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Trump's Immigration Policy Makes Jobs Goal Even Tougher to Reach

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President Donald Trump's pledge to create 25 million jobs in a decade already faces obstacles ranging from a tight labor market to an aging population. His immigration policy raises the hurdles even higher.

In his speech to Congress last week, Trump called for a "merit-based" immigration system, pointing to Australia and Canada, which assign applicants points based on their education, employment history and language skills. Separately, his administration has already expanded deportations to wider groups of people. Together, both policy thrusts may restrain labor-force growth and leave holes in industries including agriculture, construction and hospitality, which employ significant shares of the nation's estimated 8 million undocumented workers.

Limiting the rise in the working-age population would slow the potential pace of job creation. With waves of Baby Boomers retiring, immigrants have accounted for more than half of such labor-force growth over the past 20 years, according to a Federal Reserve economist. The Pew Research Center says immigration will determine whether America's working-age population keeps growing in the next 20 years, albeit at a meager pace -- or starts to shrink.

In the shorter term, the prospect of fewer immigrants comes on top of other forces that mean above-average job gains at the start of 2017 are unlikely to be sustained. U.S. employers added 200,000 positions in February, after 227,000 in January, based on the median estimate in a Bloomberg survey ahead of Friday's Labor Department report. For the full year, economists project an average monthly increase of 171,000 jobs, while Trump's goal amounts to 2.5 million positions a year, or about 208,000 a month.

"Rising wages tell us that the job market is getting tighter, there's reports of worker shortages, there's concern about the supply of immigrants going forward -- all of these factors are going to make it harder to sustain job growth of above 200,000 a month," said Gus Faucher, deputy chief economist at PNC Financial Services Group Inc. in Pittsburgh.

Raising Estimates

Faucher and other economists boosted their estimates for February nonfarm payroll gains after the ADP Research Institute said Wednesday that private employers added298,000 jobs last month, the most in almost three years.

Foreign-born workers, legal or undocumented, numbered 26.3 million in 2015, or 17 percent of the U.S. labor force, Bureau of Labor Statistics data show. While many legal immigrants are in science, technology and engineering fields, unauthorized workers make up for a high share of workers in services, construction and production industries, according to Pew.

Without the arrival of new immigrants, the U.S. working-age population would decline to about 165.6 million in 2035 from 173.2 million in 2015, instead of rising to 183.2 million, Pew said in a report on Wednesday. The projections are based on current rates of both lawful and unauthorized immigration.

“To keep the economy growing at the rates at which we’re used to, you’re going to need the immigrants,” Pia Orrenius, a Dallas Fed economist, said this week at an economics conference in Washington. “Not only can immigrants complement natives in terms of job growth, but they can also make up for declines in the workforce when natives are leaving, or when they’re retiring. The less immigration you have, the slower you will grow.”

Aggressive policy changes could reduce expected growth in the labor force by more than 600,000, according to Michael Feroli, chief U.S. economist at JPMorgan Chase & Co. in New York. Removing all unauthorized immigrants in the U.S. would lower the level of gross domestic product by at least 1.5 percent, Feroli estimates.

At the same time, reducing immigration would cut both supply and demand in the economy, making the net effect in the unemployment rate or wages less obvious, particularly if done gradually, he said.

For Trump -- who tweeted several times on Wednesday and Thursday about the ADP report -- immigration policies that raise wages and living standards for middle-class Americans might count as a victory, even if other numbers show job growth slowing.

“Switching away from this current system of lower-skilled immigration, and instead adopting a merit-based system, we will have so many more benefits,” Trump said in his Feb. 28 speech. “It will save countless dollars, raise workers’ wages, and help struggling families -- including immigrant families -- enter the middle class.”

Asked for comment on this story, White House spokesman Michael Short responded: “The president’s top economic priority is to ensure that every American who wants a good-paying job has the opportunity to find one.”

Canadian Model

Canada is widely perceived as a role model for successful management of migration, the Organization for Economic Cooperation and Development said in a recent paper, naming its system one of the most elaborate and efficient in the group of developed nations.

In addition to a merit-based immigration program, Canada also has a large guest-worker and refugee program. If Trump includes those as components of a merit-based immigration system, it would be a “wonderful” improvement over the current system, said Alex Nowrasteh, immigration-policy analyst at the libertarian Cato Institute in Washington.

Trump is separately restricting entry by refugees, and the president has repeatedly said that protecting and helping American workers is his priority. Any undocumented immigrant may now be deported, according to memos issued last month by the Department of Homeland Security implementing Trump’s executive orders.

It’s unclear whether immigration-policy changes under Trump will go beyond the administration’s crackdown on unauthorized residents. The issue has proven thorny politically, as efforts by previous presidents and Congresses to overhaul migration policy have failed in recent years.

“In many cases, you want high-skilled people, but if you just look at the diplomas and you don’t think about the current needs and demand of the country, you don’t tend to get a very good match,” said Tamar Jacoby, president of ImmigrationWorks USA, a business-lobby group advocating for policies to ensure a legal stream of foreign workers.