

Analysis: Antioffshoring legislation heats up

Some measures seek to end the offshore outsourcing of jobs altogether

News Story by Nancy Weil

NOVEMBER 29, 2005 ([IDG NEWS SERVICE](#)) - Bills related to offshoring or outsourcing, some of which would severely limit or outright stop such practices, were introduced this year in nearly all 50 states as well as in the U.S. Congress, and there is no indication that this legislative trend will stop

Of the bills that have actually become laws, most seem to lack teeth and, in some cases, have cost states millions of dollars more by forcing them to pay for contracts with call centers in the U.S. rather than in other countries. But lobbying efforts to pass stronger legislation appear to be intensifying.

"I think on the state level, these efforts will continue," said Stuart Anderson, executive director for the **National Foundation for American Policy (NFAP)** in Arlington, Va. "Once you're a state officeholder and you've introduced one bill, it doesn't take much to keep introducing bills."

Groups of service and blue-collar workers have mobilized to support laws restricting offshoring. Rescue American Jobs, for instance, has a legislation tracker on its Web site and has as its mission the task of "building the largest American workforce mobilization in history" in response to outsourcing and offshoring. The group, based in Pittsburgh and supported by the United Steelworkers of America, contends that offshoring is a consequence of "executive greed" and urges its members to action.

On the other side of the spectrum is the Technology CEO Council, a group of leading IT companies, including Dell Inc., Intel Corp., IBM and Motorola Inc. The group posts on its Web site "10 common myths about worldwide sourcing," including a fact that even some in the antioffshoring movement will acknowledge: that the number of U.S. jobs lost to offshoring is a small percentage of the total workforce.

Forrester Research Inc. has forecast the number of outsourced U.S. jobs to reach 3.3 million by 2015, which translates to about 250,000 layoffs annually, according to Lael Brainard and Robert E. Litan of the Brookings Institution in Washington. "How should we think about that number?" they wrote in an offshoring analysis published in June. "It is small relative to total U.S. employment of 137 million and accounts for less than 2% of the roughly 15 million Americans who involuntarily lose their jobs each year. But to workers who lose their jobs, and to the far larger number of workers who worry that they will lose theirs, the foreign outsourcing total, whatever it is, resonates powerfully."

At the federal level, NFAP's Anderson expects to see continued efforts by lawmakers to curb offshoring and outsourcing by introducing amendments to pending legislation. Last year, for example, two amendments that would have restricted outsourcing of federal government work and the use of federal funds in states that permit offshoring were passed by the U.S. Senate but ultimately dropped by conference committees that hashed out differences between different versions of the bills.

The amendment of bills is a political tactic: By tacking what is in effect different legislation onto, say, a budget bill, lawmakers can force the hands of colleagues who might not want to be seen as voting against the legislation, even though they may not approve of the amendment. Anderson expects that legislators will turn to data privacy and identity theft issues in attempts to stem the export of call center and other jobs.

"I think it really only takes one state to pass a bill -- for example, on limiting data being sent overseas -- to completely interfere with a whole range of industries that rely on being able to send data across a border," Anderson said.

In cases where state legislation has taken effect, negative consequences have sometimes occurred, with two of the most cited examples being New Jersey and Indiana. A New Jersey measure to stop Indian workers from performing unemployment call center services created 12 jobs in the state but wound up costing \$900,000 more than offshoring the center, according to Anderson in an analysis he wrote called "Creeping Protectionism." Other policy analysts also note that in Indiana, the cancellation of a state contract for a call center was expected to lead to unemployed residents having fewer services.

The NFAP tracks bills that have been introduced and counted more than 112 such measures in at least 40 states in the first quarter of the year, when a flurry of proposed legislation often occurs. Most of those bills have been referred to committees, some are stalled, some have been killed and a handful have passed. Numerous states have pending legislation that would simply set up commissions to study the effects of offshoring.

Added to the mix is a steadily rising analyst outcry that "the promised benefits of offshoring are far overstated, while the likely economic costs are not addressed at all," according to a briefing paper by L. Josh Bivens of the Economic Policy Institute in Washington.

Assessing statistics is difficult, analysts note, because many companies don't say what effect offshoring has on layoffs or provide a full picture of what jobs are being handled outside of the U.S. Equally muddied is the related issue of visas for non-U.S. workers employed in the U.S. in highly skilled areas where job openings are bountiful.

The U.S. Senate recently approved an increase in the number of H-1B visas available to foreign workers in areas such as IT. At roughly the same time, a report came out that U.S. companies hire workers with the visas and pay them less than U.S. employees with the same jobs, sparking yet more debate about the merits of H-1B visas.

But it's also the case that when quotas are lower or when the available H-1B visas are used up, the effect is "to push more work offshore," said Marc Hebert, a vice president at Sierra Atlantic Inc., an application development and integration firm that has a global services division in India. Sierra Atlantic client Commendo Software Inc. has been in that situation.

"It's a big drain" to deal with visa issues, said Reynaldo Gil, Commendo's chairman and CEO. Because his company is small, he doesn't have the resources to devote to visas and related issues, so he

seeks out partners like Sierra Atlantic, which can use its global workforce to help customers such as Commendo.

“The more complicated that Congress makes it, the more dependent you are on partners,” he said. “It is creating more of a dependency.”

Lawmakers will likely continue to introduce legislation while avoiding what analysts see as the real issues -- getting a grasp on the overall impact of offshoring through better data collection and analysis, the need to boost U.S. educational and retraining programs and an emphasis on helping employees who lose their jobs.

“Offshoring is likely to grow rapidly in the future and could well have large effects on the U.S. economy in years to come,” Bivens wrote in an analysis taking to task three commonly cited reports by consultants and economists that minimize the effect of offshoring on the U.S. economy and workers. “If total U.S. [gross domestic product] is raised by offshoring but American workers lose at the expense of corporate profits, then workers are wholly justified in resisting offshoring, at least until they receive some compensation for their losses.”