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Immigration in the Twenty-First Century

A Personnel Selection Approach

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LAWRENCE BRUNNER AND
STEPHEN M. COLARELLI

Immigration is an integral part of the U.S. social fabric. As of 2004, a total of 12 percent of the population was foreign born.¹ Immigrants account for a disproportionate share of population growth because they are younger and have higher fertility rates than natives. Because of immigration's importance, immigration policy has been debated throughout our history. In the past thirty years, the United States has undergone tremendous changes, yet immigration policy has not changed with the times. In this article, we propose an immigration policy adapted to the twenty-first century—when global competition and high-technology workplaces will predominate—and argue that a policy based on theory and research in personnel selection would be more effective than current policy or the popular alternatives. We first provide a brief historical overview of U.S. immigration policy, then discuss concerns about current policy and alternatives, and finally sketch a policy based on personnel selection. We are not concerned here about how many immigrants should be permitted to enter the country, but about how those who are admitted will be

Lawrence Brunner is a professor of economics and **Stephen M. Colarelli** is a professor of psychology at Central Michigan University.

1. Data are from U.S. Bureau of the Census 2007. Evidence indicates that the census numbers substantially underestimate the population of illegal immigrants (Justich and Ng 2005). If so, the percentage of foreign born in the population is actually greater than 12 percent.

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chosen. We wish to optimize the attributes of the immigrants who are admitted, given that limits on immigration will continue to exist.²

A Brief Survey of U.S. Immigration

The United States has experienced four periods of immigration (Martin and Midgley 1999). The first was from the eighteenth through the late nineteenth centuries, when the majority of immigrants came 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. Supporters of this policy viewed immigrants as beneficial to businesses and the economy (Martin and Midgley 1999). For the most part, the nation's elites regarded immigration positively, although some natives were hostile to immigrants they perceived as different.⁴

During the second period, from the late nineteenth 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 many parts of Europe created a large supply of potential immigrants. Immigration surged from the late nineteenth century until the early 1920s, in what has been called the First Great Migration (Hatton and Williamson 1994). More immigrants entered the United States during the First Great Migration than at any other time in the country's history (including the present). The majority who arrived during this period came from southern and eastern Europe. Although immigration remained mostly open, Congress passed legislation to exclude some immigrants. In 1875, it barred prostitutes and convicts, and in 1882 paupers and "mental defectives." These restrictions were based on *individual* qualities and did not discriminate on the basis of any racial, national, or ethnic identity, with one exception: the Chinese. Opponents of Chinese immigration argued that the Chinese could not be assimilated and that a "yellow horde" would overwhelm the country and its dominant culture. Some people, particularly in California, also feared that new Chinese immigrants would adversely affect natives' wages. Although nativists had argued since prerevolutionary times against allowing people of particular nationalities or ethnicity to immigrate, the Chinese Exclusion Act of 1882 was the first such restriction enacted. Thus began a

2. We focus here on legal immigration. Illegal immigration is a complex issue beyond the scope of this article.

3. From 1600 to the Civil War, approximately 500,000 slaves were forcibly relocated from Africa to the area that became the United States (Thomas 1997), often with intermediate residence in the Caribbean islands. 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, 8).

long period in U.S. immigration policy when restrictions, rather than being based on individual qualities, were made primarily on the basis of group membership.

The psychological literature on prejudice and stereotyping would interpret these restrictions as based on bigotry (Stangor et al. 1992; Kurzban, Tooby, and Cosmides 2001). An alternative economic interpretation is that the restrictions were driven by the ratio of unskilled wages to average income (Timmer and Williamson 1998). When immigrant quality declines and unskilled wages fall relative to average wages, policy responds by reducing immigrant supply. This view finds support in immigrant-receiving countries besides the United States, such as Argentina, Australia, Brazil, and Canada (Timmer and Williamson 1998). This policy change 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, an era known as the “immigration pause.” People who immigrated during this time came primarily from western Europe. Policy during this pause reduced the number of immigrants and restricted immigrants by ethnicity and nationality. It reflected concerns with assimilation, economic difficulties, and 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 country. Although the restrictive policies of the 1920s remained in force in the 1940s, policies opened slightly at that time 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, consisting primarily 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, put a cap of twenty thousand 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

5. The 1965 Act, popularly known as the Hart-Celler Act (PL 89-236), drastically amended the Immigration and Nationality Act of 1952, popularly known as the McCarran-Walter Act. The 1952 Act was the first to organize all immigration statutes into one group of text (Center for Immigration Studies 1995; Maryland Immigration Digital Library n.d.). The 290,000 immigrants allowed into the country each year were to be admitted under the following preference system: (1) unmarried adult children of U.S. citizens (20 percent), (2) spouses and unmarried adult children of permanent resident immigrants (20 percent), (3) members of the professions and scientists and artists of exceptional ability (10 percent), (4) married children of U.S. citizens (10 percent), (5) brothers and sisters of U.S. citizens older than age twenty-one (24 percent), (6) skilled and unskilled workers in occupations for which labor is in short supply, (7) refugees from Communist or Communist-dominated countries or the Middle East (6 percent), and (8) nonpreference—any remaining visas (Daniels 2004, 136).

6. In 1963, President John Kennedy proposed to Congress a series of modifications to immigration policy. He recommended that policy be changed so that the “skills of the immigrant and their relationship to our [national] need” be taken into account, that “highly trained or skilled persons” need not have employment

Spouses, unmarried children, and parents of U.S. citizens were exempted from preference and numerical requirements.⁷

As circumstances change again, the United States is entering a fifth distinct period of immigration. For the past twenty years, the country has experienced a large influx of legal Asian and both 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 concerns about and scrutiny of immigration. Finally, the growth of the welfare state and increased economic integration have created interdependencies among people, organizations, and governments so that immigrants create larger costs and benefits to a greater variety of stakeholders than they did in the past.

Effectiveness of U.S. Immigration Policies

There is no ultimate standard by which to judge an immigration policy. Rather, a policy's effectiveness can be judged only by assessing how well it meets the stated or implied objectives (Clarke and Dawson 1999). Although policymakers generally have not stated explicitly the intended outcomes (Borjas 1999a), it is reasonable to suppose that they considered some outcomes congruent with the concerns that stimulated the policy's formulation. The open-immigration policy maintained until the late nineteenth century helped to populate the United States with white people. Between 1800 and 1890, the U.S. population grew from 5.3 million to 62.6 million. Immigration was a major factor in this growth: by 1890, the percentage of foreign born in the U.S. population had risen to 14.77 percent, the highest percentage ever attained.⁸

A presumed goal of the immigration restrictions of the early 1920s was to diminish the problems associated with assimilating immigrants from southern and eastern Europe (Beck 1994). The levels of education in the European source countries rose significantly from 1870 to 1920, and thus the immigrants' skills were rising, making assimilation easier (Hatton and Williamson 1994). One reason for the relative success of assimilation at the time was the strong emphasis placed on it

before immigrating, and that the law create a special preference category for lesser-skilled workers who could meet short-term labor shortages (cited in Daniels 2004, 131). The Kennedy proposal also made family reunification 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" (that is, the highly skilled and talented) (cited in Daniels 2004, 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 1952 Act.

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

(J. Miller 1998). The prevailing ethos was that immigrants should and could assimilate, as reflected in the 1908 hit play *The Melting Pot* (J. Miller 1998, 58).

On most counts, U.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 more quickly than they would have if a large influx had continued. A notable success was the easing of restrictions in the 1940s, 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, however, the 1965 Act failed to meet its objectives. The cap of twenty thousand per country and the termination of the quota system were supposed to equalize the distribution of immigrants across the origin countries, but they did not do so. The overwhelming majority of legal immigrants (about three-fourths) now come from Asia and Latin America, with the leading source country being Mexico (which contributes one out of six).¹⁰ A second objective of the 1965 Act was to keep the inflow at 290,000 per year, which did not happen. Since 1978, at least 500,000 per year have immigrated legally. The primary reason for these failures of the 1965 Act was the clause that exempted family members from restrictions. This clause produced the unintended consequences of greater overall numbers and numbers exceeding country quotas (Briggs 1997). Emigration from Europe dropped off precipitously, but poor economic conditions in Asia and Latin America, especially in Mexico, combined with relative ease of travel to increase the number 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 (Gallaway, Vedder, and Moore 2000). Immigrants can “grease the wheels of the labor market” (Borjas 2001) by moving

9. Some of the policies toward Asians (for example, the Chinese Exclusion Act) were blatantly racist. Japanese and Chinese have now ironically 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 percent of the legal immigrants from 2003 to 2005, Latin America provided 40.2 percent, and Asia and Latin America together provided 75.3 percent (U.S. CIS 2006, table 3). Of course, adding illegal immigrants (predominantly Latin American) would raise the Mexican percentage dramatically.

11. Mexico's economic growth rate fell dramatically after 1982, causing income per capita to decline from 1982 to 1997 (Santaella 1998).

where workers are in greatest demand. Open immigration also avoids the problem of illegal immigrants because 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 A number of more politically neutral arguments also favor open immigration.¹³

An open-immigration policy is unrealistic at this point in U.S. history, however (Borjas 1999a). The major problem 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. Immigration’s costs and benefits are viewed primarily in relation to how immigrants affect the supply of 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 that situation, one person’s actions 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 do so, it suffered no government sanction because universal, state-supported education was not a national goal (Murphy 1998). However, modern nations are more like an organization than a territory. They are systems in which general agreement prevails about their purposes and whose constituent parts are (to varying degrees) interdependent (Choi 2007). In an interdependent, goal-directed system, the characteristics of the people admitted into the system and the system’s goals must be aligned.

One might suggest selling immigration slots on the market, but this approach has problems. The assumption would be that the money paid signifies human capital. In many cases, it might do so. However, consider the life-cycle issue. On the one hand, 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 immigrant. In addition, people with large inherited wealth may buy entry, and they may 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 immigrants’ future potential. Slots will tend to stack the deck against

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 injecting new ideas. The U.S. population is aging, and immigration can help to maintain a population’s youthfulness and to finance retirement programs (Storesletten 2000). Immigrants may have complementary skills that are not always available in the native population. For example, native physicians may not be willing to serve in rural areas. Similarly, most natives won’t do certain low-skilled jobs—for example, unskilled agricultural and cleaning work—at current wages. Finally, immigrants can provide new ideas that contribute to economic innovation and cultural richness.

young people, but favor inherited wealth. However, a modest amount of slots sold may be helpful (for example, Canada allows immigrants who have money to invest).

At the other extreme is a closed-borders policy, which would stop immigration or severely restrict it. Environmentalists who favor limiting population growth argue for limiting immigration (Burke 1993; Clarke 2001) because 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 those that natives typically earn, immigrants push poor natives out of the workforce or, at least, drive unskilled wages down for natives.

Open immigration and a welfare state may conflict because income transfers from taxpaying citizens to noncitizens create incentives for in-migration of unskilled individuals who receive government transfers (Borjas and Hilton 1996; Borjas 1999b; Friedman 1999).¹⁴ Others argue that immigrants may not assimilate and thereby will contribute to social conflict (J. Miller 1998; Jencks 2001).

The importance of considering government transfers can be shown with a simple example. Suppose Autarchia has 10,000 people, 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. With the additional 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 percent for each group). If we stop there, we might say that immigration has benefited both groups (natives and immigrants), while at the same time lowering per capita gross domestic product on the island from 100 to 90. As one author says, in this situation "almost everybody wins" (Peri 2007). However, we cannot stop there. In the United States, as in most countries, spending on education, medical care, and retirement benefits must be taken into account. Suppose natives were taxed 30 units of income, which was spent on education and medical care. When these benefits are provided to immigrants also, some natives may be made 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 include only benefits provided to every inhabitant. To be realistic, we must consider some income-based transfers as well. We do not suggest that transfers to low-income people (including immigrants) are desirable, only that they exist and will not disappear in the future. Nor will services provided to all citizens, such as education.

A third approach to immigration is a "point system," in which applicants are assessed according to desirable characteristics. This system is akin to an employment application on which applicants are awarded points for each criterion they meet. Such a system forces debate about how admissions criteria relate to national goals.

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

Point systems lend themselves to empirical evaluation of the effectiveness of particular criteria. Canada and Australia use such systems. In Canada, applicants receive points for a variety of skill-based qualifications—for example, advanced degrees, fluency in English or French, employment in preferred occupations, job offers, and age.¹⁵ Some economists believe that the United States would benefit from a point system similar to the one used in Canada, where immigrants are admitted primarily if they possess needed skills (Borjas 1999a; Becker 2005). Point systems are particularly useful when knowledge and skills are at a premium and when immigrants are negatively selected—that is, when 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 such connections (Guion 1998; Gatewood and Field 2001). The elements of 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 that determine which applicants are selected.

The United States as an Organization

When people think of organizations, they are more likely to think of businesses or universities than of nation-states. However, over the past one hundred years, the United States has come to resemble an organization, and this development has implications for immigration policy. The three characteristics of an organization are: (1) it is a social system (that is, 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 (Scott 2003).

The United States 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 supply hundreds of miles away: the failure of August 14, 2003, affected eight U.S.

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

states and Canada. The cessation of air traffic on September 11, 2001, and for several days afterward illustrates what can happen to travelers when national transportation systems break down. Much of the nation's economic strength depends on the health of the educational system. The tax system, social security system, and public educational systems are based on exchanges between citizens and the state. The level of social and economic integration in 1900 was considerably lower than it is today. At that time, the national transportation and communication structures were less elaborated. The educational system was ad hoc, and it had minimal interchange with the economic sector; the "common school" was just being established in some states; and few colleges and universities existed (Guttek 1986).

The operation of the U.S. government is considerably more goal driven now than it was before World War I. It has more goals, and they tend to be more specific and 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 ratification of the federal income tax in 1913, and continuing through the New Deal and World War II, government's goals expanded rapidly. 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, the federal government consisted of 15 cabinet-level agencies and 108 independent agencies.¹⁶ By contrast, in 1906, only 8 cabinet agencies existed.¹⁷ The number of government employees has grown more than twentyfold, from 1.1 million in 1900 to 21.8 million in 2005.¹⁸

Although immigration policy has many possible goals, they may be summarized by 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 on achieving the ultimate goal of low inflation and a growing economy. We suggest four major goals intermediate to the purpose of maximizing natives' wealth. 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

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. Data for 1900 are from U.S. Bureau of the Census 1976, 137. The 2005 data are from U.S. Council of Economic Advisors 2006, table B-46.

goal are the Office of Science and Technology Policy and the Department of Commerce. A second goal 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 and Secondary Education Act (1965) and No Child Left Behind (2001) and in reports such as *A Nation at Risk* (National Commission on Excellence in Education 1983). For example, the goals of the No Child Left Behind Act are that children in grades K through 12 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. The National Aeronautics and Space Administration and the National Science Foundation are dedicated to these goals. A fourth goal is to draw immigrants from a broad pool to maximize the possibility of attracting productive and hard-working people. The U.S. Citizenship and Immigration Services (CIS, within the Department of Homeland Security) and the Departments of Education and Health and Human Services are government agencies involved in achieving these goals. Progress in moving toward these goals should be measurable. For example, the number of immigrants admitted for their skills would be relevant for goal one, and the geographical distribution of immigrants would be relevant for goal four.

Does Our Immigration System Support These Goals?

Given the organizational qualities of the United States, its “hiring” system for new citizens—that is, for the admission of immigrants—should support these key national goals. Yet, the way that the United States “hires” new citizens is currently 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 (Johnson 1997; Topel 1997). The current policy, which is based heavily on family reunification, does not meet the country’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. CIS 2006). Highly skilled immigrants provide a substantial fiscal benefit by paying more taxes and receiving few benefits, whereas lower-skilled immigrants do the opposite (Borjas 1994; 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.

19. Even at the federal level, immigrants benefit disproportionately. An immigrant residing in the United States for only part of his working life receives much greater benefits from Social Security than does a native who has worked his entire life in this country (Gustman and Steinmeier 2000).

In addition, increasing supplies of low-skilled labor induce businesses to deskill systematically the jobs they offer (Lewis 2005). Low-skilled labor induces creation of low-skilled jobs as businesses respond to the workers available. Although Americans need not cling to the same types of jobs available in the past, all else being equal, U.S. residents will be better off if higher-skilled immigrants enter the country. Those types of immigrants can produce the fiscal benefits required to finance the educational, retirement, and other costs that both native and immigrant households must bear.

Meeting world-class educational standards. Immigrants' education level has declined relative to that of natives (Borjas 1994, 1676–677; Betts and Lofstrom 2000). This decline is much greater than the one that occurred during the First Great Migration of a century 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 that are not the largest contributors to U.S. immigration, such as the United Kingdom, Germany, and India (Stephan and 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 and De La Garza 1997), but the result has been the opposite. A consequence of the family-reunification provision of the 1965 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 United States, it is not exact. An organization can terminate *employees*, whereas in practice it is difficult for the United States to deport immigrants who are not citizens. Organizations are under no obligation to hire family members of current employees. The selection of immigrants, in contrast, has generational consequences: children of immigrants who are born in the United States become, by virtue of birth on U.S. soil, citizens of this country. It is unusual for organizations to have paid employees who are not accounted for, but the United States has a large number of undocumented immigrants within its borders (Justich and Ng 2005; Porter 2006). And benefits that organizations receive from employees must be at least greater than the cost of the employees. However, when the United States admits low-skilled immigrants who receive substantial income transfers (Borjas and Hilton 1996), the gains from those immigrants are reduced or eliminated. Thus, given the quasi-organizational nature of the United States, 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 its 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* who must be carefully evaluated to see if they have the qualifications compatible with national goals. However, because the United States is larger than any organization, redesigning its 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. Therefore, we need to make any immigration policy simple and workable. In addition, as a political reality, some 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 United States should use a simple method to pick the immigrants with the most human capital.

Because the U.S. CIS presumably will administer this immigration policy, what might discipline that agency (as the profit motive disciplines a business)? An analogy to the flat tax may 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 using manipulation of the tax code to reward certain activities, the United States might move to a flat-rate income tax, which would be simple and easily administered. Although the Internal Revenue Service will still be necessary, a flat-rate income tax would require less discretion and leave less latitude for the arbitrary actions on the agency’s 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 is not 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 organizational level, subject to some

constraints. Setting immigration standards at the national level has several advantages. 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 make it more difficult for Arizona farmers 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 because parental education is predictive of children's education (Jencks 2001).

The second option is to allow employers to select immigrants, subject to constraints the U.S. government imposes. For example, Japan allows employers to select immigrants, provided that they are 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, and control is maintained at the national level. Australia has a similar policy (P. Miller 1999).

What Outcomes?

This question has no easy or pat answers. Political and economic elites differ on the importance of key policy goals. However, the four goals we described earlier 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; and (4) encouraging cultural and economic innovation while maintaining social integration and stability. Policymakers from different interest groups generally agree that these goals are important. Moreover, the goals' outcomes are influenced largely by human capabilities, so immigration policy can influence them.

What Characteristics?

The key feature of a selection approach to immigration is that immigration officials admit immigrants based on characteristics *empirically* linked to success in 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.

20. Companies with an interest in employing illegal immigrants are another example. In this case, not only are the immigrants low skilled, but the employers are probably not paying Social Security taxes on their wages (Jordan 2005).

One approach is to assign points to demographic characteristics that predict desired outcomes. Both Canada and Australia do so. Such a system is easy to administer. It also has the advantage of appearing reasonable to most people. Although applicants may lie on demographic questionnaires, their information can usually be verified. The characteristics that Australia and Canada use are age, education (postsecondary only in Australia), skilled occupation, work experience, language skills, spouse's skills, and the existence of a family relationship (in Canada) (P. Miller 1999; Citizenship and Immigration Canada n.d.). Table 1 presents an example of a similar set of characteristics for a U.S. selection approach.

Education beyond high school receives positive values because building skills is critical 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 11 percent more per hour than never-married men, controlling for other factors (Chiodo and Owyang 2002). Unobservable personal traits such as responsibility and maturity associated with higher earnings are picked up by the points for marriage. Better English-language skills generate higher earnings. People who speak only English at home earn more than those who do not speak English at home, and earnings fall substantially with poorer language skills (Chiswick and 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 twenty-five and thirty-five years of age, which are prime "career building" ages, when people usually have completed their education and gained work experience. Also, immigrants between ages twenty-five and thirty-five are likely to have twenty to thirty years of productive work life remaining and thus to pay more in taxes than they receive in government benefits. Older immigrants have fewer years of productive work life remaining and will burden Social Security, Medicare, and other government programs, relative to taxes they pay. Immigrants younger than twenty-five are less likely to have completed their education and 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 Kjetil Storesletten (2000) and the Canadian point system, we reduce points for older and much younger immigrants. Finally, people who have committed crimes are less likely to have marketable skills and less likely to be productive citizens.²²

21. The *Statistical Abstract of the United States* shows that male, year-round, full-time workers with a bachelor's degree or better earn at least three times as much as males with less than a ninth-grade education. Females with a bachelor's degree earn more than two and a half times as much as females with less than a ninth-grade education (U.S. Bureau of the Census 2007, table 684).

22. For information on crimes committed by undocumented immigrants, see U.S. Government Accountability Office 2005.

Table 1
An Example of a Demographic Point System for U.S. Immigration

Characteristic	Points
Education	
High school dropout	-2
High school graduate	0
Some college	+2
College graduate	+4
Master's degree	+6
Ph.D.	+8
Age	
For each 10 years older than 35	-2
For each 5 years younger than 25	-2
Marriage*	
Married	+4
Single	0
English-Language Skills**	
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
Crime	
Felony conviction	-10
Arrest for felony crime	-5
Previous deportation	-10

*Source: Cornwell and Rupert 1997.

**Sources: Chiswick 1988; P. Miller 1999; Carnevale, Richard, and Lowell 2001.

Demographic point systems are simple and seem to work (Borjas 1999a). Australia admits about half of its immigrants on this basis. These immigrants have lower unemployment rates than do other immigrants, and they have education and skills that have risen relative to natives' education and skills (P. Miller 1999).²³ Canada has also admitted a larger proportion of skilled immigrants than the United States since

23. Immigrants in Australia have more problems assimilating and show slower earnings growth than do immigrants in the United States (Miller and Neo 2003). These problems arise not because the immigrants lack skills, but because the labor market is inflexible. Australia has much higher minimum wages than the United States and a much higher unionization percentage, and its government agencies set wages. The result is higher unemployment rates for immigrants than for natives. This outcome is not a negative aspect of selection: Australian immigrants would do better with a freer labor market.

the 1960s (Borjas 1991). Canadian immigrants make less use of social welfare programs than do natives (Baker and Benjamin 1995).

We are *not* suggesting “picking winners” in terms of industries or 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 succeed, given their qualities. Our proposal is not a sort of central planning, but simply provides the United States 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 is to use tests that require 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 thus require greater technological support. However, an advantage 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 do demographic characteristics. Listed in table 2 are the validity coefficients of commonly used employment tests and of some demographic variables (for example, work experience and education) commonly used in personnel selection (Schmidt and Hunter 1998).

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

A disadvantage of IQ tests is that they create political controversy, which arises from their misuse 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 (Nisbett 1998; Steele and Aronson 1998). Although IQ tests have been found to be statistically unbiased toward different racial and ethnic groups (Jensen 1980), these controversies might nevertheless make them politically unpalatable. A test with less political baggage that still predicts occupational success well is the Armed Forces Qualifying Test (AFQT), which the National Academy of Sciences has tested and found to be valid and racially fair. Scores on this test are strongly correlated with military job performance. Differences in AFQT scores correlate with real differences in performance (Neal and Johnson 1996). The AFQT is

Table 2
Predictive Validity of Commonly Used Employment Tests

Hiring Method	Validity Coefficient
Traditional	
Work sample test	0.54
Peer ratings	0.49
Job knowledge tests	0.48
Job tryout procedure	0.44
Employment interview (unstructured)	0.38
Reference checks	0.26
Job experience	0.18
Years of education	0.10
Mechanistic	
General mental ability test (IQ)	0.51
Employment interview (structured)	0.51
Training and experience (T&E) behavioral consistency method	0.45
Integrity tests	0.41
Assessment center	0.37
Biographical data measures	0.35
Conscientiousness tests	0.31
T&E point method	0.11
Interests	0.10

fundamentally an achievement test of verbal and mathematical skills (Neal and Johnson 1996, 890). Scores are correlated with earnings (O'Neill 1990, 32).

Two problems with a testing approach that require resolution are test translation and administration. Language proficiency would create difficulties for many immigrants because people from all over the world apply for immigration to the United States, and not all of them are fluent in English. Tests would have to have versions available in many languages. If a government bureaucracy has problems with test administration, these functions can be privatized. Many well-qualified private companies can be employed.

Nationality Quotas

Should immigration decisions be based only on human capital, or should nationality be factored in? Nationality quotas can help in at least two ways. First, they may prevent “ethnic balkanization”—large areas of cities, regions, or the country composed of one

nationality. Balkanized immigrants are less likely to interact with natives, thus reducing gains from interaction with a diverse population. In addition, immigrants who are high school dropouts are more likely to be concentrated in balkanized immigrant areas than are immigrants who are college graduates (Borjas 2001, 89). George Borjas (1992) has shown that children living in a segregated neighborhood where the average person has little education is much more likely to attain only a low education level themselves. Also, the probability of children's living in an ethnically segregated neighborhood is much greater 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 much immigration tend to have large native out-migration (Frey 1995, 1996). As these changes continue, the United States 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 (for example, Mexico and Central American countries), whereas others have many (for example, Canada and 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 that have relatively few educated workers and from which the uneducated, rather than the educated, workers desire to emigrate—such as Mexico. However, quotas can constrain the flow of talented immigrants into the United States. Some countries, such as India and China, have huge backlogs of highly educated people who want to emigrate (Kronholz 2006). Other countries with many educated citizens have little emigration (for example, Germany and England).

Once the selection criteria are established, several factors must be considered. The first is how to set the “admit score.” Because there are multiple admissions criteria, the system can 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 might balance less education. An alternative, multiple-hurdle approach is to require a minimum score on each criterion. Immigrants must pass each hurdle to be admitted. Because an applicant who does not meet a minimum educational requirement is less likely to succeed, he or she would not be admitted. However, we believe this approach (except with regard to the crime criteria) 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 is

to set the rule according to the number of immigrants needed. The point value can be set to admit about the same number of legal immigrants as were admitted on average over the past three years: approximately 928,000 per year.²⁴ To admit fewer immigrants, we would raise the cutoff score. Another possibility is to set the rule according to qualifications. Australia deals with this matter by setting upper and lower cut-off scores. People who score above the upper limit are automatically admitted, and those who score below the lower limit are automatically rejected; those in the middle range are admitted depending on immigrant supplies. This method is called “cap-and-queue” (P. Miller 1999). Australia admits approximately half of its immigrants in the “skill stream” as opposed to other types of admission (P. 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, whose disadvantage 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 (Gross 2005). Another method is random selection, which is currently used in the diversity-visa lottery program. Each year, fifty thousand immigrants gain admission through a lottery from countries with low U.S. 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

Substitution of high-skilled for low-skilled immigrants has many consequences. For instance, admitting more immigrant doctors and fewer immigrant agricultural workers will tend to reduce doctors’ incomes and increase agricultural workers’ incomes, making incomes more equal. Given the substantial interest in income inequality, this outcome might be seen as a positive result of our proposal.

Conclusion

Companies want to hire the workers they prefer; ethnic group members favor the 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 emphasizes the first at the expense of the other two. If the United States admits immigrants using a selection system, the

24. The most recent U.S. CIS numbers indicate about 706,000 immigrants in 2003, 958,000 in 2004, and 1,122,000 in 2005 (U.S. CIS 2006); plus, there are probably one-third of a million illegal immigrants. Other sources suggest roughly a million legal immigrants per year and roughly half that many illegal immigrants. CIS current numbers are available at <http://www.cis.org/topics/currentnumbers.html>.

25. The equivalent is defined as completion of a twelve-year course of elementary and secondary education or two years of work experience in the past 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.

supply of skilled immigrants will rise dramatically, alleviating employers' concerns about hiring skilled workers, but employers who wish to hire unskilled workers will find the supply reduced and will have to pay more or substitute other inputs for people. Also, immigrants who demand more admissions from their group will be dissatisfied if group members fail to meet the selection standards.

We have made the case for selecting immigrants to enhance their contribution to measurable policy goals that contribute to increasing incomes in the United States. The existing immigrant flow does little to contribute to these goals and differentially favors relatives of recent immigrants. We have suggested two ways to improve immigrant quality: a point system that gives immigrants credit for easily observable characteristics and a more detailed testing system that uses tests such as the AFQT. The choice between the two approaches depends on whether policymakers want a system that, although more conceptually and administratively complex, is likely to improve productivity or a simpler, more workable system that might not have as great an effect on immigrant productivity, but would still be a substantial improvement over the current system.

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