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Immigration: Turning the Tide

About the Author

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Current immigration laws and policies are not serving the best economic interests of the United States. What changes in border and interior enforcement policies would help stem the flow of illegal immigrants? What reforms in U.S. immigration law would encourage more highly-skilled legal immigrants and increase the economic benefits of immigration for the American public?

The following is an updated excerpt of testimony by University of Illinois at Chicago Distinguished Professor of Economics Barry R. Chiswick at hearings before the United States Senate Committee on the Judiciary on April 25, 2006. The author's full remarks can be accessed at http://judiciary.senate.gov/testimony.cfm?id=1851&wit_id=5257.

By Barry R. Chiswick, Ph.D.

Conceptually, it is best to think in terms of two types of immigrants, which for simplicity we will call high-skilled and low-skilled, with the same two skill groups represented in the native-born population.

High-skilled immigrants will have some characteristics in common, without regard for their country of origin. They tend to have high levels of schooling, which means they tend to have a high degree of literacy, perhaps also numeracy, critical thinking or decision-making skills. Many, but not all, will have a high degree of scientific or technical knowledge, and in the modern era a high comfort level with computer technology. Many, but certainly not all, will either have a degree of proficiency in the destination language (in this case, English) or the ability to acquire proficiency in that language shortly after arrival. These are all characteristics that have been shown to improve the earnings of immigrants and to facilitate their economic adjustment in the host country.

Although particular individuals may differ, low-skilled immigrants generally have little formal schooling, limited literacy proficiency in their mother tongue (the language of their origin country), and limited

scientific and technical knowledge. These are characteristics associated with low earnings in the destination.

High-skilled and low-skilled immigrants will, in general, have different impacts on the host economy and labor market.

The result of high-skilled immigration tends to be an increase in the wages of low-skilled workers who are complements in production (and reduce their use of public income transfers) and a decrease in the wages of high-skilled natives who are substituted in production. This reduces income inequality, which we generally view as a good development. Like high-skilled natives, the taxes paid by high-skilled immigrants tend to be greater than the costs they impose on the public treasury through the income transfers they receive, the schooling received by their children, and the publicly subsidized medical care that they and their families receive. High-skilled immigrants are also more likely to bring with them the scientific, technical and innovative skills that expand the production capabilities of the economy. As a result, the population as a whole tends to benefit from high-skilled immigration, although with some benefiting more than others.

Now consider the impacts of low-skilled immigration. While these immigrants tend to raise the earnings of high-skilled workers, their presence in the labor market increases competition for low-skilled jobs, reducing the earnings of low-skilled native-born workers. This not only increases income inequality, which is rightly considered to be undesirable, it also increases the need among low-skilled natives for public assistance and transfer benefits. Because of their low earnings,



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Current law permits a ‘snowball effect’—1986 amnesty granted legal status to nearly three million low-skilled undocumented individuals, who in turn sponsored the immigration of millions more relatives.



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low-skilled immigrants also tend to pay less in taxes than they receive in public benefits, such as income transfers (e.g., the earned income tax credit, food stamps), public schooling for their children, and publicly provided medical services. Thus while the presence of low-skilled immigrant workers may raise the profits of their employers, they tend to have a negative effect on the well-being of the low-skilled native-born population, and on the native economy as a whole.

These points are not purely theoretical arguments. In the past two decades the real wages of low-skilled workers have remained stagnant even as the real earnings of high-skilled workers have risen. As a result, income inequality has increased. Several factors have been responsible for this development, but one of them has been the very large increase in low-skilled immigration.

The ‘Snowball Effect’ of Low-Skilled Immigrants

For various reasons, most individuals working in the United States in violation of immigration law are low-skilled workers. But most low-skilled workers are not “undocumented” aliens. Most low-skilled workers were born in the United States and hence are citizens by birth.

Current U.S. immigration law, however, encourages the legal immigration of low-skilled workers. This encouragement comes through the kinship preferences for various relatives built into our legal immigration system and to the smaller diversity visa program. Our immigration law permits a “snowball effect” where even immigrants granted a visa for the skills they bring to the U.S. labor market can sponsor low-skilled relatives who will then legally work in the U.S.

Of the 1.1 million people who received Permanent Resident Alien visas in 2005, 58 percent entered under one of the several kinship categories, 13 percent entered as refugees, asylees, or parolees, 4 percent entered under “diversity” visas, and 2 percent had a cancellation of deportation order. The 246,878 employment-based visas represented only 22 percent of the total. However, only about half of those who received an employment-based visa were themselves skill-tested, while the remainder of these visas was received by their spouses and children. Thus, only about 10 percent of the over one million visa recipients were asked a question about their skills.

The 1986 Immigration Reform and Control Act (IRCA) was sold to the

American public as having two major features—amnesty which was to “wipe the slate clean” of undocumented workers, and employer sanctions which was to “keep the slate clean”—along with some increased border enforcement of the immigration law. Employer sanctions were intended to cut off the “jobs magnet” that attracted undocumented workers to the United States. Half of the political bargain was fulfilled. Under its two major amnesty provisions legal status was granted to nearly 3 million undocumented individuals, nearly all of whom were low-skilled workers, and millions more have subsequently been able to immigrate as their relatives. It is noteworthy that while in 1986 the word “amnesty” was used outright, in the current political debate the “A” word is anathema to the proponents of what is euphemistically called “earned legalization.” This by itself is testimony to public perception of the failures of the 1986 Act.

Border & Interior Enforcement

Border enforcement, both at land borders and at airports, is a necessary element in the enforcement of immigration law. Border enforcement by itself has not, and will not work in controlling illegal entry of undocumented immigrants. If a potential immigrant is unsuccessful in penetrating the border on the first try, success may be had on the second or third try. This may be done by “entry without inspection” (i.e., sneaking across the border) or by using “fraudulent documents” at a border crossing point. Alternatively, a “visa abuser” enters into illegal status by violating a condition of a legally obtained visa—by working while on a tourist visa, for example, or by overstaying the time limit permitted on a temporary visa.

Thus, border enforcement must be complemented with “interior enforcement.” The 1986 Act focused on “employer sanctions,” penalties for employers who knowingly hire people who do not have the legal right to work in this country. There has, however, been no serious effort over the past two decades to enforce employer sanctions. Modern technology makes it easier to create fraudulent documents, but it also makes it easier to develop more stringent identity checks. There are two major failings in the current system. Employers are not given a “foolproof” mechanism to readily identify those with a legal right to work, and the Federal authorities show no interest in enforcing the law, except for an occasional “show raid.”

It is not obvious that new enforcement legislation (e.g., to criminalize an illegal status) is called for. What is obvious is that

illegal immigration can not be controlled without a political will to enforce current immigration law. This includes providing employers with a simple and “foolproof” mechanism for identifying workers with a legal right to work in the U.S., along with more stringent enforcement of employer sanctions.

Creating a Skills-Based Legal Immigration System

The current legal immigration system is not serving the best economic interests of the United States. Only a small percentage of the immigrants who enter the U.S. legally in any year (about 10 percent) are screened for their likely economic contribution to this economy. The vast majority enter under a nepotism system (the kinship preferences), with a smaller group entering under a lottery (diversity visas). To enhance the competitiveness of the U.S. economy in this increasingly globalized world, where efficient competitors are emerging across the world, the U.S. needs to change the basic immigration question from “To whom are you related?” to “What can you contribute to the U.S. economy?”

Other highly-developed democratic countries—Canada, Australia, New Zealand—introduced “skills-based” immigration policies several decades ago. More recently, some countries in Western Europe have done the same. Some, like Canada and Australia, use a “points system” in which points are awarded based on characteristics that research has shown to enhance the earnings of immigrants, such as age, schooling, technical training, and proficiency in the host country’s language. Those with more than the threshold number of points receive a visa for themselves, their spouse and their minor accompanying children. This shift in emphasis in the rationing of visas would increase the skill level of immigrants and provide greater economic benefits to the U.S. economy than the current system.

A points system has many advantages over the current targeted employment-based visas. Under the current system a complex and very expensive bureaucratic process is required for employers to demonstrate to the U.S. Department of Labor not only that the visa applicant is qualified for a specific job but also that there is no qualified person with a legal right to work in the U.S. who will take the job at “prevailing wages.” Even then, the worker who obtains a visa through this process is not obliged to remain on that job or with that employer.

Other proposals would use market

mechanisms to “close the gap” between the large demand for visas and the much smaller supply that the U.S. is willing to make available. One possibility would involve auctioning visas; another involves charging a large market-clearing “visa fee.” Among other advantages of these market mechanisms is that people in the U.S. can express their preferences for bringing relatives and friends by contributing to the price of their visa. Nor does there need to be only one mechanism—a skills-based system and a market-based system could both be used.

How Many Immigrants?

The optimal immigration policy is neither a completely open door nor a completely closed one. There is no magic number or proportion of the population. Currently, legal immigration is running at approximately one million immigrants per year. This is on a par with the peak period of immigration from 1905 to 1914, when immigration also averaged one million per year. Yet, relative to the size of the U.S. population, current legal immigration is about one-fourth of the ratio in this earlier period. There is no clear evidence that the U.S. has exceeded—or even reached—its absorptive capacity for immigration. The U.S. economy and society exhibits a remarkable adaptability to immigrants, and thus far immigrants continue to show considerable adaptability to the U.S. economy and society. This adaptability means that the U.S. economy can absorb a continuous stream of immigrants without fracturing the system.

The demand for visas to enter the U.S. is very strong and, if anything, it seems to be increasing. This is a credit to the U.S. economy, society, and political system. The number of visas the U.S. political process is willing to supply is not immutable. The greater the economic benefits of immigration, the larger the optimal number of visas and the greater the willingness of the American public to provide them.

A comprehensive immigration policy reform would reduce undocumented migration by more stringent enforcement of existing law. It should also include the adoption of a skill-based points system and/or market mechanisms to ration visas, while limiting kinship migration to the immediate relatives of U.S. citizens (spouse, minor children, aged parents). These policies would increase the benefits of immigration for the American public, providing economic incentives to increase the supply of visas and hence the annual total number of immigrants entering the country legally. ■



Border enforcement must be complemented with interior enforcement.



Employers need a simple, foolproof mechanism for identifying workers with a legal right to work in the U.S.



A skills-based points system, while simultaneously limiting kinship migration to immediate relatives of U.S. citizens, would increase the benefits of immigration for the American public.