Offshoring's toll: Bad to worse

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The United States is losing many more jobs than previously thought because of offshoring, according to a new report to a bipartisan commission appointed by Congress. The study shows the government needs to monitor the phenomenon more closely and more accurately assess the consequences — with the slow recovery of the job market in the United States adding to the task's urgency.

Cornell University, at the request of the U.S.-China Economic and Security Review Commission, collected information about the movement of U.S. production to other countries in the first three months of 2004. Cornell documented a minimum loss of 25,000 jobs during that period to offshoring. The number is conservative; almost as many more job shifts were announced, but not confirmed by Cornell.

In contrast, an earlier report from the Bureau of Labor Statistics identified 4,633 workers as having lost their jobs from January through March because employers transferred production overseas.

That was a "rash conclusion," said Dr. Kate Bronfenbrenner, director of labor education research at Cornell and co-author of the university's report. The BLS relied on employers to supply information they'd rather not disclose, and as the agency acknowledged, its survey did not cover the entire U.S. work force.

Cornell's report, released Oct. 14, is its second for the commission. Three years ago, it cited the difficulty of tracking the trend and urged the U.S. government to find a way to monitor the shipment of jobs overseas. There still is no formal process to do so.

Cornell had to rely on news reports, company announcements and regulatory filings to produce this year's report.

Estimating the economic impact of shipping jobs overseas is difficult because the issue is so complex, and it was beyond the scope of the Cornell study. However, Peter Morici, a professor of international business at the University of Maryland and formerly Director of Economics at the U.S. International Trade Commission, estimated our reliance on Chinese manufacturing alone costs American consumers about $50 billion a year extra for energy, at today's prices. That's because China is less energy efficient than the United States, so jobs shifted overseas ultimately increase demand for oil and increased all energy prices.

That figure does not include the impact of lost wages in the United States, or account for the savings by consumers who pay less for Chinese goods. Adding those pluses and minuses to the equation leaves American consumers in the hole to the tune of more than $15 billion a year, according to Morici.

That's a scary number. It shows the United States has largely ignored the real cost of those everyday low prices.