Posted on Tue, Aug. 24, 2004

Senate OKs offshoring bill

MEASURE WOULD BAN STATE CONTRACTS FROM GOING ABROAD

By Karl Schoenberger
San Jose **Mercury News**

The California Senate on Monday passed a controversial bill that would ban state agencies from contracting out their services to companies that use overseas labor.

With the Assembly expected to concur, Gov. Arnold Schwarzenneger faces a choice between vetoing the measure to please business lobbyists or signing it to appeal to a populist demand for job protection. The governor's office said he had not taken a position on the bill, which cleared the Senate, 21-14.

Passage of SB 1829, sponsored by Assemblywoman Carol Liu, D-Pasadena, makes California one of the leaders in a nationwide movement seeking state legislative remedies against offshoring of government services.

``If this state wants to retain business and jobs in California, then we need to set an example by utilizing domestic business rather than sending work overseas," Liu said. ``Jobs pump money back into the economy via income and sales tax revenue and reduce the number of people who need public assistance to survive. Offshoring may save money in the short term, but it will cost us more in the long run as more and more Californians find themselves jobless."

A coalition of business associations, led by the California Chamber of Commerce, has strongly opposed the legislation, saying it would ultimately cost the state more jobs than it would save because of a backlash by trading partners that see the move as protectionism. The group held a news conference earlier this month warning of ``unintended consequences" should any of the cluster of anti-offshoring bills become law.

California is one of 34 states where legislation has been introduced that would restrict work on state agency contracts from being performed overseas, or impose regulations on offshoring practices to safeguard the security of medical and financial information. Legislation in two other states passed but was vetoed.

Hot topic

Offshoring became a hot political issue during the 2004 presidential campaign, as critics complained of laggard job growth because of the Bush administration's economic recovery plan. Jobs have been ``offshored" in the manufacturing sector for decades as other countries became more competitive with lower wages, but a political crisis emerged once well-paying jobs in the service sector -- including software and computer engineering jobs in Silicon Valley -- came under threat.

As many as 12 bills have been introduced to the California legislature since the beginning of the year relating to offshoring, and Liu's bill was the first to come up for a vote in the Senate. It bans state contracts from being performed abroad, and forbids state and local governments from spending state funds for employee training in foreign countries.

``We're one step closer to putting this bill on the governor's desk,'' said Angie Wei, legislative analyst with the California Labor Federation. ``This government is always talking about jobs, jobs -- good jobs. Now we'll see whether he wants to keeps some of the jobs that we already have.''

Other bills would require companies in the private sector to give notice before sending more than 20 jobs overseas; make overseas call-center employees disclose their location to consumers; protect the privacy of a patient's medical records or safeguard personal financial data, and give preferences to state contractors who certify they will perform information-technology services within the United States.

A bill that would merely require state agency contractors to disclose any work being done by subcontractors abroad is also under consideration, and is also opposed by business groups. At a time of fiscal crisis, critics say, state agencies should be free to pursue cost savings to make the best use of tax dollars.

Local conflicts

Two incidents last year sparked interest among California lawmakers to take action on offshoring. One was a threat by a medical-transcription subcontractor in Pakistan to disclose the confidential information of a University of California-San Francisco patient in a payment dispute. The other was the discovery that the food stamps program in California -- as in New Jersey and many other states -- uses customer-service call centers in India and Mexico that are operated by a contractor administering debit-card transactions.

Although the number of jobs involved is relatively small, Liu has argued that the food-stamps operation is a symbolic issue, and that such call-center jobs should be offered to welfare recipients before being sent abroad.

Contact Karl Schoenberger at kschoenberger@ mercurynews.com or (415) 477-2500.