

How Recent H-1B Reforms Risk U.S. Competitiveness—And What Congress Can Do

By Thibault Denamiel and Dr. Philip Luck

KEY TAKEAWAYS

- The \$100,000 H-1B visa fee is likely to price out employers critical to U.S. economic success—startups, small and medium enterprises (SMEs), hospitals, and research institutions—while concentrating access among large incumbents. Evidence suggests that visa restrictions lead to the offshoring of skilled labor, which would weaken domestic innovation and job creation.
- The administration’s wage-weighted lottery approach can improve program efficiency, but only with additional modifications. Without changes, the approach reduces selection odds for early-career talent, disadvantages smaller employers, and fails to take advantage of an opportunity to strengthen U.S. strategic sectors.
- Congress should modernize the H-1B program to strengthen U.S. competitiveness. Expanding capacity, codifying exemptions, targeting priority sectors, protecting small firms and early-career workers, and improving mobility would better align the program with U.S. interests.

BACKGROUND AND CONTEXT

Recent administrative changes to the H-1B visa program—namely, a \$100,000 processing fee and a wage-weighted visa lottery—would, without further changes, constrain the U.S. foreign talent recruitment apparatus. The administration’s policies come at a time when high-skilled immigration is becoming increasingly critical to the national interest.

Demographic trends underscore the importance of immigration. Slowing population growth and an aging workforce are shrinking the domestic labor supply as demand for high-skill workers rises. A 10 percent increase in the population aged over 60 is associated with an estimated 5.5 percent reduction in per capita GDP. Skilled immigration supports labor-force growth and sustains output as native-born workforce participation declines.

Beyond demographic concerns, high-skilled immigration is a core feature of U.S. prosperity and technological leadership. The H-1B program enables U.S. employers to access scarce global talent not just in technology, but in science, engineering, healthcare, and advanced manufacturing—strategically critical sectors where labor shortages are projected to constrain productivity growth and competitiveness. For instance, the United States is projected to need over 500,000 trained health professionals by 2037 and must fill 2.1 million manufacturing vacancies by 2030.

The H-1B program has delivered strong economic returns despite its limited scale, generating an estimated \$7.5–31.8 billion in annual net benefits. Over half of U.S. unicorn companies were founded or cofounded by immigrants, many initially entering on H-1B visas. Firms that secure H-1B workers exhibit higher job growth, productivity, and profitability than comparable firms denied visas.

LEGISLATIVE AND POLICY IMPLICATIONS

Nevertheless, the H-1B program does require reform. Chronic oversubscription has turned the program into a rationed lottery. An outdated cap prevents the program from scaling alongside U.S. workforce needs. The existing allocation mechanism does not fully reflect U.S. policy priorities, distributing visas without accounting for sectoral needs or strategic objectives. Lastly, the program’s labor mobility constraints can lead to native worker wage disadvantages: H-1B holders are statutorily restricted from switching jobs without a new visa application, where denial could cause deportation, reducing their bargaining power and creating a wage depression effect.

From an economic and security perspective, reform should aim to expand access to scarce talent, align visa allocation with U.S. competitiveness goals, reduce distortions that push investment and jobs overseas, and

RECOMMENDATIONS

Congress should take the following actions to address recent restrictions and strengthen the H-1B program's ability to support the U.S. economy:

- 1. Curb the \$100,000 Fee:** Clarify that the executive branch cannot impose fees that undermine the program's statutory intent.
- 2. Expand Capacity:** Raise the cap and consider indexing it to labor-force growth or economic conditions to better align supply with demand.
- 3. Reform Constraints that Undercut Wages:** Reduce labor mobility constraints that tie H-1B workers to a single employer by extending grace periods, simplifying portability, and reducing barriers to job switching.
- 4. Further Adjust the Wage-Weighted Lottery:** Consider establishing targeted cap exemptions or dedicated lottery pools for strategic sectors and early-career technical roles.

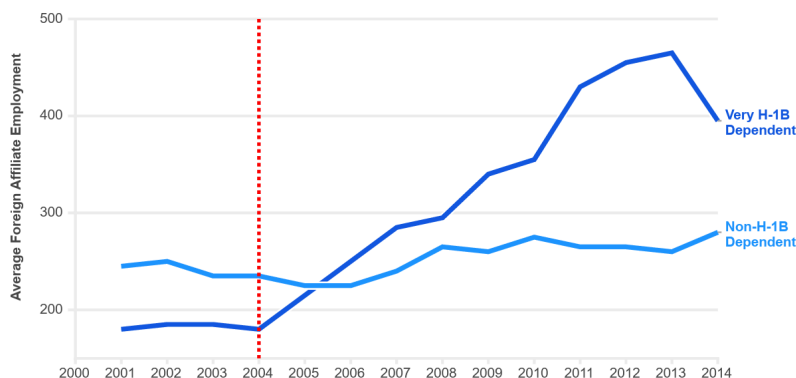
suppress foreign workers' wages. However, the administration's recent reforms do not fully address these structural challenges and instead threaten to exacerbate U.S. challenges in securing talent.

CHALLENGES AND RISKS

The \$100,000 fee is likely to pose a significant risk to U.S. economic and strategic interests. By dramatically increasing the marginal cost of hiring skilled foreign workers, the fee may disproportionately affect employers with limited capital, such as startups, SMEs, hospitals, and research organizations, while concentrating access among larger firms. It is also likely to result in job offshoring: Empirical evidence shows that for every rejected H-1B petition, multinational firms hire 0.4–0.9 additional workers overseas rather than hire more domestically (see figure below).

The administration's wage-weighted lottery, which prioritizes more highly paid workers in a given occupation and area, aims to address real concerns around allocation efficiency but introduces significant shortcomings. Wage levels capture seniority and local labor-market conditions. They do not account for the strategic importance of skills or occupations to U.S. national security priorities—though fields such as quantum, semiconductor manufacturing, and biotechnology are especially critical today. Early-career workers face sharply reduced odds of selection. Wage-weighting risks entrenching large firms with the means to offer higher wages, while disadvantaging startups and emerging sectors where innovation is most dynamic. Without additional safeguards or targeting mechanisms, the new lottery misses the opportunity to unlock the program's potential as a tool for long-term competitiveness.

Growth in Average Foreign Affiliate Employment by H-1B Dependency



Note: Firms that are non-dependent on H-1Bs had zero Labor Condition Application (LCA) applications in 2001, while very H-1B-dependent firms were in the top category of LCA applications. The red line demarcates the year of the 2004 policy change. The graph is replicated based on estimates of the original visualization, which uses confidential data. Source: Britta Glennon, "How Do Restrictions on High-Skilled Immigration Affect Offshoring? Evidence from the H-1B Program," *Management Science* 70, no. 2 (March 2023): 907–930, <https://doi.org/10.1287/mnsc.2023.4715>.

Additional Resources and Contact Information

Philip Luck and Thibault Denamiel, "Practical H-1B Reforms to Serve U.S. Economic Interests," CSIS, *CSIS Briefs*, February 2, 2026, <https://www.csis.org/analysis/practical-h-1b-reforms-serve-us-economic-interests>.

For more information, please contact **Congressional Affairs at CSIS**, chimmel@csis.org; 202-775-3186