National Foundation for American Policy

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New Research: Foreign Born Scientists and Engineers Important to U.S. Competitiveness; Study Finds Concerns about H-1B Abuse and Outsourcing Overstated; U.S. IT Workers Doing Well

Arlington, Va. – As the U.S. Senate begins debate on a sweeping immigration reform bill, the National Foundation for American Policy (NFAP), an Arlington, Va.-based policy research group, has released a new comprehensive study on H-1B visas – the visas that are essentially the only avenue for international students and researchers and engineers from abroad to work in the United States.

The study "H-1Bs, Outsourcing, Enforcement and U.S. Workers" can be found on the NFAP website at www.nfap.com.

The research shows H-1B visa holders are highly skilled, with 57 percent of new H-1B professionals in 2006 having earned a master's degree or higher, according to the Department of Homeland Security.

H-1B professionals fill key niches in the U.S. labor market and enhance the ability of U.S. companies to compete globally for talent and markets, the study finds. H-1B visa holders keep jobs and innovations inside the United States and, the evidence indicates, do not lead to the loss of U.S. jobs. When companies recruit, often on college campuses, they find qualified Americans and many foreign nationals. In 2005, U.S. universities awarded 55 percent of Masters degrees and 67 percent of PhDs in electrical engineering to foreign nationals, according to the American Association of Engineering Societies.

Congress has not increased the annual H-1B cap (of 65,000 with some cap exemptions) for years, resulting in companies exhausting the supply of visas before even the start of the past four fiscal years. This has caused firms to go without needed skilled professionals or being forced to hire individuals outside the United States or risk losing them to foreign competitors. H-1Bs are temporary visas, good generally for 6 years. To stay permanently H-1B visa holders must be sponsored for green cards, which have waits of 5 years or longer due to inadequate quotas.

The NFAP study found no evidence of increased H-1B abuses, as some have alleged. In examining DOL enforcement data, the analysis found modest problems that are being addressed through agency enforcement. In fact, the back wages owed to H-1B employees via enforcement actions actually declined from FY 2005 to FY 2006, covering only $4.6 million in back wages, a small total in the context of an economy with a GDP of over $12 trillion. In DOL investigations, approximately 90 percent of cases are found to be paperwork offenses or misread employer obligations, not "willful" violations, and of these dozen or so willful violations each year none have been committed by companies with household names.

The study found that a bill (S. 1035) sponsored by Senators Richard Durbin (D-IL) and Charles Grassley (R-IA) contains a number of measures so extreme it will render H-1B visas virtually unusable for many employers. This is important because amendments containing parts of S. 1035 are likely to be offered to the immigration bill currently under consideration in the Senate. S. 1035 would essentially force high tech company hiring and recruitment practices to adhere to

Department of Labor requirements, stifling both innovation and the search for talent. While supporters of S. 1035 claim they are trying to protect H-1B visa holders from abuse, the group Immigration Voice, whose membership consists of current H-1B visa holders, has stated the measures would "make it virtually impossible for employees to seek new jobs if they are on H-1B visas because of all the conditions and strings imposed on filing H-1B petitions."

Some have argued that certain companies are using H-1B visas as part of an effort to "outsource" jobs from the United States.

"It is ironic to be concerned about 'outsourcing' in the context of H-1Bs, since denying all companies access to talented foreign-born professionals here in America due to a lack of H-1B visas likely does more to encourage U.S. employers to build up human resources overseas than any other U.S. policy," said Stuart Anderson, Executive Director, National Foundation for American Policy. "Companies inevitably will follow the talent."

The 10 companies most cited as allegedly using up most of the H-1B visas and causing the "outsourcing" of U.S. jobs to India or elsewhere actually used less than 14 percent of new H-1B petitions approved in 2006 for initial employment, according to U.S. Citizenship and Immigration Services data obtained by the National Foundation for American Policy. Moreover, the new H-1B professionals hired in 2006 by these global companies totaled fewer than 15,000, representing 0.01 percent of the U.S. labor force and less than 4 percent of the approximately 440,000 people employed by these 10 companies worldwide. The study concludes that such a small number and proportion of employees are not leading to a loss of large numbers of American jobs, particularly within the context of a U.S. economy producing employment for over 145 million people.

Since 2003, the number of net new jobs in America has increased by over 8 million, according to the Department of Labor. The Bureau of Labor Statistics projects growth of 100,000 jobs a year in computer and math science occupations between 2004 and 2014, the highest of all white collar professional categories. From 1950 to 2000, employment in science and engineering occupations grew from fewer than 200,000 to about 4.8 million workers, according to the National Science Foundation.

Among the other findings in the study:

U.S. IT Professionals Doing Well Economically. U.S. professionals in information technology (IT) are doing well economically and are among the best-compensated workers in the world. "Software engineers have the best jobs in America," according to a 2006 *Money* magazine survey. American professionals in "computer and mathematical" occupations are at virtual full employment, with a low annual unemployment rate of 2.4 percent in 2006. U.S. salaries in computer and math occupations increased by 2.4% between May 2004 and May 2005.

Low Rate and Number of Unemployed Programmers. The current low unemployment rate of 2.8 percent in the category of programmers means fewer than an estimated 17,000 computer programmers nationwide are unemployed, with the vast majority facing "frictional" unemployment, simply between jobs, or located in the wrong geographic area or possessing the wrong skill set. There is no evidence this rate would be lower even if the U.S. stopped the entry of all H-1B professionals.

Proportion of New H-1Bs in U.S. Labor Force. New H-1B professionals accounted for only 0.07 percent of the U.S. labor force in 2006.

Impact on U.S. Professionals. There is little evidence native information technology (IT) workers are harmed by the entry of H-1B professionals. A study by Madeline Zavodny, a research economist at the Federal Reserve Bank of Atlanta, concluded, "None of the results suggest that an influx of H-1Bs . . . lower contemporaneous average earnings. Indeed, many of the results indicate a positive, statistically significant relationship." This would mean H-1B employment is

actually associated with better job conditions for natives because H-1B professionals are complementary to native professionals.

Companies Paying $300 Million to Fund Anti-Fraud Efforts. In the past two years, to combat potential fraud in H-1B and L-1 visas companies have paid more than $300 million in government-imposed fees to fund a State Department/DOL/DHS effort.

Back Wages Owed Are Small. DOL investigations found back wages were owed to less than 1 percent (0.28 percent) of the individuals who received H-1B status between FY 1999 and FY 2002. In examining all DOL final agency actions of alleged abuse between 1992 and 2004, the average amount of back wages owed to an H-1B employee was only $5,919 – that is about the amount of money U.S. employers typically pay in H-1B legal and government-imposed fees, undermining claims of significant abuse and vast underpayment.

The Market Has Determined the Use of H-1B visas. When Congress raised the limit to 195,000 a year in FY 2002 and 2003, in both years fewer than 80,000 visas were issued against the cap, leaving 230,000 H-1B visas unused in those two years. Firms did not hire more H-1Bs just because the cap was higher. If, as critics allege, companies saved money because hiring H-1Bs is cheaper, then businesses should have used more H-1Bs when the economy worsened in 2002 and 2003, not fewer, as the data show.

Companies Would Send All Work Abroad If Only Wages Mattered. It is offensive (and incorrect) to argue, as some do, that the only reason a U.S. company would hire a foreign-born scientist or engineer is because he or she will work more cheaply. The National Science Foundation and other sources show foreign-born scientists and engineers are paid as much or more as their native counterparts. If companies simply wanted to obtain services based only on wages, then U.S. companies would move all of their work outside the United States, since the median salary for a computer software engineer is $7,273 in Bangalore and $5,244 in Bombay, compared to $60,000 in Boston and $65,000 in New York, according to the Seattle-based market research firm PayScale (2006).

H-1B Visa Holders Possess Labor Mobility. It is not true that H-1B visa holders are "indentured servants." In fact, they change companies frequently and Congress made it easier for those in H-1B status to change jobs by allowing movement to another employer before all paperwork is completed. Data from the Department of Homeland Security show that in FY 2005 more H-1B applications were approved for "continuing" employment than for initial employment. While continuing employment also includes H-1B professionals receiving an "extension" to stay at the same employer for an additional three years, anecdotal evidence indicates most "continuing" employment involves an H-1B visa holder changing to a new employer. To the extent H-1B visa holders are reluctant to change jobs after beginning an application for a green card, the solution is to provide more employment-based immigrant visas and eliminate the current backlog.

U.S. Companies Spend Billions to Support Education. Though some argue companies should not be permitted to hire international students and other foreign nationals on skilled visas unless they do more to support U.S. education, U.S. businesses pay over $91 billion a year in state and local taxes directed toward public education, while the mandated scholarship and training fees U.S. companies now pay for each H-1B professional hired are approaching $2 billion since 1999. These fees have funded more than 40,000 scholarships for U.S. students in math and science through the National Science Foundation, hands-on science programs for 80,000 middle and high school students and 3,700 teachers, and training for more than 55,000 U.S. workers and professionals. In addition, many companies and company foundations already make education a central part of their community outreach and philanthropy.

Green Cards Not a Substitute for H-1Bs. Those who argue we should increase green cards but not H-1B visas present a false choice. It is perfectly legitimate for companies to hire individuals on

H-1B visas as either a pathway to a green card or for short-term assignments, as has been done historically, just like Americans often go to other countries to work on a temporary basis.

About the National Foundation for American Policy
Established in the Fall 2003, the National Foundation for American Policy (NFAP) is a 501(c)(3) non-profit, non-partisan public policy research organization based in Arlington, Virginia focusing on trade, immigration and related issues. The Advisory Board members include Columbia University economist Jagdish Bhagwati, Ohio University economist Richard Vedder and other prominent individuals. Over the past 24 months, NFAP's research has been written about in the Wall Street Journal, the New York Times, the Washington Post, and other major media outlets. The organization's reports can be found at www.nfap.com.