



Federal Reserve
Bank of Dallas

U.S. Immigration Trends and Labor Market Implications

Pia Orrenius

Vice President & Senior Economist

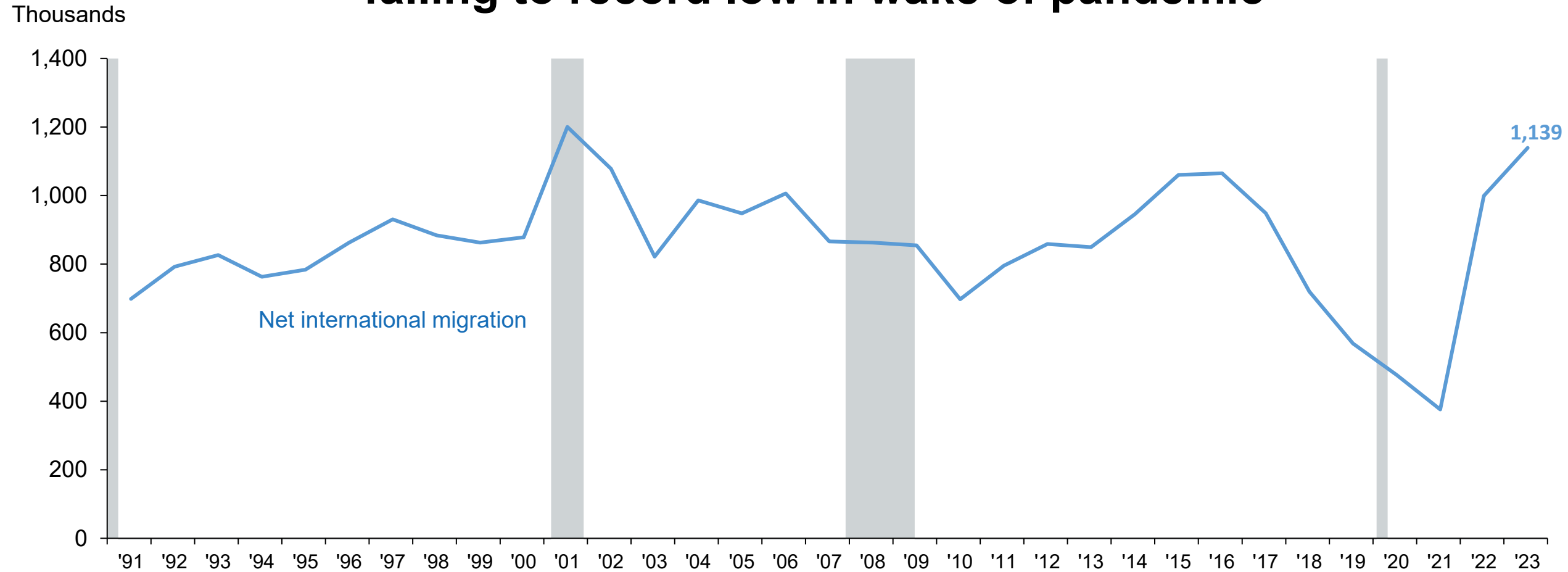
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Overview

- Border and consulate closures in the pandemic cut off most immigration for about 18 months, meanwhile economy recovered
- Labor shortages spread and wages soared
- Post-lockdown surge in immigration has been large enough to restore the foreign-born workforce to trend and slightly reduce wage growth
 - Estimates of volume of immigration vary greatly
- Legal immigration is likely to continue at its historical pace
Unauthorized immigration will continue at high levels until deterrence policies are put into place or the labor market cools
- Absent reform, labor force growth will continue to slow as US-born workforce ages and baby boomers retire; immigration will become the only source of growth on net

Immigration Trends

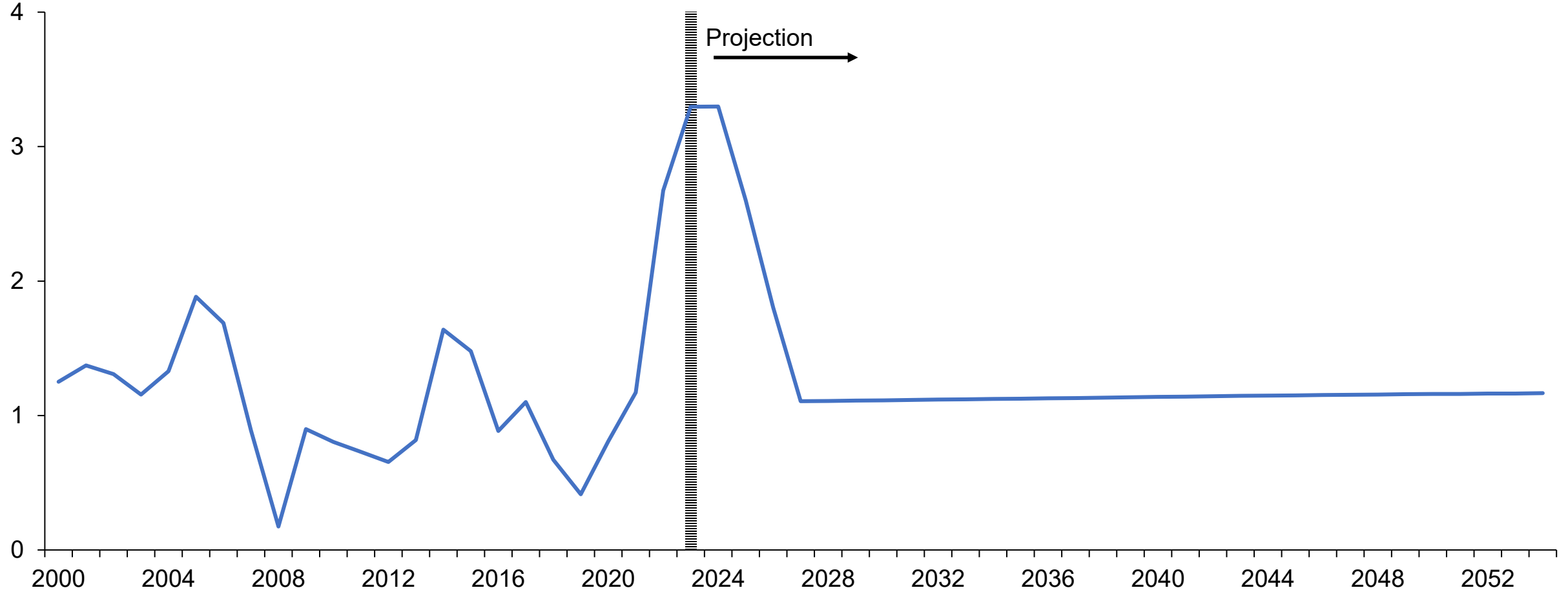
Census: Net immigration to US rebounded in 2022-2023 after falling to record low in wake of pandemic



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

CBO: Estimates for 2023 are triple those of Census as they incorporate Border Patrol administrative data

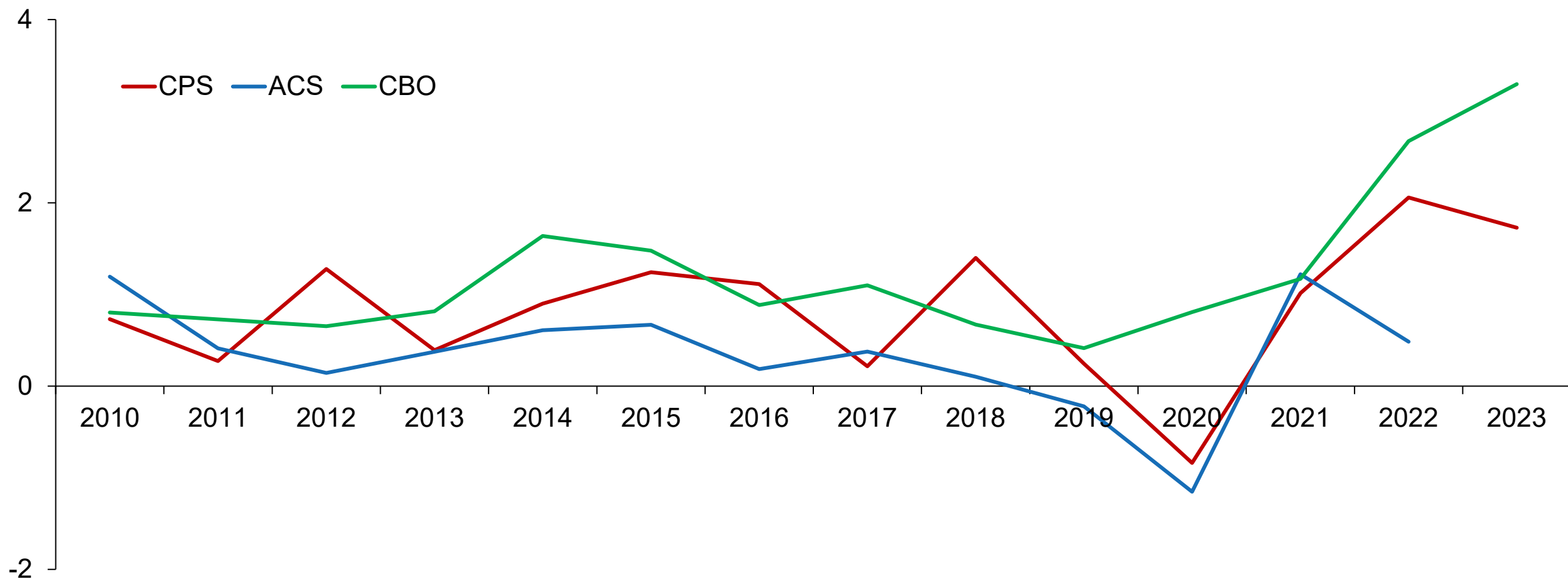
Millions of people



NOTE: Data show net immigration, estimates and projections.
SOURCES: Congressional Budget Office.

And household surveys differ too!

Millions



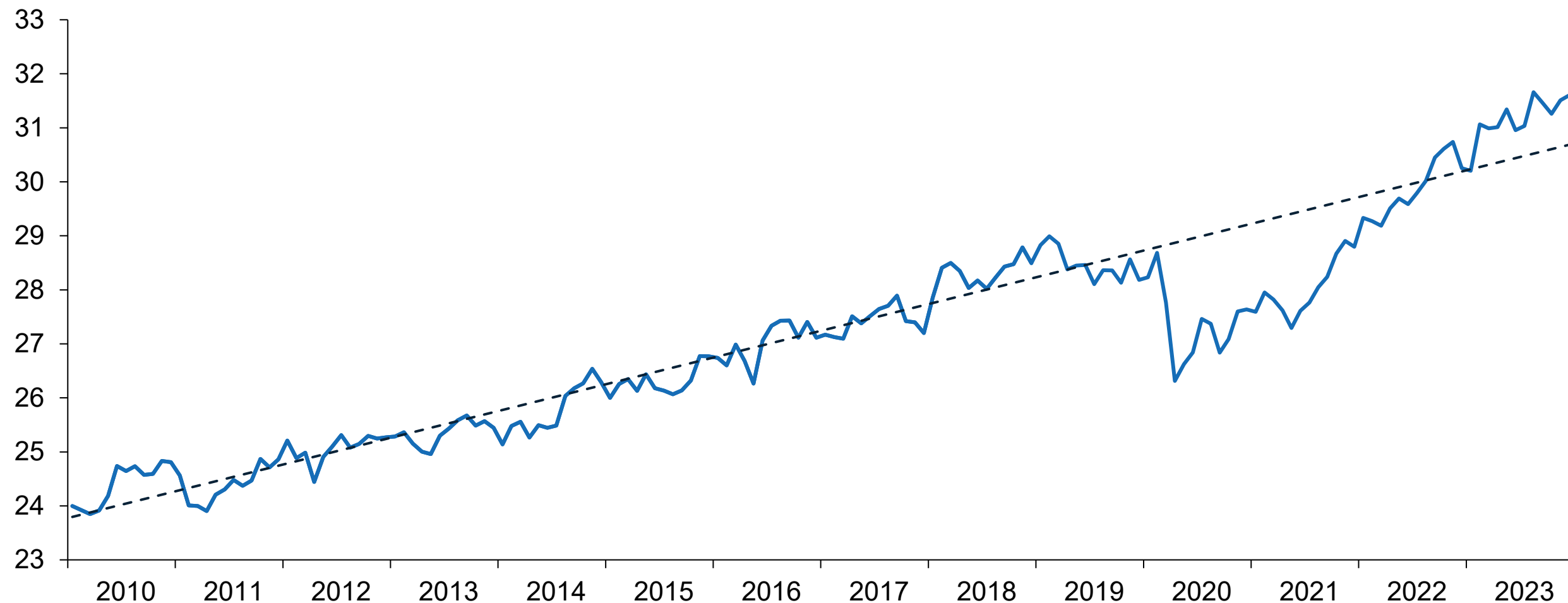
NOTE: CBO represents net immigration. CPS and ACS are change in foreign born population. CPS data are averages of monthly data through Dec. 2023, while ACS is annual through 2022 and CBO is annual through 2023.

SOURCES: Current Population Survey via IPUMS; American Community Survey via IPUMS; Congressional Budget Office (CBO)

Immigration and Labor Force Growth

Foreign-born workforce caught up to trend in August 2022

Foreign labor force, millions

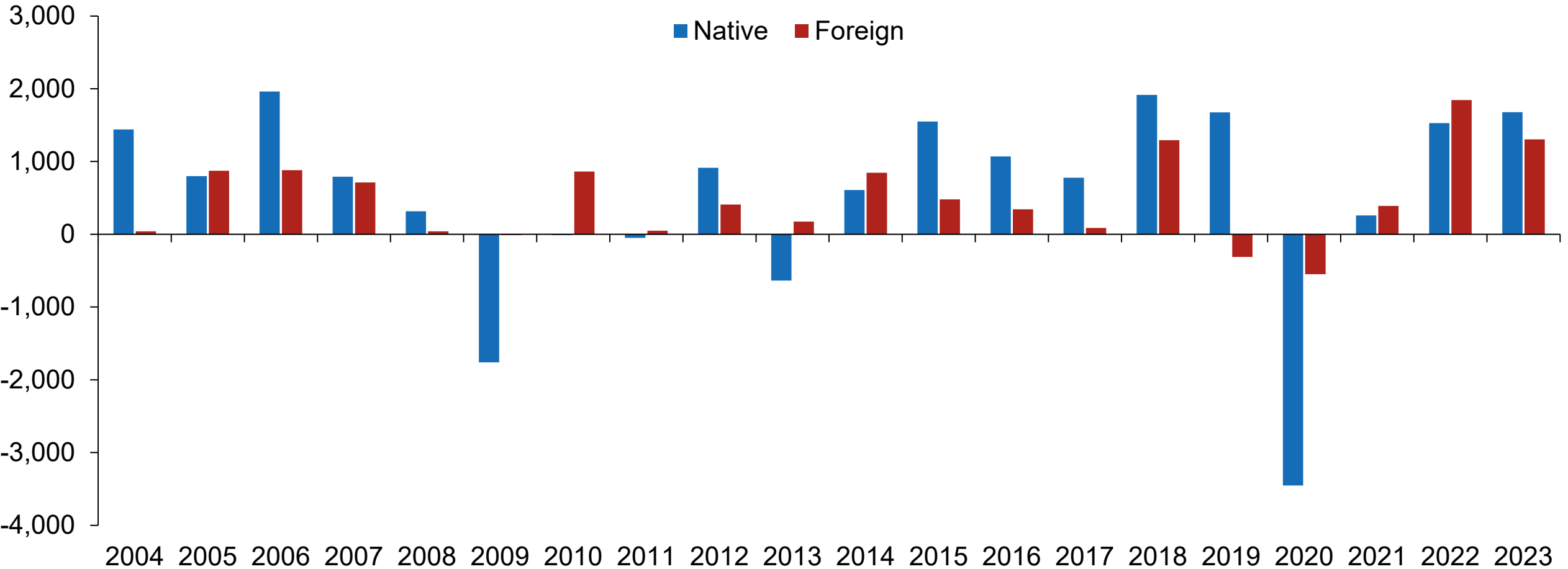


NOTES: Potential calculated from the average growth in the foreign-born labor force from 2010-2018.

SOURCE: Current Population Survey.

Immigrants accounted for 50 percent of the growth in the labor force in 2021-23 in CPS

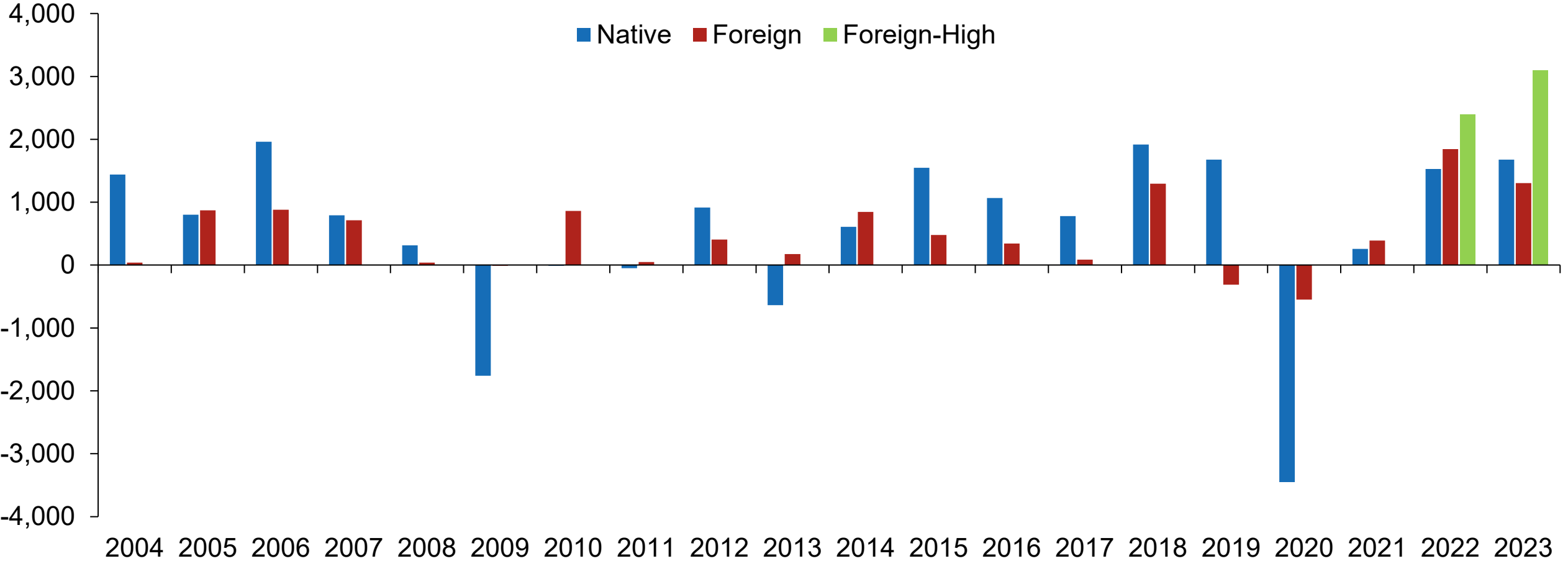
Change in Labor Force, Thousands



SOURCE: Current Population Survey.

Immigrants accounted for much more than 50 percent of the growth in the labor force per CBO-type estimates

Change in Labor Force, Thousands

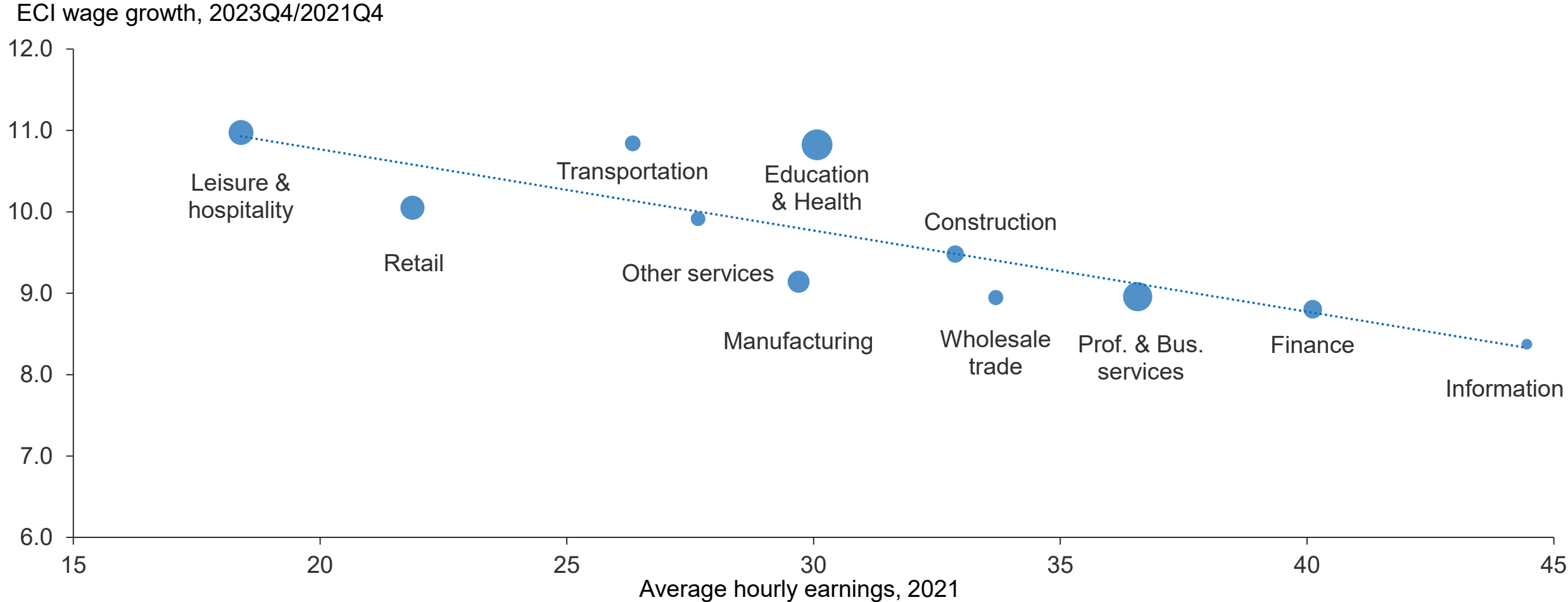


NOTE: Foreign High data is an extrapolation based on CBO estimations of net migration.

SOURCE: Current Population Survey, Congressional Budget Office (CBO)

Wage Effects of Labor Shortages

Wages in low-wage industries growing fastest

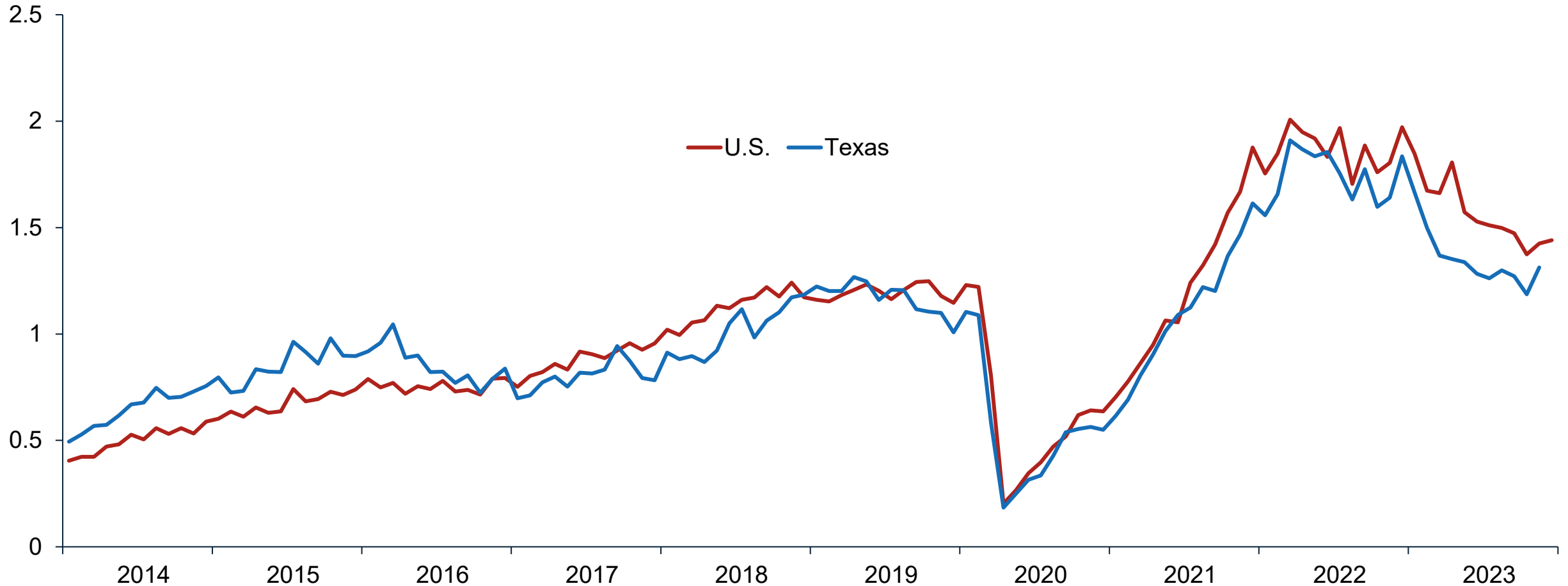


NOTE: Bubbles weighted by share of total employment in 2023.

SOURCES: Bureau of Labor Statistics; Bureau of Economic Analysis; Federal Reserve Bank of Dallas.

Immigration surge in 2022-23 suppressed the increase in the vacancy-to-unemployment ratio, alleviating labor shortages

Job openings per unemployed person

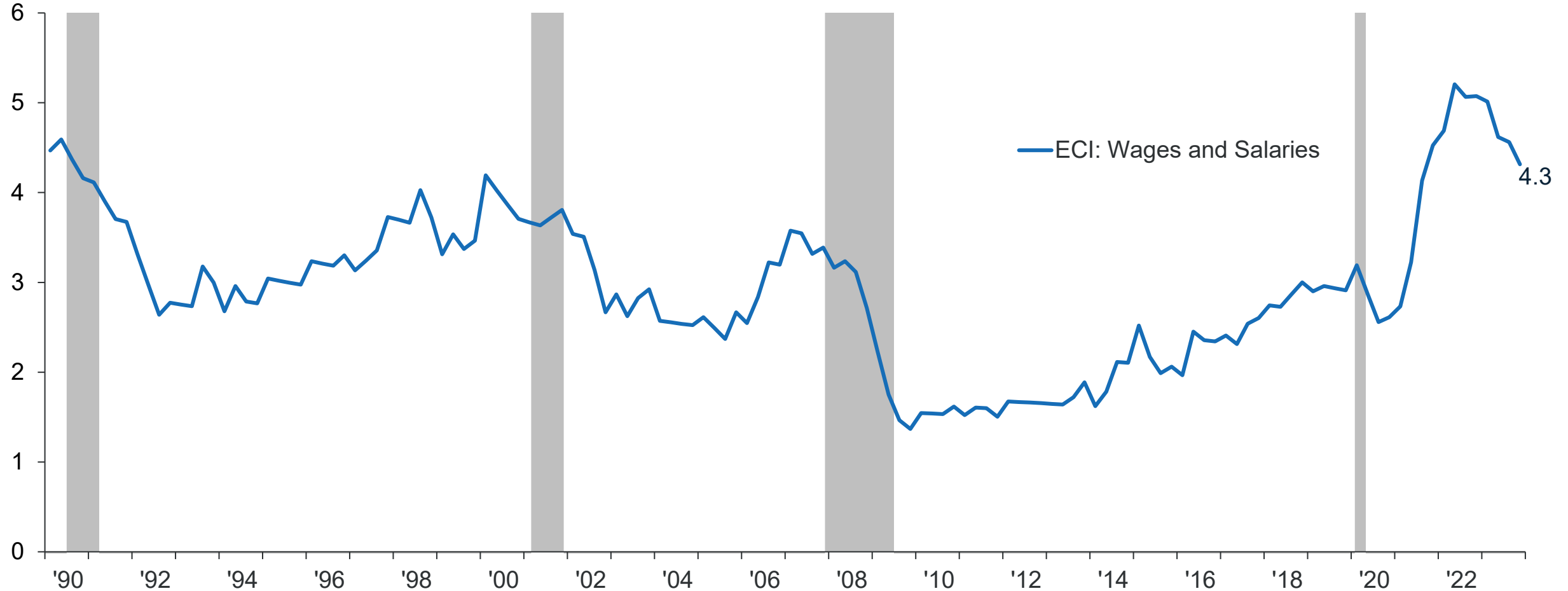


NOTE: Data show number of job openings (seasonally adjusted) from JOLTS divided by the number of people unemployed through November 2023.

SOURCE: Bureau of Labor Statistics.

Wage growth falls in 2022-23, but still high

Percent, year/year

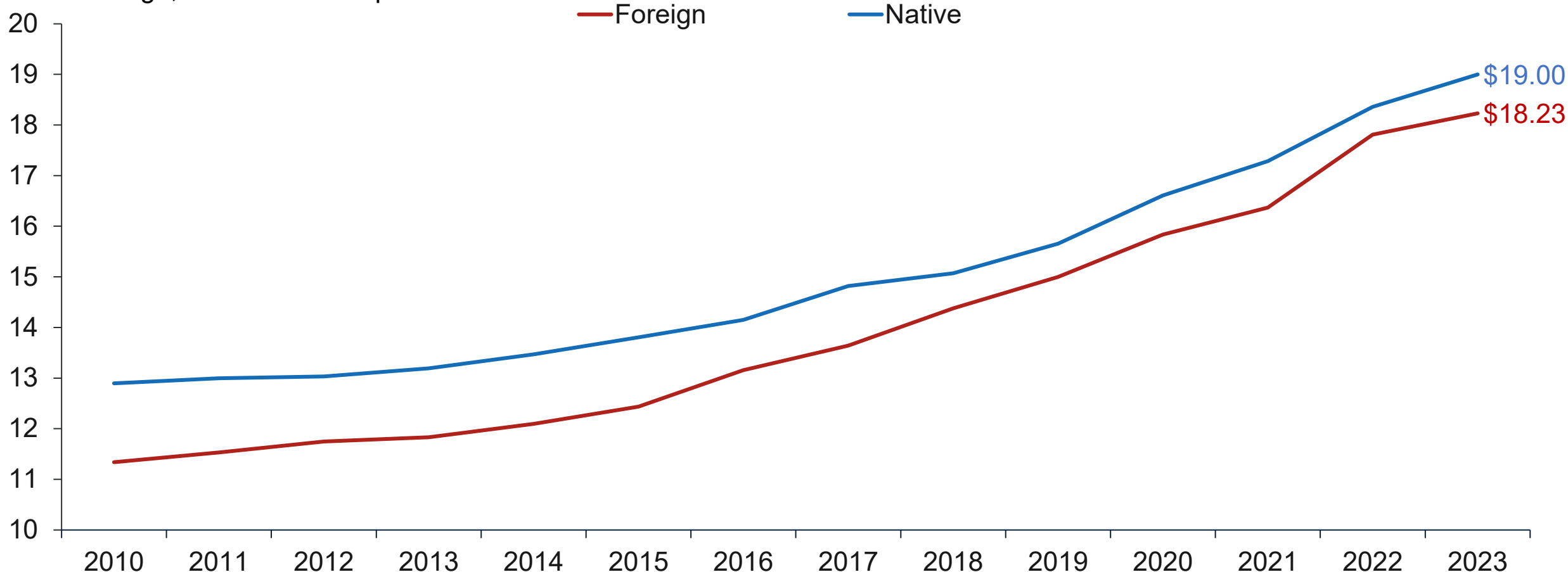


NOTES: Shaded bars indicate U.S. recessions. ECI data through fourth quarter 2023.

SOURCES: Bureau of Labor Statistics; National Bureau of Economic Research.

Tight labor markets likely boosted the foreign-born wage

Median wage, nominal dollars per hour

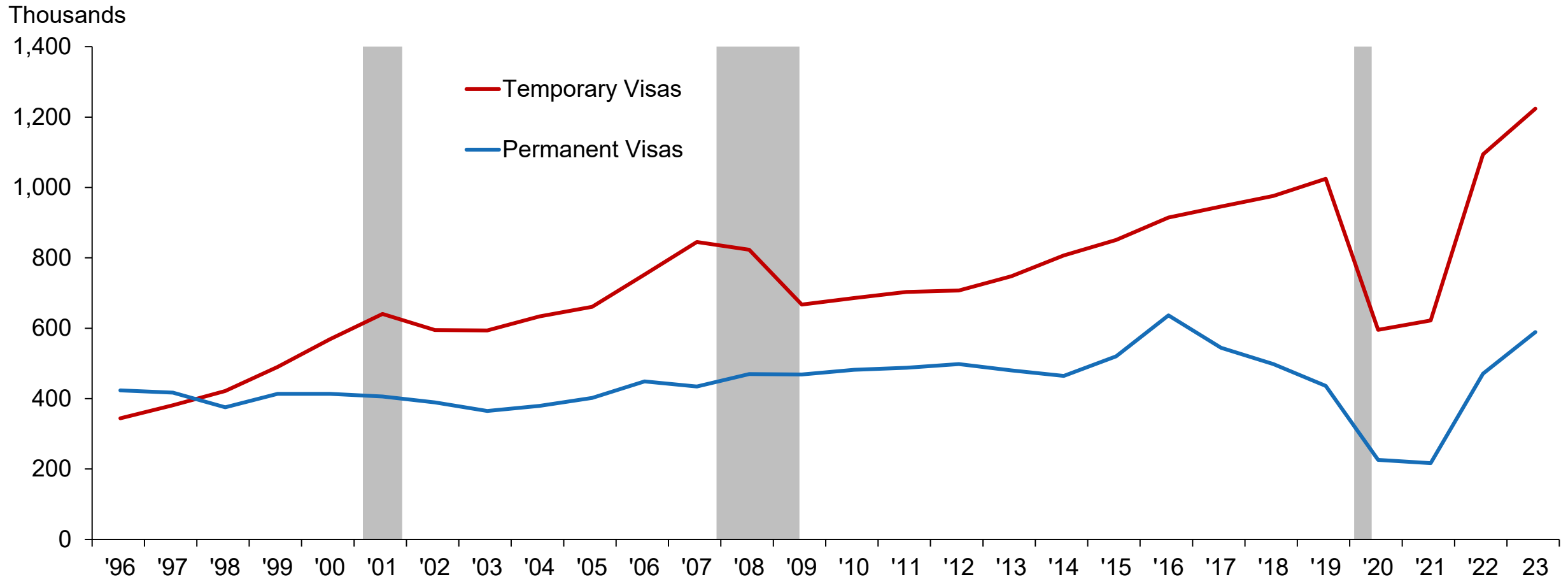


NOTE: Data through 2023. Shown are hourly wages reported by the CPS, where each value is the annual average of the median wage calculated from each survey.

SOURCE: Current Population Survey.

Immigration by Visa Type

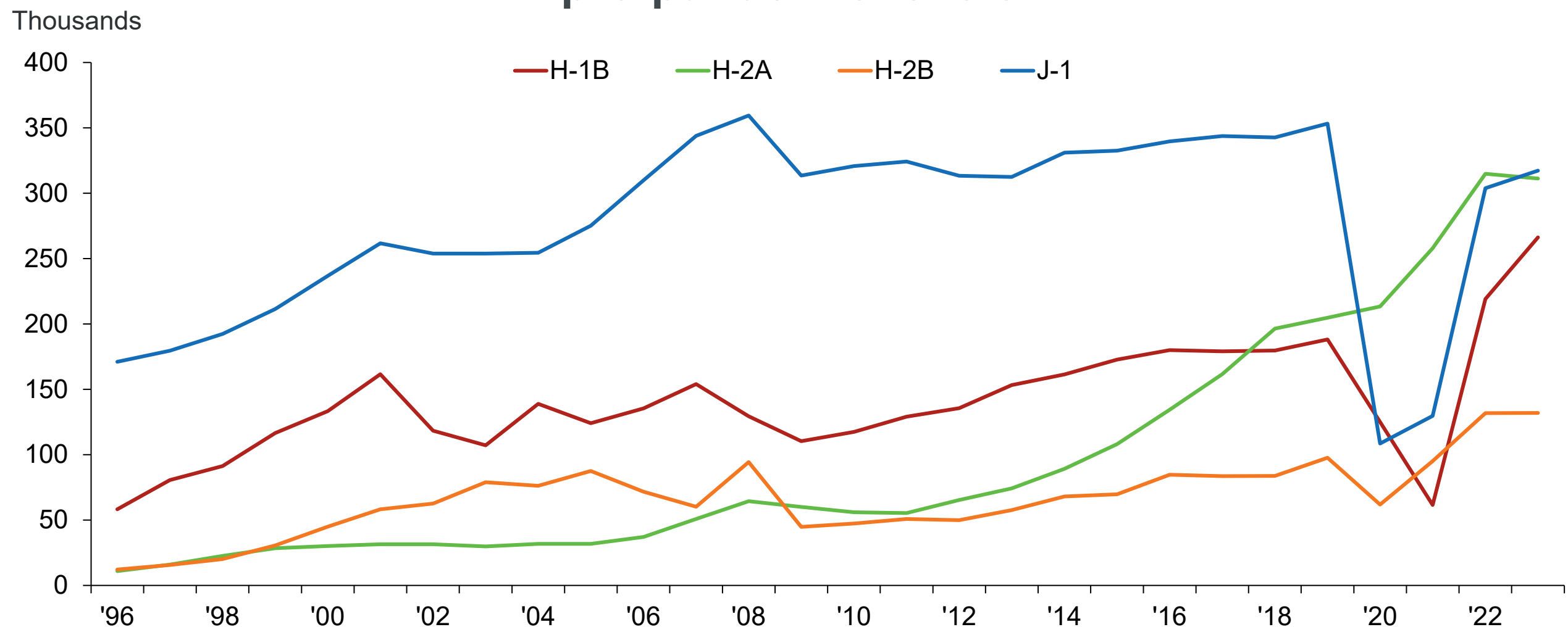
Recovery in all visas in 2023, but permanent visas still down from pre-Trump peak



NOTES: Temporary data refer 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). Permanent visas include family and employment based. Shaded bars indicate U.S. recessions.

SOURCES: US Department of State, *Report of the Visa Office*; National Bureau of Economic Research.

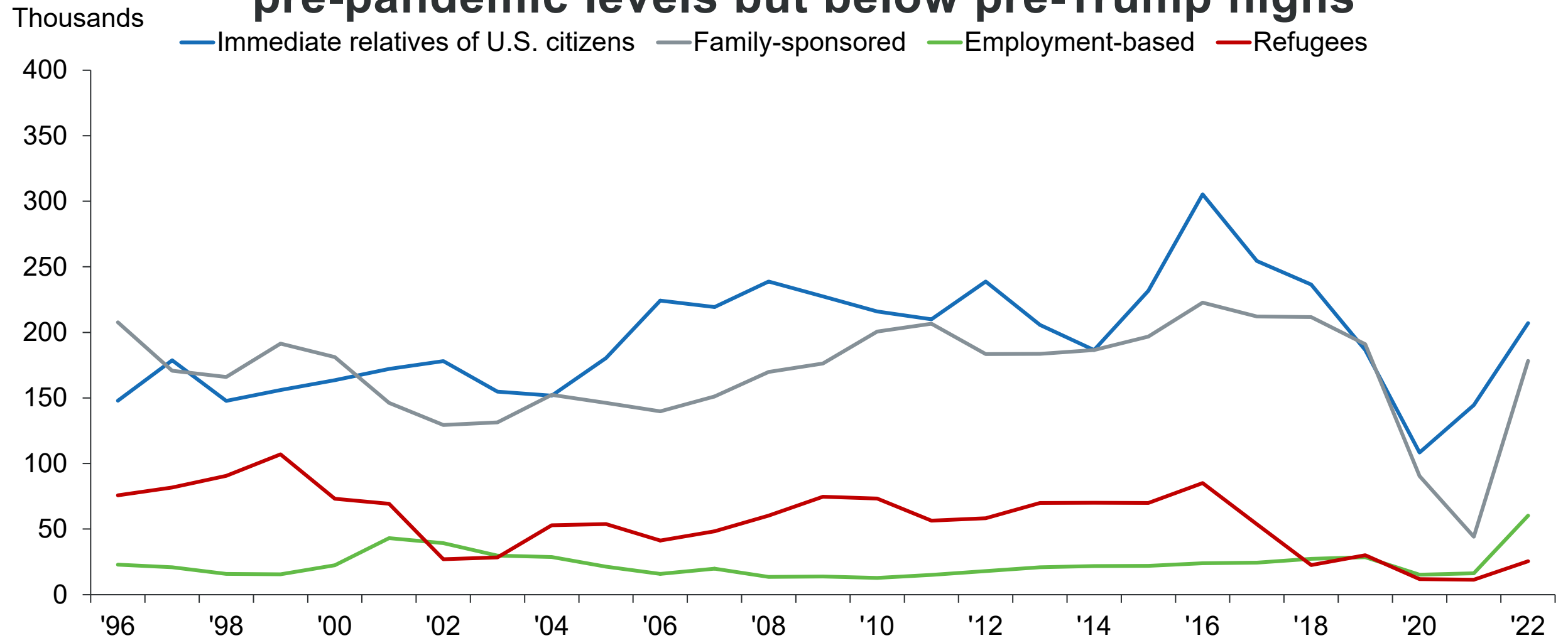
Most temporary foreign worker visas back above pre-pandemic levels



NOTE: Shown are total visas issued per fiscal year.

SOURCES: U.S. State Department

Most permanent resident visa types also back to pre-pandemic levels but below pre-Trump highs

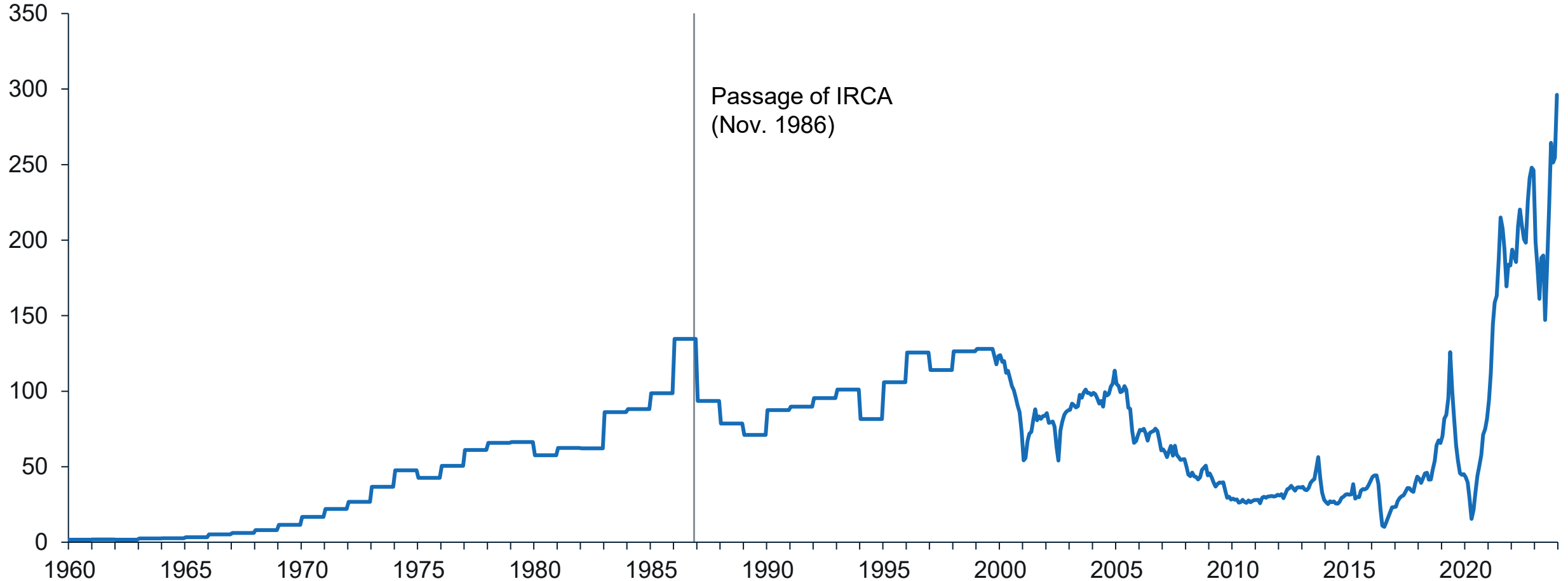


NOTE: Only new arrivals are included except for refugees, where total admissions are shown. Data are for fiscal years (Oct.-Sep.).
SOURCES: U.S. Department of Homeland Security; U.S. Department of State.

Unauthorized Immigration

Southwest border encounters reach new record after pandemic on surge of asylum-seekers, undocumented

Encounters, thousands



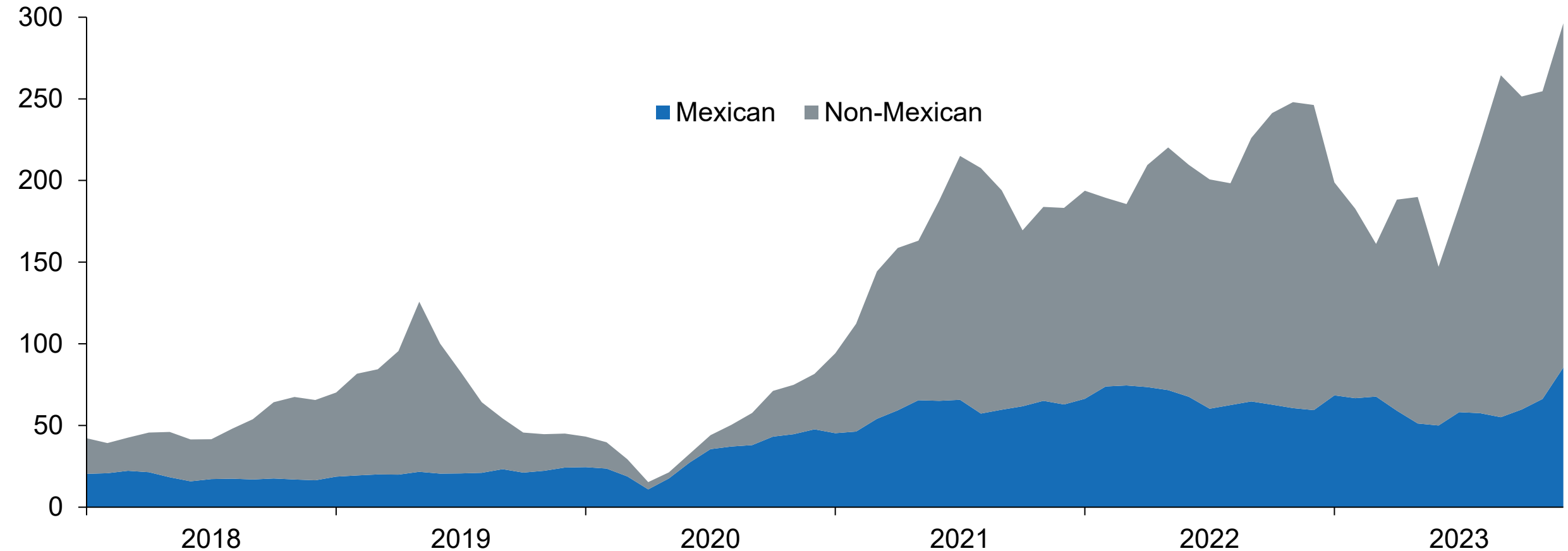
NOTES: Data through December 2023. Data before October 1999 are only available at the annual level; those figures are the annual fiscal year numbers divided by twelve.

Monthly figures are seasonally adjusted.

SOURCES: Customs and Border Protection; seasonal adjustments by Dallas Fed.

Some of the increase in border encounters due to Mexicans, but most was not

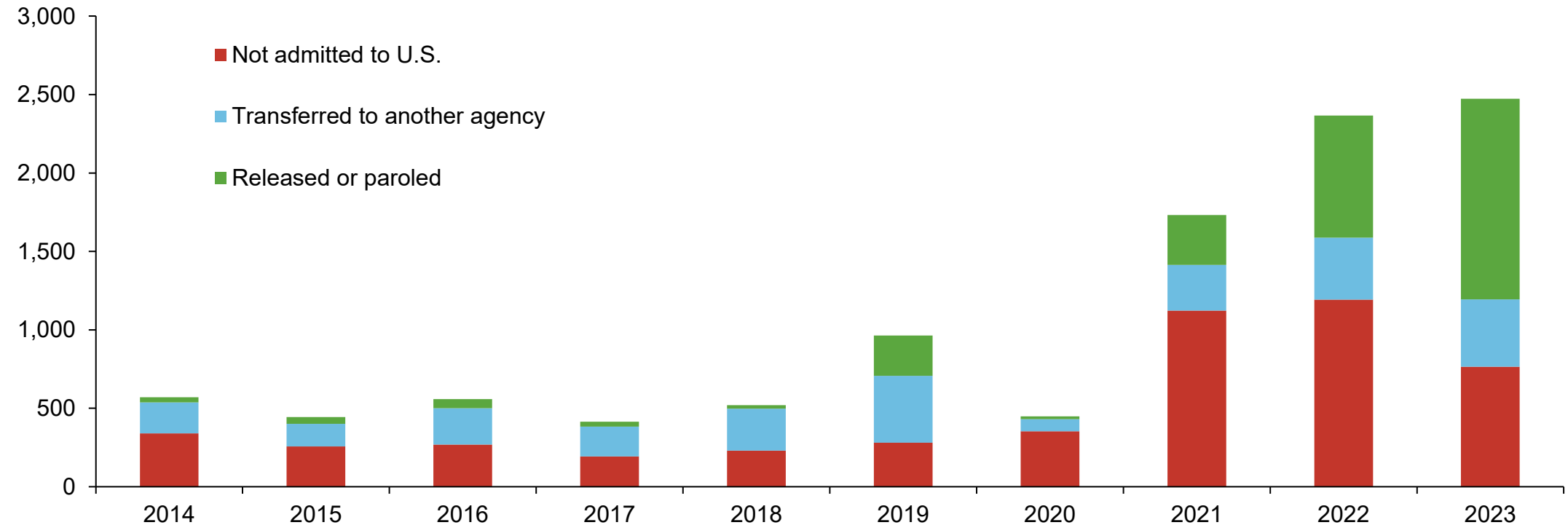
Thousands, SA



NOTES: Data through December 2023. Beginning in March 2020 and ending May 2023, USBP apprehension statistics include both Title 8 Apprehensions and Title 42 Expulsions.
SOURCE: U.S. Customs and Border Protection.

More encounters at southwest border are leading to release into the interior of the U.S.

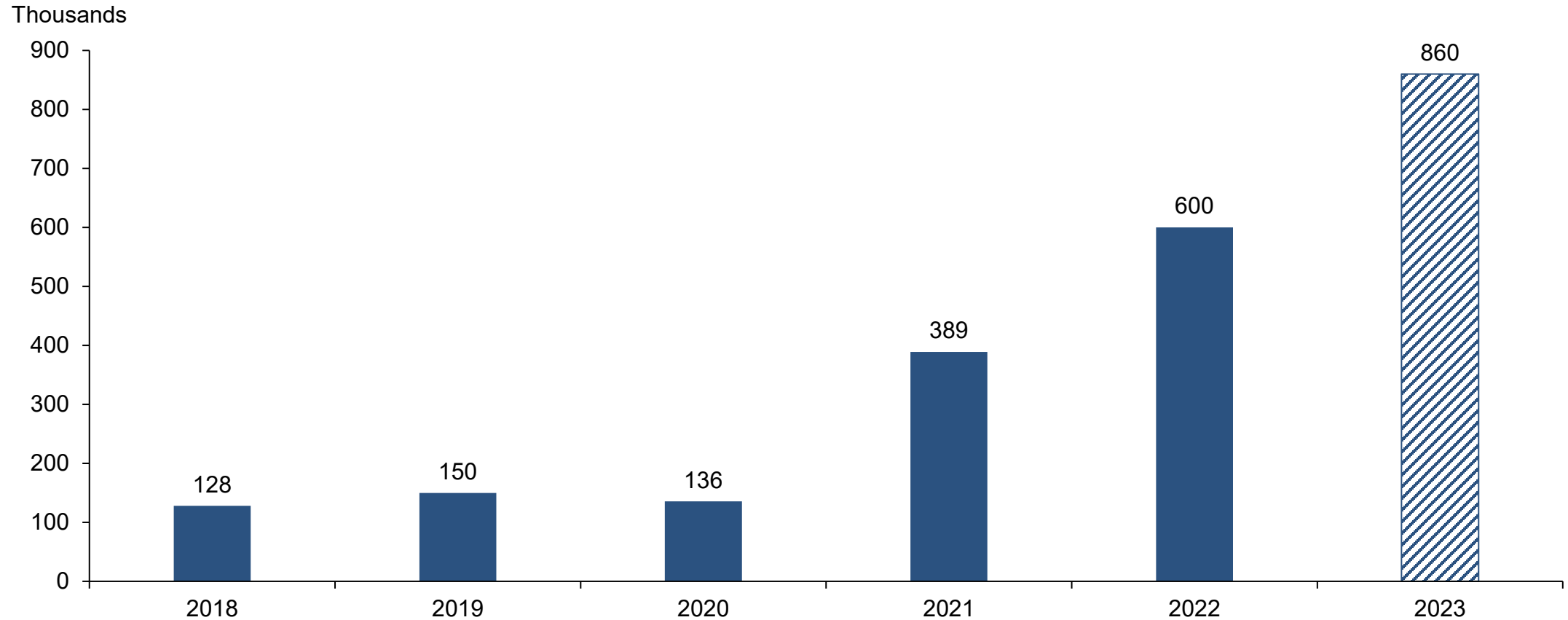
Thousands of encounters



NOTE: Data are for fiscal year, running Oct.–Sep. Non-admits include Title 8 repatriations, returns to Mexico under Migrant Protection Protocols, and, between March 2020 and May 2023, Title 42 expulsions to Mexico. Transfers to other agencies include transfers to Immigration and Customs Enforcement (ICE) and the release of unaccompanied children to the care and custody of Health and Human Services (HHS). Releases and paroles include individuals processed by U.S. Border Patrol, processing along the SW border, and the Office of Field Operations (OFO), which processes people at ports of entry.

SOURCE: Office of Homeland Security.

CBO estimates over 850,000 migrant "gotaways" in 2023

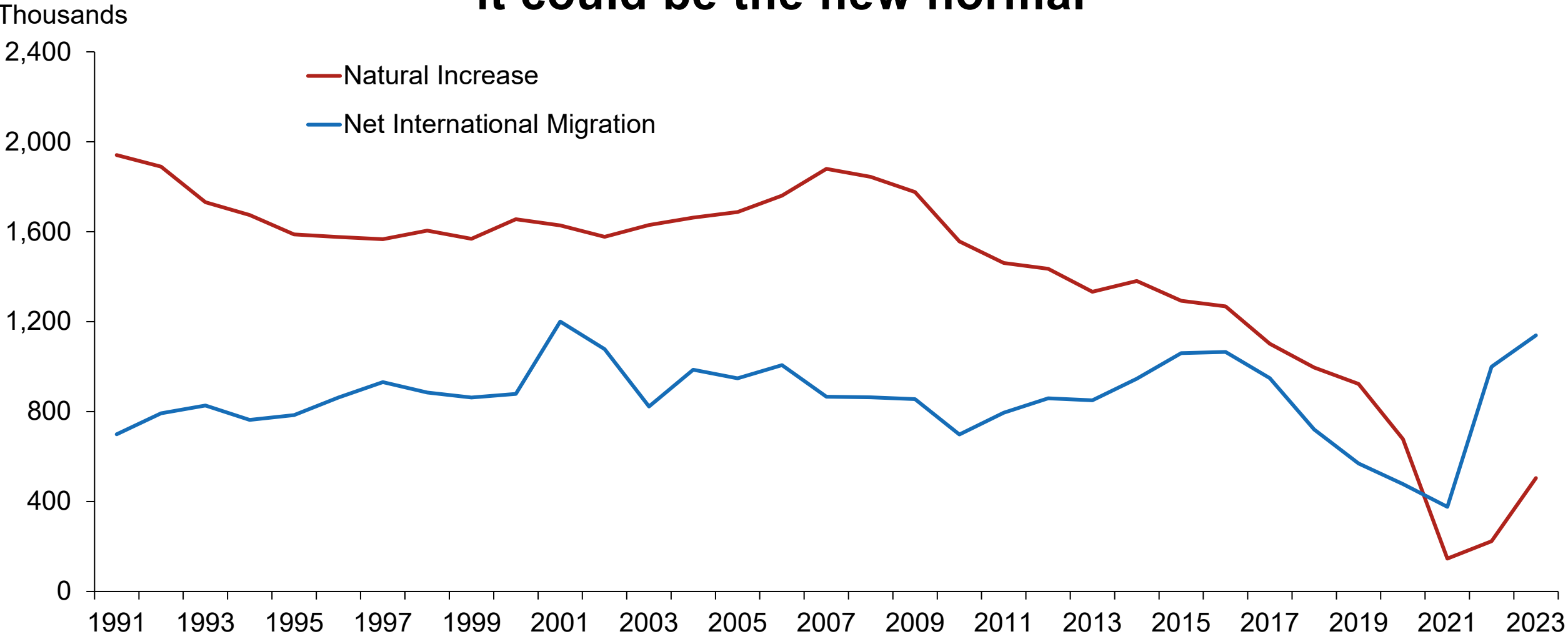


NOTE: "Gotaways" include migrants seen, but not apprehended, by Border Patrol and an estimation of migrants undetected by Border Patrol. 2023 figure is an estimate from the CBO, which relied on comments to the press by DHS officials and an estimated undercount of 10-15%; while other years are reported gotaways from DHS.

SOURCES: Department of Homeland Security (DHS); Congressional Budget Office (CBO).

Outlook

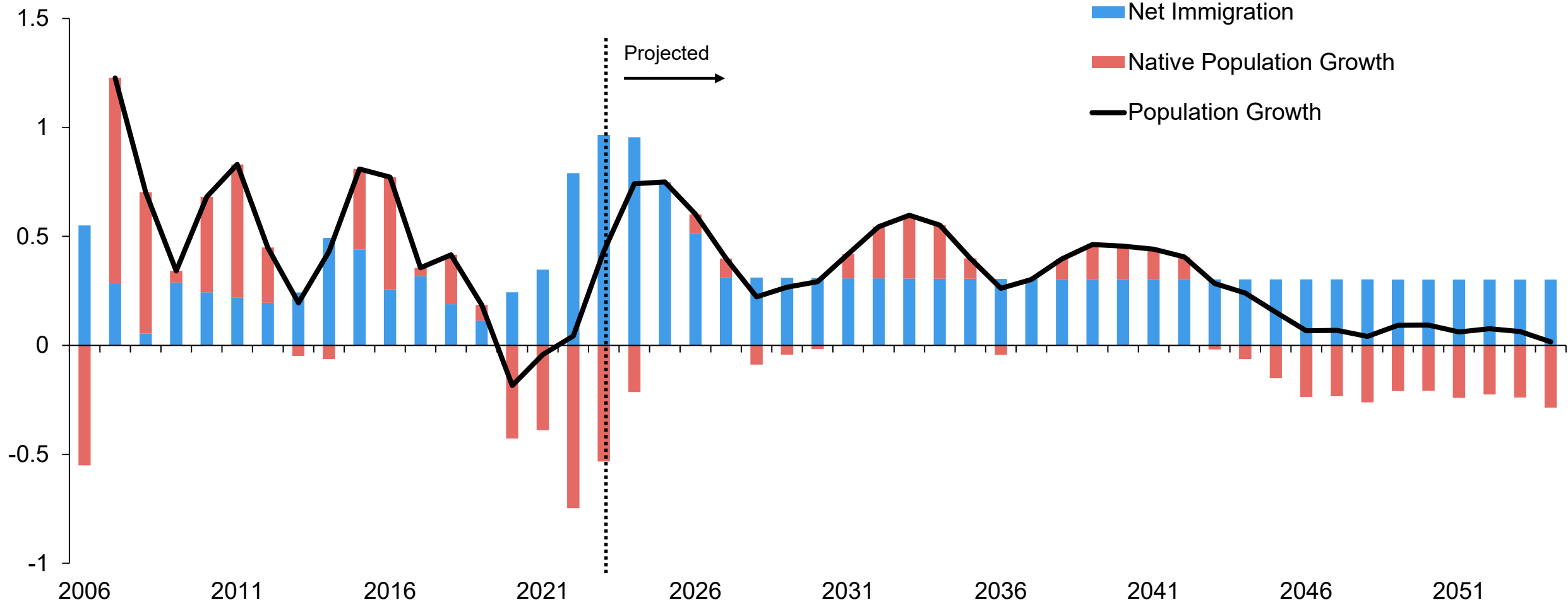
Net immigration now adding more people than natural increase and it could be the new normal



NOTES: Natural rate of increase defined as births minus deaths. Net international migration is inflow minus outflow. Annual data through 2023.
SOURCE: U.S. Census.

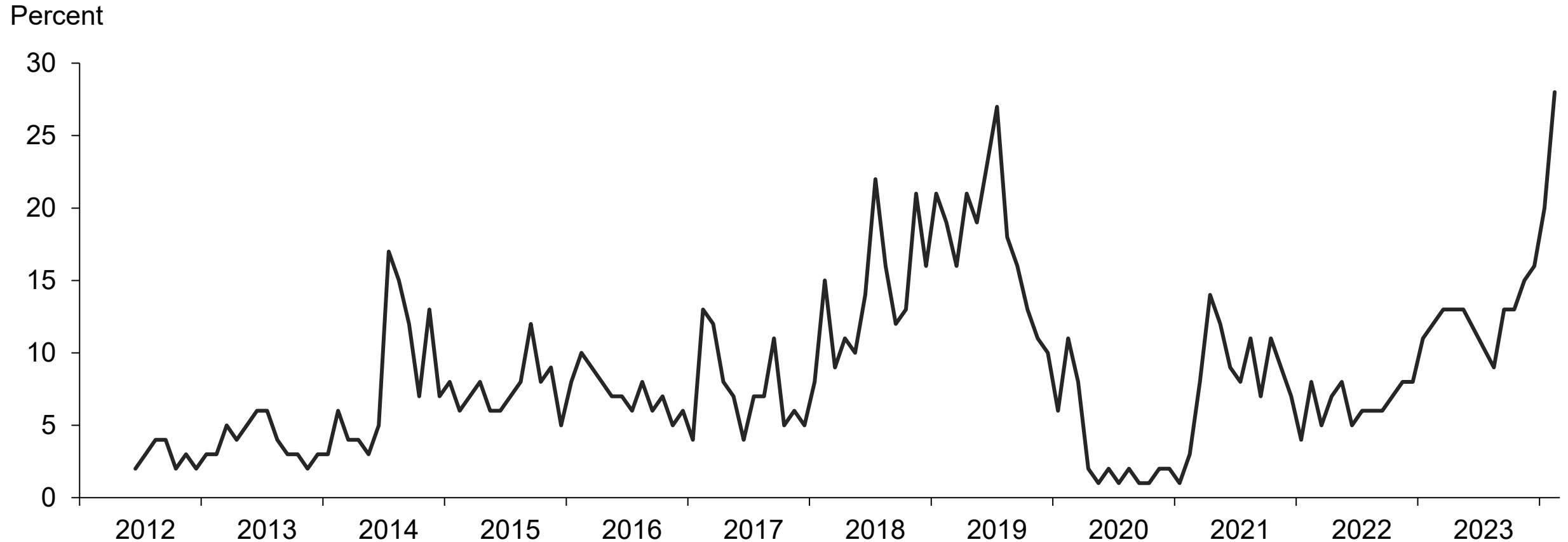
CBO projections of working-age population growth show immigration is the only source of growth after 2040

Percent, Year/Year



NOTE: Projections for population aged 25-64 based on data through January 18, 2024.
SOURCE: Congressional Budget Office.

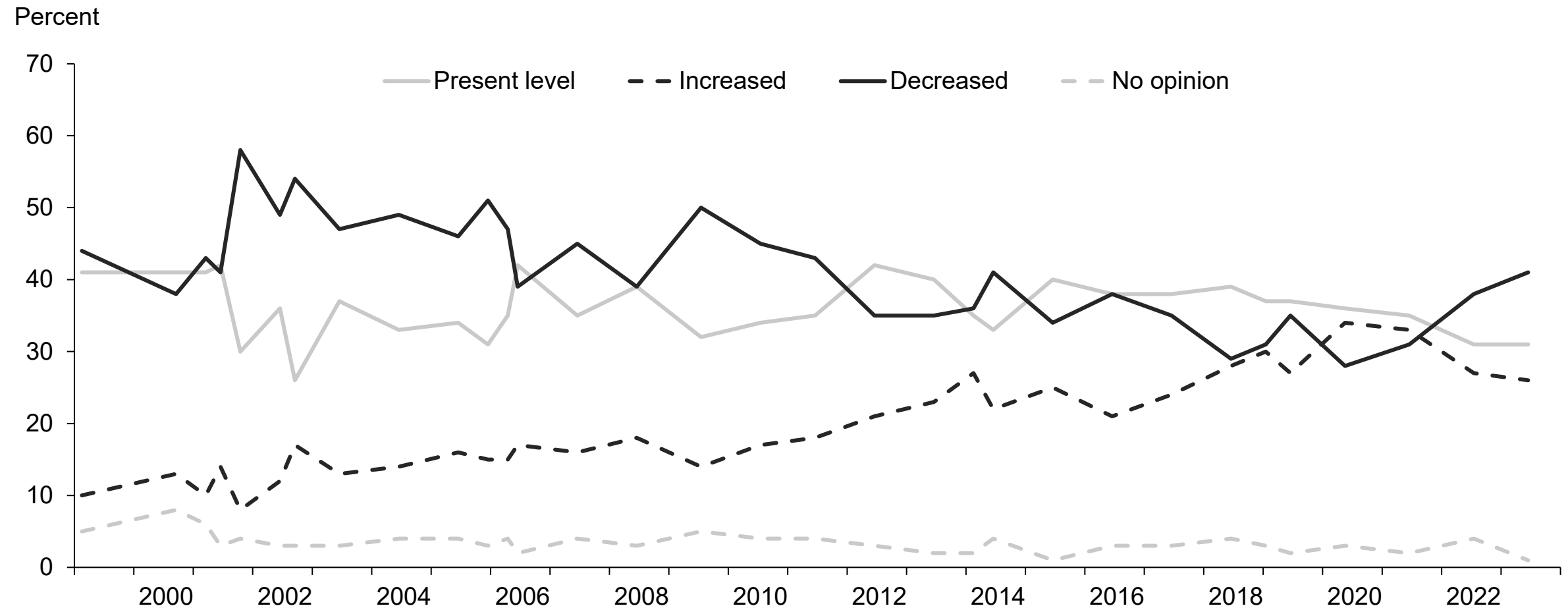
Gallup poll: A record share of US population views immigration as nation's top problem



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 September 2023.

SOURCE: Gallup.

Gallup poll: Share saying immigration should decrease rose above increase again after brief reversal in 2020-21



NOTE: Responses to question "In your view, should immigration be kept at its present level, increased or decreased?"

SOURCE: Gallup. <https://news.gallup.com/poll/1660/immigration.aspx>.

Summary/Outlook

- Recovery in foreign born labor force due to sharp recovery in immigration inflows that are driven by unauthorized immigrants
 - Estimates on volume of immigration differ widely
- Wage growth slowed, in small part due to foreign-born labor
- Government projections suggest net growth in native-born population will be negative within 2 decades and outsized role of immigration in working age population growth will increase
 - Immigration reforms could set the speed limit of the US economy
- Without reforms, more likely we will have persistently tight labor markets, worker shortages, lower unemployment, higher labor costs, slower growth, and more labor-saving technological change
 - And possibly a higher fiscal burden (but that's another presentation)



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