



## Orlando's Outlook: Immigration reform needed to sustain economic growth

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**Bottom line** *Over the past six quarters, President Trump's more business-friendly fiscal policies have generated 3% GDP growth, double the pace of the previous seven quarters. But to sustain this elevated level of economic growth, we need to boost productivity and have a ready pool of workers for the new jobs that we're creating. While corporate spending and productivity have certainly improved over the past two years, our fertility rate here in the U.S. is at a cyclical trough, half what it was just two generations ago. As a result, a recent Job Openings & Labor Turnover Survey (JOLTS) report showed that we've created one million more new jobs than we have unemployed people who could possibly fill them.*

*As we digest the results of the midterm elections, immigration reform should be a "common-ground" item both parties should reach across the proverbial aisle to achieve. An intelligent, desperately needed plan could supplement our cyclical trough in fertility rates and increase the flow of young workers—skilled and unskilled—to help grow our economy. At the same time, these foreign workers will be paying into our rapidly depleting Social Security Trust fund. In the spirit of Thanksgiving, then, we believe that immigration reform can successfully achieve several important goals: protect American jobs while growing the economy, extend compassion to immigrants looking for a better life for them and their families, and improve border security to keep America safe.*

**Repatriation got the ball rolling** Trump's December 2017 tax policy, which allows U.S. companies to repatriate some \$2.7 trillion in cash from their overseas balance sheets, has been an economic boon. Companies, which paid an estimated \$350 billion in federal repatriation taxes, have identified multiple uses for the funds brought home: repurchasing shares, increasing dividends, hiring more, increasing wages, deleveraging balance sheets, topping off underfunded pensions, funding more R&D, embarking on more M&A activity, and spending more on capital. Companies can now immediately expense investment in capital equipment.

As a result, nonresidential business fixed investment (capex) spending rose sequentially by 11.5% in the first quarter of 2018 and by 8.7% in the second quarter, although it slowed to only a 0.8% third-quarter gain. But that was enough to goose productivity by 3% on a quarter-over-quarter basis in the second quarter of 2018 (versus a muted 0.3% first-quarter increase) and by 2.2% in the third quarter, the fastest back-to-back quarters in three years.

**Where are the workers?** The U.S. population grew only 0.7% in 2017, according to the Census Bureau compared to the world average of 1.1% growth. The problem is that Americans are having fewer babies, as the fertility rate is currently at a record low at 1.8 births per woman, half the 1957 cycle peak at 3.6 and the replacement rate at 2.1. With the unemployment rate (U-3) at a half-century low of 3.7%, and given Trump's goal of adding 25 million new jobs (an average gain of 208,000 nonfarm payroll jobs each month) over a decade in our resurgent economy, where are the workers going to come from to fill these new jobs? To be sure, the August 2018 JOLTS report boasted a record 7.293 million positions waiting to be filled, which exceeds the number of unemployed people by more than one million. In our view, we need a successful immigration policy to achieve our economic goals.

**Low-skilled workers are important** We currently have 11.7 million undocumented foreign-born residents living in the U.S., with most working and paying taxes. These immigrants keep our economy humming by working very difficult jobs that most Americans don't want to do, such as in agriculture, food-processing plants, hospitality (restaurants and hotels), child- and elder-care, housekeeping, landscaping and lawn maintenance, and construction. If these low-skilled jobs went unfilled, it would harm U.S. economic growth.

**We also need to fix "Dreamers"** These illegal immigrants brought along 800,000 of their children into the U.S. at a very young age. These so-called "Dreamers" are protected from deportation under a renewable two-year program called the Deferred Action for Childhood Arrivals (DACA) program, which then-President Barack Obama signed as an executive order in 2012. Most of these protected young immigrants are actively attending school or working. Trump rescinded DACA last year, but he may eventually sign the Development, Relief and Education for Alien Minors (DREAM) Act, which was first proposed in 2001 and which could create legal status and a path to citizenship for these young immigrants.

**We need an H-1B visa rewrite** There are an estimated 500,000 high-tech jobs open in the U.S. right now because

many native-born Americans suffer from a skills mismatch. Well-educated foreigners with technical skills in science, engineering and information technology also are taking many of these unfilled, high-skilled positions. Three-quarters of the candidates for masters and Ph.D.'s in STEM (science, technology, engineering and math) majors at U.S. universities are foreigners, with 46% of them from India and China. But we usually deport them after graduation, rather than encourage them to stay. That's a missed economic opportunity and we need an intelligent review of the existing H-1B visa rules.

**Build that wall?** The federal government estimates that some 200,000 of these illegal immigrants have criminal backgrounds and are thought to be a potential threat to our nation's security. So in conjunction with a more rational immigration policy, we need to pay attention to increased security.

**Five pillars** So what might the framework of a successful bipartisan immigration policy look like?

- **End family separation at the border** Ripping apart immigrant families is not a successful negotiating tactic, and it is abhorrent to liberals and conservatives alike.
- **Citizenship for the Dreamers** Trump is hoping to provide a path to citizenship for the 800,000 DACA recipients. Most are employed or enrolled in school, and they are contributing to the U.S. economy. We need their skills and work-force participation.
- **Enhanced border security** A border wall is expensive and would take a long time to complete. Create stronger economic incentives for individuals to cross legally, and deploy enhanced technology to stop potential security threats.
- **Merit-based lottery** We currently operate a "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. While diversity is important, we should develop a merit-based system that rewards hard workers with desirable skills to boost our economy, regardless of their country of origin.
- **Cap on chain migration** Trump wants to end "chain migration," the visa program where immigrants already living here can sponsor family members and bring them to the U.S. But many take advantage of the system and bring into the U.S. very distant—and sometimes undesirable—relatives.

**We wish everyone a healthy and happy Thanksgiving holiday!**

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

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