



The H-1B Crunch

If you're like most people, the code "H-1B" is unfamiliar to you. Pressed for an answer, you might guess it's a strain of influenza or a part number for your car engine. But despite its obscurity, the tag H-1B could have some huge implications for American workers and the global economy.

H-1B Foundations

An H-1B is a special work visa issued by U.S. Citizenship and Immigration Services (USCIS) that allows U.S. businesses to hire highly educated foreign workers (a bachelors' degree or equivalent is required). The visa permits a person to live and work in the United States for three years, with the option to file for a three-year extension. While the H-1B is not an immigration visa, it does carry "dual intent," meaning a worker can pursue U.S. citizenship while working in the United States.

The H-1B visa was created in 1990 and was designed to help the booming U.S. technology sector fill positions when there weren't enough American workers available. To stop companies from trying to replace their American workforce with visa workers, the government allowed only 85,000 H-1Bs to be issued annually and required employers to pay visa workers industry-average wages.

Times Change

Despite early success, many complaints have recently been brought against the H-1B program, both from people that want it expanded and those that want it abolished.

Demand for H-1Bs has surged since the last recession. Because only 85,000 visas are issued each year, competition is fierce. In the past, it took months for the USCIS to reach the limit; now, it must close filing after a week and award the visas by lottery. During this year's filing period (April 1-7), the USCIS received over 236,000 visa requests.

For proponents (or casual observers), this high demand clearly indicates need to expand the H-1B program. As U.S. businesses continue to recover, it's imperative that every company has access to whatever skilled workers they need to grow.

MAY

The reality, however, is more complicated than just the expansion of a useful program. Many reports have suggested that the high demand for visas is not the result of a shortage of American workers, but is actually part of corporate efforts to offshore U.S. jobs. Opponents of H-1B visas claim that expanding the program will only hurt the U.S. economy in the long term.

Unfortunately, there is some evidence to support these concerns. Much of the H-1B use comes from large companies that primarily operate overseas. The top five of these H-1B companies accounted for more than 40,000 of the 85,000 visas issued in 2015; all five are outsourcing businesses with the vast majority of employees and operations in India. While these companies frequently lobby for increases to the H-1B cap, their past use of visas have led to some Americans getting laid off.

The Right Idea

When used as intended, the H-1B has many benefits: it strengthens businesses, provides a path for immigration, protects American jobs and furthers the advancement of U.S. technology. Even when workers choose to return home at the end of their visa, the American business experience they take with them helps strengthen economic ties between countries.

There are many questions worth asking: Is the H-1B program willing to take the bad with the good? What could be changed? Would ending the program even protect U.S. jobs? Are the companies that exploit the H-1B program dependent on it, or will they just find another way to outsource? Will U.S. technology fall behind other countries if we don't exchange workers?

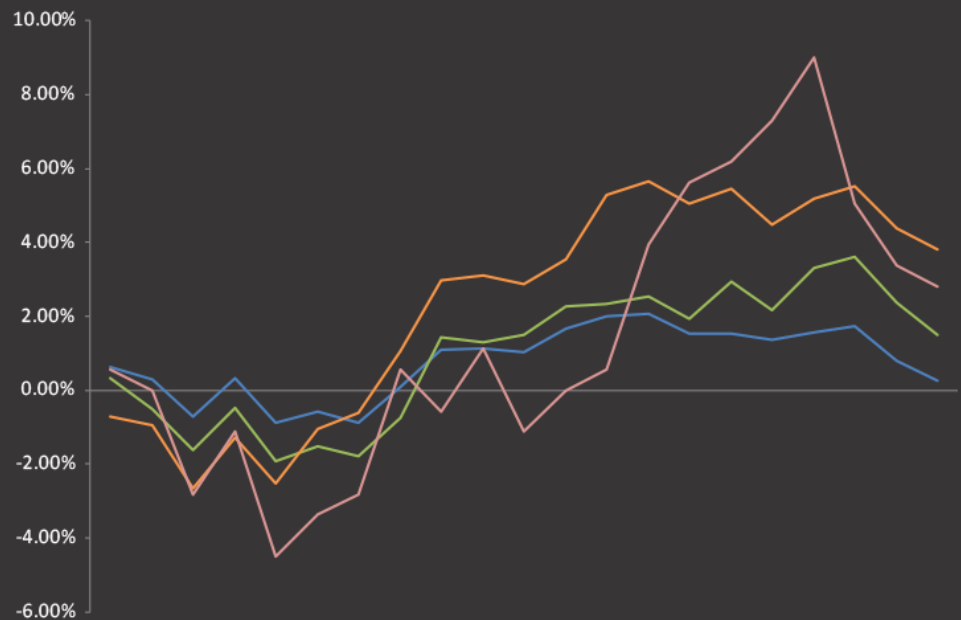
The H-1B was created when worker demand was high; it's not surprising it's creating problems now that demand is low. As the economy improves, controversy around the H-1B might shrink with the unemployment rate or intensify with the demand for skilled work. Ultimately, the H-1B controversy is not an issue that can be settled or dismissed easily—and it will likely create a few more debates in the future.



the market at a glance

APRIL

 U.S. Large Cap (S&P 500)	2,065.30 (0.27%) ▲
 U.S. Mid/Small (Russell 2000)	1,130.84 (1.51%) ▲
 International Large (NYSE International 100)	4796.20 (3.80%) ▲
 U.S. Treasuries (U.S. 10-Year Treasury Yield Rate)	1.83 (2.81%) ▲



Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

The market in action

- The Department of Commerce reports U.S. GDP grew at an annualized rate of just 0.5 percent in Q1 of this year—its weakest growth in two years. Days later, the Eurozone reports annualized growth of 2.4 percent for the same period—its fastest growth in five years.
- Following the expiration of a temporary surcharge, the U.S. Postal Service lowers the price of stamps by 2 cents. The change marks the first reduction of stamp prices in 97 years.
- Peabody Energy Corporation, the world's largest private coal company, files for Chapter 11 bankruptcy. Coal revenues have been slashed in recent years due to cheap natural gas and increasing demand for clean energy. Peabody's stock value has fallen more than 97 percent since 2011.
- Mitsubishi Motors Corp. publicly admits that it lied about the fuel efficiency of some of its current vehicle models. The following week, Mitsubishi announces that an internal investigation had discovered evidence of falsified fuel testing as far back as 1991.
- Chip-manufacturing giant Intel Corporation announces plans to lay off 12,000 workers worldwide during an upcoming restructuring initiative. The 12,000 employees make up approximately 10 percent of Intel's global workforce.
- Alaska Air Group looks to buy competing airline Virgin America for \$2.6B. The merger will make Alaska Air the fifth-largest U.S. domestic airline company.
- Drug companies Pfizer Inc. and Allergan, Plc. terminate plans for their \$152B merger after the Obama administration introduces rules that restrict the profitability of corporate "inversions." Pfizer had planned the merger so it could transfer leadership to Allergan's headquarters in Ireland, where its tax liability would have been significantly lower.
- Approximately 39,000 Verizon Communications employees walk off their jobs and begin a massive strike on April 13.



Heading Back to School

The decision to go back to school can be incredibly difficult. Returning to school can reshape a career and has huge implications on time and finances. For many, just the thought of more school can feel overwhelming. However, by carefully considering all the ways going back to school would impact your life, the decision becomes much easier.

Motivation

Quite possibly the most important factor to consider is the motivation for going back. You could be returning to school to fulfill a lifelong dream or to completely switch career paths. If this is the case, then obtaining additional schooling to break into your “dream field” may be necessary, as your current work experience might not be enough to let you make the move.

Current Work Situation

Evaluate where you currently are in your career and how you plan on getting where you want to be. Moving up in your career may come naturally with time, experience and exposure to your industry. However, you may decide that your career growth may be expedited by obtaining applicable education. Consider the difference between how much you currently make and how much you would make from your desired position; see if taking the time to get the degree and the cost of schooling can be easily rationalized.

Necessary Education

Not every career path requires a 4-year degree. Some positions may require advanced degrees, like a PhD or Master’s, while others only require an associate’s degree. Alternatively, the career path you desire may only require certain knowledge or training, not necessarily a diploma. If your desired career only requires a certain knowledge or skill, explore seminars, training sessions or other educational opportunities that may not be a full education program itself.

Loan Repayment

Calculate how much school is going to cost; then, estimate how long it will take to pay back the loan. (Remember: The longer the repayment takes, the more that interest will add up.) The cost of loan repayment, compounded with other expenses, may be a deterrent for going back to school. However, if the debt is manageable and can quickly be repaid, it may not hinder going back to school. Additionally, you may attend school in a way that won’t require a loan, such as taking minimal online courses over a long period of time. This approach might be slower, but it will likely lessen your financial burden.

Personal Time Commitment

Time is money. How long will the schooling take? It may be unrealistic to take two or more years out of your life for school. In a related question, how will your current work be affected by going to school? Assuming that going back to school drops down your employment to part time work, this could impede your cash flow. This makes calculating the time commitment incredibly important.

Family Situation

You may not be the only one who will be affected by your decision to return to school. Going to school either full time or part time may interfere with familial responsibilities. Dropping to either part-time work or focusing on being a student full time can put stress on your family. If a spouse cannot financially support your family while you attend school, it may become necessary to liquidate accounts or drop your standard of living.

Going back to school can be a worthwhile pursuit, but it may not be right at a particular time in your life, if at all. By weighing the pros and cons of how school will affect your life, both in the short-term and long-term, you can make the most informed and intelligent decision possible.

Mark W. Spelts
mark@speltswm.com

(530) 891-0717
www.speltswm.com

901 Bruce Road Suite 160
Chico, CA 95928

This article was written by Advicent Solutions, an entity unrelated to Spelts Wealth Management. The information contained in this article is not intended to be tax, investment, or legal advice, and it may not be relied on for the purpose of avoiding any tax penalties. Spelts Wealth Management does not provide tax or legal advice. You are encouraged to consult with your tax advisor or attorney regarding specific tax issues. © 2016 Advicent Solutions. All rights reserved.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. No strategy assures success or protects against loss. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance is no guarantee of future results.