

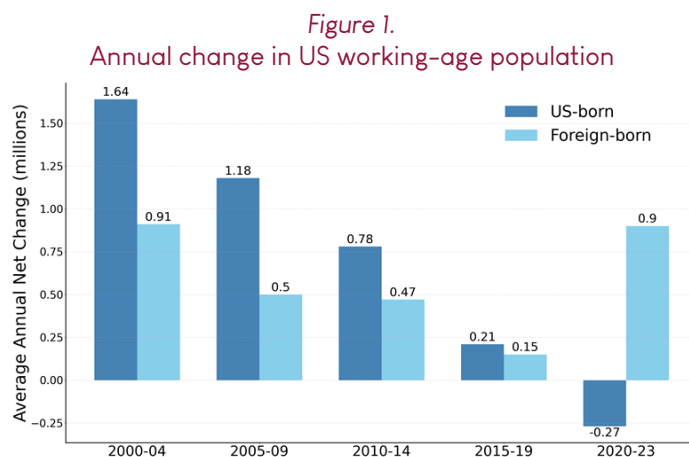
# Immigration and Waning US Labor Force Growth

## The issue

The growth of the working age population born in the United States has been slowing since 2000, as increasing numbers of native-born workers have been reaching retirement age while smaller generations of young Americans enter their working years. Since 2020, the size of the population aged 18–65 that was born in the United States actually shrank. The decline has been most pronounced among non-college educated workers. Corresponding to this decrease in labor supply, unfilled job

vacancies and labor shortages have been growing over the last 10 years, especially in sectors like agriculture, construction, leisure and hospitality, and personal services, which employ a large share of non-college educated workers and whose demand has increased with a richer and aging population. Immigration has acted as a countervailing force in this demographic transition, with immigrants contributing to the growth of the US labor force and employment, both for

college educated/high-skilled workers and for non-college educated/lower-skilled ones over the past several decades. But the contribution from immigrants to the size of the working-age population has also been slowing – particularly among immigrants with lower levels of education. What are the consequences for US labor markets and GDP if immigration does not continue to sustain workforce growth?



Source: U.S. Census Bureau, American Community Survey (ACS); authors's calculations.

Note: Population 18–65 years old. Foreign-born include individuals with any immigration status, including undocumented immigrants.

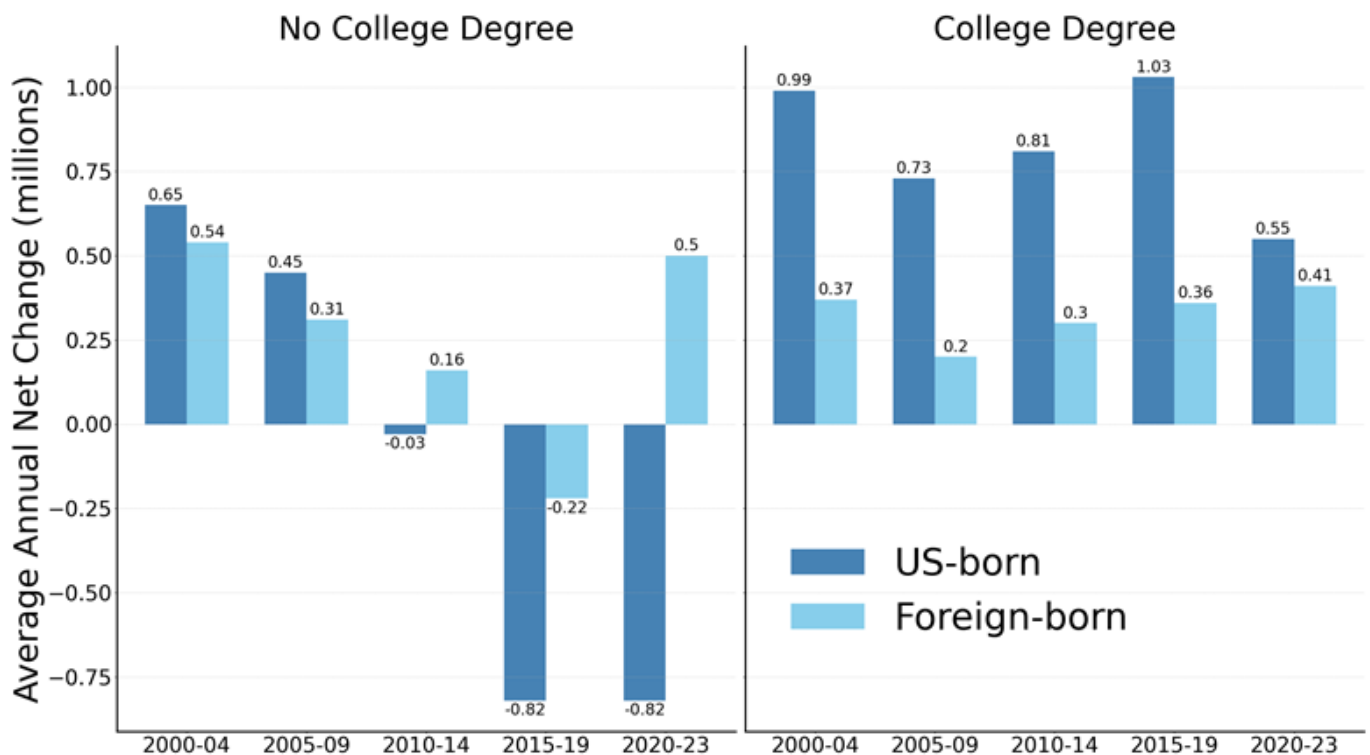
## The facts

➤ During the period from 2000 to 2023, the US-born working-age population has shown a dramatic slowdown in growth, and eventually a decline. The US-born population in the working age range of 18 to 65 grew by 1.64 million people every year during the period 2000–2005. But such growth steadily slowed, turning into a decline of 270,000 people per year by the 2020–2023 period (see chart above). This trend is largely due to the demographic transition, with the large baby boom

generation reaching retirement age, and smaller generations entering the working-age group. A small increase in mortality rates of those 50–65 years old, due to the Covid-19 pandemic, also accelerated slightly this tendency in 2020–2023. Moreover, demographic forces are expected to continue to contribute to [subdued US labor force growth over the next decade](#), as U.S. fertility rates have been [declining since 2007](#) and currently stand below the replacement rate of 2.1 births per woman.

➤ The decline in potential US-born workers, due to the demographic transition, has been most dramatic among those with lower levels of education. The US-born population of non-college educated 18–65 year-olds, has been shrinking every year since 2010. This population declined by more than 800,000 people per year in the 2015–2023 interval due to a combination of smaller cohort size and higher education in the later cohorts (*Figure 2*).

Figure 2.  
Change in working-age population by education  
Net annual change 2000–2023



Source: U.S. Census Bureau, American Community Survey (ACS); authors's calculations.

Note: Population 18–65 years old. Foreign-born include individuals with any immigration status, including undocumented immigrants.

➤ **Immigration has contributed substantially to the growth of the US labor force over the last 3 decades, but the growth trends for immigrant workers have also varied by educational attainment.** From 1990 to 2000, immigrants added around 900,000 workers each year, contributing to one-third of the growth of the US labor force. Although immigrants have continued to add to the pool of potential workers in the United States, the net growth of working age immigrants (aged 18-65) slowed from about 900,000 per year in early 2000's to 150,000 per year in 2015-19. The slowdown in the contribution of immigrants to the working-age population of the United States was driven by the group of non-college educated immigrants. While the net inflow of college educated immigrants in working age remained around 3-400,000 per year from 2000 to 2023, the inflow of non-college educated went from a positive 540,000 per year in 2000-2005, to a net decline of 220,000 per year in 2015-2019. Current restrictive immigration policies do not allow non-college educated immigrants to enter the country and fill non-agricultural non-seasonal jobs, even if there is demand. A partial exception happened in 2022 and 2023, with more entries allowed under special visas, temporary status and asylum requests. This episode,

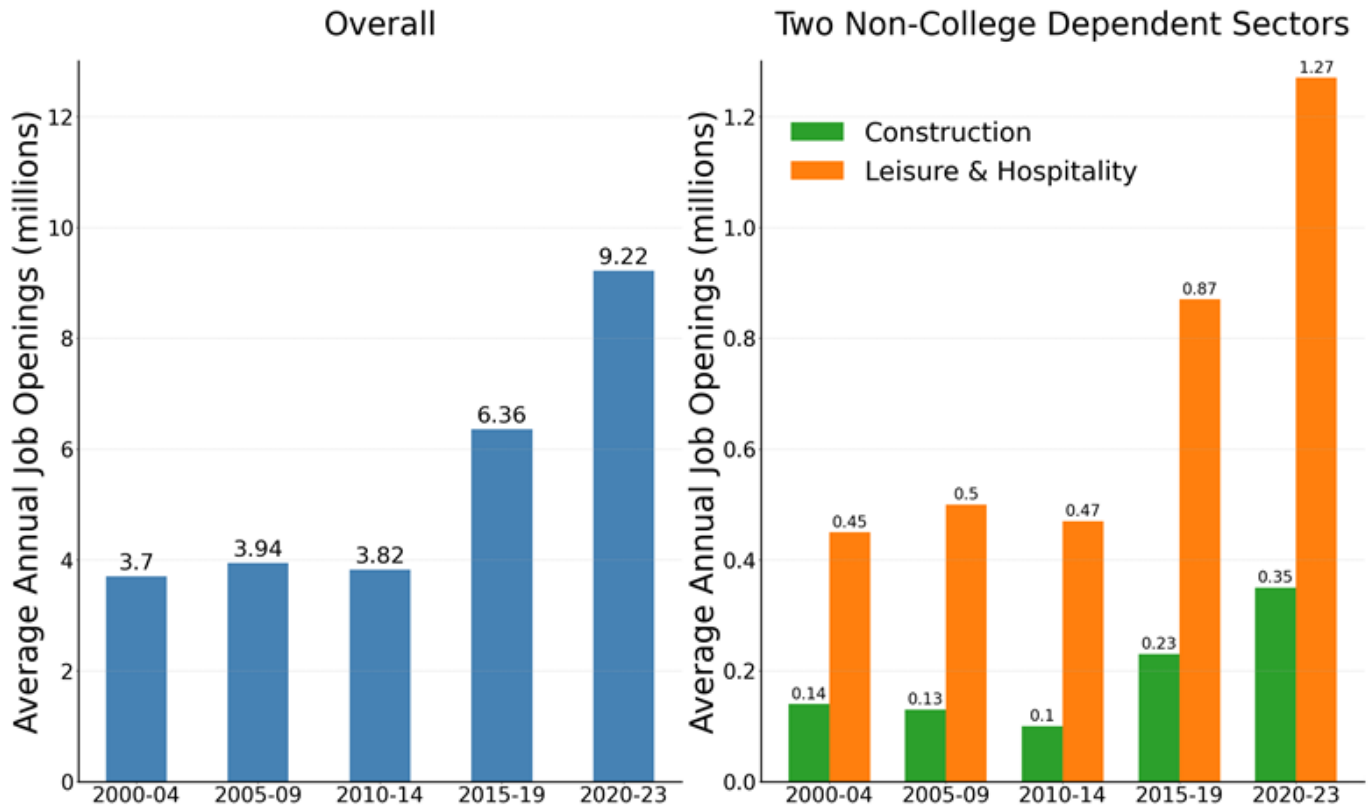
based on issuance of temporary visas and asylum seeker status, is unlikely to happen again in the future, and may even be reversed in the next years. The post-COVID bump, generated by the special circumstances, produced an increase of 500,000 non-college educated working-age immigrants per year in 2020-2023. Only during this last period did the inflow of immigrants partially offset the decline of non-college educated natives in working age.

➤ **The declining growth of the working-age population has not been met by increasing rates of labor force participation among adults.** [Data on the employment/population ratio overtime](#) do not show that the group of natives in working age increased labor market participation: The share of the adult population that is employed has been steady around 60.5 percent over the last decade, with the exception of the swift drop and recovery during the COVID recession.

➤ **The decline in the US-born working-age population and the stable labor force participation – implying a decline in US labor supply – have been accompanied by increasing number of job vacancies in the US.** The US economy has experienced increasingly tight labor markets for several years, with job vacancies that are hard to fill. With the exception of the

Covid-recession in 2020, the number of unfilled job openings has exceeded the number of unemployed people in the United States since 2017 ([see chamber of commerce report 2024](#)). The unfilled vacancies measured at the end of each month have continued to grow, both overall and specifically in sectors depending on non-college educated workers. The construction and the leisure and hospitality sectors, are two important examples of sectors that are heavily dependent on non-college workers and have been experiencing increasing numbers of vacancies ([Figure 3](#)).

Figure 3.  
Annual average job openings



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS)

### What this means

The decline in the size of the working-age population born in the United States, their stagnant participation rates, and the growing demand for services like hospitality, food, construction and health care will exasperate labor market tightness. Lacking a reform of legal immigration, it is unlikely that non-college educated immigrants will be able to fill this gap. As [mobility of US workers in response to employment opportunities](#) and higher wages has [declined over the last decades](#), it is unlikely that

natives will fill many of these jobs especially among non-college educated, older workers who are less likely to move. The likely result will be a slowdown in growth of the economy, especially for the sectors depending on immigrants: agriculture, construction, leisure and hospitality, and personal care. Those sectors will likely experience some lower efficiency of their services, wage increases and price increases, as these services become more costly. Additionally, recent research

from [the US](#) and [elsewhere](#) finds that when labor markets are tight and firms have a hard time finding workers, as it has been the case in the US in the last 2 years, the opening to new arrivals through immigration helps firm growth and increases firm formation, with no negative impact on wages of natives. Ultimately, several studies find that labor force stagnation, and aging of the population, can be important causes of [slow economic growth](#) and [productivity stagnation](#).

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