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Florida's overseas contracts draw ire

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By Kathleen Chapman, Palm Beach Post Staff Writer
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When Florida food stamp recipients call an 800 number about their benefits, they can reach friendly customer service representatives with names like "Amy" and "Nelson."

Although Amy and Nelson's salaries are paid with Florida tax money through state contract, they actually are half a world away -- in India. When callers ask whether they work in the United States, the operators politely reply that they cannot reveal their location.

Nine computer programmers, also recruited overseas, helped the state of Florida develop a new system to detect food stamp billing errors and fraud.

State officials believe the number of foreign workers under Florida state contracts is small, probably no more than a few dozen. Still, critics point to the irony of struggling, unemployed Americans calling a state benefits hot line staffed by workers in another country.

Critics in the Florida Legislature have joined a national debate over outsourcing, saying the state should not hire companies that are laying off Americans in favor of cheaper foreign labor. House and Senate proposals requiring state contractors to hire U.S. workers were defeated this session, but some lawmakers still are demanding a more thorough examination of the issue.

"Why do we want to spend our dollars in New Delhi when New Smyrna Beach needs our help?" said House Democratic Leader Doug Wiles of St. Augustine.

Gov. Jeb Bush calls their opposition ill-considered and politically motivated. In a time when corporations do business all over the world, banning contractors with foreign workers would be an "expensive exercise in futility," Bush wrote this spring in response to concerns of state Sen. Walter "Skip" Campbell, Jr., D-Tamarac.

"Taken to its logical conclusion, your proposal would require the state to remove the Dell computer from your desk -- and the desk of most members of the Florida Senate -- because Dell has manufacturing facilities in Brazil, Malaysia and China," Bush wrote.

The state contract fueling the debate began quietly in 1996, when managers at the Florida

Department of Children and Families sought to end its reliance on paper food stamps and welfare checks. That system required large numbers of state employees to guard, process and distribute large numbers of booklets.

To streamline its services, Florida turned to a private company, Citicorp Electronic Financial Services. The company used its banking expertise to replace paper stamps with electronic swipe cards that work in ATMs and grocery-store kiosks, saving the state about \$4 million a year, DCF spokesman Bill Spann said. About 40 other states have signed similar contracts with Citicorp.

In 2000, state officials allowed the company to replace U.S. call centers with foreign ones. The approval was based on a precedent the federal government set the year before, Spann said.

Unisys, a second state vendor that subcontracts in India, won a state contract to identify and recover welfare fraud and mistakes. Unisys employs about 500 people in Florida but turned to an Indian company called Caritor to develop its computer codes. Two of Caritor's programmers live in India, seven just relocated from India to Florida to deliver and test the code, and another three live in the United States. The state of Florida has paid Caritor \$287,233 for the work.

Who gets savings?

Critics question whether the state shares the financial benefit when a contractor uses foreign labor. Campbell has been trying to get the answer from state agencies.

"If the expectation is that American workers are going to provide the service, say at \$15 an hour, and that company goes over to India and pays \$2, who's getting the \$13 profit?" Campbell said asked.

It's unclear whether savings from Indian labor are passed on to taxpayers. Costs to the state of Florida were about \$1.81 a month for each food stamp account in 1996. In the 2003 contract, three years after the company turned to foreign labor, the state raised the rate to \$2.19. In total, the state pays Citicorp, which J.P. Morgan Chase bought in January, about \$14 million a year.

Thomas Johnson, a spokesman for J.P. Morgan, said the overseas call centers do result in savings to the states. Outsourcing helps the company provide effective customer service for a low price, he said.

Though Johnson could not give a precise number of jobs that subcontractors manage in foreign countries, he said the number is small.

About 97 percent of the calls to the hot line are handled by an automated system in the United States. The remaining 3 percent needing personal assistance are routed to Mexico for Spanish speakers and to India for English.

State officials stress that Florida never directly employed people to handle electronic benefits or call centers.

"The services provided by Citicorp have never been conducted by state employees, and did not ever result in the transfer of state jobs overseas," Bush wrote in a March 17 letter.

But Florida has steadily reduced the number of state employees who handle welfare and food

stamp programs, eliminating 443 jobs the past three years. The number of Florida families relying on food stamps has increased in the same time, from about 693,000 in 2000 to 847,000 last year.

Critics of outsourcing say the changes are hurting Florida workers.

"I just think it's dreadful that we've got taxpayers' money creating jobs in India instead of the U.S.," said Carol Ann Loehndorf, a state employee union leader and Palm Beach County Democratic Party chairwoman.

Bush and business leaders counter that the United States may be importing more jobs from foreign companies than it exports.

"I do not believe state jobs should ever be shipped overseas, but I do believe that our international partners are important to our success," Bush wrote.

For all the debate, little is actually known about the extent or the effect of outsourcing in Florida, said Mark Amen, director of the Globalization Research Center at the University of South Florida.

Most of the studies have been done by industry lobbying groups or labor unions and are biased from the beginning, he said. Amen hopes a USF study this summer will help show whether the global economy is creating new business opportunities or draining jobs from Florida.

Other states that contract for food stamp services also are wrestling with the issue. In 2002, unhappy that a subcontractor moved a help line from Wisconsin to India, the state of New Jersey agreed to pay \$900,000 more for an in-state call center employing former welfare recipients. Other states have backed away from the idea of bringing jobs back to the United States, fearing such a rise in cost.

State Rep. John Quinones, R-Kissimmee, said he was disappointed that his proposal to end the hiring of foreign workers through state contracts was defeated this year. He believes the debate can rise above partisan rhetoric.

"I think this is an issue that needs to be raised again," he said.

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