From 1900 to 2000, the U.S. became home to 47.2 million legal immigrants—far more than any other country. During the same period, the U.S. economy grew by nearly 25-fold, we won two World Wars and a Cold War, and our middle class became the envy of the world. Immigrants—whether it was Albert Einstein and Andrew Carnegie or millions of factory workers, farm workers, cooks, and construction workers—were a huge part of America’s 20th century success story. Today, we are an increasingly service, knowledge, and innovation-led economy. Even our manufacturing jobs require a great deal more skill because we do not make socks anymore—we make finely tuned, high-end products. To maintain our global dominance and strengthen our economy today, U.S. immigration policy must not only maintain its current levels of legal immigration, but it must also be restructured to attract foreign-born intellectual capital to facilitate innovation and job creation.

In this report, we argue that immigration reform must be a central component of long-term U.S. economic growth. We note that in order to modernize our immigration system to benefit the U.S. economy, we must not only maintain but increase the overall levels of permanent legal immigration by bringing more skilled immigrants into the country and making the United States the world’s leading magnet for global talent.

**ARGUMENT #1**

**America makes no priority for skills-based immigration.**

Most people who legally enter the U.S. do so with no regard to their skill level. This is the result of a policy that allows unlimited numbers of people to enter based on family ties but only a small quota based on skills.
Approximately one million Legal Permanent Residents (LPRs) are granted immigrant visas (green cards) each year. An individual with an immigrant visa has the right to live and work permanently in the United States. In order to be eligible for an immigrant visa, a foreign national must be sponsored by 1) a relative who is a U.S. citizen, 2) a U.S. legal permanent resident,* or 3) a prospective employer. Typically, the vast majority of green cards go to immediate relatives sponsored by a family member who is already in the U.S.2

Employment-based green card applications are accepted based on a five-tiered preference system, with priority going to foreign nationals who will fill jobs that require an advanced degree and experience.3 Workers who receive green cards range from people who have extraordinary abilities in sciences, arts, education, business or athletics, to people with an advanced degree or skilled workers with at least two years of training in their particular field, like software engineers or carpenters.4

Generally, in order to qualify for an employment-based green card, a potential immigrant must be sponsored by an employer through the Labor Certification process which must demonstrate that there are no willing or qualified U.S. workers who are available in the geographic area where the immigrant is to be employed, and that no American workers are being displaced by foreign workers.5 Persons with extraordinary abilities—like a Nobel Prize laureate—are able to file their own petitions without a labor certification.6

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*A legal permanent resident may sponsor a more limited group of family members—only their spouse and unmarried child(ren) of any age.

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At stake is whether new jobs and industries take root in this country, or somewhere else. [I]t’s whether we sustain the leadership that has made America not just a place on the map, but a light to the world.

– President Barack Obama
Individuals seeking to obtain a green card to the U.S. through petitions from immediate relatives face fewer hurdles, as there are an unlimited number of visas for their particular categories. Immediate relatives include parents of a U.S. citizen, spouses of a U.S. citizen, and unmarried children under the age of 21 of a U.S. citizen. Indeed, currently nearly two-thirds of the visas issued annually in the U.S. are distributed to individuals based on family ties.

Family-based immigration is important for many reasons, including economic benefit, and it should be maintained going forward—perhaps in conjunction with reforms needed to improve that system. But we must also find ways to prioritize and streamline immigration for skilled workers who can be an important engine for American economic growth.
ARGUMENT # 2

Arbitrary caps keep skilled people out of the country.

In contrast to family-based immigration, individuals seeking to immigrate to the U.S. for employment purposes are governed by a two-part quota system. First, there is a numerical cap limiting the number of employment-based green cards to a maximum of 140,000, which is less than 15% of all green cards awarded annually. And of those employment-based green cards that are awarded, about 85% are given to applicants who already reside in the U.S. and are trying to change from temporary immigration status to permanent residency. The remaining 15% of the 140,000 are awarded to new applicants who are seeking to immigrate from outside the U.S.—meaning that just over 2% of annual green cards are issued to that group.

Secondly, the wait time to secure an employment visa is compounded by an arbitrary country-by-country cap. Current U.S. immigration policy limits the number of employment visas that may be issued to immigrants from any single country to less than 10,000 a year—no country is allowed to receive more than 7% of the visas, regardless of its size. Thus, China, with 1.3 billion people, and Thailand, with 67 million people, are treated the same under this cap. The result of this limitation is that an immigrant who hails from a heavily subscribed country (such as China, India, or the Philippines) will generally face waiting periods ranging from three to seven years—keeping both employers and potential employees in limbo for multiple years prior to the issuance of a green card.

Girija Subramaniam, a telecommunications engineer with a graduate degree in electrical engineering from the University of Virginia, owned two homes in Maryland and had worked for both Lockheed Martin and Texas Instruments. However, after a decade in the U.S., she was planning to leave the country to emigrate to Canada because she was unable to secure a green card and fulfill her dream of starting her own business. Ms. Subramaniam wanted to stay in the U.S., but after applying in 2002 for permanent residency she was still awaiting a green card. And due to the current immigration rules, during her seven year wait she was unable to accept a promotion or leave her employer to start her own company—without losing her priority number and spot in line.

In a 2009 study, the nonpartisan Ewing Marion Kauffman Foundation determined that placing such limits on foreign workers hurts the American workforce. The study determined that these limitations undermine technological innovation and lead firms to hire skilled people to work outside the U.S. They found that in the absence of better U.S. immigration policies, off-shoring and near-shoring would become more prevalent and thus ultimately hurt U.S. workers.
ARGUMENT #3
Highly skilled immigrants are encouraged to leave the U.S.

Educated entrepreneurs are one of America’s biggest exports. U.S. colleges and universities are regarded as the best in the world—in the 2011 list of the World’s Top 100 Universities, the U.S. had seven universities in the top ten and a total of 45 represented in the ranking. Our universities attract talent from around the globe. During the 2009-2010 academic year, the Institute for International Education documented that 690,923 foreign students were enrolled in American colleges and universities. The United States took in more than $17 billion during 2008-2009 from foreign students and their dependents.

We teach them, and then we send them home to create billion dollar industries that compete with ours. These students are concentrated in graduate schools and in science, particularly computer sciences and engineering. Overall, foreign enrollment rose in 2009 in all science and engineering fields except psychology. Notably, even though mathematics and economics showed the greatest percentage gains, the largest number of foreign students (143,000) were enrolled in business programs.

Unless we want to see the next Google or Intel created overseas, we’ve got to enact legal immigration reforms that allow foreign-born, U.S.-educated students who have earned advanced degrees to remain and work in the country after they’ve graduated.

– Rep. Jeff Flake (R-AZ)

U.S. Doctorate Recipients by Field of Study and Status

<table>
<thead>
<tr>
<th>Field of Study</th>
<th>Temporary Visa Holders</th>
<th>U.S. Citizens and Permanent Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Engineering</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>Electrical Engineering</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>Mechanical Engineering</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Material Sciences</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>Humanities</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>Social Sciences/Psychology</td>
<td>23%</td>
<td>75%</td>
</tr>
<tr>
<td>Education</td>
<td>9%</td>
<td>91%</td>
</tr>
</tbody>
</table>

Unless we want to see the next Google or Intel created overseas, we’ve got to enact legal immigration reforms that allow foreign-born, U.S.-educated students who have earned advanced degrees to remain and work in the country after they’ve graduated.

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In 2008, data from the National Science Foundation showed that:

- Foreign students received 60% of all engineering doctorates awarded in the U.S. and over 50% of all doctorates in engineering, mathematics, computer sciences, physics, and economics. Foreign students also received over 40% of all doctorates in agricultural sciences.

- In 2009, 62%, 56%, 59%, and 69% of PhD’s awarded in electrical engineering, materials sciences, mechanical engineering, and industrial engineering respectively were received by foreign students.

- 1,048 of the 1,694 electrical engineering doctorates awarded that year went to foreign students here on temporary visas.

Unfortunately, while the U.S. is educating foreign students at a faster rate than any other country, our immigration policies act as a barrier for retaining these American-educated entrepreneurs and innovators. According to Vivek Wadhwa, a senior research associate at Harvard Law School and executive in residence at Duke University, “burgeoning new economies abroad and flagging prospects in the United States have changed everything. And as opportunities pull immigrants home, the lumbering U.S. immigration bureaucracy helps push them away.”

In a recent Washington Post piece, Wadhwa noted that when he started teaching at Duke in 2005, most of his international students planned to stay in the U.S. However, in 2009, most of his 80 international students at Duke were going back home—and the same phenomenon was occurring at Harvard.

Meijie Tang, a Chinese-born, 23 year-old senior economics major at Harvard, decided to go back to China because getting a visa was so difficult. Instead, she and a 21 year-old friend and classmate took advantage of millions of dollars from investors in China to start a technology company in Shanghai.

Annually, tens of thousands of applicants are denied employment-based visas, and many of those rejected are foreign-born graduates of American universities. The current system pushes some of these talented immigrants into temporary visa programs, but like employment-based green cards, there is also a numerical limit on temporary employment-based visas. For instance, there is a cap of 65,000 imposed on H-1B visas, which are granted to immigrants who perform services in specialty occupations, like architecture, engineering, computer programming, accounting, medicine, or university teaching. These visas
are regularly in high demand—in fiscal years 2008 and 2009, the yearly limits were both reached well within the first month of availability.\(^{38}\)

In addition to the tight numerical limitations on temporary work visas, there are also several drawbacks to funneling skilled immigrants into temporary status. If an H-1B visa immigrant wants to stay longer than the visa’s six year term but does not receive a status change to a green card by the time the visa expires, he or she must leave the country and remain outside of the U.S. for one year before reapplying for another temporary visa.\(^{39}\) Additionally, if the immigrant changes jobs, he or she must reapply for a new visa under the new position, but that new visa will not restart the clock on the six year limitation.\(^{40}\) And while the spouse and children of an H-1B recipient may immigrate with them to the U.S., they cannot work in the country while they are here—a problematic requirement when these spouses are often also highly educated and skilled.\(^{41}\) This limitation can contribute to additional family and financial stress which can force an H-1B visa-holder to return to their home country before their work visa has run out, potentially leaving employers in a lurch.

### ARGUMENT #4

**Immigrants are very entrepreneurial.**

Immigrants are 30% more likely to form new businesses than U.S.-born citizens.\(^{42}\) A 2007 study done by researchers at Duke University and the University of California at Berkeley found that between 1995 and 2005, 25.3% of the technology and engineering businesses launched in the United States had a foreign-born owner.\(^{43}\) And in 2008 alone, more than 5% of immigrants launched a business compared with fewer than 3% of native persons.\(^{44}\) New companies are integral to producing the job growth that is needed to restore the American economy.\(^{45}\) Approximately one-third of new jobs are created by start-up companies, which tend to hire more quickly.\(^{46}\) From 1980 to 2005, the average 15-year-old business increased employment by about 1% per year, while the average 5-year-old business grew its workforce by 5% per year.\(^{47}\)

In America, innovation doesn’t just change our lives, it’s how we make a living.

— President Barack Obama

Immigrants are also a potential gold mine of innovation for our country. Indeed, among people with advanced degrees, foreign-born university graduates are three times more likely to file patents than U.S. born citizens.\(^{48}\) Additionally, the World Intellectual Patent Organization database shows that the percentage of foreign nationals contributing to U.S. international patent applications increased
from an estimated 7.3% in 1998 to 24.2% in 2006. And in 2008, for the first time in agency history, the U.S. Patent Office issued more patents to foreign inventors (80,271) than to U.S. inventors (77,501). In 2008, about 49% of U.S. patent filings came from foreign inventors, mainly Japan, South Korea and Europe.

Studies have found that skilled immigration has a direct contribution to innovation within the United States. William Kerr of Harvard Business School and William Lincoln of the University of Michigan found that total invention increased with higher admissions of skilled immigrants—primarily through the direct contributions of immigrant inventors rather than the displacement of native workers. The study also noted that Indian immigrants are one of the groups boosting technological innovation the most in the United States, and that the number of U.S. patent applications filed by people with Indian and Chinese names has increased substantially. Indians have founded more engineering and technology companies in the United States in the past decade than immigrants from the UK, China, Taiwan, and Japan combined. Of all immigrant-founded companies in 2007, 26% had Indian founders.

The consequences of failing to reform U.S. immigration policy to capitalize on the entrepreneurial and creative spirit of immigrants are grim. By failing to recognize the benefits that immigrants bring to our economy, we put in jeopardy America’s ability to compete globally.

ARGUMENT #5
Immigrants have exceptional skills in job-producing sectors.

In 2009, more than 60% of foreign-born scientists and engineers in the United States were from Asia—nearly 25% were from India and another 20% were from China, the Philippines and Taiwan.

The U.S. economy relies on scientists and engineers as catalysts of prosperity. Scientific innovation has created about half of all U.S. economic growth in the last 50 years. This innovation creates jobs across all levels and sectors, including sorely needed manufacturing jobs. Over the past 20 years, the growth rate in high technology manufacturing industries has been more than double that of other manufacturing industries worldwide. In 2004, it was estimated that while only 5% of the U.S. workforce was employed in S.T.E.M. fields (science, technology, engineering, and mathematics), the S.T.E.M. workforce accounted for more than 50% of the nation’s sustained economic growth.

There is no doubt that the adequacy, supply, and quality of this workforce is integral to continued U.S. competitiveness. The Bureau of Labor Statistics projects that S.T.E.M.-related businesses will account for more than half of the
increase in total U.S. employment by 2018. In order to win the future, the U.S. must focus on increasing its universe of skilled S.T.E.M. workers and entrepreneurs. If we don’t, other countries will gladly pick up our slack.

**ARGUMENT #6**

**Other countries are gaining from our loss.**

As the U.S. fails to capitalize on retaining the human and intellectual capital that is educated here within our universities and fails to import skilled labor and talent into our economy, other countries are exploiting our shortsightedness for their gain.

**Canada**

In 2009, Canada admitted 252,179 immigrants. Of these, 153,498 visas, or 61%, were awarded for economic purposes. 65,000 or 26% were awarded in their family class category. While the Canadian skilled-worker classification constitutes 61% of all immigrant visas annually, our country gives skilled immigrants a stingy 15% share.

In contrast to the U.S., Canada recognizes the benefits of skilled immigration—a 2009 Royal Bank of Canada economics report stated that immigration was a key driver of the Canadian economy. The report found that the number of recent immigrants (those who have resided in Canada for less than five years) who own businesses increased by 117% between 2004 and 2007. Additionally, these new immigrants became entrepreneurs at younger ages than their Canadian-born counterparts, and they tended to be more focused in key knowledge-based industries.

Jason Kenney, Minister of Citizenship, Immigration and Multiculturalism, put the comparison bluntly, saying, “while other countries have cut back immigration levels as a short-term response to the global economic downturn, our government is actually maintaining its immigration levels to meet the country’s medium- to long-term economic needs.” Not surprisingly given this focus on employment-based immigration, the International Monetary Fund expects Canada to be the only one of the seven major industrialized democracies to return to a surplus by 2015.

**Australia**

In Australia, 2009 migration statistics show that the country took in 208,921 permanent immigrants that year. Fifty two percent, or 108,300 (just 32,000 fewer than the U.S., a country almost 15 times bigger), were economic immigrants and a mere 29%, or 59,453, were family based immigrants. Due to the
country’s high economic growth—which was being driven by its mining industry—the unemployment rate in April 2011 was 4.9%.68

This is significant because in November 2010 Australia’s Finance Minister outlined that in order for Australia to maintain economic growth, the country must attract skilled workers, “particularly in industries such as mining and financial services, which are experiencing incredible growth.”69 Indeed, a recent survey of 1200 Australian businesses found that the demand for employees has reached a seven year high.70

Additionally, in July 2010, an Australian government commissioned report, “Resourcing the Future,” was released recommending that the government utilize temporary skilled migration to solve the expected labor shortages.71 The Australian government decided to follow all of the recommendations—including increasing immigration. “Close to 4000 skilled migrants were granted [regional sponsored] visas in Western Australia in the second half of 2010, an increase of more than 44 percent over the same period in 2009.”72

Singapore

In Asia, Singapore has led the way by liberalizing its immigration policies and making it easier for “skilled immigrants to gain permanent residency.”73 The country has launched “various programs aimed at attracting talent, including company grant schemes to ease the costs of employing foreign skilled labor and recruitment missions by government agencies.”74 In 2004, Singaporean Prime Minister Lee Hsien Loong said “to sustain [Singapore’s] growth and prosperity, we need to have enough people living and working in Singapore. This means we must encourage families to have more children, and also attract more new immigrants here.”75

Since broadening the immigration criteria in 2004, Singapore has seen an average of 52,500 permanent residents and 12,800 new citizens granted every year.76 In 2007, there were 63,600 permanent residents and 17,300 new citizens.77 Recognizing the success of its high-skilled immigration policies, Singapore possesses the “realistic goal of attracting 150,000 additional students by 2015 thanks to international academic rankings and competitive prices.”78 In light of its revitalized high-skilled immigration policies, Singapore achieved 14.7% GDP growth in 2010—making it one of the fastest growing economies in the world.79

CONCLUSION

U.S. immigration policy should be crafted to encourage long-term economic development and innovation that will lead to greater domestic economic growth. To achieve this goal, our immigration policy must attract and retain the
global talent that can spur new innovation and increase U.S. competitiveness in a 21st century global economy.

Utilized as a strategic resource, immigration can buttress and grow a competitive U.S. economy that can win the future. Fundamentally, this shift would require an increase in the number of total employment-based visas issued each year to skilled workers, an effort to retain American-educated talent, and an increase in visas based on entrepreneurship. These changes should be done alongside—not in substitution for—a continued vibrant family-based system of immigration. Forthcoming Third Way products will discuss several solutions including:

- Increasing employment-based immigration while maintaining current levels in other permanent visa categories.
- Streamlining the process and removing unnecessary barriers for permanent and temporary employment-based immigrants.
- Creating a pathway to legalization to move illegal workers out of the shadow economy.

These products will illustrate how refocusing U.S. immigration policy can ensure that America will remain competitive by advancing innovation and expanding the pool of trained skilled workers in all of our industries, enabling us to truly maximize our nation’s potential.

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ABOUT THIRD WAY
Third Way is a moderate think-tank that creates and advances innovative and influential policy and political ideas. We advocate for private-sector economic growth, a tough and smart security strategy, a clean energy revolution, bold education and anti-poverty reforms, and progress on divisive culture issues.

For more information about Third Way please visit www.thirdway.org.
ENDNOTES


6 United States, Department of State, The Bureau of Consular Affairs, “Employment-Based Immigrant Visas.”

7 United States, Department of State, Bureau of Consular Affairs, “Visa Bulletin for April 2011,” March 8, 2011, No. 31, Vol. IX, Accessed March 26, 2011. Available at: http://travel.state.gov/visa/bulletin/bulletin_5368.html#. “All other” refers to all chargeability areas (foreign countries or dependent area) except those that are shown separately (China-mainland born, India, Mexico, and the Philippines) because they fall under the visa prorating provisions ofINA Section 202 (e)—Special Rules for Countries at Ceiling. Per the April 2011 visa bulletin, China-mainland born and India are the only two over-subscribed countries that have reached the per country limits in the advanced degree holder employment category. All other countries were current meaning that visas are available for all qualified applicants. Advanced Degrees refers to applicants that apply for a green card under the second employment-based preference (EB2): Members of Professions Holding Advanced Degrees or Persons of Exceptional Ability. Skilled workers refers to applicants that apply for a green card under the third employment-based preference (EB3): skilled workers and professionals. The backlog for EB3-Other workers are not shown here.


12 Ibid.

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