

Outsourcers corner market for U.S. skilled worker visas

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After four years at Harvard, many foreign students there will have to leave the United States this summer. Some of them, wielding lucrative offers from Wall Street investment banks and other American businesses, will have to start at those companies' overseas offices thousands of miles away.

Few of the students may think to blame far-off foreign companies for their plight, which was first reported by The Harvard Crimson, the college newspaper. But India's thriving outsourcing industry is guzzling ever more of the coveted H-1B visas that the Harvard graduates and thousands of others would need to stay in the United States.

Enacted in 1990, the H-1B visa law allows skilled, specialized foreigners to work in America for up to six years and then pursue permanent residency.

The visa has been championed as a way to attract the world's best and brightest to America to study, work, start families and, like Sergey Brin, co-founder of Google, stumble upon innovations that generate vast wealth and jobs.

"Where innovation and innovators go," Bill Gates, the Microsoft chairman, said recently, "jobs are soon to follow."

But the H-1B visa is being put to a starkly different use: It is now a critical tool for Indian outsourcing vendors to gain expertise and win contracts from Western companies to transfer critical operations to places like Bangalore.

"It has become the outsourcing visa," the Indian commerce minister, Kamal Nath, said by telephone this week while attending global trade talks in New Delhi, at which India is pushing the United States for a larger H-1B quota.

"If at one point you had X amount of outsourcing," he said, "and now you have a much higher quantum of outsourcing, you need that many more visas."

This month, the annual quota of 65,000 H-1B visas evaporated in a single day after U.S. officials received more than 133,000 applications. Last year, the quota lasted nearly 60 days.

If the past is any guide, many of those applications were for people with no intention of staying in the United States for the long term. Eight of the 10 largest H-1B applicants last year were outsourcing firms with major operations in India, according to a tabulation of U.S. Labor Department statistics by Ronil Hira, a professor at the Rochester Institute of Technology in Rochester, New York, and a critic of the visas. A year earlier, the figure was four in ten.

As Indian outsourcing companies have become the leading consumers of the visa, they have used it to further their primary mission, which is to gain the expertise necessary to take on critical tasks performed by Western companies, and perform them in India at a fraction of the cost. Thousands of H-1B visas every year are being won by individuals acting as outsourcing ambassadors. Highly skilled and easily meeting the objective standards for excellence that the law requires, the employees interact with U.S. companies like Morgan Stanley and Boeing, gathering an outsourcing mandate and lubricating the flow of tasks to an Indian back office.

"To deliver the solutions from a remote environment," said B. Ramalinga Raju, chairman of Satyam Computer Services, a leading Indian vendor, "you need a certain number of people being with a customer, understanding his needs and collecting the requirements."

Indian vendors have helped lift the proportion of H-1Bs going to Indian nationals to more than half in 2006 from 7.5 percent in 1992. Last year, Indians received 43,167 of the 65,000 visas allotted.

Many Indian vendors now itemize the cost of visa fees in their annual reports. Infosys Technologies, a vendor based in Bangalore, noted last year that it had doubled spending on visas over the previous year, to \$15 million - more than it spends on fiber optic and satellite connections to the West.

Filings with the U.S. Securities and Exchange Commission reveal that Infosys had 6,800 U.S. employees on H-1Bs as of last September. In 1998, the figure was 231.

The H-1B's metamorphosis into "the outsourcing visa" is a principal reason why American lawmakers have resisted raising the quota above 65,000.

"Our immigration policy should seek to complement our U.S. work force, not replace it," Senator Richard Durbin, an Illinois Democrat, said in a recent statement as he proposed legislation to restrict use of the visas.

Because it was designed to create jobs, firms with 15 percent or more of their U.S. work force on H-1Bs must attest in legal filings that they have not displaced a U.S. worker. But Hira, the academic, said he believed that most of the Indian outsourcing firms, by the intrinsic nature of their business, were violating those attestations.

"Rather than preventing the outsourcing of jobs, the H-1B program acts in just the opposite way, by accelerating the outsourcing of high-wage, high-skill jobs to low-cost countries," Hira wrote in a paper published last month by the Economic Policy Institute, a left-leaning research group in Washington.

With the exception of Satyam, leading Indian vendors - including Infosys, Wipro, Tata Consultancy Services and HCL Technologies - declined to comment for this article.

U.S. and Indian companies, as well as the Indian government, have been lobbying hard for a larger H-1B quota, arguing that U.S. immigration restrictions are smothering the innovative synergies needed to sustain a modern knowledge economy.

"America should be doing all it can to attract the world's best and brightest," Gates, of Microsoft, told a U.S. Senate hearing last month. "Instead, we are shutting them out and discouraging those already here from staying and contributing to our economic prosperity."

Indian vendors cast their fight in similar terms. A visa shortage "is detrimental not only to the interests of companies established in India," said Raju, of Satyam, "but even more so for companies, consumers and investors in the United States." But critics argue that Indian vendors have motives antithetical to those behind the congressional authorization of the H-1B legislation.

Rather than building a thriving community of experts and innovators in the United States, the Indian firms seek to funnel work - and expertise - away from the country. While Gates, in his Senate testimony, argued that the goal for H-1B holders should be permanent U.S. residency, the option means little to Indian outsourcing firms, which usually rotate their H-1B workers in and out of the country every few years.

Consider the deployment of Atul Pevekar, a 29-year-old Indian engineer for Tata Consultancy Services, an outsourcing vendor. A year ago, and five years out of college, he was sent to Minnesota on an H-1B. His assignment: to work with a U.S. retailer to relay its information technology needs back to TCS's Indian staff, to which the retailer has outsourced scores of jobs.

"I am a link between the people who are doing coding in India and the client," Pevekar said by telephone.

He earns \$60,000 a year, five times his pay in India. But he must leave the country within a year or two. Like many Indian vendors, TCS does not seek permanent residency for most employees, even though the H-1B lets companies do so.

And so he will not join, at least not now, that narrative of the industrious outsider who makes a fresh start in the United States, brings his zeal and drive, invents something grand, creates jobs and pays taxes. Instead, he will empty his bank account, take his savings home and vanish from the country as quietly as he arrived.

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