

BUSINESS

# In Charlotte, foreign workers replace Americans in tech roles

By Deon Roberts

[deroberts@charlotteobserver.com](mailto:deroberts@charlotteobserver.com)

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Among those applying to use the visa workers are companies that have been awarded millions of dollars in state grants under agreements to create jobs in Charlotte and elsewhere. BY TODD SUMLIN



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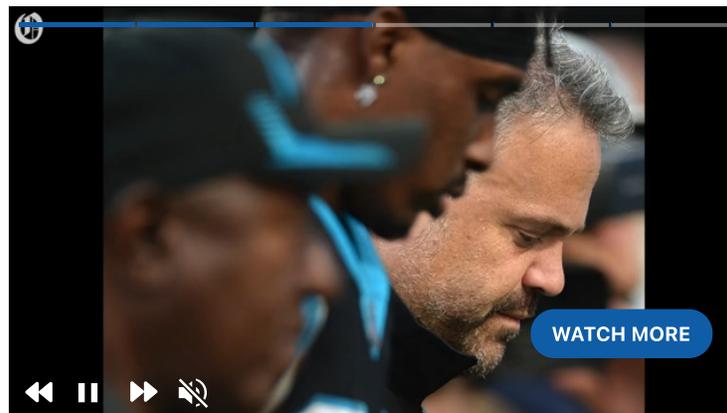
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Companies in Charlotte are stepping up their efforts to hire foreign workers – especially for information technology jobs – under a federal visa program that’s becoming a political flashpoint.

The H-1B visa lets companies bring foreign workers to the U.S. temporarily to fill jobs requiring highly skilled labor. Employers say it helps them fill jobs that draw too few qualified applicants. Critics say some companies abuse it, replacing Americans with foreign tech workers willing to work for less.

Sometimes American IT workers are laid off after spending their final days training their foreign-born replacements.

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Demand for these visa workers is growing especially fast in Charlotte. Last year hundreds of employers filed initial applications for more than 16,500 H-1B workers in the Charlotte metro area, many in technology positions. That number alone is bigger than the entire workforce of some of Charlotte’s largest employers.

Supporters of the visas, including local job recruiters, point to a shortage of skilled technology talent that is resulting in thousands of open computing jobs throughout the state. A lack of computer science majors graduating adds to the problem, officials say.

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But in some instances, “companies that are bringing in H-1B people at the same time are having staff reductions in the same area – generally speaking, the IT area,” said

Bill Chu, a professor at UNC Charlotte's College of Computing and Informatics. "There are lots of H-1B people in Charlotte."

A major source of H-1B workers is India, where experts say technology is a popular field of study and young, English-speaking workers are willing to move abroad for work. According to the [federal government](#), 70 percent of H-1B visas granted in 2014 were designated for someone born in India.

Employers use the visas in different ways. Sometimes they bring a foreign worker with a specialized skill directly onto their staff. Other times, employers lay off Americans, then outsource work to firms that employ large numbers of H-1B workers.

In the Charlotte metro area, nine of the 10 employers who filed the most initial applications for visa workers last year were outsourcing firms, according to an Observer analysis of federal data. The exception was Charlotte-based Bank of America. The bank filed applications for about 380 visa workers, ranking it ninth. Statewide, employers filed applications for more than 33,400 visa workers last year.

Only a portion of such applications are approved each year by the federal government. Employers who received approvals can then enter a lottery, held annually in recent years because of high demand. Last year, about one in three applications seeking 85,000 available visas nationwide won the lottery.

Federal data shows companies' visa applications for Charlotte positions were up 39 percent last year from the year before – surpassing the roughly 25 percent increase nationwide.

In Charlotte, employers' reliance on visa workers has some on edge about their own job security.

"It is a real concern," said one Bank of America technology employee who spoke on condition of anonymity for fear of reprisal. Other banks, including Wells Fargo, have also filed applications for people on visas to work in Charlotte.

At Bank of America, visa workers are filling some positions once held by Americans who were either laid off by the bank or shifted into other positions, the employee said.

"I'm working more and more with H-1B visa developers than American developers within our company," the employee said. "We've seen them pretty much replace a lot of the developer/programmer-type roles.

"If you go into any development team in the bank, I don't know of any American developers that I've worked with over the last couple of years. They're all Indian."

Some of the positions being filled by H-1B workers require only basic computer skills, the employee said.

"The jobs that we're replacing here aren't rocket science. It's database developers," the employee said, "skills you can learn through a four-year program ... at any major American university."

Bank of America declined to comment.

Charlotte Observer owner McClatchy is among U.S. companies turning to outsourcing firms that employ large numbers of H-1B visa workers.

McClatchy, based in Sacramento, Calif., this summer will begin outsourcing some technology functions to India-based Wipro. McClatchy said the move is designed in part to help accelerate its transformation into a more digitally focused media company.

The Wipro move will result in layoffs of 121 McClatchy employees across the U.S., including 10 in Charlotte, said Terry Geiger, McClatchy's vice president of technology. Of the 121, two McClatchy employees who worked in Miami are being hired by Wipro, he said.

The bulk of the work being directly transferred to Wipro will now be handled by people in India, with the rest performed by an American tech company Wipro will use as a subcontractor, Geiger said.

A couple dozen McClatchy employees, including four in Charlotte, will train their eventual replacements, who are working in the U.S. on visas for the American subcontractor, he said.

Former U.S. Rep. Bruce Morrison, principal author of the 1990 law that created the H-1B visa, said the original goal was to help companies fill a skills gap. But he's frustrated at how companies, particularly outsourcing firms, are using the program.

Such companies hire large amounts of H-1B visa workers to temporarily fill jobs in the U.S. before eventually sending those workers – and the jobs – overseas where wages are lower, he said.

“The outsourcing model is a conveyor belt to move jobs offshore,” said Morrison, a Democrat who represented Connecticut. “It is of great concern.”

Morrison and others say some employers are using the program to save thousands of dollars by hiring foreigners over Americans who would be paid more. In Charlotte, employers can save an average of \$17,678 a year for each visa worker they hire, according to an estimate provided to a Senate committee this year by an IT industry group.

[\[READ MORE: Millions of N.C. incentives go to companies using visa workers\]](#)

## **BUSES INTO UPTOWN**

At a bus stop on South Tryon Street on an overcast morning, H-1B visa workers emerged from nearby apartment complexes to catch buses into uptown. You can see the office towers just five miles away.

I spoke with more than a half dozen, most in their 20s and 30s. When I asked where they were from, they mentioned places from all across India. The time they've been in Charlotte ranges from three months to seven years.

All said they were here on H-1B visas to work in the IT sector. They work for Bank of America and outsourcing firms they declined to name. None wanted their names published, fearing reprisals from their employers.

I asked one woman from northern India whether she believes the U.S. has a shortage of skilled tech talent.

Yes and no, she said. Some companies use visa workers to fill jobs for which they can't find qualified Americans. Other companies, she said, use the program just to import cheap labor.

She told me she can earn at least twice as much in Charlotte as she could in India. And she's gaining experience that can help her later.

### **POLITICAL LEADERS WEIGH IN**

Lawmakers are calling for changes to the program, but disagree over what should happen.

Some want to bring in even more visa workers, raising the current cap of 85,000 a year. They argue that a skilled-worker shortage threatens the ability of the U.S. to compete globally. Other lawmakers want to rein in companies' use of the visas, and question whether a worker shortage even exists – pointing to layoffs of Americans from IT jobs.

Donald Trump, the presumptive Republican presidential nominee, wants to require companies to [pay visa workers more](#), a move that he said would push them to give entry-level jobs to Americans instead of lower-paid workers from overseas.

On the Democrats' side, Bernie Sanders has also called for raising visa workers' wages, saying their pay [should be higher](#) if there is a true labor shortage. Hillary Clinton does not specifically address the visa program on her campaign's website,

but she has [previously called](#) for letting in more visa workers while also training more Americans for highly skilled jobs.

### LAID OFF AT DISNEY

Ron Hira, a professor at Howard University in Washington, D.C., and widely considered an authority on the H-1B program, says outsourcing firms have a business model built on paying H-1B workers less than what Americans would earn.

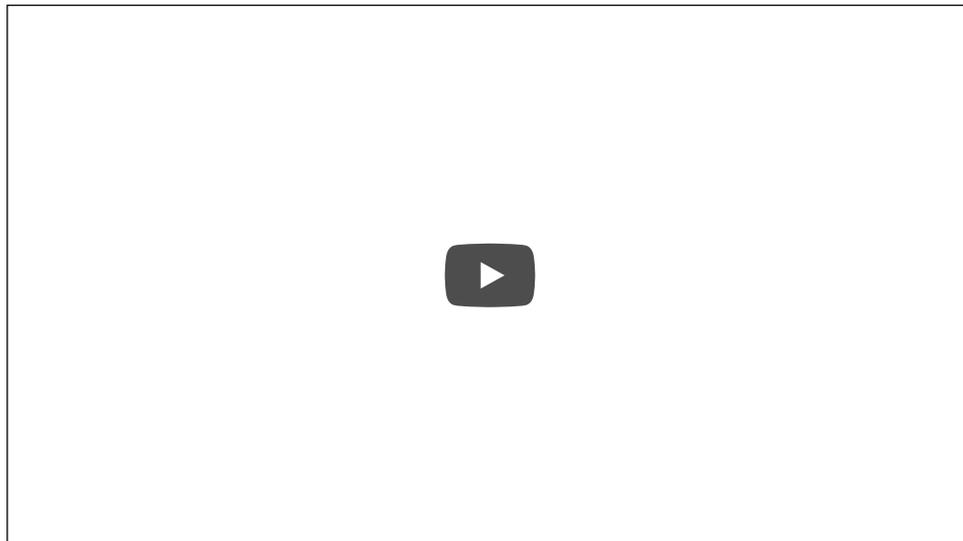
“The only way they can grow their business is by bringing in workers that are below market wages,” Hira said.

Hira said he has been contacted by laid-off American workers at various companies who have had to train their replacements. Similar claims have been made recently by former workers at Toys ‘R’ Us and some other companies.

One former tech employee for Walt Disney Co., testifying before a Senate committee earlier this year, broke down crying as he described what it was like to train his foreign replacement in the weeks before he was laid off in 2015.

“We all felt extremely humiliated when the foreign workers sat next to us and watched everything that we did,” said Leo Perrero, adding that he had received the highest possible performance review prior to being laid off.

“We noticed that the foreign workers requested that we kept going over the same basic concepts over and over,” said Perrero, who had worked at Disney in Orlando, Fla., for more than 10 years. “How would they take over our jobs when they were so inexperienced and slow to grasp the basics, we wondered.”



According to an estimate from the Institute of Electrical and Electronics Engineers, a Washington, D.C.-based professional organization, at least 45,000 Americans are laid off each year and replaced by H-1B workers employed by outsourcing firms.

Among Charlotte employers, outsourcing company Cognizant applied for the largest number of visa workers to be based here, according to 2015 data. The firm, whose parent company is based in New Jersey, filed applications for 2,593 workers in Charlotte.

In a statement, the company said it actively hires experienced U.S. workers and recruits qualified students from colleges and universities across North Carolina and

the country. But the company, which said it is experiencing rapid growth, also noted the need to sometimes rely on visa workers.

“Each year, as we develop our business plan based on our assessment of our clients’ needs, we apply for H-1B visas to supplement our U.S. hiring in order to fill talent gaps in the market,” the company said.

### **SOME SEE SKILLS GAP**

Recruiters who work to fill IT jobs say the skills gap is real. They note the number of open computer jobs far exceeds the number of qualified applicants.

North Carolina has 19,565 open computing jobs but had only 1,224 computer science graduates in 2014, according to Code.org, a nonprofit focused on increasing access to computer science education in schools.

During this year’s Senate panel hearing on the H-1B program, North Carolina Republican Sen. Thom Tillis said Charlotte had 1,000 unfilled IT positions two years ago.

“There was a mismatch between the requirements of the job and the skills that the person brought to the table,” Tillis said at the hearing. “Just because this person says they’re an IT person, it doesn’t necessarily mean that they are qualified for the IT job, particularly with the highly specialized nature of the industry today.”

In Charlotte and elsewhere, many people left the IT field during the recession or were laid off and have never returned, contributing to the current shortage, said Michelle Fish, CEO of Charlotte-based Integra Staffing & Search, which helps find job candidates for local employers with openings. Demand for H-1B visas seemed to begin picking up about five years ago, as the U.S. economy started recovering, she said.

Fish said most companies turn to H-1B workers as a last resort.

“We’re always trying to tap into the talent that’s in the U.S. first,” Fish said.

### **VISA CREATOR NOW CRITIC**

Morrison, whose 1990 legislation spawned the H-1B, now lobbies against loopholes in the program that he says large outsourcing firms are exploiting to send American jobs overseas.

“Without tougher rules, things will keep going the way they’re going,” said Morrison, 71, who left Congress in 1991.

On South Tryon Street, a 34-year-old man from southern India smokes a cigarette while waiting for his bus. He says this is his third year in Charlotte, where he works on an H-1B visa for an outsourcing company he won’t name.

By October, he expects to return to India, where he’s considering opening a restaurant with childhood friends. For now, he’s enjoying an experience others would envy in India, where many hope to one day work in the U.S. on an H-1B.

“For some people, it is a dream,” he said, before hopping on a bus that roared off into uptown.



Deon Roberts: [704-358-5248](tel:704-358-5248), [@DeonERoberts](https://twitter.com/DeonERoberts)

### How we analyzed the numbers

An Observer analysis of federal data found employers during the 2015 fiscal year filed initial applications to place more than 16,500 H-1B workers in Charlotte. But the figure reflects companies' preliminary requests, not actual hiring.

Employers file their initial requests, known as Labor Condition Applications, with the federal government as an early step in the visa process. The government will then certify or deny those requests before employers can move forward with visa applications.

Harder to obtain is data on how many visas the government has actually awarded to companies in Charlotte and elsewhere. The government requires a Freedom of Information Act request for that data. The Observer has filed a request for that information.

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### Who are Charlotte's biggest visa filers?

The following 10 companies submitted initial applications for the most H-1B workers in Charlotte during the 2015 fiscal year, according to data from the U.S. Department of Labor. Below are the companies' names, headquarters and number of H-1B visa workers the companies sought in Charlotte.

<b>Cognizant</b>	Teaneck, N.J.	2,593
<b>Deloitte</b>	New York	2,345
<b>Infosys</b>	Bengaluru, India	1,453
<b>Capgemini</b>	Paris	1,265
<b>Accenture</b>	Chicago	749
<b>Syntel</b>	Troy, Mich.	564

<b>IBM</b>	Armonk, N.Y.	478
<b>Tata</b>	Mumbai, India	409
<b>Bank of America</b>	Charlotte	381
<b>Wipro</b>	Bangalore, India	360

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What should be done?

Some lawmakers and industry officials disagree on what changes to make to the H-1B program. A look at some of the proposals:

**Crack down on outsourcing firms**

In November, Sens. Charles Grassley, an Iowa Republican, and Dick Durbin, an Illinois Democrat, [introduced legislation](#) to limit H-1B use by companies with more than 50 employees. The legislation would prohibit those companies from hiring H-1B employees if it meant visa workers would constitute more than half their workforce.

The lawmakers said the ban is specifically designed to target outsourcing firms that employ large numbers of visa workers.

Among other things, the legislation would also ban the replacement of American workers by H-1B workers.

**Raise the visa cap**

[Different legislation](#), introduced last year, would boost the cap on H-1B visas issued each year to 115,000, up from the current 85,000. The legislation would allow the cap to rise as high as 195,000 in a given year if early filings for visas exceed the cap. In addition, there would be no limit for H-1B visas for those with a U.S. master's degree or higher.

Powerful allies have joined the push to raise the cap, including Microsoft co-founder Bill Gates and Facebook CEO Mark Zuckerberg.

The U.S. senators who introduced the legislation are Orrin Hatch, R-Utah; Amy Klobuchar, D-Minn.; Marco Rubio, R-Fla.; Chris Coons, D-Del.; Jeff Flake, R-Ariz.; and Richard Blumenthal, D-Conn.

**Eliminate loopholes**

A provision in the current H-1B program allows companies that hire large numbers of the visa workers to bypass a requirement that they won't displace American workers. Such companies are exempt from the requirement if they pay the visa worker at least \$60,000 a year.

Critics say eliminating that loophole could help curb outsourcing companies' use of the visas and provide more protections for American workers.

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H-1B visa demand

For fiscal year 2014-15, applications were filed for more than 16,500 H-1B visa workers in the Charlotte metro area. Here's the breakdown of requested workers by county:

Mecklenburg	12,986
Iredell	2,752
York, S.C.	531
Gaston	89
Union	71
Cabarrus	59
Lincoln	38

Source: U.S. Department of Labor, Observer analysis

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