

How safe is your job?

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Software engineer Mitch Besser had a good job with IGT until the company closed its Corvallis office as part of a move to outsource work to China. IGT was leasing space on the Hewlett-Packard campus, which has seen thousands of high-tech jobs shipped overseas. (Andy Cripe | Gazette-Times)

Until recently, Mitch Besser had a good job as a software engineer, pulling down close to \$90,000 a year at International Game Technology in Corvallis. Now he's wondering where his next paycheck is coming from.

IGT, a slot machine manufacturer and provider of casino software, shut down its Corvallis site last week, eliminating 57 local jobs. And while some employees were able to relocate to the company's Las Vegas office, most of those jobs have disappeared for good - at least in this country.

"They're moving the work to China for cheaper labor," Besser said. "We've been training the people in China to do our jobs."

Outsourcing American jobs overseas has been a familiar story since NAFTA opened the free trade floodgates in 1994.

But now there's a new twist: Instead of just exporting unskilled factory jobs to low-wage countries, an increasing number of U.S. companies are cutting costs by giving highly skilled technical positions to foreign workers.

"We've got in the United States a high level of skill in our work force, with some very sophisticated technical areas, and for a number of years the rest of the world has been playing catch-up," said John Morris, a management instructor in Oregon State University's College of Business.

"I think that gap is starting to narrow."

The fight over free trade

While transferring jobs overseas may bolster the bottom line, critics of U.S trade policy say we're paying a stiff price for those corporate profits, especially since China was admitted to the World Trade Organization in 2001. That lowered trade barriers for a country that has almost unlimited supplies of cheap labor - not only factory workers but also engineers, programmers, scientists and other professionals.

"One of the attitudes you hear in trade policy is 'Oh, we're only losing blue-collar jobs, manufacturing jobs that our parents did so our children don't have to,'" said Art Stamoulis, director of the Oregon Fair Trade Campaign.

"But manufacturing jobs could become just a drop in the bucket if things continue on their current course. A lot of high-paying white-collar jobs are being lost to China and India."

The federal Trade Adjustment Assistance Program, which provides extended unemployment payments, retraining funds and other benefits to workers who lose their jobs to foreign competition, offers one way to gauge the impact of outsourcing.

In the post-NAFTA era in the mid-valley, cuts have come in all sectors of the economy, from millworkers at International Paper to wafer fab technicians at Hewlett-Packard.

The TAA program was expanded last year to cover several new classes of employees, including high-paid service sector workers. In Oregon, the number of workers certified to receive benefits has shot through the roof. From March 2009 to March 2010, 9,955 Oregonians received TAA certification - more than three times the annual average.

But not every worker whose job goes offshore qualifies for TAA benefits, so the numbers understate the true extent of the problem.

"I think we should be pretty worried," Stamoulis said. "Our trade policy is set up for a race to the bottom, where companies can scour the globe for the lowest wages and least regulations. It's getting harder and harder for Oregonians to compete."

To slow the flood of U.S. jobs to low-wage countries, the Oregon Fair Trade Campaign is lobbying for passage of the Trade Reform, Accountability, Development and Employment Act, introduced in the House last year by Rep. Michael Michaud, D-Maine.

HR 3012 - known as the TRADE Act - would require any new trade agreements to meet standards for food and product safety, environmental protection and labor rights. It would also mandate a review of all current trade pacts.

Oregon Congressman Peter DeFazio is a co-sponsor of Michaud's bill, and the 4th District Democrat has introduced similar legislation of his own. HR 1875, the End the Trade Deficit Act, would place a moratorium on new trade agreements and set up an emergency commission to address America's foreign trade imbalance.

Both are part of a package of 10 House trade reform measures being touted as a Bill of Rights for U.S. manufacturers.

"This is folly, what we're allowing to happen here," DeFazio said.

Through a series of lopsided trade pacts, he argued, the United States has made it easy for U.S. corporations to move millions of jobs to China and other low-wage countries.

"They produce a lot of the things we used to produce, and they lend us the money to buy them," DeFazio said. "We've hollowed out manufacturing and probably hollowed out aspects of high tech, and we're going to be in a world of hurt."

From Corvallis to Beijing

International Game Technology representatives declined to comment for this story. But the events leading up to the company's departure from Corvallis offer an object lesson in how disappearing trade barriers can hurt American workers.

Headquartered in Reno, Nev., IGT has grown to become the world's largest slot machine maker and a leading provider of software programs for gaming systems and casino management. It is a major player in the global gambling business, with more than 5,000 employees and \$2.1 billion in annual revenues.

IGT came to Corvallis in 2003 with the purchase of Acres Gaming, a homegrown venture that developed highly successful progressive bonusing software for slot machines.

In 2007, the company moved its local offices to the Hewlett-Packard campus - which had plenty of space for lease after shipping thousands of jobs overseas.

Last year, IGT opened a new office in Beijing. Soon afterwards, according to Besser and other local employees, IGT started laying the groundwork for closing the Corvallis office by gradually moving work to China.

Small groups of Chinese employees would come to Corvallis for a month of onsite training, then return to Beijing, where they would get additional coaching via e-mail and teleconference.

John Lee, a database engineer who left IGT in March, said even though management depicted the arrangement as a way to ease the workload for the Corvallis employees, it was clear to him what was going on.

"I worked for HP for 12 years, so I've kind of seen the dance before," Lee said.

"We trained our replacements, basically."

When the announcement that the Corvallis office was closing finally came, one IGT executive told the workers the move was "good for all of us," Besser recalled. "I was not impressed by that statement."

The U.S. Labor Department determined last month that the layoffs were due to foreign trade, making many of the displaced IGT workers eligible for TAA benefits.

Besser said he's thinking about getting out of the software business and retraining for a career in another field, such as bioinformatics.

Lee has already changed careers, finding work with a Corvallis marketing research firm - and taking a substantial pay cut in the process.

He says he bears no grudge against the Chinese workers he helped train.

"They're just trying to make ends meet, just like everybody else," Lee said.

But after being outsourced twice now, he has little patience with U.S. companies that tout the practice as the new normal in a global economy.

"If a rising tide were raising all boats, that would be OK. But that's not what's happening here," Lee said.

"Incomes of middle-class families have stagnated for the last 10 or 20 years. That's unprecedented."

Racing to the bottom

Anti-free traders like DeFazio think the United States should be doing much more to protect American jobs, from renegotiating unequal agreements to slapping stiff tariffs on foreign goods.

At the very least, he said, the U.S. should file meaningful trade complaints under existing rules.

"We bluster and threaten and don't do anything," DeFazio said. "There are tools we could use."

Others, such as OSU's Morris, take a more market-based view of the situation.

First of all, he argues, there are limits to the advantages companies gain from outsourcing. Dell Computer, for instance, brought outsourced customer service jobs back from India when U.S. consumers balked at hearing unfamiliar accents on the phone.

In addition, the cost savings of sending jobs offshore has begun to diminish as wages in overseas labor markets rise - and U.S. salaries fall.

"Over time, those advantages will diminish," Morris said. "And at that point, I think, the level of wages (in this country) will again start to rise. The big question is, how long will that take?"

And how many more American jobs will disappear before we reach the dubious goal of wage parity with the rest of the world?

For Morris, the question is more than merely academic. He began teaching classes at OSU a year ago after Hewlett-Packard moved his project management position to India at one-fifth the pay.

"It sucks," he said of his own reaction to being outsourced.

"From a business standpoint I can understand the rationale in the short term," Morris added.

"From a personal standpoint, there's no other way to describe it than to say it sucks."

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