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PHOTO: MARTIN

A Rising Tide or a Shrinking Pie

The Economic Impact of Legalization Versus Deportation
in Arizona

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FIGURE 1

Mass deportation versus mass legalization

Costs and consequences

Deportation effects in Arizona

- Decrease total employment by 17.2 percent
- Eliminate 581,000 jobs for immigrant and native-born workers alike
- Shrink state economy by \$48.8 billion
- Reduce state tax revenues by 10.1 percent

Legalization effects in Arizona

- Increase total employment by 7.7 percent
- Add 261,000 jobs for immigrant and native-born workers alike
- Increase labor income by \$5.6 billion
- Increase tax revenues by \$1.68 billion

FIGURE 1

Mass deportation versus mass legalization

Costs and consequences

Deportation effects

California:

- Decrease total employment by 17.4 percent
- Eliminate 3.6 million jobs
- Shrink the state economy by \$301.6 billion
- Reduce state's tax revenues by 8.5 percent

Los Angeles County:

- Decrease total employment by 21.9 percent
- Eliminate 1.3 million jobs for immigrant and native-born workers alike
- Shrink the county economy by \$106.4 billion
- Reduce tax revenues by 11.6 percent

Legalization effects

California:

- Add 633,000 jobs
- Increase labor income by \$26.9 billion
- Increase tax revenues by \$5.3 billion

Los Angeles County:

- Add 211,000 jobs
- Increase labor income by \$10.3 billion
- Increase tax revenues by \$1.9 billion

FIGURE 2

Boosting jobs, boosting tax revenues

What Arizona could do with \$1.68 billion in additional tax revenues by legalizing undocumented workers

- Fully fund the Department of Corrections, Community College System, School Facilities Board, Department of Public Safety, and Department of Health Services for fiscal year 2011 ending in September of this year.³
- Pay off the \$974 million projected budget shortfall for FY 2012.⁴
- Build 145 new hospitals.⁵
- Fully recoup lost tax revenues, spending, earnings, and economic output from future and already canceled conferences resulting from the passage of S.B. 1070—with money left over.⁶
- Pay for every in-state student to attend Arizona State University for two years.⁷
- Hire more than 7,500 new high school teachers, and pay their salaries for five years.⁸
- Provide meals for the 18,116 homeless individuals in Arizona for more than five years.⁹
- Build 1,679 new community centers.¹⁰

TABLE 1

Fifteen percent is a lot of people

Proportion of foreign-born residents in Arizona

	Arizona	Proportion of total population
Total population	6,343,952	100.00%
Legal foreign born*	500,226	7.90%
Undocumented	445,000	7.00%
Total foreign born	945,226	14.90%

Source: Pew Hispanic Center estimates; 2006-2008 American Community Survey estimates.

* Includes naturalized citizens.

Note: These figures represent the total population, not just estimates of those residents active in the labor force.

The undocumented estimates were constructed based on figures published by the Pew Hispanic Center. Passel and Cohn, "A Portrait of Unauthorized Immigrants in the United States."

The category "Legal foreign born" was obtained by subtracting the estimated undocumented population (Passel and Cohn, "A Portrait of Unauthorized Immigrants in the United States") from the estimated number of noncitizen residents in the 2006-2008 American Community Survey.

TABLE 2

The economic importance of immigrants

Gross state product, economic output, and labor income by documented and undocumented residents in Arizona

	Employment (thousands)	Percent of total labor force by immigration status	GSP (1) (millions)	Output (2) (millions)	Labor income (3) (millions)	Other income (4)
Arizona (5)						
Total workers	3,377	100%	\$250,294	\$449,953	\$157,378	\$89,652
Legal residents	318	9.40%	\$23,569	\$42,370	\$14,815	\$6,918
Undocumented Immigrants	317	9.40%	\$23,495	\$42,237	\$14,769	\$6,896
Total foreign born	635	18.80%	\$47,064	\$84,608	\$29,584	\$13,814

(1) Value added includes employee compensation, proprietary income, other property income, and indirect business tax. It represents the contribution of each industry to gross state product, or GSP.

(2) Output represents the value of total production of goods and services by industries in the regional economy, including those for immediate consumption and those used for future production.

(3) Labor income is the pre-tax earnings of workers, including all benefits.

(4) Other income includes earnings from rents, royalties, and dividends.

(5) Arizona estimates constructed using Pew Hispanic Center's "Arizona: Population and Labor Force Characteristics 2008."

TABLE 3

Employment creation by immigrants

The direct, indirect, induced, and total employment effects of foreign-born workers in Arizona

Jobs in thousands

	Employment	Percent of total labor force by immigration status	Indirect employment impact (1)	Induced employment impact (2)	Total employment impact
Arizona (3)					
Total workers	3,377	100%	-	-	-
Legal residents	318	9.40%	115	150	583
Undocumented Immigrants	317	9.40%	115	149	581
Total foreign born	635	18.80%	230	299	1,164

(1) Indirect employment impact is the effect on employment in one industry caused by a change in employment in another industry, as a result of the interaction between industries. For instance, when employment is reduced in a given industry (direct), transactions between that industry and others decrease, and thus more employees are laid off (indirect).

(2) Induced employment impact is the change in employment caused by a reduction in household spending, which happens when a drop in demand for goods and services causes a drop in an industry's demand for employment.

(3) Arizona estimates constructed using Pew Hispanic Center's "Arizona: Population and Labor Force Characteristics 2008."

TABLE 4

The tax revenues immigrants pay

Estimated tax contributions of Arizonans by residency status

	Population (thousands)	Percent of total population by immigration status	Personal taxes (millions) (1)	Business taxes (millions) (2)	Sales taxes (millions)	Total taxes (millions)
Arizona (3)						
Total	6,344	100%	\$5,948	\$16,383	\$18,136	\$40,466
U.S. citizens (4)	5,399	85.10%	\$5,061	\$13,942	\$15,434	\$34,437
Legal residents	500	7.90%	\$469	\$1,291	\$1,429	\$3,189
Undocumented immigrants	445	7.00%	\$417	\$1,150	\$1,273	\$2,840
Total foreign born	945	14.90%	\$886	\$2,441	\$2,702	\$6,029

(1) Personal taxes include income tax, motor vehicle license fees, property tax, and other non-tax fines and fees.

(2) Business taxes include corporate profits tax, dividends, motor vehicle license fees, property tax, severance tax, and other taxes.

(3) Arizona estimates constructed using Pew Hispanic Center's "Arizona: Population and Labor Force Characteristics 2008."

(4) U.S. citizens include children born overseas to U.S. citizen parents and children born in Puerto Rico and other U.S. territories.

TABLE 5

Mass deportation, mass income losses

The income effects of deporting undocumented workers in Arizona

Labor income in millions of dollars

	Total labor income	Direct labor income impact (1)	Indirect labor income impact (2)	Induced labor income impact (3)	Total labor income impact	Percentage change
State of Arizona (4)	\$157,332	-	-	-	-	0%
15 percent deportation		-2,722	-1,346	-1,262	-5,330	-3.40%
30 percent deportation		-4,998	-2,199	-2,233	-9,430	-6.00%
50 percent deportation		-8,330	-3,665	-3,721	-15,716	-10.00%
100 percent deportation		-14,769	-7,331	-7,443	-29,543	-18.70%

(1) Direct labor income impact is the change in pre-tax earnings of undocumented workers, including all benefits, as a result of their removal from the regional economy.

(2) Indirect labor income impact is the change in pre-tax earnings of workers as a result of changes in employment caused by the interaction of industries affected by undocumented worker deportation. For example, when employment is reduced in a given industry (direct), transactions between that industry and others decrease, and thus more employees are laid off (indirect).

(3) Induced labor income impact is the change in pre-tax earnings of workers caused by the reduction in employment resulting from a reduction in household spending and a consequent drop in demand for goods and services.

(4) IMPLAN base data. This case represents the economy without any changes in employment or other values.

Note: Totals may not sum due to rounding error.

TABLE 6

Devastating Arizona's economy

The effects of deporting undocumented immigrant workers on state domestic product

GSP in millions of dollars

	Total GSP	Direct GSP impact (1)	Indirect GSP impact (2)	Induced GSP impact (3)	Total GSP impact	Percentage change
State of Arizona	\$250,294	-	-	-	-	
15 percent deportation		-\$3,866	-\$2,128	-\$2,330	-\$8,324	-3.30%
30 percent deportation		-\$6,860	-\$3,476	-\$4,123	-\$14,459	-5.80%
50 percent deportation		-\$11,434	-\$5,793	-\$6,872	-\$24,099	-9.60%
100 percent deportation		-\$23,495	-\$11,586	-\$13,745	-\$48,826	-19.50%

(1) Direct value-added impact is the change in value added caused by the removal of undocumented immigrants from the regional economy.

(2) Indirect value-added impact is the change in value added caused by the change in production in industries that interact with one another.

(3) Induced value-added impact is the change in value added caused by the reduction in household spending.

Note: Totals may not sum due to rounding error.

TABLE 7
Razing Arizona

The consequences of mass deportation on jobs in Arizona

Jobs in thousands

	Total employment	Direct employment impact (1)	Indirect employment impact (2)	Induced employment impact (3)	Total employment impact	Total employment impact as percent of total employment
State of Arizona	3,377	-	-	-	-	100%
15 percent deportation		-51	-22	-26	-99	-2.90%
30 percent deportation		-95	-35	-42	-172	-5.10%
50 percent deportation		-158	-58	-75	-291	-8.60%
100 percent deportation		-317	-115	-149	-581	-17.20%

(1) Direct employment impact is the change in employment caused by the removal of undocumented immigrants from the regional economy.

(2) Indirect employment impact is the effect on employment in one industry caused by a change in employment in another industry, as a result of the interaction between industries. For instance, when employment is reduced in a given industry (direct), transactions between that industry and others decrease, and thus more employees are laid off (indirect).

(3) Induced employment impact is the change in employment caused by a reduction in household spending, which happens when a drop in demand for goods and services causes a drop in an industry's demand for employment.

Note: Totals may not sum due to rounding error.

TABLE 9
Raising Arizona
 The effects of legalizing undocumented workers on income and employment in Arizona

Jobs in thousands

	Labor income increase (millions)	Direct employment gain (1)	Indirect employment gain (2)	Induced employment gain (3)	Total employment gain	Total employment gain as percent of total employment
State of Arizona (4)	\$157,332	-	-	-	-	3,377
Legalization	\$5,550	131	61	69	261	7.70%

(1) Direct employment gain is the increase in employment caused by the legalization of all undocumented immigrants in the regional economy.
 (2) Indirect employment gain is the increase in employment in one industry caused by a change in employment in another industry, as a result of the interaction between industries. For instance, when employment is increased in a given industry (direct), transactions between that industry and others increase, and thus more jobs are created (indirect).
 (3) Induced employment gain is the increase in employment caused by an increase in household spending. As more jobs are created, demand for goods and services increases and increases an industry's demand for employment.
 (4) IMPLAN base data. This case represents the economy without any changes in employment or other values.

Note: Totals may not sum due to rounding error.

TABLE 10

Boosting tax revenues by the millions

The effects of legalizing undocumented workers on state tax revenue in Arizona

	Personal taxes (1)	Business taxes (2)	Sales taxes	Total taxes	Total tax change	Percent change
State of Arizona(3)	\$5,948	\$17,934	\$18,136	\$42,018	\$0	0.0%
Legalization	\$258	\$702	\$715	\$1,675	\$1,675	4.0%

(1) Personal taxes include income tax, motor vehicle license fees, property tax, and other non-tax fines and fees.

(2) Business taxes include corporate profits tax, dividends, motor vehicle license fees, property tax, severance tax, and other taxes.

(3) IMPLAN base data. This case represents the economy without deportation changes.