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Job bills putting heat on governor

He's pressured by both sides to curb outsourcing.

By Dale Kasler -- Bee Staff Writer - (*Published September 11, 2004*)

Gov. Arnold Schwarzenegger likes to promote a "Buy California" mentality and speaks enthusiastically about preserving jobs in the state. He also wants to streamline government and make California more business-friendly.

Now the Democratic-controlled Legislature has handed Schwarzenegger a plateful of politically charged bills that would seem to pit his desire to save California jobs against his desire to please business and cut government spending.

The five bills, awaiting his signature or veto by Sept. 30, seek to ban or restrict the outsourcing of jobs from California to countries like India.

The Republican governor has not said what he'll do with the bills, but pressure is coming from both sides. The California Chamber of Commerce, which says the legislation would harm the state's business climate, urged Schwarzenegger to veto the bills in a full-page ad in Thursday's Bee. With less fanfare, a coalition led by the California Labor Federation has been lobbying the governor to sign the legislation.

"He has to make a choice between public opinion polls and the business community," said Jack Pitney Jr., a political analyst and professor of government at Claremont McKenna College in Claremont.

With companies and state agencies moving work overseas to take advantage of low wages, outsourcing has become a significant political issue at a time of spotty job growth in the United States. A well-publicized study by Forrester Research said nearly 300,000 information-technology and call-center jobs have moved overseas since 1999 - and as many as 3 million will have moved by 2017. Although most economists say the movement of jobs overseas is a tiny factor in the nation's overall job picture, some cases have attracted major attention.

In California, for instance, Democratic lawmakers were irked by news reports that the state telephone hotline for food-stamp recipients, run by a division of JP Morgan Chase, was routing calls to customer service facilities in India and Mexico.

Of the five anti-outsourcing bills that passed the Legislature, the most far-reaching is AB 1829, by Assemblywoman Carol Liu, D-South Pasadena. It would prohibit the movement of state work offshore. There would be exceptions made for work that can't be done properly in the United States.

Some of the other bills would affect the private sector. One, for example, would require companies, as part of their regular payroll reporting duties, to provide details on how many jobs

have gone overseas.

The debate continues beyond Sacramento. Numerous states have discovered, with some embarrassment, that some of their contractors have quietly moved work overseas. WashTech, a labor organization representing tech workers, calculated that at least \$75 million worth of state contracts nationwide have gone to offshore firms.

California is one of at least 30 states that have wrestled with proposals to curb the movement of jobs overseas, according to the National Conference of State Legislatures.

So far only a handful of states have actually done anything. Arizona's governor, Janet Napolitano, issued a directive in April forbidding state contractors from performing work overseas. Missouri Gov. Bob Holden issued a similar order but said work could go offshore if there was a "significant and substantial" cost advantage to outsourcing the work.

Many efforts to curb outsourcing have fizzled. Massachusetts Gov. Mitt Romney vetoed a bill that would have prohibited state work from moving overseas, saying the bill would have created a "less business-friendly environment."

Now it's up to Schwarzenegger to decide where he stands.

A believer in free markets, he has received considerable political and financial support from groups like the California Chamber of Commerce, which opposes restrictions on outsourcing on the grounds that they'll invite retaliation from California's trading partners and hobble California-based businesses.

Schwarzenegger also has a stake in slashing government costs. The California Performance Review, the blue-ribbon panel he commissioned to study government reform, has proposed saving billions in tax dollars by eliminating thousands of jobs and closing dozens of boards and commissions.

While he hasn't taken a formal position on the anti-outsourcing bills, Schwarzenegger believes "outsourcing is basically a reality in the global marketplace" and California's best job-preservation strategy is to improve its business climate, said his press secretary Margita Thompson.

At the same time, Schwarzenegger has modeled himself as something of a populist. He has pledged to "sell" the state to companies thinking of moving jobs here and has appeared in a TV commercial urging consumers to "buy California" farm products.

But that stance doesn't mean Schwarzenegger will sign the anti-outsourcing bills, said John Ellwood, a public policy professor at the University of California, Berkeley. To the contrary, Ellwood said the governor can argue, "How can I go out there and tell people to 'buy California' if we close our doors to them?"

Nonetheless, Schwarzenegger is getting lobbied by labor groups to sign the anti-outsourcing bills as a means of keeping Californians employed.

The California Labor Federation isn't planning a public crusade but has been urging the governor privately to "protect the jobs that we have," said federation lobbyist Angie Wei.

About the Writer

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RESTRICT OUTSOURCING?

The Legislature has sent Gov. Arnold Schwarzenegger five bills to ban or restrict the movement of jobs overseas:

- * AB 1829 would forbid state contractors from moving work offshore in most cases.
- * SB 888 would forbid moving offshore any work deemed essential to homeland security.
- * SB 1492 would give consumers control over whether their confidential medical records could be transmitted overseas.
- * AB 3021 would require employers to submit data on work transferred overseas.
- * AB 2715 would force state businesses to direct employees of their overseas call centers to disclose their location to any California customer who asks.

ACTION IN OTHER STATES

Although anti-outsourcing bills have been considered in dozens of states, only a handful have acted:

- * **Arizona:** Governor signed order blocking state work from going overseas.
- * **Missouri:** Governor signed order blocking state work from going overseas unless there are "substantial" cost savings.
- * **Tennessee:** Governor signed a bill giving preference to contractors who agree to keep work in the United States.

Source: Bee research

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