

REMI ELECTION SERIES 2020: LABOR AND IMMIGRATION POLICY

Overview



- Election 2020 and Labor Policy
- Labor Policy Scenarios
 - Stylized Minimum Wage Simulation
 - Paid Leave Case Study
- The Gig Economy
 - Prop-22 in a State Economy
- Immigration Case Study
 - Immigration and US Economic Growth REMI Study

Will Biden Focus on Labor?

- Administration considered “Center-Left”
- CEA Picks are Labor Economist-Heavy
- High-Level of voter interest in labor issues
 - Vows to be the “strongest labor president you’ve ever had” –Joe Biden at AFL-CIO event

Labor and COVID



- Disruption on the labor economy itself
 - ▣ Unemployment rates historically high
 - ▣ Disparities: “The K-Shaped Recovery”
 - ▣ Disproportionate low-income job loss
 - ▣ Racial, Gender, Regional inequality gap increase

Labor and Politics



- Regardless of political party, labor is an issue that needs to be addressed

- Executive Branch holds a lot of authority over labor considerations
 - NLRB sets labor standards
 - Pull back of Trump administration executive orders

Labor Policy Scenarios

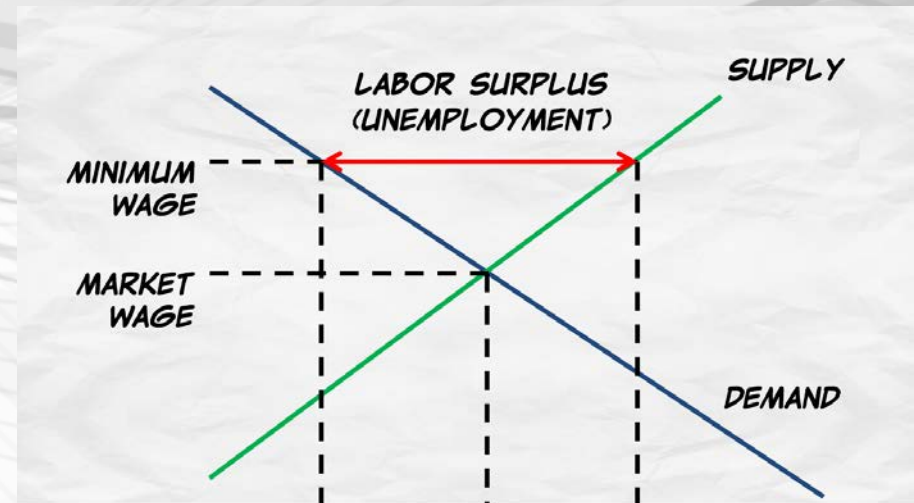


- Minimum Wage and Paid Family Leave
 - Neoclassical model: Labor regulations distort operation of the free market; unnecessarily causing unemployment and inefficiency
 - New Keynesian model: need to take other issues into consideration: re-expenditures income in the economy, otherwise paid for labor and social benefits, unemployment effects are exaggerated

Econ101: Minimum Wage



- Neoclassical Understandings
 - ▣ Econ101-Supply and Demand Curve, Price Floor, Unemployment
- Substitution away from Labor, towards Capital
- Demand increase won't be enough



Minimum Wage: Regional Differences



	Assumed Federal Minimum Wage Schedule ⁶	Alabama			Washington		
		Status Quo Effective Minimum Wage Schedule	Assumed Effective Minimum Wage Schedule	New Hourly Employer Cost per Minimum Wage Worker	Status Quo Effective Minimum Wage Schedule	Assumed Effective Minimum Wage Schedule	New Hourly Employer Cost per Minimum Wage Worker
2019	\$7.90	\$7.25	\$7.90	\$0.65	\$12.00	\$12.00	\$0.00
2020	\$9.20	\$7.25	\$9.20	\$1.95	\$13.50	\$13.50	\$0.00
2021	\$10.50	\$7.25	\$10.50	\$3.25	\$13.72	\$13.72	\$0.00
2022	\$11.80	\$7.25	\$11.80	\$4.55	\$13.95	\$13.95	\$0.00
2023	\$13.10	\$7.25	\$13.10	\$5.85	\$14.18	\$14.18	\$0.00
2024	\$14.38	\$7.25	\$14.38	\$7.13	\$14.42	\$14.71	\$0.29
2025	\$15.18	\$7.25	\$15.18	\$7.93	\$14.66	\$15.18	\$0.52
2026	\$15.54	\$7.25	\$15.54	\$8.29	\$14.90	\$15.54	\$0.64
2027	\$15.92	\$7.25	\$15.92	\$8.67	\$15.15	\$15.92	\$0.77
2028	\$16.30	\$7.25	\$16.30	\$9.05	\$15.40	\$16.30	\$0.90

Source: "[Economic Effects of Enacting the Raise the Wage Act on Small Businesses and the U.S. Economy](#)" by National Federation of Independent Business

Minimum Wage



- Introduction to Webinar Series-Star Cities Minimum Wage Simulation
 - ▣ Star Cities=6 most populated counties conglomerated into one “region”
 - ▣ Rest of the US = Interior, Suburb, Smaller Cities

- Simulation: Increased Compensate Rate by 1% in the Rest of the US

Table of Results-All Regions



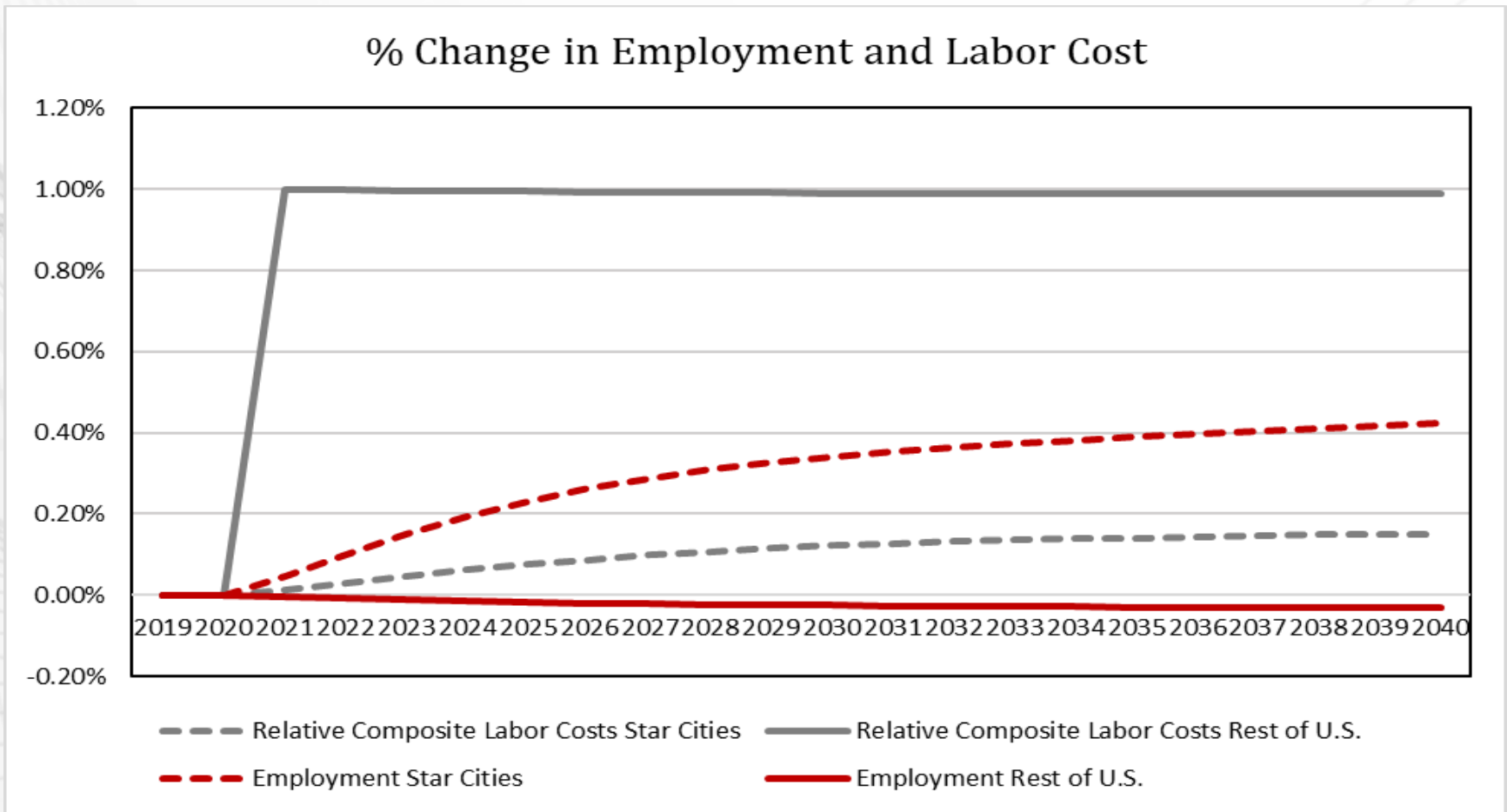
Category	Units	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Employment	Thousands (Jobs)	-0.219	-0.225	-0.238	-0.26	-0.286	-0.305	-0.316	-0.333	-0.348	-0.361
Private Non-Farm Employment	Thousands (Jobs)	-0.793	-0.858	-0.81	-0.802	-0.916	-1.151	-1.505	-1.994	-2.593	-3.317
Residence Adjusted Employment	Thousands	-12.239	-12.962	-12.666	-12.345	-11.978	-11.679	-11.427	-11.17	-10.997	-10.717
Population	Thousands	0.019	0.066	0.131	0.203	0.276	0.346	0.409	0.463	0.506	0.538
Labor Force	Thousands	3.856	1.78	-0.09	-1.536	-2.894	-4.576	-5.655	-6.363	-6.756	-7.054
Gross Domestic Product	Billions of Fixed (2012) Dollars	2.693	2.39	2.495	2.892	3.655	4.664	5.919	7.443	9.176	11.26
Output	Billions of Fixed (2012) Dollars	4.295	3.119	2.689	2.869	3.831	5.335	7.356	9.93	12.747	16.231
Value-Added	Billions of Fixed (2012) Dollars	2.693	2.39	2.495	2.892	3.655	4.664	5.919	7.443	9.176	11.26
Personal Income	Billions of Current Dollars	103.679	107.674	111.508	115.37	119.385	123.659	128.351	133.286	138.233	143.318
Disposable Personal Income	Billions of Current Dollars	91.144	94.873	98.097	101.473	104.974	107.908	111.199	115.519	119.74	124.093
Real Disposable Personal Income	Billions of Fixed (2012) Dollars	2.845	3.989	6.389	9.171	12.048	14.774	17.472	20.307	22.855	25.688
Real Disposable Personal Income per Capita	Thousands of Fixed (2012) Dollars	0.009	0.012	0.019	0.027	0.035	0.043	0.05	0.058	0.065	0.073
PCE-Price Index	2012=100 (Nation)	0.579	0.582	0.575	0.564	0.548	0.535	0.523	0.51	0.505	0.492

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Results from Simulation



% Change in Employment and Labor Cost



Minimum Wage New Understandings



- Marginal propensity to consume is high
- Response of employment to wage changes could be overinflated
 - Particularly for locally provided services
 - Won't necessarily incur wage increases in job losses, may find other ways to compensate
- State spending on social benefits could decrease—higher cost to businesses, lower tax payer cost
 - Smaller amount of people below the poverty line

Labor Benefits Case Study



- [“Economic and Policy Impact Statement: Universal Paid Leave Amendment Act of 2016”](#) by **Council of the District of Columbia**
- Subject of study was the Universal Paid Leave Amendment Act of 2016 (UPLAA)
 - Creates paid family leave benefit for all private sector workers in DC
 - Replace 90% of workers wages for 11 weeks of paternal leave and 8 weeks of caregiving leave
 - Paid for by a payroll tax

Paid Leave Case Study



- Estimated Payroll Tax of .062 on private sector employers would be incurred in 1 of 3 behavioral responses:
 - Employee Absorbed
 - Firm Absorbed
 - Hybrid of the two

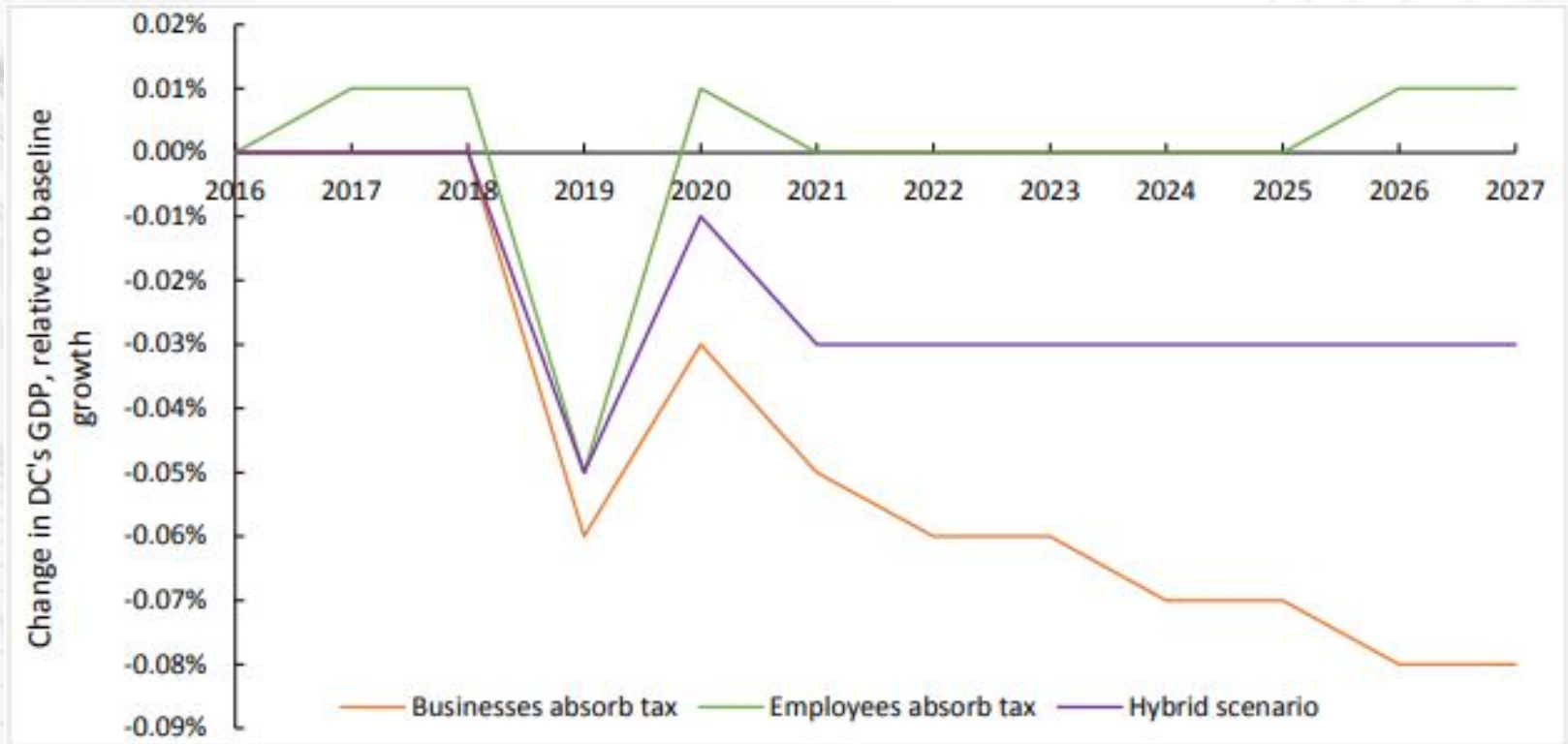
Table- Results of Modeling

	Baseline Forecast (No paid leave)	Employees Absorb Tax	Businesses Absorb Tax	Hybrid Scenario
GDP, District of Columbia, 2027	\$152.1 billion	GDP increases by \$15 million	GDP decreases by \$122 million	GDP decreases by \$46 million
Private Sector Employment, 2027	621,000 jobs	Employment decreases by 90 jobs	Employment decreases by 1,300 jobs	Employment decreases by 500 jobs

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From: "[Economic and Policy Impact Statement: Universal Paid Leave Amendment Act of 2016](#)" by Council of the District of Columbia

% Change in GDP comparatively



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Paid Leave Study- Conclusions



- Study found that after public paid family leave programs implemented(UPLAA), had minimal impact on labor market in DC area
 - Women labor force participation would increase
 - Infant mortality rate would decrease
 - Three behaviors to tax scenarios saw relatively similar results
- Costs more readily identifiable than it's benefits

Model Demo: Prop-22



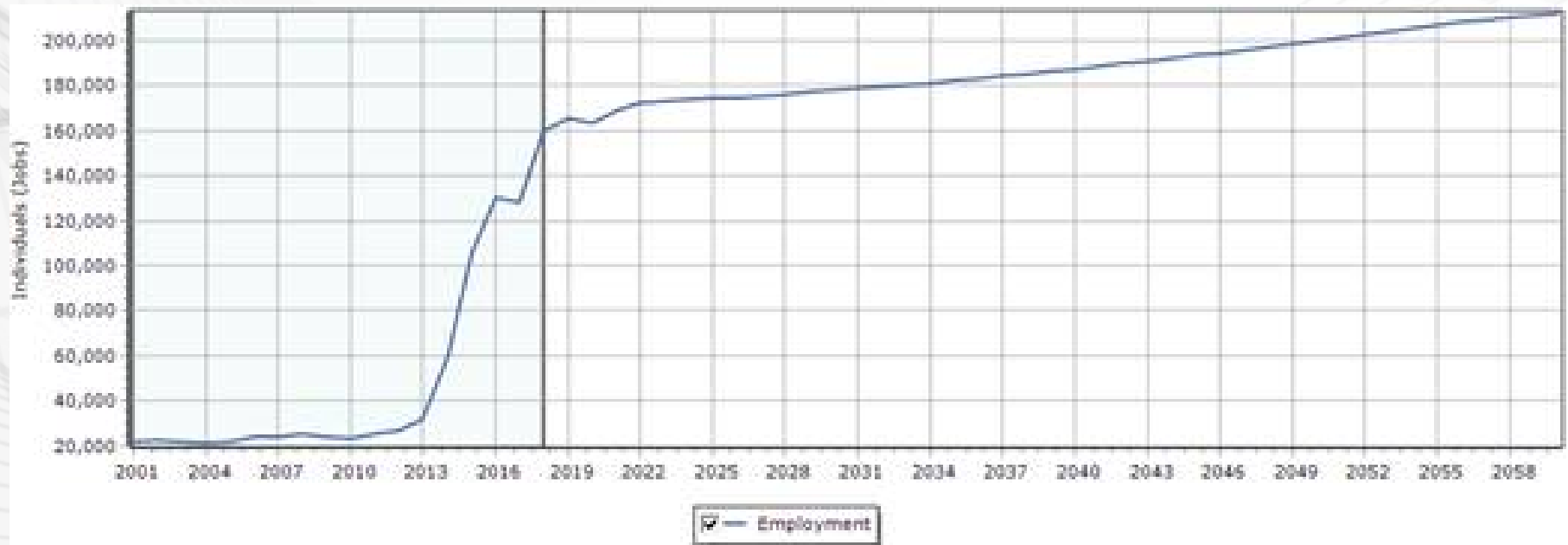
- Prop-22 was a bill in California that decided whether or not gig workers would be re-classified as employees or remain independent contractors.
- Prop-22 passed, meaning gig workers are still considered independent contractors.
- What if Colorado made all Uber and Lyft drivers official employees covered by state labor standards?

Necessary Context



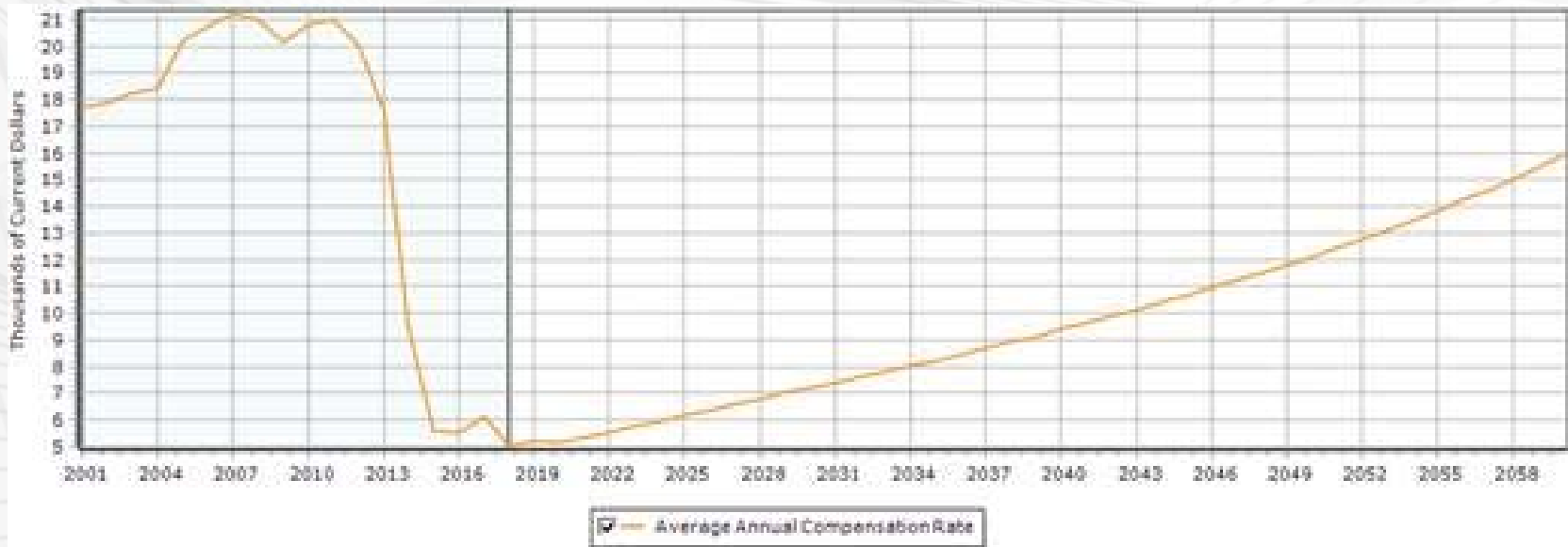
- The REMI model already includes Uber and Lyft workers in the industry. This means as Uber and Lyft took off, our graphs showed a drastic increase in employment and decrease in compensation rate.

Employment Graph for Transit and Ground Passenger Industry



what does **REMI** say? sm

Compensation Rate for Transit and Ground Transportation Industry



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Key Take-Aways



- Trade off between compensation and employment
- For an individual state, have a loss of competitive position relative to other states
- Because of competitive effect of policy, Biden Administration is likely to implement national labor regulations

Immigration and U.S. Economic Growth



- Immigration and United States Economic Growth (2018)
- Frederick Treyz, Ph.D. and Peter Evangelakis, Ph.D. evaluated a hypothetical scenario: What would happen if there was no net immigration into the country?
- Eliminated baseline immigration in the REMI PI+ model to show potential demographic and economic impacts (i.e. population, labor force, employment, etc.)

[Treyz, Frederick, Evangelakis, Peter. \(2018\). Immigration and United States Economic Growth. Business Economics, 53: 134-140](#)

Results



- Population and employment peak and then steadily decline representing losses of over 80 million people and 50 million workers relative to baseline by 2060.
- Increase in the average age of the population
- Lowers the labor force participation rate by almost 3% by 2060.
- The U.S. labor force and GDP each decline by about 20% by 2060, and real GDP per capita falls
- Nominal and real income per capita may rise or fall depending on how the Fed responds to changes in the price level generated by a tighter labor market.

[Treyz, Frederick, Evangelakis, Peter. \(2018\). Immigration and United States Economic Growth. Business Economics, 53: 134–140](#)

An Updated Simulation



- Eliminate baseline immigration in the REMI PI+ model out to 2040 to show potential demographic and economic impacts:
 - Population
 - Employment and Labor Force
 - GDP and Output
 - State-Level analysis capabilities

Final Thoughts



- Labor policy likely to be major focus of Biden Administration
- Economic modeling can be used to answer many of these questions when it comes to labor policy

Q&A Session