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A Missing Statistic: U.S. Jobs That Went Overseas

By LOUIS UCHITELLE

The job market finally showed some life in September, but not enough to sidetrack a growing debate over why employment has failed to rebound nearly two years after the last recession ended. The debate intrudes increasingly on election politics, but in all the heated back and forth, an essential statistic is missing: the number of jobs that would exist in the United States today if so many had not escaped abroad.

The Labor Department, in its numerous surveys of employers and employees, has never tried to calculate this trade-off. But the "offshoring" of work has become so noticeable lately that experts in the private sector are now trying to quantify it.

By these initial estimates, at least 15 percent of the 2.81 million jobs lost in America since the decline began have reappeared overseas. Productivity improvements at home — sustaining output with fewer workers — account for the great bulk of the job loss. But the estimates being made suggest that the work sent overseas has been enough to raise the unemployment rate by four-tenths of a percentage point or more, to the present 6.1 percent.

That leakage fuels the political debate. The Bush administration is pushing the Chinese to allow their currency to rise in value, thus increasing the dollar value of wages in that country, a deterrent to locating work abroad. The Democrats agree, but some also call for trade restrictions, and they attack Republicans for cutting from the budget funds to retrain and support laid-off workers in the United States.

While most of the lost jobs are in manufacturing or in telephone call centers, lately the work sent abroad has climbed way up the skills ladder to include workers like aeronautical engineers, software designers and stock analysts as China, Russia and India, with big stocks of educated workers, merge rapidly into the global labor market.

"All of a sudden you have a huge influx of skilled people; that is a very disruptive process," said Craig R. Barrett, chief executive of [Intel](#), the computer chip manufacturer.

Intel itself has maintained a fairly steady 60 percent of its employees in the United States. But in the past year or so, it has added 1,000 software engineers in China and India, doing work that in the past might have been done by people hired in the United States. "To be competitive, we have to move up the skill chain overseas," Mr. Barrett said.

The trade-off in jobs is not one for one. The work done here by one person often requires two or three less-efficient workers overseas. Even so, given the very low wages, the total saving for an American company can be as much 50 percent for each job shifted, even allowing for the extra cost of transportation, communication and other expenses that would not be needed if the work was done in the United States. That is the message of the nation's management consultants, who are encouraging their corporate clients to take advantage of the

multiplying opportunities overseas.

" 'Encourage' is a difficult way to put it," said Harold Sirkin, a senior vice president at the Boston Consulting Group. "What we are basically saying is that if your competitors are doing this, you will be at a disadvantage if you don't do it too."

The estimates of job loss from offshoring are all over the lot. They are back-of-the-envelope calculations at best, inferred from trade data and assumptions about the number of American workers needed to produce goods and services now coming from abroad, or no longer exported to a growing consumer market in, say, China.

Among economists and researchers, the high-end estimate comes from Mark Zandi, chief economist at Economy.com, who calculates that 995,000 jobs have been lost overseas since the last recession began in March 2001. That is 35 percent of the total decline in employment since then. While most of the loss is in manufacturing, about 15 percent is among college-trained professionals.

[Boeing](#), for example, employs engineers at a design center in Moscow, while having shrunk its engineering staff in Seattle. [Morgan Stanley](#), the investment firm, is adding jobs in Bombay, but not in New York — employing Indian engineers as well as analysts who collect corporate data and scrutinize balance sheets for stock market specialists in New York.

Near the low end of the job-loss estimates sit John McCarthy, research analyst at [Forrester Research Inc.](#), and Nariman Behravesh, chief economist at Global Insights. For them the loss is 500,000 to 600,000 jobs over the past 30 months, again mostly in manufacturing — with Mr. McCarthy suggesting that the 600,000 might turn out to be 800,000. His research focuses more on the future: Starting in January 2000 and running through 2015, globalization of American production will have eliminated 3.3 million jobs at home, he estimates.

Some are trying niche estimates. Roshi Sood, a government analyst at the Gartner Group, for example, estimates roughly that state government cutbacks have pushed overseas the work of 3,400 people once employed in the United States, either on public payrolls or on the payrolls of companies that contract with state government.

In Indiana, for example, the Department of Workforce Development recently chose an Indian company, TCS America, to maintain and update its computer programs, using high-speed telecommunications to carry out the contract. The TCS bid was \$8 million below those submitted by two American competitors, Mr. Sood said.

Now political groups are offering estimates. The Progressive Policy Institute, which is affiliated with the Democratic Party, will soon publish its calculation of manufacturing jobs shifted overseas since George W. Bush took office just before the recession began, said Rob Atkinson, a vice president. Not surprisingly, the estimate — imputed from trade data — is on the high side: 800,000 jobs lost to overseas production.