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## Out with outsourcing?

Some outsourced jobs drifting back to U.S.

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TONY V. MARTIN | THE TIMES United Steel Workers Local 13796 President Karen Bryan, far right, stands at NiSource in Merrillville with union members whose jobs were spared from outsourcing at NiSource Inc. after the union filed grievances. The company has outsourced more than 800 nonunion jobs under a \$1.6 billion outsourcing agreement with IBM.

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Two years ago, Fortune 500 energy company NiSource Inc., of Merrillville, announced it would be cutting more than 1,000 jobs after inking a \$1.6 billion outsourcing agreement with IBM.

Five months ago, NiSource quietly told employees that financing and accounting jobs outsourced to IBM were coming back to NiSource because "some results had fallen short of expectations."

In late 2006, telecom giant AT&T announced that 2,000 jobs previously outsourced both domestically and overseas would be added to AT&T's payroll. In July, AT&T delivered on that pledge in Indiana with the opening of a new 425-employee DSL computer call center in Indianapolis.

"Customers need a good experience when they come to us," AT&T Indiana President George Fleetwood said last month. "We are very much in a competitive environment."

### Global tides wash jobs out, in

In recent years, a long list of prominent companies, including Sears Roebuck & Co., Dell

Computers, and J.P. Morgan Chase have ended or scaled back outsourcing agreements, resulting in thousands of jobs being brought back in-house. In many cases, those jobs are coming back from overseas.

The phenomena of "insourcing" or "backsourcing" is picking up steam in corporate America, as companies become more selective about which job functions to outsource and which to keep, according to Jeffrey Kaplan, a senior consultant at Cutter Consortium, in Arlington, Mass.

Some of the first jobs to be outsourced years ago were operations like the AT&T call centers. Now, those are among the first being brought back, according to Kaplan.

"It does all revolve around customer service," Kaplan said. "Especially if has been taken offshore, that kind of thing can be deadly."

There is no hard data on how many jobs have been insourced by corporations in recent years. It's certainly not a tsunami of jobs washing back on U.S. shores, according to Kaplan and others.

Most of the data on outsourcing itself dates back to 2004, when the outflow of American jobs to countries overseas was a hot topic in the U.S. presidential race.

From 2000 to 2004, Forrester Research estimated 400,000 service jobs had been lost to overseas outsourcing. McKinsey Global Institute estimated that off-shoring would increase at a rate of 30 percent to 40 percent, with 3.3 million jobs shipped out by 2015.

### **Hoosier accent translates**

Frightening numbers like those are why labor groups cheer any move to insource jobs.

In the case of AT&T, hard bargaining with the Communications Workers of America was a key to bringing DSL call center jobs to Indianapolis, Fleetwood said. Negotiations also paved the way for locating a 525-employee business-to-business wireless call center in Evansville.

The jobs at both call centers will be union jobs and solidify AT&T's position as the largest union employer in the nation, Fleetwood added.

Even intangibles like the "flat, middle-American" accent of Hoosiers gives Indiana a leg up in the future when it comes to landing customer service calling centers, Fleetwood said.

When NiSource announced it would chop 1,017 jobs under the IBM outsourcing, it also began discussions with union leaders on outsourcing dozens of union jobs in sales and other areas, according to USW Local 13796 President Karen Bryan.

But when the company lost a key outsourcing arbitration, it just seemed to give up, Bryan said. Local 13796 has 450 members.

"We just always told them, in no uncertain terms, that we just are not interested in that," Bryan said of the outsourcing talks.

In all, 100 nonunion accounting and finance jobs previously outsourced to IBM have been brought back to NiSource, according to NiSource spokesman Tom Cuddy. The majority of those were new hires.

NiSource CEO Robert Skaggs Jr. has briefed Wall Street analysts on the IBM outsourcing each quarter, noting that the 10-year deal may not achieve the \$530 million in savings originally projected.

But he has offered few specifics on where the project might be heading.

"We have engaged IBM at the highest level and we are now in midst of what I would characterize as sensitive discussions with the IBM folks," Skaggs told Wall Street analysts on a conference call two weeks ago.

### **Quiet does it**

Although AT&T is trumpeting its new call centers and the jobs they are creating, much of the insourcing movement is taking place under the radar screen.

In some cases, companies are quietly bringing back jobs when outsourcing fails to deliver on its promises, Kaplan said. In other cases, they are making the decision not to outsource as part of a long-term corporate strategy aimed at improving customer service.

It does not appear that NiSource Inc. will hit its goal of outsourcing 1,017 jobs under the IBM agreement. Two years after its implementation, NiSource is still 144 jobs short of that goal, according to its most recent filings with the Securities and Exchange Commission.

On the union side, the USW is now concentrating on leveling the international playing field to preserve American jobs, according to USW Local 12775 President Jim Blythe, who represents 1,450 NIPSCO repair and maintenance workers.

The USW has sent union leaders and organizers to countries around the world to build bridges with foreign unions and workers, he said.

"The emphasis now is to put them on a living wage over there," Blythe said. "And if you can put them on a living wage in their own country, that gives the employer here less incentive to move jobs over there."