Impact of Employer-Sponsored Tech Immigrants on the U.S.

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The Changing Face of America: Going Beyond the Rhetoric on Immigration
November 15, 2010
The Issues

H-1B work visa, employer-sponsored green cards. (I'll refer to all these workers as simply "H-1Bs" for brevity.) Employers claim hire H-1Bs due to shortage, need for "best and brightest." Critics (including me) say it's really about cheap labor.
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- Don’t demonize the Indian “body shops.” The big mainstream U.S. firms are just as culpable, including in hiring foreign students from U.S. campuses.
H-1Bs As Cheap Labor

Type I: Paying H-1Bs less than comparable Americans.

Type II: Hiring younger (less expensive) H-1Bs instead of older (more expensive) Americans.
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Cheap Labor, cont’d.

Type I wage savings: Legal prevailing wage defined by the job, not the worker. E.g. can a Master’s worker for a Bachelor’s price. DOL prevailing wages don’t account for “hot” skill sets, which add about 15% to wages in the open labor market. Type I underpayment has been found to range from 15-20% (Matloff, 2003) to 33% (Ong, 1997). NRC, GAO surveys found that many employers admitted that they pay H-1Bs less than Americans. And GAO pointed out that they do this LEGALLY. Huge statistical pitfalls lurk here. Beware of badly flawed studies on BOTH sides of this issue, e.g. Zavodny, Mithas/Lucas, Tambe/Hitt. Lure of a green card is a nonmonetary form of compensation, just like, say, a shorter commute for you and me. Thus many will accept lower pay.
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- Again, fully legal.
The PhD Issue

1989 NSF position paper: "PhD salaries too high."
"We'll bring down salaries by flooding the market with foreign workers."
"Yes, the stagnant salaries will drive away domestic students from PhD programs, but well, OK."

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Some H-1Bs really ARE outstanding talents. We should facilitate their immigration (and I have).

But most are NOT in the “best and brightest” league. Foreign PhD students disproportionately concentrated in lower-ranking programs.

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Adverse Impacts

Cheap labor, size of tech H-1B population, reduce wage growth. Even more importantly, H-1B labor pool reduces job opportunities for Americans, especially those over 35. Tech, especially PhD, becomes less attractive to American students. The shortness of careers is especially unattractive. Loss of U.S. capacity to innovate (next slide).
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