Donald Trump's executive order on H-1B visa unlikely to impact Indian IT firms

DH deccanherald.com/business/business-news/donald-trump-s-executive-order-on-h-1b-visa-unlikely-to-impact-indian-it-firms-869591.html

August 4, 2020

President Donald Trump's executive order restricting federal agencies from contracting or subcontracting foreign workers, is unlikely to hurt Indian IT service companies in the immediate future.

The IT service firms, which were anticipating this action from the Trump administration, have prepared themselves to face the new normal, say experts.

"This is not a surprise and in anticipation, Indian IT service providers have built their US local talent pool over the last 3-4 years. Hence, they might see minimal impact to their local business," Kamal Karanth, co-founder, Xpheno, a specialist staffing firm said.

Most of the top Indian IT services firms do not feature amongst the top 100 suppliers to the US government. However, they might be suppliers to some of their clients who could be serving the federal government, he said.

On June 23, the Trump administration had suspended the H-1B visas along with other types of foreign work visas until December 2020. The present move is seen as an attempt by Trump to protect American workers ahead of the crucial elections. "Today I am signing an executive order to ensure that the federal government lives by a very simple rule. Hire American," Trump told reporters at White House before signing the order.

Part of the executive order focuses on federal contracting, and part of it focuses on the H-1B visa programme in general. Both elements of the executive order mandate reviews, reports, and development of policy and practice and recommendations rather than mandating any immediate changes, IT industry body Nasscom said.

"Indian IT service firms knew that it was coming and they have prepared for this by hiring local talents in the US. Secondly, they have moved as much work as possible to offshore. Thirdly, they have embraced automation for certain types of work and reduced the number of workers required to execute projects," Sid Pai, founder of Siana Capital, a venture fund management company focused on technology, told DH.

He said Indian IT services have increased the offshoring portion from about 70 per cent a decade ago to over 90 per cent currently.

The executive order on "Aligning Federal Contracting and Hiring Practices with the interests of American workers" appears to have been made based on misperceptions, and misinformation, Nasscom said.

As the world opens up post the Covid-19 induced lockdowns, it is important for the US to be able to access talent critical to the recovery phase. Measures that restrict access to talent will slow-down the recovery phase of the U.S. economy, jobs, innovation and R&D, Nasscom statement added.

"For many years Indian technology professionals could study in the US on an F-1, find an internship through the F-1 OPT programme and then be converted by their employers to H-1B. This route has worked for over 130,000 Indians including leading figures like Sundar Pichai and Satya Nadella, but is now closed," Suresh Rajan, Executive Chairman and Founder of LCR Capital Partners said.

The move may impact the small and medium scale IT companies from India as they need to spend more on hiring local talents in the US. Their pace of execution of contracts will significantly slow down and they may have to pay penalties, said Aditya Narayan Mishra, Director & CEO, CIEL HR Services.

The order is particularly coming at a time when there is a huge shortage of STEM (science, technology, engineering and maths) skills in the US. Workers on short-term non-immigrant visas like H-1B and L-1 help bridge this gap, Nasscom said.

Unemployment rate for computer occupations declined from 3 per cent in January 2020 to 2.5 per cent in May 2020, while unemployment rate for all other occupations grew from 4.1 per cent in January 2020 to 13.5 per cent in May 2020. Further, in the 30-day period ending May 13, there were over 6,25,000 active job vacancy postings advertised online for jobs in common computer occupations, including those most common to H-1B visa holders, Nasscom added.