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IT Firms Howling As Visa Fees Leap

By DON CLARK

New U.S. legislation that sharply boosts visa fees to pay for tighter border security may play well in some parts of the country, but the applause is faint in Silicon Valley.

The measure, signed into law by President Barack Obama on Friday, is expected to raise operating costs for outsourcing firms that use large numbers of foreign-born employees to serve their U.S. customers. But the biggest impact, critics say, is to increase the perception that America is becoming more protectionist and hostile toward foreigners.

"It's adding to the negativity about America," said Vivek Wadhwa, a visiting scholar at the University of California and research associate at Duke University who studies immigration issues. "The money raised is insignificant and the damage is huge."

Backers of the bill predict the visa fee increase will raise about \$200 million a year to help pay for a \$600 million appropriation to beef up security on the U.S.-Mexico border. The money is expected to pay for improvements that include hiring more border guards, boosting the number of federal agents and drone aircraft used for surveillance.

The fee increase applies only to companies with at least 50 employees in the U.S. and 50% or more of their work force holding one of two widely used types of visas. The fee for them to apply for an additional H-1B visa—which covers temporary skilled workers—rises under the legislation to \$2,320 from \$320. The fee for additional L visas, which cover transfers within a company, increases to \$2,570 from \$320.

Big U.S. companies that augment their work forces with small percentages of foreign workers wouldn't be affected by the measure, nor would small start-ups led by a handful of entrepreneurs from abroad. But the carefully crafted criteria strikes some observers as discriminatory, since most of the foreign outsourcing firms with large U.S. operations targeted by the measure are based in India.

"It is just like a tax, but why are you only taxing one group of people?" asks Vish Mishra, president of the Silicon Valley chapter of the Indus Entrepreneurs, a forum for executives from South Asia.

The chief sponsor of the measure, Sen. Charles Schumer (D.,N.Y.), on Thursday said it is "simply untrue" that the purpose of the legislation is to target Indian information-technology companies. Rather, he said, the measure targets firms—regardless of where they are based—that use the H-1B program in ways that are contrary to its intent.

The program, Mr. Schumer said, was principally designed to help companies like Microsoft<<http://online.wsj.com/public/quotes/main.html?type=djn&symbol=MSFT>> Corp. and Apple<<http://online.wsj.com/public/quotes/main.html?type=djn&symbol=AAPL>> Inc. hire foreign-born students who would help develop innovative products and ultimately become U.S. residents. Outsourcing companies, by contrast, are essentially creating "multinational temp agencies" that pay less than prevailing U.S. wages and drive down the pay of American workers, he said.

Sen. Schumer's statements were challenged Friday by the National Association of Software and Service Companies, which represents Indian tech firms. The group argued that India outsourcing firms have added significantly to the U.S. economy, hired American workers and used the H-1B program properly.

The broader issue for Silicon Valley is that the flow of technology talent has now reversed. Most foreign students that get advanced degrees at U.S. universities no longer hope to stay in the country, said Mr. Wadhwa, partly because of stiffened immigration policies but also because job opportunities in places like Bangalor and Shanghai are so attractive. The visa increase sends another signal to foreign engineers that they aren't welcome, he added.

At the same time, many U.S.-based start-ups are locating the bulk of their workers in countries where wages are lower and talent is plentiful. One is Zoho Corp., a company based in Pleasanton, Calif., that has about 20 employees there—most of them American-born—and about 1,000 in India. "I don't remember the last time we applied for a visa," said Sridhar Vembu, Zoho's chief executive.

There has indeed been evidence that some outsourcing firms pay less than prevailing U.S. wages and that is a problem, said Rob Atkinson, president of the Information Technology and Innovation Foundation, a Washington policy think tank. But he argued that the way to combat that issue is to analyze outsourcers' payroll records and penalize those that don't play by the rules, not a fee increase that affects companies that do.

Sen. Schumer acknowledged broader problems that would be tackled only by comprehensive immigration reform. But he said the visa fee increase would make it more expensive to bring in foreign tech workers to compete with Americans for tech jobs in America—and cited comments by some Indian companies that the fee increase would push them to hire more American workers.

The senator had set off shock waves in the Indian business community when he initially referred to outsourcing companies as "chop shops," a term used to refer to illicit businesses that strip stolen cars for parts. On Thursday, Mr. Schumer said that expression was a slip of the tongue; he said he had meant to use the term "body shops," an industry slang term for outsourcing firms.