

[Immigration, Labor Shortages, and Labor Market Dynamics](#)

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Federico Mandelman¹, Yang Yu² and Francesco Zanetti³

¹Federal Reserve Bank of Atlanta, ²Shanghai Jiao Tong University, ³University of Oxford

Immigration has become a central driver of U.S. labor force growth. We document new empirical findings that shed light on the relationships between immigration, labor shortages, wage growth, and job openings during the high-immigration period of 2021-2024. The textbook search-and-matching model implies highly counterfactual labor market dynamics: it predicts that a surge in immigration lowers hiring costs and stimulates vacancy posting, leaving labor market tightness and wages largely unchanged. This prediction contradicts the data, which shows a negative correlation between immigration and vacancy growth. To reconcile the evidence, we extend the framework to incorporate complementarities between native and immigrant workers together with a Leontief-type production technology that generates labor shortages similar to those observed in the post-pandemic period. In this environment, immigration alleviates these shortages by helping fill vacancies and dampening wage growth, consistent with the data.