

By Hilda Ochoa-Brillembourg

It is often said that government could learn a thing or two from the private sector, but what if the very same management innovations that powered the recent surge in global productivity could be leveraged to solve America's immigration problem? It sounds far-fetched, but "just-in-time" production strategy -- which matches supply and demand for manufacturing components, thereby reducing wasteful imbalances -- is crying out to be applied to immigration policy. We have the technology and the data to do it -- all we need is the will.

Significant labor shortages, particularly, but not limited to the manufacturing and technology sectors are well documented. Large employers (Siemens, Apple, Microsoft, LinkedIn) have publicly announced thousands of job openings for which there are not suitable candidates. Fortunately, there's an easy fix for this mismatch between supply and demand for human capital: dynamic "just-in-time" labor and immigration policies that let in immigrants as they are needed. Quota increases may be a potential compromise, but not a solution for labor bottlenecks impinging on growth and employment, because they do not respond explicitly to changes in labor demands. In addition to shortages in skilled workers visas, waiting periods for skilled H-1B VISA holders to become green card holders extend to seven years. Current green card quotas are woefully insufficient to meet labor demands in many sectors.

American success in the postwar period was built on the free flow of trade and capital -- and human capital was an essential part of the story. From 1970 onward, roughly 10 million college-educated women chose to work professionally instead of becoming full-time wives and mothers. Between 1970 and 1990, 17 million immigrants came to the United States, and made profound contributions to construction, agriculture, manufacturing, technology, and the service sector. They also changed the lives of a generation of working mothers. The availability of legal, reasonably priced childcare allowed women to manage their familial obligations while competing in the global work force. The advent of the dual-income family, in turn, provided a formidable boost to our consumption-driven economy for the next four decades. Unfortunately, and curiously, since 1992 when three competent women were disqualified for public office for hiring illegal immigrant household help in the so called "nannygate" scandal, college-educated women seeking professional identities have needed to postpone child bearing into their 30's

largely for lack of supportive **and affordable home-care**, thus dangerously reducing the birthrate in the U.S. to 1.9% below our replacement needs. (America's Baby Bust," Wall Street Journal, February 12, 2013).

Today, human capital flows are seriously obstructed by political gridlock in Washington. At the same time, the Baby Boomer generation is greying, retiring, and increasingly relying on the social welfare programs to which it contributed -- but not enough given the longer life expectancy of its members. In a blink of an eye, it seems, the Boomers have gone from the locomotive to the caboose.

The key to solving this demographic challenge is a sustained and selective *immigration policy*. Analysis based on data collected by the PEW Research Center (<http://www.pewsocialtrends.org/> and the Department of Labor-Bureau of Labor Statistics), the United States needs roughly 50 million new immigrants over the next 20 years in order to meet our demographic and balance-sheet demands. That's about 2.5 million immigrants per year, compared to the roughly 2 million (one million legally and one million, give or take, illegally) who have arrived in the United States every year for the last two decades (illegal immigrants have shown a cumulative *negative* one million flow since 2008). It's not much of an increase -- 500,000 people per year -- but it's enough to make a positive difference in our fiscal deficits, consumption, savings, and investment needs, and to take care of the household and other employment demands of an aging population.

To meet these needs, the United States should adopt four policies that balance supply and demand for human capital -- bringing the U.S. immigration system more in line with "just-in-time" principles. First, the government should make it easier for foreign students who graduate from U.S. colleges and graduate schools to obtain work visas, as Mayor Bloomberg and others have suggested. The United States trained them, so it should have the option of keeping them.

Second, the government should stop taxing at the water's edge. Switzerland, the United Kingdom, Canada, the United Arab Emirates, Singapore, and many other countries have opened their economies to wealthy foreigners who as resident aliens have brought their savings, investment, and consumption strength. These countries attract wealthy foreigners by taxing only

what residents spend or produce within their borders, or some other fixed amount, not their global income and savings, as the United States does. Many Americans see such policies as politically incorrect -- and they may be -- but they're also smart and have worked well for the countries that have adopted them.

Third, the United States should retain and tax illegal immigrants. Today, there are roughly 10 million illegal immigrants in the country, the vast majority of whom are working productively. They should be given visas and brought into the tax-paying apparatus immediately. It is fiscally prudent and humane to do so.

Finally, the United States should increase the availability of infant and elder-care visas. The responsibility for carrying for America's youth and elderly populations falls disproportionately on women. Unless America opens immigration to child and nursing care practitioners, we will see many of the gains achieved by women and dual income families eroded by the very real, unfairly-distributed, and now rapidly increasing family demands on working women's time.

We have already begun to see a leveling off and marginal decrease in the higher value-added strata of middle class professional women, forced to leave the labor force for lack of home management support. That could be the most destructive trend of all. We have allowed immigrants to fill in seasonal employment demands for farming; we should do the same for child and elder care needs. Three-year renewable work permits would solve this problem.

Nobel prize winner and Economist, Gary Becker (A Market Solution to Immigration Reform, WSJ 'arch 2, 20013), has suggested a market-based solution, which would charge, say, a \$50,000 tax to approve a legal work immigrant visa, this tax could turn into a loan for existing lower income illegal immigrants, thus avoiding the perceived unfair windfall created by blanket amnesty. This market-based solution could also work well in leveling off the playing field and increasing tax revenue. Added to just-in-time dynamic visa and temporary worker programs, this tax would bring a win-win solution to our labor imbalance and fiscal problems.

“Just-in-time” can do for immigration what it has done for inventory management: increase productivity and reduce human adversity. **Those countries who tackle the labor mobility challenge with dynamic, insightful policies will get first mover advantage, a clear head-start in furthering global competitiveness for those who act promptly to address their own demographic and labor balance challenges.**

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