

AN IMMIGRATION STIMULUS: The Economic Benefits of a Legalization Program for Unauthorized Immigrants

As the legislative debate over immigration reform heats up, a central point of contention will be whether or not to create a pathway to legal status for all or most of the [11 million](#) unauthorized immigrants now living in the United States.¹ In evaluating the pros and cons of a legalization program, it is important to keep in mind that legalization is not only a humanitarian act; it is also a form of economic stimulus. The example of the 1986 Immigration Reform and Control Act (IRCA) demonstrates that workers with legal status earn more than workers who are unauthorized. And these extra earnings generate more tax revenue for federal, state, and local governments, as well as more consumer spending which sustains more jobs in U.S. businesses. Recent studies suggest that the economic value of a new legalization program would be substantial, amounting to tens of billions of dollars in added income, billions of dollars in additional tax revenue, and hundreds of thousands of new jobs for native-born and immigrant workers alike. In short, a new legalization program for unauthorized immigrants would benefit everyone by growing the economy and expanding the labor market.

The experience of IRCA demonstrates that legalization allows previously unauthorized workers to earn higher wages and get better jobs.

- University of Michigan economist Sherrie Kossoudji and Australian National University economist Deborah Cobb-Clark [estimate](#) that men who gained legal status under IRCA would have been earning between 14 percent and 24 percent higher wages if they'd been “legal” for all of their working lives in the United States.²
 - In addition, Kossoudji reports that “using different methodologies, data sets, and national-origin groups, nearly all researchers agree: once legalized, men’s wages increased simply because they now had the legal right to work.” As a result, “IRCA provided immediate direct benefits by successfully turning formerly clandestine workers into higher-paid employees.”³
 - More broadly, “legalization for otherwise law-abiding undocumented immigrants is humane for them and their families, develops a better workforce for U.S. companies, and acts as a workforce development program for young people. Legalization would also create a level playing field and fair competition for U.S. workers, improve the earnings of law-abiding companies, increase the tax revenue of local, state, and federal governments, and free local police to return to crime prevention, crime solving, and building safe communities.”⁴
- A study by Rob Paral and Associates [found](#) that “between 1990 and 2006, the educational attainment of IRCA immigrants increased substantially, their poverty rates fell

dramatically, and their home ownership rates improved tremendously. Moreover, their real wages rose, many of them moved into managerial positions, and the vast majority did not depend upon public assistance.”⁵

- In 1990, 27 percent of IRCA immigrants age 16-24 lived below the federal poverty line. By 2006, the share who lived in poverty had fallen to 15 percent. Similarly, among IRCA immigrants age 25-34 in 1990, the poverty rate declined from 26 percent to 14 percent between 1990 and 2006.⁶
- Only 26 percent of IRCA immigrants who were 25-34 years old in 1990 owned their own homes. This had risen to 67 percent by 2006. Likewise, among immigrants age 35-44 in 1990, the homeownership rate rose from 34 percent to 68 percent between 1990 and 2006.⁷

Recent studies demonstrate that the higher earnings of legalized workers yield more tax revenue, more consumer buying power, and more jobs.

- Raúl Hinojosa-Ojeda, founding director of the North American Integration and Development Center at the University of California, Los Angeles, [estimates](#) that in just the first three years following legalization, the “higher earning power of newly legalized workers translates into an increase in net personal income of \$30 to \$36 billion, which would generate \$4.5 to \$5.4 billion in additional net tax revenue. Moreover, an increase in personal income of this scale would generate consumer spending sufficient to support 750,000 to 900,000 jobs.”⁸
- In general, the study found that “removing the uncertainty of unauthorized status allows legalized immigrants to earn higher wages and move into higher-paying occupations, and also encourages them to invest more in their own education, open bank accounts, buy homes, and start businesses.”⁹
- Raúl Hinojosa-Ojeda also [estimates](#) the fiscal benefits of legalization for eight states.¹⁰
 - [Arizona](#): The wages of unauthorized workers would increase by \$1.8 billion, generating an additional \$540 million in tax revenue and creating 39,000 new jobs.¹¹
 - [California](#): The wages of unauthorized workers would increase by \$26.9 billion, generating an additional \$5.3 billion in tax revenue and creating 633,000 new jobs.¹²
 - [Colorado](#): The wages of unauthorized workers would increase by \$924 million, generating an additional \$297 million in tax revenue and creating 20,000 new jobs.¹³
 - [Florida](#): The wages of unauthorized workers would increase by \$3.8 billion, generating an additional \$1.13 billion in tax revenue and creating 97,000 new jobs.¹⁴
 - [Nevada](#): The wages of unauthorized workers would increase by \$970 million, generating an additional \$249 million in tax revenue and creating 23,000 new jobs.¹⁵

- [New Mexico](#): The wages of unauthorized workers would increase by \$312 million, generating an additional \$90 million in tax revenue and creating 8,000 new jobs.¹⁶
 - [Texas](#): The wages of unauthorized workers would increase by \$9.7 billion, generating an additional \$4.1 billion in new tax revenue and creating 193,000 new jobs.¹⁷
 - [Virginia](#): The wages of unauthorized workers would increase by \$1.2 billion, generating an additional \$371 million in tax revenue and creating 27,000 new jobs.¹⁸
- A [study](#) by Manuel Pastor and his colleagues at the Center for the Study of Immigrant Integration at the University of Southern California found that California’s unauthorized Latino population lost out on \$2.2 billion in wages each year because of their lack of legal status.¹⁹
- Were they to earn this additional \$2.2 billion, the “rise in income would spur direct consumption spending by about \$1.75 billion dollars per year, which would ripple throughout the state economy, generating an additional \$1.5 billion in indirect local spending. Such an increase in direct and indirect consumer spending of about \$3.25 billion would generate over 25,000 additional jobs in the state.”²⁰
 - Moreover, “if unauthorized Latino workers were granted legal status, the state government would benefit from a gross increase of \$310 million in income taxes and the federal government would gain \$1.4 billion in paid income taxes each year.”²¹
- In another study, Manuel Pastor and Justin Scoggins [estimate](#) that, if the 8.5 million Lawful Permanent Residents (LPRs) in the United States who are eligible to naturalize did so, their earnings over the next decade would rise somewhere between \$21 billion and \$45 billion.²²
- These additional earnings and the spending they generate would amount to an increase in Gross Domestic Product of somewhere between \$37 billion and \$52 billion.²³
- A [report](#) from the American Action Forum, authored by former CBO director Douglas Holtz-Eakin, estimates that immigration reform would “raise GDP per capita by over \$1,500 and reduce the cumulative federal deficit by over \$2.5 trillion” over 10 years.
- These benefits accrue because “immigration reform can raise population growth, labor force growth, and thus growth in Gross Domestic Product (GDP). In addition, immigrants have displayed entrepreneurial rates above that of the native born population.”
- A study by the Center for American Progress and Partnership for a New American Economy [estimated](#) the economic benefits of passing the Development, Relief, and Education for Alien Minors (DREAM) Act, which would create a pathway to legal status for the estimated 2.1 million eligible unauthorized immigrants who were brought to this country as children.²⁴

- The study found that “through a combination of improved educational attainment and higher paid jobs available to authorized immigrants, the passage of the DREAM Act would result directly in \$148 billion in increased earnings for beneficiaries of the passage of the proposed law. This direct effect would result in an induced effect of an additional \$181 billion of economic activity. We conservatively estimate the combined economic benefits of the DREAM Act would be approximately \$329 billion over the next 20 years, leading to 1.4 million new jobs and at least an additional \$10.2 billion in tax revenue.”²⁵

Endnotes

¹ Immigration Policy Center, [*The Unauthorized Population Today: Number Holds Steady at 11 million, Three-Fifths Have Been Here More Than a Decade*](#) (Washington, DC: American Immigration Council, March 2011).

² Sherrie A. Kossoudji and Deborah A. Cobb-Clark, “[Coming out of the Shadows: Learning about Legal Status and Wages from the Legalized Population](#),” *Journal of Labor Economics* 20 (3), July 2002: 619-620.

³ Sherrie A. Kossoudji, [*Back to the Future: The Impact of Legalization Then and Now*](#) (Washington, DC: Immigration Policy Center, American Immigration Council, November 2009), p. 3.

⁴ *Ibid.*, p. 7.

⁵ Rob Paral & Associates, [*Economic Progress Via Legalization: Lessons from the Last Legalization Program*](#) (Washington, DC: Immigration Policy Center, American Immigration Council, November 2009), p. 3.

⁶ *Ibid.*, p. 8.

⁷ *Ibid.*, pp. 10-11.

⁸ Raúl Hinojosa-Ojeda, [*Raising the Floor for American Workers: The Economic Benefits of Comprehensive Immigration Reform*](#) (Washington, DC: Center for American Progress and Immigration Policy Center, American Immigration Council, January 2010), p. 13.

⁹ *Ibid.*, pp. 8-9.

¹⁰ Raúl Hinojosa-Ojeda, [*The Consequences of Legalization Versus Mass Deportation*](#) (Washington, DC: Center for American Progress, August 2012).

¹¹ Raúl Hinojosa-Ojeda, [*The Consequences of Legalization Versus Mass Deportation in Arizona*](#) (Washington, DC: Center for American Progress, August 2012).

¹² Raúl Hinojosa-Ojeda and Marshall Fitz, [*Revitalizing the Golden State: What Legalization Over Deportation Could Mean to California and Los Angeles County*](#) (Washington, DC: Center for American Progress, April 2011).

¹³ Raúl Hinojosa-Ojeda, [*The Consequences of Legalization Versus Mass Deportation in Colorado*](#) (Washington, DC: Center for American Progress, August 2012).

¹⁴ Raúl Hinojosa-Ojeda, [*The Consequences of Legalization Versus Mass Deportation in Florida*](#) (Washington, DC: Center for American Progress, August 2012).

¹⁵ Raúl Hinojosa-Ojeda, [*The Consequences of Legalization Versus Mass Deportation in Nevada*](#) (Washington, DC: Center for American Progress, August 2012).

¹⁶ Raúl Hinojosa-Ojeda, [*The Consequences of Legalization Versus Mass Deportation in New Mexico*](#) (Washington, DC: Center for American Progress, August 2012).

¹⁷ Raúl Hinojosa-Ojeda, [*The Consequences of Legalization Versus Mass Deportation in Texas*](#) (Washington, DC: Center for American Progress, August 2012).

¹⁸ Raúl Hinojosa-Ojeda, [*The Consequences of Legalization Versus Mass Deportation in Virginia*](#) (Washington, DC: Center for American Progress, August 2012).

¹⁹ Manuel Pastor, Justin Scoggins, Jennifer Tran, and Rhonda Ortiz, [*The Economic Benefits of Immigrant Authorization in California Immigrants and the Economy*](#) (Los Angeles, CA: Center for the Study of Immigrant Integration, University of Southern California, January 2010), p. 6.

²⁰ Manuel Pastor, Justin Scoggins, Jennifer Tran, and Rhonda Ortiz, [*The Economic Benefits of Immigrant Authorization in California Immigrants and the Economy*](#) (Los Angeles, CA: Center for the Study of Immigrant Integration, University of Southern California, January 2010), p. 6.

²¹ *Ibid.*, p. 8.

²² Manuel Pastor and Justin Scoggins, [*Citizen Gain: The Economic Benefits of Naturalization for Immigrants and the Economy*](#) (Los Angeles, CA: Center for the Study of Immigrant Integration, University of Southern California, December 2012), pp. 1, 6.

²³ *Ibid.*, pp. 20.

²⁴ Juan Carlos Guzmán and Raúl C. Jara, [*The Economic Benefits of Passing the DREAM Act*](#) (Washington, DC: Center for American Progress and Partnership for a New American Economy, October 2012), p. 1.

²⁵ *Ibid.*, p. 12.