



Immigration Policy Solutions to Shortages in Critical Sectors of the U.S. Economy

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Critical sectors of the U.S. economy remain badly understaffed. Additionally, because of U.S. industrial policies creating positions in targeted industries and an aging workforce tied to specific career paths, shortages are set to become more dire in the medium term. This report counters the argument that if more people enter the United States, fewer resources will be left for those already here. Immigrants create more benefits than costs while putting the country in a more globally competitive position. Lifting barriers to immigration would improve Americans' ability to find affordable housing, medical care, and groceries and create the workforce needed both in the near term and in the long run.

INTRODUCTION

“Give me your tired, your poor, your huddled masses yearning to breathe free.” These words, inscribed on the Statue of Liberty pedestal, tell the world that people searching for new lives and new opportunities are welcome in the United States. Indeed, foreigners becoming part of the country’s economic success has been a constant throughout U.S. history. Immigrants have been confident in their ability to pursue a better life in the United States. Insights from U.S. labor markets also show that immigration is essential to the country’s wealth and security; it has been a boon to a growing U.S. economy in dire need of additional workers. Their contributions benefit all Americans and provide the key to a better life for them and their families.

Despite migrants’ importance, immigration remains a fraught issue in the U.S. political system. The last successful overhaul of U.S. policy was almost 40 years ago. Despite the influx of proposals and debate, optimism for immigration reform remains unlikely. Rather than address the details of immigration law reform, this paper explores the current state of the U.S. economy and the role migrants can play.

The U.S. labor market cooled in the first half of 2024, but critical sectors remain badly understaffed. Additionally, because of U.S. industrial policies creating positions in targeted industries and an aging workforce tied to specific career paths, shortages are set to become more dire in the medium term. These shortages will affect the affordability of necessities, including housing, medical care, and groceries. The situation will worsen without a drastic increase in the number of available workers, and changes to U.S. immigration policy are the most effective pathways to that end. As policymakers face considerable domestic economic challenges, it is worth remembering that the country’s best tool is letting the huddled masses in.

OVERVIEW

Three main factors contribute to positive economic growth: people, capital, and technology. The upside hopes for growth-fostering technologies like artificial intelligence (AI) and quantum computing are significant, as are the expectations for future reductions in interest rates. But the labor market cannot be ignored. Moreover, given how tight the

U.S. labor market is, there are signs that it is contributing to inflation and hindering U.S. gross domestic product (GDP) growth. While hiring rates are slowing and the overall tightness of the labor market may unwind, the labor shortage described in the following four case studies remains acute. The sectors explored in these case studies are central to U.S. prosperity, which is why ameliorating these shortages will be key to continued U.S. economic growth.

To help the U.S. economy achieve its greatest potential, jobs must be filled. Physically demanding in-person roles are facing shortfalls, including in construction, healthcare, transportation, and food production. These demanding roles could be filled with increases in legal immigration, supporting U.S. growth, ensuring a higher degree of affordability, and mitigating additional inflationary pressures.

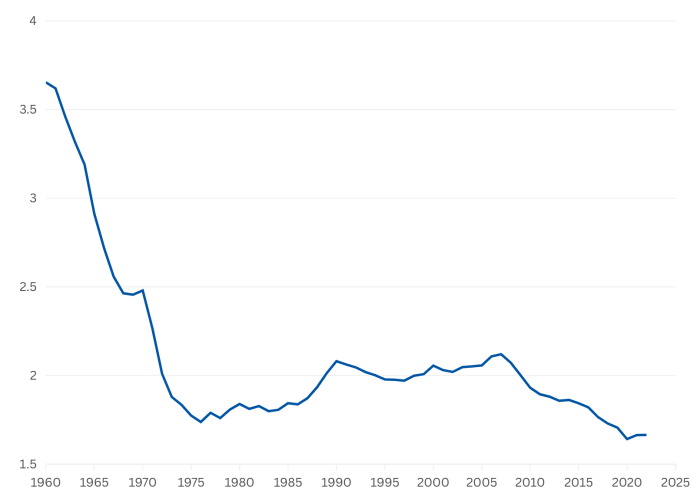
The U.S. labor market cooled in the first half of 2024, but critical sectors remain badly understaffed . . . shortages will affect the affordability of necessities, including housing, medical care, and groceries.

DEMOGRAPHY

The domestic birth rate is insufficient to address the labor shortages already emerging in the U.S. economy. The U.S. fertility rate has been decreasing since the 2008 financial crisis, dropping almost 23 percent between 2007 and 2022. Birth rates are now below the replacement rate and are unlikely to return to that rate anytime soon (Figure 1).

The average U.S. fertility rate was **1.67 children** per woman as of 2022, far below the 2.1 children necessary to sustain a population. Yet the United States is faring better than many other developed countries. Germany's rate was around **1.46 children** per woman in 2022, and Japan's was **1.26 children** per woman in 2023. Italy, in turn, is in a tougher spot, with only **1.24 children** per woman as of 2022. South Korea's birth rate, a very low **0.78 children** per woman, is expected to fall further. Out of the Group of Seven (G7) nations, only France boasts a higher rate than the United States, at around **1.79 children** per woman. However, the French rate—which is falling, like that of every

Figure 1: U.S. Fertility Rate, 1960–2022



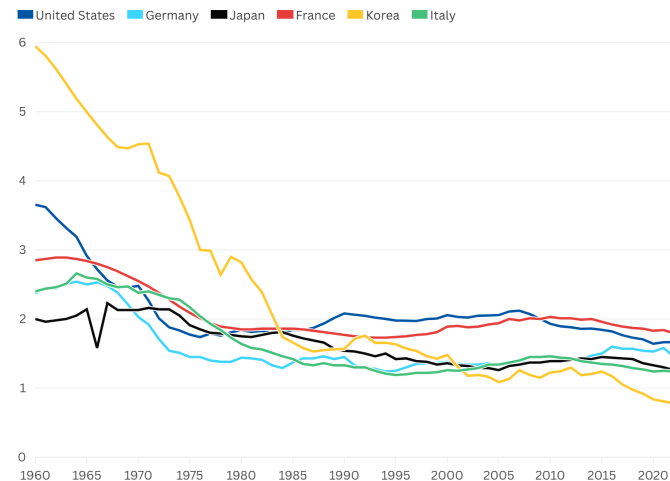
Source: "Fertility Rate, Total for the United States," Federal Reserve Bank of St. Louis, accessed September 6, 2024, <https://fred.stlouisfed.org/series/SPDYNTFRTINUSA>.

other nation mentioned above—is still not enough to stabilize the population (Figure 2).

As a result, the United States, along with many developed countries, is aging (Figure 2). The proportion of the U.S. population over 65 increased at the fastest rate ever between 2010 and 2020. In 2020, one in six people in the United States was 65 or older. The median age in the United States increased from 37.2 years in 2010 to 38.4 years in 2019—a trend that shows no signs of slowing, driven by aging baby boomers. Dr. Luke Rogers, chief of the Census Bureau's Population Estimates Branch, **highlighted** the fact that no other age group witnessed a significant increase alongside the 65-and-older age group. In fact, the 18-and-below age group was smaller in 2019 than in 2010. Working-age adults, by nature of their role in society, produce more than they consume and serve as a source of financial support to the nonworking population, chiefly through tax contributions to public transfer programs, as well as direct private transfers.

The rate at which the U.S. population is aging is also outpacing the growth of the working-age population, posing a significant threat to the economic future of the United States. The U.S. dependency ratio, which is the ratio of Americans under 15 or over 65 to the working population, reveals this issue clearly. In 2010, the U.S. dependency ratio sat at 49, meaning that there were 49 dependents for every 100 working-age Americans. By 2019, the ratio grew to 53.7 dependents per 100 working-age Americans, driven by the growth in the 65-and-older population.

Figure 2: Comparison of Fertility Rates, 1960-2022



Source: "Fertility Rate," Federal Reserve Bank of St. Louis, accessed September 6, 2024, <https://fred.stlouisfed.org/categories/33512>.

The shrinking workforce as a proportion of the population will pose significant problems for the U.S. economy if these concerns are not addressed promptly to ensure existing labor shortages do not continue to grow and that future shortages are addressed preemptively. The reality is that the productive segments of the population—namely, the workforce—contribute most significantly to the economy through their labor, consumption, and contribution to public services through taxation. In comparison, the **labor force participation rate** for those over 65 was only 24.5 percent in September 2024 due to the high number of retirees. Moreover, retirees do not contribute income taxes while simultaneously consuming less and being a greater burden on public services. Effectively addressing the impacts of an aging workforce depends on using immigration to ameliorate labor shortages, sustain U.S. economic growth, and improve the affordability of critical services.

THE U.S. LABOR MARKET

In 2024, tightness in the U.S. labor market could be seen across economic indicators, with an unemployment rate of **4.1 percent** and only **1.861 million people** collecting unemployment in late September 2024 (Figure 3). At the same time, data from the Job Openings and Labor Turnover Survey (JOLTS), collected by the U.S. Bureau of Labor Statistics (BLS), indicated that there were 8.04 million **open jobs** in August 2024, meaning that there were almost 6.2 million more open jobs than people collecting unemployment (Figure 4). Prior to the Covid-19 pandemic,

that figure would have been an all-time record. The high number of open jobs in the wake of the pandemic may be attributed to the fiscal and monetary policy stimulus response to Covid-19. But now that four years have passed since the beginning of the pandemic, the high number of open jobs may be an ongoing risk for the labor market, especially since many open jobs are in physically demanding in-person roles. Meanwhile, the number of people collecting unemployment represents only around 1.1 percent of the labor force—one of the lowest percentages in U.S. history (Figure 5).

The tightness in the labor market is most pronounced for roles that are physically demanding and require an in-person presence to fulfill the job's core functions. In other words, whereas many analysts, consultants, and knowledge workers can do their jobs remotely, this is not true for professions that require hands-on activities. Four industries at the top of this list are construction, health-care, childcare, and food production.

CASE STUDIES

To reveal some of the economic potential that a lack of labor hinders, the following case studies explore four physically demanding in-person roles.

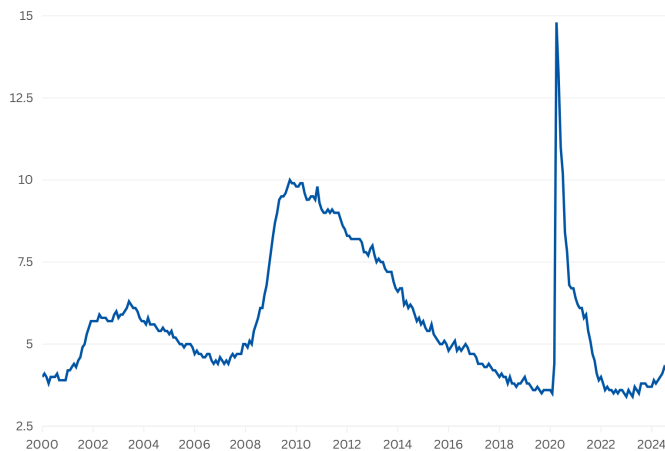
CONSTRUCTION

Despite high interest and mortgage rates, there are massive unmet labor market needs in construction. In August 2024, there were **370,000 open construction jobs**, according to JOLTS data (Figure 6). But why is construction so hot with such a high cost of capital, and what is the outlook when interest rates fall?

Far more job openings are expected in the construction field in the aftermath of the bipartisan Infrastructure Investment and Jobs Act (IIJA). The IIJA is one of the largest investments in infrastructure in the history of the United States, but job shortages have hindered progress for many IIJA projects. A 2022 survey of major companies involved in these projects showed that **91 percent** of construction firms were struggling to fill open positions that conduct much of the on-site construction, especially in manual craftwork labor. With expectations that the IIJA will create **175,000 new construction jobs** per year, immigration can help address some of this shortage.

The untapped potential in construction stems from broad strength across the U.S. labor force. There are more

Figure 3: U.S. Unemployment Rate, 2000-2024

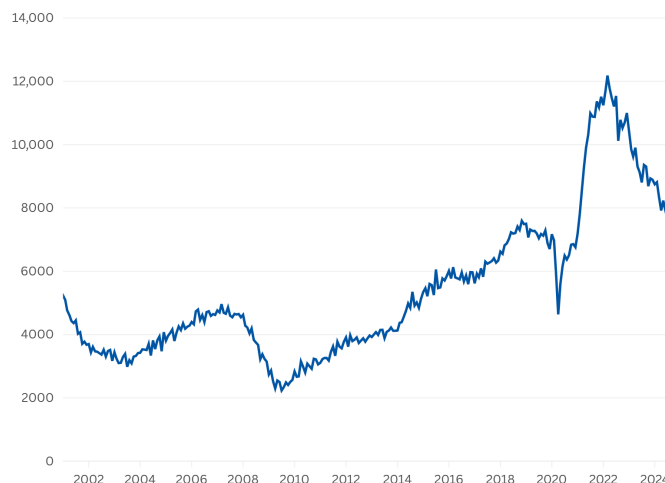


Source: "Unemployment Rate," Federal Reserve Bank of St. Louis, accessed October 11, 2024, <https://fred.stlouisfed.org/series/UNRATE>.

Americans on nonfarm payrolls than ever before, and wages rose by almost \$7 per hour between February 2020 and September 2024. Overall, there are more workers on payrolls today than in the history of the United States, and they are making more money than ever before (Figure 7). But high mortgage rates and limited housing options have caused rents to rise, adding inflationary pressures across the U.S. economy and keeping year-on-year consumer price index (CPI) inflation rates elevated. This presents a challenge for the Federal Reserve as it seeks to restore an environment of low, stable prices for reducing interest rates.

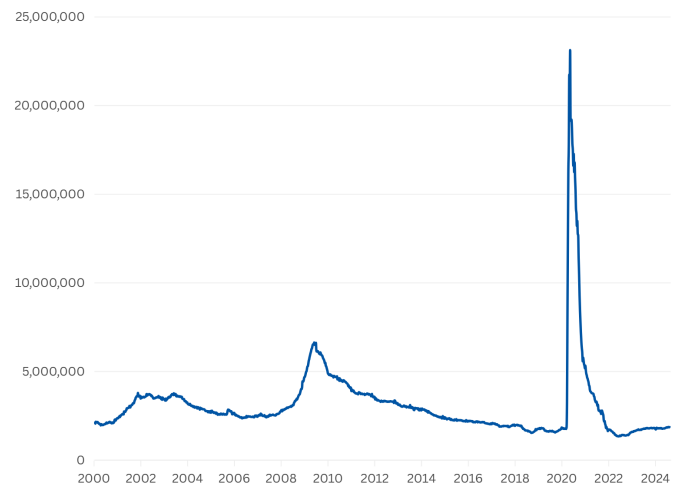
During the second quarter of 2024, the rental vacancy rate was only **6.6 percent** (Figure 8). Prior to the Covid-19

Figure 4: U.S. Job Openings, 2000-2024



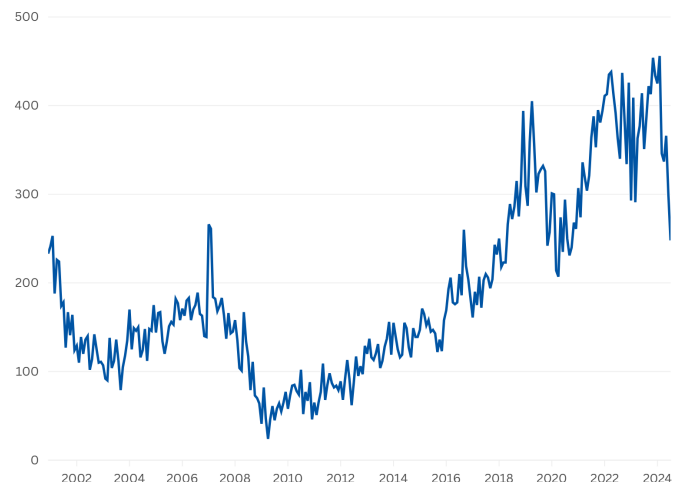
Source: "Job Openings: Total Nonfarm," Federal Reserve Bank of St. Louis, accessed October 11, 2024, <https://fred.stlouisfed.org/series/JTSJOL>.

Figure 5: Continuing Jobless Claims, 2000-2024



Source: "Continued Claims (Insured Unemployment)," Federal Reserve Bank of St. Louis, accessed October 11, 2024, <https://fred.stlouisfed.org/series/CCSA>.

Figure 6: U.S. Construction Job Openings, 2000-2024



Source: "Job Openings: Construction," Federal Reserve Bank of St. Louis, accessed October 11, 2024, <https://fred.stlouisfed.org/series/JTS2300JOL>.

pandemic, a lower vacancy rate had not been seen since the second quarter of 1985.

In addition to a tight U.S. rental market, sales of existing homes were sluggish in 2023 and the first half of 2024 as new housing starts remained relatively low. As a result, **home prices** have continued to rise. Plus, interest rates are at the highest levels in decades. With the prospect of lower interest rates and mortgage rates over the next couple of years, housing demand and associated sticker prices could rise even further—a situation greatly exacerbated by an

already tight construction labor market that could experience tremendous and rapid growth in labor demand.

Because the owner's equivalent rent component of the CPI is about 25 percent of the total CPI and about 33 percent of the core CPI, ensuring sufficient construction labor to meet needs within the U.S. economy is critical for mitigating inflationary pressures across the economy.

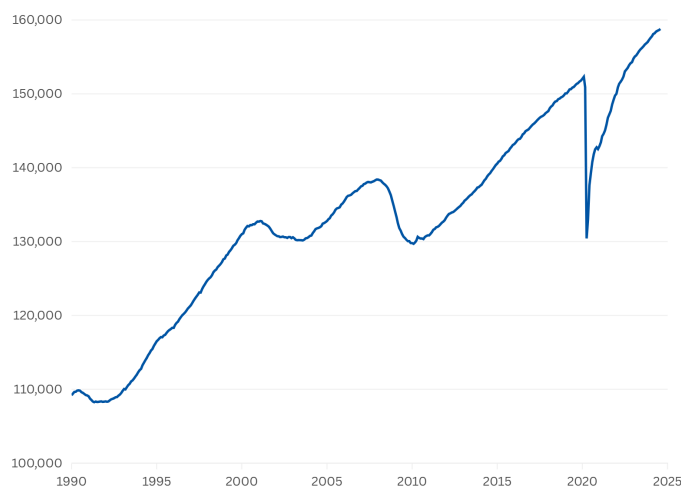
HEALTHCARE

Expectations of labor market shortfalls in healthcare have existed for some time, but demographic shifts of an aging population in the United States are exacerbating already severe shortfalls in the healthcare field. For many years, the BLS has forecasted that healthcare fields will see some of the greatest labor market growth the past ten years. But with an extremely tight labor market as a backdrop, the challenge of filling those roles is greater than ever.

The BLS *Occupational Outlook Handbook* from Fall 2024 reflects that 5 of the top 10 projected fastest-growing occupations between 2023 and 2033 are in healthcare, including nurse practitioners (no. 3), medical and health service managers (no. 6), epidemiologists (no. 20), physical therapy assistants (no. 9), and occupational therapy assistants (no. 11). Also among the top 20 occupations are home health and personal care aides (no. 14) and substance abuse, behavioral disorder, and mental health counselors (no. 19).

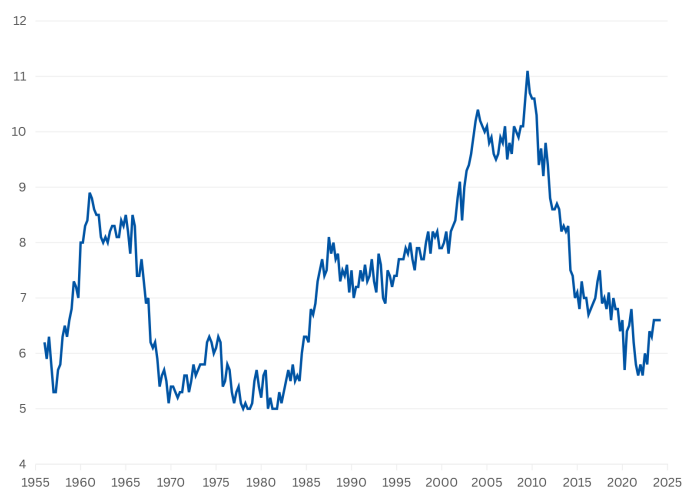
In August 2024, there were **1,394,000 openings** in healthcare and social assistance (Figure 9). This figure alone almost eclipses the 1.861 million people the U.S.

Figure 7: Total U.S. Nonfarm Payrolls, 1990-2024



Source: "All Employees, Total Nonfarm," Federal Reserve Bank of St. Louis, accessed October 11, 2024, <https://fred.stlouisfed.org/series/PAYEMS>.

Figure 8: U.S. Rental Vacancies, 1956-2024



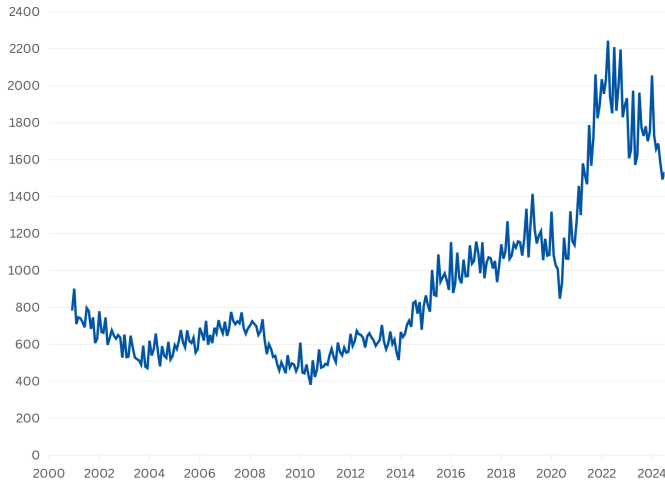
Source: "Rental Vacancy Rate in the United States," Federal Reserve Bank of St. Louis, accessed September 6, 2024, <https://fred.stlouisfed.org/series/RRVRUSQ156N>.

Department of Labor reported were collecting unemployment benefits in late September 2024. U.S. surgeon general Vivek Murthy has highlighted that this shortage is **expected to increase** over time to around 3 million low-wage healthcare workers by 2027 and 140,000 physicians by 2033.

The healthcare worker shortage is unlikely to subside without intervention. As it stands, the number of **U.S. medical students** is insufficient to address the shortage despite increased applications and enrollment in the aftermath of the Covid-19 pandemic. **One in five physicians** in the United States is foreign born and educated, representing a 30 percent increase since 2004. The significant lack of funding for residencies further contributes to the difficulty in training enough physicians to address the shortage. The final element is that the demographic shift within the United States and the aging population will only increase demand for healthcare over time, with no end to the shortage in sight, barring a concerted effort to address it. Immigration for low-wage healthcare workers and physicians could help alleviate these issues, improving access to healthcare while medical education reform takes place.

The aging U.S. population and labor market shortfalls in healthcare are translating into increased inflationary pressures and costs for U.S. consumers, which can be seen in the CPI. The base years for the U.S. CPI are 1982-84. The **total basket of goods** for consumers rose as an index from 100 in 1982-84 to almost 315 in September 2024 (Figure 10). However, while all consumer prices have tripled since the early 1980 base years, the medical care cost index has risen

Figure 9: U.S. Healthcare and Social Assistance Job Openings, 2000-2024



Source: “Job Openings: Health Care and Social Assistance,” Federal Reserve Bank of St. Louis, accessed October 11, 2024, <https://fred.stlouisfed.org/series/JTU6200JOL>.

from 100 to almost 566—a more than fivefold increase in costs (Figure 10). With generational churn and a higher proportion of elderly residents, the costs for medical care are at risk of rising further and will be exacerbated by ongoing and potentially worsening shortfalls in the healthcare professions.

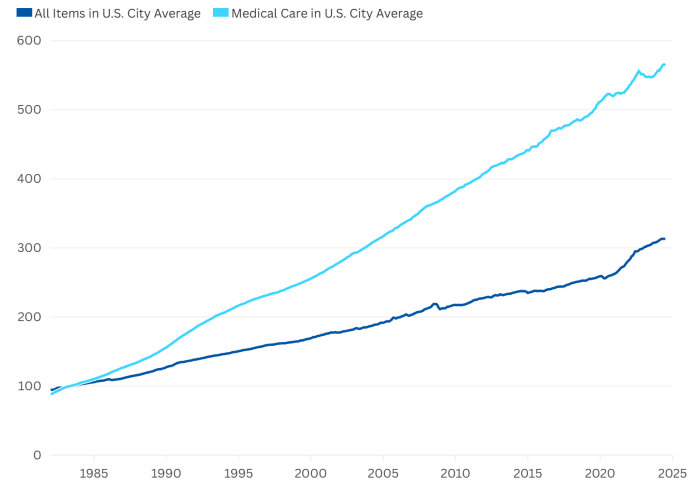
TRANSPORTATION

Transportation is a key sector both inside and outside U.S. cities. Workers in this sector transport people or cargo by land, air, sea, pipeline, or rail. A labor shortage in this sector fundamentally hurts U.S. growth through negative impacts on urban public transport, on the consistency of just-in-time inventory supply chains, and even on U.S. capacity to export or import. As a by-product, labor shortages also affect the accessibility of goods for consumers, especially in rural and inland areas of the United States.

Transportation has been linked quite closely with economic performance, as shown in past research by the U.S. Bureau of Transportation Statistics. The Transportation Services Index (TSI) measures monthly freight and passenger transportation services, with proof that movement on the **freight TSI** usually occurs prior to changes in the economy. Similarly, GDP and freight TSI tend to move simultaneously to varying magnitudes, again cementing the importance of transportation to the U.S. economy.

On a broader level, JOLTS data in the transportation, warehousing, and utilities sectors show 359,000 job openings in August 2024 (Figure 11).

Figure 10: Total CPI Inflation and Medical Care CPI Inflation



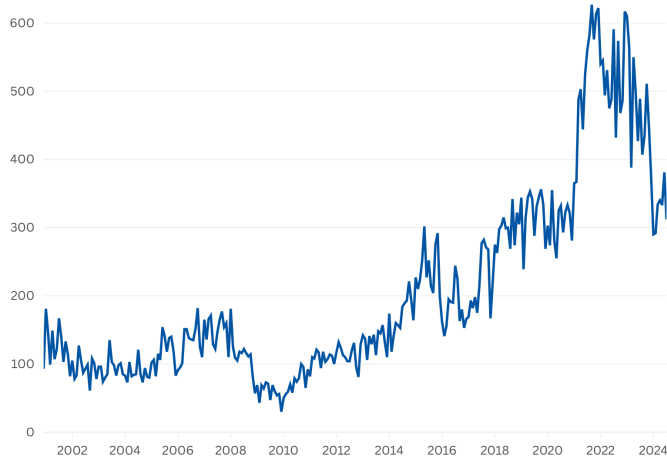
Source: “Consumer Price Index for All Urban Consumers: All Items in U.S. City Average,” Federal Reserve Bank of St. Louis, accessed October 11, 2024, <https://fred.stlouisfed.org/series/CPIAUCSL>.

More importantly, the transportation workforce is aging, with **24.3 percent** of all transportation workers aged 55 or older, compared to an average of 23.2 percent across all industries. Certain modes of transportation show more alarming signs of aging, with the percentage of workers aged 55 or older at 30.8 percent for water transport, 27.9 percent for trucking, and 27.8 percent for air transport. Transit workers are also aging rapidly, with 37.9 percent aged 55 or older. All these transportation modes are aging faster than the national average.

For transportation as a whole, the most alarming aspect of the aging workforce is the severe lack of younger workers to replace those who are aging. As it stands across the entire sector, only **12.7 percent** of all workers are aged 16-24, with some modes, such as transit, having only **2 percent** of workers aged 16-24. These signs cumulatively point to an existing labor shortage, which will only increase in severity as the workforce continues to age. Crucially, as many transportation workers near retirement age without younger workers to replace them, the sector will struggle with vacancies in the short term, exacerbating the labor shortage.

Going forward, an estimated **1.3 million jobs** will need to be filled every year in the transportation sector between 2021 and 2026. Currently, immigrants play a key role in transportation, providing essential services to U.S. citizens and making up an estimated **20.6 percent** of the transportation workforce. Providing more pathways to legal immigration to address labor shortages in the transportation

Figure 11: U.S. Transportation, Warehousing, and Utilities Job Openings, 2000-2024



Source: "Job Openings: Transportation, Warehousing, and Utilities," Federal Reserve Bank of St. Louis, accessed October 11, 2024, <https://fred.stlouisfed.org/series/JTU480099JOL>.

industry can play a role in maintaining the affordability of both goods and transportation services. In 2023, a survey conducted by the American Transportation Research Institute showed that **motor carriers'** second-largest concern was driver shortages, which has been high on the list of concerns for several years, topping it in 2018.

The IJA also holds some potential for transportation job creation with the construction of new railways and roads. Naturally, transportation workers are needed to operate much of the infrastructure as well as support these projects during their construction. The IJA estimates about **100,000 new jobs** in transportation and material moving are created each year, outlining the need for novel solutions and immigration reform to address a shortage that will not decrease in the medium to long term.

The overall transportation CPI has been rising rapidly in the aftermath of the Covid-19 pandemic across all modes of transportation, hitting directly at household finances. These higher costs drive up wholesale producer inflation across industries and sectors that rely on transportation, which eventually reach consumers, driving up consumer inflation. This is clear when considering the significant price increases in transportation services that have taken place in recent decades. The **CPI for all items** rose from an index of 100 in 1982-84 to almost 315 in September 2024. In the meantime, the index for transportation services rose to over 436 in September 2024, representing a fourfold increase from the index in 1982-84.

AGRICULTURE AND FOOD PRODUCTION

The United States has also suffered from acute labor shortages in the agriculture and food production industries, with archaic and restrictive immigration laws contributing to the shortage. Farms are struggling to fill an estimated **1.5-2 million** positions per year. For example, **56 percent** of California farmers stated that they were having difficulty filling jobs.

These acute shortages reduce productivity, incentivize imports to replace decreasing domestic production, and hinder U.S. food security. Most importantly for the U.S. public, these labor shortages have a direct impact on grocery and food prices, with food inflation in 2022 reaching the highest levels since 1979. The imperative to modernize and expand the agricultural workforce through immigration reform becomes clear.

A lack of growth in crop production is also coinciding with more demand than ever for fresh fruits and vegetables, with growing shares being imported. This deficit has expanded significantly over the last two decades, as **42.7 percent** of fresh fruit in 2019 was imported to the United States rather than produced domestically, compared to 20.1 percent in 2000. Vegetables show a similar deficit, as 13.3 percent were imported into the United States in 2000 compared to 31.9 percent in 2019. In large part, the main beneficiaries of decreasing U.S. farm productivity and increasing U.S. produce demand have been Mexico and Canada, which now dominate fresh produce and meat imports into the United States.

Immigrants already make up **73 percent** of the total farming workforce in the United States, more than any other economic sector. As a result, the agriculture industry suffers disproportionately when legal immigration is significantly restricted. The lack of legal immigration leads farmers to a dilemma between accepting production cuts and crop losses or resorting to undocumented migrants. Due to the lack of legal migrant labor, an estimated **48 percent** of the U.S. farming workforce consists of undocumented migrants, which signifies the unworkable nature of existing immigration laws for many within the agriculture sector.

Another significant concern is the rise in the average age of the immigrant workforce in agriculture due to the lack of young immigrants joining the field to replace aging workers. Between 2006 and 2021, the immigrant farm workforce aged **seven years**, dragging up the average age

of the agricultural workforce. In contrast, the average age of U.S.-born farmworkers remained constant over the same period. With immigrants making up the majority of farmworkers, not addressing this issue could exacerbate the labor shortage.

This shortage extends beyond farms to other key junctions within the food supply chain. In 2020, immigrants made up **21 percent** of the overall food industry workforce, excluding restaurants but including transportation, animal and crop production, retail, food production, and food wholesale. In certain key states, these levels are exacerbated. For instance, **65 percent** of the agriculture workforce in California consists of immigrants. Alaska and Nebraska have similar figures in their seafood and meat processing industries, respectively.

The labor shortage then directly affects food prices, with prices already rising due to major supply chain disruptions resulting from Covid-19 and the Russian invasion of Ukraine, one of the world's major grain producers. In the United States, food prices increased by 11.2 percent between September 2021 and September 2022, in large part due to the aforementioned shocks, which increased agricultural commodity pricing, especially for corn and wheat. However, these price increases have not stopped, with around a 6 percent increase between 2022 and 2023. On a wider scale, between 2019 and 2023, food prices increased by around 25 percent due to Covid-19, the war in Ukraine, and immigration. A **recent report** by Texas A&M International University showed that increased immigrant worker admittance directly relates to lower prices for poultry, meat, eggs, dairy, fruits, and vegetables.

IMMIGRATION POLICY'S ROLE

OVERVIEW OF U.S. IMMIGRATION LAW FOR THE CASE STUDY SECTORS

Three of the sectors included in this study would benefit in particular from H-2 (temporary worker) visa reform: transportation, construction, and agriculture. Seasonal demand plays a significant role in these sectors. By contrast, healthcare likely requires H-1B (skilled worker) visa reform, especially in the context of the impending physician shortage and the high-skilled nature of the healthcare industry.

The H-2 visa category is split into H-2A (temporary agricultural worker) and H-2B (temporary nonagricultural worker) visas, which allow employers to apply for foreign

nonimmigrant workers to satisfy seasonal demands. The H-2A visa operates independently with its own application process and allocation exclusively for the agricultural sector. While the H-2A program does not cap the number of visas allocated, often there are fewer visas than jobs certified by the Department of Labor for H-2A due to inadequate U.S. Citizenship and Immigration Services (USCIS) processing resources. Also, the strict country eligibility requirements have expanded over time, from 28 countries in 2008 to 87 countries in 2024.

In fiscal year 2023, **372,000 jobs** were certified for the H-2A visa, but USCIS issued only around 298,000 H-2A visas. The visas are highly concentrated within the farming industry, with 600 farms accounting for 70 percent of all H-2A jobs, highlighting issues that certain farm employers may have in certifying and applying for visas given USCIS' shortcomings in issuing them effectively. Another H-2A issue is the high level of noncompliance with regulations among some farms, with the Department of Labor finding that **70 percent** of the 1,000 farms investigated had failed to comply with regulations.

The H-2B visa, by contrast, can apply across many seasonal sectors, including restaurants, hospitality, transportation, maintenance, janitorial services, and more. However, there is a cap on the number of H-2B visas allocated. The H-2B visa had 88 eligible countries as of August 2024, one more than the number of H-2A countries. The cap is divided into 33,000 visas for each half of the fiscal year, totaling 66,000. Historically, demand has varied, with some years seeing demand below supply. However, recent years have seen demand exceed the supply of visas, with ad hoc measures being used to increase the cap for the current fiscal year. For example, in fiscal year 2024, the Department of Homeland Security (DHS) increased the cap twice to meet demand, making 85,432 additional visas available and highlighting the insufficiency of the existing H-2B cap. The labor market has changed significantly since the H-2B visa cap was set in 1986, making it necessary to reconsider the sectors eligible for the visa and the size of the cap.

The length of H-2A and H-2B visas can range from three to ten months for the initial employment term, with the possibility to extend the visa to three years. It is also possible to apply for an initial three-year period if the employment is considered a "one-time occurrence." After three years, the worker must leave the United States for an uninterrupted three months before reapplying for an H-2 visa,

which potentially causes issues for employers in finding temporary replacements or aggregating their workforce over periods to avoid worker shortages.

The H-1B visa category has an annual cap of 65,000 new visas each fiscal year. However, an additional 20,000 petitions for individuals with a master’s degree or higher from a U.S. institution are exempt from this cap. The relevant applicant occupation eligibility criteria include theoretical and practical application of highly specialized knowledge and a minimum of a bachelor’s degree or higher in the specific field (or its equivalent). H-1B specialty occupation workers are granted an initial stay of up to three years. This period may be extended but generally cannot exceed a total of six years.

Table 1: U.S. Visas Relevant to Critical Sectors

Visa Type	Eligibility	Cap	Allocated Visas
H-2A	Department of Labor certification required; work that is temporary or seasonal in nature and within the agricultural sector; 87 eligible countries on the USCIS list	No cap	298,000 (FY 2022)
H-2B	The same process as the H-2A but without restrictions on the sector; 88 eligible countries on the USCIS list	66,000 per fiscal year (the DHS often allocates extra visas)	151,142 (FY 2024)
H-1B	Specialty occupation that requires specialized knowledge; bachelor’s degree or equivalent experience required	85,000 total H-1B visas (65,000 for the regular pool and 20,000 for advanced degrees)	85,000

Source: “U.S. Citizenship and Immigration Services,” accessed October 11, 2024, <https://www.uscis.gov/>.

ROLE OF IMMIGRATION IN U.S. ECONOMIC SECURITY

Industrial policy has emerged as a key tool in the U.S. arsenal to support economic growth and direct investments in industries key to national security. However, labor shortages could upend these investments’ ability to deploy manufacturing operations effectively. The IIJA, the Inflation Reduction Act (IRA), and the CHIPS and Science Act are all set to bolster U.S. economic security by targeting sectors essential to American life—infrastructure, green technologies, and semiconductors—and creating scores of open positions. A recent report from the University of Massachusetts Amherst’s Political Economy Research Institute (PERI) analyzes labor supply, demand, and potential shortages stemming from recent U.S. industrial policy initiatives. The report identifies 48 occupations expected to see significant increases in demand due to direct job creation from these investments. Of these, 20 occupations are projected to experience labor shortages, leading to an anticipated overall shortage of nearly 1.1 million workers if the investments reach their full potential without a corresponding increase in the number of newly qualified workers.

The IIJA’s promise of renewed U.S. manufacturing and infrastructure could be resting on shaky ground. The construction sector is already facing challenges. A recent survey by the U.S. Chamber of Commerce revealed that **88 percent** of commercial construction contractors are experiencing moderate-to-high levels of difficulty in finding skilled workers. Additionally, over one-third of the contractors surveyed had to decline work because of labor shortages. The Association of Builders and Contractors, a trade group representing the commercial and industrial construction sector, estimates there will be 500,000 unfilled construction jobs in 2024. According to Moody’s Analytics, the IIJA will result in 872,000 additional jobs by the fourth quarter of 2025. Notably, over half of these new positions (461,000) will be in the construction industry.

Policies targeting climate change in the IRA—such as tax credits for wind and solar power, investments in electric vehicle charging infrastructure, and grants to reduce pollution in disadvantaged communities—will create **537,000 jobs** annually over the next decade. When it comes to the CHIPS and Science Act, the Semiconductor Industry Association (SIA) **anticipates** the semiconductor industry workforce will expand by nearly **115,000 jobs** by 2030, increasing from around 345,000 jobs today to approximately 460,000 by

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the end of the decade, which reflects growth of 33 percent. However, SIA also estimates that about 67,000 of these new positions—or 58 percent of the projected job growth (and 80 percent of the projected increase in technical roles)—may go unfilled at current rates of degree completion.

POLICY RECOMMENDATIONS

The U.S. labor market is struggling to fill physically demanding in-person roles. Increased legal immigration with targeted labor market policies could help fill open roles that employers are struggling to fill. Without obtaining the labor required, the U.S. economy is unlikely to function at its full potential. Moreover, additional workers would likely reduce inflationary pressures while boosting corporate profits. In addition, while the U.S. labor market has cooled, critical economic sectors still face acute shortages that endanger key aspects of American life. Opening U.S. immigration pathways would mitigate these shortages and support the country's economic competitiveness.

- **Increase H-2A noncompliance costs and use funds to enhance USCIS processing capabilities.** The H-2A visa suffers from two contradicting problems. First, noncompliance rates are high, as 70 percent of farms [investigated](#) fail to comply with regulations. Secondly, USCIS fails to allocate the certified number of visas: only around 80 percent of certified visas were distributed in 2023. The second issue relates to USCIS staffing and capabilities. The agency simply does not have the means to process these necessary applications and faces increasingly worsening backlogs that threaten the integrity of the

U.S. legal immigration system. The issue can be mitigated by allocating additional funding to the agency, which can be obtained, in part, by more robust non-compliance fines.

- **Ease restrictions on extension and renewal processes for temporary worker visas.** The initial duration for both the H-2A and H-2B visas can vary from three to ten months, with the option to extend up to three years. In cases where the employment qualifies as a “one-time occurrence,” an initial three-year visa may be granted. After completing the three-year term, the worker must depart the United States for a continuous period of three months before they can reapply for an H-2 visa. The need to apply for an initial extension after three to ten months, as well as the significant barriers to renewal, renders the workforce landscape too volatile for employers in need of labor while reducing the attractiveness of applying to work in the United States for prospective employees. U.S. immigration authorities should explore doing away with the one-time-occurrence requirement to grant the initial three-year visa and lift current barriers on extensions.
- **Avoid imposing barriers to work opportunities for foreign students.** Between 2015 and 2020, a slew of tentative pieces of legislation and executive orders aimed to place extraordinary restrictions on the ability of foreign students to enter the U.S. workforce through H-1B visas, endangering multiple sectors' ability to acquire workers, including healthcare. These measures include eliminating optional practical training (OPT) and requiring students to work outside the United States for a decade, imposing high salary thresholds for H-1B eligibility, and directing consular officers to consider the “Buy American and Hire American” executive order when deciding to grant a visa. In short, these measures are meant to break the link between international students and their ability to be employed in the United States after graduation. These kinds of measures exacerbate worker shortages in the U.S. economy, add undue volatility in key sectors, and ultimately upend Americans' ability to find essential services such as medical care.

CONCLUSION

As geopolitical tensions flare up and economic security concerns take center stage in policy considerations, Washington has striven to prop up sources of U.S. national strength. For instance, policymakers have embraced industrial policy to secure the nation's energy landscape, public infrastructure, and advanced technology ecosystem. However, opening legal immigration pathways—historically a critical feature of U.S. competitiveness—has been ignored. Policymakers would do well to remember the parting words of President Ronald Reagan near the end of this term: “Unique among nations, we draw our people—our strength—from every country and every corner of the world. And by doing so we continuously renew and enrich our nation.”

Instead, at a time when the U.S. economy badly needs additional workers in physically demanding in-person roles, politics have become increasingly hostile to the huddled masses who have historically enriched the United States. This report counters the argument that if more people enter the United States, fewer resources will be left for those already here. Immigrants create more benefits than costs while putting the country in a more globally competitive position. Lifting barriers to immigration would improve Americans' ability to find affordable housing, medical care, and groceries and create the workforce needed both in the near term and in the long run. ■

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