

# OUTSOURCE THIS?

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American Workers, the Jobs Deficit, and the Fair Globalization  
Solution

April 2004

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## Abstract

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This paper argues that the outsourcing of service and technical jobs represents a new phase in globalization. For the first time, the *majority* of American workers are now being forced to grapple with outsourcing as a threat to their own livelihood and the future prospects of their children.

The current debate over outsourcing is trapped in a centuries-old debate between “free trade,” “fair trade” and protectionism. None of these positions is adequate to understand—or to fix—the contemporary jobs problem. Today’s global economy can no longer be understood as a system of national economies trading with each other. Rather, it is a system of global markets, corporations, and institutions that cut across national boundaries.

Fair *trade* is not enough, fair *globalization* is needed.

Outsourcing would not be a problem if there were enough decent jobs. But a global jobs deficit allows companies to move work wherever labor is cheapest—and where governments are most desperate and therefore will provide the highest subsidies with the lowest environmental and social protections.

The task is to address the jobs deficit with strategies to create enough decent jobs for everyone.

A new alternative, “fair globalization,” that puts job creation and economic security at the center of economic planning is emerging. It includes action at the local, national, and global levels.

In the US, the current jobless recovery—and the anxiety produced by accelerating outsourcing of manufacturing and service jobs—may provide an opportunity for unions and other worker organizations, progressive political organizations, and social movements to change the direction of globalization. The paper proposes a series of steps that could be taken to begin to create a fair globalization alternative.

This report was written by Jeremy Brecher and Tim Costello with important help from Suren Moodliar, Kim Foltz, and Reem Assil. Brecher and Costello are co-authors of *Global Village or Global Pillage: Economic Reconstruction from the Bottom Up*, and *Globalization from Below* (with Brendan Smith). The cover was designed by Lillia Sanabria.

The North American Alliance for Fair Employment (NAFFE) is a network of sixty-five unions, advocacy groups, and community-based organizations concerned about the growth of contingent work—including part-time jobs, day labor, temping, sub-contracting—and its impact on the well being of all workers.

# Executive summary

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## 1. The “New Outsourcing”

The outsourcing of manufacturing jobs has long been part of the world economy. But the overseas outsourcing of white-collar and knowledge-based jobs represents a new phase in the economics, and especially in the politics, of globalization. For the first time, the *majority* of American workers are now being forced to grapple with outsourcing as a threat to their own livelihood and the future prospects of their children.

Estimates as to how many white-collar jobs in the US are at risk to outsourcing range from 3.3 million jobs to 14 million jobs over the next decade. Some economists argue that the number of jobs at risk is high because it is relatively easy to outsource many service jobs that require little more than qualified workers and high-speed communication. (*pages 3-4*)

If there were plenty of good jobs, outsourcing would not be a major issue. But there is a major deficit of good jobs throughout the world. The US is experiencing the longest period of sustained job loss since the end of the Great Depression.

Outsourcing must be understood in the context of the global jobs deficit. Corporations and investors exploit this jobs deficit to move work wherever labor is cheapest – and where governments are most desperate and therefore will provide the highest subsidies with the lowest environmental and social protections.

This basic feature of globalization will not cure itself. The global jobs deficit must be directly addressed by people around the world at the local, national, and global level. It cannot be closed by trying to protect the jobs of workers in one country at the expense of workers in other countries.

## 2. Why do jobs go offshore?

Cost is the main driving force behind outsourcing. According to one CEO, “You can get three or four programmers for the price of one. As a software company, you can cut half your programmers, cut your prices, and your profit margins go up, all at the same time. That’s a big deal.” (*page 5*)

The new outsourcing is not driven simply by *opportunity* for profits, however. It is even more a response to the continuing problems of overcapacity that afflict many industries. Overproduction in the global marketplace means that companies have little ability to adjust prices to maintain profits, since someone somewhere will produce and sell for less. Therefore, companies look for cheaper labor to increase profit margins while retaining competitive prices. (*page 6*)

### **3. The impacts of outsourcing**

The impact of outsourcing goes far beyond the relatively small number of workers who actually lose their jobs. An even more important impact is the power that employers achieve through the *threat* of moving jobs. Just as real wages for industrial workers have fallen in the US, so the wages of all workers whose jobs can be moved to other, cheaper locations are likely to stagnate or fall, even if relatively few jobs are actually moved. *(page 6)*

Outsourcing also has important macroeconomic consequences. It is a major factor in the current jobless recovery. Normally at this stage in the US business cycle, private wage and salaries would be up 8 percent in real terms. Instead, two years into the current expansion, they are down nearly 1 percent, the functional equivalent of \$350 billion less in real consumer purchasing power.

### **4. “Free trade” vs. “fair trade”: a debate with two dead ends**

While the global jobs deficit is at the heart of the current economic crisis, the current debate on the US economy rarely puts the problems of US workers in that context. Instead, the issue gets reduced to a centuries-old, pre-globalization debate about “free trade” vs. “fair trade” or “protectionism.”

Each side in this debate makes some valid points. “Fair trade” advocates are right that the current form of globalization has devastating effects on working people, communities, and the environment. But “free trade” advocates are right that simply trying to prevent existing jobs from moving to other countries is likely to be self-defeating. The usual, if unintended, consequence of economic nationalist strategies in a global economy is not thriving domestic industry, but rather trade wars.

Neither side adequately recognizes that “trade” represents only a small part of the historical transformation known as globalization. Today’s global economy can no longer be understood as a system of national economies trading with each other. Rather, it is a system of global markets, corporations, and institutions that cut across national boundaries. *(page 12)*

### **5. Faith-based economics**

The notion that outsourced jobs inevitably will be replaced has become less a reasoned argument than a religious faith.

Globalization advocates argue that displaced US workers can find jobs by moving up the value chain. But with the widespread outsourcing of high-skilled, knowledge-based work, the question they fail to answer is which jobs will be created and why won’t they be outsourced? *(page 13)*

The descendants of textile workers in India who lost their jobs to British textile mills remained impoverished for generations. The New England mill towns whose factories went to the South a century ago remain centers of poverty today. The rust bowl cities like Detroit and Akron that lost their manufacturing base to globalization in the 1970s and 1980s experienced a brief resurgence in the 1990s, but today they are again mired in industrial decline. *(page 14)*

### **6. Fair globalization: an alternative**

“Fair trade” is not enough; creating good jobs requires “fair globalization.” *(page 17)*

*A Fair Globalization – Creating opportunities for all*, a new report by the International Labor Organization’s Commission on the Social Dimension of Globalization, provides the framework for a new approach to the global jobs deficit. Fair globalization shifts the debate away from trade policy and toward action at the local, national, and global level to *create* enough decent jobs. (pages 19-25)

Fair globalization involves action along several tracks. Domestically it involves:

- immediate action to aid workers and communities impacted by job loss;
- a wider and stronger social safety net;
- a strengthening of the public sector;
- direct job creation strategies to meet pressing social needs with available skills;
- the restoration of workers’ bargaining power through public policy that supports worker organizations;
- new tax policies to redistribute wealth downward;
- a cultural and political shift away from the idea that society is simply a big market, and toward a reaffirmation of the value of the common good. (pages 25-28)

A fair globalization agenda would recognize that the global economy is so interconnected that no country—not even the US—can solve its jobs problem on its own. Global action would include a reversal of IMF and World Bank policies that, instead of meeting people’s basic needs, have required developing countries to destroy their social safety nets, slash government services, and eliminate their legal protections of workers in order to service their international debts.

Ending IMF/World Bank austerity programs, and eliminating the international debt of the Global South will help produce job-promoting, expansionary economic demand in the global economy as a whole. It will also help reduce inappropriate forms of outsourcing by allowing developing countries to use their resources to meet their own people’s needs for well-being and development, rather than engaging in a desperate effort to attract foreign jobs. (page 24)

## **7. The role of social movements**

Creating and implementing a fair globalization strategy will not happen without the action of worker and social movements. Fortunately, the forces that could push a fair globalization agenda are emerging in the global social-justice movement, in labor and workers movements around the world, and in other social movements. Events like the World Social Forum are a venue for creating the discourse for such an agenda. (pages 29-31)

## **8. A new opportunity**

In the US, the backlash against *unfair* globalization, prompted by anxiety about outsourcing, could provide broad public support for this movement. Recent and reliable polls show that in the US—despite increasing anxiety about globalization—people want a fair globalization. They want one that recognizes the value of global interconnectedness, which is not isolationist, and which is more just to people in the US and around the world. (page 31)

Social movements concerned with global justice issues must turn their attention to ways to address the global jobs deficit. While reforming trade laws and treaties to include labor protections has value

in itself and should be pursued vigorously, such reforms will do little to address the jobs gap. Nor will subsidies, new tax laws, or protectionist measures have much positive effect in an already globalized economy. *(page 32)*

The backlash against outsourcing has made jobs a defining issue in the current presidential election campaign. A fair-globalization jobs agenda should be developed and promoted by social-justice activists during the coming campaign. *(page 33)*

## Introduction

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“A specter is haunting America – the *specter* of outsourcing.” So writes the *Business Standard* of India. “The prospect of a steady stream of manufacturing jobs winging their way to China and service jobs migrating to India has spooked the world’s only superpower.”<sup>1</sup>

The moving of American manufacturing jobs overseas has been a devastating reality since the 1980s. But the overseas outsourcing of white-collar jobs represents a new phase in the economics, and especially in the politics of globalization. For the first time, the *majority* of American workers are now being forced to grapple with such outsourcing as a threat to their own livelihoods and the future prospects of their children.

If there were plenty of good jobs, outsourcing would not be a major issue. But the US is currently facing the “greatest sustained job loss since the Great Depression.”<sup>2</sup> For the first time since the presidency of Herbert Hoover, there are fewer jobs at the end of a presidential term than at the beginning. As a result, Americans now rate the economy, including “jobs” or “unemployment,” as “the most important problem facing the country.”<sup>3</sup>

But the jobs deficit is not just a US problem. In fact, it is part of a global jobs deficit. According to the UN’s International Labor Organization, more people are unemployed today than ever before in world history – 188 million worldwide, not counting the 550 million “working poor” whose labor provides them no more than a dollar a day.<sup>4</sup>

This *global* jobs deficit is what makes outsourcing so devastating. Corporations and investors exploit this deficit to move work wherever workers are most desperate and will therefore accept the lowest wages – and where governments are most desperate and therefore will provide the highest subsidies with the lowest environmental and social protections. This process is often referred to as “the race to the bottom.”

This basic feature of globalization will not cure itself; until it is addressed, millions of workers in the US and worldwide will suffer its consequences. But neither can it be cured by trying to protect the jobs of workers in one country at the expense of workers in other countries. That can only turn the global economy into a futile war of nation against nation to get or keep jobs and investment. The global jobs deficit is a global problem that no country can solve by itself. It can only be solved through a strategy of global cooperation.

Such a global jobs strategy is the centerpiece of a new International Labor Organization report, *A Fair Globalization – Creating opportunities for all* (hereafter, *Fair Globalization*). It states unequivocally that “The current path of globalization must change.”<sup>5</sup> It lays out an approach that treats the jobs problems of both developed and developing countries as part of the same global crisis—and proposes solutions that address the various parts of the problem in tandem. It proposes new rules

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<sup>1</sup> Manas Chakravarty, “The specter of outsourcing,” *Business Standard*, February 3, 2004.

<sup>2</sup> Economic Policy Institute, *JobWatch Bulletin*, 5 March 2004, <<http://www.jobwatch.org>>.

<sup>3</sup> Dennis Jacobs, “Public Grows More Wary About Economy in February,” *Gallup News Service*, February 16, 2004.

<sup>4</sup> *World Commission says globalization can and must change: Press Release* (Annex II), Geneva: International Labor Organization, 24 February 2004, <<http://www.ilo.org/public/english/bureau/inf/pr/2004/7.htm>>.

<sup>5</sup> *World Commission says globalization can and must change*, 2.

for the global economy to ensure decent jobs and incomes for all working people. As an alternative to today's *unfair* globalization, this "fair globalization" approach is fair both to hard-pressed workers in the developed countries, and to the oppressed and exploited in the developing countries.

The US government has been a prime promoter of *unfair* globalization. The Bush administration has actually proclaimed that, as one headline put it, "Sending jobs overseas helps US"<sup>6</sup> But because so many Americans are now threatened by outsourcing, there are new opportunities to challenge US policies that promote *unfair* globalization.

In early 2004, outsourcing exploded as a public issue in the US. At first this took the form of largely symbolic protests. But it has quickly opened a long-overdue debate over the need for new national and global strategies to counter *unfair* globalization.

Whether they wear blue or white collars, whether they work in developed or developing countries, the great majority of workers are constantly threatened by *unfair* globalization. They therefore have a common interest in promoting fair globalization.

The labor movement, the global justice movement, and their allies in the US and around the world have a crucial role to play in ensuring that the alarm over outsourcing is translated into effective action and policies that create good, stable jobs and reverse the race to the bottom. So do those seeking to promote the interests of working people in the political arena. The outrage stimulated by today's outsourcing can help turn the tide from unfair to fair globalization—and to good jobs for all.

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<sup>6</sup> "Sending jobs overseas helps US" *Seattle Times*, February 10, 2004.

# I. The “new outsourcing”

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## 1. What’s new about “the new outsourcing”?

The movement of jobs from one country to another—today known as “outsourcing”—is nothing new. In the 18<sup>th</sup> and 19<sup>th</sup> centuries, British imperial policy deliberately ruined the textile industry of India, then the world’s leading producer, creating jobs in England while leaving a devastated workforce and generations of impoverishment in India. More recently, corporations moved millions of blue-collar jobs from manufacturing centers in the US to Mexico, China, and other low-wage countries around the world, reducing much of industrial America to a “rust bowl.”<sup>7</sup>

Such actions may seem remote as long as they are happening to someone else. But today’s new wave of foreign outsourcing threatens workers in the white-collar service sector who comprise the great majority of US workers. They are being forced to wonder, as *Time* put it, “Is Your Job Going Abroad?”<sup>8</sup>

Tens of thousands of white-collar and service jobs are moving to low-wage countries. Giant global corporations like IBM, General Motors, Hewlett-Packard, and Microsoft are “off-shoring” jobs at an accelerating rate. To date, hundreds of thousands of jobs have already left to India, the Philippines, Eastern Europe and other low-wage areas of the world. By 2015, according to one estimate, up to 3.3 million service sector and high-tech jobs—2 percent of all jobs in the US—will have moved abroad.<sup>9</sup>

That estimate may be conservative. A study by Ashok Deo Bardhan and Cynthia Kroll at the University of California at Berkeley calculates that a total of 14 million US jobs are under “outsourcing risk.” They argue that “Services outsourcing is structurally simpler than manufacturing outsourcing in terms of resources, and space and equipment requirements, and thus may proceed much more quickly.”<sup>10</sup>

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<sup>7</sup> Until recently “outsourcing” was used to mean the elimination of work within a company and its replacement by goods or services bought from outside. In the current debate, however, to outsource has come to mean, “to lay off American workers earning salaries and fringe benefits and hire different workers, usually in other countries, for a fraction of the pay and no extra benefits.” In the current usage, then, outsourcing includes the notion of “offshoring,” i.e. the movement of jobs abroad, whether or not the jobs remain within the enterprise. Ted Landphair, “Outsourcing, Costly for US Workers, an Issue in Election Year,” *VOA News*, 7 February 2004, <[www.voanews.com](http://www.voanews.com)>.

<sup>8</sup> White collar outsourcing should not have come as a surprise; its emerging contours could be discerned more than a decade ago: “Downward leveling is not limited to low-skill, low-tech jobs; it increasingly affects high-skilled professionals. A software programming center in Bangalore, India, services thirty global corporations, including Microsoft, Digital, Fujitsu, Bull, Olivetti, Oracle, IBM, and Motorola, at half the price the same work would cost in the United States or Western Europe. Metropolitan Life employs 150 workers in County Cork, Ireland, to examine medical claims from all over the world; costs are one-third below the United States, and the Irish Development Authority provides tax and other incentives. Computer programmers work in Gdansk, Poland for a US communications equipment maker who pays them a fraction of comparable US salaries. Company officials can communicate with such employees across the world by satellite as easily as they can communicate with workers in the building next door.” Jyoti Thottam, “Is Your Job Going Abroad?,” *Time Magazine*, March 1, 2004.

Jeremy Brecher and Tim Costello, in *Global Village or Global Pillage* (Boston: South End Press, 1994) p. 21.

<sup>9</sup> Steven Greenhouse, “IBM Explores Shift of Some Jobs Overseas,” *New York Times*, July 22, 2003.

<sup>10</sup> Ashok Deo Bardhan and Cynthia Kroll, “The New Wave of Outsourcing”, Fisher Center Research Reports: Report #1103, *Fisher Center for Real Estate & Urban Economics*, 2 November 2003, <<http://repositories.cdlib.org/iber/fcreue/reports/1103>>.

## Which jobs are outsourced?

An ever increasing number of job classifications are being outsourced abroad. These include, perhaps most famously, call-center jobs but also scores of other business processing jobs of varying skills from accounting to web-design jobs.<sup>11</sup>

Call-center jobs pay between \$7 and \$15 per hour in the United States. There are between 60,000 and 100,000 call centers in the US employing up to 3.5 million workers according to industry sources.<sup>12</sup>

What is especially new about the current wave of outsourcing, however, is that high-skilled jobs are now at risk. In the computer industry, 450,000 jobs—about 8 percent of the industry—will move by 2015, according to Forrester Research, a high-tech research and consultancy company.<sup>13</sup> Gartner Inc., another leading research firm, says the number will be much higher. They estimate that 25 percent of all IT jobs in the developed world will migrate to developing countries by the end of the decade.<sup>14</sup> An industry survey by the trade organization, the Information Technology Association of America (ITAA) reports that:

In terms of the type of jobs being moved, the findings are somewhat surprising. While offshore development is often considered an alternative to low end 'commodity' work, the ITAA survey finds programming/software engineering the job most likely to go overseas (67 percent), followed by network design (37 percent) and web-development (30 percent).<sup>15</sup>

According to one US investment banker who has moved some high-end jobs to Mumbai, "...[T]he economies of scale for higher value-added work like equity research are much smaller for you to break even—say 25 employees in equity research as against 500 seats in a call center."<sup>16</sup>

Where will it all end? An executive at a leading global outsourcing company who recently completed an audit for a "typical" bank in Philadelphia concluded that 85 percent of jobs—ranging from low-skilled, back-office work to accounting and information technology—were "intrinsically offshore-able."<sup>17</sup> General Electric has publicly stated goals of outsourcing "70 percent of its headcount, pushing 70 percent of that outsourcing offshore, and locating 70 percent of such workers in India." As Morgan Stanley chief economist Stephen Roach comments, examples such as this suggest that the phenomenon is "only in its infancy."<sup>18</sup>

Craig Barrett, Chief Executive of Intel, summed up what is new in today's outsourcing. "The big change today from what's happened over the last 30 years is that it's no longer just low-cost labor

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<sup>11</sup> See Appendix.

<sup>12</sup> *Staffing Industry Reports*, June 13, 2003.

<sup>13</sup> Greenhouse, "I.B.M. Explores Shift of Some Jobs Overseas."

<sup>14</sup> "25 percent of tech jobs to be outsourced by 2010: Survey," *Agence France Presse*, March 17, 2004.

<sup>15</sup> "ITAA 2003 Workforce Survey", *Information Technology Association of America*, Arlington, VA: May 2003, p. 12.

<sup>16</sup> Edward Alden, James Harding, and Christopher Swann, "Outsourcing remarks stir backlash," *Financial Times*, February 13, 2004. While an increasing number of these jobs—along with other business process jobs—are going to India, many go to other English speaking countries with high skilled and lower cost workers such as Ireland and Canada. In addition, South Africa and the Philippines are also attracting more call-center and BPO work as they ramp up their efforts to attract outsourced jobs. (See *Contingent Work News and Comment*, February, 2004 for South Africa.) Outsourced jobs are not just migrating to English-speaking countries: non-English speaking countries such as Mexico and Costa Rica attract US call-center jobs targeting Spanish speakers in the US. Other business-process jobs are moving to the Caribbean, Israel, and Eastern Europe. "Offshoring: Is It a Win- Win Game?" *McKinsey Global Insight Institute*, San Francisco, CA, August 2003.

<sup>17</sup> NAFFE Staff, Interview, August 7, 2003.

<sup>18</sup> Stephen Roach, "The Global Labor Arbitrage," *Morgan Stanley: Global Economic Forum*, 6 October 2003, <[www.morganstanley.com](http://www.morganstanley.com)>.

that you are looking at. It's well-educated labor that can do effectively any job that can be done in the United States." According to Barrett, "Unless you are a plumber, or perhaps a newspaper reporter, or one of these jobs which is geographically situated, you can be anywhere in the world and do just about any job."<sup>19</sup>

The threat of outsourcing is having a psychological impact far beyond those directly affected. Conservative economist Paul Craig Roberts reports that when he talks to high school and college students, "They spend a great deal of time searching for an occupation that can't be wiped out underneath them."<sup>20</sup> According to a new Gallup Poll, 41 percent of Americans are "very concerned" and another 20 percent are "somewhat concerned" that they or a friend or relative "might lose a job because the employer is moving that job to a foreign country."<sup>21</sup>

## 2. Why do they go offshore?

"What's driving offshore outsourcing of tech jobs?" an interviewer recently asked Mark Andreessen, cofounder of Netscape Communications. His answer: "You can get three or four programmers for the price of one... As a software company, you can cut half your programmers, cut your prices, and your profit margins go up, all at the same time. That's a big deal." A recent report by the McKinsey Global Institute estimates that of every dollar that is "offshored," the company gains 58 cents in net cost reduction "even as they gain a better (or identical) level of service."<sup>22</sup>

Andreessen points out that information technology (IT)—the combination of computers and communications—has made service outsourcing much easier than even three or four years ago. "Everybody can be on the same network. At that point, you can do everything from routing phone calls to transferring digital images and financial records to doing e-mail, collaboration, and conferencing. Whether the guy is here or in India doesn't really matter that much."<sup>23</sup>

While some blame foreign countries or their workers for outsourcing, the movement of jobs is being led by US investors and global corporations. A majority of venture capitalists in Silicon Valley now require that start-up companies subcontract some software development to India or China.<sup>24</sup> *CNN/Money* reports that "Wall Street in general is very bullish on the topic, rewarding companies that announce offshore outsourcing plans."<sup>25</sup> Sixty-five percent of the tripling of Chinese exports over the past decade is traceable to "the outsourcing dynamic of Chinese subsidiaries of multinational corporations and joint ventures."<sup>26</sup>

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<sup>19</sup> Bob Herbert, "Education is No Protection," *New York Times*, January 26, 2004. (Quoting interview in the *San Jose Mercury News*).

<sup>20</sup> Edward Luce and Khozem Merchant, "The logic is inescapable" *Financial Times*, January 28, 2004.

Even Bill Gates is moved to action on this topic: "Still, there's rising concern that the offshoring talk is scaring away students from technology and computer sciences. Microsoft Chairman Bill Gates is so concerned that he toured five college campuses in February including MIT, Harvard and the University of Illinois at Urbana-Champaign to reassure computer science students that lucrative livelihoods still await them." Susan Chandler, "Offshore Outcry Masks US Tech Shortage," *Chicago Tribune*, March 14, 2004.

<sup>21</sup> Dennis Jacobs, "Will Outsourcing Fears Hurt Spending?" *Gallup Tuesday Briefing*, March 16, 2004.

<sup>22</sup> Luce and Merchant, "The logic is inescapable."

<sup>23</sup> "Outsourcing Isn't a Zero-Sum Game," *Business Week Online*, March 1, 2004.

<sup>24</sup> Luce and Merchant, "The logic is inescapable."

<sup>25</sup> Eric Hellweg, "'Offshoring' meets its enemies," *CNN/Money*, January 28, 2004.

<sup>26</sup> Roach, "The Global Labor Arbitrage." As Mark Andreessen points out, the current movement of jobs is not primarily the result of conventional comparative advantage. It is not a response to differences in productivity for the same activity.

Hourly Wages for Selected Occupations US and India, 2002/2003		
Occupation	Hourly Wage, US	Hourly Wage, India
Telephone Operator	\$12.57	Under \$1.00
Health Record/Technologists/ Medical Transcriptionists	\$13.17	\$1.50 – \$2.00
Payroll Clerk	\$15.17	\$1.50 – \$2.00
Legal Assistant/Paralegal	\$17.86	\$6.00 – \$8.00
Accountant	\$23.35	\$6.00 – \$15.00
Financial Researcher/Analyst	\$33.00 – \$35.00	\$6.00 – \$15.00

Source: Barden and Kroll (2003) p. 5, cited above

The new outsourcing is not driven simply by *opportunity* for profits, however. It is even more a response to the continuing problems of overcapacity that afflict many industries. As Morgan Stanley chief economist Stephen Roach puts it,

In an era of excess supply, companies are lacking in pricing leverage as never before. As such, businesses must remain unrelenting in their search for new efficiencies . . . Wage rates in China and India range from 10 percent to 25 percent of those for comparable-quality workers in the US and elsewhere in the developed world. Consequently, offshore outsourcing that extracts products from relatively low-wage workers in the developing world has become an increasingly urgent tactic for competitive survival by companies in the developed world.<sup>27</sup>

Stephen Roach compares the movement of jobs to the cheapest labor market to the financial practice of “arbitrage,” in which speculators move from one market to another to take advantage of a cheaper price. He calls the result of IT-enabled globalization “global labor arbitrage.”<sup>28</sup>

### 3. The impacts of outsourcing

The impact of the global mobility of work goes far beyond the relatively small number of workers who actually lose their jobs. An even more important impact is the power that employers achieve through the *threat* of moving jobs. Just as real wages for industrial workers have fallen in the US, so are the wages of all workers whose jobs can be moved to other, cheaper locations likely to stagnate or fall, even if relatively few jobs are actually moved. And as Chakravarty observes, the “supply of cheap skilled and educated labor” in India and China “is practically inexhaustible. This global ‘reserve army of the unemployed’ can be counted on to keep wages down.”<sup>29</sup>

John Challenger, CEO of an international outplacement consulting firm, says that while there is no way to pinpoint how much of an impact outsourcing is having, the long-term impact will be far-

For example, “Factories in China are state-of-the-art. When Intel builds a factory in Western China, it’s a highly automated factory just like one in Oregon. So the future is not 800 million unskilled Chinese laborers working in giant industrial factories with lots of smoke coming out the top. The future is factories in China that are just as automated as factories in the US” Indeed, “China has lost more manufacturing jobs in the last seven years than the US has – because its factories are getting more automated and more productive. They’ve lost jobs to automation.” “Outsourcing isn’t a zero-sum game,” *Business Week Online*, March 1, 2004.

<sup>27</sup> Roach, “The Global Labor Arbitrage.”

<sup>28</sup> Roach, “The Global Labor Arbitrage.” Roach’s concept of global labor arbitrage appears similar to the concept, often denied by the advocates of globalization, of a “race to the bottom.”

<sup>29</sup> Chakravarty, “The Spectre of Outsourcing.”

reaching: “It runs the risk of bringing down wages in some of the key higher paying job areas of our economy. The only way for many people to get back to work is to accept much lower wages in a global labor market.”<sup>30</sup>

Intel’s Craig Barrett was asked, “Aren’t we talking about an entire generation of lowered expectations in the United States for what an individual entering the job market will be facing?” He replied, “It’s tough to come to another conclusion than that. If you see this increased competition for jobs, the immediate response to competition is lower prices and that’s lower wage rates.”<sup>31</sup>

## Outsourcing and contingent work

The development of outsourcing is intimately linked to the expansion of contingent work in the US. According to Louis Uchitelle of the *New York Times*, “Companies increasingly divide their work forces into a core group of permanent, well-paid employees surrounded by less-skilled, lower-wage workers who can be brought in and sent away as demand fluctuates.”<sup>32</sup> These non-core workers are often not employees at all, but rather hired on contract or through subcontractors. “Intrinsic to outsourcing” according to Gregg Kirchoefer, an international outsourcing lawyer, “is the replacement of the employer-employee function with a third party.”<sup>33</sup>

A CNN report on outsourcing notes that it is “the logical extension of the process that began with contract manufacturing and continued into corporate services” in which work is “spun off into contracts rather than tied to employees.” Once a person’s labor can be reduced to a contract, “it matters little whether the contract is filled in India or Indiana; the only relevant issue is cost.” As soon as a job becomes routine enough to describe in a spec sheet, it becomes vulnerable to outsourcing. And “Without a ‘social contract’ binding employer and employee, long-term jobs are an illusion.”<sup>34</sup>

In fact, what is being outsourced is not usually “a job” in the conventional sense of steady employment. Rather, it is job fragments which can continue to be easily shifted from worker to worker and from location to location. Far from providing a secure basis for a rising standard of living, they provide at best a temporary windfall.<sup>35</sup>

The impact of outsourcing does not stop with those in the labor markets directly affected by it, however. It can have a significant macroeconomic effect on the entire US economy. According to Roach, the global labor arbitrage is also now acting as “a powerful structural depressant on traditional sources of job creation in high-wage countries such as the United States.” As a result,

<sup>30</sup> *Marketplace*, National Public Radio, March 2, 2004.

<sup>31</sup> Bob Herbert, “Education is No Protection,” *New York Times*, January 26, 2004.

<sup>32</sup> Louis Uchitelle, “New Patterns Restrict Hiring,” *New York Times*, March 6, 2004.

<sup>33</sup> Thottam, “Is your job going abroad?”

<sup>34</sup> Ibid

<sup>35</sup> Roach, “The Global Labor Arbitrage.” Stephen Roach recognizes the relation between global outsourcing and contingent work in the US. “America’s increased emphasis on a relatively low-cost contingent workforce is emblematic of a new relationship between aggregate demand and domestic employment that lies at the heart of the global labor arbitrage.” According to the *New York Times*, citing Larry Geiger of the American Management Association, instead of hiring new workers executives are focused on “fattening profits to push up stock prices and recover ground lost in the market plunge that started in 2000.” Since they cannot raise profits by raising prices in a period of low inflation, “they are doing it by suppressing labor costs – getting more output from the existing work force.” The *Times* notes that in the same period, profit share of corporate income has risen at the expense of labor’s share. (Uchitelle, “New Patterns Restrict Hiring.”) From the workers’ point of view, however, organizing to reduce the hypermobility of capital is needed. Recognition that these jobs maybe temporary should not discourage organizing but rather *inform* it.

“America’s jobless recovery could well be here to stay.”<sup>36</sup> Indeed, “Had Corporate America held to the hiring trajectory of the typical [business] cycle, fully 7.7 million more American workers would be employed today.”<sup>37</sup>

The jobless recovery means a “profound shortfall in wage income generation.” Normally at this stage in the US business cycle, private wage and salary disbursements are up 8 percent in real terms. Two years into the current expansion, they are down nearly 1 percent, the functional equivalent of \$350 billion less in real consumer purchasing power.<sup>38</sup>

The conclusion Roach draws is that “jobless recoveries may remain the norm in high-cost developed economies for some time to come.” Indeed, “The threat to traditional sources of job creation strikes right at the heart of economic security.”<sup>39</sup>

Why, then, has there been an economic recovery, even if a jobless one? According to Roach, purchasing power has been maintained by “massive tax cuts, an outsized build-up of debt, and the extraction of cash from over-valued assets such as homes.” But this has meant “subpar national saving, a record current-account gap, and sharply elevated household debt service.”<sup>40</sup> US households expanded their debt by 10.9 percent in 2003 and total national debt grew by 8.1 percent.<sup>41</sup>

The ultimate consequences may be even more far-reaching. In a global economy dependent on US demand, rising unemployment and falling wages in the US pose the threat of global stagnation at best. Given the historically unprecedented deficits in the US Federal budget, trade, and current accounts balances, they also raise the likelihood of rapid fall in the value of the dollar and financial meltdown worldwide. As Roach puts it, for a “US-centric global economy,” an inability to sustain the current upturn provides a “disconcerting risk.”<sup>42</sup>

#### 4. Outsourcing in the US political arena

It has been said that, when a man knows he is to be hanged, “it concentrates his mind wonderfully.”<sup>43</sup> Today, millions of Americans are learning that jobs, careers, and future employment prospects for themselves and their children are threatened by a wave of outsourcing—and their minds are being wonderfully concentrated by that threat.

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<sup>36</sup> Roach, “The Global Labor Arbitrage.”

<sup>37</sup> Stephen Roach, “Global False Recovery,” *Global Economic Forum*, Morgan Stanley, January 12, 2004.

<sup>38</sup> Roach, “Global False Recovery.”

<sup>39</sup> Roach, “The Global Labor Arbitrage.” In “Global False Recovery,” Roach suggests that the rising productivity reported by US companies, often portrayed as the cause of the jobless recovery, in itself the result of excess global capacity and the competitive pressure that it generates. “The unrelenting push for cost control leaves return-driven US businesses with no choice other than to push the envelope on productivity solutions.”

<sup>40</sup> Roach, “Global False Recovery.” Today’s jobless recovery reveals the difficulty of applying Keynesian stimulus on a purely national basis in today’s global economy.

<sup>41</sup> Eduardo Porter, “Nation’s Debt Grew at Rapid Pace in 2003,” *New York Times*, March 5, 2004. “Total national debt” includes households, government, and businesses but excludes the obligations of banks and other financial institutions.

<sup>42</sup> Roach, “Global False Recovery.” See “Emergency program” in “Fair globalization agenda for global jobs” below for more on this risk.

<sup>43</sup> James Boswell, *Life of Samuel Johnson*, September 19, 1777, entry (1791). (Quoting Samuel Johnson).

Early in 2004, the outsourcing of white-collar jobs to India and other developing countries became a lightning rod for the pain and insecurity created by globalization. Rarely does an issue roar so rapidly from the margins into the center of political debate. Not since the NAFTA ratification battle a decade ago has the public been so concerned about the global economy.

The new wave of outsourcing was early detected by those directly affected, in particular the high-tech workers whose jobs were being outsourced. They initiated a variety of grassroots campaigns, most of them organized through the Internet, and produced their own websites. They publicized companies that were engaged in outsourcing and studies showing its growing extent.

Some of these groups began campaigns for states to ban outsourcing of government jobs. Legislation limiting foreign outsourcing of public sector work has been introduced in more than twenty states.<sup>44</sup> None have been enacted, although the Governor of Indiana cancelled a contract that would have outsourced the processing of unemployment claims to an Indian company. The irony was apparently too much.

Outsourcing quickly became an issue for the US Congress. A budget amendment sponsored by Republican Senators purported to ban outsourcing by US government departments. It did not cover prime contractors, only their subcontractors. Potential subcontractors could probably circumvent it simply by incorporating subsidiaries in the US. And it applied only to Treasury and Transportation Departments—not to the big governmental offshore outsourcers like the Pentagon.<sup>45</sup> Democrats quickly submitted bills to make the ban permanent, require outsourcing companies to provide advance notification to their workers, and block government subsidies that encourage outsourcing.<sup>46</sup>

The issue was quickly projected into the Democratic presidential primary. Candidate John Edwards made American jobs the primary issue of his campaign. Candidate John Kerry attacked federal incentives to companies that outsource jobs. “We are not going to give one benefit or one reward to any Benedict Arnold company or chief executive officer who take jobs and money overseas and stick you with the bill.”<sup>47</sup> Kerry proposed a three-point program to address outsourcing: a consumer’s “right to know” where call center workers are located; an investigation of outsourcing; and federal procurement policies that discourage overseas outsourcing.<sup>48</sup>

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<sup>44</sup> For a detailed summary of state and Federal bills, see Stuart Anderson, “Creeping Protectionism: An analysis of State and Federal Global Sourcing Legislation,” *The National Foundation for American Policy*, December, 2003. The bills do not limit domestic outsourcing to lower wage areas in the US.

<sup>45</sup> Luce and Merchant, “The logic is inescapable.”

<sup>46</sup> Patrick Thibodeau, “Bill introduced to force companies to disclose offshoring plans,” *Computernworld*, February 12, 2004.

<sup>47</sup> Landphair, “Outsourcing, Costly for US Workers, an Issue in Election Year.” Kerry’s comment focused on the misdoings of US corporations rather than of foreign workers. But the “Benedict Arnold” charge seemed to indicate that those to whom jobs went were “the enemy.”

<sup>48</sup> “Poll toll: US backlash against outsourcing to rise,” *The Economic Times*, February 4, 2004. Thomas J. Donahue, president and C.E.O. of the United States Chamber of Commerce, confirms that America’s legal, regulatory, and tax codes encourage companies to move abroad in hopes of increasing profits. (“Event Summary: Free Trade in the New Global Economy,” *Brookings Institution*, January 7, 2004.) The *Financial Times* surveyed the earnings statements of 100 largest US based multi-national companies and found that even though profits soared, over-all taxes rates fell from 33 percent in 2002 to 30.6 percent in 2003. A key reason was the outsourcing of jobs to lower taxed countries. In fact, three of the firms surveyed—Citigroup, Merck, and Altria—met their Wall Street consensus on earnings only because of the savings made from outsourcing. “The falling tax rate reflects the changing geographic mix of our business,” said Merrill Lynch, which reduced its rate from 28 to 26 percent in a year when it made thousands of US job cuts. According to the

As the outsourcing debate reached a crescendo, the Bush administration surprised many with a ringing endorsement of outsourcing. News stories on Bush's February 2004 economic report were headlined "Bush economic report praises 'outsourcing' jobs" and "Bush report: Sending jobs overseas helps US"<sup>49</sup> "The movement of US factory jobs and white-collar work to other countries is part of a positive transformation that will enrich the US economy over time, even if it causes short-term pain and dislocation, the Bush administration said yesterday."<sup>50</sup>

Powerful Republican members of Congress urged President Bush to disavow this position as politically untenable. Instead, the President began making speeches attacking "economic isolationists in our country who we believe we should separate ourselves from the rest of the world by raising up barriers and closing off markets. They're wrong." The *Financial Times* headlined this story "Bush joins 'outsourcing' debate."<sup>51</sup>

Meanwhile, two opposing coalitions were organizing around the outsourcing issue. The corporate Coalition for Economic Growth and American Jobs opposes any restrictions on outsourcing or limits to visas for foreign tech workers. It has over 200 trade groups as members, including the US Chamber of Commerce, the Business Roundtable, the American Bankers Association, the National Association of Manufacturers, and the Information Technology Association of America.<sup>52</sup>

On the other side, the Jobs and Trade Network includes unions like the United Steelworkers and the Paper, Allied-Industrial, Chemical and Energy Workers International Union (PACE), manufacturing employer groups like the Manufacturing Alliance of Connecticut, and grassroots anti-outsourcing groups like MAD in the USA.<sup>53</sup> Their goal is "to ensure that US jobs are the top priority for American policymakers." Says organizer Ike Gittlen of the Steelworkers, "The phrase that keeps coming up when we talk about this is 'strange bedfellows.' It's sort of an indication of how much of an emergency it is for so many people that they're willing to put aside a great deal of preconceptions they have about other people and try to make this thing work."<sup>54</sup>

The new public concern about outsourcing provides an important opportunity to raise questions about the future of the global economy. However, aspects of the way the debate has developed so far merit concern.

The rising public anger about outsourcing, combined with persistent unemployment, residual fear from 9-11, and concern about immigration forms a volatile mix that is ripe for demagogic activity by

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*Financial Times*, "The tax avoidance gained through international expansion may also raise fresh fears that US companies are increasing profits at the expense of domestic jobs." (Dan Roberts, "Corporate Tax Rates to Shrink," *Financial Times*, February 2, 2004).

<sup>49</sup> *Post-Gazette*, February 10, 2004 and *Seattle Times*, February 10, 2004.

<sup>50</sup> Warren Vieth and Edwin Chen, "Bush Supports Shift of Jobs Overseas," *Los Angeles Times*, February 10, 2004.

<sup>51</sup> Edward Alden, "Bush joins 'outsourcing' debate," *Financial Times*, March 9, 2004.

<sup>52</sup> "Group lobbying against curbing exports of jobs," *Houston Chronicle* (Source: *Wall Street Journal*), March 2, 2004. The issue has caused a split in the National Association of Manufacturers between small domestic producers and large globalized corporations. NAM board member Gerry Letendre, a small aluminum parts manufacturer, says "This is probably the most difficult case of diverging interests that NAM has ever had to face."

Timothy Aepfel, "Outsourcing Splits NAM Members," *Wall Street Journal*, March 9, 2004.

<sup>53</sup> MAD in the USA is adapted from "Made in the USA." "US Outsourcing Backlash Intensifies," Rediff.com, 11 October 2003, <<http://www.rediff.com///money/2003/oct/11bpo.html>>

<sup>54</sup> "Fair Trade and Jobs Groups Create A Nationwide Network," *Manufacturing & Technology News*, February 19, 2004.

anti-foreign, anti-immigrant politicians and interests. For example, a former software developer who lost his job in 2002 is running for Congress in Florida on an anti-outsourcing agenda. “This is hitting medical transcribers, financial analysts, radiologists, everyone,” he says. His slogan? “If you work at a desk, beware—the foreigners are coming after your job.”<sup>55</sup>

Outsourcing is only part of the broader issue of how to provide quality jobs for all who seek them. Achieving this objective requires a broad agenda of changes in the US, and ultimately in the global economy. But the outsourcing debate has often been assimilated to longstanding divisions over positions that are conventionally—though not always aptly—described as “free trade” vs. “fair trade” or “protectionism.”<sup>56</sup> As we will see in the next section, neither of these approaches is adequate for the new conditions created by globalization. Such a simplistic framing of the issue forecloses discussion of innovative alternatives for addressing the need for good jobs—such as the “fair globalization” strategy we will present later in this paper.

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<sup>55</sup> Rachel Konrad, “Outsourcing outrage,” *Associated Press*, January 25, 2004.

<sup>56</sup> See Brecher and Costello, “The Flawed Debate,” in *Global Village or Global Pillage: Economic Reconstruction from the Bottom Up*, Boston: South End Press, (1998).

## II. “Free trade” vs. “fair trade”: A debate with two dead ends

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The past quarter century has seen a profound change in the global economy. Markets, corporations, and production chains now stretch around the world. Yet as *New York Times* correspondent David E. Sanger writes, both Democrats and Republicans “seem sometimes to be describing an economy that hasn’t existed in the United States in years.” In the current debate, it is almost as if “the forces of globalization have been suspended.”<sup>57</sup>

The US jobs deficit is part of a global jobs deficit. But the current debate on the US economy rarely puts the problems of US workers in that context. Instead, the issue gets reduced to a centuries-old, pre-globalization debate about “free trade” vs. “fair trade” or “protectionism.”

Each side in this debate makes some valid points. “Fair trade” advocates are right that the current form of globalization has devastating effects on working people, communities, and the environment. But “free trade” advocates are right that simply trying to prevent existing jobs from moving to other countries is likely to be self-defeating.

Neither side adequately recognizes that “trade” represents only a small part of the historical transformation known as globalization. Today’s global economy can no longer be understood as a system of national economies trading with each other. Rather, it is a system of global markets, corporations, and institutions that cut across national boundaries. Together these make for a complex of interrelated investment, production, consumption, service, values and cultural networks.

Epic battles and historic defeats attended the opening of developing countries to the globalized, Northern-dominated corporate and cultural networks. In the case of India, a current account deficit crisis in the early nineties led to the capitulation to IMF demands that it liberalize its economy. Job-losing privatization, market deregulation and openness to foreign investment and trade followed. India, as a destination for outsourcing, would not have existed were it not for those IMF-induced policies. In the real world of globalization, neither “free trade” nor “fair trade” policies include the changes that are necessary to provide jobs for all who need and want.

### 1. Why outsourced jobs will not be automatically replaced

Outsourcing and other forms of globalization, proponents often argue, will result in a beneficial global division of labor. Less-skilled jobs will migrate to low-wage areas, while the high-skilled jobs will stay put in the developed economies favored by a “natural” advantage in skills and infrastructure. Everyone will benefit.

This argument depends on the assumption that only the advanced countries have skilled workers and a reliable infrastructure. In fact, hundreds of thousands of students are graduating from universities throughout the developing world. They are highly motivated and every bit as skilled as their European and North American counterparts. New communication technologies allow them instant access to people and information around the world.

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<sup>57</sup> David E. Sanger, “Campaign Focus: Old Jobs, Not a New Economy.” *New York Times*, February 22, 2004.

Globalization advocates argue that displaced US workers can find jobs by moving up the value chain. But, as Indian writer Manas Chakravarty observes, “The question is – where on the value chain? To accountancy and medical services? We can supply those at a fraction of US costs. Software engineering and design? We’re the world leaders there. R&D? Intel’s working on the successor to the Xeon chip at Bangalore.”<sup>58</sup>

The notion that outsourced jobs will inevitably be replaced has become less a reasoned argument than a religious faith. Consider this interview with Netscape founder Mark Andreessen:<sup>59</sup>

Q: What kind of new jobs might emerge in the US to replace those going overseas?

A: Whole categories of jobs will grow here – new applications development, for example. A lot of the jobs going overseas initially are maintenance and support jobs. This should free up American programmers to build new systems, new applications new Web sites. There will be entirely new industries.

Q: Like what?

A: Can’t name examples. They don’t exist yet. This is where people get tripped up. It requires a leap of faith. In 500 years of Western history, there has always been something new. Always always always always always.<sup>60</sup>

But as journalist Bruce Stokes writes,

Faith-based job-creation won't cut it.

The grim reality is we don't know where the good new jobs will come from. The Labor Department tells us that in the next decade the majority of the fastest-growing jobs will be as low-paid waitresses, nurses aides and sales clerks. The good-paying service jobs that brought so much prosperity in the '90s have played themselves out. Technicians and computer programmers have been automated out of a job or their work is outsourced to India at a fraction of the cost.

Economists say not to worry, the market will somehow provide. But let's face it, academics are just as clueless as the politicians.<sup>61</sup>

Economists, politicians, and business leaders often argue that the solution to outsourcing is more education so that American workers can take higher-skilled jobs. This ignores the fact that millions of highly skilled American workers are already working at jobs below the skill levels for which they have been trained. In fact, occupations from carpenter to hamburger flipper are currently being flooded by well-educated refugees from high-tech occupations. It is hard to find a major job

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<sup>58</sup> Chakravarty, “The specter of outsourcing.”

<sup>59</sup> “Outsourcing Isn’t a Zero-Sum Game,” *Business Week Online*. Or as expressed by Harvard economist Robert Z. Lawrence, “I still have faith that globalization will make us better off, but it’s no more than faith.” quoted in “The New Global Job Shift,” *Business Week*, February 3, 2003.

<sup>60</sup> Andreessen also argues that “the next step is to move to higher-value services, for which there will be infinite demand because human wants and needs are infinite.” This makes the assumption that human wants and needs can be converted into effective economic demand – ignoring the slight problem that arises when people don’t have the money to buy the things that would fulfill their infinite, or even their finite, wants and needs.

The optimistic assumptions are often buttressed by glib assertions. For example, Andreessen asserts that “The standard of living in this country will skyrocket over the next 30 years, as it has over the last 50 years.” However, the fact is that wages are lower for ordinary workers today than they were 30 years ago.

<sup>61</sup> *Marketplace*, National Public Radio, February 20, 2004.

category that is marked by a labor shortage. The number of Americans with college degrees who are unemployed for more than six months has quadrupled in the past three years.<sup>62</sup>

Marcus Courtney, executive director of WashTech, an organization of high-tech workers based in Seattle, notes that the city has a 6.6 percent unemployment rate. “Seattle has one of the nation’s best-educated work forces and the notion that the solution is more education and skills rings hollow because if that were the case, then Seattle shouldn’t be faced with one of the nation’s highest unemployment rates.”<sup>63</sup>

If there are no jobs that actually require more education, the probable effect of more education is to raise the educational qualifications that employers demand. Americans will be little better off if the only jobs that can’t be outsourced are those cleaning toilets and only people with PhD’s are hired to clean toilets.

Unfortunately, workers who fear the long-term impact of job loss and industrial decline have far more historical wisdom on their side than economists who glibly maintain that more and better jobs will inevitably replace those that are lost. The descendants of Indian textile workers who lost their jobs to British textile mills remained impoverished for generations. The New England mill towns whose factories went South a century ago remain centers of poverty today. The rust bowl cities like Detroit and Akron that lost their manufacturing base to globalization in the 1970s and 1980s experienced a brief resurgence in the 1990s, but today they are again mired in industrial decline.

Perhaps most disturbing of all, the persistence of poverty is not limited to those who remain in locations hit by job loss. Today’s poor, wherever they may live, are often workers who come from regions hit by industrial decline—and the descendents of such workers. Economists’ theories notwithstanding, history shows that there is no guarantee that workers who lose their employment toe-hold will ever regain it—or even that their children and grandchildren will.

## 2. Why “fair trade” won’t fix the US jobs deficit

The free trade faith may conflict with stubborn realities, but that doesn’t mean protectionist measures provide a solution to the problem of jobs in a globalized economy. Many of the proposals for restricting outsourcing indeed take little account of the realities of globalization. As David Sanger of the *New York Times* puts it, they ignore “a basic reality: that economic interdependence has hardly gone away.”<sup>64</sup>

Corporations can easily circumvent many policies designed to protect jobs. For example, today’s wave of outsourcing was preceded by what the *Straits Times* calls “disguised outsourcing” in which hundreds of thousands of skilled workers were recruited each year to work in the US under the H-1B and L-I temporary work visa programs, especially in high-tech jobs.<sup>65</sup> The existence of large

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<sup>62</sup> Steven Greenhouse, “If You’re a Waiter, the Future Is Rosy,” *New York Times*, March 7, 2004. (Quoting Jared Bernstein).

<sup>63</sup> Greenhouse, “If You’re a Waiter, the Future Is Rosy.”

<sup>64</sup> David E. Sanger, “Campaign Focus: Old Jobs, Not a New Economy,” *New York Times*, February 22, 2004.

<sup>65</sup> Sunanda K. Datta-Ray, “Outsourcing’s a Good Thing, But Then It’s Election Time,” *Straits Times*, February 10, 2004.

numbers of workers on temporary work visas at a time when many US IT workers were unemployed or underemployed became a flashpoint for popular anger.<sup>66</sup>

In 2003, Congress reduced the caps on temporary work visas—from 195,000 to 65,000 in the case of the H-1B visas.<sup>67</sup> But the restriction on immigrant workers did not in fact “protect American jobs.” Its effect instead was to turn corporations’ global hiring strategy from importing workers to the US to sending US jobs to the countries from which those workers came. Far from protecting US jobs, the anti-immigrant worker campaigns provided a major stimulus to outsourcing.

The usual, if unintended, consequence of economic nationalist strategies in a global economy is not thriving domestic industry, but rather trade wars. The attempt to protect the American steel industry provides a case in point. Faced with a perpetually declining steel industry in a world market glutted with steel, the Bush administration sought to curry electoral favor in key swing states by imposing a three-year tariff of up to 30 percent on imported steel.<sup>68</sup> The tariff was supported by the steel industry, the Steelworkers Union, and politicians in steel-producing states. The rest of the world responded by bringing the US before the WTO—the very institution that the US had promoted to impose “free trade” on other countries. The WTO, to no one’s surprise, ruled that the tariffs were illegal and that if they were not removed, the affected countries could retaliate by placing tariffs on US goods. The EU then announced a series of proposed retaliatory tariffs strategically selected to devastate politically important industries and regions in the US.

The steel tariffs had another unintended consequence. In the globalized economy, most companies that produce in the US use foreign inputs. Auto and other manufacturers that use low-cost imported steel claimed the tariffs had forced them to lay off up to 100,000 workers.<sup>69</sup> The steel tariffs, in short, targeted foreign steelworkers, but hit American autoworkers. In the end, domestic and foreign pressure forced the Bush administration to abandon the tariffs before they were set to expire.

Even if outsourcing by US companies could be effectively blocked, it is not clear that it would prevent the disappearance of American jobs. One Indian writer posed the question, what would happen if the US simply banned outsourcing? He answered, “If they do that, they’ll see US companies lose competitive advantage speedily to Japanese, Korean, Chinese and Indian firms.”<sup>70</sup>

To circumvent this problem, Senator John Kerry and others have called for corporate tax incentives for companies that keep jobs in the US rather than sending them abroad. But such tax incentives

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<sup>66</sup> In some cases it led to anti-foreign and anti-immigrant activity that has had repercussions well beyond the high tech sector. For instance, long time anti-immigration groups have seized on the issue as a way to build their influence and bolster their case that the US needs a much more restrictive immigration policy.

<sup>67</sup> “Debate rages on high-tech workers after US visa cap lowered,” *The Age*, October 13, 2003.

<sup>68</sup> Elizabeth Becker, “In Glare of Politics, Bush Weighs Fate of Tariffs on Steel,” *New York Times*, September 20, 2003. According to *The Age*, half of all H-1B workers come from India, with large numbers from China, Canada, Britain, the Philippines, and South Korea.

<sup>69</sup> The contradictory effects of trying to save jobs in a globalized economy by erecting economic barriers is also indicated by the fact that millions of American jobs are dependent on foreign investment in the US. 6.4 million Americans are employed by foreign based corporations. 6.4 million Americans are employed by foreign based firms in the US. Many work for Japanese and European based firms that set up operations in the US to take advantage of lower labor costs, weak labor laws, and large government subsidies, especially in the American South.

Rhonda Schaffler, “Market Roundtable, Elaine Chao on the Jobs Data,” *Market Call*, CNNfn, March 5, 2004.

<sup>70</sup> Chakravaty, “The Specter of Outsourcing.”

have several problems. First, they further deprive an already starved public sector of the funds needed for essential services. Second, they would be so costly as to be prohibitive: “You would need unthinkable large tax incentives to offset the appeal of cheap labor in countries like India and China,” according to Nariman Behravesh, chief economist at Global Insight.<sup>71</sup>

Further, other countries would be likely to follow suit with similar incentives, leading to a bidding war for jobs that in the end will only benefit the corporations themselves. India already provides tax-exempt status to local companies that locate in special economic zones and software technology parks. And it recently issued a “tax clarification” saying that multinationals outsourcing their non-core business to India would be exempted from taxes.<sup>72</sup>

Some politicians are already trying to justify business incentives, such as anti-worker cuts in business taxes and fees, as weapons against outsourcing. Republican Massachusetts Governor Mitt Romney recently offered a bill to reduce unemployment insurance costs for businesses by reducing unemployed workers’ benefits. His justification? “This is a bill to stem the tide of outsourcing from Massachusetts. We are losing jobs to other countries and states.”<sup>73</sup>

Perhaps because of the difficulties of affecting private sector outsourcing, many current proposals are aimed at blocking outsourcing by state and Federal governments. But such strategies can do little to control the great bulk of outsourcing, which is conducted by the private sector. Indeed, only 2 percent of India’s outsourcing earnings in 2003 were generated by the US public sector.<sup>74</sup> Legislation against government outsourcing may make a symbolic statement and sound good in a campaign speech, but it does little to address the problem.

Opponents of expanding NAFTA, the WTO, and similar arrangements have seized on the outsourcing issue as an additional reason to oppose these trade agreements. But outsourcing is proceeding with little impediment despite the stalling of the FTAA and the current round of WTO negotiations. Even as he was campaigning on his dedication to protecting American jobs, Senator John Edwards acknowledged that his proposal to renegotiate the North American Free Trade Agreement would not significantly cut the flow of jobs abroad. “The kind of trade policy I’m talking about . . . is not going to save all those jobs. And I think people deserve to know that.” Inclusion of standards on labor and the environment in trade pacts would slow American job losses by prohibiting child labor or lax environmental standards, but would not produce a dramatic change in the flow of jobs from the country. “What we want to do is have a trade policy that’s fair and allows free trade to continue, but slows the loss of these jobs,” he said. “It won’t stop it. Slows it.”<sup>75</sup>

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<sup>71</sup> Alden, Harding, and Swann, “Outsourcing remarks stir backlash.”

<sup>72</sup> Rosemary Arackaparambil and Umesh Desai, “Indian outsourcing tax moves to help global firms,” *USA Today*, February 24, 2004. Such competitive subsidies drain out much of the benefit a host country might otherwise gain from outsourcing.

<sup>73</sup> Massachusetts lost 53,000 jobs last year, only some of them to outsourcing. Savings from the Romney bill would total from \$10 to \$90 per worker per year depending on the company. Romney’s claim that UI costs lead to outsourcing received little backing even from business allies. As economist Wayne Ayers of FleetBoston Financial put it: “To cite [unemployment costs] as the cause of outsourcing is pushing it just a little bit.”

Scott Greenberger, “Romney Seeks to Cut Benefits for Jobless,” *Boston Globe*, March 3, 2004.

<sup>74</sup> Alden, Luce, and Merchant, “The logic is inescapable.”

<sup>75</sup> Adam Nagourney, “Edwards Says NAFTA Is Important, but in Need of Change,” *New York Times*, February 24, 2004.

Protectionist proposals are not only likely to be ineffectual, but, more dangerously, they divert attention from the policies and structures that must be changed in order to provide good, secure jobs to all who want them. They provide an opportunity for xenophobic demagoguery that may provide an emotional vent, but that does little to actually provide desperately needed jobs for working people.

The solution to outsourcing is often presented as replacing “free trade” with “fair trade.” Government restrictions on trade are defined as the means of assuring fair trade. But trade is only one small part of the historical process of globalization. In a globalized economy, such restrictions are unlikely to work, and may, as we have seen, even backfire. As progressive economist Robert Pollin puts it, “trade protectionist measures are a poor substitute for direct forms of social protection” such as targeting employment as a policy goal, increasing overall demand, labor organization, and economic regulation.<sup>76</sup>

American workers want an abundant supply of good, reliable jobs. Getting them requires national and global strategies that change the path of globalization. “Fair trade” is not enough. In a global economy, good jobs require fair globalization.

### 3. Outsourcing and the developing world

The advocates of corporate globalization argue that globalization will bring good jobs, rising living standards, and economic development to poor countries. But this leaves out the reality that global corporations can take the jobs away just as easily as they bring them.

This has already happened in the case of manufacturing outsourcing. For example, 200,000 maquiladora jobs created by US outsourcing in Mexico have been re-outsourced to China and elsewhere. Wages for production line workers in Guadalajara fell from 500 pesos to 450 pesos a week over the past year. Employment is increasingly short-term and contingent. Employers are quick to make Mexican workers aware of Chinese competition: A production-line manager of a company producing for Dell says, “An engineer said we were generating losses, and all our jobs would go to China. They said they have dormitories for people to work there. The pressure is coming from the top, and it’s much worse than it used to be.”<sup>77</sup>

A similar process is beginning for white collar outsourcing. A leading Indian software and call center company recently set up operations in Shanghai and Tijuana—a fact that was probably not kept a secret from its Indian workers.<sup>78</sup> Paul Smith, director of Harvey Nash, a recruitment and software consultancy, notes that in India, “Skills are in demand, salaries are going up and overheads are going up.” His answer is to move to Vietnam. “There is a huge capacity in Hanoi University to generate computer graduates—450 a year—and we get to choose the best. And they all speak English.”<sup>79</sup>

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<sup>76</sup> Robert Pollin, “The US Economy: an Egalitarian Program,” *CounterPunch*, October 25, 2003.

<sup>77</sup> John Authers and Alison Maitland, “The human cost of the computer age,” *Financial Times*, January 26, 2004. See also Catholic Agency for Overseas Development (CAFOD) “Clean up your Computer: Working conditions in the electronics sector” <<http://www.cafod.org.uk/policypapers>> Workers in Chinese factories are often women from rural areas who are already in debt to a labor agency before starting their jobs. Their basic wage can be well below the legal minimum and work can total 16 hours a day, seven days a week.

<sup>78</sup> Saritha Rai, “Indians Fearing Repercussions Of US Technology Outsourcing,” *New York Times*, February 9, 2004.

<sup>79</sup> Nuala Moran, “FT Report: Looking for savings on distant horizons...” *Financial Times*, July 2, 2003.

An advertisement on the *New York Times* website asserts, “The Philippines is the BPO alternative to India.”<sup>80</sup> A click to the link “sourceoneglobal.com,” shows that the Philippines offers “a new higher quality, lower cost offshore customer service alternative.” Call centers are staffed with “100 percent college graduates at a significantly lower wage scale.”<sup>81</sup>

Developing countries often have to depress their conditions of labor in order to attract outsourcing jobs. One developing country after another has slashed its basic labor rights and the rights of its workers to job security on the grounds that such “reforms” are necessary to be internationally competitive. The result has been a race to the bottom in which each country appears to be getting ahead but in fact conditions are deteriorating for workers in all of them.

The pressures of international competition are manifested in the working conditions in outsourced workplaces. While outsourcing is often alleged to be bringing wonderful jobs to downtrodden third world workers, Indian journalist Geeta Seshu in a story on call center workers writes, “Long hours of work, permanent night shifts [because of time differences between India and the US], incredibly high work targets, loss of identity...are these the dark clouds that mar the ‘sunshine’ call center industry in India?”<sup>82</sup>

Apparently they are. It turns out that Indian call center workers don’t like call center work any more than their American counterparts. The trade journal *Staffing Industry Report* says turnover at US call centers ranges between 15 percent and 40 percent per year<sup>83</sup> while *The Economist* magazine reports that turnover at Indian call centers “is running at 35-40 percent a year, even at some of the top firms, and more at lesser employers.”<sup>84</sup>

While outsourcing is often described as an economic boon to the world’s poor, it makes a miniscule contribution to addressing the employment problems of India or other developing countries. Indian unemployment is at the highest level in decades, notwithstanding the outsourcing boom. It has 40 million registered job seekers, with a real unemployment closer to 120 million. IT services provide India less than a million jobs.<sup>85</sup> Outsourcing is no substitute for a viable economic development strategy.

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<sup>80</sup> “Advertiser links,” 4 February 2004, <[www.nytimes.com/aponline/technology/AP-India-Outsourcing.html](http://www.nytimes.com/aponline/technology/AP-India-Outsourcing.html)>

<sup>81</sup> “Source One off shore contact centers mark first anniversary offering North American companies sizable cost savings in Philippines,” <[http://www.sourceoneglobal.com/about/press/pr\\_3\\_18\\_03.asp](http://www.sourceoneglobal.com/about/press/pr_3_18_03.asp)> Even some Indian “third-party” outsourcers are setting up subsidiaries in the Philippines. While these are justified as a way to circumvent investors’ “country risk limits,” for example the risk of war between India and Pakistan, they can surely be seen as a weapon to use against employees in the Indian companies’ own country. See Alden, Luce, and Merchant, “The logic is inescapable.”

<sup>82</sup> Geeta Seshu, “Midnight ‘Coolies’ in the Sunshine Sector,” *India Resource Center*, 8 December 2003,

<<http://www.corpwatchindia.org/issues/globalization/2003/midnightcoolies.html>>

<sup>83</sup> “Call centers ring up need for flexible staff,” *Staffing Industry Report*, June 13, 2003.

<sup>84</sup> “India’s Shining Hopes,” *The Economist*, February 21-27, 2004.

<sup>85</sup> Amy Waldman, “India Takes Economic Spotlight, and Critics Are Unkind,” *New York Times*, March 7, 2004. Even the benefits of outsourcing to local businesses – often portrayed as a contribution to national economic development -- may be exaggerated. A study by the market analysts Datamonitor found that the rush to cash in on India’s outsourcing boom will lead to price wars and could squeeze Indian entrepreneurs out of the market. It found that smaller profits and an industry shakeout are inevitable. Big multinational consulting companies such as Accenture are beginning to set up their own India-based centers on behalf of Western customers. That is driving down profit margins and squeezing smaller, stand-alone Indian firms. “Indian outsourcers face price war,” *BBC News*, September 2, 2003.

South-South competition for jobs means that global corporations capture the gains that come from exploiting the wage difference between developing and developed countries. According to the McKinsey outsourcing study, of every dollar outsourced, the country to which the outsourcing goes captures only 33 cents of the total gain.<sup>86</sup>

As the World Commission on the Social Dimension of Globalization observed, “Many middle-income developing countries are now competing among themselves to export similar labor-intensive manufacturing products to the same markets. As a result they are trading more, but earning relatively less.”<sup>87</sup> Manufacturing outsourcing shows service outsourcing its future. According to a recent article in the *New York Times*,

China’s growth relies on cheap labor. The foreign-invested factories here, including production centers for most multinational companies, depend on a flexible work force that actually grows cheaper by the year.

Guangdong has grown by more than ten percent annually for the past decade. But its factory workers, mostly migrants from the interior, earn no more than they did in 1993 . . . workers are losing ground even as China enjoys one of the longest and most robust expansions in modern history.

This is partly a paradox of globalization. China has attracted more foreign investment by far than any other developing country. . . . But it continues to draw capital essentially because it is willing to rent workers for falling returns.<sup>88</sup>

The same fate lies ahead for India and other countries hoping to benefit from white-collar outsourcing unless changes are made in the basic dynamic of “global labor arbitrage,” a.k.a. the race to the bottom.

### III. The fair globalization alternative

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#### 1. Fair globalization

While the US jobs debate shuttles between the two dead ends of free trade and fair trade, a different response to the problem of jobs in the globalizing economy has been largely ignored. It advocates neither the unregulated global markets of neo-liberalism nor the protectionism and self-isolation of economic nationalism.

This alternative approach has been incubated by the world’s labor and social movements, the global justice movement, and the thinkers associated with them. It has now been articulated in a powerful and comprehensive UN report titled *A Fair Globalization*.<sup>89</sup> The report was prepared for the

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<sup>86</sup> *McKinsey Global Institute*, “Offshoring: Is it a Win-Win Game?”

<sup>87</sup> “A Fair Globalization: Creating Opportunities for All” *World Commission on the Social Dimension of Globalization*, International Labor Office, Geneva 2004, 59.

<sup>88</sup> Joseph Kahn, “China’s Leaders Manage Class Conflict Carefully,” *New York Times*, January 25, 2004.

<sup>89</sup> Text available on the ILO website [www.ilo.org](http://www.ilo.org) For similar proposals see Jeremy Brecher, Tim Costello and Brendan Smith, “Draft of a Global Program” in *Globalization from Below*, (Cambridge, MA: South End Press, 2000), and the Global Sustainable Development Resolution sponsored by a group of progressive members of the US Congress at <http://thomas.loc.gov/cgi-bin/query/z?c106:H.RES.479>: For a general approach to reform of globalization, with references to many sources, see International Forum on Globalization, *Alternatives to Economic Globalization: A Better World Is Possible* (San Francisco, Berrett-Koehler, 2002) For some recent reviews, see “Toward a Progressive View on Outsourcing” with contributions from Sarah Anderson and John Cavanagh, Jeff Madrick, and Doug Henwood in *The Nation*, March 22, 2004.

International Labor Organization (ILO) by the World Commission on the Social Dimension of Globalization, co-chaired by Tarja Halonen, President of Finland, and Benjamin Mkapa, President of Tanzania. Its nineteen members included two Americans: Joseph Stiglitz, Nobel laureate economist, former Chief Economist of the World Bank, and former Chairman of the US Council of Economic Advisors, and John Sweeney, President of the AFL-CIO.<sup>90</sup> The report fortuitously appeared just as the US outsourcing debate was reaching fever pitch.

*A Fair Globalization* provides an alternative frame for viewing outsourcing, good jobs, and globalization. Equally important, it provides the basis for both a US and a global jobs agenda.

*A Fair Globalization* starts from the proposition that “The current path of globalization must change.”<sup>91</sup> Its rules “favor the rich and powerful, and can work against the poor and the weak, whether these are countries, companies or communities.” It has brought “uncertainty and insecurity” to “workers and businesses everywhere, both in the North and in the South.” Unemployment and underemployment afflict the majority of the world’s population. Many people feel that the compulsion of international markets “abridges national sovereignty and shifts power from elected governments to transnational corporations and international financial institutions.”<sup>92</sup>

Fair globalization involves a broad agenda ranging from agricultural policy to reform of the WTO, IMF, and World Bank. But a critical dimension—often neglected by both the advocates of globalization and its critics—is the need for a global strategy for full and fair employment. *A Fair Globalization* puts this dimension front and center. Indeed, it provides the basis for a global fair-jobs agenda that can link the goals of workers in the US and around the world, and help to reframe the outsourcing debate within the US.

While much of its focus is on developing countries, the Commission specifically integrates the problems of countries of the South with those of workers in industrialized and middle-income countries. “Real wages and conditions of work have been under pressure, partly as a result of increasing competition for export markets and foreign investment. There has been growing insecurity among those at work, due to interrelated factors such as the erosion of the welfare state, labor market deregulation and the declining power of trade unions.” There has been “an increase in contingent work and less secure employment contracts.”<sup>93</sup> Indeed, in much of the world “the bulk of new employment, both self-employment and wage work, is informal.”<sup>94</sup>

At present, international policies “emphasize market-opening measures and give low priority to goals such as full employment and social protection.” Instead, “it is imperative to redress this imbalance and to build a global strategy for sustainable growth aimed at achieving decent work for all.”<sup>95</sup>

*A Fair Globalization* points out the reason that, in the era of globalization, neither free trade nor protectionism can solve the problem of adequate jobs. Today, “countries cannot achieve

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<sup>90</sup> *Fair Globalization*, 151.

<sup>91</sup> *Fair Globalization*, 2.

<sup>92</sup> *Fair Globalization*, 4.

<sup>93</sup> *Fair Globalization*, 65.

<sup>94</sup> *Fair Globalization*, 60.

<sup>95</sup> *Fair Globalization*, 110. Decent work encompasses “full employment, social protection, fundamental rights at work and social dialogue” – all “key ingredients” for “global social justice.”

employment goals on their own.” Countries that aim to increase employment levels through more expansionary macroeconomic policies “have little space to do so on their own without generating adverse reactions in international capital markets.” So globalization requires “global macroeconomic management” to ensure that global growth is higher and more stable.<sup>96</sup> Systems of social protection are also required to stabilize incomes and “distribute some of the gains of globalization to groups which would otherwise be excluded.”<sup>97</sup>

The Commission emphasizes the importance of local and national as well as global changes and the links among them. It calls for what amounts to a complete reversal at every level of neo-liberal policies and the current direction of globalization. Fair globalization must,

enlarge the space for national policy to stimulate enterprise development, employment creation, poverty reduction and gender equality. It must reinforce social protection and enhance skills and capabilities. It must support action to overcome informality, inequality and exclusion. It must help each country and community to define its own path of growth and development and achieve its own social and economic goals.<sup>98</sup>

## 2. Constructing an agenda

As American fears about outsourcing grow, and as the US jobs deficit appears increasingly intractable, the prevailing strategies for addressing them seem less and less promising. Fair globalization provides the basis for a different, more effective jobs strategy for both the US and the rest of the world. It provides an alternative to both neo-liberal, “free trade,” let-the-market-decide laissez-faire and self-defeating forms of protectionism and economic nationalism—indeed, it provides a way to take the jobs issue beyond a sterile and atavistic “free trade vs. fair trade” dichotomy. It provides a framework for addressing the need for good jobs in both the developed and the developing worlds.

At another time of intractable joblessness, America turned to a broad economic and social program known as the New Deal. The New Deal initiated full employment as a central policy objective; public management of macroeconomic forces; expansion of public sector jobs and services; labor rights to organize, bargain collectively, and strike; minimum wages and standards in the workplace; a social safety net; and progressive taxation. (The economic and social policies of the past twenty-five years have often been described as “rolling back the New Deal.”)

Broadly speaking, these are the kinds of measures that are necessary today to provide a fair globalization. But, as *A Fair Globalization* points out, their objectives can only be achieved today by linking local, national, and global policies. The US jobs problem and the global jobs problem, indeed the “globalization” problem, are intimately linked. They can only be effectively addressed in tandem.

A fair globalization jobs agenda must move beyond “growth for the sake of growth.” Our current industrial system is rapidly destroying the earth’s air, water, land, and biosphere. The reconstruction of the system of production and consumption on an environmentally sustainable basis is both a

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<sup>96</sup> *Fair Globalization*, 110.

<sup>97</sup> *Fair Globalization*, 109.

<sup>98</sup> *Fair Globalization*, 7.

necessity for human survival and a central task for which new jobs are needed in the US and worldwide.

The exact content of a fair globalization jobs agenda is and should be the subject for on-going dialogue and debate. An adequate agenda will need to include policies both for individual countries and for the global economy as a whole. And, like the New Deal, it will need to address both the immediate jobs emergency and the longer-run need for social reconstruction at home and worldwide.

Now, as in past decades, American workers, their social movements and institutions have been tempted to adopt a “go-it-alone” or “leave-it-alone” approach with respect to problems that require international cooperation. The well-known obstacles to international cooperation may make a fair globalization approach seem like the usual pie-in-the-sky: proposed, acknowledged as important and then shelved. However, the fact that the majority of US workers, including most significantly those workers who consider themselves comfortably middle-class, will be impacted by outsourcing, taken together with the current administration’s obvious inability to provide solutions beyond repeating the mantras of the free market, may lead to labor institutions adopting a broader, more proactive posture by embracing fair globalization.

### 3. Fair globalization agenda for global jobs

As *A Fair Globalization* notes, no country today can solve its jobs problems on its own. Closing the global jobs deficit requires changing the path of globalization. The goal of a fair globalization agenda for jobs is to create the global conditions in which each community and each country can successfully address its need for good jobs.

The era of globalization has been an era of deepening global economic stagnation. As globalization has accelerated, each decade since the 1960s has seen slower growth in per capita GDP than the decade before.<sup>99</sup>

The present structure of the global economy severely constrains the ability of the US as well as other countries to adopt policies that create full employment, reduce poverty, expand public services, and provide for social needs. As *A Fair Globalization* put it, “financial openness has limited the scope for deploying countercyclical macroeconomic policy. . . . The scope for expansionary fiscal policies is often severely restricted by the demands of foreign financiers.”<sup>100</sup> It will take global cooperation to restore the conditions necessary for national economic expansion.

#### A. Emergency program

According to the ILO, more people are unemployed today than ever before in world history—188 million worldwide, not counting the 550 million “working poor” whose labor provides them no more than a dollar a day.<sup>101</sup>

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<sup>99</sup> *Fair Globalization*, 35-6.

<sup>100</sup> *Fair Globalization*, 39. This applies even to the largest economies, notably the US. In 1992, Bill Clinton campaigned on a program of expansionary economic policies, but in office abandoned it due to investor pressure. For more on this dynamic, see *Globalization from Below*, 148 footnote 10.

<sup>101</sup> *World Commission says globalization can and must change*, Annex II.

## Solve the global debt crisis

Global unemployment, far from improving, is being exacerbated by a global debt crisis. This crisis differs from previous ones because the most intractable debt problem is that of the largest economy, the US. The US current account deficit is the largest such imbalance in recorded history.<sup>102</sup>

## Promote global economic coordination

As *A Fair Globalization* points out, “global macroeconomic management” is necessary to ensure that global growth is higher and more stable.<sup>103</sup> Such management was once provided by the IMF and the G-7. In the era of neo-liberalism, however, it has been abandoned. New forms of economic coordination are likely to begin on an ad-hoc basis; ultimately they should be institutionalized within the UN system.

Jeff Faux, former director of the Economic Policy Institute, points out that adjusting the US trade deficit cannot be done safely without the agreement of other major nations in Europe and the Far East, and that this requires a more multinationalist approach to trade and exchange-rate policy than either the Democrats or the Republicans are prepared to embrace so far.<sup>104</sup> To prevent a macroeconomic crisis on the scale of the Great Depression, an emergency global stabilization deal will almost certainly be required.

Without such a “multinationalist” approach, the global economy will move toward a “war of all against all,” with each country trying to force the costs of the crisis onto others. The ratcheting up of this process can currently be seen in the conflict among the US, Europe, Japan, and China. As Stephen Roach recently put it, “Europe and Japan are now united in pointing the finger at China as the scapegoat of global rebalancing; consequently, they seem to believe that China must now bear a greater share of the impacts of a weaker dollar.”<sup>105</sup>

Such a “beggar your neighbor” approach forces countries, including the US, to constrict their economies, expanding unemployment and reducing real wages. Protecting and expanding jobs worldwide require international cooperation to forestall this outcome.<sup>106</sup>

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<sup>102</sup> “America’s rocketing external deficit faces a shortage of fuel,” *Financial Times*, March 1, 2004.

<sup>103</sup> *Fair Globalization*, 110.

<sup>104</sup> Steve Schifferes, “Democrats size up trade issues,” *BBC News*, March 3, 2004. Such a multilateral approach would appear to be in accord with John Kerry’s stated preference for multilateralism over unilateralism.

<sup>105</sup> Roach, “Coping with the Global Labor Arbitrage,” *Morgan Stanley: Global Economic Forum*, 9 February 2004, <<http://www.morganstanley.com>>.

<sup>106</sup> In some ways this is to return to a road not taken. For example, at the April, 1996 G-7 meeting in Lille, “Officials, while putting on a show of unity in public, clashed behind closed doors over the contrast between the Anglo-Saxon approach to deregulating labor markets and the European predilection for preserving social cohesion and maintaining as much of the welfare state as is possible.” (Reginald Dale, “There is no ‘Third Path’ for Europe,” *International Herald Tribune*, April 5, 1996.) French President Jacques Chirac subsequently observed that the Lille meeting had revealed “a certain tendency, notably in North America and Asia, to accept the impact of globalization on our economies as natural and almost desirable, regardless of the social consequences.” He said the European social model which France wanted to see defended worldwide was based on compulsory health and unemployment insurance, dialogue between unions, employers, and the state, and the state’s role as the guarantor of national social cohesion. (Reuters European Business Report, April 3, 1996.)

### **Multilateral cooperation must involve the developing world**

Multilateral economic cooperation, especially if it is undertaken by the G-7 “rich men’s club,” can easily become a means to pursue the interests of the world’s wealthiest. It can even impose measures on the rest of the world that mean increased austerity for the poorest and most vulnerable.

If it is to address global jobs needs rather than just the needs of investors, such a multilateral approach needs to include developing as well as developed nations in its planning. It needs to provide complete debt forgiveness for the poorest countries, as proposed by the Jubilee movement. And it needs to include a cap on debt repayment requirements for all other developing countries, so that they no longer have to squeeze their people in order to service their debts. Such policies are essential to restoring global growth, and thereby making it possible to increase jobs.

### **Reverse IMF and World Bank structural adjustment policies**

An effective global jobs program requires an immediate reversal of the main policies of the IMF and World Bank. These international financial institutions have required developing countries to destroy their social safety nets, slash government services, and eliminate their legal protections of workers. These institutions’ “structural adjustment” policies create mass unemployment by forcing countries to run their economies to service their international debts rather than to meet the needs of their people. The consequences are poverty, disease, illiteracy, and even death for millions of people.

An immediate halt to these policies is necessary both to stop these unacceptable consequences and to add job-promoting, expansionary economic demand to the global economy as a whole. It will also help reduce inappropriate forms of outsourcing, by allowing developing countries to use their resources to meet their own people’s needs for well-being and development, rather than engaging in a desperate effort to attract foreign jobs.

## **B. Reconstruction program**

The elements of a global jobs program are developed at length in *A Fair Globalization*. Here are a few critical elements:

### **Allow local and national governments freedom to create sustainable local economies**

Fair globalization must re-establish the freedom of local and national governments to create jobs, promote enterprises, and expand services in order to meet their people’s needs. This means changing the IMF, World Bank, WTO, and regional structures like NAFTA that restrict that freedom. Such a change will allow countries to invest in domestic enterprises, let wages rise, expand their internal markets, and put their people to work. Such moves are not only part of a national economic development policy, but also part of a global sustainable growth strategy.

### **Stabilize currency markets**

A global jobs program requires reform of the global financial system to stop gyrating currency markets from disrupting the economies of the world. Elements of reform might include: a “Tobin tax” to dampen disruptive speculative currency flows; a reassertion of each country’s right and capacity to control the flow of capital across their borders; and a bankruptcy procedure for insolvent

countries that would allow them to restore growth and preserve the economic security of their people.<sup>107</sup>

### **Expand and protect labor rights**

Fair globalization requires the protection of labor rights to provide a “socio-economic ‘floor’ for the global economy.”<sup>108</sup> This has long been a demand of the labor and global justice movements. Many developing countries currently fear that such protections will be used to exclude their products from developed country markets. But ensuring labor rights can acquire a different role in the context of fair globalization, by blocking corporations from playing developing countries off against each other in a race to the bottom.

### **Promote action by worker and social justice movements**

A fair globalization jobs strategy is not just a matter for governments and international institutions. A central part of the agenda is the empowerment of workers, social justice movements, and their allies within economies and governments. This is crucial both to changing public policies and to increasing workers’ bargaining power in labor markets. International solidarity among workers and allies, protecting each other’s rights and supporting each other’s bargaining power can play a central role in bringing about fair globalization.

## **4. Fair globalization agenda for US jobs**

US economists and politicians state over and over that there is no obvious solution to the problems posed by outsourcing and the US jobs deficit. As *New York Times* columnist Bob Herbert wrote during the Democratic presidential primary campaign, “No one really knows what to do – not the president, not John Kerry or John Edwards, and most of all not the economists and other advocates who have been so certain about the benefits for American working men and women of unrestrained trade and globalization.”<sup>109</sup>

As long as the present structure of the global economy is taken for granted, what can be done in the US is indeed constrained. But shifting the path of globalization would also open new paths for the US economy. Here are some of the elements for a US jobs strategy that can be pursued as part of a move to fair globalization:

### **A. Emergency program**

For those directly affected, outsourcing is an emergency. They require immediate assistance. If there are benefits to some in globalization, it is immoral to place its costs on those individuals whose jobs are in the line of fire.

### **Expand the Trade Adjustment Assistance Program**

In January 2004, laid-off software workers filed a lawsuit accusing the US Department of Labor of illegally denying them job-training benefits and weekly cash payments available under the Trade Adjustment Assistance Program to workers in industries where jobs have moved overseas. The suit claims that about 10,000 workers, including those laid off by IBM, EDS, Nortel, and Motorola,

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<sup>107</sup> For a possible insolvency mechanism see Kunibert Raffer, “Applying Chapter 9 Insolvency to International Debts,” *World Development* 18:2 (February 1990): pp. 301ff. The Tobin Tax has been endorsed by trade unions and governments, including the UK’s Communication Workers Union in June 2003.

<sup>108</sup> *Fair Globalization*, 5.

<sup>109</sup> Bob Herbert, “Dark Side of Free Trade,” *New York Times*, February 20, 2004.

should be eligible for the benefits.<sup>110</sup> Such programs can be strengthened immediately to make them more meaningful and to extend them to all workers and communities adversely affected.

A bill has also been introduced into Congress to amend the Trade Adjustment Assistance program to include workers who have lost their jobs due to outsourcing. A related bill would extend coverage of the WARN Act, which requires advance notice be given prior to mass layoffs, to service and technical workers impacted by outsourcing, and would require companies to report any jobs outsourced abroad to appropriate government agencies. In addition, the bill would mandate the Department of Labor to issue an annual report to Congress on the number of jobs outsourced.

### **Provide wage insurance for displaced workers**

Another possible immediate response is to provide wage insurance for workers displaced by outsourcing. Under one recent proposal, the government would pay half the difference between the wages of a job lost to outsourcing and a worker's next job.<sup>111</sup>

### **Rebuild the unemployment insurance system and provide health care to laid-off workers**

As we have seen, the impact of outsourcing goes far beyond those whose own jobs are outsourced. The social safety net must be rebuilt to protect workers who lose their jobs whether through outsourcing or other causes. This includes restoring the decimated unemployment compensation system and providing health care for all, including those unemployed and contingent workers who are excluded from many health insurance reform proposals.

### **Develop job creation programs that use existing skills to meet social needs**

Beyond the palliative of an emergency safety net is an emergency jobs program. Such a program can be based the two principles: 1)that our country has many people with a wide range of capacities who want to work and need to work; 2)there is a huge range of things that need to be done, from education and healthcare to rebuilding the physical and social infrastructure to reconstructing our economy and technology on an environmentally sustainable basis.

We should look to our national experience in combating the unemployment of the Great Depression, and develop an emergency jobs program that puts people to work using their skills and capacities to meet the needs of our communities. To take but one example: Our schools and communities are in need of computer training for young and adult students; why shouldn't some of the skilled computer workers who lose jobs to outsourcing be offered employment providing computer literacy? The New Deal's WPA and the CETA jobs program of the 1970s show that such an emergency program can start providing jobs in a matter of months.

## **B. Reconstruction program**

The longer range goal of a fair globalization jobs agenda for the US is to provide good jobs for all who want them. From the Great Depression to the 1960s, this was a basic commitment of US economic policy. The neo-liberal policies of the past twenty-five years that have reversed this

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<sup>110</sup> Peter Loftus, "Lawsuit seeks benefits for laid-off software workers," Dow Jones/AP, January 28, 2004.

<sup>111</sup> See Lori G. Kletzer and Robert E. Litan, "A Prescription to Relieve Worker Anxiety," Institute for International Economics Policy Brief pp. 1-2, at [www.iie.com](http://www.iie.com). Such a program would have to address the fact that many of the "jobs" lost are actually structured on a contingent basis.

commitment must themselves be reversed.<sup>112</sup> Instead of leaving control over our national life to corporations and wealthy investors, we need to re-establish policies that shape markets and economic actors to social need.

### **Preserve and expand the public sector as an anchor for local labor markets**

A quarter-century of neo-liberal propaganda has sold the notion that jobs in the public sector are somehow not “real jobs.” But in fact, public-sector employment is one of the central pillars of all successful modern economies.<sup>113</sup> A jobs agenda needs to reestablish the central role of the public sector as a means for meeting social needs and for providing economic stability and growth. Federal funding for a major expansion of education, healthcare, childcare, environmental protection, and other public services could constitute a major step toward closing the jobs deficit.

### **Expand the community economic sector**

A jobs agenda needs to include a greatly expanded community sector that is rooted in and controlled by local people and based on meeting local needs. This includes community development and housing, education, healthcare, and community- and worker-owned businesses and cooperatives. The community sector provides jobs that are stable because they cannot be outsourced abroad. Local development provides its own growth dynamic that is insulated from the vagaries of the global economy.

### **Restore workers’ bargaining power**

A jobs agenda needs to restore workers’ bargaining power. Encouragement of worker organization is central to a public policy to create good jobs. This requires not only reducing barriers to current forms of labor organization, but public policy that supports new forms of worker organization and collective bargaining. Such a policy can follow the approach of the Depression-era Wagner Act, which defined workers’ collective action as a basic right. With such action protected in all its forms, workers can be free to experiment with new forms of organization and action adapted to today’s global realities.

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<sup>112</sup> For further discussion of what such a policy shift would mean, see Robert Pollin, “The US Economy: an Egalitarian Program,” *CounterPunch*, October 25, 2003.

<sup>113</sup> Among other contributions, public sector jobs provide stabilization through the gyrations of the private sector. During the “jobless recovery” from November 2001 to early 2004, private sector jobs decreased by 900,000 while public sector jobs increased by 200,000. *JobWatch Bulletin*, EPI, March 5, 2004.

### **Restore job security rights**

A jobs agenda needs to restore job security protections to American workers. The union rights won in the 1930s, plus the government employment policies imposed on American industry during World War II, established the principle of employment security that shaped American work life for the middle decades of the 20<sup>th</sup> century. These job security rights were eroded by the expansion of contingent work during the last quarter of the century. Outsourcing underlines the importance of workers' right to job security and the responsibility of employers to stabilize employment. In France and Germany, "legislation regarding employee transfer" provides an obstacle "inhibiting the widespread adoption of outsourcing."<sup>114</sup> Similar laws geared toward the US labor market should be explored.

### **Use the tax code to redistribute wealth downward**

The era of globalization has seen a massive redistribution of wealth and income to the wealthiest from the rest of the population in many countries, and above all in the US. The US now has the greatest gap of any developed country, with the top 1 percent earning 17 percent of gross income, a level last seen in the 1920s.<sup>115</sup> A basic aspect of fair globalization is a fairer distribution of wealth and income. This requires, among other things: taxes that redistribute downward rather than upward, and that support the government services needed by all but the wealthy; minimum wages that provide a decent standard of living for all workers; and strong labor organizations that can fully represent the needs and interests of working people.

### **Use subsidies and tax breaks for the public good, not to encourage job mobility**

Current state and local efforts to promote jobs and economic development are based largely on providing subsidies and tax breaks to businesses to entice them to invest in one location rather than in another. The benefits of such policies are pocketed by businesses that are able to play one locality off against another. A fair jobs program requires a national, regional, and local policy framework that demands long-term commitments from investors who receive public subsidies.

### **Reestablish the idea of the public good**

The destruction of good, stable, well-paying jobs in America has been justified by an extreme individualist ethic, in which it is ok for a few people to live like kings and queens while the majority live in deprivation and millions live in abject poverty. An agenda to provide good jobs for all must include the rehabilitation of a social ethic that regards the common advancement of all as a goal for all individuals as well as for society as a whole.

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<sup>114</sup> "Business Process Outsourcing: Gartner reports," March 9, 2004. Such insecurity is regarded by some as a positive factor. In 1997, Alan Greenspan observed that US workers are experiencing "a heightened sense of job insecurity" which reduced their demands for higher wages and thereby restrain inflation. (Robert Pollin op cit) The effort to reestablish job security will no doubt be opposed by those who regard that as a good thing.

<sup>115</sup> Elizabeth Becker, "U.N. Study Finds Global Trade Benefits Are Uneven," *New York Times*, February 24, 2004, citing *Fair Globalization*.

## IV. Fair globalization: Making it so

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Presenting *A Fair Globalization*, ILO director Juan Somavia noted that “A number of things have brought change historically. Enlightened self-interest, social pressure, political leadership, crises and catastrophes. There are indications now that all of these are coming together.” Change normally happens “when there is a sufficiently wide group of people fighting for the same ideas.” The current convergence could find expression “through social movements and a political push.”<sup>116</sup>

Fair globalization requires the construction of a force that can impose its agenda on corporations, investors, governments, and international institutions. *A Fair Globalization* portrays emerging global networks, based on common interest or conviction, as central actors in bringing about fair globalization. These networks “involve many actors, both State and non-State, interacting from the local to the global level.” Their emergence is driven “by globalization itself.” It goes so far as to assert that “the potential for a more participatory and democratic system of global governance” lies “more in the future evolution of these expanding networks of people and institutions, rather than in blueprints for world government or institutional re-engineering.”<sup>117</sup>

The convergence of forces variously referred to as the “global justice movement,” the “anti-globalization movement,” and “globalization from below” constitutes a network of such networks, dedicated to making the global economy fairer. Its ability to link the most diverse constituencies and concerns is shown by the annual gatherings of the World Social Forum and the many regional and local forums it has spawned. It has demonstrated the capacity to coordinate action for change worldwide on issues ranging from AIDS drugs for poor countries to blocking unfair trade agreements. So far, the global jobs deficit has not been a central focus of its action. But a fair globalization jobs agenda can become the basis for similar coordination on a global scale.

The breakdown of US public support for neo-liberal economic policies—reflected in the outrage over outsourcing—provides a new opportunity to challenge today’s *unfair* globalization. But that requires moving beyond emotional backlash against outsourcing. It will require drawing in a broad swath of the American people, linking a wide range of constituencies both in the US and worldwide, and finding arenas in which these forces can act effectively.

### 1. Beyond backlash

The proponents of globalization are terrified over the power of the backlash against outsourcing. Morgan Stanley chief economist Stephen Roach says, “I continue to fear a backlash against globalization that takes the form of heightened trade frictions and mounting protectionist risks.”<sup>118</sup> *National Journal* columnist Bruce Stokes warns that “the protectionism that has already reared its ugly head” may “become an election issue with a vengeance.”<sup>119</sup>

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<sup>116</sup> Sanjay Suri, “Change is in the Air, Says ILO Chief,” *Public Agenda (Accra)*, March 1, 2004.

<sup>117</sup> *World Commission says globalization can and must change*. Among its many recommendations the Commission recommends a series of “Policy Coherence Initiatives” to begin moving institutions toward fair globalization. The first would address the question of global growth, investment, and employment creation.

<sup>118</sup> Roach, “Coping with the Global Labor Arbitrage.”

<sup>119</sup> *Marketplace*, National Public Radio, February 20, 2004.

The backlash against outsourcing provides a new opportunity to shift both the domestic economic policy of the US and its drive to impose *unfair* globalization on the entire world. But it also runs the risk of leading to dead ends and even to destructive outcomes that foment hatred among peoples and a war of all against all.

In the early days of globalization, as US industrial jobs increasingly moved overseas, “Toyota-bashing” became a national Labor Day sport. No doubt some anger was vented, but it is doubtful that a single auto or steel job was saved. This knee-jerk reaction gradually evolved into a far more sophisticated policy, in which American workers began to campaign for international labor rights and environmental protections, and became involved in supporting the struggles of workers around the world. That transformation showed its potential in the 1999 Battle of Seattle, when American trade unionists stood side-by-side with environmentalists and with workers from around the world to bring the meetings of the World Trade Organization to a halt. The Battle of Seattle revealed the emergence of a global justice movement that, far from pursuing a struggle for jobs between workers in different countries, sought to transform the global economy in ways that would start blocking the race to the bottom.

A similar process may be under way today. Just as the first wave of response to deindustrialization was Toyota-bashing, so today an aspiring demagogue proclaims, “Beware—the foreigners are coming after your job.” The challenge is to move such initial responses toward a fair globalization strategy that is both less xenophobic and more likely to be effective in protecting American workers.

A fair globalization approach might find surprisingly strong support in the US public.<sup>120</sup> According to a comprehensive survey of US views on the international economy,<sup>121</sup> most Americans define globalization as “a growing interconnectedness of the world,” and only 9 percent feel the US should try to “stop or reverse it.” Instead, they feel it should be made more just. Sixty-four percent of Americans agree with the statement “As one of the world’s rich nations, the United States has a moral responsibility toward poor nations to help them develop economically and improve their people’s lives.” Seventy-four percent say that if Americans are using products made by workers in other countries, this creates a moral imperative to ensure that they are not required to work in harsh or unsafe conditions.

Americans overwhelmingly want rules for the global economy that protect workers. Eighty-nine percent agreed that “American companies that operate in other countries should be expected to abide by US health and safety standards for workers.”<sup>122</sup> Ninety-three percent agree that “countries that are part of international trade agreements should be required to maintain minimum standards for working conditions.”<sup>123</sup> Eighty-one percent agreed that “while we cannot expect workers in

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<sup>120</sup> These data are based on Program on “Americans on Globalization, Trade, and Farm Subsidies,” *The PIPA/Knowledge Networks Poll: The American Public on International Issues, Program on International Policy Attitudes*, 22 January 2004, <[http://www.pipa.org/OnlineReports/Globalization/pdf/IntTradeRep\\_1\\_22\\_04.pdf](http://www.pipa.org/OnlineReports/Globalization/pdf/IntTradeRep_1_22_04.pdf)>.

The PIPA poll, first conducted in October, 1999 and repeated December 19, 2003-January 5, 2004, just before the explosion of the outsourcing issue in the political arena, provides an invaluable tool for interpreting public attitudes about trade and globalization issues.

<sup>121</sup> “Americans on Globalization, Trade, and Farm Subsidies,” (See 1999 version).

<sup>122</sup> “Americans on Globalization, Trade, and Farm Subsidies,” 4-6.

<sup>123</sup> “Americans on Globalization, Trade, and Farm Subsidies,” 15.

foreign countries to make the same wages as in the US, we should expect other countries to permit wages to rise by allowing workers to organize into unions and by putting a stop to child labor.”<sup>124</sup>

Similarly, they believe in international organizations but are ready to criticize them for pro-corporate bias. Sixty-four percent agree that growing interconnections between countries make it increasingly necessary to work through international institutions.<sup>125</sup> But 69 percent agreed that “[w]hen the World Trade Organization makes decisions, it tends to think about what’s best for business, but not about what’s best for the world as a whole.”<sup>126</sup>

Americans are concerned about the effects of the global economy on the US. Fifty-three percent believe that “the growth of international trade has increased the gap between rich and poor in this country.” Sixty-three percent believe that “more jobs are lost from imports than are gained from exports” while only 8 percent believe the reverse. An extraordinary 39 percent said they knew someone who had “lost a job or seen their business suffer due to globalization and the growth of trade,” while only 17 percent knew someone who had experienced positive effects.<sup>127</sup>

Whether or not they were reading Stephen Roach, these people appeared to have figured out the macroeconomic effects of outsourcing. Sixty-one percent said US trade policymakers paid too little attention to “the growth of the overall American economy” —up from 36 percent in 1999.<sup>128</sup>

What most Americans appear to want is neither to reverse globalization nor to continue it on its present path. They want globalization that is fair. And that emphatically means fair both to American workers and to the people of other countries, especially the world’s poor. The program most likely to win their whole-hearted support is a fair globalization that meets human needs both at home and worldwide.

## 2. Fair globalization, labor, and social movements

Critics of globalization have made a wide range of proposals for change in the IMF, World Bank, NAFTA, and other embodiments of *un*fair globalization. But their proposals for addressing the jobs problems of American workers have often been more modest.<sup>129</sup>

One focus has been to include minimum standards for labor rights and environmental protections in trade agreements. Such protections are valid for their own sake and can play a significant role in protecting poor countries from the race to the bottom. As we have seen, they enjoy broad support in the US public. But they are unlikely in themselves to do much to stanch the loss of American jobs. The benefits of “labor arbitrage” to employers are simply too great.

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<sup>124</sup> “Americans on Globalization, Trade, and Farm Subsidies,” 16.

<sup>125</sup> “Americans on Globalization, Trade, and Farm Subsidies,” 8. This was an increase from 56 percent in the 1999 poll, despite the Bush administration’s intense hostility to multilateralism and the refusal of the UN to support the US attack on Iraq.

<sup>126</sup> “Americans on Globalization, Trade, and Farm Subsidies,” 12.

<sup>127</sup> “Americans on Globalization, Trade, and Farm Subsidies,” 13-14.

<sup>128</sup> “Americans on Globalization, Trade, and Farm Subsidies,” 21.

<sup>129</sup> A major formulation of global economic alternatives from the global justice movement has only two index references to “jobs” or “employment.” One refers to a paragraph on employment rights as part of the Universal Declaration of Human Rights; the other refers to a paragraph on the limited number of jobs created by global corporations. International Forum on Globalization, *Alternatives to Economic Globalization: A Better World Is Possible*, (San Francisco: Berrett-Koehler, 2002).

The other focus has been to protect particular jobs by means of subsidies, tariffs, quotas, and bans on outsourcing. Regardless of the merits or demerits of such protectionist measures in theory, in practice they are, as we have argued above, unlikely to save many jobs in an already-globalized economy.

Fair globalization provides a program that can begin to address the real needs of American workers for good jobs. It also provides a broad agenda around which those opposed to *un*fair globalization can draw together. Unlike conventional trade politics, which involve struggles among different groups of workers for the same scarce jobs, a program for global full employment has the potential to unify working people in the US and worldwide around common interests that they share.

A next step toward unifying around a fair globalization agenda is a broad discussion among labor and social movements about what the alternative to *un*fair globalization should be. This requires both internal discussion within various movements, organizations, and sectors, and ways they can engage each other in dialogue around shared interests.

## International solidarity

The “Perspective on Outsourcing” (see Appendix II) prepared for a workshop on outsourcing at the 2004 World Social Forum in Mumbai, India by trade unionists from India, Britain, and the US, argues that “Both Northern and Southern unions have a common interest in controlling the type and quality of outsourcing, in order to retain the bargaining space of labor in both regions.”

It adds, however, that “Given the history of uneven North-South solidarity and of the rhetoric of internationalism that has often concealed disregard for Southern labor and just progress, it is not enough to agree that both are being exploited. It is also important to agree on certain minimum principles for collaboration in the pursuit of justice around the issue of outsourcing.

“Trade unions have the right to represent their members’ interests by pursuing strategies that oppose outsourcing but not at the expense of appropriate development in developing countries. Developed country trade unions, in particular, have an obligation to support trade, aid, financial, and security policies that benefit workers in the developing world.

“A core obligation for developed country unions is that of reciprocity between trade unions in country of origin and in receiving country. That obligation includes working with Southern trade unions in the pursuit of democratic distribution of labor, protection from ruthless multinationals based in the Global North that invade the Global South, and development on their own terms and not imposed by a neo-liberal regime led by Northern governments.”

“Perspective on Outsourcing” proposes specific areas of initial collaboration to start a “long-term solidarity between unions and allies in the North and the South.” It recommends, for example, that unions and their allies provide information regarding parent business enterprises and their operations globally; assistance to unions to network their contacts within corporations nationally, regionally, and globally; and solidarity on collective bargaining struggles, including mobilizing public opinion regarding the company. While the prime responsibility for providing resources would lie with labor in the north, unions and allies in the Global South would “reciprocate on all the above issues to the best of their abilities.”

### 3. Fair globalization and the 2004 US elections

The 2004 US elections are a crucible in which the issues of “free trade,” “fair trade,” jobs deficit, and globalization are being contested. They are also an arena in which the fair globalization alternative can be projected into the debate.

The problem for those challenging the Bush administration in 2004 is that, while the public doesn't buy “free trade,” neo-liberal arguments, they are also highly skeptical that a protectionist program will actually protect, let alone expand, American jobs.

Bruce Stokes, a columnist for the *National Journal*, points out that even at the acme of John Edwards' “fair trade not free trade” campaign in deindustrialization-battered Wisconsin,

Exit polls show that 59 percent of Edwards supporters in the Wisconsin primary thought trade either creates jobs or doesn't affect employment. That's not a constituency for protectionism. But trade will become an issue and fast if the candidates don't soon come up with a credible strategy for job creation. Voters are worried about the kind of jobs they'll have in the future, and for good reason. . . Some candidate soon has to paint a convincing picture of a brighter American future. Without a vision to believe in, voters will look to protect what they have.

He challenged the Democratic candidates: “How are you going to put Americans back to work?”<sup>130</sup>

Fair globalization provides a potential answer to that question.

## Conclusion

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The backlash against outsourcing has become a huge force in American politics. It has the potential to reshape US policy in ways that promote fair globalization at home and worldwide, thereby providing good, secure jobs for American workers and allowing worker- and environment-friendly development around the world. But it also has the potential to turn the world economy into a war of all against all. The challenge is to translate the alarm about outsourcing into constructive action to provide good, secure jobs at home; change the rules of today's global economy to allow all countries to pursue such sustainable development; and strengthen mutual aid and solidarity among workers throughout the world.

Fixing the US—and the global—jobs deficit requires fair globalization. To paraphrase ILO director Juan Somavia, that requires “social movements and a political push.”

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<sup>130</sup> *Marketplace*, National Public Radio, February 20, 2004. *New York Times* correspondent Louis Uchitelle asks, "Should government step in, as it did a generation ago, and subsidize job creation to supplement the private sector?" He notes that the "Democrats expunged that sort of alternative in the Clinton years, and Senator John Kerry of Massachusetts, the presumptive Democratic presidential nominee, has not revived it. But Senator Edward M. Kennedy of Massachusetts, a powerful figure in the Democratic Party, is trying to push his party back in this direction. 'We must create new and meaningful jobs for all Americans,' he declared in a recent speech. 'And we must do this by recognizing once again that government—an enlightened government—has an extraordinary responsibility to assist in this task.'" Louis Uchitelle, "In This Recovery, a College Education Backfires," *New York Times*, March 14, 2004.

# Appendix: I. List of Business Process Outsourcing Services

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## **Banking Services**

Account opening services  
Account information capture  
Customer queries  
Check clearing  
Check payment reconciliation  
Statement processing  
ATM reconciliation  
Investment account management  
Management reporting  
Loan administration  
Credit debits card services  
Check processing  
Collections  
Customer Account Management

## **Mortgage Services**

Application verification and processing  
Disbursements and collections  
Payment reconciliation  
Account information updates  
Mortgage Loan Servicing

## **Finance Services**

Document management  
Billing  
Shareholder services  
Claims processing  
Accounts Receivable  
Accounts Payable  
General ledger  
Accounting services  
Treasury Operations Management

## **Credit Card Services**

Applications screening and card issuance  
Customer account management  
Collections and customer follow-up  
Account queries and limit enhancements  
Accounting and payment reconciliation

## **Insurance Services**

Policy Owner services  
Claims processing  
Transaction & Re-insurance  
Accounting  
Statutory reporting  
Annuities Processing  
Benefit Administration  
Customer information capture  
Risk assessment and premium computation  
Policy processing and account monitoring  
Claims management  
Payment reconciliation

## **Asset management Services**

Account creation  
Account maintenance  
Transfers and additions  
Dividend payments  
Brokerage payment  
MIS reporting  
Customer service

## **Health Care**

Medical Transcription Services

## **Customer Care**

Customer service  
Customer analysis  
Call centers  
Consumer information services  
Customer Relationship Mgt

## **Human Resources Services**

Payroll and benefits processing  
Training and development  
Retirement investment and benefits Management  
Hiring and staffing  
Recruitment screening,

Administration and relocation services  
Payroll processing  
Compensation administration  
Benefits planning  
Administration and regulating compliance

## **Sales and Marketing Services**

Telemarketing Services  
Direct Marketing and Sales campaigns

## **Web-related Services**

Website designing  
Website management  
Site personalization  
Site marketing  
Search Engine, Directory  
Optimization and Positioning Services  
Catalog / content management  
Web analytics  
Database Design  
Web security services and integration with  
CRM  
Back-office systems for inventory management  
Web enablement of legacy applications  
Electronic bill presentment and payment services  
Graphics/Animation  
Web-based Email Processing  
Web-based Help Desk  
Web-based Chat Support  
e-Learning :Web based online education services 4  
e-publishing

Source: United Nations Conference on Trade and Development (2003) *E-commerce and Development Report 2003*. New York & Geneva: United Nations. P. 141

## Appendix II. A North-South labor perspective

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A workshop on outsourcing at the 2004 World Social Forum in Mumbai, India brought together trade unionists and allies from developing and developed countries. It revealed a surprising amount of agreement among them. “Perspectives on Outsourcing,” a paper initially drafted by Indian trade unionists and modified by mutual agreement with British and American trade unionists, was distributed under the names of workers organizations from India, Britain, and the US.<sup>131</sup>

### A. “A shaky and transient economy”

“Perspectives on Outsourcing” starts by noting that Business Process Outsourcing (BPO) is a recent phase of a process that has already seen jobs outsourced from organized to unorganized workplaces within countries, and has seen manufacturing jobs outsourced from high- to low-wage countries. Such outsourcing can become “lightning rods for traditional labor movement issues such as labor rights, national loyalties, and internationalism.”

The labor movement and its allies have to “take a strategic stand and oppose outsourcing that hurts labor and at the same time, put forth a vision for progress and development globally that is more just and equitable.”<sup>132</sup>

Neoliberal policies of globalization aid outsourcing by removing restrictions on movement of capital. “Outsourcing cannot be seen as an isolated phenomenon and strategies to bring justice to this phenomenon must necessarily include ending neo-liberalism, and developing alternative public policies for promoting sustainable development.”

In the short run, outsourcing may benefit the less-developed countries by creating employment. However, “The jobs gained by BPOs get touted often enough but in comparison to job loss due to de-industrialization, computerization, privatization, and entrenchment, these gains are only a fraction.”

The inflow of capital is normally accompanied by “a weakening of the regulatory regime.” The jobs created by outsourcing are often “at the expense of labor rights, not only in the outsourced sector, but also in general.”

BPO leads to “a shaky and transient economy” as companies “move in search of cheaper labor from India today to China tomorrow.” Despite the extravagant claims for the benefit of BPO, “South-South competition for jobs allows global capital to rob developing countries and their workers of any long-term benefit.”

Outsourcing pursues “both cheaper jobs and less regulation.” It therefore also brings in its wake a drive towards less regulation. It weakens the right to tenure of workers, and brings with it “an uncertainty that also threatens any attempt at collectivization of workers.” Recent examples in India, like the overnight shift of operations by Dell out of the country, exemplify this threat.

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<sup>131</sup> “Perspective on Outsourcing,” issued under the names of the North American Alliance for Fair Employment (US-Canada), Jobs with Justice (US), Global Resistance (US-India), the Communications Workers Union (UK), the New Trade Union Initiative (India).

<sup>132</sup> above

Far from being an appropriate means of development for developing countries, “Outsourcing cannot be lifted out as a single isolated phenomenon but needs to be understood in the context of a long history of a deliberate politics of underdevelopment of the South by the North.”

## **B. Labor’s role**

In developed countries, unions are blamed as causes of outsourcing. In developing countries, they are portrayed as a deterring potential outsourcing *to* their countries. Outsourcing hurts labor standards and unionization in the developed countries because it “allows enterprises to use it as a threat during union drives, to attack workers where unions have a presence, and to divide workers by claiming that unions were driving enterprises to outsource.”

Outsourcing not only affects those whose jobs are outsourced, but also the working class as a whole. Effectively addressing it requires “an alliance between trade unions and other constituencies.” Opposition to weakening labor rights can only come from a strong trade union movement working with allies. This is true for “both the developed country where labor loses jobs due to outsourcing, and the less developed country, where labor gains jobs.” In the less developed country, “it is only a strong labor movement that can regulate employment relationships” in outsourced firms. It is only strong trade union that can “resist the movement of capital continuously towards less regulated labor.”<sup>133</sup>

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<sup>133</sup> above