

WebMemo



Published by The Heritage Foundation

No. 2384
April 7, 2009

Help the Economy and Federal Deficit by Raising H-1B Caps

Jena Baker McNeill and Diem Nguyen

On April 1 of each year, the U.S. Citizenship and Immigration Services (USCIS) starts accepting applications for the H-1B visa. For the past several years, the number of H-1B visa applications has easily surpassed the annual cap of 65,000, sometimes in a matter of days. Even with the economic downturn, the USCIS is still expected to receive enough applications to fill the 65,000 cap.

Congress must raise the H-1B cap back to 195,000 visas per year—the maximum allowed as recently as 2001. Raising the cap for H-1B visas will not steal American jobs but will help promote economic growth and generate much needed tax revenue.

More H-1B Visas Helps the Economy. H-1B visas are non-immigrant visas designated for highly skilled foreign workers with a college degree or higher. This visa is by far the most-used visa; the USCIS often receives hundred of thousands of applications within the first couple of days. H-1B visas can be used by a wide range of professions, from fashion models to nurses, but they are mostly used by high-tech workers such as engineers or computer programmers.

There is a popular myth that H-1B workers displace Americans because foreigners will work for less than Americans even if they have greater qualifications. This notion is so widespread that Congress recently passed an amendment barring companies receiving TARP money from hiring H-1B employees.

But this notion is entirely false. H-1B visas are provided to foreign workers only if employers prove that they are paying prevailing wages (equivalent to American wages for that occupation). In addition, employers must show that no American workers with the appropriate qualifications were available.

This is self evident when one sees the effects of the H-1B visa shortage on companies. When companies cannot get H-1B visas for potential employees, they do not turn around and hire American workers; rather, they leave those jobs unfilled or expand outside the United States.

This was the case for Microsoft, which in 2008 decided to open a branch in Vancouver, Canada, to staff the 150 engineers who were not fortunate enough to get H-1B visas.¹ A survey by the National Foundation for American Policy found that 65 percent of high-tech companies employed people outside the United States due to their inability to obtain H-1B visas.²

In reality, H-1B visas spur economic growth. The National Foundation for American Policy showed that, on average, for every H-1B employee hired, an additional five American employees were also hired. If Microsoft had opened its branch in the United

This paper, in its entirety, can be found at:
www.heritage.org/Research/Immigration/wm2384.cfm

Produced by the Douglas and Sarah Allison
Center for Foreign Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting
the views of The Heritage Foundation or as an attempt to
aid or hinder the passage of any bill before Congress.

States rather than Vancouver, they would have hired American workers to staff and operate the new branch in addition to their H-1B hires.

H-1B workers are some of the best and brightest in the world. Ensuring that they work in the United States for American businesses will only help the economy.

H-1Bs Create Tax Revenue. President Obama has promised to cut the deficit in half in five years. Expanding the H-1B visa would be a relatively small but beneficial step in that direction. If Congress were to increase the H-1B cap to 195,000 visas, the U.S. government would receive an additional \$2 billion of tax revenue each year. That number would significantly increase as H-1B workers finish their three-year terms and new foreign workers enter the program.³

The Time to Act. Congress has failed to raise H-1B caps for several years despite the wide range of support to do so. Raising H-1B caps will provide

businesses the professionals and skills they need to develop their business when ready. Congress must:

- Raise the cap back to 195,000 visas per year.
- Make the cap flexible. As the U.S. economy fluctuates through its business cycles, the demand for H-1B visas will rise and fall. Congress should establish a quota that, if met, automatically increases for the next year. In addition, unused visas should be recaptured for the next fiscal year.

Allowing the appropriate levels of high skilled workers into the United States helps the American worker, the economy, and America's federal budget. There is no good reason not to act.

—Jena Baker McNeill is Policy Analyst for Homeland Security, and Diem Nguyen is a Research Assistant, in the Douglas and Sarah Allison Center for Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation.

1. Peter Whoriskey, "Skilled-Worker Visa Demand Expected to Far Exceed Supply," *The Washington Post*, April 1, 2008, at <http://www.washingtonpost.com/wp-dyn/content/article/2008/03/31/AR2008033102581.html> (April 6, 2009).
2. National Foundation for American Policy, "H-1B Visas and Job Creation," March 2008, p. 8, at <http://www.nfap.com/pdf/080311h1b.pdf> (April 6, 2009).
3. James Sherk and Guinevere Nell, "More H-1B Visas, More American Jobs, A Better Economy," Heritage Foundation Center for Data Analysis Report No. CDA08-01, April 30, 2008, at <http://www.heritage.org/Research/Labor/cda08-01.cfm>.