NATIONAL IMMIGRATION FORUM

Let the Market Decide on Temporary Worker Programs

Migratory pathways the world over have been shut down or slowed due to public health concerns associated with the COVID-19 pandemic. However, during the pandemic's spread, the U.S. remains the only country in the world to use purely economic rationale to implement immigration restrictions.

The economic impact of the COVID-19 pandemic is undeniable. Sky-high unemployment numbers have persisted for months, and on June 8 it became official: The U.S. economy is in a state of recession. But is the best policy response to a recession the elimination or suspension of temporary worker programs? Do these programs adversely affect American workers?

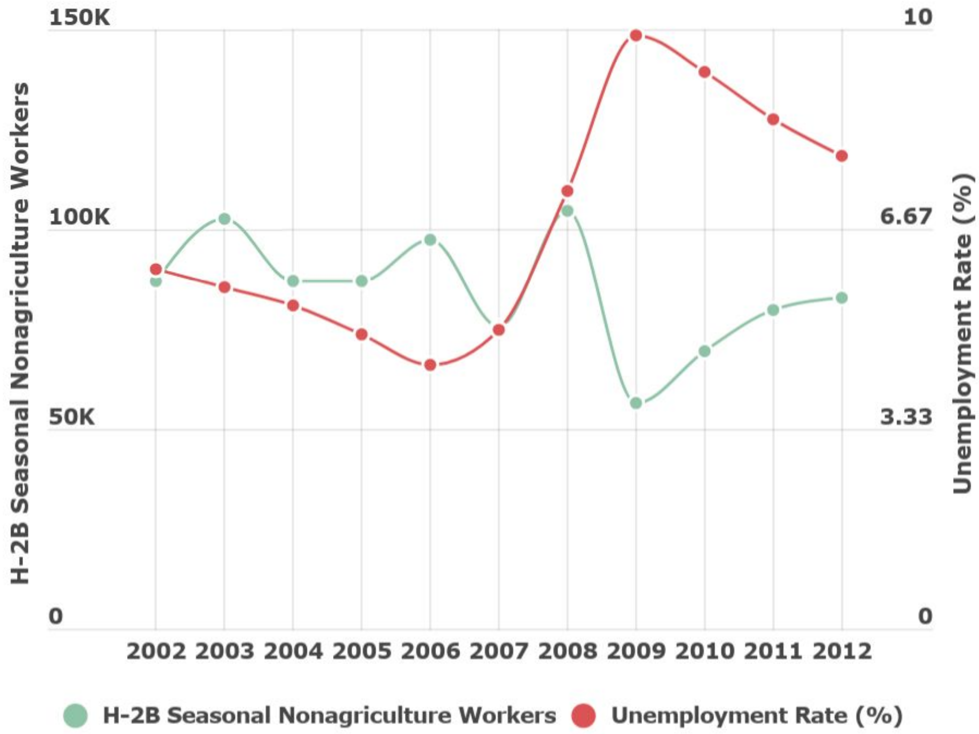
This article examines two very different worker programs, H-2B (a nonagricultural seasonal guestworker program) and H-1B (a high skilled specialty occupation program) as examples to explore how temporary workers impact and interact with the economy and the domestic workforce.

We find that data from past recessions show that employers do not use the nonimmigrant temporary workforce to replace or compete with American workers. Also, a healthy nonimmigrant workforce spurs economic growth. Policymakers should support these programs as a force multiplier – creating new jobs for Americans that need them and jump starting our economy.

Data from Past Downturns

Available evidence suggests that employers only use foreign worker programs when there are no other qualified workers available. Even when unemployment rises and more Americans are left looking for work, data from past recessions shows the natural market response in an economic downturn is to prioritize U.S. workers.

H-2B Demand During High Unemployment



Source: https://www.dhs.gov/immigration-statistics/yearbook

When unemployment spiked close to 10% in the midst of the 2008 financial crisis, H-2B employers found more American workers willing and able to take seasonal positions in food supply, landscaping, forestry and entertainment industries that were previously labor-starved. With a suddenly available domestic labor supply, these employers stopped hiring as many workers on H-2B visas. But as the economy began to recover and unemployment fell, the trend reversed. The domestic labor force dried up and employers turned back to H-2B workers to fill critical openings. Rather than increasing labor competition during the recession, this data shows that the H-2B workforce was poised and ready to assist small businesses in need during the recovery.

A similar story can be told for H-1B specialty occupation visas at the other end of the wage spectrum. Employers in tech fields and other high-skilled industries have faced enduring labor shortages and are consistently in need of more workers with particular experience and technical training. Employer petitions for H-1B visas have been so oversubscribed that the cap of 85,000 is often reached almost immediately after the application opens. In Fiscal Year (FY) 2019, for example, employers sent in over 200,000 H-1B petitions within the first five days of the portal opening. In 2020, the total number of petitions rose to a record-high 275,000.

Given the incredible demand for H-1B workers and the low annual cap, there was not a similar drop in the numbers of new H-1B employees during the 2008 financial crisis as there was for seasonal H-2B workers. However, we can use the number of days it took for petitions to reach the 85,000 cap in a given year as a proxy for the variation in H-1B worker demand. If the cap was reached (and exceeded) in less than a week, it signals increased demand among employers for H-1B workers. By contrast if the cap was not reached for months and no lottery was necessary, it signals depressed demand.

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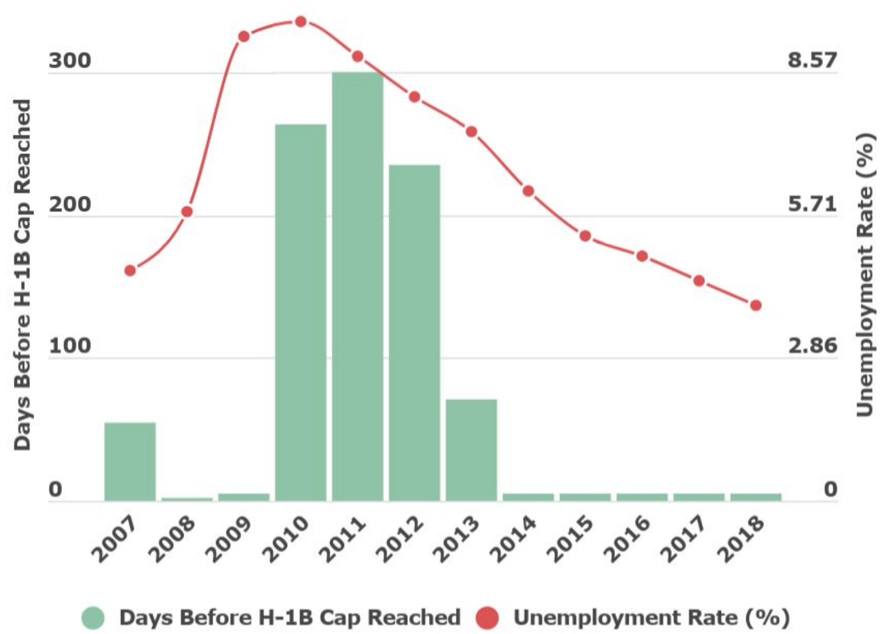

Source: https://www.aila.org/infonet/h-1b-cap-count-history

In the years after the 2008 recession, as unemployment remained high, a [significant drop in H-1B petitions]() meant there was no need for USCIS to run the annual lottery until 2014. This demonstrates that high unemployment rates are correlated with depressed demand for H-1B workers.

The evidence from the last downturn shows that when the economy is doing poorly – and when more qualified domestic workers are available and looking for work – employers do not use H-1B or H-2B workers to compete with or replace American ones. Seeking to suspend these programs during downturns in order to protect the U.S. labor market, then, is unnecessary. The domestic workforce is already protected by natural market forces: Hiring foreign workers is a cumbersome and expensive process, and employers will choose qualified domestic workers whenever they are available.

Common Sense Economics

Most evidence suggests the use of H-2B and H-1B visas in a given locality has an emphatically positive impact on other workers in the area. Nonimmigrant programs help fill serious market gaps, which keeps local economies healthy and, in turn, creates additional employment opportunities for Americans.

In 2020, the Government Accountability Office (GAO) conducted an extensive review of the H-2B program. For part of the review, the GAO examined economic outcomes of hundreds of U.S. counties, comparing those that have H-2B employers to those that do not. For every month from 2015 to 2018, and for every fiscal quarter, the study tracked the unemployment rate and average weekly wages for each group of counties.

The study found that counties with H-2B employers had significantly lower overall unemployment rates and higher average weekly wages than counties without H-2B employers. This correlation was not merely consistent over the three years studied – it was constant. The unemployment rate in H-2B-using counties was lower in every single month of the 36 months reviewed by the GAO. Wages were higher in H-2B-using counties for each and every fiscal quarter.

The GAO's findings are supported by a 2011 study conducted by the American Enterprise Institute, which found that for every 100 additional H-2B workers in a given area, 464 additional jobs for U.S. born workers were created. That means 4.6 jobs are created for every H-2B guestworker is responsible for 4.6 additional openings. Taken together, these figures show just how critical temporary worker programs can be for local economies struggling to recover from a recession.

Use of the H-1B program has also been shown to be a good sign for the economic health of the region – and for local U.S. born workers. The same American Enterprise Institute report found that 1.8 American jobs are created for every additional H-1B worker who enters the country. Some other sources have suggested that number could be as high as 4 or even 5 new jobs supported per H-1B visa, and there is reason to believe these workers can spur significant economic growth. Each H-1B visa represents a doctor, a scientist, a tech whiz, a civil engineer, even a CEO. The influx of these workers makes for a more innovative and dynamic economy.

The positive effects of H-1Bs are not reserved for the labor market's upper crust. A 2015 study found that across 219 U.S. cities, increases in H-1B workers were associated with significant wage gain for all workers, regardless of educational attainment or economic status.

Conclusion

Even in periods of high unemployment, there is no reason to implement the kinds of restrictions encouraged by immigration hawks. Evidence from past recessions shows a natural market response in which demand for H-1B and H-2B workers fall as U.S. unemployment rises.