

Indian IT Services

■ Industry Overview

Alert: US Immigration Reforms Draft Bill - Key Implications

- **Speed-breaker ahead?** — Various press articles have highlighted the key points of the draft bipartisan immigration reform bill. While rhetoric against outsourcing has been around for a while, the immigration reform bill could be a speed-breaker for the offshore IT services industry. *There is limited clarity on the final implications and timelines at this point – key points look negative for the Indian IT sector.*
 - **Crackdown on visas** — The bill looks to crack down issuance of visas for companies where foreign workers comprise a majority of the US workforce. Companies will be banned from bringing in additional workers if H1B or L1 visa holders form >75% of US workforce in FY14, >65% in FY15 and >50% in FY16. *Most Indian companies could have a high proportion of H1B or L1 visa holders in their US workforce but we await clarity from companies on this.*
 - **Higher wages for H1B workers** — The draft also talks about requiring employers to pay significantly higher wages for H1B workers than the current law and to first post the job openings for American workers for at least 30 days at this higher wage before hiring an H1B applicant.
 - **Higher visa fees** — The bill proposes higher fees for companies with greater dependence on H-1B/L1 visas: (a) \$5,000 per additional worker for companies with 30%-50% employees on H-1B/L1 visas (b) \$10,000 per additional worker for companies with >50% employees on H-1B/L1 visas.
 - **Increased cap in H-1B visas** — The bill proposes to raise the base cap for H-1B visas from 65,000 to 110,000 (the cap could go as high as 180,000 in future years).
- **Cost/flexibility issues and more importantly, the messaging** — This could lead to higher cost of onsite resources (particularly, given the relatively low IT sector unemployment in the US). However, cost issues are manageable (with small impact on overall margins), in our view, but what worries us is the messaging and the fact that flexibility in the onsite-offshore model could come down. This could turn out to be a big execution challenge for the sector, if implemented as is.
- **Calling for change in business models** — This could accelerate the change in business models that we discussed in [Changing Face of IT Services - Industry Reboot – The Potential and the Perils](#). While companies have been increasing the number of local hires, this may expedite the process.

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