

# National Foundation for American Policy

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## **New Research: U.S. Working-Age Population Will Shrink Without Immigrants**

### **Shrinking Working-Age Population Could Lead To Economic Stagnation, Falling Living Standards**

**Arlington, Va.** – Without continued net inflows of immigrants, the U.S. working-age population will shrink over the next two decades and by 2040, the United States will have over 6 million fewer working-age people than in 2022, according to a [new study](#) released by the National Foundation for American Policy (NFAP), a nonpartisan research organization. The analysis in the study finds announcements of high-profile layoffs and concerns about the impact of artificial intelligence (AI) obscure America's continuing need for additional workers at the top and bottom of the skill distribution. International migration is the only potential source of growth in the U.S. working-age population in the coming years.

The study's author is Madeline Zavodny, a Professor of Economics at the University of North Florida (UNF) in Jacksonville. Zavodny was an economist in the research department of the Federal Reserve Bank of Atlanta and Federal Reserve Bank of Dallas.

The report, "Why the United States Still Needs Foreign-Born Workers," can be found at <https://nfap.com/>.

The research involved analyzing data from the U.S. Census Bureau and the Bureau of Labor Statistics, including the Current Population Survey and the Job Openings and Labor Turnover Survey.

Technological change, including ongoing advances in generative AI, is unlikely to eliminate the need for additional workers. In the long run, technological progress raises labor demand by increasing productivity and incomes. In the short to medium run, domestic workers are unlikely to be sufficient to meet labor demand as federally funded infrastructure projects roll out and domestic semiconductor production ramps up. The U.S. will need workers with specialized skills that are in short supply and take years of education and training to acquire. Now and in the future, the U.S. will still need workers, and it risks not having enough of them, particularly those with desired skills, absent additional immigration.

International migrants were the sole source of growth in the U.S. working-age population in 2021 and 2022. Without the growth among the foreign born, the total working-age population would have fallen by almost 0.5 percent in 2021. In 2022, it would have fallen again, albeit by only 0.03 percent.

A shrinking working-age population can easily lead to economic stagnation or even falling living standards for a nation. A shrinking population means fewer people to generate new ideas that lead to technological progress and long-run growth. A shrinking population also means fewer workers to produce goods and services. When combined with an aging population that continues to demand labor-intensive goods and services, the result is likely to be price pressures and shortages. The U.S. also becomes even more vulnerable to disruptions in international trade since a shrinking

working-age population may stymie attempts by companies to expand domestic production and to reshore operations from abroad.

New international migrants have played a vital role in U.S. population growth in recent decades, and their role will become even more significant in the coming years. The contribution of new international migrants to growth in the working-age population has become increasingly important since the baby boomers began to exit the labor force after 2010. Looking ahead, the sustained drop in the number of U.S. births and the continued exit of the baby boomers from the labor market leave new international migrants as the only way for the U.S. working-age population to continue to grow through at least 2040.

In total, foreign-born workers account for almost half of U.S. employment growth from January 2021 through May 2023. While critics may allege that international migrants take jobs away from U.S. natives, employment among prime-aged U.S.-born workers also soared during this period. In early 2023, the share of working-age U.S. natives who were employed surpassed its pre-pandemic rate and reached a 20-year high. This accords with considerable other evidence that foreign-born workers do not adversely affect U.S. natives' labor market outcomes.

The resumption of inflows from abroad as the pandemic has waned has not been enough to meet labor demand. Recently arrived working-age international migrants have flowed disproportionately into sectors and states with more demand for workers, as measured by job vacancy rates, and can account for up to one in five jobs filled between January 2021 and May 2023. Nonetheless, as of May 2023, the United States was experiencing its longest stretch of sub-4-percent unemployment since the 1960s, and almost two unfilled jobs for every unemployed person. Virtually every labor market indicator points to the need for additional workers, and these pressures will increase over time if the working-age population shrinks.

The unemployment rate and the job openings rate typically move in opposite directions. Since 2022, however, this traditional inverse relationship has not held. Instead, the job openings rate has eased downward as the unemployment rate has hovered near record lows. One potential explanation for this change from the typical inverse relationship is that the lack of available workers may be constraining employers from creating additional jobs. A similar pattern appears to have occurred in 2019, when the sub-4-percent unemployment rate coincided with a flattening of the job openings rate curve.

Labor supply has struggled to keep pace with strong demand, partly because of smaller inflows of foreign-born workers in the year before the pandemic and then a near cessation of inflows during the pandemic. As international borders reopened, international migration resumed slowly at first and then rapidly began to catch up. By late 2022, the U.S. had fully closed the pandemic-era gap in its foreign-born workforce, although it still had not fully caught up in terms of the foreign-born working-age population.

New international migrants have helped employment grow across the economy, particularly in sectors that were more desperately in need of workers. The relationship between the initial job openings rate and the inflow of recently arrived foreign-born workers is positive, indicating that recent arrivals helped fill jobs in sectors with more vacancies.

Similarly, recently arrived foreign-born workers were particularly likely to go to states with tighter labor markets. The relationship between the initial job openings rate and the inflow of recently arrived foreign-born workers into a state is positive, indicating that recent arrivals helped fill jobs in states with more vacancies.

Absent inflows from abroad or from other states, the majority of states will see their working-age population shrink in the coming years. Projected declines in the working-age population without additional international migration are largest among people who have not completed a bachelor's

degree and in the Northeast. International migrants will be particularly important to sustaining growth in those groups and areas.

Demographers have warned for years that the falling U.S. birth rate will eventually cause the nation's population to decline absent continued inflows from abroad. Population decline can easily lead to long-term economic stagnation or even contraction.

Absent continued immigration, the U.S. risks experiencing a declining working-age population soon as a consequence of the falling number of births in recent years. Indeed, the decline may have already begun.

#### **About the National Foundation for American Policy**

Established in 2003, the National Foundation for American Policy (NFAP) is a 501(c)(3) non-profit, non-partisan public policy research organization based in Arlington, Virginia focusing on trade, immigration and related issues. The Advisory Board members include Columbia University economist Jagdish Bhagwati, Ohio University economist Richard Vedder, Cornell Law School professor Stephen W. Yale-Loehr and former INS Commissioner James W. Ziglar. Over the past 24 months, NFAP's research has been written about in the *Wall Street Journal*, the *New York Times*, the *Washington Post*, and other major media outlets. The organization's reports can be found at [www.nfap.com](http://www.nfap.com). Twitter: [@NFAPResearch](https://twitter.com/NFAPResearch)

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