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FINANCIAL Insights

MAY

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.

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

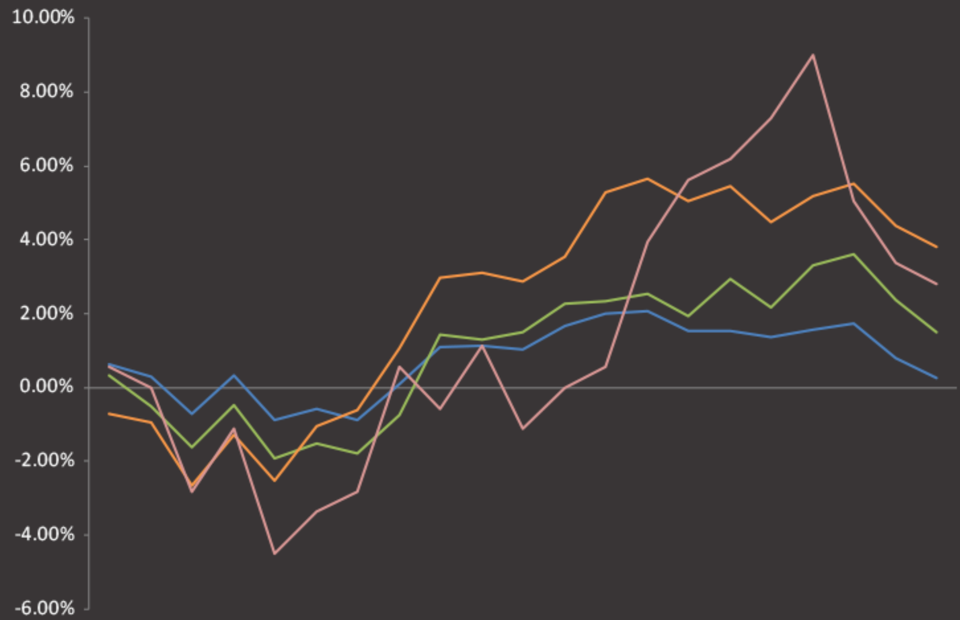
APRIL

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.

Your Money with Greg Tull

It turns out that delaying retirement is not only good for your financial health, it's also good for your longevity and quality of life. Live long and prosper!

Work Longer, Live Longer

There's finally an answer to an age-old question: How can you live a longer, more satisfying life?

The answer: work past the traditional retirement age of 65.

A new study published in the *Journal of Epidemiology & Community Health* looked at the risk of dying for different age groups of Americans, and compared it to their retirement age. The researchers found that the likelihood of dying in any given year was 11% lower among people who delayed retirement for just one single year—from age 65 to age 66. By age 70, people who continued working experienced a 38% lower risk of dying than people of the same age who had retired at age 65. By age 72, the risk was 44% lower. These results seemed not to be affected by other variables, like gender, lifestyle, education, income and even occupation.

Why is working longer good for your health? The article suggested that when you continue working, even part-time, your normal age-related decline in physical and mental functioning happens more slowly. You're having to stay engaged in the complicated work-world, which keeps you sharp—and, apparently, alive.

-Bob Veres

Source: http://www.wsj.com/articles/retiring-after-65-may-help-people-live-longer-1462202016

Meritas Advisors, LLC
info@meritasadvisors.com
meritasadvisors.com

Northern California
4040 Civic Center Dr.
Suite 200
San Rafael, CA 94903
415-690-8547

Southern California
11622 El Camino Real
Suite 100
San Diego, CA 92130
858.461.8547