

BUSINESSFORWARD

The Business Case for Immigration Reform *Part 2: High-skilled workers*

April 2013

EXECUTIVE SUMMARY

THE NEED FOR TALENTED IMMIGRANTS

Countries have always competed to attract the best and brightest immigrants to their shores. For centuries, the U.S. has attracted more than its fair share of this talent. Today, developing economies are fighting to retain their most talented young people, while mature economies are designing their immigration rules to attract them. As we recover from the recession, immigrants could boost economic 'sparkplugs' like small businesses and high tech start-ups, and fill targeted skills gaps.

RAISING QUOTAS WILL NOT HELP, UNLESS WE FIX OUR BROKEN SYSTEM

Inviting more high-skilled immigrants to the U.S. will only generate the results we desire if we fix the underlying system. Instead of a flexible system that is designed to serve our economic needs by attracting entrepreneurs, scientists, and workers with in-demand skills, we have a byzantine web of caps, quotas, and restrictive temporary visas that blocks or discourages skilled immigrants. Our current limited pool of visas is monopolized by a few large multi-national firms, who focus on a few computer-related fields.

THE OPPORTUNITY

We have a chance to re-design our immigration system so that it works for the whole economy by welcoming valuable entrepreneurs, innovators and skilled workers from all over the world.

HOW CAN WE PUT THE IMMIGRATION SYSTEM TO WORK FOR A 21ST CENTURY ECONOMY?

WE NEED SKILLED IMMIGRANTS TO BOOST ECONOMIC “SPARKPLUGS”

Entrepreneurship

Innovation

In-Demand Skills

U.S. SKILLED IMMIGRATION SYSTEM IS NOT DESIGNED AROUND OUR ECONOMIC NEEDS

1. Few Permanent Immigration Spots Available:

The US reserves fewer permanent immigration spots for employment-based migrants as a percent of its workforce than almost any other major economy. Caps and quotas restrict the few employment-based green cards that are available, and drive away Indian and Chinese professionals.

2. Instead, Reliance On Temporary Visas:

Most employment-based immigrants come to the U.S. on temporary visas, namely the H-1B for skilled workers.

Almost half of H-1B applications come from about a dozen multi-national information technology companies.

3. But Temporary Worker Program Is Fundamentally Flawed:

Temporary visas are not being used to fill temporary shortages – they are concentrated in occupations where the ‘skill gap’ may be overstated. In such cases, visas limit wage growth, mobility and workplace protections for immigrants – disadvantaging U.S. workers.



**WE NEED SKILLED IMMIGRANTS TO BOOST
ECONOMIC “SPARKPLUGS”**

IMMIGRANTS CAN HELP FILL SPECIFIC SKILL GAPS

Most H-1B visa applications are concentrated in occupations where there isn't a broad shortage of U.S. workers. But economic data suggests that around the country there are specific, localized skill gaps that could be filled by immigrant workers – if the employment-based immigration system cooperates.

SPECIFIC REGIONAL SKILL GAPS ARE HOLDING BACK BUSINESSES

Research by the Boston Consulting Group found a shortage of 80,000 to 100,000 highly skilled manufacturing workers, but characterized the problem as “very localized.”

Regional skills gaps: Five of the nation's 50 largest manufacturing centers – Baton Rouge, Charlotte, Miami, San Antonio and Wichita – have significant skill gaps, according to BCG.

Narrow occupational shortages: The report found that welders, machinists and industrial-machinery mechanics are in short supply.

DEMOGRAPHIC TRENDS MAY CREATE FUTURE SKILLS GAPS

As a critical mass of current high-skilled American workers reach retirement age, skill gaps may develop and worsen.

Aging base of skilled workers: The average skilled manufacturing worker in the U.S. is 56 years old. Even new-era occupations are aging – over 40% of computer programmers are over 45, including 80,000 who are 55 and older.

Too few Americans are graduating with STEM degrees: More than half of the world's engineering degrees are earned in Asia, with just 4% earned in the U.S., according to the National Sciences Foundation.

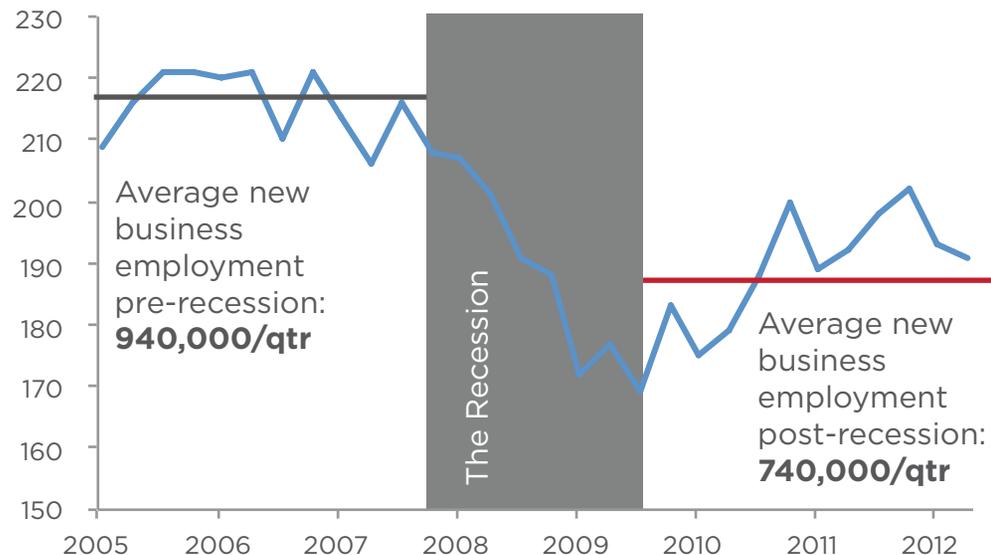
IMMIGRANTS CAN HELP REVIVE BUSINESS START-UPS, A KEY DRIVER OF ECONOMIC GROWTH & EMPLOYMENT

Business start-ups are the engine of economic growth – and immigrants are increasingly responsible for driving entrepreneurship in America. Allowing more immigrants to start businesses could be a powerful way to reverse slow job growth in this recovery, but the current immigration system actively discourages immigrants from making the risky decision to launch a new venture.

In 2011, immigrants started 28% of all new U.S. businesses, though they account for 12.9 percent of the population.

And new businesses are critical for growth: they account for 65% of all net new jobs in America according to the Bureau of Labor Statistics, or as high as 90%, according to the Census Bureau.

Quarterly private sector establishment births, 2008-2010

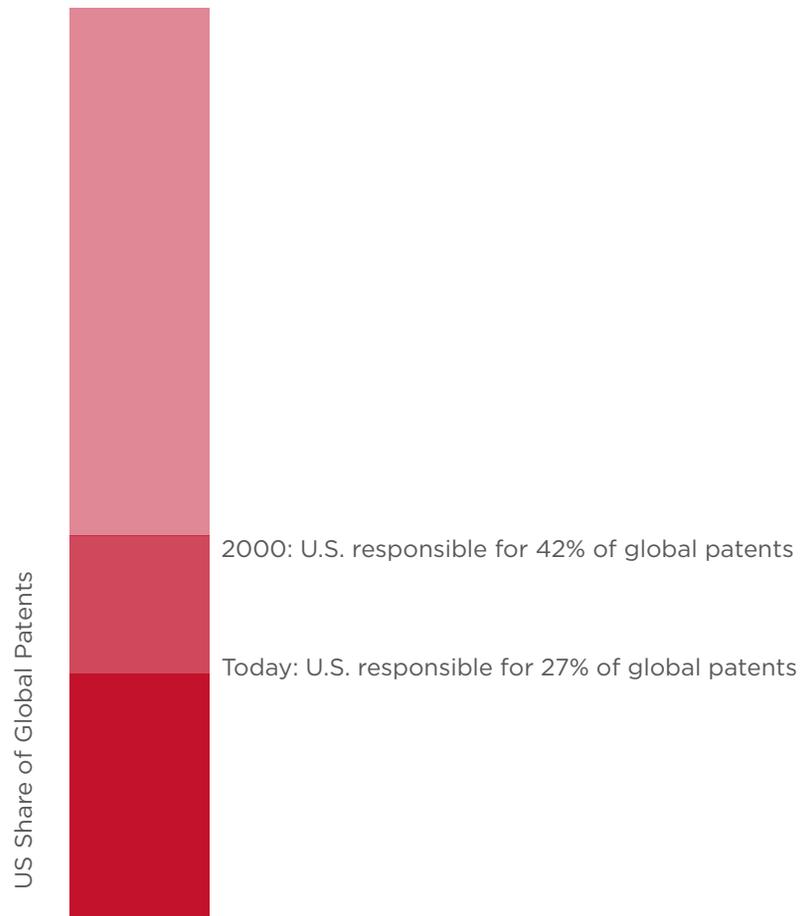


Business start-ups have not yet recovered to pre-recession levels, costing the economy 200,000 new jobs per quarter.

Source: Bureau of Labor Statistics Business Employment Dynamics

IMMIGRANT SCIENTISTS AND ENGINEERS NEEDED TO BOOST U.S. INNOVATION

THE U.S. SHARE OF GLOBAL PATENTS IS DROPPING...



Source: World Intellectual Property Organization, Financial Times

...BUT IMMIGRANTS CAN HELP

Study: Immigrants Increase Patenting – Boost Is Higher For Immigrants With Most Education

Patenting impact of increased immigration, 1990-2000

POPULATION	IMMIGRANT SHARE OF POPULATION	PATENTING PER CAPITA
College Graduates	+1.3 percentage points	+20%
Post-college Graduates	+0.7 percentage points	+21%
Scientists & Engineers	+0.45 percentage points	+22%

Source: Hunt and Gauthier-Loiselle (2008)

IMMIGRANT INNOVATORS ARE OVER-REPRESENTED IN KEY FIELDS

84%: share of information-technology patents with an immigrant inventor

79%: share of pharmaceutical drug patents with an immigrant inventor

75%: share of molecular and micro biology patents with an immigrant inventor

Source: Partnership For A New American Economy

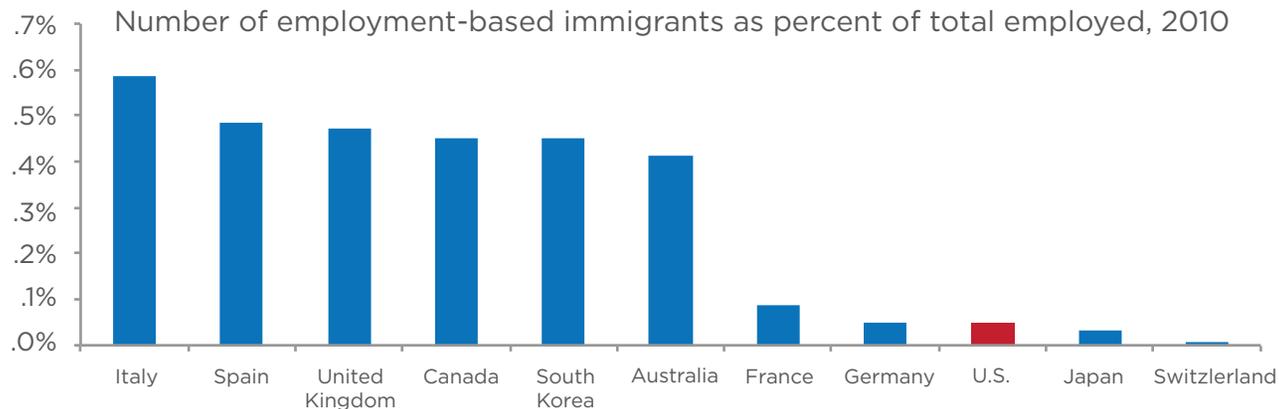


**CURRENT IMMIGRATION SYSTEM IS NOT
DESIGNED TO SERVE OUR ECONOMIC NEEDS**

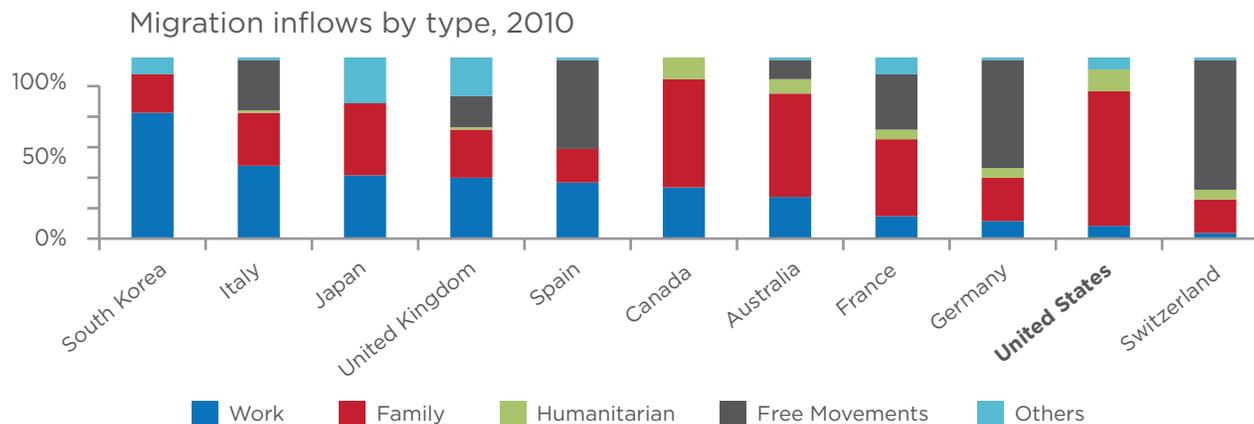
U.S. IMMIGRATION SYSTEM PLACES LESS EMPHASIS ON EMPLOYMENT COMPARED TO OTHER MAJOR ECONOMIES

Unlike most countries, the U.S. reserves very few permanent immigration spots for employment-based immigrants. Though the U.S. system does have a pathway from temporary work visas to permanent residence, it is not an easy route. No English-speaking immigration country other than the U.S. requires immigrants to rely exclusively on employers to move from temporary to permanent status.

U.S. HAS FEW EMPLOYMENT-BASED IMMIGRANTS AS PORTION OF WORKFORCE



UNLIKE OTHER COUNTRIES, MOST NON-TEMPORARY US IMMIGRANTS COME FOR FAMILY REASONS

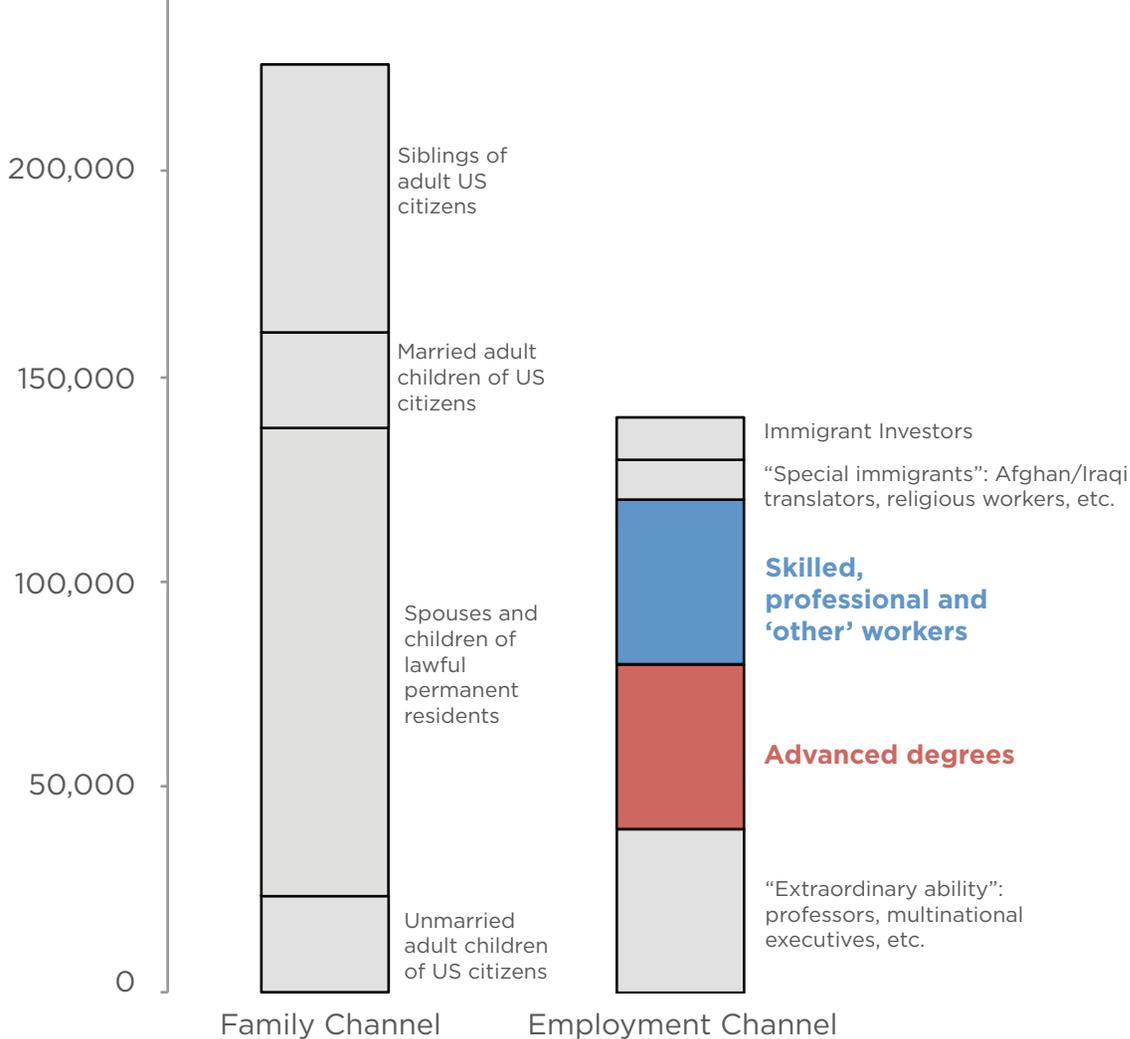


Source: OECD Migration Outlook (2012)

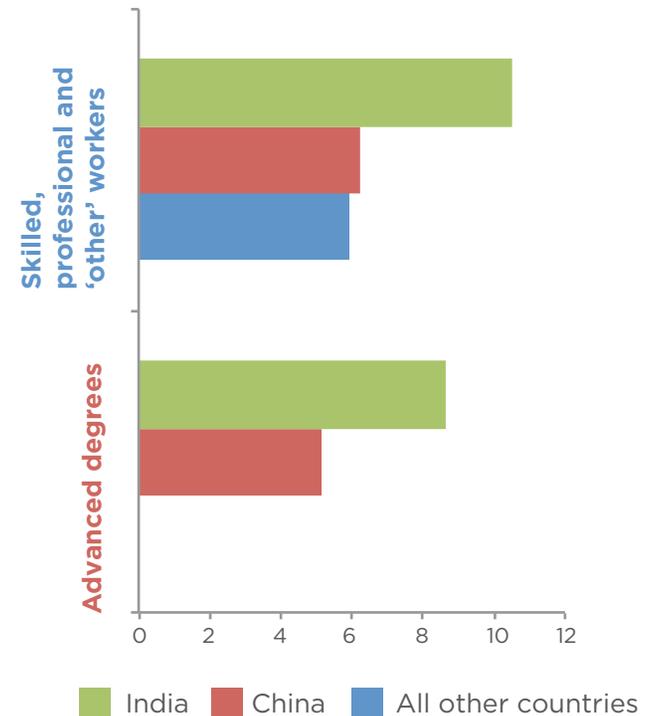
FEW LEGAL PERMANENT RESIDENT SPOTS AVAILABLE FOR SKILLED WORKERS

The limited number of green cards that are set aside for employment-based immigrants are restricted through a system of quotas and caps. Foreign professionals, especially from India and China, must compete for a very small number of green cards, and may be forced to wait for years before earning permanent status.

Annual immigration caps for family and employment-based channels



Waiting time for over-subscribed employment-based immigration categories (in years)

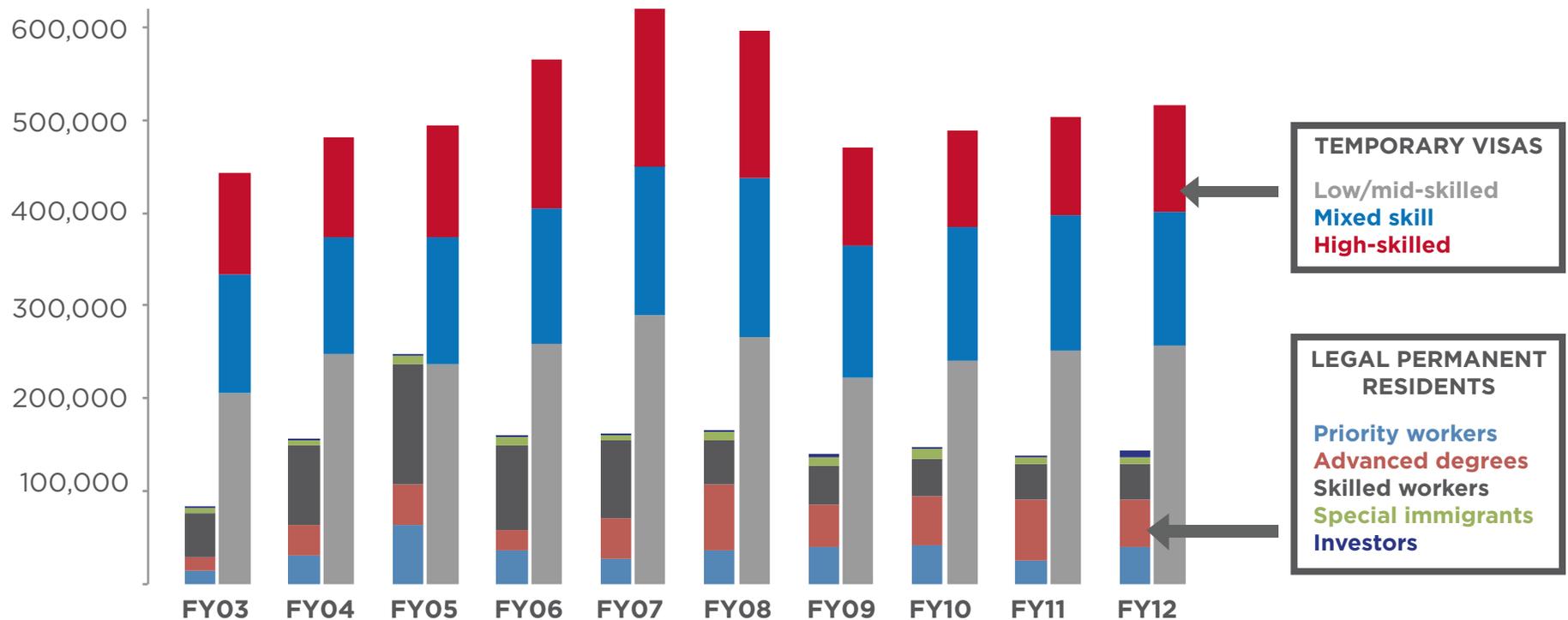


Source: US Dept of State Visa Bulletin Number 54 Volume IX

MOST U.S. EMPLOYMENT-BASED IMMIGRATION OPPORTUNITIES ARE TEMPORARY

A large number of temporary visa categories, each with different rules and regulations, have emerged. For skilled workers, the main visa category is the H-1B, which allows stays of up to 6 years, or longer if there are delays in receiving a green card. But because there are many workers on temporary visas seeking permanent residence, and few available green cards for working professionals, skilled immigrants must spend a significant amount of time on uncertain and restrictive temporary status.

Employment-based immigrants, class of admission, FY03-12



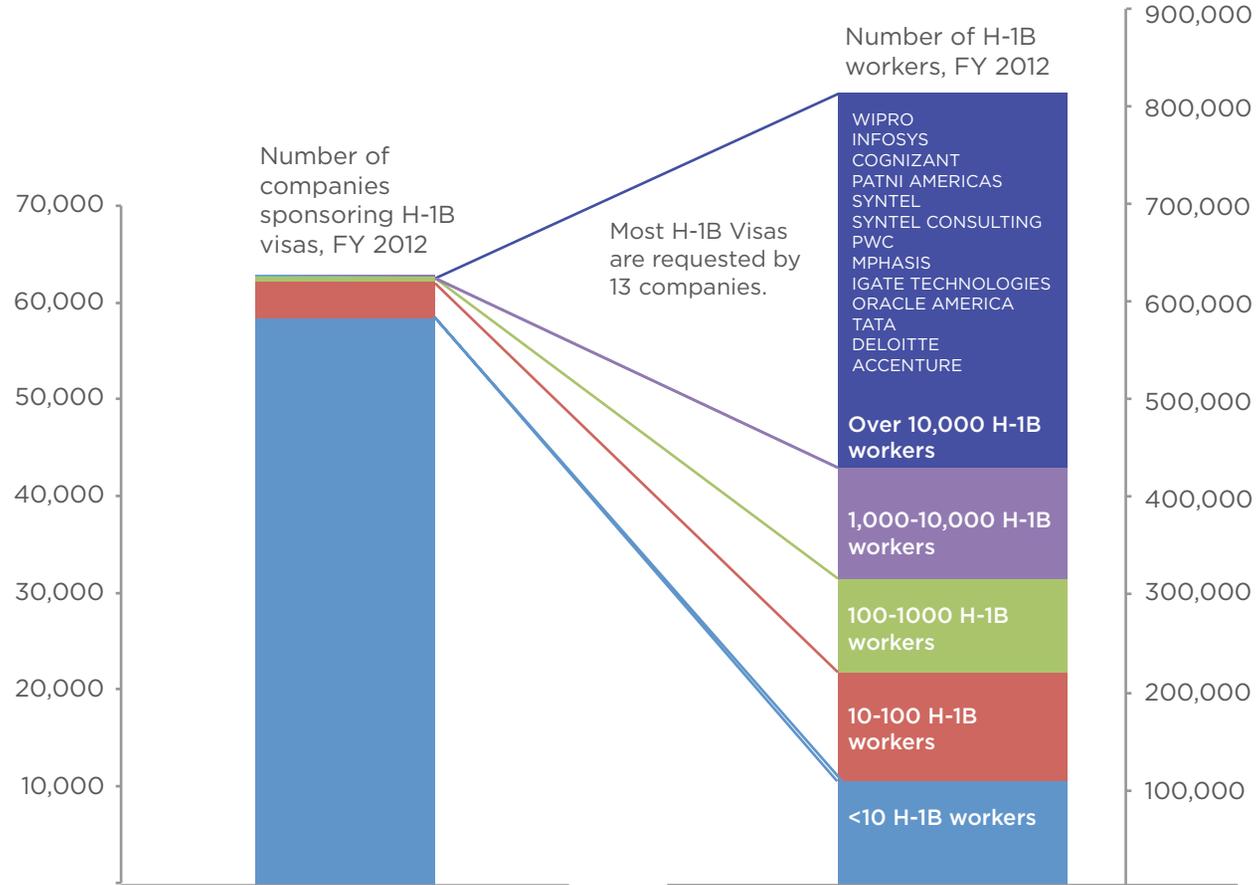
Source: US Department of State, Department of Homeland Security, Migration Policy Institute.
 Note: high-skilled temporary visas are E-1, E-2, E-3, E-3R, H-1B1, H-1B, H-1C, L-1, O-1 and O-2; mixed skill visas are P-1, P-2, P-3, Q-1, Q-2, R-1 and one-third of J-1; low skilled visas are H-2A, H-2B and H-2R. All temporary visa data is for visas issued abroad.

BULK OF H-1B VISA DEMAND DRIVEN BY SMALL NUMBER OF FIRMS

Every year - except from 2001 to 2003 when the annual cap was temporarily raised - demand for H-1B visas has exceeded supply. But while there is a large group of companies seeking small numbers of skilled temporary workers, the bulk of demand comes from large firms requesting thousands of foreign workers.

Over 93% of companies requesting H-1B visas sponsor 10 or less workers...

But almost half of H-1B applications come from 13 companies.

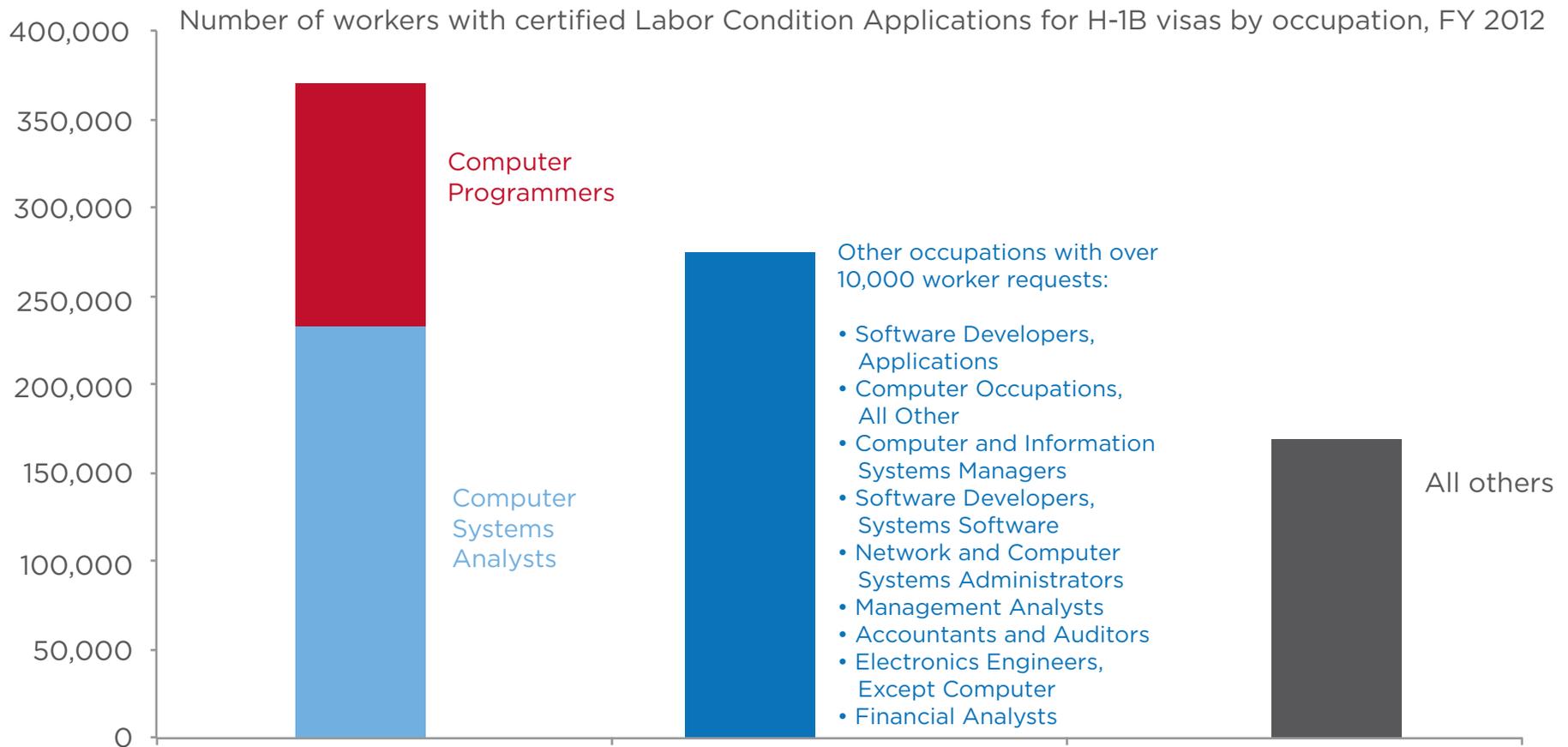


Note: The quality of request-by-request LCA data can be poor, especially the number of workers requested field. Though only certified LCA's are considered, not all certified LCA's proceed to I-129 petitions. LCA-based H-1B data should be considered a directional reflection of demand.

Source: US Dept of Labor, Labor Condition Application (LCA) Data

H-1B VISA REQUESTS ARE CONCENTRATED IN A FEW COMPUTER-RELATED OCCUPATIONS

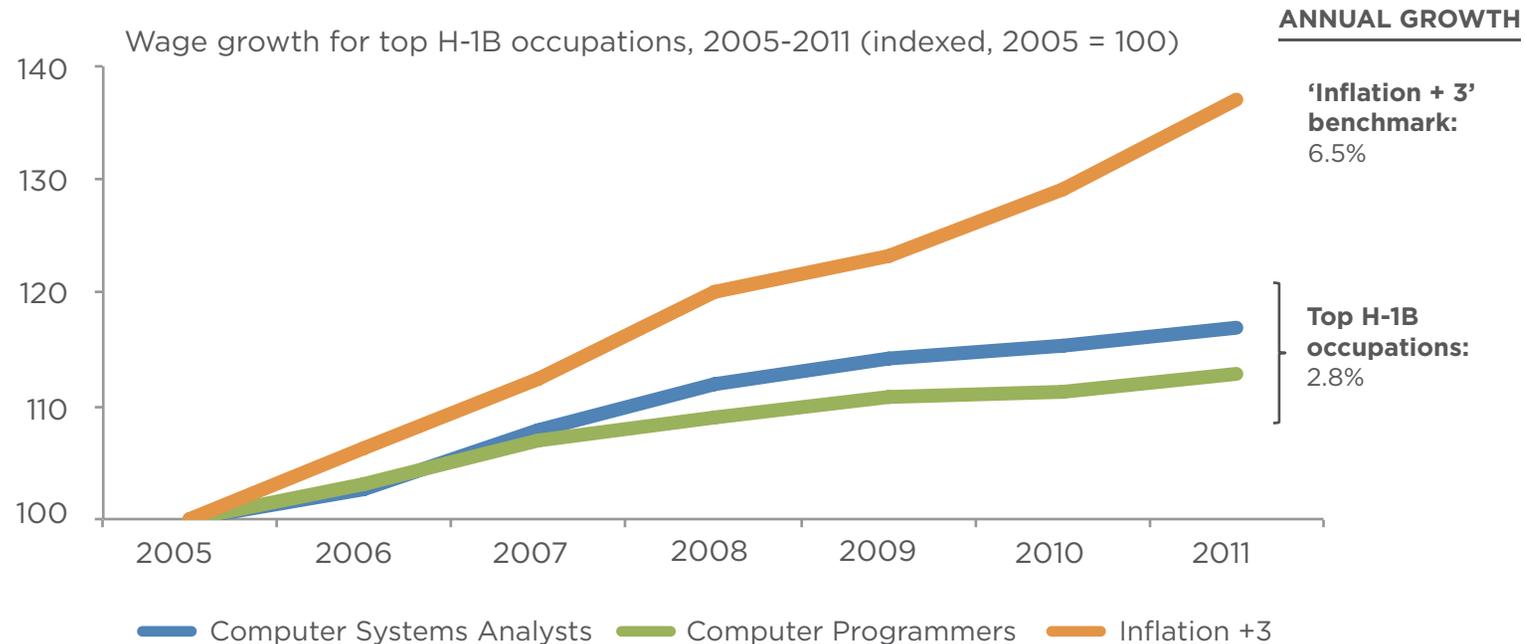
Because a small number of firms, mostly in the information-technology sector, are responsible for the bulk of H-1B visa demand, most applications seek IT-related workers, leaving other sectors underserved.



Source: US Dept Of Labor, Labor Condition Application (LCA) Data

ECONOMIC DATA SUGGESTS “SKILLS GAP” FOR COMPUTER PROGRAMMERS AND SYSTEMS ANALYSTS MAY BE OVERSTATED

In a skills gap, wages should at least 3 percentage points faster than inflation - but wages for the most in-demand H-1B occupations are growing at just 3% annually.



Source: Bureau of Labor Statistics Occupational Employment

Other economic indicators also suggest that there is not a broad shortage of U.S. high-tech workers.

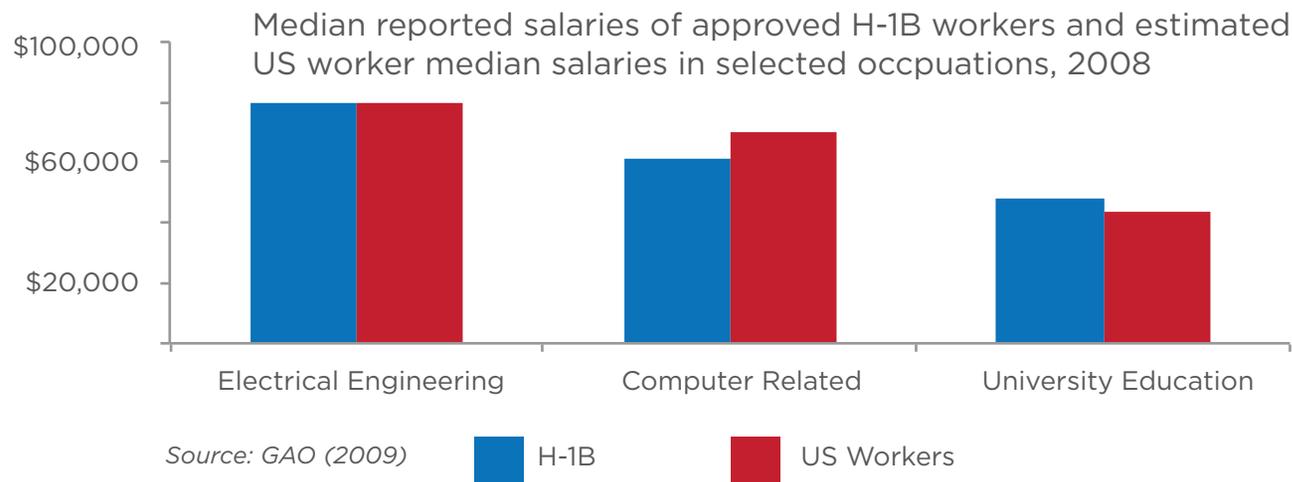
Unemployment: The unemployment rate for high-tech workers is low, but is still more than twice as high as it was before the recession. The overall unemployment rate remains elevated.

Hours: In a labor shortage, employers should demand longer hours. But work weeks – even in the computer services sector – are virtually unchanged over the last five years.

TEMPORARY VISAS DISADVANTAGE U.S. WORKERS AND LIMIT ECONOMIC CONTRIBUTIONS OF SKILLED IMMIGRANTS

Temporary visa restrictions can give employers bad incentives to hire immigrant workers instead of U.S. workers. These restrictions, and the uncertain pathway to permanent resident status, also make it more difficult for skilled immigrants to increase their economic contributions by starting companies or working their way up the corporate ladder.

Lower Wages: Employers must pay H-1B workers at a level exceeding the “prevailing wage” in the area of employment – but H-1B salaries remain low, likely because H-1B workers lack bargaining power with their employers.



No Job mobility: Employers, not immigrants, “own” temporary visas. In most cases, immigrants lose legal status if they are fired or try to switch employers.

Less worker protections: Agencies report that H-1B workers are reluctant to file claims against employers because of their vulnerable position. In 2009, only 664 of 51,980 companies approved to hire H-1B workers had claims filed against them.

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