

Governor Vetoes Outsourcing Bills

Schwarzenegger follows through on his promise to axe the controversial legislation

SACRAMENTO - 10/01/04 - California Gov. Arnold Schwarzenegger has backed up his free market principles by following through on his promise to veto a pair of bills that would have barred state contractors or agencies from outsourcing work abroad.



The most controversial and far-reaching of the two bills - AB1829 - had had sought to curtail the outsourcing of jobs to countries such as India where labor costs are far lower than in the US.

It also would have required firms winning California state contracts to certify that their work was performed in the US unless a "special exception" was made.

"While this bill purports to be about saving jobs, it would actually be detrimental to our economy and the creation of new jobs in the state," Schwarzenegger said in his veto message.

AB1829, which passed the Senate on a vote of 21-14 and was originally authored by Assemblywoman Carol Liu (D-La Cañada-Flintridge).

There was substantial controversy surrounding the legislation and, more specifically, the anti-outsourcing stance the Democrat-controlled legislature took as an independent report commissioned in April by the Assembly's Democratic leaders concluded that the negative impact of outsourcing on the state's economy is "overblown."

According to the unreleased report, compiled by the San Francisco-based Public Policy Institute of California (PPIC), "What data are available suggest that the number of jobs being off-shored is small relative both to the overall labor market and to the number of people working in the relevant at risk-occupations."

The bigger challenge for the state, it said, "is the...movement of jobs from California to elsewhere in the United States."

The report went on to caution that that foreign countries "might retaliate by limiting their purchases of California goods."

The state "may end up spending more taxpayer money if it hires only companies offering domestic workers, because the higher labor costs will make the contract prices larger," the report said, adding that "at a time when California is considering decreases in help to the poorest Californians and making other difficult spending choices, limits on off-shoring will aid above-average wage earners," the report said.

According to the Los Angeles Times, which first reported on the unreleased report, Joe Nation (D-San Rafael), chairman of the Assembly's economic development panel, asked the Institute "to revise its report substantially" to include federal tax rules, worker assistance policies, and other subjects.

"Consideration should be given to the concern that California should not, as a matter of policy, contract out with firms located outside of California that undercut California's own labor policies, environmental standards and other business practices," Nation wrote in a letter to the PPIC.

Schwarzenegger also vetoed SB 888, which would have prevented the movement offshore of any work considered vital to homeland security, saying that the bill "wouldn't make the homeland any safer."

There is, he said, "a right way and a wrong way to expand economic opportunity in California. The wrong approach is to implement measures that restrict trade, invite retaliation, or violate the United States Constitution and our foreign trade agreements."
