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Rising economic force India gaining from U.S. job losses

By **THE JOURNAL NEWS**

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When Lauren Chin was trying to decide what to study in college two years ago, he thought his technical aptitude made computer science a good fit for him.

Chin, after all, had worked summer jobs through high school performing fixes on computers.

But as Chin prepares to graduate from Westchester Community College, he wonders whether his skills will be obsolete in the United States because so many technology jobs are going to India.

"At times, I say to myself, 'Why am I doing this?' Or, 'Maybe I should switch to a backup major,' " Chin, a Tarrytown resident, said recently while relaxing in a student lounge with friends.

Chin, 20, is right to be concerned. The U.S. Bureau of Labor Statistics and Forrester Research Inc. of Cambridge, Mass., estimate that by 2015 the United States will lose 542,000 computer jobs to other nations. Those will be among 3.4 million service jobs Americans will lose to foreign nations, Forrester predicts.

Those jobs will total 6 percent of the jobs in categories such as computers, management, sales and others and will pay \$151.2 billion in wages, Forrester projects.

John McCarthy, the Forrester analyst who wrote the study, said more than 80 percent of those jobs will go to India, the world's second most populous nation and a rising economic power.

"India is to services what China is to manufacturing," he said.

In his book, "Rising Elephant," Ashutosh Sheshabalaya, a technology consultant in Europe and former journalist, says India, home to 1.03 billion people, accounts for 60 percent of the offshore white-collar jobs market.

U.S. companies sending jobs to lower-wage nations is nothing new. Apparel companies have fattened

India's economy by the numbers

Size of India's Internet industry by 2008

their profits for decades by farming out manufacturing to sweatshop workers in places like Korea, Singapore and Vietnam as well as China. As recently as 1992, a presidential candidate, Texas industrialist H. Ross Perot, fashioned a campaign around the lament that the United States was losing manufacturing jobs.

But now the exodus includes more than just manufacturing and modest-paying call center jobs.

Sheshabalaya says India's workers design integrated circuits, wireless solutions, composite materials, luxury cars, jet engines and other complex products. Workers in India prepare tax returns for Americans, analyze medical reports and do research for Wall Streeters, he says.

The practice is the bane of those such as trade unionists and 2004 Democratic presidential candidate John F. Kerry who think that companies harm American workers by sending jobs offshore. But advocates say businesses must take every opportunity to cut costs and remain competitive or else they'll perish and many more jobs will be lost.

Local job losses

Peekskill resident Michael Kane, 47, believes outsourcing cost him his job as a communications technician for AT&T Corp. three months ago. The company uses foreign labor to make fixes on its network, the work Kane used to do, he said.

Kane said he is close to having to dip into his retirement savings and money he set aside for his 12-year-old daughter's education.

"It's going to have an effect on her ability to go to college," he said.

Mike Rohal of Edison, N.J., said he worked for AT&T in various information technology jobs for 21 years until his work was outsourced to a company called Computer Sciences Corp. That company laid him off in June 2003, but only after making him train his replacements, a group of workers in India.

Rohal, 46, is skeptical of outsourcing advocates' arguments that the practice allows companies to save money they can reinvest in the business and make it stronger.

He believes the practice is "a welfare program" for corporate executives.

Tracey Belko, an AT&T spokesperson, said the company could not comment on individual employees. But she said: "There have been a number of work force reductions in the Northeast region and none of these recent reductions were the result of work moving. Work has been going away."

AT&T has been aggressively slashing its work force to try and survive in the fast-changing telecommunications industry.

Rohal said his job loss was particularly puzzling since AT&T honored him in 1999 with a performance award, even flying him to Hawaii to receive the award.

"Then I'm wondering how I lost my job," he said. "Did something change? I thought companies tried

to keep their best people."

Rohal said he now has a job outside the telecommunications field but makes only about half the \$80,000 annual salary he earned with AT&T.

But the new reality is that the technological revolution means just about any job that involves a phone or a computer can be done in foreign outposts by workers who make less money, demand fewer benefits and have no union leverage.

"As a result, entire chunks of the Western economic system may be eroding at a faster pace than few believed possible only a few years ago," Sheshabalaya writes.

Experts recommend that American workers constantly upgrade their skills through training and education.

"Continued retraining is going to be the order of the day," said Usha Haley, a professor of management and international business at the University of New Haven in Connecticut. "Any knowledge base that you have is going to be obsolete in 10 years."

The trend is having an impact in the suburbs north of New York City, where high housing prices and other costs force wages up, making outsourcing even more tempting to companies.

IBM Corp., ITT Industries Inc., Verizon Communications Inc., PepsiCo Inc., Kraft Foods Inc. and Wyeth are among companies with a significant presence in the region that outsource jobs.

While the global trend is painful for some workers, it also brings jobs to the region. Many companies choose the region because they value the proximity to New York City and the vast reservoir of intellectual capital.

Cell phone maker Nokia Oyj, for instance, moved its Enterprise Solutions unit from Finland to Harrison to make it easier to reach some of the behemoth companies Nokia targets as customers.

Nokia is also moving its multimedia group to Harrison from Irving, Texas. The company's chief financial officer, Richard Simonson, moved from Finland to Harrison to have greater access to large institutional shareholders, brokerage houses and other big players in financial services.

Workers at all levels leave their native lands to pursue careers.

Indra Nooyi, the president and chief financial officer for PepsiCo, was born in Madras, India. Japanese corporate powers such as Mazda Motor Co. and Sony Corp. have non-Japanese leadership.

But the outsourcing of lower-level jobs has been more hotly debated in recent years.

Accidents of history

Several "accidents of history" and a number of sage decisions placed India in perfect position to cash in on American outsourcing, Haley said.

The large number of English-speaking Indians — India was colonized by the British — is a huge

factor, she said.

Haley, whose father founded the first India Institute of Technology, said 80 percent of the 2 million Indians who graduate from college each year speak English.

At a time when outsourcing is a hot political issue, companies that use foreign residents often train the employees to sound western. The young woman you get on the phone when you call to get an insurance quote, help with a computer problem or information on your credit may be Sumintra even if she tells you her name is Lori.

"Their accents are, let's say, worked over," Haley said. "They're trained to talk like Americans. Some of them are even trained to converse in things like baseball."

A stellar higher education system has also helped India siphon jobs from the West, Haley said.

Math, science and engineering are emphasized, including among girls, Haley said.

Pharmaceutical research, financial risk analysis and research into consumer behavior are among the tasks shifting to India, Haley said. Even the U.S. Postal Service uses workers in India for package tracking and other jobs, Haley said.

She said she envisions the day when westerners without health insurance may travel to India for certain procedures, combining their leisure travel and their medical care. India has world-class hospitals and the services are much less expensive, she said.

An American company skittish about the bad publicity it could get from outsourcing jobs faces a dilemma since the savings can be substantial.

Umesh Ramakrishnan, vice chairman of Christian & Timbers, an executive search firm in Cleveland, said the first technology jobs to be exported included programming, network analyst and system analyst posts. These jobs would pay an average of \$40,000 to \$50,000 in the United States but less than half that in India, he said.

It is now common for higher-level technology jobs that pay up to \$200,000 in the United States to be sent overseas, he said. A company can save about \$60,000 by shipping one of those jobs, he said.

Rather than blaming companies looking to make more money for their shareholders, people should examine why it has become advantageous for corporations to export jobs, some say.

Todd Buchholz, author of the book, "Bringing the Jobs Home," and a former White House director of economic policy under former President George H.W. Bush, said wrongheaded government policy is a prime culprit.

The high costs of defending employee lawsuits, run-away taxes, a faltering education system and poor immigration laws encourage employers to hire overseas workers when they can, he said.

"I think it's friendly fire we are suffering from," he said. "Employers are asking the question: 'Why should I hire an American over an Indian? Is the Indian going to sue me? We spend two and a half percent of our economy suing each other. Is the Indian going to be less highly educated? Probably

not. What is the tax burden that I will have to pay if I hire an Indian instead of an American?"

"You add up these issues and it becomes a burden on the American worker trying to make himself look more attractive to a prospective employer," he said.

On immigration, he said he believes that the United States should reform the laws to make it easier for foreigners to stay in the country once they get their education.

"They go home to Bangalore, India, and start a business there and we end up outsourcing to them," he said. "These are the people we should keep."
