



*Oppose the Offshoring
of High-Tech and Professional Jobs!*

Offshoring

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www.nwu-oppose-offshoring.org

Campaign Overview

A rapidly growing trend to outsource high-tech and professional jobs to foreign countries directly threatens the livelihoods of many members of the National Writers Union, other writers, and American high-tech workers and professionals. The export of these jobs, including the processing of vast quantities of personal data, also threatens the economic and personal security of tens of millions of Americans.

According to a recent study by UC Berkeley, as many as 14 million U.S. white-collar jobs are at risk as a result of the new offshoring trend. The export of information-industry jobs represents a new aspect of the global restructuring of work and economic relations of the last two decades. If allowed to continue unabated, this new wave of offshoring will have a profound negative impact on the U.S. economy and on American workers and citizens. For a general overview of the extent and impact of high-tech offshoring, see **Offshoring of High-Tech and Professional Work**

As writers, offshoring harms us in several ways:

- **Tech and business writers:** Writing work is being offshored along with other high-tech and professional work. All of the projects, departments, and divisions that are being offshored require websites, manuals, technical-specifications, business plans, environmental and other kinds of reports, user documentation, admin manuals, and so on. This and similar work is done by business and technical writers, and it is being offshored along with the technical work it supports.
- **Authors and journalists:** Offshoring is bringing about big changes in the publishing industry. As electronic-based publishing moves abroad, it changes many aspects of the relationship between writer and publisher--from the export of many journalism and research jobs, to foreign-based editing, to remote publishing.
- **All writers:** The impact of offshoring, even when jobs are not immediately at risk, is to drive down pay scales for the jobs that remain stateside and to exert downward pressure on working conditions for all writers who work in the U.S.

In addition, writers are also citizens. Even if our work has not yet been offshored, we are affected as members of our communities. Offshoring eliminates jobs, forces wages down, erodes the tax base, restricts opportunity, and weakens the economy for all.

Our Strategy

Powerful economic forces are promoting the offshoring of high-tech and professional work. Multinational corporations, the economic power structure, and the business lobby strongly favor offshoring and are dead set against any government restrictions on it. The mass media promotes the establishment ideology of "free enterprise" and "free market" and the myth that globalization and offshoring are "good" for everybody. For a rebuttal of such arguments, see **Frequently Stated Misconceptions (FSMs)** .

While some have opposed offshoring on nationalist and xenophobic grounds, such arguments are self-defeating. In the long run, the best response to offshoring is to unite with people suffering in low-wage nations, help them form unions, and support their efforts to achieve decent pay and working conditions.

This is going to be a long, tough fight. It can only be won by focusing such massive public pressure on the issue that the politicians fear losing popular votes more than they fear losing the support of their corporate backers. To do this, we have to pose our issues in such a way that politicians pay a heavy political price for siding with the offshoring corporations.

As writers alone, we are too few and too peripheral to generate any effective opposition to the offshoring of our work. However, we are not alone on this issue. Much of the labor movement and many progressive organizations have voiced opposition to offshoring. Already, there are at least nine bills pending in the U.S.

House and Senate to restrict offshoring in some way, and a wide range of legislation pending in the majority of states.

To mobilize public support, we have to educate and appeal to the public at large. We have to provide insight into why offshoring is bad for *all* of us. This means that we need to lead with our strongest arguments on the clearest issues to first convince people to question, and then oppose, at least some aspect of offshoring.

From the point of view of the public at large, the clearest issues that have emerged in the public discourse and in legislative initiatives are

- The encouragement of offshoring by public agencies.
- The threats to individual privacy due to the offshoring of personal data

If a foothold can be gained on these issues, it lays the foundation for opposing other aspects of offshoring, such as those that specifically and directly affect writers and high-tech workers. Our first task, therefore, is to crack the “offshoring is good for all” perception and lay the groundwork for broader public understanding and broader support for the issues that impact us most directly.

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Offshoring of High-Tech and Professional Work

What is “Offshoring?”

It used to be that a company or government-agency hired employees to do the work that needed to be done. In turn, those employees used the money they earned to buy products, pay taxes, and build a better life for themselves and their children.

Then employers found they could cut costs and increase profits by “outsourcing” work to sub-contractors whose non-union workers were paid minimum-wages with no benefits. They claimed such outsourcing was necessary to be competitive and would result in less expensive goods and lower taxes. But mostly it resulted in bigger corporate profits and higher pay for CEOs.

Yet in the U.S. even minimum-wage workers are protected by some wage, hour, health, and safety regulations - - weak though they may be. And the minimum wage in America is still much higher than the going rates in low-wage nations like China, India, Russia, and so on. So many corporations and government agencies began “offshoring” to sweat-shop nations overseas the manufacturing production that used to be done here.

Now, with the advent of advanced communications and computer technology, offshoring is being extended to white-collar and professional-level occupations. In the last few years, “information-based” jobs that once provided a decent middle-class living for millions of Americans are being moved overseas, and the move offshore is rapidly accelerating. Recent studies predict that as many as 3.4 million such jobs will be offshored in the coming decade.

The high-technology sector is particularly vulnerable to offshoring, and this includes the jobs and projects of business and technical writers. For example:

- A recent survey found that 86% of corporate executives expect to send more technology jobs abroad in the next year, compared with 32% two years ago.
- The Gartner Group estimates that 10 percent of all U.S. technology jobs will be moved offshore by 2005, and that up to 25 percent of traditional information technology jobs will be relocated from developed to developing countries by 2010.
- According to the Information Technology Association of America (ITAA) programming/software-engineering job are the most likely to go overseas (67 percent), followed by network design (37 percent) and web-development (30 percent). (Note that these three kinds of job categories generate the majority of technical writing work.)
- Computer programmers that would cost \$56 per hour in the United States are available in China for \$12.50 per hour.
- Law firms are employing legal assistants and paralegals in India for a third of the \$18-24 per hour that they typically pay U.S. workers in these positions.
- This year (2004) an estimated 150,000-200,000 individual tax returns were prepared in India, compared to only 1,000 in 2002 and 20,000 in 2003.

The effect of exporting high-tech and professional jobs overseas is already being felt. In 2003, unemployment among electrical engineers was 7% and among software engineers it was 7.5%. Those unemployment rates will steadily increase as more and more work is sent offshore. Though statistics are not separately tracked for technical writers, all evidence indicates that the situation is not significantly different from that of engineers.

Moreover, the enormous pay disparities between America and low-wage nations also has an inevitable impact on the wages of people who still have jobs in the U.S. For example, the average U.S. salaries for application

developers, database engineers and system administrators -- positions identified by Business Week as vulnerable to offshoring -- fell by 17.5 percent, 14.7 percent and 5.4 percent, respectively, between 2002 and 2004.

Who Benefits from Offshoring?

The offshoring of high-tech and professional jobs is just the latest aspect of globalization policies that have been developing for several decades. Multi-national corporations, with the assistance of international monetary institutions and governments around the world, have been pursuing profits at the expense of decent wages. They do this by promoting a "free trade" agenda that directly pits workers in low-wage countries against workers in other countries, in a global race to the bottom.. The net result is an unprecedented increase in wealth for the world's financial elites.

These global trends have been manifested in the United States. The gap between the rich and poor is greater today than it's been in 50 years. In 1960, the gap in terms of wealth between the top 20% and the bottom 20% was 30 fold. Now it is more than 75 fold.

This increasing disparity of wealth has been achieved through unprecedented tax benefits to the wealthy, stock market manipulations, embezzlement and fraud, and of course, the systematic driving down of the price of labor through globalization and offshoring.

In the past decade, executive pay has risen 313% while worker pay barely kept pace with inflation. (If average worker pay had risen at the same rate as executive pay between 1990 and 1998, average worker pay would have been \$110,399 in 1998, rather than the actual \$29,267, and the minimum wage would have been \$22.08, rather than \$5.15 per hour.)

Who is Hurt by Offshoring?

Offshoring benefits the already wealthy, but what about the rest of us? What about the 95% of the population that are neither corporate executives nor wealthy stockholders? For us the truth is quite different. For us, our real income adjusted for inflation has stagnated or dropped. Over the last two decades vital services, schools, health care, public transportation—the social safety net—have been cut. And as more and more of us lose our jobs to offshoring, or are forced to take a pay cut to compete with offshore wages, not only our incomes, but our quality of life will decline at an accelerating rate

While the offshoring of high-tech and professional jobs is a relatively new phenomenon, one that is just taking off, it is quickly becoming a significant new element contributing to the long-term decline that we have all experienced in our incomes, in the security of our families, and in the fabric of our lives. This is not just a personal, individual issue because as work and wealth are offshored, our communities degrade and our friends face the despair of unemployment. For example:

* Increased unemployment. In addition to those whose jobs have been sent offshore, this also includes those who worked in businesses that once provided goods and services to those who can now no longer afford them. Unemployment has a multiplier effect. With increased unemployment comes increased crime, increased family stress and aberrant behavior, and higher government costs for unemployment, welfare, and public health.

* Long-term economic depression. As good-paying high-tech jobs are moved overseas, more and more professionals are forced into dead-end, low-paid service jobs, the community as a whole becomes poorer and poorer. Unlike the offshoring of manufacturing jobs in the past, there is no expanding economic sector in the United States to buffer the impact of high-tech offshoring. Instead, we see a new phenomenon: the jobless "economic recovery."

* Increased taxes. With fewer people employed, and many forced out of good-paying jobs into low-wage or part-time jobs, over-all tax revenue declines but the cost of government does not. In fact the cost of government increases when the economy stagnates. Since tax evasion is one of the reasons corporations move offshore, we

can be certain that they're not going to take up the burden once carried by white-collar professionals. So who is left? Those of us still working will have to shoulder an ever-increasing share of total government cost.

* Increased pollution and environment degradation. The natural environment does not recognize political borders. A major reason for offshoring is to avoid environmental regulation. By moving offshore to low-wage nations with no environmental controls, corporations are free to pollute to their stockholders' content. But the increased pollution of air and ocean that results inevitably affects us along with everyone else.

Offshoring Democracy

The move to offshore our jobs is not just an economic issue, it is also a fundamental issue of democracy.

It has been 150 years since Lincoln said, "Four-score and seven years ago our fathers brought forth on this continent a new nation, conceived in liberty and dedicated to the proposition that all men are created equal..." He was referring to the centuries-old struggle for democracy -- the idea that we should all have a voice and a vote in that which affects our lives. The idea that government, the economy, and civil society should benefit everyone, not just the wealthy favored few.

Slowly, through long and bitter struggle over 200 years, we have fought to achieve that goal. And we have made significant progress: labor unions gave workers some voice in their conditions of labor, women and African-Americans won voting-rights for all, anti-discrimination laws were passed as were regulations restricting the worst abuses of corporate power, mandating minimal protection of the environment in which we live, and so on.

The wealthy, the powerful, and the corporations they control have always resisted popular democracy. They want no limits on their unfettered power, no hindrance to their greed. As unions won higher wages and better working conditions, they moved the jobs to non-union states. Now they are moving the jobs to nations where unions are brutally suppressed.

Similarly, as cities, states, and the nation as a whole begin to reflect popular democracy by passing laws to protect workers and the environment, corporate interests responded. They started gutting our power to do so with so-called "free-trade" treaties such as NAFTA and FTAA that take that power out of our hands and place it in the hands of un-elected bureaucrats appointed by the trans-national corporations.

Offshoring our jobs to low-wage nations like China that have no democracy, no civil rights, no unions, no environmental protection, and no privacy laws is another example of their determination to undermine and destroy any democracy that allows the working many to resist the power of the wealthy few.

Two hundred years ago our ancestors fought for political freedom on Concord Green and Bunker Hill. A hundred and fifty years ago, 400,000 union soldiers, Black and white, gave their lives to end slavery. Seventy years ago our parents and grandparents endured hardship and persecution to build unions that protect working people. Forty years ago we marched for freedom, ended segregation, and extended voting rights to all.

To the corporate moguls, offshoring is a way to reverse these 200 years of social progress. Through offshoring and globalization, they intend to create a "race-to-the-bottom" as nations and communities compete with each other over who will work for less, who will accept the most pollution, who will stand for the most abusive and exploitative working conditions.

Today, it is our turn to defend and expand the freedoms that so many struggled so long to achieve. This includes uniting with worker and community organizations across the country and across the world to oppose globalization and fight for the rights of all working people.

Frequently Stated Misconceptions (FSMs) About Offshoring of High-Tech and Professional Jobs

FSM#1: Offshoring is good for us.

Offshoring lowers the prices we pay for goods and services.

Reality:

Price reductions of goods and services that have been offshored are greatly exaggerated. Yes, those who do the work to produce the goods and provide the services are paid much less. But most of that cost saving ends up as increased corporate profits and expanded CEO pay, very little is passed on to consumers. How much cheaper are athletic shoes as a result of their being produced offshore?

Moreover, direct costs are not the only costs and sticker price is not the entire price. While business interests profit from cheaper labor in foreign countries, the loss of jobs at home has a broad economic impact. Each lost job has a multiplier effect, taking money out of circulation, depressing economic activity, and causing other jobs to be lost. That's a big price to pay.

Workers who lose their jobs are converted from tax payers to tax consumers. Government not only pays unemployment benefits but society shoulders the costs of unemployment-induced social problems: broken homes, drug addiction, and crime.

By focusing attention on the price of consumer goods, this argument misses the primary impact of job flight from the country—namely, that offshoring undermines our financial security, our well being, and our communities.

More Reality:

A large portion--perhaps a majority--of offshored work is performed by sub-contractors and sub-sub-contractors. Each of those sub-contractors is a separate, independent profit-making business that must first extract its profit before passing on any savings to consumers.

The cost-of-consumer-goods argument assumes that the primary measure of our quality of life is how many possessions we have. Corporations spend more than \$200 billion each year to convince us that buying their products creates the path to happiness. Yet for most people, personal dignity, health, family, safety, friendship, community, and a meaningful productive life are far more important than the latest cell-phone feature, personal-grooming fashion, or entertainment device.

FSM #2: Offshoring is good for the economy and employment.

In the long run offshoring stimulates the economy and creates more jobs. Even in the short run, it makes companies more competitive, saving jobs.

Reality:

This misconception is based on the assumption that boosting profits for trans-national corporations and making the financial elite wealthier is what stimulates an economy and creates new jobs. However, this trickle-down economic argument has been exposed by the recent jobless "economic recovery." While profits have recovered, unemployment and underemployment have not gone down.

When offshoring creates new jobs, by its own logic, those new jobs will be created mostly offshore, not here. The profits repatriated from offshore operations are re-invested offshore; When workers here lose their jobs, they no longer have wages to spend to keep other sectors of the economy healthy.

Even N. Gregory Mankiw, Chairman of the President's Council of Economic Advisers, repudiated his remark that offshoring was good for the economy, explaining that the Bush Administration did not regard the

unemployment of 14.2 million Americans as good for the economy. And Paul A. Samuelson, Nobel Prize-winning economist, regards mainstream economists' assumption that offshoring will provide a long term benefit to the American economy as "the popular polemical untruth." Referring to the downward pressure of offshoring on wages in the service economy, he says, "If you don't believe that changes the average wages in America, then you believe in the tooth fairy."

Lee Price, research director at the Economic Policy Institute, referring to the offshoring of software development, said, "This trend to offshore productive jobs in the U.S. economy is making us less productive and not stimulating the economy. We are giving up some of the most productive jobs in our economy."

Similarly, Institute of Electrical and Electronics Engineers (IEEE-USA) President John Steadman says, "It's going to be difficult to remain technologically competitive, if we continue offshoring the jobs of our innovators."

More Reality:

The McKinsey Global Institute has published data that shows a \$0.26 loss for U.S. workers resulting from every \$1 offshored. This undermines the economy, it does not stimulate it.

Harvard University economist Robert Z. Lawrence, a free-trade advocate, says, "If foreign countries specialize in high-skilled areas where we have an advantage, we could be worse off. I still have faith that globalization will make us better off, but it's no more than faith."

Moreover, offshoring only gives a competitive advantage to those companies that engage in it. CEOs of midsize manufacturers and their labor unions formed an anti-offshoring coalition, the Jobs and Trade Network, that regards offshoring as the root of many economic woes, from the disappearance of manufacturing jobs to the liquidation of family-owned retail stores. Rather than increasing competition, offshoring tends to concentrate economic power in fewer hands.

FSM #3: Offshoring is exaggerated.

Special interest groups are exaggerating the extent of offshoring. A poor economy, not offshoring, is causing the loss of high-tech and professional jobs.

Reality:

No one, not even the U.S. government, knows how many high-tech and professional jobs have been offshored. Despite mounting pressure, the U.S. government has failed to collect and release such statistics.

Most information on the extent of offshoring comes from studies made by the information technology industry and other research groups. Forrester Research predicts that 3.4 million white-collar jobs will be offshored in the coming decade (830,000 by 2005). Gartner Group estimates that 10% of all U.S. technology jobs will be moved offshore by 2005, and that up to 25% of traditional information technology jobs will be offshored by 2010.

Those who blame a "poor economy" for the large number of unemployed and underemployed high-tech workers are simply denying what these workers know from direct experience. In an informal poll conducted by the TECHWR-L technical writers website, 9% of respondents reported that their jobs had been offshored. Only 35% reported that they have not been affected at all by offshoring.

Note that when politicians and corporations say "special interests," they mean any constituency whose interests differ from those of the investor and corporate CEO class.

More Reality:

The Offshore Tracker of Techs Unite, an affiliate of the Washington Alliance of Technology Workers (CWA 37083), reports that in the last couple years, almost 300,000 technical jobs have been offshored by over 300 companies.

A September, 2004 report by the Center for Urban Economic Development at the University of Illinois, Chicago, found the U.S. high-tech economy lost 200,000 jobs between November 2001, when the recession officially ended, and April 2004. According to silicon.com, Nik Theodore, co-author of the study, says that high-tech workers are experiencing something worse than a jobless recovery. "For America's IT workforce, this has been a job-loss recovery," he said.

In a more official expression of the impact of offshoring, the Institute of Electrical and Electronics Engineers (IEEE-USA), representing 225,000 members, issued a policy position in March, 2004 stating that offshoring is "currently contributing to unprecedented levels of unemployment among American electrical, electronics, and computer engineers." As a result, the IEEE-USA recommended, among other things, that government procurement favor work done in the U.S.

The U.S. Bureau of Labor Statistics shows virtually no job growth in most of the high-tech sector and reports that long-term unemployment in the information industry continues to grow faster than the national average.

FSM #4: Offshoring is temporary.

Offshoring will decline, because employers are starting to be aware of the hidden costs.

Reality:

Neither the offshore corporations nor the academic and political supporters of offshoring view it as temporary. A recent survey found that 86% of corporate executives expect to send more technology jobs abroad in the next year, compared with 32 percent two years ago.

While there are a large number of hidden costs involved in offshoring high-tech and professional jobs, most companies attribute these to mismanagement of offshoring operations. Employers eager to adopt offshoring as a business strategy do not appear to be concerned about the hidden costs of doing business overseas. They assume that with time these management problems will be resolved. An entire industry now exists to assist in transitioning high-tech and professional work to offshore operations.

FSM #5: Offshoring is avoidable.

You can protect your job from being offshored. If you enhance your professional qualifications and skills, you will make yourself more valuable to employers, maybe even irreplaceable.

Reality:

For technical jobs, there is really no safe haven from offshoring.

In April, the Boston Consulting Group, an influential consulting firm, urged U.S. companies to speed up offshoring operations to China and India, including high-powered functions such as research and development. "One of the most intriguing advantages we have come across is faster (and lower-cost) R&D," the report states. For most companies, research and development are considered to be core competencies.

There are simply no high-tech skills or professional qualifications that workers in other countries cannot learn just as fast and just as well as American workers. In fact, given the declining state of education in the U.S., countries that have been serious about education have an advantage over the U.S.

More Reality:

Forrester Research finds that the only occupations safe from offshoring are doctors and nurses, plumbers, auto mechanics, soldiers, teachers, day laborers, and utility workers. For high-tech workers, staying ahead of the pack by learning new skills and obtaining advanced degrees or certification appears to provide little security from offshoring. As one Toronto researcher put it, "If you sit in front of a computer screen, your job is in jeopardy."

FSM #6: Offshoring is inevitable.

There's nothing you can do to stop offshoring. It's about competition; if labor is cheaper in another country, that's where the work should be done. It's only fair.

Reality:

Offshoring, rather than being inevitable, is the result of conscious decisions and conscious economic policies that have been promoted by trans-national corporations and international financial institutions. The World Trade Organization (WTO), the North American Free Trade Association (NAFTA), and the Free Trade Association of the Americas (FTAA), are all part of a global strategy by which wealth is concentrated in a small financial elite at the economic expense of the world's population. This global strategy is carried out through the conscious exercise of economic, political, and military power.

However, a growing international movement is challenging this global strategy, precisely because it does *not* advance economic development for most of the world. Rather, it creates conditions of impoverishment and then seeks out the cheapest labor from which to extract the greatest profits.

Yes, the world economy is steadily becoming more integrated and interdependent. But it is neither inevitable, nor "good," nor "fair," that a "race-to-the-bottom" will drive global wages and working conditions down to the level of the most oppressive and exploitative nations. Inevitably, the logic of global offshoring will be repudiated, because it threatens the survival of 99% of the world's population.

More Reality:

In May 2004, the Communications Workers of America (CWA) successfully negotiated the return of 3,000 technical jobs from India and the Philippines back to the United States. By organizing with other unions and organizations to oppose offshoring and support worker rights, we help build a broader movement for economic justice.

FSM #7: Blaming the victim.

High-tech workers in the U.S. are overpaid. That's why their jobs are being offshored.

Reality:

It's not high-tech workers in the U.S. who are being overpaid, it's corporate CEOs and executives. But that does not seem to have caused any rush to offshore their jobs.

This argument is used, mainly in conjunction with threats to offshore high-tech jobs, to intimidate workers into taking lower salaries.

The truth is that compared to the value they create, technology workers' real income is not that high compared to other workers. And in terms of real income adjusted for inflation, the take-home wages of high-tech workers has been rapidly declining.

FSM #8: Discrediting the opposition.

Those special interest groups that oppose offshoring are xenophobic, nationalistic chauvinists, or racists. Offshoring benefits foreign workers and increases the standard of living of their countries.

Reality:

It is true that some have opposed offshoring on racist, nationalist, and xenophobic grounds. But not only are such arguments morally repugnant, they are ultimately self-defeating. In the long run the best response to offshoring is to unite with people suffering in low-wage nations, help them form unions, and support their efforts to achieve decent pay and working conditions.

Given the well-known history of trans-national corporations fostering racism, nationalism, and xenophobia for their own ends, it is ingenuous for offshoring apologists to smear offshoring opponents in this way. In fact, the

anti-globalization movement that has developed over the last decade supports self-determination and human rights for the world's peoples. Few of the low-wage nations to which the bulk of jobs are being exported have even minimal human rights standards or protections against race, religious, or gender discrimination, abuse, and persecution.

More Reality:

According to many reports, high-tech workers in foreign countries face deplorable working conditions. For example, technology workers in China typically endure dormitory housing, mess hall food, 20-hour work days, government-required English language courses, and enforced labor indenture.

Except for the proponents of globalization, few would argue that the global race to the bottom benefits foreign workers and increases their overall standard of living. Offshoring is part of an export-oriented economic development model that has placed underdeveloped countries in insurmountable debt, privatized their national resources, eliminated their social safety net, imposed economic policies that impoverish their peoples, and supported governments that deny worker and human rights. What workers in these countries have called for is an economic development model that encourages internal economic development rather than the extraction of profits by transnational corporations.

Stop Government Support for Offshoring Our Jobs

No taxation without representation! – 1776

Our taxes should benefit us! – 2004

It's a simple proposition: the taxes we pay should be used to benefit us as U.S citizens, not multi-national corporations who pay little or no taxes at all.

Federal, state, and municipal governments are increasingly outsourcing work to low-wage workers in foreign countries. Touted as a way to save money for government operations, and make best use of tax dollars, offshoring of government work actually undermines local employment, the local tax base, and our communities.

The Offshoring of Government work:

- Exacerbates unemployment and workforce dislocation and deprives tax-payers of job opportunities, including industries and jobs the government has expended tax resources to attract.
- Erodes federal, state, and local revenues by drawing jobs and income away from the United States. Workers in foreign lands do not pay taxes here, nor do they contribute to the Social Security fund. And the offshoring corporations use international taxdodges (no hyphen) to avoid paying their fair share of U.S. taxes.
- Provides less privacy protections for Americans whose personal information may be transmitted to locations outside the United States.
- Circumvents professional licensing requirements.
- For states and localities, there is little actual tax savings derived from offshoring government work. Much of the “savings” go to increased corporate profits and bloated CEO salaries rather than reductions in what the state actually pays. Moreover, government is forced to fight expensive anti-offshoring lawsuits by citizens and government employees outraged at this misuse of tax funds.

According to State Senator Shirley Turner [D], New Jersey: “If people don't work, they don't pay taxes, and if people don't pay taxes we can't provide the services that we're responsible for providing. Companies with multi-million dollar state contracts shouldn't be allowed to take the money and then go hire cheap labor in foreign countries to increase their profits from our New Jersey taxpayers. I hope we can bring the jobs home because -- if they can train the people of Bombay, they can train people right here in America...”

The Road From Privatization to Offshoring

It used to be that government work paid for by our taxes was done by government employees with decent wages and benefits, or by companies under government contract who paid their workers at “prevailing” unionlevels (no hyphen). Those employed by our taxes used to be able to buy homes and put their kids through college, they had medical coverage, could take vacations, and had something to retire on after a lifetime of labor. In their turn, they paid taxes that helped support our schools, hospitals, libraries, roads and bridges, fire and police, parks, the arts, and so on.

Then came “privatization,” the transfer of government work to corporations who paid minimumwage (no hyphen) and no benefits at all to those who did the work. Privatization advocates claimed that through privatization government work could be done at lower cost, and that these lower costs would result in lower taxes. But in truth, most of the “savings” from paying minimum-wage to those who do the work go into the pockets of the business owners, corporate CEOs, and the stockholders of the companies who get the government contracts.

Now the private companies who perform government services and provide goods under contract are “offshoring” the work to low-wage countries that have no unions, no worker or environment protection laws, no privacy controls, and no data security

Once again outsourcing advocates claim that this will result in lower costs and lower taxes. And once again we see little actual savings: taxes don’t go down, and most of the contract dollars are simply transferred from government employees to CEO and stockholder pockets. For more information on offshoring in general, who benefits, and who loses, see **Offshoring of High Tech and Professional Work**.

These offshoring schemes often use multiple layers of contractor and sub-contractor firms, each one taking its profit and lavishly paying its CEO. For example, in the now infamous case of the medical transcriber who was not paid and threatened to sell patient data, the San Francisco Chronicle reported:

“...[U.C. Medical Center] contracted with a company in Sausalito, which sent the work out to 15 subcontractors, one of whom was in Florida. The Florida transcriptionist was apparently too busy, so she hired a Texas company to do the work for her, and that company outsourced the job to [a woman] in Pakistan. When you consider that every one of these individuals or companies was taking a cut of the action, you may begin to suspect someone, somewhere, might be paying too much if a medical procedure costs enough to provide five different levels of profit. But that’s a different issue.”

Government Offshoring on the Rise

A recent study by INPUT Research projects that outsourcing of state and local government technology contracts will more than double from \$10 billion last year to \$23 billion in the next few years.

A recent study by the Corporate Research Project concluded:

- Offshoring is going on to some degree in just about every state government.
- Offshoring firms are gaining increased access to “qualified-contractor lists,” hiring former government officials from the “revolving door,” and making state electoral campaign contributions to both parties.
- The total amount or value of state contract offshoring cannot be estimated, because most state governments do not know where their contracted-out service work is performed. And subcontracting is so common that states are often unaware of the exact identity and location of the company that is ultimately performing the work.
- States award contracts to U.S. firms and assume the work will be done domestically, but then the company subcontracts to an offshore firm without the state’s knowledge. Companies that appear to be domestic sometimes are not. States may think they are dealing with a U.S. firm because it has a domestic mailing address, but sometimes that address is just a marketing office for a company that is based offshore; other firms are technically headquartered in the U.S. but do all or most of their work in offshore facilities.

Government Offshoring is Bad Public Policy

Government spending is meant to support and develop our communities, our states, and our country.

Tax money that is invested in domestic job creation provides employment for those who might otherwise be collecting unemployment benefits and ultimately public assistance to secure housing, food, and health care for their families. Instead of being tax-payers, those who would have filled the jobs locally become tax-consumers, which increases taxes rather than lowering them.

Local jobs mean more money in circulation, more money being contributed to the state and local tax base, and more spending dollars being reinvested in the local economy. That increases total tax revenue and lowers the tax share that individuals have to pay.

Offshoring government work to foreign countries has just the opposite effect. It takes money out of circulation, decreases the state and local tax base, and makes no investment in the development of our local communities.

In fact, offshoring of government work undercuts the very purposes that Government programs are meant to achieve. Last year, for example, a nationally-mandated program to benefit welfare recipients was offshored by many states, creating an even higher demand for welfare assistance.

In the case of New Jersey, after winning a seven-year, \$326,000-a-month contract from the state to provide electronic benefits cards to welfare recipients, the contracting company moved its call center from Green Bay, Wisconsin, where it paid workers \$12/hour, to Bombay, India, where it pays workers \$3/hour.

Said New Jersey's Human Services Commissioner, Gwendolyn L. Harris, "[I am] deeply troubled by the symbolism of a state contractor moving a call center for welfare and food stamp recipients to India."

Though profitable for the offshoring corporations, in some cases offshoring government work may actually cost more than keeping the jobs here. For example, Georgia is spending about \$32 million dollars on a contract for a Food Stamp Call Center that is offshore. They could have saved \$12 million dollars using a local company out of Columbus, that would have produced jobs in Georgia, but the bid process favored multinational companies over local ones.

Said Rep. Curt Thompson [D], Georgia "With \$12 million dollars you could buy over 200 state patrol cars to make our expressways safer. With \$12 million dollars you could have bought about 90 fire trucks to assist in fighting fires in communities like ours that don't have an adequate number of fire stations. With \$12 million dollars you could hire over 160 teachers including all of their pension and other benefits to help keep our class sizes down. Instead we sent \$12 million dollars overseas."

Says State Representative Zack Hudgins [D], Washington: "We are tasked in state government with spending tax dollars efficiently, but we also need to spend them wisely and sometimes a short-term savings doesn't help you in the long run. If we are sending these jobs someplace else then we are undermining our communities and our tax base and our jobs."

Indirect Government Support for Offshoring

In addition to contracting out government work to firms that take that work offshore, the federal, state, and municipal agencies support offshoring in a number of indirect ways:

- Governments routinely award subsidies and grants for economic development, research, tax abatement, and other forms of public support to corporations that ship jobs overseas.
- The U.S. government provides tax breaks and incentives for corporations to set up operations abroad.
- The U.S. government allows the H1B and L1 visa programs to be used to subsidize and facilitate the offshoring of jobs. The L1 visa program, for example, was set up to allow international companies to temporarily transfer executive employees into the US while continuing to pay their wages, benefits, and taxes in their home countries. Offshore software vendors consistently send developers to the US on the L1 visa to be the onshore coordinators for work done overseas. This violates the spirit and often the letter of the law.

Take the case of Automatic Data Processing Inc., which develops software and manages securities data for Wall Street financial firms. The company set up a wholly owned subsidiary named ADP Wilco in India, used H1B and L1 visas to bring over technical professionals and managers for training, and then offshored the entire operation to Hyderabad.

Offshoring Undermines Public Health and Safety

Offshoring of work done by licensed professionals undermines public safety. To protect the public, doctors, engineers, accountants, and other professionals must hold valid state-certified licenses before they can practice in the U.S. Now government agencies are starting to send offshore work that could only be done by a licensed professional if performed here. And they are not requiring that those doing the work overseas hold state licenses, or meet equivalent standards. Do you want your X-Ray or MRI report interpreted by who-knows-who in whatever country by someone who is not held to the same requirements as your doctor here? How would you feel driving your children over a new bridge designed by cut-rate “engineers” who have not had to pass the same tests as engineers here?

National Writers Union Position

Given the negative impact government offshoring has on our members and our communities, the National Writers Union supports and advocates the following positions:

- Government should not use our tax dollars to move jobs to other countries. Government contractors should be prohibited from shipping jobs overseas.
- Government subsidies and grants for economic development and research, tax abatement, and other forms of public support for corporations should be conditional on local job creation. No tax-paid-for subsidies to businesses that ship jobs overseas.
- Government should extend professional licensing requirements to offshored work. If a job requires a professional license when done here, anyone doing it overseas should have the same or equivalent license.
- Government should not manipulate the visa system to facilitate moving jobs to other countries by bringing in foreign nationals on temporary visas for the clear purpose of preparing them to handle work that will then be offshored.

Where proposed legislation conforms to these positions, the National Writers Union will support it. Where legislation falls short, the union will lobby to strengthen the legislation, or propose new legislation as needed.

Offshoring of Personal Data Poses Threat to Privacy

As if identity theft were not a big enough problem already,* financial and medical institutions have been processing personal data in foreign countries where there are virtually no protections of individual privacy. Most Americans are unaware of the extent to which the processing of their personal data has been outsourced to firms in foreign countries.

Seeking to benefit from low-wage labor, banks, credit card companies, mortgage institutions, hospitals, insurance companies, and a host of other data-intensive enterprises are moving their data processing to foreign countries that lack laws to safeguard the privacy of personal data.

A survey by Deloitte Research found that from 2003 to 2004 major financial institutions increased offshore jobs by 400 percent. "The report forecasts that by 2010, the world's 100 largest financial institutions will move \$400 billion of their cost base offshore, saving an average of just under \$1.5 billion annually each. The survey also forecasts that by 2010 more than 20 percent of the financial industry's global cost base will have gone offshore." (2) The survey also found that 80 percent of financial services offshoring is going to India.

What Data is Being Processed Offshore?

It's midnight. Do you have any idea who has access to:

- your Social Security number ?
- your bank account numbers and current balance information?
- your credit-report and history?
- your private medical records ?
- your home mortgage data?
- your tax returns?
- your birth, passport, driving, and other records?

Most likely, your personal data are in the hands of workers half-way around the world.

- On Feb. 23, 2003 the Associated Press reported that 150,000 to 200,000 tax returns will be prepared in India. Most customers do not know that their financial information is being scanned and sent electronically across a dozen or more time zones. "Ernst & Young customers must sign a document acknowledging that foreign accountants may work on their return. But most firms don't make such disclosures." (3)
- "Two of the three major credit-reporting agencies in the United States are also planning to outsource operations abroad and, along with them, sensitive data about the credit histories of hundreds of millions of Americans."(4)
- "If you owned a million-dollar home would you want your name, address and residential details being sent abroad for examination by foreign clerical workers? Probably not. But homeowners who refinanced their mortgages with Citigroup may indeed have had their property appraisals outsourced to India as part of efforts by the financial-services giant to cut costs and streamline its loan process." (5)
- "Then we have Bank of America telling employees on Monday that it will cut 12,500 jobs as part of its merger with FleetBoston Financial while work proceeds on creation of a new facility in the Indian city of Hyderabad. America's second-largest bank expects to begin processing customer transactions at the site by next month." Representatives from Bank of America were interviewed about privacy protections. The Indian workers are required to sign a confidentiality agreement and are given a code of ethics to read. The article concludes with: "Your name, your address, your Social Security number, your bank account number -- safeguarded by little more than a confidentiality agreement and a code of ethics. How safe do you feel?" (6)
- "The \$20 billion medical-transcription business handles dictation from doctors relating to all aspects of the health-care process, from routine exams to surgical procedures. Patients' full medical histories often are

included in transcribed reports. While it's impossible to know for sure how much of the work is heading overseas, the American Association for Medical Transcription, an industry group, estimates that about 10 percent of all U.S. medical transcription is being done abroad." (7)

Legal Protection of Private Information

Currently there are two federal laws that address privacy rules regarding medical and financial information. Privacy protection for medical information is addressed in the Health Insurance and Portability and Accountability Act (HIPPA) of 1996, Privacy Rule section. (8) Privacy protection for financial information is covered in Title V of the Gramm-Leach-Bliley Act. (9) Unfortunately neither HIPPA or Gramm-Leach-Bliley prevent the sending of personal information overseas. Privacy protection offered by these laws does not extend beyond the United States.

Recent court cases have determined that legal responsibility for personal information resides with the company given that information, not with vendors that might process it offshore. However, insurance companies, banks, and other large corporations continue to send information overseas without conducting information security audits.

There are a number of internationally-recognized audits meant to help ensure the privacy of personal information. These standards are regularly enforced when large financial corporation outsource within the United States but rarely enforced in overseas outsourcing. The possibility of legal action may make companies start to enforce these standards. This could raise the cost of offshoring by 12 to 15 percent.

An April 2004 report from Public Citizen's Global Trade Watch compares privacy protections of American and European consumers: "U.S. privacy protections effectively end at our borders. In sharp contrast, European consumers are afforded considerably greater protection by a European Union (EU) law that permits personal data to be sent offshore only to countries whose privacy laws have been deemed to provide equivalent privacy protection and that have been found to have strong enforcement capabilities. Because more countries cannot meet these 'safe harbor' requirements, European jobs that involve the handling of confidential information have been offshored at a far slower rate than in the United States." (10)

The FDIC released a report (11), "Offshore Outsourcing of Data Services by Insured Institutions and Associated Consumer Privacy Risks," in June 2004. The report lists the legal privacy foundations of countries that are the most likely choices for offshore locations. Here are a few:

- India
- China
- Philippines
- Singapore
- Malaysia

No general data protection laws exist in any of these countries.

National Writers Union Position

Given the risk posed to the privacy of U.S. citizens by the increasing offshoring of personal data, the National Writers Union supports and advocates the following positions:

- The transmission of personally identifiable information about an American citizen outside of the U.S. requires prior notice written consent of the individual.
- The transmission of personally identifiable information about American citizens outside of the U.S. should be prohibited unless Congress determines through legislative enactment that the country to which the

information is being sent has a level of legal privacy protection and enforcement infrastructure that is equal to, or stronger than, that provided by current U.S. law.

- Significant fines should be levied against the offshoring firm for each overseas privacy violation and individual consumers should be provided cause of action for each violation.
- Private sector companies should be required to provide semi-annual public reporting of the offshore handling of information protected by U.S. consumer privacy laws. In addition, private sector companies that offshore professional service work that is subject to licensing and regulation in the United States should be required to make semi-annual reports about where the work is performed, actions taken to guarantee compliance with U.S. licensing, liability insurance and quality control requirements.

Where proposed legislation conforms to these positions, the National Writers Union will support it. Where legislation falls short, the union will lobby to strengthen the legislation, or propose new legislation as needed.

* During 2002-2003, 10 million Americans became victims of identity theft (1). The loss to all victims was \$5 billion, the loss to businesses and financial institutions was \$47.6 billion, and the time spent by all victims resolving identity-theft problems was estimated to be 297 million hours.

Notes

(1) Federal Trade Commission: Identity Theft Survey Report, Sept. 2003
<http://www.ftc.gov/os/2003/09/synovatereport.pdf>

(2) Amy Wu. "Looking Offshore," San Francisco Chronicle, July 6, 2004.
<http://sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2004/07/06/BUG297EQKJ1.DTL>

(3) Rachel Konard. "Foreign Accounts Do U.S. Tax Returns." USA Today, Feb. 23, 2004
http://www.usatoday.com/money/perfi/taxes/2004-02-23-overseas-outsourcing_x.htm

(4) Jay Fitzgerald, "Known Around the World; Private Records May be at Risk," Boston Herald, Nov. 30, 2003.

(5) David Lazarus. "Appraisals Being Sent Abroad," San Francisco Chronicle, Feb. 6, 2004
<http://sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2004/02/06/BUGMD4Q9TR1.DTL>

(6) David Lazarus. "Slipping Out of Our Grasp," San Francisco Chronicle, April 9, 2004
<http://sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2004/04/09/BUGOI62GAI1.DTL>

(7) David Lazarus. "A Tough Lesson on Medical Privacy," San Francisco Chronicle, Oct. 22, 2003.
<http://sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2003/10/22/MNGCO2FN8G1.DTL>

(8) Pub. L. 104-191, 42 U.S.C. §§ 1320d et seq.

(9) Pub. L. 106-102, tit. V, 113 Stat. 1338, 1436. 15 U.S.C. §§ 6801-6809.

(10) Public Citizen's Global Trade Watch. Addressing the Regulatory Vacuum: Policy Considerations Regarding Public and Private Sector Service Job Offshoring. Public Citizen: Washington, D.C., April 2004, p. 10.
<http://www.citizen.org/documents/OffshoringReport.pdf>

(11) Federal Deposit Insurance Corporation, "Offshore Outsourcing of Data Services by Insured Institutions and Associated Consumer Privacy Risks," June 2004.
<http://www.fdic.gov/regulations/examinations/offshore/index.html>

Pending Federal Legislation

SB 2312: Safe-ID Act

<http://thomas.loc.gov/cgi-bin/bdquery/z?d108:s.02312>:

"A bill to regulate the transmission of personally identifiable information to foreign affiliates and subcontractors."

4/8/2004—Introduced by Clinton

Safe-ID Act - Authorizes a business to transmit personally identifiable information regarding a U.S. citizen to any foreign affiliate or subcontractor located in a country certified by the Federal Trade Commission (FTC) as having adequate privacy protection for such information. Prohibits such business from transmitting such information to an affiliate or subcontractor in a country without such privacy protection unless: (1) the business discloses to the citizen that the country does not have such privacy protection; (2) the business obtains the citizen's consent to transmit such information; and (3) the consent is renewed by the citizen within one year before the information is transmitted. Provides liability for businesses improperly transmitting such information.

Makes any business or organization that collects or retains personally identifiable health care information about consumers (health care business) liable for any damages caused by improper storage, duplication, sharing, or other misuse of such information by the health care business or any foreign affiliate or subcontractor that received such information. Prohibits a health care business from terminating an existing relationship with a consumer of health care services in order to avoid the consent requirement.

Directs the FTC to certify, and make a list of, those countries that have legal systems that provide adequate privacy protection for such information.

HR 4366: Personal Data Offshoring Protection Act of 2004

<http://thomas.loc.gov/cgi-bin/bdquery/z?d108:h.r.04366>:

"To prohibit the transfer of personal information to any person outside the United States, without notice and consent, and for other purposes."

5/13/2004—Introduced by Markey

Personal Data Offshoring Protection Act of 2004 - Requires business enterprises to give U.S. citizens notice before transmitting personally identifiable information about such citizens to foreign affiliates or subcontractors located in countries with (without?) adequate privacy protections. Prohibits such transmittal where adequate privacy protections are lacking, unless: (1) the business enterprise discloses the lack of protections and obtains the citizen's prior consent for transmittal; and (2) such consent is renewed by the citizen within one year before the transmittal.

Prohibits business entities from denying goods and services or modifying business terms for any person based on that person's exercise of consent rights provided by this Act or other law.

Requires violations of this Act to be treated as unfair or deceptive acts or practices under the Federal Trade Commission Act.

Creates a private right of action in State court for violations of this Act. Authorizes States, on behalf of their residents, to bring civil actions in Federal court for such violations. Requires prior notice to the Federal Trade Commission (FTC) of State actions and authorizes the FTC's intervention and appeal.

Directs the FTC to certify those countries that have legal systems providing adequate privacy protections. Creates a presumption of inadequacy for foreign laws that are less protective of privacy than Federal law or the law of any State, or where the FTC determines that enforcement is lacking. Requires certification of countries whose laws meet the requirements of the European Union Data Protection Directive, unless such laws are not adequately enforced.