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America's High-Tech Sweatshops

U.S. companies may be contributing unwittingly to the exploitation of workers imported from India and elsewhere by tech-services outfits

By [Steve Hamm](#) and [Maira Herbst](#)

Vimal Patel was studying for a master's in business administration in London when he saw an advertisement for work in the U.S. The ad offered a job in the tech industry, as well as sponsorship for the kind of work visa that allows foreign nationals to take professional-level jobs in the country. So Patel applied and paid his prospective employer, Cygate Software & Consulting, in Edison, N.J., thousands of dollars in up-front fees. But when Patel arrived, Cygate had no tech job for him. He ended up working at a gas station, and Cygate nevertheless took a chunk of his wages for years, according to documents in a criminal case against Cygate.

After a federal investigation into Cygate, Patel and five other natives of India recruited by the company pled guilty to visa violations in June. They were sentenced to 12 to 18 months of probation, assessed fines of \$2,000 each, and now face deportation. But at Patel's sentencing in the federal courthouse in Newark, N.J., his lawyer said the slim 36-year-old, with a mop of brown hair spilling over his forehead, was more victim than villain. Like many ambitious workers from abroad, he came to the country seeking his fortune, and he suffered for the effort. "It's a sad day," said Anthony Thomas, the public defender assigned to represent Patel. "He always dreamed of coming to the U.S."

Cygate, which changed its name to Sterling System after the lawsuit, is one of thousands of low-profile companies that have come to play a central role in the U.S. tech industry in recent years. These companies, many with just 10 to 50 employees, recruit workers from abroad and, when possible, place them at U.S. corporations to provide tech support, software programming, and other services. While many outfits operate legally and provide high-quality talent, there is growing evidence that others violate U.S. laws and mistreat their recruits.

Several types of fraud have become common, according to documents from recent lawsuits and interviews with foreign workers, employers, lawyers, and consultants. In some cases companies target young men and women hungry to get well-paid tech jobs in the U.S. and charge them exorbitant fees for visas, which is not allowed under American immigration laws. Even after paying, some workers never get a visa; those who do may find the company they paid has no job for them, as Patel did. This violates U.S. law because companies are supposed to have an open position before they apply for a work visa.

Workers who land tech jobs may face other kinds of trouble. Some companies place foreign workers at client sites and then siphon off part of their pay or charge ongoing fees, which

violates U.S. law. Many workers allege they're not paid in between jobs at client sites, though such "benching" without pay isn't allowed either. In other cases, companies claim they're employing people in low-salary regions when they're actually working in high-wage areas, in violation of rules requiring payment of the region's prevailing wage.

Sterling President Nilesh Dasondi was charged with multiple counts of visa violations in the case filed by the U.S. attorney in New Jersey. The government says he collected fees of up to \$15,000 from the six workers, left them to find jobs on their own, and extracted more fees to launder their pay through his company. The workers acquiesced because Dasondi, like all employers of visa recipients, held their visa documents and could have revoked the papers if they objected. "This is a microcosm of a big issue that's facing our country—visa fraud," said Sandra L. Moser, the assistant U.S. attorney prosecuting the case in an interview after Patel's sentencing.

Dasondi greeted a reporter at the doorway to his offices in Edison one summer day. From a glass door on the parking lot side of a beige one-story building, he led the way through a warren of cramped rooms, with half a dozen people pecking away at computer keyboards. "My life is such a mess right now," he confided once he was seated in a small conference room. He wouldn't discuss details of the cases against him or Patel, but he promised to talk after it is resolved. Dasondi's lawyer, Eric R. Breslin, says his client "has been an asset to his community" and that Sterling "performs legitimate services for its customers."

"BODY SHOPS"

Tech service outfits such as Sterling have thrived in recent years because of shifts in the U.S. economy. As cost-cutting pressures have increased, companies turned over management of tech systems and other back-office operations to outsourcing firms, including many that bring workers from India and other countries into the U.S. on temporary visas such as the H-1B.

One important way outsourcers hold down costs is by keeping a lean workforce at each client site—then turning to smaller companies, such as Sterling, when they need to increase staff for specific projects, such as installing new software or building a new Web site. These companies are known as "body shops" because of their role, and often rely heavily on foreign workers who come into the country on H-1Bs and other visas. "This is where a lot of the shenanigans take place," says Ron Hira, an assistant professor of public policy at the Rochester Institute of Technology who has written extensively on work visas. A study by the federal government last year estimated that 54% of visa rule violations were committed by companies with fewer than 25 employees.

U.S. companies usually don't know—and don't press to find out—which body shops are tapped to support their tech operations. The result is that prominent American companies can easily end up doing business with tech service outfits that violate visa laws. Breslin wouldn't identify specific Sterling clients, but he says they include "significant companies." Dasondi named Computer Sciences ([CSC](#)) as one customer in a 2006 lawsuit: Dasondi wanted the technology giant to pay him for hiring away one of his employees. Computer Sciences would not comment on the case beyond saying it had been settled.

In recent months workers have alleged mistreatment while working for body shops in the offices of Qualcomm ([QCOMM](#)) and JPMorgan Chase ([JPM](#)). In a civil suit filed in May and a complaint to the U.S. Labor Dept., Prasad Nair charged that Unified Business Technologies got him an H-1B visa in 2007 by saying he would work in the company's Troy (Mich.) offices and receive \$60,000 a year as a programmer and analyst. Instead, UBT sent him to work at chipmaker Qualcomm's offices in San Diego, where the cost of living and prevailing wage for such a position are much higher. The 32-year-old alleged UBT made unlawful pay deductions, delayed payments, failed to pay overtime, and postponed health benefits for his family. David Blanchard, Nair's attorney, says he struggled "paycheck to paycheck" to take care of his wife and 9-month-old daughter and regularly ate at Burger King to save money.

AN OPAQUE SYSTEM

UBT's lawyer, John G. Coutilish, says Nair's charges are "baseless." Coutilish says UBT agreed to make a "nuisance" payment of \$2,500 to end the civil suit, though the Labor Dept. investigation is continuing. UBT has filed its own suit against Nair alleging he quit without giving proper notice and defamed the company with his accusations. Qualcomm declined to comment on the case, but a spokeswoman says the company requires vendors it works with to "explicitly acknowledge that they must comply with all applicable laws and regulations, including employment and immigration laws."

In another complaint to the Labor Dept., Benly Ebenezer alleges he was underpaid or not paid at all while working in the Manhattan offices of JPMorgan. In the complaint, Ebenezer, who has two master's degrees in computer science, was brought to the U.S. on an H-1B visa by Itek Consulting in 2005. Ebenezer says Itek paid him about 10% less than the promised \$50,000 a year while he worked at the bank, and then stopped paying him altogether between December 2006 and February 2007. The Labor Dept. ruled in Ebenezer's favor in May. He declined to be interviewed because his situation remains "sensitive."

The phone number for Itek is now disconnected. JPMorgan declined to comment on the case.

U.S. executives often have little visibility into the treatment of contract employees because several layers of companies are involved. One recruiter for a major U.S. outsourcing firm says there's no way his clients know how body shop workers are treated because, until recently, even he didn't know. He discovered that some of the firms he was hiring for short-term projects weren't using their own people but instead bringing in subcontractors, which often underpaid workers. He just put in place new policies so he knows when a firm he hires is using a subcontractor, but he still can't find out how much workers are paid or in which state they're supposed to be working. "We don't like it," he says. "The agreements seem almost criminal."

RIT professor Hira says the situation is similar to what happened years ago when Western companies began using sweatshops in China for manufacturing. Companies such as Nike ([NKE](#)) sought to lower costs by using overseas manufacturers, which in turn squeezed workers with low pay and poor working conditions. After a public outcry, Nike, Disney ([DIS](#)), and others started to monitor labor standards abroad. American companies may know little about the tech contractors who work for them in the U.S. now, but Hira says companies should take steps to track the

situation more closely. "I don't know of any [top executives] who have made an issue of this," he says. "We haven't had a public discussion of what the clients' responsibility is."

MOVING AGAINST CORRUPTION

While American companies may overlook the treatment of contract workers in their midst, the workers are vulnerable because of government policies. When a foreign worker comes into the country on an H-1B visa, the visa is held by the employer, not the worker. If an employee complains, the company can terminate its visa sponsorship, forcing the worker to leave the U.S. Workers can't shift jobs unless they find another sponsor, which can be difficult. And while workers can gain their freedom with permanent citizenship, the wait even for high-skilled visa holders can be 5 to 10 years. "Many of these people don't know their rights," says Michael F. Brown, an attorney in Appleton, Wis., who handles immigration cases. "They're essentially captives."

Most of the discussion of U.S. work visas in recent years has focused on the effect of visas, when used legally, on the American workforce. Some U.S. tech workers contend that bringing in foreign workers drives down their salaries and makes it easier to move jobs overseas. Senators Richard Durbin (D-Ill.) and Charles Grassley (R-Iowa) have introduced a bill to overhaul the visa program aimed at protecting U.S. workers. But they also want to boost enforcement to combat the mistreatment of foreign visa holders. "We want to stop corruption of [all types in] the [H-1B] program," Grassley said in an interview.

Body shops have sprung up around major metropolitan areas to be close to their clients. One cluster is in northern New Jersey, across the Hudson River from Manhattan. Hundreds of small tech services firms operate in such towns as Belleville, West Windsor, and Edison, where Sterling is headquartered.

At times, the region feels like a front in the battle between foreign and domestic workers. U.S. tech workers in the area have lost thousands of jobs in recent years with the decline of AT&T ([T](#)) and Lucent Technologies, and many blame outsourcing firms for taking the remaining well-paid jobs in finance and other sectors. Tech services companies say they're simply responding to clients' needs and are being blamed unfairly for any loss of jobs. In this heated debate, cases of visa abuse, like those alleged against Sterling, have fueled passions on both sides.

John Miano, a 45-year-old software programmer and labor rights attorney, waits for a reporter in a booth in the Summit Diner, a classic mid-20th century eatery in tony Summit, N.J. Miano is the founder of the Programmers' Guild, an association of U.S. software programmers. Over cheeseburgers, he argues that the work visa program is hurting demand for American workers. "The job situation for American tech workers in this area is horrible," he says. "The consulting market has been wiped out. Now it's mostly Indian-owned companies, and they're looking for people with H-1B visas."

He says the rise of body shops has made the situation worse: The companies are usually so small they're overlooked by regulators and law enforcement, so they can squeeze foreign workers and put Americans at even more of a disadvantage. Miano clutches a list of companies in the Summit

area that have applied for H-1B visas. They are all over the place—some tucked away in offices on the second or third floors of buildings; one filling the entire first floor of a white-columned brick building on a side street; two of them just mailboxes in a UPS ([UPS](#)) Store. Venkateshwara Computers, in a modest home in nearby Livingston, put in for two programmers. Ajay Pimpariya, the owner, complains that his visa applications weren't approved because he followed the rules, while other companies falsify documents. "If Homeland Security wants to take the information," he says, "I'll tell them who's doing what."

Immigration authorities acknowledge that one reason it's difficult to stop visa abuses is that checking on so many small companies is labor intensive. "The cases are difficult to investigate and difficult to prove," says James Spero, who heads Immigration & Customs Enforcement's fraud unit.

The Dasondi case illustrates how the visa system ties into a human supply chain that reaches halfway around the world. According to court documents, the New Jersey businessman recruited workers in Britain and India. In October 2001, he arranged through an intermediary to meet with Kishor Parikh, a mechanical engineer in the western Indian city of Ahmadabad. Dasondi allegedly instructed him to buy a fake university degree and coached him on how to lie to interviewers in the U.S. Consulate. Parikh allegedly paid \$9,000 to Dasondi for sponsoring his H-1B application.

When Parikh arrived in the U.S., he learned that Dasondi didn't have a job for him. Instead, Parikh found work at a greeting card shop. He lived in a one-bedroom basement apartment with his wife, parents, and two children, according to his lawyer, John McDonald. Parikh sent Dasondi about \$4,000 per month in money orders, which Dasondi ran through his payroll system as if the money came from a corporate client to pay for Parikh's services, according to court records. The payment scheme, which made it look like Parikh was a legitimate tech worker, is a common strategy called "running the payroll."

"WE WERE LIKE PRISONERS"

A tech service firm called Vision Systems Group has been charged, in a criminal suit filed in February, with taking another approach to visa fraud. Under federal law, companies that apply for work visas need to pay the prevailing wage for a specific occupation in a particular region. The rule is aimed at preventing employers from reducing their costs by hiring foreign workers to replace Americans.

Federal prosecutors say Vision Systems, based in New Jersey, set up an office in low-wage Coon Rapids, Iowa, and claimed that up to 25 immigrant employees worked there between August 2003 and December 2008, when they actually worked in higher-wage regions. That would allow Vision Systems to pay a visa holder the prevailing wage of \$20.05 per hour in Coon Rapids for an entry-level computer specialist instead of \$30.43 at its headquarters in New Jersey. Vision Systems CEO Viswa Mandalapu could not be reached for comment.

Vision Systems identifies JPMorgan Chase and insurance giant Cigna ([CI](#)) as two of its clients on the reference site Hoovers.com. Both companies declined to comment.

When Akhil Gupta heard about the Vision Systems bust, he celebrated. The Mumbai native who now lives in London had paid the company nearly \$3,000 in 2006 for an H-1B visa that never came through. "Vision Systems exploited my dreams," he says. "All I see is a huge amount of money and time lost."

Even workers who land jobs in the U.S. can end up on the bench, without a paycheck for weeks or months. Rajiv Dabhadkar, an Indian who was assigned to such companies as AT&T and Merrill Lynch on guest worker visas, recalls that when a staffing company replaced him with a new visa holder from India, he was so short of cash he couldn't pay the electric bill for his Belleville apartment. He and his wife and their 5-year-old daughter had to wear coats indoors for a few days in the winter. Ultimately, he says, his wife returned to India and filed for divorce. "I am a survivor and a witness," says Dabhadkar, who now lives outside Mumbai and runs the National Organization for Software & Technology Professionals, which publicizes abuses of guest workers.

One Brazilian worker originally came to the U.S. as a college student but was unable to find work when he graduated. Desperate to stay in the country, he took a job with a body shop in New Jersey that promised to sponsor his visa application, train him, and place him in an IT position in a corporation.

Things didn't work out as he had hoped. The company put him up in a two-bedroom apartment in West Windsor that he shared with half a dozen other trainees. It was so cramped he slept in the closet, with his feet sticking out the door. Not a fan of the curries favored by his roommates, he ate his meals at a nearby Subway sandwich shop. At the office, he studied hard in his training courses but was taken aback when the managers instructed him to write up a résumé full of false claims about his skills and work experience. He ended up working for \$800 a month. "We were like prisoners," says the man, who would not let his name be used because he is in the country illegally. He ultimately quit and got a tech job in another state.

Foreign workers aren't waiting for American companies or the U.S. government to address the issue of high-tech sweatshops. They've set up Web sites to discuss their experiences with different companies. On sites such as Desi Crunch and Goolti, they talk anonymously and steer one another away from the worst employers. On Desi Crunch, one writer marvels that a company can still attract any potential employees. The worker compares the firm to "an H-1B prison camp" and says, "trust nothing they say or write."

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Guest Worker Rights

People who come to the U.S. on work visas include many engineers and computer scientists, often with advanced degrees, but they frequently do not know their rights as employees. Immigration Voice, an advocacy group for foreign workers, has set up a Web site that spells out which visa fees an employer is supposed to pay, what to do if wages aren't paid on time, and how to report problems.

To read Tips for Guest Workers on Avoiding Abuse, go to <http://bx.businessweek.com/immigration/reference/>

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