The **Council of Economic Advisers** (CEA) believes that the Obama administration should issue directives outlining the use of the “national interest waiver” of the EB-2 visa program to make up for the shortfall in high-skilled H1B visas. Such a policy directive would provide three benefits: (1) it would support continued growth in our advanced industries, (2) it would spur innovation and job creation in the United States, and (3) it would support labor flexibility and wage growth for immigrants and American workers more broadly.

**Context**

The American economic recovery has been bolstered in recent years by revolutions in the advanced manufacturing, information technology (IT), and energy industries. Technological breakthroughs like additive manufacturing and advanced robotics, cloud computing and the ‘Internet of things’, hydraulic fracturing and horizontal drilling, have reinvented each of these industries and jumpstarted economic growth. Indeed, a recent Brookings report found that “these advanced industries represent a sizable economic anchor…and have led the post-recession employment recovery.”\(^1\) And these industries are also more integrated than ever. Advanced manufacturing techniques, like 3D printing, are increasingly more digitized and software heavy. The manufacturing renaissance in America has also been enabled by the revival of American energy production. Yet, a dearth of skilled labor threatens the continued expansion of these industries.

Advanced industries depend heavily on a pool of high-skilled STEM labor in order to operate and to fuel further innovation. Unfortunately, there is currently a shortage of such labor in the United States. While continued investments in STEM education should be made to
develop a more sustainable domestic supply of such labor in the future, our economic recovery and advanced industries need skilled workers today. A popular pipeline for such labor historically has been the H1B visa program. H1B is a specialty-occupation based visa program.² Historically, demand for H1B visas rises during times of dynamic economic expansion.³ This year, H1B visa applications have surpassed the 65,000-visa cap in just five days— for the third consecutive year!⁴ This is a sign both of the shortage of such labor in the United States and of the untapped potential in our economic recovery and advanced industries. Unfortunately, Congress has failed to adjust the visa cap, and the executive branch cannot unilaterally adjust it. The urgency of this issue, however, demands a solution be found within the current legal framework until Congress is prepared to pass comprehensive immigration reform, or address this issue piecemeal.

Policy Proposal

The CEA is proposing that the Obama administration utilize the “national interest waiver” subsection of the EB-2 visa program to address the shortfall in H1B visas. This subsection allows for non-citizens of “exceptional ability” or “holding advanced degrees,” who may further the national interest, to obtain visas irrespective of an employment offer.⁵ Though “national interest” is vague, in application it has meant improving the US economy, the wages and conditions of US workers, and providing a benefit “national in scope.”⁶ We believe that most H1B visa candidates would fit this category. Indeed, our research has shown that such high-skilled immigrants provide positive economic effects on US productivity, income, wages, jobs, and even fiscal outlook.⁷ Additionally, high-skilled immigrants will contribute to the STEM labor supply upon which our advanced industries and economic recovery depends, providing a benefit “national in scope.”
According to a recent Department of Homeland Security memo, this waiver program is currently “underutilized” due to “limited guidance.” Under our policy proposal, clear executive directives would be issued to guide the relevant immigration agencies to prioritize EB-2 visas for H1B visa overflow, and fast track capped H1B applicants for EB-2 national interest visas.

**Benefits**

First, our policy would promote continued growth in our advanced industries and support our economic recovery. The advanced industries sector is leading our economic growth, providing 65% of the post-recession jobs. More importantly, growth in this sector has been characterized by a large national multiplier effect: “2.2 jobs are created for every new advanced industry job—0.8 locally and 1.4 outside the region.” However, the sector has evidently reached the domestic labor supply capacity and is starved for high-skilled workers to fuel its continued development. Indeed, hiring delays are 42% longer than for non-STEM job openings, and the H1B visa program is backlogged three years. By providing an alternative route for domestic industries to access foreign STEM talent, our policy promises to relieve the pressure on the H1B visa cap and unleash the economic potential latent in our advanced industries. Continued growth in this sector, in turn, will benefit the entire country as the additional income is multiplied across the economy.

Second, our policy will help spur innovation and job-creation in the United States. In addition to the research and development work that characterizes the advanced industries sector, many exceptional EB-2 visa immigrants may choose to start their own company. High-skilled immigrants to the United States are inherently entrepreneurial and innovative. Indeed, “about 40 percent of all U.S. patents go to immigrants.” While most of the visa approvals envisioned in our proposal would have an employment offer associated (since they are holdovers from the H1B
program), the benefit of the “national interest waiver” visa is that, unlike the H1B or ordinary EB-2 visas, the requirement for an employer sponsor is waived. Thus, our proposal would provide an avenue for a risk-taking entrepreneur to come to America alone or for an innovative immigrant worker to leave his job and create a start-up. According to data from 2005, “immigrant founded companies employed 450,000 workers and generated $52 billion in revenue.” 13 Clearly, there is great employment, income, and innovation potential latent in our high-skilled immigrant population.

Third, the greater labor flexibility inherent in our immigration mechanism will promote greater labor flexibility and wage growth in the American economy more broadly. As mentioned before, these visa approvals will have more freedom to change jobs. As a result of greater labor flexibility, talent will theoretically be more efficiently distributed in the economy. This flexibility also addresses a concern of some opponents who argue that H1B hires dependent on employers depress wages. More broadly, research has shown that every 1% increase in foreign-born STEM employment increases college educated native wages by 5.6% and high school educated native wages by 4.1%. 14 Amidst general wage stagnation, such wage growth is greatly desired.

Summary

In summary, as H1B demand has exceeded supply for the third consecutive year this past week, it is clear that now is the time for action to resolve our skilled labor crisis. The Council of Economic Advisers believe that in light of failed congressional action, the executive branch can offer a sound, legal solution through clear directives granting EB-2 national-interest waivers to H1B holdovers. Such a policy promises to promote continued growth in our advanced manufacturing, IT, and energy industries, support our economic recovery, bolster innovation, and create jobs and opportunities for millions of Americans.


See Endnote 6.