

# H-1B Reform: Fix the Real Problems, Instead of Scapegoating the Indians

Norm Matloff  
University of California at Davis

The Changing Face of Immigration  
UC Berkeley, November 16, 2011

Slides at <http://heather.cs.ucdavis.edu/UCB2011.pdf> (see  
last slide).

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- What, then, SHOULD be done?

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- “Wow, those software developers must be geniuses!”
- “Johnnie can’t do math, but Jia Ni can!”
- Negative stereotyping of Third World cultures as “cheaters.”

## Definitions for This Talk

- H-1B: the H-1B work visa program
- green cards: employer-sponsored permanent residency
- American: U.S. citizen or permanent resident (no race of nativity status implied)

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- I know the H-1Bs as people, not as numbers:
  - speak 中文
  - active in Chinese immigrant community
  - know many current and former H-1Bs personally

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- Zavodny (2003) (pro-H-1B)
- Mithas and Lucas (2010) (pro-H-1B)
- Tambe and Hitt (2009) (critical of H-1B)

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- GAO 2003 employer survey: “Some employers [paid H-1Bs less than Americans]...[but] these employers said they never paid H-1B workers less than the [legally] required wage.” So, legal wage is below the market wage.

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- No one would be surprised to hear that Intel *et al* use loopholes in the tax code. Immigration code is the same.

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- **Thus abuse of H-1B is widespread among mainstream U.S. firms, NOT just the Indian firms.**

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- Schumer bill, 2010, employed similar scapegoating. Indians and Indian-Americans angry, charge discrimination (*Wash. Post*, 7/27/10).
- Worse, these bills don't fix the real problem, the loopholes that allow both U.S. and Indian firms to underpay the H-1Bs.

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- No, it is usually NOT because older Americans don't have up-to-date skills. See backup slides for examples of BofA (Americans forced to train H-1B replacements), ITAA (employers don't want to pay market rate for up-to-date skills) etc.

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  - “The half-life of an engineer, software or hardware, is only a few years,” former Intel CEO Craig Barrett

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- Hence the many “staple a green card” bills now in Congress.

## Key Special Case: Foreign Grad Students (MS, PhD) at U.S. Universities

- Mainstream U.S. firms say:
  - “We hire foreign grad students from U.S. campuses, and the Indian firms don’t. So, we don’t abuse the H-1B program (and the Indians do).”
  - “We must hire H-1Bs, because 50% of the engineering doctorates in the U.S. are awarded to foreign students.”
- Hence the many “staple a green card” bills now in Congress.
- What is the real situation?

## Foreign Grad Students (cont'd.)

- No shortage of MS/PhDs.

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- Foreign CS MS/PhD same talent level (awards, patents, R&D) as Americans, NOT greater; Matloff (2011).

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- “Between 2003 and 2006 the percentage of graduates from MIT going into financial services rose...to almost 25%...Financial firms offer considerably higher pay, better career prospects and insulation against off-shoring...” —*Forbes Mag.*, 4/13/11.

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- My proposal: Instead of “staple a green card,” grant automatic green card to any “best and brightest” foreign worker—one with U.S. job offer at 90<sup>th</sup> percentile.

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# Slides Went by Too Quickly?

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Futher topics in backup slides, after this one.

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# Skill Sets

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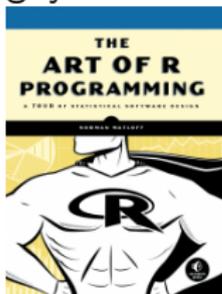
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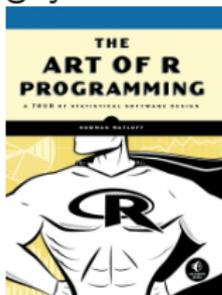
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- If the H-1Bs do have the “hot” skills, why aren’t they paid above average?

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# Skill Sets Case Study

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*Training employees [in new IT skills]...creates other issues. "You take a \$45,000 asset, spend some time and money training him, and suddenly he's turned into an \$80,000 asset," says Mary Kay Cosmetics CIO Trey Bradley." ...[The newly-upgraded workers] become highly marketable individuals and, therefore, are attractive to other employers.*

**So it's not a skills issue; it's a money issue.** Ms. Bradley doesn't want to pay that \$80K.

## There Is No Tech Labor Shortage

- Wadhwa studies (e.g. asking HR about hiring bonuses)
- Dice.com, 2011: tech wages up only 1% in 2010
- *SJ Merc News*, 2011: Silicon Valley wages up only 3% since 2009
- NACE, 2011: wages for new CS grads up only 3% from last year
- Carnevale, 2011: engineering wages rising the slowest of any group
- House testimony by TI, 2011: there ARE enough students who get Bachelor's degrees in engineering

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We should keep the top foreign talents, not the mediocre ones. Research by UCB professor Saxenian shows that even if they stay, they still help companies back home compete with us (through consulting, investment, etc.). We should make sure we do NOT have an internal brain drain, which H-1B is causing.