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The H-1B/Age Connection: So Simple to Explain, So Hard to Understand - April 4, 2015 Matloff

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I urge you to read this for two points in particular: (a) the REAL significance of the case in which SCE replaced American IT workers by foreign ones, and (b) the example of Cognita CEO Gaurev Patel. I regard these two aspects to be central to the H-1B issue, yet much misunderstood.

If you are a serious follower of the Great H-1B Debate, you may have seen the recent pair of dueling op-ed pieces, one by Ross Eisenbrey of EPI and the other by Alex Nowrasteh of the libertarian Cato Institute, concerning the H-1B work visa. Eisenbrey has generally been skeptical about the visa, while Nowrasteh is an outspoken supporter of both an expansive H-1B policy and of liberalized immigration policies in general.

I have points of disagreement with both of the essays, and as you might guess, find most of Nowrasteh's piece to be based on faulty premises and misinformation. However, there is one kernel of wisdom in his article (emphasis added):

Migrants with H-1Bs are typically young, highly educated and earn high wages. In 2014, 94 percent of new H-1Bs were under the age of 40, while 99.8 percent had at least a bachelor's degree and 54 percent at least a master's degree.

This really amounts to a Freudian slip by the pro-industry Nowrasteh. Yes, indeed, this is one of the two primary appealing aspects of H-1Bs for employers — they areyoung. And young means cheap. Even with a (hypothetical) employer who might give wage parity to his young foreign and domestic workers, that employer is saving a bundle, in both wages and benefits, by hiring young H-1Bs in lieu of older (35+) Americans.

Though there are other factors, notably a desire for immobile labor, for many employers, H-1B is fundamentally about age. Unfortunately, it's very difficult to get even those who are critical about H-1B to keep this simple fact foremost in mind.

Take for instance the much ballyhooed recent incident in which the giant utility Southern California Edison laid off American IT workers and replaced them by much cheaper imported foreign workers. People were properly outraged, but in all the discussion I haven't seen anyone seriously raise the question of WHY the foreign workers have such low wages. Yes, some people have correctly mentioned loopholes in the legally-required prevailing wage, fine, but the overwhelming reason SCE can get away with paying those foreign workers much less than the Americans they replaced is that the foreign workers are much younger than the Americans.

Just as Nowrasteh let the cat out of the bag on the age issue, "planted" articles in the press promoting H-1B often unwittingly do the same. An excellent case in point brought to my attention this evening is an April 3 Houston Chronicle piece, "Scramble Is On for Coveted Work Visas," by Lomi Kriel, containing the priceless passage:

But though [medical device startup Cognita CEO] Gaurav Patel] cast a wide net, 80 percent of the eligible pool turned out to be foreigners. The only American applicants had decades of experience, not a good fit for the entry-level position. So Patel hired a 24-year-old from Mumbai who had just graduated with a master's degree in engineering from the University of North Carolina at Charlotte, where he specialized in robotics.

And there you have it, a perfect example of Americans being shunned in favor of a foreign worker (and by the way, NOT involving an IT services outsourcing firm). The fact that Patel considers the Americans overqualified should be Patel's problem, not something for the U.S. Congress to solve for him. On the contrary, Congress should be wondering how in the world they ever wrote laws that allow such a thing.

This is, as I said, one of the core elements of H-1B, which I see all the time, including coincidentally this afternoon, when a well-qualified American applicant told me he had been rejected from a certain up-and-coming employer because he was, in the words of the phone interviewer, “overqualified” for the job in question. Since this American has also applied for other positions in the company without even a phone interview, he is presumably underqualified for those jobs. So my friend is both underqualified and overqualified to work at that firm — doesn’t leave much, does it? And yet I happen to know that this firm does hire foreign workers, who somehow have “just the right amount” of qualification.

What a sad but telling example of how, as pointed out by Neil Ruiz of Brookings from a different point of view, “Our immigration system is broken.”

Interestingly, this would be embarrassingly easy to fix: Abolish the four-tier experience levels system used in determining prevailing wage, i.e. remove the financial incentive to give hiring preference to young foreign workers over older Americans. Define the prevailing wage to be the 50th (or better, the 75th) percentile for the given occupation in the given region — WITHOUT breaking it down according to experience levels. No solution is perfect, and there would still be room for employers like Patel to play games, but this simple solution would be a big step in the right direction.

But NO useful steps will be taken if the age issue is not on the radar screen of even the critics of H-1B, in spite of being so central to the problem. I urge those of you readers involved in proposing policy to keep in mind HOW those foreign replacements at SCE could be so cheap; the answer is a three-letter word.

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