

Myths and Facts: Displacement of Workers & Downward Pressure on Wages¹

NUMBERS: Opponents of a more robust H-1B program declare that immigrant workers, particularly high skill workers, displace U.S. workers and drive down the wages of those workers. In many areas of the country, however, businesses are encountering something quite different: that there simply are not enough qualified, high skill U.S. workers to fill the needs of U.S. employers. High skill foreign professionals are therefore essential in filling these needs and complementing the native born workforce.

- 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.
- Research by Paul E. Harrington, associate director of the Center for Labor Market Studies at Northeastern University, shows foreign-born and native professionals earn virtually identical salaries in math and science fields.
- Between 2003 and 2006, salaries in math and computer occupations increased by 9.5%, slightly more than the 8.2% for all occupations. Salaries for computer and information scientists increased 14.1% over the same 3 years.
- 57 percent of new H-1B professionals have earned a master’s degree or higher. Companies find that foreign nationals account for 50 to 80 percent of advanced degree candidates in science and engineering disciplines at leading American universities.
- In an apparent effort to discredit the use of visas to hire foreign nationals in general, in 2007 critics started arguing that most H-1B visas are used by companies headquartered in India and that this deprives U.S. companies of the visas. However, USCIS data indicates that the 10 “outsourcing” companies cited most by critics used less than 14 percent of new H-1B petitions approved in 2006 for initial employment.
- 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. Given this relatively small number and proportion of employees, it is hard to argue that they are 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.

¹ *Driving Jobs & Innovation Offshore: The Impact of High Skill Immigration Restrictions on America*, by the National Foundation for American Policy, Dec. 2007 (<http://www.nfap.com/pdf/071206study.pdf>); *H-1B Visas, Enforcement, Outsourcing & US Workers: An H-1B Primer*, by the National Foundation for American Policy, May. 2007 (<http://www.nfap.com/pdf/0507h1Bstudy.pdf>); *H-1B Professionals & Wages: Setting the Record Straight*, by the National Foundation for American Policy, March 2006 (http://www.competeamerica.org/resource/bibliography/nfap_policy_brief_h1b.pdf).

IMPACT: Studies show that high skill immigrants exact a positive net effect on native workers.

- Companies generally pay approximately \$6,000 in legal and government-imposed fees when hiring an H-1B visa holder (and up to \$10,000 more to sponsor an individual for permanent residence). Even among the relatively small number of employers where suspicion of abuse has been present the average underpayments owed to H-1B workers have turned out to be relatively small. In examining all DOL final agency actions between 1992 and 2004, one finds the average amount of back wages owed to an H-1B employee was \$5,919.
- The unemployment rate for those in math and computer occupations is at 2.8 percent, compared to 4.7 percent nationally. This is virtually full employment, with those seeking work primarily between jobs, located in the wrong geographic region, or possessing the wrong skill set. This low unemployment rate is indicative, along with the demand for H-1B visas, of the demand for technology professionals in non-IT businesses that need to utilize information technology (IT), as well as in more traditional technology firms.
- A recent study by Madeline Zavodny,² 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.”
- According to Zavodny’s study, in fact, 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.

NECESSITY: While high skill professionals—teachers, doctors, engineers, professors, lawyers, physical therapists, and computer professionals, among others—comprise less than one-tenth of one percent of the U.S. workforce, they are necessary, irreplaceable components of our country’s preeminence in a variety of scientific and technical fields, competitiveness in the global market, and overall prosperity.

- For 12 months at a time during each of the past four fiscal years, no new H-1Bs could enter the U.S. labor market because the annual quota had been reached before the year started.
- Employers snapped up all H-1B visas the first day applications were submitted for FY 2008, turning foreign professionals away and leaving U.S. employers without the talent they need to fill jobs.
- If the arbitrary cap continues to prevent U.S. employers from hiring H-1Bs, we will see a disturbing trend continue—foreign professionals turned away from here and going abroad to work for our competitors, often taking with them knowledge, experience and expertise gained while studying or training in the U.S.
- The end result—an undesirable result that is fast approaching—is that U.S. preeminence in a variety of scientific and technical fields, competitiveness in the global market, and overall prosperity will suffer.

² “*The H-1B Program and Its Effects on Information Technology Workers*,” by Madeline Zavodny, Federal Reserve Bank of Atlanta, *Economic Review*, Third Quarter 2003.