

# Revisit immigration reform

Major changes must be made to address the decreasing birth and fertility rate in the U.S.

Published 06-10-2019

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### **BOTTOM LINE**

The good news is that the Labor Department's Job Openings & Labor Turnover Survey (JOLTS) for April is sitting just off an 18-year high, with 7.4 million jobs waiting to be filled here in the U.S. The bad news is that there are now more available jobs than there are unemployed people to fill them. Help-wanted signs adorn businesses everywhere, and wages have been rising to compete for attractive candidates.

At the same time, the U.S. birthrate has fallen for the fourth consecutive year in 2018 to its lowest level in 32 years and the fertility rate has dropped to a record low of 1.7 births per woman. That's well below the 1957 cycle peak of 3.6 and the replacement rate of 2.1. Young women are more focused today on completing their education and establishing their careers, and with \$1.5 trillion in student loan debt, many couples are opting for smaller families. Less generous maternity benefits and a dearth of quality child-care options exacerbate this demographic dilemma.

From an economic perspective, productivity has been rising over the past two years, which is terrific news. Through the first quarter of 2019, productivity surged at a year-over-year annual rate of 2.4%, its fastest pace in nine years, compared with a tepid 0.6%

rate of growth from 2011 through 2016. But to sustainably boost GDP growth at a trend-line 3% or better rate, we need more than the current increase in productivity. We also need enough workers to accept the new jobs we're creating.

To offset the sharp decline in our organic fertility rate and fill new jobs, the U.S. in our view needs to expand a safe, legal immigration policy to attract both skilled and unskilled foreign workers, who also would pay taxes into our rapidly depleting Social Security Trust fund. We desperately need these immigrant workers to keep our economy humming and are very concerned about the political gamesmanship and the complete lack of good will that our elected officials in Washington are demonstrating on this issue.

Immigrant workers fill a demonstrated need. Many immigrants work in difficult jobs most native-born Americans don't want to do, including agriculture, food-processing plants, hospitality (restaurants and hotels), housekeeping, landscaping, child- and elder-care, and construction. If these low skilled jobs went unfilled, it would harm U.S. economic growth.

With some native-born Americans suffering from a skills mismatch, well-educated foreigners are filling many high-skilled positions. Three-quarters of candidates for doctorate and masters' degrees in STEM majors at U.S. universities are foreigners (46% of them from India and China), but we typically deport them after graduation. President Trump has proposed letting more foreign students educated at American colleges stay at work. We should revise our H1B visa policies and encourage them to stay here, take these open jobs and put down family roots.

### **Six pillars of immigration reform:**

- **Citizenship for the Dreamers** The House of Representatives recently passed a bill that would provide permanent legal status and a path to citizenship for the 1.8 million Deferred Action for Childhood Arrivals (DACA) recipients who came to the U.S. illegally as children with their parents. More than 90% of them are employed or enrolled in school, so they are contributing to the U.S. economy. We

need their skills and workforce participation and we think it would be a mistake to deport them. The Senate should vote on this bill.

- **What about their parents?** Eleven million undocumented foreign-born residents live in the U.S, with most working and paying taxes. These immigrants are gainfully employed in difficult jobs that most native-born Americans don't want. If these low-skilled jobs went unfilled, it would harm U.S. economic growth. We should negotiate protections for these people, but only if they don't have criminal records.
- **End family separation at the border** Americans want secure borders, but not by ripping families apart. Both liberals and conservatives find family separation abhorrent, so it's imperative to find a solution that penalizes adults crossing illegally without hurting their young children in the process.
- **Merit-based lottery** Instead of the current "diversity lottery system" that makes 50,000 visas available annually to diversify the immigration pool by selecting applicants from countries with low numbers of immigrants, Trump has proposed a "merit" system. It's based on the Canadian and Australian models that award immigrants points based on age, education, employment and English proficiency. Under his plan, the share of immigrants admitted to the U.S. based on skill and employment would increase to 57% from 12% now.
- **Cap on chain migration** Trump wants to reduce "chain migration." This visa program allows immigrants already living here to sponsor the immigration of family members. But many take advantage of the system by bringing very distant relatives—some undesirable— into the U.S. Trump wants to more narrowly define what determines immediate family and institute more stringent background checks, lowering the proportion of those granted green cards because of family ties by half to 33%.
- **Enhanced border security** In perhaps the most controversial element of the immigration issue, Trump has requested \$5.7 billion for enhanced border security. He plans to build a steel barrier along an estimated 234 miles of the 2,000 miles of our shared border with Mexico, make greater use of technology (such as drones and sensors), and hire more Border Patrol agents and immigration judges and lawyers. Trump has also requested an additional \$4.5 billion to address the surge of

asylum seekers as the U.S. attempts to deal with the growing humanitarian crisis on our border.

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### DISCLOSURES

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

Gross Domestic Product (GDP) is a broad measure of the economy that measures the retail value of goods and services produced in a country.

The Job Openings and Labor Turnover Summary (JOLTS) is conducted monthly by the U.S. Bureau of Labor Statistics.

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