Center for American Progress

The Economic Impacts of Removing Unauthorized Immigrant Workers

An Industry- and State-Level Analysis

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Introduction and summary

In every state and in every industry across the United States, immigrants—authorized and unauthorized—are contributing to the U.S. economy. Immigrant labor and entrepreneurship are believed to be powerful forces of economic revitalization for communities struggling with population decline.[1] Estimates suggest that the total number of unauthorized immigrants currently residing in the United States is approximately 11.3 million, or about 3.5 percent of the total 2015 resident population of 324.4 million.[2] Of those 11.3 million, we estimate that 7 million are workers. What is the economic contribution of these unauthorized workers? What would the nation stand to lose in terms of production and income if these workers were removed and returned to their home countries?

Mass deportation of 11.3 million unauthorized immigrants would also remove these 7 million workers from the U.S. economy, reducing the total number of U.S. workers by nearly 5 percent. A change in domestic labor supply of the magnitude entailed by such a policy has little historical precedent in the United States. The Great Recession—considered here to take place from 2007 to 2009—raised the unemployment rate by 4.5 percentage points and reduced real gross domestic product, or GDP, by 4.2 percent,[3] but its effects were spread across different classes of workers. To estimate how removing unauthorized workers would affect the economy, we proceed by constructing an economic model that builds on the cutting-edge research techniques pioneered by leading economists on all sides of the immigration debate.[4] In the pages that follow, we use industry-level data and individual data in order to capture the full scale of the diversity within the unauthorized population and to estimate the effects of a mass deportation policy on industries in the United States as a whole, as well as in each state.

The main findings of this report are as follows:

- **A policy of mass deportation would immediately reduce the nation's GDP by 1.4 percent, and ultimately by 2.6 percent, and reduce cumulative GDP over 10 years by $4.7 trillion.** Because capital will adjust downward to a reduction in labor—for example, farmers will scrap or sell excess equipment per remaining worker—the long-run effects are larger and amount to two-thirds of the decline experienced during the Great Recession. Removing 7 million unauthorized workers would reduce national employment by an amount similar to that experienced during the Great Recession.

- **Mass deportation would cost the federal government nearly $900 billion in lost revenue over 10 years.** Federal government revenues are roughly proportional to GDP, while federal spending is less responsive. A conservative estimate suggests that annual revenue losses would start at $50 billion and accumulate to $860 billion over a 10-year period. With associated increases in interest payments, removal* would thus raise the federal debt by $982 billion by 2026 and increase the debt-to-GDP ratio, a common measure of fiscal sustainability, by 6 percentage points over the same time period.** Unsustainably high levels of the debt-to-GDP ratio may ultimately raise interest rates and choke off economic growth.

- **Hard-hit industries would see double-digit reductions in their workforces.** Unauthorized workers are unevenly spread across industries, with the highest concentrations employed in agriculture, construction, and leisure and hospitality. Those three industries would be hit hardest by a removal policy, experiencing workforce reductions of 10 percent to 18 percent, or more.[5] Other industries would also experience reductions in output due to a mass deportation policy.

- **The largest declines in GDP would occur in the largest industries, not in immigrant-heavy industries.** Because industries also vary in size, the losses in value added to the national GDP stemming from removal occur across many industries that are not usually associated with unauthorized labor. The three largest U.S. industries in terms of value added are financial activities, manufacturing, and wholesale and retail trade. Annual long-run GDP losses in those industries would reach $54.3 billion, $73.8 billion, and $64.9 billion, respectively, the three largest effects among the 12 private-sector industries.
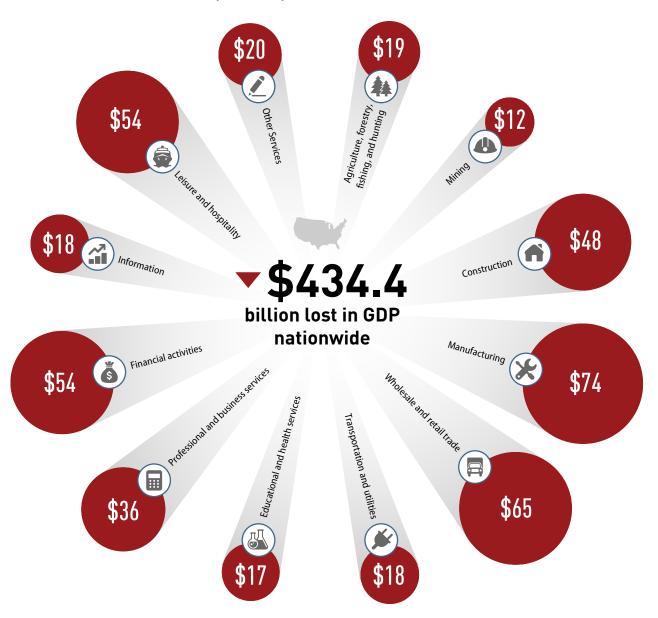
* Throughout this report, the terms "mass deportation," "deportation," "removal," and "removal policy" refer to any policy or practice that results in the 11.3 million unauthorized immigrants, among whom 7 million are workers, in the United States being forced to leave the country.

- **States with the most unauthorized workers will experience the largest declines in state GDP.** We estimate that GDP in California, for example, will ultimately fall by $103 billion annually—or roughly a 5 percent drop—if mass deportation occurs. Large declines will also occur in other states such as Texas, New York, and New Jersey, with the effects spread across industries.[6]

The economic and fiscal harm from mass deportation is severe. The Center for American Progress previously estimated the direct cost to the government of physically deporting this many unauthorized immigrants at $114 billion.[7] This report focuses solely on the economic effects of removal of 7 million unauthorized workers, which are much larger. It is beyond the scope of this report, however, to estimate the economic consequences of removing from the U.S. economy more than 11 million consumers of goods and services. And there are also likely to be harmful noneconomic consequences felt by communities and families that would have to adjust to the removal of millions of people. It is also beyond the scope of this report to estimate response of native employment. But with current unemployment rates low in most industries, the incentives for remaining residents to work more in order to fill in any gaps left by deported workers would most likely be small and temporary. Viewed in this context, our results suggest that a policy of mass deportation faces a high bar in terms of a cost-benefit calculation.

The national economy will suffer losses if unauthorized immigrant workers are removed

Average annual GDP losses from removing unauthorized immigrant workers, by industry (in billions of dollars)

$20 Other Services

$19 Agriculture, forestry, fishing, and hunting

$12 Mining

$54 Leisure and hospitality

$18 Information

$434.4 billion lost in GDP nationwide

$48 Construction

$54 Financial activities

$36 Professional and business services

$74 Manufacturing

$65 Wholesale and retail trade

$17 Educational and health services

$18 Transportation and utilities

Notes: The annual estimates of GDP lost are the long-run impacts on production (in 2013 dollars) of a policy that removes all unauthorized immigrant workers. Total GDP lost excludes public-sector, or government, contributions to GDP, which are not shown separately because they do not change with the policy. Estimates are not available, or N/A, for industries within a state where there are too few unauthorized workers observed in the 2011–2013 pooled American Community Survey.

Source: Ryan Edwards and Francesc Ortega, "The Economic Impacts of Removing Unauthorized Immigrant Workers: An Industry and State-Level Analysis" (Washington: Center for American Progress, 2016), available at https://www.americanprogress.org/issues/immigration/report/2016/09/16/144363//. See Methodology for further detail.

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As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

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