

Wall Street Journal

Review and Outlook

Jobs and Immigrants

August 26, 2005

Political pressure for an immigration crackdown seems to be building, with allegedly serious people even debating a 2,000-mile wall along the U.S.-Mexican border. Meanwhile, in the U.S. economy, the demand for foreign workers continues, as shown by the collapse of the H-1B visa program. Since the

restrictionists won't tell you about this, allow us to explain.

Each year, the U.S. issues a set number of H-1B visas to educated foreign professionals with specialized skills. Earlier this month the Department of Homeland Security, which administers the program, announced that the annual H-1B cap of 65,000 already has been reached for next year. In fact, it was reached in record time, or 14 months prior to the fiscal year in which the visas would be used.

What this effectively means is that any number of fields dependent on high-skilled labor could be facing worker shortages: science, medicine, engineering, computer programming. It also means that tens of thousands of foreigners -- who've graduated from U.S. universities and applied for the visas to stay here and work for American firms -- will be shipped home to start companies or work for our global competitors.

Congress sets the H-1B cap and could lift it as it has done in the past for short periods. Typically, however, that's a years-long political process and cold comfort to companies that in the

near term may be forced to look outside the U.S. to hire. Rather than trying to guess the number of foreign workers our economy needs year-to-year, Congress would be better off removing the cap altogether and letting the market decide.

Contrary to the assertions of many opponents of immigration, from Capitol Hill to CNN, the size of our foreign workforce is mainly determined by supply and demand, not Benedict Arnold CEOs or a corporate quest for "cheap" labor. As the nearby table shows, since the H-1B quota was first enacted in 1992 there have been several years amid a soft economy in which it hasn't been filled. When U.S. companies can find domestic workers to fill jobs, they prefer to hire them.

Welcome, Nerds

H-1B visas by fiscal year

	CAP	# ISSUED
1992	65,000	48,600
1993	65,000	61,000
1994	65,000	60,300
1995	65,000	54,200
1996	65,000	55,100
1997	65,000	65,000
1998	65,000	65,000
1999	115,000	115,000
2000	115,000	115,000
2001	195,000	163,600
2002	195,000	79,100
2003	195,000	78,000
2004	65,000	65,000
2005	65,000	65,000
2006	65,000	65,000

Sources: Department of Homeland Security, National Foundation for American Policy, American Council on International Personnel

And let's not forget that these immigrant professionals create jobs, as the founders of Intel, Google, Sun Microsystems, Oracle, Computer Associates, Yahoo and numerous other successful ventures can attest. The Public Policy Institute of California did a survey of immigrants to Silicon Valley in 2002 and found that 52% of "foreign-born scientists and engineers have been involved in founding or running a start-up company either full-time or part-time."

Moreover, the notion that Indian software writers are being hired by Microsoft at bargain-basement costs and driving down the wages of Americans is also refuted by the evidence. A Federal Reserve Bank of Atlanta study conducted in 2003 found no negative impact on U.S. wages. Government fees and related expenses for hiring foreign nationals can exceed \$6,000, and additional fees accrue if and when the H-1B status is renewed after three years. The law also requires companies to pay visa holders prevailing wages and benefits, and it forbids hiring them to replace striking Americans.

A central irony here is that opponents of lifting the H-1B cap also tend to be the biggest critics of outsourcing, which is fueled by the arbitrary cap. But the H-1B debate also exposes those who are giving lip service to immigration "reform" while doing nothing to fix the problem because they'd rather exploit it for political purposes. American companies don't have that luxury. They operate in the real world.