

## Research Brief

# The Economic Costs Associated With the Removal of Driver's Licenses for Undocumented Immigrants in New Mexico

*By Joaquín Alfredo-Angel Rubalcaba and Melina Juárez*

### Executive Summary

Once again the debate over whether undocumented immigrants should have access to a driver's license is dominating the legislative session in New Mexico. In the following analysis we find that repealing access to driver's licenses for unauthorized immigrants will cost the New Mexico economy \$38.5 million annually due to decreased labor force productivity among those impacted by the policy change. The economic impacts of this policy, which are not well-represented in the current debate, will accrue to all New Mexico residents, not just the immigrant families for whom the impact will be most immediate and acute. Given the difficulties facing the state's economy, the economic consequences of this potential policy shift should be considered.

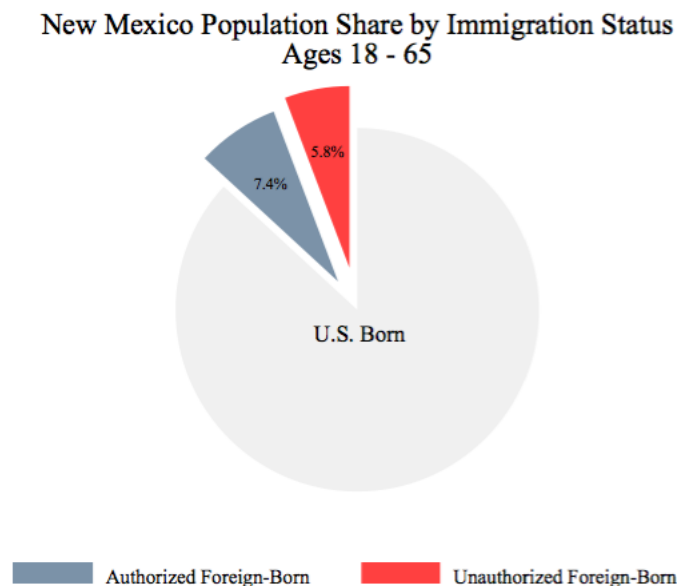
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## Background

The issuance of driver's licenses to unauthorized immigrants has been a long-standing debate within the greater discussion of immigration policy. In the absence of federal immigration reform, states have pursued their own policies, including the issuance of driver's licenses to unauthorized immigrants. In 2003 Governor Bill Richardson signed into law H.B. 135 allowing the Motor Vehicle Department to accept other forms of identification in lieu of social security numbers, thereby allowing access to driver's licenses for unauthorized immigrants. There have been dozens of attempts to repeal this law since its signing. With the passage of the federal Real ID Act in 2005 (Pub.L. 109-13, 119 Stat. 302), the rekindled debate over driver's licenses for the unauthorized has spread throughout the nation. Although many states have changed license regulations to comply with the Federal Real ID Act, New Mexico has continued to grant unauthorized immigrants access to driver's licenses. Because of this, New Mexico is currently non-compliant with the Federal Real ID Act.

In this report we use changes in state driver's license policies across the U.S., after the passage of the Federal Real ID Act but before the implementation of the Deferred Action for Childhood Arrivals (DACA), to estimate the impact of this policy on labor market outcomes. Under DACA, unauthorized immigrants who are approved receive temporary protection from deportation and work eligibility limitations. Those approved under DACA are also allowed to apply for a driver's license; therefore the implementation of DACA in 2012 is used as the upper-bound cut-off period due to the reported positive effects of DACA on the same labor market outcomes measured here.<sup>i</sup> The states considered include Hawaii, Maryland, Maine, Michigan, Oregon, and Tennessee.<sup>ii</sup> These particular states stopped granting driving privileges to unauthorized immigrants between 2006 and 2010, providing a natural experiment for this analysis. The results from the empirical analysis are used to simulate the outcomes for New Mexico.



We estimate that between 2010 and 2014 the number of unauthorized immigrants living in New Mexico ranged from approximately 82,000 to 95,000.<sup>iii</sup> As depicted in the figure above, restricting the sample to working age adults, approximately 5.8% of New Mexico residents are unauthorized immigrants. These individuals constitute approximately 44% of the state’s foreign-born population. We estimate that halting the issuance of driver’s licenses to unauthorized immigrants will reduce labor force participation by 3 percentage points and the employment rate by 1 percentage point among unauthorized immigrant, non-elderly adult males.<sup>iv</sup> The results provide no further evidence of an effect on wages among unauthorized immigrant men or any measurable effect on labor market outcomes among unauthorized immigrant women.

We further estimate that curtailing unauthorized immigrants’ access to driver’s licenses will cost the New Mexico economy approximately \$28.9 million through reductions in labor force participation and \$9.6 million through reductions in the employment rate. These labor market factors have a direct impact on consumer spending and tax revenue. It is assumed that those in the labor force are employed or will become employed in the near future, whether or not they were employed at the time of the survey.<sup>v</sup> The total cost of diminished labor productivity resulting from lack of access to driver’s licenses is estimated to be \$38.5 million per year in the short run.<sup>vi</sup>

**Labor Market Cost in New Mexico  
(Thousands of Dollars)**

Labor Force Participation	\$28,900
Employment	\$9,600
<b>Total Economic Cost (Per Year)</b>	<b>\$38,500</b>

Note: the estimates were calculated using the estimated median income for unauthorized immigrant men between 2012 and 2014.

In this report we investigated one of many possible impacts of eliminating unauthorized immigrants’ access to driver’s licenses. In a cost and benefit narrative there are many aspects and perspectives to consider, including the administrative cost of issuing driver’s licenses to unauthorized immigrants and the economic consequences to citizens and authorized immigrants of federal restrictions imposed for non-compliance with the Real ID Act. Given that our model suggests mostly unauthorized immigrant men are affected, a majority of whom are the head of household,<sup>vii</sup> families will also be affected. We encourage other researchers to explore these additional economic costs and benefits associated with the driver’s license policy as additional states consider either expanding or restricting access to licenses for the undocumented population.

One way to mitigate the added burden on immigrant families and the New Mexico labor economy may be to issue two types of driver’s licenses, an approach currently under consideration in other states and in New Mexico’s current legislative session.<sup>viii</sup> This two-

tiered system would create two driver's licenses: one with stricter requirements that would be compatible with the Real ID Act and one for New Mexico residents valid for identification purposes and driving privileges only. Our analysis suggests that this policy approach would be wise from a labor market perspective.

### **About the Authors**

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<sup>i</sup> The Deferred Action for Childhood Arrival is reported to increase wages and labor market opportunities for unauthorized immigrants who participate. Gonzalez, R.G., Terriquez, V., & Ruszczyk, S.P. (2014). "Becoming DACAmented: Assessing the short-term benefits of Deferred Action for Childhood Arrivals." *American Behavioral Scientist*, 58, 1852-1872.

<sup>ii</sup> The following states have stopped issuing driver's licenses to unauthorized immigrants: Hawaii (2010), Maryland (2009), Maine (2008), Michigan (2008), Oregon (2008), and Tennessee (2006).

<sup>iii</sup> The number of unauthorized immigrants was estimated using an imputation method, the American Community Survey, and Survey of Income and Program Participation. The estimated number of unauthorized immigrants was calibrated at the national level using estimates reported by the Department of Homeland Security and the Pew Research Center. Using the residual method, the Pew Research Center estimates that there were 85,000 and 70,000 unauthorized immigrants in New Mexico in 2010 and 2012 respectively. Using the imputation method, we estimate that there were 92,000 and 88,000 unauthorized immigrants in New Mexico in 2010 and 2012 respectively. Although the results are similar, the differences between the two estimates can be attributed to the differences in estimation technique.

<sup>iv</sup> We employed a difference-in-difference method using a complex survey weighting scheme and clustered standard errors at the state level. This research design was similarly implemented in Besley, T., & Burgess, R. (2004). "Can Labour Market Regulation Hinder Economic Performance? Evidence from India." *The Quarterly Journal of Economics* 113, 91-134. <http://qje.oxfordjournals.org/content/119/1/91.short>

<sup>v</sup> The Bureau of Labor Statistics estimates the national median duration of unemployment was approximately 11 weeks in 2015.

<sup>vi</sup> These estimates were calculated using the median income of unauthorized immigrant men and are adjusted to reflect 2015 dollars.

<sup>vii</sup> We estimate that approximately 66% of the unauthorized immigrant men in New Mexico responded as head of household using the American Community Survey.

<sup>viii</sup> Massachusetts and Washington are currently debating a two-tiered system of driver's licenses.