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For Many in U.S., Money Talks Even as Jobs Walk

Americans are anxious about outsourcing, yet their spending seems to support the practice.

By David Streitfeld, Los Angeles Times Staff Writer

Over the last three months, more than 12,000 people have voted to send Gina Hellegers' job offshore. She tries not to take it personally.

Hellegers is an underwriter at E-Loan Inc., a Pleasanton, Calif.-based mortgage company that has started offering online customers a choice: When they're taking cash out of their homes, do they want the paperwork processed in 10 days overseas or 12 days in the United States?

Nearly 9 in 10 customers choose the overseas option, which means the work is done in Chennai, India.

"They just want their home equity loan as quickly as possible," Hellegers said.

The lopsided result helps explain why many companies, including E-Loan and about half the Fortune 500, continue to move parts of their operations to low-cost areas around the world. Although public opinion polls show Americans are worried about this outsourcing of jobs, few people appear willing to back that up if it means spending more money or more time.

Even those who have lost jobs sometimes express more resignation than outrage. The lack of widespread passion on the subject, some say, helps explain why dozens of measures in Congress and state legislatures for limiting outsourcing have failed to gain much traction.

And the presumptive Democratic presidential nominee, Sen. John F. Kerry of Massachusetts, who in February characterized executives who outsourced as traitors, lately has toned down his rhetoric on the subject.

Against this backdrop, the nation's unemployment report for April — to be released Friday — becomes crucial. A strong report, coming on the heels of March's impressive net gain of 308,000 nonfarm jobs, will diminish remaining incentives to restrain outsourcing.

Sluggish job growth, on the other hand, will conjure up the slack reports of last winter. Outsourcing became a prominent election issue in December after a string of poor job reports sparked fears that U.S. job creation was in a long-term slump.

Opponents of outsourcing aren't sure how they were put on the defensive so quickly.

"It was shocking to find a Democratic-controlled House in the liberal state of Washington could not pass a significant piece of legislation dealing with the offshore-outsourcing issue," said Marcus Courtney, president of the Washington Alliance of Technology Workers. The bill would have prohibited state contracts from being sent overseas.

Courtney blamed "a nationally coordinated lobbying effort by corporate America" for the fact that none of the 80 bills in Congress and legislatures has passed.

The U.S. Chamber of Commerce said in a report last month that legislative restrictions would encourage other countries to respond in kind, placing more U.S. jobs at risk.

Furthermore, the report warned, "denying contracts to firms that source worldwide could prompt many to drop out of the bidding process." This would "create a special class of companies who don't source so that they can do
business with government — leading to less competition, higher prices and lower standards of performance."

The politicians who introduced these bills said they weren't ready to concede.

Rep. Rick Boucher (D-Va.) is cosponsoring a bill that would prohibit federal assistance to companies that lay off a greater percentage of their workers in the United States than in foreign countries. He also is backing a measure that requires foreign call center workers to identify their country — a sort of high-tech update on "Made in America" labels.

"The fact that these measures have not been debated on the floor of either house is not a signal they won't be in the future," Boucher said. "It's too soon to draw conclusions."

In California, state Sen. Liz Figueroa (D-Fremont) is sponsoring three bills that would restrict outsourcing. The one she gives the best shot of passing — a proposal that would require outsourcing firms to follow the state's privacy and confidentiality laws — was voted out of committee Wednesday. Its next stop is the Senate floor.

But the Silicon Valley lawmaker said the two other bills — one prohibits sending state contracts out of the country; the other requires employers to disclose when they plan to outsource more than 20 jobs — were seen as "esoteric" and "out there" by some fellow legislators.

"We're narrowing the bills to meet their concerns," she said. "A lot of people don't get it. It's difficult unless you represent an area where manufacturers and other companies are outsourcing."

People tell pollsters that they feel deeply about the subject. In a Gallup Poll in March, 61% of respondents said they were worried that they or someone close to them would have their job transferred overseas. Nearly as many — 58% — said outsourcing would be "very important" when voting for president in November.

Republican pollster Neil Newhouse said he was finding significantly less support for free trade, the economic philosophy that underlies outsourcing.

Four years ago, support for international trade was split, with 45% of those polled by Newhouse saying it increased U.S. jobs, 44% saying it reduced them.

In a poll this year, only 32% said trade created jobs here, while 58% said it decreased them.

But Newhouse said any demands for action were tempered by the complexity of the issue. This election year doesn't seem a replay of 1992, when third-party candidate Ross Perot received 19% of the vote by relentlessly equating free trade with the loss of manufacturing jobs to Mexico.

"There's a begrudging realization of the globalization of the world's economy and the U.S. economy that simply wasn't there in 1992," Newhouse said. "It's not as obvious who the 'enemy' is."

Others have less trouble fingerling a villain.

"Voters are also consumers, and unfortunately we are our own worst enemies when it comes to preserving America's way of life," said Harold Hervey, who this year started an anti-outsourcing website called SaveUSjobs.biz. "We continue to race to the bottom by always looking for lowest-priced products and services."

Hervey, the director of sales for a Silicon Valley software company, believes that "consumers who care about America's economic future must be willing to pay $5 more for a shirt or $50 more for a computer if that helps create jobs for their neighbors."

E-Loan's experience suggests that there are unlikely to be many such consumers anytime soon.

The company in February began to present home equity loan customers with a choice of where to have their processing done.
The problem with sending jobs overseas, said E-Loan Chief Executive Chris Larsen, isn't that companies do it but that they don't acknowledge they are doing it. Taking personal financial data halfway around the world without permission, he said, is a violation of privacy.

For a while, Larsen mused about building an advertising campaign around E-Loan's proclaiming that it would never send its customers' data to a foreign country. Then he realized it would amount to a proclamation that E-Loan would have higher costs than its competitors that do outsource.

Investors don't like talk like that, Larsen said. He paraphrased the Wall Street attitude toward outsourcing: "If you're not doing it, you guys are losers."

If investors would be hostile, many consumers are oblivious to any higher purpose. In the financial services business, they care about only one thing.

Said Larsen: "They may say they love what you're doing, but the moment they want to get a loan, if you're [a quarter-point] higher, they say, 'I'm going to the other guy.'"

In the three months that ended Monday, 85.6% of 14,329 loan applicants chose processing overseas.

"In the beginning, I was worried, of course," said loan underwriter Hellegers, a 33-year-old divorced mother of two young boys. "I thought, if they can do the job over there, where does that put me over here?"

E-Loan says none of the 30 underwriters in its Pleasanton headquarters is threatened, but the staff in India will quickly increase. Four underwriters are being added in Chennai.

Ultimately, said home equity Vice President Sedrick Tydus, the staff split will be 50-50. The night shift in India will feed work to the day shift in the United States, which is why loans can be processed one or two days faster if they are outsourced.

Going to India, from E-Loan's point of view, is a tool that will allow it to grow and stay competitive. In that sense, India isn't taking away Hellegers' job, it's preserving it.

A version of this argument is made by just about every company willing to talk about its outsourcing practices.

"It's an efficiency trend you can't ignore," Larsen said. "You're always asking, 'What is my competitor doing in Bangalore? He's going to kill us on price.'"

Which evokes, he said, only one response: "I've got to do that too."

Which in turn explains why Tydus and Larsen were in India and elsewhere in Asia this week, looking for other outsourcing opportunities.