

# Workforce Innovations

May/June 2004

News and insights to meet the needs of an evolving community of businesses, job seekers, and educators

## Final Hardcopy Edition: *Workforce Innovations is Moving to Your Inbox*

This is the final hardcopy edition of Workforce Innovations. However, NOVA will continue to offer Workforce Innovations newsletters via email. To sign up to receive this timely business and industry newsletter, simply email NOVA's publication team at [publications@novaworks.org](mailto:publications@novaworks.org).

## Offshoring *Will the Economy Sink or Swim?*

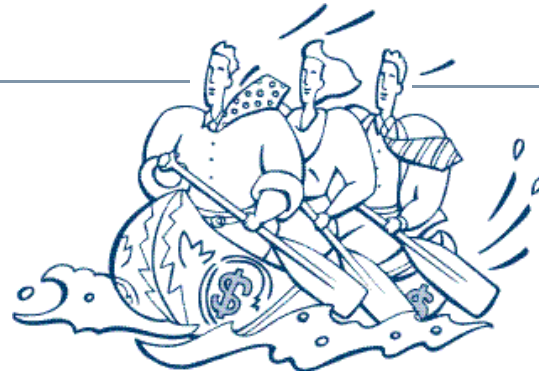
The subject of offshoring has prompted heated debates. On one side are free market advocates who claim that offshoring ultimately helps the United States economy. On the other are protectionists who want to limit the number of American jobs that move overseas. Where does the truth lie? As with most things, it is somewhere in the middle.

Economists state that the offshore movement allows work to flow to the place it can be performed most economically which, in the grand scheme of things, is to the benefit of everyone. When work is done where it can be performed most cheaply, it frees up money to be reinvested in the United States, which ultimately creates more jobs. Certainly offshoring is nothing new – just ask the manufacturing industry. However, what is different this time is that service sector jobs are suddenly threatened. Researchers at the University of California at Berkeley have estimated that about 11 percent of the U.S. workforce is now vulnerable to offshoring.

### *The pros and cons*

Offshoring is generally supported by economic principles – free trade and unrestricted movement of labor increases wealth, while protectionist measures reduce it. Proponents of offshoring also argue that jobs lost are replaced by “insourced” jobs, those created by investment by U.S. subsidiaries of foreign companies. This investment translated to \$82 billion in 2003. Foreign subsidiaries employ about 6.4 million Americans.

While there is little debate among economists that offshoring generates wealth, there are some who say that the wealth has been unevenly distributed to a relative few – namely, corporate stockholders and those best positioned to take advantage of offshoring, such as international trade



lawyers. According to the Center for Economic and Policy Research, the majority of Americans never share in the gains realized by offshoring. In the case of the manufacturing industry, as globalization increased, the median wage over the last thirty years grew only eight percent. During the same time period, income per person rose 85 percent. That discrepancy is due to the fact that most of the gains went to those at the top of the income scale.

### *The productivity problem*

Offshoring is typically blamed for the jobless recovery (which, finally, seems to be coming to an end). However, the real issue is productivity – unlike previous business cycles, it has continued through the downturn and into recovery. Two decades ago, productivity was growing at 1.4 percent a year. In the first quarter of 2004, productivity change measured 4.6 percent. We are becoming a more efficient workforce, aided largely by information technology and, while high productivity generates wealth, it does not generate employment. Silicon Valley workers are especially efficient. According to Economy.com, a Santa Clara County worker produced \$188,300 of value in 2003 – the national average was \$87,500. The difference is due, in part, to high use of technology and offshoring. The good news is that efficiency tends to slow down as the recovery builds, and that means businesses will have to start adding resources in order to respond to continued rising demand.

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- Analog Devices, Inc.
- Applied Materials
- Biltmore Hotel & Suites
- Carpenters Training Committee
- Center for Continuing Study of the California Economy
- Children's Discovery Museum
- County of Santa Clara
- Crest Financial Services
- Department of Rehabilitation
- Employment Development Department
- Foothill-De Anza Community College District
- Four Points Sheraton Hotel
- Housing Authority of the County of Santa Clara
- Intel Corporation
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- Kaiser Permanente
- Lockheed Martin Missiles & Space
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- Molecular Medicine Research Institute
- NASA Ames Research Center
- National Council on the Aging
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### *What are the numbers?*

Hindering dialogue regarding offshoring is a lack of hard data. An oft-quoted report by Forrester Research forecasts that 3.3 million U.S. jobs will move overseas by 2015 (830,000 of them by next year). For tech, that translates to 181,000 jobs lost by 2005. Another study released by Global Insight estimates that 104,000 software and service jobs were moved overseas last year. However, the study also notes that labor savings realized by those companies resulted in the creation of 194,000 jobs in the United States – a net gain of 90,000.

A recent report released by the Bureau of Labor Statistics seems to offer optimism. Their calculations note that only two percent of the almost 240,000 people who lost their jobs in the first quarter of this year were laid off for reasons “associated with the movement of work out of the country.” However, it likely does not paint a complete picture. The BLS numbers are based on mass layoff statistics, which count companies whose layoffs last at least 30 days, and in which 50 people file for unemployment insurance. There is no documentation of the impact offshoring has had on smaller businesses. Additionally, the BLS report cannot capture the number of jobs created by American companies overseas that are not related to layoff activity.

### *What is the solution?*

A number of initiatives, at both the state and federal level, have been proposed to restrict the movement of jobs overseas. Most popular are proposals aimed at limiting foreign work on government contracts (such as the bill passed by the California Assembly in May). However, experts warn that such restrictions will do more harm than good by keeping costs artificially high. Also, foreign corporations will take advantage of cheap service-sector labor whether American companies do or not.

Rather than trying to reduce offshoring, other proposals try to limit the impact when it happens. These include worker retraining programs, special unemployment benefits, and regulations requiring compensation to employees whose jobs are moved overseas. One

proposal that has bipartisan support is an expansion of the federal Trade Adjustment Assistance (TAA) program. Currently designed to provide retraining and health insurance tax credits to manufacturing workers affected by globalization, the program would be expanded to those in service-related fields.

Some proposals are more far-reaching. Senator Joe Lieberman (D-CT) recently released a five-point plan aimed at helping the American economy adjust to the new global reality. Included are recommendations to increase investments in advanced research and development; expand social benefits for workers displaced by global trade; reform education; and restore fiscal responsibility.

### *The future*

Offshoring is a necessary component of a capitalistic economy. Whether viewed as a necessary evil or a benefit of globalization, it is here to stay. Honing our competitive advantage is key to staying ahead, and that can only be done by adequately preparing our workforce to compete on a global scale. The boom in the 1990s did not just happen – it was born out of investments in education, R&D, and infrastructure that began as early as the 1960s. What investments are being made now to prepare for 2040?

Businesses, educators, and workforce development professionals all need to ask themselves if current workforce models will truly keep American workers ahead of the curve in the new global economy. Workers will need to become more flexible, and adapt to the necessity of continually upgrading their skills in order to compete – multiple careers in a lifetime are now the rule, rather than the exception. Education providers and workforce development professionals will need to adapt as well, in order to accommodate the increasing number of white-collar workers requiring reinvention – new models of education and training are essential. Changes need to be developed and tested now to ensure the continued competitive advantage of the American workforce.



## NOVA @ CONNECT! Business Service Center

### *A World of Services*

NOVA offers no-cost and low-cost services to help you grow your business, prepare for a workforce reduction, meet your hiring goals, lower your training costs, and reduce employee turnover. Our Business Liaisons can help your company build a better workforce by linking the human resource needs of your business to employee education, training, and retention programs to help meet these challenges. Services include:

- **Pre-Layoff Assistance and Outplacement Services:**

Whether you are considering a layoff, shutting down a division, or contemplating a business closure, you need to ensure a smooth, timely transition for your company and your employees. By accessing grants, federal programs, and State services, NOVA significantly reduces downsizing expenditures while guiding affected workers toward practical, effective re-employment assistance including job search strategy workshops, one-on-one career coaching, training and career development services.

- **Staffing and Recruitment:**

Looking for customized solutions for your staffing requirements? NOVA and CONNECT! offer no-cost assistance to help your company find the right candidates for your employment opportunities. Through our extensive network of career service professionals, we will distribute your employment opportunities to selected career centers and our CONNECT! education and training partners throughout the Bay Area. If you'd like to present your employment opportunities to a group of qualified candidates, contact us to schedule an on-site recruiting presentation at the CONNECT! Job Seeker Center.

- **Employee Training and Professional Development:**

NOVA's Professional Effectiveness Program is an innovative training program that gives your work teams the skills to build collaboration, manage interpersonal issues, get to the heart of complex problems, and achieve business goals. Training modules can be purchased individually or as a package, and can be customized to meet your organization's needs. For more information contact PEP at (408) 737-4931.

- **Business Development:**

NOVA, in partnership with the Silicon Valley Small Business Development Center (SBDC), is pleased to offer individual and group counseling services to small business owners at no cost on a variety of topics including finance, marketing, management, and legal issues. Counselors are experienced business professionals. For your convenience, sessions may be held at the CONNECT! Business Service Center in Sunnyvale.



### NOVA Selected for Best Practices Report!

A report released in April from RISEbusiness highlighted best practices in one-stops and workforce boards in meeting the needs of small and emerging businesses. NOVA's Business Services Initiative was one of six case studies selected that exemplified best practices. The full report is available online at the RISE website,

[www.riseb.org/humanCapStudy.html](http://www.riseb.org/humanCapStudy.html)

- **Newsletters and Analysis for the Business Community:**

Published quarterly, *Workforce Innovations* provides businesses with local economic information as well as information on NOVA programs designed to serve your business. If you are interested in labor market information, the NOVA Workforce Publications unit produces the *LMI E-Newsletter*, which contains news articles of interest, recent publications, and the monthly *Workforce Review*, a two-page analysis of the Valley labor force and other economic indicators. To subscribe to either of these newsletters, please send an email request to [publications@novaworks.org](mailto:publications@novaworks.org). NOVA also creates industry reports that analyze the trends and economic issues that are pertinent to Silicon Valley. Recent report topics include nanotechnology, space IT, security technology, and accounting. Access these reports online at [www.novaworks.org/lmi](http://www.novaworks.org/lmi).

NOVA is a partner in CONNECT!, a collaborative of more than 25 organizations providing a wide range of employment services to businesses and job seekers in Silicon Valley. The CONNECT! Business Service Center incorporates a host of customized programs and services designed to sustain the needs of local businesses.

For more information about business services offered by NOVA or general inquiries about the programs mentioned, please contact the NOVA @ CONNECT! Business Service Center at (408) 730-7830 or visit us at 465 South Mathilda Avenue, in Sunnyvale. You can also access information online at [www.novaworks.org/businesses](http://www.novaworks.org/businesses).

## Fully-Funded NOVA Youth Internships Can Benefit Your Business!

### Want to create a win-win situation for your busiest quarter yet?

“The (NOVA) Work Experience Program has benefited our agency in a dramatic way. Most importantly, it has enabled our employees to concentrate on more complex problems and solve technical situations. In this age of hiring freezes and layoffs, it has enabled us to be as productive and efficient as possible.”

- *Mike Story, California Department of Motor Vehicles*

You can help young adults gain valuable on-the-job experience while enhancing your productivity by hosting a youth intern through NOVA's Work Experience Program!

- An intern will be placed at your workplace for up to three months and NOVA will pay their salary.
- Youth interns can assist you with your existing workload and help you to accomplish special projects.

A NOVA Career Advisor will connect you with a youth intern and provide ongoing support during the internship period. For more information on NOVA Youth Internships, please call or visit:

**NOVA Youth Employment Program**  
**408-522-9845**  
[www.youthatwork.org/aboutus.html](http://www.youthatwork.org/aboutus.html)



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## Featured Website

### Joint Venture: Silicon Valley Network

[www.jointventure.org](http://www.jointventure.org)

If you are not yet familiar with Joint Venture's 2004 Index of Silicon Valley, you are missing out on an important resource. Developed each year, the Index examines a number of regional trend indicators and progress measures for the Silicon Valley region. New to this year's Index is a special analysis of the Valley's industry and occupational clusters. Visit the Joint Venture website to access the Index as well as other special reports and analyses.