Labor Shortages and Wage Inflation amid Declining Immigration

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DISCLAIMER: The views expressed are the presenters and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System.
Labor Markets Still Tight
Unemployment rate remains below the natural rate

NOTES: Data through May 2022. Shaded bars indicate U.S. recessions.

Federal Reserve Bank of Dallas
Job openings per unemployed still at record highs


The rate that workers quit their jobs also near record high

NOTES: Data through April 2022. Shaded bars indicate U.S. recessions.
Wages (ECI) growing at fastest pace since 1990

NOTES: Shaded bars indicate U.S. recessions. Data through first quarter 2022.

Wages in low-wage industries growing fastest in pandemic

ECI wage growth, 2022Q1/2019Q4, annualized

Average hourly earnings, 2019

NOTE: Bubbles weighted by share of total employment in 2021.

Wages rising faster in immigrant-intensive sectors

ECI wage growth, 2022Q1/2019Q4, annualized

Share of workers foreign born, 2019 (%)

NOTE: Bubbles weighted by share of total employment in 2021.
SOURCES: Bureau of Labor Statistics; Federal Reserve Bank of Dallas; American Community Survey via IPUMS.
Immigration Collapsed in Pandemic, Now Turning Up...Slightly
Net migration to US fell to near zero in 2020, turned up in 2021

NOTES: Net international migration. Change is from July 1st of the previous year to July 1st of the given year. Grey bars indicate U.S. recession.
SOURCES: U.S. Census Bureau; National Bureau of Economic Research.
Net migration low in 2021, but still higher than natural increase

Note: Annual estimates pertain to July 1 to July 1 of successive years
Temporary worker visas plummet in pandemic

NOTES: Data refers to Temporary Worker Visa issuances (includes H-1A, H-1B, H-1B1, H-1C, H3, I, J1, L1, O1, O2, P1, P2, P3, Q1, R1, TN, H-2A, and H-2B and H2BR visas). Shaded bars indicate U.S. recessions. Data for 2021 are preliminary.

A Closer Look…
Temporary foreign worker visas issued by type

SOURCES: U.S. State Department
Fewer new arrivals on permanent resident visas too

NOTE: Only new arrivals are included except for refugees, who are adjusting status after at least one year in the U.S.

SOURCES: U.S. Department of Homeland Security
When legal immigration was stopped, unauthorized migration surged

Monthly apprehensions along the Southwest border

NOTES: Data through May 2022. Beginning in March 2020, USBP apprehension statistics include both Title 8 Apprehensions and Title 42 Expulsions.

SOURCE: U.S. Customs and Border Protection.
Policy Implications?
Gallup Poll: A declining share of population views immigration as nation’s top problem

NOTES: Respondents were asked “What do you think is the most important problem facing this country today?” Open-ended responses. Responses shown are from June 2012 through May 2022.
SOURCE: Gallup.
Gallup poll: Share saying immigration should increase rises above decrease for the first time

Percent


Present level  Increased  Decreased  No opinion

NOTE: Responses to question "In your view, should immigration be kept at its present level, increased or decreased?"
Demand-side labor market indicators and record wage inflation point to a very tight labor market
  ▪ Pandemic-induced immigration shortfall contributed

Could there be a growing realization that immigration is important to growth?
  ▪ Steps by administration to increase certain visas, attempt immigration reform
  ▪ Advocates argue for ‘essential workers’
  ▪ Critics say wage increases demonstrate immigration bad for US workers
  ▪ Public opinion may be responding to the former argument
    ▪ But the border surge still a problem