

EXECUTIVE SUMMARY

Aligning High-Skilled Immigration Policy with National Strategy

by Jeremy Neufeld

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Introduction

The United States' innovative edge depends on its ability to draw on the best talent from around the world. However, the laws that govern high-skilled immigration are outdated and misaligned with the needs of today's economy. Specifically, only a small share of green cards are allocated based on skills or employment, and the primary employment-based pathways are constrained by rigid numerical caps and narrow eligibility categories. As a result, temporary visas have become the de facto system for recruiting and retaining high-skilled workers in the US, even though these pathways are not designed to provide long-term employment or residency. Moreover, these temporary visas are also subject to restrictive caps and allocation mechanisms that undermine strategic selection.

In this paper, Jeremy Neufeld outlines the shortcomings of the current high-skill immigration system and offers policy reforms that would advance the United States's ability to attract, select, and retain the world's most promising workers.

Current issues in the United States' high-skilled immigration system

Neufeld's paper begins with a description of the main rules governing high-skilled immigration in the United States. A major theme he advances is that high-skilled immigration is governed by laws and quotas that are decades old, and the system is badly in need of reform.

High-skilled immigration is capped by green-card limits. Each year, the US issues about one million green cards, which offer lawful permanent resident status. Of these visas, only a small share are awarded to individuals selected on the basis of their skills or job offers. The largest classes of immigrants are immediate relatives of US citizens, accounting for 765,000 (or 55 percent) of green cards in 2023, though there is no cap on this class. The US also allocates about 226,000 green cards (15 percent) each year for the immediate families of green-card holders. By contrast, the US issued 197,000 green cards in 2023 across five employment-based categories, but 102,000 of these were awarded to spouses and children, who count against this green-card cap, leaving 95,000 (7 percent of the total issued in 2023) for individuals selected on the basis of their skills or job offers.

These limits are compounded by per-country caps, meaning immigrants face different wait times depending on what country they are from. Wait times for Indian applicants in the EB-2 visa program (for professionals with advanced degrees and those with exceptional ability) now exceeds 100 years. Finally, the overwhelming majority of these employment-based green cards go to people already lawfully present in the United States on another status, usually a temporary work visa like an H-1B. In this way, employment-based green cards are now the primary mechanism by which high-skilled immigrants can stay in the United States, but they are not a means through which new talent enters the country.

High-skilled recruitment starts with temporary visas. US recruitment of high-skilled workers relies on temporary nonimmigrant visa programs as its de facto recruitment system. Such programs include F-1 visas for international education and H1-Bs for workers in specialty occupations. Nonimmigrant status is usually limited in duration and comes with restrictions on the kinds of employment and activities the nonimmigrant can take relative to permanent residency.

Ultimately, this talent pipeline acts as a funnel, accepting far more recruits at the top than there are available green cards at the bottom. At the top, student and exchange visitor programs recruit the overwhelming majority of new talent, with a small share of new talent going directly into employment visas (such as H1-Bs). Transitioning to an H-1B or other program presents the first choke point, with many new graduates who want to stay unable to secure a visa in time. The green card caps impose the final bottleneck.

An outdated system is putting a strain on US strategic competitiveness

Accumulating backlogs are deterring an increasing share of talent from coming to the US in the first place and are reducing retention of the people whom we do manage to recruit. Top researchers, engineers, and entrepreneurs increasingly avoid the US altogether, especially those from China and India. Exacerbating the situation is rising competition from other countries that have seen US complacency as an opportunity to streamline their own systems and recruit talent that the US is increasingly forfeiting. Neufeld outlines four core channels through which the United States' antiquated immigration policies are eroding its competitive edge.

1. ***Recruitment and retention are flagging.*** The US remains a major destination for talent, but there are indications that the attractiveness of the US as a destination for talent is diminishing. For instance, benchmarks like the OECD's Indicators of Talent Attractiveness Index have declined since 2019, and international enrollment in US educational institutions has stagnated since 2016. Retention has been in a long decline, with the share of students with visas requesting another status (such as H-1B) falling by a third since 2007.
2. ***The immigration system is getting less selective.*** The US immigration system prioritizes neither scale nor selectivity, imposing tight numerical caps without effective selection mechanisms, undermining both the quantity and quality of talent admitted.

For example, H-1Bs are allocated by random selection, with caps set well below the number of people who are both eligible and want to immigrate. First, Neufeld observes that the slots that are available are being allocated less and less efficiently: The gap between the average wages promised to the randomly chosen winners of the 85,000 H-1B visas each year and the average wages of the 85,000 applicants with the highest promised wages has risen by 31 percent between 2018 and 2023. Second, the lottery system itself has eroded the quality of the talent pipeline. The low odds of securing an H-1B visa today discourages businesses from using the program to sponsor the most uniquely qualified candidates and instead rewards business models that treat visa petitions as lottery tickets for more-or-less replaceable workers (largely in IT) whom they can contract out to third parties.

3. ***Visa restrictions squander the potential of the immigrants the US does recruit.*** Visa holders are often tied to specific employers and have stringent, work-related restrictions, significantly limiting the labor market mobility of the visa holder. This rigidity significantly restricts innovation and entrepreneurship, preventing immigrants from launching their own companies or commercializing research, for fear of losing their visa, and in turn limiting innovation spillovers that would otherwise benefit the broader economy.

4. ***International competition for talent has heightened.*** Countries such as Canada, Australia, Germany, the United Kingdom, and China have capitalized on America's immigration inertia, implementing proactive, streamlined immigration policies that increasingly attract global talent. The UK has adopted two new visa programs for top talent: the Global Talent visa and the High Potential Individual visa, even as the Labour government is proposing cuts to total immigration. Canada, meanwhile, unveiled a Tech Talent Attraction Strategy that included self-described aggressive moves to poach 10,000 high-skilled immigrants stuck in the backlog in the United States. China actively recruits international and expatriate talent, and President Xi announced to the CCP that the nation's goal is to prove competitive to the US in talent acquisition by 2035.

Aligning policy with national goals

Neufeld proposes a series of policy reforms to restore the United States's ability to attract, select, and retain the world's most promising minds.

The United States should increase the number of green cards available for high-skilled immigrants. The cap of 140,000 employment-based green cards issued each year (with most going not to workers themselves but to their spouses and children) was set in 1990 and no longer aligns with the size and needs of today's economy. Congress should authorize additional green cards for qualified foreign-born experts working in critical emerging-technology fields. Neufeld warns against several popular proposals, including "stapling a green card to every diploma" (which creates incentives for low-quality institutions to proliferate) and eliminating per-country visa caps (improves things for the people currently treated the worst, but only by gumming up the rest of the system).

Merit-based policies should better select from the pool of available talent. The United States must also allocate whatever slots it does have more intelligently, rather than by lottery or on a first-come, first-served basis. The current H-1B lottery should be replaced with a compensation-based allocation. Neufeld estimates that doing so, without changing the number of slots, is estimated to increase the economic value of

the program by 88 percent over ten years by raising the quality of the cohorts receiving visas.

Adopt a points-based system for green cards. Neufeld proposes the creation of a points-based green-card system. Applicants would be scored based on education, salary, job offers, language skills, and other indicators of likely success. Visas would be awarded to those with the highest scores, taking an economically strategic approach to immigrant selection and ensuring that the US receives the highest-quality talent.

Shift from passive to proactive talent recruitment. The current system of decentralized recruitment has allowed the United States to make use of the diffuse networks of its employers, universities, and other institutions, but relying almost exclusively on these organizations has let their interests dictate immigrant selection (for instance, if foreign-born students are able to pay full tuition). The US government should step in to proactively identify and recruit talent, as it did at the end of World War II. Talent scouts at the State Department and Department of Defense could experiment with identifying and recruiting winners of math and science olympiads, winners of scientific prizes, budding entrepreneurs, and top young scientists.

ABOUT THE AUTHOR

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Jeremy Neufeld is the Director of Immigration Policy at the Institute for Progress. Previously, he was an immigration policy analyst at the Niskanen Center. His work has been cited in numerous outlets including the Wall Street Journal, Washington Post, and Bloomberg. He graduated with a B.S. in economics from the University of Maryland, College Park.

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