

**STATEMENT OF
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HOUSE JUDICIARY SUBCOMMITTEE ON IMMIGRATION, CITIZENSHIP,
REFUGEES, BORDER SECURITY, AND INTERNATIONAL LAW**

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Madam Chairwoman and Members of the Subcommittee, thank you for the opportunity to testify today on the U.S. economy, our workforce needs, immigration, and the importance of comprehensive immigration reform to our Nation's continued economic prosperity.

Economic Case for a Temporary Worker Program and Immigration

The U.S. economy is healthy and resilient, and continues to grow. The growth of our Gross Domestic Product (GDP) has slowed somewhat to 2.1 percent over the year, in large part because of the slowing housing market. Yet, the downward effect of the housing market on GDP has moderated, and the U.S. labor market remains strong. America's workers are among the most productive of any major industrialized economy, and demand for workers continues to be high. The economy gained 180,000 payroll jobs in March, and payroll employment now stands at 137.6 million jobs. We have had 43 consecutive months of job growth for a total of 7.8 million net new jobs since August 2003. The latest data show 4.1 million job openings in the United States and an unemployment rate of 4.4 percent -- well below the 5.7 percent average unemployment rate in the decade of the 1990s. And unfilled job openings have increased by a third (over a million) since 2004, as new job vacancies have opened faster than they have been filled. These conditions suggest a tight labor market.

In a nutshell, our economy has prospered and our labor markets have grown stronger with the increased number of immigrants in our labor force. Over the past ten years, foreign-born workers increased from 10.8 percent of the civilian labor force to 15.3 percent,

helping to fuel our high rates of GDP growth. Yet, the national unemployment rate that was at 5.4 percent in 1996 was significantly lower at 4.6 percent in 2006 and lower still at 4.4 percent in the latest report. America now has 23.1 million foreign-born persons in the labor force.

While the number of immigrants as a percentage of the population might seem large, it is in fact far lower than other periods of heavy immigration in our history. Over the past ten years, 8.8 million immigrants added about 3.4 percent to the population. In contrast, throughout the 19th century, immigration added 6.2 percent to the population each decade, rising above 9 percent during the 1850s and 1880s, and immigration peaked at 10.4 percent of the population during the decade between 1901 and 1910. After 1910, immigration rates fell dramatically, merely adding 5.7 percent to the population during the 1911-1919 decade, further falling to 0.4 percent in the 1930s, and then slowly rising to a still low 2.0 percent in the 1970s. Immigration rates rose in the 1980s (3 percent) and 1990s (3.4 percent) and have since remained stable.

The growth of the foreign-born workforce has not produced significant adverse effects on native-born workers. During the last ten years, the unemployment rate for native-born workers fell from 5.4 percent to 4.7 percent. The unemployment rate for African-Americans has declined from 10.5 percent in 1996 to 8.3 percent today. While unemployment has gone down, wages have gone up. Over the last decade, as the foreign-born workforce increased, average hourly earnings of production and non-supervisory workers increased 8.7 percent after adjustment for inflation. In 2006, the median usual weekly earnings of foreign-born full-time wage and salary workers were \$532, compared with \$698 for the native-born.

There are three fundamental reasons why immigrants are important to our economy. First, the U.S. workforce is aging. Second, continued immigration will allow us to maintain a higher ratio of workers to retirees than other major economies such as China,

Japan and Germany. Third, immigrants contribute significantly to innovation and entrepreneurship in our economy.

Turning first to the aging of our labor force, there are 25.5 million persons in the labor force who are age 55 or older and who will be approaching retirement age in the next few years. This is up 59 percent from 10 years ago. And while the number of older Americans in the workforce is increasing, the number of young workers in the workforce has changed little. Those in the labor force who are 16-24 years old numbered 22.4 million in 2006, up just 5.7 percent from a decade earlier—less than one-tenth as fast as the growth among older workers. Clearly, the baby boomers are beginning to retire, and there is not a corresponding boom of native-born young workers entering the workforce to replace those retirees.

The challenge of finding qualified workers is likely to be much greater in the coming years. The U.S. population is projected to grow by 6.8 percent from 2007 to 2014, while the labor force is projected to grow 6.2 percent over that time, with immigration projected to be the main driver of population growth and hence labor force growth. Recent data shows that the immigrant labor force participation rate of 68.6 percent is higher than the 65.8 percent participation rate for native-born workers. The unemployment rate for foreign-born workers was 4.0 percent in 2006, lower than the average unemployment rate of 4.7 percent for native-born workers. Men make up a larger proportion of the foreign-born labor force, 60 percent, than they do of the native-born labor force, 53 percent. Significantly, the proportion of 25- to 54-year olds is higher for foreign-born workers (76 percent) than for the native-born labor force (67 percent).

Immigration also helps to maintain U.S. competitiveness with our trading partners. As I noted previously, the distribution of the foreign-born population is more highly concentrated in the working-age cohort than the native-born. The presence of our foreign-born population is a major reason the United States has relatively more workers per retirees than our major trading partners. While the ratio of working-age populations to the total populations of China, Japan, Germany and the U.S. are all projected to decline

in the coming years, the U.S. population will remain more balanced than those of our trading partners due to the immigrant component of our workforce.

Unmet demand for skilled labor constitutes one of the foremost challenges confronting U.S. employers who face growing competition from abroad. Companies reported about 4.1 million unfilled job openings as of the end of February 2007. Industries with high job opening rates include health care and social assistance, information industries, professional and business services, finance and insurance, accommodations, and food services. In 2006, the unemployment rate for health care and social assistance was just 3.0 percent, and for professional and technical services, the unemployment rate was 2.9 percent.

The Department of Labor, through the Employment and Training Administration, has engaged the business community, educators and the workforce investment system to develop solutions to the workforce challenges facing high-growth industries. We have targeted education and skills development resources toward helping workers gain the skills they need to build successful careers in these and other growing industries. We are transforming the public workforce system to partner and more closely connect with public and higher education systems to prepare the workforce of the 21st century with career opportunities and skills in these high job growth sectors. We are working to ensure that our youth and other workforce training programs have a strong educational component, since it is clear that employment opportunities increase exponentially with education credentials.

The unmet labor needs can be found at both ends of the occupational spectrum. Employers are finding shortages of workers to fill jobs that do not require a college degree. For example, despite a slowing housing market and a slower rate of hiring, the number of job openings in construction was higher in February 2007 than at any time in the last several years. This likely reflects the challenges that construction companies face in finding workers.

The tightening of the labor market at both ends is putting pressure on our employment-based visa programs. Among the 10 major occupational groups, employment in the two largest – professional and related occupations and service occupations – is projected to increase the fastest and to add the most jobs through 2014, providing about 60 percent of total job growth from 2004 to 2014. Sixteen of the 30 occupations projected to grow the fastest through 2014 (that is, projected to have the largest percentage change in employment) are health-related. Of the non-health-related occupations, six are computer specialist occupations, three are environment-related, and two are in teaching. Immigration meets these labor demands and helps to maintain our global, economic, competitive edge.

Foreign-born entrepreneurs also play a critical role in keeping our economy growing. A recent Duke University study ¹ estimated that 25 percent of the technology and engineering companies started between 1995 and 2005 had at least one senior executive – a founder, chief executive, president, or chief technology officer – born outside of the United States. Immigrant entrepreneurs' companies employed 450,000 workers and generated \$52 billion in sales in 2005, according to the study. The study came eight years after a University of California Berkley report that estimated that immigrants started about 25 percent of Silicon Valley technology companies. The Duke study found that percentage has almost doubled to 52 percent in 2005. The Duke researchers also found that foreign-born inventors living in the United States without citizenship accounted for 24 percent of patent filings last year, compared with 7.3 percent in 1998.

A few of the most prominent immigrant entrepreneurs who founded or co-founded companies in the United States include Indian-born Vinod Khosla of Sun Microsystems, Hungarian-born Andy Grove of Intel, French-born Pierre Omidyar of eBay, Taiwan-born Jerry Yang of Yahoo, and Russian-born Sergey Brin of Google. Together, these

¹ Wadhwa, V.; Saxenian, A.; Rissing, B.; Gereffi, G. (January 2007) . *America's New Immigrant Entrepreneurs*. Published paper, Master of Engineering Management Program, Duke University; School of Information, U.C. Berkeley.

companies have a market capitalization of almost \$370 billion and employ nearly 170,000 workers.

Immigrants have always contributed to our talent pool. From 1901 to 2005, about one-third of U.S. Nobel Prize winners in medicine and physiology were born abroad. Today over 40 percent of Ph.D. workers in computer, mathematics, architectural, engineering and science occupations were born outside the United States. These individuals make important contributions in their fields and play an important role in U.S. economic innovation and strength.

Department of Labor Role in Immigration

The Department of Labor's role in immigration is to ensure that the hiring of foreign workers does not harm American workers. Under current law, the Department has a limited but important responsibility in a number of existing employment-based visa programs including:

- high-skill professional workers (H-1B, E-3, H-1B1);
- crewmembers performing longshore work (D-1);
- permanent labor certification program ("green card");
- temporary non-agricultural workers (H-2B); and
- temporary agricultural workers (H-2A).

We protect American workers by ensuring employers first obtain the required labor certification before attempting to hire foreign workers. The Department also ensures that foreign workers do not adversely affect the wages and working conditions of similarly employed U.S. workers.

Under the H-2A and H-2B programs, the labor certification process ensures that the hiring of foreign workers does not occur without an employer first testing the labor market for able, available, and willing domestic workers. An employer must attempt to hire U.S. workers for job openings before applying to hire foreign workers with a temporary work visa. The Labor Department is responsible for verifying that an employer

who wishes to hire temporary foreign labor has properly complied with the labor market test. Under the H-1B program, employers must attest that they have met certain conditions and that the foreign worker has specific education, skill and wage levels.

Through audits, compliance assistance and enforcement, the Department also ensures that the wages of foreign workers do not undercut the compensation of U.S. workers both at the time of initial application to hire a foreign worker and throughout the duration of the foreign worker's employment here in the United States.

As you know, the Department of Homeland Security (DHS) and the Department of Justice are the federal agencies responsible for enforcing the nation's immigration laws. DHS also conducts screening and background checks, determines admissibility and adjudicates immigration benefits for foreign workers.

Current Status of Employment-Based Visa Programs

The current caps in the high-skilled H-1B visa category and the low-skilled nonagricultural H-2B visa program have not been able to meet demand. Each year, we receive inquiries from constituents, many writing through their Congressional office, about pending visas or requesting the reclassification of entire groups of workers from one visa category to another with available slots.

On April 1, 2007, U.S. Citizenship and Immigration Service (USCIS) began accepting petitions for Fiscal Year 2008 visas in the H-1B program. By the next day, April 2nd, the annual cap of 65,000 had been reached. To put this in perspective with the employer demand, in Fiscal Year 2006, the Department of Labor received 385,835 labor certification applications requesting 652,312 workers under the program. Of those, we certified 377,656 applications for 630,885 workers. Yet, the annual cap set by Congress permitted just 65,000 to be admitted to the U.S.

For the H-2B program, the annual visa cap is distributed in two allotments in an effort to provide some relief to employers who do not have a need for temporary workers until

later in the year. With a total cap of 66,000 visas for Fiscal Year 2007, the first installment of 33,000 visas was reached just over two months into the fiscal year on December 5, 2006, and the second installment of 33,000 visas was reached on March 16, 2007, just a few weeks after they became available. The total number of workers requested in Fiscal Year 2006 was 247,287 – about 239 percent more than what it was in 2000. Congress recently sought to alleviate the pressure on the annual H-2B cap by exempting returning H-2B workers from that annual cap. Despite this change, the demand for H-2B workers still exceeds the supply of visas.

Finally, the H-2A program, which brings in agricultural workers to perform temporary agricultural services on U.S. farms, does not appear to capture the demand for foreign workers in the agricultural sector. The total number of H-2A workers requested in Fiscal Year 2006 was 64,146, of which 59,112 were certified by the Department of Labor. It is estimated, however, that over half of the more than 2.2 million agricultural workers in the U.S. are undocumented.

These statistics demonstrate that the current system for hiring and admitting foreign workers does not meet the demands of certain industries. The Department of Labor has initiated regulatory reforms to streamline elements of the labor certification process. However, effective and long-term improvements in our system of admitting and tracking foreign workers and meeting the growing business demand will require legislative changes.

Worker Protections

The Department of Labor takes very seriously its responsibility to ensure that our workforce, including foreign workers admitted under a temporary worker program, is fully protected by our Nation's labor laws. These efforts not only help protect foreign-born workers from exploitation, but also help ensure that U.S. workers are not undercut by unscrupulous employers.

Conclusion

In his State of the Union address in January, President Bush reiterated his support for comprehensive reform of America's immigration laws by increasing border security, while maintaining the Nation's tradition of welcoming immigrants who enter the country legally.

Today's reality is that businesses all over the country are reporting difficulty in filling jobs, and the resulting drag on our economy keeps GDP growth below its potential. Immigration fuels our society and economy through the influx of workers at both the high-skilled and low-skilled levels. Immigration enhances our global competitiveness. Comprehensive immigration reform will not only secure our borders and bring illegal aliens out of the shadows, but also meet the labor demands of our strong economy. A multi-faceted solution driven by parents, schools, government, and the private sector is needed to help equip American workers to fill as many gaps as possible in the workforce. But the reality of an aging population means America's economy continues to produce more jobs than we have native-born persons to fill. The Administration is committed to working with Congress to ensure our immigration policies protect American workers and support continued growth of our Nation's economy.

We look forward to working with the Committee and its staff as well as your colleagues in the Senate on crafting a bill that is comprehensive in its approach and provides for our economy's labor needs without harming U.S. workers. Thank you for the opportunity to discuss this with you today.