Why nearshore will be the answer businesses look for amid Trump's visa clampdown

by Alex Robbio - Tuesday, December 13, 2016

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The world of traditional IT outsourcing is going to change. Worker displacement has become a lightning-rod issue, that now stretches across the political spectrum. In recent weeks we have seen:

- President-Elect Donald Trump's campaign rhetoric focused on the supposed abuse of the H1B visa system in the US (this is the visa most outsourcing companies use to bring in foreign individuals to work on projects). He argues that tech companies are misusing the visa system to bring in foreign workers that replace their US counterparts.
- In Trump's message outlining his plan for the first 100 days of his administration, he stated he will direct the Department of Labor to "investigate all abuses of visa programs that undercut the American worker".
- The initial actions of Trump's administration include hiring Jeff Sessions as Attorney General. Sessions is a long-term critic of the skilled-worker visa program.

Attention on offshore talent placed on-shore will increase your business risk

Large consulting firms (particularly Indian majors such as Infosys and TCS) have been the greatest users of the H1B visa. In revealing the practices of these outsourcers, the New York Times found that just 13 companies took nearly a third of all H1B visas available in 2014. At the same time, there have also been accusations of visa misuse, such as in 2013 when Infosys settled for a record $34million with the US Department of Justice (although Infosys denied any wrongdoing).

Greater restrictions on using offshore talent on-site will push up costs for US businesses, who have become reliant on using these low-cost resources. Greater scrutiny of these outsourcing practices will increase the risks your business faces. Those risks may be reputational given the political climate around outsourcing, or more usual business risks such as maintaining business continuity in the face of more limited access to talent.

Adapting to the new world of outsourcing

Businesses which rely on a global pool of workers provided by offshore outsourcing companies and who are placed on-site in the US, whether under the H1B visa program, or similar programs, should make contingency plans for increased scrutiny of their practices and the practices of their service provider. They should also prepare for potential increase in costs that could make them 50 to 100% more expensive than they currently are.

Of course one option is to move those jobs back offshore, but one has to wonder what impact that will

have on productivity, visibility and overall quality of the work as all of a sudden, teams (and managers) that were used to dealing with people on-site and during business hours all of a sudden now have to work with a significant time difference which almost makes it impossible to apply agile methodologies.

However in every difficult situation for businesses there is also opportunity. We know that using offshore talent from far-off locations such as India and the Philippines has disadvantages when working in real-time, agile approaches. Complex, modern software development requires greater interaction between teams, and between the different developers, testers, architects, and analysts working on the project. That's one of the reasons behind the rapid growth of "nearshore" over the past few years.

Using a nearshore provider (which simply translates as working with a service provider in a company located close by, rather than in far-off locations) means you can benefit from the timezone overlap and real-time communication. However what this also means, is that you need to bring fewer people onshore. There is less of a requirement to bring individuals from the nearshore geographies to work with your local team in person, because you can simply open up a Skype chat and talk with them.

Companies such as Belatrix have perfected the nearshore model in recent years because it is so well-suited to Agile development and modern software development methodologies. This model was initially embraced by trailblazing start-ups, but even Fortune 500 companies are now benefiting from it as they can get all the benefits of the traditional offshore model (such as expanded access to global talent and lower costs) without most of its drawbacks (communication issues, lack of agility, high attrition).

Hire local and supplement with nearshore

A proactive strategy to the changing political attitude to the H1B visa is to hire local US talent, and supplement those skills with nearshore. Given the costs involved, it is unrealistic to expect that all outsourced jobs can be brought back onshore. However, organizations do need to make changes. The nearshore option provides businesses with the benefits of onsite workers, but maintains the advantages of a flexible, low-cost work-force.

By blending the use of onshore resources together with nearshore you will be benefiting from the advantages of nearshore, while lowering business risk, and maintaining a similar cost structure.

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