

## **The Labor Market Effects of Immigration**

**Diana Furchtgott-Roth**

Page | 1

### **Introduction**

America has seen extraordinary growth in gross domestic product and employment over the past 25 years, in great part due to the flexibility of our labor markets. This paper argues that the flexibility of American labor markets is enhanced by having additional immigration, because immigrants complement the skills of the native-born labor force. Immigrants make the economy more efficient by reducing bottlenecks caused by labor shortages, both in the high-skill and low-skill area.

The educational skills of native-born American workers are in a bell-shaped curve. Few adults lack high school diplomas and few have PhD's in math and science. On the other hand, there are many Americans with high school diplomas and with B.A.s.

Immigrants, however, have a different pattern of skills. Their skills are in a U-shaped curve, with adults without high school diplomas who want to do manual work and adults with PhD.s in math and science.

This paper is structured as follows. I will first discuss the visa shortages faced by employers, both in the high-and low-skill area. Then I will address the traditional arguments against increased immigration, such as depressing effects on wages. Finally, I will consider the labor market effects of increasing visas for both high-skill and low-skill workers. To conclude, I will propose a system whereby the Department of Labor will adjust the numbers of visas in different occupations on a quarterly basis, depending on applications from employers, rather than leaving the process to Congress, where visa quantities only change occasionally.

### **America Faces Perennial Visa Shortages**

In early April the United States Center for Immigration Services began to accept applications for fiscal year 2009 H-1B visas. The congressional cap was met within a week. The lucky recipients will include the 65,000 H-1B temporary visas for skilled workers certified by the Labor Department, as well as 20,000 H-1B visas for those with U.S.-awarded masters degrees. In addition, some companies will acquire three-year extensions on previous visa renewals. Non-profits and institutions of higher education are exempt from the visa cap, so those workers will also receive visas. Last year, this meant 126,000 new or extended visas were issued.<sup>1</sup> While some types of workers are "current", highly educated Chinese and Indian workers who applied after December 1, 2003 are not even eligible for applying.<sup>2</sup>

The problem is that demand for foreign labor far outstrips supply. In FY 2008, the quota for H-1B visas was met in one day. Over 100,000 H-1B visa applications were submitted in the first day, and USCIS no longer accepted them shortly after. This year, they're planning to choose the lucky immigrants by lottery. This is not to say H-1B visas have always been in unmatchable demand. During the 1990s,

---

<sup>1</sup> McGee, Marianne. "Who Got H-1B Visas Petitions Approved Last Year? Look at the List." *InformationWeek* April 2, 2008. Available at <http://www.informationweek.com/news/showArticle.jhtml?articleID=207001329>.

<sup>2</sup> U.S. Department of State, "Visa Bulletin." Number 117: Vol. VIII (April 2008). [http://travel.state.gov/visa/frvi/bulletin/bulletin\\_4177.html](http://travel.state.gov/visa/frvi/bulletin/bulletin_4177.html)

Congress temporarily raised the quota to 195,000, a number that did not exceed demand, but the quota reverted to 65,000 in 2004.

This figure represents a miniscule portion of the U.S. labor force of 153 million. Even if the quota were raised to 150,000 annually, that would be less than one tenth of 1% of the labor force. A higher quota would still block admission to the vast majority of applicants who are discouraged from applying due to the small likelihood of success.

After receiving an H-1B visa, the next step is to get permanent residency, a work visa known as a “green card.” The statistics on immigrants show that of 1.3 million awarded “green cards” in 2006, 12,000 went to new arrivals sponsored by an employer, and 54,000 went to current residents sponsored by an employer. Of these, about 2,500 were low-skilled workers.<sup>3</sup> Applications for permanent residency, as with applications for H-1B visas, suffer a severe backlog.

USCIS estimates about 12 million legal permanent residents of the United States,<sup>4</sup> and 432,000 admitted H-1B workers in 2006.<sup>5</sup> Conversely, many estimate the number of illegal immigrants in the United States to be about 12 million people, the same as the number of legal permanent residents admitted for any reason – family, sanctuary, or work. A 2006 estimate suggested that roughly 1 million illegal immigrants had entered the country during each two-year period from 2000 to 2005.<sup>6</sup> In 2006, out of the annual total immigration to the US of about 1.8 million, only about 1 million entered legally, the difference being made up by illegal immigrants.<sup>7</sup>

These numbers imply that if past trends continue, each year, the number of foreign citizens entering the United States will about equal the number of illegal immigrants entering (some of these individuals are the same person, as a number of illegal immigrants overstay their visas). It means that we have about as many illegal immigrants as people who “waited in line”. And every year, applications for people to work in this country overwork the agencies that deal with them.

America has to rework its immigration policy in several ways. We have to facilitate the process of obtaining high- and low-skill legal work in the United States. We are turning away too many highly

---

<sup>3</sup> Department of Homeland Security, “Yearbook of Immigration Statistics: 2006.” Table 7. <http://www.dhs.gov/ximgtn/statistics/publications/LPR06.shtm>.

<sup>4</sup> Rytina, Nancy. “Estimates of the Legal Permanent Resident Population in 2006.” Department of Homeland Security (February 2008): p 1. [http://www.dhs.gov/xlibrary/assets/statistics/publications/LPR\\_PE\\_2006.pdf](http://www.dhs.gov/xlibrary/assets/statistics/publications/LPR_PE_2006.pdf).

<sup>5</sup> Department of Homeland Security, “Temporary Admissions of Nonimmigrants to the United States: 2006”. *Annual Flow Report* (July 2007): p 2.

<sup>6</sup> Hoefer, Michael; Nancy Rytina, and Christopher Campbell. “Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2006”. Department of Homeland Security (August 2007): p 4. [http://www.dhs.gov/xlibrary/assets/statistics/publications/ill\\_pe\\_2006.pdf](http://www.dhs.gov/xlibrary/assets/statistics/publications/ill_pe_2006.pdf).

<sup>7</sup> Papademetriou, Demetrios G., Forward to “Immigration and America’s Future: A New Chapter,” Independent Task Force on Immigration and America’s Future, Migration Policy Institute, Sept 2006.

qualified workers at a time when we are concerned about our international competitiveness. In order to do this, we must embrace a more flexible system that allows the visa process to respond to labor market pressures. The visa quota should be amended more often than once a decade.

One of the problems with our visa process is its labyrinthine regulations. An individual offered a job in the United States has to navigate a number of obstacles. First, the employer must have some degree of certification from the Department of Labor, demonstrating the need to hire a foreign worker rather than a U.S. one. This includes evidence that local workers are unavailable at market wages, and commitment from the employer to pay prevailing wages.

Then, a complicated game of “application tag” ensues, with the State Department and Department of Homeland Security sending documentation back and forth, validating identities and ensuring that no employer is trying to hire a criminal, terrorist or undesirable person. These may be necessary steps, but they are time-consuming. Unfortunately, even if the State and Homeland Security departments would find a worker acceptable, arbitrary quotas may render the entire process moot.

These protections and regulations are less burdensome for temporary workers, but still require extensive documentation and cost. For people looking for permanent residency, the process can take years.

This adversely affects U.S. labor market competitiveness. For example, Edina Rosta is a brilliant Hungarian chemist doing path-breaking research as a post-doctoral student at the National Institutes of Health. With a PhD from the University of Southern California, a sheaf of international awards, and a dozen publications to her name, she thought to apply for permanent residency to avoid having to return to Hungary after the expiration of her F1 Optional Practical Training visa. The application for a “national interest waiver-based permanent residency visa” took an entire month to complete and cost her the standard \$6,000 in legal fees and \$1,000 in application fees. A colleague, Andrei, a Russian physicist with a wife and child to support, couldn’t afford the \$7,000 visa application and legal fees, so didn’t bother trying to stay in America.

A recent study by the Kauffman Foundation, a non-profit foundation focusing on entrepreneurship, examines the difficulties caused by a burdensome and arbitrarily limited immigration system. Entitled “Intellectual Property, the Immigration Backlog, and a Reverse Brain-Drain,” the study concludes that with one million skilled workers competing for 120,000 permanent residency visas, many talented workers choose to live elsewhere.

According to Harvard Law School fellow Vivek Wadhwa, an author of the study, the visa backlog hurts America. “The United States benefits from having foreign-born innovators create their ideas in this country. Their departures would be detrimental to U.S. economic well-being,” he said. Further, “when foreigners come to the United States, collaborate with Americans in developing and patenting new ideas, and employ those ideas in business in ways they could not readily do in their home countries, the world benefits.” By making it difficult for Edina, Andrei, and countless other scientists to stay in America, Congress is dissipating the value America receives from taxpayers’ investments in research.

In 2006, the most recent data available, the federal government spent more than \$29 billion on science and engineering research at American universities and research institutions.<sup>8</sup> This funding helps finance

---

<sup>8</sup> National Science Foundation, “Federal Funds for Research and Development: Fiscal Years 2004-2006”. Table 10.

<sup>9</sup> National Science Foundation, “Federal Funds for Research and Development: Fiscal Years 2004-2006”. Table 10.

PhD programs, which are heavily populated with foreign students.

More than \$16 billion of this research spending is health-related, like Edina's work at NIH. Other funders include the Defense Department, at \$2.3 billion, and the Department of Energy, at \$3.5 billion.<sup>9</sup>

Many universities rely on graduate students for research assistance and technical expertise. Government research trains graduate students in the latest technologies. Most research does not require security clearances, and little if any research is restricted to American students. Because of this, 50% of graduate students in engineering and 41% of graduate students in the physical sciences were foreign-born temporary US residents in 2004.<sup>10</sup>

Page | 4

American universities are among the world's leading research institutions, attracting the top minds, not only those from America but also from many other countries. The National Science Foundation data show that 146,000 foreign graduate students studied in American universities in 2005, down from a peak of 155,000 in 2003.<sup>11</sup>

A shortage of visas would not be a problem if local labor supply was sufficient to support American businesses, but these businesses find such workers in short supply. Microsoft's chairman, Bill Gates, testified on March 7, 2007 before the Senate Committee on Health, Education, Labor, and Pensions. He said that "America's need for highly skilled workers has never been greater," and called for an increase in the number of permanent residents, skipping the bureaucratic H1-B visa process altogether.

Mr. Gates said: "Barring high skilled immigrants from entry to the U.S., and forcing the ones that are here to leave because they cannot obtain a visa, ultimately forces U.S. employers to shift development work and other critical projects offshore. ... We can retain these research projects in the United States, by contrast, we can stimulate domestic job and economic growth."<sup>12</sup>

In addition, the economy needs low-skilled workers. The availability of low-skill workers adds to economic efficiency because these workers complement the skills of native-born workers and increase their employment.<sup>13</sup> To take a simple example, if a construction firm cannot find plasterers or stucco masons, an occupation overwhelmingly performed by foreign-born workers, it can do fewer jobs than a firm that had these immigrants on the payroll. With fewer jobs, employment of both immigrants and native-born Americans declines.

Of course, some might say that the construction firm just needs to offer more money to plasterers and stucco masons, and then more native-born Americans would take the jobs. But since the price would be higher, fewer projects would be completed. So employment for native-born Americans could decline.

We see suggestions that these patterns hold true in America. Low-skill immigrants come to be janitors

---

<sup>10</sup> Brown, Heather A. (2004) "Graduate Enrollment and Degrees: 1986 to 2004," Council of Graduate Schools, Office of Research and Information Services (Washington DC).

<sup>11</sup> National Science Foundation, "S&E graduate enrollment, by field and sex: Selected years, 1985–2005." *Science and Engineering Indicators 2008, Volume 2*. <http://www.nsf.gov/statistics/seind08/>.

<sup>12</sup> Bill Gates, Testimony before the Committee on Health, Education, Labor and Pensions. March 7, 2007. Available at [http://help.senate.gov/Hearings/2007\\_03\\_07/Gates.pdf](http://help.senate.gov/Hearings/2007_03_07/Gates.pdf).

<sup>13</sup> See, for example, Giovanni Peri and Chad Sparber, "Task Specialization, Comparative Advantage, and the Effects of Immigration on Wages," NBER Working Paper 13389, Sept 2007.

<sup>14</sup> See, for example, "How Unskilled Immigrants Hurt Our Economy," by Steven Malanga, *City Journal*, Summer, 2006.

and housekeepers, jobs native-born Americans typically don't want, but they aren't found as crossing guards and funeral service workers, low-skill jobs preferred by Americans. Similarly, high-skilled immigrants also take jobs Americans don't want. They are research scientists, dentists, and computer hardware and software engineers, but not lawyers, judges, or education administrators. The reason immigrants come to America is because they see opportunity – *gaps* in our economy that they have the skills to fill. To argue that it is the dream of any worker to compete with Americans in their own field is disingenuous. The goal for any worker is to find a market in which his skills are valued; for many workers in other countries, that is not the United States.

### **Addressing Arguments Against Immigration**

One reason that Congress does not increase the number of visas is the popular perception that foreign workers, especially those with low skill levels, harm native workers. Some commentators speak approvingly of immigrants from Portugal, Asia, China, India, Haiti, and Jamaica, but also make it clear that we have too many Mexicans, a "flood of immigrants" who cause high unemployment rates among the unskilled.<sup>14</sup> They work in shrinking industries, drive down wages of native-born Americans, cost millions in welfare, and retard America's technology.

This worry is predicated somewhat on the assumption that large numbers of immigrants are displacing American workers. Yet annual immigration is a tiny fraction of our labor force. The Pew Hispanic Center Report shows that annual immigration from all countries as a percent of the labor force has been declining since its recent peak in 1999.<sup>15</sup>

Annual immigration in 1999 equaled 1% of the labor force — by 2005 it had declined to 0.8%. Hispanics, including undocumented workers, peaked in 2000 as a percent of the labor force at 0.5%, and by 2004 accounted for only 0.4% (0.3% for Mexicans) of the labor force.

Looking at unskilled workers, Hispanic immigration as a percent of the American unskilled labor force (defined as those without a high school diploma) peaked in 2000 at 6%, and was 5% in 2004 (4% for Mexicans). Five percent is not "floods of immigrants."

Unemployment among immigrants is relatively low. Foreign-born Americans are more likely to work than native-born Americans. Leaving their countries by choice, they are naturally more risk-taking and entrepreneurial. In 2005, according to Bureau of Labor Statistics data, the unemployment rate for adults without a high school diploma was 7.6%. In April 2008, it rose to 7.8%.

In 2007 the unemployment rate for native-born Americans was 4.7%, but for foreign-born it was nearly half a percentage point lower, at 4.3%. For unskilled workers, although the total unemployment rate was 7.6%, the native-born rate was 8.9% and the foreign-born was much lower, at 5.2%.<sup>16</sup>

Low-skilled immigrants are disproportionately represented in the expanding service and construction sectors, with occupations such as janitors, gardeners, tailors, plasterers, and stucco masons. Manufacturing, the declining sector, employs few immigrants.

A major concern of those critical of immigration, such as George Borjas of Harvard University, is that immigrants depress wages. The research findings of most economists show little effect of immigration

---

<sup>15</sup> Passel, Jeffery S. and Roberto Suro (2005) "Rise, Peak, and Decline: Trends in U.S. Immigration 1992-2004." Pew Hispanic Center Report.

<sup>16</sup> Bureau of Labor Statistics, *Employment Situation*. "Unskilled" refers to workers with less than a high school diploma.

on wages of native-born Americans. Senior economist Pia Orrenius of the Federal Reserve Bank of Dallas finds a slight increase in wages for professionals and a slight decline for manual workers from immigration of less than 1%.<sup>17</sup>

David Card of the University of California, Berkeley finds a decrease in wages of no more than 3% among low-skilled workers in high immigrant cities such as Miami and Los Angeles, and smaller effects in other cities and occupational groups.<sup>18</sup>

Giovanni Peri of the University of California, Davis finds that immigrants raised the wages of the 90% of native-born Americans with at least a high school degree by 1% to 3%, and those without a high school diploma lost about 1%.<sup>19</sup>

Why the difference? Mr. Borjas, a Cuban immigrant, makes two assumptions in his models that mainstream economists do not. First, he assumes that immigrants are substitutes for native-born workers. Second, he assumes that capital is fixed and does not respond to changes in wage rates.

Mainstream economists observe that immigrants have different skills and job preferences from native-born Americans, and so make American workers more productive. They assume that immigrants complement rather than substitute for native-born workers and that capital moves to take advantage of available labor.<sup>20</sup> Although immigrants will be substitutes for some primarily low-skilled workers, many of whom are immigrants too, the negative effect on such workers is much smaller than the positive effect for everyone else.

Some data add validity to this argument. Immigrants are 15.7% of the labor force,<sup>21</sup> yet represent 33% of those without a high school diploma, 24% of all doctorates, 46% of the low-skilled work force,<sup>22</sup> and 41% of doctorates working in science, math, and engineering.<sup>23</sup> However, since they have a smaller share of high school diplomas and B.A.s, they don't compete directly with most native-born workers. Mr.

---

<sup>17</sup> Orrenius, Pia and Madeline Zavodny (2007) "Does Immigration Affect Wages? A Look at Occupation-Level Evidence." *Labour Economics*, 14 (5), pp. 757-773.

<sup>18</sup> Card, David (2001) "Immigrant Inflows, Native Outflows, and the Local Labor Market Impacts of Higher Immigration." *Journal of Labor Economics*, 19 (1). pp. 22-64

<sup>19</sup> Peri, Giovanni (2006) "Immigrants, Skills, and Wages: Reassessing the Economic Gains from Immigration." *IPC IN FOCUS*, 5 (3). [http://www.aifl.org/ipc/infocus/2006\\_skillswages.shtml](http://www.aifl.org/ipc/infocus/2006_skillswages.shtml).

<sup>20</sup> For a look at how the Israeli economy adjusted to immigration in the 1990s, see Neil Gandal et al, "Technology, Trade, and Adjustment to Immigration in Israel," NBER Working Paper 7962.

<sup>21</sup> Bureau of Labor Statistics, 2007 average from *Employment Situation*.

<sup>22</sup> U.S. Census Bureau Current Population Survey 2007. The same data show that 46% of employed low-skilled workers are immigrant.

<sup>23</sup> National Science Foundation, "S&E Indicators 2008." January 2008: Table 3-25.

<sup>24</sup> Borjas, G.J. et al. (2006). "Immigration and African American Employment Opportunities: The Response of Wages, Employment, and Incarceration to Labor Supply Shocks", NBER Working Paper 12518

Borjas writes in his latest National Bureau of Economic Research paper<sup>24</sup> that "As immigrants disproportionately increased the supply of workers in a particular skill group, we find a reduction in the wage of black workers in that group, a reduction in the employment rate, and a corresponding increase in the incarceration rate."

The story goes as follows. Low-skilled immigrants arrive in America and take jobs away from African-Americans. Due to the lack of job opportunities, African-Americans are drawn into illegal activities, get arrested, and are then put in prison.

Page | 7

Let's for the moment ignore the insulting assumption that African-Americans are more likely than others to turn to crime if they cannot find work. The major problem with Mr. Borjas's argument is that young black men began withdrawing from the labor force in the 1960s, when the share of immigrants in the labor force was less than 1%.

The percentage of black men between ages 16 and 24 who were not in school, not working, and not looking for work rose to 18% in 1982 from 9% in 1964. It then reached 23% in 1997. These trends are clearly discussed by American Enterprise Institute scholar Charles Murray in "The Underclass Revisited."

There are many complex factors leading to the incarceration of black men over the period 1980 to 2000. Yet Mr. Borjas only uses as variables information on employment, wages, education, race, incarceration rates, and immigration. Other factors he omits are changes in laws, stricter enforcement policies, longer sentencing guidelines, and changes in welfare regulations. These conceivably have a greater effect on incarceration rates than immigration.

Mr. Borjas, careful as always, hedges his bets by saying that "much of the decline in employment and increase in incarceration observed in the low-skill black population would have taken place even if the immigrant influx had been far smaller." Given this conclusion, it is surprising that Mr. Borjas published this paper at all.

The problem for Mr. Borjas is that the finding that immigrants substantially lower Americans' wages, a central thesis of much of his work, just isn't holding up. Research of mainstream economists, as well as his more recent studies, shows different effects. So linking immigrants to African-American incarceration is the new tactic.

Take Mr. Borjas's own calculations. In 2003 he found that immigrants lowered wages of average American-born workers by 3% and wages of high school dropouts by 9%<sup>25</sup>. A year later, he found that the effect on high school dropouts had moderated to a 7% loss<sup>26</sup>.

By 2006 Mr. Borjas concluded that immigrants actually raised average wages of Americans by 0.1% and only lowered the wages of the low-skilled, those without a high school diploma, by 5%<sup>27</sup>. This means

---

<sup>25</sup> Borjas, G.J. (2003). "The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market." *Quarterly Journal of Economics* 118(4): 1335-1374.

<sup>26</sup> Borjas, G.J. (2004). "Increasing the Supply of Labor Through Immigration". Center for Immigration Studies Backgrounder

<sup>27</sup> "For a Few Dollars Less," by George J. Borjas, *Wall Street Journal*, April 18, 2006.

<sup>28</sup> Council of Economic Advisors, "Immigration's Economic

<sup>29</sup> Congressional Budget Office, "Senate Amendment 1150 to S.1348, the Comprehensive Immigration Reform Act of 2007." Cost Estimate. June 4, 2007. <http://www.cbo.gov/doc.cfm?index=8179&type=0>.

that America has a net gain from immigrants. Since a relatively small percentage of American workers have less than a high school diploma (9.5% in 2007), it's possible for these workers to be compensated through transfer payments, leaving our economy still ahead.

### **A Rational Immigration Policy**

To begin, the first requirement of a rational American immigration policy should be that benefits exceed costs. On exactly this point, last June, the president's Council of Economic Advisers released a study showing that the benefits of immigration more than outweigh the costs. According to CEA, Americans gain \$37 billion per year — or more than \$150 per person — from current immigration policies.<sup>28</sup>

Page | 8

The CEA conclusions do not reflect just the careful analysis of the administration's market-oriented economists.

The Congressional Budget Office, headed by Peter Orszag, an economist closely identified with the Democratic Party, also finds that the proposed comprehensive Senate immigration bill defeated last summer would have benefited the federal budget. If Congress legalized immigration, then we taxpayers would come out ahead financially.<sup>29</sup>

Indeed, the reasoned economic analyses by those of any political persuasion consistently find what economics students learn in the classroom — the unfettered movement of people and free trade under reasonable conditions enhances the welfare of practically everyone.

It's vital to combine new enforcement-based immigration policies with a means for employers to hire legal immigrants.

Regardless of whether we erect fortified fences along our border, Congress needs to overhaul immigration law and create an expanded temporary worker program with a path to citizenship. This would enable American businesses to get the workers they need.

Enforcement of America's borders, North and South, would take years, if such long swaths of land and river can even be made absolutely secure. It would cost at least \$10 billion and require hiring tens of thousands additional border patrol personnel, at an additional annual \$9 billion cost. Even this would not be enough. We would also need to monitor legal visitors so that they do not overstay tourist or student visas.

In comparison, the U.S. Citizenship & Immigration Services budget is over \$2 billion. Doubling it in order to process immigrants would cost an extra \$2 billion, and tripling it would cost an extra \$4 billion. These amounts are small compared with building and patrolling a wall.

The "wall" approach is misguided. It assumes that people who want to come here to work are a liability. A few may turn out to be, but most immigrants take and hold jobs.

The "grey-market" economy created by undocumented workers has created financial systems many people find worrisome. Check-cashing services for immigrants cost between 2.5% and 10% of the check's proceeds. Immigrants use these services, rather than the free accounts they can get at institutionalized banks, because they don't want the government to know that they even exist, much less that they receive regular paychecks.

The check-cashing services are the big winners. The big losers are the American taxpayers. Instead of regularly paying taxes to federal, state, and local governments, illegal immigrant workers — no one knows the exact number — are regularly paying fees to check cashing operations such as ACE. A study in the Washington D.C. area found that only about half of unauthorized immigrants paid any payroll

taxes<sup>30</sup>.

These are just some of the costs that governments could recoup by legalizing undocumented workers. Rather than arresting immigrant workers as was the case at the recent Agriprocessors Inc. raid in Postville, Iowa, we could have a rational immigration system of which all Americans could be proud.

The second element of a rational immigration policy would have immigrants cover their own costs. Some of the greatest costs that illegal immigration imposes on society are health care costs.

Page | 9

If immigration were legal and better controlled by government, payments for health care through insurance could be collected more easily. Currently, the large health care and other costs of a relatively small number of immigrants are shifted to society rather than being paid by the individual immigrants who get health care services in hospital emergency rooms.

If we were to set up a system of legal work visas, foreigners who want to work here could pay the government for these permits rather than pay coyotes for unsafe, illicit transportation. Funds from the permits could be used to buy health insurance, education, and biometric identification cards for legal workers.

The third element of a rational immigration policy would include clear incentives to being documented and paying taxes. Such incentives might include social services linked to some form of legal documentation, and fines or deportation for those caught without papers.

This sort of immigration policy would improve America's security. Now, with an estimated level of 12 million undocumented immigrants, it's practically impossible to identify the small minority who wish us harm from the majority who come to find work. Being able to work legally and get official identification — and bank accounts — would make it far easier to identify and track potential terrorists, dubious financial transactions, and those who simply overstay visas.

One possible way to a better immigration policy would be to legalize the status of the illegal immigrants in America by providing a guest-worker program with a path to citizenship. The path to citizenship ensures that we are not merely creating a disenfranchised class of workers. The guest worker program ensures that we do not simply provide the much-maligned amnesty to illegal workers.

The goal is not to “throw open” the borders. The goal is to solve several real problems the United States faces with regard to immigration. The international economy is tremendously dynamic; our immigration system is not. Temporary workers must spend months applying for admission, and due to the pile-up in April of every year, may not even get a visa. Few low-skilled workers have a legal and reliable method to enter this country and work legally, and few Americans want to do the jobs these workers want to pursue. And even high-skilled workers trained at U.S. colleges and universities, often at taxpayer expense, might have to wait years and spend thousands of dollars to become permanent residents of the nation.

The goal must be to craft a sensible and dynamic immigration system. High-skilled workers educated in America ought to be able to stay; otherwise, our investment becomes lost to another country. If the Labor Department determines that a foreign worker would not displace Americans, that worker should not be barred from entering the country due to an arbitrary quota. And people who want to enter this country in order to work in jobs Americans are not willing to take ought to have an easy, legal way to do so.

---

<sup>30</sup> Michael Fix, Testimony before the Committee on Ways and Means. July 26, 2006. Available at <http://waysandmeans.house.gov/hearings.asp?formmode=printfriendly&id=5175>

One solution is to transfer the authority of setting quotas from Congress to the Labor Department. The Labor Department already has the presumptive authority to judge whether demand for foreign labor is justified, through its foreign labor certifications. It is ironic that a worker can be told that the labor market has room for him, that the government sees no threat to his coming to this country to work, and that because too many people exist in exactly the same position as he, that he can't come to this country. No argument can reasonably be made that the Labor Department should be allowed to determine whether or not a foreign worker would displace a native one, but should not be allowed to aggregate that demand into temporary work visa quotas. At the very least, it seems clear that our visa quotas need to be increased.

Second, exemptions or eased citizenship should be extended to foreign citizens educated in America. Their knowledge is likely to have been paid for by the United States; we should make it easy for them to contribute back to the economy.

Third, some form of temporary visa or guest worker program for low-skilled immigrants should be adopted. It is both far easier and far more profitable to create a legal system of labor entry than to root out every last undocumented worker and deport them.

To claim that immigrants take American jobs creates the impression that somehow there are a finite number of jobs that can be filled. But high employment boosts consumption, economic growth, and innovation, opening the way for more jobs and more opportunities, even for the low-skilled workers who often perceive their jobs at greatest risk. The next Starbucks could be started by a small business owner in Arizona, or the next Microsoft by a highly-trained immigrant working at a Silicon Valley tech firm. By opening up the economy to more actors, we increase the chance that the next big innovation occurs within our borders, and that we continue to hold the lead in the future.

## References

Borjas, George J. (2003) "The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market." *Quarterly Journal of Economics*, 118 (4), 1335-1374.

Borjas, George J. (2004) "Increasing the Supply of Labor Through Immigration." Center for Immigration Studies Background.

Borjas, George J. "For a Few Dollars Less." *Wall Street Journal*, April 18, 2006.

Borjas, G.J. et al. (2006). "Immigration and African American Employment Opportunities: The Response of Wages, Employment, and Incarceration to Labor Supply Shocks", NBER Working Paper 12518.

Brown, Heather A. (2004) "Graduate Enrollment and Degrees: 1986 to 2004," Council of Graduate Schools, Office of Research and Information Services (Washington DC).

Card, David (2001) "Immigrant Inflows, Native Outflows, and the Local Labor Market Impacts of Higher Immigration." *Journal of Labor Economics*, 19 (1), pp. 22-64.

Council of Economic Advisors, "Immigration's Economic Impact." June 20, 2007.

Congressional Budget Office, "Senate Amendment 1150 to S.1348, the Comprehensive Immigration Reform Act of 2007." Cost Estimate. June 4, 2007.

Department of Homeland Security, "Temporary Admissions of Nonimmigrants to the United States: 2006". *Annual Flow Report* (July 2007): p 2.

Department of Homeland Security, "Yearbook of Immigration Statistics: 2006." Table 7.

Hoefer, Michael; Nancy Rytina, and Christopher Campbell. "Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2006". Department of Homeland Security (August 2007): p 4.

McGee, Marianne. "Who Got H-1B Visas Petitions Approved Last Year? Look at the List." *InformationWeek* April 2, 2008.

Murray, Charles (1999) "The Underclass Revisited." American Enterprise Institute.

National Science Foundation, "Federal Funds for Research and Development: Fiscal Years 2004-2006". Table 10.

National Science Foundation, "S&E graduate enrollment, by field and sex: Selected years, 1985-2005." *Science and Engineering Indicators 2008, Volume 2*.

National Science Foundation, "S&E Indicators 2008." January 2008: Table 3-25.

Orrenius, Pia and Madeline Zavodny (2007) "Does Immigration Affect Wages? A Look at Occupation-Level Evidence." *Labour Economics*, 14 (5), pp. 757-773.

Papademetriou, Demetrios G., Forward to "Immigration and America's Future: A New Chapter," Independent Task Force on Immigration and America's Future, Migration Policy Institute, Sept 2006.

Passel, Jeffery S. and Roberto Suro (2005) "Rise, Peak, and Decline: Trends in U.S. Immigration 1992-2004." Pew Hispanic Center Report.

Peri, Giovanni (2006) "Immigrants, Skills, and Wages: Reassessing the Economic Gains from Immigration." *IPC IN FOCUS*, 5 (3).

Rytina, Nancy. "Estimates of the Legal Permanent Resident Population in 2006." Department of Homeland Security (February 2008): p 1.

U.S. Department of State, "Visa Bulletin." Number 117: Vol. VIII (April 2008).