



COMBATTING THE BUSH THREAT TO OUR INNOVATION SECTORS: JOHN KERRY'S PLAN TO KEEP HIGH-PAYING JOBS IN AMERICA

America confronts a new competitive challenge. The very sectors that drove the American boom of the 1990s are now being threatened by offshore outsourcing. Outsourcing is not just a problem confronting manufacturing workers. Today, America's innovation workers – software programmers and other professionals – are seeing their jobs outsourced to lower wage countries around the world.

The Bush Administration refuses to acknowledge the extent of the challenge facing America's innovation-intensive services – a key engine of our 21st century economy. George Bush has even pronounced outsourcing “a plus” and has refused to take measures to defend America's competitive advantage or to help white-collar professionals displaced by the new wave of offshore outsourcing. This is not only insensitive to the needs of American families. It is short-sighted, blunting our competitive edge and putting the futures of even more Americans in doubt.

John Kerry and John Edwards believe that America can once again become the location of choice for high value, innovation-intensive services. John Kerry and John Edwards believe America's leaders should help America rise to the new challenge – not deny it exists. They have a plan to end Bush administration policies that actually promote outsourcing and to ensure that America's white-collar workers can compete vigorously and successfully in the global marketplace.

The Kerry-Edwards plan will:

- ❑ IMPLEMENT A NATIONAL STRATEGY TO RESTORE AMERICA'S COMPETITIVENESS. John Kerry and John Edwards will identify America's competitive advantages and promote them aggressively so we remain the world's innovation leader throughout the century ahead, end tax breaks that encourage companies to ship jobs overseas, require call center identification, and institute stronger “Buy American” guidelines.
- ❑ MAKE AMERICA THE LOCATION OF CHOICE FOR HIGH VALUE SERVICES. John Kerry and John Edwards will make America more competitive by using tax cuts to reward companies that create jobs in America, while restoring fiscal discipline and reining in the spiraling costs of health care and education.
- ❑ FIGHT FOR AMERICA'S ECONOMIC FUTURE. America must renew our technological edge if we want to retain high value jobs here at home. America has fallen to 10th in the world in broadband penetration. John Kerry and John Edwards have a plan to extend universal access to broadband, invest in more research, and improve education at all levels in order to create a workforce with the tools needed to compete in the global economy.



OFFSHORE OUTSOURCING: A CHALLENGE THAT DEMANDS TO BE TAKEN SERIOUSLY

Several independent studies have indicated the extent of the new challenge that many of America's white-collar professionals are facing from the globalization of IT-enabled and professional services.

- ❑ Natasha Humphries, a Stanford graduate who worked for seven years as a quality assurance manager making Palm Pilots in California's Silicon Valley, was laid off last August after being sent to India to train her replacement. She is not alone; hundreds of thousands of Americans have had similar experiences. [Source: CWA, In My Opinion, November 2003]
- ❑ A University of California study suggests that over 14 million Americans hold jobs where they might reasonably feel at risk from the latest wave of outsourcing.
- ❑ Forrester Research estimates that over the next 15 years, 3.3 million U.S. service positions and \$136 billion in salaries will move offshore.
- ❑ McKinsey estimates that the number of white-collar jobs lost to outsourcing will increase at an annual rate of 30 to 40 percent over the next five years.
- ❑ A University of Illinois report shows that the job market for IT workers shrank by nearly 20 percent over the period March 2001 to April 2004, resulting in a loss of over 400,000 positions. Half of the losses occurred *after* the recession had officially ended.
- ❑ The new wave of outsourcing goes to the heart of America's competitiveness: the services sector now accounts for two-thirds of the U.S. economy and for the vast majority of total U.S. employment. [Source: Current Population Survey, 2003]

AMERICANS UNDERSTAND THE NEW REALITY. WHY DOESN'T THEIR PRESIDENT?

Even American business executives worry that outsourcing presents a fundamental new challenge to America's competitiveness. Despite numerous studies documenting the acceleration of outsourcing of white-collar jobs, the Bush administration refuses to acknowledge the new challenge.

- ❑ CEO Rosen Sharma of Solidcore, a computer security startup, hires Indian engineers for a quarter the salary of U.S. workers. Asked by *Time* magazine what that means for his 2-year-old daughter, he said: "As a father, my reaction is different than my reaction as a CEO... if you're graduating from college today, where are the entry-level jobs?" [Source: *Time* 2004].
- ❑ According to a recent Gallup poll, two-thirds of U.S. *investors* say offshore outsourcing is "bad for the economy." Yet in a separate national survey of business people by eePulse and the University of Michigan, three-quarters say their businesses are outsourcing or



planning to outsource jobs in 2004. Next year, U.S. companies plan to send as much as 50 percent more work to India, according to an Ernst & Young study.

- ❑ According to the U.S. president of the non-partisan Institute of Electric and Electronic Engineers (IEEE): “We must develop a coordinated national strategy to maintain U.S. technological leadership and promote job growth in the U.S. But it’s going to be difficult to remain technologically competitive if we continue outsourcing the jobs of our innovators at rates currently projected.”
- ❑ Even China’s leaders see the challenge to U.S. competitiveness more clearly than does George Bush. Last January, Zhu Min, General Manager of the Bank of China observed that the U.S. needed “... to reposition itself. Manufacturing is gone; services are going.”

GEORGE BUSH’S ANSWER ON OUTSOURCING: IT IS A PLUS

George Bush’s plan for outsourcing is to tell American workers it is “a plus” for them, dismiss their anxiety as groundless, and brand leaders that want to help Americans deal constructively with outsourcing as “economic isolationists.”

- ❑ In the words of President Bush’s top economic advisor, Gregory Mankiw, “I think outsourcing is a growing phenomenon, but it’s something we should realize is probably a plus for the economy...” [Source: Gregory Mankiw, Chairman of the White House Council of Economic Advisors, February 9, 2004 Press Conference.]
- ❑ Bush Labor Secretary Elaine Chao dismisses outsourcing fears as groundless:” “People talk about (outsourcing) a lot. The anxiety belies the numbers.” [Source: *Chao Says Outsourcing Anxiety Belies Facts*, David A. Lieb, Associated Press, September 01, 2004.]
- ❑ A Bush campaign official, delivered the same message to dislocated workers in clearer terms: “Why don’t they get new jobs if they’re unhappy--or go on Prozac?” said Susan Sheybani, assistant to Bush campaign spokesman Terry Holt. [Source: Bush campaigner’s Prozac solution: She says unhappy workers should try medication, Reuters, July 29,2004.]
- ❑ Even Republican House Speaker Dennis Hastert – a Bush supporter – criticized the White House position on outsourcing. “I understand that Mr. Mankiw is a brilliant economic theorist, but his theory fails a basic test of real economics.” [Source: Statement by House Speaker Dennis Hastert].
- ❑ U.S. Ambassador to India David Mulford told a meeting of the American Chamber of Commerce in New Delhi that there could be no turning back on outsourcing U.S. manufacturing and call center jobs to India and China. [Source: Robert Trigaux, Times Business Columnist, May 3, 2004].



GEORGE BUSH'S PLAN ON OUTSOURCING: MORE OF THE SAME

President Bush has a depressingly familiar answer to outsourcing: More of the Same. The President and his top advisors show no grasp of what it means for our country to be part of a fast globalizing world economy. They have no strategy for preparing our country to compete successfully in the new age of global economic competition. Under their watch, 2.7 million manufacturing jobs have been lost, America has run up massive, dangerous trade and budget deficits, and lower paying jobs are substituting for the higher paying positions that have been lost. With America's white-collar workers now also increasingly vulnerable, the Bush Administration has a consistent record of opposing constructive efforts to address outsourcing:

- ❑ The Bush administration has consistently defended tax breaks for companies that ship jobs and profits overseas, and called efforts to reduce them "stupid." George Bush has resisted bipartisan Senate legislation to close the Bermuda loophole that allows companies to move their headquarters overseas to avoid paying taxes. And Bush has even pushed for more tax breaks for companies that export our jobs – to be paid for by raising taxes on companies that export products made here in America.
- ❑ The Bush Administration has opposed strengthening "Buy America" guidelines and has not enforced those guidelines that do exist.
- ❑ President Bush has proposed more than \$1 billion in cuts to worker training over the last three years, thus limiting options for Americans to recover from outsourced job losses. [Source: Morton Bahr: *In My Opinion: In the Real West Wing, no Action on Outsourcing*; May 2004].
- ❑ Software programmers who have lost their jobs due to outsourcing are suing the Bush Labor Department for denying them coverage under Trade Adjustment Assistance – which is the time-honored tool for addressing the special challenges faced by workers displaced by trade.

THE KERRY-EDWARDS PLAN TO KEEP HIGH-PAYING JOBS IN AMERICA

George Bush and Dick Cheney are insensitive to the needs of American workers. They don't understand the forces that drive American growth. That is why they are the first administration in 72 years to actually lose jobs on their watch.

John Kerry and John Edwards have been leaders in focusing attention on the new threats to our future prosperity. They recognize the importance of innovation to our country's future: high value innovation-intensive services are key to future job creation and to our future strength as a nation. We cannot stand by while the engines of our competitiveness are shut down and sold for scrap overseas. The choice could not be clearer. George Bush and Dick Cheney promote the short-term agenda of special interests. John Kerry and John Edwards are committed to maintaining American leadership by strengthening the key engines of our long-term growth.



John Kerry and John Edwards understand that America must prepare itself for a new age of global economic competition if we are to maintain our high standard of living and technological leadership. John Kerry and John Edwards recognize the enormous value of the investment that America's highly qualified white-collar professionals have made in their own training, their communities and our country. They will work closely with our innovation and white collar workers, their companies and schools and training programs at all levels, to make sure that America's role as the preeminent global technology and innovation leader will strengthen.

One thing they will not offer: More of the Same. John Kerry and John Edwards have a three-part plan to address the challenge of outsourcing.

PART 1: IMPLEMENT A NATIONAL STRATEGY TO RESTORE AMERICA'S COMPETITIVENESS

John Kerry and John Edwards believe the new reality demands a new strategy – one based on facts, not assertions.

1. END TAX BREAKS FOR COMPANIES THAT SHIP JOBS OVERSEAS. Today, companies get special tax breaks when they create jobs overseas. Under deferral rules, companies do not pay taxes on income they earn abroad until they bring it back to the United States. This encourages companies to create jobs overseas and reinvest profits there to permanently avoid paying U.S. taxes. John Kerry will end deferral, except in instances where a company is locating a factory overseas to produce for the local-country market.
2. SUPPORT JOBS IN AMERICA THROUGH "BUY AMERICAN" GUIDELINES. John Kerry believes that, where possible, U.S. federal contracts should be performed by American workers. John Kerry supports stronger "Buy American" guidelines for defense and homeland security – a smart policy that will help retain and strengthen our innovation drivers by directing U.S. contracts to companies that make a commitment to creating jobs here at home.
3. REQUIRE ADVANCE NOTIFICATION FOR LAYOFFS. John Kerry will require companies to give at least three months of advance notice before laying off employees and shipping their jobs overseas. Advance notification is critical to ensure an early effective response and to speed worker retraining and reemployment and community adjustment.
4. REQUIRE CALL CENTER IDENTIFICATION. Last year, John Kerry was out ahead of the debate when he sponsored legislation to require call center employees to disclose their location. John Kerry supports consumers' "Right to Know" where call center calls are originating from, recognizing consumers have legitimate concerns about the transfer of medical and financial data to foreign jurisdictions with weaker legal protections.
5. STOP THE ABUSE OF H-1B AND L-1 VISAS by capping these programs and ensuring that American workers with the necessary skills get the opportunity to fill available white-



collar service jobs in our own economy before an H-1B visa applicant. If no such American worker is available, the foreign worker should be paid at the prevailing rate.

6. EXPAND TAA TO COVER DISLOCATED WHITE COLLAR WORKERS AND TO PROVIDE AN AFFORDABLE HEALTH CARE TAX CREDIT. The Bush Labor Department is being sued for denying TAA to software programmers displaced by outsourcing. John Kerry supports expanding TAA to white-collar workers displaced by outsourcing. In addition, John Kerry supports expanding the Health Care Tax Credit associated with TAA to 95 percent of premium costs, recognizing that the current 65 percent credit has proven unaffordable for the great majority of displaced workers receiving unemployment insurance.

PART 2: MAKE AMERICA THE LOCATION OF CHOICE FOR HIGH INNOVATION SERVICES

John Kerry and John Edwards believe we need to make America more competitive by strengthening America at home, not by sending jobs overseas.

1. NEW JOBS TAX CREDIT. As president, John Kerry will jumpstart job creation with a New Jobs Tax Credit that will pay the employer share of the payroll taxes for any *net* new jobs created in 2005 and 2006 by businesses affected by outsourcing, as well as manufacturing and small businesses.
2. CUT CORPORATE TAXES FOR 99 PERCENT OF TAXPAYING CORPORATIONS. John Kerry will use the savings gained by ending deferral and closing other international tax loopholes to cut the corporate tax rate by 5 percent – providing a tax cut for 99 percent of taxpaying corporations. This will lower costs for companies producing in America.
3. CUT THE DEFICIT IN HALF TO FREE UP MORE CAPITAL FOR INVESTMENT AND REDUCE THE TRADE DEFICIT. Under George Bush, America has gone from record surpluses to record deficits – with deficits continuing as far as the eye can see. This threatens to raise interest rates and reduce confidence in the economy. In addition, it has led to a record trade deficit and unsustainable borrowing. As president, John Kerry will restore fiscal discipline, pay for all of his proposals, and cut the deficit in half in his first term as president. This will help give America's businesses the confidence they need to start hiring again, keep interest rates from rising, and avoid the looming crisis that could result from ballooning foreign borrowing.
4. END RUNAWAY PREMIUM GROWTH AND HELP MAKE EMPLOYERS MORE COMPETITIVE BY SAVING THEM UP TO \$1,000 ON HEALTH PREMIUMS PER FAMILY. Under George Bush, health care premiums have risen by more than \$2,600, making it harder for employers to add jobs. John Kerry has a plan to make health care more affordable for America's families and cut costs for America's businesses. His plan includes tax credits to help small businesses pay for health insurance and a swap where the government will assume the costs of catastrophic health care (above \$50,000) in exchange for companies



extending high-quality health coverage to their employees. The Kerry-Edwards plan will cut premiums by up to \$1,000 per family.

PART 3: INVEST IN THE JOBS OF THE FUTURE

George Bush's policies have squandered the United States' leadership in innovation, and in translating innovation into new jobs. The Kerry-Edwards plan will regain American leadership by using innovation to benefit American workers, rather than encouraging the outsourcing and off-shoring that costs them their jobs.

1. MOVE TOWARDS UNIVERSAL BROADBAND ACCESS. During the Bush administration, the United States has fallen from 4th to 10th in broadband adoption, and countries such as South Korea and Japan are currently deploying networks that are 20 to 50 times faster than those available in the United States. At the same time, America has lost more than 1 million high-tech jobs. John Kerry and John Edwards will fight for a national broadband policy – including a broadband deployment tax credit – that will speed the deployment of this essential infrastructure. The widespread adoption of broadband could add \$500 billion to the U.S. economy, generate more than 1.2 million jobs, and transform the way we learn, work, and deliver digital opportunity throughout the country.
2. INVEST IN CUTTING-EDGE RESEARCH. An individual company does not stand to benefit from research and development as much as the overall economy does. That's why John Kerry believes it is essential for our government to fund basic research. Under President Bush, 21 out of 24 research areas are slated for budget cuts. John Kerry and John Edwards have a plan to invest more at the National Science Foundation, the National Institute of Health, the Department of Energy, and the National Aeronautics and Space Administration.
3. PROVIDE AMERICANS THE EDUCATION AND TRAINING TOOLS THEY NEED TO COMPETE GLOBALLY. John Kerry supports a tax credit on up to \$4,000 of tuition for four years of college. This would make college universally accessible for all Americans, help to train the workforce of the future and create good, high-paying jobs. John Kerry supports plans to improve schools from kindergarten through twelfth grade, get more students into college, and encourage more students – particularly girls and minorities – to study engineering and science, two important drivers of economic growth for all Americans.
4. ENCOURAGING UPSKILLING. John Kerry supports making worker training programs more effective and encouraging their use by incumbent workers who need to upgrade their skills to protect their employment.