EXECUTIVE SUMMARY

One question that recently received heightened attention from lawmakers is whether or not immigrants should be admitted to the United States less on the basis of family ties and more on the basis of the skills they can contribute to the U.S. economy. Today, the most common way permanent immigrants enter the United States legally is through sponsorship by a family member already in the country. By contrast, nations such as Canada, Australia, and the United Kingdom admit immigrants primarily for employment reasons, based on a point system. Points are assigned on the basis of educational level, professional skills, proficiency in the host country’s language, and other qualities that increase immigrants’ likelihood of integrating into the host country’s labor market. Policymakers should investigate how a similar policy might work in the United States. Although some of the practices associated with a point-based immigration system might benefit the U.S. economy, policymakers should be careful not to assume that such a system would be a panacea for the widespread dysfunction of U.S. immigration policies.

Among the findings of this report:

- Given the realities of immigration to the United States today, the government would face several challenges to implementing a system that selects most immigrants based on their skills, because a point system would multiply the paperwork and bureaucracy. The waiting times for immigrants wanting to join family would grow even longer as consideration of their applications was delayed in favor of immigrants with skills the nation desires.

- A point system favoring high-skilled workers would not meet the demand for less-skilled workers in industries such as agriculture, construction, and services, especially as more native-born workers earn college degrees, and as the U.S. population ages and the pool of native workers shrinks.

- U.S. businesses might suffer under a skill-based point system that reduces the flexibility of the labor market. Instead of employers directly recruiting the immigrants they need, the government would take on the responsibility of filling labor gaps and determining the skills of immigrants entering the labor force. The danger in this is that short-term labor shortages could take priority over building longer-term economic stability and growth.

- Canada’s experimentation with its immigration system provides a valuable lesson for U.S. policymakers in considering if and how such a system could be implemented in the United States. Its experience indicates that any point system should not replace other systems, but rather serve as a complement to them.

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INTRODUCTION

A after a summer of unrelenting battle over immigration reform, the new 110th Congress is poised to revisit the issue. Although it remains uncertain if legislators will reach a consensus on a comprehensive reform bill, there is one issue that has not lost steam: border control. However, with their attention focused on security, policymakers and the public risk losing sight of other important aspects of immigration policy. One question that recently received heightened attention from lawmakers is whether or not immigrants should be admitted to the United States less on the basis of family ties and more on the basis of the skills they can contribute to the U.S. economy.

In a September 14, 2006 hearing of the Senate Committee on Health, Education, Labor and Pensions, Senator Jeff Sessions (R-AL) argued that the current U.S. immigration system is flawed, because it does not select immigrants who will be most beneficial to the U.S. economy. Visa decisions, he insisted, should be based on immigrants’ employment qualifications and potential contributions to the nation.1 Today, the most common way permanent immigrants enter the United States legally is through sponsorship by a family member already in the country.

By contrast, nations such as Canada, Australia, and the United Kingdom admit immigrants primarily to work. Most immigrants who apply to enter these countries to work must meet a minimum overall point requirement in order to receive authorization to enter the country. Points are assigned on the basis of educational level, professional skills, proficiency in the host country’s language, and other qualities that increase immigrants’ likelihood of integrating into the host country’s labor market. Policymakers should investigate how a similar policy might work in the United States.

FAMILY-BASED VS. EMPLOYMENT-BASED IMMIGRATION TO THE UNITED STATES

T he promotion of skill-based immigration to the United States is not new. In fact, selective immigration has existed since 1952, when the government created the H-1 visa program for skilled temporary workers.2 It was not until the passage of the Immigration Act in 1990 that the government defined specific categories of temporary workers, placing particular emphasis on technological, research, and scientific skills—a policy that the federal government hoped would help the United States maintain its international competitive edge.3 Today, approximately 86 percent of permanent employment visas are reserved for immigrants who are highly skilled or hold advanced degrees.4 The government also makes it relatively easy for temporary high-skilled workers on H1-B visas to adjust their status to permanent residence.5

Despite the push to attract more highly skilled immigrants, the majority (66 percent) of legal immigrants

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still come to the United States to join family members.\textsuperscript{6} This policy of favoring family immigration has existed since 1965, when the long-standing practice of admitting immigrants based on national origins was replaced by a preference system for family members of U.S. citizens and permanent residents, as well as for immigrants with particular job skills needed by the United States.

Today, the government allocates 480,000 visas each year to family-sponsored immigrants and 140,000 visas to immigrants entering for work. The number of humanitarian visas given out each year varies, but in recent years, it has fallen to between 50,000 and 60,000. Another 50,000 or so “diversity lottery” visas are available to applicants from countries that are not the main source countries of immigration to the United States.\textsuperscript{7} For employment visas, the government leaves it up to employers to choose and sponsor immigrants. However, it also creates barriers to immigration by setting quotas for the number of immigrants admitted in each job category and limiting the number of immigrants coming from each country.

Given the realities of immigration to the United States today, the government would face several challenges to implementing a system that selects most immigrants based on their skills. First, a point system, at least initially, would multiply the paperwork and bureaucracy that already plagues U.S. Citizenship and Immigration Services. Second, the waiting times for immigrants wanting to join family in the United States (now as long as 23 years for some\textsuperscript{8}) would grow even longer as consideration of their applications was delayed in favor of immigrants with skills the nation desires. Finally, a point system favoring high-skilled workers would not meet the demand for less-skilled workers in industries such as agriculture, construction, and services.

As the native-born labor force becomes older and better educated, there is a growing need for workers to fill less-skilled jobs. With the population over 65 years of age expected to double between 2010 and 2030, the United States will demand more and more workers to fill jobs in health care and hospitality services.\textsuperscript{9} Still, some policymakers argue that the adoption of a skill-based immigration system would be well worth the effort. Indeed, many studies have shown that skilled immigrants not only contribute significantly to the development of the U.S. economy, but also integrate better into U.S. society and use fewer welfare and social services than less-skilled immigrants.\textsuperscript{10}

\section*{Skill-Based Systems in Other Countries}

There are four countries in particular with well-established point systems: Canada, the United Kingdom, Australia, and New Zealand (Figure 1). Canada has perhaps the most experience with the system and, like the United States, is one of the major immigrant-receiving countries in the world, making it an important case study for U.S. policymakers. Canada has three categories of immigration: economic, family, and humanitarian. Since 1967, Canada has admitted economic immigrants under a point system

\begin{enumerate}
\item Organization for Economic Co-operation and Development (OECD), \textit{International Migration Outlook, SOPEMI 2006 edition}, p. 35.
\end{enumerate}
that gives weight to factors such as age, education, work experience, labor-market demand, and language skills.

What began as a mechanism to fill short-term labor shortages was replaced in the 1980s by a system focused on long-term economic growth. Instead of choosing immigrants solely to fill labor-market gaps, the government now chooses immigrants based on their “human capital,” or the skills and abilities they possess that facilitate their integration into the host economy and society. In 1980, 35 percent of immigrants were admitted under the point system. In 2000, point system admittances increased to 60 percent, while the remaining 40 percent were admitted for family or humanitarian reasons. Thus, Canada has expanded the program considerably in the hopes that this longer-term perspective on immigration will lead to greater economic prosperity and social cohesion.

According to economist Charles M. Beach, the point system is a useful policy tool for Canada, and potentially for the United States as well. In a 2006 study, Beach and his co-authors found that the outcome of the Canadian point system is usually in line with what the government intended. For example, when the Canadian government gave more weight to immigrants’ education level in the 1990s, the result was an overall increase in the level of education of incoming immigrants. The portion of immigrants with a college degree or more education jumped from 14 percent in 1990 to 34 percent in 2000.

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Beach also concluded that a point system focused on long-term economic growth can reduce the bureaucracy of a system based on short-term labor needs. Often, the time it takes for the government to evaluate labor-market needs and pass visa requests on to immigration offices abroad is too long to meet the demands of the constantly-changing labor market.\(^{12}\)

Canada’s experimentation with its immigration system provides a valuable lesson for U.S. policymakers in considering if and how such a system could be implemented in the United States. Beach advises the U.S. government to be cautious since a point system should be transparent and not have too many criteria. A point system should take into account all actors, particularly local labor markets and the family members of immigrant workers. Most importantly, Beach argues, a point system should not replace other systems, but rather serve as a complement to them.\(^{13}\)

**THE IMPACT OF HIGH-SKILLED AND LESS-SKILLED IMMIGRATION ON THE U.S. ECONOMY**

There is little evidence that the U.S. economy overall has suffered from immigration. In fact, immigrants play a key role in making the United States a world leader in job creation. From 1994 to 2004, net job creation totaled 15.7 million jobs, of which over half (9.3 million) are held by the foreign-born even as unemployment rates among natives remain low.\(^{14}\) In addition, immigrants also contribute to the development and diversity of the national economy through entrepreneurship, network-building, and facilitating trade with other countries.\(^{15}\)

However, there is on-going debate among economists as to the impact of immigration on the wages of native-born workers. Some, such as George Borjas, contend that immigrants compete with native workers within a particular job sector and, therefore, reduce wages for native workers in that sector. The assumption is that immigrants will work for lower wages than their native counterparts, because even these relatively low wages are higher than what they would earn in their home countries. From this perspective, the lower wages paid to immigrants are a benefit primarily to those natives who employ them or who purchase—at lower prices—the goods and services they produce.\(^{16}\)

However, other economists maintain that immigrant workers are complements to, rather than substitutes for, native workers. Giovanni Peri, for instance, has found that new immigrants are much more likely to compete with immigrant workers already in the country than with natives. Even in cases where immigrants have similar education and experience to native workers, their social ties and unique skills create opportunities for them to pursue occupations in which immigrants already are employed. These complementarities between native and immigrant workers increase the productivity, and therefore the wages, of natives. According to Peri, between 1990 and 2004, the 90 percent of native-born workers with at least a high-school diploma experienced wage gains from immigration ranging from 0.7 percent to 3.4 percent, depending on education.\(^{17}\)

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\(^{12}\) ibid.

\(^{13}\) ibid.


\(^{16}\) George Borjas, *Heaven’s Door*, p. 91.

Similarly, an analysis of data from 1990 to 2001 by Mary Jane Lopez found that a 10 percent increase in the number of high-skilled immigrants within a job sector coincided with a 2.6 percent increase in the earnings of skilled native workers.\textsuperscript{18}

Other studies have found that immigrants do not have a significant impact on job opportunities for natives—even those in less-skilled occupations.\textsuperscript{19} Moreover, between 1990 and 2004, immigrants accounted for 14.1 percent of employment growth among college graduates.\textsuperscript{20} According to the Bureau of Labor Statistics, significant job growth is projected over the next 10 years in many high-skilled fields, including computer programming, telecommunications, and scientific research.\textsuperscript{21} Immigrants will likely play a key role in this growth given that, as of 2003, between one-third and two-thirds of science and engineering doctorate holders in the United States were foreign-born (Figure 2).\textsuperscript{22}

\textbf{Figure 2:}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2.png}
\caption{FOREIGN-BORN SHARE OF DOCTORATE HOLDERS IN SELECT FIELDS, 2003}
\end{figure}

\textbf{Source:} National Science Board, \textit{Science and Engineering Indicators 2006} (vol. 1), Table 3-20.

\textsuperscript{18} As cited in Julie Murray, Jeanne Batalova & Michael Fix, \textit{The Impact of Immigrants on Native Workers: A Fresh Look at the Evidence}. Washington, DC: Migration Policy Institute, July 2006, p. 6.


\textsuperscript{20} Giovanni Peri, \textit{Rethinking the Effects of Immigration on Wages}, p. 3.


\textsuperscript{22} National Science Board, \textit{Science and Engineering Indicators 2006} (vol. 1). Washington, DC: National Science Foundation, Table 3-20.
The economic contributions of immigrants extend beyond their participation in the labor force. Immigrants are not just workers, but consumers as well. However, their economic role as consumers receives relatively little attention since the focus of many policymakers and much of the media seems to be on what immigrants take, rather than what they contribute. Yet, the growing Latino and Asian populations, driven largely by immigration, are major purchasing forces in the U.S. economy, creating jobs through their high demand for goods and services. The Selig Center for Economic Growth at the University of Georgia estimates that, in 2005, Latino spending power reached $736 billion dollars and Asian purchasing power totaled $397 billion. By 2010, the Center predicts that Latinos alone will account for 9.2 percent (or nearly $1.1 trillion) of total U.S. consumer purchasing power, exceeding the buying power of African Americans, who currently are the nation’s largest minority market.23

SHORTCOMINGS OF A SKILL-BASED POINT SYSTEM

The primary shortcoming of a skill-based point system that strongly favors high-skilled immigrants is that it does not address the need for less-skilled workers. This need continues to grow as more natives earn college degrees, and as the U.S. population ages and the pool of native workers shrinks. Between 1980 and 2000, the rising number of native workers between the ages of 25 and 54 accounted for a significant share of U.S. labor-force growth. But between 2000 and 2020 there will be no net increase in this age group among native-born workers.24 As a result, health, hospitality, and other service jobs that require little, if any, higher education increasingly are filled by immigrants.

The Bureau of Labor Statistics predicts that over the next decade, five out of the top ten occupations experiencing the most job growth will be service occupations.25 The importance of immigrants in filling these kinds of jobs is evident in the fact that, as of 2005, immigrants accounted for about 43 percent of workers age 25 and older with less than a high-school diploma.26 Yet, because both temporary and permanent employment-based visas are issued mostly to high-skilled immigrants, large shares of workers in less-skilled occupations are undocumented.27

A skill-based point system designed solely to admit high-skilled immigrants would fail to meet the U.S. labor market’s demand for less-skilled workers, and would fail to capture the economic benefits of family-based immigration. Although some research indicates that family-based immigrants have fewer job skills on average than employment-based immigrants, the strong social networks of family-based immigrants facilitate entrepreneurial contributions to the economy through family-owned businesses.28 These immigrant-led small businesses are a driving force in the U.S. economy. For

24 Independent Task Force on Immigration and America’s Future, Immigration and America’s Future, p. 3.
instance, the growth rate of Latino-owned businesses in the United States is three times the national average.\textsuperscript{29} Moreover, apart from their formal job skills, immigrants possess unique cultural knowledge that natives often do not have. In today’s marketplace, consumers and their needs are increasingly diverse. Who better to bring new perspectives on reaching out to diverse communities than immigrants themselves?

In addition, U.S. businesses might suffer under a skill-based point system that reduces the flexibility of the labor market. Instead of employers directly recruiting the immigrants they need, the government would take on the responsibility of filling labor gaps and determining the skills of immigrants entering the labor force. The danger in this is that short-term labor shortages, which usually correct themselves over time, could take priority over building longer-term economic stability and growth.\textsuperscript{30}

\section*{HIGH-SKILLED IMMIGRATION AND U.S. ECONOMIC COMPETITIVENESS}

The United States is still the world leader in technology and the sciences. Even in the absence of a point system, the United States is beginning to attract more foreign students after declines in the 2003-04 and 2004-05 academic years.\textsuperscript{31} The number of international students enrolled in U.S. universities increased by 8 percent in 2006 compared to 2005.\textsuperscript{32} Each year, 150,000 to 200,000 skilled workers come here as permanent residents.\textsuperscript{33} For exactly these reasons, Canada, Australia, and other nations have point systems so that they can compete with the United States in this area.

However, U.S. dominance in the global science and technology market is not assured. A 2006 report by the National Academy of Sciences expresses deep concern “that the scientific and technological building blocks critical to our economic leadership are eroding at a time when many other nations are gathering strength.”\textsuperscript{34} The report warns that the nation’s current global leadership in technology is unlikely to last unless significant changes are made at all levels of the educational system, as well as in the way workers are trained and recruited both at home and abroad.

Indeed, the numbers of U.S. citizens and permanent residents in U.S. graduate programs in science and engineering steadily decreased during the 1990s. Although numbers began to rise again in 2001, they still have not reached previous levels.\textsuperscript{35} While a point system would represent a limited, short-term solution to one dimension of this complex and multi-faceted problem, it is not a substitute for improving the educational attainment

\begin{itemize}
  \item Independent Task Force on Immigration and America’s Future, \textit{Immigration and America’s Future}, p. 8.
  \item \textit{ibid.}, p. 3-12.
\end{itemize}
of natives in the United States in math and science, which lags behind that of other advanced, industrialized countries.\textsuperscript{36}

Immigration policies aimed at promoting U.S. economic growth in an increasingly competitive global labor market would certainly have to promote higher levels of skilled immigration than do current policies. But pro-growth immigration policies also should expand educational and training programs for the less-skilled immigrants who make important contributions to the U.S. economy. In addition, more legal pathways are needed for unauthorized immigrants to become legal residents.

Moreover, policymakers need to look at the challenges that even high-skilled immigrants face in integrating into the U.S. economy and society. Although past studies have found that higher education and fluency in the native language facilitate immigrant integration, recent reports indicate that many skilled immigrants encounter difficulty finding the jobs that match their skill level. As a result, the most educated and well-paid immigrants are not necessarily the most satisfied immigrants in the country, according to the results of the New Immigrant Survey—a federally-funded project led by investigators at Princeton University, Yale University, New York University, and the RAND Corporation.\textsuperscript{37}

FUTURE OF SKILL-BASED IMMIGRATION IN THE UNITED STATES

In general, high-skilled immigrants contribute more to scientific and technological innovation, pay more taxes, and are less likely to utilize social welfare programs than less-skilled immigrants. Moreover, high-skilled immigrants have superior English-language proficiency and other skills that help them integrate into U.S. society. As a result, some advocates of a skill-based point system argue that an effective immigration policy should decrease inflows of less-skilled and family-based immigrants. In a recent appeal to fellow senators considering immigration reform, for instance, Senator Jeff Sessions made the argument for more selective policies: “Only 20 percent of (green cards for permanent residence) are given out based on the skills of the applicant...How can that be in our national interest?”\textsuperscript{38}

The roles that less-skilled immigrants play in filling gaps in the labor force and in expanding the consumer base answer this question. The economic contributions of immigrants extend far beyond their job skills. Moreover, economic development should not be the only goal of U.S. immigration policy. Immigration policy also serves to reunify families who have been separated for years or even decades, provides refuge to people who may face death in their home countries, contributes to the economic growth of developing countries through the remittances sent home by immigrants working in the United States, and can improve diplomatic and trade relations with other countries.

Focusing on skill-based immigration to the exclusion of less-skilled and family-based immigration would be a distraction from the more fundamental task of comprehensively reforming the U.S. immigration system. When nearly a third of all immigrants currently living

\textsuperscript{36} ibid., p. 7-1.
in the United States are undocumented, it is clear that attracting more of the world’s highest-skilled immigrants is only part of the task, albeit an essential part.

Throughout U.S. history, immigrants of all skill levels have contributed to the U.S. economy and society. Today, foreign-born workers make up 15 percent of the civilian labor force—a figure which is unlikely to decline anytime soon. Immigrants’ willingness to work in all types of jobs, both high skilled and less skilled, will remain a valuable asset to the United States for many years to come. Although some of the practices associated with a point-based immigration system might benefit the U.S. economy, policymakers should be careful not to assume that such a system would be a panacea for the widespread dysfunction of U.S. immigration policies.

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ATTRACTING THE BEST AND THE BRIGHTEST: The Promise and Pitfalls of a Skill-Based Immigration Policy

by Kara Murphy

One question that recently received heightened attention from lawmakers is whether or not immigrants should be admitted to the United States less on the basis of family ties and more on the basis of the skills they can contribute to the U.S. economy. Today, the most common way permanent immigrants enter the United States legally is through sponsorship by a family member already in the country. By contrast, nations such as Canada, Australia, and the United Kingdom admit immigrants primarily for employment reasons, based on a point system. Points are assigned on the basis of educational level, professional skills, proficiency in the host country’s language, and other qualities that increase immigrants’ likelihood of integrating into the host country’s labor market. Policymakers should investigate how a similar policy might work in the United States. Although some of the practices associated with a point-based immigration system might benefit the U.S. economy, policymakers should be careful not to assume that such a system would be a panacea for the widespread dysfunction of U.S. immigration policies.