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## U.S. Immigration Policies Linked to Slower Labor Growth

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Recent research suggests that stricter immigration enforcement in certain U.S. states is contributing to slower labor force growth, raising concerns over workforce shortages in key industries.

Matthew Martin, senior U.S. economist at Oxford Economics, analyzed Immigration and Customs Enforcement (ICE) data and found that states with higher immigrant arrest rates, such as Texas and Florida, have experienced stagnant labor force growth in 2025. In

contrast, states like California, New York, and New Jersey, where arrests are lower, have recorded modest growth.

Nationwide, ICE detentions increased 178% between late January and mid-July 2025, according to federal data, though official figures do not confirm an average of 1,100 arrests per day. Federal Reserve Chair Jerome Powell recently acknowledged that immigration enforcement has slowed the inflow of workers, contributing to a three-month decline in the U.S. labor force, which dropped by about 402,000 people between January and July, according to Bureau of Labor Statistics (BLS) data.

Economists note that a combination of heightened enforcement, deportations, and reduced entry of foreign workers may be affecting the labor market. Analysts also warn that uncertainty created by large-scale raids is discouraging some workers from seeking or accepting jobs, especially in industries such as agriculture, construction, and hospitality.

While some reports have mentioned temporary programs facing restrictions, no verified data confirms that over one million workers will exit the labor supply in 2025 as a result of program phase-outs.

The White House has initiated measures to support employment among legally present immigrants, including the establishment of the Office of Immigration Policy in June to streamline visa processes. Additionally, an April executive order aimed to bolster high-paying skilled trade positions.

A shrinking labor force has broader economic implications. Michael Strain of the American Enterprise Institute emphasized that sustained reductions could hinder economic growth and strain industries already facing shortages, such as construction. About 34% of construction workers are immigrants, compared to 20% across other sectors. Wage growth in the construction sector reached nearly 8% in July, almost double the national average, according to data cited by the Bank of America Institute.

Although some trade groups, such as the Home Builders Institute and the National Association of Home Builders, have reported costs associated with skilled labor shortages, recent federal and private analyses have not directly tied immigration enforcement to specific increases in housing prices.

Long-term effects on net migration remain unclear, and researchers note that definitive projections are difficult to make.