

Original Article

US Immigration Policy Shifts: Consequences for India's Economy and its Diaspora Workforce

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Abstract

The US. has long been a key destination for Indian professionals, students, and entrepreneurs, offering opportunities in IT, healthcare, engineering academia. talent and Indian has significantly contributed to innovation, research, and business growth in the U.S. Historically, immigration policies like the H-1B visa and green card pathways have facilitated this movement. However, evolving regulations on visas, employment authorisation, and residency created both opportunities and challenges for Indian migrants. These changes impact career prospects, mobility, and settlement plans, influencing India's economy and workforce. This research explores key trends in U.S. immigration policy, their effects on Indian professionals, and broader economic implications for India, shedding light on the evolving global talent landscape.

The evolving landscape of U.S. immigration policy has significant implications for India's economy and workforce. Recent policy shifts, including changes in H-1B visa regulations, green card quotas, and work authorisation rules, have influenced Indian professionals, students, and businesses. A restrictive visa regime can disrupt India's IT and service sectors, which heavily rely on the U.S. market, leading to brain drain reversal and potential talent absorption in domestic industries. Conversely, policies favouring skilled migration can enhance remittance flows, employment opportunities, and bilateral economic ties. This research examines the economic impact of these shifts on India, focusing on job creation, foreign exchange reserves, and innovation. Furthermore, it explores how immigration restrictions affect India's demographic dividend, pushing professionals to seek alternative destinations like Canada and Europe. This study examines U.S. immigration policies' impact on India's labour market, emphasising adaptive strategies like policy reforms and skill development.

Key Words: Immigration Policy, Diaspora Workforce, H-1B Visa, Green Card Backlog, STEM students

Introduction

The history of US. immigration policy has fluctuated between openness and restriction, shaped by economic needs, politics, and social attitudes. Early laws encouraged European migration for national expansion, with the Naturalization Act of 1790 granting citizenship only to "free white persons." By the mid-19th century, mass Irish and German migration fuelled economic growth but also sparked nativist repercussion, exemplified by the Know-Nothing Party The Chinese Exclusion Act of 1882 marked a shift toward restriction, barring Chinese labourers. The Immigration Act of 1924 Chinese labourets The Immigration favouring Northwestern Europeans while restricting Asians and Southern and Eastern Europeans. A major shift came with the Immigration and Nationality Act of 1965, abolishing racial quotas and increasing migration from Asia, Latin America, and Africa. Since 2000, security concerns and political debates, including the post-9/11 Patriot Act, have shaped policy. These shifts continue to impact U.S.-India migration and economic relations.

Indian Migration in the USA:

Indian immigration to the U.S. began in the late 19th and early 20th centuries, with early migrants working in agriculture, lumber mills, and railroad construction, particularly in California and the Pacific Northwest. However, restrictive laws like the Immigration Act of 1917 and the Asian Exclusion Act of 1924 stopped further immigration.



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This changed with the Immigration and Nationality Act of 1965, which abolished national-origin quotas and prioritised skilled labour migration, leading to an influx of highly educated Indian professionals in medicine, engineering, and academia. The Immigration Act of 1990 further increased Indian migration. By 2021, the Indian-born population in the U.S. was about 2.7 million', making Indians the second largest immigrant group after Mexicans. Despite the legal nature of most Indian migration, undocumented immigration has been rising. In 2022, an estimated 725,000 unauthorised Indian immigrants lived in the U.S., making India the third-largest source after Mexico and El Salvador. The U.S.-Mexico border has become a key entry point, with nearly 90,000 Indians apprehended in 2023. Deportations have also surged, with Immigration and Customs Enforcement (ICE) identifying around 18,000 Indian nationals for removal in 2024. This trend reflects evolving migration patterns and enforcement policies.

US Immigration Policy Shifts:

During his second term, Trump's presidency, guided by the "America First" issues, implemented restrictive immigration measures such as visa bans, heightened scrutiny of H-1B visas, and the suspension of green card processing. Key immigration policy changes affecting India include:

1.H-1B Visa Reforms:

Recent H-1B visa reforms have significantly impacted Indian professionals, who accounted for 72.3% of the 386,000 H-1B visas issued in 2023, primarily in the tech sector at firms like Google, Microsoft, and Apple". Stricter eligibility criteria, higher wage requirements, and increased scrutiny have made it harder for Indian IT professionals to qualify. A key change is the redefinition of "specialty occupation," requiring a stronger link between an applicant's degree and job role, affecting those in interdisciplinary fields. Prioritising high-wage workers over entry-level professionals has also reduced opportunities for fresh Indian graduates. Another major shift is the transition from an employer-based to a beneficiary-centric H-1B registration system, preventing multiple employers from filing petitions for the same candidate. This reform, following a 38.6% drop in registrations from 758,994 in FY 2024 to 470,342 in FY 2025, limits the chances for Indian professionals. With demand exceeding the annual 65,000 visa cap and 20,000 additional visas for U.S. master's holders, Indian IT firms like TCS, Infosys, and Wipro face higher operational costs. Increased scrutiny has also raised denial rates, which peaked at 24% in FY 2018 before falling to 2% in FY 2022", adding further challenges for Indian applicants.

2. The Green Card Backlog for Indian Workers:

The backlog for Indian professionals seeking US. employment-based Green Cards is over 1.2 million Indians waiting as of 2024, some facing over 50 years of delay. This is due to the per-country cap, which limits any nation to 7% of total Green Cards annually, disproportionately affecting Indian applicants. In FY 2023, India was the third-largest source of Green Card recipients, with 78,100 issued (7%), but only 37% were employment-based". This backlog forces many Indian professionals in technology, healthcare, and engineering to stay on temporary H-1B visas, limiting career growth, homeownership, and financial stability.

3. The DACA Challenge for Indian-Origin Migrants:

The recent shift in the US. Deferred Action for Childhood Arrivals (DACA) policy has heightened concerns for Indian-origin migrants, especially children of H-1B visa holders who "age out" of dependent status at 21. Previously given two years to transition, they now face uncertainty due to legal challenges and restrictive policies. A Texas court ruling blocking work permits for new DACA applicants worsens their situation. As of March 2023, nearly 1.34 lakh Indian children risk losing dependent status before securing Green Cards, a process that can take 12 to 100 years". Many fear "self-deportation" or living undocumented. Without reforms, thousands of skilled Indian origin youths may lose education and job opportunities, deepening their immigration struggles.

4. Optional Practical Training (OPT) & Student Visa Policies:

US. immigration policy changes have significantly impacted Optional Practical Training (OPT) opportunities for Indian science, technology, engineering, and mathematics (STEM) students. Uncertainty over work authorisation, STEM OPT extensions, and rising visa rejection rates have created hurdles. Under the first term of Trump presidency, OPT placements peaked at 84,630 in 2018-19 but later fell to 73,601 due to policy uncertainty and stricter scrutiny. Similarly, Indian student enrollment in the U.S. dropped from 202,014 in 2018-19 to 167,582 in 2020-21, influenced by tough policies and COVID-19. With 75% of Indian students enrolled in STEM programs, uncertainty over STEM OPT extensions remains a major concern. Rising student visa rejection rates further challenge Indian applicants, with estimates suggesting denial rates of nearly 40% in some periods. Stricter financial scrutiny, visa intent concerns, and overstay contribute to these refusals. The decline in Indian student enrollments threatens U.S. universities, as Indian students contribute billions to the higher education system, pushing institutions to explore alternative revenue sources.

Impact on India's Economy: Decline in Remittances:

The tightening of U.S. migration policies has significantly impacted India's economy by reducing remittances. India, the world's top recipient of remittances, received \$119.5 billion in 2023, with a major share from Indian professionals in IT, healthcare, and finance working in the US. Stricter visa rules, green card backlogs, and increased deportations have reduced Indian migration, directly affecting remittance inflows. States like Kerala, where remittances contributed around 22% of the net domestic product, have seen declines in household spending, impacting local economies, real

estate, education, and healthcare". Additionally, remittances play a crucial role in maintaining India's foreign exchange reserves, stabilizing the rupee against global currencies. A decline in inflows weakens forex reserves, making India's economy more vulnerable to external shocks.

IT Sector & US-India Business Relations:

U.S. immigration policies have significantly impacted the IT sector and U.S.-India business relations, given the heavy reliance on H-1B visas by Indian professionals, who account for 72% of all H-1B visa holders. Stricter visa rules, increased scrutiny, and processing delays, especially under the Trump administration, have created challenges for Indian IT firms and professionals. Major companies like Infosys, TCS, and Wipro, which contribute billions to the U.S. economy, face difficulties in deploying skilled workers. India has consistently lobbied for streamlined visa policies, as over 1 million visas were issued to Indian nationals in 2024, including record numbers of business and student visas. U.S.-India bilateral trade in services has grown to \$85 billion, with IT services playing a crucial role". Any disruption in skilled migration directly impacts this economic exchange, affecting both Indian IT firms and U.S. companies reliant on Indian talent.

Impact on India's Startup Ecosystem:

The restrictive U.S. immigration policy, particularly the prolonged green card backlog affecting over 1.2 million Indians, has fuelled drain of highly skilled professionals. Many entrepreneurs, disillusioned by the uncertain path to U.S. permanent residency, have returned to India, establishing thriving businesses in fintech, AI, and e-commerce. This trend has transformed India into a global startup powerhouse, with Bengaluru alone housing over 8,000 startups, making it one of the world's largest tech hubs. Notable foreign-educated industrialists like Azim Premji (Wipro), Ratan Tata (Tata Group), and Kunal Bahl (Snapdeal) have leveraged global experience to build successful enterprises in India. Returning professionals have also contributed to innovations such as the Aadhaar digital ID system and world-class institutions like Ashoka University and ISB, solidifying India's leadership in technology and entrepreneurship". Another key driver of India's startup success is shifting investment patterns, with venture capitalists redirecting funds toward Indian startups. In 2024, Indian startups raised over \$12 billion-20% more than the previous year with a significant share from international investors recognising India's digital economy potential. Government initiatives like Startup India and tax incentives have further strengthened the ecosystem, providing a conducive environment for innovation and business expansion.

Impact on India's Diaspora Workforce:

The tightening of U.S. immigration policies has had significant consequences for India's skilled workforce, creating employment challenges for professionals seeking opportunities in the U.S. The H-1B visa program, a crucial pathway for skilled Indian workers, has been particularly affected, with 72% of these visas issued to Indian professionals in the last fiscal year. However, increased scrutiny and restrictive policies have made securing and maintaining employment in the U.S. more uncertain.

Policy Implications & The Way Forward

Recent immigration challenges, particularly during Trump's second presidency, strict immigration policies created an uncertain future for Indian for those aspiring to migrate those already working in the US. To navigate this challenge, India must implement a multi-pronged strategy.

1. Need for US-India Bilateral Agreements

India must proactively negotiate bilateral agreements with the U.S. to secure more predictable immigration policies for its professionals. The US.-India trade relationship, projected to exceed \$500 billion by 2030, provides leverage for negotiations". By integrating immigration discussions into trade talks, India can advocate for streamlined green card processing, increased H-1B visa quotas, and better protections for international students and workers.

2. Diversification of Skilled Migration Destinations

India should promote skilled migration to Canada, Australia, and the UK, where immigration policies are more favourable than the U.S. The UK's Graduate Route Visa, Australia's Priority Migration Skilled Occupation List, and Canada's Express Entry system offer better opportunities. Collaborating with these nations ensures diverse pathways for Indian professionals, reducing reliance on a single destination.

3. Strengthening India's Domestic Job Market

To counter U.S.-driven brain drain, India must strengthen its job market by investing in AI, automation, and emerging technologies. With 81% of Indian immigrants holding bachelor's degrees and 49% having advanced degrees", enhancing higher education, expanding innovation hubs, boosting R&D, and fostering startups will help retain top talent and reduce reliance on foreign job markets.

4. Policy Adaptation by Indian IT & Service Sectors

Indian IT firms must adapt to U.S. visa restrictions by expanding nearshore centres in North America and Europe, reducing reliance on H-1B visas. Companies like Infosys, TCS, and Wipro face regulatory scrutiny, making local hiring. Strengthening global partnerships in Europe, Canada, and Southeast Asia will diversify market risks and create more opportunities for Indian professionals.

Conclusion

The evolving U.S. immigration policy has significant implications for India's economy and workforce. It is a blessing in disguise to keep back talent in India. Stricter controls, particularly under the Trump administration, led to increased deportations, creating uncertainty for undocumented Indian migrants and complicating diplomatic efforts. Restrictions on H-1B visas and legal migration barriers have directly impacted India's skilled workforce, which has long contributed to the U.S. technology and healthcare sectors. Despite these challenges, India has actively engaged in diplomatic negotiations to safeguard legal migrants and professionals, ensuring continued access for students and skilled workers. Additionally, restrictive U.S. policies have, in some cases, driven domestic growth in India's IT and innovation sectors as returning professionals contribute to industry expansion. The U.S.-India immigration dynamic highlights the need for a balanced approach that supports legal migration while addressing economic and security concerns. Strengthening collaboration with the US. remains crucial in navigating migration complexities maintaining a mutually beneficial relationship.

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