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For Release August 3, 2004

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MANY IN NEW JERSEY ARE VULNERABLE TO OFFSHORING; Stronger Government Role Needed

TRENTON-One of every eight jobs in New Jersey is potentially vulnerable to being lost in the current wave of employers sending service jobs overseas-with office, computer and math jobs most at risk.

That is a key finding of Perspective on Offshoring and New Jersey, a [new report](#) by New Jersey Policy Perspective, written by NJPP Policy Analyst Susan J. Bottino. NJPP is a nonpartisan, nonprofit organization that conducts research on state issues.

The report calls for a much higher level of government involvement to ease the impact of offshoring on working people and their families.

"A nation accustomed to the disappearance of manufacturing jobs is now confronting the reality of highly skilled and educated workers potentially being as vulnerable as their blue collar brethren to their jobs going overseas," the report says. "People who thought their training and career choice would keep them safe are finding out otherwise."

The new trend in offshoring affects such areas as software programming, data entry, call centers and other service-oriented work. This is happening because technology has evolved to where many jobs can be done anywhere, opening up labor markets in countries where workers are paid far less than in the U.S.

"Jobs have always been created and destroyed-nothing new about that," said NJPP President Jon Shure. "But in the past, the new was at least as good as the old. Too often today, people who lose jobs are getting new ones with lower pay and fewer benefits. People who were told they'd be okay if they got the right skills and training are finding it's not so. In the end this is about whether we're going to have an economy where everyone has a chance-and how to achieve it."

In New Jersey, 492,000 jobs have the potential to be outsourced overseas. The information comes from an analysis conducted for NJPP by University of California-Berkeley Prof. Cynthia A. Kroll, who has done work on the issue on the national level. Using the most recent comprehensive federal Bureau of Labor Statistics data, from 2002, Dr. Kroll found that New Jersey workers are slightly more vulnerable than in the nation as a whole to losing jobs to offshoring. This reflects that New Jersey is home to a higher concentration of service and information-oriented jobs.

Indeed, New Jersey's successful transition away from a manufacturing economy now has the downside of putting a new group of workers in the sights of offshoring. Having a good job with good pay is no guarantee of protection. In fact, on average, the wages of workers whose jobs are vulnerable to offshoring are higher than for other jobs in the state.

While it is unlikely that all potentially offshored jobs will actually be lost, the trend carries other negative impacts. "Even just the threat of jobs being offshored can have a chilling

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effect on workers," the report says. "When jobs are seen to be at risk, workplace progress and morale suffer as workers are reluctant to push for time off, flexible hours, better pay, health benefits and other aspects critical to their rights and dignity."

"Over the years, the U.S. has responded to the need for government to set rules for the market place to foster competition among businesses along with a rising standard of living," the report says. "Similarly, government has a role to play in offshoring. There must be a substantive public policy role to deal with the problems caused by offshoring. The worker-employer playing field is not level enough to provide solutions without an active role by both state and federal governments." The report calls for several courses of action:

- Promote better paying jobs to replace those lost, through enforcing the right to unionize, increasing the minimum wage and other policies.
- Give consumers a choice of whether to patronize companies engaged in offshoring, by such measures as requiring firms to publicly disclose their practices.
- Require more reporting about offshoring; indeed the requirements today are so weak that it is impossible to tell how many New Jersey jobs have actually been offshored to date-though anecdotal evidence mounts.
- Control the extent to which state governments and the federal government spend tax dollars on companies that hire offshore help.
- Minimize effects of job loss through such steps as reinstating temporary extended unemployment compensation, expanding trade adjustment assistance programs to include service sector workers, establishing supplemental health insurance and wage subsidy programs and both expanding and increasing funding for dislocated worker assistance.
- Increase the focus on training programs and other educational opportunities.

Defenders of offshoring often characterize the practice in terms of what they see as benefits to the U.S. economy in the form of lower prices and higher global competitiveness. But, even if true, that is little consolation to workers unable to support their family. Nor is the economic impact confined to workers directly affected. As much of the research on de-industrialization showed in previous decades, the ripple effect from lost jobs travels widely.

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Perspective on **OFFSHORING AND NEW JERSEY**

By Susan J. Bottino
Policy Analyst
August 2004

INTRODUCTION

It's not hard to understand why the practice of sending service jobs overseas has increasingly become the focus of newspaper and magazine articles, television reports, academic studies, politicians and even online organizing by angry tech workers. Offshoring—the word given to the practice—raises concerns that we might be witnessing the beginning of the largest out-migration of these jobs in the nation's history.

A nation accustomed to the disappearance of manufacturing jobs is now confronting the reality of highly skilled and educated workers potentially being as vulnerable as their blue collar brethren to their jobs going overseas. People who thought their training and career choice would keep them safe are finding out otherwise.

According to a recent Gallup Poll, 61 percent of Americans are concerned that they, or a friend or relative, might lose a job because the employer is moving it to another country.¹ Another survey by the Employment Law Alliance found that 30 percent of those who responded know someone who lost his or her job to offshoring.² And even just the threat of jobs being offshored can have a chilling effect on workers. When jobs are seen to be at risk, workplace progress and morale suffer as workers are reluctant to push for time off, flexible hours, better pay, health benefits and other aspects critical to their rights and dignity.

To be clear, outsourcing refers to a company contracting with another vendor for functions that the company traditionally performed itself. Offshoring is when a company outsources contracts to vendors overseas or sends the work to its own satellite offices overseas. It has become especially prevalent in such areas as software programming, data entry, call centers and other service-oriented work.

So today, workers in India, the Philippines and elsewhere process tax returns for Ernst & Young, make reservations for Delta Air Lines customers and answer state government hotlines. Indeed, offshoring received national attention in 2002, when it was reported that calls to toll-free numbers set up to help New Jersey residents with their electronic welfare or food stamp cards were being answered by operators in Bombay.

Until a few years ago, it was impossible for such work to be done outside the U.S. Technology changed that. Satellites and high-speed undersea telecom cables as well as deregulation of telecommunications in the U.S., Europe and Asia mean firms can send scanned documents overseas for processing less expensively than before. And the convergence of a variety of software applications makes it possible for global operations to work in a common software environment.³ In addition, liberalization of markets in Asia and Eastern Europe mean that entrepreneurs in those areas can now respond quickly to outsourcing opportunities. Affordable videoconferencing makes face-to-face contact across the globe commonplace while the Internet, with its e-mail, instant messaging and other applications, facilitates communication between areas and helps management keep in touch.⁴ As Nandan Nilekani, chief executive of Infosys Technologies, said, "Everything you can send down a wire is up for grabs."⁵ Major recipients of offshored jobs are India, China, Philippines, Ireland, Canada, Mexico, Pakistan and Russia.

This report will look at jobs that have gone overseas from New Jersey and jobs in the state that are particularly vulnerable to offshoring in the future, explain the implications that this potential job loss could have on the economy and suggest appropriate policy responses.

HOW WE GOT HERE

Although offshoring today is a hot media topic, it is in some ways an extension of long-standing erosion of U.S. jobs. Initially, companies left the Northeast for the South and Midwest. With passage of the North American Free Trade Agreement (NAFTA) in 1994, manufacturing jobs increasingly were sent to Canada and Mexico. The federal Department of Labor has estimated that since NAFTA took effect, more than 500,000 jobs left the U.S.⁶ Another estimate puts the loss of manufacturing jobs offshore since 1983 at two million.⁷ And, according to a study by the Institute for International Economics, 90 percent of

manufacturing job loss in recent decades is attributed to offshoring.⁸ Currently, the U.S. imports nearly \$500 billion more than it exports in manufactured goods.⁹

What makes the current offshoring wave different is that it centers on what have been termed "knowledge jobs," many of which-because of technology-have become what one observer calls "placeless jobs" that now can be done anywhere.¹⁰ This, coupled with the increased shift to contract labor that is a feature of the ongoing "hollowing out" of U.S. companies-where only management and non-labor intensive back office functions remain in-house-has accelerated the rate of offshoring. Some have observed that once a job is reduced to a contract, moving it offshore is more of an evolutionary step than a big leap.¹¹

The key driver of offshoring: cheaper labor. In a 2003 study by Capco-a services and technology solutions provider-and Baruch College, 92 percent of companies surveyed cited saving money as their main reason for offshoring.¹² The savings appear in such forms as low wages-employers can pay workers in developing nations a fraction of U.S. salaries-and savings on health care and other benefits. In 2003, the cost of benefits rose 6.5 percent in the U.S. and now account for 28 percent of all compensation.¹³ Meanwhile, nations receiving offshored jobs generally have universal health coverage and no employer payments equivalent to Social Security or Medicare.

Among other reasons cited for offshoring:

- Time zone differences-when North America sleeps, Asia is on the job so, in effect, U.S. companies can get work done 24 hours a day.
- Educated labor pool-some popular offshoring locations are in countries that grant more undergraduate engineering degrees annually than the U.S. For example, China awarded more than three times the number of degrees as the U.S. and India more than double. Japan and Russia have granted more engineering degrees than the U.S. as well.¹⁴
- Avoidance of organized labor-many developing countries do not have unions or other employee advocacy groups to fight for fair wages and reasonable working conditions and schedules.
- No federal or state unemployment taxes
- No child labor laws
- No environmental or workplace safety laws
- No worker retirement or pension costs¹⁵

DIMENSIONS OF OFFSHORING

This would be a good place to say how many U.S. jobs have gone offshore and to list the companies engaging most heavily in the practice. The problem is no one knows. Despite the potentially serious impact of job losses, U.S. companies are not required to report such statistics.¹⁶ And, in light of the current political firestorm surrounding offshoring, it is doubtful that many will volunteer the information.

Estimates of the current number of jobs offshored vary widely. An article in the *Philadelphia Inquirer* notes that "tens of thousands" of jobs have been offshored over the past three years,¹⁷ *The Wall Street Journal* has used 250,000-to-500,000¹⁸ and CBS News estimates the figure at 400,000.¹⁹ Sen. John Kerry's presidential campaign uses the estimate of 1 million jobs.²⁰

TechsUnite, a project of the Communications Workers of America and such other partners as the Center on Wisconsin Strategies and Washington Alliance of Technological Workers, has developed an offshore tracker on its web site to list instances of offshoring obtained from news accounts and input by employees. It estimates the number of U.S. jobs offshored from March 2000 to June 2004 at 241,000. The tracker is not scientific in its determination of job loss numbers, but it is an attempt to fill the statistical vacuum.²¹

The U.S. Bureau of Labor Statistics (BLS) Mass Layoff Statistics (MLS) program uses states' unemployment insurance databases to determine which establishments have had at least 50 initial claims filed against them during a consecutive five-week period. In January 2004, BLS started asking questions in its MLS surveys which delineated the movement of work offshore. National data collected in the first quarter of 2004 show offshore relocation of work affected 4,633 private sector non-farm workers. Movement of jobs within a company was 2,976; movement to a different company was 1,657.²²

These estimates should be considered to be a minimum at best. They are crude summaries of a minimum number of layoffs and do not capture all layoffs. For example, the data do not include layoffs totaling less than 50 jobs per company in five weeks. And they include reassignments only, not new jobs.²³

Regardless of the numbers, concern and controversy abound. One reason is that the sectors being hit have been the main engine of job growth in most recent recoveries.²⁴ In the current state of jobless or job-loss recovery in the U.S., any shift in employment to other countries is especially noticeable and troubling. And, according to Morgan Stanley chief economist Stephen Roach, global labor arbitrage-finding the cheapest labor in the world-is "a powerful structural depressant on traditional sources of job creation."²⁵

In addition, lessons learned from the offshoring trend of the manufacturing age suggest the situation will get worse before it gets better-if it gets better. Offshoring, primarily to India, accounts for less than 10 percent of the total 2.3 million jobs lost in the U.S. over the past three years but the trend is speeding up. Offshoring to India jumped 60 percent from 2002 to 2003, according to the research magazine *Dataquest*. Approximately 140,000 jobs were offshored to India in 2003.²⁶ And while some analysts feel that at some point overseas costs will rise while U.S. wages, benefits, and living standards will fall to where it might be just as advantageous for employers to keep jobs in the U.S. as to offshore them, no one can say when that might happen or how many jobs would be lost in the meantime.

At least in the short term, both the incidence and rate of offshoring are expected to rise. Nationally, Gartner Inc. estimates that by the end of 2004, one in 10 jobs in U.S. tech companies will move to emerging markets.²⁷ According to a survey of more than 180 companies by DiamondCluster International, Inc., "86 percent of the companies polled expect to send more technology jobs overseas in the next 12 months, compared with 32 percent two years ago."²⁸

The trend is being noticed in academia. Business schools across the country, including those at Dartmouth, Cornell, Stanford and MIT, have started offering courses to students on outsourcing.²⁹

A big unknown is the extent at which the rate of outsourcing will accelerate in the years ahead. Mark Zandi of Economy.com projects that white collar and manufacturing jobs sent offshore will increase from about 300,000 jobs per year today to about 600,000 jobs per year by the end of the decade.³⁰ McKinsey Global Institute predicts that white-collar offshoring will increase at a rate of 30 to 40 percent over the next five years.³¹

In the longer term, Forrester Research, Inc. recently increased its predictions to 3.4 million service jobs and over \$136 billion in wages moving overseas by 2015. Forrester revised its near-term number upwards by 40 percent; the firm now predicts 830,000 jobs will move offshore by 2005. The firm had also previously estimated that by 2015 approximately 1.7 million office jobs and approximately 473,000 computer jobs will move overseas.^{32, 33}

If the Forrester predictions are accurate, total federal, state, and local tax receipts could decline by over \$34 billion nationally.³⁴

OFFSHORING AND NEW JERSEY

Just as is the case at the federal level, data are not kept by the state of New Jersey on the number of jobs sent offshore, nor are companies required to report what they do.

However, there is ample reason to believe that national trends are evident in New Jersey. And there are smatterings of anecdotal reporting:

- A major Indian newspaper, *The Hindu*, wrote that the New Jersey law firm Sills, Cummis, Epstein & Gross is considering outsourcing to India for coding and organizing documents for major litigation cases.³⁵
- The New Jersey legal consulting company Hildebrandt International recently teamed with New York's Office Tiger to send back-office work to India under their new venture, OTH Services.³⁶
- The accounting firm of Dorfman Abrams Music LLC in Fair Lawn has reported that it contracts with a Massachusetts company that uses workers in India to prepare tax returns.³⁷
- KMOX News of St. Louis reported that the U.S. Army has contracted coding jobs to a New Jersey firm that uses workers in India and Pakistan.³⁸
- ClaimPower Inc., a medical-billing service in Fair Lawn, offshores work to India. They employ five people in the U.S. and 35 in Bombay.³⁹
- Andrew Corporation, which has offices in Warren, has sent some patent application work to New Zealand.⁴⁰

- New Jersey's largest law firm, McCarter & English, has been sending coding jobs for trial documents to India, via vendors. The firm has said it has not had any job losses as a result.⁴¹

OCCUPATIONS AT RISK

Some types of jobs obviously are more outsource-able than others, as evidenced by what has occurred so far. For example, Technology Marketing Corporation estimates the U.S. has lost 250,000 call center jobs to India and the Philippines since 2001.⁴² And it is estimated that 10 to 30 percent of medical transcription jobs are currently being outsourced. Among other job categories that could see an increasing amount of U.S. work moved to other countries: accountants and tax professionals, technical writers, legal and investment research and insurance claims processors.⁴³

Two economists at the University of California at Berkeley, Ashok Deo Bardhan and Cynthia A. Kroll, have developed a methodology for exploring the outer limit of potential direct job loss due to offshoring. They use the following criteria to identify potentially vulnerable employment sectors:

- No face-to-face customer service requirement
- High information content
- Work process is telecommutable and Internet-enabled
- High wage differential with similar occupation in destination country
- Low setup barriers
- Low social networking requirement⁴⁴

Using 2001 BLS data, Bardhan and Kroll estimated that 11 percent of U.S. jobs are at risk to outsourcing. These jobs had an average annual salary of \$39,631 in 2001.⁴⁵

Using the same methodology, Kroll conducted a study of jobs in New Jersey for New Jersey Policy Perspective. Using the most recent BLS data-2002-for New Jersey, she found that 492,410 jobs have the potential to be outsourced.^{46, 47} Reflecting that New Jersey is home to a higher concentration of service and information-related jobs than the nation as a whole, this represents 12.2 percent of the approximately 4.04 million jobs in the state currently. In other words, approximately one in eight New Jersey jobs can be said to be potentially vulnerable to offshoring.

Accordingly, the following table using 2002 data shows the percentage of jobs in New Jersey at risk to outsourcing by sector.

New Jersey Jobs at Risk to Outsourcing, by Sector

NJ Sector	Total Employed	Total at Risk	% of Sector
Management	188,600	0	0
Business and Financial Operations	172,430	80,640	46.8
Computer and Mathematical	115,990	115,990	100
Architecture and Engineering	57,800	0	0
Life, Physical, and Social Science	39,300	0	0
Community and Social Services	51,560	0	0
Legal	28,260	5,060	17.9
Education, Training, and Library	241,220	0	0
Arts, Design, Entertainment, Sports, Media	40,510	0	0
Healthcare Practitioners and Technical	176,770	5,320	3.0
Healthcare Support	95,820	2,560	2.7
Protective Service	109,090	0	0
Food Preparation and Serving Related	239,490	0	0
Building and Grounds Cleaning and Maintenance	136,820	0	0
Personal Care and Service	108,780	0	0
Sales and Related	426,310	0	0
Office and Administrative Support	782,940	282,840	36.1
Farming, Fishing, and Forestry	4,870	0	0
Construction and Extraction	144,140	0	0
Installation, Maintenance, and Repair	139,200	0	0
Production	230,950	0	0
Transportation and Material Moving	325,780	0	0
All Sectors in New Jersey	3,856,640	492,410	12.77

Sources: Kroll, Cynthia. University of California, Berkeley, Institute of Business and Economic Research, Fisher Center for Real Estate & Urban Economics. 2004 and U.S. Department of Labor. Bureau of Labor Statistics. http://www.stats.bls.gov/oes/2002/oes_nj.htm

This is an estimate of jobs that are at risk to outsourcing. It is highly unlikely that all jobs in computers and math in New Jersey will be outsourced. However, all jobs in this sector are included because they are at risk. Conversely, it is likely that additional jobs will be lost in sectors that are currently reflected at zero risk. For example, architecture and engineering are areas that have been mentioned as outsourceable. But that sector shows none at risk in the previous table.

According to this analysis, 49 job categories (sub-sectors) from the Standard Occupational Classification, as determined by the BLS, could be affected by outsourcing. The specific occupation categories, and what they pay, are listed in the following table.

2002 New Jersey Occupations at Risk to Outsourcing

Occupation (Sub-sector)	Jobs in 2002	Mean Hourly Wage	Mean Annual Wage
Mathematicians	140	\$46.27	\$96,240
Computer and Information Scientists, Research	1,450	\$42.42	\$88,230
Computer Software Engineers, Systems Software	11,130	\$39.51	\$82,170
Management Analysts	14,430	\$39.04	\$81,210
Computer Software Engineers, Applications	16,150	\$38.14	\$79,340
Computer Systems Analysts	16,760	\$36.72	\$76,370
Actuaries	970	\$36.27	\$75,440
Financial Analysts	7,580	\$33.96	\$70,650
Operations Research Analysts	1,750	\$33.65	\$70,000
Network Systems and Data Communications Analysts	4,170	\$32.94	\$68,520
Network and Computer Systems Administrators	7,430	\$32.72	\$68,060
Computer Programmers	27,940	\$32.37	\$67,340
Database Administrators	3,160	\$32.38	\$67,340
Statisticians	680	\$30.95	\$64,380
Budget Analysts	1,490	\$29.31	\$60,970
Insurance Underwriters	5,060	\$29.17	\$60,670
Accountants and Auditors	30,210	\$28.78	\$59,870
Cost Estimators	6,480	\$26.93	\$56,010
Compensation, Benefits, and Job Analysis Specialists	3,420	\$25.30	\$52,620
Credit Analysts	2,040	\$25.08	\$52,170
First-Line Supervisors/Managers of Office and Administrative Support Workers	47,430	\$23.15	\$48,140
Computer Support Specialists	18,420	\$23.10	\$48,060
Claims Adjusters, Examiners, and Investigators	8,200	\$22.42	\$46,620
Mathematical Technicians	**	\$22.30	\$46,390
Radiologic Technologists and Technicians	5,320	\$22.22	\$46,210
Paralegals and Legal Assistants	5,060	\$21.25	\$44,190
Desktop Publishers	1,060	\$19.84	\$41,270
New Jersey Mean Annual Wage for All Occupations in 2002			\$40,520
Production, Planning, and Expediting Clerks	9,410	\$17.69	\$36,790
Tax Preparers	1,730	\$17.41	\$36,210
Computer Operators	6,400	\$17.31	\$36,010
Human Resources Assistants, Except Payroll and Timekeeping	4,660	\$16.94	\$35,240
Brokerage Clerks	5,360	\$16.79	\$34,930
Statistical Assistants	500	\$16.73	\$34,800
Payroll and Timekeeping Clerks	5,020	\$16.39	\$34,090
Insurance Claims and Policy Processing Clerks	8,110	\$16.38	\$34,070
Procurement Clerks	2,190	\$15.84	\$32,940
Bookkeeping, Accounting, and Auditing Clerks	60,880	\$15.78	\$32,830
Credit Authorizers, Checkers, and Clerks	2,440	\$15.65	\$32,540
Medical Transcriptionists	2,560	\$15.54	\$32,330
Loan Interviewers and Clerks	4,220	\$15.48	\$32,200
Customer Service Representatives	54,330	\$15.28	\$31,790
Bill and Account Collectors	10,160	\$14.99	\$31,180
Telephone Operators	2,030	\$14.76	\$30,690
Order Clerks	13,010	\$14.67	\$30,520
Billing and Posting Clerks and Machine Operators	17,640	\$14.41	\$29,970
Correspondence Clerks	1,090	\$14.02	\$29,160
Data Entry Keyers	14,090	\$12.48	\$25,970
Switchboard Operators, Including Answering Service	5,610	\$11.58	\$24,090
Interviewers, Except Eligibility and Loan	7,200	\$11.43	\$23,780

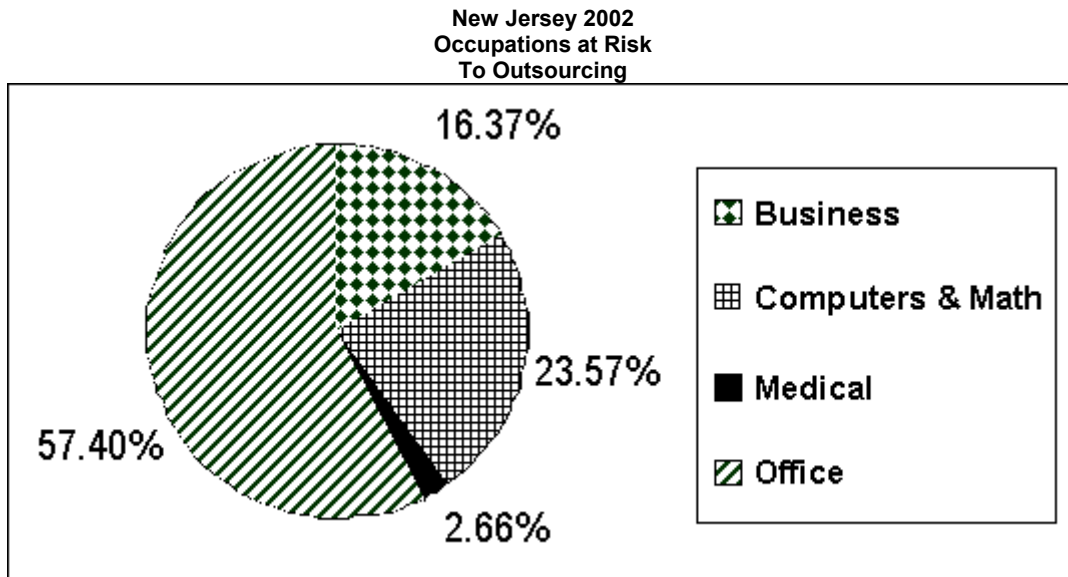
Sources: Kroll, Cynthia. University of California, Berkeley, Institute of Business and Economic Research, Fisher Center for Real Estate & Urban Economics. 2004 and U.S. Department of Labor. Bureau of Labor Statistics.
http://www.stats.bls.gov/oes/2002/oes_nj.htm

* Data for sub-sector occupations does not equal sector totals; sector totals include data for occupations not shown separately. Total used by Kroll for Computers & Math was for the super sector: \$15,990 employed, mean hourly wage \$33.29, average mean wage \$69,250.

** Insufficient data.

Having a good job with good pay is no guarantee of protection from offshoring. In fact, in New Jersey, the wages of workers whose jobs are vulnerable to offshoring are higher on average than the state average for all jobs. The average yearly salary of vulnerable jobs ranges from \$96,240 for a mathematician to \$23,780 for an interviewer. The weighted average annual wage for jobs vulnerable to outsourcing-\$47,389-is higher than the average annual wage of all jobs in New Jersey-\$40,520-using the analysis at the sub-sector level. This appears to contradict the views of some offshoring advocates who say that it is primarily low-wage jobs that will be affected. Jobs that pay more than the state average are: all computer and math occupations, paralegals and legal assistants, radiologic technologists and technicians, claims adjusters, examiners and investigators, cost estimators, compensation, benefits, and job analysis specialists, management analysts, accountants and auditors, budget analysts, credit analysts, financial analysts, insurance underwriters, first-line supervisors/managers of office and administrative support workers and desktop publishers.

The following pie chart shows the four areas at risk in New Jersey as determined by Kroll.



Sources: Kroll, Cynthia. University of California, Berkeley, Institute of Business and Economic Research, Fisher Center for Real Estate & Urban Economics. 2004 and U.S. Department of Labor. Bureau of Labor Statistics.
http://www.stats.bls.gov/oes/2002/oes_nj.htm

Kroll also analyzed BLS data for the seven Primary Metropolitan Statistical Areas (PMSA) in New Jersey and the percentage of jobs at risk in them. Because data for some employment sectors in some PMSAs were unavailable, these estimates must be considered to be on the low side.⁴⁸

New Jersey Occupations at Risk, by PMSA

PMSA	Employment	Total at Risk	Business	Computers and Math	Medical	Office
Newark, NJ PMSA	958,260	12.44%	2.24%	2.78%	0.33%	7.10%
Bergen-Passaic, NJ PMSA	633,720	13.06%	1.86%	2.99%	0.25%	7.96%
Middlesex-Somerset-Hunterdon, NJ PMSA	626,810	13.95%	1.33%	4.89%	0.28%	7.45%
Monmouth-Ocean, NJ PMSA	388,640	9.81%	1.65%	2.10%	0.18%	5.88%
Jersey City, NJ PMSA	244,070	14.18%	1.64%	3.18%	0.29%	9.07%
Trenton, NJ PMSA	207,510	15.07%	2.12%	4.43%	0.62%	7.90%
Atlantic-Cape May, NJ PMSA	183,690	7.12%	0.68%	1.35%	0.28%	4.81%
Vineland-Millville-Bridgeton, NJ PMSA	59,030	5.98%	0.61%	0.58%	0.08%	4.71%

Sources: Kroll, Cynthia. University of California, Berkeley, Institute of Business and Economic Research, Fisher Center for Real Estate & Urban Economics. 2004 and U.S. Department of Labor. Bureau of Labor Statistics.
<http://www.stats.bls.gov/oes/2002/oesrcma.htm#N>

COMPANIES THAT PROVIDE OFFSHORING SERVICES

Some interesting anecdotal evidence of the rise in offshoring-and its impact in New Jersey-is the presence of companies in the state whose business is to facilitate offshoring. Three such companies are Cognizant Technology Solutions in Teaneck, EPAM, in Lawrence Township, and Intelligroup, Inc. in Edison. These companies compete with India-based Wipro and Infosys, two large firms offering offshoring services.

Cognizant Technology Solutions provides various management and technology services. Cognizant reported that it grew by 60 percent in 2003 and had \$368.2 million in revenues. For 2004, Cognizant has projected growth of another 41 percent, with revenues reaching \$520 million.⁴⁹ By the end of 2004, it expects to add 4,000 employees to make the total number of employees 14,000. Two-thirds of its staff is based at 10 development centers in India.⁵⁰ It also has a development center in Ireland⁵¹, and planned to open an office in Shanghai, China with 70-to-100 IT employees in the summer of 2004⁵² and is considering expanding into Japan.⁵³

EPAM employs about 50 persons in Lawrence among its 600 global staff. The firm provides offshore software development and software services outsourcing. EPAM also has offices in Minneapolis, Hungary, Russia, and Belarus. EPAM, which recently merged with Fathom Technology, a Hungarian-based software engineering firm, expects to grow by 1,000 employees around the world by the end of 2004. It predicts the Lawrence operation will add one worker for every 10 hired abroad. EPAM also is considering new locations on the West Coast and in Europe.⁵⁴

Intelligroup, Inc. is a global provider of strategic IT outsourcing. The firm has India-based offshore services. Intelligroup has 1,400 worldwide employees and \$118.6 million in net revenues for 2003.⁵⁵

EFFECT ON NEW JERSEY'S ECONOMY

The full impact of job loss on an economy goes deeper than simply subtracting the salaries of workers laid off or figuring out how much less they might be making at their new jobs. Beyond the immediate negative impact on the unemployed and their families, dislocations can cause a significant ripple effect. This effect decreases sales and makes vulnerable many kinds of businesses, weakens the local, county and state tax base as sales and income produce less revenue, frays social infrastructure and contributes to higher crime rates.

Depending on the local economy, some of this corrects over time as new businesses emerge. But other negative effects can become a permanent part of the community's social and economic life. This can be witnessed in some of New Jersey's largest cities, which have never fully recovered from loss of their manufacturing base and the jobs it provided.

A recent article in *USA Today* looked at the trauma Reading, Pennsylvania has experienced, noting its transformation from silk stocking capital of the world to textile center to outlet shopping mecca and finally to high tech center where silicon chips and telecommunications equipment were made. Then, in 2003, some 3,000 of the best jobs in Reading disappeared as Agere Systems moved its production of communications components overseas. In nearby Muhlenberg Township, where Agere's plant had been, the average annual salary has dropped from \$42,000 to \$31,000 during the past two years.⁵⁶

During the last 20 years, New Jersey lost manufacturing jobs at a faster rate than the rest of the nation. Manufacturing now constitutes a smaller share of the state's gross product and provides a lower percentage of employment than it does nationally. New Jersey's overall economy has for the most part made a highly successful transition from manufacturing to services. Economists Joseph Seneca and James Hughes of Rutgers University recently observed at a state Senate budget committee hearing that the earlier decline in manufacturing jobs and the sector's smaller size relative to the state's total gross state product has helped New Jersey weather the latest recession better than other states that did not make the transition.⁵⁷

But as offshoring increases, the same jobs that made New Jersey less vulnerable to problems affecting the manufacturing sector now are among those most susceptible to going overseas. And since the most vulnerable jobs include some that pay relatively well, the potential savings to employers make them an especially tempting target. If the potential outer limit of jobs vulnerable to offshoring determined by Kroll were reached, the total gross wage loss in New Jersey would be \$23.3 billion. That is almost 12 percent of New Jersey's 2002 taxable income. Granted, wage loss would not likely reach this figure. But any significant reduction in wages would send shock waves through the economy. There would be revenue losses to the federal and state governments-potentially in such areas as income taxes, sales taxes, gas taxes and car registrations. Mortgage foreclosures could result in a drop in property tax receipts. And while some workers eventually would find other employment in the state-albeit in many cases at lower pay-it can be assumed that some proportion would leave New Jersey entirely.

So, while it is impossible to assign a credible dollar figure to New Jersey's economic loss if offshoring reached its full potential, it is clear that the toll would be considerable. And any recovery would be mitigated by the inability of some to return to their previous earnings level and the time it would take to transition to new jobs.

The standard case for free trade argues that the economic loss is less than might seem apparent because countries are actually better off when they shed jobs in sectors where they lack a competitive advantage. Allowing countries to specialize in what they do best increases productivity across all countries, the argument goes. The basis for this is the belief that specialization translates into cheaper goods and a greater variety of them for all consumers.⁵⁸

For example, producing personal computers overseas for less than they could be made in the U.S. might take jobs away from Americans, but has made PCs more available to the general public throughout the world. In turn, cheaper computers bring increased demand for computer supplies, classes and increasingly new and more powerful computers. But the demand for the cheapest products and services comes with costs.

Those costs began to be clearly seen during the heightened movement of manufacturers from the old industrial states in the North for warmer, often union-free states in the South and West. The impact on people and communities as plants were closed and not replaced led to the term "deindustrialization."

The literature on deindustrialization sometimes characterizes these plant closings as "social violence" because of the damage inflicted on the lives of workers and the fabric of the community. According to political economist Barry Bluestone, who has written widely on the subject, this damage is seldom measured and is not even well documented; it tends to be submerged in Gross National Product figures and disguised by impersonal unemployment rates.⁵⁹

Some of the damage from deindustrialization was reported by the Federal Trade Commission when it looked back on plant closings in the U.S. that took place in the 1960s. Among the findings:

- 23 percent of Mack Truck's 2,700 employees in Plainfield, New Jersey were without jobs well after unemployment benefits were exhausted
- On the whole, new jobs paid less than the old ones and were less satisfying
- Many displaced workers lost their built-up pension rights

- Victims of plant closings often suffered total depletion of family savings and assets and even mortgage foreclosure and reliance on public welfare
- The trauma caused a range of physical and mental health problems⁶⁰

COUNTERING THE BUSINESS VIEW

Those who engage in offshoring often cast the practice in terms of its benefits to the U.S. economy. A report by Global Insight Inc., commissioned by the Information Technology Association of America, for example, cites jobs created in the U.S. as a result of offshoring as a reason why simply counting the number of jobs sent overseas overstates the potential negative impact on U.S. workers.⁶¹ But there is strong evidence that some of these domestic jobs are really "onshore offshoring," in that the workers are holders of H-1B visas brought from other countries, paid less than U.S. workers, and often sent back home when their services are no longer needed.⁶²

There are those who assert that, over the long term, the money they save from outsourcing could allow U.S. companies to increase their competitiveness, enabling them to then create higher value-added jobs in the U.S. One such claim argues that although 70,000 U.S. computer programmers lost their jobs between 1999 and 2003, more than 115,000 computer software engineers found higher-paying jobs during the same period. Such upward economic migration has happened in Silicon Valley before—when jobs in the disk-drive sector left, only to be replaced by semiconductor jobs, which, in turn, gave way to software jobs.⁶³

In general, though, supporters of this view lack hard evidence of where new jobs are being, or will be, created. And, indeed, from 2000 to 2003, unemployment in Silicon Valley rose from 1.8 percent to almost 8 percent; and approximately 25 percent of commercial property is vacant.⁶⁴ On a larger scale, Dale Anne Reiss, global director of real estate at Ernst & Young, calculated that demand for about 50 million square feet of U.S. office space will be lost per year as jobs move overseas.⁶⁵

McKinsey Global Institute has estimated that for every dollar spent on outsourcing to India, the U.S. reaps between \$1.12 and \$1.14 in benefits. This is based on a scenario where U.S. firms save money and become more profitable, ultimately benefiting shareholders and increasing returns on investment. However, this study assumes that displaced service workers will be as successful in finding new jobs as they were in the past, when the service sector was largely protected from global competition.⁶⁶ In addition, there is the argument that the process of offshoring boosts demand for such U.S.-made products as computers and telecommunications equipment, without which offshoring could not take place. Growing prosperity overseas will translate to more U.S. exports.⁶⁷

These arguments, however, tend to gloss over the fact that whatever overall gains come to an economy from offshoring and other cost-cutting practices, they clearly do not reach everyone. There are many places in the U.S. that have recovered only partially—or not at all—from the previous loss of manufacturing jobs. There is also no reason to believe that, even with their skills and education, those who lose out in the current round of economic dislocation are better equipped to survive than manufacturing workers were. As Robert Scott of the Economic Policy Institute has put it, "the benefits are very concentrated, and the costs spread throughout the economy."⁶⁸

And as businesses compete globally to pay the lowest wages, the purchasing power of those employed and of the newly unemployed drops. Businesses portray offshoring as being good for consumers but consumers need to earn a wage that allows them to have disposable income before they can buy what businesses are selling. Since offshoring can have a negative impact on wages in the U.S., the business claim that offshoring is good for consumers is hard to defend. And purchasing power is even less in many of the countries where the jobs are being offshored.

Even if the jobs lost to offshoring are one day recovered, many individuals, families and communities will suffer in the meantime. Wage and benefits levels will have declined. And there might not be a base of knowledgeable workers in a particular field for the employer to come back too. There is a psychological toll as well, as the loss of these skilled technical jobs erodes the belief that education holds the key to success.

ROLE OF PUBLIC POLICY

Over the years, the U.S. has responded to the need for government to set rules for the marketplace to foster competition among businesses along with a rising standard of living. Similarly, government has a role to play in offshoring. If jobs lost were being replaced by jobs offering the same level of wages and benefits,

offshoring would be less of an issue. After all, jobs have been created and destroyed throughout history as technology changes; the key has been the ability of working people to continue making progress.

In the twenty-first century, the impact of offshoring threatens that progress. This is especially so when viewed in the larger context of an overall economy marked by growing income disparity, declines in real wages, the increasing number of working families without health insurance and other factors eroding security. Due to the coupling of the Internet and offshoring, the speed at which service jobs can be sent overseas and workers displaced is unprecedented and has dramatic implications.⁶⁹

For all of these reasons it is clear there must be a substantive public policy role to deal with the problems caused by offshoring. The worker-employer playing field is not level enough to provide solutions without an active role by both state and federal governments. And government has the duty to do so. There are a number of areas where government needs to get involved.

1. Good Jobs - Good Pay

CEO pay is at a record multiple of pay for line workers and companies hollow themselves out to improve profits and dividends, while middle-income people find themselves struggling to pay their mortgages and their children's college tuition. This is not an economy promising a rising standard of living to all.

One obvious remedial step would be for the federal government to repeal tax cuts for the rich. As John Kenneth Galbraith has observed of the current situation, "The needful are denied the money they will surely spend; the affluent are accorded the income they will almost certainly save."⁷⁰

This would reverse the current trend of de-funding government and allow for the public sector investments in education, infrastructure and research and development that have been the underpinnings of prosperity for decades.

This would also help to reduce the income polarization that threatens society's well being. In New Jersey, for example, the economic growth of the 1980s and 1990s was not shared equally among the poor, the middle class and the rich. Between the late 1970s and the late 1990s, the average income of the poorest fifth of New Jersey families grew by 19 percent but it grew by 30 percent for the middle fifth of families and by 64 percent for the richest fifth of families. The average income of the poorest families increased from \$15,880 to \$18,950; for middle-income families it increased from \$49,600 to \$64,600 and for the richest fifth of families it increased from \$111,190 to \$182,670.⁷¹

In the 1970s, the richest five percent of families in New Jersey had average incomes that were seven times as large as the poorest 20 percent of families. By the late 1990s, this ratio was almost 10 times as large. And the gap between the middle class and the richest class also increased during that time. During this time, only 11 other states experienced a greater growth in income inequality between poor and rich than New Jersey did and only eight states experienced a greater growth in inequality between middle class and rich.⁷²

According to CIBC World Markets, the average wage in U.S. sectors that have gained jobs over the past three years was 30 percent lower than the average wage in industries that lost jobs.⁷³ And the "global reserve army of the unemployed" will keep wages down.⁷⁴

Part of the challenge of rebuilding the American middle class is to turn new jobs into well-paying jobs. One way to address this would be to replace the minimum wage, currently \$5.15 per hour in New Jersey and at the federal level, with a living wage, which has been estimated to be \$12.75 per hour for New Jersey.⁷⁵

Another way to make wages reasonable would be to enforce the Wagner Act, which allows American workers to determine if they want to be in unions. In a 2003 study by the Economic Policy Institute, researchers found that unions raise wages of unionized workers by approximately 20 percent and boost total compensation-wages and benefits-by approximately 28 percent. Unions also set a pay standard that non-union employers follow.⁷⁶ Strong unions enabled factory workers to earn better wages over the years and there is potential for service workers to get the same help. In Las Vegas, for example, hotel and restaurant employees represented by unions are provided with middle-class salaries, health benefits and career opportunities. Also, wage competition would be less of an issue if overseas workers in industries where offshoring is taking place had the right to unionize.⁷⁷ And, as economist Robert Kuttner has stated,

"Unless wages rise in the Third World, global wages will tend to converge downward and American wages will move in the direction of Mexican and Indian wages."⁷⁸

Some analysts have already noticed a decrease in IT wages due to offshoring.⁷⁹ Also, as offshoring might reduce the number of employees a company has, per employee premiums for health benefits can increase. And retirement benefits might decrease because they are calculated based on average compensation of all employees. Work force reduction affects these equations.⁸⁰

2. Give Consumers Choices

Currently, people who call an airlines' reservation service or government hotline have no way of knowing where their calls are being answered. There is reason to believe that, at least in some cases, if they knew the calls were going overseas they would register displeasure with the company doing the offshoring. With that in mind there have been legislative measures advanced that require disclosure. Some proposals include a requirement that the person on the other end of the phone must, upon request, say where he or she is located. Others mandate the disclosure whether or not it is requested.

Privacy is a similar issue. Many U.S. consumers have no idea that their Social Security number, tax returns or medical records have been sent overseas for processing. Issues of privacy and data security in India and Pakistan have already arisen. As with call center origination, it is likely that many would not accept this threat to their privacy. Some proposed legislative responses to this would require written or verbal consent before an overseas operation can receive an individual's confidential financial or health information.

In the European Union, privacy laws afford greater protection than in the U.S. Personal information can be sent offshore only to countries that have privacy laws that are equivalent to that of the EU and are enforceable. Most countries do not meet these strict guidelines, resulting in much slower out-migration of jobs in the EU to other countries.⁸¹ Some U.S. firms worry that the European Commission may stop companies from transferring European data to the U.S. unless the U.S. adopts stricter rules on consumer consent.⁸²

On the federal level, Rep. Edward Markey of Massachusetts is sponsoring a bill that would require companies to notify consumers before sending personal information out of the U.S. Also, Senators Bill Nelson of Florida and Dianne Feinstein of California have submitted a bill on protecting consumers' privacy in dealing with financial and medical records.

In New Jersey, legislation has been introduced that addresses call center origination and privacy. S-370, sponsored by State Senators Shirley K. Turner and Anthony R. Bucco and A-840, sponsored by Assemblywoman Linda R. Greenstein, provide for regulation of certain call centers by the state Division of Consumer Affairs. These bills specify that employees of inbound call centers, when responding to a phone call or e-mail message, must identify himself or herself, as well as the employer, location and, if applicable, the name and phone number of a customer service representative. In addition to these measures, S-370 bars these employees from soliciting any personal information by phone or e-mail unless first stating that disclosing the information is optional and then receiving consent. Also, this bill provides that calls to the center would have to be re-routed to a U.S. location if requested by the caller. A-840 specifies that an inbound call center is an operation doing business with New Jersey or a subcontractor while S-370 does not have these details in its definition.

3. Control State & Federal Contract Expenditures

Measures introduced in Congress include restricting federal contract work being performed overseas, prohibiting the offshoring of state contracts that involve federal funds, tax incentives for creation of manufacturing jobs in the U.S. and visa restrictions.

A recent report by Good Jobs First noted that offshoring exists at the state government level in virtually all states and that 18 firms have captured at least \$75 million worth of state contract work.⁸³ As of June 2004, bills and amendments had been introduced in 37 state legislatures on the issue of global outsourcing. Three states, Alabama, Indiana, and Tennessee, have passed laws regarding outsourcing. Many state measures are aimed at prohibiting or restricting the awarding of state government contracts to vendors that send jobs offshore. Gov. Jennifer M. Granholm of Michigan, for example, signed an executive order in March prohibiting the state from contracting with companies that offshore. It also requires that before being awarded a contract, vendors must disclose to the state information about where work will be done.⁸⁴

Some states have taken this a step farther by attempting to encourage employers in the public and private sectors to hire only state residents or by stating a preference for goods produced in the state. Other measures would penalize companies whose offshoring has cost a certain number of jobs and some propose incentives or preferences for companies that refrain from offshoring.

In addition, governors from Iowa, Minnesota, Missouri, and Pennsylvania have refused to sign a pending trade deal that would bar preference for local businesses.⁸⁵

In New Jersey, S-494, sponsored by Senator Turner and State Sen. Joseph Coniglio, requires that every state contract include a provision requiring only U.S. citizens and persons authorized to work in the U.S. to be employed under the contract. Senator Turner has said she wants the state, when pursuing contracts with companies that offshore, to be up front about the costs and benefits of those decisions and would require New Jersey to calculate the "net costs" of outsourcing. She believes that government savings should be compared to the social costs for dealing with those unemployed because of offshoring and other problems faced by those who bear the brunt of decisions made by someone else.⁸⁶

It is unclear whether many of the legislative proposals will be adopted and implemented. Some states have already determined that, due to budget constraints, they will not bar state contract recipients from going offshore. And, a report by the National Foundation for American Policy highlights the potential legal and constitutional challenges that could face many of the measures.⁸⁷ However, other legal experts believe that these state proposals do not violate the Constitution.^{88, 89}

4. Minimize Effects of Job Loss

Reinstate Temporary Extended Unemployment Compensation (TEUC)

TEUC is a program that provides extra weeks of federally funded unemployment benefits to unemployed workers who have exhausted all of the regular unemployment benefits for which they are eligible.⁹⁰

Under this program, each weekly payment is the same as the most recent claim for regular state unemployment benefits. Approved candidates can receive up to 13 weeks of TEUC and if they are in a particularly hard-hit state, they may be eligible for an extended benefit period of an additional 13 weeks.⁹¹

In New Jersey for 2003, federal TEUC benefits⁹² amounted to more than \$627.4 million and 196,600 individuals received at least one week of TEUC benefits. Unfortunately, Congress did not act by the December 2003 deadline to renew this program and payout of benefits ended April 3, 2004.⁹⁴

Expand Trade Adjustment Assistance (TAA)

This program was devised under the Federal Trade Act to support workers whose jobs are affected by increased foreign imports and who have exhausted unemployment compensation. The program includes those affected by NAFTA who were laid off or had hours reduced because their employer was adversely affected by increased imports from Mexico or Canada or because their employer shifted production to Mexico or Canada.

Under TAA, qualified persons may receive:

- 52 weeks of compensation at the unemployment insurance rate
- 26 additional weeks of income support through Trade Readjustment Allowances when the person is enrolled in training
- Basic re-employment services
- Job search allowances
- Training services
- Limited health insurance coverage assistance via a tax credit⁹⁵

To qualify, a petition must be completed and filed with state and federal agencies.⁹⁶ Currently, the U.S. Department of Labor routinely denies petitions from service and other non-manufacturing industries.⁹⁷

This program has problems, even for the manufacturing sector. The tax credit given for health coverage is insufficient for most to be able to afford the premiums. As a result, only five percent of eligible employees have used this credit nationally. The federal budget proposed for Fiscal Year 2005 would keep funding for training the same as the previous year even as states are depleting the funding before all needs are met.⁹⁸

In New Jersey in 2003, TAA benefits, known as Trade Readjustment Allowances (TRA), paid by the federal government exceeded \$5.4 million. Approximately 1,600 individuals received at least one week of TRA.⁹⁹

Establish Supplemental Insurance and Subsidies

Lori G. Kletzer of the Institute for International Economics and Robert E. Litan of The Brookings Institution proposed that two programs be developed as a better option than TAA—one for wage insurance and another for healthcare subsidies. In 2001, when these were proposed, the authors made the prophetic announcement that, "no American president will be successful in persuading Congress and the American people to accept further trade liberalization until additional measures, aimed specifically at easing the pain of worker dislocations and encouraging rapid reemployment, are embraced by federal policymakers."¹⁰⁰

Under the programs Kletzer and Litan proposed, displaced workers would have to have been in their previous job for at least two years and must have suffered an earnings loss. Eligible workers would receive some fraction of their wage loss, which could vary by age and tenure, for up to two years after the initial date of job loss, but would begin to be paid when workers found a new job. State unemployment offices would administer payments. An annual cap could be instated. All full-time displaced workers would receive a healthcare insurance subsidy for up to six months or until they found a new job. Workers could be limited to receiving the subsidy no more frequently than once during any three-to-four year period.¹⁰¹

The need for a wage insurance program is supported by an important finding of the Displaced Worker Summary, a federal survey taken by the Employment and Training Administration of the U.S. Department of Labor. The most recent survey found that just over half of long-tenured (three years or more) workers displaced from full-time wage and salary jobs who were reemployed in similar jobs had earnings below those of their last job. About three in 10 experienced earnings losses of 20 percent or more.¹⁰² And a recent study by Kletzer found that "among the re-employed, high import-competing displaced workers have large average earnings losses, about 13 percent at the mean."¹⁰³

Incidentally, funding has since been cut for this survey and no future surveys are expected. The last summary was released in August 2002 and covered 1999-2001.¹⁰⁴ This supplemental survey should be funded during this jobless recovery.

Applying Kletzer and Litan's ideas to offshoring, McKinsey Global Institute estimates that if four to five percent of the savings companies realized from offshoring were used for such purposes, they could provide wage insurance to all full-time workers who lost jobs as a result. The program would compensate those workers for 70 percent of the wages they lost from the time they were laid off to the time they were reemployed, and offer health care subsidies for up to two years.¹⁰⁵ And, according to a recent CNET/Harris poll, 40 percent of U.S. technology executives surveyed would be willing to pay higher taxes to compensate for jobs they send offshore.¹⁰⁶

Expand Dislocated Worker Assistance

The federal Workforce Investment Act Dislocated Workers Assistance program provides skills training and job placement services to workers who have been laid off. But it has not kept up with demand for services. The proposed federal budget for Fiscal Year 2005 would cut \$79 million in formula grants to states, a seven percent decline from 2004. These cuts occur when long-term unemployment is at the highest level in 20 years.¹⁰⁷ In 2003, 10,059 workers participated in the Workforce Investment Act Dislocated Workers program in New Jersey. Federal funding was \$47.2 million.¹⁰⁸

The state-funded version of this program is called the Workforce Development Partnership Program - individual training grants for displaced workers in New Jersey. It served 4,452 workers with \$11.1 million state dollars obligated in 2003 and the expectation is that all of this will be spent.¹⁰⁹

5. Focus and Increase Training and Education

Economic change favors workers with education and skills. For example, only three percent of college graduates are jobless, compared with 5.5 percent of high school graduates and 8.5 percent of those who did not finish high school.¹¹⁰ One problem today is there is no clear path for people seeking skills and job security to follow. Many of the jobs now lost to overseas workers are in fields where the former jobholders thought they were acquiring the knowledge and expertise that would protect them from the earlier fate of manufacturing workers.

To address this, the U.S. must live up to its commitment to provide a world-class education system at all levels. In addition to the level of education attained, the type of training is also critical in re-employment. Fast-track training, short programs aimed at specific jobs, is the newest trend in job training. Time and again we hear that proper training is the solution to job displacement. But which occupations will be in demand and stand the tests of offshoring?

According to economists at BLS, employment in professional and related occupations is expected to increase the fastest and add the most jobs (6.5 million) from 2002 to 2012.

US Projected Growth 2002-2012: Professional and Related Occupations

	% Growth	Growth
Computer and math	34.8	1,051,000
Community and social service	26.2	574,000
Healthcare practitioners and technical	26.0	1,708,000
Education, training, and library	24.7	2,109,000
Life, physical, and social science	17.2	212,000
Arts, design, entertainment, sports, and media	16.5	393,000
Legal	16.2	190,000
Architecture and engineering	8.6	222,000

Source: Hecker, Daniel E. "Occupational employment projections to 2012." Monthly Labor Review. February 2004.

Also according to BLS economists, employment in service occupations is expected to increase by 5.3 million from 2002 to 2012.

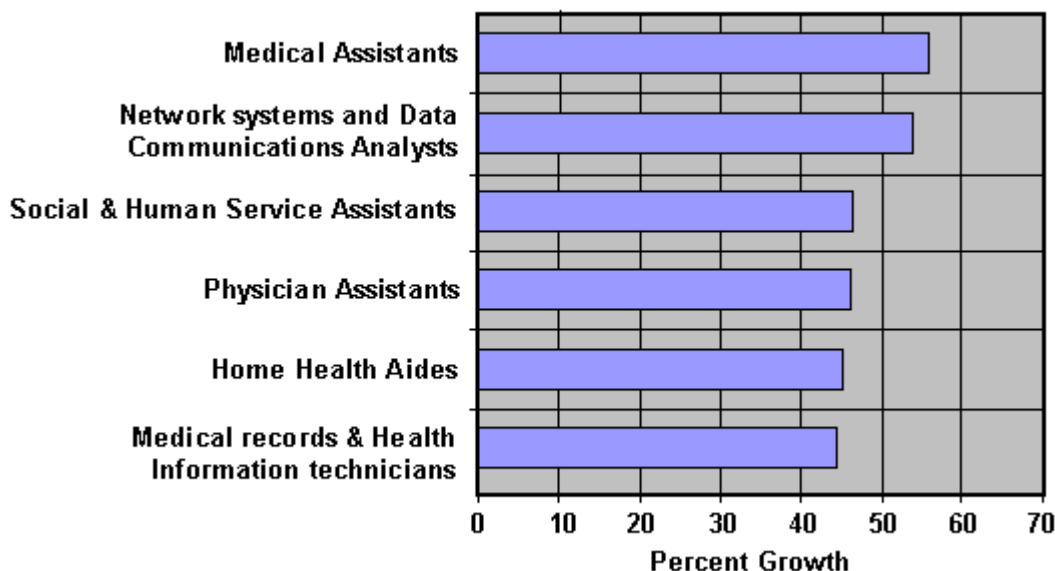
US Projected Growth 2002-2012: Service Occupations

	% Growth	Growth
Healthcare support	34.5	1,143,000
Protective service	24.7	769,000
Personal care and service	20.6	917,000
Building and grounds cleaning/maintenance	16.4	901,000
Food preparation and serving related	15.8	1,607,000

Source: Hecker, Daniel E. "Occupational employment projections to 2012." Monthly Labor Review. February 2004.

As the next table shows, four of the half-dozen fastest growing occupations in the U.S., as measured by percent change in employment through 2012, will be in health-related fields. Among the 30 fastest growing occupations, 15 will be in the health field, seven will be computer-related, three will be environment-related and three will be in teaching.¹¹¹

Fastest Growing Occupations, 2002-12



Source: U.S. Department of Labor. Bureau of Labor Statistics <http://www.bls.gov/opub/ted/2004/feb/wk2/art04.htm>

In April 2004, the New Jersey Department of Labor (NJDOL) began posting Quarterly Workforce Indicators data on the U.S. Census Bureau Local Employment Dynamics (LED) web site. The NJDOL/U.S. Census Bureau partnership provides data at the county and sub-county level and has information on employment for workers in different industries and different age and gender groups together with earnings. This information can be used by local decision-makers, employers and job-seekers to analyze where jobs are being created and destroyed, for what type of workers, the extent of turnover and trends, and how much employees can expect to make. This county and sub-county breakdown might be especially valuable in the current dynamic labor market. This data can be found at <http://lehd.dsd.census.gov/led/01/004/index.html>.¹¹²

6. Require Reporting

Vast improvement in data collection is necessary to grasp the magnitude of offshoring. It is apparent that no one really knows how many jobs are being sent overseas or what will be the long-term impact. Obviously, individual companies know which positions they are offshoring. And it is reasonable to expect that they have a general sense of what their competitors are doing. But they aren't telling and aren't required to.

In this period of heated political debate, data on which companies are offshoring and how many jobs are going overseas seems even less likely to come to light. Companies will be less transparent, not more. To counter this, the federal government must insist that specific data on these job movements be more accurately tracked by requiring companies to submit this information to their state Department of Labor which would share this information with the federal Department of Labor. Besides quantifying the situation, this information could be useful for state budget decisions on issues ranging from corporate business taxes to job training.

Some measures along these lines have been advanced. Legislation was introduced in the U.S. Senate in February 2004 that would require companies to file disclosures when they send jobs overseas.¹¹³ And the General Accounting Office is in the process of internal planning to determine a range of outsourcing topics on which it will conduct research. A work plan is expected this year.¹¹⁴

Another potential avenue for enhanced disclosure would be for the federal government to require that companies list jobs sent offshore in the Form 10-K annual report to the Securities and Exchange Commission. Most publicly traded companies are required to file this report on their business and financial condition. Upon request, shareholders must be given a copy of a company's 10-K as well.

In New Jersey, Assembly Resolution 184, sponsored by Assemblymen Jeff Van Drew and Thomas V. Egan, proposes creation of a commission to study the loss of New Jersey jobs from outsourcing and offshoring. The goal of the commission would be to study ways to reduce outsourcing and offshoring, determine which employment sectors are most affected, identify where the state can intervene, and provide recommendations to insure outsourcing and offshoring does not have a detrimental effect on employers and employees in New Jersey.

CONCLUSION

Offshoring exists in New Jersey and the potential number of jobs vulnerable to offshoring is substantial. People are losing and will continue to lose their jobs to workers in other countries. And if the offshoring of information technology and service jobs follows the trends of the manufacturing jobs exodus, many more New Jerseyans are likely to be affected. This shift in employment will have definite effects on the New Jersey economy in both the short and long terms.

Offshoring as a way for employers to maximize profits will persist and grow in the immediate future. Businesses will continue to strive to decrease costs and increase profits.

Now is the time to take action. It is not enough to say that the market will take care of itself. People affected by offshoring will not go through this transition unscathed. The offshoring practice calls for government action as part of the overall need to create an economy with benefits attainable by all.

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