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More Bangalore For Their Bucks

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Last year's expansion of the H-1B visa program lets U.S. tech companies recruit even more workers from India. Indian companies are also in on the action.

In Congress, they called it the American Competitiveness in the 21st Century Act. But the federal law enacted last year that extends and significantly expands the guest-worker program for skilled citizens of other countries could just as aptly have been dubbed the Indian Software Developers Competitiveness Act.

That's because technology firms based in India-or U.S. tech firms run by Indian nationals-make up 10 of the top 25 companies to have snapped up H-1B visas (see chart). With 600,000 additional H-1Bs to be doled out during the next three years under the new law, Indian-owned and Indian-run firms operating in the United States will have an inside track on the next group of highly proficient, English-speaking tech workers to arrive from the Asian subcontinent-and thus a stronger competitive position against the U.S. companies the new law was designed to assist.

U.S. high-tech heavyweights-including Microsoft (<>,), Oracle (<>,), Intel (<>,), Cisco Systems (<>,), and Motorola (<>,)- use their fair share of workers brought into the country on H-1B visas, 43 percent of whom were from India in the time period covered by the most recent U.S. Immigration and Naturalization Service report.

But it is somewhat more controversial that so many of the employers of Indian H-1B visa holders are themselves from India. The country's largest business conglomerate, the Tata Sons, has two units among the top 25 employers of H-1Bs-Tata Consultancy Services and Tata Infotech. Between them, they obtained enough H-1Bs to put their parent at No. 2 on the list. India's largest software firm, Wipro, is No. 9. The visas are so vital to Wipro's expansion plans that it listed the possibility that the visa program might one day be curtailed as a major risk factor in disclosures to the Securities and Exchange Commission when the company floated an initial public offering on the New York Stock Exchange last fall.

Other Indian-owned companies among the top 25 include HTC Global Services (No. 24), a computer consulting firm that offers "around-the-clock solutions" thanks to its "global delivery model." Though headquartered in Southfield, Mich., the company has a greater presence in India, where it has offices in five cities.

Early warnings

Critics of the H-1B program include spokespeople for the 350,000-member Institute of Electrical and Electronics Engineers and a more loose-knit outfit of tech workers called the Programmer's Guild. In testimony before Congress during the last several years, they have warned that the program is an immediate threat to U.S. workers-particularly to minorities and older employees.

That argument certainly resonates with many U.S. tech workers, whose anti-H-1B diatribes scorch online tech-job bulletin boards. But it carried little weight in Congress, where the H-1B extension measure sailed through the Senate last fall by a 96-1 vote. And top-tier U.S. technology firms certainly don't seem concerned about an Indian takeover of the H-1B program. Quite the contrary: Not only are they hiring

droves of visa holders, but also they are farming out growing volumes of increasingly sophisticated work to the Indian companies that use the program.

Microsoft Chairman Bill Gates, for one, has been to India twice in the last several years-the most recent being last fall to celebrate his company's 10-year anniversary of doing business there. During that trip, Gates announced that Microsoft (No. 6 on the H-1B users list) has formed a "strategic global relationship" with Bangalore, India-based Infosys Technologies (No. 14) to jointly work on Windows 2000 and Microsoft.Net solutions. Not to be outdone, Nortel Networks (<>,)executives visited Bangalore six weeks later to announce that Infosys will set up a "wireless center of excellence" for their company.

'Vendor of the Year'

No Indian company does more offshore development work than Tata Consultancy, which has 14,000 consultants worldwide. The company has doubled its revenue every two years since 1994, taking in approximately $485 million in the 1999-2000 fiscal year. Tata Consultancy boasts a world-class work force, with more certified quality analysts than any other company worldwide, and a global network of state-of-the-art research and development centers, all linked by high-speed satellite hookups. Tata Consultancy-developed products range from SmartClinic for the health care industry and CemPac for the cement industry to eTreasury for banks and a software development tool called MasterCraft.

The company now has 22 centers in India dedicated to specific corporate clients, including Hewlett-Packard (HP,), Lucent Technologies (<>,), Nortel, Ameritech, and General Electric. Most Tata Consultancy employees, tied in with the rest of the world through the Internet and videoconferencing facilities, never need to leave India. But with several thousand H-1B visa holders on its payroll, Tata has the luxury of being able to station large teams of software developers in its clients' offices as well as in its own facilities in the United States. Its customers certainly seem grateful for the services provided. The Indian consultancy has collected "Vendor of the Year," "Best Business Partner of the Year" and "Best Commodity Supplier" awards from a host of U.S. companies, including Oracle, Target, and GE.

Computer consulting firms in the United States are considerably more ambivalent about Indian firms that have latched on to the H-1B program than the Microsofts and Nortels of the world. After all, they are the ones directly threatened by the specter of cheaper-but-just-as-sophisticated Indian competition. Their wariness was reflected in the position taken by the National Association of Computer Consultant Businesses (NACCB) during the maneuvering in Congress over H-1B legislation. Mark Roberts, general counsel of the association, which represents approximately 500 IT staffing and consulting companies, says most NACCB members agree there is a shortage of qualified workers for many computer-related jobs. But the association rejected the "swing-the-door-wide-open view" espoused by free-market purists such as the Cato Institute, which urged Congress to put no annual limit on the number of H-1Bs. The NACCB called instead for a "modest temporary increase" in the program.

Mark Rothman, president of Myta, an IT staffing firm in Rockville, Md., shares the dread of competition with many other NACCB members. He has hired plenty of H-1B holders to fill his own company's ranks with skilled workers, but he fears that if too many visas are handed out "the overseas companies will come in and overtake everything." He "hates it" when offshore development centers in India "can do the job at half the price and they take some of my business away." And yet Rothman says he has to conclude, "If they can do high-quality work cost-effectively in India, more power to them. If we're not good enough, and we get our butts kicked until we get better, we should get better quicker."

John Miano, founder of the Programmer's Guild, insists that Indian companies, thanks in large part to the H-1B program, are rapidly taking work abroad. "While the practice of exporting software development to low-wage countries has generally been unsuccessful so far, our competitors are taking steps to change that. There would be no better way for another country to develop a software industry than to be able to send workers to the United States to have them trained in software development and the ways of U.S. business," he told a congressional committee in 1999.

Miano urged Congress to erect a formidable array of other barriers to excessive use of the H-1B program, starting with a hike in the visa fee from an "absurdly low" $500 to $20,000, which in his view more closely approximates the value to a company of procuring an H-1B worker. He also urged Congress to prohibit any employer from having more than 15 percent of its work force on H-1Bs.

"America first" clause

In a bill that ultimately won approval last fall, Congress raised the visa fee-but only to $1,000. And

employers with more than 15 percent of their workers on H-1B visas will soon have to jump through some potentially daunting new hoops. Regulations that took effect this year label such companies "H-1B dependent" and require them to offer proof that they made efforts to hire Americans before looking abroad and that the imported workers haven't displaced any Americans.

That requirement, which will be backed up by fines and the threat of debarment from the visa program, could throw a wrench in the works of some of the Indian-owned firms that have relied heavily on H-1B workers. The shadier operators, dubbed "body shops," which specialize in bringing workers from abroad to fill low-end IT jobs for cut-rate wages, have never made any pretense of recruiting Americans. Soon they will at least have to make a show of trying.

Up to the challenge

The most sophisticated Indian software firms insist they are up to the challenge of complying with the new regulations. Arup Gupta, president of the U.S. branch of Tata Consultancy, insists that his company will need to continue using the visa program to sustain growth rates that have made his company the fourth fastest-growing IT consulting firm in the United States. But Gupta, in a statement offered in response to questions about his company's use of the visa program, insisted that H-1Bs are a "temporary" fix. Tata Consultancy needs to hire Americans to help in its "aggressive effort to expand its U.S.-based operations" and "grow into one of America's leading technology-consulting firms." So the company has launched a national advertising campaign to find recruits, opened seven U.S. recruitment centers, and increased its participation in career fairs, Gupta said.

If Tata's efforts prove successful, the Indian firm will create new jobs in the United States even while it ships other jobs to India. Indeed, that is already happening on a major scale, says Kailash Joshi, a former IBM <> executive and president of The IndUS Entrepreneurs (TiE), a Silicon Valley-based group of successful business executives born on the Asian subcontinent. TiE estimates that the combined market capitalization of companies founded by Indo Americans is as much as $200 billion. "It is a massive number of jobs that we have created. The Indian connection was an important part of that value creation," says Joshi.

The H-1B program is a natural outgrowth of globalization, which benefits everyone, Joshi insists. "If having Indian resources and knowledge workers as part of a company makes it more competitive, I say so be it," he says. "Everybody has access to the same workers. Intel has them. Cisco has them." And if companies find that it is cheaper to ship the work to India, "that is the nature of the beast," Joshi says. "When I was at IBM, we moved manufacturing out of the United States on a mass scale when we found out that we could not compete. Companies that are international, that's what they are going to do."

Leading Employers of H-1B Visa Holders

Company: H-1B workers 1. Motorola: 618 **2.** Oracle: 455 **3.** Cisco Systems: 398 **4.** **Mastech: 389 **5.** Intel: 367 **6.** Microsoft: 362 **7.** Rapidigm: 357 **8.** **Syntel: 337 **9.** *Wipro: 327 **10.** *Tata Consultancy Services: 320 **11.** PricewaterhouseCoopers: 272 **12.** People.com Consulting: 261 **13.** Lucent Technologies: 255 **14.** *Infosys Technologies: 239 **15.** Nortel Networks: 234 **16.** **Xoriant (formerly TekEdge): 219 **17.** Data Conversion: 195 **18.** *Tata Infotech: 185 **19.** Cotelligent USA: 183 **20.** Sun Microsystems: 182 **21.** Compuware: 179 **22.** KPMG: 177 **23.** **Intelligroup: 161 **24.** **Hi Tech Consultants: 157 **25.** **Ipex (formerly Group Ipex): 151

KEY: * India-based company ** Founded and run by Indian nationals with major offshore operations in India

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