U.S. Economic Vitality Depends on Immigration

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Executive Summary

Over the last decade, the United States has continued to face an aging of its population, which has been widely documented. The aging population is expected to create several problems for the U.S., especially for the future productivity of its labor markets. At this juncture, it is critical to understand the key dynamics driving the aging population, as well as to identify new sources of population growth and how to meet their needs. Public policies that can address this situation will best contribute to the well-being of U.S. society in the new era. The research presented here is based on data from the Bureau of Labor Statistics, American Community Survey, U.S. Census Bureau, National Bureau of Economic Research, and the Centers for Disease Control and Prevention.

First, we found that total fertility rates in the U.S. have declined below the replacement level for most racial groups, except for foreign-born Hispanics and a few other foreign-born groups. While the total fertility rate decline is something that has been studied before, we note the short-term exception of foreign-born Hispanic women, even though it is important to note fertility rates for this group are also projected to decline in the following decades. Although current fertility rates are below replacement level for the US, Asians and Pacific Islanders are projected to increase their fertility rates (Pew, 2019). Thus, it is important to pay special attention to both groups because they could help reverse population aging in the medium term. Another source of population growth for the long term might be immigration from regions with actual and projected high fertility rates, such as Africa. An additional source of population growth could be emigration from Latin America, not only because their total fertility rate above replacement level is projected until 2040, but because of their relatively easier integration to the U.S. society given the existing social networks in this country.

It is important to note that current immigration started to stagnate, especially after the U.S. presidency of Donald J. Trump and the Covid epidemic, a period that was marked by extreme anti-immigration narratives and policies. We found from 2016 to 2023, immigration levels fell below projections but had recovered after COVID, which readjusted future immigration projections to historical trends. Based on our new projections, we find immigration levels will be half of what were previously expected. Nevertheless, we expect both declining fertility rates and lower immigration will continue, exacerbating both population aging and slower labor market growth in the U.S.

Based on Bureau of Labor Statistics (BLS) projections for occupations to 2029, we found that at least 15% of immigrants are currently in occupations that are expected to add more total positions over the next decade. A lower proportion of immigrants are in occupations with the fastest rates of growth, and which require higher levels of education and innovation. In this sense, immigrants who have less education should be steered toward occupations requiring less education. Whereas, those who have achieved higher educational levels, such as international students, should be encouraged to remain in the U.S. through special programs.

To reverse the population aging process and the expected labor shortages, the authors highlight the importance of working on a strategy that promotes immigration, especially from those regions that currently have high fertility rates, such as Africa, to fulfill the population needs in the long term, as well as immigration from regions with educational attainments that match short- and midterm labor market demands for the different occupational levels. This increased immigration, however, should be accompanied by enhanced educational access policies for immigrants, especially on-the-job training, which would help them to improve their skills and knowledge in those specific occupations. Proper educational and training policies could improve immigrant skills and their transition to occupations that are expected to add higher value to the economy. Furthermore, contrary to the general narrative that immigrants with low educational attainment have little

ambition to improve, the data show that immigrants are willing to improve their educational level, motivated by the fact that increasing their human capital results in increasing their earning power. Considering the above, the authors conclude that reversing the US aging population trends through immigration would help to increase the supply of labor in occupations that are expected to generate more value for the economy. This could also ensure increased productivity levels for the U.S. and could sustain the social support system required by an aging population. The authors propose a set of policy recommendations to this end.