

National Foundation for American Policy

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New Research: Slower Growth in the Working-Age Foreign Born Population Reduced U.S. Economic Growth

U.S. Real GDP Growth Was Reduced By an Estimate of Up to 1.3 Percentage Points in 2022

Arlington, Va. – Slower growth in the working-age foreign-born population between 2016 and 2022 reduced U.S. real GDP growth by an estimate of up to 1.3 percentage points 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 U.S. real GDP (gross domestic product) would have risen by up to an estimated 3.2 percentage points in 2022 if the working-age foreign-born population had continued to grow at the same rate it did during the first half of the 2010s. Instead, real GDP rose by only 1.9 percentage points that year.

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 slowdown in growth in the working-age foreign-born population reduced the growth rate of real GDP by up to 40 percent. The sizable adverse effect is because the foreign born have been a critical source of growth in the U.S. labor force in recent years. The foreign born were the only source of growth in the U.S. working-age population in 2021 and 2022. The data suggest that the slowdown in growth in the working-age foreign-born population over 2016-2022 acted as a brake on U.S. economic growth.

The "lost," or foregone, GDP as a result of slower growth in the working-age foreign-born population after 2015 is equivalent to about \$335 billion in 2022 alone. In other words, if GDP had increased by 3.2 percent instead of 1.9 percent that year, total output and total income would have been \$335 billion larger.

The report, "The Importance of Growth in the Foreign-Born Population to U.S. Economic Growth," can be found at <https://nfap.com/>.

A slower-growing or, worse, shrinking working-age population can lead to economic stagnation or even falling living standards for a nation, as noted in [earlier research](#). A slower-growing working-age population means a smaller increase in the number of people to produce goods and services and to generate new ideas that lead to technological progress and long-run growth. A slower-growing or shrinking working-age population also increases the potential for price pressures and shortages.

The working-age foreign-born population was more than 1.7 million adults smaller in 2022 than it would have been if it had maintained its 2010-2015 pace of growth. The gap reflects a slowdown in growth in the working-age foreign born during the late 2010s, followed by a small decline in that population in 2019 and then a large drop in 2020. Data from the Census Bureau's American

Community Survey indicate that growth in the foreign-born potential workforce resumed in 2021 and 2022, but that population has not caught up to its pre-2016 trend.

The analysis uses data from the Census Bureau's Business Formation Statistics program and shows that growth in new business applications, a harbinger of the number of new businesses created, was slower in states that experienced below-trend growth in their working-age foreign-born population. The research also uses data from the Census Bureau's American Community Survey.

States that saw their working-age foreign-born population grow more than forecast experienced stronger economic growth, on average. The analysis measures the relationship between the ratio of actual to predicted working-age foreign-born population and real GDP growth in each state (see Figure 6). The ratio of actual to predicted working-age foreign-born population reflects the gap between the actual and the projected size of the working-age foreign-born population in each state in 2022, while the growth rate of real gross domestic product (GDP) is the percentage increase in the value of output after adjusting for inflation, as reported by the Bureau of Economic Analysis, in that state over 2016-2022. The analysis indicates a significant positive relationship between the ratio of actual to predicted foreign-born population and real GDP growth. States with above-trend growth in their foreign-born potential workforce had more robust economic growth, while those with below-trend growth had slower economic growth. It could be the case that stronger economic growth attracted more working-age foreign born to a state, or location choice among the foreign born is endogenous with respect to economic conditions. However, studies that carefully control for possible bias due to endogenous location choice among the foreign born conclude that the foreign born have a positive causal impact on economic growth within the U.S.

The slowdown in foreign-born population growth between 2016 and 2022 was particularly acute among relatively young potential workers and those in the prime of their careers, and among those who do not have a bachelor's degree.

- In 2022, there were almost a million fewer foreign born ages 25-34 in the U.S. than in 2015, and almost 300,000 fewer ages 18-24. The future size of the U.S. workforce depends critically on whether those relatively young foreign-born populations grow.
- The foreign-born population ages 35-54 was about 1.2 million smaller in 2022 than projected based on its pre-2016 trend. Population growth was most robust among the older foreign born, who are nearing retirement ages.
- In 2022, the U.S. had almost a million fewer foreign-born adults who did not have a bachelor's degree than in 2015. The number of foreign-born adults with at least a bachelor's degree was over 2 million larger in 2022 than in 2015.

Where the working-age foreign born live in the U.S. shifted. Eighteen states had faster growth in their working-age foreign-born population during 2016-2022 than during 2010-2015. But the other states had slower-than-expected growth or, for 11 states, a decline in their working-age foreign population. States that had faster-than-projected growth in their working-age foreign-born population had stronger real GDP growth during 2016-2022.

About the National Foundation for American Policy

Established in 2003, the National Foundation for American Policy (NFAP) is a 501(c)(3) nonprofit, nonpartisan 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. Twitter: [@NFAPResearch](https://twitter.com/NFAPResearch)

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