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## Summary

Government policies intended to help Oregon workers often backfire and American companies send jobs away when they would not otherwise do so. Both hiring foreign workers and letting foreign companies hire Americans are good for our economy.

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## Outforcing Oregon Jobs

*by Steve Buckstein*

Oregon recently found itself in the middle of one of this year's hottest presidential campaign debates: outsourcing jobs. The state contracts with a company that uses call centers in India to answer Oregonians' questions about food stamp and welfare payments. Is this a good policy, or are state officials guilty of being Benedict Arnolds when they send "American jobs" overseas?

The bottom line is that food stamp and welfare program beneficiaries are now making fewer customer service complaints. The program also costs taxpayers less money. Lower costs and fewer complaints sound like a winning combination.

In this specific case, and throughout the entire economy, hiring foreign workers to do jobs for American companies can be good for our economy. So can insourced jobs from foreign companies.

What is bad for our economy? Misdirected government policies that lead to "outFORCING" jobs from our state and nation. This occurs when government policies make it attractive for companies to send jobs overseas or to other states when natural economic conditions would not dictate such movements.

Politicians often ignore insourcing and outFORCING, thus giving their constituents a myopic view of the dynamic economic landscape.

What are some benefits of outsourcing? An analysis by McKinsey & Company found that for every dollar spent on outsourcing, the US gains \$1.12 and the global economy reaps another 33 cents through cost savings and new revenue opportunities.

Another benefit of outsourcing was reflected in the high tech boom. The Institute for International Economics notes that even though 70,000 American computer programmers have lost their jobs since 1999, over the same period our economy created 115,000 higher-paying American jobs in software engineering.

In the short run, outsourcing can cost some jobs, but the figures are often overstated. According to *The Economist*, government statisticians concluded that

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outsourced jobs are responsible for under one percent of unemployment. Even the most dire forecasts don't mean catastrophe. Research Associates forecasts that by 2010 outsourcing will affect less than two tenths of one percent of employed Americans.

If sending jobs overseas is fundamentally wrong, shouldn't we also condemn foreign companies who insource jobs to America? Shouldn't we in the same breath praise foreign companies who keep jobs "over there" instead of outsourcing to America? Apparently, the outrage over outsourcing is a one-way street.

Before politicians condemn outsourcing, they should think about the jobs Oregonians have today because of insourcing. Recently the Organization for International Investment noted that foreign companies have insourced more than 56,000 jobs into Oregon. These jobs provide livelihoods for over four percent of Oregon's private sector workforce.

One prime example is Freightliner in Portland. In April, the same month that Oregon's governor opposed the state's outsourcing of call center jobs to India, he praised German-owned Freightliner for keeping 3,000 jobs here.

Condemning outsourcing fails to recognize the dynamic nature of open markets. Using the law to stop outsourcing will simply backfire and shoot Americans' long-term job prospects in the foot. If Oregon lawmakers try to keep "Oregon jobs" here, don't be surprised if Germany and other countries do the same.

Oregon seems particularly prone to outFORCING. Our labor costs are particularly high, with a high minimum wage and even higher "living wages" mandated by some local governments.

In addition to high wage rates, all Oregon businesses face a climate characterized by over-regulation, an unfriendly legal system and overtaxation. Consider, for example, last year's 45 percent retroactive increase in the Portland Business Income Tax, and the new Multnomah County personal income tax which hits small business owners particularly hard.

Beyond high tax rates, companies are forced to operate in a hostile business climate of compulsory unionism and prevailing wage laws, mandated fringe benefits, and liability and litigation risks. Is it really so hard to fathom why companies and jobs are fleeing this state for greener pastures such as Vancouver, Washington?

Rather than complain about global economic forces they can do little about, politicians should focus on changing the tax and regulatory policies here at home that are "outFORCING" jobs to other states and countries. Then, they should sit back and let market forces create jobs, wealth and prosperity.

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*Steve Buckstein is president of Cascade Policy Institute, a Portland, Oregon think tank.*

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