



Policy Memorandum

ECONOMIC POLICY INSTITUTE • SEPTEMBER 1, 2010 • POLICY MEMORANDUM #170

CHAMBER OF COMMERCE DISTORTS EPI FINDINGS AND IGNORES IMPORTANT RESEARCH

BY DANIEL COSTA

In a new report, *Regaining America's Competitive Advantage: Making our Immigration System Work*, the United States Chamber of Commerce and the American Council on International Personnel (ACIP) cite data, findings, and analysis from an Economic Policy Institute (EPI) study, *Immigration and Wages: Methodological Advancements Confirm Modest Gains for Native Workers*, by economist Heidi Shierholz. The report's author, Stuart Anderson, uses Dr. Shierholz's findings to support his conclusion that "H-1B holders in specific are not harming the earnings of Americans" (Anderson 2010, 32). Shierholz's paper explicitly states that her findings do not support such a conclusion. Pointing to EPI's findings to support the Chamber and ACIP's contention that the use of H-1B visas does not negatively impact the wages of native or foreign-born U.S. workers is negligent at best. Anderson cites the work of University of California, Davis economist Giovanni Peri¹ to further support the Chamber's position—but only cites Peri's paper from 2006, while ignoring his most recent research, which offers a much more nuanced perspective in terms of the impact of immigration on U.S. workers—and which also supports the creation of an independent commission on immigration, a proposal the Chamber and ACIP oppose and criticize in the report.

A mischaracterization of EPI research

Shierholz wrote in her EPI paper: "We cannot, for example, answer the question of whether the H-1B temporary visa worker program is suppressing the wages of high tech workers, or whether undocumented farm workers are suppressing wages in agriculture. What we estimate is the effect of increases in the foreign-born labor supply on the relative wages of native-born workers overall and by education level, gender, and age" (Shierholz 2010, 3).

To his credit, Anderson cites this quote in full in the report. But in the same paragraph, he entirely dismisses Shierholz's description of her findings, by writing: "This caveat may reflect a desire not to quarrel with the view held by some in the labor movement that individuals on temporary visas *must* harm native workers (whether or not the facts support that proposition)" (Anderson 2010, 34). Shierholz's description is not a "caveat," it is a statement about the limitations inherent in her methodology.

In another passage in her paper (not quoted by Anderson), Shierholz warned against possible misuse of her data and findings:

If a foreign-born worker is not a naturalized citizen, it is impossible to determine with our data whether he or she is a permanent resident, temporary visa-holder, refugee, or undocumented worker. This unfortunately limits the policy-relevance of the research presented here, since we are unable to determine the effect of various sub-groups of foreign-born workers on native labor market outcomes. Better data are needed to further investigate the effect of different types of foreign-born workers, in particular unauthorized immigrants and temporary visa holders. (Shierholz 2010, 23)

EPI conducts careful, fact-based research, and refrains from drawing specific conclusions that are not substantiated by evidence—and in this particular study, no specific data on H-1B visa holders were available—and thus, no conclusions can be drawn about the usage of H-1B visas and their impact on the labor market. Nevertheless, the Chamber/ACIP report further states: “The Economic Policy Institute study and other research indicates there is little evidence H-1B temporary visa holders harm natives.” The EPI study indicates nothing of the sort—it does not differentiate and analyze data on employers that use H-1B visas, nor on the wages of workers authorized to work with an H-1B or those who compete with them for employment. Shierholz made no comparisons between native workers and H-1B visa holders. In addition, no one in “the labor movement” has asserted that “temporary visas *must* harm native workers,” as Mr. Anderson claims—but there is ample evidence that some native- and foreign-born workers *are* harmed, displaced or directly replaced by workers with temporary work visas, and that H-1B and L-1 visas are facilitating the movement of American jobs overseas. EPI has called for increased and improved data on temporary and permanent immigration, occupations, and wages—because at times the U.S. economy may need to increase or decrease the levels of immigration in some sectors, as well as the admissions of temporary, non-immigrant foreign workers.

Ignoring important research

The Chamber/ACIP report cites the work of Giovanni Peri, one of the world’s foremost econometricians on immigration, from his 2006 paper, *Immigrants, Skills, and Wages: Measuring the Economic Gains from Immigration*. Peri’s work concurs with much of the current research and academic literature regarding the effects of immigration on wages and the economy, finding that in general, the effect on the wages of native workers is positive. EPI’s work has also found this to be true, but we believe that in times of economic recession and high unemployment, levels of employment-based immigration and the admission of temporary foreign workers should be adjusted according to the needs of the economy. Peri’s recent study, *The Impact of Immigrants in Recession and Economic Expansion*, published in June 2010, supports this position.

The following is Peri’s key finding:

Immigration unambiguously improves employment, productivity, and income, but this involves adjustments. These adjustments are more difficult during downturns, suggesting that the United States would benefit most from immigration that adjusts to economic conditions. While immigration already responds to some extent to the economic cycle (particularly illegal immigration), the current immigration system makes legal immigrant inflows particularly unresponsive. (Peri 2010, 4)

Peri then suggests that in order to make immigration more responsive to the business cycle, a government agency or commission could be used to determine the right number of work visas to grant, and to set up a bidding and auction system that would use market principles to facilitate their efficient allocation among the firms that need them. The

Chamber of Commerce and ACIP strongly argue against any kind of independent commission to study and analyze the labor market and immigration levels. EPI supports the creation of a Foreign Worker Adjustment Commission (as proposed by former Secretary of Labor Ray Marshall), in part to achieve Peri's goal of linking immigration levels to economic conditions. In addition, a number of other organizations and blue-ribbon panels support the creation of an independent commission on immigration, including the non-partisan Migration Policy Institute, and the bipartisan Independent Task Force on Immigration and America's Future (co-chaired by Lee Hamilton and Spencer Abraham), the Council on Foreign Relations' Task Force on U.S. Immigration Policy (co-chaired by Jeb Bush and Thomas McLarty III), and the Brookings-Duke Immigration Policy Roundtable.

What the Chamber and ACIP do propose is either to remove the cap on H-1B visas altogether, or to significantly increase the cap "to prevent it from interfering with the normal flow of hiring during the fiscal year" (Anderson 2010, 58). The Chamber and ACIP consider this a "market-based cap," one which will "allow the market to determine hiring decisions" (Anderson 2010, 58). The problem with this view is that employers, who own capital, and thus determine what investments to make and whom to hire, are always looking to increase their profit margins by reducing costs. This is a basic rule of "the market." One way to reduce costs is to have a workforce made up of temporary foreign workers with no incentive to complain about wages and working conditions, because if they complain, they can legally be fired—which immediately renders them removable from the United States. Such temporary workers may be willing to accept lower wages than Americans or legal permanent residents for their work because they nevertheless earn substantially more than they could in their home country. This leads to depressed wages and deteriorating working conditions for all similarly skilled native- and foreign-born workers. The H-1B visa's prevailing wage standard is intended to protect against downward pressures on wages, but in reality, this mechanism is riddled with loopholes and design flaws (Matloff 2003, 88-92), allowing employers to legally pay below-market wages. The Government Accountability Office found that, while fully complying with the letter of the law, employers "hired H-1B workers in part because these workers would often accept lower salaries than similarly qualified U.S. workers" (GAO 2003, 4 and 21).

Thus, the high demand for temporary foreign workers with H-1B visas does not necessarily signify a shortage of U.S. workers with unique skills that can only be found by recruiting workers from abroad—it may simply reflect the desire of companies to access a permanently low-wage labor force composed of indentured workers. The Foreign Worker Adjustment Commission would be a neutral arbiter in the matter—able to balance the interests of workers, employers, the economy, and the labor market—in a way that advances the goals of a broadly shared prosperity for all stakeholders.

The Chamber and ACIP are out of touch with average Americans

It is worth noting that the Chamber and ACIP misuse the Shierholz and Peri research in service of an argument that almost all Americans reject—that there should be no preference for American workers over foreign nationals. In the Chamber's view, foreigners should have the same access to employment opportunities as U.S. citizens:

Since Americans cherish a merit-based selection process for hiring in the workplace, opponents of H-1B visa holders must argue skilled foreign nationals are paid less than their native counterparts. Such an argument makes sense for political reasons: If opponents were to concede foreign nationals are working for comparable wages, then critics would be asking for political support to deny opportunity to other people based only on the desire to block competition. The "cheap labor" argument is tinged with nationalism. It asks Americans and their elected representatives to believe individuals born outside the United States have little of value to offer prospective employers except a willingness to work for less. (Anderson 2010)

The authors apparently believe that the only reason to prefer U.S. workers over foreign workers would be if the foreign workers were paid less. They think foreign workers should have the same "opportunities" in the U.S. labor market as

American workers. In the Chamber and ACIP's view, corporations should be able to replace their U.S. workers whenever they please, and not just with immigrants who will eventually become part of American society and our communities. No, the Chamber and ACIP think there is no difference between a temporary foreign worker brought into the United States to work for three years and a citizen in Ohio or California, whose family has paid taxes for decades, whose family members have served in our armed services, and who intends to be part of our country his or her entire life. Each, in the Chamber and ACIP's view, has an equal right to a high tech job in the United States, to a job as a teacher in a public school, or as a nurse at a community hospital. We disagree.

The Chamber and ACIP reject an approach to immigration based on a goal of shared prosperity for all Americans, including average working Americans. In the Chamber and ACIP's view, what is good for a multinational corporation—whatever its nationality—is good enough, and if the corporation thinks its profits will be higher if it replaces its U.S. employees with temporary foreign workers, so be it. That is a point of view that an overwhelming majority of Americans would reject in a heartbeat.

Conclusion

In sum, EPI rejects Anderson's careless and sweeping use of Shierholz's findings to support the Chamber of Commerce and ACIP's claims about wages and H-1B visas, when her methodology unequivocally precludes making such a claim, and H-1B-specific data were unavailable and explicitly not included or assessed in her report for EPI. We also find Anderson's selective usage of Peri's research to be objectionable—because it ignores Peri's recent work that takes into account the current recession and reveals the negative economic impacts that can occur if we do not more carefully determine the appropriate levels of immigration. A Foreign Worker Adjustment Commission, supplied with better data and empowered to analyze the labor market in sufficient detail could make such determinations and recommend adjustments to Congress and the president that would better achieve the shared prosperity that should be our goal.

Endnote

1. In the Chamber's report, Anderson refers to Giovanni Peri as a professor at the University of California, Berkeley; this is incorrect, he is a faculty member at UC Davis.

References

Anderson, Stuart. 2010. *Regaining America's Competitive Advantage: Making our Immigration System Work*. Labor, Immigration & Employee Benefits Division, U.S. Chamber of Commerce and American Council on International Personnel. August. Available at: http://library.uschamber.com/sites/default/files/reports/100811_skilledvisastudy_full.pdf (last visited on August 20, 2010).

Hira, Ron. 2010. "Bridge to Immigration or Cheap Temporary Labor? The H-1B & L-1 Visa Programs Are a Source of Both." EPI Briefing Paper #257. February. Washington, D.C.: Economic Policy Institute. Available at: <http://www.epi.org/publications/entry/bp257/> (last visited on August 20, 2010).

Marshall, Ray. 2009. *Immigration for Shared Prosperity: A Framework for Comprehensive Reform*. Washington, D.C.: Economic Policy Institute.

Matloff, Norman. 2003. On the need for reform of the H-1B non-immigrant work visa in computer-related occupations. University of Michigan *Journal of Law Reform*, Vol. 36:4. December. Available at: <http://heather.cs.ucdavis.edu/Mich.pdf> (last visited on August 20, 2010).

Peri, Giovanni. 2010. *The Impact of Immigrants in Recession and Economic Expansion*. June. Washington, D.C.: Migration Policy Institute. Available at: <http://www.migrationpolicy.org/pubs/Peri-June2010.pdf> (last visited on August 20, 2010).

Peri, Giovanni. 2006. Immigrants, skills and wages: Measuring the economic gains from immigration. *Immigration Policy in Focus*, Volume 5, Issue 3. March. Washington, D.C.: Immigration Policy Center. Available at: <http://www.immigrationpolicy.org/sites/default/files/docs/Skills%20&%20Wages.pdf> (last visited on August 20, 2010)

Shierholz, Heidi. 2010. "Immigration and Wages: Methodological Advancements Confirm Modest Gains for Native Workers." EPI Briefing Paper #255. February. Washington, D.C.: Economic Policy Institute. Available at: <http://www.epi.org/publications/entry/bp255/> (last visited on August 20, 2010).

United States Government Accountability Office (GAO). 2003. *H-1B Foreign Workers: Better Tracking Needed to Help Determine H-1B Program's Effects on U.S. Workforce*. Report to the Ranking Minority Member, Subcommittee on Environment, Technology, and Standards, Committee on Science, House of Representatives. September. Available at: <http://www.gao.gov/new.items/d03883.pdf> (last visited August 20, 2010).