An Empirical Evaluation of H-1B Visa Policies

Zeeshan Samad
American University of Beirut

Lucas Rentschler
Utah State University

Abstract / Summary

- The H-1B visa allows U.S. firms to hire foreign workers.
- It has two key restrictions: (1) visa fees and (2) a minimum wage.
- Question: Do these restrictions help the U.S. economy and workers?
- We evaluate both restrictions in a lab experiment.
- Answer: A visa fee increases total output! It makes foreign workers work harder to keep their jobs.
- A minimum wage also makes foreign workers work harder, but only slightly and mainly due to reciprocity.
- Fewer foreign workers are hired, but those who are hired earn more.
- Both restrictions benefit domestic workers.
- Overall, the restrictions are marginally better for the economy.

Experimental Design

Labor Market Game Description

- 14 players: 6 firms, 8 workers (4 domestic, 4 foreign)
  → so two workers are always unemployed
- 15 periods. Roles remain fixed.
- 280 USU students, 20 sessions (5 per treatment)
- Average earnings: $25 (20 points = $1)
- Each period consists of 3 stages:
  1. **Hiring stage**: There is a live job board. Firms post jobs and workers accept them. Each posting includes a wage and whether the firm will sponsor a visa. Foreign workers can only accept jobs with visa sponsorship.
  2. **Working stage**: Workers choose effort, $e \in \{1, \dots, 10\}$, and pay a cost according to $c(e)$, which is convex. Payoffs are:
     $\Pi_{\text{firm}} = 10e - \text{wage}$ $\Pi_{\text{worker}} = \text{wage} - c(e)$
  3. **Renewal stage**: If both parties agree, the same firm-worker pair gets automatically matched for the next period at the same wage, skipping the hiring stage.

2x2 Design (four treatments)

	Min wage = 0	Min wage = 45
Visa fee = 0	**Baseline Treatment** *No cost difference between domestic and foreign workers*	**Minimum Wage Treatment** *Foreign workers can only accept jobs with a wage ≥ 45 points*
Visa fee = 15	**Visa Fee Treatment** *Firms pay a one-time 15-point fee upon hiring a foreign worker*	**Combined Treatment** *15-point visa fee and 45-point min wage on foreign workers*

Results

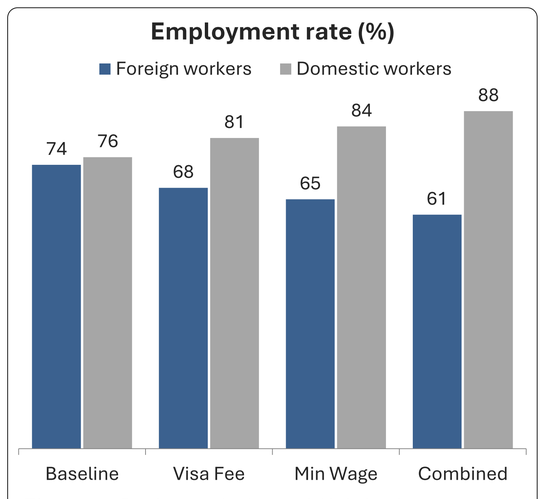


Figure 1. Both restrictions shift jobs from foreign to domestic workers.

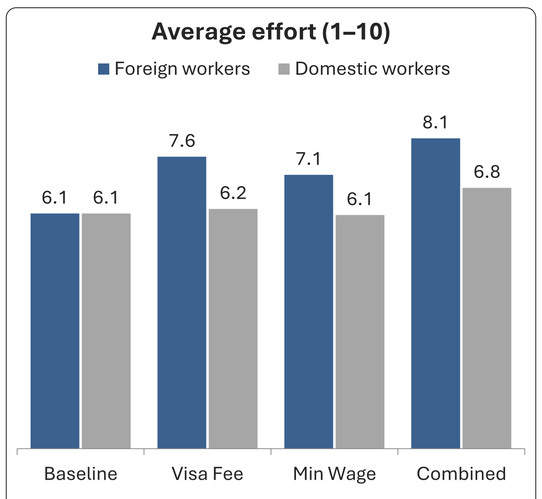


Figure 2. Foreign workers work harder under restrictions; domestic workers do not.

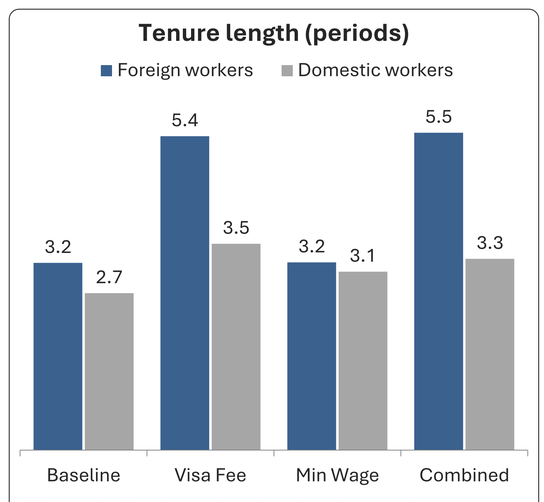


Figure 3. Under a visa fee, foreign workers spend more periods with the same firm.

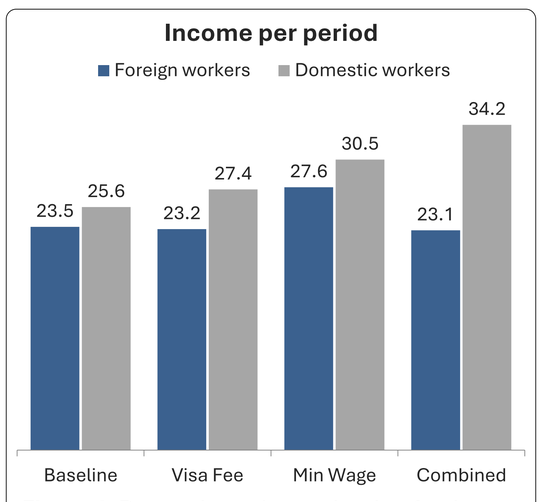


Figure 4. Domestic workers gain a lot; foreign workers do not lose.

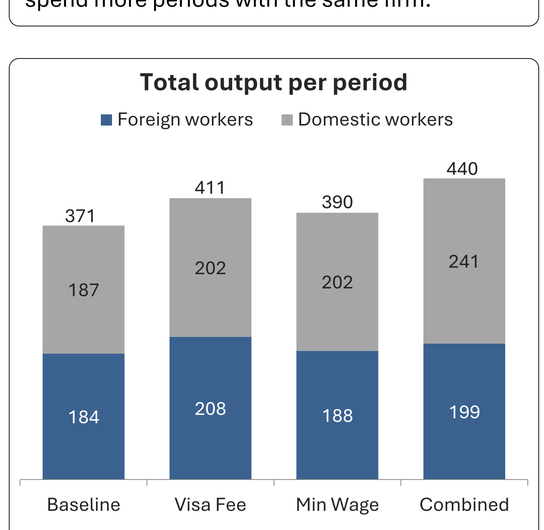


Figure 5. Domestic workers get more jobs; foreign workers get fewer but work harder.

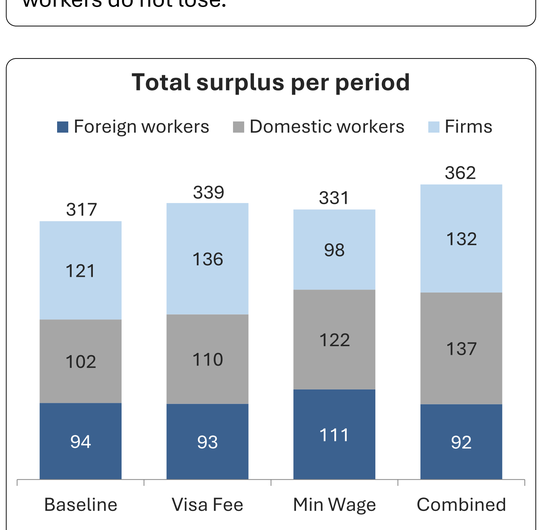


Figure 6. Surplus rises in every treatment, even excluding visa fee revenue.

Conclusion

- Visa restrictions increase both output and surplus in our market, even though standard theory predicts both would fall.
- A one-time visa fee (which is waived on renewals) ties foreign workers to firms longer and raises their effort.
- Some foreign workers gain while others lose; fewer foreign workers are hired, but those who are hired work harder and earn more.
- Domestic workers gain without working harder.

Contact

Zeeshan Samad
American University of Beirut
Email: zeeshan.samad@aub.edu.lb
Web: www.ZeeshanSamad.com

Full paper

References

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