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FACE-OFF ON VISAS PITS U.S. AGAINST INDIA

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A fight is brewing between Washington and New Delhi over provisions in the U.S.'s draft immigration bill that could hobble Indian outsourcing firms' businesses in the U.S.

The proposals, which include cutting back sharply on the number of foreign workers these outsourcing companies can send to their U.S. offices, have won broad support from rival U.S. technology firms, including International Business Machines Corp. and Accenture PLC, lobbyists say.

India's \$110 billion IT industry, which performs back-office tasks such as software programming, makes about half its revenue from the U.S.

Indian companies such as Infosys Ltd., Tata Consultancy Services Ltd. and Wipro Ltd. have set up large U.S. offices to be closer to clients, staffing the sites overwhelmingly with Indian expatriates, who earn significantly less than their American counterparts.

The model has been challenged in recent years by U.S. politicians, who argue Indian outsourcing companies are misusing the program to undercut local technology-sector workers.

Now, big U.S. tech companies, which want to hire more foreign workers but can't because of competition with Indian firms for available visas, have joined the fray.

U.S. tech firms successfully lobbied for the draft immigration bill to include caps on the number of foreign workers a U.S.-based company can employ on skilled-worker visas, according to lobbyists working for U.S. firms and another representing Indian outsourcers.

The bill doesn't name countries. But Indian outsourcing giants sponsor more than half the 65,000 skilled-worker permits, known as H1-B visas, that the U.S. issues annually to workers with at least a bachelor's degree.

Many of these firms have as much as 80% of their staff in the U.S. on H1-B and other visas. The draft legislation, which is being debated in the Senate Judiciary Committee this week, would prohibit companies with more than 75% of their employees in the U.S. on such visas from bringing in additional workers. That figure would fall to 65% within a year, and in the years after that the limit would be 50%.

IBM and Accenture declined to comment.

The U.S. firms are seeking to hire more foreign workers for high-skilled jobs but face a visa shortage because of competition with Indian firms.

Earlier this month, U.S.-based employers exhausted the annual 65,000-person quota for H1-B visas within days of the opening of applications, a sign of the strengthening domestic economy.

The immigration bill also seeks to raise the yearly cap on H1-B visas to 180,000. The cap on foreign workers means U.S. companies could benefit, while Indian firms would have to hire more U.S. employees.

Firms that don't comply will be barred from sending consultants to work in clients' offices, a business that accounts for roughly 50% of Indian companies' revenue in the U.S.

The foreign-worker caps were designed to get political backing to increase the number of available H1-B visas, people familiar with the negotiations said, and U.S. firms were concerned that a broader curb on visas would reduce their ability to hire more from overseas amid a dearth of U.S. computer graduates

Som Mittal, president of the National Association of Software and Services Companies, an India IT trade body, warned the bill was "discriminatory" and might ignite a trade war. The association estimates the regulations could wipe out a quarter of the Indian IT sector's global revenue.

Indian Finance Minister P. Chidambaram raised concerns about the bill with U.S. Treasury Secretary Jack Lew during a meeting last week in Washington. He told Mr. Lew the issue of short-term work visas shouldn't be mixed up with immigration, according to an account of the meeting Mr. Chidambaram gave to Indian media.

Commercial relations between the nations are already tense because of recent Indian regulations that would impose a sweeping "Buy India" mandate, requiring that large portions of high-tech products purchased by the government be manufactured locally. U.S. and other foreign companies are lobbying against the rules, saying they conflict with free-trade norms. Other areas of contention include India's efforts to increase its tax haul, which overseas companies complain has caused confusion for investors.

India argues the provisions are needed to curb technology imports from the U.S. and spur domestic manufacturing.

Indian companies claim the U.S.'s latest proposals to restrict visas could also amount to restrictions on free trade.

But many U.S. members of Congress contend India is misusing the H-1B system to bring in fairly low-skilled employees, denying those places to higher-skilled workers that U.S. firms want to hire.

On Monday, at a hearing of the Senate Judiciary Committee to discuss the immigration bill, Brad Smith, Microsoft Corp.'s chief counsel, said the company couldn't get enough visas for high-skilled jobs that it can't fill through hiring in the U.S.

"We are not able to fill all the jobs that we are creating," Mr. Smith said in testimony. He told the committee that Indian outsourcing firms must "evolve their business models" by hiring more Americans.

Microsoft and IBM have recently expanded their presence in India, where they have hired thousands of local employees.

Sen. Richard Durbin (D., Ill.) said in response that the situation was an abuse of the visa regime. "Most people would think, well, Microsoft needs these folks," he said. "And they'd

be shocked to know that most of the H-1B visas are not going to companies like yours. They're going to these outsourcing companies."

Indian firms say that over the past three years, in anticipation of the visa changes, they began hiring U.S. employees at a faster rate than new foreign workers.

Nasscom, the association of Indian IT firms, said the efforts faced roadblocks because of a lack of qualified U.S. graduates.

According to the Bureau of Labor Statistics, in 2013, the U.S. economy will create approximately 120,000 new jobs for people with degrees in computer science.

In his testimony before the Senate committee, Mr. Smith of Microsoft said that, by his own company's calculations, U.S. colleges produce under half that number of graduates annually.