

Opening Statements

Brian Keane
Senate Briefing
March 14, 2013

Good afternoon. I am Brian Keane, Founder and CEO of Ameritas Technologies. We develop software for Fortune 1000 companies, and we are what you may call a Domestic Outsourcing Company. Our mission is to bring IT jobs that have gone offshore back to the United States. Our value proposition is that we deliver superior quality, productivity, and speed to market than offshore alternatives, especially for highly collaborative and iterative software development projects that require real-time decision-making and geographic proximity.

Prior to Ameritas, I was President and CEO of Keane, Inc., a \$1 Billion publically traded IT Services firm with 12,000 employees throughout the United States, Canada, UK, Australia, and India. And yes, while at Keane I was intimately familiar with the visa programs, including the H-1B and L-1, which are most widely used by IT outsourcers.

My goal today, as a fairly large employer of technology professionals, is to share with you my experiences with the H-1B visa program. In particular, I am hoping to share with you what I believe the long-term impact of the H-1B program is on the United States economy.

As a backdrop to my comments, I wish to emphasize my belief that technology and technical literacy are essential drivers of innovation and a growing, healthy economy.

Thus, I support the proper use of H-1B visas as a means to address *real* technical skills shortages faced by many companies in the United States. Over the years, this program has been tremendously beneficial to American corporations and the US economy. For example,

- During the late 1990s we had a perfect storm with the growing economy, the internet boom, and the Y2K crisis. There was an extreme shortage of IT workers and corporations had to rely on **a)** entry level hires with training programs, and **b)** the H-1B visa program to increase supply and meet demand.
- More recently, there are a number of corporations, technology companies in particular, that *perform the majority of their R&D*

and software development right here in the United States.
These technology companies face significant shortages of IT workers and the H-1B visa program plays a vital role in helping these companies maintain innovation and launch new products.

These examples illustrate the positive intent and success of the H-1B visa program. What is hidden, however, are the ***unintended consequences*** of this program..... and it is these unintended consequences that are ***causing long-term harm to the American economy.***

I have been living on the front lines of the IT Services industry for the past 25 years. I know from experience and first-hand observation that many, many companies do not use technical workers on H-1B visas to simply address the skills shortage.

For the sake of time, let me focus on two areas where the use of H-1B visas does not match the intent of the program:

1. ***The primary ACTUAL use of H-1B visas is to help companies move IT work offshore to countries like India, China, and Russia.*** In fact, an analysis conducted by Professor Ron Hira of the Rochester Institute of Technology shows that the top 10 consumers of H-1B visas in 2012 were all major offshore outsourcing firms.

Let me explain how this happens. If a corporation makes the decision to outsource IT work offshore, they first define specific scope of activity or functionality to be included. The next step is for the offshore outsourcing firm to establish a “transition-in team”, which will typically spend several weeks or months at the client site learning the systems, processes and technical environment. This transition-in team is usually made up of foreign nationals in the US on an H-1B or L-1 visa. Once the “transition-in team” is up to speed, they return to their home country and train the much larger team on how to perform the work. ***It is important to note, however, that up to 30-40 percent of the overall project team may remain onsite at the client.*** Most of this onsite team is frequently made up of foreign nationals on H-1B visas. The role of this onsite team is to facilitate communications and workflow between the offshore team and

the client. The other role of this onsite team is to ***identify additional scope of work that can be moved offshore.***

Thus, in this case, the H-1B program is being used by outsourcing firms as a means to facilitate the movement of IT jobs offshore. This, in my opinion, is not the intended purpose of the program. Therefore I totally understand the frustration of Microsoft, Google, and other technology companies who see the H-1B program being hijacked by offshore outsourcing firms whose actions ultimately undermine the US economy.

2. Many firms, especially offshore outsourcing firms, use the H-1B program as a means to improve their price competitiveness.

Let me be specific here. Outsourcing firms who place H-1B personnel onsite at a client, will typically charge an average of \$60-75 per hour of IT work. Compare that to a US-based IT staffing firm which will need to charge \$80-100 per hour, or a US IT consultancy which likely will charge \$90-150 per hour. Simply put, firms using H-1B labor are paying lower wages so they can charge lower prices than equivalent US competitors that use US citizens as their workforce. This is not consistent with the original intent of the H-1B visa program.

So, while I believe that there are many cases where the H-1B is highly valuable, I also believe that there are abuses and significant opportunities for improvement. I have also thought a great deal about the H-1B program, its consequences, and immigration policy. The more I thought about it, the more it occurred to me that ***perhaps we are looking at the problem in the wrong way.***

Of course it is true that technology companies favor higher H-1B limits to meet their ongoing IT needs. And yes, it is wrong that offshore outsourcing companies are using the H-1B program to facilitate the outsourcing of IT jobs offshore and price-compete against American workers. These are merely symptoms of a far bigger problem. The real crisis and tragedy is that we have a very real shortage of IT professionals and software developers in the United States. One of the key reasons why this is the case is that ***our students are no longer choosing to study computer science and no longer choosing IT as a profession.*** And this is the case despite the fact that IT professionals are well compensated and career opportunities are abundant.

The facts supporting this decline in students pursuing Computer Science degrees and careers in technology can be seen in the enrollment declines in colleges across the country during the past decade. Even more alarming is that in most colleges the majority of students pursuing Computer Science degrees are foreign nationals here on student visas. In some schools, more than 80 percent of the students in these majors are from overseas.

What alarms me is that the United States is not replenishing its own technology workforce and we are, in essence, ***abdicating our technological leadership*** to other countries.

The root cause for this phenomenon can be found in the massive offshore outsourcing of IT jobs over the past 12 years. As US companies began moving millions of IT jobs offshore, there were widespread layoffs of American IT workers. At the same time, US corporations ***stopped providing entry-level training*** to IT professionals because there were no longer entry level IT jobs available. The work was moving offshore. I experienced this dislocation first hand and remember countless numbers of employees telling me that they will never have their children go into IT because those jobs are going offshore. And that is exactly what happened: ***Americans stopped going into IT because of the offshore threat.***

So I must say that, from my perspective, the biggest unintended consequence of the H-1B program is that it has facilitated offshore outsourcing and, in so doing, discouraged a generation of young American students from pursuing careers in technology. That is a threat to our innovation economy, and ultimately undermines our national security.

Moving forward, my recommendations are simple and aligned with the original intent of the H-1B visa program:

1. Significantly restrict access to H-1B visas from firms who are significantly engaged in moving IT jobs offshore. The H-1B and L-1 visa programs are the single greatest enablers of moving jobs offshore, and it is insane that we allow this to happen.
2. Reduce or eliminate access to H-1B visas for entry-level or junior level IT talent. They bring nothing that our US educational system

- can't provide, and we must encourage our young to enter these critical technical professions.
3. Favor H-1B grants to firms that are committed to performing R&D and software development within the United States.
 4. Provide a path for the best H-1B visa holders to earn green cards and ultimately US citizenship.

About Brian Keane

Mr. Keane is the Founder and CEO of Ameritas Technologies, an IT Services firm focused on bringing IT jobs that have gone offshore back to the United States. Ameritas Technologies' business model, which includes setting up Software Development Centers (SDCs) in low cost American cities such as Baton Rouge, offers its Fortune 1000 clients superior quality, productivity, and speed-to-market than offshore alternatives.

An IT industry veteran, Mr. Keane has expertise in building high-value business and IT services companies. Prior to founding Ameritas, Brian Keane was the CEO of Dextrys, establishing Software Development Centers in China and helping US corporations and multi-nationals enter the China marketplace. Brian Keane is also the former president and CEO of Keane, Inc. (NYSE:KEA), a \$1 billion business and IT outsourcing firm with over 10,000 employees. Under Mr. Keane's leadership, the company transformed from its roots as an IT programming services firm into an industry leading provider of high-value software solutions, renowned for the consistency and quality of its delivery. Mr. Keane pioneered many innovative industry practices in the areas of managing, measuring, and delivering outsourcing services. He also launched Keane's global delivery model by establishing nearshore facilities in Canada in 1996 and offshore facilities in India in 2001. Mr. Keane led the company into the business process outsourcing (BPO) market to capitalize on the synergies available by combining business processes, IT services and global delivery.

Mr. Keane holds an MBA from Harvard Business School and a Bachelor degree from Harvard College. He is a veteran marathoner and competitive sailor, having won several U.S. national championships, and having been named a two-time All-American while at Harvard.