

H-1B CRISIS NEARING THE EDGE

by

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Widespread shortage of skilled workers in the high tech and other professional fields may keep U.S. companies from hiring the workers they need if those workers are not U.S. citizens or permanent residents. The H-1B visa, which allows U.S. companies to hire foreign professionals on a temporary basis for up to six years, is arbitrarily capped at 65,000 per year. Currently, the cap is slated to be reached by early May. Unless Congress passes, and the President signs a law increasing the number of visas available, human resources managers will be forced to postpone their H-1B hiring until October 1st or later. This will result in critical projects being postponed, workers being laid off, and profits forfeited. U.S. companies in every field will be impacted.

While there is a bill in the Senate that would lift the cap to approximately 90,000 visas or more for the next five years, the controversy surrounding the issue could doom the legislation. Why is the bill controversial? Because immigration is always a controversial subject, and even when the competitiveness of the American economy is at stake, its proponents are viewed with suspicion and distrust.

The high-tech labor shortage has been well documented by industry groups such as the Information Technology Association of America (ITAA) and the American Electronics Association. For the past several years, these groups and regional high-tech alliances have reported that the industry has hundreds of thousands of unfilled positions available. Many companies have turned to H-1B employees to fill the gap. Even companies that aren't in the technology field are being squeezed by the shortage: the National Association of Manufacturers, the Chamber of Commerce and the National Federation of Independent Business all report that their member companies are finding it harder and harder to find qualified workers.

But now that these same companies are asking for the H-1B cap to be raised in order to help fill this demand, suddenly the labor shortage itself is being challenged. Although every metropolitan area newspaper boasts pages and pages of high-tech help wanted ads each week, the General Accounting Office has challenged the methodologies that ITAA and the Commerce Department used to research the shortage. While careful not to dispute the actual shortage, GAO cited the lack of unusual salary growth as evidence that the shortage may not be as widespread as reported. According to CIO Magazine, however, the average compensation for a

high-tech worker rose 13.46% in 1997, nearly four times the average wage increase for non high-tech workers. These figures also do not account for other methods companies use to attract employees, such as sign-on bonuses, extra vacation, stock, and casual dress codes, nor the efforts they make to attract them, such as holding recruiting fairs during spring break. Even Norman Matloff, a computer scientist on the faculty of the University of California-Davis who believes the shortage does not exist, admits that the wages of technology workers rose more than 7% in 1997. This is compared to average U.S. worker wage increases of 2.3% and an inflation rate of 2.1%.

Foreign workers are sometimes blamed for taking jobs from Americans by accepting lower wages. More cynical critics believe the entire high-tech industry invented the labor shortage in order to replace higher-paid American workers with low-paid foreign workers, turning the industry into an "electronic sweatshop." Data from the National Science Foundation shows that average foreign-born scientists and engineers earn more, not less, than U.S. born counterparts. Because these professionals are fluent in two or more languages, they help U.S. companies break into new markets and compete on a global basis, and so they are paid more.

Cynics also believe that industry leaders practice "ageism," refusing to hire older workers with families and higher salary demands in favor of younger employees who can work all night for much less compensation. In any case, according to these critics, U.S. workers should be retrained to take over these jobs before any more foreign workers are allowed in. They dare not agree that there is an immediate shortage, for that would mean that foreign workers ought to enter to work.

Critics have no data based in logic to support their arguments. There are legal complaint mechanisms in the H-1B program which prohibit the payment of wages which are less than prevailing, and Federal and State laws to protect against ageism, but complaints and lawsuits are not being filed because abuses don't exist; a shortage does. Harris Miller, President of the ITAA states, "they're jumping off the pier and into the water" because critics cannot substantiate their position.

While it's easy to find anecdotes about 55-year-old engineers who cannot find jobs, these isolated cases are not indicative of an overall trend.

The current unemployment rate for electrical engineers is 0.4%. Between fixing the nationwide Year 2000 problem and meeting new demands, American high-tech workers are in hot demand at any age. And their average salary of \$49,586 per year is 73% higher than average U.S. private sector compensation, assuring these workers are well-compensated no matter how young or old they are. If enough American workers with

the relevant skills were available, U.S. companies would never undergo the expense (up to \$15,000) and time-consuming hassle that it takes to hire an H-1B worker. Christopher Lancashire, President and CEO of CompuTec, an international human resource organization says that "business has tripled in the past nine months" because employers are so desperate.

Rather than taking jobs from Americans, H-1B workers actually create more jobs by developing products that require marketing, sales and administrative support. Intel founder Andy Grove is a prime example of this. An immigrant from Hungary and a Time magazine "Man of the Year," Grove created hundreds of thousands of jobs at his company, which is often credited as the leader of the U.S. high-tech industry.

As valuable as these H-1B workers are, companies that use them recognize that they are only a temporary solution to a permanent problem. High-tech companies spend about \$200 billion a year on training programs to keep their workers current, and an additional four billion dollars a year to fortify American public schools, colleges and universities. But it is nowhere near enough. According to the American Electronics Association, between 1985 and 1997, the number of bachelors degrees awarded in engineering in the U.S. decreased 16%, the number of mathematical/computer science degrees decreased 29%, the number of degrees in electrical, electronics and communications engineering decreased 37%, and the number of computer and information sciences degrees decreased 42%. Increasingly, computer science degrees - especially at the Masters and Ph.D. level - are being awarded to foreign nationals whom companies must use an H-1B visa to hire.

Going further down the education chain, high school and elementary school students do not show promise of reversing the trends at the university level. The Third International Math and Science Study (TIMSS), released in February 1998, ranked U.S. 12th graders as 19th out of 21 countries in math skills and 16th out of 21 countries in science. Clearly, the U.S. public education system is not turning out the graduates that companies need to compete in the global economy.

The high-tech labor shortage is real. It affects companies all over the nation, be they manufacturing, pharmaceutical or education. And it's going to get worse: according to the Bureau of Labor Statistics, demand for database administrators, computer support specialists and computer scientists is expected to increase by 118%; demand for computer engineers is expected to increase 109%, and demand for systems analysts will double.

Clearly, the problem is much bigger than 30,000 more H-1B workers can solve.

But increasing the 65,000 cap on H-1Bs is a place to start. If the high-tech industry is unable to hire the skilled professionals it needs for nearly six months, the resulting postponement and cancellation of projects will hurt their profits and could cause stocks on Wall Street to tumble, which would affect the entire economy.

Foreign professionals do not depress American wages or displace American workers. They create jobs for Americans and wealth for American investors. Human resources managers should support efforts to raise the cap on H-1Bs by contacting their representatives on Capitol Hill. As of this writing, it's not too late. Otherwise, the next perfect fit you find for that key position may be unhireable.

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