Research

The Economic Impact of State-Sponsored Work Visas

JACQUELINE VARAS | JUNE 1, 2017

Executive Summary

- Senator Ron Johnson recently proposed the State Sponsored Visa Pilot Program, a plan which would give states authority over their own nonimmigrant worker programs.
- The program would increase the number of temporary work visas by 495,000, allow temporary foreign workers to move between employers, and generate economic growth.
- AAF finds that this would result in the creation of 900,000 to 1.2 million jobs for U.S. workers.

Introduction

Senator Ron Johnson recently introduced a bill that could provide an alternative way for temporary work visas to be distributed. In addition to increasing the number of visas available for temporary foreign workers, it would shift the oversight responsibility and decision making power from the federal government to the states. The following paper examines the implications of this proposal as well as its potential economic effects.

The State Sponsored Visa Pilot Program Act of 2017

Senator Johnson's bill, titled the State Sponsored Visa Pilot Program Act of 2017, would create a new immigration program for temporary foreign workers (called nonimmigrant workers). Currently, businesses with operations in the United States must petition the federal government to hire foreign workers. This process involves significant paperwork and fees, and can also pose a barrier to smaller companies with limited resources. Senator Johnson's pilot program would serve as a different model: participating states would

sponsor temporary foreign workers directly and have the authority to supervise and design their own nonimmigrant worker programs.

Each state would be allocated 5,000 visas per year for temporary foreign workers. These visas could also be given to foreign investors or entrepreneurs. An additional pool of 245,000 visas would be divided among the states each year proportional to their populations. This amounts to 495,000 new temporary worker visas. Since immigration stimulates economic activity, the number of visas would also increase annually in proportion to GDP growth in each state. Participation in the program would be voluntary; states may decide not to participate in the program or not to utilize all visas available to them. Any unused visas would then be added to the pool which is proportionally divided among participating states.

Like the H-1B program, foreign workers in the pilot program would be granted employment authorization for three years with an option to renew their visas. However, unlike the current system, they would not be confined to one employer. Because states would sponsor the visas instead of individual companies, foreign workers would be permitted to move between employers within the same state. This would likely reduce abuses which some argue are common in other foreign worker programs. For example, foreign workers who are allowed to seek new jobs would be less likely to remain at employers that are exploiting or underpaying them. Furthermore, labor mobility would introduce competition between employers. This would likely incentivize them to offer better wages and working conditions to attract foreign workers.

While the bill outlines some specifics of the pilot program, it leaves significant discretion to the states. States would be empowered to design their own programs based on what their economy demands: they could choose the number of visas to utilize, the types and skill levels of workers to sponsor, and the types of fees, if any, that employers would be required to pay. They could also set prevailing wage requirements similar to those in existing visa programs. Additionally, states would have the option to enter into voluntary agreements with one another. In this case, states would work together to carry out administration and oversight responsibilities, and foreign workers would be allowed to seek employment in any state party to the agreement.

The Value of Foreign Workers

Significant evidence suggests that foreign workers are an asset to the United States. Immigration generates economic growth by increasing consumption, encouraging labor specialization, and increasing productivity. Furthermore, demographic trends in the United States limit how much the labor force can grow without immigration. The population is

aging and population growth is on the decline. The U.S. birth rate has also been below its replacement level since 1971. Embracing foreign workers is essential to ensuring a robust and thriving labor force.

To quantify the potential economic impact of Senator Johnson's visa pilot program, it is helpful to examine current temporary worker programs in the United States. Three nonimmigrant programs are especially prominent and worth assessing: H-1B, H-2B, and H-2A. The H-1B program is most known for bringing foreign workers in Science, Technology, Engineering, and Math (STEM) to tech companies in Silicon Valley. Both the H-2B and H-2A programs are targeted toward lower-skilled workers. The H-2A program provides employers with a seasonal workforce in agriculture, while H-2B workers fill temporary or seasonal demand in areas such as landscaping, construction, and the restaurant industry.

Research suggests that the additional economic activity generated by these foreign workers helps to create jobs. For example, H-2B employers report that the program gives them access to a reliable workforce they would not otherwise have, enabling them to expand their business activity. This in turn gives them the resources to hire American workers for higher-level positions. Similarly, the H-1B program has resulted in measurable productivity gains and inspired innovation in the STEM economy.

Methodology

This analysis of the State Sponsored Visa Pilot Program utilizes a previous study from the American Enterprise Institute (AEI) and the Partnership for a New American Economy (NAE). The study analyzed state variations in both the foreign-born workforce and employment rates from 2000 to 2007 to quantify the labor market impacts of immigration. They specifically examined foreign-born workers with STEM degrees, as well as those in the H-1B, H-2B, and H-2A programs. Their findings largely agree with existing theory and research: immigration spurs economic growth, which spurs job creation.

The AEI/NAE study concluded that increasing the number of H-1B workers by 100 resulted in the creation of 183 jobs among U.S. natives. Similarly, adding 100 H-2B workers resulted in an additional 464 jobs for U.S. natives. Increasing the number of H-2A visas were found to have positive labor market implications, but not statistically significant.

While there is no way to project how many visas would be awarded to low-skilled vs. high-skilled foreign workers, current trends can provide some insight. This analysis relies on two main sources of data to determine what the pilot program might look like: visa issuances reported by the State Department and labor applications certified by the Department of

Labor (DOL). We specifically utilize visa issuance and labor application data from 2016.

Visa issuances include visas issued to foreign workers for the first time as well as those issued to workers who are renewing their visas. The number of visa issuances is highly dependent on visa caps determined by the federal government. For instance, new H-1B visas are capped at 85,000 per year and new H-2B visas are capped at 66,000.

Labor applications, in contrast, measure overall U.S. demand for foreign workers. Before a business can officially petition the government for a nonimmigrant worker, it must submit a labor condition application (for H-1B workers) or a temporary labor certification (for H-2B and H-2A workers) to DOL. These applications provide evidence that the employer first tried to recruit U.S. workers for the position and give details about the wages that will be paid.

To determine the number of visas that would be given to high- and low-skilled workers, we simply apply current ratios in the H-1B, H-2B, and H-2A program to the overall 495,000 visa increase proposed by Senator Johnson. This analysis does not take into account any investor visas that would be allocated by the states. However, it is reasonable to assume that nonimmigrants investing in the U.S. economy would also spur job creation.

Potential Economic Impact

The results are displayed in the following table. If the ratio of high-to-low skilled workers remains similar to current trends, the State Sponsored Visa Pilot Program could create between 900,000 and 1.2 million jobs for U.S. workers.

	Lower-Bound Projection Based on Labor Applications		Upper-Bound Projection Based on Visa Issuances	
	New Visas	Additional Jobs Created	New Visas	Additional Jobs Created
High-Skilled (H-1B)	400,789	733,445	223,350	408,730
Low-Skilled, Nonagricultural (H-2B)	39,417	182,897	166,675	773,374
Low-Skilled, Agricultural (H-2A)	54,793	N/A	104,975	N/A
Total	495,000	**916,342**	495,000	**1,182,104**

The lower-bound projection assumes that the current ratio of DOL labor applications for high- and low-skilled workers would persist. This is because there are significantly more labor applications for H-1B workers than for H-2B or H-2A workers, and high-skilled workers do not generate as many jobs for U.S. natives. This makes sense: high-skilled workers are in more direct competition with U.S. natives than low-skilled workers, who gravitate toward different jobs due to varying language skills, education levels, and levels of experience. Low-skilled workers instead complement U.S. workers, boosting demand, consumption, and overall economic activity

The projections using State Department data produce different results. Assuming the current ratio of visa issuances to high- and low-skilled workers, more visas would be allocated to workers similar to those currently in the H-2B program. Therefore, the pilot program would have a bigger labor market impact, creating 1.2 million jobs for U.S. workers.

Conclusion

Reforming temporary work visas in the United States would be beneficial. While Senator Johnson’s proposal would not replace the current system, it would provide an avenue for states to tailor their immigration policies to their own demand. It would also discourage employers from abusing the program and encourage better conditions for foreign workers. Immigration is a leading driver of economic growth; the State Sponsored Visa Pilot Program is no exception.