Border crossers (sample: 945)
  - Visa overstayers (sample: 1071)
- Continuously legal immigrants (sample: 2470)
We Looked at Immigrants Working Before and After Legalization

- Analyzed two labor market outcomes
  - Occupational earnings → mobility
  - Self-reported wages

- Methods
  - Compared changes among previously unauthorized workers to continuously legal workers
  - After accounting for differences in individual factors, remaining differences attributed to legalization
Low Levels of Education Among Border Crossers

Educational Attainment

- Border crossers
- Visa overstayers
- Continuously legal

Percent

Less than high school diploma
Bachelor's degree or higher
Border Crossers Have Worked Longest in U.S.

Average Years Since Start of First U.S. Job

- Border Crosser: 11 years
- Visa overstayer: 5 years
- Continuously legal: 1 year
Overview

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Many low-skilled unauthorized workers remain in same occupations

Those that change occupations remain in low-skill occupations
  – Former dishwashers work in food service
  – Former child care workers become maids and housekeepers
Earnings Increase After Legalization...

Median Annual Occupational Earnings

<table>
<thead>
<tr>
<th></th>
<th>Border crosser</th>
<th>Visa overstayer</th>
<th>Continuously legal</th>
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</thead>
<tbody>
<tr>
<td>1st U.S. job</td>
<td>$15,200</td>
<td>$19,700</td>
<td>$23,900</td>
</tr>
<tr>
<td>Post-LPR job</td>
<td>$18,300</td>
<td>$23,400</td>
<td>$25,600</td>
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<tr>
<td>Increase</td>
<td>$3,100</td>
<td>$3,700</td>
<td>$1,700</td>
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</tbody>
</table>
...But Time in U.S. Is Key Factor

** Indicates statistically significant at the 1% level
Occupational Mobility Related to Education Level

- Upward mobility (relative to the continuously legal) is related to educational attainment rather than legal status group
  - 9.1% for border crossers with B.A. or more
  - 10.5% for visa overstayers with B.A. or more

- No evidence of gains attributable to legalization for workers with less than a B.A.
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In Short Term, No Impact on Natives’ Wages

- Research on immigrants effects on natives’ wages finds
  - Mostly small impacts
  - Negative impact mainly among lower skilled
  - Perhaps positive effects for higher skilled

- Our legalization findings suggest little short term impact
  - Lower skilled do not show greater upward occupational mobility
  - Higher skilled do move up
Although Many New LPR Families Live in Poverty...

% of Federal Poverty Level

- Less than 50
- 50 to 99
- 100 to 129
- 130+

Percentage

Border crosser

Visa overstayer
... Effects of Legalization on Social Programs Likely to Vary

- Increase in TANF unlikely in short term
  - 5 year wait for LPRs
- EITC might see effects
  - Newly legalized may meet SSN requirement
Majority of Formerly Unauthorized Paid Taxes Before Becoming LPRs

Border Crossers Required to File (80%)
- Filed: 90%
- Did not file: 10%

Visa Overstayers Required to File (82%)
- Filed: 94%
- Did not file: 6%
Overview

- Differences among groups
- Labor market effects
- Other economic effects
- Conclusions and recommendations
Conclusions

- Minimal short-term impact on labor market outcomes for immigrants or native-born due to legalization
  - Low-skilled unauthorized workers do not improve occupations or wages
  - High-skilled unauthorized workers gain
- Ineffective employer sanctions of low-skill workers
- Little short-term change to most public assistance programs and tax revenues
- Legalization may lead to more investment in community and children’s education
Recommendations

- Current employer sanctions are ineffective
  - Reliable and accurate verification system needed
- Comprehensive immigration reform should promote English fluency
- States should prepare to advocate for their fair share of any federally funded impact grants
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Reference Slides

- Why Didn’t We Find Large Gains in Employment Outcomes?
- Recent Research Predicts Large Effects from Legalization
Why Didn’t We Find Large Gains in Employment Outcomes?

- After IRCA, large gains observed
- Post-LPR interview too soon to tell?
  - No more likely to be looking for work
  - No more likely to invest in education
- Isolating the effects of policy change
  - Challenge of appropriate comparison group
- Employer sanctions different today
  - No longer binding for low skill
  - Still true threat for higher skill
Recent Research Predicts Large Effects from Legalization

- Large economic growth expected (Hinojosa-Ojeda)
  - Rely on results from previous research based on the experiences of IRCA
- Gains for newly legal immigrants expected (Pastor et al)
  - Unlike our NIS data, need to predict which workers are likely to be unauthorized
  - Estimated legalization effect may be due to other factors
Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.
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