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Immigration Policy Reform for a Stronger Economy*

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Immigration Policy Reform for a Stronger Economy

The US economy grows as a result of higher labor force growth and productivity growth. Immigration is related to both of these drivers. Immigration accounts for about half of US workforce growth. This reliance is only set to increase as the baby boomer generation retires between now and 2030. As a result, immigrants and their children are expected to make up essentially all of the growth in the working-age population between 2015 and 2035.¹

Immigration is also linked to productivity growth, in part via activities such as innovation and entrepreneurship, and hence less immigration could be a drag not only on growth in the labor force but also in productivity.

There are a number of fixes to the US immigration system that would allow it to function more efficiently by more readily bringing in essential workers and more sensibly allocating visas, reducing hiring bottlenecks, and lessening uncertainty and queuing for both immigrants and employers. Additional changes would free up labor among existing immigrants and reduce incentives for Central American asylum seekers to venture north. This document emphasizes the key elements of those changes.

1. Temporary High-Skilled Immigrants (H-1B): H-1B visas go to high-skilled workers and are valid for 3 years and are renewable once. High-skilled immigrants have large positive economic and fiscal impacts.² The H-1B visa cap of 65,000 was set in 1990 yet the economy has doubled in size and employment has risen 40 percent. An additional 20,000 visas were added in 2005 but despite this, the government runs out of H-1B visas in the first week that they become available each fiscal year. Visas are typically distributed either on a first-come, first-serve basis or, in oversubscribed years, via a lottery.
 - a. Recommendation: Increase the number of H-1B visas allocated to the private sector, allow the quantity to change with the business cycle and consider a more efficient allocation system, such as employer auctions or other criteria to prioritize high-value hires.³
2. Spouses of Temporary High-Skilled Immigrants (H-4): H-1B visa holders are allowed to bring their spouses along on H-4 visas and since 2015, spouses have been allowed to work once the H-1B holder has a green card application approved. Like H-1B visa holders, these spouses tend to be highly educated and a number of benefits are associated with their gainful employment.
 - a. Recommendation: Allow spouses of H-1B holders, who have H-4 visas, to retain the ability to work.
3. Employment-based immigration: About half of H-1B visa holders go on to apply for permanent residence, most via sponsorship through their employer. However, with relatively few green cards available for employment-based applicants—far fewer than for

¹ Pew Research Center (2017) https://www.pewresearch.org/fact-tank/2017/03/08/immigration-projected-to-drive-growth-in-u-s-working-age-population-through-at-least-2035/ft_17-02-27_workforcegen_table/

² National Academies of Sciences, Engineering and Medicine (2016) <https://www.nap.edu/catalog/23550/the-economic-and-fiscal-consequences-of-immigration>

³ For details on auctions to allocate permits to hire foreign workers, see chapter 3 in Orrenius and Zavodny (2010) *Beside the Golden Door: US Immigration Reform in a New Era of Globalization*, AEI Press.

family—many wait years or even decades for a green card. In the US, family-based permanent resident visas account for 66 percent of the total, humanitarian visas another 13 percent. Employment-based visas only make up 14 percent of permanent resident visas. H-1B visa holders who apply for green cards put their lives on hold while they wait since it is difficult to travel outside the country or change jobs during this waiting period. Applicants from India, China, the Philippines and other populous nations are subject to the country caps in the green card system, which further delay processing and result in an inequitable system where applicants from small countries are given priority over those from large, populous nations. Additional would-be applicants are deterred from ever applying as a result of the long queues.

- a. Recommendation: Increase the number of employment-based visas, particularly in the EB-3 category for skilled workers and professionals, and make the overall cap flexible. Remove the country caps.
 - b. Recommendation: Some of the additional permanent resident visas for employment-based immigrants can come from placing new limits on the family-based system. Eliminating family-based visas for parents of citizens will free up about 150,000 green cards per year, siblings (and their families) another 70,000.
4. Entrepreneur Visas: Entrepreneurism is on the decline in the US; a trend which has adverse implications for productivity growth and innovation. Despite this, entrepreneurs who start businesses and want to permanently immigrate to the US do not have a designated pathway for doing so.
 - a. Recommendation: Implement an entrepreneur visa to grant permanent residence specifically for individuals who start new companies in the US.
5. Temporary Low-Skilled Immigrants (H-2B): As with the H-1B cap, the H-2B visa cap was set over 30 years ago and has not changed since despite massive economic expansion, particularly of the service sector where most H-2B visa holders work. The surplus demand for H-2B visas is occasionally accommodated with temporary raises in the cap. A revised system should not rely on such ad hoc increases, and should give employers more certainty and ability to plan. In addition, the scope of H-2B visas is limited to industries with peak or seasonal demand and many industries are excluded as their vacancies represent year-round positions.
 - a. Recommendation: Increase the H-2B visa cap and consider allowing it to vary with the business cycle. Consider a more efficient distribution system, such as employer auctions or other criteria for prioritizing high-value hires.
 - b. Recommendation: Extend H-2B visas to more industries, including year-round jobs.
6. Asylum seekers: The Southwest border is confronted with a whole new set of challenges as a result of unprecedented humanitarian migration from Central America. This flow consists predominantly of unaccompanied minors and women and children. The flow is a response both to deteriorating conditions in Central America but also to US asylum policies, which have become more generous in recent years.
 - a. Recommendation: Change asylum policies, restricting grants of asylum to those for whom the program was originally intended, and widely publicize these

changes in origin countries as well as in the US. Increase the number of immigration judges and allocate more resources to them in order to work through backlogs and expedite claims.

- b. Recommendation: Consider resuming processing of humanitarian migrants in the source country as was briefly done under the Central American Minors program from 2014 to 2017. Collaborate with Mexico, helping with resources and intelligence to intercept and dissuade migrants before they are able to reach the US border.
7. Undocumented immigrants: The undocumented immigrant population in the US is shrinking, but it still numbers over 10 million individuals.⁴ Approximately five percent of the US labor force is made up of undocumented immigrants, and it is over 8 percent in Texas. Among unauthorized immigrants, the median time of US residence is 15 years, and many have US-born children. Labor force participation and employment among the unauthorized are suppressed since they cannot legally work. Given record low unemployment rates and widespread reports of labor shortages, policies that stimulate labor force participation would be helpful for hiring and economic growth.
- a. Recommendation: Allow undocumented immigrants to apply for work permits and permission to remain legally in the US. Make the permits renewable and conditional on a background check and payment of all applicable taxes.
 - b. Recommendation: Enable undocumented immigrants who have a relative or employer willing to sponsor them for permanent residence to adjust status by lifting the re-entry bars imposed in 1996 or re-instating 245(i), allowing them to pay a fine and apply for residence without leaving the US.

⁴ Pew Research Center (2018) <https://www.pewresearch.org/fact-tank/2018/11/28/5-facts-about-illegal-immigration-in-the-u-s/>