Evidence on the Economic Benefits of Legalization and Citizenship

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The significance of legal status and citizenship

• Why does lack of legal status result in lower wages?
  • Direct effect: employer risk; exploitation
  • Indirect effect: lack of training, education; lack of safety net, benefits; adverse health effects

• Mattered less before
  • Undocumented immigration was less distortionary without interior enforcement; 9/11 ushered in a new era

• Economics of legalization are mostly a win-win
  • Increased productivity and wages
  • Higher efficiency, less occupational mismatch
  • Fiscal impact possibly negative in short run
    • Higher tax contributions likely offset by higher usage
# The wage impact of legal status

<table>
<thead>
<tr>
<th>Study</th>
<th>Program</th>
<th>Wage Increase %</th>
<th>Notes</th>
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<tr>
<td>Orrenius &amp; Zavodny (2015)</td>
<td>TPS</td>
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<td>ES men</td>
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<td>Orrenius, Zavodny &amp; Kerr (2012)</td>
<td>Chinese Student Protection Act</td>
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<td>Ortega et al (2018)</td>
<td>DACA, DREAM Act</td>
<td>12, 15</td>
<td>52 % (indirect)</td>
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<td>Lozano &amp; Sorensen (2011)</td>
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<tr>
<td>Kossoudji &amp; Cobb-Clark (2002)</td>
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<td>Lynch &amp; Oakford (2013)</td>
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<td>Kaushal (2006)</td>
<td>NACARA</td>
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<td>Lofstrom et al (2013)</td>
<td>Green card</td>
<td>No effect</td>
<td>Least skilled</td>
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Evidence on effects of citizenship

• Self-selection a major challenge in studying effect

• Naturalization leads to faster wage growth and improved jobs distribution (Bratsberg et al 2002)
  • Access to public sector, white collar and union jobs

• Naturalized immigrants have
  • Lower unemployment, less cyclical outcomes, wage premium of 5 % (Sumption & Flamm 2012)
  • Higher employment and home ownership, 9% higher wages (Enchategui & Gianarelli 2015); 8-11% higher wages (Pastor & Scoggins 2012); 15% higher wages and lower poverty (Schierholz 2010).

• Citizenship has larger effects for less-skilled, Latinos, women
Conclusions

• Research suggests significant wage gains associated with legal status
  • Larger and more lasting if come with more education
  • Important these programs target young people, who are more likely to enroll in college

• Effect on employment rates more mixed
  • Employment rates will tend to fall for men, but rise for women and students

• Naturalization leads to additional wage gains, other benefits