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H-1B Visa Holders Earn More Than U.S.-Born IT Professionals, Study Claims

– Stephanie Overby, CIO

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One of the biggest complaints about the federal government's H-1B and L-1 visa programs is that they could be used by corporations to hire skilled workers born outside the U.S. at wages lower than the U.S. market rate. Indeed, anti-H-1B visa activists say the program depresses American IT workers' salaries and <http://www.cio.com/article/481122/H_1B_Visa_Fraud_Used_to_Undercut_Wages> robs them of jobs.

But new research from the University of Maryland seems to contradict anti-H-1B visa activists' claims about the immigration program's impact on American wages. In fact, the research suggests that foreign-born IT professionals with temporary skilled worker visas actually earn more than their American counterparts, not less.

Hank Lucas, professor of information systems at the University of Maryland's Robert H. Smith School of Business, and assistant professor Sunil Mithas examined the effect of immigration policies <http://www.cio.com/article/499907/The_Truth_About_the_H_1B_and_L_1_Visa_Reform_Act_of_2009> on IT salaries using data from online salary surveys conducted from 2000 to 2005 by InformationWeek and management consultancy Hewitt Associates.

After adjusting for educational qualifications, work experience, and other individual characteristics, Lucas and Mithas found that IT professionals without U.S. citizenship earned 8.9 percent more than American citizens. Tech workers on temporary visas, such as the H-1B and L-1, were paid 6.8 percent more than those with U.S. citizenship, and green card holders took home 12.9 percent more than their American-born counterparts, according to Lucas' and Mithas' research, published this month by the Institute for Operations Research and the Management Sciences.

The professors say restrictive visa policies <http://www.cio.com/article/479314/Legislation_Will_Prevent_H_1B_Hiring_for_Companies_Getting_Bailout_Money> resulted in even higher salary premiums. In years when applications exceeded the annual caps <http://www.cio.com/article/197100/Bill_Would_Double_Cap_on_H_1B_Visas> for H-1B visas, salaries for all non-U.S. citizen IT workers—that is, visa or green card recipients—rose relative to the salaries of American-born IT professionals, say Lucas and Mithas.

Mithas says the study was driven by the lack of compelling data around claims that foreign-born IT professionals are taking away jobs from American workers <http://www.cio.com/article/508131/Tech_Workers_Take_H_1B_Case_to_Supreme_Court> .

"Much of the immigration debate in this country ignores skill levels," says Lucas, adding that the influx of non-U.S. citizens has a much different impact on job availability and wages for unskilled labor than it does for skilled workers. U.S.-born citizens and foreign workers can potentially benefit from an influx of skilled workers, Lucas says.

H-1B Salary Survey Ignites Controversy

The Lucas-Mithas research deviates from the findings of other studies investigating the effect of temporary visa programs on the salaries of U.S. IT professionals. According to Lucas and Mithas, H-1B

visa holders earned an average of $75,358 from 2000 to 2003, compared with the average U.S. citizen's salary of $66,836. (The InformationWeek survey did not ask about visa status in 2004 and 2005). But according to the U.S. Citizenship and Immigration Service (USCIS), the median salary for H-1B visa holders in computing professions during the 2000 to 2003 period was just over $50,000.

"It [seems]strange to me that the authors would depend on sampled data when we have the whole census of new H-1B recipients' salaries reported [by] the USCIS, at least in aggregate terms," says Ron Hira, associate professor of public policy at the Rochester Institute of Technology. "For computing occupations those data show low wages relative to Bureau of Labor Statistics wages for Americans. The median salary for new H-1Bs is comparable to the entry-level wages for freshly minted bachelors in computer science, as reported by the National Association of Colleges & Employers. So half the new H-1Bs are being paid at- or below entry-level wages."

Lucas and Mithas say the USCIS and BLS numbers aren't granular enough to make meaningful comparisons. "You don't get a good sense of who these people are, what is their educational background, how long have they been in IT, what industry are they working in," says Mithas. "If you don't have data at an individual level, you don't know if you're comparing apples to apples."

Hira suggests there may be a self-selection bias at play when using a sample population. The data Lucas and Mithas used comes from 50,000 IT professionals, including 809 temporary visa holders, who opted to participate in an online salary survey. The researchers say the overall sample and sample of non-U.S. citizen foreign-born IT professionals in their study is reasonably representative of the U.S. population.

While those numbers may line up, it's unlikely that H-1B or L-1 grantees who depend on their employers for their visas and who earn lower than average wages would participate in such a survey, says Hira. "The [Lucas-Mithas] report may be able to control for some additional factors that affect wages, but there is no doubting the USCIS characteristics data ," says Hira. "It is a census, not a sample."

Lucas admits that selection bias could be a factor in any survey, but he remains confident in his data. "In situations like this, there's always the possibility for the sample not to be truly random," he says. "But I feel more comfortable with this survey with 50,000 respondents than I would if we did a random sample of a couple hundred IT professionals on our own."

Why Corporations Pay More for H-1Bs

Lucas and Mithas say their research proves that corporations use foreign-born IT professionals as a complement to, not as a cheaper substitute for, their American workforce. But the data does not provide any explanations for why employers would pay non-citizen IT workers more.

Lucas and Mithas have their own theories. For one, they think companies recruit foreign IT professionals for skills or expertise that they can't get from American workers, whether it's a stronger work ethic, multi-cultural experience, or willingness to travel.

"We were searching for an explanation, and it wasn't education or anything we could measure. So it had to be something intangible, like how aggressive you are or how much of a risk taker," says Lucas. "I'd have to say it's motivation. You have to be motivated to break out of the rut you're in, get out of the city you were born in, go to another country and work in IT."

Hira is not buying it. "There's no doubt in my mind that, in general, H-1B workers are underpaid. That's why the offshore outsourcing majors rely almost exclusively on H-1Bs rather than hiring Americans," he says. "Plus they are beholden to their employer, making it more difficult for them to protest against poorer [wages and] working conditions."

Hira notes that it's possible the compensation among IT workers on temporary visas falls into two camps: "lots of low wage workers and a good portion of high wage workers."

B. Lindsay Lowell, director of policy studies for Georgetown University's Institute for the Study of International Migration, has been analyzing the salaries of H-1B visa holders in science and technology using data from the National Science Foundation's National Survey of College Graduates. He has found that H-1Bs are paid lower average wages during the first three years of their permitted stay, but once they reapply for another three years or change employers, they may earn more than comparable U.S. citizens.

"The NSCG is an odd survey itself, but it's the largest random survey of graduates in the United States," says Lowell. "The reason we think there's an increase in wages is due to a change in bargaining power on the part of the H-1B. Of course, the first three years still reflects a savings to the employer."

Jacob Funk Kirkegaard, a research fellow at the Peterson Institute for International Economics, examined the Department of Labor's database of labor condition applications (LCAs) and surmised that many large U.S. corporations and educational institutions frequently offer their H-1B recipients salaries substantially above the prevailing U.S. wage. However, he says, "offshoring/outsourcing type IT services providers" aggressively pursue all legally available paths to cut labor costs, including paying foreign workers only the legally mandated 95 percent of the prevailing wage.

"That suggests another point I've long argued, and which is supported in my and others' research," says Lowell, "which is that the H-1B labor market is softly segmented with different types of employers who pay less than the mainstream to the H-1Bs in their employ."

Lucas and Mithas consider the LCA data unreliable because it does not provide actual salary data, and many approved LCAs don't result in the granting of an actual visa.

"There are an awful lot of anecdotes of this or that company bringing in foreign workers and paying them less than the going wage, but you can't take that and generalize it to thousands of people," says Lucas. "We'd love to get inside of Infosys and Accenture and get detailed individual information, but privacy concerns enter into this, and they wouldn't want to give us the information anyway. They're afraid, no matter which way the research comes out, they'll be criticized."

More Research Into H-1B Wages Needed

There are as many as 700,000 temporary high-skill foreign professionals in the United States on visas today (approximately 500,000 in the H-1B category alone), and 60 percent of them work in IT, according to some estimates. More detailed data from USCIS or some other source would go a long way toward settling the debate over whether or not these visa programs depress the wages of IT professionals.

"This may be a good thing for the DHS or GAO to do," says Hira.