

# LESS TALENT AT HIGHER COSTS

## IT Leaders Brace for H-1B Policy Changes

When the “Buy American and Hire American” executive order was signed on April 18th, it represented a seminal step towards the Trump administration’s goal of reducing reliance on foreign labor. Bolstered by new enforcement guidelines from the Justice Department and U.S. Citizenship and Immigration Services, the stage has been set for sweeping H-1B visa program reforms.

### A Case of Supply and Demand

IT leaders widely agree on two things: **increased restrictions on H-1B visas will negatively impact the availability and cost of skilled talent**, placing U.S. firms at a competitive disadvantage. Because the vast proportion of H-1B petitions lie in software applications and engineering, building a broad pool of highly skilled candidates will become even more challenging.

On the other hand, domestic talent may benefit from H-1B policy changes. Even as employers brace for shrinking IT talent pools, U.S. workers should reap the benefits of higher wages for in-demand development positions. ■

### U.S. IT LEADERS BELIEVE H-1B IS WORKING...

For the majority of companies with 50+ developers, **63%** say the existing H-1B program has successfully enabled access to highly skilled IT talent.

### ...AND WORRY ABOUT THE NEGATIVE IMPACT OF RESTRICTIONS

**68%** of companies with 50+ developers say the cost of hiring skilled IT talent will go up

**61%** say skilled IT talent will be less available



### Impact on U.S. Workers

The jury is out on whether the current H-1B program hurts American IT workers. Despite a positive evaluation of the current H-1B program’s impact, 50% of all IT leaders do believe it has an unfavorable effect on U.S. employees themselves.

## STRATEGIC RESPONSES

Tapping into a domestic supply is not an obvious or immediate fix, given the widely-documented shortage of home-grown technology graduates. For example, the unemployment rate for software developers was a mere 1.9% in Q4 (TechServe Alliance State of the Industry Report, April 2017). Our survey indicates that two of the most likely responses for IT leaders are offshoring and increased acquisition of direct IT hires over IT contractors.

### 1. Export the Work via Offshoring

**59%**

would consider offshoring options



If you can't import the talent, you can export the work. Among companies with 50 or more developers, three fifths (**59%**) would consider increased offshoring as a response to visa restrictions.

### 2. A Shift to Direct Hiring over Contracting

**49%**

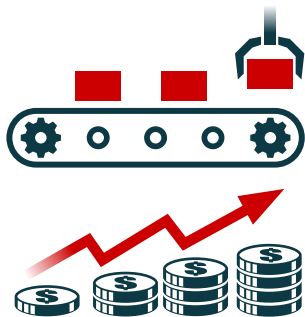
would increase acquisition of direct IT hires



Close to half (**49%**) of firms with large development teams would increase direct hiring, compared to just **35%** of firms with fewer than 50 developers. The downside for employers? More fixed costs and less flexibility.

## KEEPING PACE WITH INNOVATION

Even as companies investigate other methods to get IT work done, the majority don't intend to slow down their pace. Three fifths don't expect to delay product developments or reduce investments in innovation should visas be curtailed (**60%** and **58%**, respectively). The fact remains, though, that about **40%** of firms with large development teams will have to back off their goals.



### Response Strategy:

Delay Product Development Plans

Inhibit Investment in Innovation

**YES**

**NO**

**40%**

**60%**

**42%**

**58%**

## KEY TAKEAWAY

Feeling the pressure from an already tight talent labor market, IT leaders should expect even less availability and higher costs with H-1B policy changes. Now is the time to calculate the risks, costs and benefits of reconfiguring the talent supply chain.

### About the Survey

Harvey Nash's Pulse Report on the impact of proposed reforms to the H-1B visa program utilizes data from an online survey of IT business leaders. A total of 174 responses were received from U.S. IT leaders working in more than 20 different industry sectors. The survey was fielded from April 21, 2017 to April 24, 2017.