

U.S. China Commission Seattle WA Hearings Testimony of Marcus Courtney WashTech/CWA

Chairman and Members of the Committee:

Thanks you so much for the opportunity to testify before you today on such critical matters. WashTech is a local of the Communications Workers of America and we are organizing high-tech workers in the U.S. for union representation. Over the past two years we have gained international recognition regarding our work in highlighting the issue of white-collar technology jobs moving overseas. I am president of WashTech and worked in Seattle's high-tech industry during the 90s before helping found the union.

I am going to talk about three things. One, what is happening in the high-technology economy at a national and local level. Secondly, look at corporations that are moving work abroad, where and what kind of work is going with a focus on China. Finally, discuss the impact of these changes for every day workers and what we need to do about it.

State of national and local high-tech economy

One word describes the high-tech economy in the U.S.—crisis. I don't use this word lightly, but looking at the economic trends in this industry for the past several years that is the word describes it best. Most know that the U.S. has lost some 2.7 million manufacturing jobs since 2000. What is not known is that more than 700,000 high-tech jobs have been lost in the U.S. during the past four years.

In the fall of last year, WashTech released a report called America's High-Tech Bust. We commissioned the University of Illinois at Chicago to do the research that looked at employment rates in seven major high-tech cities around the U.S. The study found that in every major high-tech city in the country, there are fewer jobs today than four years ago. What is striking about that fact is that an economic recovery was declared back in November 2001. The high-tech industry lost a whopping 200,000 jobs after a recovery was on. See the table below. The U.S. high-tech industry has experienced a job loss recovery.

The Seattle area technology economy mirrors the national picture. The Washington State economy lagged behind the rest of the country in coming out of the recession. It was fifteen months ago that the Washington state recovery started. However, today the Seattle high-tech economy has fewer jobs than it did three years ago.

Month to month snap shots of the economy, and not longer-term trends is what gets reported by the mainstream media. What you hear from the media in these reports is that the economy is bouncing back, based on slight increases in the monthly jobs picture. However, that analysis fails to look deeper at a darker trend happening in the economy.

The U.S high-tech economy, once the envy of the world for job creation, has not generated any significant number of new jobs for more than three years! In fact it is generating fewer jobs. Washington State, the home of Microsoft this is also true. Never before have we been this far into a “recovery” and new jobs have failed to materialize. A sector that once had full employment is now seeing unemployment rates above 5%.

High-tech workers in the U.S. and especially in Washington State are more concerned than ever regarding their job security, their wages and benefits.

IT Industry Employment in Key Metropolitan Areas (Not Seasonally Adjusted)

	March 2001	November 2001	March 2002	March 2003	March 2004	April 2004
Nation	2,146,800	1,949,800	1,876,700	1,763,700	1,744,000	1,743,500
Boston, MA-NH PMSA ¹	71,200	59,100	55,500	48,700	46,700	46,900
Chicago, IL PMSA ²	63,400	57,200	54,200	49,100	47,300	47,000
Dallas, TX PMSA ³	56,300	50,000	47,000	42,800	39,100	39,300
San Jose, CA PMSA	92,500	75,900	70,200	64,500	61,500	61,900
San Francisco, CA PMSA ⁴	54,900	37,300	33,100	29,500	27,900	28,000
Seattle-Bellevue-Everett, WA PMSA ⁵	59,200	54,500	52,800	50,400	52,700	52,800
Washington, DC-MD-VA-WV PMSA	165,600	157,300	155,300	157,300	160,400	161,400

¹ Employment data for NAICS 5180 (ISPs, Web Search Portals and Data Processing) is not available for the Boston PMSA and therefore undercounts total IT employment in the region.

² Employment data for this series for the Chicago PMSA includes employment in NAICS 5180 (ISPs, Web Search Portals, and Data Processing) and NAICS 5415 (Computer Systems Design and Related Services). It does not include NAICS 5112 (Software Publishing), for which employment data is unavailable.

³ Employment data for NAICS 5112 (Software Publishers) is not available for the Dallas PMSA.

⁴ Employment data for this series for the San Francisco PMSA includes employment in NAICS 5180 (ISPs, Web Search Portals, and Data Processing) and NAICS 5415 (Computer Systems Design and Related Services). It does not include NAICS 5112 (Software Publishing), for which employment data is unavailable.

⁵ Employment data for NAICS 5180 is unavailable for the Seattle PMSA.

U.S. Corporations Exporting Jobs

The question has to be asked; what is causing the high-tech job crisis? Clearly the offshore outsourcing of technology worker by America's leading corporations is a leading cause of why jobs are not getting created here in the U.S. The WashTech/TechsUnite offshore tracker has found more than 300,000 white-collar jobs from hundreds of U.S. companies moved abroad.

In the local economy, white collar job exporting is becoming a major trend. It is not just happening in technology, but in accounting, banking, legal, insurance, and medical industries. The names of local companies that are moving work abroad is a who's who of major local employers; Microsoft, Boeing, Safeco, Washington Mutual, and Amazon just to name a few.

A myth about globalization is that it is only focused on "low level jobs." But in fact companies are exporting all aspects of white-collar work overseas. From customer service all the way to R&D. While India has garnered the most attention as the prime location, companies are developing a global supply chain of labor, and increasingly looking to China to fill their employment needs. .

Now I want to give some examples of companies moving work abroad, what kind of work, and where is it going with a particular eye toward China.

WashTech released a presentation by Brian Valentine a Microsoft Senior Vice President of the Windows operating division called "Touch Down India—Run with the Ball" In this presentation, he outlined to managers how the company is going to aggressively pursue off shoring and offshore outsourcing of jobs, in this case to India. The presentation reminded managers that it is not just for low-level work. That Redmond is no longer the center of the universe.

Also let them know the driving force behind the new corporate focus is that "Two heads are cheaper than one." Today, Microsoft has stopped building its new corporate campus on the eastside, and has been reported that the company is expanding its presence in India by building a new campus there.

A lot of attention has been focused on Microsoft and its expansion in India. However, a lot less is known about the companies growing expansion into China and its increasing focus of exporting work to that country.

Business Week Magazine in its October 11, 2004 edition focused on the innovation economy. When it featured Microsoft, it didn't feature the company's Redmond based R&D facilities but the one in China. "Step inside the labs of Microsoft's advanced technology Center outside Beijing for a lesson in 21st innovation." The facility employs more than 500 engineers, cost \$80 million and is "Microsoft's most important facility for developing graphics, handwriting recognition and voice-synthesization."

However, Microsoft's work in China isn't just R&D. In screen shots from Microsoft's employee address book, the company also employs support engineers to service U.S. customers, test engineers, program managers and developers. At least 100 and probably many more in all.

It is not just Microsoft that is exporting our most sophisticated technology work abroad. IBM, Honeywell and 3com are all doing work in China. IBM in an internal HR conference call openly discussed how the company is going to force its U.S. based employees to train their foreign replacement from China. The employees won't like but IBM has to do it because the competition is doing it.

Honeywell has a five-year corporate strategy for an "Accelerated path to globalization." The focus of the plan is to move at least 6,000 jobs from U.S. avionics engineering facilities to countries such as China and the Czech Republic. In making such moves, Honeywell aims to increase profit per employee by \$76,000 a year.

Business Week reported in December of last year that 3Com launched the first ever data communication switching system for corporate users that was jointly developed with China telecom giant Huawei Technologies Co. "This is the first high-end piece of networking gear sold by a U.S. company that is designed and manufactured in China. For the price of one U.S. engineer, the joint venture can throw four engineers into the task of making customized products for a client."

Not only are jobs getting exported, but our technology innovation as well.

Impacts on Workers

The new round of globalization is having a devastating impact on high-tech workers. The global economy is rapidly moving ahead, but seems to lack any moral compass or values as it does, and workers are paying a high-price. Natasha Humphries, Steve Gentry and Myra Bronstein have been speaking out in the past year over the humiliating experience of training their foreign replacement. For Myra, it meant a choice between that losing her severance pay. These experiences raise significant human rights issues. Not only for U.S. employees going through this experience, but also for the employees that are coming to the U.S. expected to do that task.

Lets think about what it must be like for an employee to be in Beijing or Bangalore on a Friday, then on Monday be sitting next to a U.S. worker who is losing their job. Are these workers aware of their rights in the U.S? What rights do they have? Who do these employees turn to when they have employment issues?

As more manufacturing and white-collar jobs move abroad, it makes it harder and longer for employees to find work. Steven Gentry has been unemployed 18 months, 500 resumes and six months of training later, he has only gotten three callbacks for new work.

Cheerleaders for global labor shifting claim that more and better paying jobs will be created in the future by these corporate strategies taking advantage of cheaper labor overseas. But as you can see that is not happening and the reality for workers is vastly different.

Globalization of the labor force is not only about exporting jobs. It also means that as more and more companies develop a global supply chain of cheap labor, it threatens the wages, job security and benefits of their U.S. counterparts putting downward pressure across this emerging global labor force.

Steps need to be immediately taken to change course. This includes mandating corporate transparency around its global workforce, more aggressive data collection investigating these trends, ending the exclusive protection of corporate property rights in trade agreements and expanding them so it recognizes the rights of communities, workers and the environment. Another issue needs to be addressed is reforming visas programs, such as the H-1b, H1-b1, L-1 that protect human rights and based on real labor market conditions. Also, ensuring that workers have the right to freely join union and collectively bargain with their employer. This is a critical component in ensuring that workers can have good paying jobs with decent benefits.

Globalization does not work when it threatens the livelihood of the majority of workers for its constant unquenchable thirst of the cheapest labor, and lowest standards. Every value, even democracy, gets squeezed out as it tries to squeeze maximum shareholder value out of the market.

It also does not protect the U.S. national interest in terms of job creation and technology innovation.

Thank you for your time and attention.