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The Impact of Immigrants on the 21st Century American Workforce

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Executive Summary

Immigrants are likely to be more valuable than ever in achieving higher economic growth over the next several decades. Due to profound demographic changes in the United States, expanding visas for programs ranging from high tech H-1B workers, to seasonal H-2B workers, to EB-5 investor immigrants, combined with an increase in the overall quota for annual immigrant entries will benefit the U.S. economy by smoothing out the demographic cycle of fewer young Americans entering the work force and more baby boom generation Americans exiting the work force. Immigration will also allow American companies to hire the qualified workers necessary to continue expansion in their operations within the United States.

This study documents the many demographic and economic attributes of legal immigrants and the reasons an increase in legal immigration in the immediate future will benefit American workers and employers. These include:

- Immigrants of working age are more likely to be in the workforce than Americans (65% for immigrants and 60% for American-born).
- Immigrants account for 48% of the growth of the workforce over the past decade (2013-2023)
- The vast majority of immigrants are in the prime working ages 18 to 64. Immigrants are roughly twice as likely to be in the prime working ages, compared to native-born Americans.
- Almost half (47%) of all Fortune 500 companies in America were founded by immigrants or the children of immigrants. These companies have been prodigious sources of jobs in America.
- The “Magnificent Seven” American tech companies account for more net worth than the entire valuations of all the companies in Europe combined and have come to define America’s high tech dominance globally. Three of the current leaders of these companies – 43% – were born in other nations. Elon Musk of Tesla, X, SpaceX, and, in another context, DOGE (Department of Government Efficiency) fame was born in South Africa. Similarly, the CEO of Alphabet (Google), Sundar Pichai, was born in India, while NVIDIA leader Jensen Huang came from Taiwan.
- Over the 20 year period 2020-2040, ALL of the net growth of the American labor force will be attributable to immigrant workers and the children of immigrants entering the workforce.

Introduction

Almost all economists would agree that throughout American history, immigration has been on balance a force for economic growth and higher living standards.

But given the rapidly declining birth rates in the U.S. and in most of the developed nations of the world, young immigrants may be more valuable than ever before.

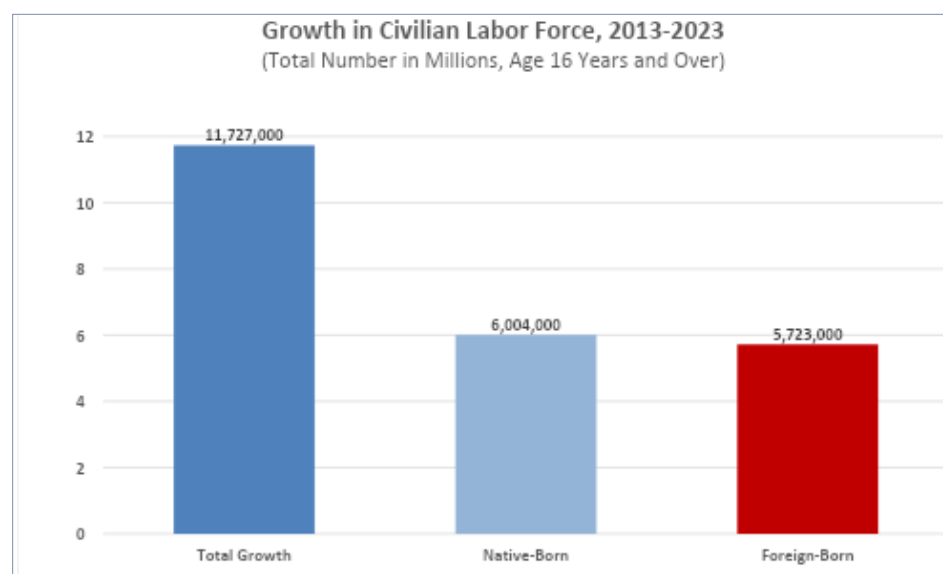
The premier economic/demographic challenge for virtually all developed nations in the world as we enter the second quarter of the 21st century will be to replenish the workforce as hundreds of millions of post-World War II baby boomers retire and fewer native-born young people enter the workforce. This demographic reality across almost all advanced economies – including China, Europe, Japan and the United States – means economic growth will be harder to achieve than it has been in the past several decades. Nations almost literally need all hands on deck.

Economic growth is a product of two factors: the growth of the labor force and the productivity of these workers. Productivity through technological advance, including artificial intelligence and robotics, will almost certainly rise in the coming decades. But nations need smart and productive workers to harness that technological progress.

Immigrants are at the forefront of these growth-inducing changes in contemporary America. As Figures 1, 2, and 3 show us, the foreign-born population has played a disproportionately large role in the growth of the American labor force during a period of low domestic population change.

Over the past decade, immigrants have filled nearly 40% of the new jobs in America. It would be hard to argue this has displaced Americans from jobs, because the unemployment rate has remained relatively low.

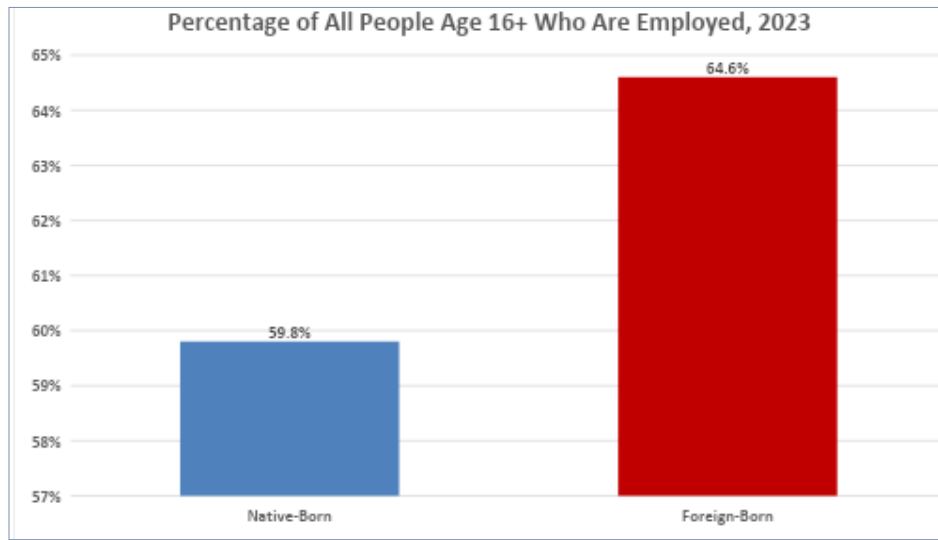
FIGURE 1



Source: Authors' calculations; Bureau of Labor Statistics, Current Population Survey

While only about one in seven Americans are immigrants, immigrants have provided nearly half the growth in the civilian labor force over the past decade (Figure 1). One reason for that is that immigrants are considerably more likely to work than native-born Americans of working age (Figure 2). If native-born Americans had the same propensity to work as immigrants, by 2023 we would have had an additional 10.8 million workers in the labor force.

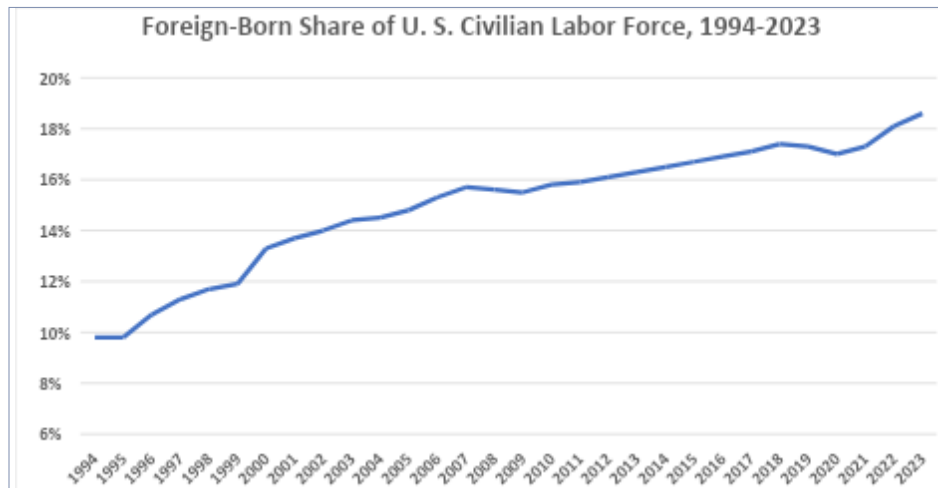
FIGURE 2



Source: Authors' calculations; U.S. Census Bureau, American Community Survey, 2023

In less than three decades, from 1994 to 2023, the proportion of foreign-born workers in the labor force nearly doubled, reaching 18.6% in 2023 (Figure 3). In recent decades, the U.S. has had higher economic growth rates than in the original highly industrialized region of the world, Western Europe, as well as in neighboring Canada. The extraordinary increase in productive resources – disproportionately immigrants – has given the United States a competitive edge.

FIGURE 3



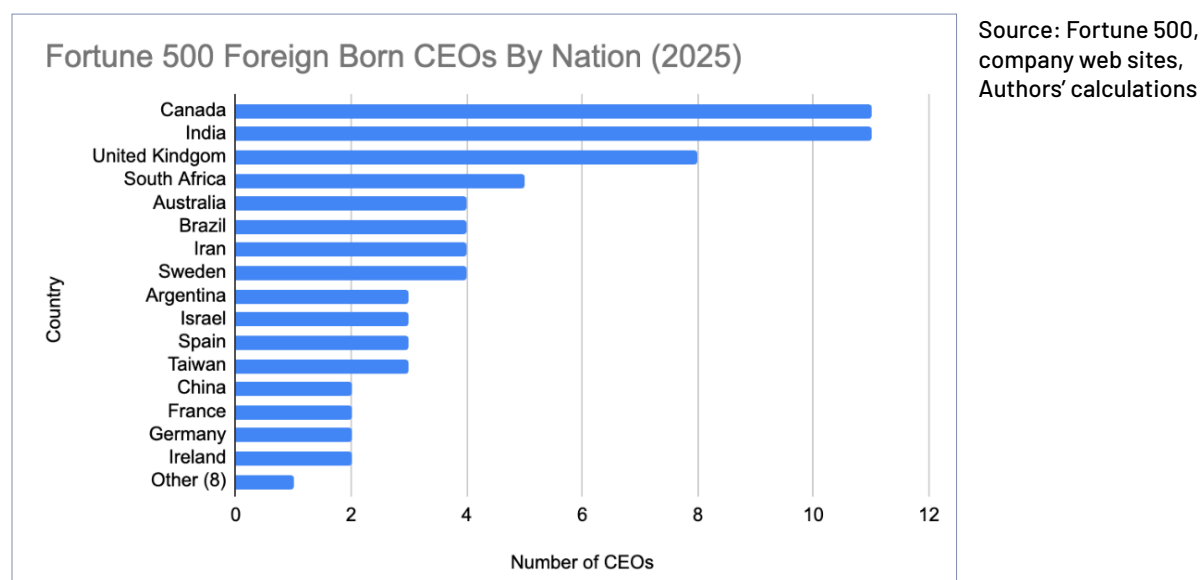
Source: Bureau of Labor Statistics, Current Population Survey

Immigrants As Innovators and Entrepreneurs

Many persons think of immigrants as taking low skilled jobs as agricultural workers, or employed in factories or convenience stores. Immigrants do indeed fill such roles, but that image fundamentally understates the immigrant contribution. Let's start at the very top: of the chief executive officers of the Magnificent Seven – the seven technology-laden companies with extremely high market valuations that have been at the forefront of the computer-based revolution in America. Three of the current leaders of these companies – 43% – were born in other nations. Elon Musk of Tesla, X, SpaceX, and, in another context, DOGE (Department of Government Efficiency) fame was born in South Africa. Similarly, the CEO of Alphabet (Google), Sundar Pichai, was born in India, while NVIDIA leader Jensen Huang came from Taiwan. These companies have led the revolution in artificial intelligence and space exploration, giving the U.S. a formidable lead in the worldwide quest for productive innovation, while additionally Musk has led the most dramatic effort of increasing the productivity and efficiency of the federal government in decades.

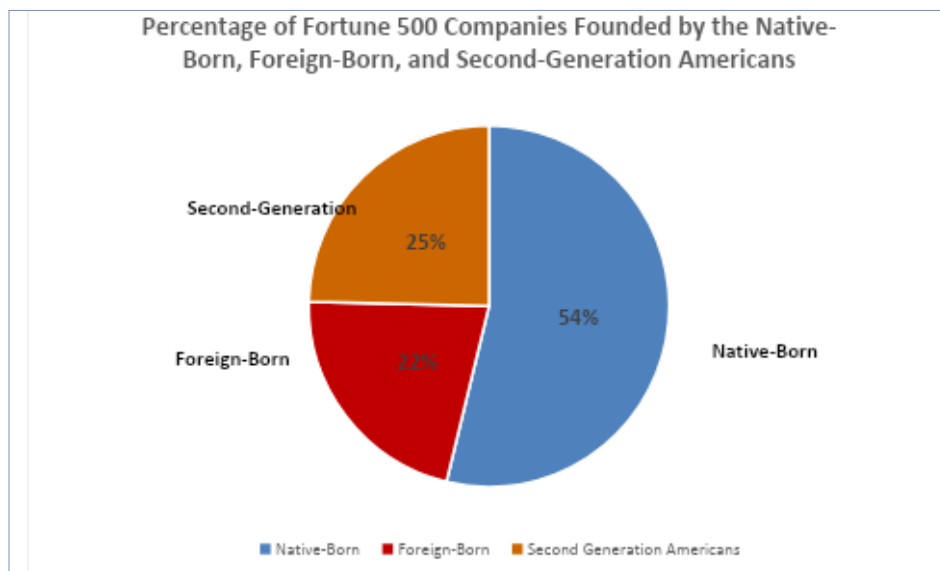
But immigrants do not only lead a few of the high-flying technological companies. They are overrepresented in the leadership of Fortune 500 companies – the largest and best-known American firms. As Figure 4 shows, some 79 Fortune 500 CEOs – 15.8% – were born outside America, coming from well over 20 other countries – from Canada to Australia to South America to Europe and the Middle East. When one examines the founders of Fortune 500s (rather than CEOs), the statistics are even more impressive. According to an analysis by the American Immigration Council, some 22% of Fortune 500 companies in 2024 had at least one immigrant founder, and an additional 25% had a founder who was the child of an immigrant (see Figure 5). Taken together, immigrants and their children started more than 45% of Fortune 500 companies. These immigrant-founded companies had a combined revenue of \$8.6 trillion in fiscal year 2023, an amount greater than the GDP of numerous developed countries, including Germany, Japan, and India. In fact, the American Immigration Council reports that “a country with a GDP equal to the revenues of the New American Fortune 500 firms would be the third largest economy in the world, behind only the United States and China.”¹

FIGURE 4



¹ American Immigration Council, "New American Fortune 500 in 2024: The Largest American Companies and their Immigrant Roots," September 2024, <https://www.americanimmigrationcouncil.org/research/new-american-fortune-500-2024>.

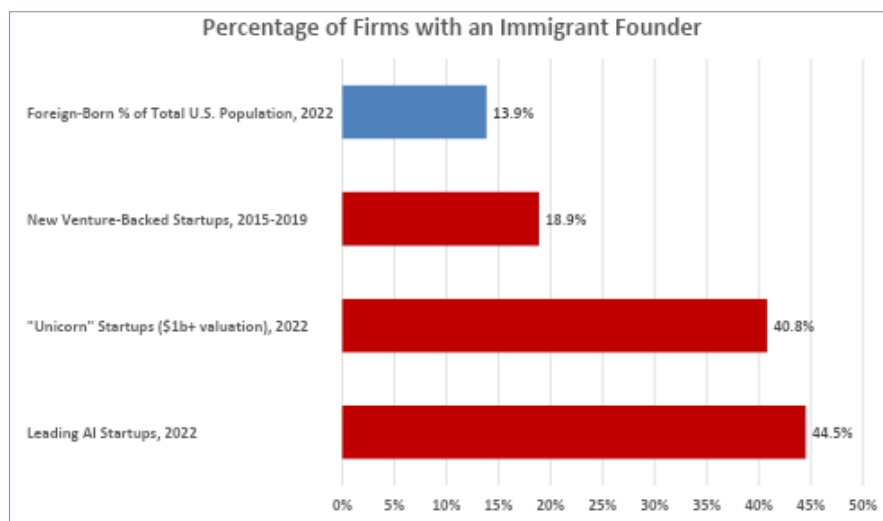
FIGURE 5



Source: American Immigration Council, “New American Fortune 500 in 2024”

Of course, new and smaller firms are also important to U.S. economic growth – and research finds immigrants contribute here, too. A recent paper for the National Bureau of Economic Research finds that in 2023 one-third of new firms had at least one immigrant among the company’s founding team. Elsewhere, UCLA economist Robert Fairlie finds that immigrants become new business owners at more than double the rate of native-born Americans. On average, some 670 out of every 100,000 immigrants became a business owner each month in 2023, compared to 280 per 100,000 among America’s native-born population. And, just as immigrants contribute to major firms, they likewise play an outsized role in starting America’s most innovative new companies. As Figure 6 summarizes: immigrants have started almost 45% of leading AI startups and more than 40% of “unicorn” startups (valued at more than \$1 billion) as of 2022.

FIGURE 6



Source: reproduced from Chodavadia, et al., NBER, 2024.

Do Immigrants Displace Native Born Americans?

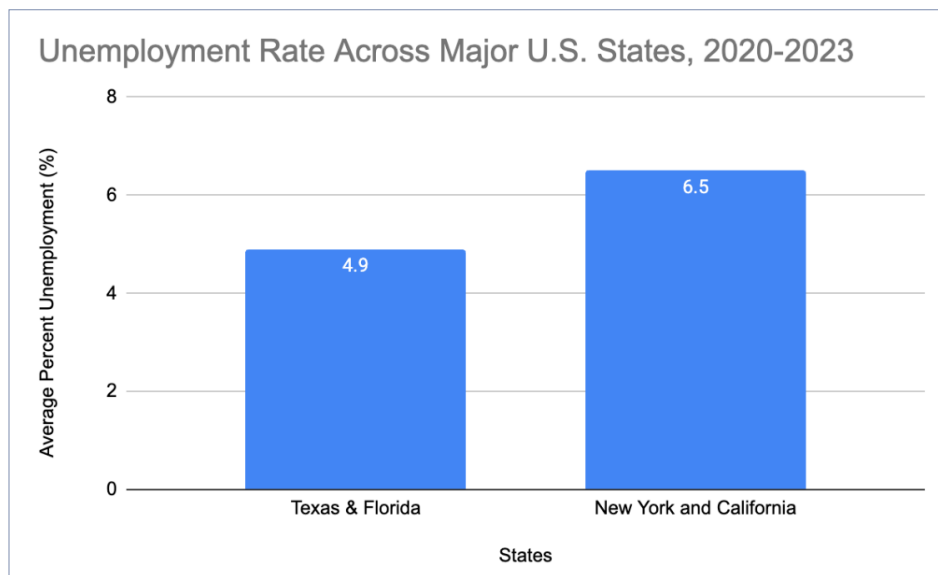
Do more immigrant workers mean fewer jobs for Americans? That has been a recurring concern since the great waves of immigrants arrived in the early 20th century. The concern is amplified in recent years because immigration levels have increased.

To be sure, sometimes there will be multiple applicants for a job, and an immigrant might get it over an applicant who is native-born. More workers would intuitively seem to mean more competition for jobs – especially at the lower end of the economic ladder. But this ignores the fact that the immigrant presence in America increases total income and output (more about that later), and with that the demand for labor. In economist jargon, immigration increases both the demand for and the supply of labor.

Let's look at the four states containing a majority of American immigrants in 2023 – California, Texas, Florida, and New York. Note that from 2019 to 2023 continued high immigration was important in explaining Texas's and Florida's robust population growth, but the near absence of new immigration contributed to California's and New York's relatively stagnant population (actually falling in California). Were unemployment rates higher in the states with high continuing immigrant inflows, while lower in the others?

Figure 7 shows that high immigrant flows into Texas and Florida were associated with much lower unemployment than in California and New York. To be sure, other factors were at work explaining changing employment (including, for example, differences in income taxation), but the results make it very hard to believe the notion that “high immigration causes unemployment for native-born workers.”

FIGURE 7



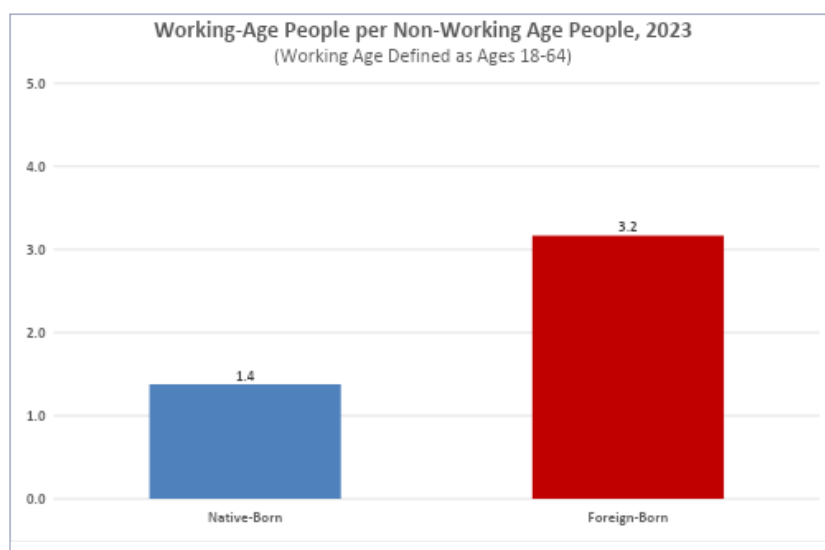
Source: Bureau of Labor Statistics and Authors' Calculations

Immigrants Work More Than Native-Born Americans Partly Because They Are of Working Age

One major economic concern in the U.S. in recent years has been the decline in the labor force participation rate – especially of working age men. There has been much public policy focus on encouraging more Americans to become employed during their prime working years.

But here again is a key advantage of immigration. The proportion of the population that is of working age is much greater for immigrants. As Figure 8 demonstrates, the vast majority of immigrants are in the prime working ages 18 to 64 – for every immigrant outside the prime working ages (those under 18 or 65 or older), there are over three in the prime working ages, more than double the work-age/non-work age for native-born Americans. A much larger proportion of native-born Americans are either children or senior citizens.

FIGURE 8

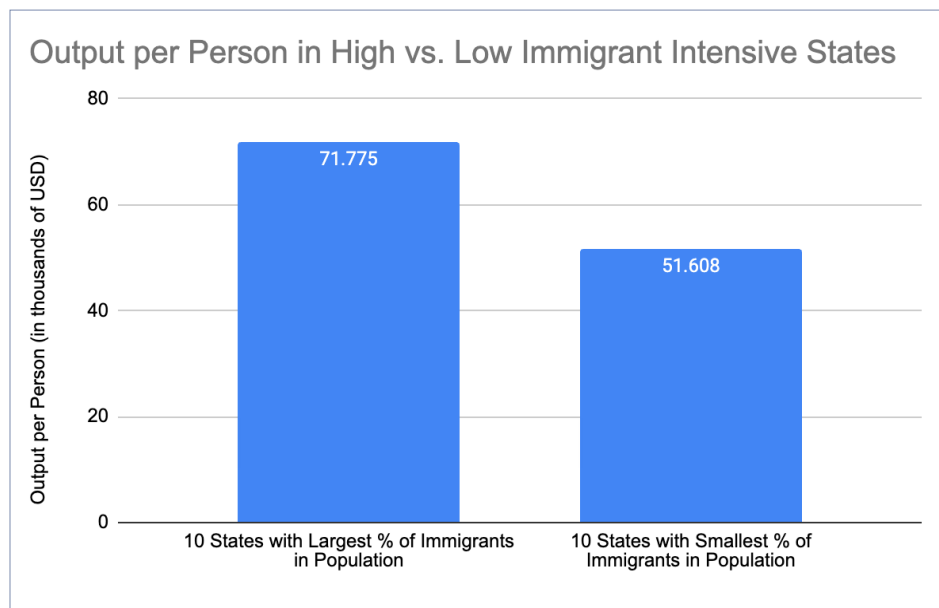


Source: U.S. Census Bureau

Therefore, not only do immigrants not deprive native-born Americans of employment, but they add to the proportion of inhabitants that work, significantly raising the employment-population ratio. Data on the earnings of factors of production suggest that about 60% of the nation's output is attributable to human efforts to produce goods and services (the rest is attributable to other resources like capital – machines – and land used to produce food and minerals). Technological advances over time also add to what economists call “total factor productivity.”

Immigrants raise output and America's economic leadership in multiple ways: they work more and they contribute disproportionately as entrepreneurs and inventors. Thus, the parts of the United States with the highest proportion of population coming from other nations have higher levels of total output per capita, as shown in Figure 9 which compares total output per capita in the ten most immigrant-intensive states with that in the ten least-intensive. The differences are stark – nearly 40% (!) higher in the high-immigrant states, all of which had over 15% immigrants, compared with fewer than five percent in the low immigration jurisdictions.

FIGURE 9



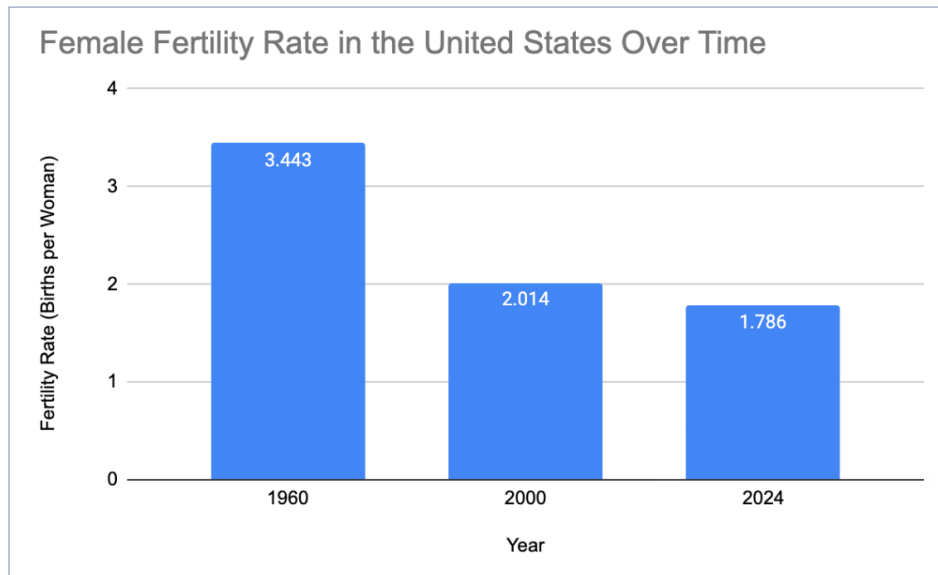
Source: U.S. Census Bureau, Bureau of Economic Analysis

Again, caution is warranted regarding causation. It has been demonstrated time and again, including by one of us, that immigrants move to regions with promising economic opportunities, namely those states where they are likely to earn high incomes. That is one of the economic virtues of immigrants: they go where the jobs are. But it is also true that a tripling or more in the proportion of the population that was foreign-born certainly did not depress incomes – if anything, given the high labor force involvement of immigrants, the opposite appears to be true.

Immigration and the Forthcoming Demographic/Fiscal Crisis

In common with all highly industrialized nations, the United States is facing a forthcoming demographic crisis that will aggravate already severe fiscal strain arising from past irresponsible federal fiscal policy, namely the running of large and growing budget deficits. Immigration has the potential of importantly easing these demographic and fiscal problems.

FIGURE 10



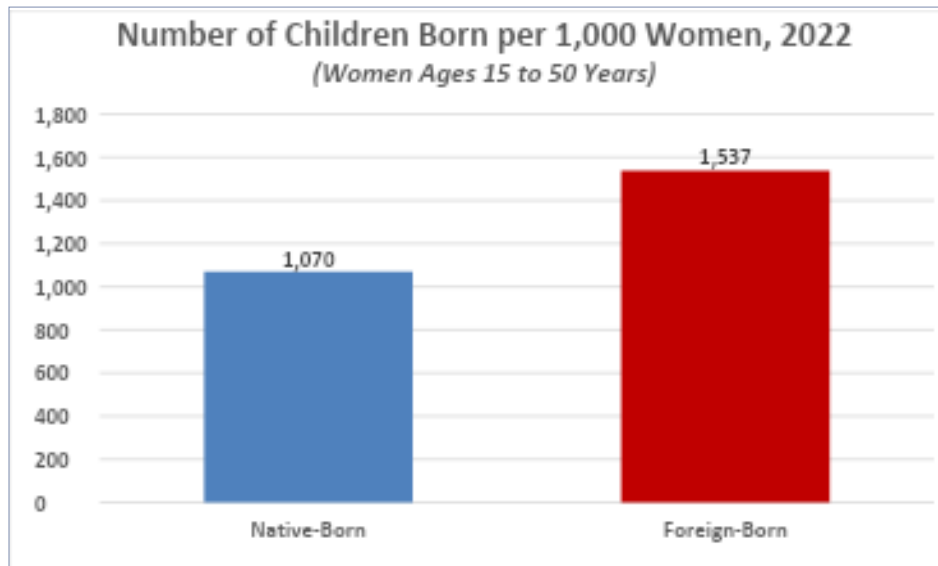
Source: U.S. Bureau of the Census

As Figure 10 shows, in the middle of the last century, American women averaged roughly three births during their lifetimes, allowing for considerable population growth over time. Despite a rise in the foreign-born population, most of the growth in population from about 179 million in 1960 to about 342 million today was a consequence of higher birth rates than death rates – natural population increase. Yet with the passage of time, population growth slowed despite rising immigration. It takes a fertility rate of about 2.1 to maintain a constant population over time in the absence of international migration. The fertility rate in the U.S. has been falling among both native-born and foreign-born women – but immigrant women do have more children on average. Data from the U.S. Census Bureau show that there were 1,537 children born all time per 1,000 foreign-born women between the ages of 15 and 50, as of 2022. Native-born women in this same age range, meanwhile, had 30% fewer children as a share of the population (see Figure 11)². The sharp decline in fertility over time has meant that natural population change has moved from strongly positive in the mid-20th century to negative today. In the absence of immigration, the U.S. population will be in decline a generation from now, and already parts of the U.S. have reached that stage.

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Similarly, data of the U.S. Census Bureau show that foreign-born women are significantly less likely (30.8% in 2022) to be childless compared to native-born women (50.3%).

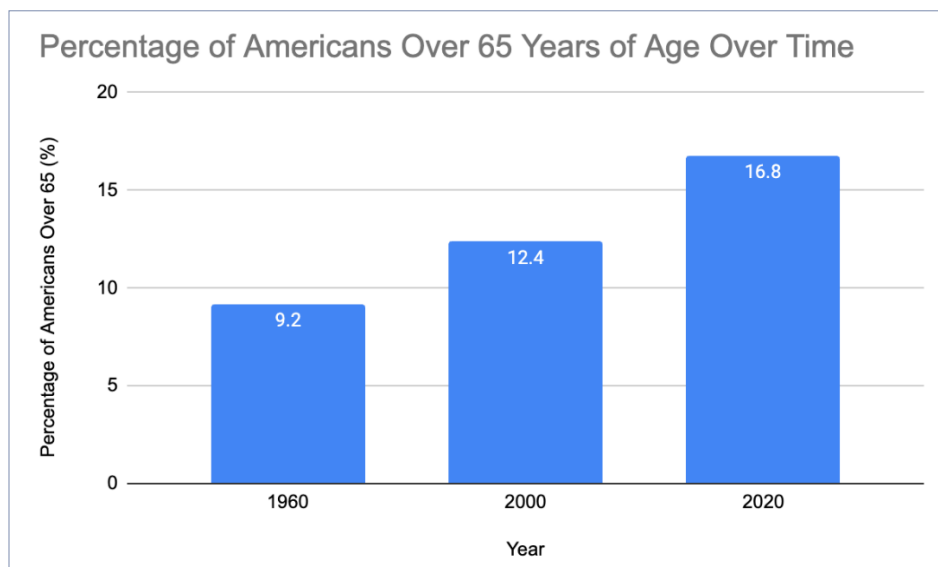
FIGURE 11



Source: U.S. Census Bureau, Current Population Survey, 2022

At the same time, life expectancy is rising, so the percent of the population over the age of 65 has risen considerably (Figure 12). What this means is the ratio of older Americans has risen relative to the number in prime working age groups (age 16 to 65). Since the working age population through its work ultimately must provide resources to sustain the largely non-working population, the aging of the population poses a serious threat.

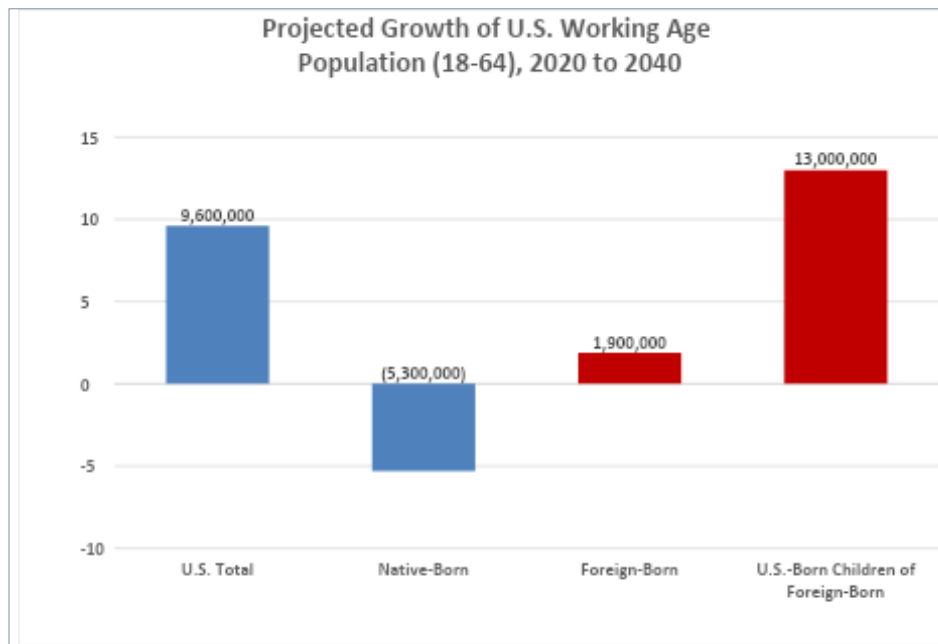
FIGURE 12



Source: U.S. Census Bureau

Since the foreign-born tend to be younger, have more children, and have a higher propensity to work, enhanced immigration can considerably ease the problems arising from the Birth Dearth. Indeed, population projections (see Figure 13) show that the U.S. working age population (ages 18-64) will grow by some 9.6 million over the two decades from 2020 to 2040. This is thanks entirely, and then some, to immigrants and their children. The foreign-born working age population will grow by 1.9 million, and the working age population of second-generation Americans (those born to immigrant parents) will grow an astounding 13 million. Meanwhile, due to falling fertility rates and a rapidly aging population, the number of native-born Americans (excluding second-generation Americans) will shrink by 5.3 million by 2040.

FIGURE 13



Source: U.S. Census Bureau, Population Division, and Migration Policy Institute

Elaborating a bit, we have demonstrated that immigrants are, relative to native-born Americans: workaholics. A large influx of immigrants would raise the employment-population ratio. It would help reverse, or at least slow the decline in, the ratio of dependents to workers which will under current policies overwhelm working age Americans in another generation. We could invigorate America by what one writer once called “fresh blood.”³

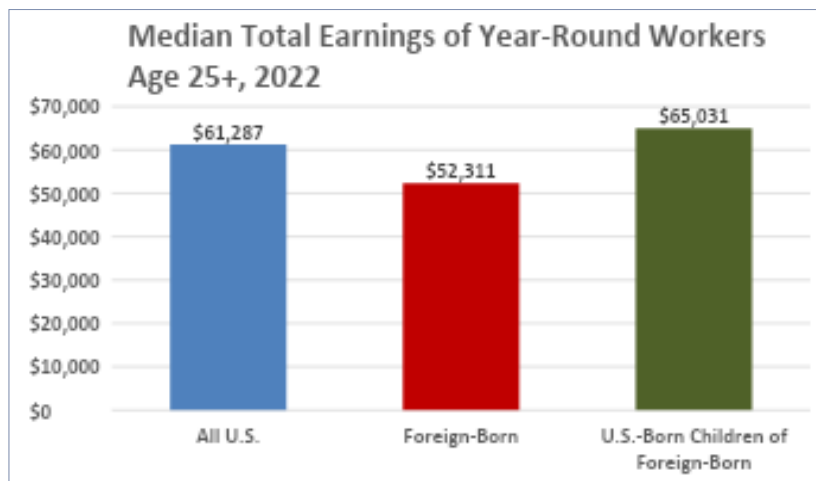
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Sanford J. Ungar, *Fresh Blood: The New American Immigrants* (Urbana, IL: University of Illinois Press, 1998).

Children of Immigrants Are Vital Economic Contributors

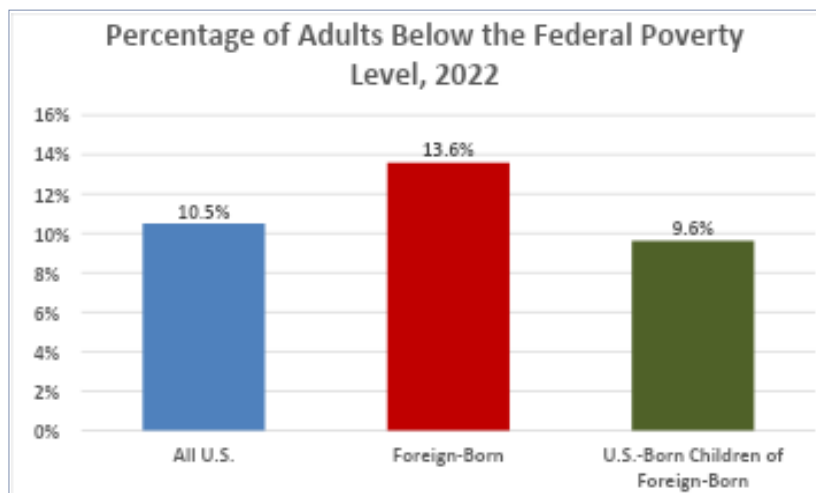
A large part of our success as a nation is not only due to the hard work of Americans, or even to that of ambitious immigrants, but rather to the children of immigrants. It is this generation whose rigorous work has led to the greater and more prosperous nation that we now live in. Looking back through history, it was the children of immigrants that have truly made way for the America that is renowned throughout the world today. Henry Ford was the son of an Irish immigrant and a mother who herself was the daughter of Belgian immigrants. It was Ford who not only devised, but also reshaped American industry with the assembly line and served as the face of the American automobile industry with his famous Model T debuting in the early twentieth century. By 1930, a large portion of Americans, including modest income ones, owned an inexpensive but reliable Model T.

FIGURE 14



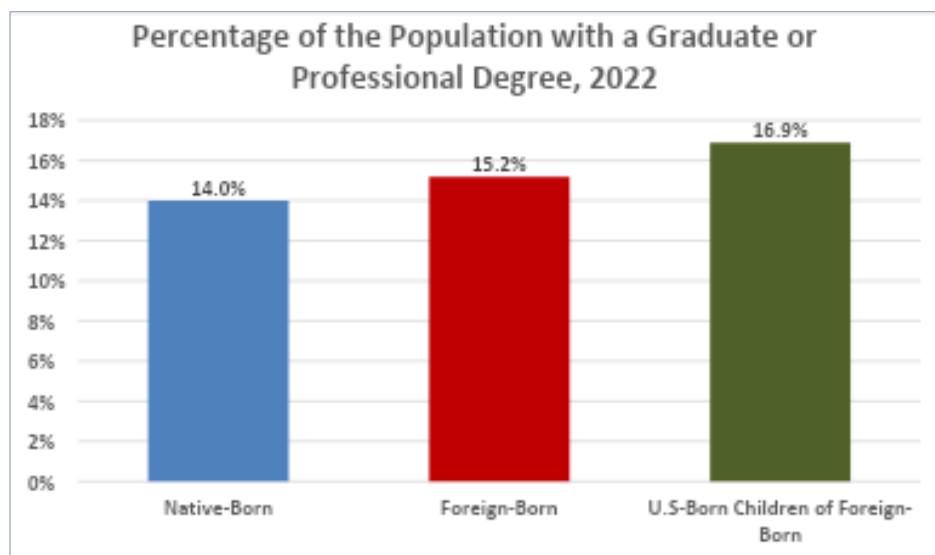
Source: U.S. Census Bureau, Annual Social and Economic Supplement, 2023

FIGURE 15



Source: U.S. Census Bureau, Annual Social and Economic Supplement, 2023

FIGURE 16



Source: U.S. Census Bureau, American Community Survey, 2023

Steve Jobs is yet another example. The son of a Syrian immigrant, the lifetime work of Jobs has become an integral and essential part of today's modern world. He brought us early home computers, and even more revolutionary, the iPhone which transformed American life in the early 21st century, just as Ford had done a century earlier. And success had its rewards: Jobs himself procured a personal fortune of some \$10 billion while alive (he died in 2011), while tech giant Apple, his company, is worth nearly \$3 trillion today, often topping the list as the world's most valuable firm.

Figures 14, 15, and 16 show that immigrants provide more than a transitory jolt to the economy with their hard work and industry. They produce children who are even more productive – the ultimate example of American ingenuity and success. They are the personification of the American Dream. Newcomers to America take root, become productive, and produce children who become the Most Productive Generation, the movers and shakers whose presence over the centuries has made America an exceptional place.

Specifically, the income of children of immigrants not only greatly exceeds that of their parents, but also is greater than that of the total U.S. population (Figure 14). Additionally, since immigrants arriving in America are typically poor (particularly these days because of the large recent inflow of relatively unskilled illegal aliens), immigrant poverty rates are higher than that of native-born Americans. But poverty among their adult children is typically below that of the native born (Figure 15). Moreover, while immigrants themselves are more likely than native-born Americans to receive graduate or professional degrees, their education is modest relative to their own children, who exceed native-born Americans in terms of high-level educational attainment (Figure 16).

What all this evidence shows is that not only do people travel to America in pursuit of prosperity and happiness, but that they assimilate well into the U.S. economy and indeed strengthen it. Immigration to America demonstrates that the concept of "The American Dream" is no patriotic or emotional abstraction but rather a powerful reality. Come to America to improve your lives – but then extenuate like positive and happy outcomes further to your children who become well assimilated into the American economy, assuming a disproportionate role as its leaders – its movers and shakers.

Conclusion

The American Dream Fulfilled: Immigrants Benefit America and the World

Modern day America was founded and settled by immigrants. They turned a largely uninhabited and poor land into a thriving large nation of unprecedented wealth and accomplishment. Our nation's ability to absorb immigrants historically has proven rapid and unique among nations.

One stated aim of the Trump administration is to grow the economy at a 3% rate or more for the next decade. This study finds that it will be very difficult for America to achieve that growth target, retain our high-tech dominance, and meet our labor force needs over the next two decades at least without an increase in immigration.

A generous and well targeted legal immigration system that brings to the U.S. the talent and the work ethic that America needs is more important today than ever given the aging of our native-born population. The U.S. is the one nation in the world with this demographic safety valve.

