

Immigration in the Twenty-First Century: A Personnel Selection Approach ¹

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Abstract:

This paper makes the case for an immigration policy that is adapted to the current realities of global competition for talent and workplaces that require high technology and highly – skilled employees. We argue that that an immigration policy based on personnel selection would be more effective than the current policy of family reunification or the popular alternatives.

Immigrants should be selected using some of the same tools that an organization uses to select employees. We suggest two methods to select immigrants: (1) a point system, where immigrants are assigned points for demographic characteristics and immigrants with higher point values are admitted, and (2) testing individual immigrants using tests such as the Armed Forces Qualifying Test or other tests of individual abilities, with higher scoring individuals being admitted. Both methods would improve the productivity and skill levels of U.S. immigrants, reduce the backlogs of skilled people wishing to immigrate, and enable the U.S. to cope better with future fiscal problems and with increasing foreign competition.

Immigration in the Twenty-First Century: A Personnel Selection Approach

Immigration is an integral part of America's social fabric. As of 2004, 12% of the population is foreign born; immigrants also comprise a greater share of population growth because they are younger and have higher fertility rates than natives.¹ Because of the importance of immigration, immigration *policy* has been debated throughout our history. In the last 30 years, the U.S. has been undergoing tremendous changes; yet immigration policy has not changed with the times. This paper argues for an immigration policy adapted to the 21st century — where global competition and high technology workplaces predominate. An immigration policy based on theory and research in personnel selection would more effective than current policy or the popular alternatives. We first provide a brief historical overview of US immigration policy, discuss concerns with current policy and alternatives, and provide a blueprint for a policy based on personnel selection. The paper is not about how many immigrants there should be: the paper is about how those who are admitted will be chosen. We wish to optimize the immigrants we admit, given that some limits on immigration will continue to exist.²

The US has experienced four periods of immigration (Martin & Midgley, 1999). The first period was from the 18th through the late 19th century, when the majority of immigrants were from the British Isles and Western Europe.³ The economy was primarily agricultural with relatively little economic integration, and the open immigration policy during this period helped to populate the country. This policy viewed immigrants as beneficial to businesses and the economy. (Martin & Midgley, 1999) For the most part, the nation's elites regarded immigration positively, although there was some ethnic prejudice against immigrants perceived as different.⁴

During the second period, from the late 19th century to 1921, the policy was an extension of open immigration with some restrictions. Strong economic growth increased the demand for

labor, and the political and economic dislocations in much of Europe meant that there was a large supply of potential immigrants. Immigration surged from the late 19th century until the early 1920s, in what has been called the First Great Migration (Hatton & Williamson, 1994). More immigrants entered the US during the Great Migration than at any other time in its history (including the present). The majority who arrived during this period were from Southern and Eastern Europe. Although immigration remained mostly open, Congress passed legislation to exclude some immigrants. In 1875 Congress barred prostitutes and convicts, and in 1882 barred paupers and mental defectives. These restrictions were based on *individual* qualities and did not discriminate on the basis of any racial, national, or ethnic group, with one exception: the Chinese. Opponents to Chinese immigration argued that the Chinese could not assimilate and a ‘yellow horde’ would overtake America and American culture. There were also fears, particularly in California, that new Chinese immigrants would adversely affect native wages. Although nativists have argued since pre-revolutionary times against allowing people of particular nationalities or ethnicity to immigrate, this was the first time such restrictions were enacted. Thus began a long period in American immigration policy where, rather than basing restrictions on individual qualities, restrictions were made primarily on the basis of group membership.

The psychological literature on prejudice and stereotyping would interpret these restrictions as based on bigotry (Kurzban, Tooby, & Cosmides, 2001; Stangor, Lynch, Duan, & Glass, 1992). An alternative economic interpretation is these policies were driven by the ratio of unskilled wages to average income (Timmer & Williamson, 1998). When immigrant quality falls and unskilled wages fall relative to average wages, policy responds by reducing immigrant supply. This view finds support in immigrant-receiving countries besides the U.S., such as

Argentina, Australia, Brazil, and Canada (Timmer & Williamson, 1998). This is a response to the self-interest of native wage earners, regardless of racial or ethnic identity, as well as to concerns about increased income inequality.

The third period began in 1921 and lasted until 1965. This period was called the ‘immigration pause,’ and the people who immigrated during this time were primarily from Western Europe. The policy during this pause reduced the number of immigrants and restricted immigrants by ethnicity and nationality. It reflected concerns with assimilation, economic difficulties, and with the cultural characteristics of immigrants from Southern and Eastern Europe. In 1921 Congress restricted the number of immigrants annually allowed, and in 1924 it mandated a quota system that preserved the existing proportions of ethnic groups in the US. While the restrictionist policies of the 1920s were still in force in the 1940s, policies opened slightly then to allow highly talented individuals and refugees to enter.

The fourth period began in 1965 with the passage of the Immigration and Nationality Act Amendments of 1965, hereafter referred to as the 1965 Act, and continues to the present. It produced what has been called the Second Great Migration, primarily consisting of Asians and Hispanics arriving during the 1980s and 1990s (Borjas, 1999a). The 1965 Act made four major changes to existing policy. It abolished the quota system, placed limits on immigration from the Western Hemisphere, placed a cap of 20,000 (per year) on the number of immigrants from any one country, and extended the family reunification provision to include parents of citizens.⁵ The final version of the 1965 Act emphasized family reunification.⁶ Spouses, unmarried children, and parents of US citizens were exempted from preference and numerical requirements.⁷

As circumstance change again, the US is entering a fifth distinct period of immigration. For the past 20 years the US experienced a large influx of legal Asian and legal and illegal

Hispanic immigrants, as an unintended consequence of the 1965 amendments. Globalization is placing a premium on skills, cost savings, and innovation. Also, the terrorist attacks in September 2001 and the war on terrorism resulted in greater scrutiny and concerns about immigration. Finally, the growth of the welfare state and increased economic integration have created interdependencies among people, organizations, and government—so that immigrants create larger costs and benefits to a greater variety of stakeholders than in the past.

Effectiveness of U.S. Immigration Policies

There is not an ultimate standard by which to judge an immigration policy. Rather, the effectiveness of an immigration policy can only be judged by assessing how well it meets the stated or implied objectives (Clarke & Dawson, 1999). Although policy makers tended not to state the explicit outcomes of immigration policies (Borjas, 1999a), it is reasonable to suppose that they implied some outcomes congruent with the concerns that stimulated the development of the policy. The US's open immigration policy until the later part of the 19th century populated the US. Between 1800 and 1890, the US population grew from 5.3 million to 62.62 million. Immigration was a major factor in this growth: by 1890, the foreign born percentage of the U.S. population rose to 14.77 percent, the highest percentage ever.⁸

A presumed goal of the immigration restrictions of the early 1920s was to forestall the problems associated with assimilating immigrants from Southern and Eastern Europe (Beck, 1994). It should be noted that the levels of education in the European source countries rose significantly from 1870 to 1920, and thus the skills of immigrants were rising, making assimilation easier (Hatton & Williamson, 1994). One reason for the relative success of assimilation at the time was the strong emphasis placed upon it (Miller, 1998). The prevailing

ethos was that immigrants should and could assimilate, reflected in the 1908 hit play “The Melting Pot” (Miller, 1998, p. 58).

On most counts, the US's immigration policy from the 1920s to 1965 did not fulfill its explicit or implicit objectives. The policies based on qualitative restrictions were problematic.⁹ However, the pause in immigration during the 1920s may have helped those who were here to assimilate quicker than if a large influx had continued. A notable success was the easing of restrictions in the 1940's, which allowed talented scientists and artists to enter from Europe.

One primary objective of the 1965 Act was to bring the nation's immigration law into line with modern civil rights legislation, so that immigrants would not be discriminated against on the basis of ethnicity or nationality. In general, the 1965 Immigration Act failed in meeting its objective. The 20,000 per country cap and end of the quota system were supposed to equalize the distribution of origin countries. This did not happen. The overwhelming majority of legal immigrants (about three quarters) now come from Asia and Latin America, with the leading source country being Mexico (one out of six).¹⁰ A second objective of the 1965 Act was to keep the inflow at 290,000 per year. This, too, did not happen. Since 1978, at least 500,000 per year immigrated legally. The primary reason for these failures of the 1965 Act was the clause that exempted family members from restrictions. This produced the unintended consequences of greater overall numbers and numbers exceeding country quotas (Briggs, 1997). While European immigration dropped off precipitously, poor economic conditions in Asia and Latin America, especially Mexico, combined with relative ease of travel increased the numbers of Asian and Mexican immigrants.¹¹

Alternative Policies

Although a number of alternative immigration policies have been debated, three of the most notable are *open immigration*, *closed borders*, and *point systems*. Implicit in an open immigration approach is the belief that government should not make immigration decisions. Businesses should freely hire employees, and people should freely migrate to opportunities regardless of borders (Vedder, Gallaway et al., 2000). Immigrants can “grease the wheels of the labor market” (Borjas, 2001) by moving where workers are in greatest demand. Open immigration also avoids the problem of illegal immigrants since all immigrants are legal. The poem *The New Colossus* (1883) by Emma Lazarus, inscribed on a tablet on the pedestal of the Statue of Liberty, reflects a moral sentiment for open immigration.¹² There are also a number of more politically neutral arguments for open immigration.¹³

An open immigration policy is, at this point in America's history, unrealistic (Borjas, 1999a). The major problem with open immigration is how it conceptualizes the relationship between immigration and the nation. An open immigration policy views a nation as a geographical repository of firms, competing for labor in a global market. No distinction is made between national and international labor markets. The costs and benefits of immigration are viewed primarily by how immigrants affect the supply and demand for labor. The open borders approach made sense when immigrants were moving into a “territory,” where people operated more or less self-sufficiently. In this situation, the actions of one person had little effect on others (Choi, 2007). For example, if, in the 1850s, a family wished to educate its children, it assumed the financial responsibility (Alder, 1993). Or, if it did not wish to, there was no government sanction because universal state-supported public education was not a national goal (Murphy, 1998). However, modern nations are more like an organization than a territory. They are systems in which there is general agreement about their purposes, and whose constituent parts are (to

varying degrees) interdependent (Choi, 2007). In interdependent, goal directed systems, there needs to be some alignment between the characteristics of people admitted and the system's goals.

One might suggest selling immigration slots on the market. We think this approach has problems. The assumption of this policy would be that money equals human capital. In many cases this might be true. However, consider the life cycle issue. A twenty – five year old immigrant may have great potential, yet few assets. On the other hand, a sixty year old may have accumulated large assets, yet have less potential for high earnings in the future.

In addition, selling slots raises the issue of inherited wealth, or ill – gotten gains. People with large gains from illegal activity may attempt to buy entry, but we would not want to promote this type of industry. In addition, people with large inherited wealth may buy entry, and possibly they have high levels of skill, but the wealth is only an indirect measure of human capital, and we wish to use more direct measures to maximize the future potential of the immigrants. Slots will tend to stack the deck against young people, while favoring inherited wealth. However, a modest amount may be helpful (e.g., Canada allowing immigrants who have money to invest).

At the other extreme is a closed borders policy. This would stop immigration or severely restrict it. Environmentalists, who favor limiting population growth, argue for limiting immigration (Burke, 1993; Clarke, 2001). Immigration adds to population, which increases urbanization and loss of agricultural land. Closed borders advocates also argue that immigration takes jobs from poor Americans. Because unskilled immigrants typically take the lowest skilled jobs at wages lower than what natives typically work for, immigrants push poor natives out of the workforce or, at least, drive native unskilled wages down.

Open immigration and a welfare state may conflict because income transfers from taxpaying citizens to non-citizens create incentives for in-migration of unskilled individuals who receive government transfers (Borjas & Hilton, 1996; Borjas, 1999b; Friedman (1999)).¹³ Others argue that immigrants may not assimilate, and that this contributes to social conflict (Jencks, 2001; Miller, 1998).

The importance of considering government transfers can be shown with a simple example. Suppose there are 10,000 people in the country of Autarchia, each earning an income of 100. Now an additional 10,000 people immigrate from another country with lower skills (and a different language), where each person earns an income of 50. Now, with the extra people in Autarchia, specialization occurs and each person's income rises. Suppose that the average income of original natives rises to 120, and of immigrants to 60 (a gain of 20% for each group). If we stop there, we might say that immigration has benefited both groups (natives and immigrants), while lowering per capita GDP on the island from 100 to 90. As one author says, 'almost everybody wins' (Peri, 2007). However, we cannot stop there. In the U.S. as in most countries, there will be spending on education, medical care, and retirement benefits, and this must be taken into account. Suppose natives were taxed 30 of income which was spent on education and medical care. Then when these benefits are provided to immigrants also, it can be the case that some natives are worse off, considering the taxes required to finance these benefits. This example does not consider any redistribution to low – income people on the basis of incomes. We only include benefits provided to every inhabitant. If we are going to be realistic, there will be some income – based transfers in addition. We do not suggest that any transfers to low – income people (including immigrants) are desirable, just that they exist and are not

vanishing at any time in the future. Neither will services provided to all citizens, such as education) vanish either.

A third approach to immigration is a "point system", where applicants are assessed according to desirable characteristics. A point system is akin to an employment application, where applicants are awarded points for each criterion they meet. A point system forces debate about how admissions criteria are related to national goals. Point systems lend themselves to empirical evaluation of the effectiveness of particular criteria. Canada and Australia use points systems. Under the Canadian system, applicants get points for a variety of skill-based qualifications—e.g., advanced degrees, fluency in English or French, working in preferred occupations, job offers, and age.¹⁵ Some economists believe that the US would benefit from a point system similar to Canada's, where immigrants are admitted primarily if they possess needed skills (e.g., Becker, 2005; Borjas, 1999a). Point systems are particularly useful when knowledge and skills are at a premium and when immigrants are negatively selected; that is, the least qualified and least-skilled are the ones migrating (Borjas 1987).

Applying a Personnel Selection Model to Immigration

Point systems are proto-personnel selection systems applied to immigration. They make connections between characteristics and outcomes – for example, between skill or education and economic productivity. However, personnel selection approaches are more explicit than point immigration systems in articulating the connections between characteristics and outcomes (Gatewood & Field, 2001; Guion, 1998). The elements in the standard personnel selection paradigm are: an organization (a social system pursuing goals), operational measures of goals or other outcomes related to those goals (criteria), and predictors (characteristics of applicants that are empirically linked to criteria). Additional elements of selection systems are applicant pools

(universe of people from whom the organization draws applicants), applicants (people who actually apply to the organization), selection procedures (procedures by which applicants are assessed), and decision rules determining who is selected.

The US as an Organization

When people think of organizations, they are more likely to think of businesses or universities than nation states. However, over the past 100 years, the US has come to partly resemble an organization, and this has implications for immigration policy. The three characteristics of an organization are (Scott, 2003): (1) it is a social system, (i.e., a collection of *interdependent* actors, drawing resources from their environment); (2) its activities are coordinated for the purpose of attaining goals; and (3) its goals are held by many of the organization's members.

The US now has many features of an organization. It is a social system with interdependent parts that exhibit high levels of economic integration. For example, a malfunction in an electrical power grid in one area can affect power hundreds of miles away, such as the failure of August 14, 2003 that affected eight U.S. states and Canada. For another example, the cessation of air traffic on September 11, 2001 and for several days afterwards illustrates what can happen to travelers when national transportation systems break down. Much of the nation's economic strength is interdependent with the health of the educational system. The tax system, social security system, and public educational systems all are based on exchanges between citizens and the state. The level of social and economic integration in 1900 was considerably lower than today. At that time, the national transportation and communication structures were rudimentary. The educational system was ad hoc, and it had minimal interchange with the

economic sector; the “common school” was just being established; and there were few colleges and universities (Guttek, 1986).

The operation of the US government is considerably more goal-driven than it was prior to World War I. There are more goals, they tend to be more specific, and they have more direct implications for national policy. In the past, national goals tended to focus on a few areas—principally defense, territorial integrity and expansion, and trade policy (Holcombe, 1997). Beginning with the Progressive Era and the passage of an income tax in 1913, and continuing through the New Deal and World War II, goals of government expanded exponentially. The U.S. government began to establish major policy goals in education, health and welfare, science and technology, civil rights, and environmental protection. The number of federal executive branch agencies expanded to carry out functions related to these goals. As of 2006, there are 15 cabinet level agencies and 108 independent agencies.¹⁵ By contrast, in 1906, there were only eight cabinet agencies, and the number of government employees has grown more than twenty-fold, from 1.1 million in 1900 to 21.8 million in 2005.^{16,17}

Although there are many possible goals of immigration policy, they can be summarized with one simple measure: maximizing the wealth of current natives. To achieve this goal, immigrants need to earn (or have the potential to earn) high incomes. Higher earners will contribute more in taxes and receive fewer government transfers. To achieve this objective, we need to focus on measurable intermediate goals. An analogy might be the Federal Reserve, which focuses on controlling the federal funds rate, rather than the ultimate goal of low inflation and a growing economy.

We suggest four major goals which are intermediate to the purpose of maximizing wealth of natives. One is maintaining economic competitiveness in a high technology world by

attracting skilled workers. High-technology industries require skilled workers to compete in a global economy (Kelley, et al 2004). Agencies dedicated to this goal are the Office of Science and Technology Policy and the Department of Commerce. A second is meeting world-class educational standards. To compete globally, American workers must be linguistically, mathematically, and scientifically literate. This goal is expressed in legislation such as the Elementary & Secondary Education Act (1965) and No Child Left Behind (2001), and reports such as “A Nation at Risk” (1983). For example, the goals of the No Child Left Behind Act (2001) are that children in K-12 grades meet specific mastery levels in subjects such as math, English, and science. The Department of Education is dedicated to this goal. A third goal is staying on the cutting edge of science and technology. NASA and the National Science Foundation are dedicated to these goals. A fourth goal is to drawing immigrants from a broad pool to maximize the possibility of attracting productive and hard – working people. The U.S. Citizenship and Immigration Services (of the Dept. of Homeland Security), and the U.S. Departments of Education and Health and Human Services are government agencies involved with these goals. Progress in moving toward these goals should be measurable. For example, the numbers of immigrants admitted for their skills would be relevant for goal one, while the geographical distribution of immigrants would be relevant for goal four.

Does Our Immigration System Support These Goals?

Given the organizational qualities of the US, its “hiring” system for new citizens – immigration – should support these key national goals. Yet, the way that the US “hires” new citizens is not aligned with these goals.

Maintaining economic competitiveness in a high technology world by attracting skilled workers. With globalization, U.S. companies are competing with firms throughout the world. In

this competition, skilled human resources have become critical for success (Topel, 1997; Johnson, 1997). The current policy based on family reunification does not meet the U.S.'s human resource needs. For example, of the 2,786,083 legal immigrants between 2003 and 2005, only 17.4 percent (484,344) were admitted on the basis of knowledge and skills (U.S. Citizenship and Immigration Service, 2006). Highly skilled immigrants provide a substantial fiscal benefit by paying more taxes and receiving few benefits, while lower skilled immigrants do the opposite (Storesletten, 2000).¹⁹ Although the U.S. economy has a flexible labor market and can create jobs for lower skilled workers, admitting more low-skill workers has a net fiscal cost when the benefits those workers and families will receive are considered.

In addition, increasing supplies of low-skilled labor induces businesses to systematically de-skill the jobs they offer (Lewis, 2005). Low-skilled labor induces creation of low-skilled jobs as businesses respond to the workers available. While there is no need to cling to the same types of jobs that were available in the past, all else equal, U.S. residents will be better off if higher – skilled immigrants enter. Those types of immigrants can produce the fiscal benefits required to finance the educational, retirement and other costs which both native and immigrant households face.

Meeting world-class educational standards. Relative to natives, there has been a decline in the education of immigrants (Betts & Lofstrom, 2000; Borjas, 1994, pp. 1676 - 1677). This decline is much greater than that seen in the Great Migration of 100 years ago (Hatton, 2000).

Staying on the cutting edge of science and technology. Business leaders have argued that allowing more immigrants will advance technology (Rodgers, 1998). Although studies do show that immigrants make disproportionate contributions to U.S. science, the exceptional

contributions have tended to come from source countries (e.g. U.K., Germany, India) that are not the largest contributors to U.S. immigration (Stephan & Levin, 2001).

Drawing immigrants from a broad pool to maximize the possibility of attracting productive and hard – working people. A goal of the post-1965 immigration policy was to broaden the representation of nationalities among immigrants (DeSipio & DeLaGarza, 1997), but the result has been just the opposite. A consequence of the family reunification provision to the 1965 amendments to the Immigration Act has been a *smaller* mix of immigrant nationalities because most new immigrants are relatives of those already here. Hence, the largest origin area among first generation immigrants – those who are still likely to have close relatives abroad – is Latin America.

Although the organizational analogy is broadly applicable to the modern US, it is not exact. An organization can terminate *employees*, while it is in practice difficult for the U.S to deport immigrants who are not citizens. Organizations are under no obligation to hire family of current employees. The selection of immigrants, on the other hand, has generational consequences: children of immigrants who are born in the US become, by virtue of birth on US soil, US citizens. It is unusual for organizations to have paid employees who are not accounted for. But the U.S. has a large number of people within its borders who are undocumented immigrants (Porter, 2006; Justich & Ng, 2005). And benefits that organizations receive from employees must be at least greater than the employee's costs. However, when the U.S. admits low-skilled immigrants who receive substantial income transfers (Borjas & Hilton, 1996), the gains from those immigrants are reduced or eliminated. Thus given the quasi-organizational nature of the US, it would be beneficial to admit people with characteristics that are compatible with the nation's goals, just as organizations select compatible employees.

In a global marketplace, labor becomes a global resource. Access to the global labor market makes countries and companies more competitive. For example, Singapore has developed a high quality university system and biotech industries (Luman, 2004), and a key component of Singapore's success has been its policy of recruiting highly skilled immigrants, while maintaining draconian controls over unskilled guest workers (Ruppert, 1999).

Assessing Applicants for Immigration

A "hiring" approach to immigration views immigrants as *human resources* that must be carefully evaluated to see if they have the qualifications compatible with national goals. However, because the US is larger than any organization, re-designing our immigration system to be more like a hiring system requires adjustments. The first step should be to raise key questions: (1) At what level should hiring standards be imposed? (2) What outcomes should we expect? (3) What characteristics will predict those outcomes? (4) What decision rules should be used to choose which applicants to admit? (5) How and by whom should such a system be administered?

We are not suggesting that publicly minded experts can administer an optimal immigration policy. We don't trust the 'experts' or the U.S. immigration bureaucracy to administer any complex policy. Thus we need to make any immigration policy simple and workable. In addition, as a political reality, there will be some sort of limits on immigration (possibly at a higher level than exists today), and some policy will need to be administered. Open immigration is not going to happen, and immigration slots are not going to be sold. So the U.S. should use some simple method to pick the immigrants with the highest human capital.

Since the U.S. CIS will presumably administer this immigration policy, what might discipline the U.S. CIS (as the profit motive disciplines a business)? An analogy to the flat tax

might be relevant here. If government wants to raise revenue, taxes are necessary. The existing income tax is hugely complex, and has many special provisions to benefit particular industries and groups. However, to get away from manipulation of the tax code to reward certain activities, the US might move to a flat rate income tax. This would be simple and easily administered. While the IRS will still be necessary, a flat rate income tax would require less discretion and leave less latitude for the arbitrary actions on the IRS' part. Similarly, a point system might reduce the abuse of discretion by the U.S. CIS. In this context, the Pareto principle, or the 80 – 20 rule (that 80 percent of the effects come from 20 percent of the causes) is relevant. Tweaking the existing system can lead to large improvements even if the new system isn't perfect.

What level? At what level should hiring standards be imposed? There are at least two plausible options: at the national level and at the level of organizations, subject to some constraints. There are several advantages to setting immigration standards at the national level. First, the interests of (some) private employers are not always compatible with long term national interests. For example, some organizations in the restaurant, agricultural, and hotel industries may wish to hire inexpensive, unskilled labor. Thus, restrictions on unskilled immigrants would hurt the ability of farmers in Arizona to hire cheap labor to harvest crops (Jordan, 2005). But unskilled labor is not (for the most part) in the national interest, given current national priorities.²⁰ Also, because immigration has generational consequences, admitting low skilled immigrants may create generations of poverty and ignorance, since parental education is predictive of children's education (Jencks, 2001).

The second option would be to allow employers to select immigrants, subject to constraints imposed by the nation. For example, Japan allows employers to select immigrants, subject to the constraints that immigrants must be skilled and that a job awaits them when they

arrive (Fuess, 2003). The sponsoring employer applies to the government for permission to bring in a worker. In this way, businesses can select workers who best meet their needs, while control is maintained at the national level. Australia has a similar policy (Miller, 1999).

What outcomes? There are no easy or pat answers to this question. Political and economic elites differ on the importance of key policy goals. However, the four goals we described above offer a good starting point for debate: (1) maintaining economic competitiveness in a high technology world; (2) meeting world-class educational standards; (3) staying on the cutting edge of science and technology; (4) encouraging cultural and economic innovation while maintaining social integration and stability. Policy makers from different interest groups generally agree that these are important goals. Moreover, the outcomes of these goals are largely influenced by human capabilities, so they could be influenced by immigration policy.

What characteristics? The key feature of a selection approach to immigration is that immigration officials would admit immigrants based on characteristics that are *empirically* linked to success on outcomes a nation desires. Therefore, to establish such an approach, it is necessary to identify characteristics that (1) predict desired outcomes, (2) can be measured, and (3) can be assessed, given large numbers of applicants for immigration into the US.

One approach is to assign points to demographic characteristics that predict desired outcomes. Both Canada and Australia do this. Applicants receive points for demographic characteristics presumed to be associated with desired outcomes. Such a system is easy to administer. It also has the advantage of appearing reasonable to most people. While applicants could lie on demographic questionnaires, this information can usually be verified.

The characteristics used by Australia and Canada are age, education (post-secondary only in Australia), skilled occupation, work experience, language skills, spouses' skills, and having a

family relationship in Canada (Miller, 1999; CIC). Table 1 presents an example of a similar set of characteristics for the US.

The positive values for education levels above high school are there because it is critical to build skills necessary in a high-tech, global economy.²¹ The positive values for marriage are intended to capture the higher earnings of married men. Married men earn about eleven percent more per hour than never married men controlling for other factors (Chiodo, 2002). These unobservable personal traits such as responsibility and maturity associated with higher earnings are picked up by the points for marriage. Higher English language skills generate higher earnings. People speaking only English earn more than those who don't speak English at home, and earnings fall substantially with lower levels of language skills (Chiswick & Miller, 2003). Immigrants who speak English also assimilate more quickly—for example, they are less likely to remain in ethnic enclaves (Borjas, 1998). We suggest giving a premium for immigrants who fall between 25 and 35 years of age. These are prime 'career building' ages and the ages when people will have completed their education and have gained work experience. Also, immigrants between ages 25 and 35 are likely to have 20 to 30 years of productive work life and thus pay more in taxes than they receive in government benefits. Older immigrants have few years left of productive work life and will burden Social Security, Medicare, and other government programs, relative to taxes paid. Immigrants below the age of 25 are less likely to have completed their education, they are less likely to have acquired work skills, and younger people in general are also more likely to engage in irresponsible behavior such as crime and drug abuse (Levitt, 1998). Thus, following Storesletten (2000) and the Canadian point system, we reduce points for older and much younger immigrants. Finally, people who commit crimes are less likely to have marketable skills, and less likely to be productive citizens.²²

Demographic point systems are simple and they seem to work (Borjas (1999a). Australia admits about half of its immigrants on this basis. These immigrants have lower unemployment rates than other immigrants and education and skills that have risen relative to natives (Miller, 1999).²³ Canada has also admitted a larger proportion of skilled immigrants than the US since the 1960's (Borjas, 1991). Canadian immigrants make less use of social welfare programs than natives (Baker & Benjamin, 1995).

We are *not* suggesting 'picking winners' in terms of industries, or particular occupations. We want to pick people with high human capital, who will be free to work in any industry or join any occupation and are likely to be successful given their qualities. This is not some sort of central planning, but is simply providing the U.S. with human resources that will be most likely to contribute to U.S. economic growth. Picking people based on IQ or educational level is in no way the same as an "industrial policy" of picking people based on the demands of particular industries or on the basis of clairvoyance into the industries and skills that are likely to be successful in the future.

A second approach would be to use tests requiring specialized personnel and technology. Tests are more complex than a point system because tests must be administered under standardized conditions, with a trained test administrator, and would require greater technological support. However, an advantage of tests is that they can measure characteristics that predict success in younger people before they have completed school and gained skills. If a young immigrant has no college degree but great potential, a test can identify that potential. A second advantage is that some tests have higher predictive validity than demographic characteristics. Listed in Table 2 are the validity coefficients of commonly used employment

tests as well as the validity coefficients of some demographics (e.g., work experience, education) commonly used in personnel selection (Schmidt & Hunter, 1998).

Valid tests that measure characteristics like IQ or conscientiousness can predict job performance across a variety of occupations (Carretta & Ree, 2000). Also, IQ is positively correlated with marital stability, educational attainment, earnings, and negatively correlated with crime and illegitimacy (Herrnstein & Murray, 1994). Using IQ tests could identify “diamonds in the rough,” young people without education who could succeed if given the opportunity because of their talent (e.g. Jordan, 2006). For example, suppose Manuel, a poor child of Mexican immigrants, comes to the U.S., does extremely well in school, and is able to attend Princeton University. While not all immigrant children could do this, we wish to identify the ones who can.

A disadvantage of IQ tests is that they evoke political controversy. This is due to misuses of IQ tests in the past (Anastasi, 1988), differences among racial and ethnic groups in mean IQ test scores, and controversy over the meaning and causes of those differences (Steele & Aronson, 1998; Nisbett, 1998). Although they have been found to be statistically unbiased towards different racial and ethnic groups (Jensen, 1980), these controversies might make IQ tests politically unpalatable. A test with less political baggage that is still a good predictor of occupational success is the Armed Forces Qualifying Test (AFQT). The AFQT has been tested by the National Academy of Sciences and found to be valid and racially fair. The AFQT is strongly correlated with military job performance. Differences in AFQT scores correlate with real differences in performance (Neal & Johnson, 1996). The AFQT is fundamentally an achievement test of verbal and mathematical skills (Neal & Johnson, 1996, p. 890). It is correlated with earnings (O’Neill, 1990, p. 32).

Two problems that would have to be resolved with a testing approach are test translation and test administration. Language proficiency would be an issue with many immigrants, since people from all over the world apply for immigration to the US and not all are fluent in English. Thus tests used would have to have versions available in many languages. If a government bureaucracy has problems with test administration, these functions could be privatized, since there are many private companies that have done these very well.

Nationality quotas. Should immigration decisions be based only on human capital or should nationality be factored into immigration decisions? Nationality quotas can help in at least two ways. First, nationality quotas may prevent “ethnic balkanization”—large areas of the country, regions, and cities composed of one nationality. Balkanized immigrants are less likely to interact with natives, reducing any gains from interaction with a diverse population. In addition, high-school dropout immigrants are more likely to be concentrated in balkanized immigrant areas than are college graduate immigrants (Borjas, 2001. p. 89). Borjas (1992) has shown that children living in a segregated neighborhood where the average person has a low education level is much more likely only to attain a low education level themselves. Also, the probability of children living in an ethnically segregated neighborhood is much higher if their parents lived in an ethnically segregated neighborhood. Finally, when immigrants move in, low-income natives move out, especially in high immigrant areas, such as California, Texas, and New York. So states with high immigration tend to have high native out-migration (Frey; 1995, 1996). As this continues, the US is likely to become increasingly balkanized. Second, quotas may be politically advantageous. In a country composed of immigrants, it is important that its citizens perceive that no nationality appears to have an unfair advantage in gaining immigrant status. Thus, nationality

quotas that are structured in a way perceived as fair are likely to minimize resentment from current citizens.

However because of differences in talent by nation, nationality quotas are not entirely compatible with a selection approach to immigration. Some countries have relatively few high school and college graduates (e.g., Mexico, Central American countries), while others have many (Canada, Germany). Under a system with both nationality quotas and human capital qualifications, standards for human capital requirements would have to be adjusted to meet nationality quotas for countries, such as Mexico where there are few educated workers and it is the uneducated, rather than the educated, workers who desire to emigrate. On the other hand, quotas can constrain the flow of talented immigrants into the US. Some countries, such as India and China, have huge backlogs of highly educated people who want to emigrate (Kronholz, 2006). In other countries with many educated citizens, there is little emigration (e.g., Germany, England).

Once the selection criteria are established, there are several factors to consider. The first is how to set the “admit score.” Since there are multiple admissions criteria, the system could use either a compensatory or multiple hurdle approach. With a compensatory approach, a higher point value in one area makes up for a lower point value elsewhere. Lesser English skills might be overcome by higher education, or higher language skills could balance less education. An alternative approach would be to require a minimum score on each criterion: that is, a multiple hurdle approach. Immigrants would need to pass each hurdle to be admitted. Since an applicant who did not meet a minimum educational requirement would be less likely to succeed, they would not be admitted. However, we believe this approach (except for crime) is too rigid. Lesser qualifications in one area can be balanced by greater qualifications elsewhere.

Once general standards are established, a decision rule is needed to select a small number of applicants from a larger continuous stream of applicants. One approach would be to set it according to the number of immigrants needed. The point value could be set to admit about the same numbers of legal immigrants as are admitted on average over the last three years: about 928,000 per year.²³ To admit fewer immigrants, we raise the cutoff score. Another would be to set it according to qualifications. Australia deals with this by setting upper and lower cut off scores. People scoring above the upper limit are automatically admitted, while those scoring below the lower limit are automatically rejected; people in the middle range are admitted depending on immigrant supplies. This is called 'cap-and-queue' (Miller, 1999). Australia admits about half of its immigrants in the 'skill stream' as opposed to other admissions (Miller, 1999).

Other selection methods are less desirable for admitting the most productive immigrants. For example, the H1-B visa uses a first - come first - served method, but a disadvantage of this is that the annual quota is filled quickly; in 2006, the annual quota was reached six weeks before the beginning of the fiscal year, leaving a backlog of qualified people.²⁵ Another method is random selection, which is currently used in the diversity visa lottery program. Each year, 50,000 immigrants are admitted through a lottery from countries with low US immigration rates. Winners are randomly chosen from all qualified entries. The (low) minimum requirement for this program is a high school diploma or the equivalent.²⁵

We should note one implication of the substitution of high skilled for low skilled immigrants. More immigrant doctors and fewer immigrant agricultural workers would tend to reduce doctors' incomes and increase agricultural workers incomes, making incomes more equal. Given the substantial interest in income inequality, this is would be a positive result of the proposal.

In Conclusion

Companies would like to hire their desired workers; ethnic group members would like entry of more members of their group. How might a personnel selection approach deal with these issues? In this situation, there are nominally three admission categories: skilled immigrants that companies want to hire, unskilled immigrants that companies want to hire, and immigrants wishing to admit more people in their particular group. A personnel selection policy would emphasize the former at the expense of the latter two. If the U.S. admits immigrants using a selection system, the supply of skilled immigrants will rise dramatically, alleviating the concerns of employers hiring skilled workers. But employers who wish to hire unskilled workers would find the supply reduced, and would have to either pay more, or substitute machines for people. Also, immigrants demanding greater admissions from their group would be dissatisfied if group members failed the standards.

We have made the case for selecting immigrants to enhance their contribution to measurable policy goals which contribute to increasing incomes in the U.S. The existing immigrant flow does little to contribute to these goals, and differentially advantages relatives of recent immigrants. We have suggested two ways to improve the quality of immigrants: a point system that gives immigrants credit for easily observable characteristics, or a more detailed testing system using tests such as the AFQT.

The choice between the two approaches depends on whether policy makers want a system that, although more conceptually and administratively, is likely to improve productivity or a simpler, more workable system that might not have as great an effect on immigrant productivity, but which would be a substantial improvement over the current system.

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Footnotes

¹ Data are from the U.S. Bureau of the Census, Statistical Abstract, 2007. There is evidence that the Census numbers substantially underestimate the population of illegal immigrants (Justich & Ng, 2005), which suggests that this percentage is biased downwards.

² This paper focuses on legal immigration. Illegal immigration is a complex issue, and dealing with it is beyond the scope of this paper.

³ Approximately 500,000 slaves were forcibly relocated from Africa to the US over the period from 1600 to the Civil War (Thomas, 1997) Of this total, approximately 50,000 slaves were smuggled into the country after 1808, when Congress made importing slaves illegal (Daniels, 2004).

⁴ For example, Benjamin Franklin, an early nativist, inveighed against the German immigrants, He feared that German immigration to Pennsylvania would have the effect of Germanizing the population (Daniels, 2004, p. 8).

⁵ The 1965 Act is popularly known as the Hart – Celler Act (PL 89 – 236) and drastically amended the Immigration and Nationality Act of 1952, popularly known as the McCarran – Walter Act. The 1952 McCarran – Walter Act was the first to organize all immigration statutes into one group of text (See Maryland Immigration Digital Library, and **Center for Immigration Studies, 1995**). The 290,000 immigrants allowed into the country each year were to be admitted under this preference system: (1) unmarried adult children of US citizens (20%), (2) spouses and unmarried adult children of permanent resident aliens (20%), (3) members of the professions and scientists and artists of exceptional ability (10%) (4) Married children of US citizens (10%), (5) Brothers and sisters of US citizens over age twenty-one (24%), (6) Skilled and unskilled workers in occupations for which labor is in short supply (7) Refugees from communists or communist-

dominated countries, or the Middle East (6%), and (8) Non-preference: any remaining visas (Daniels, 2004, p. 136)

⁶ In 1963, President John Kennedy proposed to Congress a series of modifications to immigration policy. He recommended that policy be changed that the "skills of the immigrant and their relationship to our [national] need" be taken into account; he also recommended that "highly trained or skilled persons" need not have employment before immigrating; and create a special preference category for lesser skilled workers who could meet short-term labor supplies (cited in Daniels, 2004, p. 131). The Kennedy proposal also had family reunification as a key part of immigration reforms. Although President Herbert Hoover had championed immigration restriction in 1929, he also advocated allowing more people with "close family ties" to immigrate as well as those who suit "our national needs" (i.e., the highly skilled and talented; cited in Daniels, 2004, p. 60)

⁷ Both acts also had the standard mental and physical health, moral, and ideological exclusions. Other than the abolition of quotas and instituting hemispheric caps, the 1965 Act was actually quite similar to the Immigration and Nationality Act of 1952 (McCarran – Walter).

⁸ Between 1860 and 1910, the foreign – born percentage never fell below 13%. In comparison, this percentage was 4.7% in 1970 and 7.9% in 1990. (U.S. Bureau of the Census, 1976)

⁹ Some of these policies towards Asians (e.g. the Chinese Exclusion Act) were blatantly racist. Ironically, Japanese and Chinese have come to be known as "model immigrants"—with lower than average crime and welfare rates and higher than average educational and occupational achievements [Bucuvalas, 2003].

¹⁰ Mexico provided 16.25% of the legal immigrants from 2003 – 2005, while Latin America provided 40.2%, and Asia and Latin America together provided 75.3% (U.S. Citizenship and Immigration Service, 2006, Table 3). Of course, adding in illegal immigrants (predominantly Latin American) would raise the Mexican percentage dramatically.

¹¹ Mexico's economic growth rate fell dramatically after 1982, leading to a **negative** per capita income growth from 1982 to 1997 (Santaella, 1998).

¹² The statue was dedicated in 1886. For the text of the poem, see (Lazarus, 1883).

¹³ Three additional arguments in favor of immigration are: maintaining a population's youthfulness, adding complementary skills to a workforce, and the injection of new ideas. The US population is aging; immigration can help maintain a population's youthfulness and finance retirement programs (Storesletten, 2000). Immigrants may have complementary skill sets that are not always available in the native population. For example, native physicians may not be willing to serve in rural areas. Similarly, there are some low skilled jobs that most natives won't do at current wages, for example unskilled agricultural and cleaning work. Finally, immigrants can provide variation in ideas that can contribute to economic innovation and cultural richness.

¹⁴ Skill-producing countries with good economies and good qualities of life are unlikely to have many skilled people who wish to emigrate.

¹⁵ For a detailed discussion of the Canadian system, see <http://www.cic.gc.ca/english/skilled/qual-5.html>.

¹⁶ The current Cabinet agencies are: Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, Interior, Justice, Labor, State, Transportation, Treasury, and Veterans Affairs.

¹⁷ In 1906, the cabinet agencies were: Agriculture, War, Navy, Interior, Justice, State, Treasury, and Post Office.

¹⁸ 1900 data are from Historical Statistics of the United States, Colonial Times to 1970, p. 137. The 2005 data are from the Economic Report of the President, 2006, Table B-46.

¹⁹ (Borjas, 1994). But even at the federal level, immigrants will benefit disproportionately. An immigrant residing in the U.S. for only part of her working life receives much higher benefits from Social Security, compared to a native working their entire life in the U.S. (Gustman & Steinmeier, 2000).

²⁰ Another example is when it is in companies' interests to employ illegal immigrants. In these cases, not only are the immigrants low skilled, but the employers are probably not paying Social Security taxes on their wages (Jordan, 2005).

²¹ The Statistical Abstract of the U.S., 2007 [<http://www.census.gov/compendia/statab/>, Table 684] shows that male year-round full-time workers with B.A.'s or better earn at least three times as much as males with less than a 9th grade education. Females with B.A.'s earn over 2 ½ times as much as females with below 9th grade educations.

²² For information on illegal alien crime, see (U.S. GAO, 2005)

²³ Australian immigrants have problems assimilating, and show slower earnings growth than immigrants in the U.S. (Miller & Neo, 2003). These problems are not because of lack of immigrant skills, but because of an inflexible labor market. Australia has much higher minimum wages than the U.S., a much higher unionization percentage, and wages are set by government agencies. The result is higher unemployment rates for immigrants than natives. This is not a criticism of selection: Australian immigrants would do better with a freer labor market.

²⁴ The most recent U.S. C.I.S. numbers indicate about 706,000 immigrants in 2003, 958,000 in 2004, and 1,122,000 in 2005. Office of Immigration Statistics, U.S. Legal Permanent Residents, 2005: Annual Flow Report, April 2006, and in addition there are probably 1/3 of a million illegal immigrants. Other sources suggest that a level of legal immigration of about 1 million people per year, and about half that many illegal immigrants (CIS Current Numbers: www.cis.org/topics/currentnumbers.html)

²⁵ See (Gross, 2005)

²⁶ The equivalent is defined as: completion of a 12-year course of elementary and secondary education; OR two years of work experience in the last five years in an occupation that requires at least two years of training or experience to perform (Krikorian, 2005). These standards are not high relative to the average quality of immigrants admitted through the H1-B visa program.

Table 1

An Example of a Demographic Point System for US Immigration

| Characteristic | Points |
|---|--------|
| <u>Education</u> | |
| High school dropout | - 2 |
| High school graduate | 0 |
| Some college | + 2 |
| College graduate | + 4 |
| Masters degree | + 6 |
| Ph.D. | + 8 |
| <u>Age</u> | |
| For each 10 years above 35 | - 2 |
| For each 5 years below 25 | - 2 |
| <u>Marriage*</u> | |
| Married | + 4 |
| Single | 0 |
| <u>English Language Skills*</u> | |
| Speaks only English at home | + 2 |
| Speaks Language other than English and Speaks English Not at All | - 3 |
| Speaks Language other than English and Speaks English Not well | - 2 |
| Speaks Language other than English and Speaks English Well | - 1 |
| Speaks Language other than English and Speaks English Very Well | 0 |
| <u>Crime</u> | |
| Felony conviction | - 10 |
| Arrest for felony crime | - 5 |
| Previous deportation | - 10 |

*Note: (Cornwell & Rupert, 1997).

**Note: (Carnevale et al. 2001, Chiswick, 1988, Miller 1999)

Table 2

Predictive Validity of Commonly Used Employment Tests

| Hiring Method | Validity |
|-------------------------------------|----------|
| Traditional | |
| Work sample test | .54 |
| Peer ratings | .49 |
| Job knowledge tests | .48 |
| Job tryout procedure | .44 |
| Employment interview (unstructured) | .38 |
| Reference checks | .26 |
| Job experience | .18 |
| Years of education | .10 |
| Mechanistic | |
| General Mental Ability Test (IQ) | .51 |
| Employment interview (structured) | .51 |
| T&E behavioral consistency method | .45 |
| Integrity tests | .41 |
| Assessment center | .37 |
| Biographical data measures | .35 |
| Conscientiousness tests | .31 |
| T&E point method | .11 |
| Interests | .10 |