

Economic benefits of regularization

Migrant Rights Network, June, 2024

Undocumented residents come to Canada with immigration status, only to lose that status through gaps, barriers and failures in immigration policy. Without permanent resident status, undocumented people are unable to assert rights at work or access basic healthcare. They face discrimination and exploitation because of the well-founded fear of deportation back to a country where they may face war, discrimination, climate catastrophe or poverty.

A full and comprehensive regularization program could bring up to an estimated 500,000 undocumented people in Canada and their families out of social exclusion and exploitation, and up to a minimum floor of rights and basic equality. These are the fundamental humanitarian reasons for regularization. There is also a strong economic rationale for a regularization program: we estimate that a broad and comprehensive regularization campaign could **improve regularized workers' wages by 15 to 25 percent, bring as much as \$28 billion to the Canadian economy due to a growth rate of 1 percent GDP per year, and increase government revenues by at least \$5.6 billion per year.**

The logic behind these economic gains is straightforward. With permanent residence, workers can access legal protections, use their untapped education and training through newfound labour market mobility, access better jobs and wages, and access financial institutions to start businesses. The economic inefficiencies of informal local economies, which distort employer powers and drive down wages and working conditions, will be reduced as workers and businesses move onto a level playing field. Wage gains ripple through the economy, because workers are also consumers and taxpayers, driving local economic growth and generating public revenue. Below we will discuss academic research findings on increases in individual earnings, economic benefits in GDP and increase in government revenues.

Increase in workers' wages

Academic studies of the U.S. regularization program of 2.7 million undocumented people through the 1986 *Immigration Reform and Control Act* found that workers typically had higher earnings after regularization. Lynch and Oakford (2013) found that between 1986 and 1992, there was an average 15.1 percent wage increase for regularized workers. For those that then received citizenship, there

was a 25.1 percent wage increase.¹ As undocumented people achieve stability through permanent residence, they will lay down deeper roots, build families, purchase assets of greater value and spend more on Main Street.

Increase in GDP

Recent research shows that regularization does not just result in substantial economic activity and increases in GDP, but also produces economic growth in GDP. A recent US National Bureau of Economic Research paper by renowned economists George Borjas and Anthony Edo shows that the economic benefits of effective regulation programs can contribute to substantial improvements to the economy.² These economists looked not only at how the lack of status restricts labour market options for undocumented people, but also at the monopsony power that companies have in the undocumented labour market. Monopsony describes the situation in which employers possess unilateral wage-setting power, and use it to set wages and employment below the levels that would prevail in a competitive market, where firms have to pay workers a “market rate” aligned with their productivity. This creates economic inefficiencies in the undocumented labour market but in the local formal labour market as well, reducing wages and working conditions for citizens and permanent residents.³

Borjas and Edo analyzed the economic impact of France’s 1981 program that regularized immigration status for 131,360 undocumented workers, approximately 1% of France’s total workforce. They found that a regularization program that reduces firms’ monopsony power increases employment of both undocumented and documented workers. “In short, by reducing monopsony power in the undocumented labour market, a regularization program improves labour market efficiency and can generate a substantial increase in output, a ‘regularization surplus’.”⁴

This empirical analysis found that regularization provided a permanent increase in aggregate income by easing an existing labour market inefficiency, thereby

¹ Robert Lynch and Patrick Oakford, [The Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants](#), Center for American Progress, March 2013.

² George J. Borjas and Anthony Edo, [Monopsony, Efficiency, and the Regularization of Undocumented Immigrants](#), National Bureau of Economic Research, July 2023

³ Monopsony describes the situation in which employers possess unilateral wage-setting power, and use it to set wages and employment below the levels that would prevail in a competitive market, where firms have to pay workers a “market rate” aligned with their productivity. Monopsony does not just imply lower wages for affected workers, but also a misallocation of resources: wages, employment and social welfare are lower when firms have monopsony power, compared to competitive labour markets. See: S. Araki, A. Bassanini, A. Green and L. Marcolin, [Monopsony and concentration in the labour market](#), OECD Employment Outlook 2022: Building Back More Inclusive Labour Markets.

⁴ Borjas and Edo, p 38.

increasing France's GDP by 1%. If we apply this methodology to Canada, regularization could bring in as much as **\$28 billion** due to a growth rate of 1 percent GDP per year.⁵

Increase in government revenues

Most non-status people pay taxes (consumption taxes), but their employers, many of whom are profitable businesses, do not make statutory remittances to the government for these employees. As workers become regularized and remittances increase, there will be a substantial increase in government revenues. Employer and employee tax, CPP and EI remittances for a full time worker earning \$17 per hour is just over \$11,160 per year. On this basis, regularization of 500,000 people could contribute **\$5.6 billion in annual revenues** to the federal government (for EI, CPP and government spending). This amount would increase as regularized workers move into better paying jobs.

Migrant Rights Network

The Migrant Rights Network is Canada's largest cross-country, migrant-led coalition. Our membership is composed of people without permanent resident status - workers, students, undocumented people, refugees and families. We are Canada's only coalition that ensures the leadership of migrants. Member organizations of Migrant Rights Network have a long-standing commitment to ensuring regularization, and have been at the forefront of organizing for it for over 20 years.

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⁵ Canada's GDP in 2023 was \$2.8 Trillion. One percent would be \$28 billion. See StatsCan GDP Statistics Canada, [Gross domestic product, expenditure-based Canada](#), 2023-11-30.