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Policymakers struggle with outsourcing issue

By MARK PETERS,

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Landing a business contract with the state of Maine could soon come with a caveat: Don't send the work overseas.

Some lawmakers and state officials fear that without the new provision, data processing, call answering and other state work could end up in China or India. It also would serve as a symbolic way to address what labor leaders say is a threat to Maine jobs.

"I am very concerned with spending state taxpayers' dollars on services that are being exported," said state Sen. Margaret Rotundo, D-Lewiston.

Maine is one of several states reacting to the attention American companies have gotten in recent years for the practice of offshore outsourcing - the shifting of service and high-tech jobs overseas. The country saw a flurry of legislation in 2004, when 36 states had proposals aimed at keeping state work from going abroad, according to the National Conference of State Legislatures.

This year, the Maine Legislature is considering at least two bills to keep state work - valued at \$500 million annually - in this country. The idea has bipartisan support among legislative leaders. Gov. John Baldacci's administration is exploring an executive order with a similar goal.

But like other states, Maine could struggle to pass such a policy. Supporters will face questions about whether state costs would increase when contractors cannot go overseas. And there are larger questions, such as whether lawmakers should try to stop the movement of certain jobs abroad.

Some economists say politicians have to remember that outsourcing works both ways. Service and technology jobs follow cheaper labor and lower overhead overseas. The free movement of work, however, means American companies are importing foreign contracts and jobs at the same time.

"It is a two-way street and the tendency is to look at the downside," said Daniel Innis, dean of the University of Maine's College of Business, Public Policy and Health.

The issue for state Rep. Philip Cressey Jr., R-Cornish, is about trying to keep state jobs and contracts in Maine. He wants a policy to prevent work currently done by Maine

workers to go to companies that would use foreign workers to do it. He says the proposal came after hearing the concerns of a southern Maine technology company, constituents and state workers.

"As the recession hit, it became more of an issue for folks," said Rebecca Wyke, commissioner of the state Department of Administrative and Financial Services.

The state has a history of using its estimated \$500 million in annual contracts to take certain policy stances against labor practices, pollution and other issues.

Wyke's office is researching state contracts and offshore outsourcing. One problem it has found is the state does not have data on how much of its work, if any, is being sent overseas.

Edward Gorham, president of the Maine AFL-CIO, says he knows that one state agency, when it switched from a paper to computerized system, used a contractor that sent the data-processing work to the Philippines. He believes there are other examples of this in state government.

Wyke says state contracts have no requirement right now for companies to disclose where the work is done. Before banning foreign work, she says the state may want to require companies to report where the work is done. This could provide an understanding of how widespread the practice is.

There are further concerns. Wyke says the state would have to determine whether costs would go up, and if so, by how much. The state used to require that Maine companies get preferential treatment when bidding on state contracts. This policy, however, turned out to hurt Maine companies that were penalized by other states because of the favoritism they received at home.

Gorham sees the state ban as a symbolic step on an issue to which the federal government and changes in international trade agreements hold the real answers.

He says the state has seen jobs exported overseas and factories shut down due to unfair, foreign competition. Workers are looking to government for an answer.

The Legislature can do little to fix the problem, but at least it can protect state work.

"It is certainly a morale booster," Gorham said.

Although Gorham and other labor advocates are pushing to stop outsourcing, economists and corporate groups question whether the state should follow their lead. They say the free flow of jobs around the world will strengthen the U.S. economy and actually result in more jobs at home.

"Isolating us from the rest of world would be detrimental," said Tita Freeman of Business Roundtable, a Washington D.C.-based association of chief executive officers from many of the largest U.S. companies.

State labor statistics do not track whether Maine has lost high-tech and service jobs due to offshore outsourcing. But Adam Fisher of the Maine Labor Department says the state's job losses due to foreign competition have come in more traditional areas such as manufacturing.

Rotundo, the senator from Lewiston, says her bill to prevent state contracts from going overseas is just one piece of legislation protecting the state economy. She and other lawmakers are working to have Maine become more involved in international trade agreements. This can be difficult, however, because federal and international laws trump much of what she and her colleagues can do.

"We have control over state spending. That is what we should be looking at," Rotundo said.

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