The US Labor Shortage
A Plan to Tackle the Challenge

Overview

Demographic and market trends exacerbated by COVID-19’s impact on the workforce are converging to worsen labor shortages, presenting important challenges for business and public policy leaders as the nation strives to revitalize its economy and compete in the postpandemic era. Before the pandemic took hold in the US in March 2020, the US labor force was already showing signs of being stretched. The unemployment rate was at or below 4 percent for the previous 24 months. But the rate which captures those who are eligible to work but have not been employed for over 18 months is just above 7 percent and is concentrated in particularly vulnerable segments of the US population. Job openings were averaging over 7 million while the number of unemployed individuals totaled less than 6 million. Average hourly wages for private sector workers grew at an average annual rate of 3.3 percent in 2019, the fastest rate on record since the annual rate was first reported in 2008.

Several long-term demographic trends contributed to a tight labor supply even before the pandemic, including meager growth in the number of working-age Americans, the shrinking number of working-age adults without college degrees, and historically low US birth rates, projected to continue beyond 2040. The pandemic’s impact has further constricted the labor supply. While labor force participation data as of March 2022 show that workers are returning to the labor force, employers are still unable to fill available jobs, and another wave of new COVID-19 cases could threaten further improvements. Two years in, as businesses attempt to resume normal operations and Americans adjust to life during a pandemic, labor force participation rates for almost all demographic groups are below prepandemic rates. In the wake of the pandemic, fewer
Americans are receiving bachelor’s degrees or any education after high school, reducing the pipeline of skills entering the labor market in the future.4

This Solutions Brief will look at how the pandemic has converged with demographic trends to disrupt the labor market. It will offer solutions for business leaders and policy makers who must prioritize increasing US labor force participation and ensure a pipeline of workers with the skills employers need so the economy can grow. This Solutions Brief proposes two broad actions: 1) get Americans into the labor force and support all workers by providing training to develop the skills they need to prosper; and 2) take advantage of global talent by reforming US immigration policy to increase legal immigration, decrease the flow of illegal migration, and reform, most immediately, the H-1B visa program.

Insights for What’s Ahead

RECOMMENDATIONS FOR REBUILDING THE US LABOR FORCE

The pandemic has exacerbated the long-term demographic changes which portend that a tight labor force is the new normal. Consequently, there is an increased need for action to counter the impact of the pandemic and rebuild the US labor force to boost future growth prospects with two steps: 1) increasing American workers’ participation, and 2) reforming immigration.

1. Increase and support American workers’ participation

Leaders in business, education, and public policy need to collaborate to address the challenges of the tight labor market through initiatives focused on increasing Americans’ participation in the workforce. To further boost labor force participation, CED recommends the following actions which focus on recruiting, educating, preparing, and retraining the American workforce.

- **Increase public-private provision of training.** Private sector leaders should spearhead collaborative regional efforts for employer-driven regional consortiums with colleges (particularly community colleges), broad access institutions, other trainers, and public policy leaders to link skillset development with job opportunities to encourage employees to continue to advance their careers with new and necessary skills.

- **Hire based on skills.** Business leaders need to embrace competency-based hiring and promotion models based on skills rather than degrees.

- **Diversify talent pools.** Leverage overlooked sources of talent. Source underrepresented, economically vulnerable groups, and those who have been unemployed long term. Cultivate this talent by investing in training or retraining.
• **Review and reform occupational licensing requirements and reduce regulations** that stymie recruiting and hiring and/or disincentivize workers from entering or remaining in certain occupations. For example, reconsider the requirement that interstate commercial truck drivers be 21 years of age or simplify requirements for interstate occupational licensing.

• **Expand and increase the Earned Income Tax Credit (EITC)** to incentivize more people with initially low-income job prospects to enter the labor force and remain working. Permanently expanding eligibility to adults without children will attract more potential workers to the labor force.

• **Expand workplace flexibility for workers with dependent care responsibilities.** Business leaders should provide workplace flexibility for employees to care for children or other dependents without damaging their potential for career advancement. Employers should provide support for childcare options and create bridge programs so that women who have left the workforce have opportunities to train and stay connected with employers. Local governments should prioritize pre-K education opportunities for at-risk children.

• **Support older workers who wish to remain working** by supporting flexible work arrangements and repealing the Social Security retirement earnings test, which reduces benefits for recipients who wish to continue working and earn above a certain threshold before full retirement age. 5

• **Create incentives for the unemployed, the underemployed, and non-labor force participants to upgrade their skills** by expanding the use of Pell Grants for credentialing programs, requiring colleges to submit data to allow for the calculation of postgraduate career outcomes, and providing unemployment benefit tax relief for skill development to recipients without four-year degrees.

• **Expand learn-and-earn apprenticeships** among students and workers at all stages of their careers.

2. **Immigration reform to support the US labor force**

To fully realize the labor market impacts of increased immigration, policymakers will need to prioritize immigration reform. The US must compete successfully in the intense global market for talent by increasing legal immigration, controlling the flow of illegal immigration, and immediately reforming the H1-B visa process.

It is estimated that increasing annual immigration levels to allow more than 2 million new immigrants to come to the US each year could help reverse unfavorable demographic and economic trends and has the potential to increase US GDP from $23 trillion in 2021 to $47 trillion (in today’s dollars), or by over 100 percent, by 2050. 6 Furthermore, research shows that immigrants’ skills, abilities, and work preferences supplement native-born workers in US the labor market and therefore do not often compete for the same jobs as native-born workers. 7
While comprehensive immigration reform is needed to fully address stagnating labor market growth, this Solutions Brief focuses on more immediate recommendations for enhancing worker and student visa programs, given that they generally offer a more targeted approach to supplementing the US labor force than other visa types. Recommendations for the immediate term include:

- **Improve the H-1B visa program.** Shift to more frequent allocations of H-1B visas; limit petitioning for H-1B visas to within a few months of an employee’s planned start date and speed adjudication of selected applicants; replace the random H-1B visa lottery with a modified wage-ranking approach to distribute visas to the most in-demand employees; and adjust annual limits on new H-1B visas based on the prior year’s demand to make the visa cap at least minimally responsive to labor market demand.

- **Increase visa offers of permanent residence for skills needed in the economy.** Rebalance US immigration priorities toward the national economic interest while protecting existing family reunification visa levels and the diversity lottery by increasing annual permanent immigration inflow levels. Channel additional visa offers to immigrants selected for economic reasons and remove limitations based on country of origin for employment-based offers of permanent residence.

- **Pilot a “fast-track” entry program for top international recruits for** a limited number of highly qualified workers into the US and toward expedited offers of permanent residence.

- **Set aside an annual allocation of “place-based” employment visas.** Ensure that more US communities can compete for and benefit from international talent aligned with their specific, regional labor market needs by allowing for a designated number of region-specific offers of immigration.
Open for Business

From 2017 to 2019, total job openings in the US averaged around 6.8 million per month, a level that signaled a tightening labor market. The number of available jobs fell sharply and briefly at the onset of the pandemic and then bounced back to near prepandemic levels for the second half of 2020. Then in January 2021, when vaccines were first made available, job openings started their climb, as the pandemic impact started to coalesce with demographic trends. In the fourth quarter of 2021, there were 11.4 million job openings, by far the highest level since 2001 when the data were first captured. This translates to a job openings rate of 6.8 percent. For the 2017 to 2019 period, the job openings rate averaged 4.4 percent for the total US economy.

The quits rate for workers leaving their jobs voluntarily has generally been on an upward trend since 2009, when it stood at 16.1 percent. In 2021, the rate was 32.8 percent. The recent wave of American workers quitting their jobs, dubbed “The Great Resignation,” and the high level of quits has been attributed to several factors. First, some workers who were already prepared or planning to leave their job at the beginning of the recession delayed quitting until there was more certainty around what the pandemic might entail for their employment. Second, widespread burnout has caused workers to quit. Third, for some, the lockdowns and remote work gave many Americans time to change gears and think about potential new opportunities. Fourth, changes in pandemic spending habits or various government stimulus payments gave some individuals increased financial ability.
to make a change. Fifth, the tight labor market made switching jobs profitable for many workers: job switchers experienced, on average, an 8.0 percent increase in wages from December 2020 to December 2021, while workers who stayed in their jobs received, on average, a 5.9 percent increase.¹¹

The accelerated tightening of the labor market has been broad and deep. Each major industry group posted a higher job openings rate in the fourth quarter of 2021 than the average in the three years before COVID-19 came to the US. The two industries with the highest job openings rates in the fourth quarter of 2021 are the two industries that have experienced the largest job openings rate increases over their pre-pandemic levels—accommodation and food services, and leisure and hospitality—with job openings rates around 10 percent at the end of 2021. According to the National Restaurant Association’s State of the Industry Mid-Year Update, three out of four restaurant operations said that recruitment and retention is their toughest challenge, despite recent employment gains,¹² and seven in ten operators say they don’t have enough staff to support their current service demand.¹³
Unsurprisingly, the health care and social assistance industries posted the third highest job openings rate at the end of 2021, portending a looming health care employment crisis. As of February 2022, hospital employment had not recovered from pandemic losses; moreover, more than half the jobs lost in the industry had not yet returned. Several reasons have been cited for the drop in health care employment: exhaustion, low pay, frustration with unvaccinated patients, psychological burden, insufficient reimbursement for additional hours worked or inadequate protections against disease, and a general feeling of hopelessness.¹⁴

The transportation, warehousing, and utilities industries combined logged the fourth largest increase in jobs openings rate at 8.2 percent at the end of 2021, compared to 4.6 percent in the three years leading up to the pandemic. A shortage of truck drivers, a problem even prior to the pandemic, has recently been cited as one of the many problems in supply chains impacting the availability of goods in the US. Trucks are used to move more than 70 percent of American freight. Last year, trucking companies suffered a record job shortage of 80,000 drivers, according to the American Trucking Associations.¹⁵

Manufacturing employment has not recovered from pandemic job losses as of January 2021 and has seen a relatively large uptick in job openings. Beyond filling jobs lost, American manufacturing may be headed for a renaissance. Several factors have set the stage for a resurgence in manufacturing, including the pre-pandemic trade war with China, the pandemic-related snarls in the global supply chain, the desire to produce personal protective equipment and high-tech products such as semiconductors and electric vehicles domestically, and the administration’s “Buy America” policy. However, workers with the necessary skills are required. One 2021 study suggests that the manufacturing skills gap in the US could result in 2.1 million unfilled jobs by 2030.¹⁶

**The American Workforce: Aging Americans, Less Participation, and Reduced Immigration**

Jobs are plentiful, but where are all the workers? Going into 2022, CEOs expected labor shortages to have a high impact on their businesses in the coming year, according to the 23rd C-Suite Outlook of The Conference Board.¹⁷

Although there has been talk of a tight labor market for many years now, recent trends have exacerbated the shortage of workers available to US businesses. Americans aging out of the workforce with a relatively smaller generation moving in; less workforce participation since the onset of the pandemic; and a recent decline in immigration, resulting from both the pandemic and policy action; are all contributing to the stagnant growth of the US working population. This is a serious problem that must be addressed by business and public policy leaders because a growing labor force has been a significant contributor to past US economic growth. More workers can lead to more production, more wages, and more consumption. By contrast, slower labor force growth will pose a challenge for American businesses dependent on the talent available to them when they compete in the global marketplace.
Perfect storm: Aging Americans + low birth rates + COVID-19’s impact = less participation

The aging of the baby boomer generation has been holding back labor force growth for a decade and will continue to impact the available pool of workers for another decade to come. Because older Americans are less likely to be in the labor force than younger workers, this demographic shift has reduced the overall labor force participation rate, defined as the number of employed and unemployed individuals divided by the civilian noninstitutional population. There were 17 million more Americans aged 65 and over in 2018 than at the turn of this century, increasing their share of the population from 12 percent to 16 percent. By 2030, these older Americans are expected to make up a fifth of the US population, and the Census Bureau has projected that, by 2034, there will be more people in the US who are 65 years and older than children under age 18.

The working-age population, those aged 18 to 64, will barely grow through 2030, with average annual year-over-year growth of just 0.2 percent. This is partly due to the aging of the US population but also to the declining trend in the US birth rate. The US birth rate is remarkably lower than at any point in US history, even excluding the baby boom years. Overall, the impact of aging on the growth of the working-age population is projected to be nearly flat through 2030.

Chart 3
The US working-age population is projected to grow slowly over the next decades due to aging, limiting the supply of labor unless net migration picks up significantly.
Growth in the working-age population (aged 18 to 64) and its contributions, annual percentage change

Note: Actual data is up to 2020; projections were created in 2018 and are not adjusted for changing death and migration rates caused by the pandemic.

Source: US Census Bureau, calculations by The Conference Board
Less participation

With working-age population growth near zero, it is more important than ever for working-age Americans to participate in the labor force. However, since 2000, when participation hit its peak of 67.1 percent, labor force participation has generally been on a downward trend. Although states dropped stay-at-home orders and businesses resumed close to or normal operations over the course of 2020, the participation rate did not bounce back to its prepandemic level. The rate stood at 62.3 percent in February 2022.²²

A drop of a percentage point or two in the labor force participation rate may sound inconsequential, but the number of individuals in the labor force and available to US businesses 2021 was 2.3 million less than it had been in 2019.

The pandemic has further contracted the labor supply, with labor force participation for almost all demographics still below prepandemic rates. Prior to the pandemic, the labor force participation rate for Americans aged 65 and over had been steadily increasing since 1998. At the onset of the pandemic, workers in this group left the labor force and have not returned. The same is true for workers aged 55 to 64. Labor force participation declined in 2020 and then ticked down further in 2021.

Analysis by The Conference Board finds that retirement, including early retirement, is one reason for the drop in labor force participation since 2019. Over a two-year period in 2019 to 2021, 3.58 million individuals retired from the US labor force.²³

However, it is not just older workers leaving the labor force. Overall, the participation rate for prime working age Americans, those aged 25 to 54, has also not recovered from the pandemic decline. For men of this age, the rate is close to recovery, but the longer-term trend in the participation rate is downward. For women in this age group, labor force participation had been trending up prior to the pandemic.²⁴ As of February 2022, almost half a million of these women had not returned to the labor force. Compounding the problem is that the pandemic caused fewer Americans to graduate from high school and pursue education beyond high school, impacting the future pipeline of skills to the labor force.
Certain industries, including in-person service industries such as personal care and health care support, have a higher concentration of women employees; these industries were affected more intensely by pandemic stay-at-home and lock-down orders. The pandemic also impacted childcare with suspensions of in-person schooling. All these factors contributed to the exit of many women from the labor force. As schools have reopened and businesses have largely attempted to resume normal operations, women of prime working age have begun re-entering the labor force.

The pandemic impacted the labor force status of women with education below a bachelor’s degree. As shown in Chart 6, the participation of women of prime working-age and with bachelor’s and advanced degrees was largely unaffected by the pandemic. However, a 2-percentage point decrease in participation rates occurred within each of the groups with lower levels of educational attainment. On a positive note, after a period of decline through 2015, participation rates for these groups had begun to slowly increase just prior to the pandemic. Hopefully these increases will resume as the pandemic continues to subside.

WOMEN

Postpandemic labor force participation is still slightly down among the prime working-age population as of March 2022 but has shown recent improvements

Labor force participation rate for the total population, men, and women of prime working age (aged 25 to 54), seasonally adjusted

Offering flexible working arrangements is one way to encourage women to remain in the workforce or to re-enter postpandemic. A 2021 survey found that if their employer asked them to return to the worksite in-person five days a week, nearly 40 percent of women with children under 18 would return but would immediately start looking for a work-from-home job. Another 7 percent indicated they would quit outright. The comparable numbers for men were 33 percent and 4 percent.26 A February 2022 survey found that the main factors keeping women from more urgently searching for jobs were childcare responsibilities and employed partners with incomes the family could get by on.27

One of the primary roles of childcare is to facilitate parents’ participation in the labor force. However, for lower-wage workers, the cost of paid childcare may override earned income, and therefore cause workers, often women, to opt out of labor force participation.28 Households with higher income are far more likely to have a child in paid childcare. Likewise, above-average use of paid care is generally found where the primary householder has a bachelor’s degree or higher.
PARTICIPATION RATES AMONG MEN HAVE BEEN GENERALLY DECLINING FOR DECADES.

Looking back over the past 20 years, the participation rates of men with bachelor’s degrees and advanced degrees (master’s, professional, and doctorate) have ticked down only slightly. But importantly, in 2021, the rate for men with some college or an associate degree had fallen to 87.7 percent from 92.6 percent in 2000, while the rate for high school graduates had fallen to 82.5 percent from 90.7 percent in 2000. These rates were already trending down slightly before the 2008–2009 recession, and participation for these groups had not recovered to prerecession levels prior to the recent pandemic downturn. Additionally, participation for these lower educational groups—with less than a high school diploma, completion of a high school diploma, or some college or associate degree—have not yet recovered from pandemic declines. Some employers are lowering experience and formal education requirements to fill positions, and instead focusing on skills and training. However, more can and must be done to bring workers back to the labor market.
Reduced Immigration

Positive net migration increases the potential for US labor force growth. Overall, net migration has been declining somewhat since 2016 as a result of more restrictive immigration policy, and more recently, as a result of the pandemic.30 Net international migration (the difference between the number of people coming to the US and the number of people leaving) added only 247,000 to US population estimates between July 2020 and June 2021, compared to the previous decade’s high of 1,049,000 between the same months in 2015 and 2016—an over 75 percent comparative decrease in the recent period. In the comparable period from 2019 to 2020, which included the first four months of the pandemic in the US, net migration still only added 477,000 to the US population.

Immigration has the potential to supplement and complement our existing labor force with additional skills and talent. Research suggests that immigration historically leads to more innovation, a better educated workforce, greater occupational specialization, better matching of skills with jobs, and higher overall economic productivity.31 Immigrants’ skills, abilities, and work preferences supplement native-born workers in the
US labor market. Therefore, they do not often compete for the same jobs and put only minimal downward pressure on wages of the native-born.\textsuperscript{32}

Immigration is also credited with boosting economic growth. By one estimate, the direct contribution of foreign-born labor to US economic output in 2016 was around $2 trillion.\textsuperscript{33} A joint 2018 study from Citigroup and Oxford University estimated that, had the US frozen immigration in 1990, depriving the economy of contributions from subsequent migrants, US economic growth would have been about 15 percentage points slower between 1990 and 2014, and the US economy would have averaged less than one percent annual GDP growth between 2011 and 2016.\textsuperscript{34} Foreign-born workers in the US spend their earned incomes on US goods and services. Additionally, immigrants are at the forefront of innovation and ingenuity in the US, accounting for a disproportionately high share of patent filings, science and technology graduates, and senior positions at top venture capital-funded firms.\textsuperscript{35} And yet, of late, the nation has not fully capitalized on the potential of immigration to contribute to our economy.

The US must compete successfully in the intense global market for talent with comprehensive, bipartisan immigration reform that increases legal immigration, reduces the illegal flow, and, most immediately, reforms the H-1-B visa process. The US immigration system is complicated, and different visas exist for aliens to enter the US under a wide variety of circumstances. While comprehensive immigration reform is needed, this Solutions Brief focuses on worker and student visas, given that they generally offer a more targeted approach to enhancing the US labor force than other visa types.

Trends in Immigration: Workers

In April 2020, the US suspended most immigration for 60 days, which was followed in June 2020 with an extension that halted the processing of H-1B, H-2B, and J-1 visas through March 31, 2021. The suspension was intended to protect US workers from foreign competition during the economic recovery.\textsuperscript{36} As a result, the number of visas issued to temporary foreign workers fell precipitously in visa programs aimed at nonagricultural workers. However, recent research shows that the pandemic-induced drop in international migration to the US did not improve labor market conditions and outcomes for native US workers and instead just left jobs unfilled.\textsuperscript{37}

**J-1 TEMPORARY EXCHANGE VISITOR VISAS**

J-1 exchange visitor visas are nonimmigrant visas for foreign workers to participate in exchange visitor categories such as: au pair, camp counselor, government visitor, intern, teacher, and others.\textsuperscript{38} Included in this category is the Summer Work Travel program (SWT) which allows foreign higher-education students the opportunity to work in the US during their summer break.\textsuperscript{39}

The number of J-1 temporary exchange visitor visas issued plummeted from about 350,000 per fiscal year to 109,000 in fiscal year 2020 and dropped to a similar level in fiscal year 2021. The drop in the SWT program within that visa category was even more precipitous, falling from over 100,000 annually to under 5,000 in fiscal year 2020.\textsuperscript{40}
H-1B TEMPORARY SPECIALTY WORKER VISAS

H-1B nonimmigrant visas are used by employers to obtain temporary workers. Employers file an H-1B petition to the US Citizenship and Immigration Services (USCIS) for a foreigner to perform services in a specialty occupation, which is defined as requiring the theoretical and practical application of a body of specialized knowledge and a bachelor’s degree or the equivalent in the specific specialty (e.g., sciences, medicine, health care, education, biotechnology, and business specialties). 41

The total (initial and continuing) number of H-1B temporary specialty worker visas issued fell from 188,000 in fiscal year 2019 to about 125,000 in FY 2020 and to under 62,000 in FY 2021 due to the pandemic, 42 which cut the availability of consular services.

H-1B visas are used often by US employers needing tech talent, skills that were already in demand before the pandemic and for which the need is accelerating. 43 Research shows that rather than saving jobs, H-1B restrictions have the unintended consequence of encouraging US firms, including US multinational firms, to offshore jobs abroad. 44 In FY 2020, 87 percent of all beneficiaries were born in just two countries—India (75 percent) and China (12 percent). Beneficiaries with computer-related occupations

*For FY 2020 and FY 2021, due to the COVID-19 pandemic, State Department posts that issue visas abroad were instructed to suspend routine visa services and provide only mission critical and emergency services in late March 2020. This had a significant impact on the provision of Immigrant and Nonimmigrant Visa-related services. Posts were only able to resume limited services on a post-by-post basis beginning in July 2020, as local conditions allowed.

Note: Beginning in FY 2020, only petitions filed during a given fiscal year are counted in the number of petitions filed. This differs from prior year reports which reported data that were current at the time that the database was queried. These figures represent all approved petitions during the respective fiscal year, irrespective of whether the petition was filed in the same or in a previous fiscal year.

Source: US Citizenship and Immigration Services and US Department of State
accounted for 70 percent of all approved petitions, and more than 60 percent held a master’s degree or above.\(^{45}\)

**H-2B TEMPORARY NONAGRICULTURAL WORKER VISAS**

H-2B temporary nonagricultural visas are used by employers to obtain workers in nonspecialty occupations. Congress set a 66,000 cap on the number of H-2B visas that can be issued each fiscal year.\(^{46}\)

The number of H-2B temporary nonagricultural worker visas issued fell by almost half in FY 2020 before returning to near its prepandemic level in fiscal year 2021.\(^{47}\) In January 2022, the Department of Homeland Security and Department of Labor published a joint temporary rule allowing for 20,000 additional visas over the 66,000 cap already authorized for FY 2022. A similar rule was issued in 2021.\(^{48}\) H-2B visas are typically used to fill jobs in landscaping and groundskeeping, forestry, amusement and recreation, hospitality (housekeeping and hotel staff), restaurants, construction, and meat and fish processing.\(^{49}\) Three-quarters of visas issued in FY 2020 went to Mexican workers.

**EMPLOYMENT-BASED IMMIGRANT VISAS**

Employment-based (EB) permanent, or immigrant, visas totaling 140,000 are available every fiscal year (FY, October 1–September 30) to qualified applicants based on their job skills. Employment-based immigrant visas are divided into five preference categories. Two of the EB categories require employer sponsorship and an approved labor certification from DOL. These two types are second preference (EB-2 visas), reserved for individuals...
with advanced degrees (master’s or above) or exceptional ability, and third preference (EB-3 visas), for skilled workers, professionals, and other workers. These visas provide aliens the opportunity to reach lawful permanent resident (LPR or green card) status.

The number of permanent worker visas was less impacted by recent policies and the pandemic. Over the past several years, the State Department has issued around 40,000 EB-2 and EB-3 visas annually. No more than 7 percent of the allotment can go to workers from one country.

Trends in immigration for students

F-1 visas for students are available for aliens to enroll full-time in an accredited US academic institution. Students on F-1 visas are authorized for optional practical training (OPT) or 12 months of temporary employment directly related to their field of study either before or after completion of their degree. Beyond OPT, international students can work in the US if they are sponsored by an employer for an EB visa upon completion of their studies. International students can boost the supply of labor to US employers if they are incentivized to stay in the US after schooling and have a promising and attainable pathway to an EB visa and eventual green card.

Prior to the pandemic, survey data showed that almost nine out of ten US institutions of higher education with international student enrollment declines cited the US visa application process, including delays and denials, as a factor contributing to their falling
enrollment in 2019, up from roughly one in three institutions that cited the visa application process as a factor in the fall of 2016.\textsuperscript{51} But even beyond the negative implications of US policy, roughly six in ten institutions credited increased competition from universities in other countries as a significant factor affecting their declining international student enrollment, up from fewer than one in five institutions who identified international competition as a factor in 2016.\textsuperscript{54}

Additionally, US Immigration and Customs Enforcement of the Department of Homeland Security recently extended the maximum OPT duration to three years for STEM (Science, Technology, Engineering, and Math) degree holders as part of a larger effort to attract STEM talent, strengthen the US economy, and increase competitiveness.\textsuperscript{55} This change is impactful, given that in the 2020/2021 school year almost half of all international students study in STEM fields, a share that has been increasing since 2007/2008.\textsuperscript{56}

**Recommendations for Rebuilding the US Labor Force**

The pandemic has exacerbated the long-term demographic changes which portend a tight labor force as the new normal. Consequently, there is an increased need for action to counter the impact of the pandemic and rebuild the US labor force to boost future growth prospects with two steps: increasing American workers’ participation and reforming immigration.

**Increase and support American workers’ participation**

Leaders in business, education, and public policy need to collaborate to address the challenges of the tight labor market through initiatives focused on increasing Americans’ participation in the workforce. To further boost labor force participation, CED recommends the following actions which focus on recruiting, educating, preparing, and retraining the American workforce.

- **Increase public-private provision of training.** Private-sector leaders should spearhead collaborative regional efforts for employer-driven regional consortia with colleges, particularly community colleges, broad access institutions, other trainers, and public policy leaders to link skill-set development with job opportunities to encourage employees to continue to advance their careers with new and necessary skills.

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- **Review and reform occupational licensing requirements and reduce regulations** that stymie recruiting and hiring and/or disincentivize workers from entering or remaining in certain occupations. For example, reconsider the requirement that interstate commercial truck drivers be 21 years of age or simplify requirements for interstate occupational licensing.
• Expand and increase the Earned Income Tax Credit (EITC) to incentivize more people with initial low-income job prospects to enter the labor force and remain working. Permanently expanding eligibility to adults without children will attract more potential workers to the labor force.

• Expand workplace flexibility for workers with dependent care responsibilities. Business leaders should provide workplace flexibility for employees to care for children or other dependents without damaging their potential for career advancement. Employers should provide support for childcare options and create bridge programs so that women who have left the workforce have opportunities to train and stay connected with employers. Local governments should prioritize pre-K education opportunities for at-risk children.

• Support older workers who wish to remain working by repealing the Social Security retirement earnings test, which reduces benefits for recipients who wish to continue working and earn above a certain threshold before full retirement age and supporting flexible work arrangements. This includes increasing access to nonwage benefits and worker protections typically only available to full-time workers.

• Create incentives for unemployed workers, underemployed workers, and non-labor force participants to upgrade their skills by expanding the use of Pell Grants for credentialing programs. Require colleges to submit data to allow for the calculation of postgraduate career outcomes. Provide unemployment benefit tax relief for skill development to recipients without four-year degrees.

• Expand learn-and-earn apprenticeships among students and workers at all stages of their careers.

Immigration Reform to Support the US Labor Force

To fully realize the labor market impacts of increased immigration, policymakers will need to prioritize immigration reform. The US must compete successfully in the intense global market for talent by increasing legal immigration, controlling the flow of illegal immigration, and, most immediately, by reforming the H1-B visa process.

It is estimated that increasing annual immigration levels to allow more than 2 million new immigrants to enter the US each year could help reverse unfavorable demographic and economic trends and has the potential to increase US GDP from $23 trillion in 2021 to $47 trillion (in today’s dollars), or by over 100 percent, by 2050. Furthermore, research shows that immigrants’ skills, abilities, and work preferences supplement native-born workers in the labor market and therefore do not often compete for the same jobs as native-born workers.

While comprehensive immigration reform is needed to fully address stagnating labor market growth, this Solutions Brief focuses on more immediate recommendations for enhancing worker and student visa programs, given that they generally offer a more targeted approach to supplementing the US labor force than other visa types. Recommendations for the immediate term include:
• **Improve the H-1B visa program.** Shift to more frequent allocations of H-1B visas; limit petitioning for H-1B visas to within a few months of an employee’s planned start date and speed adjudication of selected applicants; replace the random H-1B visa lottery with a modified wage-ranking approach to distribute visas to the most in-demand employees; and adjust annual limits on new H-1B visas based on the prior year’s demand to make the visa cap at least minimally responsive to labor market demand.

• **Increase visa offers of permanent residence for skills needed in the economy.** Rebalance US immigration priorities toward the national economic interest while protecting existing family reunification visa levels and the diversity lottery by increasing annual permanent immigration inflow levels. Channel additional visa offers to immigrants selected for economic reasons and remove limitations based on country-of-origin for employment-based offers of permanent residence.

• **Pilot a “fast-track” entry program for top international recruits** for a limited number of highly qualified workers with expedited offers of permanent residence.

• **Set aside an annual allocation of “place-based” employment visas.** Ensure that more US communities can compete for and benefit from international talent aligned with their specific, regional labor market needs by allowing for a designated number of region-specific offers of immigration.

**Conclusion**

US employers are facing difficulties filling jobs. The unemployment rate is low, and labor force growth is expected to be nearly stagnant over the next decade due to the aging of the population. Businesses should develop workplace policies that support workers and their needs. Likewise, policymakers can develop policies that encourage workers to reenter and remain in the labor force. The need for these policies was present before the pandemic but is even greater now as labor force participation has not fully recovered from pandemic losses.

The recommendations put forth in this Solutions Brief aim to boost US labor force participation of workers already in the US and to supplement the US labor force with foreign talent through immigration. This two-tiered approach is the best pathway to increasing US labor force participation and ensuring a pipeline of workers with the skills employers need, so the economy can grow and the US can compete globally.
The US Labor Shortage: A Plan to Tackle the Challenge

Endnotes


2. Jobs openings data as reported by the BLS Job Openings and Labor Turnover Survey (JOLTS). Number of unemployed individuals as reported by BLS CPS.

3. According to the BLS Current Employment Statistics (CES) program. 2008 is the first year for which an average annual rate of growth is reported.

4. The Conference Board calculations based on data from IPUMS-CPS, University of Minnesota.

5. Social Security Administration, Retirement Earnings Test Program Explainer.


8. BLS JOLTS program data.

9. BLS JOLTS program data.


11. ADP, Workforce Vitality Report, Q4 2021.


19. “By 2030, All Baby Boomers Will Be Age 65 or Older,” US Census Bureau, December 10, 2019. The Census Bureau estimates that there were 52.4 million adults aged 65 years and over in 2018, compared to 35.0 million in 2000.


22. BLS CPS program data.

23. The Conference Board calculations on microdata from IPUMS-CPS, University of Minnesota.

24. According to the BLS CPS, the labor force participation rate for women reached 57.9 percent in February 2020. Women’s labor force participation was increasing again after experiencing a period of decline from 2000 until the recent low of 56.4 percent in September 2015.


38 US Department of State, Exchange Visitor Visa information.

39 US Department of State, Summer Work Travel flier.


41 US Department of Labor, Employment and Training Administration, H-1B, H-1B1, and E-3 Specialty (Professional) Workers.


50 US Citizenship and Immigration Services, Permanent Workers.


52 US Citizenship and Immigration Services, Optional Practical Training (OPT) for F-1 Students.


54 Sanger and Baer (2019); Baer (2016). Since respondents work for institutions of higher education, it is worth considering whether they are incentivized to identify factors out of their direct control as contributors to declining international enrollment. Even still, more than half of respondents identified the cost of attending US institutions of higher education as a contributing factor on the 2019 survey.


57 Social Security Administration, Retirement Earnings Test Program Explainer.


SUSTAINING CAPITALISM
Achieving prosperity for all Americans could not be more urgent. Although the United States remains the most prosperous nation on earth, millions of our citizens are losing faith in the American dream of upward mobility, and in American-style capitalism itself. This crisis of confidence has widened the divide afflicting American politics and cries out for reasoned solutions in the nation’s interest to provide prosperity for all Americans and make capitalism sustainable for generations to come. In 1942, the founders of the Committee for Economic Development (CED), our nation’s leading CEOs, took on the immense challenge of creating a rules-based postwar economic order. Their leadership and selfless efforts helped give the United States and the world the Marshall Plan, the Bretton Woods Agreement, and the Employment Act of 1946. The challenges to our economic principles and democratic institutions now are equally important. So, in the spirit of its founding, CED, the public policy center of The Conference Board, will release a series of 2021 Solutions Briefs. These briefs will address today’s critical issues, including health care, the future of work, education, technology and innovation, regulation, China and trade, infrastructure, inequality, and taxation.