



**Statement of Dan Wallace, Director of Special Projects at New American Economy**

**House Committee on Small Business**

**Hearing “Immigration and the Small Business Workforce”**

**May 22, 2019**

Introduction

Chairwoman Velázquez, Ranking Member Chabot, and members of the Committee, thank you for the opportunity to appear before you today and provide testimony on behalf of New American Economy (NAE). NAE is a bipartisan coalition of more than 500 mayors and business leaders from all 50 states and every sector of the economy united in demonstrating the importance of immigration to America’s economic growth and advocating for smart federal, state, and local policies that will create jobs for all Americans.

In our capacity as a research organization, NAE analyzes data from the American Community Survey, the Survey of Business Owners, and other publicly-available data sources to understand national economic and workforce challenges and opportunities, as well as the role of immigrants in various sectors, industries, and occupations in communities across the country. As this body of research continues to grow, one thing remains abundantly clear: immigration is one of America’s greatest competitive advantages, helping to keep our workforce younger and more adaptive to the changing needs of U.S. businesses in the 21<sup>st</sup> century economy.

Immigrants as entrepreneurs and small business owners

Immigrants not only help fill shortages in the labor market, they also create jobs for Americans at every skill level. Although they represent roughly 13.7 percent of the U.S. population<sup>1</sup>, immigrants account for more than 20 percent of all entrepreneurs.<sup>2</sup> And they start more than one quarter of all businesses in seven of the eight highest-growth sectors, including 31.8 percent of

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<sup>1</sup> Migration Policy Institute, Frequently Requested Statistics on Immigrants and Immigration in the United States, March 2019, accessed online: <https://www.migrationpolicy.org/article/frequently-requested-statistics-immigrants-and-immigration-united-states#Now>

<sup>2</sup> New American Economy, Reason for Reform: Entrepreneurship, October 2016

all construction businesses, 29.4 percent of transportation and utilities businesses, and 28.7 percent of healthcare and social assistance businesses.<sup>3</sup>

From Silicon Valley to Main Street, immigrant business owners are creating jobs and adding value to our economy. Between 2006 and 2012, 43.9 percent of high-tech Silicon Valley firms were founded by immigrants.<sup>4</sup> At the same time, immigrants also start 28 percent of main street businesses like restaurants, grocery stores, and retail shops that make local communities more vibrant. In fact, without immigrants, the U.S. would have seen a loss of 30,000 main street businesses between 2000 and 2013; instead, we saw a net gain of approximately 60,000 businesses.<sup>5</sup>

### Labor shortages in key industries and challenges for business owners

Immigrants also play an indispensable role in the American workforce for large and small businesses alike, and as the U.S. economy continues to grow, employers are beginning to sound the alarm: in many industries, there are not enough workers to get the job done. In 2018, 46 percent of U.S. employers reported that they were struggling to find enough workers – up from just 14 percent at the height of the recession in 2010.<sup>6</sup> Among many reasons, including lack of relevant skills and experience, the primary challenge for the employers surveyed was simply a lack of applicants. This is true across a variety of key sectors.

Between 2002 and 2014, the number of field and crop workers in America declined by 146,000, causing major labor shortages on U.S. farms.<sup>7</sup> A rapidly aging U.S. population is also straining our healthcare workforce, a problem likely to worsen as more Baby Boomers retire. 62.8 percent of home health aide administrators cited “caregiver shortages” as one of the top three threats facing their business in 2015.<sup>8</sup>

There are larger, structural reasons why these shortages are becoming so acute. As more young people are completing high school and going on to college, the size of the U.S.-born population with a high school degree or less has significantly decreased. This trend is particularly evident among workers ages 25-44, the group typically most capable of doing physically demanding work. Among this group, there was a decline of 12.3 million people with less than a high school

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<sup>3</sup> New American Economy, Open For Business: How Immigrants Are Driving Small Business Creation In The United States, August 2012 (see Appendix A, Table 1)

<sup>4</sup> Kauffman Foundation, America’s New Immigrant Entrepreneurs: Then and Now, October 2012, accessed online: <https://www.kauffman.org/what-we-do/research/immigration-and-the-american-economy/americas-new-immigrant-entrepreneurs-then-and-now>

<sup>5</sup> David Dyssegaard Kallick, “Bringing Vitality to Main Street: How Immigrant Small Businesses Help Local Economies Grow,” *New York: Fiscal Policy Institute and Americas Society/Council of the Americas*, 2015.

<sup>6</sup> Manpower Group, Solving the Talent Shortage: Build, Buy, Borrow and Bridge, 2018

<sup>7</sup> New American Economy, Labor-Intensive Industries, accessed online May 2019: <https://www.newamericaneconomy.org/issues/labor-intensive-industries/>

<sup>8</sup> Home Care Pulse. “2015 Private Duty Benchmarking Study.” April 2015.

degree between 1990 and 2010.<sup>9</sup> As this population declined, however, the number of jobs for workers with that education level held steady. Thus, real and persistent gaps in the American workforce have opened up, especially in agriculture, hospitality, and meatpacking. There will be an estimated shortage of 3.6 million workers in labor-intensive occupations by 2024.<sup>10</sup>

### Immigrants complement U.S.-born workers and address workforce challenges

Immigration is not a silver bullet that can fix all of these challenges, but it should be part of the solution. First, the foreign-born are significantly more likely to fall within the prime working-age range (25-64) than the U.S.-born (72.4 percent vs. 49.5 percent). In states like Texas, Utah, Nevada, Arkansas, and Nebraska, this gap is even wider.<sup>11</sup>

Second, immigrants' education and skill levels complement the U.S.-born. They are more likely to hold graduate degrees, but also significantly more likely to have less than a high school degree<sup>12</sup>, allowing them to help fill jobs that would otherwise remain vacant, particularly in labor-intensive and service industries, like the tourism and hospitality sector, in which 84 percent of all jobs require less than a college degree.<sup>13</sup> In construction, foreign-born workers frequently take on the most physically demanding roles, while U.S.-born workers prefer positions that require more English-language skills or experience in management or customer service. In specific occupations like plasterers (72 percent), drywall and ceiling tile installers (52.8 percent), and painters (51.4 percent), immigrants make up more than half of the workforce.<sup>14</sup>

Finally, immigrants are also more likely to work unusual hours<sup>15</sup> and be willing to relocate for jobs than the U.S.-born.<sup>16</sup> Especially in industries like tourism and hospitality that rely heavily on seasonal labor, immigration is a lifeline that supports small businesses and the American workers they employ. In fact, one third of businesses in this sector report that they would be forced to reduce their operations or close altogether if they could not hire workers through temporary visa programs.<sup>17</sup>

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<sup>9</sup> New American Economy, "A Crucial Piece of the Puzzle: Demographic Change and Why Immigrants are Needed to Fill America's Less-Skilled Labor Gap," March 2014

<sup>10</sup> Ibid

<sup>11</sup> New American Economy, Voting & Demographics, accessed online May 2019:

<https://www.newamericaneconomy.org/issues/voting-&-demographics/>

<sup>12</sup> New American Economy, Labor-Intensive Industries, accessed online May 2019

<https://www.newamericaneconomy.org/issues/labor-intensive-industries/>

<sup>13</sup> Author's calculations of a straight-line projection using data from the Current Population Survey, 2002-2015. <sup>5</sup> Bureau of Labor Statistics (BLS), "Industry employment and output projection to 2024," Monthly Labor Review, December 2015

<sup>14</sup> New American Economy, Labor-Intensive Industries, accessed online May 2019

<https://www.newamericaneconomy.org/issues/labor-intensive-industries/>

<sup>15</sup> New American Economy, On the Clock: How Immigrants Fill Gaps in the Labor Market by Working Nontraditional Hours, July 2017

<sup>16</sup> New American Economy, Are Immigrants More Likely to Move Within the United States for a Job? Examining Data from 2009-2015, June 2017, accessed online: <https://research.newamericaneconomy.org/report/are-immigrants-more-likely-to-move-within-the-united-states-for-a-job/>

<sup>17</sup> "Immigration Myths and Facts," U.S. Chamber of Commerce, April 14, 2016

## Conclusion and recommendations

Threats to these and other programs that provide opportunities for immigrants with work authorization to remain in the United States, such as DACA and TPS, will only exacerbate current labor shortages and make it even more difficult for businesses of all sizes to continue to grow. Legislation introduced in this Congress would protect DACA and TPS-holders, who are lawfully present and authorized to work, and give American business owners more certainty about their employees' futures. Expanding legal avenues for immigrants with education and skills backgrounds that complement American workers, such as temporary/seasonal workers as well as high-skilled workers, would help ease the acute shortages felt in a variety of sectors. The United States also currently lacks a startup visa that would make it easy for foreign-born entrepreneurs with a proven idea and funding to remain here, which results in many young business owners struggling to stay—at a cost to our economy and its workers. Such reforms should be part of a comprehensive overhaul of America's outdated immigration system. We must ensure that our laws reflect the needs of our economy and businesses of all sizes, and keep with our tradition as a nation that welcomes hard-working immigrants and refugees from around the world.