

WebMemo



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H-1B Workers: Highly Skilled, Highly Needed

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H-1B visas enable businesses to temporarily hire highly skilled immigrants to fill vital positions. Immigration opponents argue that workers on H-1B visas are not especially talented, but have average skill levels. These arguments are based upon a misleading metric of talent. The education and wage levels of H-1B recipients demonstrate that they are much needed, highly skilled workers. Congress should raise the cap on H-1B visas.

H-1B Program for Skilled Workers. Congress created temporary H-1B visas for non-immigrant workers to prevent a shortage of skilled workers from hurting the economy. H-1B visas allow foreigners with advanced skills to work in the United States for three years, and may be renewed for another three years. After that, these workers must leave the country.

Congress permits U.S. Citizenship and Immigration Services (USCIS), an agency within the U.S. Department of Homeland Security, to issue 65,000 H-1B visas per year to workers with at least a bachelor's degree, and an additional 20,000 to workers with at least a master's degree.¹ This represents far fewer people than American high-tech employers need. USCIS received 163,000 employer applications for these limited visas within a week of accepting applications for FY 2009,² and reached the cap within *hours* of accepting applications for FY 2008.³ Employers are currently urging Congress to raise the visa cap.

Opponents Claim H-1B Workers Not Highly Skilled. Opponents of expanded legal immigration have claimed that H-1B workers are not, in fact,

highly skilled workers. The Center for Immigration Studies (CIS) recently issued a report claiming that most H-1B workers are not the "best and the brightest," but of merely average talent.⁴

The CIS came to this conclusion by examining data on H-1B workers whose employers sponsored them for permanent residency. The government requires companies to pay H-1B workers at least the prevailing market wage for workers in their occupation with their experience level. Companies sponsoring a worker for a green card must report both the prevailing wage and the actual wage they pay the employee. The CIS found that most H-1B employers pay workers market wages. H-1B workers do not earn substantially more than other workers in their occupations. On this basis the CIS concluded that H-1B workers are not of extraordinary ability, but are of average skill levels.

Flawed Analysis. This claim relies on a highly misleading measure of ability. Most employees with H-1B visas work in occupations that require advanced skills, such as computer and mathematics. The fact that H-1B workers earn wages comparable to those of their highly skilled co-workers does not mean that they are average workers or lack

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advanced skills. Looking at the objective skill levels of H-1B workers, instead of their skills relative to their highly skilled colleagues, provides an accurate assessment of their talent.

Highly Educated. H-1B workers have much more education than the typical American worker. With only a few exceptions, an employee must have the equivalent of a bachelor's degree to qualify for an H-1B visa. Many have much more education. Chart 1 shows the education levels of H-1B visa workers compared with U.S. workers.⁵ Virtually no H-1B employees have less than a bachelor's degree; and 31 percent have a master's degree, compared with just 6 percent of American workers. Twelve percent of H-1B workers have a doctorate, compared with 1 percent of American workers.

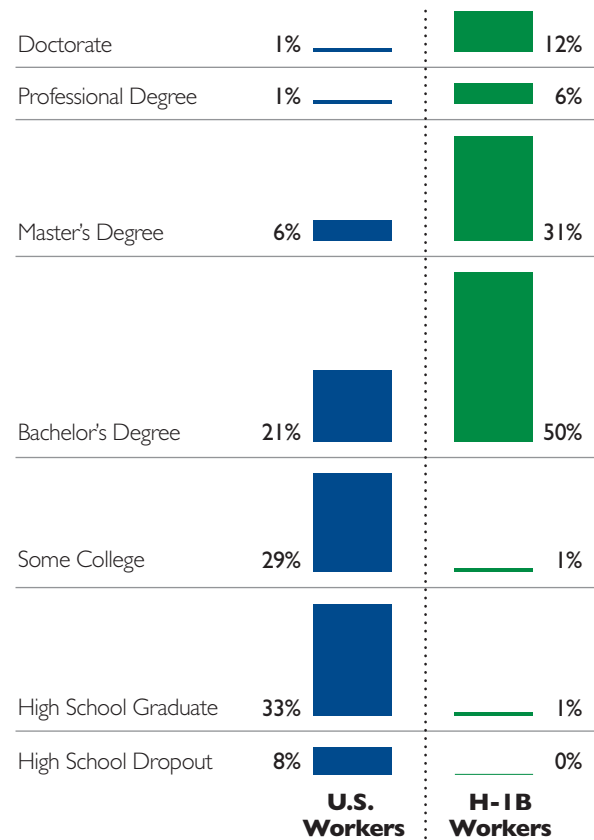
Highly Compensated. H-1B workers also earn high wages because of their high skills. The Heritage Foundation examined the wages of H-1B workers using the same data that CIS used.⁶ Table 1 shows the distribution of wages for full-time private-sector workers in the economy, and for H-1B workers using these data.

The median H-1B employee earns \$74,250 a year—90 percent more than the median private sector salary of \$39,100.⁷ The average H-1B salary of \$78,600 is 50 percent above that of the average U.S. worker's of \$50,300.

Some critics contend that major corporations do not face a talent shortage, and want the H-1B cap lifted so they can employ inexpensive foreign labor that undercuts the wages of American employees. This is false. The law requires employers to pay at least what equivalently skilled U.S. workers would earn. Table 2 shows that major U.S. corporations pay H-1B employees substantially above-average wages. Typical salaries for H-1B workers at these companies range from \$80,000 to \$110,000 a year. At these wages, employers are not seeking cheap

H-1B Workers Have High Levels of Education

Highest Level of Education Achievement for All U.S. Workers and H-1B Workers



Note: Percentages may not add up to 100 due to rounding.

Source: Heritage Foundation calculations based on data from the Department of Labor and the Department of Homeland Security.

Chart 1 • WM1916 heritage.org

foreign labor. They are seeking highly skilled workers with the talents they need to expand and compete in the global marketplace.

1. Employees of universities are also exempt from the annual cap; H-1B visa renewal does not count against the cap.
2. U.S. Citizenship and Immigration Services, "USCIS Releases Preliminary Number of FY 2009 H-1B Cap Filings," press release, April 10, 2008, at http://www.uscis.gov/files/article/USCIS%20Update_H1B_Preliminary%20Count1_10Apr08.pdf.
3. U.S. Citizenship and Immigration Services, "USCIS Reaches FY 2008 H-1B Cap," USCIS Update, April 3, 2007, at www.immigration.com/newsletter/H-1B%202007%20Quota.pdf.
4. Norman Matloff, "H-1Bs: Still Not the Best and Brightest," Center for Immigration Studies, *Background*, May 2008, at <http://www.cis.org/articles/2008/back508.html>.

Distribution of Wages for H-1B Workers and All U.S. Workers

Percentile	H-1B	U.S. Workers
10%	\$45,053	\$16,052
25%	\$58,261	\$25,725
50%	\$74,250	\$39,102
75%	\$90,046	\$61,740
90%	\$110,887	\$92,610
Average	\$78,636	\$52,266

Note: U.S. workers are U.S. citizens between the ages of 25 and 65 who work at least 35 hours a week in the private sector and are not self-employed.

Source: Heritage Foundation calculations using data from the Department of Labor.

Table 1 • WM1916  heritage.org

Good for the Economy. The advanced skills of H-1B workers enable companies to grow. When a company cannot hire a highly skilled worker, it is not only that worker who does not get a job. Other employees whom the business would have hired as part of that expansion also lose out.

Consider a hardware company that cannot hire key engineers to design a new product because of the H-1B shortage. Those workers do not get a job; nor do the workers who would have manufactured the product; nor do those who would sell it. Each

Annual Salaries of H-1B Employees at Major U.S. Corporations

Corporation	Median	Mean
Apple	\$100,000	\$106,725
Cisco Systems	\$95,806	\$98,484
General Electric	\$76,000	\$77,596
Goldman Sachs	\$100,000	\$110,586
Google	\$95,000	\$97,205
Hewlett-Packard	\$97,000	\$100,614
IBM	\$89,793	\$91,351
Intel	\$79,510	\$79,724
JP Morgan	\$94,250	\$94,042
Microsoft	\$82,500	\$85,286
Motorola	\$100,073	\$98,558
Oracle	\$86,320	\$88,340
Texas Instruments	\$81,522	\$82,865
All U.S. workers	\$39,102	\$52,266

Source: Heritage Foundation calculations using data from the Department of Labor.

Table 2 • WM1916  heritage.org

H-1B employee at a high tech company supports the jobs of four American workers.⁸ By keeping the H-1B cap artificially low, Congress costs hundreds thousands of workers their jobs at a time when the economy is weakening.

Raising the H-1B cap would also raise tens of billions of dollars in new revenue for the government

- Data on the education of H-1B workers come from U.S. Department of Homeland Security, Office of Immigration Statistics, "Characteristics of Specialty Occupation Workers (H-1B): Fiscal Year 2003," November 2004, Table 10, at <http://www.uscis.gov/files/article/FY03H1BFnlCharRprt.pdf>. This is the most recent report examining the education of H-1B workers. Data on all U.S. workers come from the March 2004 Current Population Survey, conducted by the Bureau of Labor Statistics. U.S. workers are U.S. citizens between the ages of 25 and 65 who work at least 35 hours a week in the private sector and are not self-employed.
- Department of Labor, Office of Foreign Labor Certification, Foreign Labor Certification Data Center Online Wage Library, Permanent Program Data, at <http://www.flcdatcenter.com/CasePerm.aspx>. Data are for 2007. Workers were considered H-1B employees if their current visa is an H-1B visa and their application for permanent residence was not denied or withdrawn. Note that these data differ from wage information provided in Labor Condition Agreements for two reasons. First, the data included the actual wages that employers pay their workers, not the minimum prevailing wage level they are required to. Second, the data only includes the wages of H-1B workers whose employers sponsor them for a permanent residence, which may be higher than the wages of all H-1B employees.
- Data on the wages of U.S. workers come from the Department of Labor, Bureau of Labor Statistics, March 2007 Current Population Survey. U.S. workers are U.S. citizens between the ages of 25 and 65 who work at least 35 hours a week in the private sector and are not self-employed. Since the March CPS reports wages and salary income for the previous year, these data come from 2006 and are inflation adjusted to 2007 levels using the CPI-U-RS.
- National Foundation for American Policy, "H-1B Visas and Job Creation," *Policy Brief*, March 2008, p. 8, at <http://www.nfap.com/pdf/080311h1b.pdf>.

without a harmful tax increase. Because H-1B workers are highly compensated, they pay high taxes. Heritage Foundation calculations show that raising the H-1B cap to 195,000 visas would raise \$69 billion in new tax revenue over eight years.⁹ This is a much better source of revenue for PAYGO offsets than raising taxes, which cause economic losses and are especially inappropriate in a time of economic stress.

Conclusions. Contrary to the claims of immigration opponents, H-1B workers are highly skilled workers with vitally needed skills. H-1B workers are highly educated. Almost half have an advanced degree. The median H-1B worker earns 90 percent more than the median U.S. worker. They are in no way average workers.

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9. James Sherk and Guinevere Nell, "More H-1B Visas, More Jobs, A Better Economy," Heritage Foundation *Center for Data Analysis Report* No. 08-01, April 30, 2008, at <http://www.heritage.org/Research/Labor/cda08-01.cfm>.