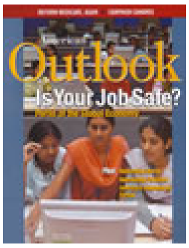


**America and the Coming Global Workforce**
**Justin Heet**
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*"The United States is already first in the competition to attract the world's workers; maintaining this lead will be crucial to its future economic growth."*

In 1950, approximately one out of every three people in the world lived in a developed, or "wealthy," nation. By the end of the twentieth century, according to United Nations (UN) figures, that number had fallen to one in five. One of the great themes of the twenty-first century will be the extension and magnification of this trend: the developed world's diminishing share of global population. The UN projects that the world's wealthier countries will contribute a scant 3 percent of total global population growth in the fifteen years between 2005 and 2020. Between 2021 and 2035, that contribution will fall to zero, according to the UN's projections. In the decade and a half after that, the developed world's population contribution will not even manage to stay at zero; its absolute population will actually decline. Meanwhile, the world's forty-nine poorest countries, which in the past five years contributed approximately 22 percent of global population growth, will jump to a whopping 69 percent between 2045 and 2050.

Put in the simplest terms, the world's wealthy nations, as a group, have reached the rough peak of their population. The world's poorer nations, especially its very poorest, will continue to grow.
The magnitude of this trend can hardly be overstated. The last two times the continent of Europe experienced a demographic fate similar to what is now predicted for it in the twenty-first century were after the fall of the Roman Empire and in the wake of the ravages of the Black Plague, approximately 1,500 and 500 years ago, respectively. This is important to all of us because, throughout human history, steady increases in population have been a vital requirement for economic growth. Whether the advanced nations can buck history in this regard is a very great question indeed.

From a practical perspective, of course, population decline is a political matter, not merely a demographic one. After all, the world's overall population is not expected to decline, just some populations within certain politically determined borders. The restrictions these borders place on the movement of people are highly malleable. Numerous factors will induce the world's wealthy nations increasingly to open themselves up to labor from other countries and to compete actively for such workers. Less-developed nations will tolerate the resulting emigration as a release valve for population pressure and will ambitiously pursue foreign investment to increase domestic employment. The resulting movement of people and jobs between nations will create a truly global workforce.

**Mass Movement**

The contours of the coming global workforce have already begun to become apparent. For the last two decades, and especially since the 1990s, the world has seen a massive transfer of people and workers from poorer to richer nations. In the year 2000, roughly 175 million people, or 3 percent of the world's population, lived in a country other than the one in which they were born—twice as many as in 1970. The result of all this movement is that approximately one in ten people living in the developed world today is an immigrant.

Evidence of this mass movement is obvious throughout the Western world. On average, nearly 140,000 international migrants moved to London every year between 1996 and 2001. By 2001, more than one in every four Londoners were from another country, with more than one in five from somewhere outside the European Union. The ethnic enclaves that result from this degree of immigration are ubiquitous in cosmopolitan cities like San Francisco—where foreign immigrants drove 89 percent of the city's total primary metropolitan area population growth between 1990 and 2000—or New York City—where foreign immigrants accounted for 99 percent of total primary metropolitan area population growth between 1990 and 2000. In such cities, the global workforce is a tangible reality for employers, school officials, restaurant customers, and everyone else who lives and works there.

The global workforce, moreover, has pushed far beyond the borders of historical centers of immigration such as San Francisco and New York. In the middle of the United States, foreign populations are arguably more important now than at any time since immigrant farmers poured onto the plains in the nineteenth century in response to the Homestead Act. Consider, for example, the midwestern city of Indianapolis, where this magazine is published. Immigration drove almost half of the total population growth of Indianapolis in the 1990s. Roughly two hours' drive due north, in a small Indiana town called Plymouth, the foreign-born accounted for nearly three-quarters of the population growth during the same decade.

The influx of this emerging global workforce has already begun to engender noticeable cultural effects. The international flavor of higher-education centers like Cambridge, Massachusetts, or Silicon Valley, California, is a direct reflection of the global workforce, as foreign populations seek out the workforce-development institutions of the United States and often remain here afterward. Approximately 100,000 foreign students were educated in the higher-education systems of just these two states in the year 2000. As with migration, moreover, the effect of this component of the global workforce has gone far beyond the coasts. The colleges and universities of the old Rust Belt states of Illinois, Indiana, Michigan, Ohio, and Wisconsin educated a combined 83,000 foreign students in the year 2000. These states have also been deeply affected by the other side of the global workforce ledger: jobs and firms moving overseas. The rapid economic growth of the 1990s did little to eliminate a long-standing transfer of low-skill, labor-intensive work from the developed to the developing world.

The loss of American jobs to firms overseas is typically characterized as a result of the lower wages earned by overseas workers. The difference in wages is significant, as table 1 shows. Yet, wages at a given point in time are always a snapshot; more important to consider are the factors that drive relative wages over the long term. The continued injection of additional workers into lesser-developed economies creates a downward pressure on wage increases in lesser-developed economies, all things being equal. In other words, the dynamic that drives jobs and firms from developed economies to lesser-developed ones is the same dynamic that drives people away from the lesser-developed world: a shortage of people (and hence laborers) in wealthier nations and a surplus of people in poorer nations.

*Table 1: Estimated earnings in selected nations as a percentage of U.S. earnings, by economic activity.*

| | Manufacturing | Construction |
|---|---|---|
| Egypt | 13 | 5 |
| Mexico | N/A | 9 |
| Peru | 10 | 12 |
| Barbados | 28 | 25 |
| Sri Lanka | 2 | 2 |
| India | 1 | N/A |
| Sudan | 1 | 1 |

**China Syndrome**

As a potential market for goods and services and a possibly formidable economic competitor of the West in years to come, no less-developed nation has been a greater topic of interest and concern in recent years than China. Since the days of the British Empire, China's enormous population has been an irresistible allure to Western businesses. The population growth that has been of such historic interest to Western governments became a paramount concern to the Chinese government in the second half of the twentieth century. The strict family-size and birth-control policies that resulted have led to a 70 percent drop in fertility there since 1970, down from more than 6 births per woman to 1.8, the steepest decline in the world during that period. Combined with a lower life expectancy than is common in the developed world—69.7 years in the year 2000 compared to the United States' 76.2 years—birth and mortality trends now confront China with a projected future of outright population decline in the fourth and fifth decades of this century. The most striking feature of China's apparent demographic fate is the speed with which it changes from relatively strong growth to absolute decline. Through 2030, China's annual rate of population growth is projected to be consistently more than three times that of the developed regions. Just four years later, China's population is expected to begin shrinking. By 2050, if current trends hold, China will be losing population 2.5 times faster than the developed regions.

The world's other population giant, India, is not expected to share China's fate. Experts predict that population growth there will be continuous between now and 2050, although it will slow significantly by the century's midpoint. In all, India's population probably will grow by more than one-fifth between now and 2020, adding almost 250 million people in the next sixteen years. By 2035, it should swap places with China and become the world's most populous nation.

The changing rates of population growth in the less-developed regions of the world have important implications for U.S. policy toward, and interaction with, the global workforce. The chief targets of U.S. foreign direct investment to this point have generally not been the largest sources of new global population growth. For example, although China and India contributed 36 percent of world population growth between 1990 and 2000, those two nations accounted for a scant 3 percent of the total increase in U.S. investment abroad between 1988 and 1998.

The general mismatch between global population change and U.S. investment patterns is hardly surprising. Geographic proximity plays an obvious role in making Latin America a keener object of U.S. corporate expansion than more rapidly growing countries in Africa, Asia, and elsewhere. The less-developed world, particularly Africa, is rife with political instability, violent religious conflict, poor infrastructure, and a host of other factors that create obstacles to attracting the investment dollars of multinational corporations, despite the ever-increasing supply of labor.

It is highly likely, however, that the investment picture and labor prospects in many less-developed regions will improve significantly over the next few decades. Twenty or thirty years ago, few would have imagined that India and China would soon exhibit the economic vitality evident there today. Though U.S. investment in those two nations has not yet reached a substantial share of overall American foreign investment, the *rate* of growth in U.S. investment there has been significant: 342 percent for India and 12,859 percent for mainland China between 1988 and 1998. These two less-developed nations will not be the last to experience a maturing of democracy and educational policy or to initiate an aggressive pursuit of economic modernization.

There are thus three elements of near-certain change in future U.S. investment activity. First, U.S. corporate investment will help sign the paychecks of an ever-growing number of workers throughout the world. Second, a growing share of these workers will live in less-developed nations. Third, just as the distribution of U.S. investment money between the developed and less-developed regions will change, so will it change within the developed world. Asia will become more important than it is currently. Eventually, the focus on Africa will become much more intense.

Unlike U.S. trade and foreign investment, the composition of immigration flows into the United States does closely correspond with the population growth differential between the developed and less-developed worlds. Among the less-developed regions, however, the consistency breaks down. For reasons of geography, almost two of every three immigrants to the United States are from Latin America. Mexico is responsible for almost half.

Nonetheless, geography does not completely determine U.S. immigration patterns: almost a quarter of U.S. immigrants hail from the less-developed nations of Asia and Oceania, for example. The importance of non-geographic factors such as wage differentials in inducing migration suggests that the composition of the migrants that make their way to the United States will begin to change in nationality as the century wears on: the proportion of immigrants from Mexico and Latin America will decrease while the percentage from Asia will rise in the medium term, and then a growing share will come from Africa in the long term. The importance of non-geographic factors in inducing migration suggests that the composition of the migrants that make their way to the United States will begin to gradually change in nationality as the century wears on: the proportion of immigrants from Mexico and Latin America subsiding while the percentage from Asia and, eventually, Africa, rises.

**Growing America**

Compared to other nations, the strength of the United State often seems astonishing. Whether the measure of comparison is the share of global GDP, world trade, the number of scientists and engineers, or any item from a long list of other indicators, the U.S. position is truly dominant and unprecedented. While generally less well-known, one of the factors that sets the United States apart from the rest of the developed world is population growth. Of the ten developed-region nations that saw the most rapid growth between 1980 and 2000, only the United States has a population greater than 50 million. In fact, among the twenty-five nations that grew the most rapidly during that period, the U.S. population in 2000 was greater than the combined population of the other twenty-four. Almost one out of every two people added to the population in the developed regions between 1980 and 2000 were in a single country: the United States.

In terms of population, the United States' good fortune will continue during the coming years. However, as has been documented widely, the United States will soon encounter a significant slowdown in workforce growth, particularly among key age groups. (For more on this subject, see Richard Jackson's article in the Winter 2003 issue of *American Outlook*.) U.S. entitlement programs will come under great pressure as a result (though to far less an extent than the rest of the developed world). As in all developed nations, sustained infusions of foreign labor will thus be critical to future economic growth in the United States.

In fact, the influx of foreign labor is already key to America's economic and population growth. The United States is far out in front in the competition for foreign workers. Immigration accounted for almost one third of the total population growth in the United States between 1980 and 2000 and almost 40 percent between 1990 and 2000. America's healthy population growth is not a signal that the United States needs to rely less on international labor than other developed nations; on the contrary, it is a sign of the great success America has already achieved in attracting members of the emerging global workforce.

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