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Indian Outsourcing Firms Use H-1B To Displace U.S. High-Tech Workforce

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The U.S. visa programs that allow companies to hire skilled foreign workers is "out of control" and is costing Americans hundreds of thousands of jobs, according to an analysis from the Economic Policy Institute. The H-1B and L-1 visa programs currently account for 1 million guest workers in the United States. Many of these foreign workers are employed at companies that have embraced offshore outsourcing of high-wage, high-tech workers as their primary business model.

The top four companies that use the H-1B visa to staff their U.S. operations are Indian outsourcing firms: Infosys, Wipro, Satyam and Tata Consultancy. By bringing in cheap Indian workers, these companies avoid hiring Americans and are able train workers for when they are sent back to India. They are also decimating one of America's most important industries: IT services.

American workers continue to be replaced by cheaper foreign workers, and they are being asked to train their foreign replacements, according to the study by Ron Hira, associate professor of public policy at Rochester Institute of Technology. "Loopholes in both programs have made it too easy to bring in cheaper foreign workers with ordinary skills, who directly substitute for, rather than complement, workers already in the country," says Hira.

When the visa programs were created in 1990, the United States was facing shortages of skilled high-tech workers. But that is no longer the case. The foreign worker visa programs have no market tests written into their statutes so companies do not have to demonstrate that there is a shortage of workers in the United States.

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There has been no growth in IT employment for a decade, with the total number of U.S. IT workers (including lower skilled workers like computer specialists and call center employees) holding steady at 3.8 million. Wages are stagnant.

That has not been the case for companies that offer IT outsourcing services. Tata was expected to hire up to 50,000 workers in 2010. Infosys is hiring between 7,000 and 8,000 workers per quarter. By comparison, Google's total worldwide employment is 20,000. Foreign outsourcing firms "are growing by Google's number in one year," says Hira. "If you had a company with that kind of growth in the United States, Obama would be all over it. But there is not a single company in the U.S. that is growing like that, certainly not in high-tech services."

Other U.S. technology companies that have embraced the outsourcing model and are actively hiring H-1B workers. Accenture, Cognizant, Larsen & Toubre Infotech and IBM India Private Ltd. are all major users of the H-1B visa program.

IBM now has more people working in India than it has working in the United States, according to data compiled by The Economist magazine. In 2003, IBM's U.S. headcount was 135,155, while it had 6,000 workers in India. By 2009, its U.S. headcount had shrunk to 105,000, while its Indian workforce numbered 100,000. Deloitte has tripled its headcount in India, from 11,000 to 33,000. "None of this gets reported in the United States," says Hira.

India now has 2 million workers employed in the IT offshoring and business process offshoring industries. An estimated 65 percent of those workers directly serve the U.S. market, according to data from the NASSCOM, the Indian IT trade association.

"You are talking about 1.3 million jobs offshored to India," says Hira. "Part of the problem is that because no one is paying attention to what is going on, the industry can make up whatever statistics it wants. So the U.S. Chamber of Commerce is using the mass layoff figures [from the Bureau of Labor Statistics] claiming that only 10,000 jobs have been offshored and they are able to get away with it."

In the meantime, U.S. companies like Accenture, IBM, EDS, HP are reporting record profits. Accenture's headcount in India surpassed its U.S. headcount in 2007. The company has 50,000 workers in India.

The companies that utilize the H-1B and L-I visas have business models that "shift as many American jobs as possible offshore," according to Hira. Eight of the top 10 H-1B employers were offshore outsourcing firms or had significant offshoring operations," according to Hira. The same held true for the top 10 L-I employers.

"The data show that the H-1B and L-I visa programs are being used to speed up the offshoring of high-wage, high tech jobs, contradicting the claims by those who argue that expanding the programs would prevent offshoring," says Hira. The Commerce Minister of India even referred

to the H-1B visa program as the "outsourcing visa" in a 2009 interview with the New York Times.

Infosys has stated in its financial reports to the U.S. Securities and Exchange Commission that it is dependent on the H-1B and L-1 visas and that if they were discontinued it "would pose a significant risk to its business model," Hira reports. In its 2010 SEC filing Infosys states: "The vast majority of our employees are Indian nationals." These workers are employed at client locations. "The ability of our technology professionals to work in the United States, Europe and in other countries depends on the ability to obtain the necessary visas and work permits," writes Infosys.

Infosys revenues increased to \$4.8 billion in 2010, up from \$203 million in 2000. Its workforce has increased from 5,400 to 113,800. It has 10,700 H-1B and LI visa holders on its payroll.

India has transformed the entire American high-tech sector in a way that has demoralized U.S. workers, Hira argues. Companies like Pfizer, Siemens, Wachovia and Bank of America have all reportedly required their U.S. workers to train foreign replacements that have H-1B or L-1 visas. "This practice, unfortunately enough, appears to be perfectly legal under the current sets of regulations and laws," writes Hira. "We do not know how widespread it is because employers have threatened workers with lawsuits and conditioned their unemployment insurance and severance packages to guarantee silence. Each new report, however, further reduces the attractiveness of IT to students of American universities."

Corporate CEOs and President Obama constantly implore more Americans to study science, technology, engineering and math, but the top concern of people working in technical fields is the negative impact of offshore outsourcing on their job prospects. A recent survey done by Information Week found that offshoring of technology jobs "is discouraging young Americans from pursuing tech careers and [is] shipping innovation abroad." The survey found that most IT workers, managers and students believe that the practice has led to the United States losing its leadership position in technology, "with 66 percent -- the single highest percentage -- citing offshore jobs movement as one of the top three reasons."

Says Hira: "I give lectures at RIT's Engineering School, and one of the classes is for a masters in product development for working mid-level engineers. They said they voted for Obama not because of health care but because they expected him to do something on offshoring, and they were sorely disappointed."

Hira also does not understand how the United States government is measuring service imports. The Bureau of Economic Analysis claims that the United States imported \$9 billion in services from India, but just the top three Indian outsourcing companies reported exporting more than that amount.

The offshore outsourcing industry in India is generating \$62 billion a year in revenue, up from \$4 billion in 2000, according to a January 1, 2010, report in The Times of India. By 2020,

NASSCOM projects the industry will generate \$225 billion and employ 10 million workers. NASSCOM says that IBM, Cisco, Dell, Microsoft, Intel, Oracle, HP and Google will all have more Indian employees than American employees.

The Indian outsourcing firms are quickly branching out of IT services and into aerospace design, retail, pharmaceuticals R&D, legal and banking systems and systems integration of the U.S. manufacturing sector. Outsourcing companies in India are targeting new industrial sectors, new technologies and services "from smaller companies," says NASSCOM president Som Mittal.

None of this bodes well for Americans, says Hira.

"I have friends at Xerox," Hira notes, whose university is located in the same city as Xerox headquarters. "Xerox just took over Affiliated Computer Services. They are training their Indian counterparts, and ACS is offshoring like crazy, too." Xerox CEO Ursula Burns is the vice chair of President Obama's Export Council, "and people up here are scoffing and laughing because she made her mark here before she became CEO by setting up the offshoring of engineering in India," says Hira. "The only thing she knows how to export are jobs."

The paper, "H-1B and L-1 Visa Programs: Out of Control," is located at <http://www.epi.org/publications/entry/bp280/>