

Undocumented Workers: The Hidden Pillars of the Economy

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Immigration is one of the key factors that have helped America reach a superpower position in the world. People from all around the world immigrate to America in search of good life because of the opportunities available for everyone. In America, we can find both types of immigrants; i.e. documented and undocumented immigrants. Immigrants who go through the legal process and immigrate to another country with all required documents are referred as documented immigrants. Immigrants who immigrate to another country without all required documents and illegally are referred as undocumented immigrants. When it comes to attaching numbers to total undocumented immigrants working or their contribution in the economy, it is a hard task because undocumented immigrants, most of the time, work in the underground economy.

In the past three years, there have been quite a few immigration laws enacted by different state governments in United States. Arizona Senate Bill 1070, also known as Arizona S.B. 1070, caused a lot of controversy throughout the country. Some civilians consider the law as an anti-immigrant law but in its essence, the law is an anti-undocumented immigrants law. The Senate Bill 1070 was signed into law in April 2010. Other two laws similar to Arizona S.B. 1070 are Alabama House Bill (H.B.) 56 and Georgia House Bill (H.B.) 87. Both, Alabama H.B. 56 and Georgia H.B. 87, are similar to Arizona S.B. 1070 in the manner that they prevent the undocumented residents from working and encourage them to migrate out of the state. Both laws were enacted about a year after Arizona S.B. 1070; however, for reasons I was unable to find, both laws are more deeply analyzed by researchers than Arizona S.B. 1070. One of the beliefs behind enacting these laws is that undocumented workers take jobs away from documented and American citizens. They are alleged to be the reason for U.S. having high unemployment rate. These claims, however, are not true because documented immigrants and American citizens do not fulfill the jobs held by undocumented workers because of low pay and high physical labor requirements. Moreover, the claims that undocumented workers cost states money by using public services that are intended only for documented immigrants and American citizens are not supported by evidence.

Various courts blocked several provisions of these laws soon after they went into effect. However, the damage has been done and the provisions that are still not blocked are still damaging the economy by sending undocumented workers out of the state. As a rule of economics, as workers leave the economy, several employers will incur losses because of labor shortage. Through this project, I will try to identify the magnitude of effects of Arizona S.B. 1070 on Arizona economy by looking at impacts of anti-undocumented immigrant laws on different industries in Arizona as well as Alabama and Georgia state economy.

One of the limitations in researching about undocumented immigrants is that the surveyed numbers rarely match up with numbers in reality. Trying to find the number of undocumented immigrants living in an area can be a difficult task because undocumented immigrants would not want to get noticed by the government. There is always a fear of deportation present in undocumented immigrants' minds. Nevertheless, the Pew Research Center (PRC) and handful other case studies do provide reliable numbers that can be used to represent the undocumented population of U.S. In this project my purpose was to compile studies completed by different groups and organizations about the impacts of undocumented immigrants on U.S. economy and consider further implications of the law specifically in Arizona.

Arizona S.B. 1070

Arizona S.B. 1070 grants authority to local police to question any detainee about their immigration status if the police officer reasonably suspects that the person detained might be unlawfully present in Arizona. Arizona S.B. 1070 also requires police officers to verify immigration status of people they have stopped, detained or arrested with the federal government. The law prohibits unauthorized aliens to apply for work and/or work as an independent contractor. However, authorities cannot consider race, color, or national origin when "reasonably suspecting" that someone can be an illegal immigrant or implementing the different provisions of the law ("Arizona Immigration Law (SB 1070)," 2012).

United States is home to 308.7 million people comprising of a mixture of American citizens, documented immigrants as well as undocumented immigrants. As of 2005, The Perryman Group found that approximately 11.1% undocumented immigrants comprise of U.S. population (2008, p. 24). As of 2007, the U.S. labor force comprised 5% of undocumented immigrants. Of all states being compared in this paper, Arizona had the highest percentage, 12%,

of undocumented immigrant workers in its labor force. Georgia's labor force included 7% undocumented workers (see figure 1 in Appendix D). Most of the undocumented immigrants work and earn money to support them in the US and help their families left behind in their home country. As the Perryman Group pointed out, undocumented workers are more likely to work as compared to American citizens (2008, p. 28). According to Pew Hispanic Center statistic from 2004, American citizen and documented immigrant families, on average, earned \$47,800 compared to \$27,400 earned by undocumented families (Young, 2007). Although it might be argued that these numbers are outdated, the ratios probably have not changed recently and may have worsened.

Most of the jobs held by undocumented workers are low skilled and are highly mismatched with the skills and education levels of American citizens. As found by The Perryman Group, food manufacturing, farming, food services, construction are few of major industries that employ undocumented workers (figure 2 in Appendix D). The income earned by undocumented families might suggest that they do not contribute a whole lot to the economies. However, there is evidence that undocumented workers do contribute to various industries and occupations as listed. Contribution in any industry means contribution to U.S. economy as a whole.

Any change in the state's economy directly affects its GDP. Arizona's GDP stood at approximately 249 billion dollars in 2010 (U.S. Bureau of Economic, 2012). The effects of Arizona S.B. 1070 are not limited to the industries with undocumented workers as shown by the study done by Marshall Fitz and Angela Kelley from Center for American Progress. The tourism industry has incurred losses because of business meeting and conferences (Fitz & Kelley, 2010). Several associations has cancelled conferences and indicated intentions to no longer use Arizona as a possible state to hold conventions because of Arizona S.B. 1070. With fewer and fewer conventions in the area, the spending that would have been done by visitors is lost, decreasing the total number of direct and indirect jobs associated with convention industry (Fitz & Kelley, 2010).

The study estimates a loss of over \$141 million in visitor spending and well a loss of 2,761 jobs and approximately \$253 million in economic output loss from the jobs (see table 1 and 2 in appendix A). Arizona's lodging industry, classified as accommodation in U.S. Bureau of

Economic Analysis, is worth 2,520 million dollars (2012). With lodging loss of \$45 million from the conferences and meetings cancellations alone, the lodging industry's GDP experienced a loss of approximately 1.79% (U.S. Bureau of Economic, 2012 and Fitz & Kelley, 2010). Ground transportation in Arizona earned \$532 million and with a loss of \$14.1 million dollar in transportation, industry's GDP decreased by 2.65%. Food and beverages added \$1,449 million to Arizona's GDP. The loss of \$50.1 million decreased the food and beverages industry input to Arizona GDP by approximately 3.46% (U.S. Bureau of Economic, 2012 and Fitz & Kelley, 2010). Arizona S.B. 1070 has already cost the economy little over \$141 million in direct spending setting a chain reaction which will cost additional \$53.2 million in indirect spending (Fitz & Kelley, 2010). Arizona S.B. 1070 is damaging different industries inter-connected with each other and overall effects are costly for Arizona's GDP.

Furthermore, Fitz and Kelley (2010) have broken down the scenario of future conference losses into three possibilities: a high-range scenario is when all the losses are maximized, a low-range scenario is when all the losses are minimized, and a mid-range scenario is when the losses are half of high-range scenario. The high-range approximates loss of 2,951 jobs with over \$270 million dollar in output loss. In the low-range scenario, the losses include 422 jobs and \$38.6 million dollar in economic output loss. The mid-range scenario suggests a loss of 1,475 jobs and \$135.2 million in economic output (see table 3 in appendix B). These losses will keep accumulating because of lost direct and indirect spending done by visitors from business meetings and conferences. Induced spending will also rise over the years because as everyone spends less, smaller revenues will be generated for the firms. As there is smaller revenue for the firms, the households will receive lower income and spend less, resulting in even lower firm revenues. This process will keep going unless interrupted by an external force such as, U.S. government.

There is ample evidence that suggests that Arizona S.B. 1070 has negatively affected the tourism industry and the losses are not minute to ignore either. Jobs are lost from everyone including documented, undocumented, and American citizens workers. We can deduct from the evidence available that Arizona S.B. 1070's intention to prevent undocumented workers from working has caused job losses across the different industries for all workers.

Alabama H.B. 56 benefits and costs

Alabama H.B. 56, following the footsteps of Arizona S.B. 1070, was signed into law in June 2011. Similar to Arizona S.B. 1070, H.B. 56 proscribes the residents of Alabama from receiving any state or local public benefits if they are unlawfully living in Alabama. The law criminalizes “aliens” if they fail to carry their “alien registration documents” with them at all times. It is also unlawful for unauthorized workers to work in both public and private sector, which means that they cannot work in Alabama at all. There are many other provisions in the law similar to Arizona S.B. 1070 that make it hard for undocumented families to live in Alabama such as requiring police officers to determine immigration status of their detainees. These provisions have caused undocumented families in Alabama to migrate out of the state. This migration has decreased the total population of Alabama. By using a simple aggregate supply and demand model for Alabama economy, if the population decreases, the demand is likely to decrease. And once demand decreases, the spending decreases and in turn lowers the economy’s GDP.

Dr. Samuel Addy, director and research economist at The University of Alabama, reports his cost-benefit analysis on H.B. 56 in January 2012. As Addy reports, there are both quantitative and qualitative effects of H.B. 56 on the Alabama economy. One of the biggest benefits of H.B. 56 is that it will save funds that are used to provide public benefits to undocumented immigrants. As stated, two of the biggest benefits undocumented immigrants receive are educational services (mostly for children) and healthcare services (Addy, 2012, p. 4). Pew Research Center, Passel and Cohn (2011) reports estimate that there are 5.5 million children of undocumented immigrants. Out of the 5.5 million children, approximately 4.5 million are U.S-born (p. 13). Therefore, some money spent on undocumented immigrants’ children is actually spent on U.S. citizens. Additionally, money spent on healthcare services used by undocumented immigrants is ultimately beneficial because some diseases are better off treated because of their contingency nature. If left untreated, it is possible for the disease to spread and infect other people, which can raise the expenditures on healthcare overall. It is evident that H.B. 56 is causing undocumented immigrants to migrate out of Alabama but there are no clear data on how much savings are being generated.

Another potential benefit of H.B. 56 is that there will be more business and employment opportunities for documented and American citizens in Alabama. As argued in Addy's economic analysis report, current data proposes that employment in four sectors, accommodation, agriculture, food and drinking places and construction, is going down. These four sectors are also the ones most suspected to employ undocumented immigrants (Addy, 2012, p. 5). When determining how many opportunities will be available for legal residents in Alabama, it is important to consider that the average income earned by undocumented workers is little over half of what citizens earn. Nevertheless, it is also important to note that the jobs held by undocumented workers have tougher working conditions than most of the jobs held by legal residents. It is debatable whether documented and American citizen workers are willing to do the jobs typically done by undocumented workers.

The model prepared by Addy is helpful in understanding the magnitude of losses in GDP because of migration of workers. Based on the information from U.S. Bureau of Economic Analysis and Center of Business and Economic Research of The University of Alabama, there are a little over 50,000 undocumented workers in Agriculture industry, which includes crop and animal production. The construction sector employs about 147,637 undocumented workers; the accommodation industry employs approximately 17,187 undocumented workers; food services and drinking places employ 146,314 undocumented workers, totaling to 361,362 undocumented workers employed within these four sectors (see table 4 in appendix B).

A few assumptions of this model are that (1) the law causes undocumented workers to abandon their jobs and migrate out of Alabama, mostly from the four sectors being analyzed here; (2) approximately 40,000 to 80,000 undocumented workers earning from \$15,000-\$35,000 leave the state because of the law and (3) undocumented workers send 20% of their income to their family in their home country (Addy 2012, p. 7). The model shows that the total direct and indirect earnings lost (with limits being 40,000 jobs vacated with annual income \$15,000 to 80,000 jobs vacated with annual income of \$35,000) will range from \$1.2 billion to \$5.8 billion. GDP lost because of these direct and indirect earnings and expenditures will range from \$2.3 billion to \$10.8 billion or 1.3 to 6.2% decrease of state's total GDP of \$172.6 billion in 2010. Other losses will include \$56.7 million to \$264.5 million in state sales and income tax and \$20 million to \$93.1 million loss in city and county sales tax (Addy, 2012, p. 8). Alabama H.B. 56

can potentially cost Alabama 1.3 to 6.2% of its GDP. These losses are enormous and cannot be overlooked when understanding the impact of anti-undocumented immigrant laws.

Georgia H.B. 87 effects on agricultural industry

Georgia House Bill 87 was enacted as law in May 2011, which also followed the Arizona 1070's path. H.B. 87 makes it a crime to employ undocumented workers. The law requires the employers to use a new federal E-Verify system to check immigration status of workers before hiring them. Police officers and other authorities are also given power to check anyone's immigration status that they reasonably suspect are unlawfully in Georgia.

As indicated in the preamble of H.B. 87, the agricultural industry of Georgia makes up approximately 12% of state's GDP, about \$67 billion as of 2011 (Baxter, 2011, p. 1). Passel and Cohn (2010) reports that approximately 7% of Georgia's labor force comprises of undocumented workers. The agricultural industry of Georgia employs undocumented workers because many documented or American citizens do not continue working in the farms for long periods of time. Jermond Powell, a 33-year-old probationer, working on a farm, told Associated Press, "Those guys out here weren't out there 30 minutes and they got the bucket and just threw them in the air and say, 'Bonk this, I ain't with this, I can't do this.' They just left, took off across the field walking" (Bookman, 2011). Working on a farm is very challenging task and is not suitable for everyone. The agricultural industry in Georgia depends upon undocumented workers who are willing to work in harsh conditions (working over 12 hours a day and 7 days a week). Soon after the Georgia H.B. 87 went into effect, undocumented worker started leaving Georgia because of their fear of deportation and harsh punishments. As more and more undocumented workers migrate out of Georgia, farmers incur losses. An informal survey released in June 2011 by state Agriculture Commissioner Gary Black found that there are 11,080 job opening that cannot be filled because of undocumented workers migrating out of Georgia.

Mullis, a seasonal workers' employer, said in an interview with Tom Baxter that he and other blueberry producers had 60% fewer workers than in earlier years. Mullis added that he has left about \$400,000 to \$450,000 worth of fruit in the fields to rot because of labor shortage. Other farmers throughout the farming sector also experienced between 30 to 50% decrease in available labor (Baxter, 2011, p. 6). Georgia Agribusiness Council's president Bryan Tolar released an early estimate of losses in the agricultural industry. Georgia Agribusiness Council

comprises of over 700 farms and agribusiness operations. Not every farm in Georgia is a part of Georgia Agribusiness Council; therefore, those farms are not likely to be included in the report. Tolar estimated a monetary loss of \$300 million with overall impact of \$1 billion on the agricultural industry. These losses are equivalent to about 1.5% of total agricultural industry GDP input to Georgia GDP (Baxter, 2011, p.2).

Price hikes in certain good, namely pine straws, can be experienced in Georgia because of labor shortage. Jim Satterfield, a pine straw supplier, told WSB-TV in an interview that, “there is not enough labor in south–Georgia for raking and baling.” He went on explaining that he “probably [has] 5,000 bales on order that [he] cannot fill right now (2010).” The supply has shortened because of not enough people for harvesting. In addition, pine straw suppliers have to bring in straw-bales from out of state that is in turn raising the cost of each bale of pine straw. Thus, the increase in the cost of pine straw results in an increase in the price charged for customers. H.B. 87 is causing price hikes in certain goods, namely agricultural goods, because of decrease in labor and hurting the economy in several different aspects.

A general model analysis of market structure

There are four main types of market structure in an economy: perfect competition, monopolistic competition, oligopoly, and monopoly. Two market types that will be mainly affected by laws like Arizona S.B. 1070 are perfectly competitive and monopolistic competitive markets. Answering the following questions can help determine the kind of structure that a market has:

1. What is the number of firms operating in the industry?
2. Are goods identical or differentiated from other firms in the industry?
3. Are there no, low, or high barriers to entry for new firms in the industry?

For perfectly competitive markets, there are many buyers and sellers in the market. All goods produced are identical and there are no barriers to entry for any firm wanting to enter the industry. Agricultural industry can be considered as a perfectly competitive market because, for example, one farmer’s apples cannot be differentiated when put next to another farmer’s apples. In monopolistic competition, there are many buyers and sellers with almost no barriers to entry. However, in monopolistic competition, goods are differentiated by brands. Some examples of

markets that are monopolistic competition are clothing stores, restaurants, etc. (Hubbard and O'Brien, 2012, p. 396-397).

The farming industry is considered a perfectly competitive market, which means that one farmer cannot charge higher price than “market” price for a good because the buyer can easily buy the same good for market price from another farmer. The price is “controlled” by the market and one firm, in this case farm owner, by itself has no control over price of its goods. If the farmer tries to charge a higher price than the market price, he loses all of his customers because his demand curve is perfectly elastic, meaning that a little change in price leads to big decrease in demand (see figure 3 in Appendix E for my graphical representation of perfectly competitive market and demand curve for a firm in the market. I developed all the graphs in the appendices E, F, and G).

The demand curve for a firm is flat and the price is the equilibrium price of the market, which in this example is at \$4. The demand curve of the firms is also their Marginal Revenue (MR) curve, which represents how much they earn by producing and selling one additional unit of the good (Hubbard and O'Brien, 2012, p. G-3). Each firm has its own cost average total cost (ATC) curve, which represents the total cost divided by the quantity produced (Hubbard and O'Brien, 2012, p. G-1). Generally, ATC curves are shaped like parabolas. Additionally, it is evident that total cost for a farmer will be less with undocumented workers in the industry. Thus, ATC will be lower when undocumented workers are working. Contrariwise, if the undocumented workers are not working, the total cost will be higher to a farmer; thus ATC will also be higher (see figure 4 in appendix 5 for an illustration of general ATC curve).

Total numbers of firms that exist in this market are $\frac{\text{Quantity produced in Market}}{\text{Quantity produced by each firm}} = \frac{40}{4} = 10$ firms. Moreover, the firms at price equal to \$4 are not making any economic profits (revenues minus all costs, implicit and explicit). Thus, economic profit equals to zero. Economic profit being equal to zero means that the firm is making maximum accounting profit, which is revenue minus operating expenses and taxes paid, it could earn somewhere else. So, if the firm had worked somewhere else, it would make the same amount of money it made when its economic profit was zero.

A few of the assumption for this model are:

- (1) Each firm produces equal amount of quantity in the market,
- (2) Documented and American citizen workers are equally productive as undocumented workers,
- (3) Undocumented workers cost less to employ than documented and American citizen workers,
- (4) Undocumented workers are employed in every firm in the market, and
- (5) Undocumented workers work less or stop working after S.B. 1070 is enacted.

Once an anti-undocumented immigrant law such as S.B. 1070 is enacted, undocumented workers will stop working and the firms could only employ documented and American citizens. Thus, the total cost and ATC for each firm will increase because they will have to pay higher wages to documented and American citizens. The ATC curve for the firm will shift upwards to represent increase in its average total cost for producing the good (see figure 5 in appendix F).

With undocumented workers not working for the firm, the average total cost of producing four units of the good for the firms increases from \$4 to \$5. However, marginal revenue for producing four units is still at \$4. Therefore, the firm is having a loss of \$1 by producing the fourth unit. As firms keep incurring losses in the long run, they will decide to exit the market and close down. And once firms start to exit the market, the supply of the good will decrease until the price is equal to ATC_{\min} (see appendix G for illustration of decrease in market supply and increase in price). The quantity that is supplied in the market has decreased from 40 units to 30 units. Also, the equilibrium price has increased from \$4 to \$5. Since the price increased to \$5, the marginal revenue for firms has also increased from \$4 to \$5. At this point, no firm experiences a loss because price equals ATC_{\min} .

This means that the market has stabilized and has adjusted to the increase in total cost for all firms in the market. Before the law was enacted, the market consisted of 10 firms and after the law went into effect, the number of firms in the market decreased from 10 to 8 firms ($\frac{30}{4} = 7.5$, rounded up to 8 since $\frac{1}{2}$ firms cannot exist). The law has caused two firms to close down because they could not afford the increase in cost.

Similar effects will be experienced in monopolistic competitive market: as average total cost of everyday operations increases, the firms will start to exit the market. As firms exit the market, the supply in the market will decrease and the equilibrium quantity of the market will also decrease causing the price of the good to increase. Therefore, some small firms might have to close down because of higher operating costs or may have to increase the prices of the goods to stay in business.

Using this simple model for a perfectly competitive market and monopolistic competitive market, we can infer that whenever there is an increase of total cost for firms, everything else being the same, there is a decrease in number of firms and increase in market price. Moreover, since agricultural industry is known as a perfectly competitive market, firms within the industry should experience an increase in total cost for producing certain amount of units. In some cases, the increase in expense can cause few firms to shut down.

But, there are several ways an agricultural firm can reduce its total cost, such as by investing more into capital (harvesting machinery) rather than spending more money on labor. However, buying capital will not always work, simply because there might not be any existing capital that could harvest delicate agricultural products like peaches, watermelons, blueberries, etc. Additionally, Baxter found that machine-picked crops are worth less per-acre value than handpicked crops (Baxter, 2011, p. 13). Furthermore, if Georgia farmers were to switch all of their handpicked crops to machine-picked, they can expect \$800 million loss in farm gate value, which stands at 900 million with handpicked (Baxter, 2011, p. 14). Therefore, it is more beneficial for individual farmers to not substitute labor with capital, or at least for now until better capital is available.

Undocumented workers in US economy

In 2008, The Perryman Group estimated there are 8.1 million undocumented workers in the U.S. work force. By using conservative projections, The Perryman Group concluded that the immediate effect of removing all undocumented workers from U.S. labor force would be devastating. In the static scenario, based on the size of U.S. economy in 2008, there would be about \$1.7 trillion loss in annual spending and approximately \$651.5 billion loss in annual output; 8.1 million people will lose their jobs (The Perryman Group, 2008, p. 40). Agricultural industry of U.S. is estimated to lose up to 45% of its entire GDP immediately after all

undocumented workers are removed from the economy. The construction industry can experience a loss of up to 20% in its GDP (The Perryman Group, 2008, p. 43). After the economy has adjusted to the change in labor, there would be a permanent loss of half a trillion dollars in annual spending, of \$244.9 billion in annual output, and of nearly 2.8 million jobs (The Perryman Group, 2008, p. 41). The agricultural industry would also adjust to changes in labor and lose about 7% of its GDP permanently. The construction industry would lose approximately 2% of its GDP. All industries combined in U.S. after adjusting would permanently lose about 2% of their GDPs (The Perryman Group, 2008, p. 43). Thus, it is safe to assume that undocumented workers play a bigger role in U.S. economy than we think.

The studies discussed here focus on economic impacts only within states. However, social security, a federal safety net on which most Americans rely when they retire, is a pivotal part of the U.S. economy and therefore relevant to this debate. Undocumented workers often pay taxes on their income and therefore contribute to social security. Funds that undocumented workers contribute to social security system will most likely be left unclaimed, unless they used their real name for filing and were able to become legal residents of the U.S. later, which is highly unlikely. Therefore, the funds are available for U.S. government to use as they think appropriate. In 2010, Stephen C. Goss, the chief actuary of the Social Security Administration, told Edward Schumacher-Matos that as of 2007, undocumented workers have contributed a net benefit of approximately from \$120 billion to \$240 billion into the social security system (Schumacher-Matos, 2010). This net benefit is equivalent to 5.4% to 10.7% of total social security assets in 2007. Moreover, Goss stated that undocumented workers had contributed approximately \$12 billion in 2007 alone. By now, these contributions have definitely increased. All Americans are benefiting from undocumented workers' contributions to the social security system. As Goss states, undocumented families are a "positive contributing factor to Social Security solvency" (Schumacher-Matos, 2010).

Magnitude of effects on Arizona economy

In 2010, Passel, J. and Cohn, D. from Pew Research Center compiled together a report that suggests that the percentage of unauthorized immigrants in Arizona and Georgia is very similar. The new report estimates that there are about 7.4% unauthorized workers in Arizona's labor force and 7.0% in Georgia's labor force. The report also shows that 4.2% unauthorized

workers are present in the Alabama labor force as well. Undocumented immigrants make up 2.5%, 4.4% and 6.0% of total population of Alabama, Georgia and Arizona, respectively (see table 5 in appendix C).

The 2010 census of U.S. state population reveals that Alabama, Arizona and Georgia have 4.7 million, 6.5 million, and 9.6 million residents in their states, respectively (U.S. Census Bureau, 2010). After analyzing the proportions of undocumented workers and the population of individual states, we can infer that Georgia has the most unauthorized immigrants living in its state. Thus, it is safe to assume that Georgia's H.B. 87 should have the biggest impact on its state economy than the other two economies. Alabama has the smallest undocumented worker population out of all three states. Thus, it is safe to assume that Alabama's economy will be affected the least from Alabama H.B. 56. As found earlier, the effects of Alabama H.B. 56 on Alabama economy are substantial. This means that Arizona economy has a potential of having even bigger impact on the economy with removal of undocumented workers than Alabama's economy, which were losses ranging from 1.3 to 6.2% of Alabama's GDP.

Conclusion

Arizona S.B. 1070 and other similar laws such as Georgia's H.B. 87 and Alabama's H.B. 56 are costing more to the state than benefiting it. Undocumented workers do jobs that most Americans are not willing to do because of low pay and amount of physical work required for the job. Undocumented workers also pay taxes (income taxes or sales taxes) that help the economy. On the contrary, undocumented workers do take advantage of social services provided by the government for documented and American citizens. However, the net impact of using services and paying taxes is positive since undocumented workers actually pay more in taxes than they enjoy the services.

Undocumented workers contribute, for the most part, positively into the economy; banning these workers from working will cost the economy substantially. Laws such as Arizona Senate Bill 1070, Alabama House Bill 56, and Georgia House Bill 87 are few examples of laws that restrict undocumented immigrants from working and cause them to move out of the states' economy and potentially from nation's economy. This decrease in undocumented immigrant worker can be permanent if the restrictive laws remain enacted. With less labor available to firms, specifically agricultural firms, the operating costs rise, thus increasing the price of goods

and causing some firms in the industry to close down. Deporting all undocumented immigrants already intertwined in the U.S. economy may make far less economic sense than simply controlling incoming undocumented immigration.

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Appendix A

Table 1

Visitor assumptions

Lodging	\$45,000,000
Food and Beverage	\$50,100,000
Entertainment	\$13,400,000
In-town transportation	\$14,100,000
Retail	\$18,800,000
Total	\$141,400,000
Source: Center for American Progress, Fitz, M., & Kelley, A (2010)	

Table 2

Economic consequences of lost tourism to Arizona, in 2010 dollars

Impact type	Jobs loss	Wages loss	Economic output loss
Direct	1,937	\$48,944,000	\$141,511,000
Indirect	358	\$17,689,000	\$53,225,000
Induced	466	\$19,904,000	\$58,293,000
Total	2,761	\$86,537,000	\$253,029,000

Notes: The total may not equal the sum of the impacts due to rounding. All dollar figures are in constant dollars. Inflation has not been included in these figures.

Source: Center for American Progress, Fitz, M., & Kelley, A (2010)

Appendix B

Table 3

Economic consequences of lost tourism to Arizona, in 2010 dollars

High-range scenario			
Impact type	Jobs	Wages	Economic output
Direct	2,070	\$52,304,000	\$151,225,000
Indirect	382	\$18,904,000	\$56,878,000
Induced	498	\$21,271,000	\$62,294,000
Total	2,951	\$92,479,000	\$270,397,000
Mid-range scenario			
Impact type	Jobs	Wages	Economic output
Direct	1,035	\$26,152,000	\$75,613,000
Indirect	191	\$9,452,000	\$28,438,000
Induced	249	\$10,635,000	\$31,148,000
Total	1,475	\$46,239,000	\$135,199,000
Low-range scenario			
Impact type	Jobs	Wages	Economic output
Direct	296	\$7,472,000	\$21,603,000
Indirect	55	\$2,700,000	\$8,124,000
Induced	71	\$3,038,000	\$8,900,000
Total	422	\$13,210,000	\$38,627,000
Notes: The total may not equal the sum of the impacts due to rounding. All dollar figures are in constant dollars. Inflation has not been included in these figures.			
Source: Center for American Progress, Fitz, M., & Kelley, A			

Table 4

Employment and earnings in sectors alleged to employ undocumented workers

	<u>2010 Employment</u>	<u>4-Sector Share</u>	<u>Earnings per Worker</u>
Agriculture (crop and animal production)	50,224	13.9%	\$18,150
Construction	147,637	40.9%	\$47,250
Accommodation	17,187	4.8%	\$22,964
Food services and drinking places	146,314	40.5%	\$17,954
All four sectors	361,362	100.0%	\$30,189
Source: U.S. Bureau of Economic Analysis and Center for Business and Economic Research, The University of Alabama			

Appendix C

Table 5

Number and Share for Labor Force and Total Population of Undocumented Immigrants, 2010

<u>Labor Force</u> (thousands)				<u>Population</u> (thousands)		
	Total	Undocumented workers		Total	Undocumented Immigrants	
		Estimate	Share		Estimate	Share
U.S. Total	154,939	8,000	5.2%	305,999	11,200	3.7%
Alabama	2,263	95	4.2%	4,695	120	2.5%
Arizona	3,116	230	7.4%	6,559	400	6.0%
Georgia	4,777	325	7.0%	9,722	435	4.4%

Notes: Labor force estimates include both employed and unemployed workers. Percentages are computed from unrounded data.

Sources: Pew Hispanic Center

Appendix D

Figure 1. Estimated percentage of undocumented workers in U.S. labor force as of 2007.

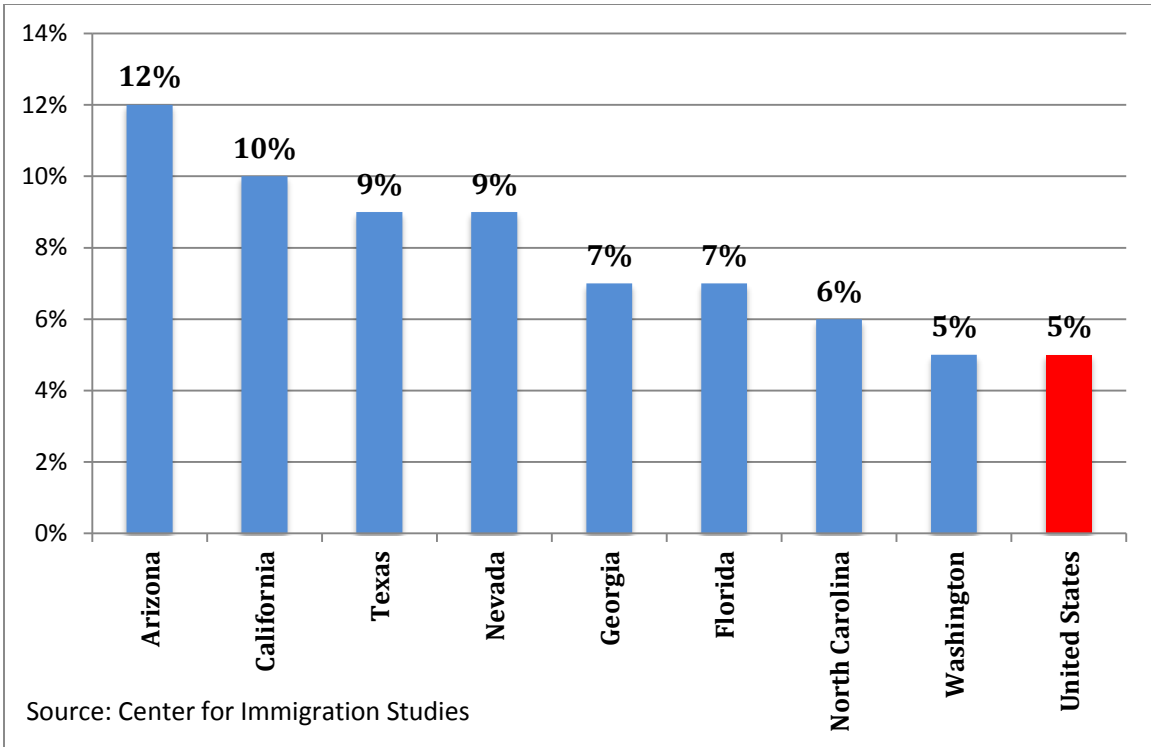
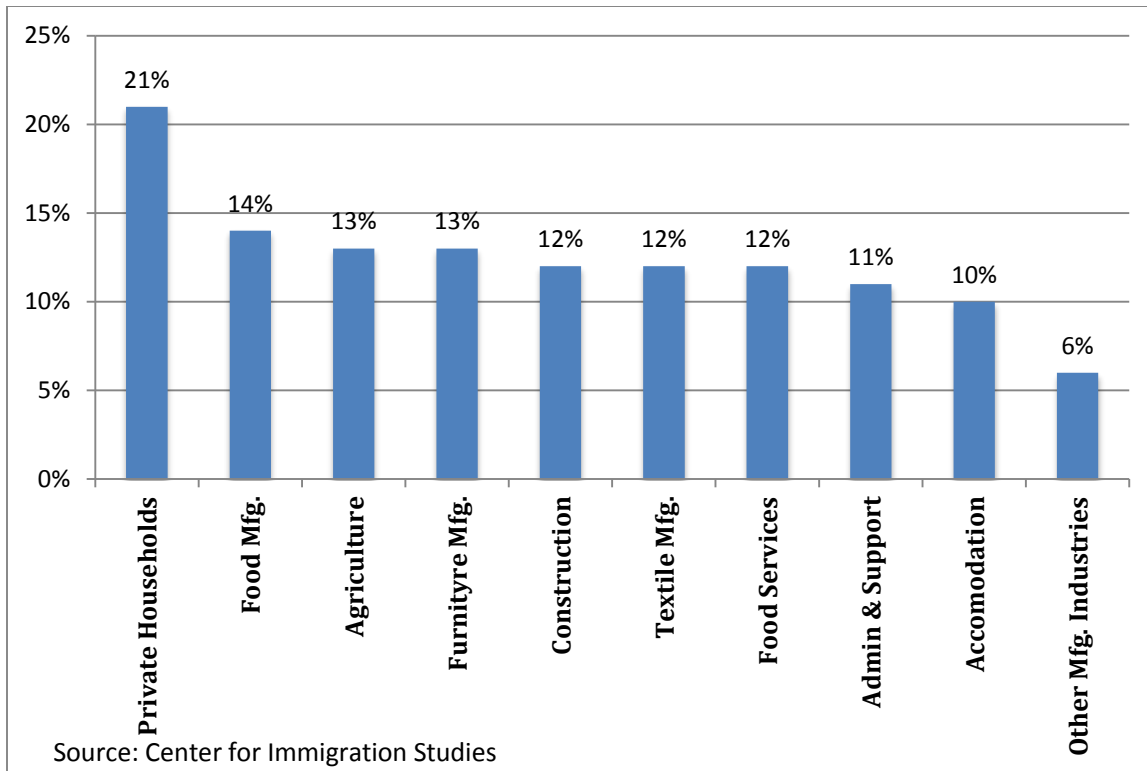
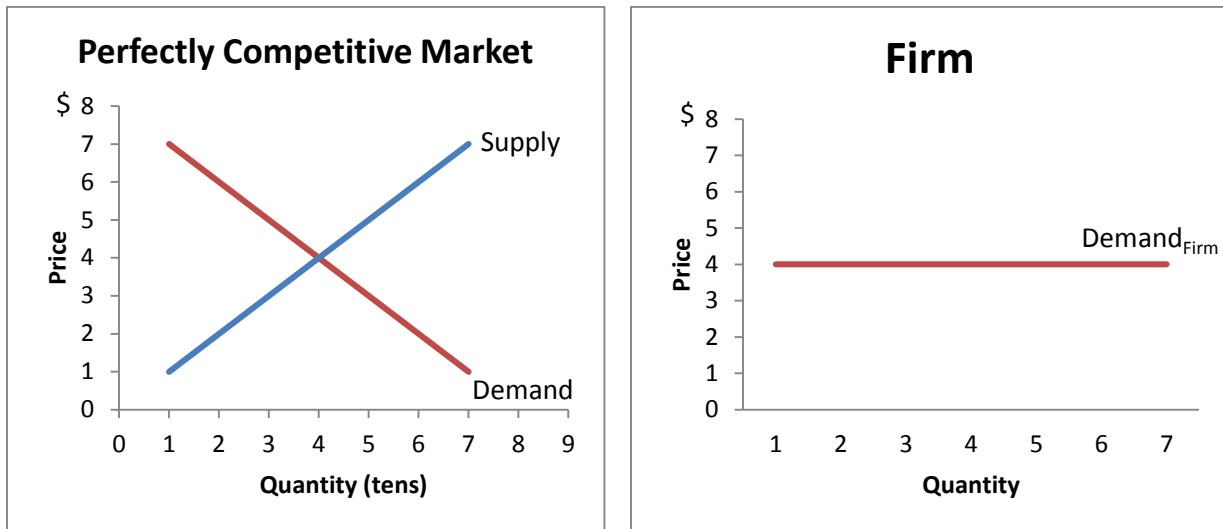


Figure 2. Proportion of undocumented workers in several industries in 2005



Appendix E

Figure 3. General supply and demand curve for a perfectly competitive market and a firm.



Appendix F

Figure 4. General Average Total Cost (ATC) curve for a firm.

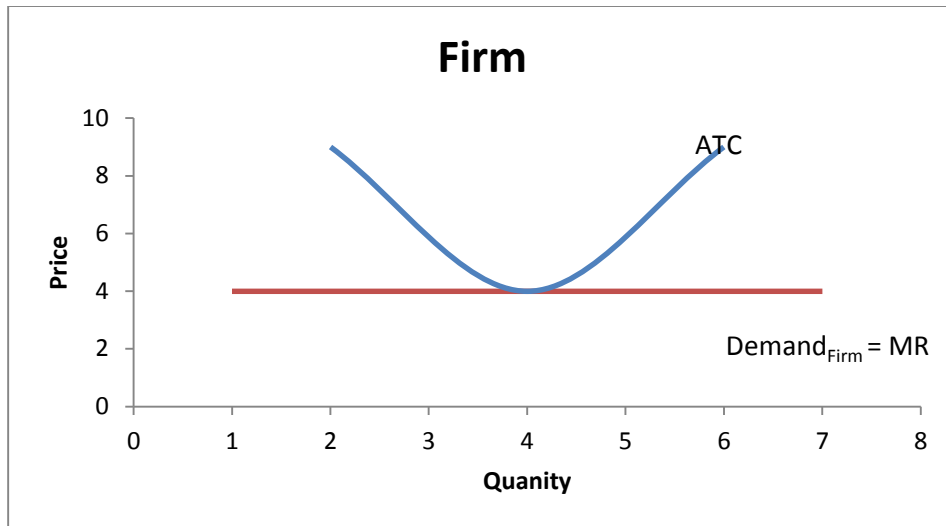
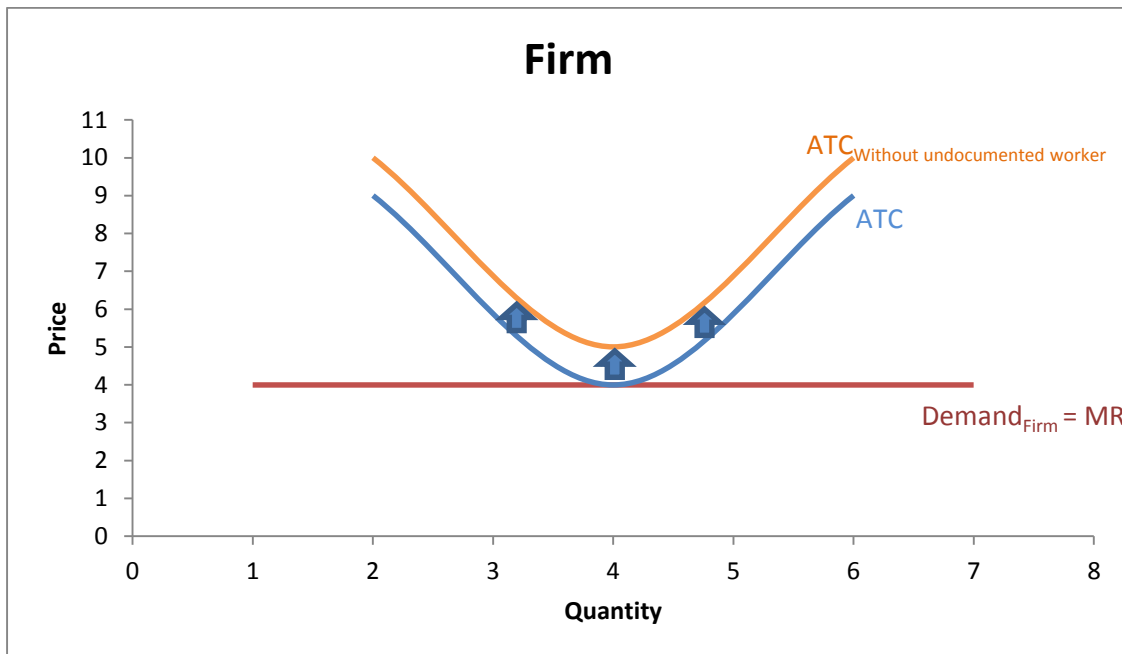


Figure 5. Change in Firm's ATC curve with undocumented workers not working



Appendix G

Figure 6.1 Perfectly Competitive Market, change in supply and its effects

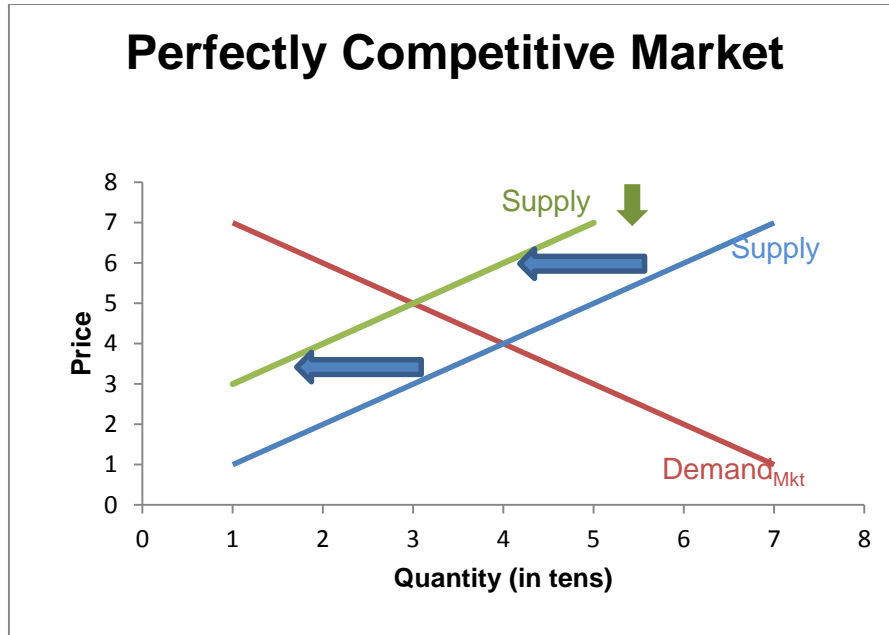


Figure 6.2 Firm Market, change in supply and its effects

