The Labor Supply of Undocumented Immigrants: Towards an Assessment of the Impact of Status Regularization

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Key Findings and Policy Implications

This paper analyzes the labor supply behavior of undocumented immigrants in the United States. It uses data from the Current Population Surveys, and applies newly developed methods that attempt to identify undocumented status for foreign-born persons in the sample. The paper finds that:

- The labor supply of undocumented immigrant men, as measured by the probability of employment during the CPS reference week, is far higher for undocumented immigrant men than for legal immigrant men, which in turn is much higher than for native men.
- The probability that undocumented immigrant women work is lower than the probability that legal immigrant women work, which in turn is lower than the probability that native women work.
- The already large differences in employment probabilities between undocumented men and native men widens dramatically after controlling for differences in skills and other socioeconomic characteristics. In contrast, the difference in employment probability between undocumented women and native women narrows after such controls.
- The absolute and relative employment rates of undocumented men rose dramatically during the 1994-2014 period. In fact, the employment gap between undocumented men and native men widened by perhaps 10 percentage points during this period. The relative employment rates of undocumented women also rose, but at a much slower rate.
- The labor supply of undocumented men and women is less responsive to wage changes than that of legal immigrants, which in turn is less responsive that that of native persons. The lack of responsiveness to wage changes in the undocumented population is particularly stark in the sample of men: It is easy to infer that the labor supply of undocumented men is perfectly inelastic.

The policy relevance of the research is enormous, as the country considers immigration reforms. The Department of Homeland Security estimates that 11.4 million undocumented persons reside in the United States. Congress and President Obama are considering a number of proposals to regularize the status of the undocumented population and provide a “path to citizenship.” Any future change in the immigration status of this group is bound to have significant effects on the labor market, on the number of persons that qualify for various government-provided benefits, on the timing of retirement, on the size of the population receiving Social Security benefits, as well on the funding of almost all of these government programs. This study helps to understand this potential impact.

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