

# How Widespread Is the Use of the H-1B Visa for Reducing Labor Costs?

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Full, updated paper at <http://heather.cs.ucdavis.edu/SELabor.pdf>.

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- New view (Sen. Schumer, Rep. Lofgren):
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  - But the abusers are the Indian-owned firms, not the American ones.



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- Loopholes in H-1B no different from loopholes in tax code—aggressively exploited.
- Statistical analyses showing that U.S. firms are keenly aware of the loopholes and definitely make use of them.

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Key to Type I savings: Loopholes in the legal definition of prevailing wage.

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- Employer must also pay "actual wage," but loopholes there too.

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Wide variation in skills pay, e.g. in programming languages:

language	mean wage
JDBC	\$97,000
Perl	\$94,000
Python	\$90,000
C#	\$86,000
Visual Basic	\$78,000

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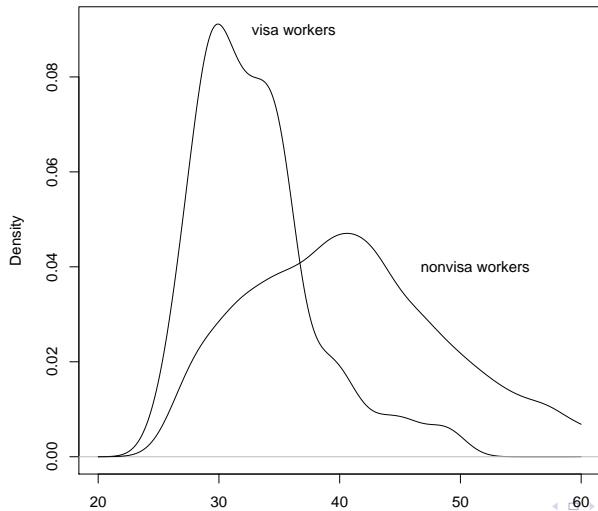
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**Type II savings form the core attraction of H-1B to employers—the H-1Bs are young, so Type II savings are often larger than Type I.**

# H-1Bs Are Young



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- Sun Microsystems admitted: Retraining is NOT the solution.

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- Data showing that mainstream employers know the loopholes and use them.
- Data showing that most mainstream employers pay *only* the prevailing wage (shown earlier to be undervalued).

# Regression Analysis

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const.	21164 $\pm$ 37881	no
age	1342 $\pm$ 1336	yes
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**Former student visa holders underpaid. Yet, hired by mainstream, not bodyshops.**



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H-1B and employer-sponsored green card law is riddled with loopholes.

Mainstream U.S. firms know and **use even the minor loopholes.**

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- Before 2005, it was legal to pay 5% below prevailing wage.
- Very minor loophole, yielding only small savings.
- But we can use it to show that mainstream American firms do know and use the loopholes. (The bodyshops rarely sponsor for green cards.)

## Loophole Usage, contd.

From PERM data, 2001-2004; look at software engineers (se) and electrical engineers (ee); for individual firms, both se and ee:

group	% of cases < prev wg
all se	33.1%
all ee	34.6%
Cisco	50.5%
Intel	25.0%
Microsoft	10.2%
Motorola	14.6%
Oracle	20.2%
Qualcomm	70.9%

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*Beware:* Different firms use different sources for prevailing wage.

The interfirm variation may not be meaningful.

## More PERM Analysis: Post-2004

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**Half of the green card sponsorees were paid *only* the prevailing wage, thus paid below-market rates. Since the bodyshops rarely sponsor for green card, once again see abuse is commonplace among mainstream U.S. firms.**

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