The Accelerating Decline in America's High-Skilled Workforce:
Implications for Immigration Policy

America rose to economic prominence on the shoulders of the most highly skilled workforce in the world. However, during the last 30 years, skill levels in the US workforce have stagnated. Americans aged 25–34 today do not possess higher skills than do their baby boomer parents. So when American baby boomers retire, they will take as many skills with them as their children will bring into the US workforce. While their parents may have been "the brightest kids on the global trading block" when they entered the workforce, Americans entering the workforce today barely make the global top ten. America is no longer a skill-abundant country compared with an increasing share of the rest of the world. As a result, in the coming decade, America could face broad and substantial skill shortages.

Successful implementation of education policies will produce more high-skilled Americans only in the long term. In the short to medium term, America will increasingly need foreign high-skilled workers and will therefore have to reform its high-skilled immigration policies and procedures not only to welcome the best and the brightest but also to make it easier for them to stay.

Meanwhile, as America debates the merits of immigration reform, other rich countries, such as the United Kingdom, Canada, Australia, France, and Germany, have rapidly revamped their high-skilled immigration systems, turning the United States into only one of many destinations for high-skilled immigrants. Moreover, traditional origin countries of high-skilled emigrants to the United States, such as China and India, have actively begun luring their nationals back with special offers.

For America to regain its leadership in global talent, it must urgently reform its high-skilled immigration programs, particularly the H-1B temporary work visa and legal permanent resident (green card) programs. The two programs play a substantial role in bringing in foreign high-skilled workers and permanently keeping them here and could play an even bigger role as demand for high-skilled workers in the US economy increases.

This study verifies that concerns for the plight of American high-skilled workers in the face of significant inflows of foreign high-skilled workers are unfounded. Kirkegaard investigates empirically the labor-market situation faced by US software workers—the group that is usually depicted in the US media as facing the greatest risks from globalization—and reveals that these occupations enjoy full employment at record levels in today's US economy.

New firm-level data on L-1 (intracompany transferees) and H-1B usage for 2006 show that a dozen Indian information technology (IT) companies are the top petitioners for these visas. Several US IT companies are also heavy users of the two visa programs. Beyond the top ten, a very broad range of US and mul-

tinational companies, as well as US public institutions from different sectors of the US economy, account for the demand for foreign high-skilled workers on temporary work visas. Data on visa issuance reveal that Indian nationals dominate both the H-1B and L-1 visa categories.

The legal permanent resident (green card) program is important predominantly as a tool to maintain rather than expand the existing high-skilled workforce in the United States. More than 90 percent of the green cards are issued via adjustment of status (e.g., from H-1B temporary worker to legal permanent resident) requested for high-skilled foreigners already residing and most likely employed in the United States. But national bottlenecks in the current green card system (e.g., per-country limits for countries such as India and China, long waiting periods, and costly and time-consuming application process) may force many employed high-skilled workers to leave the United States once their temporary visas expire.

Based on these findings, Kirkegaard offers a coherent package of proposals to reform the US high-skilled immigration system in a manner that enjoys broad political support:

- drop the Department of Labor (DOL) Foreign Labor Certification (i.e., obtaining DOL's approval for hiring foreign workers) for high-skilled green card recipient categories E-2 (professionals holding advanced degrees or persons of exceptional ability) and E-3 (skilled workers, professionals with bachelor's degree, and unskilled workers);

- exempt green card recipient categories E-1 (priority workers), E-2, and E-3 from the annual per-country national limit;

- drop the DOL Foreign Labor Certification for H-1B workers;

- increase and target enforcement of prevailing wages in intensive users of H-1B visas;

- abolish the annual congressional cap of 65,000 for H-1B visas;

- abolish the annual 20,000 congressional cap and grant automatic H-1B visas to interested foreign master's and doctoral graduates from US universities;

- restrict the share of foreign high-skilled workers that a single business entity over a certain size can employ on temporary work visas—including both H-1B and L-1—to a sensible level of maybe 50 percent;

- strike a bilateral immigration agreement with India and create a new visa category for workers in the IT services/software sector; and

- regularly publish official firm-level immigration data and detailed data on the characteristics of all high-skilled immigrants.

To preview the book, visit http://bookstore.petersoninstitute.org/book-store/4136.html.

To learn more about Jacob Funk Kirkegaard, visit http://www.petersoninstitute.org/publications/author_bio.cfm?author_id=274.