

# Does Hiring, Retaining Foreign-born Workers During a Recession Make a Company “Unscrupulous”?

By [Sujata Srinivasan](#) | 22 March 2009

A few years ago, I met a woman at a magazine launch party who, when she came to know I was a business editor, asked me what I thought of the outsourcing of American jobs to India. She became progressively disapproving of my response, pursing her lips and nodding in disbelief as I spoke of comparative advantage, optimization of resources, and maximizing value to customers. But what outraged her the most, was my comment regarding why economic borders shouldn't be there in our world.

“Borders don't matter?” she asked angrily, visibly upset. “Our soldiers are dying out there, protecting our borders and our security. And you are saying borders don't matter?”

I in turn was dismayed by the suspicion and mistrust she harbored toward foreign workers - the invisible ones, working offshore, and the visible ones in the next cubicle.



It is tempting during tough economic times that necessitate job cuts to want to raise fences to keep out foreign nationals. But this shortsighted strategy will only weaken the United States by rending a body blow to its innovation culture, which has always been and will continue to be its prime engine for growth.

Earlier this year, Republican Sen. Charles Grassley of Iowa dashed off a letter dated January 22 to Microsoft CEO Steve Ballmer. Below is an excerpt:

“I am writing to inquire about press reports that Microsoft will be cutting approximately 5,000 jobs over the next 18 months.....I am concerned that Microsoft will be retaining foreign guest workers rather than similarly qualified American employees when it implements its layoff plan.....I cosponsored legislation to overhaul the H-1B and L-1 visa programs to give priority to

American workers and to crack down on unscrupulous employers who deprive qualified Americans of high-skilled jobs. Fraud and abuse is rampant in these programs, and we need more transparency to protect the integrity of our immigration system.....It is

imperative that in implementing its layoff plan, Microsoft ensures that American workers have priority in keeping their jobs over foreign workers on visa programs.”

So in Grassley’s opinion, American companies are “unscrupulous” and perpetrate “fraud and abuse” by hiring workers who best meet their requirements.

He concluded with the following statement:

“I encourage Microsoft to ensure that Americans are given priority in job retention. Microsoft has a moral obligation to protect these American workers by putting them first during these difficult economic times.”

Big Bad Microsoft refused to comply, stating the job cuts would be impartial and the company will continue to hire and retain the best minds from around the world.

Does this make Microsoft and its ilk “unscrupulous”?

I asked Vivek Wadhwa, the founder of two software companies and a Fellow at The Labor and Worklife Program at Harvard Law School, and Pradeep Chintagunta, a professor at the University of Chicago School of Business, on what they thought of Grassley’s proposal.

This is what Wadhwa said:

“I think that Grassley is out of touch with the new global reality. Top American companies get the majority of their revenue from abroad now. So if American companies stop hiring foreigners, foreigners will stop buying American goods. They will stop loaning the U.S. money to finance its deficits. We need to do more of what has made us the most successful nation on this earth—openness to new ideas, immigration, free trade.”

Indeed a June 20, 2007 report by the President’s Council of Economic Advisors, titled “Immigration’s Economic Impact,” found that (1) Immigrants tend to complement (not substitute for) natives, raising natives’ productivity and income. (2) Skilled immigrants are likely to be especially beneficial to natives. In addition to contributions to innovation, they have a significant positive fiscal impact.

According to Chintagunta:

”This seems like a classic long run versus short run issue. In the long run, it is absolutely the case that the company needs to have the flexibility to hire the best minds, wherever they are from. In fact, they have a responsibility to their shareholders to have the best people that can create and sustain the best products possible. In the short run, one can see the political desire to stave off job losses especially given that those losing jobs are the electorate who are voting in members of Congress, so they do what is best for the electorate. At the same time, politicians must realize that the best domestic minds will not want

to work for the company if the company cannot put out the best products - which in some cases will require folks with H1-B visas.”

The U.S. issues a maximum of 65,000 H1-B visas each year to professionals in “Specialty Occupations.” The visa is issued for a maximum of six years after which an individual or his/her company can apply for a Green Card toward permanent residency.

Skilled immigrants are wealth creators. The biggest contribution from H1-B visa-holders has been in the field of innovation and R&D. A study titled “America’s New Immigrant Entrepreneurs” dated January 4, 2007, conducted by graduate engineering management students at Duke University and published by Duke and the University of California at Berkeley, found that 25.3 percent of 2,054 U.S. technology companies (sample size) started between 1995 and 2005 reported at least one immigrant founder. Nationwide, these immigrant-founded companies, primarily in software and innovation/manufacturing-related services, produced \$52 billion in sales and employed 450,000 workers in 2005.

The researchers, based on an analysis of the World Intellectual Property Organization (WIPO) patent databases, found that foreign nationals residing in the U.S. were named as inventors or co-inventors in 24.2 percent of international patent applications filed from the U.S. in 2006.

Sometime back, I interviewed Subha Barry, managing director of global diversity, Merrill Lynch, and Margaret Ashida, director of diversity and workforce programs, IBM, for two newspaper features. Barry said Merrill’s diverse workforce enables the firm to better serve the unique needs of its diverse client base. Ashida said diverse teams are typically high performance teams and innovations at IBM’s R&D labs have occurred as a result of diversity.

In his book “Bound Together: How Traders, Preachers, Adventurers, and Warriors Shaped Globalization,” (Yale University Press, 2007), Nayan Chanda sums it up eloquently:

“Economic integration, and with it cultural globalization, has far outpaced our global mindset, which is still rooted in nationalist terms. We benefit from all that the world has to offer, but we think only in narrow terms of protecting the land and people within our national borders - the borders that have been established only in the modern era. The barbed wire, chain-link fences, security forces, and immigration and customs agents that separate us from the rest of the world - all originating from the same village in a land that we call Duniya - cannot change the fact that we are bound together through the indivisible filament of history.”

And if history is any indication of what is to come, we will continue to be bound together as we head into the future.