US Visa Ban Extension - Impact on Indian IT Companies

Why in news?

The US administration extended the 60-day ban on immigration and non-immigrant worker visas till the end of 2020.

What is the stated reason?

- The US President Donald Trump said that the move was to protect domestic workers.
- They are said to have been impacted due to a contraction in the economy in the wake of the Covid-19 pandemic.
- Popular work visas including the much-coveted H-1B and H-2B, and certain categories of H-4, J, and L visas shall also remain suspended.

What are the different categories of visas issued?

- Immigrant visas are issued to foreign nationals who intend to live permanently in the US.
- Non-immigrant visas are for foreign nationals willing to enter the US on a temporary basis.
- These may be for tourism, medical treatment, business, temporary work, study, or other similar reasons.
- The US issues a certain number of visas each year to fill a vacuum of highly-skilled low-cost employees in IT and other related domains.
- This allows companies from outside the US to send employees to work on client sites.
- Of these work visas, the H-1B remains the most popular among Indian IT companies.
- H-1B is issued for people to work in a specialty occupation.
- It requires a higher education degree of its equivalent.
- The US government has a cap of 85,000 total H-1B visas for each year.
- Of this, 65,000 H-1B visas are issued to highly skilled foreign workers.
- The rest 20,000 can be additionally allotted to highly skilled foreign workers who have a higher education or masters degree from an American university.
- Apart from the H-1B visas, the US government also issues L1 visas.
- This allows companies to transfer highly skilled workers to US for a period of up to 7 years.

- H-2B visas allow food and agricultural workers to seek employment in the US.

Why did the US suspend non-immigrant worker visas?

- Since it was started in 1952, the H-1 visa scheme has undergone many changes and revisions.
- These were done to allow or disallow certain categories of skilled workers into the US.
- The changes were made depending on the economic situation of the country.
- The eventual technology boom saw the arrival of the internet and low-cost computers in developing nations such as India and China.
- This led to a large number of graduates with a will to work at relatively low costs in the US.
- This turned out to be a win-win situation for both the employer and the employee.
- However, there raised a concern of having low cost workers in the US at the expense of domestic workers.
- In 2017, after taking over as the US President, Trump had hinted that the low-cost workers were hampering the economy and undercutting jobs of citizens.
- The US had then hinted at reforming the "broken" H-1B visa system.
- Now, Trump seized the opportunity provided by the economic contraction due to Covid-19.
- He first banned the entry of non-immigrant workers till 23 June 2020.
- It is now extended till 31 December 2020.

What are the likely implications?

- Since the ban is effective immediately, the processing of all new H-1B, H-2B, J, and L visa categories stand suspended.
- So, those who do not have a valid non-immigrant visa as of 23 June 2020 and are outside of the US, will not be allowed to enter the country until 31 December 2020.
- H-1B, H-2B, J and L visa holders, and their spouse or children already present in the US shall not be impacted by the new worker visa ban.
- Also, workers in essential services in the food sector have been given some reprieve.
- Their entry shall be decided by the consular officer of immigration services.

How does it affect the Indian IT companies?

- Indian IT companies are amongst the biggest beneficiaries of the US H-1B

visa regime.

- Since 1990s, Indian IT companies have utilised a huge share of the total number of visas issued each year.
- As of April 1, 2020, the US Citizenship and Immigration Services (USCIS) had received about 2.5 lakh H-1B work visa applications.
- Indians had applied for as many as 1.84 lakh or 67% of the total H-1B work visas for the current financial year ending March 2021.
- Apart from the suspension, the executive order has also made sweeping changes to the H-1B work visa norms.
- So, the visa issuance will no longer be decided by the currently prevalent lottery system.
- The new norms will favour highly-skilled workers who are paid the highest wages by their respective companies.
- This could result in a significant impact on margins and worker wages of Indian IT companies that send thousands of low-cost employees to work on client sites in the US.
- The large Indian IT companies have cut down their dependency on H-1B and other worker visas by hiring as much as 50% of staff locally.
- However, they still rely on these visas to keep costs in check.
- Indian IT companies also offer subcontracts to Indian nationals already present in the US with valid H-1B visas.
- E.g. Bangalore-based Wipro spends as much as 20% of its revenue to subcontract Indian workers with valid H-1B visas
- In all, the changes are largely disadvantageous to the Indian IT companies.

Source: Indian Express

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