

What Impact Would H-1B Visa Reform Have on a Company's Ability to Create Jobs and Innovate?

By [Nick Huber](#), *Generalist*

To discuss policy changes, I think we first must be using a common set of facts. Here are some of my observations from reading some of the coverage of this issue.

Fact 1: Immigrants represent a big portion of the technical talent in US firms and universities.

- Immigrants represented 24% and 47% of the US math- and science-based workforce with bachelors and doctorate educations in the 2000 Census, respectively.
- Immigrants account for 60% of the math and science doctorates from US universities. (1)

Fact 2: Immigrants represent some of the best technical talent in the US.

- 60% of the top science students in the United States and 65% of the top math students are the children of immigrants. (1)
- Foreign-born high school students make up 50% of the 2004 U.S. Math Olympiad's top scorers, 38% of the U.S. Physics [Team](#), and 25% of the [Intel](#) Science Talent Search finalists, the United States' most prestigious awards for young scientists and mathematicians. (1)

These background facts make it easier to understand why this is an important issue for many technology companies, as their survival ultimately depends on their ability to build great products in a highly dynamic, competitive environment.

I believe there's pretty strong evidence of the following claims:

1. H-1B immigrants bring innovation to the US.

According to William Kerr and William Lincoln of Harvard [Business](#) School in their paper "The Supply Side of Innovation: H-1B Visa Reforms and US Ethnic Invention," H-1B admissions substantially increased rates of Indian and Chinese invention during the late 1990s and early 2000s. (They measure this by the differential in invention in cities with high rates of patents and those with low rates of patents based on common ethnic last names on patent applications.) (3)

Simply put, more high-caliber workers means more high-caliber technology/knowledge. I don't think this is all that controversial — I think most opposition to meaningful immigration reform is based on disagreements with other claims, especially distributional ones, but not ones about how much immigrants can "bring to the table."

2. In spite of the fact that H-1B immigrants are difficult for companies to sponsor, they still do it in very large numbers.

The application fee for sponsoring an H-1B visa is \$2000-\$3000 and requires a perhaps even more costly investment on the firm's part in the form of time invested by human resources staff.

In spite of this, firms continue to try to get the best talent to come to the US to help their business. The 65,000 FY' 09 cap on H-1B visas was exhausted the very first day applications were accepted – April 1, 2008. (2)

3. H-1B immigrants do not affect non-immigrant pursuit of knowledge.

In the same study cited above, Kerr and Lincoln estimate that a 10% growth in the H-1B population increases their estimate of non-immigrant invention by 0%-1%. They write:

This suggests that natives are not likely being crowded-out in large numbers by higher H-1B admissions. (3)

Now, it's possible that immigrants may "crowd out" *jobs* that would otherwise be filled by non-immigrants, but it seems unlikely that this would apply to actual *knowledge discovery*, the end output of knowledge work.

4. Immigration reform isn't as politically dangerous as it may seem during times of political unity.

I think the best evidence for this claim is that the H-1B immigration cap is consistently raised during times of economic crisis.

In FY2001, FY2002 and FY2003 during the aftermath of the Internet bust, the H-1B yearly cap determined by Congress was **tripled for three years** to 195,000 from 65,000. (4)

During the housing crash, [The New York Times](#) on April 13, 2009 wrote in a staff editorial on the importance of broad-based, non-technical immigration reform — which seems more likely than technical immigration reform to incur populist outcry — in encouraging domestic economic growth:

The ingredients of reform are clear: legalization for the 12 million, to yield bumper crops of new citizens, to make it easier to weed out criminals and to end the fear and hopelessness of life in the shadows; sensible enforcement at the border that focuses resources on fighting crime, drugs and violence; a strengthened employment system that punishes businesses that exploit illegal labor; and a future flow of workers that is attuned to the economy's needs and fully protects workers' rights.

Further, these reforms were supported by labor unions, who are traditionally stereotyped as merely self-interested, petty, "they're taking our jobs" groups:

We are also heartened that American labor is speaking with a united voice in hard times, rejecting the false claim that fixing the immigration system will somehow hurt American

workers. Even in a bad economy — especially in a bad economy — getting undocumented immigrants on the right side of the law only makes sense.

5. The technology community evolves rapidly and is always looking for fresh new talent and ideas, regardless of where they come from.

[Erick Schonfeld](#) of [TechCrunch](#) wrote about one of the most recent efforts to get more top talent into entrepreneurial fields in the US, [Startup Visa](#), a concrete proposal for visa reform for entrepreneurs: (5)

The Startup Visa Act of 2010 would create a two year visa for immigrant entrepreneurs who are able to raise a minimum of \$250,000, with \$100,000 coming from a qualified U.S. angel or venture investor. After two years, if the immigrant entrepreneur is able to create five or more jobs (not including their children or spouse), attract an additional \$1 million in investment, or produce \$1 million in revenues, he or she will become a legal resident.

To me, this seems like a win-win. Schonfeld continues to show how this is actually in the vein of similar visa carve-outs for entrepreneurs:

The bill would carve out a new “EB-6” class of visas from the existing “EB-5” class of visas which has a higher threshold for becoming a legal resident. So it’s not really that radical. The EB-5 requires immigrants to invest at least \$1 million in the U.S. and employ ten people.

Its high-profile backers seems to indicate that the idea has gained some traction in Silicon Valley and related technology circles:

The Startup Visa sends the right message to prospective immigrants: **create jobs, get a green card**. A group of 160 venture capitalists and angel investors support the bill, including [Paul Graham](#), [Brad Feld](#), [Fred Wilson](#), [Dave McClure](#), [Ron Conway](#), [Mike Maples](#), [Reid Hoffman](#), [Chris Sacca](#), [Jeff Clavier](#), [Bijan Sabet](#), [Josh Kopelman](#), and [Chris Dixon](#). (*emphasis mine*)

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1. Anderson, “The Multiplier Effect,” International Educator. 2004 via <http://en.wikipedia.org/wiki/For...>
 2. Technology Leadership PAC, <http://www.tlpac.com/pdf/H-1B%20...>. I generally prefer to not cite facts from PAC materials but I couldn’t find any evidence that this claim was not true. Please let me know otherwise and I’ll update accordingly.
 3. Kerr, William and Lincoln, William. The Supply Side of Innovation: H-1B Visa Reforms and US Ethnic Invention, December 2008, <http://www.hbs.edu/research/pdf/...>
 4. Congressional Yearly Numeric Cap, <http://en.wikipedia.org/wiki/H-1...>
 5. <http://techcrunch.com/2010/02/24...>

<http://www.forbes.com/sites/quora/2011/11/21/what-impact-would-h-1b-visa-reform-have-on-a-companys-ability-to-create-jobs-and-innovate/>