

Congress of the United States
Washington, DC 20515

October 5, 2004

The Honorable Don Evans
Secretary
U.S. Department of Commerce
14th Street and Constitution Avenue, NW
Washington, DC 20230

Dear Secretary Evans:

We are writing with reference to the enclosed U.S. Government Accountability Office (GAO) report on outsourcing for white collar service jobs prepared at our request. The report (GAO-04-932) examines the exporting and importing of services by both the public and private sectors. The report used data from the Bureau of Economic Analysis and private research firms, such as the nonpartisan Brookings Institute, as well as interviews with high-level government and business executives.

The GAO generally documents the off-shoring of information technology and other services, but the details of the report show a trend that could prove disastrous for white collar workers. Previously, these workers have been regarded as more insulated from outsourcing than their blue collar counterparts. Among the important findings brought to light by GAO's investigation:

- 1) U.S. imports of Business, Professional, and Technical (BPT) services grew 76.9 percent between 1997 and 2003 – growing from \$21.2 billion to \$37.5 billion.
- 2) Between the years 1999 and 2003 the total dollar value of U.S. government contracts being performed in foreign countries increased by 64 percent.
- 3) Of the total increase in federal government contracts to foreign firms, 61 percent of that increase occurred in 2002 and 2003.
- 4) Imports of computer and data processing services have grown from \$636 million in 1997 to \$1.1 billion in 2002, an increase of 66.2 percent. In particular, imports of computer data processing from India have grown 850 percent over the same time period.
- 5) U.S. headquartered multinational companies have cut their American workforce while employment for those same companies in their foreign-based affiliates has increased.
- 6) Despite improved job creation in 2004, industries that are associated with outsourcing (business support, call centers, software development, payroll management) saw higher job loss and a more volatile recovery.

- 7) While the outsourcing trend continues throughout American labor markets, neither the Department of Labor nor the Department of Commerce is prepared to measure this growing dynamic of today's economy. There is no reporting of layoffs of less than 50 employees, no identification of imports that were previously produced in the U.S., or any substantive tracking of the type of off-shoring engaged in by the federal government.

Perhaps most distressing about the GAO report is the overall picture it paints of an Administration and Congress that are at best woefully out of touch with and at worst purposefully unwilling to deal with the reality of the increasing exportation of American business, professional, and technical jobs.

According to GAO, there are no government statistics available that can adequately measure the effect that the movement of these jobs is having on our economy. While there is widespread anecdotal evidence of dramatic dislocations of workers throughout the country, the Administration has no way of adequately measuring these changes.

Secondly, the categories of industry and job type highlighted in the report are markedly different than previous studies of job off-shoring. In those studies, particular focus was paid to the manufacturing sector, in this report the GAO focused on the business support and technology sectors. These are sectors that, for years, have been the focus of policy makers, educators, and business leaders as high growth, high pay jobs for the new economy.

Private research has shown that as many as 15 percent of the financial services sector may move overseas in the next few years. A study by Forrester Research found that 600,000 jobs may be off-shored by the end of 2005 and 3.3 million more off-shored by 2015.

Perhaps more disheartening is the prospect that the tax dollars of American citizens are helping subsidize some of this job shift. Most notably, the greatest increase in the off-shoring of federal contracts has come during the past two years as part of the on-going conflicts in Afghanistan and Iraq. The potential security implications of this are clear, and raise concerns about the safety, efficacy, and manner in which the government supplies and protects our troops who are already in harm's way.

Clearly, the government has fallen behind the curve in assessing and addressing the risks posed to the already hard hit American workforce and revenue base by the growing trend toward outsourcing. We remain optimistic that the executive branch and Congress can work together to put U.S. employment back on the right track, but it will require specific answers to the following questions in order to achieve that goal:

- 1) GAO found that there are still no adequate measurements to analyze the troubling trend of outsourcing. What steps will the Administration take to institute a specific, consistent, useful and scientifically sound method of measuring outsourcing, its costs and benefits?

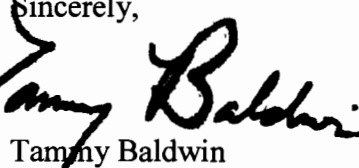
2) As jobs are shifted from this country to others, our base of taxpayers shrinks. This is particularly important when the jobs are traditionally tied to higher wages. The result of such a shrinking taxpayer base means either cuts in services or increased taxes for those remaining in the workforce. We strongly oppose any policies that lead our nation down such a road. Has the Administration analyzed the adverse effect on tax revenue collection posed by the increased public and private sector outsourcing of work as jobs are shifted from U.S. taxpaying workers to overseas workers? If so, what is the impact? If not, when will this be done?

3) At a minimum, federal tax dollars, should not be used to ship U.S. jobs overseas. Please provide us with a full accounting of federal contracts that have been awarded to overseas affiliates during the past five years, with particular attention to those contracts that are directly involved with the continuing operations in Iraq and Afghanistan. What protections are currently in place to ensure that federal and state government contracts are awarded primarily U.S. based business and not outsourced to overseas firms and affiliates? What administrative steps have the President or others in the Executive Branch taken to ensure taxpayer dollars are not subsidizing the outsourcing of American jobs?

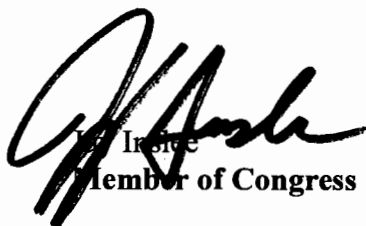
We hope you will carefully consider the issues highlighted by the GAO report as they are vitally important, particularly for the millions of Americans who have lost or are concerned about losing their jobs to outsourcing. We also hope that you will reply expeditiously to our questions, but in any event, by no later than close of business on October 29, 2004.

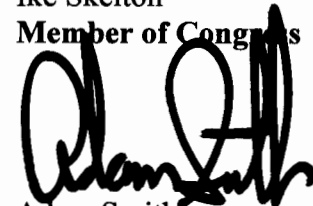
Sincerely,


John D. Dingell
Member of Congress


Tammy Baldwin
Member of Congress


Ike Skelton
Member of Congress


Jim Insler
Member of Congress


Adam Smith
Member of Congress