

Immigration and Competitiveness
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U.S. Immigration Reform in a New Era of Globalization

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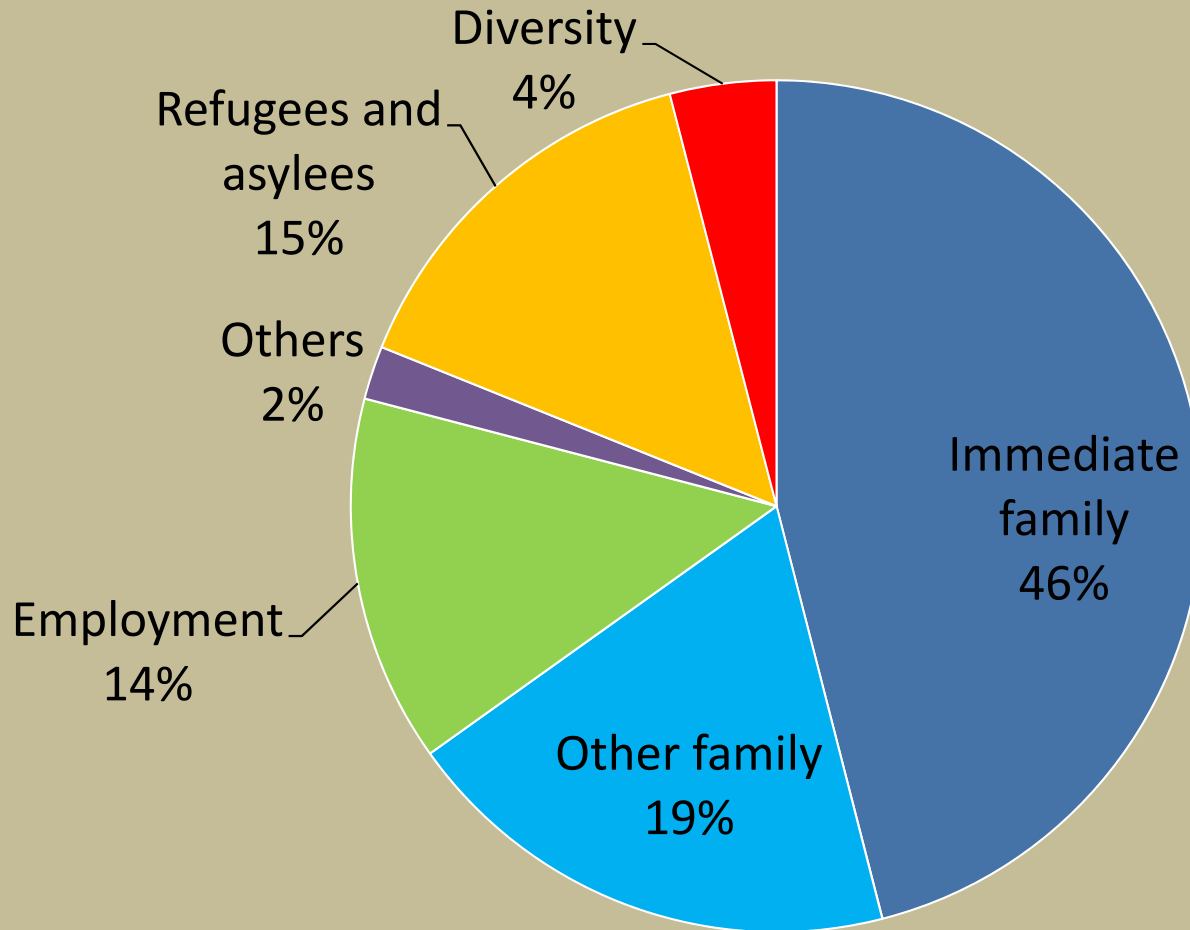
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Disclaimer: Views expressed are those of the presenter and not those of the Federal Reserve Bank of Dallas or Federal Reserve System.

What should be the objective of immigration policy?

- Political science
 - “National interest”
 - Security
 - Humanitarian
 - Diplomacy
 - Economy
- Current law: Family reunification

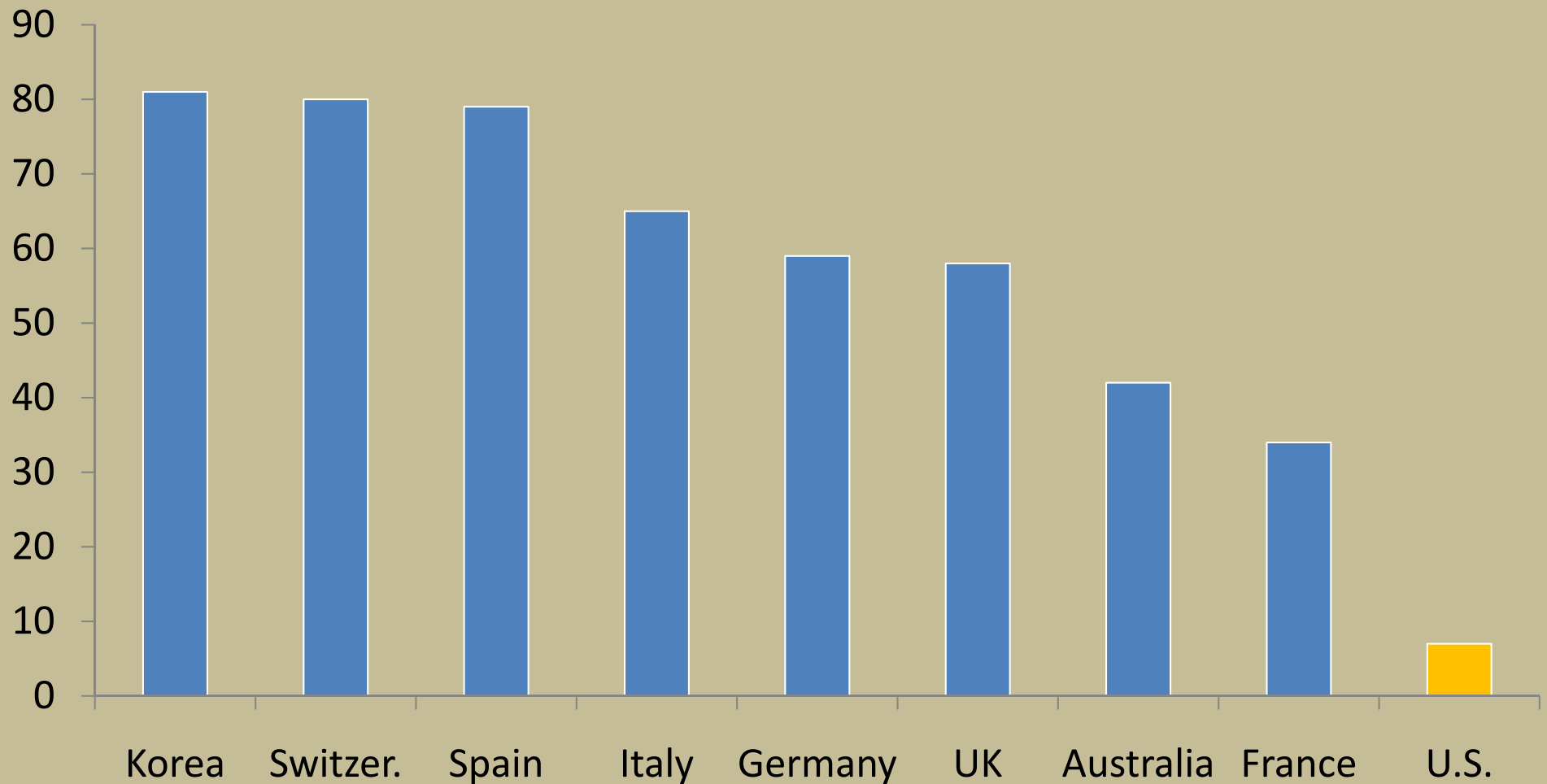
In the U.S., green cards go to family, not work-based immigrants



Note: Data represent FY 2006-2010 averages
Source: DHS, 2010 Yearbook of Immigrant Statistics

U.S. an outlier in small share of permanent work-based immigration

Percent



Source: OECD

How to make U.S. immigration policy more competitive

- Composition
 - Who immigrates
- Mechanism
 - How they immigrate

Problem with current law

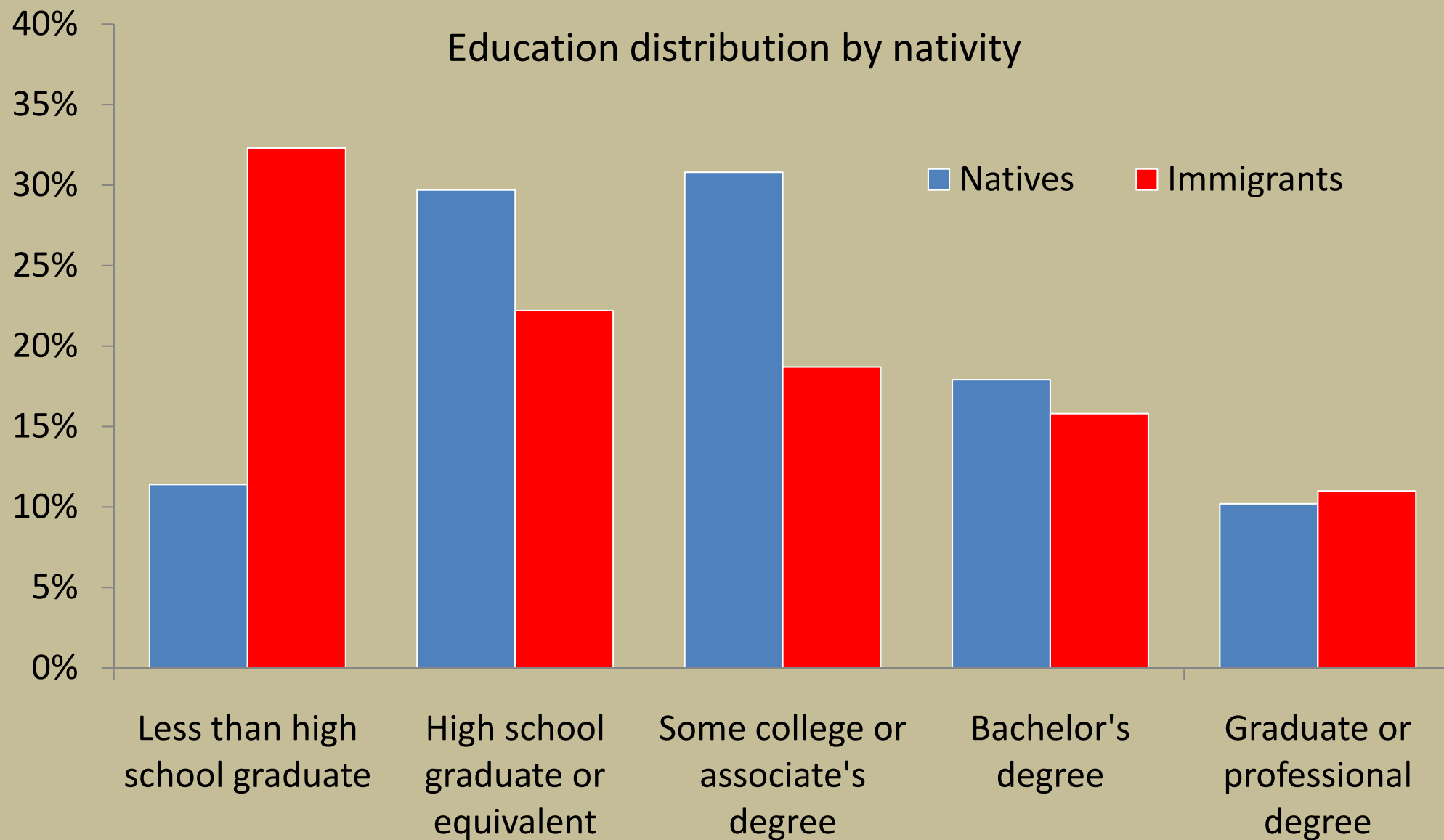
COMPOSITION



Problems with current law: Composition

- Legal immigration selection rules
 - Not skill based: Family ties, hardship, diversity
 - Skill based: Workers
- Process excludes nearly 1/3 immigrants
 - 11 million unauthorized immigrants in 2010

In practice, current policies restrict high-skilled immigration more than low-skilled



Source: 2009 American Community Survey

Problem with current law

MECHANISM

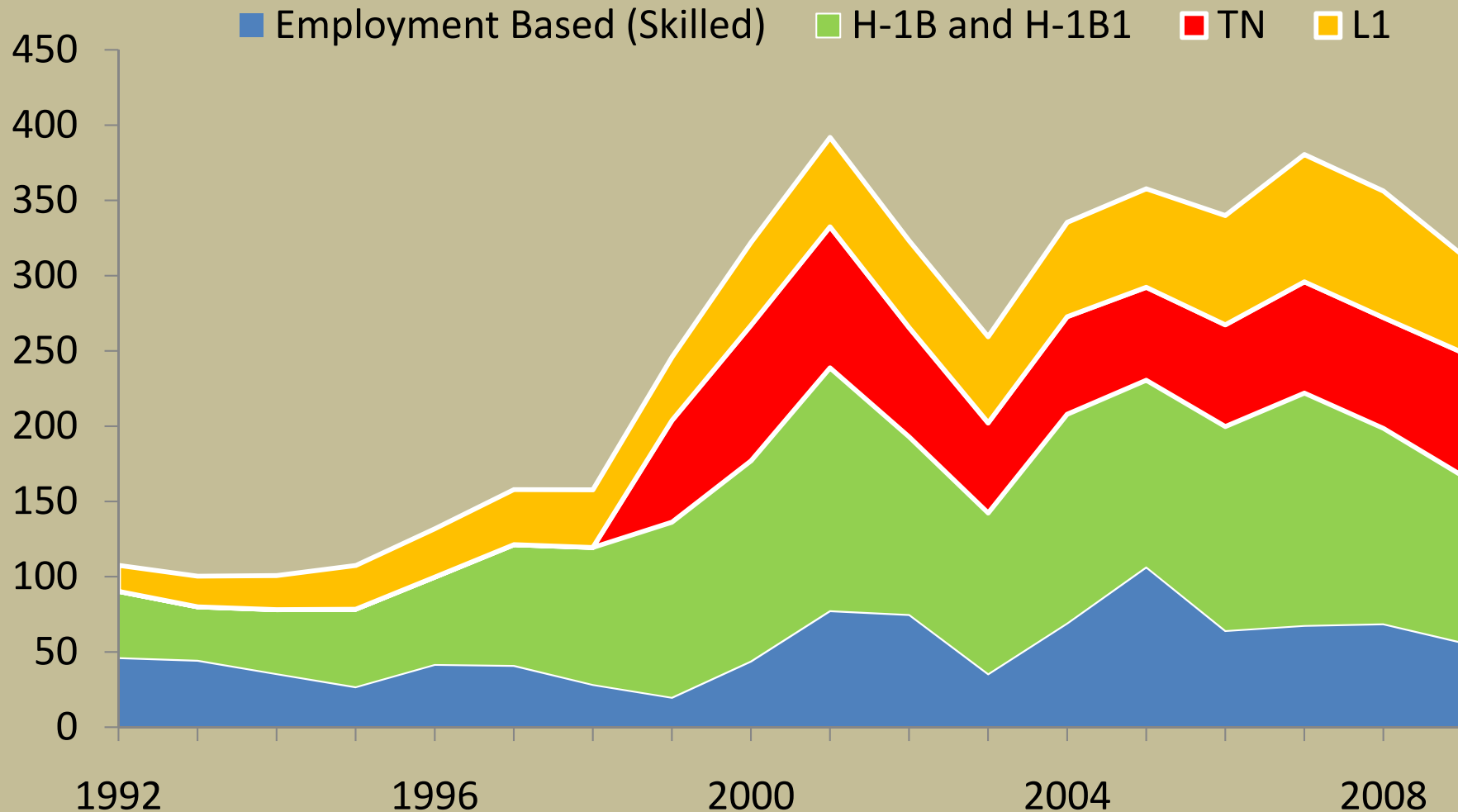


Problems with current law: Mechanism

- Up or out: the green card and permanent residence
- Visas limited by outdated quotas or onerous rules
- Quotas fixed: no allowance for trend growth, business cycle
- Visa allocation: first-come, first-served (queuing)

Most skilled workers use temporary visas

Thousands



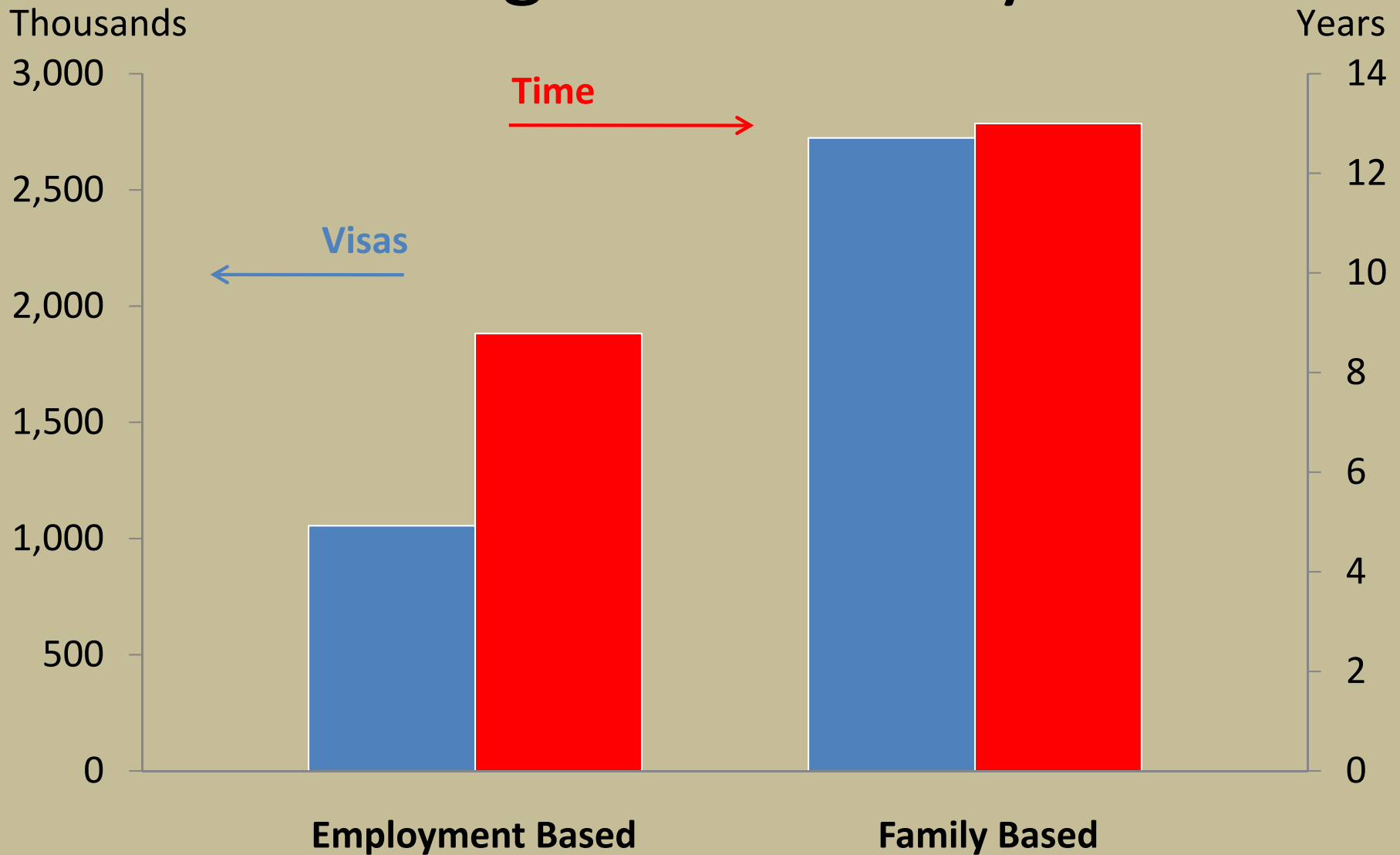
Note: Data from 1992 to 2009

Source: Statistical Yearbook of the INS; DHS Yearbook of Immigration Statistics;
Visa office of the State Department

A key take-away

- Worker inflows are not through green card program
- Temporary visa programs expanded
- Green card quotas fixed
- Result: Disparate numerical limits are generating unprecedented queues

Green card queues spell a decade-long wait in many cases



Source: State Department Visa Bulletin, March 2009; Wadhwa et al. 2007, Ewing Marion Kaufmann Foundation; Authors' own estimates

A Proposed Solution

MARKET-BASED IMMIGRATION REFORM



A Reform Proposal: Goals

- Broad goals
 - More selective
 - Efficiency, transparency, legality
- Specific objectives
 - Prioritize employment-based immigration
 - Set flexible caps that grow with economy
 - Encourage short-term migration
 - End queuing
 - Curtail unauthorized immigration

Market-based immigration reform

- Foreign workers: 5-year provisional work visa
 - Renewable, portable
 - Eventual permanent residence
- Employers: buy permits to hire foreign workers
 - Permits are sold in an auction
 - Resale market in permits
 - 3 types: high-skilled, low-skilled and seasonal

Details of market-based reform

- Government: holds regular auctions
 - Determine number of permits, reserve price
- Number of permits? Recent annual inflows of adult workers
 - 152,000 LPRs are newly arrived adult workers
 - 300,000 skilled temporary workers (H-1B, others)
 - 120,000 low-skilled workers (H-2A, H-2B)
 - 250,000 unauthorized immigrant workers
 - Total = 820,000

System would evolve over time

- Shift toward higher share high-skilled permits
- Number of new permits rises or falls with demand
- Revenues from auctions used for natives' training, immigrant-intensive communities

Family Reunification, Legalization

- Limited family reunification
 - Spouses and minor children only
- Earned legalization
- Employer verification
 - Biometric ID cards for immigrants, natives

Conclusion

- Benefits of market-based immigration reform
 - Flexible: fluctuates with labor demand
 - Selective: employment-based, more high-skilled
 - Efficient: ends queuing
 - Generates revenue
- “Win-win”
 - Immigration system more in line with national interest, long-run growth and global competitiveness

