

Economic Cost of House Bill 28 and Senate Bill 10 in Pennsylvania

If Pennsylvania House Bill 28 and Senate Bill 10 were to be signed into law, we estimate significant economic cost to the State of Pennsylvania. These bills would punish local government entities who limit cooperation and information sharing with federal authorities on immigration matters. Using the Census Bureau's 2016 American Community Survey (ACS) five-year data and the Regional Input-Output Modeling System (RIMS II) from the Bureau of Economic Analysis, we estimate the economic loss as it relates to jobs, earnings, taxes, and GDP if 10 percent of undocumented immigrants were to leave Pennsylvania due to the restrictive environment the bills would create. The 10 percent estimate is based on a study of the impact of Arizona's SB 1070 law, which created a similarly restrictive environment for immigrants in that state (see detailed methodology).

Using an economically conservative approach, we broke down the number of undocumented immigrants by industry and calculated how decreased work in that industry would impact the economy more broadly. Our estimate with this approach shows that:

If 10% of undocumented immigrants leave Pennsylvania, the state would lose...

\$28.8Min federal taxes
and**\$15.1M**in state & local
taxes**9,208**employed workers
whose departure will
reflect close to**\$306.7M**in lost wage
earnings***3,983**additional jobs
that were dependent on
undocumented immigrant
consumers, resulting in**\$240.8M**in additional lost
wage earnings**\$1.1B**in Gross Domestic
Product (GDP)

* Business owners in industries such as construction, agriculture, and restaurant and food services will be greatly affected.

Note: The total economic loss is proportional to the number of undocumented immigrant workers that would leave the state. For instance, if 20 percent of undocumented immigrants leave Pennsylvania, the economic cost will be twice the above numbers.

These losses are significant.

Because of the role undocumented immigrants play in the state labor market—including their overrepresentation in particularly labor-intensive jobs—**U.S.-born workers, with different skill sets and professional interests, would only fill a small number of the positions vacated by immigrants.**¹

Some businesses may have to close altogether because they can't find the appropriate workforce to fill vacant positions, leading to job losses for the U.S.-born individuals employed by those businesses. Economic activity will decrease across the board, having a dramatic effect on U.S.-born workers and many of the state's important industries that depend on paying customers, such as retail and service industries.

METHODOLOGY

To estimate the potential economic cost of HB 28 and SB 10, we first obtained 2016 American Community Survey (ACS) five-year data by using the Integrated Public Use Microdata Series (IPUMS). We then applied the methodological approach outlined by Harvard University economist George Borjas to arrive at an estimate of the undocumented immigrant population in Pennsylvania. After that, we identified the top five industries that undocumented immigrants worked in, and also created a new category that included all undocumented workers not working in the top five industries.

By using the above data and the industry multipliers from Regional Input-Output Modeling System (RIMS II), we estimated the total loss in jobs, worker earnings, and Gross Domestic Product (GDP) in Pennsylvania if 10 percent of the undocumented immigrants leave the state. RIMS II is an economic impact tool developed by the Bureau of Economic Analysis and is widely used in economic contribution studies. The reason that we modeled that 10 percent undocumented immigrants would leave Pennsylvania is based on the study by Gonzalo Sanchez of Texas A&M University. His research on Arizona SB 1070, a similarly controversial legislation in Arizona, found that noncitizen Hispanics decreased by 10 to 15 percent after the bill passed. The RIMS multipliers provided the data that we needed to calculate the direct, indirect, and induced economic cost in each industry. The direct cost comes from the impact on the top 10 industries that would be directly affected by the loss of undocumented workers, and the indirect cost is the impact on the industries that provide goods and services to the above 10 industries. Induced cost, on the other hand, is the impact on industries affected across the board because of loss of consumption from undocumented workers. When estimating the economic cost, we choose the RIMS multipliers corresponding to the top five industries that undocumented immigrants worked in. For the group that we created to lump the rest of the undocumented immigrant workers together, we apply the smallest multiplier among the rest of the industries to be conservative in our estimates.

Aside from the loss of jobs, worker earnings, and GDP, we also calculated the potential loss in federal, state, and local tax revenues if 10 percent of undocumented immigrant workers leave the state. We estimated state and local taxes by using the tax rates estimates produced by Institute on Taxation and Economic Policy (ITEP). For federal tax rate estimates, we used data released by the Congressional Budget Office in 2014 and calculated the federal tax based on the household income federal tax bracket.

FOOTNOTES

- 1 Gianmaco I. P. Ottaviano and Giovanni Peri, "Rethinking the Effect of Immigration on Wages," *Journal of the European Economic Association* 10, no. 1 (February 1, 2012): 152–97, <https://doi.org/10.1111/j.1542-4774.2011.01052.x>.
 - 2 George J. Borjas, "The Labor Supply of Undocumented Immigrants," NBER Working Paper (National Bureau of Economic Research, Inc, 2016), <https://ideas.repec.org/p/nbr/nberwo/22102.html>.
 - 3 US Department of Commerce, "RIMS II Multipliers," Bureau of Economic Analysis, accessed June 28, 2017, <https://www.bea.gov/regional/rims/rimsii/>.
 - 4 Gonzalo Sanchez, "The Response of the Hispanic Noncitizen Population to Anti-Illegal Immigration Legislation: The Case of Arizona SB 107," Working Paper, 2015, <http://econweb.tamu.edu/gsanchez/immigration>.
 - 5 "Who Pays? 5th Edition," Institute on Taxation & Economic Policy, January 2015, <https://itep.org/whopays/>.
 - 6 Congressional Budget Office, "The Distribution of Household Income and Federal Taxes, 2011" 17, no. 4 (November 2014): 695.
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