

US Permanent Residency Suspension: Indian IT Workers Hit by Domestic Politics

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Summary

The United States Department of Labor's decision to suspend several information technology firms from applying for permanent residency of foreign workers aims to pacify an irate domestic electorate. It is also a coercive tactic to extract more trade concessions from India.

The recent announcement by the [United States \(US\) Department of Labor](#) to suspend eight information technology (IT) companies from applying for permanent residency of foreign workers has expectedly created a huge stir. A part of the concern is over whether the decision is the latest ploy of US President Donald Trump's administration to economically coerce India by creating fresh hurdles on movement of Indian IT workers to the US.

Four of the eight suspended companies are Indian IT majors – Infosys, Tata Consultancy Services (TCS), Wipro and HCL Technologies. All four are IT outsourcing companies and have been recruiting Indian IT workers for decades to work with US firms. Along with these four Indian IT firms, two other major outsourcing firms – Cognizant and Capgemini – have been suspended, as have been US big technology firms, Microsoft and Adobe. The latter firms also have invited the ire of the US administration, ostensibly for bringing in foreign IT workers, mostly Indians, and enabling them residency in America.

Being suspended from applying for permanent residency does not mean the suspended companies cannot hire foreign workers through H1B visas. However, possibilities of H1B visa holders obtaining green cards and becoming permanent residents in the US become difficult. Moreover, it also complicates circumstances for those H1B visa holders who were hopeful of staying on in the US beyond a maximum period of six years till a decision is taken on their residency applications. Existing permanent residency applications filed by suspended firms are on hold and no new applications will be accepted.

Why did the decision come now? US mid-term elections scheduled for 3 November 2026 are less than a month away. Trump's [approval ratings](#) have fallen sharply since assuming office. The Iran War has strongly affected the US economy. High domestic prices have forced the US Fed to [raise interest rates](#) for the first time in three years, much against Trump's wishes.

With the economy pinching hard, the mid-term elections are poised to significantly hurt Republican prospects. Losing the Congress will have further adverse implications for the remaining couple of years of the Trump presidency.

The suspension decision can be seen as a tactic to divert the attention of the electorate from the economy to other issues. Trump's key constituencies, especially the 'Make America Great Again' groups, have always been receptive to his hardline stance on immigrants.

By prohibiting some of the largest exporters of foreign workers to the US from applying for permanent residencies of their recruits, the Trump administration has sent a strong signal to its supporters about its commitment to the anti-immigration cause. Vice President J D Vance's critique of the suspended firms for laying off American workers by '[foreign indentured servants](#)' is deliberately provocative for resonating with vote banks. The resonance could be greater at a time when US big technology is under fire for accelerating artificial intelligence (AI) adoption and killing legacy jobs.

Indian IT workers are unfortunately the victims of the tactic. The Trump administration's earlier decision to raise H1B visa fees had already limited chances of migrating to the US. The residency suspension ends most of the remaining possibilities to the idea. The 'American Dream' of moving to the US through the H1B route and getting a green card is over for all practical purposes for several IT workers, at least for the time being.

The US decision will also impact the US-India trade deal. Being discussed for several months now, the deal – according to [India's Finance Minister Nirmala Sitharaman](#) – has 'plateaued' making further market access concessions difficult. The US, though, has clearly not given up on economic coercion to snatch more market access. It will now wield the stick of suspension, and future of Indian IT workers in the US, in the trade talks. Whether India relents will be interesting to watch.

On a brighter note, more US firms, including big technology, might be motivated by the prohibition to invest more on expanding their India operation by setting up more Global Capability Centers (GCCs). Hiring good IT workers in India is always a more economical and trouble-free option, especially when several GCCs are getting leaner following their embracing AI.

A better-than-expected performance by the Republicans in the forthcoming mid-term elections might lead to a 'change of heart' for the Trump administration and temporary de-freezing of the suspensions. The business logic of bringing in talented foreign workers due to lack of adequate skills in the American labour market remains unchanged. For the time being though, political compulsions have led to the logic being decisively shelved in favour of anti-immigration actions to pacify an irate electorate.

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