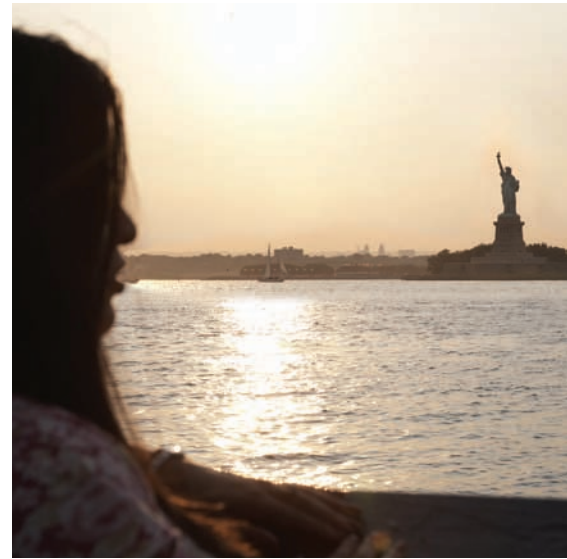




Immigrant Legalization

Assessing the Labor Market Effects

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SUMMARY

Nearly 12 million unauthorized immigrants live in the United States. California is home to about 2.7 million of these immigrants, who make up almost 10 percent of the state's labor force.¹ Currently, legislators in Washington, D.C., are considering a comprehensive reform of federal immigration policies that could include the legalization of unauthorized immigrants. Many observers believe that a legalization program could have a significant economic impact.

Our research suggests otherwise. This report finds that legalizing most currently unauthorized immigrants would not lead to dramatic changes in the labor market, either for unauthorized immigrants or for native workers. We also find little evidence to support the view that such a step would have significant effects on the broader economy, particularly on tax revenues or public assistance programs.

Specifically, we find that legalization is not likely to increase the occupational mobility or wages of most unauthorized immigrants, at least in the short run. This is especially true for low-skill workers, for whom any improvement is likely to be small at best. For immigrants who cross the border without documentation, employment outcomes do improve over time, but none of this progress is attributable to gaining legal status.

For those who gain legal status after overstaying a temporary visa, the outlook is slightly better. In these cases, we do see some upward occupational mobility that may be related to acquiring legal status. However, this mobility is specifically attributable to skill level: Highly

skilled immigrants, regardless of how they arrived in the United States, exhibit occupational improvements after gaining legal status.

What does this mean for the larger labor market? Given that the labor market returns associated with legalization are small, at least in the short term, we argue that a legalization program is not likely to significantly affect the employment outcomes of native workers. In particular, the lack of upward occupational mobility among low-skill unauthorized workers suggests that legalization will not lead to much, if any, increase in labor market competition with low-skill natives.

We consider legalization's effects on the broader economy in light of likely changes in tax revenues and the expenditures of public assistance programs. We find that the vast majority of unauthorized immigrants report filing federal tax returns before acquiring legal status. Therefore, we expect any increase in tax revenues—deriving from either increased filing rates or improved wages—to be small.

In addition, we expect that there would be little short-term change in the expenditures of public assistance programs. The eligibility rules for most of these programs would probably prohibit an increase in their use, at least in the short run, by even the poorest of newly legalized immigrants.

Nonetheless, California should be prepared for any future legalization program. After the legalization of nearly 3 million unauthorized immigrants in 1986, individual states received federal impact grants to help offset the state's costs associated with the newly legalized immigrants. If English-language proficiency becomes a requirement in a new legalization program, the costs of providing classes could be significant. We suggest that California lobby vigorously for any future impact grants to offset any related expenditures.

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