

■ OUTSOURCING DIMS HIGH TECH'S LUSTER

THE ECONOMY

BY JULIANA GRUENWALD

Back in the fall of 2000, tech-industry leaders had enough clout and support on Capitol Hill and among the public to sell the idea that what was good for their industry was good for America. At the time, the pitch they were making was aimed at increasing the number of visas available for companies to hire skilled foreign workers.

Tech-industry lobbyists argued that they couldn't find enough skilled Americans to fill all the jobs available. So with only one dissenting vote in the Senate and a voice vote in the House, Congress approved the legislation raising the cap on H-1B visas for three years—despite concerns among some Democrats, as well as among electronic and computer engineering worker associations, and labor groups, about the effect on American workers.

The industry's victory on the H-1B issue wasn't so surprising. Information-technology companies had won wide bipartisan support and praise in Washington and across the country by portraying their industry as one that would help transform the nation's economy and provide good-paying jobs in the United States for years to come.

Four years later, the tech industry finds itself in a bit of a quandary. Information-technology companies have shed hundreds of thousands of jobs in the past few years as a result of the economic downturn and the bursting of the Internet bubble. And even with an improving economy, high-tech companies are sending more and more U.S. jobs overseas.

After acting as the country's golden-goose industry in the tech-boom 1990s, the technology sector today finds itself on the defensive, as many lawmakers respond to growing concerns from constituents who have lost their jobs or are worried about losing their jobs to offshore outsourcing.

"I definitely think their political capital is not as strong as it was five years ago," said Marcus Courtney, president of the Seattle-based Washington Alliance of Technology Workers, an affiliate of the Communications Workers of America. "Companies made a lot of promises about how the New Economy would work" to



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generate jobs, said Courtney, who adds that many tech workers feel betrayed by the industry's outsourcing. "That commitment to jobs was very different than today."

High-tech supporters on Capitol Hill will not go so far as to say they feel betrayed by the industry, but many members are clearly concerned about the situation and are letting tech companies know it.

"What does not wash" with lawmakers "is when they say outsourcing will result in an increase in U.S. jobs," said House Small Business Committee Chairman Don Manzullo, R-Ill., who has held several hearings on offshore outsourcing. "We're not buying that argument. And you're not currying favor on Capitol Hill when you pound on doors ... and say 'Vote for this [or that] agreement,'" when the industry is sending jobs abroad.

While acknowledging they have a problem, industry officials see it differently. "There are certainly those in Congress who are using some of the data in the outsourcing debate to take a whack, not only at tech but at the broader business community," said Ralph Hellmann, senior vice president for government relations at the Information Technology Industry Council.

But tech-industry outsourcing weighs heavily on the mind of Rep. Anna Eshoo, D-Calif. She represents Silicon Valley, where she says 250,000 tech jobs have been lost in recent years. "Some of the joblessness in my district and the region is due directly to outsourcing. And those who are still employed are extraordinarily anxious," she said.

Eshoo is understandably reluctant to criticize an industry that is so crucial to her constituents, but she acknowledges that high-tech executives must recognize the importance of the offshore outsourcing issue on Capitol Hill. "It would be wrong on the part of the industry ... to pretend it's not a 10,000-pound gorilla," Eshoo said.

Like Eshoo, Rep. Adam Smith, D-Wash., has been a reliable supporter of the tech industry. But Smith, whose district near Seattle also has lost high-tech jobs, joined Rep. Jay Inslee, D-Wash., last summer in asking the General Accounting Office to study the outsourcing of tech jobs overseas. Results of the study are expected in April.

Smith cites "very legitimate reasons to be concerned about the future of our economy and, specifically, where the jobs are going to be," and he says, "I don't agree with the blasé attitude that jobs come and go." He and others say they have been dissatisfied with the tech industry's response to concerns over offshore outsourcing. "I saw comments from the tech community ... that do not show a sufficient level of concern for the welfare of American workers," Smith said.

One House Democratic leadership aide put it more bluntly: "There is just an assumption that House members are going to be able to explain and defend the outsourcing.... I find that to be a very unrealistic expectation."

The industry's move toward offshore outsourcing has some defenders, however, even on Capitol Hill. Echoing tech-industry leaders, House Government Reform Committee Chairman Tom Davis, R-Va., says offshore outsourcing is necessary if American companies are going to "stay competitive in a global marketplace."

Rep. Rick Boucher, D-Va., said he believes that once the economy fully recovers, "many, many more tech jobs" will be

created in the United States than are being sent overseas, echoing an oft-repeated industry argument. Still, he warns that tech companies "would be well advised to retain jobs in the United States and make that a priority."

Clearly feeling that their image has taken a hit, technology companies have dispatched their trade associations to take the offensive by issuing favorable reports and working to educate lawmakers about the competitive realities the industry faces.

One executive said companies need to look at the "longer term, to be strategic, instead of being reactive or just framing it as a PR strategy. If this is just seen as a PR effort to justify an action, then I think we lose."

Harris Miller, president of the Information Technology Association of America, has testified several times at hearings on offshore outsourcing, and he acknowledges that "people are looking a little more askance at us."

But he argues that the number of jobs

"It's a real problem" that some IT workers have lost their jobs, Miller said. "Those who are unhappy and sending me hate mail, they are truly unemployed." But, he said, most of those jobs were lost not because of offshore outsourcing but because of the global recession and the collapse of the Internet bubble.

That may be a "convenient thing to say," contended Ron Hira, an assistant professor of public policy at the Rochester Institute of Technology, but "no one really knows what's going offshore," because many companies are reluctant to announce when they are shifting U.S. jobs overseas.

For now, most company officials and observers do not believe the high-tech industry's overall agenda will be harmed by the furor over outsourcing. However, any new push to increase the annual allotment of H-1B visas—which was used up in mid-February, just a few months into the 2004 fiscal year—is likely to face stiff resistance.

Tech companies need "to be sensitive to the fact that they are under criticism, that there are some economic idiots up here who are likely to react in a political way," Davis said.

Other anti-outsourcing measures have been introduced, including legislation that Senate Minority Leader Tom Daschle, D-S.D., offered on February 12 that would require companies that export U.S. jobs to give notice to their employees and to local and state government officials. Companies would also have to provide information about where the jobs are going and why they are being sent there.

"It is my hope and belief that, passion notwithstanding, common sense will prevail on the Hill," said Bruce Mehlman, executive director of the Computer Systems Policy Project, an association of high-tech CEOs. He said he hopes lawmakers will instead "develop policy recommendations that accelerate job creation and help workers who are having a hard time adjusting."

Mehlman and others have been supportive of calls to expand the federal Trade Adjustment Assistance program, which helps workers displaced because of foreign trade, so that it would cover tech workers. Smith introduced legislation on March 3 that would extend such assistance, which currently covers only manufacturing and agriculture workers, to displaced tech service workers such as software programmers.

The industry is also trying to counter concerns over outsourcing by promoting ways to improve the business climate and workforce in the United States. Proposals include additional funding for education, training, and research, as well as tax-policy changes aimed at helping U.S. companies remain competitive.

Industry supporters on Capitol Hill, for the most part, have no argument with this agenda. But in a sign that high tech's bipartisan support may be softening a bit, some Democrats expressed frustration with the industry for its support of the Bush administration's tax cuts, which Democrats say have taken money away from other priorities.

"I agree we need to compete" by improving education and investing in research and development, Smith said, but "we can't compete if we give all the friggin' money away." ■

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lost to offshore outsourcing is overblown, pointing in particular to a widely quoted report released in November 2002 from Forrester Research, a tech-industry research firm, which predicted that up to 3.3 million U.S. service-industry jobs would be sent abroad by 2015. The report, Miller notes, does not include a specific breakdown for information-technology jobs.

"Business may see the need for a raise" in H-1B visas, said former Rep. Dave McCurdy, D-Okla., now president of the Electronic Industries Alliance. "However, I don't think, politically, between now and November that has much of a chance."

Still, Miller and others worry about efforts specifically aimed at trying to curtail offshore outsourcing. In early March, the Senate adopted an amendment to corporate tax legislation that would limit the ability of state and federal agencies to outsource federally funded contracts to other countries.

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