

# US Pension Reform

## Lessons From Other Countries

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# Outline



- 1. Project Scope and Methodological Considerations**
- 2. Social Security In Broad International Comparison**
- 3. The Role and Level of Taxation and Private Pension Savings**
- 4. The Sources of Old-Age Income**
- 5. The Labor Market and Retirement Ages**
- 6. Corporate and State/Local Government Pension Plans.... Post-crisis**
- 7. Our Reform Proposals**

# Comments on Kerr and Lincoln (2008)



## 2) Overlapping visa categories (L-1) and additional data

**Table 7: Top-25 Company Recipients of L-1 and H-1B Visas in FY 2006. By Sector and Home Country**

The Top 25 L-1 Employers Of 2006					The Top 25 H-1B Employers Of 2006					Company LCA Entries FY2006 (E-File only, no company fax-filing))	LCA/ Visa Ratio
Rank	Company	Sector	Home Country	No. of Visas	Rank	Company	Sector	Home Country	No. of visas		
1	Tata Consulting Systems	IT Services/Software	India	5,408	1	INFOSYS TECHNOLOGIES LIMITED	IT Services/Software	India	4908	22,183	4.5
2	Cognizant Technology Solutions	IT Services/Software	India	1,888	2	WIPRO LIMITED	IT Services/Software	India	4002	19,450	4.9
3	Wipro Limited	IT Services/Software	India	1,187	3	MICROSOFT CORPORATION	IT Services/Software	US	3117	4,455	1.4
4	IBM	IT Services/Software	US	614	4	TATA CONSULTANCY SERVICES LIMITED	IT Services/Software	India	3046	8,267	2.7
5	Hewlett-Packard	IT Hardware	US	417	5	SATYAM COMPUTER SERVICES LTD	IT Services/Software	India	2880	7,585	2.6
6	Satyam Computer Services	IT Services/Software	India	336	6	COGNIZANT TECH SOLUTIONS U S CORP	IT Services/Software	India	2226		
7	Intel Corporation	Semiconductors	US	314	7	PATNI COMPUTER SYSTEMS INC	IT Services/Software	India	1391		
8	Caritor, Inc.	IT Services/Software	US	280	8	IBM CORPORATION	IT Services/Software	US	1130		
9	Ernst & Young	Business Services	US	249	9	ORACLE USA INC	IT Services/Software	US	1022		
10	HCL Technologies	IT Services/Software	India	244	10	LARSEN & TOUBRO INFOTECH LIMITED	IT Services/Software	India	947		
11	Infosys Technologies, Inc	IT Services/Software	India	235	11	HCL AMERICA INC	IT Services/Software	India	910		
12	Patni Computer Systems, Inc	IT Services/Software	India	221	12	DELOITTE & TOUCHE LLP	Accounting	US	890		
13	Schlumberger	Oil Services	France	198	13	CISCO SYSTEMS INC	ICT Hardware	US	828		
14	Syntel	IT Services/Software	US	197	14	INTEL CORP	Semiconductors	US	828		
15	M&E Group, Inc	N/A	N/A	194	15	I-FLEX SOLUTIONS INC	IT Services/Software	India	817		
16	Exxon-Mobil	Oil	US	187	16	ERNST & YOUNG LLP	Accounting	US	774		
17	Kanbay, Inc.	IT Services/Software	India	178	17	TECH MAHINDRA AMERICAS INC	IT Services/Software	India	770		
18	Halliburton	Oil Services	US	157	18	MOTOROLA INC	ICT Hardware	US	760		
19	PriceWaterhouseCoopers	Business Services	US	152	19	MPHASIS CORPORATION	IT Services/Software	India	751		
20	Oracle, Inc	IT Hardware	US	148	20	DELOITTE CONSULTING LLP	Consulting	US	665		
21	Nokia	Mobile Telephony	Finland	141	21	LANCESOFT INC	IT Services/Software	US	645		
22	Microsoft	IT Services/Software	US	133	22	NEW YORK CITY PUBLIC SCHOOLS	Education	US	642		
23	Perot Systems	IT Services/Software	US	121	23	ACCENTURE LLP	Consulting	US	637		
24	Deloitte	Business Services	US	112	24	JPMORGAN CHASE & CO	Financial Services	US	632		
25	HSBC	Financial Services	UK	103	25	POLARIS SOFTWARE LAB INDIA LTD	IT Services/Software	India	611		

Source: Office of US Senator Chuck Grassley, as described in Kirkegaard (2007); Author

# Comments on Kerr and Lincoln (2008)



## 3) The characteristics of the LCA database;

*P. 15; "... Although it should be noted that LCA approvals do not translate one-for-one into H-1B grants" (LCA = latent demand vs. H-1B issuance = worker on the ground)*

### Some crucial procedures/conditions for an LCA application:

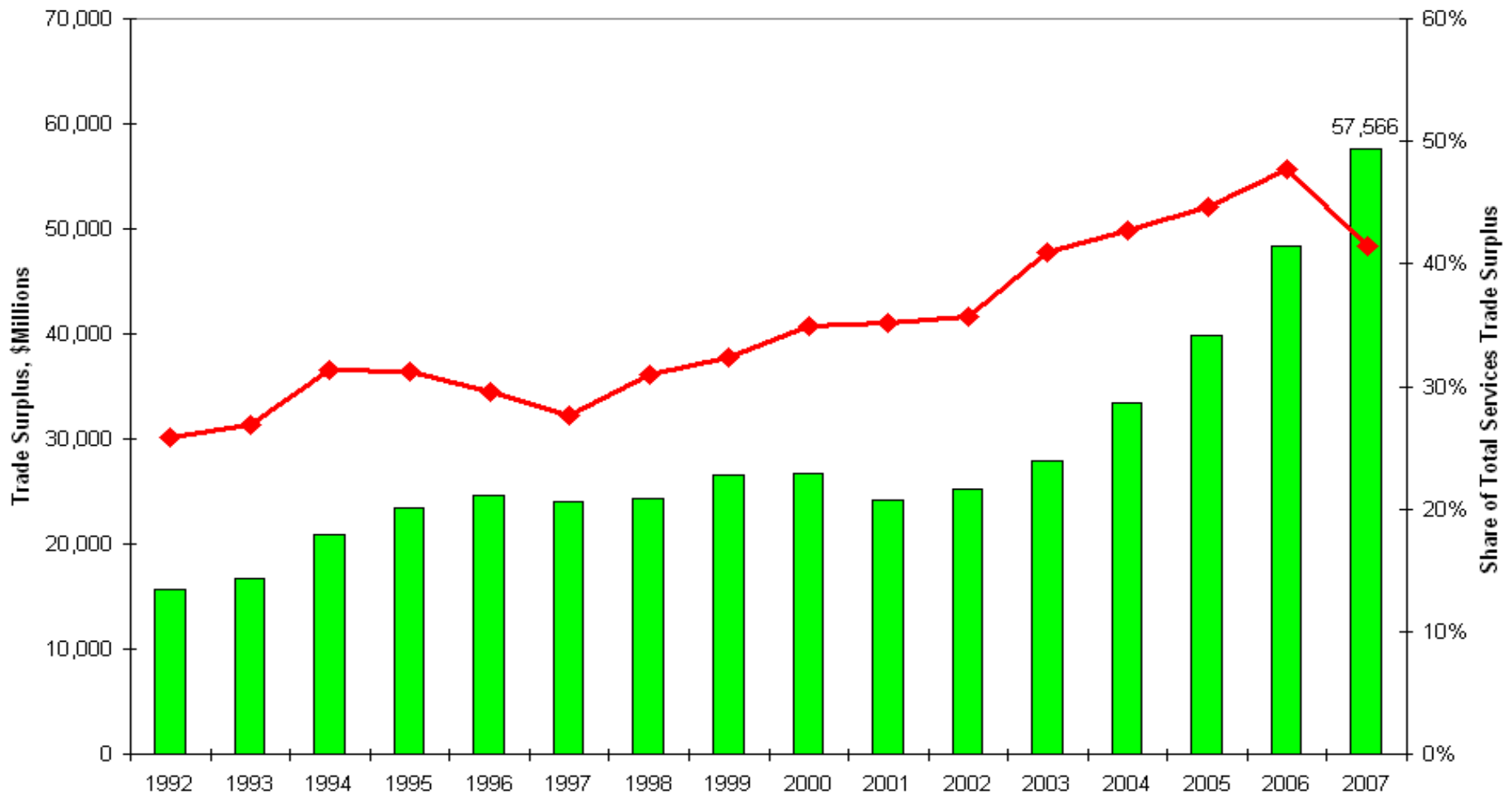
- LCA valid for 3 years as long as there are no material changes in position and H-1B employee remains with original employer
- LCA may cover multiple workers in same occupation
- LCA must be used by employer within 6 months of intended employment date
  
- **Clear evidence of "LCA Hoarding" by some firms**
- **In the aggregate, at least 3:1 LCA/Visa ratio**
- **Question is whether there is systematic LCA/Visa biases across ethnicities, sectors and firms?**
- **Combining the full firm-level H-1B issuance dataset with the LCA dataset, should allow for control for any potential systematic biases**

# Some Other Comments; Why Should We Care About Innovation?

(it increasingly pays our trade bills!)



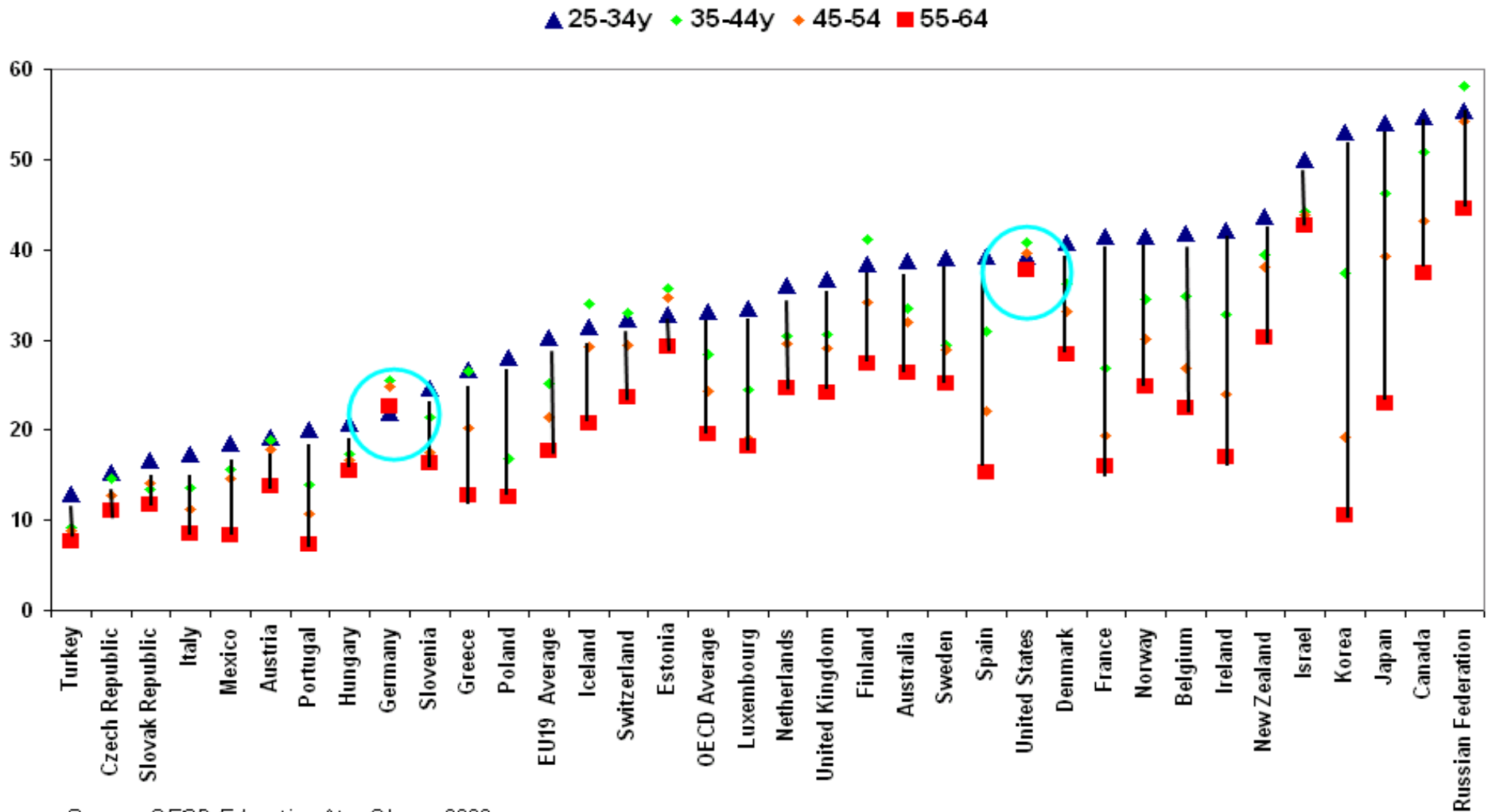
## US Trade Surplus In "Royalties and Licence Fees" 1992-2007



Source: BEA

# Some Other Comments; High Skills are Increasingly Global (and well educated US baby-boomers are retiring)

Share of Population With Tertiary Education By Age Group, 2006 or Latest



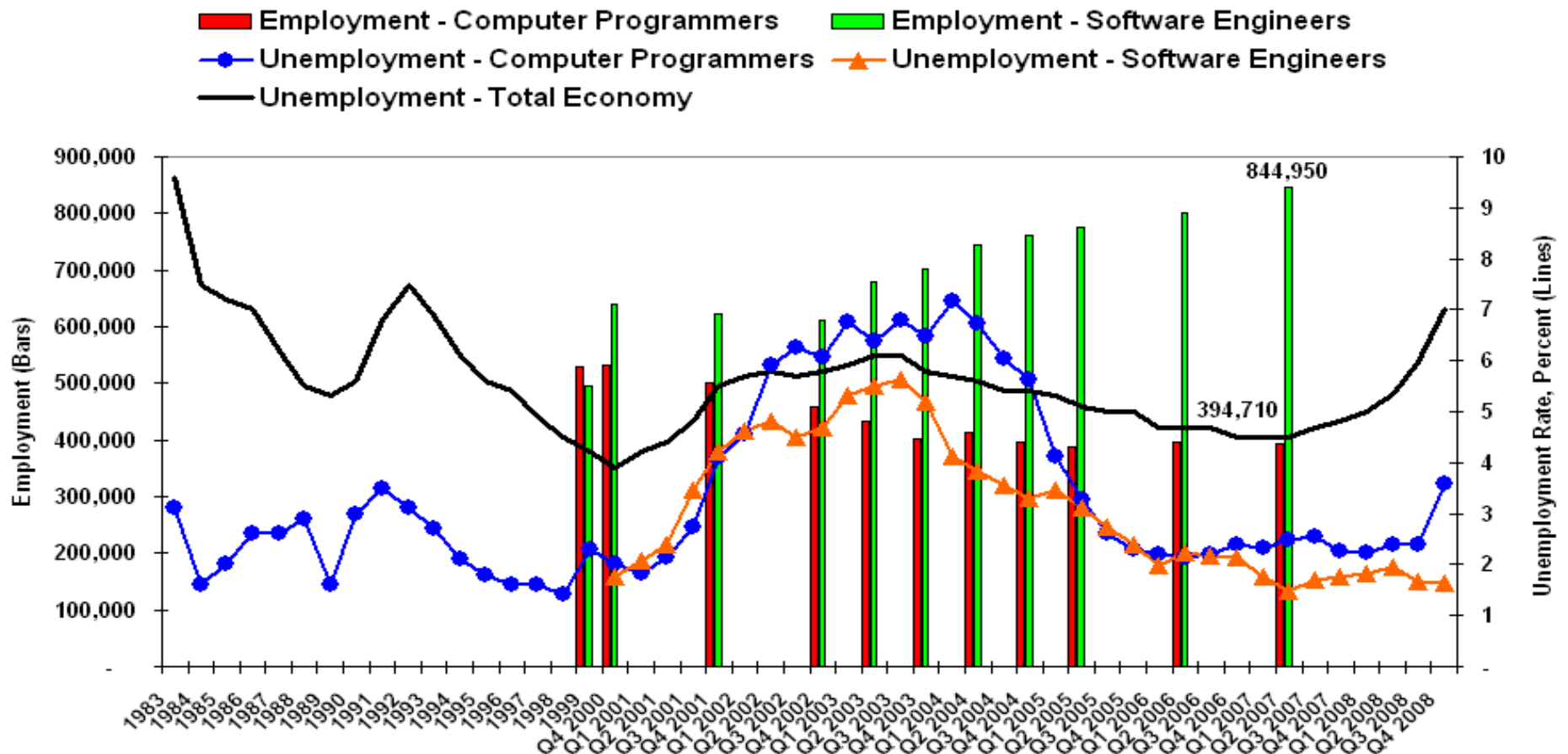
Source: OECD Education At a Glance 2008

# Some Other Comments; What Happens on April 1<sup>st</sup> 2009?

(there might be more applications than people think)



## US "Software Employment and Unemployment", 1983: Q4 2008



Note: Annual data 1983-1999, 4-quarter lagging moving average 2000-2008; "Software engineers" includes both applications and systems software engineers. Employment Data do not include selfemployed workers. Source: NSF; BLS CPS and OES Data

# Some Other Comments; H-1Bs and Tax-Payer Money

(A difficult-to-avoid conflict)



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## **Grassley Amendment to Ensure Americans are Priority in Hiring by TARP Recipients Clears Senate**

WASHINGTON – The Senate has accepted an amendment sponsored by Senator Chuck Grassley that would ensure companies taking TARP money comply with strict hiring standards in order not to displace qualified American workers. The amendment that passed the Senate modified an amendment that Grassley filed with Senator Bernie Sanders.

The modified amendment requires that a company receiving TARP funds and applying for workers under the H-1B process must operate as an “H-1B dependent company.” This means they will still be able to hire H-1B visa holders, but must comply with the H-1B dependent employer rules which include attesting to actively recruiting American workers; not displacing American workers with H-1B visa holders; and not replacing laid off American workers with foreign workers.

*“Hiring American workers for limited available jobs should be a top priority for businesses taking taxpayer money through the TARP bailout program. With the unemployment rate at 7.6 percent, there is no need for companies to hire foreign guest workers through the H1-B program when there are plenty of qualified Americans looking for jobs,”* Grassley said. *“Our common-sense amendment simply ensures that recipients of American taxpayer money make American workers their first priority as they look to hire new employees.”*