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Understanding the Potential Impact of H-1B Visa Program Changes

By [Nicolas Morales](#)

Economic Brief

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Key Takeaways

- A new policy proposal would require firms to pay a one-time fee of \$100,000 to hire an immigrant college graduate under the H-1B visa program.
- The policy would likely reduce the total number of college-educated immigrants in the U.S., with universities as well as companies in the IT sector among organizations most likely affected.
- Research shows that firms expand when they hire H-1B workers without significantly displacing Americans. Firms might respond to this policy change by offshoring their operations to countries such as Canada or India.

On Sept. 19, the White House announced a dramatic change to U.S. immigration policy: a new \$100,000 one-time processing fee for H-1B visas. While details of the rollout are uncertain, the policy could reshape the flow of college-educated immigrants into the U.S. and reduce the supply of critical skills in industries that rely heavily on foreign talent. In this article, I examine which types of firms and sectors stand to be hit hardest and explore what the policy might mean for U.S. labor markets and innovation.

The H-1B program has long been the main entry point for highly skilled immigrants. Each year, 85,000 new visas are available for private-sector employers. Because applications far exceed the cap, visas are awarded by lottery, with the odds of success dipping below 50 percent in recent years. (Universities and nonprofits, however, are exempt from the cap.)

To hire an H-1B worker, firms must certify that comparable skills are unavailable locally and must pay wages on par with U.S. workers in similar roles.

Supporters see the program as a cornerstone of U.S. innovation and productivity, particularly in technology. Critics counter that many H-1B holders perform relatively routine jobs that domestic workers could also fill. The controversy has often centered on large IT consulting firms with major operations in India. These firms can submit thousands of applications — drawing on a vast pool of computer science graduates in India — thereby boosting their odds in the lottery and, some argue, crowding out smaller U.S. firms seeking specialized talent.

A Few Facts on H-1B Wages and Skills

To gauge the impact of the new policy, it helps to start with the kinds of jobs filled by H-1B workers. I first focus on private-sector firms subject to the lottery, leaving universities and nonprofits for the next section. The data come from successful lottery applicants between 2020 and 2023.

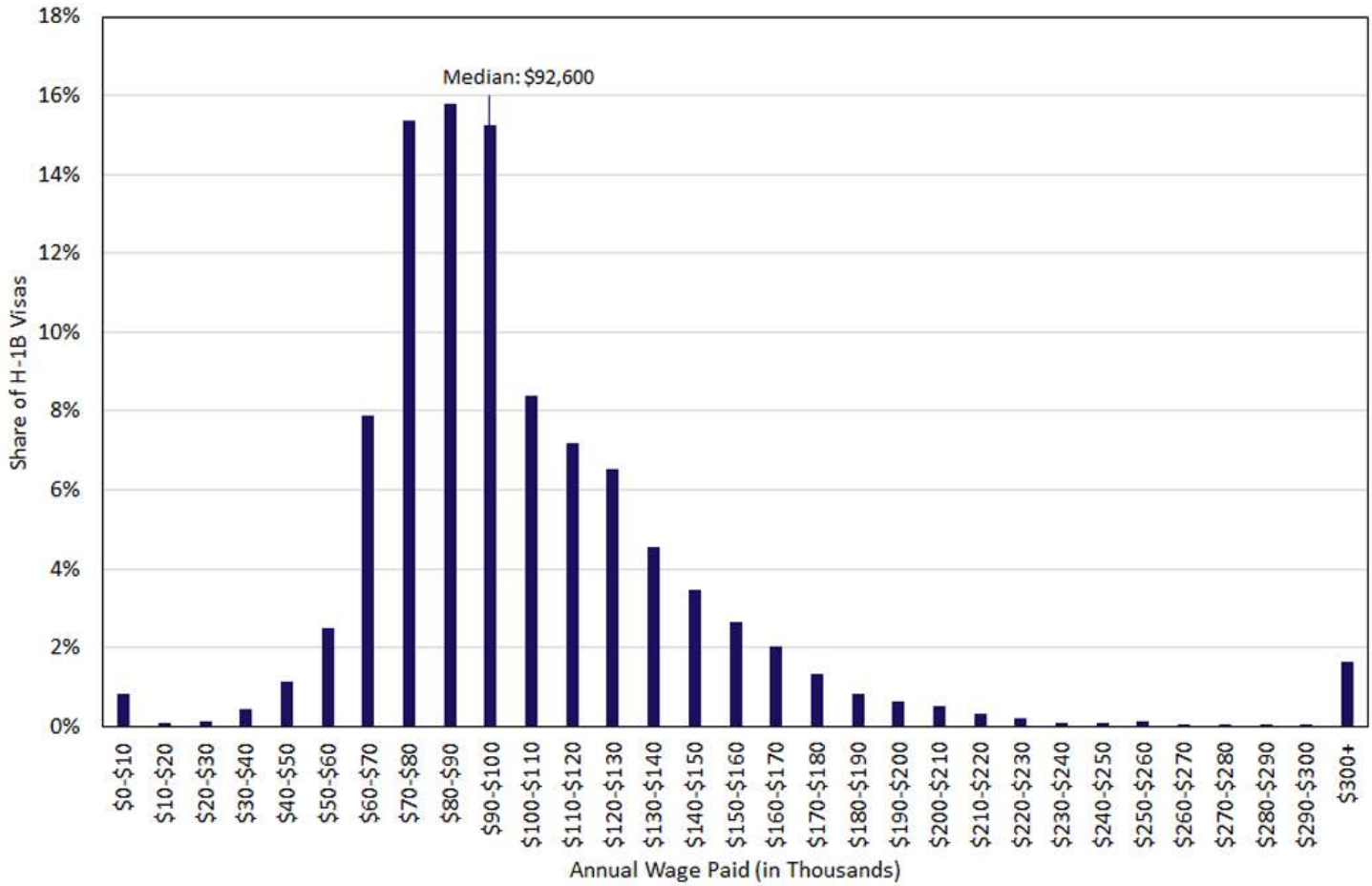
The H-1B program is dominated by the IT sector and other industries that rely heavily on college graduates. Workers come from all over the world, but India accounts for the vast majority with 67 percent of approvals in this period. [1](#)

China provides the next largest share of H-1B workers at 15 percent.

Roughly two-thirds of recipients are men, and about one-third are already in the U.S. on student visas when they apply.

Figure 1 shows the wage distribution among H-1B workers. The median salary is \$92,600, with 10 percent earning more than \$150,000 and about 1.6 percent earning over \$300,000. Introducing a \$100,000 fee would likely deter firms from sponsoring lower-wage workers, where the expected value of hiring does not outweigh the added cost. In contrast, firms filling high-wage, specialized positions — roles where immigrant workers generate larger profit gains — would still find it worthwhile.

Figure 1: Distribution of Wages Paid to New H-1B Employees



Note: Data include all petitions selected in the lotteries held between 2020 and 2023.
 Source: Bloomberg FOIA request and author's calculations.

[Enlarge](#)

While the exact "breakeven" number is uncertain, the *New York Times* reports that it may be [closer to \\$225,000 per year](#).²

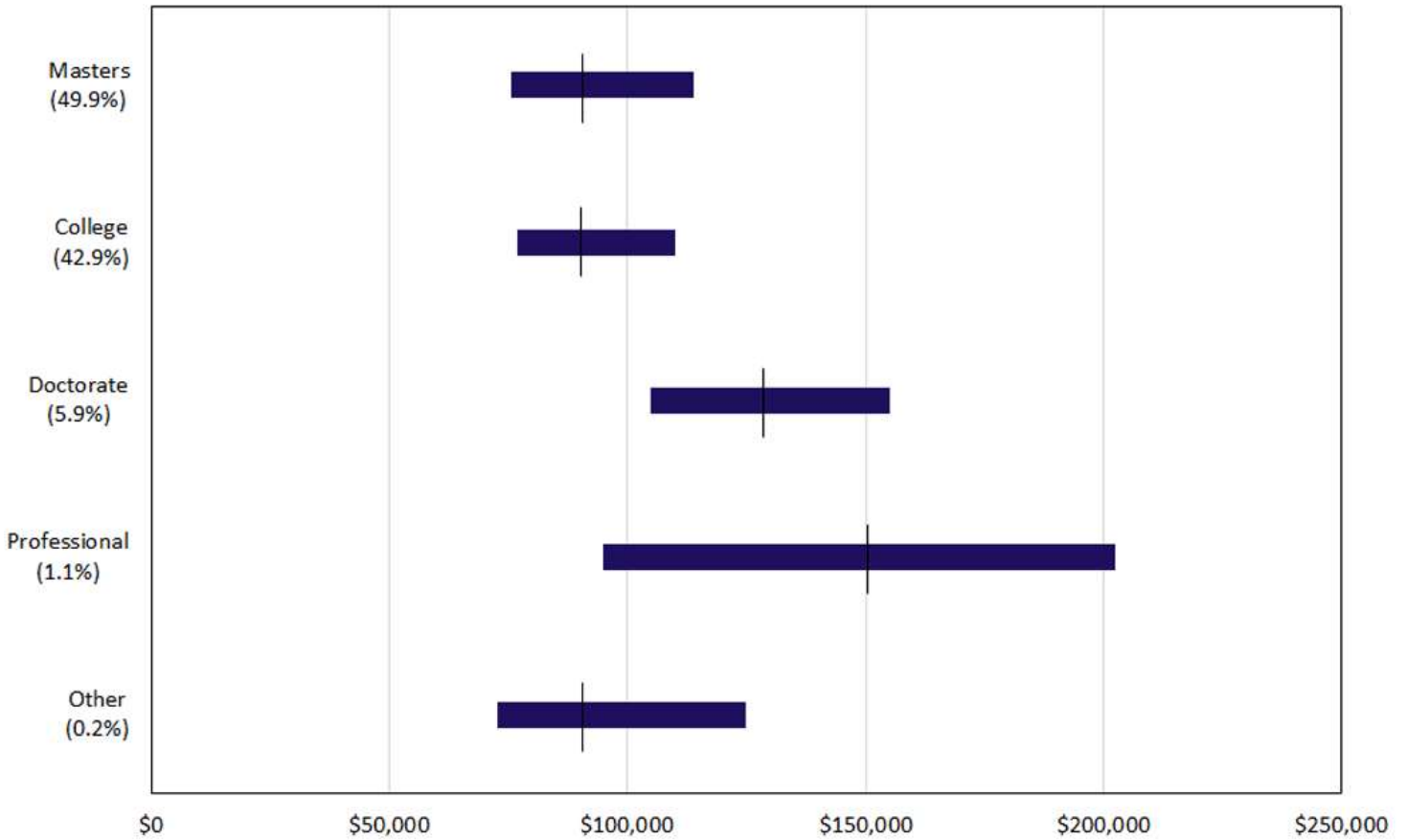
See the 2025 article "[\\$100,000 Per Employee: How the H-1B Visa Fee Could Reshape Work Forces](#)" by Keith Collins, Aaron Krolik and Robert Gebeloff.

Since most H-1B recipients earn below this figure, the policy could significantly cut inflows of skilled immigrants. But the remaining pool would likely shift toward higher-wage, higher-skill workers.

Wages vary sharply by education. As shown in Figure 2a, the median salary is \$150,000 for H-1B workers with professional degrees and \$129,000 for doctorates, well above the overall median. In contrast, most H-1B workers with master's or bachelor's degrees earn less than \$100,000.

Figure 2a: Distribution of Wages Paid

Education



Note: For each category, the bar represents the interquartile range, and the vertical line represents the median. The percentages in the vertical axis categories represent each category's share of visas. Data include all petitions selected in the lotteries held between 2020 and 2023.

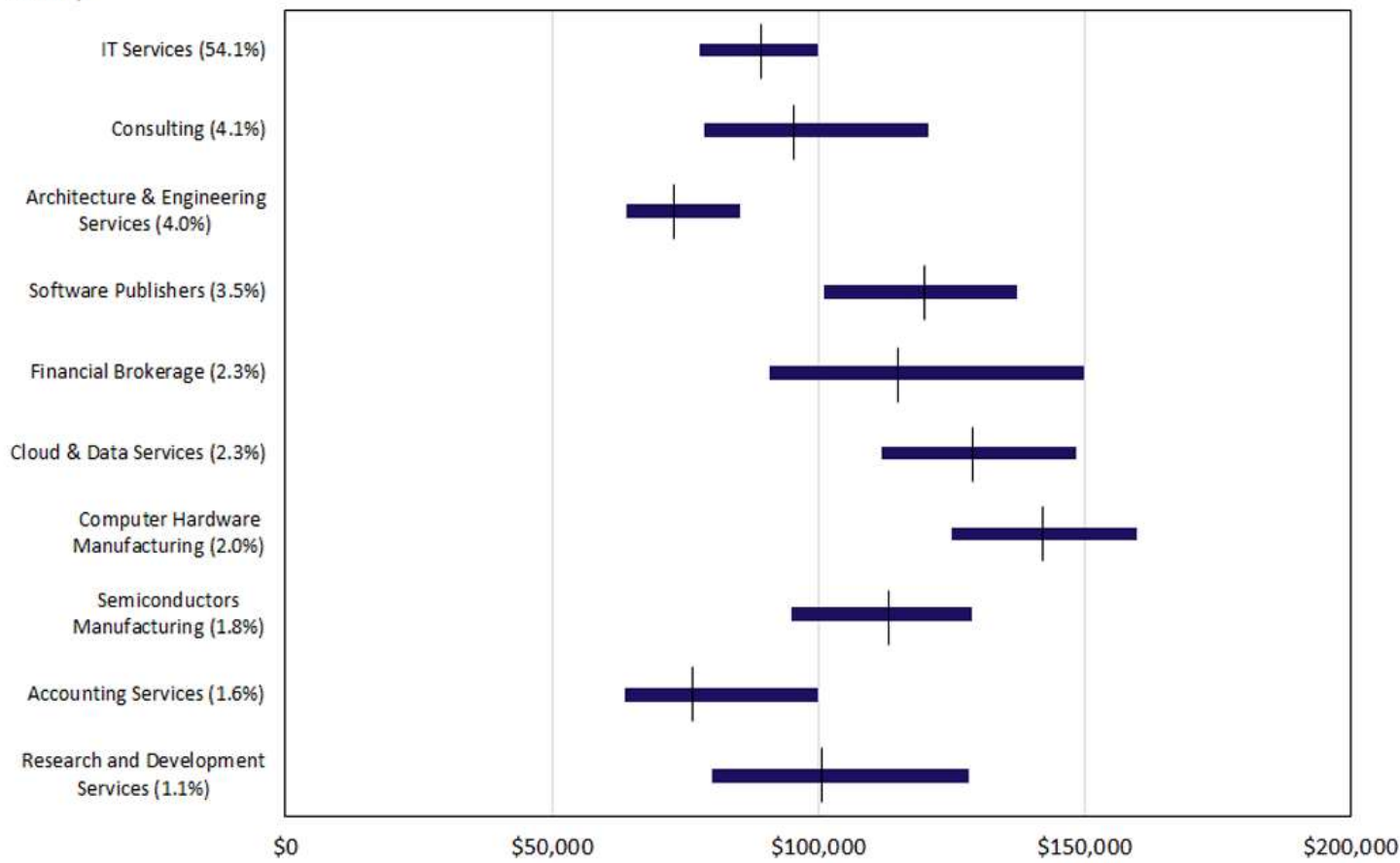
Source: Bloomberg FOIA request and author's calculations.

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Industry differences are also striking. IT services firms account for 54 percent of new H-1B hires (Figure 2b), with higher wages concentrated in software, financial brokerage and advanced manufacturing such as semiconductors and computer hardware. Consulting firms, IT providers and accounting services — which tend to rely on lower-wage H-1Bs — are therefore most vulnerable to the new fee.

Figure 2b: Distribution of Wages Paid

Industry



Note: For each category, the bar represents the interquartile range, and the vertical line represents the median. The percentages in the vertical axis categories represent each category's share of visas. Data include all petitions selected in the lotteries held between 2020 and 2023.

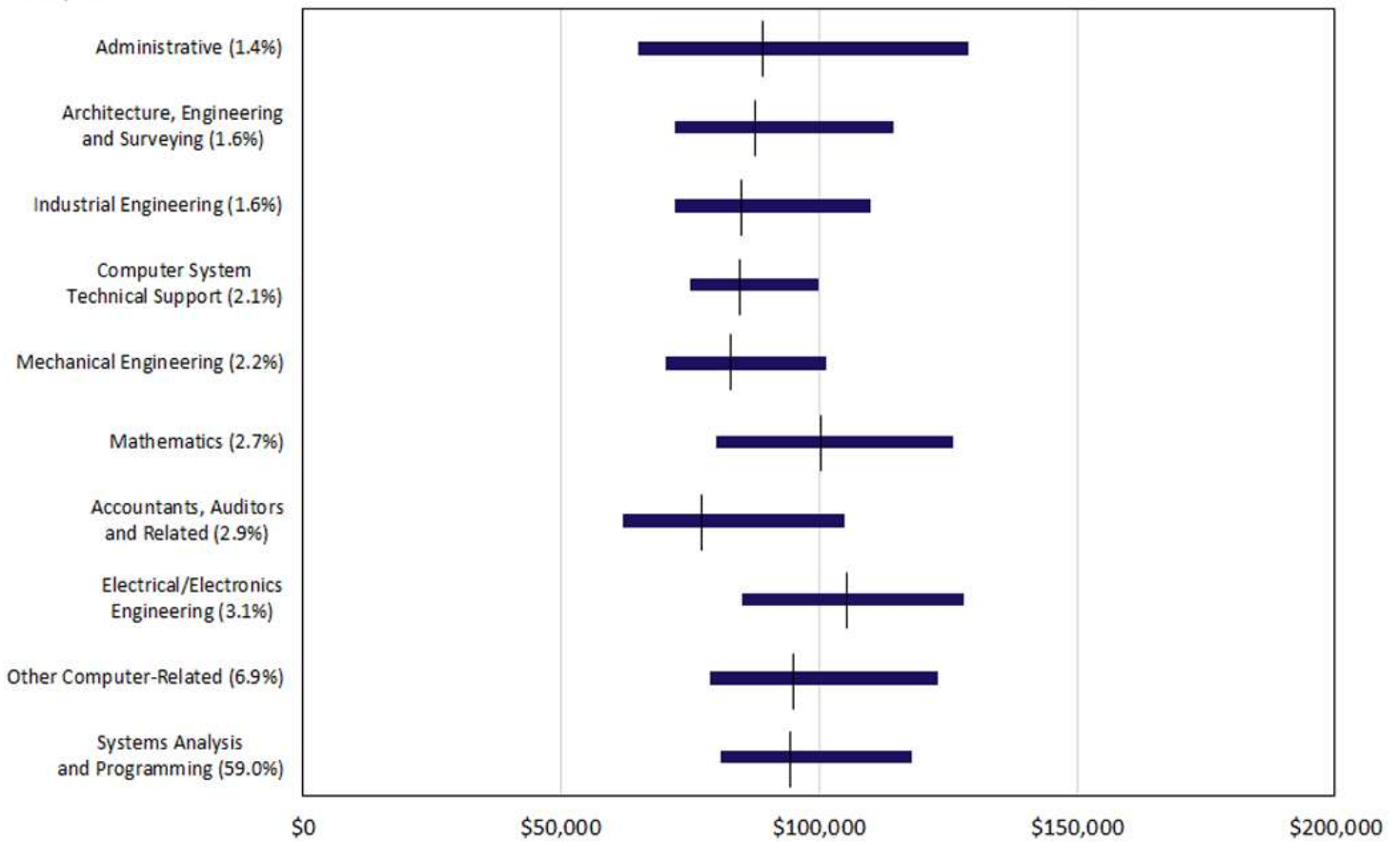
Source: Bloomberg FOIA request and author's calculations.

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Occupational data tell a similar story. As Figure 2c shows, most H-1B positions are in computer science and engineering occupations, meaning that the U.S. supply of these skills could shrink under the new policy.

Figure 2c: Distribution of Wages Paid

Occupation



Note: For each category, the bar represents the interquartile range, and the vertical line represents the median. The percentages in the vertical axis categories represent each category's share of visas. Data include all petitions selected in the lotteries held between 2020 and 2023.

Source: Bloomberg FOIA request and author's calculations.

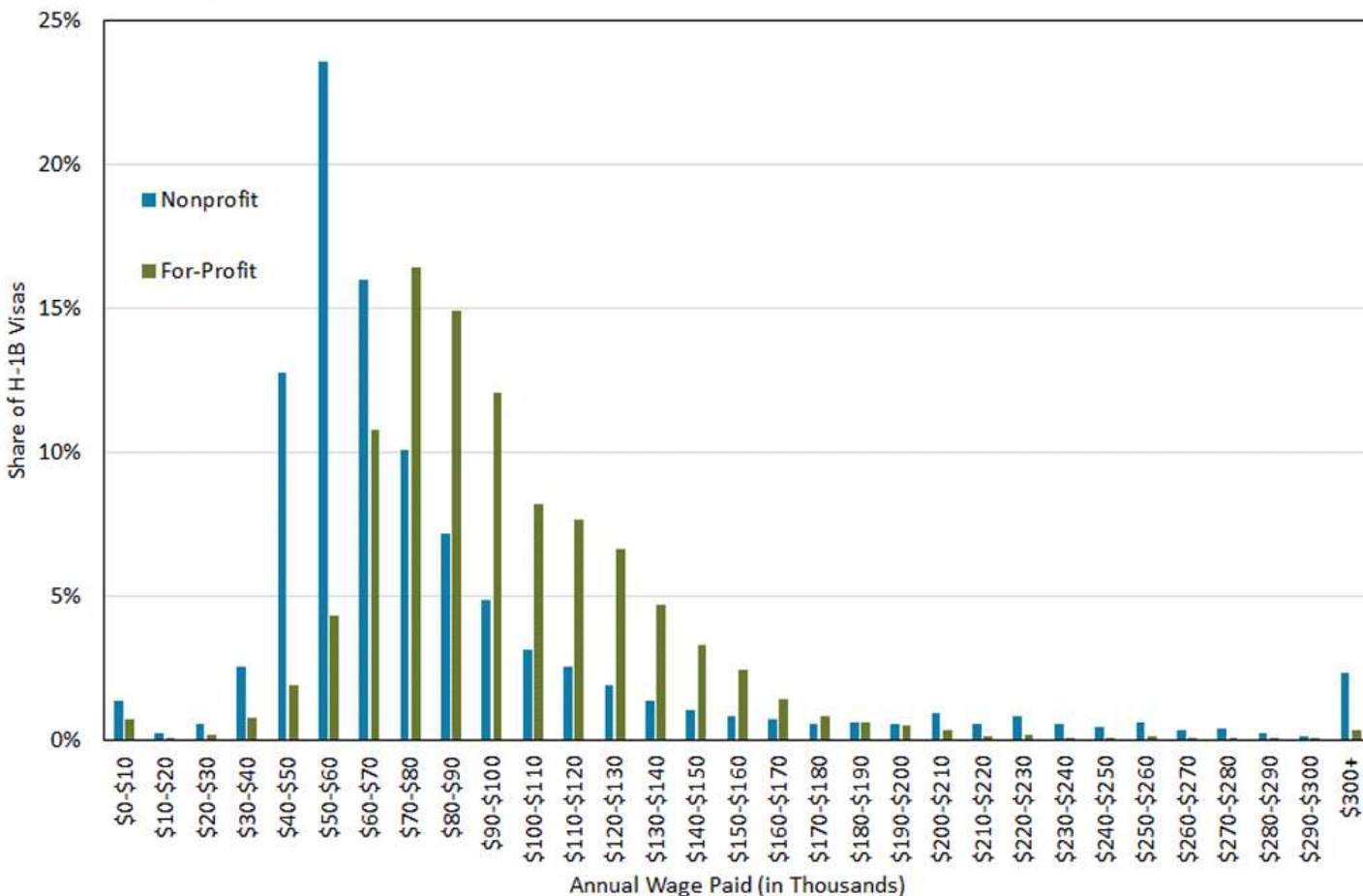
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What About Universities and Nonprofits?

For universities and nonprofits, the consequences could be more severe. Until now, these institutions have been exempt from the lottery, allowing them to hire immigrant workers more easily. If they lose that exemption, the \$100,000 fee would likely hit them hard, as median H-1B wages in the nonprofit sector are just \$64,610, far below private-sector levels (Figure 3).

Even though pay is lower, the workers hired by universities and research institutes often play an outsized role in advancing innovation and academic research. Curtailing their access to H-1Bs could therefore have ripple effects well beyond the nonprofit sector itself.

Figure 3: Distribution of Wages Paid to New H-1B Employees
 For-Profit and Nonprofit Sectors, 2019



Source: Approved H-1B Petitions for New Employment, U.S. Citizenship and Immigration Services.

[Enlarge](#)

Broader Implications for the U.S. Economy

Restricting the H-1B program can have serious consequences for firms. In my 2024 working paper "[The Impact of Immigration on Firms and Workers: Insights From the H-1B Lottery](#)" — co-authored with Parag Mahajan, Kevin Shih, Mingyu Chen and Agostina Brinatti — we show that companies winning the H-1B lottery expand employment and revenues and are more likely to survive in the years after. Crucially, we find no evidence that hiring H-1B workers displaces native college-educated workers. Instead, the biggest winners are small, high-productivity firms, which not only grow faster but also hire more native graduates once they bring in immigrant talent. These firms likely rely on highly specialized skills that are scarce in the local labor market.

At the economy-wide level, restrictions can push production abroad. A 2023 paper finds that when U.S. firms face difficulties hiring H-1Bs, they [increasingly shift operations offshore](#), particularly to India and Canada.³

See the 2023 paper "[How Do Restrictions on High-Skilled Immigration Affect Offshoring? Evidence From the H-1B Program](#)" by Britta Glennon.

Similarly, a 2024 working paper shows that many [skilled workers who fail to secure an H-1B relocate to Canada](#), where they bolster the IT sector.⁴

See the 2023 working paper "[Third-Country Effects of U.S. Immigration Policy](#)," by Agostina Brinatti and Xing Guo.

Together, these studies suggest that tighter immigration rules don't just limit U.S. hiring, but they can also accelerate relocating jobs to other countries.

In my 2025 paper "[High-Skill Migration, Multinational Companies and the Location of Economic Activity](#)," I estimate that a permanent 10 percent reduction in college-educated immigrants — most of whom come through the H-1B program — would lower annual welfare for U.S. natives by about \$2.9 billion. These gains operate through two channels:

- H-1B workers often perform tasks that complement those of native workers, raising demand for natives overall.

- By lowering production costs, immigrant labor reduces prices, which boosts the purchasing power of U.S. consumers.

While native college graduates compete more directly with H-1Bs and may face some wage pressure, these costs are outweighed by the broader benefits immigration creates.

Summary

To sum up, the new H-1B fee is expected to decrease the total number of college-educated immigrants in the U.S. The IT services sector would be the sector most affected by such policy, as most firms pay H-1B workers a lower annual wage than the fee itself. Universities and nonprofit institutions would also struggle to afford such costs if their exemptions are removed. The economic impact of such policy would reduce downward wage pressure for native workers in occupations that use H-1B workers intensively. However, there will likely be economic costs for most American workers.

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