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SPOTLIGHT ON

How Immigration Strengthens the American Workforce

Core strategies for our nation's leaders seeking to create inclusive work cultures, foster business innovation, and drive competitive U.S. advantage.

By Chatrane Birbal

About this Series

HR Policy Association (HRPA) represents nearly 400 of the largest companies worldwide. Members employ more than 10 million individuals in the U.S. This report articulates the perspectives of our members regarding the trajectory of work in the U.S. and the need for specific changes in both corporate and public policies to effectively advance the future of the American workforce.

HR Policy Association's "Advancing the American Workforce" series equips policymakers and business leaders with insights from Chief Human Resource Officers (CHROs) of major companies. The profound changes employers and society have experienced over the past five years have transformed the way large employers and their employees think about work, the workforce, and the workplace and how each needs to be structured for long-term success. HR Policy provides the perspective, not only from employers, but from CHROs who bridge the goals of their companies with the talents and needs of its greatest asset: employees.

New technologies, evolving demographics, and shifting political winds demand a strategic approach to HR. Chief Human Resource Officers are at the forefront of navigating these changes, and their perspective provides invaluable insights for policymakers. This multi-part series offers practical experiences and perspectives on the critical trends shaping the future of work, and suggests policy approaches to ensure the American workforce remains at the vanguard of global excellence in the years to come.

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EXECUTIVE SUMMARY

Powering America's Growth: How Immigration Strengthens the Workforce

Building a workforce with a diverse mix of skills, experiences, and backgrounds through employment-based immigration is a core strategy for our nation's leading policymakers and Chief Human Resource Officers seeking to create inclusive work cultures, foster business innovation, and drive U.S. competitive advantage.

Without immigration, the U.S. population and labor force are projected to decline in 2025[1], undermining the nation's economic growth and the ability to provide for its citizens. In fact, the CBO revised its labor force projection, increasing it by 5.2 million people, attributing this rise to net immigration, (Figure 1) Immigration reform, last achieved almost 30 years ago (1996), is urgently needed so that employers can build the skilled workforce necessary to sustain U.S. economic growth and drive global competitiveness.

To ensure a healthy U.S. economy into 2030 and beyond, it is imperative that policymakers address the U.S. border crisis as an initial step towards comprehensive immigration reform. Policymakers should also support changes that lead to creating a pathway to citizenship for advanced degree STEM graduates of U.S. universities. Additional changes include eliminating fixed quotas for visas, reforming green card procedures, instituting temporary worker programs, and supporting the Deferred Action for Childhood Arrivals (DACA) program.

The U.S. economy anticipates surge of nearly 4.7 million jobs between 2022 and 2032. SOURCE: BUREAU OF LABOR STATISTICS 2023

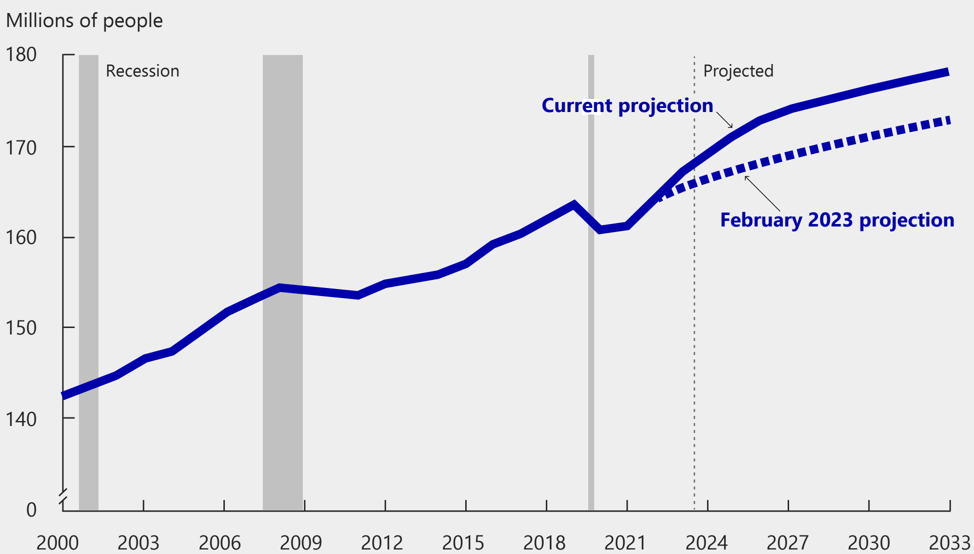
A marginal slowdown in population growth is projected. SOURCE: BUREAU OF LABOR STATISTICS 2023

The share of the labor force aged 55 to 64 will decline rapidly. SOURCE: BUREAU OF LABOR STATISTICS 2023

By 2033, the U.S. labor force is projected to grow by 5.2 million, largely driven by net immigration offsetting retirements. SOURCE: The Budget and Economic Outlook: 2024 to 2034 (cbo.gov)

FIGURE 1

Congressional Budget Office Projections of the Labor Force



Since last year, CBO has increased its projection of the size of the labor force in 2033 by 5.2 million people. Most of that increase results from higher projected net immigration.

SOURCE: CBO. See www.cbo.gov/publication/59710#data

The labor force consists of people age 16 or older in the civilian noninstitutionalized population who have jobs or who are unemployed (available for work and either seeking work or expecting to be recalled from a temporary layoff).

Immigration is a Critical Factor in U.S. Demographics

American companies use employment-based immigration to fill critical skills gaps, foster innovation, drive U.S. economic growth, and enhance competitiveness on the global stage.

The U.S. economy anticipates a surge of nearly 4.7 million jobs between 2022 and 2032. This growth trajectory, however, is contingent upon immigration.

Without immigration, both the U.S. population and labor force are forecast to decline by 2025[2], posing significant obstacles to economic expansion. Projections indicate a marginal slowdown in population growth compared to previous decades, estimated at 0.7% annually.[3]

In addition, the share of the labor force aged 55 to 64 will decline rapidly as the 1970s generation ages and baby boomer retirements will further strain the workforce as the 70+ population ages.[4]

Immigration emerges as a critical factor in addressing this demographic shift, contributing to a projected 70% of the overall population increase over the next decade.[5]

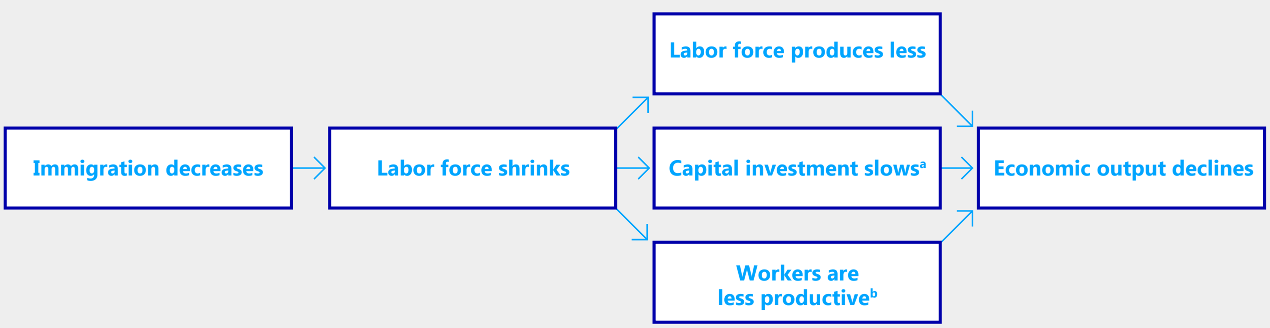
The foreign-born population is an increasingly important part of U.S. growth, accounting for 51% of employment growth and 52.5% of labor force growth over the past five years.[6]

Immigrants also have a significantly higher labor force participation rate (66.5% vs. 61.9%) (working age individuals who are employed or looking for work) and higher employment rate (64.2% vs. 59.8%) (working age individuals who are actually employed) than the native-born U.S. population.[7]

Immigration boosts economic output, according to the CBO. Without it, a shrinking workforce could hinder our economic potential. (Figure 2)

FIGURE 2

Effect of a Decrease in Immigration on Economic Output [8]



SOURCE: ADAPTED FROM CONGRESSIONAL BUDGET OFFICE 2020

a. Because a smaller labor force uses less capital and because a less productive labor force can render each unit of capital less productive.

b. Partly because rates of innovation and entrepreneurship among immigrants are higher than average.

Immigration is Essential to Closing the Growing Skills Gap

Recent foreign-born graduates of U.S. universities are a crucial source of skills and should be provided better opportunities to stay and contribute to the U.S. workforce and economy.

A nationwide strategy to address the growing skills gap in the U.S. must prioritize workforce development, retraining, and education initiatives.

Projections show that by 2032, STEM occupations will grow by 10.8% whereas all other occupations will grow only 2.3% in the same timeframe.[9]

A crucial source of skills are recent international university graduates. Figure 3 shows that the number of employed foreign-born graduates and postdoctorates working in STEM fields continues to increase over time. But notably, according to a 2022 National Bureau of Economic Research study, only an estimated 23% of foreign-born masters students join the U.S. labor force.[10]

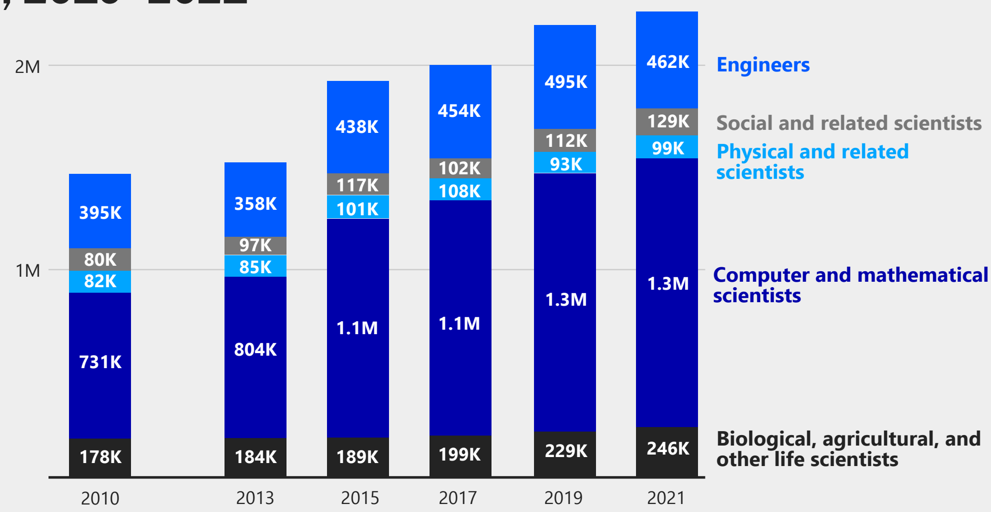
These students should be provided better opportunities to stay and contribute to the U.S. workforce and economy.

Immigration is a vital source of skills

The current shortage of talent hinders progress, limits breakthroughs, and impedes U.S. growth in sectors crucial for a nation's competitiveness on the global stage

FIGURE 3

Number of U.S. employed foreign-born college graduates working in STEM fields, 2010–2021



SOURCE: NATIONAL SCIENCE FOUNDATION

Note: Survey of Graduate Students and Postdoctorates in Science and Engineering

White House Confirms Immigration's Role in Closing U.S. Skills Gap

A recent shift recognizes immigration's vital role in maintaining competitiveness in strategically important sectors, particularly those that thrive on innovation and technological advancement.

The Biden administration, in its October 30, 2023 Executive Order on Artificial Intelligence (AI)[11], included a provision to expedite the processing of visa petitions for individuals intending to work, study, or conduct research in AI or related fields.

Maintaining competitiveness in strategically important sectors is key, particularly those that thrive on innovation and technological advancement, such as information technology, healthcare, and engineering.

While the focus on expediting AI and STEM skills is welcomed, the larger employment-based immigration system also imposes arbitrary and inflexible caps on the number of annual visas, without regard for the dynamic realities of the job market.

The government's inherent challenge lies in accurately predicting the evolving skill demands of jobs within the U.S. economy and bureaucratic limitations.

Major employers identify top talent for innovative roles, but these high skill employees must start their careers working outside of the U.S. while they wait for immigration approval.

Access to global talent is not just a high-skill issue. Labor shortages in sectors that heavily rely on low-skilled labor, including agriculture, construction, and hospitality, can disrupt supply chains, slow economic activity, and lead to increased operational costs. Restrictions on both skilled and unskilled visas significantly affect economic productivity.

More Than Just Regulatory Change is Necessary

As other nations adapt and refine their immigration strategies to align with the demands of the modern workforce, the U.S. risks falling behind in the race for global economic supremacy.

The failure of Congress to act on comprehensive immigration reform, including border reform, has led federal agencies to implement targeted immigration regulations. Despite a pressing need for longer-term reform of immigration policies through congressional action, political gridlock within Congress has prevented any movement.

Canada's July 2023 policy to attract foreign talent by offering an open work permit for up to 3 years to 10,000 U.S. H-1B visa applicants offers a stark example of losing the war for talent, with the program reaching application capacity in two days. As foreign-born students are increasingly considering Canada as a viable alternative for employment opportunities, it's crucial for the U.S. to reassess its immigration policies to remain competitive in attracting top talent.

Looking ahead, it is imperative for policymakers to recognize the integral role immigration plays in sustaining economic growth. As other nations adapt and refine their immigration strategies to align with the demands of the modern workforce, the U.S. risks falling behind in the race for global economic supremacy.

> **Immigration is a cultural foundation of the United States, contributing to the diversity of the nation and fostering a vibrant social environment.**
>
> Restricting employment-based visas can hinder the positive impacts of cultural exchange, limiting creativity, problem-solving, and societal development.
>
> ALAN R. MAY, EXECUTIVE VICE PRESIDENT AND CHIEF PEOPLE OFFICER AT HEWLETT PACKARD ENTERPRISE

HRPA's Policy Recommendations

Addressing workplace immigration issues requires consideration of the unique needs of each sector and a comprehensive immigration policy that promotes talent diversity and economic productivity.

The guiding principle of immigration policy should be flexibility, facilitating the movement of an optimal number of skilled and unskilled workers to and from the United States.

A flexible approach reflects the dynamic needs of the U.S. labor market and empowers individuals and businesses to make choices that align with their specific circumstances. Understandably, striking a balance between growing the domestic workforce and ensuring the influx of the necessary talent for economic growth is a delicate challenge for policymakers.

Addressing these issues requires consideration of the unique needs of each sector and a comprehensive immigration policy that promotes talent diversity and economic productivity.

HR Policy Association Supports the Following Reforms:

1

Create a pathway to citizenship for advanced degree STEM grads

Offer a pathway to U.S. citizenship for foreign students who obtain advanced degrees in STEM disciplines from American higher education institutions and choose to contribute their skills and talents within the United States rather than returning to their home country. It is regrettable that individuals trained at American universities have no direct path to permanent residency. This leads them to disregard the U.S. as a viable long-term career option due to the unpredictable immigration system and position them as competitors against the United States. Initiating measures such as granting permanent residency and exempting them from numerical restrictions on H-1B visas represents an initial step toward addressing this issue.

2

Eliminate fixed visa quotas & evaluate applicants based on contributions

Eliminate fixed quotas for visas and transition towards evaluating applicants based on their individual contributions. Despite the globalization of business, existing immigration policies impede the competitive edge of American companies. A significant structural disparity exists between the scale of current temporary programs—such as H-1B, H-2B, TN, O, and L-1—and the availability of permanent visas for employment-based immigrants holding college degrees. Allowing those who have actively contributed to the American economy for a defined period to apply for permanent residency better aligns workforce needs to the overall advantage and competitiveness of the United States.

3

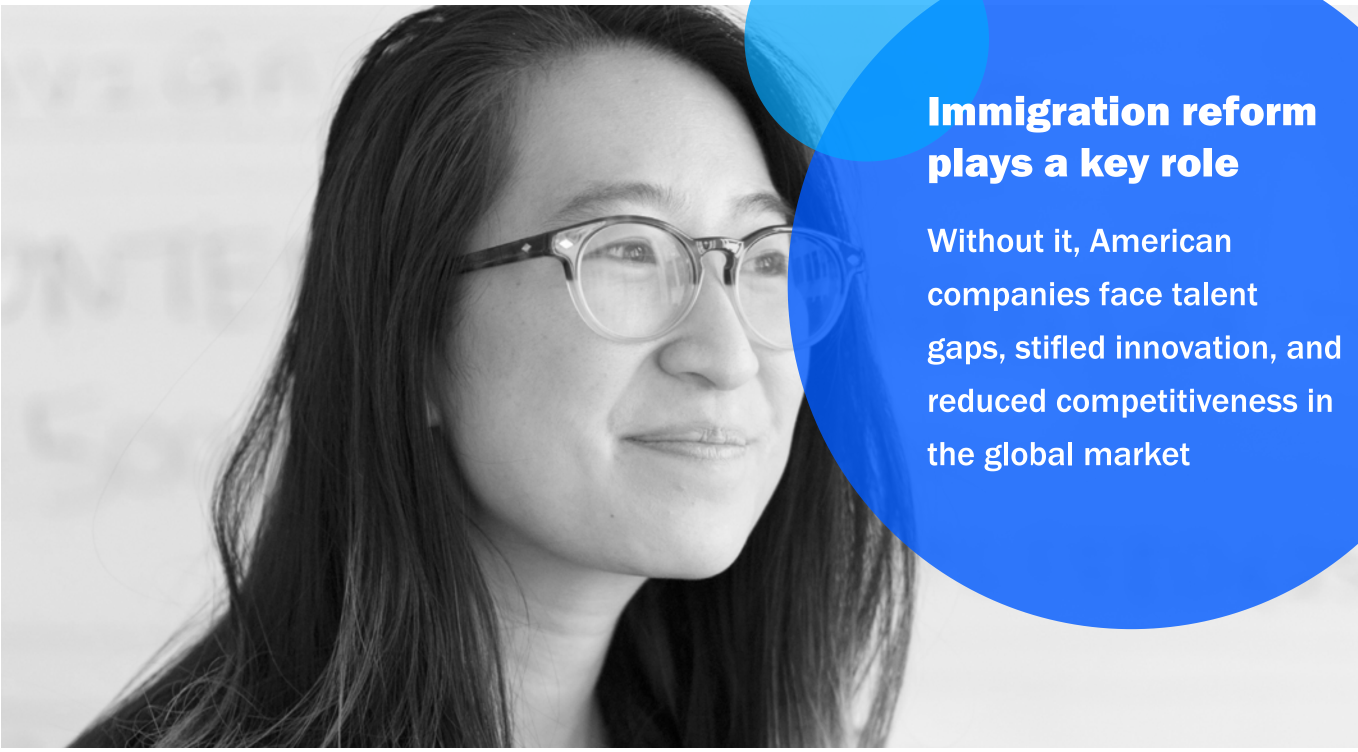
Reform green card procedures & create temporary worker programs

Introduce reforms to green card procedures and institute temporary worker programs for both high-skilled and low-skilled individuals. The existing system, characterized by arbitrary and inflexible caps, hinders the market's ability to meet labor demands, negatively impacting the economy. This approach would create a more demand-driven system, aligning with the real labor requirements of employers, while ensuring adequate safeguards for U.S. workers.

4

Support the Deferred Action for Childhood Arrivals program

Support for the DACA program is crucial in advancing Diversity, Equity, and Inclusion (DEI) in the United States. DACA provides protection and opportunities for undocumented individuals who arrived in the country as children, offering them a chance to contribute to American society without the constant fear of deportation. By championing DACA, the United States demonstrates a commitment to inclusivity and embraces the unique perspectives and talents these individuals bring to the nation. Enabling DACA recipients to fully participate in the workforce and educational institutions, and providing a path to citizenship, will strengthen the fabric of diversity in the United States. Upholding DACA aligns with the principles of DEI, fostering an environment where individuals from various backgrounds can thrive, contribute, and collectively enrich the American experience.



Immigration reform plays a key role

Without it, American companies face talent gaps, stifled innovation, and reduced competitiveness in the global market

A Final Thought on Immigration

Large U.S. employers rely on global talent to fill crucial roles in industries like technology, healthcare, and finance. Immigration reform is urgently needed to streamline employment- based visa processes, address labor shortages, and promote diversity in the workforce. Without reform, American companies face talent gaps, stifled innovation, and reduced competitiveness in the global market.

Endnotes

[1] https://www2.census.gov/programs-surveys/popproj/tables/2023/2023-summary-tables/np2023-a.xlsx

[2] https://www2.census.gov/programs-surveys/popproj/tables/2023/2023-summary-tables/np2023-a.xlsx

[3] BLS Employment Projections, Sept 6, 2023 https://www.bls.gov/news.release/ecopro.nr0.htm

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[7] U.S. Bureau of Labor Statistics, Labor Force Participation Rate - Foreign Born [LNU01373395], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/LNU01373395, April 5, 2024.

[8] https://www.cbo.gov/system/files/2020-01/55967-CBO-immigration.pdf

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[10] https://www.nber.org/papers/w30431

[11] https://www.whitehouse.gov/briefing-room/presidential-actions/2023/10/30/executive-order-on-the-safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence/

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ABOUT

HR Policy Association

For more than 50 years, HR Policy Association has been the lead organization representing Chief Human Resource Officers of major employers. HRPA consists of nearly 400 of the largest corporations doing business in the United States and globally. These companies are represented in the organization by their most senior human resource executives. Collectively, HRPA member companies employ more than 10 million employees in the United States, over nine percent of the private sector workforce, and 20 million employees worldwide. These senior corporate officers participate in the Association because of their unwavering commitment to improving the direction of human resources policy. To learn more, visit hrpolicy.org.