



## Research

# Building a Pro-Growth Legal Immigration System

DOUGLAS HOLTZ-EAKIN, JACQUELINE VARAS | MAY 23, 2019

### Executive Summary

- The United States has a growth problem: Real gross domestic product per capita is only projected to grow at an average rate of 1.1 percent per year over the next 10 years, a significant decrease from the postwar average of 2.1 percent.
- Immigration can contribute powerfully to more rapid growth in total output and income, as well as productivity, income per capita, and the standard of living.
- We propose reforming the current U.S. visa-granting system so that it prioritizes economics - human capital, skills, and entrepreneurship. In the past, fewer than 15 percent of visas have been granted on an economic basis.

### 1. Introduction

The United States has a growth problem. Since World War II, growth has been relatively robust on average: The trend growth rate of postwar gross domestic product (GDP) per capita (a rough measure of the standard of living) has been about 2.1 percent - a rate at which an individual could expect the standard of living to double in 30 to 35 years. Put differently, during the course of one's working career, a worker's overall ability to support a family and pursue retirement would become twice as large.

The growth ahead, in contrast, looks much more tepid. The forecasted long-term real GDP growth rate in the most recent Congressional Budget Office projection is 1.9 percent.<sup>[i]</sup> Combining this rate with the projected population growth of 0.8 percent implies the trend growth in GDP per capita will average about 1.1 percent. At that pace of expansion, it will

take 65 years to double income per person. The American Dream is disappearing over the horizon.

More rapid growth is not an abstract goal; faster growth is essential to the well-being of American families.

The growth rate of GDP consists of two important pieces: (1) the growth rate of labor supply, and (2) the growth rate of output per worker, or productivity. Immigration can have powerful impacts on both. Immigration can raise the overall pace of population growth – indeed, in the absence of immigration, the current low birth rates mean that the U.S. population will shrink.<sup>[ii]</sup> And because foreign-born individuals tend to have higher rates of labor-force participation, immigration translates into an even more rapid pace of growth in the labor force than simple demographics would suggest. These factors mean that immigration accelerates overall GDP growth.

Immigration can affect productivity and the standard of living, as well. Immigrants have traditionally displayed an entrepreneurial bent, with rates of small business ownership above that of the native-born population.<sup>[iii]</sup> New entrepreneurial vigor offers the potential for productivity-enhancing innovations. In addition, to the extent that new innovation is “embodied” in new capital and consumer goods, more rapid economic growth *per se* means that more output will have these advances embedded within, and productivity per worker will rise.

It is an opportune time to revisit the foundations of the U.S. system of immigration. The policies setting immigration priorities of the United States have not fundamentally changed for over half a century, yet during that time U.S. demographics, the labor market, and the economy have evolved significantly. The last time the United States significantly changed its method for awarding visas was in 1965, when Congress passed the Immigration and Nationality Act (INA). This law changed the immigration system from one based on country of origin limits to one based on family reunification. Before 1965, the number of new immigrants from any given country could not exceed 2 percent of the corresponding foreign-born population living in the United States. The INA eliminated these restrictions, instead allocating three-fourths of new visas to the immediate family members of U.S. citizens. This change established the main priority of U.S. immigration policy: family reunification.

We propose an alternative focus for immigration policy: economic growth. There is a rising consensus that the United States needs an immigration policy designed to attract immigrants with the skills our economy demands. Now is the time to explore transforming the U.S. immigration system into a tool of economic growth.

The remainder is organized as follows. In Section 2 we view the current approach to immigration policy, while in Section 3 we contrast this approach with skills-based systems in other countries. Section 4 is a brief review of the research evidence on the links between immigration and economic performance. Section 5 contains our proposed reforms to the core visa-granting system and temporary worker programs.

## **2. The Current Legal U.S. Immigration System**

Immigration to the United States is possible through four main avenues: family sponsorship, employer sponsorship, asylee and refugee admission, and the diversity lottery. Of the 1.1 million green cards awarded in 2017, over 66 percent were secured through family sponsorship.<sup>[iv]</sup> The next-highest number of visas awarded were to asylum seekers and refugees (13 percent), followed by employer-sponsored immigrants (12 percent) and diversity immigrants (5 percent). Approximately 3 percent of visas are classified as “other,” which includes military interpreters, victims of violence, and other special categories of immigrant.

Approximately half of all green cards are issued to new arrivals, and the other half are issued to individuals already in the United States on temporary visas. Among economic immigrants, the easiest and most widely used path to permanent residency is to first obtain a temporary visa, such as an H-1B. Yet proportionally very few receive permanent residency for economic reasons: In 2017, only 4.2 percent of green cards issued to new entrants were for economic reasons.

Most receive permanent residency through family sponsorship. Family sponsorship is divided into several categories, but most immigrants through this avenue are the immediate relatives of U.S. citizens. There is no numerical limit on how many can receive green cards this way, but there generally are between 400,000 and 600,000 per year. This number includes the spouses, parents, and children (under age 21) of U.S. citizens. The remaining fall under the “family sponsored preferences” category, which is subject to a numerical cap of 226,000 per year. This category applies to the children over the age of 21 and siblings of U.S. citizens, as well as the spouses and children (of any age) of legal permanent residents.

Employer sponsorship is the third largest path to permanent immigration, behind family sponsorship and asylees and refugees. There are five main types of employment-based visas, with 40,000 visas allocated to each of the first three categories and 10,000 reserved for each of the last two. EB-1 immigrants are individuals with extraordinary ability, such as outstanding professors and researchers or multinational executives. EB-2 immigrants

consist of individuals with advanced degrees or individuals with exceptional ability or skills that would greatly benefit the United States, for instance in the arts, medicine, science, or athletics. EB-3 grantees can be either skilled or unskilled workers, with no more than 10,000 visas available to unskilled labor. EB-4 visas are awarded to a wide variety of “special immigrants,” including physicians, members of the armed forces, and religious workers. Finally, EB-5 visas are reserved for foreign investors that contribute at least \$500,000 to a new commercial enterprise in the United States, creating at least 10 new jobs.

It is worth noting that, for each employer-sponsored visa, spouses and minor children count toward the cap. As a result, of the almost 140,000 employment-based green cards granted in 2017, approximately 53 percent were issued to family members.[\[v\]](#)

Individuals that come to the United States on a temporary basis (“nonimmigrants”) make up by far the largest group of entrants. The U.S. government issues roughly 9 to 11 million nonimmigrant visas each year, the majority of which are for tourism purposes.[\[vi\]](#) Overall, there are 25 different categories of temporary visas available to foreign students, diplomats, temporary workers, tourists, athletes, and other foreign individuals.

The best-known employment-based temporary visas are the H-1B, H-2A, and H-2B. H-1B is a special class of temporary visa awarded to high-skilled foreign workers that allows individuals to work in the United States for three to six years. It is especially used by the information technology industry and companies in science, technology, engineering, and math (STEM) fields. 65,000 H-1B visas are available each year to foreign workers with at least a bachelor’s degree, and an additional 20,000 are allocated to noncitizens with advanced degrees from U.S. universities. Since this cap was lowered from 195,000 to 85,000 in 2004, U.S. demand for H-1B workers has far exceeded the supply of visas available. This year, over 200,000 H-1B petitions were filed by U.S. businesses during the five-day processing period.[\[vii\]](#)

Both the H-2A and H-2B programs enable low-skilled foreign workers to come to the United States for seasonal work. The H-2A program provides employers with a seasonal workforce in agriculture, while H-2B workers fill temporary or seasonal demand in areas such as landscaping, construction, and the restaurant industry. Both are renewable visas issued for a period of three years. There is no cap on the number of H-2A visas that may be issued, and H-2B visas are subject to an annual cap of 66,000. The U.S. government, however, provided an additional 15,000 H-2B visas to U.S. businesses for the past two years in a row after overwhelming demand from the business community.

### **3. International Comparison**

The highest priority of the U.S. immigration system, family reunification, differs significantly from the priorities of other developed nations. Two valuable examples are Australia and Canada. For a visual comparison, the chart below breaks down immigration flows to each nation based on category of admission. It is apparent that, compared to the United States, Australia and Canada give significantly more weight to employment-based reasons for immigration than family sponsorship.

This focus on economic-based immigration arguably gives Canada and Australia the ability to absorb a much higher number of new immigrants each year relative to their population size. In 2017, new immigrants to Australia represented 0.9 percent of the population and new immigrants to Canada numbered 0.8 percent. In contrast, the United States accepted 0.3 percent. Similarly, immigrants in both Australia and Canada make up 28.2 and 21.8 percent of the entire population, respectively, compared to 13.5 percent in the United States.

#### ***The Canadian System***

The current Canadian immigration system separates immigration flows into family, economic, and refugee/humanitarian pathways and uses different admissibility filters for applicants in each stream. Employment-based immigration is the most highly prioritized stream, making up 53 percent of permanent visas issued in 2016.<sup>[viii]</sup> To be admitted, prospective immigrants undergo an application process that rates an individual's skills on a point system and accepts them based on their potential to contribute to Canada's economic growth. Unlike in the United States, Canada prioritizes broadly valuable qualifications rather than pre-arranged job offers from Canadian companies. The Canadian government considers factors such as age, education level, language ability, and previous employment (both foreign and domestic) when making its determination. Applicants may also be directly nominated by Canadian territories if they agree to live there and have desirable skills, education, or work experience to contribute to the local economy.

Family-based immigration is the second largest stream (26 percent of total admissions), which allows Canadian citizens or permanent residents 18 years or older to sponsor their spouses, common-law partners, parents, grandparents, and minor children. The refugee and humanitarian stream is the smallest, making up 21 percent of total permanent admissions. Applicants who obtain refugee or protected status are typically either sponsored by the state or private families and organizations.

In 2016, Canada welcomed 296,346 new immigrants, and it plans to expand this number to

350,000 by the year 2021. Admission targets are updated regularly by the Canadian government via multi-year immigration plans. Of the 1.3 million new permanent residents that will enter between 2017 and 2021, nearly 60 percent will be through economic programs, one quarter through family sponsorships, and roughly 15 percent through humanitarian avenues.

### ***The Australian System***

Australia's immigration system is quite similar. Immigration flows are broken down into separate pathways based on family, economic, and humanitarian considerations. The economic stream is the most highly prioritized, constituting [56 percent](#) of total permanent residencies granted.<sup>[ix]</sup> The second largest stream is family immigration (27 percent of the total), which allows current Australian citizens or permanent residents to sponsor their partners, children, parents, and older dependent relatives for permanent residency visas. The smallest of the three streams is the humanitarian stream (17 percent), which grants residency to refugees, asylees, and protected peoples.

Applicants to the economic stream are filtered through a points-based test that is tailored to boost Australia's economy. One method of entry for skilled immigrants is to receive sponsorship by an Australian company. Alternatively, applicants must score high enough on the point test or have a verified investment plan. The points test is similar to Canada's, giving points for age, language skill, education, and employment history. Australia, however, gives more weight to current job offers and employer sponsorship. The Australian test is also unique in that it allocates extra points to applicants likely to live in a low population growth region. Furthermore, Australia offers a Temporary Skill Shortage visa, which requires employer sponsorship and allows foreign workers to fill labor shortages in Australia for a period of one to four years.

In 2016, Australia granted 225,941 new permanent residencies (0.9 percent of the population). This number is set by the Australian Department of Home Affairs, which creates an annual "migration program" designed to achieve a range of social and economic outcomes. While a new migration program is established each year, the overall number of admittances does not drastically vary.

## **4. Economic Impacts of Immigration: The Evidence**

For the purposes of this paper, we will focus primarily on legal permanent residents. While some disagreement exists, the overall consensus of academic literature is that immigrants fuel economic growth: By coming to live and work in the United States, these immigrants

increase consumption and thus demand for goods and services, generating a permanent increase in economic activity. To meet this additional demand, production must increase, which leads to job creation for both native- and foreign-born workers.

Immigrants also contribute to the economy by working. On average, foreign-born workers have higher labor-market participation rates (65.2 percent) than native-born workers (62.8 percent).[x] They are also disproportionately more likely to start their own businesses; nearly 20 percent of self-employed individuals in the United States are foreign-born, even though immigrants are 14 percent of the U.S. population.[xi] Furthermore, first- or second-generation immigrants have founded over 40 percent of Fortune 500 companies, and over 50 percent of Fortune 500 technology companies.[xii]

In addition, immigrant workers spur productivity gains in the economy. A study from the National Bureau of Economic Research found that immigrants have different skill sets and preferences than U.S.-born workers, leading them to specialize in different types of jobs.[xiii] It finds no evidence that foreign-born workers crowd out employment for natives. Instead, “immigrants gravitate toward manually-intensive jobs, promoting competition and pushing natives to perform communication-intensive tasks more efficiently.” This boost to productivity translates to wage gains for all: For every 1 percent increase in employment per state, there is a 0.5 percent increase in income per worker.

Other studies have examined the impact of immigrant workers on overall economic growth. Researchers at Citi GPS find that U.S. economic growth between 1990 and 2016 would have been approximately 15 percentage points lower in the absence of immigration because immigrants improve both the quantity and quality of labor.[xiv] They also find that increases in skilled migration to the United States is positively associated with increases in both investment and capital per worker, and that immigration has positive spillover effects for the native population. Specifically, for every percentage point increase in the share of immigrants in the population aged 11-64, there is a 0.3 percentage point increase in the probability that native-born individuals will complete 12 years of schooling. They note, however, that the growth effects of immigration are usually a function of migrant age and especially concentrated among working-age immigrants. Therefore, the positive impact of working-age immigrants should be expected to grow as the U.S. population ages.

Immigration is more than a tool for economic growth: It is an instrument to prevent economic decline. Without immigration, an aging population coupled with low birth rates would cause the U.S. population, and therefore the U.S. labor force, to shrink. Birth rates in the United States have been below the replacement rate, the rate at which a generation can exactly replace itself, since 1971. Moreover, the fertility rate in the United States has been decreasing since 2007.<sup>[xv]</sup> The only mothers in the United States with birth rates above

replacement level are Hispanic and Pacific Islanders.<sup>[xvi]</sup>

The contribution of immigration to faster labor force growth has a feedback effect on productivity. Research suggests that innovation is at least in part embodied into the quality of consumer and, especially, capital goods.<sup>[xvii]</sup> To the extent this is true, productivity will be higher as the opportunities for this embodiment to take place are greater.<sup>[xviii]</sup> In particular, at higher rates of *overall* GDP growth stimulated by more rapid labor supply growth, there will be greater replacement of existing capital goods and investment in new capital goods, leading to higher productivity growth. As much as 20 percent of productivity growth may be accounted for by this effect.<sup>[xix]</sup>

To close the circle, more rapid overall population growth would generate more rapid GDP growth, which would in turn raise productivity growth. The latter raises GDP per capita, or the standard of living.

Because of both demographic considerations in the United States and the proven economic benefit of immigrant workers, research is starting to examine the implications of shifting U.S. immigration policy toward an economic-based system. Andri Chassambouilli and Giovanni Peri find that, while both employment- and family-based immigration generate large surpluses for U.S. firms (employment because of increased productivity, family because they are paid lower wages relative to natives) and thus job creation for natives, changing the overall composition of immigrants would have significant impacts.<sup>[xx]</sup> In one scenario, decreasing family-based immigration by 10 percent and replacing it with employment-based immigration, while keeping total immigration levels constant, would decrease the unemployment rate for U.S.-born skilled workers by 1.1 percent and unskilled workers by 0.2 percent. Shifting 50 percent of family-based immigration to employment would intensify this effect, decreasing the native unskilled unemployment rate by 1.9 percent and the skilled unemployment rate by 5.2 percent. In both scenarios, increased labor market efficiency and economic growth would raise net income for native workers.

It is also important to examine the common economic criticisms of immigration. The first has to do with immigrants' impact on the wages of native workers. Some studies have found that lower-skilled immigration can have a negative impact on the wages of low-skilled immigrants already here as well as U.S.-born workers with less than a high school education, both of whom are in the most direct labor market competition with new immigrants. The vast majority of research concludes, however, that immigrants have at most a modest impact, whether positive or negative, on native wages.

Other critics point to the fiscal impacts of immigration, suggesting that immigrants' use of public benefits is a fiscal drain on the economy. Yet these impacts are usually reversed by

later generations. For instance, an exhaustive report from the National Academy of Sciences, Engineering, and Medicine finds that first-generation immigrants are more costly to state and local governments than native-born individuals, mainly due to the high costs of educating their children.<sup>[xxi]</sup> They have the opposite impact later in life, however, when native-born individuals make greater use of Social Security benefits than immigrants. Furthermore, second-generation immigrants are “among the strongest economic and fiscal contributors in the U.S. population, contributing more in taxes than either their parents or the rest of the native-born population.”

## **5. A New Approach for the United States**

The United States is currently enjoying a period of economic expansion. Annual economic growth has reached 3 percent, wage growth is accelerating, and the unemployment rate is the lowest in almost 50 years – even lower than most estimates of the natural rate. Yet low productivity growth remains the largest challenge to long-term economic momentum. Several factors have contributed to the productivity slowdown: skilled baby boomers aging out of the workforce, a trend of decreasing labor-force participation rates for prime-age males, and subpar capital accumulation since the depths of the Great Recession. Immigrants, with higher labor-force participation rates on average, needed skills, and a propensity for entrepreneurship, can be a valuable resource for solving the productivity puzzle.

We propose a two-part reform to the U.S. system of granting permanent visas, centered on credentials for education and skills and on proven work histories in the temporary visa program.

In doing so, we consciously abstract from a number of issues. We recognize that Congress may wish to continue targeted programs for family reunification (we address families in more detail below), asylees, and refugees. Our view, however, is that the vast majority of permanent visas should be granted based on economic criteria. Similarly, Congress will have to come to grips with a transition strategy for those here illegally and the DACA (Deferred Action for Childhood Arrivals) population; that strategy is beyond the scope of this paper.

The basic notion is quite simple. We employ a point system to identify highly educated, highly skilled, and entrepreneurial workers. Those with sufficient points are admitted. Of course, not all jobs require a high level of skill or education, and those with less in the way of demonstrable skills can make a valuable economic contribution, especially in sectors such

as agriculture and construction. The latter are eligible for admission to a temporary worker program, and those demonstrating sustained labor-market success may transfer to the permanent visa program. As with the current system, individuals granted permanent residency would be eligible to apply for citizenship after five years in the United States.

There are two notable features to the design of our proposed immigration system. First, there is no explicit cap on immigration. Currently, the number of immigrants allowed entry into the United States each year is dictated by immigration limits set by Congress. These caps are largely arbitrary, and each year the business community's demand for labor significantly exceeds the supply of visas available. This gap is rising as U.S. unemployment plunges. This dynamic can easily be seen by examining demand for H-1B visas, which is widely utilized as a dual-intent visa by foreign students and other nonimmigrants hoping to transition to employment-based green cards. Over the past five years, U.S. businesses have filed on average 212,000 H-1B petitions in just five days, far exceeding the cap of 85,000.<sup>[xxii]</sup> Similarly, employer-filed petitions for green cards have more than doubled since 2013.<sup>[xxiii]</sup>

Caps on both the total number of employment-based visas that can be issued in each category and the total number of immigrants from each country have resulted in a significant backlog: over 120,000 applicants are waiting due to category limits (this only includes new immigrants, not those already here seeking permanent residency) and nearly 400,000 due to per-country caps.<sup>[xxiv]</sup> These are qualified applicants that desire to contribute to the U.S. economy but are unable to do so under current law. Therefore, instead of asking Congress to speculate about economic demands by setting caps that limit potential U.S. human capital, we propose that the level of immigration should be equal to the number of qualified applicants seeking entry.

Without explicit caps, it is impossible to estimate how many individuals would seek entry under our proposed design. An obvious result is that immigration levels will likely rise. Imposing a minimum points threshold will ensure that each new immigrant is qualified and desirable. Furthermore, because immigration levels will be set by the demand of individuals seeking entry, immigration levels will be responsive to market conditions. The 2007-08 global financial crisis is illustrative of this dynamic: After 2007, the annual number of unauthorized arrivals from Mexico dropped from 424,000 to just 174,000, and the total undocumented population in the United States declined.<sup>[xxv]</sup> Employment-based immigration was also impacted, and the number of applications for employment-based green cards fell by more than 50 percent between 2007 and 2008.<sup>[xxvi]</sup> The responsiveness of immigration to economic conditions is a global phenomenon that should not be expected to change.

We recognize that this proposal is a dramatic and controversial change from the status quo,

and that Congress may choose to impose caps to backstop this proposed system. In moving toward an explicit evaluation of economic contribution, however, the system will identify the *right* individuals to admit, which is much more important than trying to find the *right number*.

For families, our proposal is simple. Spouses and children under age 18 of qualified applicants or U.S. citizens would automatically be offered admission. We further recognize the role of humanitarian efforts in immigration policy and agree that there should be a place for refugees, asylum seekers, and victims of violence within the U.S. immigration system, but we do not attempt to define that role.

## 5.1 Point System Design

In order to qualify for a permanent immigration visa, an applicant would need to accumulate 70 points. We propose the following categories and accompanying points:

- **English proficiency:** Applicants could receive 20 points for demonstrating English language proficiency, which is evaluated through a Test of English as a Foreign Language (TOEFL) score.
- **Education:** Applicants would be awarded a maximum of 40 points based on education, with up to 25 points being awarded for formal educational attainment and an additional 15 points awarded to individuals with degrees from U.S. institutions. Given the link between education and productivity, valuing education helps ensure that highly skilled, highly productive workers are given preference. (Additional guidelines would have to be established for various professional degrees.)
  - Associate's degree - 5
  - Bachelor's degree - 15
  - Master's degree - 20
  - Doctorate degree - 25
- **Age:** Applicants would be awarded higher points for being of prime working age, with a maximum of 15 points awarded based on age. Younger applicants benefit the U.S. economy, as they tend to have higher rates of labor-force participation, are a net benefit in terms of government spending, and can offset the aging of the U.S. population.
  - Under 19 - 0
  - Ages 19-44 - 15

- Ages 45-64 - 10
- Ages 65+ - 0
- **Employment experience:** A maximum of 25 points would be awarded for employment experience. This category is intended to identify applicants who can readily transition to the U.S. labor market in a productive way.
  - 1-3 years - 5
  - 4-8 years - 10
  - 9-15 years - 15
  - 16-20 years - 20
  - 21+ years - 25
- **Entrepreneurship potential:** Applicants can receive a maximum of 15 points for entrepreneurship potential. This potential is based on the Department of Homeland Security International Entrepreneur Rule.<sup>[xxvii]</sup> Under this rule, immigrants must demonstrate that they:
  - Possess a substantial ownership interest in a start-up entity created within the past five years in the United States that has substantial potential for rapid growth and job creation;
  - Have a central and active role in the start-up entity such that they are well-positioned to substantially assist with the growth and success of the business;
  - Will provide a significant public benefit to the United States based on their role as an entrepreneur of the start-up entity by showing that:
    - The start-up entity has received a significant investment of capital from certain qualified U.S. investors with established records of successful investments;
    - The start-up entity has received significant awards or grants for economic development, research and development, or job creation (or other types of grants or awards typically given to start-up entities) from federal, state, or local government entities that regularly provide such awards or grants to start-up entities; or
  - They partially meet either or both of the previous two requirements and provide additional reliable and compelling evidence of the start-up entity's substantial potential for rapid growth and job creation.
- **High-demand occupation:** This category would receive 10 points. Applicants would

be awarded points if they possessed experience or a valid job offer in occupations identified as “high-demand” by the Department of Labor (DOL). This category is designed to fill skill shortages in the United States, and the high-demand designation would be re-evaluated on an annual basis.

- **Local economic preference:** The governor of any state could augment the score of an applicant by 10 points if they possessed experience in occupations of particular local importance. Governors’ designations would be re-evaluated on an annual basis. In order to qualify for these points, applicants would need to agree to live in the state for two to three years. They would have full labor mobility, however, giving them the freedom to move between jobs.
- **Family relationships:** Applicants would be awarded 10 points for certain family relationships. Specifically, they must be a brother or sister, parent, or child over the age of 21 of a U.S. citizen or legal permanent resident already residing in the United States. This category is designed to benefit individuals that would currently qualify for family-sponsored preferences.
- **Graduate of temporary work visa:** As described below, workers could enter the United States using a three-year temporary visa that would accommodate both seasonal work and temporary employment in the United States. After completing the temporary visa and one renewal (a total of six years), workers could apply for permanent status. Graduates of the temporary visa would receive an additional 30 points towards their application.

Each applicant under the points-based system would be evaluated and assigned a numerical score. Permanent visas would then be offered to applicants that exceed the threshold of 70 points.

## 5.2 Temporary Legal Immigration

The points-based system described above is designed to identify individuals with either high levels of human capital or who are already likely to be well positioned to assimilate successfully into the United States. Nevertheless, workers with lesser - or less easily identified - levels of skill are also extremely valuable to the United States. In addition, there is the need to accommodate seasonal or temporary work opportunities.

We propose eliminating the complex current system in favor of more flexible visas for temporary workers. This idea is not new. In 1942, the United States entered into an agreement with Mexico establishing the Bracero Program - a guest worker program

enabling an unrestricted number of Mexican migrants to work temporarily on American farms in order to fill labor shortages caused by World War II. In January 2004, President Bush proposed a large-scale guest worker program for undocumented immigrants to work legally in the United States on a temporary basis. In 2010, the bipartisan immigration reform effort that passed the Senate included both an increase in the number of allowable H-2B visas, in addition to the creation of a new “W visa” for guest workers. The W visa would permit 300,000 immigrants to work temporarily in the United States on three-year renewable visas.

Our temporary visa is available to workers seeking temporary or seasonal work, or who otherwise want to work in low-skilled occupations. Applicants are not required to specify how long they plan to work, or whether they will eventually seek permanent resident status. Workers on the temporary visa are allowed to switch between employers but must remain continuously employed in a formal job. Determinations of “continuous employment” will be made by the DOL. We do not, however, want to punish those in the temporary visa program for involuntary job separations. Therefore, we envision a grace period for individuals laid off but looking for new employment.

We envision the temporary program providing an important screening mechanism for those who want permanent residency or citizenship. As noted above, workers who graduate receive substantial preference in the points-based system. Thus, broadly speaking, working-age applicants for permanent residence status could be granted a visa either for exhibiting a high level of human capital or by successfully completing the temporary visa.

### **5.3 Discussion**

This system is designed to target foreign individuals with specific, desirable qualities. Heavy preference is given to individuals with significant work experience and educational attainment, as well as those with English-language ability. Extra points are available to applicants qualified to fill current labor market needs – either nationally in high-demand occupations or locally as dictated by state governors – and to entrepreneurs. For those without enough points to qualify through the points system, the temporary track provides an opportunity for applicants to demonstrate their value to the labor market and earn the points over time.

Several different types of individuals would be granted entry under this new system. One example are graduates of a U.S. master’s program, assuming they have English language ability. For graduates with bachelor’s degrees, additional “bonus points” would be required.

These could include years of work experience, local preference, or entry into a high-demand occupation.

Another type of desirable individual is one that does not necessarily have a U.S. degree but possesses significant previous work experience, conditional on their English-language ability. For those with less work experience, additional points are available for family relations or experience with high-demand occupations.

Graduates of the temporary work program would be heavily favored under this design - access is available to individuals with enough work experience or English-language ability, regardless of their educational attainment. For example, consider an individual with no formal higher education, but who learned English through her time spent in the temporary worker program. Alternatively, an individual would be able to gain entry without learning English if he had 20 years of work experience, graduated the temporary program, and had experience in a high-demand or local preference occupation.

Finally, family relationships are honored under the points design. One important distinction between this proposal and the current system, however, is that family relationships do not guarantee entry - individuals must possess additional desirable characteristics to qualify for residency.

## **6. Conclusion**

Immigration has always been a part of the fabric of the United States, but policymakers have not traditionally viewed it as a vehicle of economic growth. This is a missed opportunity. In reality, immigration is a vital tool that, if used correctly, can advance entrepreneurship, inspire productivity gains, fill skills gaps, and combat labor-market decline. We propose an economics-based legal immigration system that would fully take advantage of immigration's potential contribution to economic growth while respecting the importance of family ties. We also recognize the vital role of temporary immigration, especially for lower-skilled migrants, but argue that all temporary immigrants should be given a clear path to permanent residency after demonstrating that they can contribute to the U.S. economy. Furthermore, we outline a points system that sets the standards for desirable immigrants based on criteria that are proven to advance productivity. By focusing on the qualities of the individual over the number of immigrants admitted, our proposed system has the potential to be a powerful force for economic growth - something the United States desperately needs.

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