An Alternative Approach to Immigration Policy: Rationing by Skill *

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Abstract

Current U.S. immigration policy places a heavy emphasis on kinship ties with a U.S. citizen or resident alien in rationing immigration visas. An alternative policy is to focus on the skills of visa applicants. Immigrants with higher levels of schooling and with skills that are more readily transferable to the U.S. labor market are more productive, as measured by their earnings. A larger proportion of skilled workers in a cohort of immigrants tends to narrow the differences in earnings among skill groups in the native-born population. This reduces income inequality and reduces the use of income transfers by the low-skilled native-born population. More highly-skilled immigrants also make less use of income-contingent transfers. A point-system would be necessary to combine the multidimensional aspects of skill. The adoption of skill-based rationing with a point system in Canada led to an increase in the skill level of the immigrants.

Introduction

Immigration has again become a topic of considerable public policy interest in the United States. The interest arises because the number of persons wishing to immigrate exceeds the number the U.S. is willing to admit. Two public policy issues are the optimal mechanism for allocating immigration visas among the applicants and the optimal enforcement of immigration law to reduce illegal immigration. This article is concerned with the first issue, the rationing of immigration visas among potential applicants [1].

* This paper is a revision of my written testimony presented before the U.S. Senate Subcommittee on Immigration and Refugee Policy, November 1981. It was also presented at the Society of Government Economists Meeting, Washington, D.C., December 1981.
After reviewing the current system of rationing immigration visas, the article summarizes the literature on the economic adjustment and economic impact of immigrants. It then presents an alternative immigration policy that better satisfies the generally accepted policy objectives for the U.S. economy. This alternative is skill-based rationing, with a point system used to combine the multidimensional aspects of skill. Some implications of the skill-based rationing system are explored.

Current Preference System

The current system of preferences for allocating immigration visas was developed in 1965 during a period of euphoria regarding prospects for future economic growth. At that time, it seemed that low levels of inflation and unemployment would persist, as would high rates of increase in productivity. At the same time, it was obvious that the racist and ethnocentric "national origins" quota system introduced in the 1920's was inconsistent with emerging domestic and foreign policies.

The commendable objective of ridding immigration policy of the national origins quota system, combined with undue optimism regarding the economy, resulted in the current preference system. Although modified somewhat over the intervening 15 years, the basic feature, an emphasis on kinship ties, has been strengthened. Under current law, including the modifications introduced in the 1980 Refugee Act, at least 80 percent of the annual worldwide quota of 270,000 (non-refugee) immigrant visas are reserved for the relatives of U.S. citizens and resident aliens (Table I). In addition, the immediate relatives of U.S. citizens can enter the country without numerical limitation, and in recent years these have numbered about 100,000 to 125,000 persons per year [2].

The 20 percent of the preference-system visas not reserved for the relatives of U.S. citizens and resident aliens constitute the third and sixth preferences (see Table I). The third preference provides for the immigration of professionals and persons of exceptional ability in the (non-performing) arts and sciences, while the sixth preference refers to skilled workers whose services are needed in occupations for which U.S. workers are in short supply. For both occupational preferences, a cumbersome application procedure is required of the potential immigrant and a U.S. employer [3]. The program is administered by the Office of Labor Certification in the U.S. Department of Labor.

The impact of the labor certification program on the skill distribution of immigrants is much smaller than is implied by the 20 percent share in the preference system. First, the visas for the spouse and minor children of