

# ECONOMIC IMPACT OF VISAS: SPOTLIGHT ON SMALL BUSINESS

A REPORT PREPARED BY THE DEMOCRATS OF THE HOUSE COMMITTEE ON SMALL BUSINESS

Nydia M. Velázquez, Ranking Member

June 2018

## INTRODUCTION

The United States is currently home to over 43 million immigrants.<sup>1</sup> Regardless of their status, immigrants significantly add to the prosperity and the economic growth of the country. In 2014, immigrants paid over \$328 billion in tax contributions and earned \$1.3 trillion in total household income.<sup>2</sup> Those contributions are increased when considering the nearly \$12 billion in state and local taxes paid by undocumented workers.<sup>3</sup> Not only are immigrants individually adding to the economy, the nation relies heavily on the over 3 million immigrant-owned small businesses as these companies pay an estimated \$126 billion in wages to six million people and generate over \$65 billion in income.<sup>4</sup>

Immigrants make significant economic contributions to the nation as consumers, workers and entrepreneurs. The inability of the current administration and Congressional leadership to recognize these important contributions denies the American dream to many hard-working immigrants and their families. Sadly, the repercussions of this demonstrated intolerance will reverberate throughout the entire economy, having a detrimental effect on small businesses and consumers.

---

<sup>1</sup> Steven A. Camarota and Karen Zeigler, U.S. Immigrant Population Hit Record 43.7 Million in 2016, Center for Immigration Studies, Oct. 16, 2017.

<sup>2</sup> New American Economy, Taxing & Spending Power, last visited 2018.

<sup>3</sup> Lisa Christensen Gee, Matthew Gardner, Misha E. Hill, and Meg Wiehe, Undocumented Immigrants' State and Local Tax Contributions, Institute on Taxation and Economic Policy, updated Mar. 2017.

<sup>4</sup> New American Economy, Reason for Reform: Entrepreneurship, Oct. 2016.

## THE H VISA PROGRAMS

While their contributions to the economy come in many forms, from low-skilled employment to highly skilled work, immigrants represent a growing population with a significant impact coming from temporary workers. Foreign nationals who are admitted temporarily for a defined period and for a specific purpose must generally obtain a visa. There are more than 80 different types of temporary visas, which will be briefly described. However, the focus of the report will be the H visa program as it has the most significant impact on the small business community.

Visa category	General description
H-1B: Person in Specialty Occupation	To work in a specialty occupation. Requires a higher education degree or its equivalent. Includes fashion models of distinguished merit and ability and government-to-government research and development, or co-production projects administered by the Department of Defense.
H-1B1: Free Trade Agreement (FTA) Professional	To work in a specialty occupation. Requires a post-secondary degree involving at least four years of study in the field of specialization.
H-2A: Temporary Agricultural Worker	For temporary or seasonal agricultural work. Limited to citizens or nationals of designated countries, with limited exceptions, if determined to be in the United States interest.
H-2B: Temporary Non-agricultural Worker	For temporary or seasonal non-agricultural work. Limited to citizens or nationals of designated countries, with limited exceptions, if determined to be in the United States interest.
H-3: Trainee or Special Education visitor	To receive training, other than graduate medical or academic, that is not available in the trainee's home country or practical training programs in the education of children with mental, physical, or emotional disabilities.

Source: U.S. Department of State – Bureau of Consular Affairs

The Immigration and Nationality Act (INA) of 1952 enumerates categories of aliens who are admitted to the United States for a temporary period of time and a specific purpose. Temporary visa categories are identified by letters and numbers, based on the sections of the INA that established them. Among the major visa categories is the “H” category for temporary workers. There are a few types of H visas but the most prevalent are the H-1 and H-2 categories. The H-1 visa is reserved for skilled immigrants in specialty occupations or areas that are experiencing a labor shortage.

The H-1A visa was created in 1989 to fill a nursing shortage in the United States and was followed by the H-1C visa but that also expired in 2009. The H-1B visa allows companies to temporarily hire foreign workers who have a post-secondary degree or more and specialized knowledge, such as information technology, engineering, and medicine. The H-2 visas are available for less-skilled workers in seasonal occupations. The H-2 category includes H-2A and H-2B visas, wherein the

H-2A visas are for agricultural workers and the H-2B visas are for non-agricultural workers. These programs are administered by the Employment and Training Administration (ETA) of the Department of Labor (DOL) and U.S. Citizenship and Immigration Services (USCIS) of the Department of Homeland Security (DHS). In 2017, it was estimated that over 161,000 people had H-2A visas, and over 83,000 people had H-2B visas.<sup>5</sup>

### THE H-1B VISA PROGRAM

The H-1B program was created in 1990 by the Immigration Reform and Control Act and gives employers the ability to hire specialized foreign workers on a temporary basis. Visas are awarded by lottery each year if the applications submitted exceed the statutory cap within the first five business days of April. The cap has been reached each year within the first five days since fiscal year 2014.<sup>6</sup> The current cap is 65,000 for new hires and 20,000 additional visas for foreign professionals with a post-graduate degree from an American university. Once a visa has been awarded, the duration is generally three years with the option to extend for an additional three years.

Workers from India account for the largest portion of H-1B visas at 50.5 percent with China being the second closest at only 9.7 percent.<sup>7</sup> And, it comes as no surprise that the top four states where employers received awards were the centers of technology and finance such as California, New Jersey, New York, and Texas.<sup>8</sup> Nearly two-thirds of all H-1B visa requests were in the science, technology, engineering, and math (STEM) fields<sup>9</sup> with an average earning potential of almost \$81,000.<sup>10</sup>

### THE H-2 VISA PROGRAMS

The H-2A and H-2B visas were created in 1986, as part of the Immigration Reform and Control Act, which split the H-2 guest worker program into an H-2A visa for agricultural guest workers, and an H-2B visa for non-agricultural guest workers. The H-2B program provides for the temporary admission of foreign workers to the United States to perform temporary non-agricultural service or labor, but only if unemployed U.S. workers cannot be found. While the H-2A visa is specifically for agricultural workers.

An H-2A visa allows a foreign worker up to the time authorized on the temporary labor certification and this may be extended for qualifying employment increments of up to a year each. The maximum stay for an H-2A worker is three years and then they must leave the country but they may return if they remain outside the United States for a period of 3 months before they can be readmitted as an H-2A worker. An H-2B visa allows a foreign worker into the U.S. for up to 10 months at a time, although the worker can move to other H-2B certified jobs and remain in the

---

<sup>5</sup> U.S. Department of State, Nonimmigrant Visa Statistics, FY2017 NIV Detail Table.

<sup>6</sup> American Immigration Council, *The H-1B Visa Program: A Primer on the Program and Its Impact on Jobs, Wages, and the Economy*, Apr. 6, 2018 [hereinafter H-1B Primer].

<sup>7</sup> Neil G. Ruiz, *Key Facts About the U.S. H-1B Visa Program*, PEW Research, Apr. 27, 2017.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> Neil G. Ruiz and Jens Manuel Krogstad, *East Coast and Texas Metros Had the Most H-1B Visas for Skilled Workers from 2010-2016*, Mar. 29, 2018.

U.S. for up to three years. However, unlike H-1B workers, they cannot apply for permanent residence while living and working in the U.S.

In order for work to qualify as temporary under the H-2B visa, the employer's need for the duties to be performed by the worker must be a one-time occurrence, a seasonal need, a peak load need, or an intermittent need. The U.S. Citizenship and Immigration Services defines temporary as generally limited to one year or less. However, a worker with an H-2B visa can be extended for an uninterrupted stay for up to three consecutive years, either with the same or different employer.

Foreign workers must come from an approved list of countries. DHS, in concurrence with the State Department, determines which countries are eligible to participate in the H-2A and H-2B programs. Mexicans account for the majority of workers admitted under H-2A and H-2B categories, followed by Jamaicans, Guatemalans, and South Africans.<sup>11</sup> Most of these workers are relatively low-skilled and work in seasonal jobs, often in geographic areas where the number of available U.S. workers is limited.

---

<sup>11</sup> USDA, *supra* note 5.

## ECONOMIC CONTRIBUTIONS FROM H VISA WORKERS

Despite their temporary work status, visa holders are adding value to the U.S. economy as workers, taxpayers, consumers, and in some cases, entrepreneurs. Contrary to many critics, the H visa programs do not depress wages or take jobs from domestic workers. In fact, it is just the opposite as American small businesses are facing a workforce shortage in a wide variety of industries, especially those where temporary workers are filling the gap. Small employers are finding it difficult to fill jobs, particularly seasonal and temporary positions and jobs that require highly technical skills or training.

Furthermore, it has been estimated that the current temporary foreign workforce is but a fraction of the total U.S. labor force.<sup>12</sup> An analysis of data shows that H visas comprise just over 630,000 of the estimated 1.42 million temporary foreign workers in 2013.<sup>13</sup> The hiring of H visa workers results in more innovation and hiring. Research indicates that H visas, specifically the H-1Bs, have the potential to create 1.83 jobs among native-born workers,<sup>14</sup> which could account for an estimated 1.3 million jobs and add over \$150 billion in GDP by 2045.<sup>15</sup> And with baby boomers, who account for roughly 25 percent of the population,<sup>16</sup> reaching retirement age, temporary workers are necessary to transition the economy to the next generation of workers.

The H-1B visa program allows foreign workers with skills and training to fill the gaps unmet by native-born employees. STEM and technology firms are avid users of the H-1B visa program and generally have lower unemployment rates due to the assistance of the H-1B visa program.<sup>17</sup> In fact, these fields account for the majority of visas within the H-1B visa program. However, it is the medical field that has embraced skilled immigrants. Without their assistance to fill the labor gap in rural areas all over the country, the shortage of doctors and nurses would be compounded. Due to a shortage of doctors, specifically in primary care and rural specialists, the native-born health workforce cannot keep up with demand. For that reason, foreign-born doctors and health professionals are required. In 2016, 10,500 physician jobs were filled by foreign doctors with H-1B visas, which barely puts a dent in the projected shortfall of approximately 95,000 doctors by 2025.<sup>18</sup> It is these workers that will sustain the country as policymakers find a path to encourage more young people to take on the costs and training to meet America's health care needs. It is also visa holders who will take care of the growing number of aging Americans.

Visa workers are a critical part of the economy because they are 13.7 percent more willing to move for a job than native-born counterparts.<sup>19</sup> They are also more willing to do the jobs Americans do not want, such as in construction, agriculture, forestry, and fishery, and crop production. In fact,

---

<sup>12</sup> Daniel Costa and Jennifer Rosenbaum, *Temporary Foreign Workers by the Numbers: New Estimates by Visa Classification*, Economic Policy Institute, Mar. 7, 2017.

<sup>13</sup> *Id.*

<sup>14</sup> Madeline Zavodny, *Immigration and American Jobs*, American Enterprise Institute for Public Policy Research and the Partnership for a New American Economy, 2011.

<sup>15</sup> H-1B Primer, *supra* note 6.

<sup>16</sup> Richard Fry, *Millennials Projected to Overtake Baby Boomers as America's Largest Generation*, PEW Research Center, Mar. 2018.

<sup>17</sup> H-1B Primer, *supra* note 6.

<sup>18</sup> Michael Ollove, *Changes to Visa Program Put Foreign-Born Doctors in Limbo*, PEW, May 23, 2017.

<sup>19</sup> *New American Economy*, New Research Shows Immigrants Are More Likely to Move for a Job in Four Key Industries, Jul. 13, 2017.

68 percent of U.S. workers submitted by state employment agencies to crop growers in 2010 rejected the position.<sup>20</sup> Participating in such work sustains the \$1.4 trillion in GDP provided by these industries.<sup>21</sup> In fact, immigrants are twice as likely to move to assist in crop production (picking fruits and vegetables often by hand) than Americans,<sup>22</sup> making the H2 visa program one of the most vital to providing food security.

The H-2 visa programs are connecting workers to businesses who are doing seasonal work, reducing company's training and turnover costs, and H-2B employers surveyed have said that these temporary workers are reliable and hard-working.<sup>23</sup> Even as the unemployment rate hits a record low of 3.8 percent, companies are finding it hard to fill job vacancies, which has resulted in many businesses relying on visa workers. This reliance is illustrated by the agricultural industry where estimates of the H-2A visa program show there has been a twelve-fold increase with only 11,000 visas issued in 1996 to over 134,000 in 2016.<sup>24</sup> California's \$47 billion agricultural industry experienced a fivefold increase since 2011 with over 11,000 guest workers approved in 2016 alone.<sup>25</sup> Without these workers, many farmers recognize they could have crops rotting in the fields, resulting in higher food prices for consumers and lost profits for the farming operations.

It is not just the agricultural industry that has increasingly relied on visa workers. The H-2B visa program was designed for use by highly seasonal and temporary industries, such as those in tourism, like hotels and resorts, and landscaping and construction. With a projected 3.6 million job vacancies by 2024, less-skilled temporary workers are filling occupations Americans overlook.<sup>26</sup> Nine out of ten occupations where foreign workers comprise a large share are labor-intensive or involve manual labor.<sup>27</sup> Almost half of all seasonal workers take jobs at small businesses all over the country. Even the President's own companies utilize the program with only one American worker and 143 H-2B guest workers.<sup>28</sup>

Finally, no matter the visa program they are utilizing, visa holders stimulate the economy as consumers in the local communities where they work. By buying food, paying rent, and using the services of local businesses, visa holders sustain new restaurants, retailers, and other small employers. Even the unemployment rates in areas where visa holders work have been found to be lower or at the national average because they fill jobs no American worker wants.

---

<sup>20</sup> National Council of Agricultural Employers, *Why Domestic Agriculture Needs New, Workable Farm Labor Alternatives Now*, 2011.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> U.S. Chamber of Commerce, *The Economic Impact of H-2B Workers*, 2010.

<sup>24</sup> Muzaffar Chishti and Jessica Bolter, *Despite Political Resistance, Use of Temporary Worker Visas Rises as U.S. Labor Market Tightens*, Migration Policy Institute, Jun. 20, 2017.

<sup>25</sup> Geoffrey Mohan, *To Keep Crops From Rotting in the Field, Farmers Say They Need Trump to Let in More Temporary Workers*, Los Angeles Times, May 25, 2017.

<sup>26</sup> *New American Economy, Labor-Intensive Industries*, last visited 2018.

<sup>27</sup> *Id.*

<sup>28</sup> Jeff Gammage, *Cap on Foreign Workers, Visa Delays Straining Small Businesses*, Press Herald, Apr. 24, 2018.

## **BENEFITS OF H VISAS FOR SMALL BUSINESSES**

In the United States, small businesses are responsible for hiring many immigrants as part of their workforce. While certain sectors of the economy are dominated by immigrant labor, immigrants are working in nearly every sector of the U.S. economy. The visa programs were created so that certain industries could have documented immigrant labor to make up for shortfalls in the current workforce. It was a response to concerns about the hindrance to entrepreneurial development that may be caused due to the lack of workers in the U.S.

Small business owners rely on the H visa programs because it is a way they can legally hire workers when they cannot find Americans to hire. Nevertheless, many positions remain unfilled, leaving these businesses desperately in need of workers. This is not surprising, since many Americans are unwilling to engage in low-skilled and semi-skilled labor, or to relocate for several months to remote locations to fill available seasonal and short-term positions. Finally, the skilled labor market remains an obstacle for small employers as they cannot identify or retain highly skilled workers while other business owners are unable to convince workers to move to where the work is located.

Employers' use of the H visa programs has grown significantly so that H visa workers are now essential to the operation of several U.S. industries. Thirty percent of companies sponsoring between three and five H-1B visas had fewer than 50 employees.<sup>29</sup> Additionally, many of those same entities rely on those workers to reshape the work culture and become influential in developing new ideas and services for the business. The H-2B program has also gained footing among small firms for the stability temporary workers provide. For instance, the landscaping industry is the largest employer of H-2B. The H-2B visa serves a very important role in seasonal industries such as hospitality and tourism. While the employer must expend some time, money, and energy in the pursuit of H-2B visas for potential employees, the visa does present a very viable option for employers who struggle to find adequate staff for the high season.

Without the H visa programs, numerous businesses would be forced to limit services, lay off permanent U.S. workers, or even close their doors. One-third of employers who sponsor guest workers through the H visa programs say they would close or reduce operations if they were no longer able to obtain temporary workers.<sup>30</sup> Furthermore, companies are able to hire more permanent U.S. workers by utilizing H visa workers to sustain and grow the business, which gives them the ability to take on more work opportunities and service additional customers. Hiring immigrants also enables those permanent native-born workers to get promoted and advance their careers. H visa programs reduce training and turnover costs for small employers because workers are limited to staying with the certified employer, thereby increasing retention rates. A stable and reliable workforce also provides certainty for employers in an ever-changing economy.

---

<sup>29</sup> Patty Johnson-Vazquez, *Why Immigrants Make a Big Impact for Small Businesses*, Envoy, May 4, 2016.

<sup>30</sup> Labor-Intensive Industries, *supra* note 26.



## CONCLUSION

There is broad-based support for the H visa programs and a consensus that they are worthy of strengthening and streamlining. Yet, on April 18, 2017, President Trump signed the Buy American and Hire American Executive Order, which has the goal of raising wages and employment rates for U.S. workers by enforcing immigration laws. It asks the Secretary of State, the Attorney General, the Secretary of Labor, and the Secretary of Homeland Security to suggest reforms to help ensure that H-1B visas are awarded to the most skilled or highest paid petition beneficiaries. However, it appears that the goal of this executive order is an attempt to limit the number of H1-B visas issued.

The same is believed for the H-2 program as illustrated by the joint statement released on May 24, 2018 by the Departments of Labor, Homeland Security, Agriculture, and State saying that their Departments are working together “to propose streamlining, simplifying, and improving the H-2A temporary agricultural visa program – reducing cumbersome bureaucracy and ensuring adequate protections for U.S. workers.”<sup>31</sup> They plan on doing so under the authority of the Buy American and Hire American Executive Order.

Because the President has made his intentions to restrict immigration abundantly clear, small businesses fear he will reduce visa approvals and, thereby limit their access to workers. While the programs admittedly need to be reformed and streamlined, the erratic actions of the administration pertaining broader immigration policies leads the nation’s small business community to believe they will continue to face uncertainty and future staffing obstacles at a time when they can least afford it. Thus far, the administration has succeeded in slowing down the visa process but fears of broader changes abound. Such expectations run afoul of the President’s claim that he is pro-business and economic growth.

Congress must act to pass immigration reform not only to protect families being separated at the border but to protect the interests of small employers all over the nation. Their interests remain inextricably linked to those of the many immigrants coming here to work and contribute to our economy.

---

<sup>31</sup> U.S. Department of Agriculture, H-2A Agricultural Worker Visa Modernization Joint Cabinet Statement, May 24, 2018.