



The

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What the Global Economy Costs Americans

The big argument for the tax cut just signed by President Bush is that it will create much-needed jobs. But one big question remains: will those jobs be created for Americans, or will corporations simply hire more job-seekers from India and China? It's time for Congress to call a halt to the scandal of the way big corporations hire foreigners at the same time they are laying off their American employees. The hiring of hundreds of thousands of foreigners is why this year's college graduates face the worst job market in recent memory.

When U.S. corporations built hundreds of plants in Third World countries, we were told not to worry about losing blue-collar manufacturing jobs because we were keeping the service jobs. Now the high-paying white-collar service jobs are going overseas, too, particularly jobs for engineers and computer specialists.

Follow the money. The big corporations hire aliens from India and China at half or a third the wages, work them long hours without overtime pay, and treat them like indentured servants unable to quit for a better job. What makes this racket possible is the partnership between corporations and government. The corporations make political contributions to assure the passage of legislation that legalizes the importation of foreign cheap labor by the devices called H-1B visas, L-1 visas, and outsourcing.

One test of whether Members of Congress will continue to do the bidding of their corporate contributors or change course and side with hardworking citizens will be the proposed extension of the Clinton Administration law that raised the number of H-1B visas to 195,000 a year. That high level is scheduled to expire on September 30 and revert to the 1999 level of 65,000. That's only one part of the problem of imported foreigners replacing American citizens.

The Scam of H-1B Visas

H-1B visas were created in the 1990 Immigration Act to allow corporations to import up to 65,000 cheap skilled workers from foreign countries to fill alleged

labor shortages. The shortage claim was always a fiction and now is nonsense. H-1B visas are good for three years and can be extended for another three years. By far the most H-1Bs are issued to people from India, with the second largest number coming from China.

Some observers estimate that as many as 890,000 H-1B aliens are now working in the United States. The Immigration and Naturalization Service said that the official count of H-1B aliens is less than half of those actually in the United States because the count excludes those who were previously approved and had their stay extended. The count also excludes the H-1B aliens working for educational institutions and nonprofits. Nobody has any count of how many H-1B aliens remain indefinitely, legally or illegally.

At the same time, according to the U.S. Bureau of Labor Statistics, unemployment among American electronic engineers has soared to 7%, and among computer hardware engineers to 6.5%, both surpassing the national jobless rate of 5.8%. The Institute of Electrical and Electronics Engineers (IEEE) says that electrical and electronic engineers lost 241,000 jobs in the past two years, and computer scientists and systems analysts lost 175,000 jobs. IEEE-USA president-elect John Steadman says he has "never heard" of such high unemployment, and the result is "a very substantial and negative effect on the economic conditions of the United States."

Despite hundreds of thousands of unemployed American engineers and computer specialists, corporations continue to import foreigners at the same time that they lay off U.S. citizens. This system is the direct result of legislation voted by Congress, whose Members enjoy political contributions and favors from the corporations that profit.

Federal agencies don't determine if there really is a shortage of U.S. skilled workers, or check for violations of H-1B prevailing-wage or equal-pay regulations.

This is not free-market economics. It is collusion between corporations that pour big money into politics and Congress that passes legislation enabling the corporations to replace American workers with foreign substi-

tutes, thereby keeping all wages artificially low to enhance corporate profits. This is not a "natives vs. immigrants" issue because it impacts negatively on naturalized Americans and legal permanent residents as well as on native-born citizens.

The national media treat H-1B as a non-issue, but local newspapers and television stations are full of reports about how American workers are laid off and replaced with foreign workers. The *San Jose Mercury News* found scores of complaints filed at attorneys' offices, the EEOC, and the Departments of Justice and Labor.

A Dallas database administrator said, "One recruiter flatly told me they have 50 H-1Bs willing to work cheap ahead of me in line." Another U.S. citizen who filed a complaint with the EEOC said that SwitchOn Networks fired him after six months and replaced him with an H-1B alien with less education and less experience, paying him \$30,000 a year less. Bob Simoni, who has an MBA from UCLA, thought he had a good job with Toshiba installing software, but all of a sudden Toshiba outsourced his division to the India-based company, Infosys, which employs H-1Bs in the United States. Simoni was allowed to stay for three weeks to do "knowledge transfer," the euphemism for training H-1B replacements.

Computer science expert Dr. Norman Matloff has provided overwhelming proof that there is no shortage of Americans to fill jobs for which H-1B aliens are hired and that H-1Bers depress wages for all workers. His comprehensive 98-page study was originally presented to the U.S. House Judiciary Committee, Subcommittee on Immigration, on April 21, 1998 and he has updated it every year. It is available at <http://heather.cs.ucdavis.edu/itaa.real.html>. He cited a UCLA study concluding that H-1B engineers were paid 33% less than comparable Americans, a Cornell study that found wages 20-30% less, and a *Forbes* Magazine report that H-1B wages are 25-30% less.

The majority of H-1Bers are programmers (also called software engineers), so that is where the claimed "shortage" is. Yet Professor Matloff's surveys of graduating seniors at the University of California-Davis revealed that fewer than half of the graduating seniors in computer science get jobs in programming.

The corporations had such clout with the politicians that they got Congress to raise the level of allowable H-1B visas from the original level of 65,000 to 115,000 in 1999, to 195,000 in 2000 — even while the industry was hiring only 2% of software applicants. In a striking example of stealth politics, on October 3, 2000 the House leadership announced there would be no further votes that evening, and then passed the H-1B increase, after most Members had departed, by a voice vote with only about 40 out of 435 Members present.

Republican Congressional Campaign Committee Chairman Rep. Tom Davis (R-VA) candidly commented, "This is not a popular bill with the public. . . . This is a very important issue for the high-tech executives who give

the money." Senator Robert Bennett (R-UT) admitted, "There were, in fact, a whole lot of folks against it, but because they are tapping the high-tech community for campaign contributions, they don't want to admit that in public."

The congressional-corporate attack on engineers and computer specialists started when Section 1706 was slipped into the Tax Reform Act of 1986. This uniquely discriminatory section required anyone who is an "engineer, designer, computer programmer, systems analyst or other similarly skilled worker" to be classified by Internal Revenue as an employee rather than as an independent contractor, which hundreds of thousands were at that time.

This change in the law, plus aggressive enforcement by the Internal Revenue Service, resulted in the creation of large consulting or contracting firms that hire such persons as their own employees and then contract to sell computer services to big corporations. These "gatekeeper" firms expanded rapidly because they took over the management of personnel for corporations and then found how easy it is to exploit H-1B and L-1 visas to hire foreigners to replace American engineers and programmers.

The Scam of L-1 Visas

By 2001, corporations and contracting firms were employing at least 384,191 H-1Bers without any demonstration of a labor shortage, plus at least 328,480 on L-1 visas who were masquerading as "intracompany transferees." In a bitter postscript to the careers of laid-off Americans, they were often required to train their foreign cheap-labor substitutes.

L-1 visas were created to allow intracompany transfers of key managers, executives or persons with "specialized knowledge" from a foreign office to a U.S. office of the same company. There are no numerical limits and no safeguards against abuse. After the "gatekeeper" consulting firms became widespread, they made L-1 visas a gold mine of profits. L-1 visas also enable foreign workers to bring in their spouses and children on L-2 visas.

Siemens ICN in Florida contracted to have 20 of its U.S. computer techies replaced by foreigners brought in by Tata Consultancy Services, one of India's largest consulting firms. When Tata used L-1 visas to import Indians at one third the salary of the Americans laid off, the Siemens spokesman shrugged off complaints saying, "They don't work for us. They work for Tata." Computer specialist Michael Emmons said, "Management mandated that we train our foreign replacements, then Americans were shown the door. It was the most demoralizing thing I have ever experienced."

L-1 visas were created to permit intracompany transfers between the offices of one company; it's a gross abuse to use L-1s for company-to-client replacements. Companies that provide cheap labor for clients are known as "body shoppers."

The NBC station in Hartford exposed why Connecti-

cut now has 20,000 white-collar unemployed computer service workers but 70,253 employed aliens. The giant insurance company Cigna fired its local workers, turned its technology jobs over to the Indian firm, Satyam, under a "closed-loop process providing Satyam with the right of first refusal for all consultants requests," thereby denying U.S. citizens even the chance to compete. Where are the conservatives and the businessmen who argued for years against the closed union shop?

The Scam of Outsourcing

The *Boston Globe* revealed the reason why tens of thousands of information technology (IT) jobs have been outsourced overseas in the last couple of years, and why major American banks, brokerage houses, and insurance companies plan to shift 500,000 more IT jobs overseas in the next five years. MBA graduates of the Indian Institutes of Technology can be hired for \$12,000, compared to the average starting salary of Harvard Business School graduates of \$102,338. A researcher with a few years' experience might have to be paid \$250,000 on Wall Street compared with \$20,000 in India.

So, it's not just the steelworkers and the blue-collar manufacturing workers who are getting shafted by the global economy; it's smart college graduates, too. As one executive, who has no shame about replacing Americans with foreigners, said, "If it can be done by sitting at a desk in front of a computer, then it can be done abroad."

The half-million jobs figure was reported by business consulting firm A.T. Kearney Inc., which surveyed 100 major companies. It's all a matter of money; the big banks are following the trail to Asia blazed by Microsoft and IBM. A study by Forrester Research of Cambridge, MA, estimates that the rush to export U.S. jobs will accelerate and corporations will send 3.3 million American jobs overseas by 2015. India is expected to get 70% because many Indians speak English.

The future is now. U.S. companies are already using Indian employees to do research and development, prepare tax returns, evaluate health insurance claims, transcribe doctor's medical notes, analyze financial data, dun for overdue bills, read CAT scans, process student loans, create presentations for investment banks, and more.

India is the favorite new office of J.P. Morgan Chase & Co. It is planning to set up an equity research department in Bombay and to build up its Technopolis office to 1,100 Indian employees by the end of this year. Delta Air Lines, the first airline company to join the stampede, contracted with two Indian companies to handle some of its customer reservations. General Electric Co. shifted software development and back-office jobs to India under CEO Jack Welch. Today, GE's Indian engineers are contracted for tasks as sophisticated as analyzing the materials and design of new jet engines.

Morgan Stanley plans to experiment with hiring stock analysts in India, and Goldman Sachs Group and Citigroup

are studying the benefits of shipping research jobs to India where there is an inexhaustible supply of business graduates eager to work for as little as 10% of the market rate in New York or London. Industry observers say that every bank on Wall Street will soon reap the cost benefits of outsourcing their research business.

Many American companies subcontract with Indian software-serving companies, especially with the three largest: Tata, Infosys Technologies, and Wipro Technologies. These Indian companies then transfer some of their employees to the United States on L-1 visas. *Business Week* reported that L-1 visas were the ticket of entry to take a U.S. job for half of Tata's 5,000 workers, for one-third of Infosys's 3,000 U.S.-based workers, and for 32% of Wipro's U.S. employees.

Some U.S. companies such as American Express are using Indians to service American customers by telephone. A call-center employee earns \$20,000 a year in the United States, but only \$2,500 in India. The Indians adopt American names (Sanjeep becomes Sam, Radhika turns into Ruth), learn how to avoid British colloquialisms, take speech therapy to sound American, and hang American flags to decorate a pseudo-American workplace.

New Jersey residents were shocked to learn that state officials had hired contractors who in turn arranged for operators working in Bombay, India, to handle calls from the state's welfare recipients. New Mexico residents were shocked when KOAT-TV reported that the state had hired aliens as computer programmers in the Taxation and Revenue Department, and then paid private attorneys to process their green cards. The large amount of taxpayer-paid computer work performed by non-citizens for at least 12 state governments and 9 federal agencies is a scandal crying out for investigation.

Age discrimination is a significant factor in the layoffs of Americans. The termination rate for those over age 40 is generally 10 times higher than for those under 40, and even those as young as 35 are at risk. Employers reject the vast majority of their programming applicants without even interviewing them. Sun Microsystems is now defending itself against a lawsuit alleging that it laid off 2,500 older U.S. workers and replaced them with young, lower-paid workers from India. The lawsuit alleges that Sun discriminated on race, national origin and age, and that Sun manifested an "institutional bias" in favor of Indian workers because they are "more compliant" and "less willing to make waves."

One of the devious ways that corporations try to perpetuate their supply of cheap foreign labor is by financially supporting immigrants' rights groups. Open-borders policies allow an unlimited supply of cheap labor to keep coming into the United States.

Not only is the corporations' claim that we suffer a shortage of computer programmers and engineers a fraud, but so is their claim that the aliens they import have specialized knowledge that is needed to retain the indus-

try's technological edge. Most H-1Bers and L-1ers are very ordinary workers making very ordinary salaries, and often they do not even have the qualifications claimed by their employer sponsors. The vast majority of computer-related H-1Bers are paid less than \$58,000.

The awards given by the Association for Computing Machinery (ACM) show that most technological advances in the computer field have been made by U.S. natives. ACM's most prestigious honor, the Turing Award, has been given to only 6 foreign-born out of the 34 recipients, and its System Software Award has been given to only 1 foreign-born out of the 50 recipients.

Until recent years, America had a commitment to a middle-class society, the economic system that built American greatness and prosperity. Employees used to be viewed as an investment, but more and more they are looked upon as replaceable commodities. The movement toward an increasing percentage of underclass cheap laborers is a formula to make us like Latin America and other countries from which immigrants are trying to escape. Cheap labor ends up being subsidized by the taxpayers, who pay the health, welfare and crime costs that employers are able to escape.

What to do? Congress should (1) reject all attempts to extend the current high number of H-1B visas and allow the limit to revert to 65,000; (2) require that corporate applications for H-1B visas first demonstrate good-faith efforts to hire or retain American citizens; (3) require employers to lay off non-citizens before laying off American citizens; (4) restrict L-1 visas to a company's own employees earning at least \$100,000 a year; (5) forbid all government agencies from hiring non-citizens or from contracting with outside firms that hire non-citizens; and (6) repeal the 1986 law that prevents computer engineers from working as independent contractors.

Tell your Congressman that importing alien workers to replace American citizens is economically absurd, morally indefensible, and politically foolish.

Comments from the Engineers Replaced by Foreigners

▶ "I am one of approximately 20 Americans who were mandated to train our foreign replacement workers in Lake Mary, Florida. Those workers are Tata Consulting (TCS) India employees. TCS India transfers its employees from TCS India to TCS USA using the congressional H-1B and L-1 'intra-company transfer' work visas. Their goal is our jobs. Siemens ICN management brought the Americans into a room and told them they would be laid off. But first they said, 'we want you to train your replacements.' They held out a carrot for the Americans, a severance check; 'train your replacements, then we'll give you this check when you leave.' My complaints are 100% directed at the U.S. Congress for creating laws that put Americans out of work. The response from our Senators and Representatives has been utter neglect and acceptance of more campaign checks from those who are profiting by this system." M.T.E.

▶ "The fact that American programmers, of which I am one, have lost many jobs in the past two years is bad enough. To have lost your job to a

foreigner brought in on this [H-1B/L-1] program, someone whom you must train to be your own replacement, is an outrage. This constitutes a hazard to both our national and personal security. Once the processes and the data are controlled by someone in another country, maybe a country with no law respecting intellectual property rights or sale of 'acquired' data, we will have some rather serious problems. When the technical expertise flees our country along with the IT jobs, we will not have the right to complain about the result." G.L.N.

▶ "I have been unemployed since January 2002 and am actively seeking work in a field where I commanded a \$100,000 salary. This economy is broken because hundreds of thousands of Americans have been forced out of work by foreign scab laborers from India, Pakistan, China and Russia imported by big businesses to cut costs. I never dreamed of a day when U.S. companies would be encouraged by our elected officials to hire foreigners over Americans. I am sick of being discriminated against because I am an American." W.P.

▶ "I am an American-born citizen, a degreed electrical engineer, and a computer specialist with extensive training and experience. I was unable to find employment for several years in technological fields for which I have been trained and in which I have significant experience." K.J.

▶ "Since 2001, I have watched countless colleagues in my industry (including myself) lose their jobs or businesses at the expense of cheap indentured servants that are imported by Corporate America via the H-1B and L-1 programs. I have received many emails from colleagues who have had to train their foreign replacements before being released by their employers after providing many years of excellent and faithful service." W.J.T.

▶ "There is no shortage of engineers, just a shortage of experienced engineers who can afford to work for sub-entry-level wages. The older engineers have all but disappeared in companies with heavy H-1B presence." R.D.

▶ "The lack of coverage in the national media and the lack of mention by any national politician are disturbing. I have worked in the software business as a consultant for 30 years and now I and many of my friends have been out of work for over two years. This is a direct result of the insourcing of foreign guest workers and outsourcing jobs over the internet. This flood has directly replaced Americans and depressed the wages of those lucky enough to still have a job. The actual numbers of foreign guest workers in this country is at least 2 million, but most of my colleagues think the numbers are much higher. Even though I have a great education and I am up on the latest software skills, my own software career may be over and I feel a great loss, but I am also very concerned for my country. Will there be jobs for American citizens? Will our economy withstand the export of billions of dollars in wages? Will our middle class survive? Will our politicians step up to the plate and come to the aid of their country?" J.O.

▶ "I am a naturalized U.S. citizen with a master's degree in computer science and 6 years experience as a programmer. When I went looking for a job, I got a lot of responses, but when they asked, 'What is your status?' and I said, 'I am a U.S. citizen,' that ended the interview. D.G.

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