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Work force paying price of offshoring

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DALLAS, Texas (KRT) - American workers are encountering a harsh truth about how they earn a living: Old expectations about safe careers, the best opportunities and steadily rising incomes are being shaken as never before.

For the first time, a growing number of middle-tier service jobs - software engineers, financial analysts and the like - are moving offshore or paying a lot less than they once did.

This globalizing of the world's work force - still in its early stages - has allowed American employers to drastically lower labor costs, giving them more flexibility and choices in hiring. Feeling the pain are American workers, who face a much more brutally competitive job market, stagnant or declining pay in many cases and widening income inequality, experts say.

For now, the number of lost U.S. jobs represents a fraction of the overall labor force - about 2.5 percent. But many labor experts predict that offshoring will grow rapidly, becoming a permanent way for companies to do business.

With an expanding array of jobs vulnerable to being moved offshore, many Americans will migrate to such fields as health care and education, which require face-to-face contact, the experts predict.

"We live in a service economy. What's changing is the mix of services," says Richard Judy, chairman of Workforce Associates, an Indianapolis consulting firm that specializes in worker retraining programs.

To be sure, the destruction of old industries and the creation of new ones is a pattern often repeated in U.S. history. Indeed, the American economy's ability to regenerate itself - from agriculture to smokestack industries, and then on to high technology - has made it the envy of the world.

But the long-term economic payoff from these shifts can seem elusive to Americans buffeted by offshoring and the other forces shaping a new U.S. work force: Cash-strapped companies sent productivity to record levels in recent years by keeping hiring to a minimum. Those levels are expected to drop as the economy strengthens, and companies begin to add workers again.

"We will see a return to more reasonable levels of productivity," says Catherine Mann, senior fellow at the Institute for International Economics.

(SUBHED) Profits vs. people

But companies also emerge from the downturn having learned how to stay lean.

Automation isn't just allowing individuals to do more work than they once did, it's eliminating the need for many of those individuals in the first place. Technology is wiping out whole categories of lower-wage jobs such as supermarket cashiers, airport ticket agents and bank tellers.

The movement of U.S. jobs overseas, which began with smokestack industries and then spread to low-end service fields such as call centers, is now affecting middle-class jobs in Web development and design, pharmaceutical research, tax preparation and patent research.

"This thing is going to take pieces out of all parts of the U.S. wage pyramid rather than just the low end," says Martin

Kenney, senior project director of the Berkeley Roundtable on the International Economy.

Raj Asava, senior vice president at the Indian outsourcing firm Satyam Computer Services, put it succinctly during an April presentation at the University of Texas at Dallas: "Nothing is sacred."

The technology research firm Forrester Research has forecast that nearly 10 million U.S. jobs will move offshore between 2003 and 2015. These white-collar jobs will come from many areas, from office and computer work to management, sales and architecture.

And in a recent study, the Fisher Center for Real Estate and Urban Economics at the University of California at Berkeley calculates that 14 million jobs are at risk. Some of these jobs, in fields such as software, technical writing and translation, and financial analysis, pay average annual salaries upwards of \$50,000.

"The developing countries are not satisfied with low-level work," notes Ron Hira, an assistant professor of public policy at the Rochester Institute of Technology. India, China and other countries are building technology parks to attract more research and development work, he says.

Forecasts like these leave many Americans wondering how they're going to earn a living.

(SUBHED) Career shifts coming

As the educational and technological gaps between the United States and India, China and other developing countries narrow, labor market experts say the U.S. work force will be divided into two camps.

At one end will be an abundant supply of low-paying jobs such as teaching and retail sales. These positions require direct personal interaction, not a voice at the other end of the telephone line or an e-mail. Wal-Mart alone will create more than 415,000 jobs in the United States over the next five years.

On the opposite side of the spectrum will be fewer high-paying jobs such as software project managers and information systems security professionals. These jobs involve complex tasks that can't be performed offshore because they often entail handling sensitive information.

This is the type of work that the United States has long excelled at.

"We still have a significant advantage in creativity and innovation," says Phillip Bond, undersecretary of commerce for technology.

In both camps, many jobs are expected to spring from the fields of health care and education.

The Bureau of Labor Statistics estimates that one out of every four jobs created in the United States between 2002 and 2012 will be in health care and social assistance or private educational services. Among the agency's list of the top five occupations with the most job openings: registered nurses and primary, secondary and special education teachers. The five fastest-growing occupations include medical assistants, physician assistants and home health aides.

Already, the nursing shortage is so severe that a few Dallas-Fort Worth hospitals, for example, have started bringing in nurses from the Philippines to help fill the shortfall.

"We cannot have our hospitals keeping beds closed for a lack of staff," says Paulette Standefer, executive vice president of the Dallas-Fort Worth Hospital Council. "We hear about offshoring. This is one area where that will not happen."

The boom in health-care-related jobs will extend far beyond nursing, several futurists predict. Advances in medical science and technology will lead to a slew of yet-unknown occupations devoted to maintaining people's health and enhancing it, they say.

"This trend will be driven by the aging baby boomers," says James Canton, chief executive of the Institute for Global Futures, a business think tank in San Francisco. "They will have the largest concentration of wealth on the planet."

(SUBHED) Surviving the new reality

But talk of future jobs provides little consolation for people adapting to a new reality after their livelihoods head to India. Most eventually land other jobs but often with pay cuts and few or no benefits.

For Michael Melvin and his 23-year-old son, Stephen, working with computers had long seemed the pathway to a more prosperous future, a haven of security in a rapidly changing world. This year, they discovered how wrong they were.

In January, Michael lost his job as a contract worker in software development for J.P. Morgan Chase & Co. The financial services giant replaced him with a worker in India.

"I can't compete with \$700," Michael says, referring to the monthly pay his replacement earns. He is now working on a six-month contract for another bank, MBNA, at about half of his former salary.

Stephen hasn't had it any easier. Fresh out of Penn State with an information technology degree, he has tried for more than a year to land a tech job. He spent the last few months delivering parts for an AutoZone store for \$8.50 an hour.

"It's been brutal," he says.

Lisa Pineau, 47, can sympathize. Her tech job migrated to Canada - a practice known as nearshoring - but the effects have been no less harsh.

Since TIG Insurance Co. moved her job to Toronto in November 2002, the veteran computer programmer hasn't landed another tech position. She's working part-time as a court abstractor. For \$15 an hour, she drives to local courthouses and downloads into her laptop information about liens, tax judgments and other matters. She sends the data to a company that compiles credit reports.

That's down sharply from the \$32 an hour she made at TIG. But it's a step up from the \$10 an hour she was earning in April doing part-time administrative work for the Plano Symphony Orchestra.

Pineau and other workers who have seen their jobs take flight feel their hands are tied. Thanks to the Internet, tumbling telecommunications costs and more open societies in some developing countries, employers can tap into cheap labor markets around the world.

"The transaction costs that have kept labor from being substitutable are dropping," says Sandra Polaski, senior associate of the Carnegie Endowment for International Peace.

In a May policy briefing, she warned of a global oversupply of labor. Even if all U.S. jobs were moved to China, she noted that the Asian giant would still face a labor surplus.

"The imbalance means heightened competition for jobs, downward pressure on wages and growing profits for business," she wrote.

Employers are reaping the dividends.

When Humphreys & Partners Architects needs 3-D, computer-generated drawings of its projects, it turns to a network of firms in Russia, India, Argentina and Uruguay.

The Dallas, Texas, architectural firm pays a fraction of the \$4,000 to \$8,000 it would cost to do the drawings in the United States, says chief executive Mark Humphreys. And the process couldn't be any easier. Humphreys employees e-mail their instructions, photos and hand sketches. The information speeds across the ocean in seconds, and the overseas firms can return renderings in three days vs. the minimum of a week in the United States.

The drawings were so expensive and time-consuming that Humphreys had relied on 2-D renderings and hand sketches. The company's 90 employees were too busy designing new condominium towers, apartment buildings and homes to waste precious days making the drawings.

"To us, that's not architecture," Humphreys says. "A lot of these companies are on the other side of the world, but they are only a click away. I was surprised they had the same capabilities that we did."

And the business relationship has evolved. Humphreys has swapped news stories and family photos with a Russian woman at one of the firms in Moscow.

"We don't feel we are taking away U.S. jobs," he says. "We feel we are good American ambassadors."

The architectural firm is now planning to hire one or two individuals in Dallas to coordinate all the work done abroad.

The global competition for jobs is likely to be offset to some degree when millions of baby boomers start retiring in several years. The oldest boomers will turn 65 in 2011.

Some labor market experts and futurists are warning of looming shortages of educated workers in fields such as advanced manufacturing and life sciences. By 2020, the shortfall for these types of workers could total more than 14 million, according to a report from the Educational Testing Service, a nonprofit firm.

"Companies are not going to be able to get the talent they need to fill jobs," predicts Canton of the Institute for Global Futures. "People are not getting the high tech education they need to be successful in their jobs. This is a work force crisis in the waiting."

For now, though, many workers are more worried about the near future. Several economists and futurists expect offshoring will lead to lower salaries in low- and middle-tier service jobs.

"There is no doubt that there will increasingly be pressure on income," says Ed Barlow, founder of Creating the Future Inc., a futurist consulting firm in St. Joseph, Mich.

During the last year, David Foote, president and chief research officer of Foote Partners LLC, which tracks information technology compensation, has noticed that offshoring has resulted in lower pay for some positions.

"We have a situation where we have a lot of skills here ... but because companies were offshoring, it was lowering salaries in this country," he says.

The downward pressure on wages threatens to widen the salary gap between those at the highest and the lowest ends of the pay scale, labor market experts say.

"The top people - the most skilled people, the most educated - will do really well," says Clyde Prestowitz, president of the Economic Strategy Institute, a nonpartisan public policy research organization.

"The least educated fall further behind."

Then there are those caught in the middle. Every morning, veteran programmer analyst Jeraldean Evans rolls out of bed, gets dressed and heads to a converted office in a 6-foot-wide shed in her back yard.

Evans, 58, spends her days working on software programs for a southern California tech firm out of her home northeast of Oakland, Calif. As a contract worker, she's earning half the high-end five-figure salary she made at APL, a container transportation company that laid her off in May 2003 and moved her job to India.

But it's better than no job at all, she says.

She got the contract through an information technology staffing firm, Synerggroup Systems Inc. in Aliso Viejo, Calif. Its vice president, Mark Jennings, is trying to give employers an alternative to hiring Indian tech workers: U.S. workers willing to work from home for low pay and no benefits.

The arrangement takes some getting used to. Evans, a self-described "clotheshorse" who loves to shop, now pays for just the basic necessities, her mortgage payment and groceries. She's cleaning out her closets and avoiding shopping malls. But she's bitter about what's happening to her livelihood.

"My value as a human being was taken away from me," she says of getting laid off after training her Indian replacement. "What is going to happen to all these people who are losing their jobs?"