

INVEST BUT REFORM

Better Align H-1B Visa Fee Revenues to Local Workforce Needs

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Summary

The Employment and Training Administration at the Department of Labor should focus its distribution of H-1B visa fee revenue to metropolitan areas with a high demand for H-1B workers to train the existing workforce for high-skilled jobs. To date, fees have been distributed disproportionately to metro areas with a lower demand for H-1B workers. Channeling H-1B technical skills grants to those places with a high demand will expand the pool of local workers possessing needed skills and reduce employers' reliance on foreign labor.

Background

Skilled workers are an essential component of the next economy—not only do they generate new ideas, but they also produce the advanced goods and services that make American firms competitive abroad. Metropolitan areas, in turn, assemble the skilled workers that the private sector needs by either producing a skilled labor force through educational and workforce training systems or obtaining workers from elsewhere in the United States and beyond. And in a global economy characterized by greater levels of labor mobility, U.S. regions increasingly find themselves competing to attract educated foreign workers.

The H-1B visa program holds tremendous potential not only for attracting skilled workers from abroad, but also for upgrading the skills of America's workforce to meet demand both today and in the future. Beginning as part of the Immigration Act of 1990, the H-1B visa program allows employers to hire foreigners to work in specialty occupations on a temporary basis (three years with the option to renew for an additional three years). Each year, approximately 125,000 H-1B visas are issued, including renewals. Since the passage of the American Competitiveness and Workforce Improvement Act of 1998 (ACWIA), employers who request H-1B visas for highly skilled temporary workers must pay a fee that is then used to fund programs to address skills shortages in the U.S. workforce. These skills shortages are defined as occupations in which employer demand for skilled workers is larger than the number of available workers who are qualified to do these jobs. Currently, employers seeking visas for H-1B workers must pay between \$1,575 and \$4,325, depending on company size and composition.

Over the last decade, the federal government distributed about \$1 billion from employers' H-1B visa fees to fund programs that address skills shortages in the U.S. workforce. About half of these funds go to the Department of Labor's Employment and Training Administration (ETA) for technical skills training

that reflects industry needs. The other half of the funds go to the National Science Foundation (NSF) for longer-term science, technology, engineering, and mathematics (STEM) training.

Even though the amount raised by the H-1B visa fees for technical skills training is relatively small, it can provide significant support to U.S. metropolitan areas working to develop their local skills base in order to reduce area employers' reliance on foreign workers. In Portland, ME, for example, Coastal Counties Workforce Inc. received \$6 million for training in advanced manufacturing, information technology, and energy/green construction over 2001–2011. And in Connecticut, Workplace Incorporated responded to increased demand for healthcare workers by creating the Southwestern Connecticut Health CareerRx Academy, a program that partners with local colleges and hospitals to help the unemployed gain skills in the medical field, which is projected to have stable job growth.

The Problem

The H-1B visa program was redesigned in 1998 to charge employers additional visa fees in order to fund grants for skills training and STEM education that would enable the existing U.S. workforce to develop the skills to fill jobs presently filled by H-1B workers. However, by not taking into account the geographical variation in H-1B visa demand, these funds have been disproportionately distributed to metropolitan areas with a relatively low demand for H-1B workers. Additionally, local employers are not required to be involved in the administration of these grants. According to Brookings analysis of ETA Labor Conditions Applications between 2010 and 2011, 106 metropolitan economies demonstrated high demand (at least 250 requests) for H-1B visas from local employers looking to hire high-skilled foreign workers in specialized occupations. However, between 2001 and 2011, these high-demand H-1B metro areas received only \$3.09 in technical skills grants per working-age person, compared to \$15.26 for metros that had a lower demand for H-1Bs. More distressingly, thirty-six of the 106 high-demand H-1B metro areas received no ETA skills grants over this ten-year period.

The uneven distribution of funds from the H-1B program stems from two factors:

- Data about the occupations for which local employers sought H-1B workers are not readily available to the local stakeholders who apply for these grants
- Funding decisions are based on the quality of grant applications and the capacity of stakeholders to implement the skills training program at the local level, with no preference given to places with higher demand for H-1B workers

Over time, these factors have weakened the effectiveness of the H-1B Technical Skills Grants Program by failing to provide training funds where they are most needed. As a result, the United States continues to rely heavily on high-skilled foreign workers to fill certain jobs.

Proposal

Given these challenges, the Metropolitan Policy Program at Brookings proposes that the Department of Labor's Employment and Training Administration **better focus flows of H-1B visa revenues on metropolitan areas with a high demand for H-1B workers.**

Given that employers are the ones requesting these workers, the program should also require that grants be distributed to public-private partnerships that include an advisory board of local employers working together with educational and training institutions. One potential model for this approach is the Kansas Engineering Excellence Project, which assists the long-term unemployed in completing B.A., M.A., and Ph.D. programs in engineering at Wichita State University. The program's success relies on the

partnership between an advisory board of local employers and university representatives that create programs capable of meeting local employers' projected skills needs.

Targeting the H-1B visa fees for technical skills training in high H-1B demand metros and requiring employer involvement would:

- **Reduce dependency on hiring high-skilled foreign workers** and minimize the need for employers to apply for limited H-1B visas
- **Enable the existing U.S. workforce to gain the skills needed to compete for in-demand jobs**
- **Encourage companies to work with local educational and training institutions** to identify skills requirements for areas of projected job growth

Strategic and targeted distribution of the skills training grants funded through H-1B visa fees to metropolitan areas with the highest demand for H-1B workers will help ensure that local employers are better able to meet their workforce needs.

Budget Implications

Targeting H-1B Technical Skills Grants in high-demand metropolitan areas has minimal, if any, budgetary impact since the program is already funded by H-1B visa fees.

State of Play

Better targeting of H-1B revenue flows is not controversial. Other groups that have studied this issue, including the U.S. Government Accountability Office and the Department of Labor, have also called for using H-1B visa fees to more strategically prepare American workers with the skills that employers demand. A more data-driven apportionment of funds is not only fair—returning funds to the localities from which they came—but also stands to be more effective in both meeting employer demand for skilled workers and in assisting existing workers with career mobility. Furthermore, requiring employers to be involved in the grant process will help ensure better alignment of workforce skills to employer needs.

Given that the majority of occupations for which employers request H-1B workers require extensive education and training, especially in STEM fields, some elected officials have begun to consider how additional funds for American workforce training might be generated from visa fees. The Immigration Innovation Act of 2013 introduced by a bipartisan group of senators on January 29, 2013, proposes adding a \$1,000 STEM training fee to the fees that employers already pay for H-1B worker visas. This new fee would also apply to employment-based green cards. These additional STEM training fees would go to the Department of Education, which would distribute funds to states using a formula based on the number of students ages 5–17 in the state. These funds would supplement—not supplant—the training fees that currently go through the ETA, which are the subject of this proposal.

Implementation Requirements

This proposal would require legislative action to amend the American Competitiveness and Workforce Improvement Act of 1998 to include geographic distribution of funds based on the demand for H-1B workers rather than the current requirement that they be “fairly distributed across rural, urban and geographic regions of the United States.” Such legislation should further amend ACWIA to require that

grants be distributed to public-private partnerships that include an advisory board of local employers working together with educational and training institutions.

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Remaking Federalism | Renewing the Economy

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