How America Loses a Job Every 43 Seconds

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The first of next month is a big day for the U.S., and not because it's April Fools' Day. April 1 is when the U.S. Citizenship and Immigration Services begins accepting new H-1B visa petitions for 2015.

An H-1B visa allows a company to create a new job for a highly-educated foreigner in the U.S. for at least three years. The H-1B program, which accounts for nearly all of America's skilled immigration, imposes an annual cap of 85,000 new visas: 65,000 with at least a bachelor's degree and 20,000 with at least a master's degree.

In many recent years, demand for H-1B visas has far exceeded supply. In 2013, the government received roughly 124,000 applications in just four days—and then stopped accepting petitions on April 5. The government has closed the visa window suddenly before, as recently as 2008. All current forecasts suggest strong visa demand again this year thanks to dynamism in high-innovation sectors and continued economic recovery.

The U.S.'s skilled immigration policy hurts American workers, companies and the economy. As Gordon Hanson and I documented in our 2013 report for Compete America, a coalition of companies, universities and research institutions, immigrants have long been a key part of America's talent pool, helping drive the innovation that creates jobs and higher standards of living. Their most significant contributions have been in science, technology, engineering and mathematics (STEM). Foreign-born individuals make up about 20% of today's U.S. STEM workers with bachelor's degrees and 40% of those with advanced degrees. These shares have been rising for decades.

The effects of their contribution ripple through the economy. One quarter of U.S. high-technology firms established since 1995 have had at least one foreign-born founder. These new companies today employ 450,000 people and generate more than $50 billion in sales. Immigrants or their children founded 40% of today's Fortune 500 companies, including firms behind seven of the 10 most valuable global brands.
Talented immigrant STEM workers do not crowd out American-born STEM talent. Companies that cannot hire talented immigrants in America often don't hire anyone at all. Or these companies may hire—but overseas. In 2007, Microsoft opened a research center in Vancouver, in part to "allow the company to continue to recruit and retain highly skilled people affected by the immigration issues in the U.S.," according to the company's announcement. In May, the startup Bluesteed announced it would skirt U.S. immigration restrictions by building a barge in international waters 12 nautical miles off the coast of San Francisco. There the company could accommodate international entrepreneurs.

There is a real, tangible cost to the U.S. economy of allocating far fewer skilled-immigrant visas than companies need. Most immediately, the cost is forgone jobs created in the companies and beyond. More broadly, the cost is forgone ideas, innovation and connections to the world.

The immediate job-loss cost is much larger than subtracting the 85,000 visas allowed from the number of H-1B petitions filed. First, more petitions would certainly be filed were it not for the limited window: Companies need new talent year-round. Then there are the lost jobs from the additional hiring of Americans that talented immigrants spur. Bill Gates testified to Congress in 2008 that for every immigrant hired at technology companies, an average of five additional employees are added as well. Research last year by economist Theo Eicher estimated each new Microsoft job adds eight jobs in supplier companies.

Restrictive skilled-immigration policy costs U.S. jobs every single day. How many? Start with an estimated 100,000 jobs lost directly this year from H-1B visa applications that were either not filed or not approved beyond the current cap of 85,000. Then add 400,000, a ballpark estimate from research of additional jobs not created at immigrant-hiring companies and at these companies’ suppliers.

That's 500,000 jobs lost thanks to too-restrictive U.S. immigration policy. Spread across 50 five-day workweeks, this translates into 2,000 U.S. jobs not created a day. That is a new job lost about every 43 seconds, around the clock, every single day that America is open for business.

In 2013, the U.S. economy created 2.37 million new payroll jobs. This tally could have been more than 21% higher had U.S. immigration restrictions not existed. Wise reform could bring a welcome end to the damage restrictive immigration policy inflicts on the country’s own economic vitality.

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