

Analysis: H-1B Pay Drags Down All Salaries

In the engineering profession, pay for foreigners on H-1B visas is up to 23% lower than that for American workers, according to an analysis by Electronic Engineering Times.

By David Roman, [EE Times](#)

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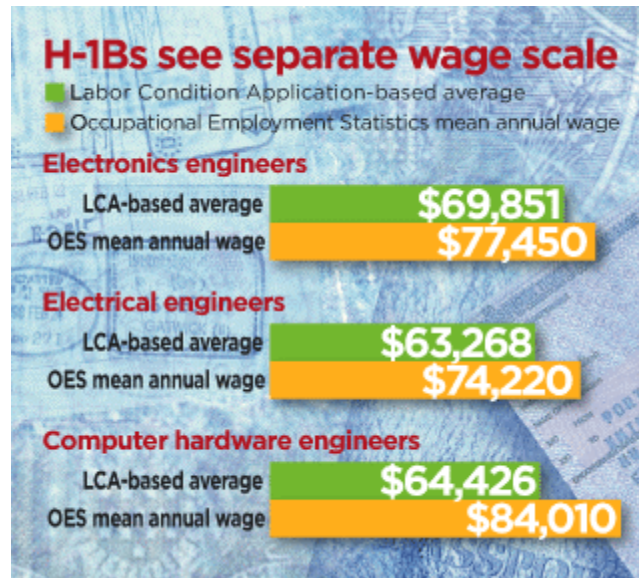
Immigrant engineers with H-1B visas may be earning up to 23 percent less on average than American engineers with similar jobs, according to documents filed with the U.S. Department of Labor. Salary data from Labor Condition Applications (LCAs) lends credence to arguments that lower compensation paid to H-1B workers suppresses the wages of other electronics professionals.

The lower LCA-based pay rates, considered unreliable by some, raise questions about the value of H-1B workers--and of U.S. engineers in general--to their employers, and add fuel to the debate that has long swirled around the H-1B program.

LCA "wage rate" and "prevailing wage" data are not actual salaries. But the average salaries calculated by EE Times based on that data indicate that employers are paying H-1B workers less than Bureau of Labor Statistics wage estimates. That's illegal, according to the Department of Labor, which administers the H-1B program. The department requires an employer to pay H-1B workers the same as other workers with similar skills and qualifications, or the prevailing wage, whichever is higher.

"There are plenty of studies, including my own, that show this disparity in wages," said Norm Matloff, a professor of computer science at the University of California, Davis, who writes frequently on immigration employment and H-1B visa issues. Lower salaries undermine employers' contention that they need H-1B workers to fill jobs for which Americans can't be found, Matloff said. "Otherwise, salaries would be rising."

The average H-1B salaries calculated by EE Times are based on data from 459 of 65,536 LCA petitions filed by employers seeking permission to hire immigrant professionals in federal fiscal year 2005. Specifically, the data comes from LCAs naming one of three positions commonly held by engineers: electronics engineers, electrical engineers and computer hardware engineers.



The average salary cited in the LCAs for each of the three positions was below the mean annual salaries for those jobs in 2004 as determined by the U.S. Bureau of Labor Statistics' Occupational Employment Statistics survey of employers.

The average annual wage or salary for electronics engineers was \$69,851 in the LCAs, or 9.8 percent less than the \$77,450 mean annual-wage estimate determined by the BLS OES survey. The LCA average for electrical engineers was \$63,268, or 14.7 percent less than the OES survey's \$74,220 mean. And the LCA average for computer hardware engineers was \$64,426, or 23.3 percent less than the \$84,010 average found by the OES survey. (A detailed comparison of LCA-based and OES salaries can be found in this week's By the Numbers, page 26.)

Underpaid H-1B workers displace American information technology workers and put undue pressure on salaries, said Kim Berry, a software developer who serves as president of The Programmers Guild, an activist group for IT industry professionals. "This is happening under the radar across the country," he said.

Prevailing wage

Intel Corp. compensates its H-1B workers "under the same structure as our domestic employees," a company spokeswoman said. "It's actually illegal to pay less than the prevailing wage for any employee sponsored under the H-1B visa." Intel employs approximately 3,000 H-1Bs, a majority of whom work in VLSI design, device physics or optics, the spokeswoman said.

IBM Corp. takes guidance on salaries for its roughly 2,500 H-1B visa workers from BLS OES data. "We get our numbers from the OES page," an IBM spokesman said. "We do that every time." An overwhelming majority of those workers are engineers, and their benefits package is similar to what IBMers receive. IBM complies with all Department of Labor wage requirements, the spokesman added.

H-1B visas allow IBM to "tap into global sources of information," the spokesman said, echoing industry supporters of the H-1B visa program. Started in 1990, the program has polarized factions within the electronics industry. Employers say the visas allow them to hire needed talent; detractors say it puts U.S. citizens out of work, engenders fraud and promotes exploitation of immigrants.

"I work with those H-1Bs, and as far as I know they are getting half of what we get," said Shahid Sheikh, a senior software developer with TAC Worldwide in Jacksonville, Fla. "I get a normal salary. I get \$80,000 a year. They get a maximum \$40,000 a year." Sheikh, who worked under an H-1B visa when he emigrated from Bangladesh 12 years ago, said the program is "filled with fraud and cheating." He was naturalized about two years ago.

President Bush weighed in on H-1B visas in February, when he called the current annual limit of 65,000 visas a "problem" and urged Congress to "raise that cap." The U.S. Senate voted in March to increase the annual limit to 115,000 for fiscal 2007. The House hasn't taken up the issue. Employer applications for H-1Bs reached the fiscal 2006 cap of 65,000 last August, two months before the current fiscal year began on Oct. 1. Applications for fiscal 2007 have already maxed out the 65,000-visa allotment.

Current limits on H-1B visas essentially promote a nonimmigration policy for the United States and endanger the competitiveness of U.S. industry, said Stuart Anderson, executive director of the National Foundation for American Policy, a think tank that "pursue[s] and promote[s] debate consistent with an American entrepreneurial spirit that is welcoming to new people, ideas and innovation," according to the group's Web site. "Except for a short window of time, no one can hire a new H-1B because the cap keeps getting hit before the experiment's even started," Anderson said.

Anderson said employers don't use H-1B visas to lower wages and decried the "myth" that each H-1B worker replaces a U.S. worker. Immigrants help create jobs and innovation, he said. Rather than preserving U.S. jobs, H-1B visa caps drive companies to expand overseas to preserve flexibility, in Anderson's view. "The more we continue current policy, the more this will happen," he said.

H-1B visas account for a fraction of the work forces of multinational employers like Intel and IBM. Less than 3 percent of Intel's employees hold H-1B visas, and more than 50 percent of its 99,000 workers worldwide are in the United States. IBM's total of 2,500 H-1Bs pales next to the company's 43,000 employees in India.

The number of H-1B visas issued for high-tech occupations is too few to affect the salaries of the larger U.S. labor force, according to Jeremy Leonard, chief economist at American Sentinel University. By 2004, a total of 139,000 H-1B visas were issued for information technology professionals, a broad classification that includes computer occupations and engineers. "In comparison, the U.S. IT labor force, using a relatively narrow definition, numbers about 3 million," Leonard said. In 2003, 12 percent of H-1B holders were in engineering occupations and 28 percent were in computer jobs, Leonard said.

While U.S. electronics industry employment levels and pay increases both trail boom-year levels (see "Jobs data spurs debate" in *By the Numbers*, June 12, page 30), H-1B visas are not to blame, Leonard said. BLS data shows a 23.3 percent increase in hardware engineering jobs from 2000 to 2005, and a 5.1 percent increase in electronics engineering jobs over that span. "So employment in these occupations certainly hasn't declined due to H-1B visas," he said.

Nigel Brent, president of Nigel B. Design Inc., an amplifier manufacturer based in California, said he's fed up with engineers complaining about immigrants taking American jobs. "This is so bogus," he said. "The truth is that people are lured to come here from many different countries with the promise of higher salaries, better lifestyle and standard of living than their home countries can provide."

The United States has grown strong with the constant influx of immigrants, said Brent, who emigrated from Britain almost 30 years ago and became a U.S. citizen in the 1980s. "The upside with the present H-1B system is that jobs stay in America. Every H-1B who comes here supports the economy with the food they buy, the cars they buy, the house they buy. I could go on with the many benefits that the trickle effects of being here bring to the economy."

Writing in the June 12 issue of the *Financial Times*, IBM chairman and chief executive officer Sam Palmisano said that a modern company must resist anti-globalization fervor and become a "globally integrated enterprise." The alternative is grim, he wrote. "Left unaddressed, the issues surrounding globalization will only grow. People may ultimately choose to elect governments that impose strict regulations on trade or labor, perhaps of a highly protectionist sort," said Palmisano.

NFAP's Anderson criticized what he called basic flaws in using LCA wage data as a stand-in for H-1B salaries. "One is that you're comparing the prevailing wage, basically the minimum an employer would have to pay others similarly employed at the firm," he said. Second, LCA minimums wouldn't approach average salaries of all U.S. professionals, some with decades of job experience, he said.

The tactic of presenting LCA wages as salaries was used in "The Bottom of the Pay Scale," a report on the salaries of computer programmers published last December by the Center for Immigration Studies, a nonprofit research organization "animated by a . . . vision which seeks fewer immigrants but a warmer welcome for those admitted," according to the CIS Web site.

Professor Matloff rebuffed Anderson's criticism and raised questions about his objectivity. "He's a lobbyist," Matloff said.

Using LCA data to reflect salaries is sound methodology, Matloff said, because the data "tracks very well" with H-1B compensation data in an annual report published by U.S. Citizenship and Immigration Services, a bureau of the U.S. Department of Homeland

Security. "I have confidence the LCA data is reliable," Matloff said. "And I'm a former statistics professor."

