

Economic Performance of Immigrants Following the Immigration and Nationality Act of 1965

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11.1 INTRODUCTION

The Immigration and Nationality Act Amendments of 1965 still stands as the last major legislative overhaul of the Immigration system in the United States. Fifty years have passed, and the United States today is a very different country from an economic and demographic point of view than it was in the 1960s. Average economic growth over fifty years has made the average U.S. resident much wealthier in 2015 than they were in 1965. However, the gains in earnings for American workers have not been distributed equally. College education has become the necessary condition for economic success. Job growth and wage growth have benefited those who are college educated, while the economic performance of workers with only a high school degree or less has stagnated, and since 1980, their income in real terms has decreased. Moreover, the young labor force of the 1960s, when Baby Boomers had just reached working age, has turned into an aging and shrinking group, with most of those Baby Boomers about to retire or already retired as of 2015.

The immigration system set in place in 1965 has, in some respect, served well the U.S. economy and society. It has allowed, one way or another, a substantial inflow of two types of economic immigrants: low-skilled menial workers and high-skilled scientists and engineers (as we will document later in the chapter). The net demand for both types of workers has been high. It has allowed foreign-born to become a very substantial percentage of the U.S. population (14 percent in 2010, up from a mere 4 percent in 1970). It has provided a way to economic success to many people born in Asia and Latin America who moved to the United States. In a global shift of migration flows, Europe (previously favored by laws and suppliers of virtually all U.S. immigrants in the early decades of the twentieth century) has relinquished its position to Asia and Latin America as the source region of most immigrants. Many of those immigrants have been extremely successful economically in the United States, and their children, who are U.S. citizens, show promising signs of economic success.

However, fifty years of immigration history and a long list of amendments, extensions, correction, and changes to the system have also made clear that some features of this system do not serve well a changing economy and society such as the modern United States. The heavily family-based system of admission of permanent immigrants set up by the Immigration and Nationality Act has forced employment-based immigration to take the back seat. A long list of disconnected and cumbersome temporary visa programs have been introduced as partial remedy to allow workers, in high demand by U.S. firms, laboratories, and universities, to enter the country. The draconian limitations to the inflow of low-skilled workers and the long processing time for family unification applications have created bottlenecks and have contributed to generate a very large number of undocumented immigrants, who participate to the economy of the country but not fully to its society. While overall immigrants are economically successful in the United States, there are groups that struggle significantly, especially those undocumented. These are well-known problems, and the need for a comprehensive reform is clear, although the road to get there can be politically challenging. In the concluding section I provide some suggestions for it.

In this chapter I review some of the aggregate economic and demographic trends relative to U.S. immigrants from 1960 to 2010, using U.S. Census and other administrative data. In particular, the question I try to address is: What type of immigrants have entered the United States since the 1965 reform? And how have they performed from an economic point of view relative to natives? With this goal in mind I analyze the characteristics of immigrants and how they have changed over time, how successful they have been economically compared to natives, and how they improved their living conditions relative to those in their countries of origin. In particular I focus on the interesting differences between two of the largest groups of immigrants: Mexicans and Asians, who constituted two of the largest and fastest-growing groups in the past fifty years. Mexicans, on the one hand, are chosen as they have represented the vast majority of Latin American immigrants, and from an economic perspective, they typify the immigrants from Central America. On the other hand we collectively consider the group of Asian immigrants including people from different countries (the largest groups are Chinese, Indians, and Filipinos) as they also share economic and job market characteristics. In particular, as we will see, there are several characteristics in terms of selection, education, and type of occupations that are shared by immigrants from Asia and that contrast with immigrants from Mexico. Hence considering these as two groups, with roughly similar size, while somewhat simplistic, makes sense and is useful in economic terms.

I emphasize how the opening of immigration options in 1965, interacting with the preexisting communities of Mexicans and Asians in the United States, have combined to produce two very different groups of immigrants, from an economic

point of view. While both groups have been attracted in large part by jobs and by the perspectives of economic success, the type of jobs, the selection of skills, the mode of entry, and the economic outcomes of these two groups of immigrants, Mexicans and “Asians,” could not be more different. Paradoxically, the group of Mexican immigrants has entered the United States in large part through family ties (and sponsors), which was the preferred channel of legal entry in the 1965 Nationality Act, while the group of Asian has used the “employment sponsor” option in much larger share. However, the group of Mexicans is also the group that has the largest incidence of undocumented entry, and this is because their occupational specialization precluded them from being in the standard categories of economic immigrants, restricted essentially to highly educated individuals. While most of Mexican immigrants came to work, very few of them had an appropriate permit related to their job.

The trends presented in this chapter show that within the same immigration system, groups of immigrants differ substantially in terms of their selection, their economic success, and their mode of entry, even coming from countries at similar levels of development (in Asia and Latin America). We then emphasize the important role of education for economic success (of immigrants and natives alike), and we point out the failure of the immigration system in managing labor-related immigration for less educated persons. While labor demand from U.S. firms may not be the only relevant criterion to admit immigrants, job-driven immigration is a key component of a successful immigration system. There is a very large literature emphasizing that labor immigrants are more productive and have an easier time integrating, adjusting to the receiving country, and contributing to its society.¹ With other economists, I have suggested in the past that an efficient immigration system should manage labor flows of immigrants, more and less skilled, as efficiently as possible and to promote growth, employment, and success of the economy. A reform of the current system should make progress in this direction.²

The rest of the chapter is organized as follows. Section 11.2 shows the evolution of the immigrant population in the United States and begins to draw comparisons between the group of Mexican (i.e., born in Mexico) and Asian (i.e., born in a country of Asia) immigrants. Section 11.3 illustrates the importance of skills (education) to predict economic performance of native-born and immigrants alike. Section 11.4 shows how native-born and immigrant populations have become

¹ See Jennifer Hunt & Marjolaine Gauthier-Loiselle, *How Much Does Immigration Boost Innovation?*, 2 AMERICAN ECONOMIC JOURNAL: MACROECONOMICS 31–56(2010).

² See Giovanni Peri, *Rationalizing U.S. Immigration Policy: Reforms for Simplicity, Fairness, and Economic Growth*, Discussion Paper, The Hamilton Project, Washington D.C. (May 2012); Pia Orrenius *et al.*, *Overhauling the Temporary work Visa System*, in *New Sources of revenue and Efficiency*, The Hamilton Project, Washington D.C. (February 2013).

progressively more college educated, with the exception of Mexicans. We emphasize how Mexican immigrants have filled a niche in the labor market focused on menial type of jobs, quite different from other immigrants. In Section 11.5, we emphasize how skill-selected was the group of Asian immigrants, a feature that has become even stronger over time possibly because of the type of network of Asian in the United States that has selected highly educated professionals. Mexicans, instead, have become more concentrated in low-skilled jobs. Selection of migrants from the population in the country of origin, rather than country of origin characteristics, explains large part of the economic differences across these groups of immigrants. Section 11.6 shows how the “mode of entry” of immigrants reflects these differences and how it penalizes Mexicans, whose main motivation to immigration is labor related but not in those jobs that could ensure a legal immigration permit. Section 11.7 suggests some ideas for reforming the immigration system moving it beyond the 1965 Immigration and Nationality Act.

11.2 AGGREGATE EVOLUTIONS: MEXICAN AND ASIAN IMMIGRANTS

In 1960, only 5 percent of the U.S. population was born abroad, and almost two-thirds of them were born in Europe. The Nationality Act Amendments of 1965, by removing the country quotas and introducing a system based on family and employment sponsors, opened the doors to immigration from the rest of the world. By 2010, according to the U.S. Census, 17.1 percent of the population of the United States was foreign-born and more than half of it was born either in Mexico or in a country of Asia. Mexico was the individual country supplying the largest number of immigrants to the United States since 1965 and the overwhelming majority of this immigrant group consists of Latin Americans. While in 1960 only one in fifty U.S. immigrants was born in Mexico,³ in 2010 almost one in four was. Mexico shares a long border with the United States and its income per capita as of 2010 was about one-third of the U.S. income per person, so it is clear that U.S. jobs are attractive for potential Mexican migrants.

Another group of source countries whose immigration to the United States surged since 1965 are grouped in Asia. China, India, and the Philippines are the countries providing the largest share to this group, but in these statistics we include all immigrants born in a country of Asia. Asian-born immigrants, as a group, increased from one-tenth to almost one-third of the whole U.S. foreign-born population between 1960 and 2010. Their countries of origin were, in general, significantly poorer than

³ See U.S. Census 1960.

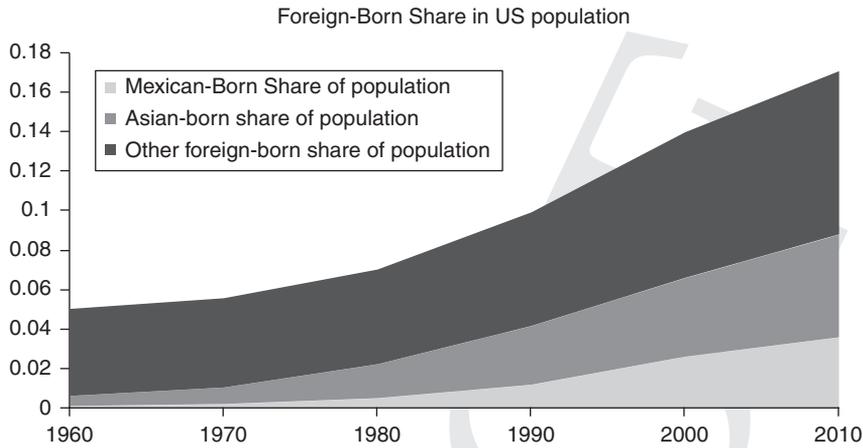


FIGURE 11.1. Foreign-born share in US population.

Note: All people born in any country of Asia are included among Asian-born, in this and in all figures below. People born in Mexico are included among Mexican-born.

Source: Author's Calculations Based on Data from the U.S. Bureau of Census, 1960–2010.

Mexico, especially in 1965 when income per capita in China, India, and the Philippines was less than one-tenth of the U.S. income per capita (while Mexico's was about one-fourth of it), and also the average level of schooling in their countries of origin was much lower than it was in Mexico. Figure 11.1 shows the time evolution of total foreign-born in the United States, and of the Mexican and Asian born within it. These two groups accounted for more than two-thirds of the growth in share of foreign-born between 1960 and 2010, and their size and time evolution are similar.

While immigration from Europe and Canada continued after 1965, and in general mobility across rich countries increased in the recent decades, the new phenomenon, representative of the South-North migration, that has accelerated so drastically in the 2000s, is well represented by Mexican and Asian migrants. Their inflow started in the 1970s, but in the fashion typical of network processes, in which presence of migrants facilitates the entry of new immigrants, it accelerated in the 1980s and 1990s. Recently, as pointed out by Timothy Hatton and Jeffrey Williamson, the aging of the population and the growth in income per capita in those regions of origin has slowed down the growth in immigration rates of these groups, as is already visible from the trend in the 2000s.⁴

⁴ Timothy Hatton & Jeffrey Williamson, *Are Third World Emigration Forces Abating?* University of Essex Working Paper (December 2010).

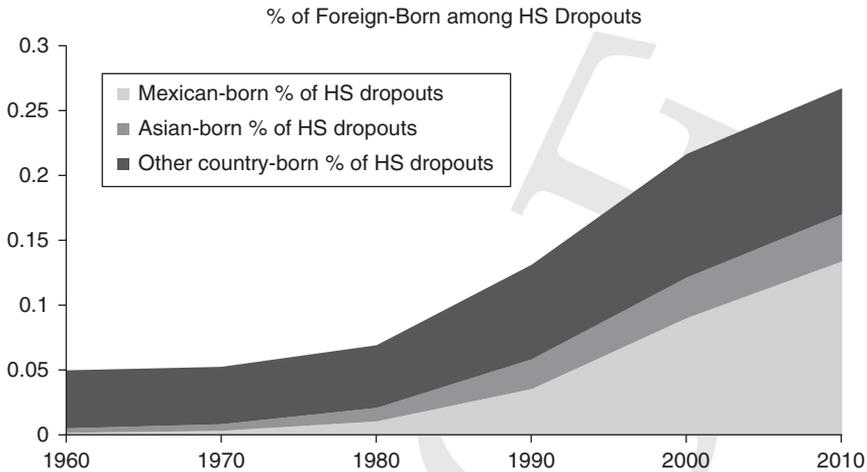


FIGURE 11.2. Percentage of foreign-born among High School dropouts.
 Source: Author's Calculations Based on Data from the U.S. Bureau of Census 1960–2010.

Migrants from these two areas could expect to increase their income by a factor between three and ten when moving to the United States, and as I argue, both groups largely came attracted by jobs. However, their composition in terms of education and skills and their performance in the United States in terms of wages, relative to native-born, has been quite different. These differences do not have much to do with characteristics of their countries of origin; rather, they stem from the different selection, generated by the initial type of networks that fueled immigration, by the type of jobs where these groups were concentrated, and possibly by the immigration options available to them. The same immigration policies produced a large increase in the numbers of immigrants from both groups, but they also resulted in different trajectories in the education and skills characteristics of those immigrants.

We can begin to visualize the different characteristics between Mexican and Asian immigrants looking at immigration by schooling group. If we group individuals by their level of schooling, the two groups that received the largest inflow were the groups at the top and at the bottom of the distribution. Among people with no high school degree almost 27 percent were foreign-born in 2010, while among college educated almost 20 percent were foreign-born, vis-à-vis an average of 14 percent of foreign-born in other education groups. Figures 11.2 and 11.3 show the time evolution of the share of foreign-born among high school dropouts and college educated, respectively. We also distinguish within these groups those from Mexico and from Asia. We notice an almost symmetric behavior of the two groups (Mexican and

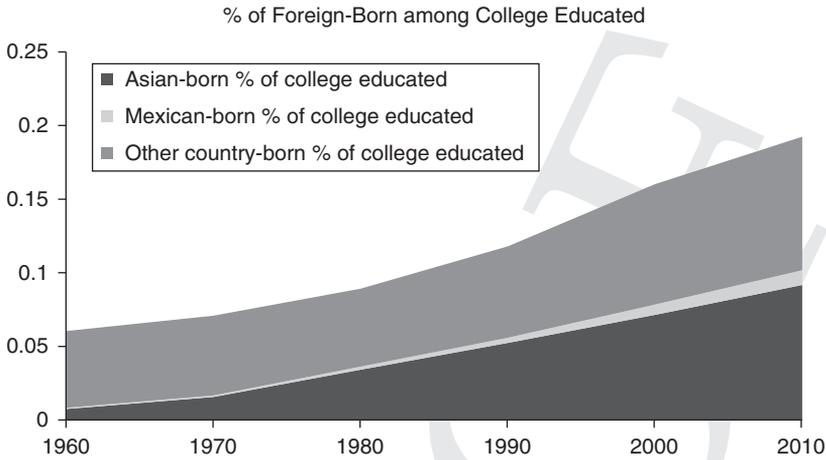


FIGURE 11.3. Percentage of foreign-born among college educated.
Source: Author's Calculations Based on Data from the U.S. Bureau of Census 1960–2010.

Asian) in the two educational partitions. Looking at Figure 11.2 we see that Mexicans accounted for about half of the foreign-born in the high school dropout group as of 2010. Even more strikingly, about 60 percent of the overall growth of the foreign-born share in that group, between 1960 and 2010, was contributed by Mexican nationals. To the contrary, Asians collectively accounted for only 10 percent of the total in 2010 and less than 15 percent of the growth of foreign-born dropouts between 1960 and 2010.

The opposite is true about each of the two groups' contribution when we analyze the growth of foreign-born among college-educated U.S. residents. While the overall share of foreign-born among college-educated more than tripled between 1960 and 2010, Asian-born accounted for almost half of the foreign-born in this group as of 2010, and for 65 percent of the 1960–2010 growth. Mexicans instead were a mere 5 percent of the total in 2010 and they accounted for less than 10 percent of the 1960–2010 growth. These differences in schooling of immigrants from the two groups have deep roots, as we will see, as well as important implications. As education is the most important dimension in determining economic success, wages and income of these two groups of immigrants will be very different as well. We can also say that the bimodal distribution of immigrants in the United States, concentrated at the low and at the high end of the schooling distribution, which has been a feature of the post-1965 immigration, corresponds also to two geographically distinct immigration flows. Mexicans are responsible for the high inflow at the low end and Asians for the high inflow at the high end.

11.3 THE IMPORTANCE OF SKILLS AND SCHOOLING

Let us emphasize that the evidence is consistent with the idea that both more and less educated immigrants have come to the United States mainly to work. While in Europe some researchers have found some evidence in support of immigration driven by “welfare” magnets, namely generous assistance for the less wealthy attracting immigrants⁵ in the United States there is no evidence of such phenomenon.⁶ Moreover, looking at the employment/population ratio of foreign-born and natives, we see that those are very close. In fact, immigrant employment/population ratio for male individuals between eighteen and sixty-five was 77.5 percent versus 77.2 percent for natives in 2010. If anything, less-educated immigrants worked in higher proportions than less-educated natives. That ratio was larger for college-educated, but in that case, natives (94.8 percent) had larger employment/population ratio than did immigrants (88 percent).

Employment per se, however, has not been sufficient to ensure good economic performance. The considered period, in particular, has experienced a massive shift in demand of productive skills from those linked to primary/secondary education and menial skills to those provided by tertiary education and cognitive abilities. Technological changes in production (mechanization, computerization, and information technologies) have changed the skills needed by workers.⁷ At the same time improvements in schooling opportunities, especially during the 1980s and 1990s, have allowed a much larger part of the population to achieve a college education⁸ and to benefit from this increase in demand for complex skills. The types of skills that a worker needs in order to be successful in the labor market and earn higher wages evolved from 1965 to 2010. Did immigrants change their skills as much as natives did? Did they respond to the increased premium to high education by becoming more educated? Did this allow them to earn the same wages as natives? The answer to each of these questions is a resounding yes, with one exception: the Mexican immigrants. Let us illustrate.

⁵ Assaf Razin & Jackline Wahba, *Migration Policy and the Generosity of the Welfare State in Europe*, CEPR DICE Report, 9 Ifo Institute for Economic Research at the University of Munich 28–31 (2012).

⁶ Neeraj Kaushal, *New Immigrants' Location Choices: Magnets Without Welfare*, 23 JOURNAL OF LABOR ECONOMICS 59–80 (January 2005).

⁷ David H. Autor et al., *Trends in U.S. Wage Inequality: Revising the Revisionists*, 90 REVIEW OF ECONOMICS AND STATISTICS 30–23 (May 2008); Daron Acemoglu *Technical Change, Inequality and the Labor Market*, 40 JOURNAL OF ECONOMIC LITERATURE 7–72 (March 2002); David Autor et al., *The Skill Content of Recent Technological Change: An Empirical Exploration*, 4 THE QUARTERLY JOURNAL OF ECONOMICS 1279–1333 (Nov. 2003).

⁸ Claudi Goldin & Lawrence F. Katz, *THE RACE BETWEEN TECHNOLOGY AND EDUCATION* (Harvard University Press 2008).

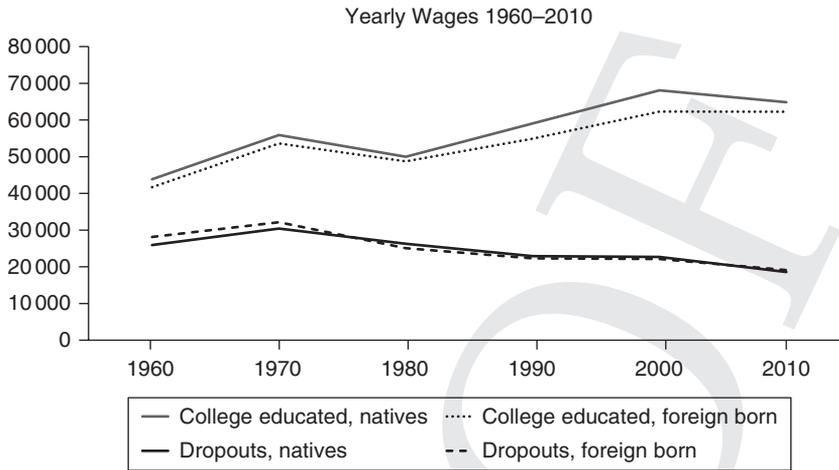


FIGURE 11.4. Yearly wages 1960–2010.

Source: Author's Calculations Based on Data from the U.S. Bureau of Census 1960–2010.

Figure 11.4 shows the evolution of yearly wages expressed in constant 2000 U.S. dollars over the 1960–2010 period for four groups: high school dropouts and college graduates, each of them divided into U.S. natives and foreign-born.⁹ The gray lines show yearly wages for college-educated (native and foreign-born) and the blue lines show yearly wages for high school dropouts (native and foreign-born). Two facts are striking. First, within educated groups, native and immigrants had similar wages. This implies that the foreign-born had productivity and careers comparable to those of the natives with the same education level. Second, while wages for college-educated grew significantly over time (although the effects of the oil crisis in the 1970s and of the great recession in the 2000s are visible), the wage of high school dropout stagnated and declined. In relative terms, while high school dropouts were earning more than half of the salary of college-educated individuals in 1960, as of 2010, their annual earnings, on average, were less than one-third of that of college-educated.

Immigrants were subject to the same economic and demand forces as natives were, driven in large part by technological growth and relative skill supply.¹⁰ Hence, their level of schooling mattered significantly for their economic success in the United States. In this respect, the post-1965 immigration policies did not put immigrants at

⁹ The averages are annual wage earnings obtained from our calculations on males, ages eighteen to sixty-five, who worked at least one week per year and earned non-zero salary.

¹⁰ See Goldin & Katz, *supra* note 8.

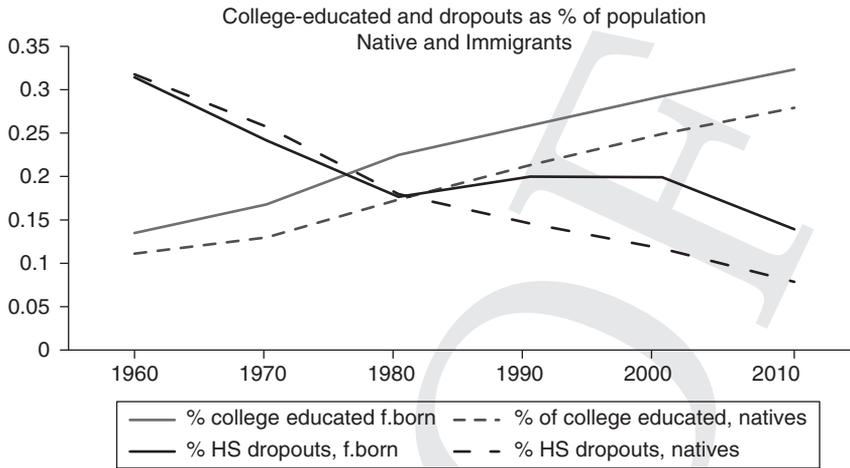


FIGURE 11.5. College educated and High School dropouts as percentage of population, native and immigrants.

Source: Author's Calculations Based on Data from the U.S. Bureau of Census 1960–2010.

a disadvantage relative to natives, but the market forces affecting the wages of natives also operated on immigrants.

Given this very strong positive premium on college education, did the immigrant population respond accordingly? Namely, did the inflow of immigrants become more college-intensive and less dropout-intensive? And was this shift similar to what happened to the native population? The answer, shown in Figure 11.5, is that by and large, the flow of immigrants became more and more concentrated among college-educated and less in high school dropouts, mirroring what was happening to the native population. The red lines in Figure 11.5 show the percentage of college-educated in the native (dashed line) and immigrant (solid line) populations. While college-educated always represented a higher share of the immigrant (than native) population, those percentages were similar, and they show a similar time trend. They go from around 12 percent in 1960 to 30 percent in 2010. In an opposite trend, high school dropouts in the same time period decrease from about 30 percent to less than 10 percent for natives. However, in the 1980s and 1990s, corresponding to the period of the largest Mexican immigration, the share of high school dropouts among immigrants did not decrease (while it continued to decrease among natives), so that still 15 percent of immigrants did not have a diploma in 2010. During the 1980s and 1990s, less-educated Mexicans filled a large portion of the menial jobs in manufacturing, agriculture, and services that a shrinking group of native dropouts was leaving. While those jobs ensured

employment, their wages were stagnating, and, as we will see, this affected the income of the Mexican group.

So while the selection of Asian immigrants was becoming more and more skewed toward highly educated ones during the 1965–2010 period, Mexican immigrants remained heavily represented among high school dropouts (we will show this more in detail later). They continue to fill those jobs not requiring college education, but they were employed and they kept coming to the United States, attracted by the larger salaries relative to those they could earn in Mexico. The type of immigrants attracted determined their wages, and it explains crucially the mode of entry and the immigrant status of Mexicans in the United States, given that the immigration laws did not allow obtaining permanent employment permits for the jobs they were filling.

11.4 ECONOMIC PERFORMANCE OF IMMIGRANTS AND NATIVES: EARNINGS

The significantly different educational composition of Mexicans explains their significantly different performance in earnings. As shown in Figure 11.5, college graduates, be they immigrants or natives, have enjoyed sustained growth of their earnings between 1960 and 2010. To the contrary, high school dropouts have experienced wage decline. Hence, the way in which the average earnings of a population have increased over this period is either because individuals had a college degree or because the composition of the group shifted away from low schooling and to college degree. Both of these phenomena were taking place for the native population. Figure 11.6 shows that these tendencies were even stronger for the group of Asian immigrants. Asian immigrants were underrepresented among high school dropouts in 1960, but what is more remarkable is that they were overrepresented among the college-educated. Their share of college-educated also grew substantially. By 2010, 50 percent of Asian-born in the United States had a college education (the lighter line in Figure 11.6) and only 5 percent of them did not have a high school degree (the darker line).

To the contrary, Mexican immigrants did not increase their share of college-educated, nor did the share of high school dropouts decrease for this group. These are the fundamental tendencies that explain the behavior of average wage for each of these two groups.

Figure 11.7 shows the average wage of Asian-born and Mexican-born, together with that of natives and other immigrants between 1960 and 2010. Wages are expressed in constant 2000 U.S. dollars. While the average yearly earnings of Asian-born increased substantially, to the point that this group overtook the natives in terms of average wages, the earnings of Mexicans, on average, have been declining. The

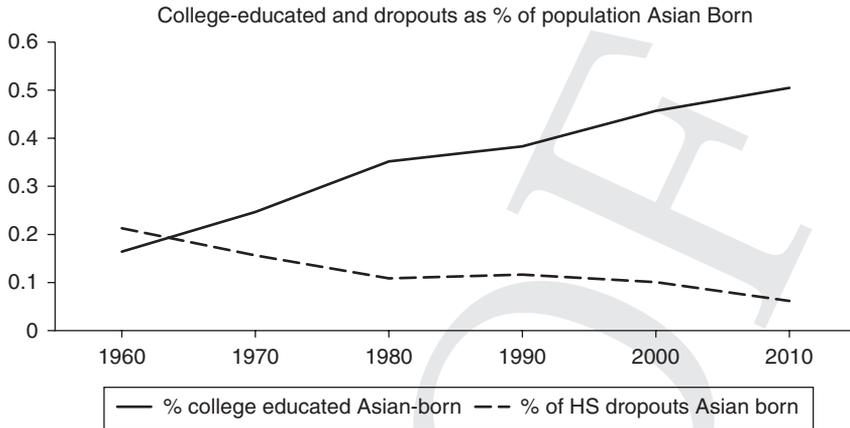


FIGURE 11.6. College educated and High School dropouts as percentage of population, Asian born.

Source: Author's Calculations Based on Data from the U.S. Bureau of Census 1960–2010.

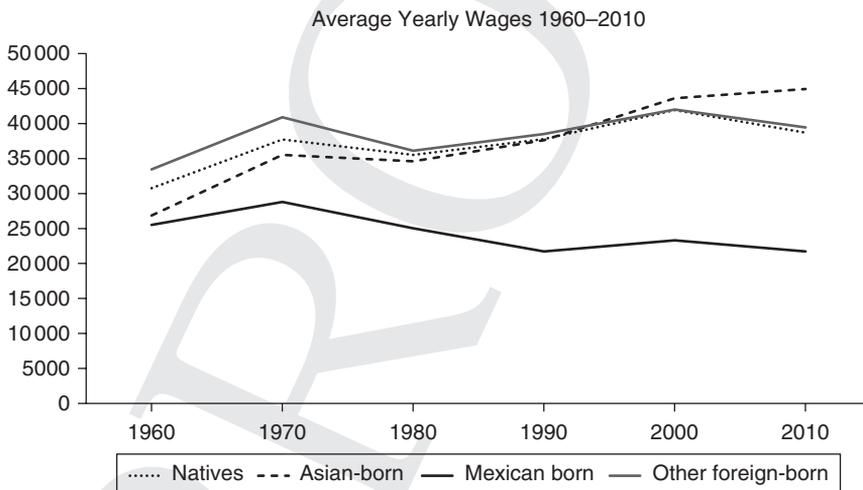


FIGURE 11.7. Average yearly wages, 1960–2010.

Source: Author's Calculations Based on Data from the U.S. Bureau of Census 1960–2010.

“polarization” of these two groups of immigrants in the earning scale has been remarkable and has mirrored the polarization in their educational distribution combined with the significant relative decline in the wages of jobs accessible to people with no high school diploma.

While it is true that many more Mexicans are undocumented, compared to any other immigrant group, and some people argue that there can be discrimination against them, those factors do not seem to contribute much to the explanation of the Mexican underperformance in terms of wages. Once their schooling level is accounted for, because of their much larger share of high school dropouts and because of the poor performance of this group in the labor market, we can explain the whole disadvantage of Mexicans in terms of wages. In fact, from the Census data for 2010 we can calculate that, considering only high school dropouts, the average yearly wages of Mexican-born were \$18,019 per year (2000 constant dollars), while natives with no high school degree received \$18,592. Once we account for the low level of education, Mexicans received essentially the same earnings as the native-born did.

11.5 SELECTION OF IMMIGRANTS

The striking differences in educational level and income between Mexicans and Asian-born prompts the questions of whether one can explain those by looking at differences in their countries of origins. As we have already mentioned, both groups had a small presence in 1960 relative to the dominant immigrant group of Europeans, and both groups grew in number and as a share, becoming much larger than the European group. Both groups were coming from countries at intermediate-to-low levels of income relative to the United States, and in fact Mexico was (and still is as of 2015) richer than most Asian countries of origin when measured in terms of income per capita. It certainly had higher income per person than India, China, and the Philippines throughout the whole 1960–2010 period. These two groups were also subject to the same “immigration rules” as the post-1965 legislation was not making any difference among countries of origin in terms of ease of access to the United States.

Considering the selection of immigrants among the population of their country of origin within a typical economic model,¹¹ one would predict that countries with more unequal income distribution would generate immigrants that are more negatively selected along the educational dimension. Namely, as highly skilled workers have a higher relative wage return at home, in more unequal countries they would have fewer incentives to migrate. If we consider as determinant of migration incentives, in the Jeffrey Grogger and Gordon Hanson tradition,¹² the absolute wage

¹¹ A. D. Roy *SOME THOUGHTS ON THE DISTRIBUTION OF EARNINGS*, *Oxford Economic Papers*, 235–246 (1951); George Borjas, *Self-Selection and the Earnings of Immigrants*, 77 *AMERICAN ECONOMIC REVIEW* 531–53 (September 1987).

¹² Jeffrey Grogger & Gordon H. Hanson, *Income maximization and the selection and sorting of international migrants*, 95 *JOURNAL OF DEVELOPMENT ECONOMICS, Elsevier* 42–57 (May 2011).

differentials between origin and destination, then the lower average income per person in Asia (especially India and China), relative to Mexico, implies a larger relative benefit for highly educated to migrate from those countries vis-à-vis highly educated from Mexico. Hence larger wage gains can be a first reason for stronger positive skill selection from Asia than from Mexico.

Are the low education of Mexican immigrants to the United States and their low wage and income partly explained by the skill supply in Mexico? Did Mexico simply produce such a small number of college-educated and Asia such a large number of them that migrants to the United States mirror the schooling features of people in those countries? Or is it that the pre-1965 selection of immigrants, combined with wage differentials, has generated job-specific networks that have reproduced and perpetuated the selection of immigrants?

It is well known that the geographical location of immigrants is rather persistent, so that metropolitan areas that had a large immigrant population at the beginning of the twentieth century still have a large immigrant share now.¹³ This is usually attributed to the strength of immigration networks. Could those networks also be characterized by schooling levels or by specific occupations, so that certain groups come to fill some labor market niches, and this persists over time? If this is the case, immigrants can be very different from the average worker in the country of origin: specific networks only select workers similar to the existing type, because they can find the best job opportunities within the network. This seems to be exactly what happened with the Asian and Mexican networks.

To illustrate this point, Figure 11.8 shows the share of population with no high school degree (as dashed and dotted lines) and with college degree (in shades from black to gray) for four different groups. The solid lines represented these shares in the population of China, India, and the Philippines, the countries of origin of most U.S. Asian-born immigrants.¹⁴ The dashed lines represent the percentages among the Asia-born U.S. immigrants (obtained from the U.S. Census). What is absolutely striking is the extent of selection of Asian immigrants, relative to their country of origin, already in 1960, which then was simply maintained throughout the fifty years. In 1960, only 20 percent of Asian-born in the United States had no high school education. In China, India, and the Philippines, the corresponding figures were 98 percent, 99 percent, and 87 percent, respectively.

¹³ David Card, *Is the New Immigration Really so Bad?*, 115 *ECONOMIC JOURNAL*, ROYAL ECONOMIC SOCIETY F300–F323 (November 2005); David Card, *Immigrant Inflows, Native Outflows, and the Local Labor Market Impacts of Higher Immigration*, 19 *JOURNAL OF LABOR ECONOMICS* 22–64, January 2001.

¹⁴ These data are from the Barro-Lee dataset, available at <http://www.barrolee.com/data/dataexp.htm>

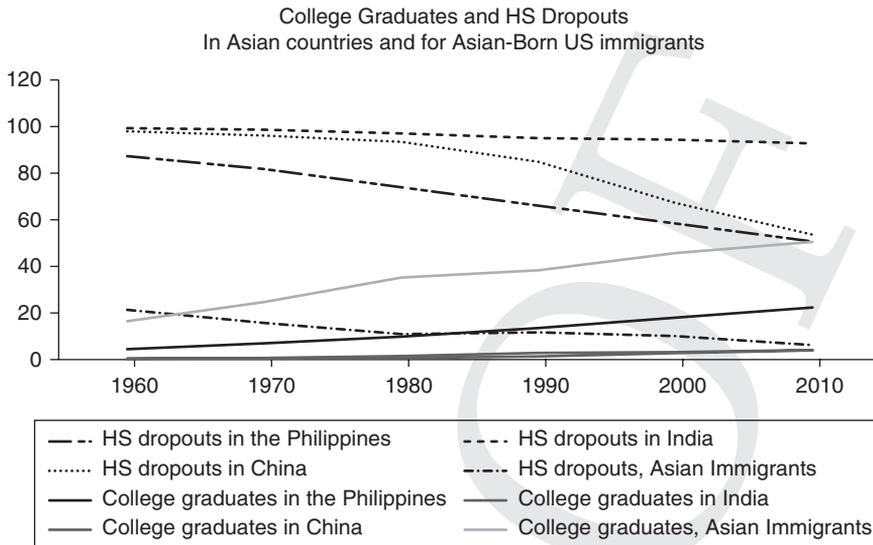


FIGURE 11.8. Percentage of College educated and High School dropouts in Asian countries and for Asian-born US immigrants.

Source: Author's Calculations Based on Data from the U.S. Bureau of Census, 1960–2010.

Conversely, while about 18 percent of the Asian-born residing in the United States had a college degree, less than 1 percent of the population in India and China did. The Asian “diaspora” in the United States was already a select group in 1965, more likely to be professionals and highly educated. Historical accidents, the very large wage incentives for highly educated to migrate, and the very few opportunities for non-college educated before 1965 contributed to create this “elite” type of migration from Asia pre-1965. They likely took jobs requiring more education and skills, and the newcomers were selected in a similar group and were admitted, as we will show, in large part with skilled work permits. When the Immigration and Nationality Act Amendment of 1965 opened the possibility for more immigrants from Asia, the existing professional network reproduced in the new flow the characteristics of the existing immigrants.

Very different was the situation of Mexicans. The population of Mexican-born in the United States as of 1965, far from being selected among the education elites, was in fact even less educated than the population of Mexicans in Mexico. A large part of the immigration had been linked to agricultural jobs (post-Bracero Program), and hence was filled with individuals originating from rural Mexico. Moreover, as of 1965, the incentives of more educated/wealthy Mexicans to migrate to the United States were probably lower as they were relatively highly

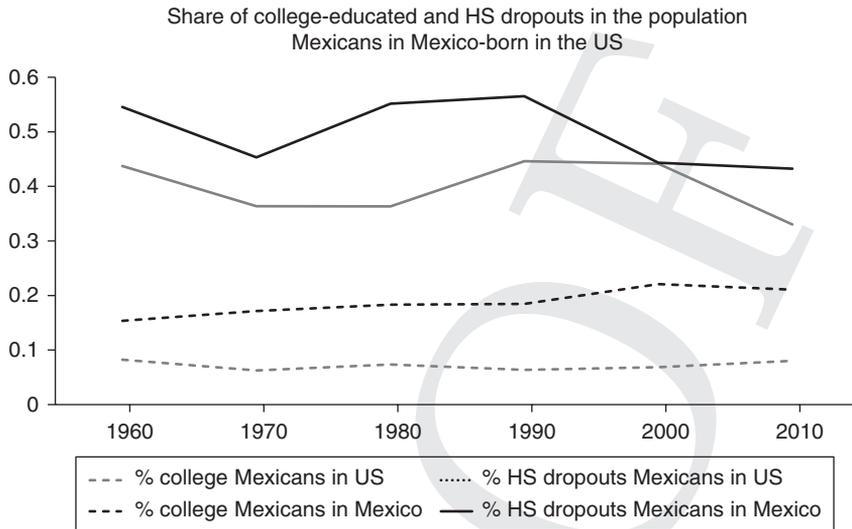


FIGURE 11.9. Percentage of College educated and High School dropouts in Mexico and for Mexican-born US immigrants.

Source: Author's Calculations Based on Data from the U.S. Bureau of Census, 1960–2010.

paid in Mexico.¹⁵ The percentage of college-educated among Mexican-born in the United States was 8 percent vis-à-vis 15.3 percent of college-educated in Mexico. On the other hand, the percentage of high school dropouts was similar between Mexicans in the United States (43 percent) and residents of Mexico (53 percent). As the number of Mexican immigrants grew, their composition remained unchanged. Still in 2010, Mexican-born in the United States show a share of college-educated close to only 8 percent. The role of the job-related network in reproducing this composition, combined with the rather unequal distribution of income in Mexico, must have been very strong. In fact, the Mexican resident population reached a share of college-educated of 21 percent in 2010, but none of the educational gains in Mexico have been passed on to the Mexican-born immigrants to the United States (Figure 11.9). This is probably because the type of jobs and occupations filled by that group of immigrants, and for which the network provides information, were and still are concentrated in menial sectors in manufacturing, agriculture, and services.

¹⁵ George Borjas, *Self-Selection and the Earnings of Immigrants*, 77 AMERICAN ECONOMIC REVIEW 531–53 (September 1987).

Previous studies have analyzed the selection of immigrants¹⁶ and have emphasized the role of country-of-origin characteristics as well as immigration laws in determining the type of immigrants a country receives. The United States is an interesting case, as the immigration system set in place in 1965 is not explicitly favoring high-skilled immigrants, although the employment-related permanent permits have a skilled component to it. In fact, it has generated two types of immigration flows, both very prominent: one of highly educated people (from Asia) and one of much less-educated ones (from Mexico). The persistence of these flows, together with the link to the jobs performed by these immigrants, suggests that immigration laws are not enough to understand the selection and economic performance of immigrants. The role of job network, selection from countries of origin, and the evolution of labor conditions must also be understood. This is where the 1965 Immigration and Nationality Act was the weakest.

11.6 DIFFERENT MODE OF ENTRY: HAS THE IMMIGRATION SYSTEM WORKED FOR THE LESS EDUCATED?

The evolution of schooling and wages of foreign-born overall has followed the same economic forces that have affected the evolution of the U.S. economy and of its residents. However, the immigration system of the United States has been mainly based on family sponsoring and family reunification. If we look at the data on permanent legal residents to the United States (Yearbook of Immigration Statistics, Office of Homeland Security), more than 75 percent of all permanent immigrants are admitted under family sponsorship or immediate family reunification. In many cases economic immigrants find it easier to obtain their permanent residence through family sponsor (spouse, siblings, or parents). Only a minority of people among the permanent residents obtain the permits for working reasons. The constraint imposed by the family-based system is clear: it reduces the options of immigrants who do not have access to highly skilled types of jobs or to family members in the United States, even if they have a job in the United States and an employer ready to hire them. If this is correct, we should observe a clear difference in the way in which the Mexican-born and the Asian-born are admitted to the United States. For the Asian-born, the option of obtaining a permit via employment sponsor, albeit limited, should be available to many. College-educated individuals are the group that should benefit from it. As a consequence, a significant part of the inflow of immigrants should have been

¹⁶ Jeffrey Grogger & Gordon H. Hanson, *Income Maximization and the Selection and Sorting of International Migrants*, 95 JOURNAL OF DEVELOPMENT ECONOMICS, Elsevier 42–57 (May 2011).

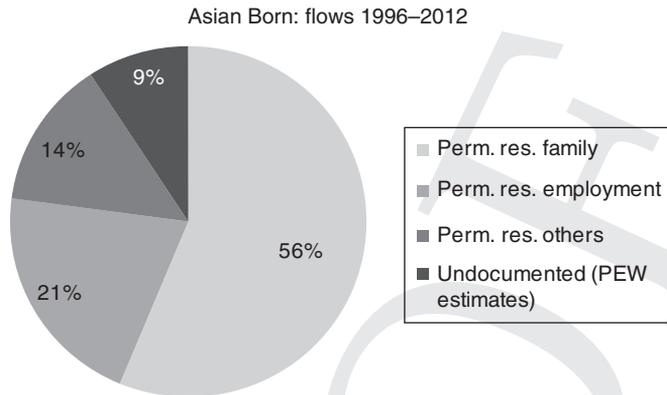


FIGURE 11.10. Asian born: flows 1996–2012.

Source: Author's Calculations Based on Data from the U.S. Bureau of Census 1960–2010.

through employment sponsor, although the majority will still likely to be through family sponsor. For Mexicans, to the contrary, employment in menial jobs does not really afford the possibility of a permanent legal permit. Hence we should observe a much larger share of the total entries as family reunification, and this will also create incentives for undocumented immigration.

In Figures 11.10 and 11.11 we show the data on total cumulated entry in the United States either as legal resident or as undocumented for Mexican and Asian immigrants. The data combine information from the yearbook of Immigration Statistics and from the PEW Hispanic publications that reports estimates on the stock of undocumented immigrants and a partial breakdown into countries of origin. We consider the 1996–2012 period and we cumulate the yearly permanent residence permits, dividing them among those obtained via family sponsor, those obtained via employment sponsor, and those obtained from other sources. Furthermore, we calculate the net inflow of undocumented immigrants (from Mexico and Asia) obtained as difference in the estimated stock (PEW Hispanic center) in 2012 and in 1998. The pie chart represents how the total number of net new entries for the 1998–2012 period is distributed across the four different types of entry, three legal (via family, employer, or others) and one undocumented.

For the Asian-born immigrants, family reunification is the largest way of entry (56 percent), but then employment sponsors accounted for 21 percent of the inflow. If we think that a large part of the family entries are immediate relatives of workers, we can think that labor-sponsored entry was a very important channel for Asians. Much smaller are undocumented entry and entry for other causes (asylum,

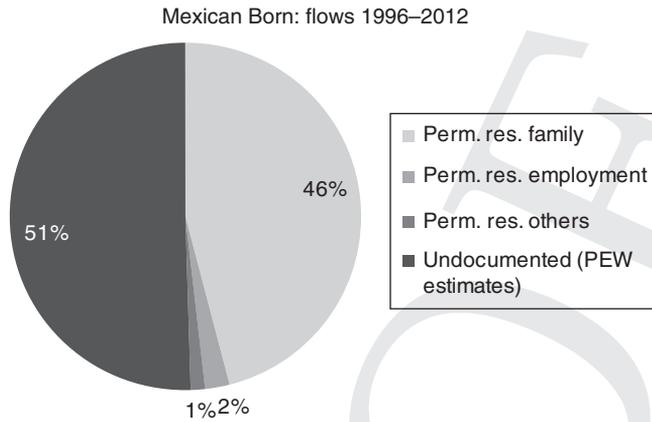


FIGURE 11.11. Mexican born: flows 1996–2012.

Source: Author's Calculations Based on Data from the U.S. Bureau of Census, 1960–2010.

lottery). When considering the corresponding chart for the Mexican immigrants to the United States, however, we see that employment sponsor only provides a negligible 2 percent of the entries. This pushes the whole immigrant population to find entry either as undocumented or through family unification.

As we know from the previous analysis, most of the Mexicans in the United States as of 2010 were working, but as they had low levels of education and hence access mostly to unskilled types of jobs, the current immigration system does not provide them with any legal channel of entry through their jobs. It is also worth emphasizing that even temporary entry for working reasons (not included in these statistics) and allowed through a large variety of visas is strongly biased in favor of college-educated. The larger visa programs, counting more than 100,000 entries per year, are the H1B and the L, which only allow entry to “specialty occupations” typically requiring college education. Only the H1A and H2A visa allow seasonal and agricultural workers, but their caps are low and their requirements very cumbersome. Ultimately the availability of legal entry permits for non-college-educated would not change their economic opportunities much, which are driven mainly by schooling and human capital. However, legal presence in the United States would make these immigrants more mobile and more willing to invest in training, and would improve the options and opportunities for the second generation. In the last section I analyze the features that would improve the current immigration system, still based on the 1965 Immigration and Nationality Act.

11.7 COMPONENTS OF AN IMMIGRATION REFORM: AN ECONOMIST'S VIEW

For its very important role in opening the doors to more immigrants, the 1965 Immigration and Nationality Act has been a fundamental step in the social and economic policy of the United States. Its focus on family reunification and its rigid quotas, however, have become a significant limitation on its benefits. Immigration can be managed much more effectively to be an engine of growth and economic productivity.

One of the most visible signs of malfunctioning of the current system has been the accumulation of millions of undocumented immigrants. A large part of the current debate is focused on them. However, they are only one part of the puzzle. Certainly finding a reasonable path to legal status for this group would bring economic benefits. Most of the undocumented are already working. Probably with legal status they will be able to obtain somewhat higher wages, 5–10% higher, most studies say, and consume and spend more. The fees and back taxes paid to achieve legal status also will be a welcome source of revenue for the government. The really significant payoff, however, will be when the newly legal immigrants are more willing to invest in training and to move between employers as they participate fully in the economy and feel more certain about their future. The younger among them will be more likely to pursue an education. These investments will increase their human capital, wages, productivity, and taxpaying ability, with positive effects on the economy.

Yet the problem of undocumented immigrants is likely to come back unless we find better ways to legally accommodate new immigrants. In particular, as we saw in the case of Mexican-born, the existence of demand for menial workers without a legal channel to allow them in the country has produced abuses of the system. While less-educated menial jobs attracting non-college-educated immigrants will continue to pay significantly less than other jobs do, they will still be attractive to motivated, hardworking immigrants as they constitute a three- to fourfold increase of their income relative to what they can earn in their countries of origin. Managing inflows of less-educated immigrants that respond to the economic demand would be an important role of immigration reforms. Significant economic gains are achievable if we reorganize the immigration system following three fundamental principles.

The first is simplification. There are many different kinds of temporary visas, each with specific provisions, numeric limits, requirements, and fees, that have accumulated over time since 1965. The disconnect between temporary visas and permanent residence permits implies that people who have worked for years and are well integrated in the United States have no guarantee of obtaining permanent

residence. A more rational approach would have the government set overall targets and simple rules for temporary and permanent working permits, deciding the balance between permits in “skilled” and “unskilled” jobs. But the government should not micromanage permits, rules, and limits in specific occupations. Employers should compete to hire immigrants, and they are best suited at selecting the individuals who will be the most productive in the jobs that are needed.

The second important principle is that the number of temporary work visas should respond to the demand for labor. Currently the limited number of permits is set with no consideration for economic conditions. Their number is rarely revised. Recognizing, as we did in this chapter, that most immigrants come for economic reasons implies that the number and skills of admitted immigrants should also mirror labor markets and their changes. In periods of high demand, the economic incentives to bypass the limits and hire undocumented workers are large. Work visas and permanent residence permits that are responsive to labor demand would make enforcement of the immigration laws easier.

The third principle governing immigration reform should also emphasize that scientists, engineers, and innovators are the main drivers of productivity and economic growth. More scientists and more innovation in the United States mean more labs, universities, and companies doing research and creating jobs for Americans. There is abundant research showing that foreign scientists and engineers contribute substantially to science, innovation, and productivity growth in the United States, with benefits spreading well beyond the lab and research facility where they work.¹⁷ Fifty years after the Immigration and Nationality Act, the time has come to introduce immigration policies more suited to our economy and society in the twenty-first century.

¹⁷ William Kerr & William F. Lincoln, *The Supply Side of Innovation: H-1B Visa Reforms and U.S. Ethnic Invention*, 28 JOURNAL OF LABOR ECONOMICS 473–508 (2010); Jennifer Hunt & Marjolaine Gauthier-Loiselle, *How Much Does Immigration Boost Innovation?* 2 AMERICAN ECONOMIC JOURNAL: MACROECONOMICS 31–56 (2010); Giovanni Peri et al., *Foreign STEM Workers and Native Wages and Employment in U.S. Cities*, NBER Working Papers 20093, National Bureau of Economic Research (2014).

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