



## Budget Model

# Demographic and Economic Effects of President Biden's Proposal to Legalize Immigrants

**Summary:** PWBM projects that by 2050, the legalization provisions of the U.S. Citizenship Act proposed by President Biden would increase the size of the U.S. population by 4.21 percent, increase GDP by 0.5 percent, but decrease GDP per capita by 0.2 percent. More specific legalization proposals targeted at farm workers, DACA recipients, and essential workers would each increase GDP per capita by 0.1 percent in 2050.

### Key Points

- PWBM projects that by 2050, the legalization provisions of the U.S. Citizenship Act proposed by President Biden would *increase* the size of the U.S. population by 4.21 percent, *increase* GDP by 0.5 percent, but *decrease* GDP per capita by 0.2 percent.
- The difference in aggregate and per capita outcomes is driven by the fact that, in the current law baseline, there is both an outflow of unauthorized immigrants and an inflow of new unauthorized immigrants who tend to be more educated workers overstaying their visas. Legalization cuts off that outflow, resulting in a future population of unauthorized immigrants that is larger but has a lower average education level, decreasing average labor productivity by 0.2 percent in 2050.
- Specific portions of President Biden's legalization proposal targeted at certain subgroups—farm workers, DACA recipients, and essential workers—are currently under consideration in Congress. PWBM projects that legalization for each those subgroups alone would increase GDP per capita by 0.1 percent in 2050.

### Introduction

In March of 2021, House Democrats passed the [Farm Workforce Modernization Act](#) and the [American Dream and Promise Act](#). That same month, Sen. Alex Padilla (D-CA) introduced the [Citizenship for Essential Workers Act](#). Each of those three bills aims at giving a segment of unauthorized immigrants a path to permanent resident status, reflecting components of the Biden administration's broader legalization proposal, the [U.S. Citizenship Act](#). [PWBM previously analyzed](#) Biden's presidential campaign legalization proposal relative to a baseline of 2020 current law under President Trump.

In this brief, we analyze four scenarios corresponding to the four bills listed above: providing legalization to Farm Workers, DACA recipients, Essential Workers, or all unauthorized immigrants (our “Full Legalization” scenario, representing the full U.S. Citizenship Act), respectively.

For each scenario, we assume that legalization is offered at the start of 2022. We estimate that in each scenario take-up of legalization is roughly 70 percent among eligible unauthorized immigrants, consistent with [CBO analysis](#) of the 2013 Border Security, Economic Opportunity, and Immigration Modernization Act.

## Effect on Population Size

Table 1 shows the PWBM Microsimulation Model’s projections for the size of the U.S. population under each legalization scenario, relative to current law.

Table 1. Population Size by Legalization Scenario, 2031-2050

*% change from 2018*

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<b>Year</b>	<b>Farm Workers</b>	<b>DACA</b>	<b>Essential Workers</b>	<b>Full Legalization</b>
2031	0.00%	0.33%	0.83%	4.51%
2040	0.57%	0.54%	1.13%	5.29%
2050	0.32%	0.56%	1.32%	4.21%

Legalization tends to increase the size of the population. Granting legal status to unauthorized immigrants decreases their likelihood of emigrating;<sup>1</sup> the resulting increase in the immigrant population increases the average U.S. fertility rate, as immigrants tend to have more children than natives. Under the Farm Workers, DACA, and Essential Workers scenarios, by 2050 the population is 0.32 percent, 0.56 percent, and 1.32 percent larger relative to our current law baseline. In the combined Full Eligibility scenario, the U.S. population in 2050 is 4.21 percent larger than in our current law baseline.

## Effect on the Total Dependency Ratio

The *total dependency ratio* is defined as the number of “dependents”—defined as children less than 15 years old and adults at least 65 years old—per 100 people ages 15 to 64. Table 2 shows PWBM’s projections of the total dependency ratio for our current law baseline and each legalization scenario.

**Table 2. Total Dependency Ratio by Legalization Scenario, 2031-2050**

*Number of children (ages 0-14) or elderly (65+) per worker*

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<b>Year</b>	<b>Baseline</b>	<b>Farm Workers</b>	<b>DACA</b>	<b>Essential Workers</b>	<b>Full Legalization</b>
2031	64.19	64.08	64.09	63.86	63.79
2040	66.16	66.19	66.10	65.99	66.04
2050	68.42	68.48	68.37	68.64	68.72

Under current law, PWBM projects that the total dependency ratio reaches 64.19 in 2031 and 68.4 in 2050, up from 57.0 in 2020. In the short-run, legalization decreases the total dependency ratio by decreasing emigration among previously unauthorized immigrants. In the Farm Workers, DACA, and Essential Workers legalization scenarios the 2031 total dependency ratio decreases relative to current law by 0.11, 0.11, and 0.33 people per worker, respectively. In the Full Legalization scenario, the total dependency ratio in 2031 is 0.40 people per worker less than current law.

In the longer-run, despite higher fertility among immigrants relative to natives, legalization tends to increase the total dependency ratio as previously unauthorized immigrants age. By 2050, the Farm Workers and Essential Workers legalization scenarios increase the total dependency ratio by 0.06 and 0.22 people per worker, respectively, relative to current law. In the DACA scenario, the total dependency ratio in 2050 decreases by 0.05 relative to current law, since as a group DACA recipients tend to be younger than farm or essential workers. In the Full Legalization scenario, the total dependency ratio increases to 68.72 people per worker in 2050, an increase of 0.30 relative to current law.

## **Budgetary Effects**

We analyze aggregate effects of each scenario with the PWBM Dynamic Model, using demographic results from our microsimulation as an input. This layered approach captures the budgetary and macroeconomic effects of increases in the size of the U.S. population and the shifts in the demographic composition of the population due to legalization in each scenario.

Table 3 shows total Social Security benefits paid per capita relative to the current law baseline.

Table 3. Social Security Benefits Paid per Capita by Legalization Scenario, 2031-2050

*% difference from baseline*

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<b>Year</b>	<b>Farm Workers</b>	<b>DACA</b>	<b>Essential Workers</b>	<b>Full Legalization</b>
2031	-0.1	-0.2	0.0	0.0
2040	0.0	-0.2	0.2	0.5
2050	0.1	-0.1	0.6	1.1

In general, legalization increases Social Security benefits paid per capita by directly expanding eligibility for benefits. Benefits paid per capita in 2050 increase by 0.1 percent in the Farm Workers scenario, 0.6 percent in the Essential Worker scenario, and 1.1 in the Full Legalization scenario, relative to current law. For the DACA scenario specifically, however, per capita benefits paid decrease by 0.1 percent in 2050 relative to current law. The reason for this decrease is that DACA recipients tend to be younger than the average population and thus tend to retire later.

Table 4 shows total federal government debt per capita relative to current law.

Table 4. Federal Debt per Capita by Legalization Scenario, 2031-2050

*% difference from baseline*

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<b>Year</b>	<b>Farm Workers</b>	<b>DACA</b>	<b>Essential Workers</b>	<b>Full Legalization</b>
2031	0.1	-0.1	0.1	0.0
2040	0.1	-0.2	0.0	-0.1
2050	0.2	-0.4	0.1	0.2

Federal debt per capita in 2050 increases by 0.2 percent in the Farm Worker scenario, by 0.1 percent in the Essential Worker scenario, and by 0.2 percent in the Full Legalization scenario, relative to current law, but decreases by 0.4 percent in the DACA scenario.

## Economic Effects

Table 5 presents GDP in each scenario relative to the current law baseline.

Table 5. GDP Effect by Legalization Scenario, 2031-2050

*% difference from baseline*

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Year	Farm Workers	DACA	Essential Workers	Full Legalization
2031	0.0	0.0	0.2	0.3
2040	0.0	0.0	0.2	0.5
2050	0.1	0.2	0.3	0.5

In the Farm Workers, DACA, and Essential Workers scenarios, PWBM projects that GDP in 2050 would increase by 0.1 percent, 0.2 percent, and 0.3 percent, respectively, relative to the current law baseline. In the Full Legalization scenario, GDP in 2050 would increase by 0.5 percent relative to baseline. The increase in GDP for these scenarios is largely due to the increase in population size.

To show only the effects of demographic composition, rather than population size, Table 6 presents GDP *per capita* for each scenario relative to current law.

Table 6. GDP per Capita Effect by Legalization Scenario, 2031-2050

*% difference from baseline*

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Year	Farm Workers	DACA	Essential Workers	Full Legalization
2031	0.0	0.0	0.0	0.0
2040	0.0	0.0	0.0	-0.1
2050	0.1	0.1	0.1	-0.2

In each of the Farm Workers, DACA, and Essential Workers scenarios, GDP per capita is 0.1 percent greater in 2050 relative to the current law baseline. However, in the Full Legalization scenario GDP per capita *decreases* by 0.2 percent in 2050 compared to the current law baseline. The reason for this decrease is that legalization tends to decrease average labor productivity by shifting the demographic composition of the previously unauthorized immigrants. Specifically, in PWBM’s baseline projection, *future* unauthorized immigrants are more likely to be more educated workers who overstay their visas. Legalization decreases emigration rates for *current* unauthorized immigrants, who tend to be less educated. The net result in the Full Legalization scenario is a 0.2 percent decrease in overall labor productivity by 2050, relative to current law.

*This analysis was conducted by Daniela Viana Costa and Austin Herrick with writing by Kody Carmody. Prepared for the website by Mariko Paulson.*

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1. Due to data limitations, in this brief “emigration” includes voluntary emigration as well as deportation.

