PEREGRINE

AMERICAN IMMIGRATION IN THE 21ST CENTURY

THE QUESTION OF WORK VISAS

IN THIS ISSUE

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PEREGRINE

(adj.) 1. foreign; alien; coming from abroad. 2. wandering, traveling, or migrating.
Origin: Latin peregrīnus foreign, derivative of peregrē abroad.

The "year of immigration reform" has not unfolded like anyone expected as recently as the publication of our inaugural issue of *Peregrine.* Policy makers in Washington didn't pass any new laws to impact policy, but events on the ground took on a life of their own.

The emergence of a long-simmering crisis of foreign children surging across the southern border of the United States grabbed the public's attention during the summer. Tens of thousands of children, mostly teenagers, were drawn to the United States amid rumors of a presidential amnesty; the reality is that almost all of them are being allowed to stay indefinitely in the United States based on the administration's interpretation of the 2008 law meant to prevent human trafficking. The Obama administration was clearly unprepared for the crisis, despite revelations that it had been warned for years by experts inside the Department of Health and Human Services and people outside the federal government about the burgeoning wave.

The controversy forced legislators in Washington finally to admit the obvious: comprehensive reform legislation, passed by the Senate in 2013 but ruled out by House leadership, has collapsed. Democrats insisted that comprehensive reform was essential, but the all-or-nothing road has once again led to nothing. In one sense, recent events are a setback, especially given White House hints about giving up on legislation in favor of executive fiat. But in another sense, events validate one of *Peregrine*'s founding principles: pragmatic, incremental reform is the way forward.

In this issue, scholars focus on the topic of temporary guest worker visas. Work visas are the middle ground that extremists tend to ignore. One extreme calls for open borders and automatic citizenship for illegal immigrants; the other calls for deportations and a fortified border. The unheralded, commonsense approach is to allow immigrants to work in America temporarily, not as a pathway to a citizenship or as indentured servants to be exploited. The nation has a history of guest worker programs that are active today but have become bureaucratic and inefficient.

These essays point toward a better way. The consensus we found in this issue's survey of experts offers a blueprint for legislation that appeals to policy makers and voters left, right, and center. It may not happen this year, but common sense cannot be denied and manipulated by cynical politicians indefinitely.

Tim Kane
Editor

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Guest Worker Visas

by Alex Nowrasteh

Expanding and liberalizing America's lawful immigration system is the easiest way to boost economic growth and is also the key to stopping unlawful immigration. After a century of reforms that enhanced and centralized bureaucracy, federal immigration policy is a labyrinth of restriction and dysfunction. US immigration laws are now, as Associate Justice Harry E. Hull Jr. wrote, "second only to the Internal Revenue Code in complexity."

Demand for all kinds of labor in the United States is strong, and immigrants are willing to supply it; but federal restrictions stand in the way. Almost no green cards (permanent visas) are available for low- and mid-skilled immigrants. Temporary visas are capped, restricted in scope, and regulated with paperwork hurdles. The result is many immigrants who would otherwise come legally to the United States instead work and live here illegally.

America's economic magnet for foreign labor is strong, as we can see in the huge worker productivity and wage differences across countries. A marginal Mexican worker with the same skills as an American can increase their wages by a factor of three after relocating to the United States. The marginal wage gain for immigrants from the typical developing nation is a four-fold increase.

Many opponents of unlawful immigration insist that the federal government need only deploy harsher enforcement methods. American politicians and voters may react positively to harsh enforcement rhetoric, but they have not been so keen to bear the high economic costs of following through. The costs of enforcement are concentrated on a few industries and workers (citizen and foreign alike), whereas the benefits are diffuse at best and nonexistent at worst, which the theory of public choice describes as a recipe for inaction. American history bears this out.

Immigration authorities have rarely enforced internal immigration restrictions. From the Alien and Sedition Act of 1798 to the Chinese Exclusion Act and the Alien Contract Labor Act of 1885 until today, the government is capable of only selectively enforcing immigration law internally or at the borders, with embarrassing exceptions like the Mexican "Repatriation" that was only possible during the depths of the Great Depression.

Proposed internal immigration enforcement methods are likely to be far less effective than their proponents believe. Mandatory E-Verify is the most universally supported enforcement scheme but is wildly unsuccessful when tried, barely blunting the economic magnet for

unauthorized immigrants in states such as Arizona. Only some of the blame belongs with the E-Verify program itself, designed and controlled by the government. Even if immigration enforcement was made more efficient, to be successful it would have to raise the costs borne by the illegal immigrant above the enormous economic gains of illegally immigrating. To raise the cost of illegal immigration that high would require draconian enforcement measures that few people would support in practice.

Border enforcement is more effective and does deter most potential immigrants, but there will always be a large number who enter unlawfully or overstay visas as long as the economic gains of coming here are great.

The easiest solution is to return to the pre-1882 American system of free immigration, allowing peaceful and healthy immigrants to move to jobs here with minimum government interference. That policy outcome, however, is currently even less likely than creating a draconian immigration enforcement system that eliminates most unauthorized immigration. Fortunately, there is a solution in the middle ground: guest worker visas.

Making Visas Work

Guest worker visas are temporary work permits for foreigners that allow them to live and work inside the country for a set period of time, from a few months to a few years. America's first guest worker visa program began during World War I. From the mid-1940s until 1964, the Bracero program allowed millions of Mexican workers to work temporarily on US farms. Although that program was far from perfect, it reduced the size of the unauthorized immigrant population and illegal border crossers by more than 90 percent. When an Immigration and Naturalization Service (INS) official was asked what would happen if the Bracero visa was terminated, he responded, "We can't do the impossible, Mr. Congressman."

A modern and successful guest worker visa program requires several components to be politically, economically, and legally successful.

A new guest worker visa program must be open to peaceful and healthy migrants who do not pose a national security or criminal threat. A big problem with current guest worker visas like the H-2B and H-1B is that their numbers are capped well below the quantity demanded by employers. But if quotas must be part of a new policy, the numbers should be determined by supply and demand: a simple economic formula operating as a policy rule. The Senate's 2013 immigration reform bill attempted to create just such a formula, but it was both overly complex and subject to autocratic override by a newly appointed migration czar. The provision came at the

by Tom Church

The United States issued more than 60 million visas in 2013 to foreigners who intended to visit the country but not immigrate permanently. Most went to individuals who came temporarily for pleasure (48 million) or business (6 million). Another three million went to individuals and their families to work in the United States, and 1.7 million went to foreign students.

Foreign nationals who want to work in the United States must navigate among eleven classes of nonimmigrant visas, totaling more than seventy specific types. Nonimmigrant typically means that a visa is temporary and that the individual does not intend to settle permanently. This wide array of visa types would seem to cover almost every imaginable individual or work possibility; it also means, however, that foreigners who want to work in the United States have a veritable alphabet soup of visa application decisions to make.

Temporary work visas are frequently split into high-skilled and low-skilled workers. On the high-skilled side, the largest temporary work visa program is the L-1 intracompany transfer. Although there is no quota, between 700,000 and 800,000 L-1 visas—both new and renewals—are granted each year. The program allows international companies to send workers and their families overseas and to bring foreign workers to the United States based on reciprocity schedules with their respective countries. This bypasses the emotional debate about foreigners stealing jobs since US and foreign employees of the same company effectively trade places. L-1 visa holders can stay up to seven years depending on their country of origin. Considering the program's relative size and function, L-1 migrants are often left out of the national immigration debate.

insistence of labor unions, whose numerical recommendation would significantly affect the visas granted annually according to the formula. Such a migration czar creates even more opportunities for rent-seeking, corruption, and uncertainty after every presidential election or administrative whimsy.

Another improvement would be to lengthen the guest employment term. Existing seasonal worker visas, like the H-2A for agricultural migrants, should be replaced by visas of a year or more. The worker should also be able to renew his or her visa directly from inside the United States, though requiring a cyclic return to the home country. (There should, of course, be zero tolerance for any migrant worker who commits a felony or violates the rules of the guest worker agreement.) Such a system creates a circular migratory flow of workers that has been the norm for migration since the late nineteenth century and only recently impeded by expansions of border enforcement. Moreover, access to a guest worker visa depends on following the law and incentivizes obedience to it.

A third improvement would be a guest worker visa that applies to all sectors of the economy rather than narrowly in categories controlled and approved by government. Current guest worker visas are divided by sectors of the economy, with each visa segment stymied by its unique regulations. This is intentional and indefensible, thanks to rent-seekers and bureaucratic economic micromanagement. Segmentation is meant to make legal migration less efficient.

Fourth, guest workers should also have portability between employers without seeking *ex ante* government permission to do so, as required for almost all current guest worker visas today. Portability would deny US employers the ability to lower wages by freeing the worker to seek a new job if his or her wages are lowered below that offered by other employers. It would also allow more competition between employers because workers would move to the jobs with the highest compensation, thus neutralizing one of the few arguments (exploitation) against guest worker visa programs.

Fifth, a new policy would establish some smart incentives. The existing bar on guest worker access to means-tested welfare and entitlement programs should be deepened and expanded to all noncitizens, a policy shift that is both politically popular and constitutional. Migrant workers should be taxed like other workers, but a large percentage of those taxes should accumulate into accounts in the migrant's name instead of being handed over to the government. The account should then be turned over to the migrant *after* he or she has left the United States and been abroad for several months. If the migrant commits a serious felony in the United States, consumes welfare, or seriously violates the legal terms of his guest worker visa, then he or she would automatically forfeit the entire account to the government. A portion of that forfeited account

The H-1B high-skill visa is one program that features prominently in the debate over immigration reform. Although about 475,000 H-1B visas are granted each year, a quota on new visas begins at 65,000 and adds an additional 20,000 for foreign graduates of US universities. The annual application period for those 85,000 visas opens on April 1 of each year. This year, the United States Citizenship and Immigration Service (USCIS), which administers the applications, stopped accepting applications on April 7 because it had received so many. In total, USCIS announced 172,500 applications had been submitted before the window closed. Because the quota for H-1B visas is fixed, USCIS holds a lottery among the applications that were submitted while the window was open. In other words, the US high-tech visa program is a lottery system within a quota system. This year marks the eleventh consecutive year of hitting the cap on visas; the only reason it wasn't reached in the three earlier years was because the cap had been lifted to 195,000 from 2001 to 2003 following the dotcom bubble. Technology companies, especially in Silicon Valley, have called for expanded limits on the number of H-1B visas.

The most prominent low-skill work visas are the H-2A agricultural visa and the H-2B nonagricultural visa. H-2A visas are technically unlimited but come with numerous employer requirements set by the Department of Labor (DOL) that drive up the cost of legally hiring foreign agricultural workers. H-2A visas are allowed to be issued for seasonal labor only, usually ten months; employers can request that visas be reissued the following year for three years. Once a foreign worker has spent three years in the United States on H-2A status, he or she must leave the country and wait three months until reapplying for another H-2A visa. Under the 50 percent rule, employers are legally obligated to hire any US worker who applies for the

could then be used as a bounty to incentivize the deportation of the migrant. A quasi-bonding mechanism such as this will incentivize migrants to follow the law and the government to investigate potential unlawful behavior by migrants.

Sixth, federalism should be introduced into any new guest worker visa system. Within any newly created guest worker visa program, state governments should be able to receive more guest worker visas for employers on request, regardless of any other quota or economic regulation imposed by the federal government. Almost all the fiscal costs created by lower-skilled migrants are borne by local communities and states, so they should be able to choose to ratchet their numbers upward. States should not be able to exclude guest workers because that would further segment the interior labor market of the United States.

Pragmatic Implementation

Politics demand that we sacrifice some economic efficiency for popular opinion. A guest worker visa program would therefore need to include labor market protectionism for US workers who may compete with migrant workers. Current guest worker visas are hamstrung by complex wage regulations and controls, whereas the sponsoring firms are required to prove that the migrant worker will not adversely affect the employment opportunities and wages of Americans. Let's flip the burden. Wage control and prior government approval of guest workers should be replaced with a veto over individual guest worker applications by the Department of Labor *only* if it can prove a migrant will have an adverse labor market impact on US workers.

As with trade, in which quotas are more harmful than tariffs, so it is with immigration. Charging fees for the employment of migrant workers would be superior to the numerical caps in place today. Singapore is a good example of a workable solution. Singapore's government charges a special fee to employers who hire migrant workers. The revenue from those fees funds immigration enforcement, raises additional revenues, and incentivizes local employers to search for native workers first. Replacing America's complex bureaucratic foreign labor regulation system with a simpler and self-funding fee mechanism achieves some of the politically popular protectionism with much greater efficiency.

Lastly, some guest workers should be able to eventually earn a green card and naturalize. Think of guest worker visas as an audition or trial period for US citizenship. This would require amending Section 214(b) of the Immigration and Naturalization Act that prohibits nonimmigrant guest workers from intending eventually to seek permanent residency, but it has many advantages over the status quo. Several barriers to guest workers earning a green card could

same position during the first half of the H-2A's work contract. Some 200,000 H-2A visas were granted last year, roughly equal to the number of illegal foreign agricultural workers in the United States.

H-2B nonagricultural visas are for non-college-graduate foreigners who want to work temporarily in the United States. Workers are only eligible to obtain H-2B visas if not enough US workers are "able, willing, qualified, and available to do the temporary work." Legally, the foreigners' presence is not allowed to affect adversely the wages of similarly employed US workers. Employers must obtain DOL certifications in the same way as those who employ H-2A workers, although they are not obligated to provide housing and food costs. DOL certifications list landscape labor, amusement park worker, forest worker, housekeeper, and industrial commercial groundskeeper as the top occupations of H-2B certified workers. There is a cap of 66,000 H-2B new visas each year; they are then split into two waves of 33,000 six months apart. Visa holders may obtain extensions for up to three years. Just fewer than 105,000 total H-2B visas were issued last year.

There are many other kinds of temporary worker visas: extraordinary ability and achievement (O1), trainees (H3), famous athletes and entertainers (P1), and so on. Although some of these programs may not be well known, the number of nonimmigrant visas issued is large. The North American Free Trade Agreement category of professional workers (TN) has included grants of anywhere between 600,000 and 900,000 visas in recent years. There are visas for "treaty traders and investors" and their dependents (E1 to E3) that make up another 375,000 to 450,000 temporary visas a year. On the student side, half a million exchange students (J1) joined 1.7 million US college students during the past year.

be included, such as a mandated and lengthy period of time working in the United States, testimony of employers as to the migrant's dedication and job skills, English fluency, lawfulness, and so on. It would be a vast improvement over the randomness and family bias in the existing legal permanent resident policy.

Historically, worldwide guest worker programs and liberalized immigration policies have aided immigration enforcement efforts. A new US guest worker visa program will allow the American workforce to expand with a growing economy and contract during periods of low growth and recession. Given political and public choice constraints, a large, robust, and minimally regulated guest worker visa is the best policy avenue to allow more migrant workers into the United States and the lowest cost option to decrease the incentive to immigrate illegally.

The US population is around 314 million people. The more than sixty million visas granted to visitors bring in large economic benefits through spending on tourism, investment in businesses, and advances at research departments in universities and companies across the US. Those benefits would be much higher if constraints on nonimmigrants were reduced.

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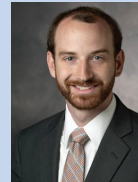
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Immigration Policy and the Surge

by Madeline Zavodny

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A year ago, the momentum for immigration reform was in danger of stalling over concerns about how to deal with the 11 plus million unauthorized immigrants living in the United States. No one would have guessed, however, that reform legislation would be derailed by tens of thousands of children from Central America claiming to be victims of human trafficking.

The surge in the number of children entering the United States, often by themselves, during the summer of 2014 has been quietly building over several years due to several US actions. President Obama's 2012 executive order creating the Deferred Action for Childhood Arrivals program allowed certain unauthorized immigrant youth to receive renewable two-year permits to stay and work in the United States. Meanwhile, a 2008 law aimed at protecting victims of trafficking slowed the pace of returning unaccompanied minors to their home country. Most non-Mexican children who are apprehended crossing the border are released to family members living in the United States with a piece of paper that orders them to appear in court in a few weeks or months. Realistically, those who fail to do so do not face imminent deportation but can disappear into the shadows for years and hope for an amnesty.

Other policies have added to the hope of an amnesty. The Obama administration eased the three- and ten-year bars on readmission for some unauthorized immigrants who have applied for green cards. Unauthorized immigrants from El Salvador, Honduras, and Nicaragua have had temporary protected status for more than a decade, allowing them to live and work in the United States. Although removals of unauthorized immigrants have risen under the Obama administration, millions more remain, having set down roots and sent for their families.

Given all the above, it is no wonder that families in Central America believed rumors that children who made it across the border would receive amnesty. Those children are also fleeing violence and poverty, but, sadly, those conditions are nothing new; the recent surge does not appear to be due to significantly worsening conditions at home. Smugglers have capitalized on families' confusion about US immigration policy and exploited their desire for their children to have a better life.

The United States needs quickly to return the vast majority of these unaccompanied minors to their home country. Deporting them back to such bleak conditions may seem heartless (although not as heartless as this summer's sight of US citizens blockading buses carrying these migrants, reminiscent of protests against buses carrying black children to white schools some fifty years ago). But allowing them to remain in the United States for more than a few weeks guarantees bigger illegal inflows in the future and reduces further the possibility of comprehensive immigration reform.

Enacting comprehensive immigration reform won't solve this crisis, but it will help forestall the next one. Addressing unauthorized immigration requires a multifaceted approach: dealing with those already here, either by giving them permission to stay or making them miserable enough that they leave, and not encouraging more to enter. This means not only border enforcement but also interior enforcement, especially at worksites, as well as a way for low-skilled workers—and their families—to enter legally. This last part is critical. Swathes of the US economy have come to rely on ready access to unauthorized workers. Creating more and better temporary worker visa programs would also bolster the rule of law.

Policy makers contributed to this problem not only via the policies outlined earlier but also by failing to adopt comprehensive immigration reform during either the last Bush administration or the Obama administration. It's time the White House and Congress agreed on some sensible reforms. Doing so might not improve the lives of the tens of thousands of Central American children enduring unimaginable hardships to get here, but it would help keep this from happening again.

Auctioning Temporary Visas

by Giovanni Peri

Giovanni Peri is a professor of economics at the University of California-Davis, where he is also the director of the Temporary Migration Cluser. He studies labor economics, regional and urban economics, and immigration policy.

The US Immigration system is in deep need of change. In this article I propose an incremental reform that, as such, should be more easily passed and implemented than a comprehensive one. It also introduces an innovative mechanism to select immigrants that will reveal the economic incentives driving immigrants and hiring firms. In addition, it will harness those incentives to maximize the economic value of immigrants, generate revenue for the government, and stimulate the economy. At first, the mechanism would apply to only two categories of temporary visas; once perfected, it could be extended to cover all the employment-based immigration permits.

A key insight to consider when building an efficient immigration policy is that immigrants, by moving from countries where productivity and wages are low to the US where productivity is high, create substantial economic gains all around. Some gains are realized directly by immigrants themselves, potentially shared with the US government; some are productivity gains for US firms and hence benefit the whole US economy.

An effective immigration policy, therefore, should encourage the inflow of immigrants who are most valuable to the US economy. It should also help direct the resources they create to benefit the private and public sectors of the US economy. The cumbersome and outdated US immigration system imposes inefficient and arbitrary restrictions on the inflow of foreign-born workers, frustrating employers and potential immigrants alike and not helping US workers either.

I propose using market-based auctions to allocate temporary work permits. Initially they should be applied to H-1B (skilled workers) and H-2 (seasonal and agricultural) visas, currently the major avenues that allow employers to hire temporary foreign workers.

From an economic point of view, it would be more efficient to set the price of each permit and let the market (employer) decide the quantity of foreign hires. With an eye to implementation, however, auctioning a fixed number of permits would be more feasible. Such auctions would avoid a sudden increase of immigrants and the opposition that they could generate, allow a more gradual adjustment of the economy and firms, and still produce a number of economic and efficiency benefits. The numbers, as shown below, can be adjusted following the price signals.

One major failure of the current system is that it does a poor job of identifying and admitting workers whose skills could bring the greatest value to the US economy. The reason for this failure is that the system for allocating visas is not based on market forces; the employment visas, H-1B and H-2B, are allocated on a first-come, first-served basis or randomly via a lottery. That system is bureaucratic, cumbersome, and discouraging to employers and prevents job creation and squanders potential government revenues. Firms are willing to pay for relaxing the constraint on temporary visas, but we do not know how much. This proposal will allow employers to reveal their evaluation of foreign workers, encourage more efficient allocation and selection, and produce revenues for the government, superior to the existing system that costs the government.

Auctions would work as follows: as college-educated and non-college-educated workers are different types, permits for what is now called the H-1B category (college educated) and permits for the H-2 categories (college education not needed) would be sold in two separate auctions and valid for three years. Employers would submit sealed bids for permits in an electronic auction. Permits would be allocated to the highest bidders until the number of permits available has been exhausted. To avoid the "winner's curse," all bidders would pay the lowest accepted bid, signaling the clearing price for that type of permit.

The total number of permits available at auction could initially be set equal to 125,000 for each category, which is the quota suggested for H-1B visas by the proposal passed by the US Senate in July 2013. Moreover, a balanced inflow of college-educated and non-college-educated workers would leave the relative wages of US workers unaffected, as the relative

supply of skills would not change much, with no consequences, therefore, on native wages.

An employer with a permit would be allowed to hire a foreign worker. If the worker is abroad, she would receive a temporary visa of the same type and duration of the permit. If the worker is already in the United States, she will simply transfer to the new employer when hired.

Employers could resell permits in a secondary electronic market that would operate continuously, managed by the same government agency that administers the auction. Permit resale prices would offer a signal about the demand for foreign workers; an increase in prices would signal higher demand and could thus be used in adjusting the number of permits to issue at future auctions. For the duration of their temporary visa, workers would be free to move across employers who hold a valid permit. This portability, plus the easy availability of permits to firms in the secondary market, would ensure that foreign workers can be mobile across employers. Employers, moreover, will compete with one another, ensuring the fair treatment of all workers. At the same time, the cost of the permit, instead of arbitrary wage requirements (as currently required by the Labor Certification Board), would be an incentive for employers to hire US-born workers and protect them, with the permit serving as a fee to access foreign labor.

This system would introduce an important role for market forces in allocating visas: employers with the greatest need for foreign workers, as indicated by their willingness to pay for permits, would be able to hire foreign workers. In addition, providing a simpler, more transparent system for employers of less-skilled workers should reduce employers' need to hire unauthorized workers, ultimately reducing the incentive for undocumented immigration. The success of the auctions in the long run, including their ability to raise revenue, to deter undocumented immigration, and to serve the need of the US economy, however, depends on setting the numerical limits on H-1B and H-2 visas at reasonable levels and allowing them to adjust when the demand (as revealed by auction prices) rises or falls.

This auction system, applied first to H-1B and H-2 visas, could be an important step toward broader reforms of immigration policy and reveal the value of foreign workers to US employers. Distributing the revenue from permit auctions to improve local services (schools, hospitals, roads) in areas with higher immigration would also increase public acceptance of foreign workers, setting the stage for the general public to see the benefits of a system that auctions all temporary and permanent employment-based visas.

To Grow, America Needs More Legal Work Visas

by Diana Furchtgott-Roth

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America's GDP growth rate is hovering around 2 percent annually, not high enough to create a demand for discouraged workers who have dropped out of the labor force. Would additional immigrants hurt or, possibly, help?

It is paradoxical that employment in the United States could be improved by bringing in workers from abroad, but only if you think employment is a zero-sum game. In reality, employment is not a fixed pie to be divided, with more for some resulting in less for others. Rather, employment is a dynamic cycle always poised for growth. Greater immigration would allow the US economy to operate more efficiently, creating more jobs for native-born Americans.

US businesses founded by immigrants employed approximately 560,000 workers and generated $63 billion in sales during 2012. Immigrants have a higher propensity to start businesses than native-born Americans. For example, 44 percent of high-tech Silicon Valley businesses had at least one immigrant founder.

Immigrants tend to have different skills from the native-born population that complement the skills of the US labor force, as documented by London School

of Economics professor Gianmarco Ottaviano and University of California at Davis professor Giovanni Peri. As a result, a percentage point increase in immigrant scientists and engineers raises the number of patents per capita by as much as 18 percent, according to Professors Jennifer Hunt (Rutgers) and Marjolaine Gauthier-Loiselle (Princeton). Immigrants make the economy more efficient by reducing bottlenecks caused by labor shortages, both in high-skill and low-skill areas.

Statistically, the educational attainments of native-born US workers are distributed in a bell-shaped curve. Many Americans have high school or college diplomas, whereas relatively few adults lack high school diplomas and even fewer have doctoral degrees, particularly in math and science. In contrast, immigrants' educations are distributed in a U-shaped curve, with disproportionate shares of adults offering manual labor skills or advanced science and engineering degrees, but few in the middle.

A quarter of immigrants have not completed high school, compared to 5 percent of the native-born labor force. On the other side of the bell curve, 56 percent of all engineering doctoral degrees, 51 percent of computer science doctoral degrees, and 44 percent of physics doctoral degrees were awarded to foreign-born students. This distribution describes a complementary workforce.

Those skills and job preferences complement rather than substitute for native-born workers, too, making US workers more productive and attracting capital that takes advantage of new opportunities for growth. Although immigrants will be substitutes for some primarily low-skilled workers, many of whom are also immigrants, studies show that the negative effect on such workers is much smaller than the positive effect for everyone else. The economy as a whole gains, with substantially more winners than losers, even in the short term. In our society, this makes it possible for the winners to compensate those who lose from immigration and still come out ahead.

Immigrants are especially important in the STEM–which stands for science, technology, engineering and mathematics–fields. The increase in the US STEM workforce since 1995 is largely attributable to immigrants, according to William Kerr of Harvard and

William Lincoln of the University of Michigan. Other scholars have analyzed the significant increase in research productivity among US science and engineering departments and discovered it is largely due to the increased presence of foreign students.

According to a May 2014 working paper by Giovanni Peri and Kevin Shih, University of California at Davis, and Chad Sparber, Colgate University, more STEM immigrants would raise the wages of native workers. Increasing the share of foreign STEM workers by 1 percentage point as a portion of a city's total employment would increase the wages of native, college-educated workers by 7 to 8 percentage points. Even native workers without college credit would get a raise, though only of 3 to 4 percentage points.

Among professionals, foreign-born workers are employed in computer and mathematical occupations at a higher rate than native-born workers, 3.9 percent versus 2.5 percent. Native-born workers are more than twice as likely to be employed in legal occupations. In service-oriented fields, 7.7 percent of immigrants work in food service, compared with 5.3 percent of native-born workers. Only 3 percent of native-born Americans are employed in building, groundskeeping, and maintenance, whereas 8.6 percent of immigrants are so employed.

America's goal should be an immigration policy that fosters economic growth. That requires finding a way to allow people who want to work here to come legally. Since most immigrants' skills are complements to the skills of native-born Americans, this would increase the efficiency of our economy and create jobs for those Americans. With our economy in a slow recovery, we should be giving visas to those with innovative ideas who can help move our economy forward. This would

prevent offshoring of American manufacturing and encourage economic growth at home.

The research leads us to a clear path forward. Congress should facilitate the process of immigration for high- and low-skilled workers. We are turning away foreigners who would help, not hurt, the recovery at a time when economic growth and international competitiveness are major concerns.

The Role of Low-Skill Visas in Immigration Reform

by Douglas Holtz-Eakin

Douglas Holtz-Eakin is the President of the American Action Forum. Previously he was Director of the Congressional Budget Office from 2003-2005.

The phrase *immigration reform* means different things to different people, largely because such a reform can span many aspects of American life. Border security, employment law, legal status of the undocumented, visa tracking, sector-specific economic policies, and more are potential components of immigration reform.

The notion of reforming the work visas is probably the most underappreciated opportunity for immigration reform. A strong, *economically oriented reform* of the core visa system has the potential to raise productivity, enhance entrepreneurship, and improve the pace of economic growth. Some economic policy aspects of reform are featured in the public debate: notably, H1-B visas and the role of high-skilled immigration.

Less attention, however, is paid to the role of immigrants with low skills. (Caveat: *markets* determine the value of skills, so years of education, degrees, and other indicators are only proxies for the highly valued and less-valued skills.) Those who care about border security, however, should care about a sensible program of low-skill work visas for both temporary workers and permanent immigrants. Functioning visa systems would relieve the border pressure generated by the desire to have access to the US market and thus reduce illegal immigration and security threats.

Those interested in the global preeminence of US agriculture should care about low-skill visas. Agriculture worker visa reform has been a key element of broad-based reform for a number of years. The economic modeling firm REMI estimates that the agriculture worker (H2-A visas) reforms in the Senate-passed legislation would raise jobs and output in the United States during the next thirty years. The effects are modest but clearly preferable to increased reliance on imported fruits and vegetables.

More generally, those concerned with the lackluster US economic recovery and increasingly disappointing long-term growth prospects should care about low-skill visas (as well as the remainder of pro-growth immigration reform). In part due to lower-skilled individuals, researchers have documented that immigrants serve as complements—not competitive substitutes—for native-born workers. Put differently, immigrants are only one part of the job ladder that characterizes a worker's life cycle and permits other workers to advance and earn more. In part for this reason, REMI estimates that the Senate's new W1 visa provision for low-skilled workers will raise GDP by as much as 0.15 percent. The W1 visa would be portable between employers, renewable after three years, and adjustable based on the business cycle and occupational unemployment rates.

Immigration reform is an economic policy opportunity that extends across the spectrum of the labor market and should include visa reforms for lower-skilled workers.

Voting on the New Ideas

by Tim Kane

Each issue of *Peregrine* considers a handful of new ideas for pragmatic, incremental reform. The topic of this issue is guest worker visas, a long-standing gateway for temporary legal migration. Thirty-five members of our working group (organized by the Hoover Institution but from a wide variety of research institutions) responded to a survey that evaluates each idea on a four-point scale from "strongly agree" to "strongly disagree." Here are the ideas considered, ranked in order of the percentage of experts that agree:

86%   REDUCE H-2 VISA BUREAUCRACY
There is no limit to temporary work visas for migrant agricultural workers under current law (H-2A), but the regulatory and bureaucratic burdens constrain the number of agricultural visas (roughly 180,000 per year) and make the process costly and uncertain.

79%   INCREASE H-2B VISA CAP
Nonagricultural temporary workers are capped, unlike agricultural workers. The annual number of H-2B visas will be unlimited.

73%   MANDATORY NATIONAL E-VERIFY
Make the free E-Verify program mandatory for all US employers to assess all new employees. The E-Verify program is managed by the federal government to check the citizenship status of employees and the eligibility status of foreign workers, free of charge. It is now used by over 400,000 employers. Currently, E-Verify is not mandatory for private employers unless required by state law, which is the case in one-third of the states.

66%   UNLIMITED HIGH-SKILL WORK VISAS
The United States currently caps "high-skill" visas (H-1B) at 65,000 per year, plus an additional 20,000 for holders of US graduate degrees. For fiscal year 2015, USCIS received 172,500 applications in seven days and then closed the application window. A good reform would allow unlimited H-1B visas.

61%   VISA PRICING
Rather than a fixed number of work visas, or extensive certification paperwork, allow for the flow of low-skill and high-skill work visas to be set in equilibrium by charging a $10,000 bond (or some other amount) for an annual visa. Employers would lose the bond if the migrant worker overstayed.

45%   ALLIED WORK VISAS
Allow for work visas for any citizen of countries deemed by the Senate as close allies of the United States such as Great Britain, Australia, South Korea, and Japan. Participants would have to apply 6 months prior to entry, pass background checks, and would receive no benefits of US citizenship.

All but one of the policy ideas had majority support, the exception being Allied Work Visas. Although this program has not been articulated, we included it as a pilot idea to see if the implication of vastly simplified paperwork was an overriding principle. It is not. Most experts surveyed prefer to keep the focus on individual migrants.

The results confirm a much deeper level of consensus on immigration reform than one might expect given the controversy this topic seems to have in public debates. This is a positive sign that the survey approach does indeed identify areas that Congress can build a legislative approach around.

Thirty of the 35 experts (or 86%) found the highest level of agreement on the simple reform of reducing H-2 visa bureaucracy, thus meriting a closer look. The rules that impede faster and wider hiring of H-2 migrants include certifications that "there are not enough US workers who are able, willing, qualified, and available" and that it will not "adversely affect" nonemployees who are US citizens. Employers also must prove the job is temporary. Each step requires another round of paperwork, approval, and often numerous clarifications and appeals. The overwhelming support for reform reflects the de facto barrier the federal bureaucracy creates to legal migrant workers as well as the budgetary costs to enforce it.

A majority of experts favor the market-based alternative (61%) of Visa Pricing. Arguably, using market mechanisms is often controversial prior to implementation, such as pollution cap-and-trade programs and license auctions for fishing rights; it is thus worth noting that only one in four disagreeing votes felt "strongly" (the lowest ratio).

E-Verify has been in place for many years but remains controversial. Hence, the biggest surprise in our survey might be the high percentage (73%) of experts who support making the program mandatory across all employers nationally.
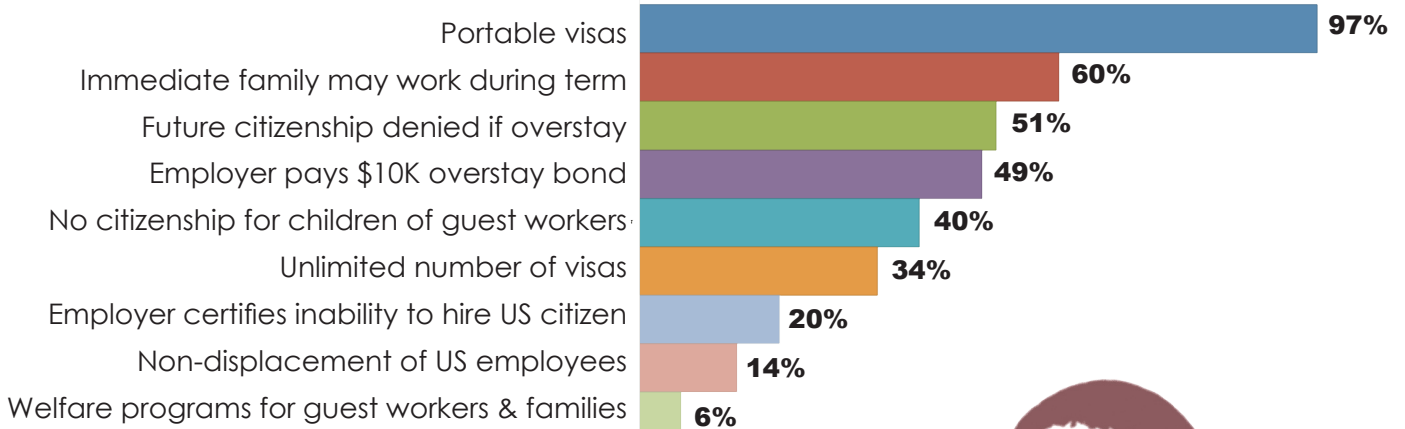
Tim Kane

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EXPERTS AGREE: **97%** think that an increase in temporary immigrant workers will NOT reduce wages for all American workers in the short term. Only **17%** think that temporary workers will crowd out net job opportunities for American workers.

80% think that wages are reduced for SOME American workers in the short term, but only **34%** think the effect is long-term.

A NEW VISA PROGRAM SHOULD INCLUDE WHICH FEATURES?

Feature	%
Portable visas	97%
Immediate family may work during term	60%
Future citizenship denied if overstay	51%
Employer pays $10K overstay bond	49%
No citizenship for children of guest workers	40%
Unlimited number of visas	34%
Employer certifies inability to hire US citizen	20%
Non-displacement of US employees	14%
Welfare programs for guest workers & families	6%

WHAT DO EXPERTS THINK OF EXECUTIVE ACTION BY PRESDIENT OBAMA IF CONGRESS FAILS TO ACT ON IMMIGRATION REFORM?

49% Establishes a dangerous precedent
34% Is an unconstitutional usurpation of legislative power
31% Is necessary because of congressional gridlock
31% Is the fault of Republican partisanship
20% Is the fault of Democratic partisanship
11% Is an effective way to change policy

EXPERTS ASSESS THE EFFECTS OF AN EXPANDED & MORE EFFICIENT US GUEST WORKER PROGRAM:

US GDP	ILLEGAL CROSSINGS	UNDOCUMENTED IMMIGRANTS	US NET EXPORTS	UNEMPLOYMENT AMONG US WORKERS
94% vs 0% SAY INCREASE	**80% vs 11%** SAY DECREASE	**71% vs 11%** SAY DECREASE	**51% vs 3%** SAY INCREASE	**17% vs 14%** NO CHANGE
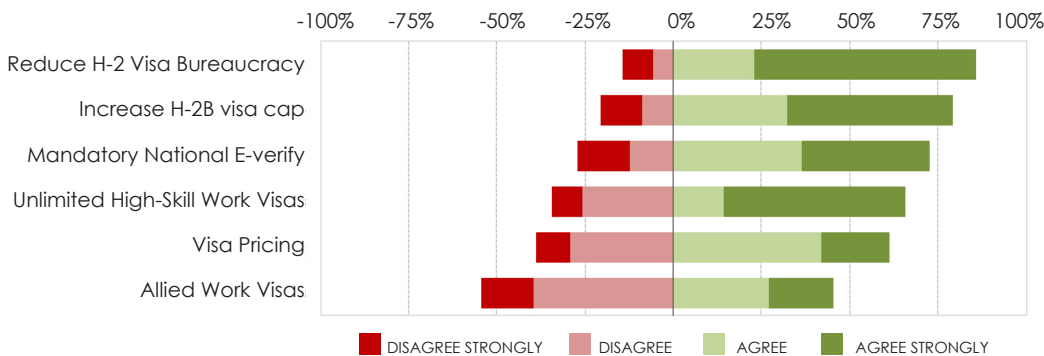
IMMIGRATION EXPERTS REACH CONSENSUS ON MANY PROPOSALS FOR INCREMENTAL IMMIGRATION REFORM

Chart axis: -100% -75% -50% -25% 0% 25% 50% 75% 100%

- Reduce H-2 Visa Bureaucracy
- Increase H-2B visa cap
- Mandatory National E-verify
- Unlimited High-Skill Work Visas
- Visa Pricing
- Allied Work Visas

Legend: DISAGREE STRONGLY | DISAGREE | AGREE | AGREE STRONGLY

ABOUT *PEREGRINE*

Peregrine is an online journal about US immigration policy that provides background facts, surveys, and opinion essays by scholars from a variety of perspectives. Each issue of *Peregrine* addresses a different aspect of immigration, looking to educate as well as identify areas of agreement among experts and the public on incremental policy changes. This free publication will be published online and in print and will also be available as a downloadable PDF.

The starting point for *Peregrine* is an awareness of America's unique status as a nation of immigrants. From pilgrims to pioneers to huddled masses yearning to breathe free, Americans are a peregrine people. The country's pathway to citizenship has been open for centuries and even now welcomes more than one million foreigners as permanent, legal residents every year. The United States is also a nation of laws, balancing natural rights with sovereign democracy. To maintain America's strengths as a nation of immigrants and a democracy of laws, *Peregrine* provides an arena in which the best reform ideas will be published, discussed, and analyzed.

Peregrine is led by Tim Kane, editor, and Tom Church, managing editor, as part of the Hoover Institution Conte Initiative on Immigration Reform. The journal relies on contributions from the membership of Hoover's Working Group on Immigration Reform, co-chaired by Edward Lazear and Tim Kane.

CONTE INITIATIVE ON IMMIGRATION REFORM

The Hoover Institution's Conte Initiative on Immigration Reform is the result of significant scholarly workshops and conversations among academics, politicians, and Hoover fellows who are concerned with America's current immigration system.

The current system is complicated, restrictive, and badly in need of reform. It is ineffective at its stated goals of allowing sufficient immigration and punishing transgressors who overstay their visas or cross our borders illegally. A working group has been formed under this initiative that aims to improve immigration law by providing innovative ideas and clear improvements to every part of the system—from border security to green cards to temporary work visas. Our efforts are provided by Hoover scholars and leading affiliated thinkers and reformers from both sides of the aisle. Our membership is united by only one common theme: Our current system is broken and needs to be reformed.

Edward Lazear and Tim Kane co-chair the project as part of Conte Initiative on Immigration Reform with management
and research support from Tom Church. For more information about the Conte Immigration Initiative, visit us online at
www.hoover.org/research-teams/immigration-reform.