

Posted on Sat, May. 01, 2004

Jobs that stay here -- but not for Americans

By Karl Schoenberger
Mercury News

Not all the local jobs disappear when an Indian firm takes a software project to Bangalore. As many as 30 percent in a typical offshoring contract stay onshore, located right on the premises of U.S. technology companies, offshoring experts say.

Yet these jobs aren't available to the local workforce. They are reserved, almost exclusively, for guest workers brought from India on H-1B visas by the outsourcing contractors, according to analysts and industry sources.

Concerns about the impact of the H-1B program, which raised hackles when it let in legions of foreign tech workers at the peak of the Internet boom, are back again. Hurting from high unemployment after the tech bubble burst and spooked by all the election-year buzz about offshoring, displaced U.S. workers are claiming double jeopardy.

"These jobs never make it to the help-wanted ads or get posted online," said Kim Berry, president of the Programmers Guild, a Web-based advocacy group that criticizes offshoring and the H-1B program.

The two issues are inseparable, said Ronil Hira, assistant professor of public policy at Rochester Institute of Technology.

"If you look at all the major Indian information-technology firms doing offshoring, they are also the largest users of H-1B visa workers," said Hira, who has testified before Congress on offshoring. "These companies are managing their offshore contracts using imported labor. But Americans should have the first shot at that work."

H-1B demand has risen sharply in recent months. The current cap -- 65,000 -- was reached Feb. 17, just 4 1/2 months into the new fiscal year, which ends Sept. 30.

That resurgence coincides with the rise in technology offshoring, but Chris Bentley of the U.S. Citizenship and Immigration Service said any connection is a matter of interpretation.

Controversy also is rising over the extensive use by Indian contractors of the L-1 visa, which is designed to transfer executives within a company and has no annual limits or tracking mechanism.

Indian offshoring firms say their guest workers are an integral part of the cost-savings model their clients demand.

Short-term software-development projects don't lend themselves to hiring local workers because, unlike the young and unfettered guest workers, locals don't like to relocate when the job is done, said Sridhar Ramasubbu, general manager for finance and investor relations at the Mountain View office of Wipro Technologies. Wipro is one of the top three Indian software companies, along with Infosys Technologies and Tata Consultancy Services.

“We're a global business, and our workers have to be mobile and willing to move quickly to wherever there is work to be done,” said Ramasubbu. He said onshore guest workers account for an average of 28 percent of the labor involved in the company's software outsourcing contracts.

Asked about alleged wage differentials between local workers and H-1B holders, he said Wipro follows “the letter and the spirit” of U.S. immigration laws requiring payment of prevailing wages.

Bangalore-based Wipro recently announced that it broke the \$1 billion barrier in annual sales for the fiscal year that ended March 31. Worldwide it has 30,000 employees, with an average age of 26, Ramasubbu said. About 2,000 of Wipro's 2,400 U.S. employees hold H-1B or L-1 visas, he said, adding that Wipro also employs several thousand H-1B visa holders outside the United States who can rotate in as needed.

The dependence on temporary visas is also evident at Infosys, another \$1 billion software company based in Bangalore, with its U.S. headquarters in Fremont. The company grew by 30 percent last year and derived two-thirds of its revenue from the U.S. market, employing about 2,900 H-1B visa holders and 800 others on L-1 visas at the end of 2003, according to Securities and Exchange Commission documents. These numbers had more than doubled over two years.

Tata Consultancy, a privately held unit of the Mumbai-based conglomerate Tata Group, broke \$1 billion in sales in 2003. The company would not disclose the number of H-1B visa holders it employs.

There is no reliable data on the scope of the offshoring industry in terms of the number of jobs it has moved overseas, the dollar value of the outsourcing contracts involved or how many H-1B visa holders are actually employed. There are several layers to the industry, from the giant U.S. outsourcing companies IBM Global Services and EDS to the consulting arms of U.S. accounting firms, such as Accenture.

Bipartisan legislation was introduced to Congress last year to close loopholes in the H-1B program by monitoring whether qualified Americans were excluded and wage rules were evaded. The bill died in committee.

Last month, Rep. Lamar Smith, R-Texas, sponsored a new bill to allow up to 20,000 additional H-1B visas a year -- beyond the 65,000 cap -- to applicants with master's or doctoral degrees. But the bill lacks Democratic support and is likely to die.

“There's a higher rate of unemployment among software engineers compared to the rest of the population, and that should reduce our need for H-1B workers in the technology fields,” said Rep. Zoe Lofgren, D-San Jose, noting that data on offshoring and the H-1B program is inadequate and out of date.

Stopping the influx of high-tech guest workers, along with the exodus of software engineering work to India, will be difficult as long as U.S. companies seek to improve their bottom line, said Ravi Kalakota, CEO of E-Business Strategies, a Georgia consulting firm.

“U.S. immigration policy has a lot of loopholes,” said Kalakota. “I’m sure companies will find ways to squeeze people in. I suppose the only American workers benefiting from this are the immigration lawyers.”

Contact Karl Schoenberger at kschoenberger@sjmercury.com or (415) 477-2500.

© 2004 MercuryNews.com and wire service sources. All Rights Reserved.
<http://www.mercurynews.com>