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Offshoring accelerating

The Boston Globe

US study puts number of jobs sent overseas in 2004 at 406,000, double the estimates

By Kimberly Blanton, Globe Staff | November 17, 2004

FAIRHAVEN -- Michael Brightman is reminded daily that workers in New Delhi do the same job he does. His Indian counterparts routinely direct AT&T customers to him for long-distance billing problems that the New Delhi workers can't answer.

Brightman and 139 others will be laid off Friday from AT&T's call center on Massachusetts' southeastern coast. AT&T said the workforce reduction resulted from a July decision to phase out residential long-distance service. "This work did not move. It went away," said spokeswoman Tracey Belko. "We are not moving any of these jobs overseas."

Brightman and coworkers picketing here last month don't buy it. To them, jobs are being lost in the United States, while increasing overseas. Union officials said AT&T gave information on its offshore activity in January showing one in four AT&T customer calls was handled by independent US contractors employing 1,400 workers overseas. In five years, AT&T has cut its national call-center employment by half, to 3,270, the union said. "Is it coincidental, or is it a shift?" Brightman asked about his layoff.

Data on numbers of US jobs moving overseas in recent years are scattered and unreliable. As the AT&T example shows, jobs may be cut in the United States, and employment may increase overseas, but companies are reluctant to draw connections between the two, while unions are only too willing to do so. Groups such as the US Chamber of Commerce peg the number at perhaps 200,000 jobs a year. But a new report commissioned by a bipartisan congressional commission said 406,000 US jobs will migrate overseas this year, double the conventional wisdom. This trend is expected to continue for several years as a greater variety of jobs are offshored, including to Latin America and the Caribbean.

Job movement overseas "is absolutely accelerating, and it's changing in its nature," said Kate Bronfenbrenner, a professor in Cornell University's School of Industrial and Labor Relations, who prepared the report for the US-China Economic and Security Review Commission. "Whereas in 2001 it was almost all in manufacturing, now we see an increase in information technology, communications, financial services, and white-collar work, from research and design to back office." The report will be presented at public hearings in Seattle in January.

Some economists cite growing numbers of US jobs transplanted overseas as the main reason for slow employment growth during the current economy recovery. Another 400,000 jobs added to the total 1.8 million jobs created in the United States in 2004 would be "a big deal," said Stephen Roach, [Morgan Stanley's](#) chief economist. "Offshore labor pools have become increasingly attractive," he said, and "more and more of the new hiring incrementally is occurring offshore."

But Shang-Jin Wei of the International Monetary Fund argued when a company employs people overseas, lower costs and high profits enable it to hire elsewhere in the organization. "We create one job for every job lost," he said.

Greater ease in Internet and phone transmission, spiraling healthcare costs to cover US employees, and more experience employing people in foreign lands are fueling overseas hiring for jobs that once would have remained here. The most compelling incentive remains the disparity between wages earned in the United States and in less-developed nations. In India, a computer programmer with a college degree and two or three years' experience earns about \$20,000 a year, said firms that employ workers there. Indian workers who process financial transactions make \$12,000 to \$15,000. Call-center workers there earn about \$1,200 a year, compared with Brightman's \$40,000 salary from AT&T.

The joint report, by Cornell and the University of Massachusetts at Amherst, is the first to look at offshoring in all industries and to use the same method to compare two years, 2001 and 2004. Private consulting firms have examined specific industries. An often-cited study by [Forrester Research](#) last spring estimated 225,000 white-collar US service jobs would locate overseas in 2004, bringing to 540,000 the total of those jobs now overseas. A 2004 study by Deloitte Research said 850,000 financial jobs could be headed overseas by 2010. The new report found that 204,000 jobs were moved overseas in 2001, doubling to 406,000 this year.

There is no reliable government data. The US Bureau of Labor Statistics surveys employers on job relocations, but those data are widely viewed as too low. In the first quarter of 2004, the bureau reported 4,633 jobs were moved offshore. The bureau said it could not estimate second-quarter activity, due to incomplete information from employers.

"Companies are very reluctant to say what they're doing," said Ronil Hira, professor of public policy at Rochester Institute of Technology. "They don't want to take the public-relations hit."

To estimate blue- and white-collar job movements, Bronfenbrenner and UMass professor Stephanie Luce tallied reports of job transfers in the United States and foreign, English-language media in the first quarter of 2004. They then applied a multiplier to increase the job estimates and adjust for the underreporting.

In Mexico, for example, they estimated fully two-thirds of production shifts in 2004 were reported by the media, because all of the jobs were in manufacturing and were publicized by unions or confirmed by business filings to the US Securities and Exchange Commission, government applications for worker assistance under the federal Trade Adjustment Act, and state plant-closing notifications. In contrast, only one-third of jobs moving to Asia are reported, they said, because the region attracts smaller employers less likely to be in manufacturing and unlikely to report movements.

The US Chamber of Commerce's chief economist, Martin Regalia, criticized the 406,000 job-loss estimate in 2004 as at the "high end of any estimates out there." The multiplier was arbitrary, he said, because it was not based on hard data. "I don't think starting with news reports is the way to do scientific research."

Bronfenbrenner defended her data as "extremely conservative" and said firms go to great lengths to suppress or downplay in the US press any jobs shifts, though they may publicize them in the country where they are relocating.

For example, the report cites the US consulting firm of [Accenture Ltd.](#), which last year told the Press Trust of India it would add 5,700 employees there by the end of 2004. Early this year, it laid off 90 employees at its Delaware software development office. While Accenture told The News Journal in Wilmington, Del., that India "is one of the areas we're looking at," it was never made clear whether the jobs were ultimately moved, the report said. The researchers ultimately could not produce a firm figure on job movement overseas in this case; the multiplier, she said, is intended to account for situations such as Accenture's.

To make a connection between a layoff in the United States and job expansion in India is "simplistic," said Fred Hawrysh, a spokesman for Accenture. Hawrysh said Accenture's US employment overall rose last year.

Dallas-based [Texas Instruments](#) has operated in Attleboro, Mass., since the 1920s. It is now laying off 1,180 in the plant, which makes pressure and temperature sensors. The jobs are being transferred to Texas Instruments plants in South Korea, Mexico, Malaysia, and China, said spokeswoman Linda Megathlin. The layoffs are part of a conversion of Attleboro from a manufacturing to a marketing and research facility. To staff the office, the company plans to hire about 100 engineers, technicians, and managers, she said.

Attleboro Mayor Kevin Dumas is philosophical about layoffs in his city. While Texas Instruments is no longer Attleboro's biggest employer, "We're also seeing an influx of new jobs coming open in the city," he said.

All Jay Carvalho knows is he could make a good living, without a college degree, working for AT&T. Facing layoff, the 26-year-old has "no idea" what is next but said it won't be easy to improve on this job, which pays about \$40,000 a year, with benefits. "I'll be happy if I get \$10 an hour," he said.

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Dear Editors:

Kimberly Blanton's article "Offshoring Accelerating" makes scant mention of the biggest job loss problem - which is the controversial H-1B visa program. There are many Massachusetts jobs that cannot be offshored because they require person - to - person interaction. The website www.H1b.info shows that in Massachusetts, 9,646 companies with 38,816 approved LCAs for 145,884 worker visa applications were made just in the last three fiscal years.

The H-1B visa program is the enabling process to eventually move all of the jobs at a Massachusetts employer overseas. Many of the job growth figures cited in the article are likely to be jobs filled by H-1Bs.

There is a strong effort underway by Senate leadership to attach an amendment that would eventually lead to unlimited numbers of H-1B visas being granted annually, with no sunset provision to "must pass" legislation during the current "lame duck" session. This hidden effort was disclosed on the November 16 Lou Dobbs Tonight Show. [1.] Here's the kicker: Massachusetts Senator Kennedy is one of the leaders behind this! The vote is set for Thursday, November 18. The only thing that is going to stop this is a strong expression of outrage by Massachusetts's voters. There are free FAXing tools at www.NumbersUSA.com

The job you save may be your own.

1. <http://transcripts.cnn.com/TRANSCRIPTS/0411/16/ldt.01.html>

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