SOLUTIONS BRIEFS

CED
COMMITTEE FOR ECONOMIC DEVELOPMENT
THE PUBLIC POLICY CENTER OF
THE CONFERENCE BOARD

SUSTAINING CAPITALISM

A series focused on nonpartisan reasoned solutions in the nation's interest to the central challenges we face in order to provide prosperity for all Americans.

Immigration Reform

An Essential Key To Growth

Overview

All across the country, there are over 11 million jobs waiting to be filled and a shortage of workers to fill them. Workforce shortages, including acute challenges in specific sectors and regions, contribute to high inflation by limiting production, driving up wages at an unsustainable pace, and altering businesses' planning decisions. Workforce shortages can also make it easier to fall into recession by reducing the US' underlying rate of economic growth. In the longer term, these shortages will severely strain the country's fiscal health, as fewer workers pay taxes, including into Social Security and Medicare.

Insights for What's Ahead

Even if all currently unemployed workers could fill those job openings, the nation would still have a shortfall of more than 5 million workers. The pandemic drove many workers out of the labor force; however, lower participation only accounts for an estimated 2.4 million missing workers—still not enough to fill the gaps.[1] Our nation's workforce at all skill levels needs to grow—quickly—to meet the demands of the US economy and match workers with the skills employers need. Increasing participation of the American workforce is a first-order imperative, but that effort alone will not meet the demand.

These disruptions have collided with long-term, very troubling US demographic trends. The US population is aging rapidly, and US birth rates continue to drop. The result is a long-term projected labor shortage in the US that jeopardizes our economic growth.

Compounding the problem is the sharp reduction in immigration since 2016. Historically, immigration has contributed to our economy's dynamism and innovation. As

the US population ages, immigration to avert a shrinking workforce is indispensable to solving the US labor shortage to keep the US competitive globally.

Resolving both short- and longer-term labor challenges is essential for sustaining US competitiveness and global economic leadership. Public and private sector leaders will need to adopt a two-pillar approach: 1) pursuing policies that will increase participation of the US workforce while 2) enacting comprehensive immigration reform, including increasing legal immigration, decreasing the flow of illegal immigrants, and substantially reforming employment-based immigration across all skill levels. Further delays in reforming immigration policy will continue to put severe pressures on the US workforce, which will limit overall innovation, productivity, and growth.

This Solutions Brief analyzes US workforce shortages, recommends solutions for increasing the labor force participation rate of American workers (and potential workers), and shows why increased immigration is an indispensable part of the solution to our workforce challenges. It builds on an earlier Solutions Brief that focused mainly on increasing participation in the US workforce: The US Labor Shortage: A Plan to Tackle the Challenge.

Recommendations

The demographic transition facing the country presents very troubling labor force challenges both in the near and long term. Our population is aging rapidly, while US fertility rates continue to drop. The inability to meet labor demand now, combined with slowing population growth, is damaging the nation's ability to fight inflation, increasing the risk of recession, and jeopardizing economic growth in the long term. Rebuilding the US labor force will require public policy leaders and business leaders to collaborate on a two-pillar approach: increasing American workers' participation rate and comprehensive immigration reform.

1: Increase and support American workers' participation rate

- **Increase public-private provision of training and incentivize upskilling.** Private and public sector leaders should spearhead collaborative efforts with employer-driven regional consortiums of colleges (particularly community colleges), broad-access institutions, and other trainers to link skill-set development to job opportunities and to promote apprenticeships. These efforts will in turn encourage employees to continue to advance their careers with new and necessary skills. Encourage upskilling through expanding Pell Grants for credentialing programs and providing the unemployed incentives for skill development or pursuit of higher degrees.

- **Support older workers who wish to remain working.** Remove disincentives to reentering the workforce, including eliminating the Medicare benefits cliff seniors face with continued employment, piloting repeal of the Social Security retirement earnings test and, where applicable, implementing flexible work arrangement initiatives, including increasing access to nonwage benefits and worker protections typically only available to full-time workers.
- **Expand and increase the Earned Income Tax Credit (EITC).** This will incentivize more people with initially low-income job prospects to enter the labor force and remain working. Permanently expanding eligibility to adults without children will attract more potential workers to the labor force.
- **Expand workplace flexibility for workers with dependent care responsibilities.** Business leaders need to be responsive to today's diverse workforce. An important initiative should be to provide workplace flexibility for employees to care for children or other dependents without damaging their potential for career advancement. Employers should provide support for childcare options and create or expand bridge programs so that women who have left the workforce have opportunities to train and stay connected with employers. Public policy leaders should prioritize pre-K education opportunities for at-risk children.
- **Lower barriers to participation: provide for mobility; diversify talent pools.** Reduce geographical limitations and unnecessary occupational barriers to connect potential workers with jobs. Encourage participation by diversifying talent pools to include under-represented groups and institutions as well as competency-based hiring initiatives and promotion models based on skills competency and not only degrees as qualifiers.

2: Comprehensive immigration reform to support the US labor force

- **Secure the border to reduce illegal immigration.** Responsible reform must begin by addressing the border, with an influx of resources for asylum officers, judges, and facilities. Investment in systems, processing capacity, and infrastructure are essential to enhancing and modernizing the immigration system. The number of migrants crossing the southern border in FY2022 was 2.76 million, 1 million more than the previous year, according to US Customs and Border Protection data. These rates of border crossings present a humanitarian crisis, undermine the rule of law, compromise US national security, and challenge the capacity of state and local governments to address budget requirements.
- **Broaden enforcement of US immigration laws through a mandatory E-Verify system.** In conjunction with expanded temporary worker programs that allow for transition to green cards, the E-Verify system would better ensure that jobs are filled by screened applicants. This serves the dual purpose of deterring unauthorized migration by nearly eliminating job opportunities they are able to fill and by shrinking the potential pool of offenders that law enforcement authorities must identify.
- **Develop a bipartisan plan for lawful pathways, predicated on extensive screening, to recognized permanent legal residence for undocumented immigrants already residing in the US,** allowing them to fully integrate into the workforce, the mainstream economy, and their communities.

- **Allow immigration to boost the labor force by opening additional pathways at all skill levels to work authorization and permanent residence as needed across the economy.** Boost entry of employment-based visas and pathways to retain productive workers, while maintaining the nation's commitment to family, refugee, and lottery-based admissions.
  - Boost entry of employer-sponsored workers to meet demand at all skill levels by eliminating or raising caps on employment-based green cards and visas and adjust caps based on prior-year demand.
  - Offer work authorization to temporary workers' spouses and working-age children.
  - Relax provisions that require productive workers to leave the country during periods of nonemployment in order to retain workers and allow better mobility.
  - Streamline the pathway to retain workers on H-1B visas for high-skill workers and F-1 international students by providing the ability to change employers to work where there is need and by allowing them to self-nominate without sponsorship for permanent residence after successfully meeting required terms on their visas.
  - Maintain green card pathways for family-sponsored and refugee admissions to continue the US' commitment to family unification and to human rights.
- **Improve processes and upgrade capacity for immigration application and approval.** Resources to upgrade capacity and processing speed are necessary to make immigration more effective for immigrants and businesses, helping to compete with other countries to recruit workers.
  - Commit to a goal on processing application decision time and allocate resources sufficient to meet that goal.
  - Shift to quarterly or monthly allocation for H-1B visas to spread processing and better align to more convenient work start dates for workers and employers.
  - Improve capacity and efficiency at US consulates including by deploying sufficient consular officers to the busiest consulates and by expanding interview waivers.
- **Pilot programs to address labor gaps.**
  - Pilot additional visas on a points-based system using economic factors that can be calibrated to various goals such as defined shortage occupations or educational backgrounds.
  - Allocate designated number of "place-based" visas contingent on a worker residing in a predetermined location, including coordination with state and local governments to address regional labor market needs.
- **Set up a Workforce and Immigration Policy Advisory Board.**
  - Establish a public-private Workforce and Immigration Policy Advisory Board that includes members of the business community and academics to make recommendations on shortages in the workforce and target skills.

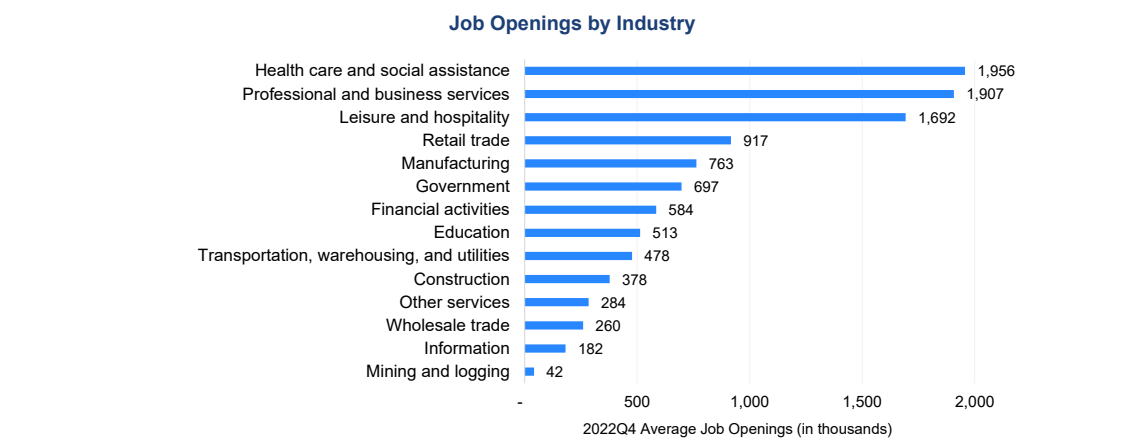
I. Short- and Long-term Labor Shortages Across Sectors and Skill Levels

Current Labor Shortages

The US economy currently has 11 million unfilled jobs. There are currently 5.7 million unemployed workers, leaving a workforce shortfall of more than 5 million, even if all unemployed workers filled open roles.[2]

These near-record openings extend across industries and skill levels, with not enough workers in number and by specific occupational skill sets to meet current demand. Certain industries that were among the hardest hit by the COVID-19 pandemic face acute challenges in hiring. Job openings at businesses in health care, retail, and leisure & hospitality reached record highs in 2022, and today the three sectors have a combined 4.5 million unfilled positions. There are also significant shortfalls in manufacturing, with nearly 800,000 openings; 500,000 in transportation; and 400,000 in construction (Figure 1).[3]

Figure 1
Job openings across industries reached record highs in 2022



Sources: Bureau of Labor Statistics and The Conference Board

Some regions have also faced more difficulty in finding workers, with states in the South unable to fill 4.2 million jobs, a nearly 60 percent increase over 2019 levels, compared to a 50 percent jump in the West and near 40 percent in the Midwest and Northeast regions. In particular, the pandemic heightened long-standing labor challenges in many rural areas,[4] while reduced activity in city centers has presented new challenges for those businesses.[5] While the pandemic led to an estimated 400,000 excess deaths among labor force participants[6] and more than 2 million excess retirements,[7] those direct impacts do not account for today's shortfall.

Today's shortages can also be visualized in Figure 2, where January 2023 employment by occupation is compared against expected levels had the pandemic not occurred. Data show that both higher- and lower-skill jobs have been affected:

- Significantly fewer workers are employed today in personal care and services (884,000), transportation (476,000), and farming (146,000) relative to prepandemic trends.

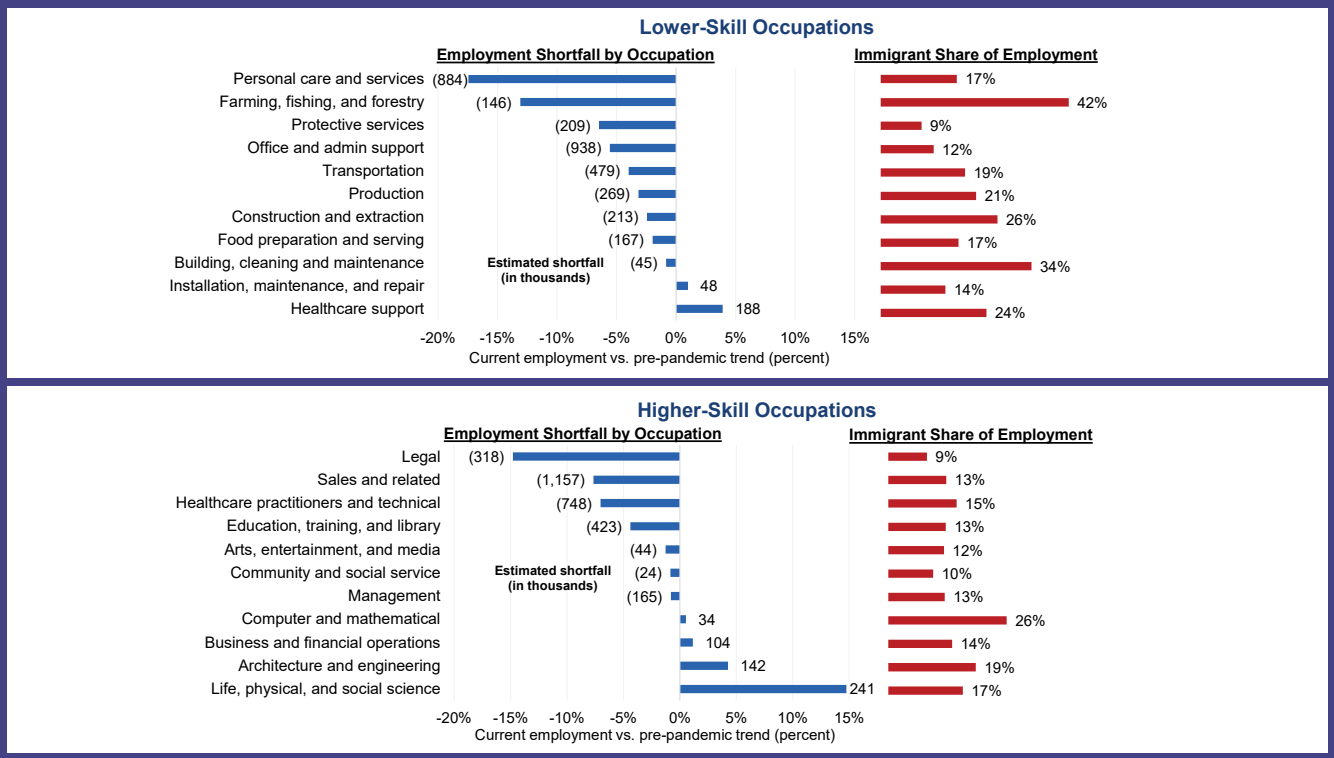
- Employment in many higher-skill occupations has similarly fallen below expected levels, with almost 750,000 fewer health practitioners and 423,000 fewer employed in education and training.
- Pandemic-driven declines in immigration have also played a role in many occupational shortages, particularly in farming and forestry, where more than 40 percent of the workforce is composed of immigrant workers, many of whom are seasonal.

These shortages have had immediate economic consequences, most poignantly helping to drive inflation to a 40-year high in 2022. Shortages of workers in transportation and warehousing, where one-fifth of the workforce is composed of immigrants, have constrained the delivery leg of supply chains, causing delays and failures to fulfill orders, ultimately driving up prices.[8] In agriculture, inflation in food prices had spiked well before Russia's invasion impeded trade in food commodities. Farm operators cited labor shortages and specifically declines in immigration for pushing food prices higher,[9] leading industry groups to push for immigration reform in 2022 to allow more seasonal farmworkers.[10]

These sector shortages not only lead directly to real economic impacts that can spill over to fragilities in other industries, but they also raise the longer-term risk of inflation through wage-price spirals. Addressing shortages broadly while also acknowledging sector-specific challenges is necessary to make the economy more resilient against unforeseeable future events and more globally competitive.

Figure 2

Current employment shortfalls from prepandemic trends span occupation skill levels



Sources: Census Bureau and The Conference Board

Note: Expected employment shortfall are based on comparison of January 2023 employment relative to three-year trends from February 2017 to February 2020 for each occupation group. Immigrant shares are based on 2018-2020 average shares of employment.

Longer-Term Labor Shortages

Compounding today's shortages, The Conference Board's Future Occupational Labor Shortages Risk Index[11] broadly expects by 2030 that new entrants will fall short of demand in many of the same industries currently facing challenges. In particular, difficulties finding available workers for jobs in manual labor and some service industries are expected to continue. As the country deploys historic investments in green technology, infrastructure, and advanced manufacturing, the demand for workers in skilled trades such as electricians, solar installers, welders, and mechanics is expected to increase, but the pipelines for these trades all lack prepared workforces in adequate numbers. The most severe shortages are expected in health-related occupations at all levels. This will have a particularly negative impact; as the population ages and demand for health services continues to rise, the pipeline developing the supply of talent will fall far short of demand.

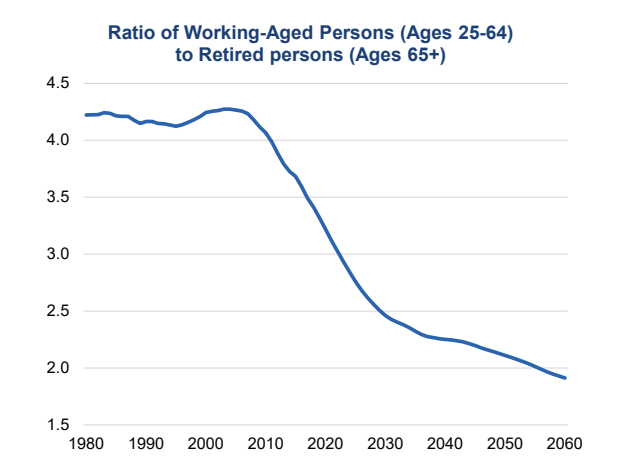
The Aging US Workforce

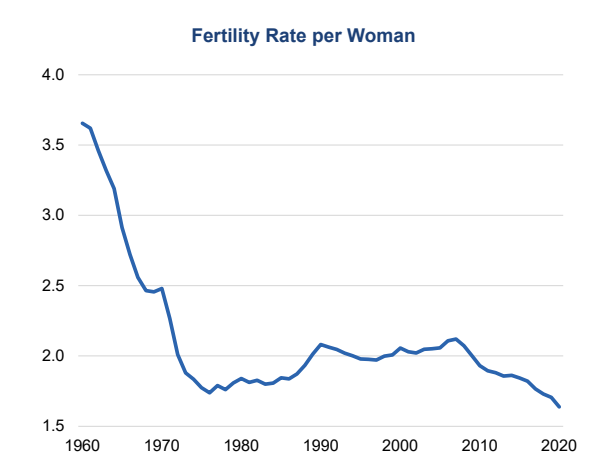
The demographic transition facing the country is unparalleled in recent US history. Our population is aging rapidly: the ratio of people between the ages of 25 and 64 to seniors has fallen from 4:1 in 1980 to under 3:1 today and is expected to drop below 2:1 by 2050.[12] Meanwhile, US fertility rates continue to drop, from 3.0 children per woman in the 1960s to below 1.7 children in 2020.[13] The Congressional Budget Office projects that the US population will grow between 2023 and 2053 at one-third the pace of the prior 30 years. By 2042, the US is expected to hit a critical inflection point at which deaths will outnumber births, leaving immigration as the sole driver of US population growth.[14]

Without reforms to inject immigrant workers into the labor force, these trends will make it increasingly difficult to meet labor demand in the future, jeopardizing long-term economic growth.

Figures 3a and 3b

US demographic trends are projected to be a severe economic headwind





Sources: World Bank, Census Bureau, and The Conference Board

The United States is not the only country facing demographic challenges affecting the workforce. In Japan, for instance, the working-age population peaked in 1991-1993 at a higher rate (nearly 70 percent) than the US has now, according to the IMF. It has declined to 59 percent and will continue to fall, not least because Japan is traditionally a country of low immigration.[15] In response, Japan has added more women and older workers to its workforce—steps the US should also take. And it has increasingly relied on automation and robotics to increase workers' productivity—steps that have social as well as economic implications.[16] But IMF research analyzing data from 1990 to 2007 (the period when the labor force began to decline) also shows that "aging of the working age population has had a significant negative impact on total factor productivity."[17]

Germany, too, faces workforce demographic challenges. In 2019, the median age of the German population was 46, almost four years higher than in France, and this is expected to rise to 49.2 years by 2045, posing challenges both for Germany's fiscal position[18] and its ability to innovate and find the workers it needs to maintain technological leadership.[19]

China announced at the start of 2023 that its population had begun to shrink—having reached the pivotal point where its deaths the previous year had outpaced its births. China's efforts of offering incentives to start families, including tax cuts and relaxing its one child policy, have not been able to stop the decline, and its national policy to boost birth rates is not projected to be successful.[20]

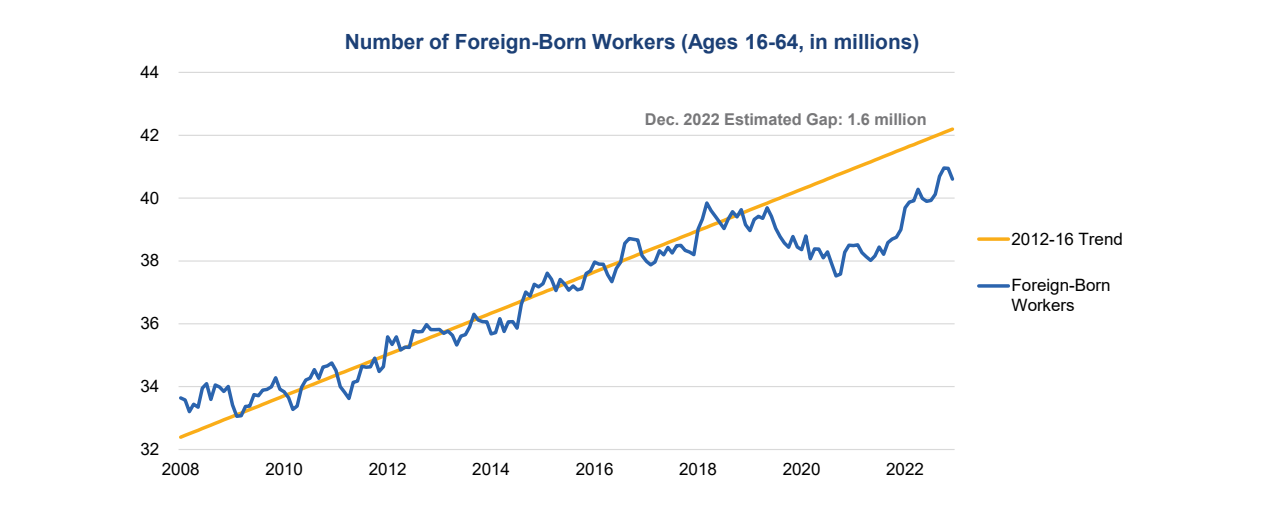
While Japan and Germany have been able to adapt somewhat to these demographic changes and China continues to struggle to find solutions, there is no reason for the US to take the risk of future workforce shortfalls when solutions exist both to increase the labor force among existing US workers and to compete in the global marketplace for the workers our economy needs.

Current Shortfall in Legal Immigration

Compounding current shortages and exacerbating long-term challenges, legal immigration has fallen sharply in recent years, rebounding only in 2022. The yearly net inflow of immigrants has declined significantly since 2016, when 1.25 million more immigrants entered the country than exited, compared to 915,000 in 2019; 726,000 in 2020; and 376,000 in 2021.[21] However, immigration numbers jumped in 2022 after years restricted by the pandemic, according to early estimates by the Census Bureau.[22] Yet despite those recent increases, the US economy is short an estimated 1.6 million foreign-born workers compared to prepandemic trends (Figure 4).[23]

Figure 4

The US is missing roughly 1.6 million foreign-born workers relative to pre-2017 trend

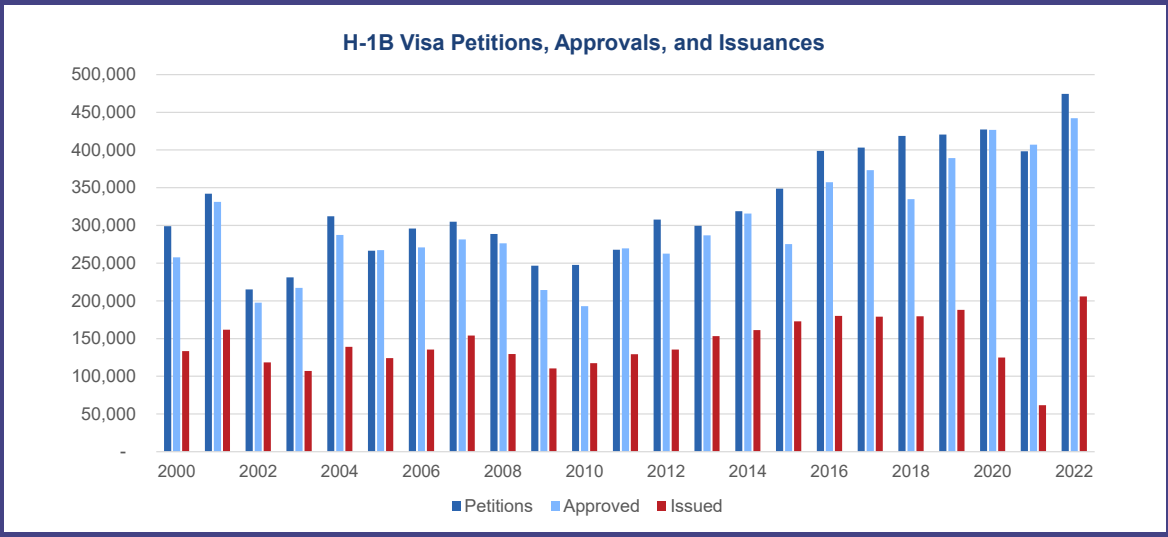


Sources: Bureau of Labor Statistics and The Conference Board

Much of that shortfall has been in the visa system for temporary workers, with immediate consequences for current labor shortages. As Figure 5 shows, for skilled temporary workers, even the record number of H-1Bs issued in 2022 fell significantly short of demand, with 206,000 visas issued out of more than 474,000 total petitions.

Figure 5

Demand for H-1B visas greatly exceeds supply



Sources: US Citizenship and Immigration Services and US Department of State

Note: Beginning in FY 2020, only petitions filed during a given fiscal year are counted in the number of petitions filed. This differs from prior year reports which reported data that were current at the time that the database was queried. These figures represent all approved petitions during the respective fiscal year, irrespective of whether the petition was filed in the same or in a previous fiscal year.

II. Immigration as a Driver of Economic Growth Bolstering the US Workforce

Decisions on the number of immigrants admitted and their ability to stay permanently have consequential impacts on the US workforce and the economy. Between 1965 and 2015, new immigrants and their descendants contributed 55 percent of total US population growth,[24] significantly adding to the economy's dynamism and innovation.

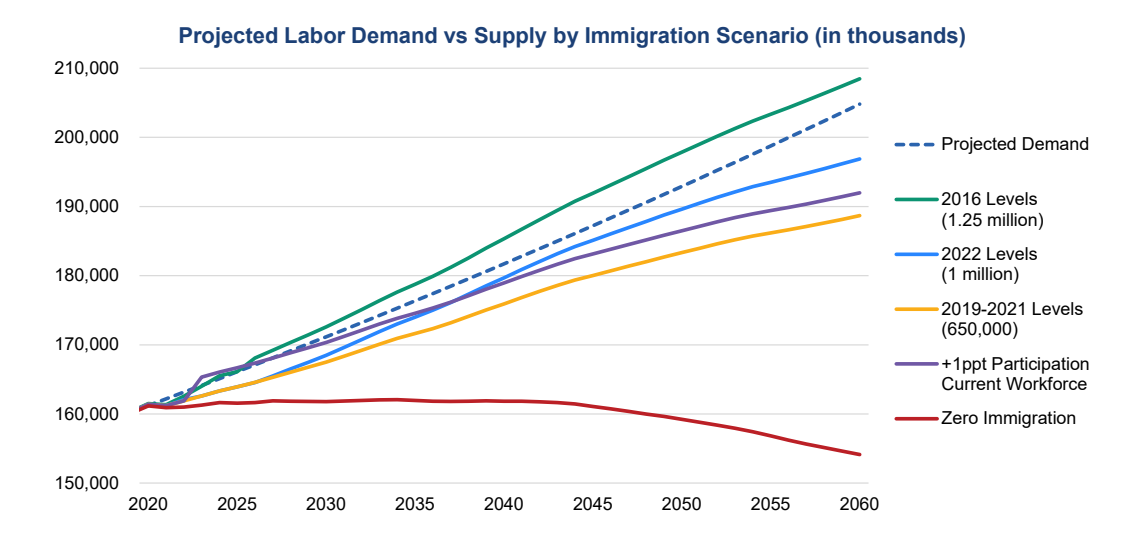
As noted above, current legal immigration levels are not sufficient to supply the number of workers needed today or in the future. Regarding longer-term impact on the economy, Figure 6 shows projected labor demand based on current long-term estimates of GDP and productivity, relative to projected employment under various immigration scenarios. If immigration continued at 2019-2021 levels of 650,000 per year, the total estimated shortfall of workers would be roughly 4 million in 2030 and nearly 10 million in 2050.[25] Even continuing 2022's higher immigration levels of 1 million, the workforce would fall short of 2030 demand by roughly 2.5 million.

Note that projected labor demand will be in a range, as some sectors will resolve shortages through additional workers, while others will seek to automate at least some tasks. Even as new technologies enhance productivity to varying degrees across job types, helping to alleviate some shortages in the longer term, demand for additional workers for in-person roles like plumbers or health care occupations will continue. Some experts also expect automation to create as many jobs as it replaces, skewing future jobs toward higher skill levels.[26]

Only with levels of immigration that return to peak highs reached in 2016 of nearly 1.3 million net immigrants per year will the US meet the long-term projected demand for workers. But the longer policy reforms are delayed, the wider those gaps become.

Figure 6

Current levels of immigration will fall short of meeting expected labor demand



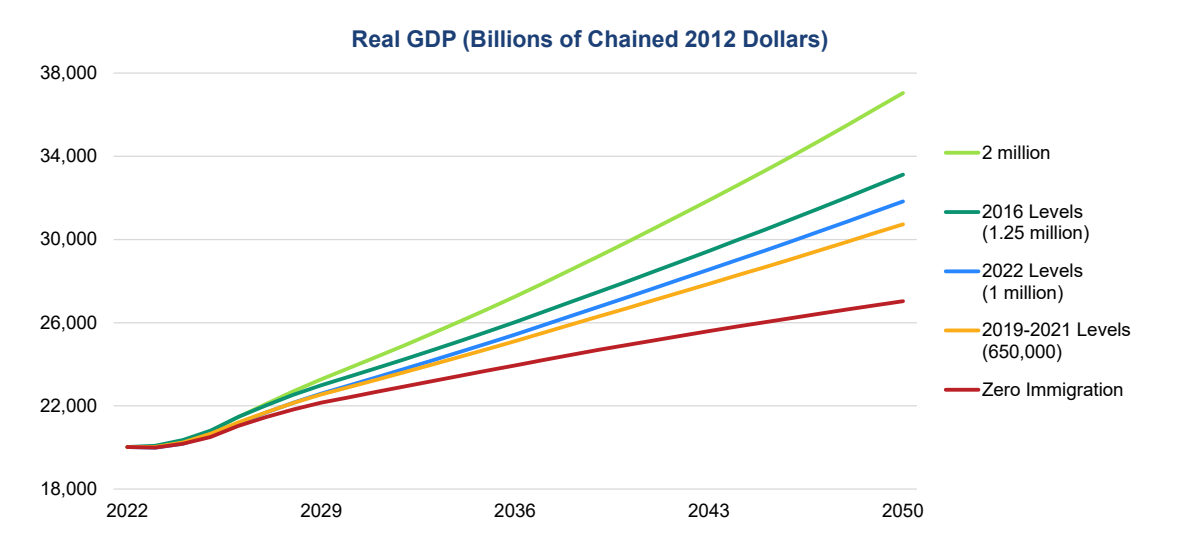
Sources: Census Bureau and The Conference Board

These population trajectories lead to divergent paths for the US economy:

- If immigration continued at the low levels of 2019-2021, the US economy would be nearly $2.5 trillion (in real 2012 dollars) or 7 percent smaller in 2050, when compared to 2016 immigration levels.[27] That equates to cumulative lost income for the country of $30 trillion over the span of 2023 to 2050 (Figure 7).
- The smaller annual gap of 250,000 immigrants between 2016 levels and 2022 levels also leads to consequential differences: an almost $1.5 trillion smaller economy in 2050 and cumulative lost income of $19 trillion.
- To put those figures in context, lifting current rates of labor force participation and employment by 1 percentage point to match the 2019 high (equivalent to moving nearly 3 million Americans back into the workforce) would raise 2050 GDP by only $430 billion.[28]

Figure 7

Immigration inflows have direct impacts on economic projections

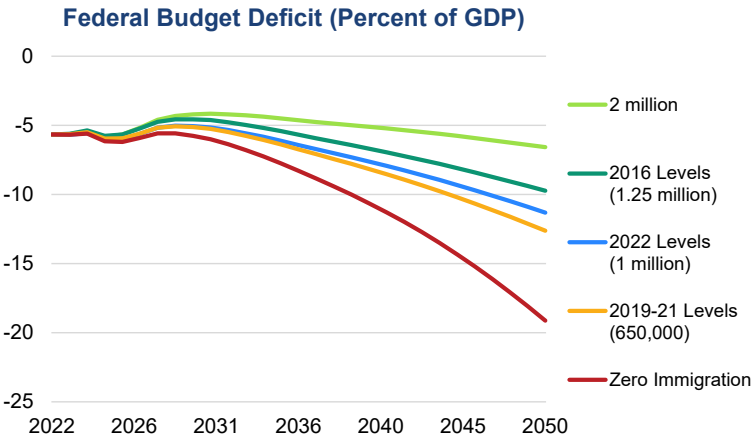


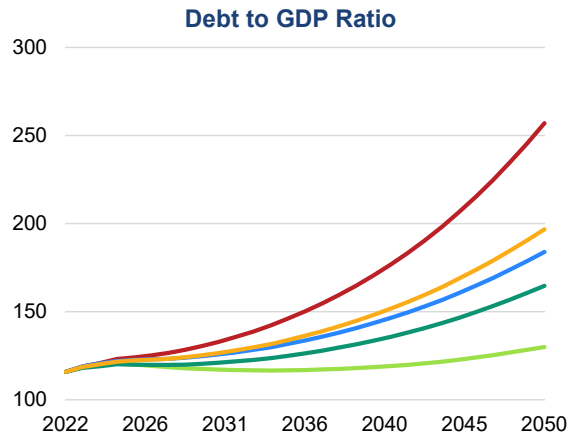
Sources: Census Bureau and The Conference Board

- US population growth affects our fiscal situation as well (Figures 8a/b). Holding all else constant, if legal immigration levels remained at the levels of 2019-2021 (650,000 annual new immigrants), the country's debt-to-GDP ratio (using total federal debt, rather than the narrower publicly held debt) would rise from today's 120 percent to 197 percent by 2050.[29] Returning to 2016 immigration levels (1.25 million) results in a decrease of the federal deficit in 2030 of 11 percent and by 2050 of 23 percent, resulting in a ratio of 165 percent. An alternative scenario of raising immigration further to 2 million annually would hold debt-to-GDP below 130 percent, reducing the deficit in 2030 and 2050 by 18 percent and 48 percent, respectively.

Figures 8a and 8b

Immigration inflows have direct impacts on economic projections





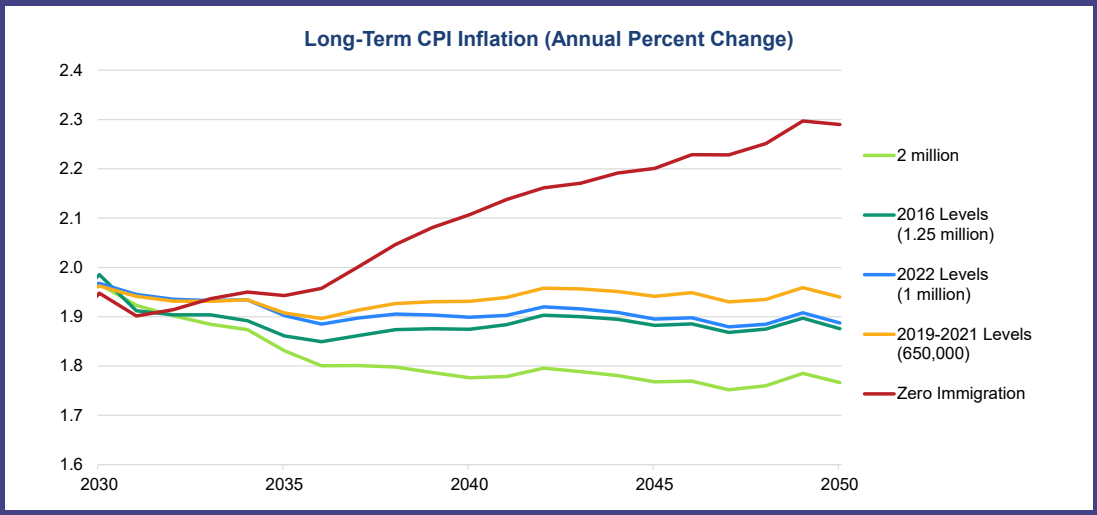
Sources: Census Bureau and The Conference Board

Further, solving long-term labor shortages through continued workforce growth also combats a core driver of inflation (Figure 9).

- Returning to net inflows of 1.25 to 2 million has the potential to decrease the annual rate of inflation by 1 to 4 percent (3 to 8 basis points), compared to immigration levels of 2019-2021.
- These estimates affirm that if the US only considers policies to raise participation among US-born workers, the country will fail to address the looming shortfall in workers and the associated economic consequences.

Figure 9

Higher immigration places downward pressure on long-term inflation



Sources: Census Bureau and The Conference Board

The beneficial role of immigration as a critical driver of the trajectory of both US population and labor force—and consequently economic growth—is already on display at the regional level. Between 2010 and 2019, positive net immigration accounted for 64 percent of total population growth in the 10 most populous metropolitan areas, the Census Bureau estimated.[30] The Census also found in the same period that 126 metro areas and 13 states would have lost population if not for immigrant inflows.[31] Supplementing local populations that may otherwise face slowing growth or outright decreases avoids a cycle of economic decline, in which a shrinking population affects local housing and job markets, shrinking the state and local tax base faster than demand for government services.

It is urgent to prevent a similar cycle of decline at the national level. Increasing demographic strain will require a greater share of available resources to maintain benefits for seniors, while detracting from funding able to be used for necessary longer-term investments for the nation to remain competitive, such as education, research, and infrastructure. An influx of new workers through an enlarged, modernized US immigration system is the only feasible solution to preempt the negative economic and fiscal effects that would inevitably stem from a shrinking working-age population.

Immigrants Complement American Workers

A principal concern about increased immigration is that wages could be reduced for some set of native workers with whom immigrants most directly compete for jobs. However, evidence shows that immigrants from a variety of skill backgrounds often have positive, complementary effects on US workers. The workers they compete with most directly are other foreign-born workers—previous immigrants with closely similar skills and education.[32]

Estimates suggest that additional immigration at a level equivalent to a 1 percent increase in the total US labor supply would only be expected to reduce wages for native-born workers without high school degrees between 0 and 1 percent, while slightly increasing wages for native-born workers with more education, leading to a net positive impact for native-born workers overall.[33] Notably, there is little evidence that immigration affects the employment levels of native-born workers, though it may reduce the number of hours worked by US teenagers.[34] For instance, an increase in the supply of immigrants to fill physical labor occupations can lead to additional openings for managerial jobs, which are most often filled by more experienced American workers. Immigrant families also add to the size of the US consumer market, helping to increase demand for goods and services.

Without reforms to our immigration policy, US firms will likely continue to offshore to find workers in other countries rather than reserving those jobs for existing American workers.[35]

High-Skill Immigrants Spur US Innovation

While 1 million additional immigrants per year would grow the economy by an additional 16 percent by 2050,[36] immigrants' economic contributions extend beyond labor force participation. Census Bureau data suggest that immigrants are disproportionately likely

to be entrepreneurs or work at start-ups.[37] While immigrants made up 17 percent of the workforce holding four-year degrees in 2020, they constituted over 25 percent of workers in high-skill STEM occupations.[38] High-skill immigrants are responsible for 36 percent of aggregate US innovation, with two-thirds of their impact coming as a result of positive effects on their native-born collaborators.[39] Immigrants also benefit US research efforts by connecting US firms and workers to cutting-edge innovation occurring elsewhere in the world.

Net Fiscal Contribution of Immigrants and Their Children

Another positive contribution of immigrants to the economy concerns taxes. Immigrants pay more into the US tax system than they receive in benefits. During the debate on comprehensive immigration reform in 2013 that culminated with Senate passage of S.744, the Border Security, Economic Opportunity, and Immigration Modernization Act (never taken up by the House), the Congressional Budget Office estimated that S.744 would increase the size of the US labor force by roughly 5 percent over two decades and reduce federal deficits by nearly $900 billion over that period. At the time, the Social Security Administration's Office of the Chief Actuary estimated that S.744 would reduce Social Security's existing long-run funding deficit by roughly 8 percent.[40]

III. A Two-Pillar Approach to Grow the US Workforce

Only with a two-pillar approach of increased US workforce participation and comprehensive immigration reform can the US fully address the problem of workforce shortages. A foremost responsibility of public and private sector leaders is to ensure that all Americans have equal opportunity to prosper, making expanding the participation of the US workforce an imperative. But, as detailed above, even if all currently unemployed workers could fill those job openings, the nation would still have a shortfall of more than 5 million workers, making immigration reform a critical second pillar.

Priorities to Raise the Participation of the American Workforce to Meet Current and Future Demand

A number of solutions exist to help meet current and future demand by raising participation and promoting skill building among the workforce already present and able to work in the US. Leaders in business, education, and public policy need to collaborate to further boost labor force participation. CED recommends the following actions, which focus on recruiting, educating, preparing, and retraining the American workforce.

Increase public-private provision of training and incentivize upskilling

Skill-building initiatives focusing on the unemployed, the underemployed, and nonlabor force participants can increase labor force participation. Private and public sector leaders should spearhead collaborative efforts with employer-driven regional consortiums of colleges (particularly community colleges), broad-access institutions, and other trainers to link skill-set development with job opportunities; this would encourage employees to continue to advance their careers with new and necessary skills. Efforts could include allowing unemployed workers to become eligible for Pell Grants and expanding the program to cover more innovative ways of credentialing, including community colleges

and training programs. Public-private partnerships are key to this effort, which will include building out learn-and-earn arrangements including registered apprenticeships and other on-the-job training initiatives. New York City, for instance, recently announced a public-private partnership focused on career readiness involving paid three-year apprenticeships for up to 3,000 students in collaboration with the New York Jobs CEO Council.[41]

Support older workers who wish to remain working

During the pandemic, older workers retired at higher rates than in previous years. Older workers could be encouraged to remain in the workforce by repealing the Social Security retirement earnings test, which reduces benefits for recipients who wish to continue working and earn above a certain threshold before full retirement. Eliminating the Medicare benefits cliff that lower-income seniors can face with continued employment should also be considered. Employers can retain older, experienced workers through offering flexible work arrangements, including having them step into mentoring and training roles.

Expand workplace flexibility for workers with dependent care responsibilities

Throughout the pandemic, the recovery in women's employment lagged that of men, with caregiving issues continually reported as the top cause deterring return to the labor force.[42] Business leaders, as well as public sector leaders, should provide workplace flexibility for employees to care for children or other dependents without damaging their potential for career advancement. Employers should provide support for childcare options and bridge programs so that women who have left the workforce have opportunities to train and stay connected with employers. Local governments should prioritize pre-K education opportunities for at-risk children.[43]

Lower barriers to participation: provide for mobility; diversify talent pools

More broadly, policies that restrict the efficient movement of workers should be reassessed. Occupational licensing requirements that are location specific should be reviewed where reciprocity of credentialing across states would increase mobility without higher risk. Diversifying talent pools to include underrepresented populations and institutions would allow more workers to participate. More broadly, hiring based on skills or competencies would also expand the potential pool of workers to include those who lack traditional four-year college or advanced credentials but are otherwise qualified for certain jobs. Maryland even dropped a degree requirement for some state jobs to address labor shortages and increase opportunities for skilled workers.[44]

Comprehensive Immigration Reform to Address Workforce Shortages and US Competitiveness

While increasing labor force participation of US workers is the first-order priority, the US will not be able to meet its labor force requirements to grow and prosper without immigration reform. Current US immigration policy is haphazard, the result of many separate decisions made over past decades, rather than of a considered and strategic effort to develop a policy focused on our workforce and economic needs. The last major legislative change to the permanent employment-based system occurred with the Immigration Act of 1990, which established the current preference category system and

its numerical limits when US GDP was half its current size and technology played a much more limited role in the economy.[45] Our competitors for global talent including Canada, Australia, and the United Kingdom have these strategies (and each released new strategies in 2022 to address changes in the postpandemic economy);[46] the US needs one as well. Comprehensive immigration reform should be bipartisan and pursued through both legislative and administrative actions, with the goal of increasing legal immigration based on economic need, while also addressing the issue of illegal immigration.

Secure the border to limit illegal immigration;

Responsible reform of the US immigration system must begin with addressing the ongoing challenge at our borders and ports of entry, particularly the southern border—a challenge directly affecting our national security as well as levels of immigration. All proposals for comprehensive immigration reform include better border security, including increased resources for border enforcement. For fiscal year 2023, the Omnibus Appropriations Bill provides $16.7 billion for US Customs and Border Protection, $1.8 billion above FY2022 funding, including for new personnel, on top of increases in previous years.[47] But more resources will be needed. Stricter border enforcement must carry consequences for illegal entry and for failure to meet other requirements to encourage migrants to pursue available legal pathways.

In early 2023, the US immigration court system faced a backlog of more than 2 million cases, 800,000 of which involved asylum claims.[48] Those in line face wait times averaging four and a half years to receive an asylum decision.[49] A significant portion of increased funding went toward addressing backlogs in 2022—adding 104 new immigration judges, prioritizing cases, and moving toward e-filing—helping the immigration court system process 312,000 cases, significantly improving on 2021's total of 116,000. However, the backlog continued to grow as the Executive Office for Immigration Review received 800,000 new cases in 2022, roughly 300,000 more than any prior year.[50]

Providing the necessary resources for additional asylum officers and immigration court judges to efficiently process the backlog of claims is an essential component in addressing the crisis at the border. The ability to adjudicate cases more quickly will allow faster determination of eligibility for refugee status or other immigration pathways. If individuals are ineligible to enter via any pathway, the system should make that determination swiftly. Additional resources should also be directed toward border security efforts, including adding Border Patrol agents and stations, enhancing training, and leveraging the use of technology. As an example of how these are linked, a 2019 report from the Department of Homeland Security showed that the surge in asylum seekers diverted as many as 60 percent of Border Patrol agents from their traditional roles conducting surveillance to processing of asylum applicants.[51]

The business community must also shoulder greater responsibility in verifying employment through a mandatory E-Verify system, as proposed in 2021 under the Legal Workforce Act.[52] In conjunction with expanded temporary worker programs that allow for transition to green cards, the E-Verify system would better ensure that jobs are filled by screened applicants. This serves the dual purpose of deterring unauthorized migration by nearly eliminating job opportunities they are able to fill and by shrinking the potential pool of offenders that law enforcement authorities must identify.

An essential facet of enforcement strategy at the southern border is strengthening the US partnership with Mexico. The bilateral relationship is crucial to common problems shared between the two countries on migration, national security, trade, and public health. Mexico and the US must coordinate an effective strategy, including investment in cross-border infrastructure, collaboration between local officials, and planning around security efforts as well as addressing asylum cases of those who attempt to cross illegally.

Develop a bipartisan plan for pathways to permanent legal residence for Dreamers and unauthorized people currently in the US

In the past, consideration of a path to citizenship for those who initially crossed the border illegally has been a barrier to comprehensive immigration reform. Yet continuation of the status quo benefits no group. An estimated 11 million unauthorized foreign-born people currently reside in the US.[53] Their illegal status bars them from participating in the formal labor market, while also placing those people at great risk of exploitation and limiting their ability to contribute to economic growth. A 2018 study found that more than 60 percent of unauthorized immigrants had lived in the US for 10 years or more; many of them are raising children and performing essential jobs in the US economy.[54] Three in four of undocumented workers are estimated to be in the workforce, with 5 million estimated to be essential workers.[55] The only realistic solution is establishing a long-term pathway to formal recognition.

Our national political leaders need to develop a bipartisan plan to address this challenge. However, as the 2013 proposal (S. 744) provided, any long-term plan toward recognized permanent residence should come with stipulations, including undergoing an extensive screening with real-time record checks and the collection of biometric information before the appropriate pathway is determined for each migrant or family. These types of screenings are standard procedure for the Border Patrol today when apprehending migrants crossing the border.

Similarly, the 600,000 young immigrants known as "Dreamers" currently protected under the Deferred Action for Childhood Arrivals (DACA) program, who arrived in the US before the age of 16, stand in limbo with a temporary legal status that was meant to be a stopgap when it was established in 2012.[56] That program continues to be challenged in court. The bulk of the Dreamers are now between the ages of 20 and 40, have been educated in US schools or participated in the US armed forces, and are highly engaged in the US workforce. Without final determination of a pathway for these immigrants to stay in the US, they would be forced out of their jobs and subject to deportation orders.

The 2013 bipartisan proposal provided for establishing a conditional path to citizenship for the current population of young undocumented immigrants.[57] This would allow individuals to obtain conditional permanent resident (CPR) status, allowing them to receive work authorization. It would apply to individuals currently covered by DACA and those meeting other DACA requirements but ineligible because of arriving after June 2007. To eliminate the uncertainty caused by the need for repeated reauthorizations, these reforms should be considered in the ongoing program structure rather than simply reauthorizing the DACA program based on a revised date of entry. Once in CPR status, individuals could then obtain lawful permanent residence status (LPR) or a "green card" by satisfying one of three requirements: completing at least two years in a US bachelor's

or advanced degree program, completing at least two years of military service with honorable discharge, or demonstrating employment over a period of three years. Upon maintaining the LPR status for five years, an individual would be able to apply to become a US citizen through the normal naturalization process.

Open additional pathways as needed by the economy to work authorization at all skill levels and permanent residence

The current inflow of legal immigrants into the US falls far short of the level employers need. In FY2023, 127,600 applications were approved for H-1B high-skill workers, out of more than 483,000 total petitions.[58] This problem also exists with low-skill workers in important sectors such as agriculture and is projected to continue in the future. There is little justification for why the number of foreign workers allowed to enter the US annually, all of whom have a US employer actively sponsoring them, should be limited by outdated and inflexible caps. Caps, if not eliminated, should become more responsive to economic conditions by automatically adjusting based on the prior year's demand.

Encouraging work through granting broad work authorization to all immigrants already residing in the US would also quickly expand labor force participation. For example, spouses of H-1B holders are currently unauthorized to work unless they are separately sponsored by an employer, reducing the potential US labor force and making full integration more challenging for families.

Additionally, certain contingencies on visa programs often push productive workers out of the country unnecessarily under the current system. For instance, presence in the US for high-skill workers holding H-1B visas depends on continuous sponsorship by the same employer, without which they are mandated to leave within 60 days. This stipulation makes these workers vulnerable to economic downturns and often unable to change employers, while their uncertain long-term path detracts from their ability to fully integrate into workplaces and communities.[59] Similarly, international students under the F-1 visa who graduate from US universities are allowed only one year of Optional Practical Training and three years if completing a STEM degree. In practice, these requirements force a large number of students educated in the US out of US employment, returning to their home or another country with substantial US educational and on-the-job training.

One solution to these issues is a streamlined, conditional path toward permanent residence for immigrants holding certain temporary visas, such as H-1B or F-1 for international students. More than 4 of 5 immigrants offered employment-based permanent residence are already in the US on a temporary basis.[60] Allowing certain visa holders to self-petition for permanent residence without a sponsor after completing specified requirements would lighten the processing load for other applications for permanent residence. The pathway to permanent status should be made near-automatic for immigrants desiring it who have successfully met all requirements during their temporary visa term. The US too often sees valuable workers who have worked or been educated here leave.

Many countries have implemented policies to compete for highly educated workers; Canada, for instance, has an Express Entry program for skilled workers that provides a one-year path to permanent residence. In an increasingly global competition for educated

immigrants with in-demand skills, especially those educated here, the US must reform its system to offer convenience and certainty for potential workers and for sponsors to avoid losing out on top talent.

Beyond this, the US tradition of family-sponsored immigration contributes greatly to our society and keeps the US an attractive destination for immigration. Family reunification benefits communities in myriad ways, from helping newcomers integrate into American culture to providing informal safety nets and providing linkages to employment opportunities. Refugee admissions, another important aspect of the US' commitment to human rights, should be kept at no less than current levels. From Albert Einstein to the Ukrainian tech workers of today, refugees have contributed greatly to the US workforce.

Improve processing for visas to shorten delays and ease use

Improvements to visa processing must also accompany increased immigration. First, additional resources should be provided to improve processing speed and data collection across all immigration pathways. Congress has previously set a goal for visa processing time of 30 days from application to decision, which US Citizenship and Immigration Services (USCIS) has repeatedly failed to achieve.[61] USCIS offers an expedited three-week process for H-1B visas to employers willing to pay an additional fee, indicating that the limitation on processing speed relates to resources and capacity.

With the length of processing times and the uncertainty of a lottery, as well as the structure of the annual application schedule, US employers are at a disadvantage to our global competitors for landing in-demand workers. For example, in the H-1B visa system, employers must typically wait a minimum of six months between a decision to sponsor an H-1B application and an approved start date for a lottery-winning worker. H-1B visas are awarded only in April each year, while employees can only begin US-based work in October. Firms are effectively required to submit applications around the April window as petitions for sponsorship are limited to within six months of an employee's planned start date. The result is that a US business leader who decides in May of a given year to pursue an H-1B visa employee to fill a targeted need would have to wait until the following April to submit an application and find out whether that worker has won the H-1B lottery. The business would then have to wait another six months before that employee could begin work.

A shorter process may make it more viable for a wider variety of employers to take advantage of international talent. Shifting to a more frequent allotment of visas, such as quarterly or monthly allotments, would allow employers more periods per year to apply to sponsor foreign workers closer to the times in which they are needed and available. In addition, spreading applications over the year while also limiting H-1B sponsorship petitions to within a few months of an employee's planned start date would tailor visa levels to current economic conditions.

With appropriations from Congress in 2022, USCIS was able to cut backlogs in multiple immigration pathways. The agency naturalized nearly 1 million new immigrants, the most in 14 years, while reducing its backlogged applications by 62 percent.[62] Another initiative to transfer unused family-based green cards from FY2021 to employment categories resulted in USCIS processing 275,000 resident visas, double the typical annual

allotment.[63] These examples show that with adjustments in funding and policy parameters, administrative agencies are able to make progress in addressing backlogs. But more is needed to develop a modern immigration system featuring efficiency and convenience to attract immigrants here rather than to our global competitors.

Pilot programs to address labor gaps

Beyond enlarging the inflow of employment-based visas for foreign workers with sponsorship from US companies, a portion of newly available visas should be allocated to pilot a points-based program, in which potential migrants are assigned points based on economic factors, including education and work experience. The system could then be calibrated to fit various goals including supplementing defined shortage occupations, educational backgrounds, or intended areas of residence. This mixed approach, combining the existing employer-led visa system with a new points-based system, would allow companies to find workers for priority vacancies while also providing a template for strategically preferencing certain immigrants to address more forward-looking gaps in talent and industry pipelines.

To address regional shortages, an allotment of visas should be set aside annually for a place-based employment visa program, with admittance contingent on an immigrant worker residing in a predetermined location for a prescribed period. This program would need to be coordinated with, if not fully administered by, state and local governments. In collaboration with local business leaders, the composition of incoming immigrants could be calibrated to the needs of local markets so that local areas can ensure that immigrants have a high absorption rate and their community can continue to provide for newcomers. Canada, for instance, has a Provincial Nominee Program (PNP) in which provinces and territories are able to craft individual selection criteria to nominate immigrants who intend to settle in their region. The PNP program is Canada's second-largest source of economic migrants, accounting for nearly 20 percent of the country's incoming immigrants each year.[64] The program has successfully spread out the economic benefits of immigration beyond major cities to help fill employment gaps. Prior to the program, 87 percent of economic migrants settled in Ontario, British Columbia, and Quebec, compared to just 24 percent intending to settle in those regions after its implementation.[65]

Alternatively, Congress could similarly authorize states to sponsor immigrants, giving them the same authority that businesses and universities have. Two governors, Eric Holcomb of Indiana and Spencer Cox of Utah, recently proposed this, pointing out the large number of open jobs in their states and noting that the current workforce "won't be enough to fill all of those vacancies. We also need immigrants who are ready to work and help build strong communities."[66] Citing "[r]apidly declining birthrates and accelerating retirements" that are expanding job gaps to "crisis proportions," the governors argue that while "[m]any of these jobs require high-level skills and entrepreneurship…states are also awash in unfilled entry-level, low-skill roles—essential in agriculture, health care and the service industries." The idea deserves serious consideration as a way to address regional labor shortages as well as occupation-specific shortages in states.

Even absent congressional action, states and cities can take steps to become more attractive to immigrants and thus boost their economic growth by filling labor shortages. Comprehensive messaging welcoming immigrants, strong provision of services to learn

English, partnerships with local educational institutions to help transfer foreign credentials, and high-quality refugee resettlement assistance will help make a particular city or region more welcoming for immigrants.[67]

Set up a Workforce and Immigration Policy Advisory Board

Public-private partnerships of all types are essential to alleviate workforce shortages. To ensure that a reformed system will work well, Congress should establish a national advisory board focused on the demand for foreign workers in the US labor market and the functioning of the US immigration system.[68] This proposed Workforce and Immigration Policy Advisory Board would be modeled after the Social Security Advisory Board and include a bipartisan group of experts, members of the business community, and academics. The board's mandate would be to reach consensus on recommendations for the shortfall of workers for jobs in specific sectors and administrative challenges in the system. It would also play an instrumental role in recommending general immigration targets, particularly in a points-based pilot, for particular skills, characteristics, or occupations that are in short supply. Another key role for the board should be recommendations for greater coordination across federal agencies that deal with elements of the immigration system. As with other federal advisory committees, the new board would be supported largely through existing federal staff, expertise, and data to provide new thinking and insight to help inform the work of the US government.

Conclusion

Workforce shortages are challenging US growth and competitiveness today and will only become more consequential in the future. The labor shortfall is contributing to high inflation by limiting production and driving up wages at an unsustainable pace, and it can also contribute to recession by reducing the US' underlying rate of economic growth. In the longer term, these shortages will severely strain the country's fiscal health, as fewer workers pay taxes into Social Security and Medicare.

Expanding US labor force participation must be a first-order priority if our economy is to provide equal opportunity for all Americans to prosper. However, participation alone cannot meet the challenge in the face of troubling US demographic trends. The US population is aging rapidly, and US fertility rates continue to drop. The result is a long-term projected labor shortage in the US that jeopardizes our economic growth. Comprehensive immigration reform that expands legal pathways and encourages immigrants' immediate contribution to the workforce is essential to address US shortages workforce and to our nation's fiscal health.

Only by pursuing a two-pillar approach that focuses both on bolstering participation and upskilling the American workforce while allowing immigration to inject needed talent to complement American workers will the nation continue on the path of high economic growth that is able to provide equal opportunity for all Americans to prosper. In the face of our demographic challenges as well as current shortages, the time to act is now.

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