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Outsourcing: How Safe Is Your Job?

Offshoring has turned into an industry—and political—hot button that's getting pushed with greater frequency. But at what cost to EEs?

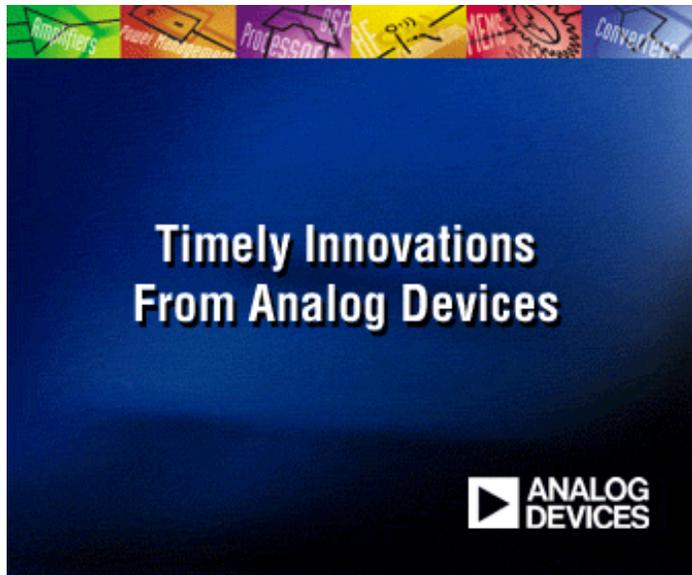
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THE WINDS OF CHANGE

As several analysts and economists have pointed out, offshoring is no longer a trend. Rather, it's part of a vast change in industry productivity and how the industry competes globally.

The motivations behind shifting design and manufacturing offshore are clear. First, reduce project cost. Then, focus in-house resources on the core business. But at least 20% of 104 global corporate chief information officers (CIOs) surveyed in early March by DataArt, a New York-based software developer, said the lack of in-house talent able to handle innovative development projects was the reason they moved projects offshore.

None of this helps working engineers. A study conducted last year by the McKinsey Global Institute, which took a "hard look at the facts," revealed the wealth created by offshoring doesn't completely offset the hardships it

creates. Over the period of the study (1979 to 1999), the Bureau of Labor

Statistics found that 31% of those whose jobs were displaced by international trade were not fully re-employed. While some of the workers found higher paying jobs, most did not. The statistics further reveal that 36% of displaced workers soon found jobs that matched or increased their wages, but 55% were at best working for 85% of their former wages. As many as 25% experienced pay cuts of 30% or more.

POLITICS AS USUAL

Not surprisingly, the offshoring debate has become a political hot button and a growing part of the national debate. N. Gregory Mankiw, chairman of the President's Council of Economic Advisers, caught a lot of political flak when he suggested that outsourcing jobs to foreign countries was simply another form of free trade that would, over time, be a "plus" for the U.S. But Congress, including Republicans, who may be nervous about how the Bush Administration will weather the unemployment controversy in an election year, may be planning its own assault on outsourcing.

Clearly, the pressure is on. Dale Ford of iSuppli warns that proposed legislation designed to protect American jobs could have the unintended side

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effect of harming the U.S. semiconductor industry. But the Washington Alliance of Technology Workers, an affiliate of the large and powerful Communications Workers of America, is developing an online fundraising campaign aimed at urging Congress into action. The group's not-so-subtle message: "Congress—if our jobs are at risk, so are yours."

They may be on to something. A Gallup Poll shows that 83% of Americans believe outsourcing is an important issue in this year's election. Nearly half (47%) are concerned that they or someone they know could lose their jobs to a foreign company.

The IEEE-USA is asking Congress for new U.S. workforce assistance programs to help displaced high-tech workers. One immediate step, it suggests, should be to expand the Federal Trade Adjustment Assistance (TAA) program's eligibility guidelines to cover all workers whose jobs move offshore. TAA extends unemployment compensation for up to two years and offers job training, job search, and health insurance assistance to eligible U.S. workers who lose their jobs because of foreign competition.

While all of this sounds like politics as usual, the outcome may be different.

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