Governor targets outsourcing

Published in the Asbury Park Press 9/10/04

By MICHAEL L. DIAMOND
BUSINESS WRITER

Faced with more jobs going overseas and fewer being created at home, Gov. McGreevey yesterday signed an executive order restricting outsourcing by companies bidding on state government contracts.

The order affects more than $1.5 billion in state contracts, and its impact isn't clear. It leaves room for outsourcing if using a domestic vendor would be so expensive that it creates "economic hardship to the state."

"With the threat of more companies outsourcing their work to add to their bottom line, it is our responsibility to protect our jobs from going overseas," McGreevey said at a news conference in Trenton.

Outsourcing work to less expensive labor overseas has been an issue for U.S. workers who are struggling with a slow job market. Forrester Research Inc., a consulting group, has said it expects some 830,000 service jobs nationwide -- from software developers to call-center workers -- to be sent overseas by the end of 2005.

The trend has hit the public sector as well. New Jersey awarded one company a contract to open a call center to provide information to welfare recipients. The company moved the call center from Wisconsin to India, sparking outrage among some legislators.

The company eventually agreed to move some of the jobs to Camden, but it cost the state an extra $1.1 million, according to the Department of Human Services.

Rutgers University economist Joseph Seneca said the executive order may cost taxpayers who otherwise benefit from lower-cost goods and services.

"It's understandable at a time when American labor markets have not been generating job numbers that we've been used to that there's a reaction against outsourcing of employment to overseas," Seneca said. "But there are certainly implications not only for costs -- as recognized by the executive order -- but also in terms of the whole fabric of international trade."

The left-leaning New Jersey Policy Perspective recently estimated 492,000 jobs in the state are vulnerable to offshoring. But Seneca said 270,000 jobs in the state, or 8 percent of the private sector, are provided by U.S. affiliates of foreign companies.

McGreevey's order mandates state agencies require vendors and their subcontractors seeking state contracts to disclose the country in which the services will be performed. And it prohibits the state from awarding a contract to a company performing the services overseas.

One exception: if using domestic labor produces a "significant and substantial" cost and brings hardship to the state. Tom Vincz, a spokesman for the state Department of Treasury, said details on what is considered "significant" still must be worked out.

Still, for unions, who have asked the government to step in and limit the expansion of free trade, McGreevey's order was a victory. They say the state pays heavily -- in unemployment and health-care costs -- when workers lose their jobs overseas.

"I think it's very forward thinking, and I think it looks at the entire economics of outsourcing, not just the short-term benefits," said Wyatt Earp, president of the Monmouth and Ocean Counties Central Labor Council, AFL-CIO.