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## An Analysis of How Reducing the Supply of Foreign-Born Labor Would Impact Idaho's Economy

### What was the study about?

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This analysis examines how reducing the supply of foreign-born labor would impact Idaho's economy. We estimate impacts on gross state product, state and local tax revenue, total economic output, employment, and wages. The results are intended to inform elected representatives and the general public as they consider policy measures that would impact the state's labor market, particularly for foreign-born workers.

### How was the survey designed?

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The first step in the analysis was to estimate the size and characteristics of Idaho's foreign-born labor force, using an estimation procedure that helps overcome problems with existing data sources. Next, we estimated the economic impacts of reducing the foreign-born labor supply, using a computable general equilibrium (CGE) model. We ran the model under two assumptions, first that foreign- and native-born workers with similar education levels would substitute for each other fairly easily (although not perfectly) and second, that foreign- and native-born workers are less substitutable for each other. This could be the case if, for example, differences in language and culture make it less likely that native-born workers would take jobs vacated by foreign-born workers, especially in jobs that require less education.

### What did we learn?

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Assuming that foreign- and native-born workers with similar education levels would substitute for each other fairly easily, the net effect of reducing the supply of foreign-born, less-educated workers by 25% is a loss of 17,300 jobs. In turn, Idaho's gross state product (GSP) is estimated to fall by \$430 million, resulting in a \$43 million reduction in state and local government tax revenues. Relaxing the assumption that these workers would substitute for each other fairly easily results in greater losses in terms of jobs, GSP, and tax revenues.

### What are the next steps?

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That our findings are in line with what economic theory would suggest gives us confidence in the results. Reducing the supply of inputs such as labor or capital causes the price of that input to increase. And, firms use less of an input when it becomes more expensive. Likewise, as the price of the output becomes more expensive, demand for that output declines.

States across the country are considering or have enacted legislation intended to restrict the supply of foreign-born workers. If such legislation were passed in Idaho, our analysis shows it would negatively impact the state's economy. There would be a net loss in jobs in the state as a whole and total economic output and tax revenue would decline.

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