The Case for Choosing More Skilled Immigrants

By George Borjas

The United States offers unequaled social, political, and economic opportunities to anyone lucky enough to enter its borders. Because of these opportunities, many more people want to come to the U.S. than the country is willing to admit. Consider, for example, the visa lottery that has been held annually since 1995. For reasons of "diversity," entry cards are made available to persons originating in "countries with low rates of immigration to the United States." There is a one-month window each year when persons living in the eligible countries can apply for a random chance at winning one of the coveted green cards. The latest lottery, for 2001, drew 11 million qualified (and 2 million disqualified) applications for the 50,000 available entrance slots.

Because of the excess demand for entry visas, our immigration policy has to specify a set of rules to pick and choose from the many applicants. These rules may stress family ties (as is currently done for the bulk of legal immigrants), or national origin (as used to be done), or socioeconomic characteristics (as is done in other countries). Which types of immigrants should the country admit?

The case for preferring one type of immigrant to another will ultimately depend on how one views our national objectives. What should the United States seek to accomplish from immigration? Different goals will inevitably lead to different decisions. For example, if we want immigration policy to relieve the tax burden on native-born taxpayers, it would be fiscally irresponsible to admit millions of low-skilled immigrants who have a high propensity for participating in public assistance programs. In contrast, if our goal is to help the poor of the world by giving many of them an opportunity to live and work in the United States, the increased cost of maintaining the welfare state is the price that Americans will pay for their generosity.

In the past, the economic well-being of our native-born population has played a very influential role in determining the shape and direction of our immigration policy. Arguments that prove or disprove some perceived cost or benefit of immigration for the native population have been tossed like grenades in the immigration debate. In the early 1960s, the Bracero Program (an agricultural guest worker program) was halted because of its perceived harmful impact on the job opportunities of American workers. In the late 1990s, the H-1B visa program (a high-tech guest worker program) was expanded because of its perceived beneficial impact on the job opportunities of American workers.

Suppose that the goal of our immigration policy were indeed to maximize the economic well-being of the native population. We would be seeking two things: a higher per capita income, and a broad distribution of income across the population. The country wants to make natives wealthier, but in a way that does not increase the income disparity among workers already in the country. What type of immigration policy would produce such a result? Specifically, which types of immigrants should the U.S. admit: skilled or unskilled workers?

A strong case can be made that the economic well-being of natives would increase most if our country favored the entry of skilled workers. Consider first the effects of immigration on government taxing and spending. Skilled immigrants earn more, pay higher taxes, and require fewer social services than less-skilled immigrants. Skilled immigration therefore increases the after-tax income of natives, while the tax burden imposed by the arrival of less-skilled immigrants reduces the net wealth of native taxpayers.

Second, consider how immigrants alter the productivity of native workers and businesses. Skilled native workers have much to gain when *less*-skilled immigrants enter the United States. Skilled natives can specialize in the professions while immi-

grants complement them by taking a variety of service jobs. Compared to the work forces of most immigrant-sending countries, Americans are more skilled; so it would seem most American workers would prefer *unskilled* immigrants who will complement rather than compete with them.

But that is not the end of the story. Immigration also affects the profits of native-owned businesses. Firms that use less-skilled workers in the production line, such as sweatshops, gain from the immigration of the less skilled. Other firms, however, might be better off with skilled immigrants. In fact, many studies suggest that the investments and machines now employed in typical American businesses become more productive when combined with a skilled worker than with an unskilled worker. Most firms, therefore, would gain more if the immigrant flow were composed of skilled workers.

In short, there is a conflict between the type of immigrant preferred by the "typical" U.S. worker versus the "typical" U.S. business. Because productivity is very sensitive to the presence of skilled workers, however, the available economic evidence suggests that per capita income in the United States would rise most if immigration policy favored *skilled* persons.

The gains from skilled immigration will be even larger if the knowledge, skills, and abilities that immigrants bring in can somehow be picked up by natives who interact with them. In fact, many of the arguments that stress the beneficial impact of immigrants on particular industries—like today's reports from Silicon Valley stressing the important role of immigrants in the creation and growth of the U.S. computer industry—emphasize these purported effects.

Finally, skilled immigration has favorable effects on the distribution of U.S. income. High-skill Americans will face more job competition if talented newcomers are allowed in. As a result, wages at the top of the financial ladder will be pulled down, and there will be less income inequality in the U.S. On both efficiency and distributional grounds, therefore, it would seem that the United States would be better off if our immigrant flow were more skilled.

How can the United States select skilled workers from our very large pool of visa applicants? In the past few decades, Australia, Canada, and New Zealand have all instituted point systems that reward certain socioeconomic traits in the admissions formula. In Canada, for example, visa applicants are graded in terms of their age, educational attainment, work experience, English or French language proficiency, and occupation. Those applicants who score enough points qualify for entry into Canada, while those who fail the test are denied entry.

Needless to say, any point system is inherently arbitrary. It is unclear, however, whether the Canadian point system—with its detailed gradations for different types of jobs and different types of workers—is any more arbitrary than the one currently used by the United States (where entry, for the most part, is determined by the answer to a single question: Does the applicant have relatives already residing in the United States?). Today, visa applicants who

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have relatives in the United States are mostly granted an entry visa; those who do not are usually denied entry.

Of course, shifting to a skills-based point system to choose our immigrants will only help if there are talented workers wishing to move here. We might find that relatively few skilled persons wish to migrate to the United States. The possibility that the immigration market may not "clear" should not be ignored. After all, the United States currently offers 10,000 visas annually to entrepreneurs who are willing to invest $1 million in job-creating businesses. In 1997, however, only 1,361 such visas were granted.

There is a possibility, therefore, that adopting a skills-based point system might greatly reduce the number of immigrants admitted, simply because many of the persons who might meet the requirements would not bother to apply for entry. One should not view this potential outcome as a flaw of the point system. It simply means that the types of workers the United States wants to buy are not available at the price the country is willing to offer. When such things happen in other markets, consumers typically do one of two things. Either raise the price we are willing to pay (the U.S. could offer financial incentives to the immigrants it truly wants, as Australia did for many years when it chose to pay some immigrants for the expense of getting there), or withdraw from the market (wait for economic conditions that will bring us the types of workers who would be most beneficial for the country).

Skilled immigration is our best policy *if* the United States wants immigration that maximizes the economic well-being of our native population. This obviously ignores the impact of immigration on other constituencies, such as on the immigrants themselves, or on the populations that remain in the source countries. The U.S. might, for instance, end up draining high-tech workers from source countries. Should we worry about or try to avoid such a brain drain?

In short, there are trade-offs. Pursuing any particular immigration policy helps some groups and may hurt others. The conflicting interests of various demographic, socioeconomic, and ethnic groups will come into play, as well as political and humanitarian concerns. In the end, our immigration goals will reflect a political consensus.

Perhaps after debating these issues, the American people will place all economic concerns aside, and choose an immigration policy that stresses human rights, or domestic partisan advantage. Nonetheless, the public ought to know of the economic consequences of immigration, and the potential economic gains from giving higher priority to more skilled immigrants. The American people should be fully aware of the price they will have to pay if the country sticks with an immigration policy that minimizes or ignores economic benefits.

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