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FEATURE: IMMIGRATION

## The ABCs of H-1Bs

*Current state and the effects of the H-1B visa program for highly skilled immigrants*



Credit: Canva

- H-1B workers increase the productivity and profitability of companies in the United States.
- Competition for H-1B visas, which are based on a lottery, is intense for applicants and for U.S. companies.
- H-1B visas are controversial because opponents argue that they take jobs from native workers.
- Companies are required to pay their H-1B workers fair market wages, but this is complex and controversial.
- H-1B workers and their companies would both benefit from H-1B reforms, such as more realistic caps, longer-term visas, and some path to obtaining green cards. The system needs better oversight and more frequent monitoring to "ensure H-1B workers have the proper qualifications and receive fair market wages."

**T**he H-1B visa program was created as part of the Immigration Act of 1990 to allow U.S. firms to hire foreign workers in specialty occupations. H-1B visas have enabled U.S. firms to hire foreign workers in STEM fields for an initial period of three years, which may be renewed for another three years. After six years of visas, foreign workers can move back to their home country, renew their H-1B if they are waiting for their green card, or change employers, which is not easy.

According to the United States Center for Immigration Services (USCIS), 386,559 H-1B petitions were filed in fiscal year 2023. Thirty percent were for a first-time visa, and 70 percent were for continued employment. USCIS approved 386,318 visas, of which only 20 percent of H-1B visas approved were for initial employment and 70 percent were for continued employment.

H-1B visas have been controversial in the United States. Some groups favor unlimited H-1B visas, which are seen as productive for business, while others argue that H-1B visas should be limited because they are seen as taking away native jobs. Given this scenario, Congress imposed caps on the number of new H-1B visas that can be issued in a year, with the lowest cap of 65,000 for most years and the highest (195,000) during the years 2001 through 2003 as a part of the America COMPETES Act. From 2004 onward, the cap has been 65,000 for college-educated workers, with an additional 20,000 visas for those with master's degrees (American Immigration Council 2025).

Given the high demand for skilled immigrant workers, businesses compete for these visas, causing uncertainty and inefficiency for firms and workers alike. The cap does not apply to academic jobs. Mexico, Canada, Australia, Singapore, and Chile have alternative work visas available through trade and visa agreements with the United States.

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Research has shown that highly skilled immigrants on H-1B visas are fundamental to economic growth. Areas where more immigrants on work visas live have higher patent filings and greater job growth for native workers than areas with fewer workers on work visas (Hunt and Gauthier-Loiselle 2010).

Despite this fact, many agree that the H-1B process needs reform. These reforms need to lessen the uncertainty and streamline the process for firms but also consider the workers' perspective.

Without H-1B reforms, there is a strong possibility that the United States will lose skilled immigrant workers to other countries, such as Canada and the United Kingdom, which are slowly gearing their immigration policy to attract highly skilled foreign workers. In 2023, for example, Canada announced that immigrants on H-1B in the United States could apply for an H-1B visa in Canada.

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## Distribution of H-1B visas

*Editor's note: Since the writing of this article, an executive order changed the employer fee to \$100,000.*

H-1B visas are highly sought after, and because of their limited availability, the government uses a lottery system to allocate them. The USCIS fiscal year runs from October 1 through September 30, and firms who want to hire workers on H-1B visas can use the labor certification application as early as April 1 of the previous year.

H-1B visas are not inexpensive, and employers pay a fee of \$250. In some cases, employers pay an additional \$4,000 or more. If a company wins the lottery for a worker, they can file an I-129 form for the beneficiary, but that still does not guarantee that the worker will receive the visa because the USCIS conducts a due diligence process.

Firms or petitioners must show that they did a fair search and did not find a comparable native worker for the job. In addition, H-1B workers must be paid fair market wages according to their occupation and job responsibility category in the geographical area of the firm.

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Some of the facts about the H-1B visa petitions that were approved and visas processed in the fiscal year 2023 are as follows:

- Seventy percent of the petitions were for continuation of visas.
- Fifty percent of H-1B petitions approved were for continuation visas.
- Forty-nine percent of initial employment visas were processed by U.S. embassies abroad.
- Seventy percent of H-1B visas are given to workers from India.
- The denial rate for H-1B visas is decreasing but was as high as 24 percent in 2018.
- For petitions approved for initial employment, 33 percent of the workers had a bachelor's degree, 24 percent had a master's degree, 5 percent had a doctoral degree, and 35 percent had unknown educational levels (U.S. Citizenship and Immigration Services 2024).

H-1B visas have been very beneficial to firms in terms of increased profits and higher productivity. Given the high demand for H-1B workers and the cumbersome and expensive process of hiring foreign workers, firms often use outsourcing agencies, such as Tata Consultancy and Infosys.

Given the increased technology and IT boom in the United States, H-1B visas given to IT professionals increased from 15.5 percent in 1993 to 39 percent in 2010. The majority were students from India and China who came to the United States on student F1 visas, and H-1B visas gave them a pathway to work in the country (Bound et al. 2015).

Research on the lottery data shows that hiring immigrants on H-1B visas is mostly profitable for companies, but the effect on native



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employment is mixed. Some studies found that native employment is not crowded out by the hiring of H-1B workers, and the profits of the firms increase as. Moreover, these visas help consumers by keeping the prices of IT goods and services relatively inexpensive in the United States (Bound et al. 2015; Mayda et al. 2023).

However, some recent evidence shows that there is crowding-out of low-skilled native workers but not for college-educated native workers (Mahajan et al. 2025). A recent paper comparing firms that win H-1B lottery to those that do not found that an additional H-1B visa replaces one and a half other workers at the firm level, and the additional H-1B has an insignificant effect on the innovation measured by patents (Doran, Gelber, and Isen 2022).

### **What about foreign workers on H-1B visas?**

The United States Department of Labor gives employers an estimate of the prevailing market wage to be offered to foreign workers on H-1B visas based on their skill, experience, and job responsibility. Such considerations include whether the workers are hired at the entry, qualified, experienced, fully competent, or supervisory level.

Given that H-1B workers are hired for specialty occupations, they are not underpaid. In FY 2023, the median annual compensation of an approved beneficiary was \$94,000 for initial H-1B visas and increased to \$129,000 for continuing employment.

The Department of Labor ensures that foreign workers are offered fair market wages, but H-1B workers often may earn less than native workers in comparable roles. H-1B workers hired through employment agencies were often paid lower wages than was stated in job offers. There have been incidents and lawsuits in which workers who come on H-1B were paid less than similar skilled native workers in the same companies. One such lawsuit was against Hindustan Computer Limited, which hired workers on H-1B both in India and the United States and systematically paid the workers from India lower than their U.S. counterparts.

## **Workers on H-1B are tied to their employers, with limited job mobility and no path to obtaining green cards or any legal permanency in the United States.**

Examining data from a large accounting firm, Bourveau et al. (2024) show that entry-level accountants on H-1B visas were paid almost 10 percent lower than U.S. citizens. Firms are required to pay only a minimum salary of \$60,000 to foreign workers. Often, there has been not much transparency and oversight in the hiring process, particularly by the hiring agency (U.S. Government Accountability Office 2011).

This situation motivated me to examine the earnings of foreign workers who come to the United States on H-1B visas. Not much attention has been given to the H-1B workers' prospective, particularly those who enter the United States for the first time on the H-1B work visas and hired through employment agencies.

Using the National Survey of College Graduates for the years 2003, 2010, 2013, 2017, and 2021, we found that the earnings of immigrants who came to the United States on H-1B visas compared to the work visa entrants who came pre-1990 are falling (Mundra and Bagheri 2025).

We also found that workers arriving during the binding H-1B cap periods earned more relative to native workers than did the workers during the nonbinding H-1B cap period, which was also a period of excessive agency hiring. This earning dynamic is different for skilled immigrants who come on student visas and graduate during the

same period as the H-1B work entry.

We found that this drop in work-visa entrants during the cap nonbinding period was relative to natives as well as immigrants who came on work visas before 1990 for nonacademic sector and cap-binding countries.

This relative drop in earnings is possibly because foreign workers might not be selected from the top tier of the earning distribution in their home country given the lack of transparency in the hiring process, particularly through employment agencies.

The majority of foreign workers are college educated, and a substantial portion are given H-1B visas with an unknown education category. Workers on H-1B are tied to their employers, with limited job mobility and no path to obtaining green cards or any legal permanency in the United States. Their earnings prospects in the United States are hurt by their first entry into the country on H-1B visas, and they often are not well integrated into the workplace or society (Kumar, Kozhikode, and Lazarova 2017). This situation does not hold true for skilled workers who enter the United States on student visas and get U.S. college experience and degrees or for academic jobs that are cap exempt.

In addition, this drop in earnings is also seen because H-1B visas have no path to permanency, such as a green card status. Workers who came on H-1B during the earlier cap years often obtained green cards sooner. But with an increase in H-1B visas from 2001 onward

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and a backlog in green card processing, particularly from India and China, H-1B workers face long delays in receiving their green cards.

This situation hinders H-1B workers from transitioning easily to positions with improved pay and better working conditions. This limitation affects not only their integration into the labor market but also discourages H-1B workers from making long-term investments in the economy, such as buying a home.

### H-1B reforms are urgently needed

Reforms are needed on many fronts for H-1B. There is high demand for foreign workers, but the caps for new H-1B visas are fixed at a low 65,000, with an additional 20,000 for master's degree holders for the past 11 years.

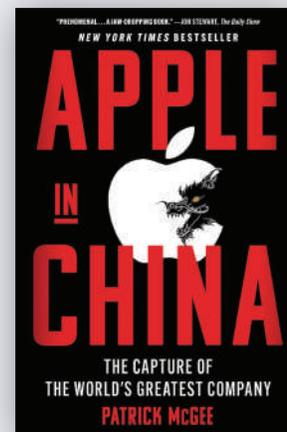
In addition to many suggested reforms, such as more realistic caps, longer-term visas, and possibly some path to obtaining green cards so that firms can keep their trained and experienced workers, reforms to make the H-1B hiring more transparent are also needed. Oversight and frequent monitoring are needed to ensure that H-1B workers have the proper qualifications and receive fair market wages. These reforms will allow the United States to continue to attract highly skilled immigrants, which will benefit firms, foreign and native workers, and the U.S. economy. ■

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### BOOK NOTICE



## Apple in China by Patrick McGee

Simon & Schuster, 2025

"After struggling to build its products on three continents, Apple was lured by China's seemingly inexhaustible supply of cheap labor. Soon it was sending thousands of engineers across the Pacific, training millions of workers, and spending hundreds of billions of dollars to create the world's most sophisticated supply chain. These capabilities enabled Apple to build the 21st century's most iconic products — in staggering volume and for enormous profit.

"Without explicitly intending to, Apple built an advanced electronics industry within China, only to discover that its massive investments in technology upgrades had inadvertently given Beijing a power that could be weaponized.

"In *Apple in China*, journalist Patrick McGee draws on more than two hundred interviews with former executives and engineers, supplementing their stories with unreported meetings held by Steve Jobs, emails between top executives, and internal memos regarding threats from Chinese competition. The book highlights the unknown characters who were instrumental in Apple's ascent and who tried to forge a different path, including the Mormon missionary who established the Apple Store in China; the 'Gang of Eight' executives tasked with placating Beijing; and an idealistic veteran whose hopes of improving the lives of factory workers were crushed by both Cupertino's operational demands and Xi Jinping's war on civil society.

"*Apple in China* is the sometimes disturbing and always revelatory story of how an outspoken, proud company that once praised 'rebels' and 'troublemakers' — the company that encouraged us all to 'Think Different' — devolved into passively cooperating with a belligerent regime that increasingly controls its fate.

**Patrick McGee** was the *Financial Times*'s principal Apple reporter from 2019 to 2023, during which time he won a San Francisco Press Club Award for his coverage.