

COMMENT

Who's afraid of Visa Fees?

The United States Government has made a hefty increase in H1B Visa fees payable by software engineers and other professionals seeking to enter the US. Professionals are allowed to take wage employment for six years under this visa. Previously applicants had to pay Rs 1,06,000 towards fees. Now they will have to pay Rs 1,98,000. Consequently, it will become difficult for Indian software engineers to migrate to the US. The US Government hopes that this move will reduce competition faced by US engineers and open up job opportunities for them that were till now being grabbed by Indians. American engineers will not have to face competition from Indians who were willing to work for lesser wages. Indian software companies like Infosys and Wipro offer services to US companies from their US-based offices. They bring large numbers of engineers from India to man these operations. It will become expensive for them to do so and they will be encouraged to employ American engineers instead. The increase in fees has been made under pressure from the American voter who perceives that Indian engineers are taking jobs that truly belong to them. Unemployment at 9.5 percent is forcing the US lawmakers to abandon their traditional stance of free markets and to take the direction of protectionism.

The measure is specially targeted towards Indian companies. The increase in fees will only be applicable to those companies that have more than one-half of their US employees on H1B Visa. Companies like Microsoft employ larger number of professionals from India than many Indian companies. But their overall payroll in the US is larger hence H1B visa holders constitute less than one-half of their payroll and they will not be hit by this law. On the other hand an Indian company with fewer H1B visa holders will be hit because its total payroll in the US is smaller.

The increase in visa fees appears to be harmful for India and beneficial for the US on the first reading. Indeed, immediately fewer engineers will migrate to the US. This short run impact has led Commerce Minister Anand Sharma to condemn the increase in fees. Indian Government officials have even threatened to take up the matter in the World Trade Organization. While India must certainly pursue to contest this anti-India measure, there is no need to get overly worried. This measure will rebound and hit the US in the long run.

Gary Shapiro, President & CEO of the Consumer Electronics Association of US says on the basis of a study Vivek Wadhwa of Duke University that "immigrants to the US founded more than half of all Silicon Valley start-ups created in the past decade. Half of all Silicon Valley engineers are foreign born, up from 10 percent in 1970, and about 40 percent of all US patents go to immigrants. These immigrant-founded companies employed 450,000 workers and generated \$52 billion in revenue in 2005." The US education system is producing fewer math and science graduates than countries like India and China, and top IT workers in those countries and others are likely to stay home instead of work at a US company. Availability of fewer skilled engineers from India will force American employers like Microsoft to employ high-paid low-skilled Americans.

US has sunk into a trap. Increase in visa fees will lead to greater outsourcing and less jobs for American engineers. Reduction in fees will lead to more immigration and again fewer jobs for American engineers. Either way there is no escape. □□□

[contributed]