

Biden Labor & Immigration Policy

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Overview

- Immigration Policy in 2021
 - Democratic bill in Congress
 - Pathways to citizenship for undocumented immigrants
 - Demo of the impacts of increased immigration in REMI model
 - COVID-19 considerations
- Labor Policy
 - Potential increased minimum wage
 - Not included in coronavirus relief bill but still a policy priority for Democrats
 - Demo of the effects of \$15 minimum wage rate in REMI model
 - Pandemic and unemployment

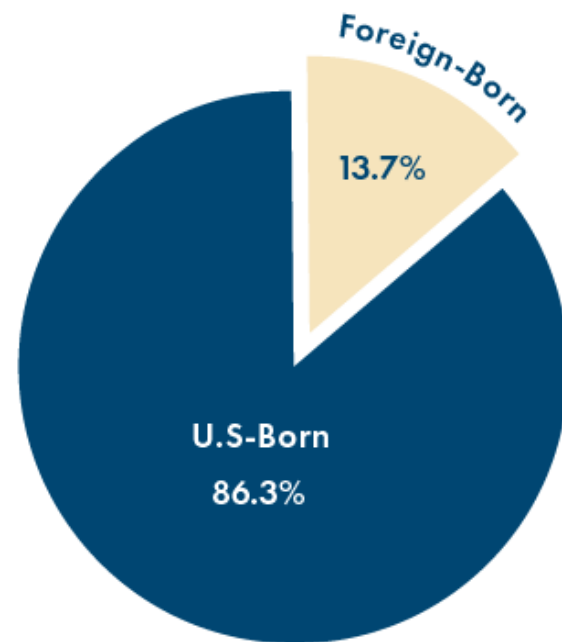
Context

Around 44.7 million immigrants in the US as of 2018

- 73% are documented
- 27% are undocumented

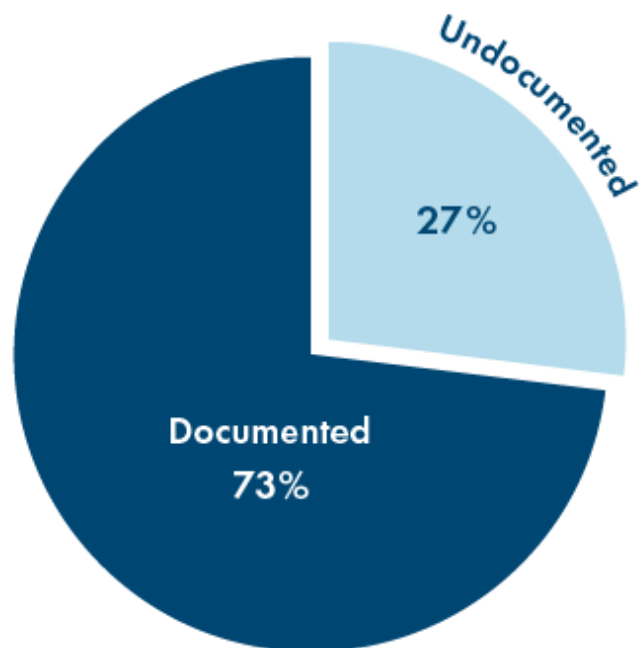
Immigrants have higher workforce participation rates

- 63.8% for US-born
- 66.4% for foreign-born

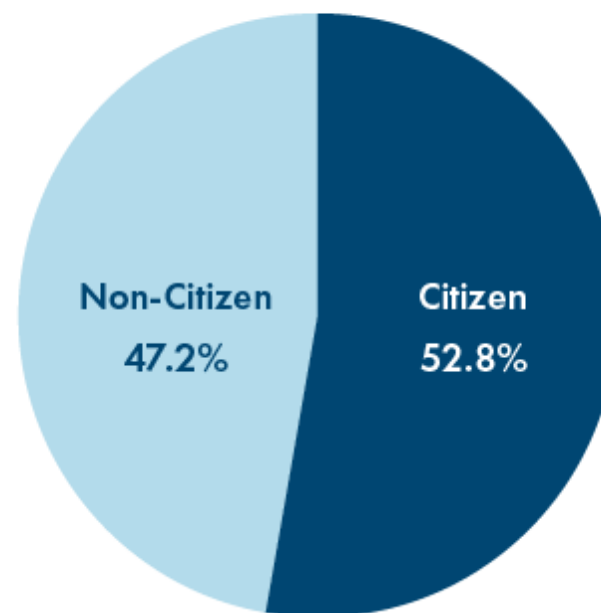


Source: U.S. Census 2018 American Community Survey

Context



Source: Institute of Immigration Research analysis of the American Community Survey (ACS) 2012-2016 5-year sample data from Integrated Public Use Microdata Sample (IPUMS-USA) file



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Immigration & Business

- Immigrants found one quarter of new businesses in the US
- Immigrant-founded businesses are more likely to include R&D activity, product and process innovation
- 25% of aggregated economic value from publicly traded firms' patents comes from immigrants' patents

Recent Immigration Policy

- **DACA (2012, 2014)**
 - Obama Administration
 - Protection to those who arrived as minors
 - Protection for the parents of minors
- **Gang of 8 Bill (2013)**
 - Passed the senate, never introduced in house
 - Would've provided path to citizenship
- **Trump Administration**
 - Executive Orders
 - Family Separation
 - Remain in Mexico (Asylum seekers have long wait periods)
 - Anti-immigrant rhetoric
 - Border wall

Sweeping Immigration Reform



- Proposed U.S Citizenship Act of 2021
 - Offers 8-year pathway to citizenship for around 10.5 million undocumented immigrants
 - Expands caps on visas and green cards
 - Strengthens labor protections
 - Advances technology and infrastructure investment at the border
 - Makes asylum more accessible
 - Addresses root causes of immigration through increased foreign aid to Central American countries

Immigration, Labor, and COVID-19 Concerns



- Pandemic labor market disruption
 - Historically high unemployment rates
 - Disparities: "K-shaped recovery"
 - Disproportionate low-income job loss
 - Increase in racial, gender, and regional inequality gaps
- Concerns about immigrant workers displacing domestic workers
 - "Crowding out"
- Executive branch has strong authority over immigration policy
 - Pull back of Trump executive orders
 - NLRB sets labor standards

Immigration and Economic Growth: REMI Study



- Changes in immigration rates have long-term macroeconomic impacts
- 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.)

Immigration and Economic Growth: REMI Study Results

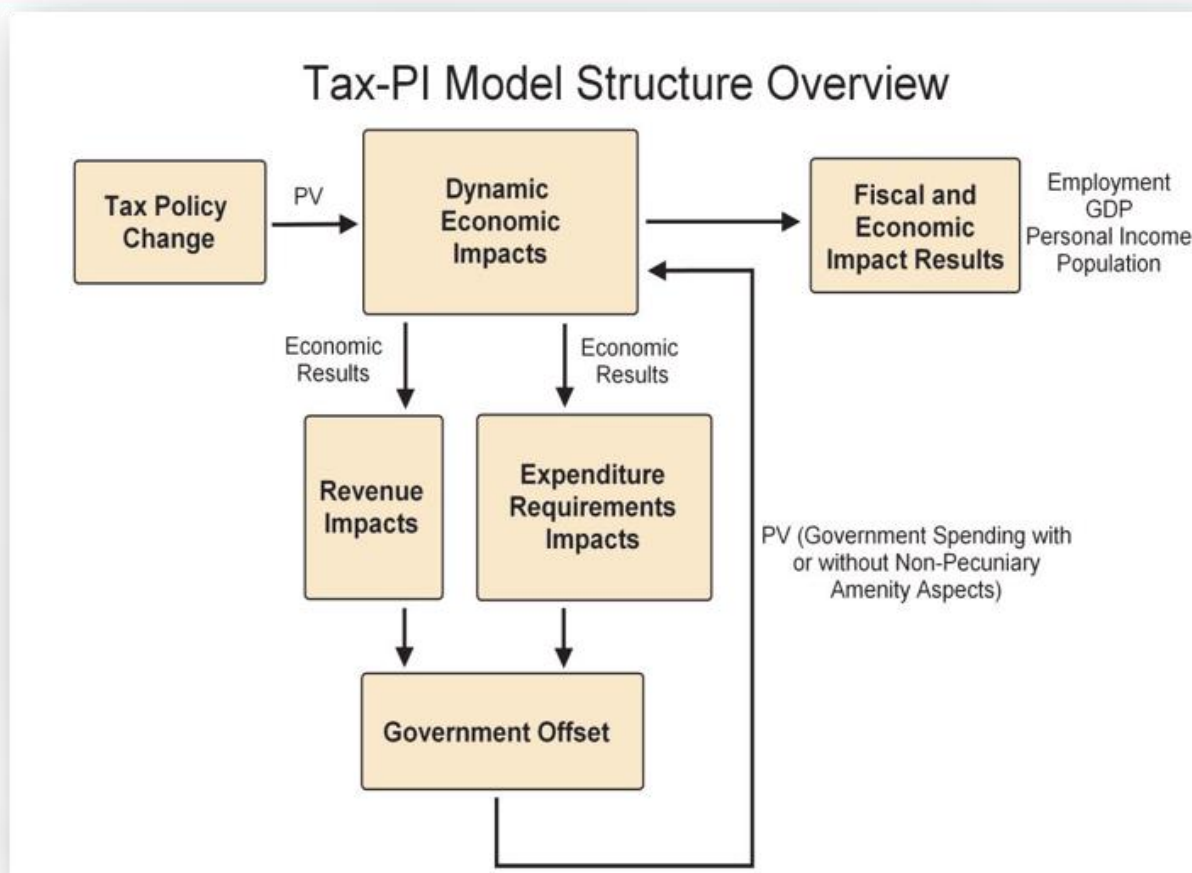


- Population and employment peak and then steadily decline representing losses of over 80 million people and 50 million workers relative to baseline by 2060
- Increase in the average age of the population
- Lowers the labor force participation rate by almost 3% by 2060
- The U.S. labor force and GDP 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

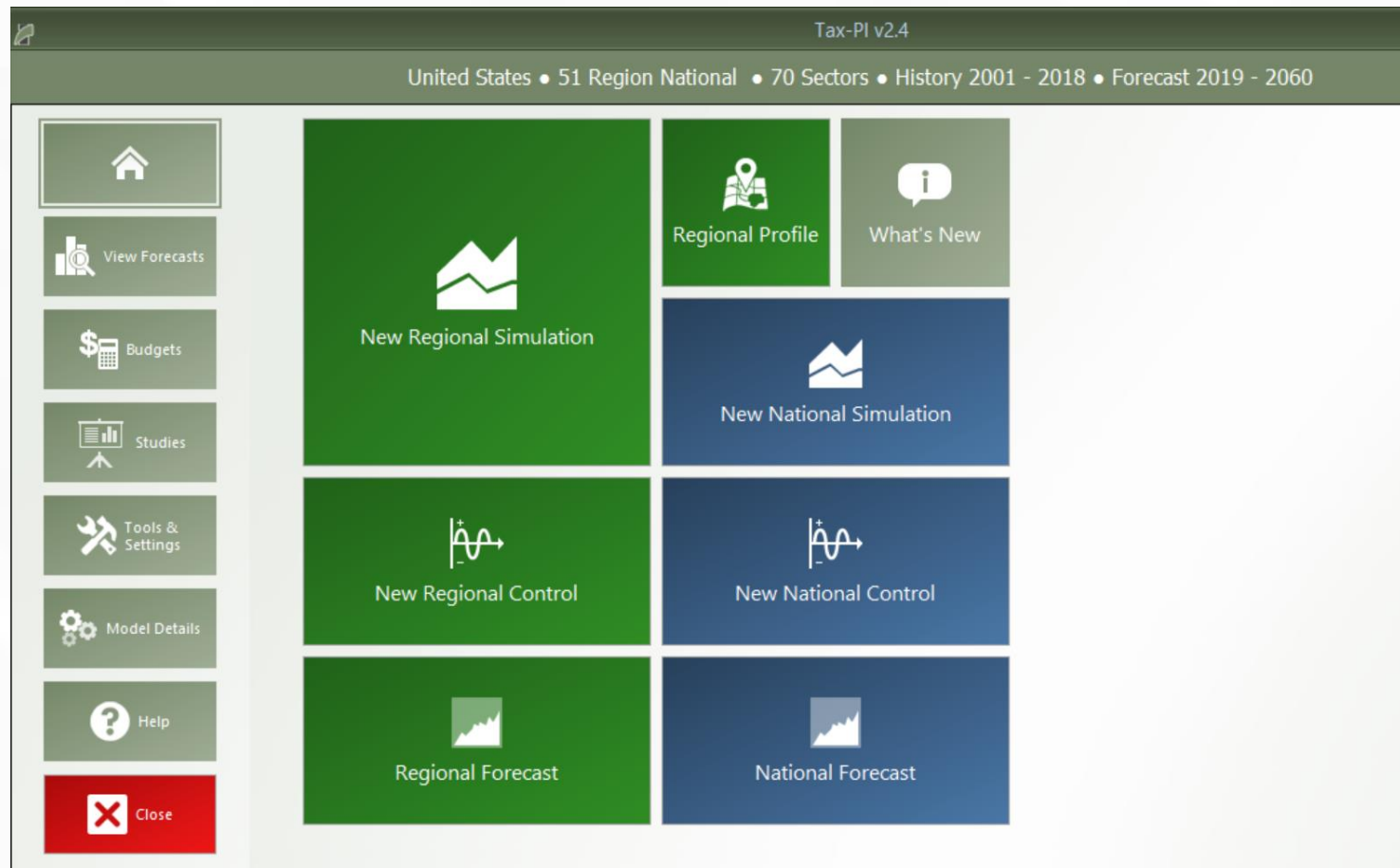
REMI Model Simulation

- Using a 51-state model
- Tax PI
 - Demonstrates dynamic economic effects
 - Demonstrates dynamic fiscal effects
 - The only widely available model with these capabilities

Model Structure



Simulation 1: Immigration Policy



what does **REMI** say? sm

Variables & Assumptions

- Policy Summary:
 1. around 10.5 million undocumented immigrants will get legal status – pathway to citizenship
 2. expansion of caps on visas and green cards
- Model Input: 2021-2030
 1. Increase participation rate by 1%
 2. Increase working-age international migration by 10%
- Labor Supply Closure: adjust total employment to match changes in the labor force in order to keep the implied U.S. unemployment rate consistent with the baseline.

Labor Policy under Biden

- Biden campaign promise: vowed to be the "strongest labor president you've ever had"
- Plans to incentivize unions and collective bargaining
- Marty Walsh Labor Secretary
- The "Build Back Better" Plan
 - Intends to "reshore" America's manufacturing supply chain
 - Provide high paying jobs to union workers
 - Strengthening collective bargaining
 - Invest in clean energy infrastructure that creates millions of union jobs

Increased Minimum Wage

- Raised minimum wage component of coronavirus relief bill not allowed by Senate parliamentarian
 - Still a policy priority for Democrats, but not allowed to be passed through reconciliation process
- The federal minimum wage is currently \$7.25/hr
- The Biden administration plans to increase it to \$15/hr
- Although increased minimum wage is not included in this bill, Democrats intend to pursue the increase in later legislation
 - Currently progressives are advocating for White House to overturn parliamentarian's decision

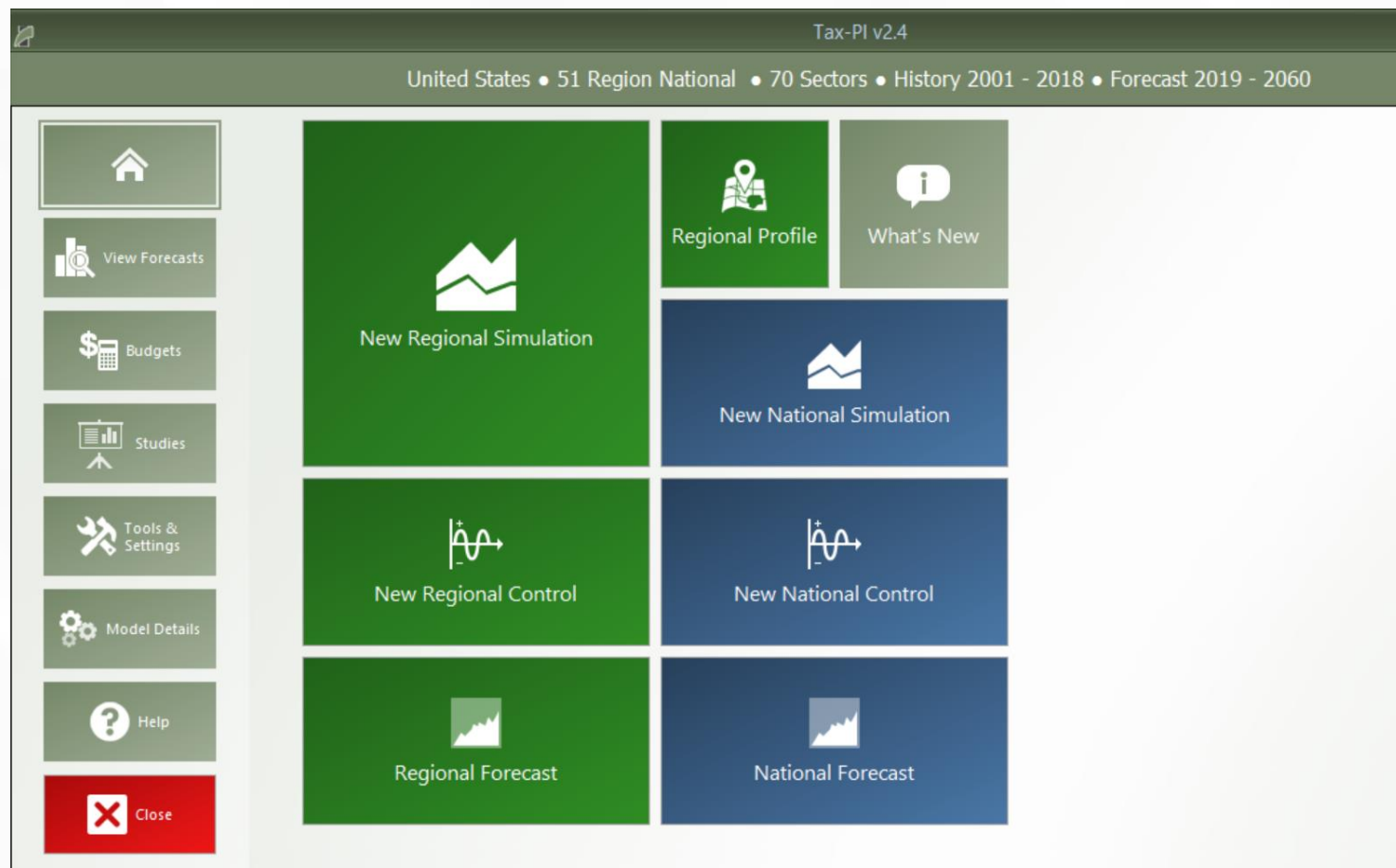
Regional Minimum Wage Considerations



	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

Simulation 2: Minimum Wage



what does **REMI** say? sm

Variables & Assumptions

- Policy summary:

Federal min wage will increase from \$7.25/hr to \$15/hr

- Model Input: 2021-2030

1. Increase wage rate incrementally: for high wage rate regions increase from 0.1% in 2021 to 0.5% in 2025, for other regions increase from 0.5% in 2021 to 2.5% in 2025

2. Decrease government spending on food stamp and nutrition program; increase government spending on Medicaid and other unemployment benefits by the same amount

- Budget forecast: how federal budget will be affected

Need for Economic Modeling



- Clarify
 - What implications does national immigration policy have for regional economies?
 - How do changes in labor policy affect national and regional employment?
- Calculate
 - How can quantifying the economic impacts of policies before they go into effect help guide political discussions rather than relying on rhetoric?
- Communicate
 - How does the evidence back up or detract from particular policy positions, and what conclusions can be drawn from the data?

Questions?



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