

Macro Roundup Article

Headline: Recent Spike in Immigration and Easing Labor Markets

Article Link: <https://www.frbsf.org/research-and-insights/publications/economic-letter/2024/07/recent-spike-in-immigration-and-easing-labor-markets/>

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Tweet: A @sffed analysis finds that the recent spike in immigration from ~1mm/year in the 2010s to at least 3.3mm people in 2023 and 2024 drove about one-fifth of the improvement in the vacancy-to-unemployment ratio.

Summary: The dashed line in Figure 4 demonstrates that states that experienced higher per capita volumes of undocumented immigrants in 2023 broadly had a lower job vacancy to unemployment (V–U) ratio in the first few months of 2024. It is worth noting that V–U ratios in some of these states declined to close to 1, indicating a relatively balanced labor market. To quantify the impact of the higher volume of migrants on labor market tightness, I use state data from 2021–2024 and estimate the relationship between relative changes in the number of new immigration court cases and relative changes in the V–U ratio. The results imply that a 100% increase (doubling) in the number of new immigration court cases in the prior year is associated with a 16% increase in the V–U ratio. The average change in the number of court cases was 85% across states, with some of the larger increases in Illinois (202% increase), Maine (179%), and Colorado (144%). The results suggest that about one-fifth of the V–U decline was associated with higher immigration.

Related Articles: The Demographic Outlook: 2024 to 2054 and The Role of Immigration in U.S. Labor Market Tightness and Immigration's Effect on US Wages and Employment Redux

Primary Topic: Immigration

Topics: Database, Immigration, Op-Ed/Blog Post, Unemployment/Participation, Wages/Income, Workforce

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