



The Contributions of Immigrants and Their Children to the American Workforce and Jobs of the Future

Dowell Myers, Stephen Levy, and John Pitkin June 19, 2013

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Introduction and summary

Our nation is in the middle of two great demographic shifts. The largest generation of Americans—the Baby Boomers—is reaching retirement age and will leave the workforce en masse between 2010 and 2030. The retirement of the Baby Boom generation will create millions of replacement job openings, even as economic growth creates the need for additional workers to fill newly created jobs. At the same time, our nation is becoming more demographically diverse. Immigrants and their children make up a growing share of the population that will be entering their prime working years over the next two decades.

With large numbers of jobs coming open in every sector of the economy and at all skill levels from now to 2030, immigrants and their children will be critical to the continued dynamism of the American workforce and economy. They will play a vital role in reshaping the workforce, filling essential jobs, and sustaining economic growth.

This report analyzes fundamental demographic and employment trends that are changing our nation's workforce and seem certain to continue long beyond the ongoing recovery from the recent deep recession.¹ The workforce and jobs of the future will be very different from those of today.

This study presents projections of the workforce that are unprecedented in their detail about the role of foreign-born immigrants—the first generation—and their native-born children—the second generation. Grounded in data from the Census Bureau and the Bureau of Labor Statistics, or BLS, the uniquely detailed Pitkin-Myers generational projections of population² are extended to estimate the role of immigrant generations in the workforce.

The study combines these projections of the size and characteristics of the workforce with independent estimates of job openings to show the linkages between workforce changes and economic growth over the coming decade and beyond.

We begin by comparing the coming wave of Baby Boomer retirements with the growth of the workforce—that is, the sheer numbers of people leaving and enter-

Definitions

Workforce: The workforce comprises everyone in the population ages 16 and older who is employed outside of the armed forces, as well as those unemployed people who are actively seeking work. The labor force is another term for workforce and is used interchangeably.

Job openings: Job openings result from growth of jobs and the need to replace workers who leave the workforce (through retirement, death, or other reasons) or who change occupations.

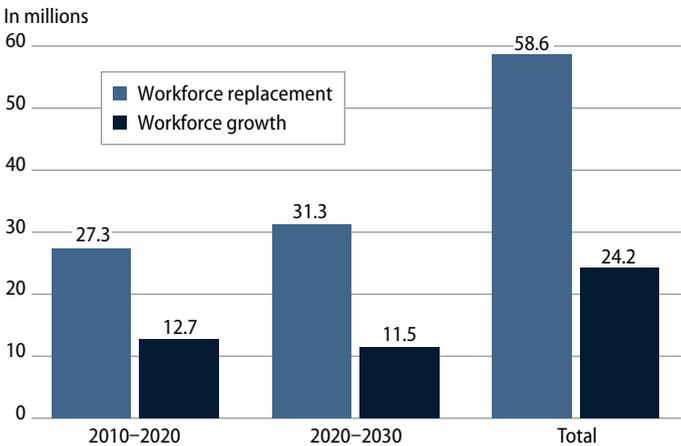
ing the workforce and available to fill jobs in the future. We project that over the next two decades, nearly 83 million people will enter the workforce. More than two-thirds of all new entrants to the workforce will be needed to replace today’s workers, who will retire and leave the workforce, with the remaining entrants accounting for the growth in the workforce.³

Baby Boomer retirements and the future workforce

People born between 1946 and 1964, the so-called Baby Boomers, were by far the largest cohort in American history. This large generation currently comprises more than 38 percent of the total workforce. This year the first of the Baby Boomers turns 67 years old, past the threshold of eligibility for full Social Security benefits. Even while many are delaying retirement to stay in the workforce at later ages, most will retire in the next 20 years. Between 2010 and 2030 some 45 million older workers will retire, of which 40 million are members of this large generation.

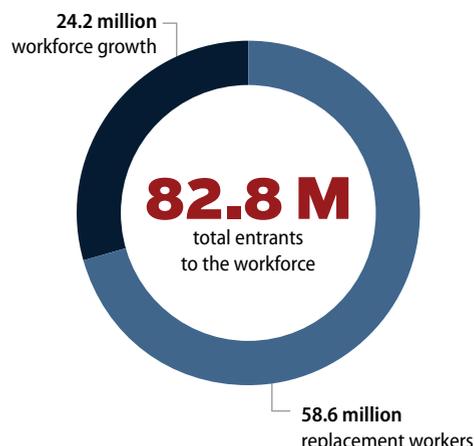
As these retirees and others⁴ leave the workforce, new workers will be required to replace them—just to maintain current outputs of goods and services. Between 2010 and 2020, 27.3 million workers will leave the workforce, and between 2020 and 2030 another 31.3 million will leave. In total, these 58.6 million of the 83 million new workers projected to enter the labor force during the next two decades, more than two-thirds of all new workers, will be replacements for older workers leaving the workforce. (see Figure A)

FIGURE A
Future workforce



Source: Summary of authors’ calculations.

FIGURE B
Total entrants to workforce, 2010 to 2030

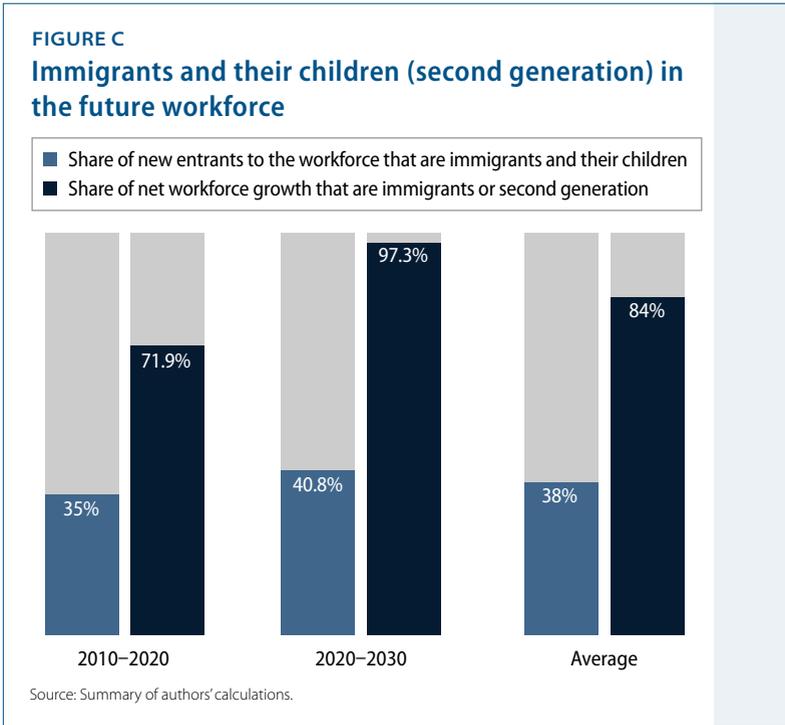


Source: Summary of authors’ calculations.

Between 2010 and 2020 the workforce will grow by 12.7 million people, and between 2020 and 2030 it will grow by an additional 11.5 million, for a total of 24.2 million people. (see Figure A) In total, over the next two decades, nearly 83 million people will enter the workforce. More than two-thirds of them will replace people currently in the workforce, and the rest will account for the growth in the workforce. (see Figure B)

Where will the close to 83 million new workers come from? There are three streams of new entrants to the workforce: 51.3 million grown children of native-born parents today (third-generation or higher Americans); 18.6 million immigrants (first-generation Americans); and 12.9 million grown children of immigrants (second-generation Americans). Hence, 31.5 million of the 83 million new workers, or 38 percent, will be immigrants and their children. (see Figure C)

Although immigrants and their children, *the first and second generations*, will comprise 38 percent of new workers, they will be a much smaller share of those aging out of the workforce. As a result, this group will account for the large majority of the net increase in the workforce and fill many of the future job openings that will be created as the Baby Boom generation retires from the workforce. Taken together, immigrants and their children will account for 85 percent of net workforce growth over the next two decades. (see Figure C) Between 2010 and 2020 immigrants and their children will make up 72 percent of net workforce growth; between 2020 and 2030 they will make up 97 percent—nearly all of the workforce growth.



Job openings in the future

Our projections of the overall workforce tell one side of the story of jobs in the economy: the number and characteristics of people available to work in the United States. How do these compare with expected job openings?

It is reasonable to expect that there will be about 90 million job openings between 2010 and 2030, roughly two-thirds of which will be replacement jobs and one-third of which will be new jobs. These jobs will be filled largely by the new workers and by reductions in the ranks of the unemployed. Just as immigrants and their children will play a critical role in the growth of the workforce, so too will they be essential to meeting the job needs of the future in different occupations.

The replacement jobs that the Baby Boomers will leave behind and the new jobs will be in all sectors of the economy and at all skill levels. Some of the highest concentrations of jobs will be found in occupations such as professional and technical work (12.3 million by 2020), the service sector (12.6 million by 2020), and office and administrative support (7.4 million by 2020).

Other professions requiring workers with various skill levels will also see great needs in the future, including sales (6.5 million by 2020), installation and repairs (2 million by 2020), and transportation and material moving (3.6 million by 2020).⁵

And while in the future there will be more jobs that require higher levels of education, data from the Bureau of Labor Statistics indicate that job growth will occur for workers at all educational and experience levels, from those without a high school degree to doctoral degree holders.

The 25.6 million foreign-born workers in the U.S. workforce as of 2010 already make up 16.6 percent of the total workforce. These workers can be found in every major occupational sector, including more than one in eight workers in agriculture, construction, production, service, professional, and sales occupations.⁶ The widespread prevalence of the Baby Boomer workers across occupations and industries suggests that their immigrant and children replacements will have even more important roles in coming decades than today.

Summary of findings

This report shows how central immigrants and their children will be to meeting the future workforce and economic needs of the nation. Several specific findings are offered about immigrant contributions to the future workforce. These are followed by some general conclusions related to current policy debates. The five principal findings of this study are the following.

Impact of Baby Boomer retirements

We project that 58.6 million workforce replacements between 2010 and 2030 will be required by the retirement or death of Baby Boomers and other older Americans. This is more than 80 percent greater than the number of replacements required by the exit of the previous generation between 1990 and 2010. The accelerating wave of retirements by the Baby Boom generation provides a key context for judging the economic importance of immigrants and their U.S.-born children.⁷

Most new workers will replace those exiting the workforce

Our projections show that fully two-thirds (58.6 million) of all new workers will replace people who will leave the workforce, while one-third (24.2 million) will represent growth.

Immigrants and their children are vital to replenishing the workforce

Without the immigrant population, the nation's workforce would not be sufficient to replace the number of workers expected to retire from the labor force between 2010 and 2030. Our projections indicate that 51.3 million workers who are native born and not of immigrant parents are likely to enter the workforce in this period. That number is 7.3 million people short of the total number of workers that will be leaving the workforce.

Labor-force growth will support economic growth

Just to maintain current production of goods and services, large needs for replacement workers are projected in the major occupations where members of the retiring generation of Baby Boomers are currently employed. In addition, economic growth is sustained by more than just replacement of retiring workers. Our projections that include immigrants and their children indicate a total increase in the workforce of 24 million workers by 2030.

Retirements will raise the need for new skilled workers

The nation will need a growing number of experienced workers at all skill levels due to the number of older workers that are being replaced. Because the Baby Boomers are more highly educated than earlier generations, replacement needs at higher skill levels will accelerate. This is a substantial shift from the situation before 2010, when a much larger share of older workers leaving the workforce had less than a high school education.

Finally, we believe our empirical findings carry some general implications for current debates over comprehensive immigration reform. Overall, our findings show that existing immigrant residents, their children, and new arrivals are indispensable additions to the nation's workforce, making important contributions that should be studied and carefully considered by policymakers.

Among the policy implications that follow from our findings are the following.

Our projections could be curtailed by policy

The strong growth in the workforce that we project could be reduced if insufficient numbers of new immigrant admissions are permitted. Our workforce projections are based on an extension of current trends in delayed retirements of older workers and assume a rebound in new immigrant arrivals from current low levels. Should the flow of immigrants be restricted below our projected levels, that would have the effect of making it more difficult to replace retiring workers, and it would reduce the growth in the workforce for future economic growth.

More efficient management of the immigration flow is needed

All levels of skills are likely to be needed in the future, necessitating a legal immigration system that is flexible and adjusts to the changing needs of the nation's workforce and economy. Our immigration policies, for example, should facilitate the process for international students who we have trained in our colleges and universities—and who have acquired expertise in skills needed by our economy—to receive legal residency so that they become part of the next round of new immigrants joining the workforce.

The legal and citizenship status of immigrants are workforce issues

Although our study has not addressed the legal status of current and future immigrant workers, it is noted that a substantial minority of immigrant workers have unauthorized residence and face limitations on their skill development and working conditions. These workers' future contributions to meeting the nation's workforce needs will be affected by whether or not immigration reform changes the legal status of this population.

Beyond the important consideration of how to reform our immigration laws, policy-makers must not neglect native-born citizens. They, similar to immigrants and their children, will also be filling many of the positions now held by Baby Boomers. Skill development for the entire workforce should be a priority. The urgency of our needs in this decade and the next requires that the generational transition in the workforce that has already begun should not be left to happenstance.

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