

Commentary: Worsening labor shortage demands more immigrants

John Manzella

February 3rd, 2019

The exceptionally low unemployment rate is good news for American workers. But it contributes to a growing problem: Companies can't find enough employees. This puts downward pressure on corporate and U.S. economic growth.

Recent government statistics indicate that nearly 7 million non-farm jobs were unfilled. This includes 278,000 in construction and 493,000 in manufacturing. But it gets worse. The worker shortage in manufacturing is projected to reach 2.4 million by 2028, according to a study by The Manufacturing Institute and Deloitte.

The inability to find workers, especially those with greater talents, is preventing companies from expanding. And it's costly. The consulting firm Korn Ferry predicts the skilled worker deficit will result in \$1.75 trillion in lost revenue annually for American companies by 2030.

With very low unemployment levels, fewer workers are available to fill open positions. But there's much more to the story. For example, one in seven men between ages 25 and 54 are long-term unemployed, reports the Brookings Institution. Many are on disability.

Additionally, 10,000 baby boomers are reaching retirement age each day. And when they leave they take their skills with them. What's more, the National Center for Education Statistics indicates that only 40 percent of students graduate four-year universities on time. Consequently, many are not in the labor force because they are still in school.

The opioid crisis also is having a negative impact on worker availability. Princeton University economist Alan B. Krueger estimates that nearly half of prime age men not in the labor force take pain medication on a daily basis. He also notes that labor force participation has fallen more in areas where relatively more opioid pain medication is prescribed.

What can companies do to attract more workers, as well as those with higher skills?

They can offer more generous daycare options, a strategy that has boosted participation rates among women in Europe. And since people are living longer, healthier lives, companies could hire more older and experienced men and women. Plus, greater investments in wages, benefits and training would go a long way to not only attract employees, but also to retain existing ones longer.

But a very important step the government can take involves increasing the number of legal immigrants in the United States. This would require changing some policies.

For example, American colleges and universities attract the best and brightest students the world has to offer. Unfortunately, after graduation we send them home to compete against us. This is a failed immigration policy that needs to be reconsidered.

Today, knowledge provides the only sustainable competitive advantage. Allowing more foreign graduates to remain in the United States to add value to American companies or start new ones would certainly help to reduce the labor shortage and skills deficit.

Surprising to many, immigrants are almost twice as likely to start new businesses as native born Americans, says the Kaufman Foundation. According to The Partnership for a New American Economy, 40.2 percent of Fortune 500 firms have at least one founder who is an immigrant or child of immigrants. And written in the Journal of Economic Perspectives, more than half of highly skilled workers and entrepreneurs in Silicon Valley, America's center of innovation, are foreign born.

Unfortunately, foreign-born professionals in the United States are not always able to fully apply their talents. According to Jina Krause-Vilmar, CEO of Upwardly Global, 2 million immigrants and refugees have college degrees from their home countries, but are either unemployed or underemployed because of limited professional networks, language barriers or re-licensing challenges. Her organization provides job coaching, networking events and ESL support, and connects work-authorized foreign-born and educated professionals with U.S. employers to help them fully contribute to the workforce.

On the other end of the skills spectrum are American farm jobs, many of which have gone unfilled for some time. Even with the introduction of labor-saving technology and automation, the situation is becoming increasingly more severe. If continued, more farms likely will be forced to leave lucrative crops to die on the vine or shut down.

Immigration has also helped keep the U.S. population rising. This lifts the economy by adding more producers and consumers. Germany, Japan and other countries have negative population growth rates. This puts downward pressure on their growth prospects.

For generations, the contributions of immigrants to the United States have been tremendous. And unknown to many, immigrants are less crime prone and less likely to be incarcerated than native born Americans, reports Alex Nowrasteh of the Cato Institute.

It's time to recognize the severity of America's labor and skills crisis and act. Policies that open the door to more immigrants at all skill levels will help U.S. companies and farms to grow, advance American innovation, and strengthen our economy.