

Executive Summary

There is plenty of evidence that immigration helps to fuel the U.S. economy, just as it has throughout our history. Immigrants continue to play an important role in the economy as workers, entrepreneurs, taxpayers, and consumers. However, most observers agree that our current immigration system is outdated and dysfunctional, making it more difficult for the U.S. to compete in the global marketplace. The last time Congress made significant changes to the employment-based immigration system was 1990, when the Immigration Act of 1990 created the five-tiered employment-based immigration system and the numerical limits used today.¹

Most observers agree that the system needs to be updated and overhauled, but inflamed rhetoric often obscures the facts. The first step in reforming our immigration system is to understand the basic facts surrounding the debate.

I. Why Do We Need to Revisit Employment-Based Immigration?

- **The world has changed, but the immigration system has not.** While the world has changed significantly since 1990, our employment-based immigration system has remained static, impervious to changing economic, political, and social conditions. Many policymakers agree that our current legal immigration flow is drastically out of sync with America's labor needs and global realities.
- **Our current laws don't reflect our economic needs.** The Immigration Act of 1990 raised the annual ceiling on employment-based immigration from 56,000 to 140,000 and created five employment-based immigration preferences. The number was set years ago by Congress, without regard to real labor-market needs, and has not been updated to conform to evolving economic realities.
- **The temporary visa system is inadequate.** U.S. immigration law provides for a wide variety of temporary visas for foreign workers. The H-1B visa for highly skilled immigrants is capped at 65,000 visas per year, with 20,000 additional visas for foreign professionals who graduate with a Masters or Doctorate from a U.S. university. All of these visas are generally used every year. In some years, the limit has been reached on the first day the visas are made available.
- **More flexibility is needed in the immigration system.** The permanent-temporary visa dichotomy is often not in the best interests of employers or workers. In some cases, employers may only be able to obtain visas for temporary workers when they actually need permanent workers. Workers who arrive on temporary visas may find permanent jobs, but are unable to adjust to a permanent visa under the current system. The current system does not have the flexibility needed to respond to the country's evolving economic needs.

II. Is the U.S. Still Attracting the Best and Brightest?

- **More countries are competing for international talent.** In a global marketplace in which highly skilled immigrants are in demand, immigrants can choose the country that provides the greatest opportunity for themselves and their families. Some countries have revised their immigration laws to make themselves more attractive to highly skilled workers.
- **Talented immigrants are starting businesses in other countries.** A recent report by the Kauffman Foundation found that some highly educated and skilled immigrants are “voting with their feet” and returning to their home countries, where they start successful businesses. The authors estimate that tens of thousands of skilled immigrants are returning to their home countries every year, and the trend is accelerating.²

III. Why Is Immigrant Labor Important in Today’s Economy?

- **Immigrants and economic growth go hand in hand.** Research shows that immigration levels are positively correlated with economic output and growth. For example, the Fiscal Policy Institute studied the top 25 metropolitan areas in the U.S. and found that the economic growth of metropolitan areas and growth in the immigrant share of the workforce were closely connected.³ Economists estimate that the overall benefit of immigration is small, but positive—between 0.1% and 0.3% of gross domestic product (GDP).⁴ Immigration is also associated with a small but positive increase in native workers’ real income.⁵
- **Immigrant workers complement U.S. workers.** Immigrants add to the number of workers, which makes the economy larger and increases GDP. Moreover, immigrant workers tend to be concentrated at the top and the bottom of the educational scale, while most Americans fall somewhere in the middle. Because of this disparity, researchers have generally found that immigrant and U.S. workers complement each other, rather than compete with each other, which spurs economic growth.
- **Immigrant workers generate ripple effects that create jobs throughout economy.** Immigration can push U.S.-born workers toward better-paying jobs, enhance the efficiency of production, and create jobs. Moreover, as the Economic Policy Institute explains, immigrant workers also affect demand; they buy food and cars and pay rent. In other words, “while new workers add to the supply of labor, they also consume goods and services, creating more jobs. An economy with more people does not mean lower wages and higher unemployment, it is simply a bigger economy.”⁶

- **Immigrants will help to refill the talent pool as Baby Boomers retire.** The National Academy of Sciences concludes that immigration will become increasingly important in maintaining the U.S. science and engineering labor force as more and more native-born workers retire. In order to overcome these challenges, the United States will not only have to implement new educational policies to produce more high-skilled Americans, and reform its high-skilled immigration policies.

IV. Are Immigrants Contributing to U.S. Innovation and Growth?

- **Immigrants are more likely to start businesses.** Entrepreneurship is an important engine of job creation and economic growth, and many researchers have shown that immigrants are more likely than natives to start their own businesses. According to a 2011 report from the Kauffman Foundation, “immigrants were more than twice as likely to start businesses each month than were the native-born in 2010.”⁷
- **Immigrants bring innovation and ideas to business.** A September 2010 report by the Hamilton Project of the Brookings Institution notes that “among people with advanced degrees, immigrants are three times more likely to file patents than U.S.-born citizens.”⁸ The benefits of these patents extend to native-born researchers and scientists. For example, there is evidence that foreign-born and American-born scientists are benefiting from and building off of each other’s work. The increased number of patents received by immigrants coincides with an increase in the number of patents awarded to native-born Americans, thus increasing the overall innovative capacity of the U.S.⁹

V. Must Family-Based Immigration be Reduced to Improve Employment-Based Immigration?

- **Family-based immigrants work and contribute to the economy.** Family-based immigrants contribute to the economy in several ways: having their families reunited in the U.S. boosts the productivity of employment-based immigrants working in the U.S. because they no longer have to deal with the separation from their loved ones; and immigrants who arrive through family reunification are workers and innovators themselves.
- **Family-based immigration fosters innovation and entrepreneurship.** There is significant research showing that close family relationships facilitate entrepreneurship because families can provide important resources that foster entrepreneurship, such as support in caring for children and working in family-owned businesses. According to data from the Small Business Administration, immigrant women in particular are one of the fastest-growing segments of small business owners in the United States.¹⁰