

# National Foundation for American Policy

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## **New Research Finds Foreign-Born H-1B Professionals Are Well Paid, Do Not Harm the Employment Prospects of Natives**

**ARLINGTON, VA** – New research from the National Foundation for American Policy (NFAP), an Arlington, Va.-based public policy group, shows foreign-born professionals are not underpaid nor likely to harm the employment prospects of their native counterparts. These are important findings as the Senate Judiciary Committee considers immigration reform measures that include liberalized quotas for foreign-born professionals sponsored for H-1B visas and green cards. (A complete copy of *H-1B Professionals and Wages: Setting the Record Straight* is available at [www.nfap.com](http://www.nfap.com).)

U.S. companies hire and recruit globally. In some cases, this means hiring foreign-born individuals on H-1B temporary visas, many times off U.S. college campuses as part of the normal recruitment process. As the NFAP analysis points out, critics assert the only reason a U.S. employer would ever hire someone on an H-1B visa is because he or she will work cheaper than Americans, implying that only people born in the United States possess desirable skills. “The story that a veritable conspiracy exists in America to hire foreign-born professionals so they can work cheaply is unsupported by the evidence,” said Stuart Anderson, Executive Director of NFAP. “It runs contrary to any serious analysis of how the U.S. labor market functions.”

In recent years, Congress has failed to increase sufficiently the annual limit on H-1B visas for foreign-born professionals, regularly leaving U.S. companies unable to hire key personnel for many months. A key reason for Congress failing to act is the perception that the entry of skilled professionals on H-1B visas harms the employment prospects of natives. This perception is misguided and the result of several myths, concludes NFAP.

Among NFAP’s findings in the report:

- A study by Madeline Zavodny, a research economist at the Federal Reserve Bank of Atlanta, found that the entry of H-1B professionals neither lowers the contemporaneous earnings of natives, nor has “an adverse impact on contemporaneous unemployment rates.”
- 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. National Science Foundation data show foreign-born scientists and engineers actually earn more than natives in some fields.

- Starting salaries for H-1B professionals averaged 22 percent above the prevailing wage standards in an NFAP analysis of a statistically valid sample of H-1B cases randomly selected for NFAP by a respected law firm.
- Even among the highly stratified sample of the small number of employers whose actions warranted investigation and government-imposed penalties between 1992 and 2004, the average amount of back wages owed by even those employers is small – less than \$6,000 per employee, no more than the typical government and legal fees paid by most employers to hire H-1B visa holders. And among those employers, few if any are well-known companies. Generally, of the small number of violations no more than 10 to 15 percent of H-1B violations in a year are found to be “willful” by the Department of Labor, indicating the extent of abuse is limited.
- Contrary to the myth that H-1B visa holders are “indentured servants,” professionals on such visas understand their market value and show great mobility in the U.S. labor market. An NFAP sampling of U.S. employers and immigration lawyers confirmed that individuals on H-1B visas change companies frequently. In fact, generally speaking, the majority of H-1B hires by large companies today first worked for other employers. This is supported by data from the Department of Homeland Security. Critics do not explain why H-1B professionals who are said to be underpaid would remain en masse with their employers when they could seek higher wages with competing firms.
- A recent report for the Center for Immigration Studies (CIS) asserting that computer programmers on H-1B visas are underpaid contained shortcomings that make it unreliable for use by policymakers. The key flaw in the CIS study is that it utilized data that do not reveal what employers actually pay individuals on H-1B visas, relying on prevailing wage information alone, when, in fact, the actual amount companies pay is much higher.
- 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.

Despite the increased competition for talent and the tremendous changes in the U.S. and world economy over the past 16 years, with modest exceptions, the U.S. immigration system for high-skilled professionals has not changed since 1990 – except that it has become worse, concludes NFAP. Companies now pay hefty fees, endure longer waits, and submit to more restrictive rules than in the past.

It is a dim view of humanity – and a misreading of the nation’s economy – to assume that opportunity for some must mean misery for others, concludes NFAP’s analysis. “America’s openness relative to that of other nations provides us with a competitive advantage,” said NFAP’s Stuart Anderson.

Concerns about the wages paid to individuals on H-1B visas are misguided. No evidence exists that companies maintain two sets of pay scales – one for the foreign-born, one for natives – or that H-1B visa holders are anything but smart individuals who exercise their prerogatives in the U.S. labor market. Research shows no basis for the allegation that H-1B professionals are underpaid or unduly prevent natives from succeeding in the U.S. labor market.

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### **About the National Foundation for American Policy**

Started in 2003, NFAP is a non-profit, non-partisan organization dedicated to public policy research on trade, immigration and other issues of national importance. Its Advisory Board members include economist Jagdish Bhagwati (Columbia University); economist Richard Vedder (Ohio State University); former U.S. Rep. Guy Vander Jagt (MI); and others.

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