



## The Star-Ledger

### **American workers fall in the war of the wages**

**U.S. employees at a loss as even white-collar jobs travel overseas**

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**NEWHOUSE NEWS SERVICE**

U.S. workers have lost hundreds of thousands of jobs to countries with cheaper wages as technological change makes it easier for corporations to manage a multinational work force.

Americans must learn to compete in a global labor market, economists warn.

But what does that really mean? How can citizens of a country with an average household income of \$43,000 wrest jobs from Chinese factory workers and Indian programmers who can live well on a fraction of that?

"The economists are just ducking that question," said Ron Hira, co-author of "Outsourcing America" (AMACOM, \$22) and a professor at the Rochester Institute of Technology in Rochester, N.Y. "Companies are competing foreign workers and U.S. workers head to head, which for a lot of U.S. workers is a disadvantage."

The "offshoring" trend began in the manufacturing sector and is spreading to service positions such as customer support and accounting. By some estimates, 11 percent of American white-collar jobs, affecting 14 million people, are vulnerable. Forrester Research says 540,000 service jobs moved offshore through 2004 and predicts a loss of 3.4 million positions by 2015.

A huge disparity in labor costs drives much of the offshoring decision.

Invacare pays line workers in China 50 cents an hour, compared with \$3 in Mexico, \$13 in Florida, \$15 in Ohio and \$30 in Germany, said Mal Mixon, chairman and chief executive of the medical products maker, based in Elyria, Ohio.

"As a red-blooded American, it concerns me that I'm having to do this. On the other hand, it's survival," Mixon said, noting Invacare's competitors are also using Chinese factories.

One way U.S. workers could become more competitive is if salaries rose in other countries. But this is unlikely to happen quickly enough to matter. Moreover, economists say, there are offsetting forces.

While wages in China have started to rise, productivity is climbing as well, enabling Chinese manufacturers to put out more goods and services per employee. This keeps them competitive in many sectors, said Albert Keidel, senior associate at the Carnegie Endowment for International Peace, a Washington-based think tank.

"The changes you can expect in Chinese wages will not have an impact on U.S. workers," Keidel said.

And the sheer numbers of low-wage workers in the worldwide labor market mean Americans are unlikely to win out on price alone.

"The enormous glut of labor we see in China's market today is not going to dissipate for decades," said Alan Tonelson, research fellow at the U.S. Business and Industry Council, which represents small- and medium-sized manufacturers. "On China's heels in terms of worker availability, you've got Indonesia, Vietnam and even India. Throughout the Third World, you see enormous unemployment and also underemployment."

The same holds true of service jobs: Other countries in South Asia are already hoping to emulate India's success in information technology.

"Global competition for service work and these vast disparities in wages are going to put vast pressure on U.S. wages," said Marcus Courtney, president of the Washington Alliance of Technology Workers, based in Seattle.

Instead of trying to win back rote and poorly paid work, said Catherine Mann, senior fellow at the Institute for International Economics, Americans should try to differentiate themselves in the global work force. They should focus on work requiring local knowledge and face-to-face interaction to reduce the chances of outsourcing.

For instance, while straightforward computer programming may move overseas, more Americans are being hired to perform high-level analysis and work closely with customers, Mann said.

"For every one programmer job lost, three jobs have been gained in these much more integrative tasks," she said.

The silver lining of globalization is that the flow moves in both directions. Already, some companies are bringing jobs back to the U.S. for security or convenience, said Dali Yang, a political science professor at the University of Chicago.

And Asia is a potentially huge market for American products, especially capital goods like machine tools and computer systems, Mann said. Invacare's Mixon aims to build \$100 million in sales there in the next three to five years.

That's not much consolation to Joseph Huppman, who was laid off as an assembler when Carrier closed manufacturing operations in Syracuse, N.Y., in favor of Asia. He studied to be a nurse and now makes \$30,000 a year instead of \$50,000 -- albeit with a 40-hour workweek, instead of the roughly 52-hour weeks he put in at Carrier, which makes air conditioning and heating systems.

"I took a dramatic pay cut," said Huppman, 50. "It's really a shame that we allowed our companies to do this. We've got to find a way to close the floodgates."

But he's happy with his decision to pursue a health-related career. "Everybody gets sick, and they can't outsource that to China," he said.

Unfortunately, most careers of the future are an unknown, making it hard to decide what training to pursue, Rochester's Hira said. And economic arguments about displaced workers ignore the difficulty people have finding a new job at the same salary -- even with retraining.

From 2001 to 2003, Labor Department statistics show, 5.3 million Americans were displaced from jobs they had held for at least three years. As of January 2004, only 65 percent were re-employed, and 57 percent of those were earning less than in their previous positions.

"There's no guarantee of a job, and that's the reality of life," said John Silvia, chief economist for Wachovia in Charlotte, N.C. "There's a guarantee that they won't have a job if they don't do any retraining."

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