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CIO Corner

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Will Repatriation Cause IT Shortages in the US?

Tom Costello, *UpStreme*

During a conversation with a group of CIOs in autumn 2009, one mentioned that he believed the future growth of the BRIC nations (Brazil, Russia, India, and China) would create an outflow of expatriates back to their home countries—thereby creating an IT resource shortage in the US. The same topic came up again and again over the next few months in various forums with a similar conclusion.

The premise is compelling and has enough substance to pass the initial sniff test. However, although it's a great talking point, I have yet to find any documents that project such an outflow of IT expatriates leaving the US to return to their homeland. (If one does exist, I would be happy to be corrected and learn more.) So, in the current absence of any supporting data, I decided to informally test the theory to see if it has any substance.

A BRIC Overview

Goldman Sachs first presented the concept of the BRIC nations

in 2001 in an effort to identify the rate of growth for various economic powers and determine if or when certain economies might overtake “established” economies.¹ In 2003, another Goldman Sachs study by Dominic Wilson and Roopa Purushothamanit projected the following: “Of the current G6 [US, Japan, UK, Germany, France, and Italy], only the US and Japan may be among the six largest economies in US dollar terms in 2050.”² According to this study (and all subsequent versions that I have reviewed), China will overtake all of the G6 (excluding the US) before roughly 2020, and ultimately overtake the US before 2045. India will overtake the G6 before 2035.

Goldman Sachs later labeled a group of countries as the N-11 (the next 11). Although it categorized these countries as the next tier of opportunity, none appear to be poised to overtake any of the current G6 or BRIC during the timeline reviewed. Wilson and Purushothaman do note in their original study that an underlying assumption in the Goldman

Sachs projections is that the BRIC countries must maintain policies and develop institutions that support growth for the projections to have merit. In addition, they note many variables that would hinder or enhance BRIC nations in their potential growth.

Goldman Sachs continues to provide updated revisions—including in the Dec. 2009 edition of its monthly newsletter on the BRIC.³ The documents available relating to the BRIC nations (either through Goldman Sachs or other sources) are typically quite lengthy but provide solid data, formulas, and assumptions driving the conclusions. It's one perspective on the future, and I would highly recommend any CIO for a global company become more familiar with the concept and conclusions.

The Original CIO Hypothesis

The topic of the BRIC nations repetitively surfaces in my conversations with global CIOs. Many of them are familiar with
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the study, because their organizations typically discuss the BRIC countries during strategic planning. Most admit that they haven't really tried to wade through the documents in any detail and are satisfied to accept what they hear in internal meetings and gather through cursory reads online. As a result, it's easy to see how "expat outflow" probably started out as a question but has evolved into a full-blown theory among CIOs.

The basic premise of the CIO theory is that the BRIC nations will exhaust their own internal ability to organically grow sufficient IT talent to feed their own economic growth. As a result, rates paid in those countries will rise, and high-end talent will be in short supply—thereby driving US-based talent (visa holders, green-card holders, and naturalized citizens) to return to their home countries for more lucrative career opportunities. This presumed outflow would create a shortage of IT talent in the US. This raises the question: Will the US see a revival of IT as a career, or will the IT industry follow in the footsteps of textile and manufacturing and move offshore forever?

The Informal Test

Although it's necessary to focus future projections in any planning process on "numbers," it's important to keep one key ingredient in the mix—the psyche of the people involved. I don't have the resources available to test the empirical data presented in any of the studies—nor do I have any reason to doubt them. But I do have access to a lot of naturalized citizens from the BRIC and N-11 countries, as well as people in the pipeline (green-card holders and H-1B visa holders). So I felt

compelled to probe them on their perspective.

My population set wasn't very large; I spoke with just over 50 expatriates from India, China, the former Eastern Bloc, and Central America. Most were 20 to 40 years old, and roughly half were married. Of those that were married, most have children (all born in the US). I didn't offer a printed survey—these were conversations and meant to be informal in nature. I was looking for trends rather than hard numbers.

My lead-off question was, "What was the primary driver that brought you to the US?" My goal was to create a list of drivers and determine if they could possibly change over the next 40 years (therefore altering the audience's motivations). My second question was, "When you came to the US, did you intend to return to your home country? If so, when? If not, what would have to change to entice you to return?"

After receiving answers to these questions, I explained the underlying premise of the BRIC projections and the theory being presented by CIOs. I then asked, "Can you envision your home country making the necessary changes to create enough opportunity for you to return in the next 15 to 20 years?" My goal was to determine the extent to which the outflow might occur by 2025 or 2030 (which is the window by which the original Goldman Sachs paper projected both China and India would overtake most if not all of the G6).

Theory vs. Informal Data

The list of drivers was extensive: higher-quality education, cheaper education, opportunity to gain international experience, better wages, opportunity to escape

the caste system at home, a higher standard of living, better schools for children (present and future), better healthcare, greater freedom, and the ability to live well while supporting family back home. Nearly all respondents placed the following two drivers on their list—quality of education and opportunity to achieve and maintain a higher standard of living.

When asked if they originally planned on repatriating to their host country, only two indicated they had planned to return to their home nations. Both described using their time in the US to save money and/or gain knowledge and contacts to create a business upon their return. Both planned to return within 10 to 15 years.

When I asked the others what would have to change in their homeland to inspire a return, the responses were a balance of changes in both the US and their home country. Many noted that if they were to repatriate, they would probably only go back to a major city with a developed infrastructure. Almost all of those respondents noted that anything outside of those developed metro areas would be below their current standards and a risk to themselves or their families. Some noted that any long-term degradation of the US economy or a change in visa limits might affect their interest or ability to stay in the US.

After explaining the BRIC concept (nearly half were already familiar with the premise and conclusions) and the CIO theory, I asked if they felt their home country could in fact (rather than theory) make enough change to entice them (specifically) to return to their home country. While this sounds like a mirror of the previous question, I applied particular emphasis on how it would affect

their own thinking and actions and how it would impact their families.

While only two of the roughly 50 had initially indicated they planned to return home in the future, two more people indicated they were hopeful that their home nations could make improvements facilitating their return. However, those two wouldn't consider returning until their children were well into or had completed college in the US (roughly 20 years in the future).

Several people agreed that their home countries would likely run out of available talent to fill their own IT needs and would require significant investment to grow their internal pool. Many thought this would result in increased salaries across the IT industry in their home countries, and that US-based talent would be able to command solid incomes and perks if returning. A few also noted that the US isn't the only home for BRIC nationals looking for expatriate work; the United

Arab Emirates and the UK might also feel the impact of any return exodus.

Many noted institutional or class-based inhibitors that would currently stifle growth but felt enough opportunity might drive a change in behavior. Companies such as IBM, Microsoft, and others are pouring money into India to grow their outsourcing delivery capabilities. A few of the respondents noted that they had seen a surge in billing and/or pay rates around 2006 that coincided with those investments.

By no means was this a scientifically (or statistically) accurate survey. However, the initial conclusion that I draw is that the rate of US-based IT talent from the BRIC and N-11 countries that might repatriate could be between five and nine percent. Across the entire pool of IT talent in the US, this could have an impact on US IT delivery capability.

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But if this repatriation process is stretched over the coming 15 years, the real impact will more likely be on the reduction of visa applicants from those countries.

I believe the threat of an outflow of expatriate talent is one resource challenge that CIOs will face in the US over the coming decade, but it won't be "the" challenge that keeps them awake at night. We need a more scientific and statistically accurate survey, which would provide a more meaningful baseline on which to decide future action. It would be safe to conclude that the US will lose some IT talent in the future, and CIOs should factor this into their resource planning. ■

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