THE ECONOMIC IMPACT OF LABOR POLICIES: HOW THE MINIMUM WAGE, IMMIGRATION, AND PRIVATIZATION AFFECT THE ECONOMY

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Regional Economic Models, Inc.
The Teamsters Mission

“To organize and educate workers toward a higher standard of living”

- Government policies increasingly important:
  - Minimum wage
  - Immigration
  - Privatization
  - Others including so-called “Right to Work” vs. Right to Collective Bargaining

- Non-partisan, authoritative economic analysis is POWERFUL
Political Dimensions: Deep Red, Deep Blue

... Not So Much Purple

REMI Analysis for Labor

- Non-partisan, authoritative analysis: used in every state and widely recognized
- Representative analysis:
  - Teamsters: Privatization of Prison Employees in Florida
  - Service Employees Union International: Immigration Reform for Counties in California
  - National Education Association: President’s School Readiness Program
- REMI also has clients such as National Federation of Independent Businesses, American Petroleum Association (with NERA); recognized as “non-partisan”
How does Analysis Fit into the Political Process?

- REMI Uses:
  - Obama on the Auto Rescue: “more than one million Americans across the country would have lost their jobs in the middle of the worst economic crisis since the Great Depression. In communities across the Midwest it would have been another Great Depression”
  - Medicaid Expansion: “A major watershed moment” [on REMI Ohio Medicaid study], New York Times, 2/22/13
  - Big River Steel, Arkansas: “[REMI’s report] indicated the mill would most likely provide a positive economic benefit, Associated Press, 4/2/13
Immigration Policy

- Why it’s important: 11 million undocumented workers; working without full protection of worker rights

- What they are saying: REMI Economic Study broadcast on CSPAN, Quoted by Richard Trumka, President of AFL/CIO, Gene Sperling, Director of the President’s National Economic Council, as well as Grover Norquist, Americans for Tax Reform, Senator John McCain

- What is the economic rationale: Protection of Undocumented Worker Rights Leads to Productivity and Wage gains that benefit all Americans

- Why jobs and output impacts are important: Shows broad benefits
Key Components of Immigration Reform

- **Creating a Pathway to Legal Status**
  - Effects of incorporating the more than 11 million undocumented immigrants into the formal economy

- **Expanding High-Skilled Visas**
  - Increasing cap on H-1B Visa issuance

- **Reforming Lesser-Skilled Visas**
  - H-2A (temporary or seasonal agricultural work)
  - H-2B (nonagricultural seasonal, intermittent or peak load work)
  - W-1 (lesser-skilled, nonagricultural work)
Approach to Modeling

- Goal was to understand the effect on the greater national and state economies.
- This study is unique in showing comprehensive macroeconomic impacts for all states and across all industry sectors on an annual basis.
Key Finding

All states see significant growth in major indicators such as GDP and total jobs for each component of immigration reform examined.
National Results
Pathway to Legal Status

- In 2014, providing a pathway to legal status will produce a total of **123 thousand jobs** as well as add approximately **$10 billion** to GDP.

- By 2020, it is estimated that the result of the expansion will be **551 thousand jobs** and the increase in GDP will total **$45 billion**.
Job gains are across diverse industry sectors. The industries listed below, organized by total job gains, represent over 50% of the total job gains for the nation as a result of this change in policy.

- Retail Trade 15%
- Construction 15%
- Ambulatory Health Care Services 12%
- Administrative and Support Services 6%
- Professional, Scientific, and Technical Services 5%
Minimum Wage

- Background
- Economic Research
- Economic Effects: Pros and Cons
Eureka Strikers

- Large miners’ revolt in Victoria, Australia
  - 1856
  - A few demands...
    - Safer conditions
    - End of occupational licensing and taxes
    - Maximum hours
    - Minimum wage
  - First minimum wage in the Anglophone world implemented in Australia and New Zealand in 1894

*what does REMI say?*
NRA

- National Industrial Recovery Act (1933)
  - National Recovery Administration
  - Price fixing to undo the deflation at the outset of the Great Depression
    - Including wages
    - “High wage” theory
  - Schechter Poultry v. United States (1935)
    - Unconstitutional
**FLSA**

- **Fair Labor Standards Act (1938)**
  - Up there with the Social Security Act of 1935:
    - Minimum wages
    - 44 hour/week maximum
    - "Time-and-a-half" for standard overtime
    - "Oppressive child labor practices" outlawed
  - Survived under the Commerce Clause
Minimum Wage (state)

- Higher than federal minimum wage
- Same as federal minimum wage
- No state minimum wage legislation
- Lower than federal minimum wage
- Territory (different)
In February 2013, he proposed:
- $9.25/hour
- Indexed to the CPI

In December 2013, he proposed:
- $10.10/hour
- “Living wage”
- 2014 midterms

what does REMI say?
Literature

Negative
- Hoffman et al.
- Neumark

Positive
- Card and Kruger
- Dube et al.
“Contrary to the central prediction of the textbook model of the minimum wage... we find no evidence that the rise in New Jersey’s minimum wage reduced employment at fast-food restaurants.”

<http://davidcard.berkeley.edu/papers/njmin-aer.pdf>
Saul Hoffman

“We find consistent evidence that employment of ‘at-risk’ groups was negatively affected in Pennsylvania relative to other groups in PA and comparable groups in NJ.”

For cross-state contiguous counties, we find strong earnings effects and no employment effects of minimum wage increases.

“A sizeable majority of the studies surveyed in this monograph give a relatively consistent... indication of negative employment effects.”

“We see very few... studies that provide convincing evidence of positive employment effects of minimum wages, especially from those studies that focus on broader groups (rather than a narrow industry).”

“Studies that focus on the least-skilled groups provide relatively overwhelming evidence of stronger disemployment effects.”
Pros and Cons

Pros

• *Increases personal income*
• Decreases turnover at the firm-to-firm level
• *Increases local consumption*
• Entices a higher labor force participation rate
• Decreases social welfare costs
• *Encourages technological development, investment, and higher productivity*

Cons

• *Reduces demand for labor*
• Creates a permanent shortage that allows for discrimination on the labor market
• *Higher prices passed onto consumers*
• Discourages low-income workers who need the experience more than they need the money
• *Reduces local competitiveness*
Privatization of Prison System in Southern Florida

- Loss of income and benefits to prison workers
- Further job losses with reduced spending in the economy
- Job losses outweigh government savings and gains
### Privatization Summary

#### Job Losses - Privatization

<table>
<thead>
<tr>
<th>Category</th>
<th>Units</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>Billions of Fixed (2005) Dollars</td>
<td>-0.0197449</td>
<td>-0.0194092</td>
<td>-0.0192566</td>
<td>-0.0190125</td>
<td>-0.0189209</td>
<td>-0.0186462</td>
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<tr>
<td>Total Employment</td>
<td>Thousands (Jobs)</td>
<td>-0.0986328</td>
<td>-0.09375</td>
<td>-0.090332</td>
<td>-0.0859375</td>
<td>-0.0830078</td>
<td>-0.0805664</td>
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<tr>
<td>Population</td>
<td>Thousands</td>
<td>-0.0478516</td>
<td>-0.0644531</td>
<td>-0.078125</td>
<td>-0.0898438</td>
<td>-0.0996094</td>
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<tr>
<td>Personal Income</td>
<td>Billions of Current Dollars</td>
<td>-0.0054016</td>
<td>-0.0055847</td>
<td>-0.0058289</td>
<td>-0.0059509</td>
<td>-0.0062256</td>
<td>-0.0062866</td>
</tr>
<tr>
<td>Average Annual Wage Rate</td>
<td>Thousands of Current Dollars</td>
<td>0.0003281</td>
<td>0.0002861</td>
<td>0.0002594</td>
<td>0.0002403</td>
<td>0.0002441</td>
<td>0.0002403</td>
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<td>Output</td>
<td>Billions of Fixed (2005) Dollars</td>
<td>-0.0471497</td>
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<td>Real Personal Income per Capita</td>
<td>Thousands of Fixed (2005) Dollars</td>
<td>-0.0003014</td>
<td>-0.0002136</td>
<td>-0.000103</td>
<td>-2.289E-05</td>
<td>3.815E-05</td>
<td>8.011E-05</td>
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</table>

#### 15% Decrease with Government Spending: Percent Change from the Baseline

<table>
<thead>
<tr>
<th>Category</th>
<th>Units</th>
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<th>2016</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>Billions of Fixed (2005) Dollars</td>
<td>-0.0129865</td>
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<td>Total Employment</td>
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<td>Population</td>
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<td>Personal Income</td>
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<td>Average Annual Wage Rate</td>
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<td>-0.0010057</td>
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<td>Output</td>
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<td>-0.0131891</td>
<td>-0.0125844</td>
<td>-0.0119605</td>
<td>-0.0113555</td>
<td>-0.0108068</td>
</tr>
<tr>
<td>Real Personal Income per Capita</td>
<td>Thousands of Fixed (2005) Dollars</td>
<td>-0.0037509</td>
<td>-0.0028129</td>
<td>-0.0020602</td>
<td>-0.0013891</td>
<td>-0.0007157</td>
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</tr>
</tbody>
</table>
15% Decrease with Government Spending: 30-Year Summary

- Average Annual Total Employment Change: -43 Jobs
- Average Annual Population Change: -84 People
- Sum of Personal Income: -0.144 Billion of Current Dollars
- Average Annual Wage Rate Change: $0.38
- Real Personal Income per Capita: $0.26 Fixed (2005) Dollars
Conclusions

- Government policies affect workers
- Economic analysis quantifies the effect
- Economics is CRITICAL in current policy environment
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what does REMI say?sm