

# H1B Visa and the Policy Vignette for 21<sup>st</sup> Century Dislocated Workers in the United States

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***Abstract - An H1-B visa is considered an option for skilled professionals who are not U.S. Citizens or green card holders to get permission to work in the United States; a situation that is constantly affecting both individuals (called dislocated workers) and the U.S. companies. This reflects a huge gap between supply and demand in the American labor market in the area of high tech industry. This article discussed both the issues facing the H1B visa policy and the solution and the alternative solution. The entire issue of the H1B visa rests on one of control. Who will control the future of the US labor market? The high tech industry, like any other industry is in need of high tech workers, but does not want to pay an unprofitable price for them, or labor unions, who have historically exerted much leverage over the manufacturing industry in America, but now are losing in their struggle to maintain historically high U.S. wage levels in a global market.***

**Index Terms— economy, labor market, workforce**

## 1. INTRODUCTION

Many economic studies have detailed the negative earnings effects of a job displacement in the United States. As a result, many dislocated workers suffer annually at the range from 20 to 40 percent in earnings losses (Stevens, 2002). Also, income stagnation and wealth inequality has

become persistent characteristics of the economy. Many had lost their jobs while many with jobs continue to feel a growing sense of insecurity, believing that they may be the next to lose their jobs regardless of how long they have held them.

Many permanent and full-time jobs have been replaced by contingent workforce, and major problems was attributed to be: (1) increased foreign trade and business competition; (2) technological changes such as the influx of computers into work places; (3) declining membership in labor unions; (4) shrinking employment in manufacturing; (5) corporate consolidation, new systems for organizing work; and (6) immigration.

Major theory regarding contingency workforce was further discussed that the growth in the number of temporary help jobs has allowed firms to respond to market stimuli on both the demand and supply side. According to Lane (2003) on the demand side, firms have developed alternative work arrangements because technological advances and the consequent job specialization that make it possible for firms to hire employees for specialized tasks rather than relying on employees with broad, generalized job descriptions. On the supply side, the increased number of women and young people in the workforce has increased the total number of workers in the labor force available for flexible employment. This paper discussed the issue facing our workforce and the policy issues behind the obstacles against the dislocated workforce in America.

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## 2. *THE ISSUE FACING AMERICAN WORKFORCE*

An H1-B visa is considered an option for skilled professionals who are not U.S. Citizens or green card holders to get permission to work in the United States; a situation that is constantly affecting both individuals (called dislocated workers) and the U.S. companies. This reflects a huge gap between supply and demand in the American labor market in the area of high tech industry. According to the associated press (Oct. 3, 2000), the Senate passed a legislation that will provide nearly another 600,000 new visa over the next three years for foreigners who want to work for U.S. Industry. The disquiet here is either this would really keep the economy strong or hard with the problems of illegal immigrants or political refugees that are demanding to remain in the United States.

Are we to believe that United State dependent on high tech workers from another country or lack competitiveness with other nations unless those high tech worker allowed to work in U.S., or does that mean that United States institutions were not capable of training our youths, dislocated worker who will rather preferred to be less paid in salary than not having an income to feed their family? The country is currently divided among technology companies who contended that 300,000 jobs are going unfilled for lack of qualified workers; while labor unions are arguing that the companies want more immigrants to put downward pressure on the wages of Americans holding the same Jobs.

An agreement with Rep. Lamar Smith (R-Texas) chief sponsor of the Judiciary panel's measure was well taken that H1-B visa increase in the number of foreign high-tech workers without protecting American workers. When we look at the proposed number, it does not include foreign students or others who are well qualified and are already in the United States. Unfortunately, these groups of people are considered to be in the job market already, while by, honestly speaking, they are not.

Understanding that the fee for this visa currently is \$500, and raising it to \$1,000 allow the government to raise within three years about \$450 million from this kind of

visas and then use the money to provide scholarship to 60,000 U.S. students in this fields that currently need foreign skilled power. It is expected that in this way, U.S. students will in future fill the current vacuum, and the money will also go to the training of 150,000 U.S. workers to fill such vacancies in the future. It seemed like is the love of money.

- *POLICY ISSUES*

The U.S. economy is in a constant state of change, resulting in the dislocation of large numbers of workers, even during times of economic expansion and recovery from recession. The United States Bureau of Labor Statistics estimates that "approximately 10.8 million workers lost their jobs because of business closures and permanent layoffs in the five years between 1981-1986 (Blong & Shallots, 1990, p. 28). The most important issues addressed were based on three questions: (1) how many workers have been dislocated by business closures and permanent layoffs? (2) What are the reasons for closures and layoffs? (3) to what extent does the federal government assist dislocated workers?

According to Bureau of Labor Statistics data estimation on average, there are about 2.3 million workers dislocated annually between 1979 and 1984. Despite the economic recovery between 1983 and 1984, over 16,000 establishments with 50 or more employees experienced a closure or permanent layoff affecting about 1.4 million workers in this two-year period. The reason for closures and layoff was attributed to problems of competition in the marketplace, with some of the competition come from imports.

About 70 percent of the businesses indicated that reduced product demand and/or increased competition were major factors influencing their decision to close or lay off workers. Over 35 percent of the closures and layoffs for establishments with 100 or more employees were in industries in which the Department of Labor has certified workers as being adversely impacted by international trade. These closures and layoffs affected about 436,000 workers.

To what extent do employers assist dislocated workers? To reemploy dislocated workers has been or much concern and the

important major factors affecting their reemployment include the availability of both financial and placement assistance. Most establishments that experienced a closure or a permanent layoff provided some assistance to their dislocated workers. Slightly more than half of the businesses experiencing a closure or a permanent layoff offered their workers severance pay, about a third offered placement assistance and 3 percent offered occupational training. Finally, 37 percent of the establishments offered their employees both financial and placement assistance; however, 36 percent offered neither.

The dislocated worker experiences both social and psychological problems that are a result of separation from long-term employment (Kates, Grieff, & Hagen, 1990). The frustrations of entering the labor market unprepared and the humiliation of unsuccessful job search are common anxieties experienced by the displaced worker. Classroom anxiety and reluctance to participate in educational opportunities are also constraints for dislocated workers. For this special population, "...education is not their priority; getting another job is their most critical need" (Blong & Shultz, 1990, p. 28). The trauma of job loss and immediate loss of income coupled with the competition for jobs by hundreds of workers with the same skills and experience, create overwhelming problems for the displaced worker. Education and training should provide outreach to this special population by improving existing services to guarantee a better-prepared work force to meet the challenges of the twenty-first century.

The debates of the high tech labor shortage has prompted the issue of the H1B visa to bring high tech workers to the United States due to a shortage of skilled workers and anticipated future shortages. The H1B visas derive their name from a definition found in the **Byzantine** Immigration and Nationality Act at 8 USC & 1101(a) (15) (l) (b). Basically, H1B is a category of visa application for those "who come temporarily to the United States to perform services in a specialty occupation that requires theoretical and practical application of a body of highly specialized knowledge and attainment of a bachelor's or higher degree in that specialty.

#### 4. *The Desired Outcome*

In 1988, the Congress enacted the Economic Dislocation and Worker Adjustment Assistance Act to improve assistance provided to dislocated workers. Key provisions of this legislation are the establishment of (1) state rapid response teams to offer workers assistance before they are laid off and (2) labor-management committees to facilitate this assistance. However, relatively few states have experience with dislocated worker project involving labor-management groups. Closed plants, lost jobs, lives in disarray-all this and more portray the failure, for many, of the "American dream," and the emergence of a special adult population referred to interchangeably as dislocated or displaced worker.

Congress analyzes various proposals to expand or modify programs assisting dislocated workers, certain lessons learned and in three areas: allowing states the flexibility to select sponsors from a variety of operating organizations, as opposed to channeling all funds through service delivery areas, has proven successful, and having project staff with expert labor market knowledge and extensive contacts with local employers was a key ingredient to success.

#### 5 *The Reported Unemployment Rate*

The national unemployment rate was indicated to be less than 5 percent in 1997, and more than 12 million jobs created since 1993, for many U.S. workers particularly minority, the labor market outcomes have stagnated or worsened. What is also creating employment barriers for minority is the flexible production of the new economy in increased contingent work. However, the decreasing unemployment has not quiet resulted in commensurate reductions in poverty. It was indicated that family poverty rates of 14 percent or more have existed for the past 15 years; the rate was reported to be 30 percent for African American (GAO, 1998).

In the fall of 1995, America's official unemployment rate was 5.7 percent. Those officially unemployed are just a small part of the total number of workers looking for more work. Adding together the officially unemployed (about 7.5 million), those who say they want work but do not meet one or

the other of the tests for being actively in the labor force and therefore are not officially counted as unemployed (another 5 to 6 million), and the involuntary part-timers who want full-time work (approximately 4.5 million) yields an effective unemployment rate approaching 14 percent (Thurow, 1996, p. 165).

Each year, millions of American workers are displaced from their jobs as a result of permanent and structural changes in the economy (Moore, 1990). The demand by business and industry for workers with up-to-date skills who can perform successfully in a more complex and demanding workforce represents the response of the American economy to the onset of the technological age. One result of this has been a shift "...in job opportunities from the hands of American workers to their minds" (Seitchik & Zomitsky, 1989 p. v).

A review of the literature also shows that workers in the goods-producing industries (e.g., mining, construction, and manufacturing) were more at risk for losing their jobs than workers in the service-producing industries (Fullerton, 1987). Researchers agree that although differences in worker tenure or productivity affect displacement (Herz, 1991), discrimination based on age, sex, or race may also lead to the targeting of particular groups of workers (Wise, 1989).

For the most part, worker displacement is a reflection of industry conditions. As foreign competition increase and the American economy responds to rapid advances in automation and computerization, clearly the need for greater job retraining and education is necessary to empower dislocated workers with the skills needed to compete in an ever-increasing, technologically advanced society.

The dilemma of the dislocated worker has received attention both in professional journals and periodicals as well as popular reading. Because unemployment represents both social and economic issues, the popularity of this subject can be seen in the numerous articles that address this special population. With thousands of workers looking for jobs, and facing the economic uncertainties of lost pensions and medical insurance, the media presents a dim yet accurate portrayal of relevant issues.

The dislocated workers reflect the changing economic climate of our country. In recent years, we have seen the emergence of a changing labor force that presents new challenges for training and employment. Our workforce had become more technologically advanced. Jobs that were once secure have become obsolete and replaced with employment opportunities requiring higher skills. Today's displaced worker appears to require a level of assistance beyond that provided by federal funding.

Our workers of the future will also need assistance to adapt to further economic change and restructuring. Clearly, the need for a joint partnership between business, government, education and the individual workers is in order to keep our working class working and to ensure a competitive and sound economy for the future.

## 6 CONCLUSIONS AND DISCUSSION

A Clearly the need for education and retraining as well as an increase in federal outreach is necessary to address the needs of the displaced worker. My proposed policy entitled, Job Opportunities through Business, Federal Outreach, Retraining, Counseling and Education (Job Force) is designed to keep the working class working, and to strengthen the American economy as we prepare for the year 2000.

The Economic Dislocation and Worker Adjustment Act (EDWAA) replaced title III of the Job Training Partnership Act (JTPA). Although EDWAA represents the government's answer to the issue of unemployment, clearly this is an insufficient response. My policy mandates an increase in federal funding responsive to the level of unemployment. As unemployment increases, Congress should direct more money toward federally assisted training and retraining activities. Research points to the fact that the United States budget figures represent outlays of funds rather than expenditures and that the latter, "might be significantly less than the amount of money available" (Wise, 1989, p. 20).

Increasing federal expenditures, however, is not enough. My policy calls for a proactive stance by business, education and government to provide and assist in training

and skill development of workers before displacement occurs. Under my policy, federal regulations will require business to create a framework for continued on-the-job training and education. Federal funds will be used to supplement training activities in addition to company and employee and employee funds.

The training programs will stress individual personal development and job-specific training and will be scheduled to take place during the workday. Career counselors will be recruited to assist the employee in researching employment opportunities' facilitate stress management workshops; provide counseling services; and, disseminate information on educational opportunities. The entire issue of the H1B visa rests on one of control. Who will control the future of the US labor market? The high tech industry, like any other industry is in need of high tech workers, but does not want to pay an unprofitable price for them, or labor unions, who have historically exerted much leverage over the manufacturing industry in America, but now are losing in their struggle to maintain historically high U.S. wage levels in a global market.

While H1B visas now assist the technology companies by replenishing their workers at a relatively low cost, the issue is: should this be done at the expense or future of the US citizen? The crux of the matter is that of a real shortage of technology workers, vs. a shortage of wage motivators that companies can play against US citizens getting involved in the technology sector. The rewards and compensation must be in line with the tasks or the field will in fact experience a dearth of professionals. Is this really the case though? The high tech sector claims this is so, as it can be seen in numerous Congressional testimonials. The labor industry claims this is not the case; their argument is that there are in fact enough high tech workers in the US, but they are pursuing other fields due to low compensation in this field (Such as MBA's, medical, and law degrees.) Both sides have presented countless testimony to congress bolstering their points, among some of the arguments.

Perhaps the best non-biased study concerning the whole industry is the March 20, 1998 report put out by the General

Accounting Office (GAO), titled: Information Technology: Assessment of the Department of Commerce's Report on Workforce Demand and Supply. This report conclusively demonstrates that the demand for IT workers is in fact critical, but it criticizes the Department of Commerce conclusions regarding supply. That being, Commerce's methodology in analyzing the future pools of IT workers was flawed. While it is true that the number of IT workers receiving Bachelor's degree's in computer science and information science falls well short of projected industry demand, the report fails to acknowledge *other* sources of IT workers, such as those with associates degrees, Ph. D's, degrees in other fields, and employees who can or have received industry wide training. While a shortage of IT workers currently exists, future supply, and even demand, has not been demonstrated conclusively. Indeed, the whole issue of supply needs to be explored more thoroughly in the future, since it remains unclear.

Thus said the issue is clearly over labor costs, and not the physical presence of someone being in the US. Work can be completed in a local office on computer and sent as an email attachment to the home office in a matter of seconds. Since this work is brainpower work and not manual labor, the electronic means of transmission and distance design takes a new meaning. The key driver here is labor costs and control. Even if they have to retrain an electrical engineer for their designs, in say Bangalore, India, it is incredibly cheaper than to retrain US engineer for the same tasks. Likewise, many of these countries have NO Western style labor laws or even minimum wages, but they do have a plethora of people, thereby creating a buyers market for labor costs.

The focus of this should not be underestimated, while the US will remain a Mecca for sales and administration in the high tech industries, it will spell doom for the future of high tech workers, as Asian countries are becoming more accessible and on-line. The only current obstructions to a wholesale transfer of design to developing countries are political instability and educational access to the workers there, meaning that the Asian thinking is not Western thinking, and can hinder the cultural

mores of doing business and expected outcomes. This is a transitional period and will not last long. However, already there is a strong preference for Western styles and concepts in many Asian countries, as the older population dies off, indigenous cultures will be compromised or go by the wayside entirely. When that happens, we will truly have a “global” market, complete with global thinking.

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