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## **Managing Immigration in the 21<sup>st</sup> Century**

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## ABSTRACT

### Managing Immigration in the 21<sup>st</sup> Century\*

In this paper I share my thoughts on immigration policy. As a social scientist it is appropriate to assess the consequences, the costs and benefits, of alternative immigration policies. The policies that a country adopts regarding immigration, however, should be the outcome of a political process which should be informed by, but not dictated by, social science research. What follows is a non-technical discussion of what I see as some of the key issues regarding immigration policies currently facing the United States and other technologically advanced economies.

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### Alternative Immigration Policies

Nation states became deeply involved in regulating immigration in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. The regulations that were adopted, by laws and policies, evolved over the course of the long 20<sup>th</sup> century and continue to evolve today in the early decades of the 21<sup>st</sup> century.

If countries want to admit fewer immigrants than the number wanting to enter, or if they want to be selective among potential applicants (e.g., based on health or criminal history), they need an immigration policy that both rations entry visas and selects immigrants. In a market economy the rationing of goods and services, jobs and dwelling places is accomplished by a price mechanism. In the rationing of immigration visas this could be done by the government through the auctioning of immigration visas or by setting a “visa fee” high enough to clear the market. Some countries, including the United States, have a small proportion of their visas available for “purchase” through a program that grants visas to individuals who will invest funds that create new jobs. There appears to be a consensus, however, in the US and other immigrant-receiving countries, against the explicit selling of visas by the government. The selling of visas does arise in the illicit market, through the prices charged by smugglers of illegal aliens and through fraudulent marriages to U.S. citizens.

Countries differ in the primary focus of their immigration policies. These differences arise from a range of different national histories, philosophies, and socio-economic objectives. Some countries, such as the United States, place a primary emphasis on “family reunification,” so that permanent visas are issued primarily to immediate or close relatives of those who are already citizens or permanent residents. In 2011, of the over one million permanent resident alien visas issued by the United States, 43 percent went to relatives of US citizens and 22 percent to relatives of permanent resident aliens.

Other countries have extended the family reunification concept by granting immigration rights to co-ethnics living abroad. “Reunification or Repatriation of the Diaspora” policies have been adopted by Israel (Jews living elsewhere), Germany (German ethnic minorities living in Eastern Europe and Russia), and Japan (overseas Japanese communities, particularly in Latin America), among other countries.

For some countries the primary focus of immigration policy is humanitarian – providing refuge for those in danger because of civil wars, political tensions, or discrimination based on ethnicity, race, religion, or political ideology. Sweden is a primary example of a refugee-oriented immigration policy.

Yet, for some countries the primary focus is on what the applicant can contribute to the host’s economy. In the current economic environment these economic-contribution policies are “skill based.” Sometimes skills are evaluated by occupational credentials and “employer petitions,” sometimes by a “points system” where measurable skill characteristics (e.g., age, schooling, language fluency) are assigned points and visas are allocated to people with more than a threshold point value, and sometimes a combination of these two methods. Canada, Australia and New Zealand are important immigrant-receiving countries with skill-based policies that focus on the likely economic contribution of prospective immigrants.

It should be noted that the immigration policies of all immigrant-receiving countries include some combination of reunification, refugee relief, and economic considerations, but the relative emphasis differs across countries.

It should also be noted that while all countries have regulated in-migration to a greater or lesser extent over the past two centuries, the regulation of out-migration has been rare and limited to totalitarian regimes (e.g., the former Soviet Union, East Germany, North Korea). Indeed, there is a nearly universal consensus that while there should be a right of individuals to

leave their country of origin, the immigrant-receiving country has a right to select among applicants those who are allowed to enter legally.

### The United States and Canada Compared

A comparison of immigrant flows into the United States and Canada is instructive. Table 1 presents data for 2011 on the visa category for entry as a Permanent Resident in the US or Landed Immigrant in Canada. In that year there were over 1.0 million immigrants to the US and nearly 250,000 to Canada, constituting 0.3 percent and 0.7 percent of their respective populations. The different focus of immigration policy is demonstrated by the proportions entering under the family-based and economic skill-based visa categories. For the US, nearly two-thirds (65 percent) entered under family visas, whereas for Canada it was less than one quarter (23 percent). In contrast, about one-eighth (13 percent) of the US visas were based on their likely economic contributions (primarily skill but also investments), whereas it was nearly two-thirds (63 percent) for Canada. The refugee proportions were quite similar, 16 percent for the US and 11 percent for Canada. A variety of other immigration programs accounted for an additional 6 percent of the US visas and 3 percent of the Canadian visas.

One of the objections raised by some regarding proposals for the US to reduce family-based visas and increase the economic-based visas is that such a change would advantage European and Canadian applicants and disadvantage non-white immigrants from other parts of the world. The concern is that this would be a way of returning to the pernicious national-origins quota system in effect from 1921 to 1965. A comparison of the regions of origin of immigrants to the US and to Canada is instructive (Table 2). Asia and Africa provided 52 percent of immigrants to the US in 2011, but 69 percent for Canada. Europe provided only 8 percent for the US and 16 percent for Canada. A big difference is the share of immigrants from Latin

America, 38 percent for the US and 11 percent for Canada. A skill-based focus of immigration policy disadvantages low-skilled potential immigrants, but it does not necessarily disadvantage immigrants from less developed or non-European countries.

### Is Current Immigration Too Large?

Immigration to the United States as a share of the population was highest in the early part of the 20<sup>th</sup> century when about one million persons entered per year from 1905 to 1914. In recent years about one million immigration visas have been issued annually. The population today is four times greater than a century ago, so the rate of immigration (immigrants per thousand population) is one quarter of the rate a century ago. Immigration to the US has increased in each decade since WWII. The relative number of foreign-born reached a low point of 4.7 percent of the population (about one in twenty) in the 1970 Census and has grown to over 13 percent (about one in eight) today.

Some ask the following questions: Is one million immigrants per year too high or too low? What is the absorptive capacity of the US economy? Those who argue that the current rate is too high point to crowding and environmental concerns, and that the annual intake has reached the 1905-1914 peak in US history. Those who argue the opposite point to the flexibility and adjustment of the economy and that the current rate relative to the population is only a quarter of that for the peak decade. The economics profession has largely avoided addressing this important, but methodologically and empirically difficult issue.

There are two fundamental differences between the US in the early 20<sup>th</sup> century (1905-1914) and the US today (2015). Then the industrial (manufacturing) and mining sectors were expanding rapidly, generating what seemed to be an unlimited demand for low-skilled workers that could be satisfied by low-skilled immigrants from Europe, especially Southern and Eastern

Europe including the Russian Empire. There was also little public concern about the consequences of immigration for income distribution, for the low-skilled population, or for poverty among immigrants and the native-born alike. Immigrants in dire economic circumstances, whose numbers inevitably grew during an economic downturn, could not rely on a largely non-existent public support system. They could seek assistance instead from their relatives, from co-ethnics, or from religious organizations, or – as many did – they could return to their country of origin. Poverty in those days was considered a private (individual) matter rather than a public concern.

This is very different than the US political economy of the early 21<sup>st</sup> century. The economy and public policies toward the low-income population differ sharply today than a century ago. The United States and the other advanced economies are experiencing a decline in employment opportunities for lower-skilled workers in manufacturing, mining and agriculture. This is due to a variety of factors, including increases in the use of capital (physical and human) as substitutes for low-skilled labor and the increasing industrialization of the less-developed countries. Manufactured goods previously made in the U.S. by lower-skilled workers are now increasingly imported from the less-developed countries where they are made. The expanding job opportunities in the US are primarily in the high-education STEM (science, technology, engineering, and mathematics) fields. The change in the demand for high- relative to low-skilled workers has widened wage differentials, raising the rate of return on human capital and increasing income inequality. This downward pressure on low-skilled wages has been intensified by the large increase over the past few decades in low-skilled immigration (legal and illegal) from less-developed countries.

The other dramatic difference is the growth of income transfer programs to assist the low-income population, whether immigrant or native-born. These programs provide benefits in cash



as well as subsidized food, medical care and housing. Because of a recognition of the negative externalities from poverty, and a wealthier society willing to spend more on the less fortunate, poverty today is considered a public as well as a private concern.

The combination of the change in relative employment opportunities, public policies toward income distribution, a family-oriented immigration program, and an increasing illegal migration has resulted in a growing low-income population that benefits from public support.

There are, however, some parts of the service sector of the economy with expanding employment opportunities for less-skilled workers, in particular in elder care and in child care. With the post-WWII baby boomers reaching elder status, and with increased longevity, an increasing number and population share is in need of caregivers. The demand for companions, physical care, and light nursing for the elderly is increasingly provided by immigrant workers with low educational attainment.

There has been a continuing increase in the labor force participation of native-born women due to their higher levels of education, expanded occupational opportunities, and the consequent greater earnings potential. They have also increased the demand for elder care workers as a substitute for care by adult children. While these labor force developments have had a negative impact on fertility, they have increased the labor demand for child care workers as substitutes for parental (primarily mothers') time in child care. These expanding service sector jobs tend to be urban and filled by low-skilled immigrants, disproportionately female.

There has been an increased recognition in immigration policy of the many positive benefits from high-skilled or STEM immigrant workers. Their skills augment the human capital stock of the destination countries. This tends to decrease (or at least slow the increase in) the earnings of high-skilled workers in general, and it raises the relative earnings of those lower-skilled workers who are their complements in production. The narrowing of wage differentials

due to high-skilled immigration has the effect of reducing income inequality. Unlike low-skilled immigrant workers, STEM immigrant workers are likely to pay more in taxes than the benefits they receive from government sources. A characteristic of immigrants in general, but especially STEM workers, is that they typically have a higher level of decision-making (entrepreneurial and innovative) skills. With these skills they can create new products or use existing products in new and different ways. Finally, many of these STEM immigrant workers maintain contacts with STEM workers who remained in their country of origin or emigrated to a third country. This enhances opportunities for international exchange, including the exchange of ideas, as well as the trade of goods and services.

#### Employer Petitions vs. Points System

There is no clear consensus on the optimal way of implementing a skill-based immigration policy. Some countries, such as the United States in its employment-based permanent and temporary (e.g., H1-B visas) worker programs, rely on “employer petitions.” While certain industries or occupations might be favored by this system, the administrative process requires employers to submit a petition explaining why the immigrant applicant is the only person available and suited for the specific job opening. This process encourages the use of political pressure by employers to have their industry or occupations treated favorably, and by employee associations to have these industries or occupations denied special favorable treatment.

Another mechanism for issuing high-skilled employment-based visas is through the “point system” used by Canada and Australia. Visa applicants are awarded points for measurable skills deemed relevant for the labor market, such as being in a preferred age group, having formal schooling, occupational job training, language skills, and prepared to live in certain regions of the country. Any applicant receiving more than a threshold number of points

receives a visa. In this system the number of new immigrants can be regulated by changing the threshold number of points. A disadvantage compared to employer petitions is that the applicant may have difficulty finding a job once he or she arrives in the destination.

It may well be that a synthesis of these two mechanisms for rationing STEM visas would be optimal. For example, using a “point system” but requiring that the occupation-specific training be in fields experiencing a high demand for immigrant workers or that the application be accompanied by a bona fide job offer.

### STEM Workers are Highly Mobile

STEM workers are potentially highly mobile internationally.

Increasingly, STEM workers across the globe read and study the same technical books, monographs and articles. As a result, they have a similar knowledge base in their respective fields.

English has become the *lingua franca* of STEM workers. STEM students across the globe are learning English. Technical books written in a local language get translated into English to reach a wider market. Many journals that were once published in local languages have switched, at least partially, to being published in the international language, English. International conferences and the international exchange of scholars and STEM workers have become important avenues for the sharing and dissemination of knowledge in the STEM fields.

In the past, countries expected their citizens to have only one nationality and to live within that country's borders. Dual citizenship was frequently prohibited or at least discouraged by law. With the growth of the international movement of people and the sharing of knowledge and of workers across countries, there has been an expansion in areas of free or unrestricted mobility of workers, such as among the Nordic countries and the countries in the European

Union. Other countries, such as the US, have reduced the legal barriers to dual citizenship. These changes facilitate the international mobility of all workers.

The increased international transferability of STEM-worker skills, the reduced barriers to dual or even multiple citizenships, and the reduced barriers in immigration law regarding permanent and temporary visas for STEM workers all combine to increase the mobility of high-skilled workers. This increased international mobility is a two-way street. These developments make it easier for advanced immigrant-receiving economies to attract foreign high-skilled workers, but they also make it easier for their own high-skilled workers, whether native- or foreign-born, to be recruited for jobs in other countries.

The lines between permanent resident visas and temporary work visas have become blurred. In the past, temporary work visas were used primarily to attract workers for seasonal industries, such as agriculture and construction. The seasonality in these industries has generally declined. The newer temporary worker programs, as in the US and Australia, are not intended for seasonal jobs. They are targeted at high-skilled STEM workers and cover a period of several years. They facilitate a sort of probationary period, testing whether a permanent visa is warranted or appropriate for a particular worker. These newer temporary worker visas are much easier than the seasonal temporary worker visas to convert into permanent visas.

As a result, countries need to think more broadly regarding their immigration and emigration policies. Policies are needed not only to attract foreign-born or foreign-trained STEM workers, but also to retain the country's STEM workers, both native- and foreign-born.

## Policy Issues for the 21<sup>st</sup> Century

### Low-Skilled Immigration

Employment opportunities in the 21<sup>st</sup> century for low-skilled immigrant workers will be primarily in the service sectors with job opportunities continuing to decline in manufacturing and agriculture. These declines will be a result of the increased use of both human and physical capital in the production of goods in the US and other advanced economies, and the increased importation of manufactured goods and agricultural products (especially fruits and vegetables) from less-developed countries with a comparative advantage for making these products.

The service sector will increase in importance as both a share of GDP and in employment. For low-skilled foreign born workers the expanded opportunities will be primarily in the personal care sectors, especially child care and elder care. The supply of low-skilled immigrant workers will likely continue to exceed the number of available visas, thereby encouraging illegal immigration.

The current political discussions of “securing the border” to prevent the illegal immigration of EWI (Entry Without Inspection) workers, misses the point. Currently, only about half of the illegal immigrants working in the United States entered by “running” across the border with Mexico. Building a secure fence and adding more border patrol agents would be costly, with an uncertain effect on diminishing the number of people working illegally in the United States. The more costly it is for illegal migrants to go back and forth across the border, the more likely they are to reduce their number of trips home (border crossings) and to remain in the US for longer periods. Moreover, the more costly it is to cross the border on their own, the greater will be their willingness to hire “*coyotes*” (people smugglers) and use other techniques for entering the US.

The other half of the illegal immigrants in the US is “visa abusers.” These are people who entered with a fraudulent visa or, more likely, with a valid Tourist or Student visa but who have violated one or more of its conditions. Having a job in violation of a visa that prohibits working or staying in the country after the visa has expired is sufficient to put such persons in an illegal status.

Current political debates on illegal migrants have largely ignored “interior enforcement” of immigration law, enforcement away from the country’s borders. Illegal immigrants are primarily attracted to the United States by the prospect of jobs. These jobs may offer low wages by the standards of American workers, but these wages tend to be higher than what the migrants could receive in their home countries. Under the 1986 Immigration Reform and Control Act (IRCA) it is illegal for an employer to knowingly hire a person who does not have a legal right to work in the US. The effectiveness of this provision is limited, however, because few government resources are devoted to its enforcement, because penalties on employers for violations are minimal, and because there is no easily accessible official clearing house to find out who has a legal right to work. “E-Verify” is a program for establishing such a national up-to-date clearing house. A mandated nation-wide use of an updated electronic E-Verify system is likely to be the most effective tool for interior enforcement of US immigration law.

Three objections have been raised against the nationwide use of an employment verification system. One is that when first implemented there will be many errors in the system. Persons with a legal right to work may be flagged as not qualified, and some not eligible for work will be approved. Experience with the system, however, should diminish such errors over time. A second concern is regarding the cost of implementation and whether it is paid for by the employer, the job applicant, or the government. The third concern is with the implications of an employment verification system for civil liberties, especially for US citizens. The creation of a

national data base of who is eligible to work and the establishment of a national identification system to implement the program raises civil liberties issues.

A second major feature of the 1986 IRCA was the granting of amnesty for certain illegal immigrants – and nearly 3 million people received permanent resident status under its provisions. The lax enforcement of employer sanctions and the prospect that the 1986 amnesty foreshadowed future amnesties (a view reinforced by subsequent small amnesties) are in part responsible for the growth of the illegal alien population in the United States to an estimated 11 million people today. The growth in illegal immigration slowed during the Great Recession, but it can be expected to resume as the economy continues to recover.

Public policy is at a stalemate. Promises that granting legal status to millions of illegal immigrants will be accompanied or followed by more stringent enforcement of immigration law falls flat based on the experience with IRCA. The public attitude is one of skepticism – “Fool me once, shame on you; fool me twice, shame on me.” The detection, apprehension, and deportation of millions of illegal migrants, many of whom are in families with citizens or legal migrants, is not a feasible solution for practical and political reasons. Yet, the problems become more entrenched with each passing year – “It may already be too late, but it will never be sooner.”

### *High-Skilled Immigration*

In recent years, many countries have altered their permanent visa and temporary visa programs to attract high-skilled or STEM workers. The United States, for example, has implemented and expanded an H1-B visa program based on employer petitions to attract high-skilled workers for a period of three years, renewable once for another three years. This is a try-out period for both employers and the foreign-born workers. During the course of this six-year

period many are able to obtain a visa that allows them to stay permanently. Other countries have expanded the size of their skill-based permanent visa programs.

With the relative increase in labor market demand for high-skilled workers in the US and other advanced economies, and the increased rate of return from technical higher education, the world-wide supply has increased. Perhaps more important than the increased demand for these workers within countries is the effect on the supply of high-skilled workers through immigration opportunities. One of the benefits from acquiring high levels of skills is the increased opportunity for international migration. This is the “option value” from acquiring STEM skills, the increased probability of obtaining a visa to enter and work in an advanced economy. This mobility substantially raises the rate of return from investing in STEM skills for workers born in lower-income countries.

One issue for both potential STEM migrants and their countries of destination is the optimal timing of the training and migration. Should migration occur after or before the schooling process is completed? It appears that many choose to earn an undergraduate degree in their country of origin and complete their advanced STEM schooling in graduate or professional schools in their destination. It is much easier to enter an advanced economy on a student visa than on a temporary or permanent worker visa. Moreover, being in a preferred destination on a student visa gives the potential migrant an opportunity to test living there, to obtain destination-specific skills, and to gain the experience and make the network contacts that facilitate having a potential employer petition on one’s behalf for a permanent visa.

The employment aspects of immigration policy should be thought of in a broader context. It should be one component in an overall skill/educational development policy. How much of a nation’s resources should be devoted to enhancing the skills of its population? To what extent should students be encouraged to complete part of their schooling abroad? This runs the risk that



the “best and the brightest” may not return home, but it has the benefit that returnees would come back with the latest ideas and technological skills.

A related policy issue in a world where STEM workers are potentially highly mobile across countries is the emigration of native-born as well as immigrant STEM workers. This issue has been discussed in terms of the “brain drain” from less-developed countries, but in the context of international migration it is also relevant for advanced economies. How does Canada discourage its STEM-trained workers from migrating to the US, or New Zealand discourage them from migrating to Australia, or in a world where English is their lingua franca how does France discourage them from leaving for Germany?

STEM workers are clearly interested in jobs that keep them at the forefront of their fields through educational opportunities and opportunities on their job. They also, however, are concerned with educational opportunities for their children. Facilitating the cultural, social and educational adjustment of immigrant STEM workers and their families, including their spouse and children, is clearly part of the solution. So too is maintaining the stability of their employment in STEM jobs. Tax systems that place heavy marginal tax rates on the high earnings of STEM workers gives them an incentive to look elsewhere for more favorable treatment of high-skilled workers.

#### *Policy Conclusion*

An immigration policy that effectively limits low-skilled illegal migration, through border enforcement but especially through work-place interior enforcement, and that facilitates high-skilled immigration would have more favorable impacts on the US economy than the present lax enforcement and kinship-based permanent visa policies. With the recognition of these more favorable impacts there would be greater public support for an increase in the annual immigration intake. There would also be more widespread public support for practical solutions

to the large illegal immigrant population currently living in the United States. Immigration policy should be thought of as one component of, and in the context of, a nation's overall educational and labor market policies.

Table 1  
Visa Category, Permanent Resident Status  
 Canada and the United States, 2011

Visa Category	Canada		United States	
	<u>Number*</u>	<u>Percent</u>	<u>Number*</u>	<u>Percent</u>
Family	56.4	22.7	688.1	64.8 <sup>#</sup>
Economic	156.1	62.8	139.3	13.1
Refugee	27.9	11.2	169.5	16.0
Diversity	—	—	50.1	4.7
<u>Other</u>	<u>8.3</u>	<u>3.3</u>	<u>14.9</u>	<u>1.4</u>
TOTAL	248.7	100.0	1,062.0	100.0
(% of population)	(0.7 %)		(0.3%)	

\* Number in Thousands

# Immediate relatives of citizens, 42.7%. Other family-sponsored, 22.1%.

Sources: US Department of Homeland Security  
 Citizenship and Immigration Canada

Table 2

Legal Immigrants in Canada and the United States,  
By Region of Origin, 2011

(Percent Distribution)

<u>Origin</u>	<u>Canada</u>	<u>US</u>
Africa	12.5	9.5
Asia	56.7	42.5
Europe	15.6	7.9
Canada/US	3.6	1.2
Other America	10.8	38.3
Oceania	0.7	0.5
<u>Other and Unknown</u>	<u>0.2</u>	<u>0.2</u>
TOTAL	100.0	100.0

Sources: US Department of Homeland Security  
Citizenship and Immigration Canada