

Buy American, Hire American (BAHA) Executive Order: J-1 Exchange Visitor Program Under Attack

OVERVIEW

On April 18, 2017, President Trump signed a [“Buy American, Hire American” Executive Order \(EO\)](#). The EO is focused on strengthening the “Buy American” policies of the U.S. government, which includes reforming the H-1B skilled worker visa program. While Department of State J1 visa international exchange programs were never specifically mentioned in the EO, multiple sources are now reporting that senior White House staff are discussing changes, cuts, or complete elimination of a number of privately-funded J1 exchange programs, including the [Summer Work Travel \(SWT\), Intern, Trainee, Camp Counselor and Au Pair](#) programs.

IMPLICATIONS

Diplomacy & Security:

J-1 international cultural exchange programs make up the core of our nation’s people-to-people diplomacy. These programs were created as part of the Mutual Educational and Cultural Exchange Act of 1961, Senator William Fulbright’s landmark legislation to engage and influence future leaders around the world. The programs are supported and regulated by Department of State.

J-1 programs create connections to the global leaders and partners of tomorrow. Businesses develop relationships with young people from 200 countries around the world who come to better understand American culture and how to do business in the United States. According to a recent report, 76 percent of SWT participants have a higher overall regard for the United States after the program – a statistic that is consistent with State Department reports of cultural exchange programs. Preserving them will benefit American businesses, the economy, and the country’s image worldwide at a time when the U.S. favorability rating worldwide is below 50 percent.

These programs also have broad bipartisan and overwhelming business support. In recent letters to Secretary of State Tillerson, Members of Congress—17 in the U.S. Senate and 33 in the House of Representatives—urged him to oppose making changes to the J-1 program.

Presidents Ronald Reagan, George W. Bush, and Barack Obama all made these programs hallmarks of their administrations. In fact, President Bush dramatically increased cultural exchange programs in response to the September 11 attacks as a way to increase mutual

understanding globally.

Businesses and families:

Eliminating J-1 exchange programs—which are privately funded and operate at no cost to the American taxpayer—would seriously damage many companies’ abilities to do business, especially in terms of expanding into new international markets and training American staff in international markets. Making changes—such as limiting the program’s scope to only countries that allow reciprocal exchange programs—would be devastating. Exchange students from 200 countries currently participate in J-1 programs. Limiting the scope to the five countries for which formal reciprocal SWT exchanges exist—including Australia, Ireland, New Zealand, Singapore, and South Korea—means compromising the spirit of people-to-people diplomacy and running afoul of the 1961 Act.

In addition, seasonal businesses and camps would be economically devastated without the influx of J1 participants during peak seasons. Many would be forced to reduce hours of operation due to a lack of employees, resulting in the shutdown of portions of their businesses, and ultimately, the laying-off of year-round American employees due to lost revenue. Further, American families who host international au pairs would lose a culturally valuable source of child care, including the ability to teach their children language and intercultural skills at a young age.

Economic Contributions:

J-1 participants serve to supplement American workers rather than displace them. With this additional temporary support, companies, camps and other organizations can increase their services and capital expenditures, allowing them to grow their businesses and, ultimately, their permanent workforce. In fact, results from a recent report show that 51 percent of employers cite labor shortages and lack of available American staff as their most important reasons for participating in the Summer Work Travel program.

The report also shows that 97 percent of employers said they have more seasonal jobs than they can fill, even after hiring as many Americans as possible and J1 Summer Work Travel students too. This shortage of labor is being greatly exacerbated by record low unemployment, with 50 percent of the country falling under 4 percent. As a result, the ability to find enough workers to fill seasonal positions has been greatly impeded. Through program fees, travel, housing, and entertainment, furthermore, it is estimated that J1 SWT students contribute more than \$500 million into the U.S. economy each year.

PROGRAM FACTS

Wages:

Summer Work Travel students are paid the exact same wage as their American co-workers. This is enforced by Department of State regulation.

Au pairs are paid a federally-mandated minimum stipend and are prohibited by federal regulation from working more than 45 hours per week.

International camp counselors are paid the exact same as their American counterparts. International counselors work side-by-side with American counselors, doing the same tasks and working the same schedules.

Trainees and interns are covered by the same federal, state, and local labor laws as their American colleagues, including collective bargaining protections and compensation requirements as required under the Fair Labor Standards Act (FLSA). They also benefit from Occupational Safety and Health Act (OSHA) safeguards.

Taxes:

J-1 program hosts make cultural exchange and regulatory compliance investments that far outweigh any tax savings. Host employers and families absorb extra costs related to hosting, including (but not limited to): organizing cultural activities, assisting with housing and transportation, and providing orientation and training.

FICA tax goes to Medicaid, and payroll tax (or FUTA) goes to unemployment benefits—both of which J-1 participants cannot collect. Since non-immigrant, non-citizens who are temporarily in the U.S.—like J-1 participants— cannot collect Social Security or Medicare benefits, U.S. tax law exempts them from making Social Security and Medicare contributions. But J1 participants still pay federal, state, and local taxes.

Oversight:

All J-1 exchange programs are highly regulated, governed by a detailed set of Department of State regulations. Sponsors screen and vet all hosts employers and families, and provide participants support services throughout their time in the U.S. The Department engages in robust compliance activity, and sponsors who violate regulations can be sanctioned or have their designation revoked. All J-1 program sponsors must be re-designated to administer their programs every two years.

As an example of regulatory activity, the Summer Work Travel program regulations have been continually reviewed and improved over the past seven years. SWT has had three major regulatory updates since 2011, with a fourth pending in 2017. All sponsors agree that these regulatory changes have raised program operations to a high common standard. Satisfaction reports verify this. A just-released study notes that 91 percent of alumni since 2013 were very happy with their SWT experience. 94 percent said they would recommend the program to their friends. 91 percent of host employers said they were happy with their participation in the program. And 91 percent said they would recommend the program to their fellow business owners.