

United States Immigration Policy
Consideration: Impact of the H-1B Visa
Program on the United States Job Market
(word count 1178)

Introduction

The United States' reputation as the world's largest economy stems from its workers¹. The US workforce trumps economies worldwide, or so it seems. American native-born labor has diverted from skilled labor towards of blue-collar labor resulting in an economy with at least 3.5 million vacant jobs². The government addressed this problem with the H-1B visa program, a provision of the Immigration Act of 1990³, that offers employment to foreign workers with high levels of skill and education in demanded American fields⁴. H-1B visas are limited to 65,000 workers a year⁵, an insignificant number compared to the number of open jobs in the US⁶. The limit stems from concerns over the nature of threat that foreign workers pose towards native-born workers livelihoods. H-1B visa immigration brings economic empowerment to the United States, but is H-1B visa immigration a net positive? In order to combat the economic inequality H-1B immigration creates, the US government should decrease the quota of H-1B visas allowed and increase the number of available green cards for H-1B workers. The government should require

¹ "GDP by Country." *Worldometer*, www.worldometers.info/gdp/gdp-by-country/. Accessed 13 Oct. 2023.

² Ferguson, Stephanie. "Understanding America's Labor Shortage." *U.S. Chamber of Commerce*, U.S. Chamber of Commerce, 29 Sept. 2023, www.uschamber.com/workforce/understanding-americas-labor-shortage.

³ The Immigration Act of 1990, formally known as the Pub. L. 101-649 Immigration Act of 1990, is a piece of legislation intended to restructure the United States immigration system. Key pieces of the Act include changing the types of visas to adapt to the economy and family structures, adjusting visa caps, and changing laws for asylees and refugees.

Admin. "The Immigration Act of 1990." *Immigration*, 22 Sept. 2023, immigration.laws.com/immigration-act-of-1990.

⁴ "H-1B Specialty Occupations, DOD Cooperative Research and Development Project Workers, and Fashion Models." *USCIS*, 15 Sept. 2023, www.uscis.gov/working-in-the-united-states/h-1b-specialty-occupations.

⁵ An exception to this cap are workers with a master's degree or higher from a US university, which puts them in another set of H-1B applicants which is capped at 20,000 visas.

⁶ "H-1B Specialty Occupations, DOD Cooperative Research and Development Project Workers, and Fashion Models." *USCIS*, 15 Sept. 2023, www.uscis.gov/working-in-the-united-states/h-1b-specialty-occupations.

firms to pay their H-1B workers at least 10% greater than the prevailing wage⁷ and provide a tax credit incentive to firms that match native salaries with raises that level out native salaries with prevailing wages.

Foreign Workers' Perspective

H-1B visa holders affect job opportunities for citizens by economically empowering natives with new business and job opportunities. A joint effort between researchers at the Wellesley College⁸, Harvard University⁹, and Claremont McKenna College¹⁰ studied matched employer-employee data to explain skilled employment trends. The study reveals the “hiring of young skilled immigrants” leads to “greater employment of [domestic] skilled workers by the firm” and “a greater share of the firm’s [domestic] workforce being skilled”¹¹. This suggests the idea that immigrant workers have positive influences on their domestic counterparts, increasing their productivity which leads to more workplace advancement and qualification for highly competitive jobs. This idea is further developed by researchers from the Wellesley College¹² and

⁷Prevailing wage is the average wage paid to similarly employed workers in the requested occupation in the area of intended employment of an H-1B visa applicant.

“Prevailing Wage.” *Usavisanow.Com - Immigration Law Office of Eran Regev, Esq.*, 18 Dec. 2018, www.usavisanow.com/h-1b-visa/h1b-visa-resources/prevailing-wage.

⁸ Dr. Sari Pekkala Kerr is a researcher at the Wellesley Center for Women and economist with a focus on labor markets and education.

“Sari Kerr.” *Wellesley College*, www.wellesley.edu/economics/faculty/kerrs. Accessed 23 Oct. 2023.

⁹ Dr. William R. Kerr is a professor of business administration at Harvard Business School as well as the senior associate dean for research and faculty development.

“William R. Kerr.” *William R. Kerr - Faculty & Research - Harvard Business School*, www.hbs.edu/faculty/Pages/profile.aspx?facId=337265. Accessed 23 Oct. 2023.

¹⁰ Dr. William F. Lincoln is an associate professor of economics at the Robert day school of economics and finance at the Claremont McKenna College.

“William Lincoln, Ph.D.” *Claremont McKenna College*, www.cmc.edu/academic/faculty/profile/william-lincoln. Accessed 23 Oct. 2023.

¹¹ Kerr, Sari Pekkala, et al. “Skilled Immigration and the Employment Structures of US Firms.” *Journal of Labor Economics*, vol. 33, no. S1, 2015, pp. S147–86. JSTOR, <https://doi.org/10.1086/678986>. Accessed 12 Sept. 2023.

¹² Dr. Kristin F. Butcher is a researcher on labor economics with a focus on immigration issues at Wellesley College.

University of Michigan¹³, who reviewed wage distributions of immigrants and their native-born counterparts over a 30-year period to combat the idea of the immigrant wage gap¹⁴. Their results show that skill prices of immigrant labor and productivity of native workers increase over time¹⁵. While immigrant workers seem like a threat to the wages of native-born workers, their innovative capacity often creates new opportunities for wages altogether. To prove this, researchers from Harvard University¹⁶ and the Claremont McKenna College¹⁷ analyzed H-1B visa employment rates in science and engineering fields and patent rates of immigrants to conclude that H-1B immigration rates directly increase patents that expand the scope of a firm¹⁸. Expansion of the scope of a firm directly equates to new job opportunities that are mostly occupied by native-born citizens¹⁹. These trends of economic empowerment for foreign and native workers alike indicates a clear motive for foreign workers to push for immigration policy

“Kristin Butcher.” *Wellesley College*, www.wellesley.edu/economics/faculty/butcherk. Accessed 23 Oct. 2023.

¹³ Dr. John DiNardo, now deceased, was a professor of economics and public policy at the Gerald R. Ford School of Public Policy at the University of Michigan Ann Arbor.

“Remembering Professor John E. Dinardo.” *Gerald R. Ford School of Public Policy*, www.fordschool.umich.edu/news/2017/remembering-professor-john-e-dinardo. Accessed 23 Oct. 2023.

¹⁴ The immigrant wage gap referred to in this paper reflects an assumption in the work ethics of immigrants and native workers to suggest that paying an immigrant worker the same wage as a native is a wage gap because their productivity is significantly higher. This concept is irrelevant to my paper but is the central focus of the paper it is from.

¹⁵ Butcher, Kristin F., and John Dinardo. “The Immigrant and Native-Born Wage Distributions: Evidence from United States Censuses.” *Industrial and Labor Relations Review*, vol. 56, no. 1, 2002, pp. 97–121. JSTOR, <https://doi.org/10.2307/3270651>. Accessed 10 Sept. 2023.

¹⁶ Dr. William R. Kerr is a professor of business administration at Harvard Business School as well as the senior associate dean for research and faculty development.

“William R. Kerr.” *William R. Kerr - Faculty & Research - Harvard Business School*, www.hbs.edu/faculty/Pages/profile.aspx?facId=337265. Accessed 23 Oct. 2023.

¹⁷ Dr. William F. Lincoln is an associate professor of economics at the Robert day school of economics and finance at the Claremont McKenna College.

“William Lincoln, Ph.D.” *Claremont McKenna College*, www.cmc.edu/academic/faculty/profile/william-lincoln. Accessed 23 Oct. 2023.

¹⁸ Kerr, William R., and William F. Lincoln. “The Supply Side of Innovation: H-1B Visa Reforms and U.S. Ethnic Invention.” *Journal of Labor Economics*, vol. 28, no. 3, 2010, pp. 473–508. JSTOR, <https://doi.org/10.1086/651934>. Accessed 12 Sept. 2023.

¹⁹ Kerr, William R., and William F. Lincoln. “The Supply Side of Innovation: H-1B Visa Reforms and U.S. Ethnic Invention.” *Journal of Labor Economics*, vol. 28, no. 3, 2010, pp. 473–508. JSTOR, <https://doi.org/10.1086/651934>. Accessed 12 Sept. 2023.

henceforth to increase H-1B visa caps because: foreign workers fulfill underserved skilled jobs, foreign competition drives domestic improvement in productivity, and foreign competition increases native wages and opportunities.

Domestic Workers' Perspective

H-1B visa holders hurt the economic prospects of citizens by serving as extremely efficient sources of labor and displacing advancement opportunities away from citizens. California State University Northridge²⁰ conducted a study which observed the rates of immigrant patents and entrepreneurship post naturalization to conclude that foreign workers start companies in higher frequencies than their native-born counterparts, and their companies demand more foreign labor than their domestic competitors²¹. The study addresses how foreign workers make the job market competitive, which in turn hurts natives seeking employment. Similarly, the American Immigration Council²² studied wage distributions, hiring rates, and skill requirements between native and foreign jobseekers to conclude that firms that hire through the H-1B visa program more heavily than others tend to have higher skill expectations and requirements for advancement and hiring in the firm²³. The study reveals how native workers that are actively employed face more difficulty advancing and retaining their jobs from foreign competition. The idea that foreign workers hurt native prospects of promotions is furthered by a

²⁰ Dr. Robert Krol is a professor of economics at California State University Northridge with a focus on immigration and the impact of economic policy uncertainty on the economy.

“Robert Krol.” Mercatus Center, www.mercatus.org/scholars/robert-krol. Accessed 23 Oct. 2023.

²¹ Krol, Robert. “The effects of immigration on entrepreneurship and innovation.” *SSRN Electronic Journal*, 2021, <https://doi.org/10.2139/ssrn.3868270>.

²² The American Immigration Council is a nonprofit that works to change public perception of immigrants and sway immigration legislation.

“About the American Immigration Council.” *American Immigration Council*, 11 July 2023, www.americanimmigrationcouncil.org/about/our-mission.

²³ “The H-1B Visa Program and Its Impact on the U.S. Economy.” American Immigration Council, 18 Aug. 2023, www.americanimmigrationcouncil.org/research/h1b-visa-program-fact-sheet.

study from the University of South Florida²⁴ in a joint effort with the University of Maryland²⁵. The researchers observed the wages of native workers and compared them with H1-B visa holders in similar circumstances, taking note of how often the immigrants received raises and the quality of their bonuses. The researchers identified that on average H-1B visa holders were paid 8.9% more than their native peers²⁶. Data suggests that immigrants make it harder for natives to get hired, stay hired, get promoted, and earn more, meaning that a domestic worker would call for immigration policy that decreases the number of available H-1B visas in an effort to defend their economic livelihood.

Domestic Companies' Perspective

H-1B visa holders create economic opportunities which firms harness to economically empower themselves, foreign workers, and native workers at all skill levels. Researchers at the University of California Davis²⁷, City University of New York²⁸, and Colgate University²⁹

²⁴ Dr. Sunil Mithas is a professor at the Muma College of Business at the University of South Florida. Florida, University of South. "Faculty/Staff." Sunil Mithas | USF Muma College of Business, www.usf.edu/business/about/bios/mithas-sunil.aspx. Accessed 23 Oct. 2023.

²⁵ Dr. Henry Lucas is a professor of Information Systems at the Robert H. Smith School of Business at the University of Maryland.

"Henry Lucas Directory Page." Henry Lucas | Maryland Smith, www.rhsmith.umd.edu/directory/henry-lucas. Accessed 23 Oct. 2023.

²⁶ Mithas, Sunil, and Henry C. Lucas. "Are Foreign IT Workers Cheaper? U.S. Visa Policies and Compensation of Information Technology Professionals." *Management Science*, vol. 56, no. 5, 2010, pp. 745–65. *JSTOR*, <http://www.jstor.org/stable/40660792>. Accessed 14 Sept. 2023.

²⁷ Dr. Giovanni Peri is a researcher at the University of California Davis with a focus on labor economics and the economics of internal migration.

Peri, Giovanni. "Giovanni Peri." *Economics*, 8 Dec. 2022, economics.ucdavis.edu/people/giovanni-peri.

²⁸ Dr. Kevin Shih is a researcher in the Department of Economics at Queens College, City University of New York with a focus on labor and immigration.

Kevin Shih, www.kevinshih.weebly.com. Accessed 23 Oct. 2023.

²⁹ Dr. Chad Sparber is a researcher at Colgate University with a focus on the connection between immigration and skills.

"Chad Sparber." Chad Sparber | Colgate University, www.colgate.edu/about/directory/csparber. Accessed 23 Oct. 2023.

studied the trends in employment H-1B employment and STEM³⁰ innovation and observed its effect on native education, hiring rates, and wages, both skilled and unskilled. The study correlated increased H-1B visa holder innovation with increased native education rates and wages, both high and low skill³¹. The positive correlation between increased H-1B immigration and native wages is further developed in a study by researchers from the Cato Institute³². The study observes the wage data of different skill levels of workers alongside H-1B immigration rates at the time to associate increased H-1B immigration with increased wages for natives at all skill levels, and to identify a hesitance to put money into new employees as a cause for any pay disparity H-1B workers may initially face³³. This study proves that firms effectively utilize the H-1B visa program to benefit their workers, and the increased revenue generated by the additional workers means that firms would likely make an effort to support any immigration legislation that increases H-1B visa caps.

Solution

Although the problem of H-1B visa caps is very nuanced, it is recommended that future immigration policy maintains a focus on decreasing the available number of H-1B visas and increasing the number of greencards³⁴. Legislation should further develop prevailing wage

³⁰ Science Technology Engineering Mathematics

³¹ Peri, Giovanni, et al. "STEM Workers, H-1B Visas, and Productivity in US Cities." *Journal of Labor Economics*, vol. 33, no. S1, 2015, pp. S225–55. *JSTOR*, <https://doi.org/10.1086/679061>. Accessed 14 Sept. 2023.

³² Andrew C. Forrester is an adjunct scholar at the Cato Institute.

Cato.Org, www.cato.org/people/andrew-forrester. Accessed 23 Oct. 2023.

Alex Norowasteh is the vice president for economic and social policy studies at the Cato Institute. *Cato.Org*, www.cato.org/people/alex-norowasteh. Accessed 23 Oct. 2023.

³³ Forrester, Andrew, and Alex Nowrasteh. *Immigrant Wages Converge with Those of Native-Born Americans*. Cato Institute, 2018. *JSTOR*, <http://www.jstor.org/stable/resrep26204>. Accessed 10 Sept. 2023.

³⁴ A Green Card, officially known as a Permanent Resident Card, allows the holder to live and work permanently in the United States.

"Green Card." *USCIS*, 11 July 2022, www.uscis.gov/green-card.

requirements on firms, requiring firms to pay H-1B visa workers a 10% premium on the prevailing wage. This will reduce the rates of H-1B immigration in areas with less need, and allow the current H-1B visa holders to quickly naturalize, at which point they will become domestic workers. Immigration rates in high-demand areas will remain the same while lower-demand areas will utilize native labor. The increasing opportunity will encourage natives to gain education and occupy those fields. This policy gains the support of: foreign workers by providing them easy access to citizenship, domestic workers by providing them with more skills and opportunity, and firms by filling their workforce To reflect, the H-1B visa program's effect on the job market is one of its major impacts, and shows just how effective the program is at empowering the US economy.

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