

President's Message



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"Offshoring" of Jobs Opens Doors to Other Opportunities

Judging from the talk shows, you would think we're all destined to wear Nehru jackets or saris and to bathe in the Ganges River if we want to continue to collect a paycheck. Yes, some U.S. jobs are moving to India. No, the sun isn't setting on the American economy.

We've been through the pain of job loss many times before as employers seek to cut payroll. What makes this instance of "offshoring" different is that the jobs are in service industries and not just in manufacturing.

But, as in the past, the United States as a whole will not only survive this loss of jobs but thrive. If Indians are willing to write software programs, analyze financial reports and transcribe doctors' taped notes for as little as one-tenth of U.S. wages, there will be plenty of savings to enjoy. American employers will have more money not just to pass on to their shareholders but to invest in their businesses—and that includes their remaining American employees. Meanwhile in India, such jobs are bolstering the ranks of the middle class, meaning more Indians will have more money to buy more goods and services, many of which will come from the United States. In the end, we're enlarging our markets. As a bonus, we're tapping into a new knowledge base, one that may give us ideas we wouldn't have thought of on our own.

Even if you disagree with this scenario, there's little hope of stopping it.

It's another inevitable result of technological change. The catalyst this time was the laying of fiber optic cables to other countries in the 1990s. The current glut has drastically lowered the cost of phone calls and data transmission to India and other low-wage countries. Any job that focuses on usage of the phone or computer could conceivably be done for less in English-speaking India—even the jobs of our economists!

Change created by new technology can be a scary prospect, but only if you don't look at the whole picture. Pessimists should remember that these fiber optic cables—and trade, in general—are two-way streets, enabling foreign automakers, drug makers, bankers and the like to start operations in this country. When critics cry out for protection for American jobs, the public also needs to know that such measures almost always end up costing us as a society more than we save. For example, it's estimated that we spent more than \$100,000 for every job saved in the apparel manufacturing industry—jobs that seldom paid more than \$15,000 a year.

Those who have misgivings about today's free trade are right in one regard. Our safety net for those who lose their jobs needs to be widened. One study shows that only one-third of Americans who've been displaced over the past two decades found new jobs at the same or higher pay. One-

fourth saw their incomes fall by almost one-third. We should consider suggestions such as strengthening programs that supplement these people's income for a transitional period, providing relocation assistance and adding training.

While these measures are being weighed, we can all help ourselves by embracing lifelong learning. The need to be prepared for different kinds of work isn't on the horizon; it's here. Our communities need to invest more in education—academic or vocational as long as the student learns how to think logically and communicate clearly. Everyone needs to understand the importance of lifelong learning for his or her economic future. There's no denying that the incomes of college grads keep rising, while the wages of those with low skills are stagnating.

The end result of this process will be vigorous growth of employment at home, and the jobs will be better than ever. We will lose jobs abroad, but they will tend to be lower skill and lower paying jobs. The jobs here will require higher skills, and they will be rewarded with higher pay. Does anyone really want to hold on to low-skill jobs rather than trade them for high-skill jobs? That would be the result of protectionist policies and is surely not the route we want to take.