

New study shows important economic contributions of H-1B visas

June 7 2017



Credit: Institute for Operations Research and the Management Sciences

A new study in the INFORMS journal *Management Science* shows that the U.S. economy is strengthened by H-1B visa holders who fill key roles in enhancing organizations and supplementing the work of their U.S. peers. This is particularly true for trades like the U.S. audit industry that employ a large number of individuals who hold H-1B visas, and who recruit highly skilled foreign workers for specialty occupations.

The study authors, Daniel Aobdia of the Kellogg School of Management at Northwestern University, Anup Srivastava of the Tuck School of

Business at Dartmouth University, and Erqiu Wang, examined the hiring practices—primarily as they pertain to assurance or risk assessment services—of U.S. audit firms, an industry that consistently recruits individuals from outside the U.S. At any given time, 83 percent of audit offices employ individuals who hold H-1B visas.

The study, "Are Immigrants Complements or Substitutes? Evidence from the Audit Industry," focused on the six largest public accounting firms in the U.S.: BDO, Deloitte & Touche, Ernst & Young, Grant Thornton, KPMG, and PriceWaterhouseCoopers. Between 2001-2012, these firms hired 55,000 H-1B visa holders, 18,000 of which were hired for assurance roles. The authors found that these employees appear to perform two distinct, but not necessarily mutually exclusive roles: gap fillers and specialists.

"The first role—an immigrants' greater likelihood of employment in jobs considered less desirable to their U.S. counterparts - arguably reflects their lower bargaining power," said Aobdia. "The second role—the greater likelihood of immigrants' performing specialized assignments - is consistent with an audit firm's ability to hire the most talented among these individuals, given their restricted employment options."

The authors found that skilled foreign employees serve as a significant asset to human capital growth within the audit industry. In 2012 alone, employees with H-1B visas contributed 28 percent to the growth of assurance business human capital for the six audit firms in the study. Given their significant role in audit industry growth and the complimentary role they play for their American counterparts, the authors warned of the potential negative implications of further restrictions limiting the hiring of skilled employees from outside the U.S.

"Our findings reaffirm that the H-1B visa program contributes greatly to the health of organizations such as U.S. audit [firms](#), and more generally suggests H-1B [visa](#) holders provide valuable and more widespread economic contributions," said Aobdia.

More information: Daniel Aobdia et al. Are Immigrants Complements or Substitutes? Evidence from the Audit Industry, *Management Science* (2017). [DOI: 10.1287/mnsc.2016.2707](https://doi.org/10.1287/mnsc.2016.2707)

Provided by Institute for Operations Research and the Management Sciences

Citation: New study shows important economic contributions of H-1B visas (2017, June 7) retrieved 22 September 2024 from
<https://phys.org/news/2017-06-important-economic-contributions-h-1b-visas.html>

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