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Offshore: U.S. workers face job drain

Don Hunt's programming job was sent to India. He has joined the ranks of U.S. workers whose jobs have been offshored

By James McNair /
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When it was released early last year, the state of Ohio's job forecast through the end of the decade depicted computers and software as can't-miss career choices.

Computer support specialists, the Department of Job & Family Services report said, would grow by 87 percent, or 1,682 openings a year, during the decade. Right behind them, software engineers were projected to increase by 80 percent or 806 openings a year. Each of the next five categories fell into the computer realm, including network systems analysts and database administrators.

What the report didn't address was that some of the jobs would be created by Ohio companies in such places as India, Costa Rica and the Philippines. Meanwhile, some of the top employers in the Cincinnati region, including General Electric, LexisNexis, Convergys and Procter & Gamble, have sent waves of business functions - and jobs - to the other side of the planet.

"I don't like it," said Don Hunt, a 59-year-old programmer laid off by LexisNexis in February after his job was sent to India. "They keep saying there's more jobs, but what? McDonald's? Wal-Mart? All the good jobs are going overseas."



Don Hunt of Fairfield was laid off from Lexis-Nexis, which is pictured behind him.

(Enquirer photo/MEGGAN BOOKER)

Just as manufacturing workers learned in decades past, people in callings as varied as programming, customer assistance, technical help, transaction processing and finance are learning the painful lessons of booming global trade, cheaper telecommunications and low-priced, English-speaking labor overseas. Companies cite international sales and operating efficiencies when they offshore.

"Those are just code words," said CNN anchorman Lou Dobbs.

"They just want the cheapest labor they can find - and American workers be damned," said Dobbs, author of the new book, *Exporting America: Why Corporate Greed is Shipping American Jobs Overseas*.

In the most definitive look at the subject, Forrester Research of Cambridge, Mass., predicts that offshoring will shanghai 540,000 jobs from the U.S. economy in 2004, up from 315,000 in 2003 and rising to 3.4 million in 2015. Surveys by Deloitte & Touche and the Chicago-based

consulting firm DiamondCluster International point to more offshoring in the financial services and information technology sectors.

With a presidential election two months away, offshoring has become an incendiary topic. Democratic challenger U.S. Sen. John Kerry at one point called firms that send jobs offshore "Benedict Arnold companies." Legislators in more than 30 states have introduced measures to discourage offshoring.

"Now it's starting to affect middle-class, college-educated people," said state Rep. Jim Trakas, R-Independence, sponsor of a bipartisan bill in Ohio calling for state contract work to be performed in-country. "I view that as a great threat to the state's ability to succeed."

Yet Rep. Tyrone Yates, D-Cincinnati, a co-sponsor, believes the bill stands no chance of passage. State government, he said, is too beholden to corporate interests.

While offshoring is centered mostly at larger companies based in Ohio, the practice has found proponents - and affected residents - in Northern Kentucky and southwest Indiana as well. Some examples:

- Procter & Gamble moved about 1,000 jobs from Cincinnati to San Jose, Costa Rica, from 1999 to 2001. Affected were positions in information technology, accounting, payroll, personnel and call centers.
- General Electric Aircraft Engines cut 700 of its 1,000 information technology jobs in Evendale, partly because of general downsizing, partly because of offshoring, from 1993 to today.
- Convergys Corp. now employs 12,000 people in other countries - and has filled 8,500 jobs in India since December 2001- primarily in call centers, but also for software development and client support. Former local Convergys employees say a steady stream of high-wage IT jobs has gone to replacements in India. Convergys denies it.
- LexisNexis of suburban Dayton embraced offshoring more than a decade ago. A spokesman wasn't able to say how many IT jobs have been offshored, but said some of software development work can be done more cheaply in countries such as India.
- Chiquita Brands laid off 24 information technology workers in Cincinnati in late 2002 and moved their tasks to a global transaction center in Costa Rica that handles functions such as bill processing.
- Hill-Rom, the Southeast Indiana hospital bed maker, sent circuit board and cable production to China, a move that affected 70 of its 2,000 employees in Batesville. Of the 70, 38 took other jobs in the company, while 32 took buyouts.
- Fujitec America in Lebanon outsourced more elevator parts production to third-party suppliers, most offshore, and terminated about 30 workers last September.

Typically, movements of U.S. business functions and jobs overseas occur without public notice, making it practically impossible to keep count. The U.S. Bureau of Labor Statistics gave it a stab in June, saying 4,633 jobs went offshore in the first quarter of 2004. But the report doesn't tell the full story because it does not include movements of fewer than 50 jobs.

'It must be pursued'

Local companies talk about their offshoring programs reluctantly. The *Enquirer* asked several companies, including GE and Convergys, for interviews with executives in charge of offshore operations. None was granted.

Whatever the number of jobs lost to offshoring in the Cincinnati region, the tally appears destined to grow.

Fifth Third Bank is exploring the possibility of sending back-office jobs abroad, and Kroger Co. is reviewing proposals that could result in the export of IT functions. Federated Department Stores now has 200 call center workers in India to help 3,390 employees in the United States with nighttime calls.

Frank Hill, president of the Cincinnati chapter of the Black Data Processors Association, said offshoring has permeated local business. "I know a lot of people who've lost their jobs. If it has anything to do with help desk work, a lot of it is gone and a lot more of it will be going," said Hill, an IT consultant.

Take GE Aircraft Engines. The division had \$10.7 billion in sales in 2003 and has 26,387 employees, including 6,400 in Evendale. But when it began focusing on "core competencies" in the mid-1990s, it invested in its aerospace engineering work force at the expense of its U.S. IT workers. Today, about 55 percent of the unit's IT needs is performed by third-party vendors or lower-paid GE employees abroad. GE employs about 300 IT professionals in Evendale.

"Companies that don't seek and secure IT talent on a global basis will ultimately be at a disadvantage in managing overhead costs," said GEAE spokesman Rick Kennedy. "Where outsourcing of services is a more efficient route, it must be pursued."

For some IT workers at the company, the trend is a morale drag. One GE current employee and two former workers whose jobs were offshored told the *Enquirer* that GE brings replacement IT workers here from India to learn systems support and software development. The Indians then return home and perform the work with help from their Evendale counterparts, online or by phone. Ultimately, the jobs become theirs. The GE sources asked not to be identified by name.

Complaining is not an option. "They told us that we have to train them (Indians) and if we didn't, it would affect our appraisal," one GE employee said. "There's a lot of people who don't want to make them angry because they don't want to get fired or laid off."

Kennedy confirmed that GE employees have trained counterparts from Bangalore, India, a hotspot for U.S. offshoring. But he said some local workers now perform higher-end tasks - and GE is trying to fill 40 to 50 IT vacancies, mostly in Evendale.

Efficiency issues

LexisNexis, the legal and news database supplier, has offshored application development work for seven or eight years. Spokesman Steve Edwards did not know how many Ohio jobs have been eliminated. The company has 13,000 employees worldwide, including 8,000 in the United States and 3,000 in suburban Dayton.

"We have found that the skills required for that are something we can do more efficiently offshore," Edwards said. "Unfortunately people are displaced."

Hunt, a Fairfield resident who worked his last day in February - seven months short of a vested pension - said he initially thought LexisNexis would supplement his work with its Indian recruits. "We didn't know they were going to replace us," said Hunt.

Another LexisNexis programmer who lost his job in January, Tom Hack, said IT employees were notified last August that much of their work would be contracted-out to two Indian companies. Initially, he said, he trained two support assistants. Then one day his boss told him to send everything he was working on to someone in India.

Hack, 37, is freelancing as a technical writer. His pay nearly equals what it was at LexisNexis, but he receives no paid vacation or health care. "I sent out a lot of applications and did a lot of networking and talking to people, but I've only had a few interviews," he said.

Shift to Asia

Convergys Corp. operated solely in North America before building its first overseas call center in India in December 2001. Today, 8,500 of its 55,000 employees are in India, 2,600 in the Philippines. The company anticipates customer demand pushing those numbers higher.

Convergys' move to Asia occurred when the company was facing a business downturn. From late 2002 to early 2004, Convergys laid off 1,350 employees. During that span, current and former employees say the company sent many IT jobs to India. Convergys denies it. "Lots of people got let go last year after training their counterparts in India," said one employee who asked not to be identified. "Currently most business units have goals of training at least one, if not two people in India to do their work," she said.

Another ex-employee said IT jobs were sent to India in phases. "They were assigned to work side by side with us in our department for six months at a time," she said. "Then they'd go back and train people."

Although five former Convergys workers spoke of the offshoring of IT functions for U.S. clients, they said supervisors never cited this as a reason for their layoffs. Convergys programmers earn an average of \$70,000 a year, while programmers in India earn about \$12,500 a year, according to consulting firm McKinsey & Co.

Spokeswoman Renea Morris said the company is enlarging its IT work force in India to take advantage of lower operating costs and to serve new, non-U.S. customers.

"If a U.S.-based company does not have operations in those countries, the work will go to foreign competitors and absolutely no repatriated earnings will return to the U.S.," she said.

How many Convergys employees were laid off because their jobs went to India? Seven, Morris said. "The numbers that we have don't support that there's a program to send Cincinnati jobs to India," she said. "You may have talked to everybody who has been affected and is upset about it."

Of the five former programmers interviewed, four are unemployed. The fifth is commuting nearly 150 miles one way to a temporary job.

Global competition

Michael Halkiu of Withamsville fell into similar straits. His computer programming job with EDS, one of the world's biggest technology solutions providers, was shipped to Juarez, Mexico. Halkiu spent a month and a half helping his Mexican colleagues understand the job.

"In the beginning, I thought it was great," said Halkiu, 43. "They were extra people, and you could get more work done. But I didn't see the result staring me in the face."

The end came in April 2002. Halkiu went jobless for 21 months and his wife had to take a job to support the family of four. Last December, he found a contract job 90 miles away in Lexington. It pays less than what he earned at EDS; he gets no paid vacation or health insurance.

Halkiu acknowledges global forces cost him his job. "I think of it as being inevitable," he said. "The way software is designed today is not like it was in the '60s, '70s or '80s, when you had to be a specialized person. Nowadays a lot of different people can do the work that you do. Unlike health care or education, where it has to be done on the spot, anyone in the world can write programs on the Internet and with satellite connectivity."

Spokesman Travis Jacobsen said about half of EDS' 130,000 employees are outside the United States and that going abroad should reduce clients' costs by 20 to 30 percent. EDS doesn't consider its work as going offshore but to the "best shore."

Vulnerable areas

Although many types of jobs - clerical, financial, medical, legal and technical - have wound up overseas, internal corporate functions such as payroll, billing, employee benefits, customer support, travel and computer systems jobs appear to be most vulnerable. McKinsey & Co. estimates about 200,000 service jobs a year will be offshored over the next decade.

Many people try to insulate themselves from the trend by moving into occupations such as health care. Some in information technology survive by positioning themselves in cutting-edge work. "Part of my job assignment is to make myself a commodity so that the work can be performed cheaper elsewhere," said a programmer in his 30s who was outsourced along with about 2,000 IT workers from P&G to Hewlett Packard last year.

Companies, too, have managed to insulate themselves from the offshoring mania. A Florence company, dbaDirect, combines 60 employees locally with six in India to manage databases for 2,500 clients. Sales, said CEO John Bostick, are growing 50 percent a year.

"My competition is all offshore," he said. "I'm beating off the offshore model with American ingenuity. With the combination of a very smart American work force, a small offshore work force and leading-edge technology, I'm beating them on price."

But with so many IT jobs going abroad on the heels of the dot-com shakeout and a recession, support groups for unemployed workers, job recruiters and employment services say many computer programmers, systems analysts and database administrators remain unemployed in Greater Cincinnati.

But corporate leaders such as Bostick fear that as the unemployed gradually find jobs in other fields, a shortage of trained workers may develop if students are dissuaded from pursuing an IT

career.

The ex-Convergys programmer now commuting 150 miles to a contract job said he has tried in vain to find permanent work. "I'm always looking for work, and that's very stressful," said the 45-year-old.

"I can't find an old-fashioned, full-time job that doesn't have an expiration date on it when you get it. If I could, I'd get out of IT completely."

Other less-skilled workers impacted by offshoring have already fallen into the U.S. economy's default safety net - low-paying retail and restaurant jobs.

"That's why I'm working part time at Wal-Mart," said Ron Conger, a 56-year-old Lebanon resident and forklift driver laid off by Fujitec a week before last Thanksgiving. "I've got applications and resumes turned in at several places, but just haven't heard anything."

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