



PIIE PETERSON INSTITUTE FOR
INTERNATIONAL ECONOMICS

The Divergent US Labor Market

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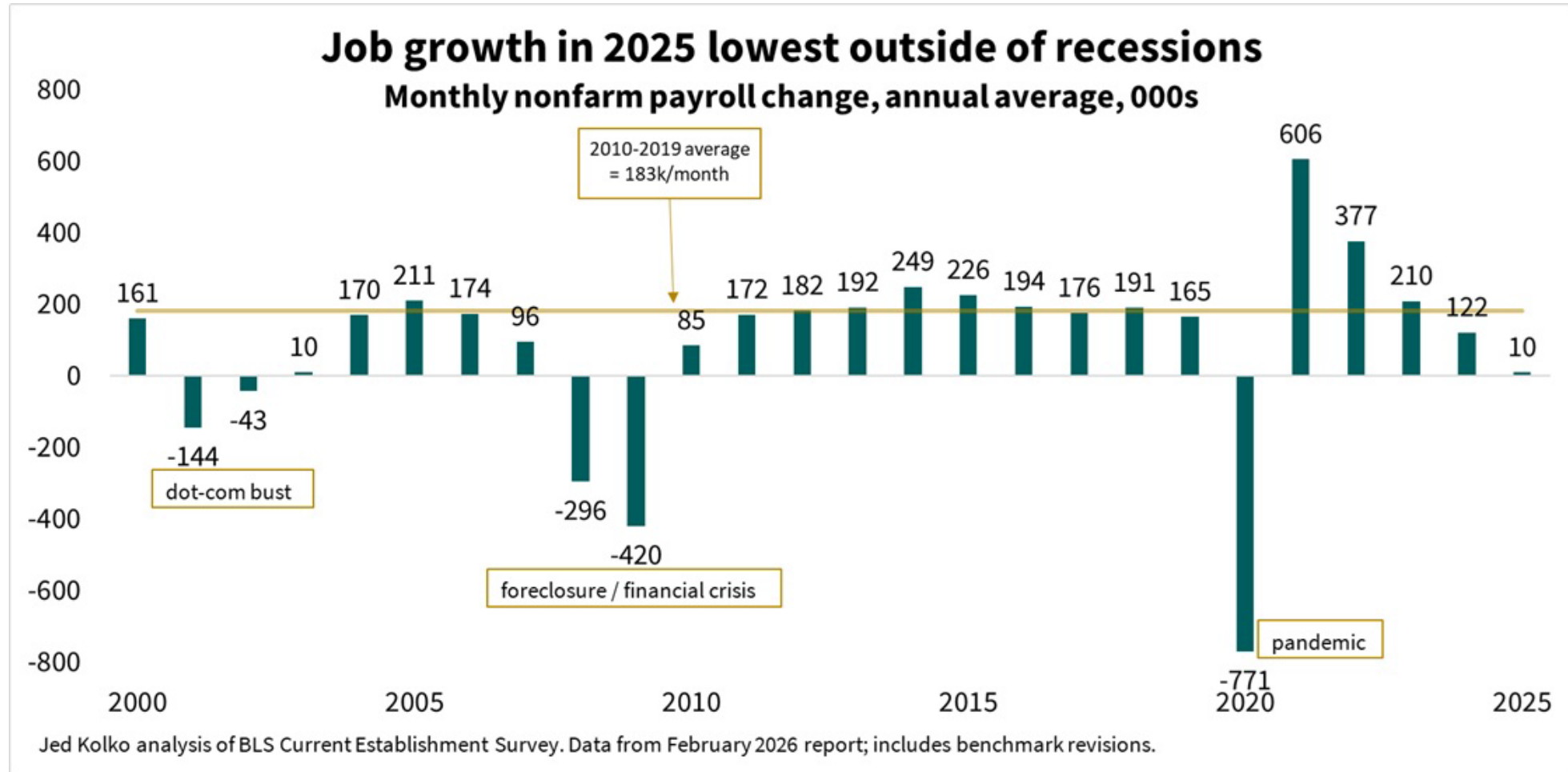
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Indicators point in all directions

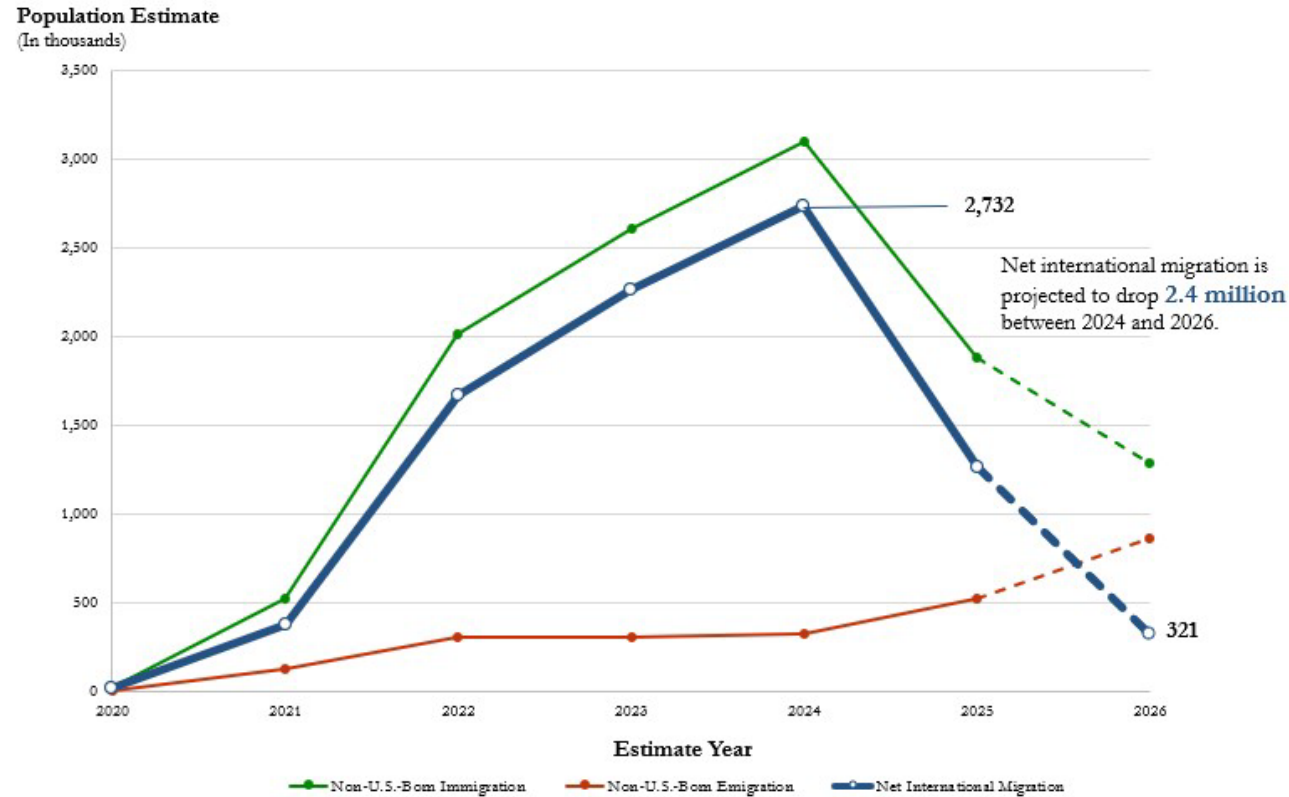
- Unemployment low; prime-age employment-population ratio very high
- BUT:
- Payroll growth now near zero
 - Mostly due to low immigration
- Hiring rate historically low
 - AI, or something else?

Nonfarm payroll growth near zero



Immigration has dropped dramatically

Figure 1. Estimates of Net International Migration Components: 2020 to 2026



Note: The dashed line from 2025 to 2026 indicates a projection.
Source: U.S. Census Bureau, Vintage 2025 Population Estimates.

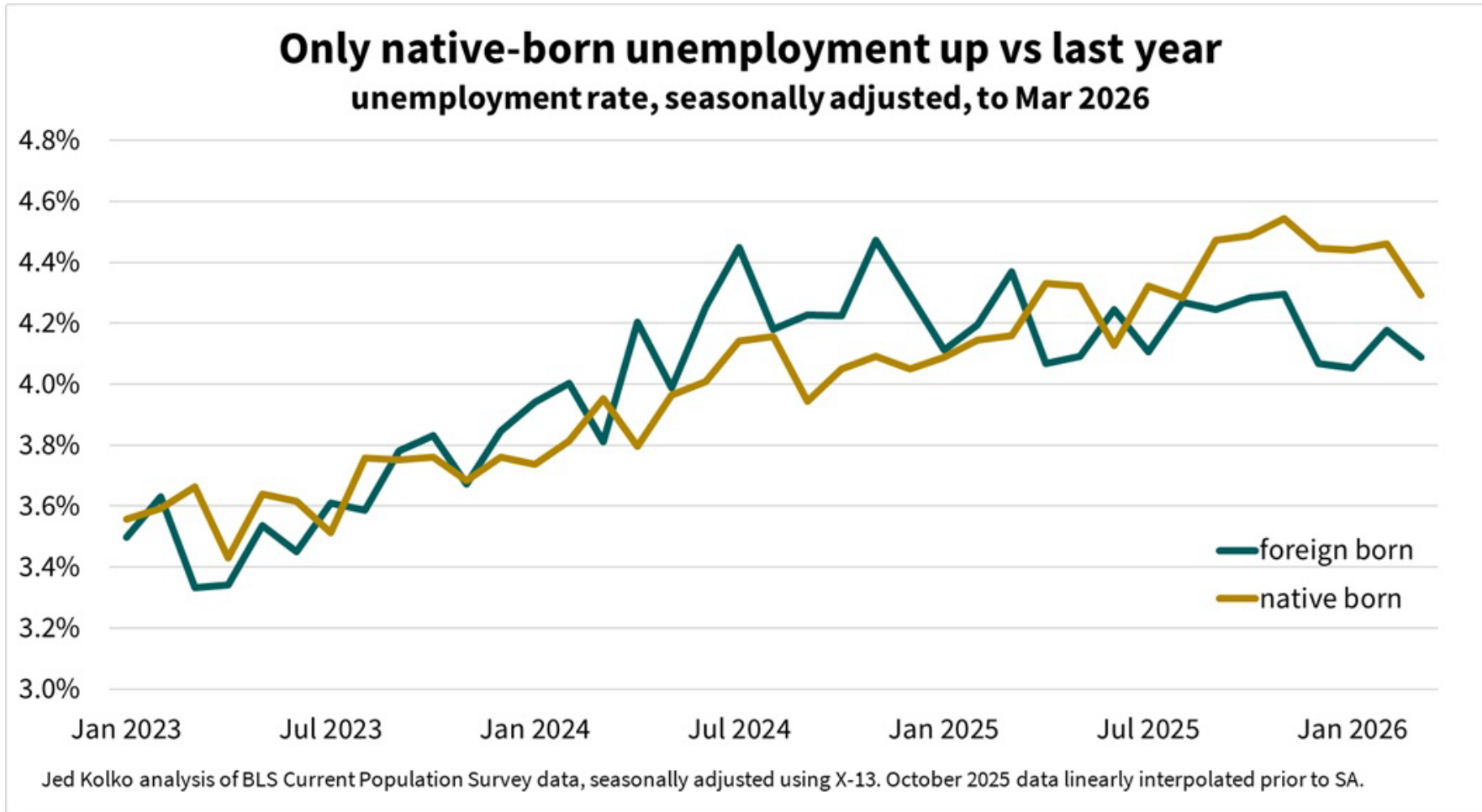
Implied breakeven rate:

2024: +179k/month

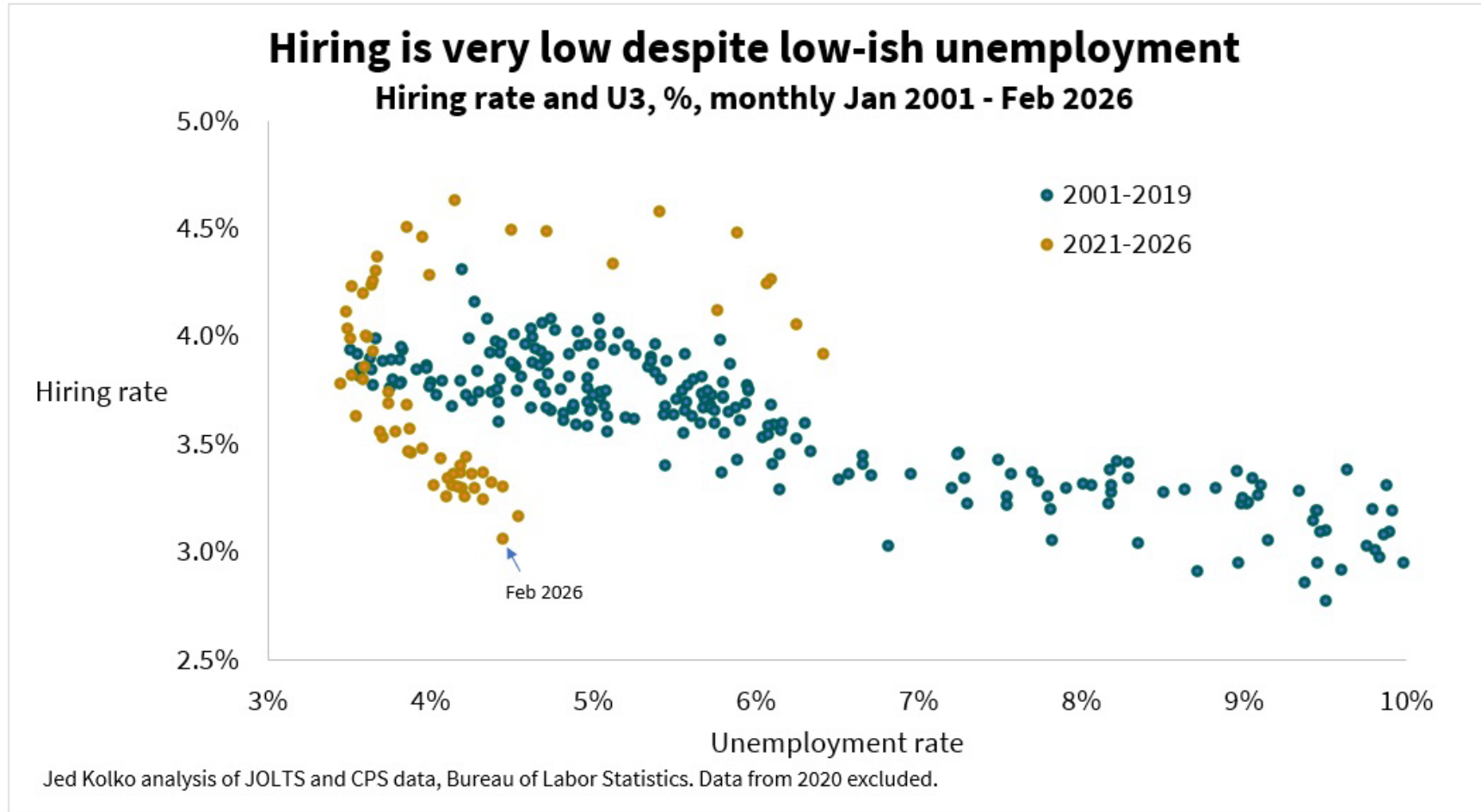
2026: +45k/month

... and could be lower

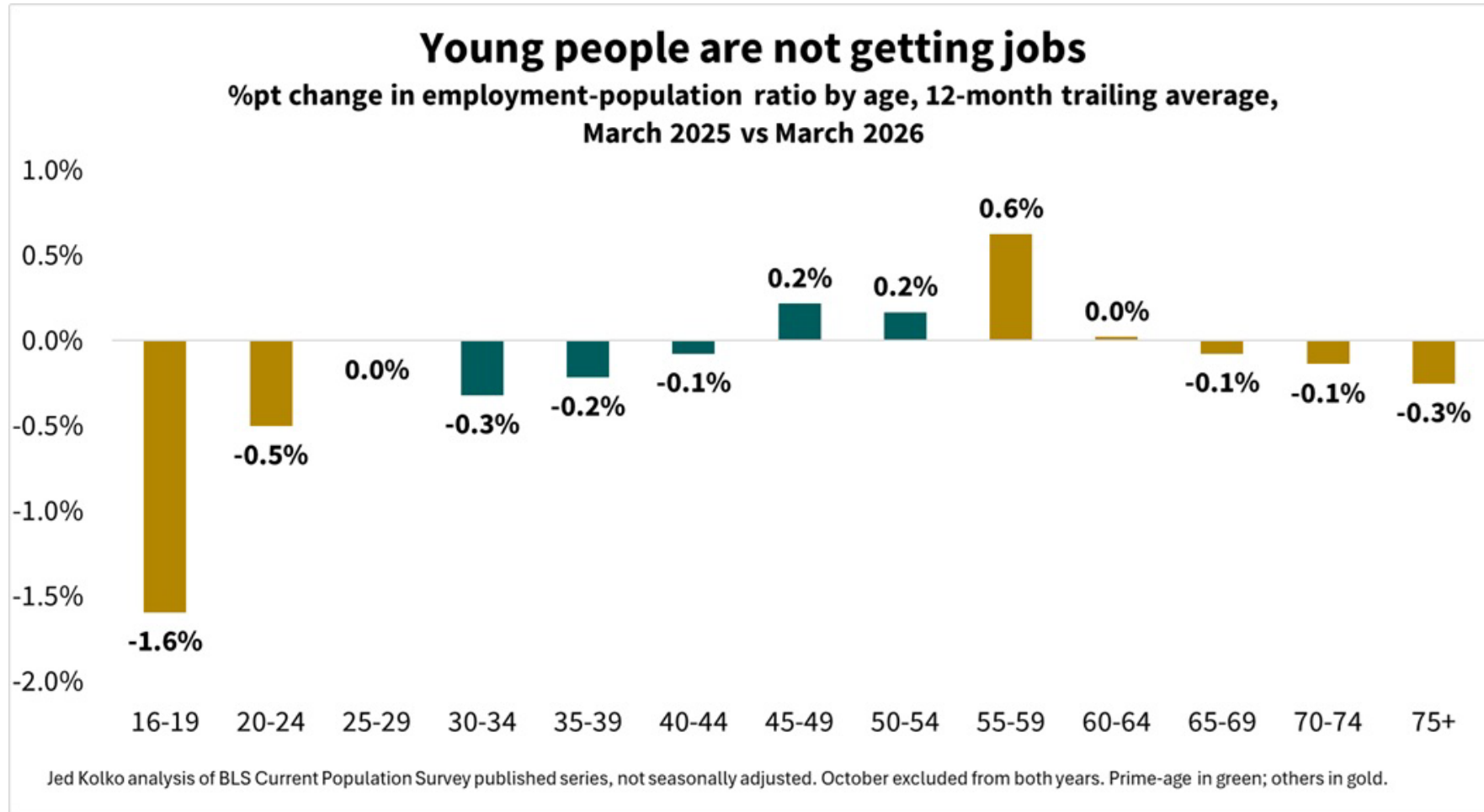
Immigration policy hasn't boosted native employment



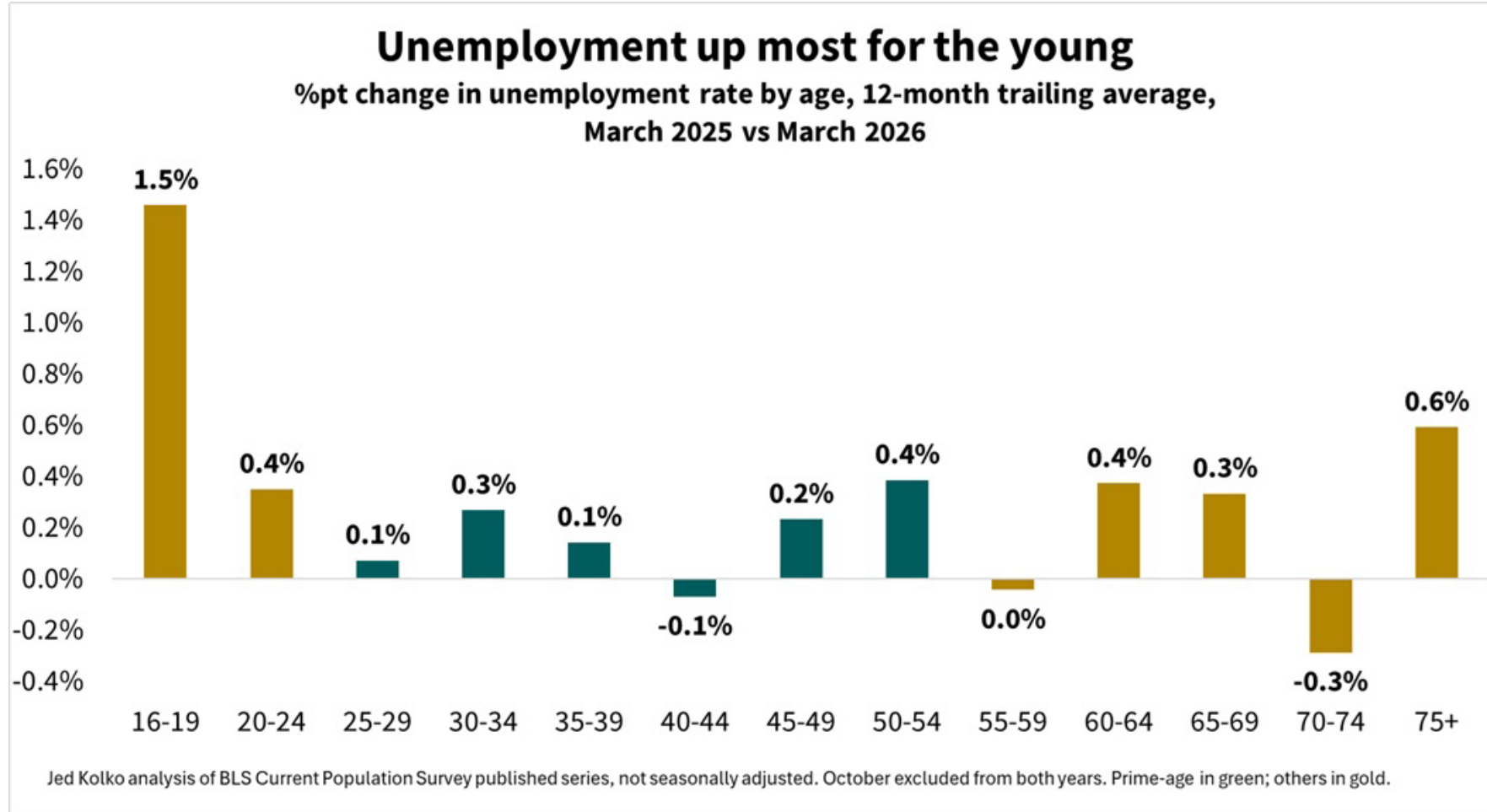
Hiring rate unmoored



Low hiring hurts the young



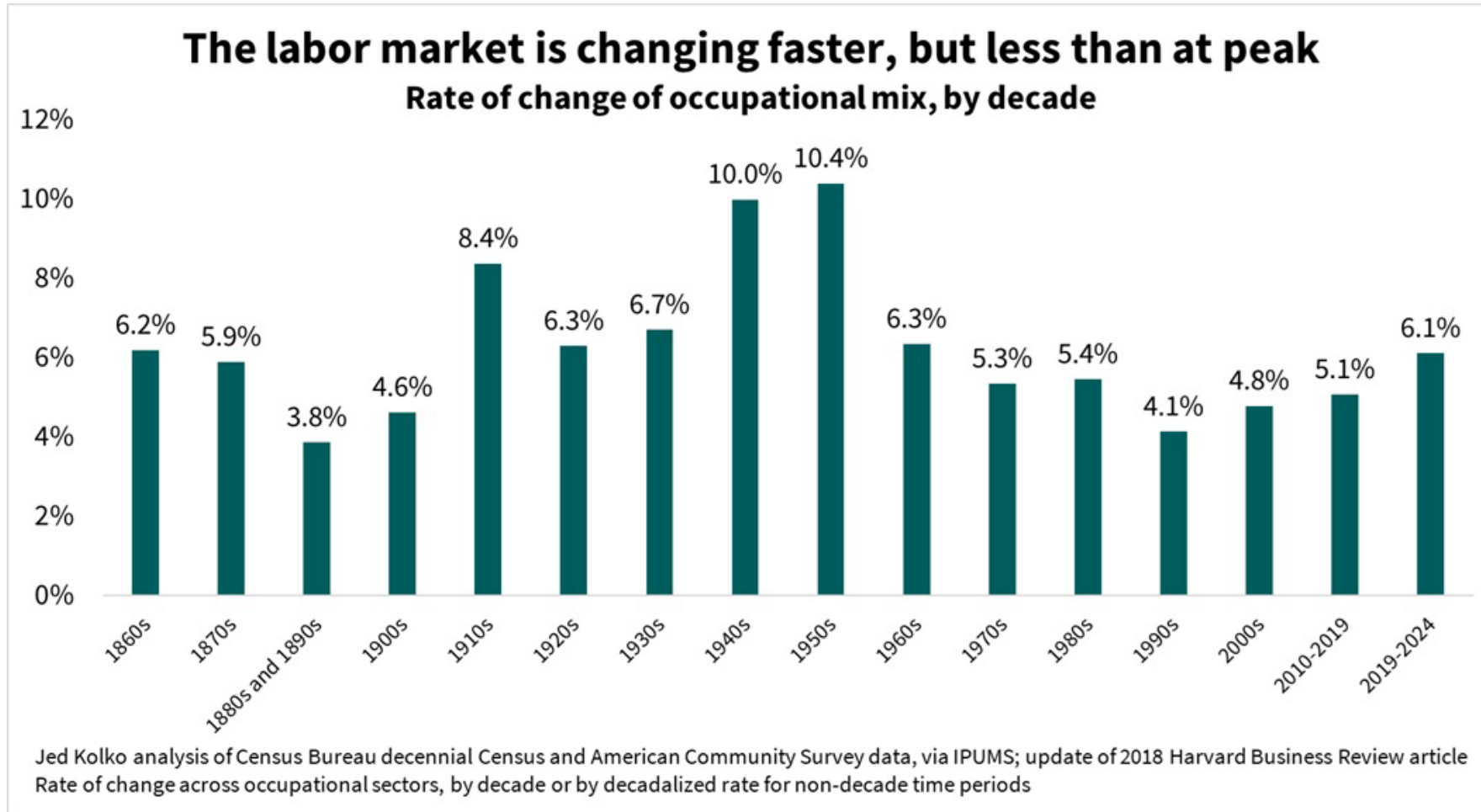
U3 up (and LFPR down) for young adults



AI and the labor market

- Early research: AI-exposed jobs growing slower for young people, but overall fine
 - Brynjolfsson et al. (2025); Eckhardt and Goldschlag (2025)
- Hiring slowed earlier than when AI effects would have appeared
- Long term effect of AI on jobs unknowable
 - Current effects are weak signals
 - Labor supply matters, too
- Short term disruption likely, and history offers lessons

History has lessons about job disruption





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