

The Patriot-News  
August 1, 2004, Sunday

## Outsourcing hits central Pennsylvania

By Bill Sulon

Outsourcing -- a way of life in the manufacturing and textile industries for years -- hit home for more central Pennsylvanians in January.

That's when **EarthLink Inc.**, the nation's third-largest Internet service provider, said it would close its call center in Lower Paxton Twp.

Two months later, EarthLink laid off more than 400 employees. The company, citing increased competition and the desire for greater profitability, transferred the jobs to India, Jamaica and the Philippines, where labor is cheaper than in the United States.

Suddenly, computer specialists and other white-collar workers were in the same predicament as their blue-collar counterparts.

For Tim Smith, laid off as an EarthLink project manager, the news was unpleasant but not unexpected.

"Other companies, such as Dell and IBM, had already been leaders in shipping jobs offshore," said Smith, 31, of Hummelstown. "I was not surprised because of my knowledge of the general economy outside of EarthLink. But like all the other EarthLink employees, I found it disheartening."

Eye-opening, is how others described it.

"A lot of people said it wasn't that important to lose the manufacturing base because here in the United States we were always able to develop the latest products, and we would let the rest of the world do our grunt work," said Ike Gittlen, president of United Steelworkers Local 1688 and Pennsylvania coordinator for Stand Up for Steel.

"When we started offshoring computer technology work, people woke up and said, 'These were the jobs we were supposed to have.' There's now a whole upper-middle-class group that has become uncertain about its future," he added.

The decline in manufacturing, either directly or indirectly due to outsourcing, has been well documented. Employment in the U.S. steel industry has been steadily dropping, thanks to modernization and globalization -- which critics contend is a nice way of saying cheap imports made with low-cost labor.

From 1987 to 1997, the number of U.S. steelworkers fell 32 percent, from 163,000 to 112,000, and the industry is losing about 5,000 workers a year, according to the Institute for International Economics.

At the International Steel Group plant in Steelton, where railroad rails are made, the number of employees plunged 75 percent from 2,200 in 1994 to 543 now.

Manufacturing jobs of all kinds are disappearing across Pennsylvania. Statewide, there are 695,000 manufacturing jobs, down 25 percent from 1999, according to the state Department of Labor and Industry. During the same period, manufacturing jobs in south-central Pennsylvania fell 43 percent, to 25,000.

In some cases, such as with EarthLink, the job losses are clear examples of outsourcing -- the transfer of jobs out of the United States to other countries. But other Pennsylvania workers have lost their jobs, or are at risk of losing them. Their employers have to compete with companies that outsource, or their customers increasingly want the lowest price for a product, no matter where it is made.

In October, York-based Glatfelter, a 140-year-old paper manufacturer with a plant in Spring Grove, plans to lay off 175 employees, or 15 percent of its work force, in part because its biggest customers are buying less-expensive paper abroad.

Last August, Pillowtex Corp. closed its plant in Hanover and laid off 319 workers after the sheet and pillowcase maker could no longer compete against foreign textile companies.

Although the Hanover plant produced down bedding products and was financially sound, it "did not do well enough to compensate for the losses at other Pillowtex facilities," said Sandra Butt-Richardson of the Southcentral Employment Corp. office in York County.

When Aneco Trousers Corp. in Adams County closed last December in the face of foreign competition, 47 employees lost their jobs and were eligible for additional unemployment benefits -- 52 weeks of jobless pay and retraining courses.

The same benefits, awarded under the federal Trade Adjustment Assistance Act, were given to the 35 workers at the New Era Tool and Die plant in York County after it closed in June, six months after the Aneco layoffs.

The additional benefits go to manufacturing workers who lose their jobs, either directly or indirectly, because of outsourcing or foreign competition.

New Era workers were eligible for the additional benefits because they "suffered when Aneco outsourced," Butt-Richardson said.

EarthLink's decision to outsource was significant because of the nature of the business. Lawmakers, under increased pressure from constituents who lost jobs in the communications field, have proposed legislation to extend the enhanced unemployment benefits -- now available only to people who lose manufacturing jobs -- to non-manufacturing fields.

With the exception of EarthLink, the local impact of outsourcing has tapered off, said Marcia

Myers, program manager for dislocated workers at the Harrisburg regional headquarters of the Southcentral Employment Corp.

"The whole eight-county area was getting hit a couple of years ago, especially in manufacturing," Myers said. "Everything seems to be slowing down a little bit."

Yet the debate over outsourcing "is probably past its peak" because it has spread beyond manufacturing, said Stephen Herzenberg, executive director of the Keystone Research Center, a Harrisburg economic policy research institute.

"When manufacturing workers -- blue-collar workers -- get hammered by trade, to some degree that doesn't penetrate the business pages, the editorial pages, and more often it doesn't hit home for the elites who read the news," Herzenberg said. "When you have the outsourcing debate hitting higher-wage workers, it creates the awareness that we have an opportunity problem in the United States."

The stakes in outsourcing are deeper than jobs. About 30 million Americans participate in retirement programs, mostly 401(k) plans that contain stocks, many of which are in companies that either outsource or operate abroad. And as the upcoming layoffs at Glatfelter and recent job losses at New Era Tool and Die show, the ripple effect of outsourcing and foreign competition can be dramatic.

"I think the market is still shaking out," said David Black, president and CEO of the Harrisburg Regional Chamber. "A global economy is inevitable. We have to keep what jobs we have here, but we have to be open to new opportunities with foreign companies wanting to set up shop here."

Gov. Ed Rendell said improvements in high school education -- particularly reading, math and communications skills are key to slowing the flood of American jobs overseas.

"We've got the greatest technical schools and the greatest community colleges, and we do have the greatest universities and colleges. But if we are not giving our children fundamentally sound educations in K-12, particularly in early childhood, none of it's going to make a difference," Rendell told the Democratic Leadership Council last week in Boston.

Charles McCartle, 36, of Lewistown, couldn't care less about the economic and political theories related to outsourcing. He was laid off from his job of 16 years at Mann Edge Tool Co. in his hometown last July, when the company closed the plant and sent the work to Mexico.

McCartle, who went to work for the tool manufacturer after graduating from high school, has been retraining at Harrisburg Area Community College to become an electrical technician. Taxpayers pay for McCartle's education under the trade act.

"I think the people who talk about the importance of outsourcing haven't been affected one way or another, or they certainly wouldn't be saying that," said McCartle, who has a wife and 5-year-old son.

McCartle said he sold his 2000 Jeep Cherokee and replaced it with an older used car and is nervous about trying to get by without a job and health insurance.

"You keep cutting back, but you can only cut so much," McCartle said. "People need to be hearing more and more stories about what happens to people, instead of just looking at statistics. We've got families and bills."

McCartle has learned how to be more selective in his shopping since losing his job. Price, however, is only one factor for him.

"I used to never look at where products were made," he said. "Now I always check to make sure they're made here."