



Legislation Text

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Res. No. 565

Resolution supporting the preservation of jobs and production activities in the United States and meaningful reforms designed to reduce incentives for companies outsourcing jobs to foreign countries.

By Council Members James, Addabbo, Avella, Koppell, Nelson, Palma, Perkins, Seabrook, Stewart, Gennaro, Barron and Sanders

Whereas, The outsourcing of jobs, also known as offshoring, focuses on the relocation of labor-intensive service industry functions to locations remote from the business center; and

Whereas, Outsourcing involves the transfer of direct managerial responsibility, but not accountability, to an unaffiliated, third-party service provider who performs services previously delivered by internal staff and management; and

Whereas, Outsourcing activities include, but are not limited to, payroll processing, information technology, accounting, auditing, electronic fund transfers, investment management and human resources; and

Whereas, The prime motivation for outsourcing is a reduction in labor costs, since, for example, according to an August 2003 report by the McKinsey Global Institute, entitled "Offshoring: Is it a Win-Win Game?" (the "McKinsey Report"), the equivalent of a software developer who costs \$60 per hour in the United States only costs \$6 an hour in India, and a data entry agent who costs \$20 per hour in the United States only costs \$2 per hour in India; and

Whereas, The McKinsey Report indicates that the United States dominates the global share of outsourcing, accounting for approximately 70 percent of the total market, with Canada, India, Ireland and Israel proving to be particularly attractive because they have large English-speaking populations; and

Whereas, The McKinsey Report also indicates that outsourcing is expected to grow at a rate of 30 to 40

percent nationwide over the next five years; and

Whereas, According to predictions contained in a 2003 report by Forrester Research, over the next 15 years, 3.3 million United States service industry jobs and \$136 billion in wages will move offshore, with the information technology industry leading the initial exodus outside the United States; and

Whereas, The Bureau of Labor Statistics recently revised its prediction of the growth in the number of high-tech white-collar jobs between 2002 and 2012 downward by 70 percent, according to an analysis of the Bureau's figures by the AFL-CIO Department for Professional Employees, dated June 2004; and

Whereas, United States Senate bill S. 1637 and United States House bill HR 4520, fully supported by the President and awaiting final joint conference amendments by Congress, contain increases in foreign tax deferrals that would allow U.S. companies to realize large tax savings when they shift income or operations to low tax jurisdictions abroad, according to a May 2004 report by the AFL-CIO; and

Whereas, President Bush's 2004 federal budget also included changes in tax laws that would allow multinational corporations to use "excess" foreign tax credits to offset U.S. taxes on income from operations moved out of the United States, according to the AFL-CIO; and

Whereas, The New York State Legislature currently has five bills before it that would call for meaningful reforms to slow outsourcing; and

Whereas, New York State Assembly bill A.10347 would prohibit state contract work from being performed outside the United States, A.201 and S.6079 would require State public utilities to use call centers located within the State, A.9567 would prohibit companies which receive developmental assistance from outsourcing jobs, and S.6040 would prohibit companies which receive State aid from outsourcing jobs outside the State of New York, and would require that companies which do outsource to return developmental assistance funds; now, therefore, be it

Resolved, That the Council of the City of New York supports the preservation of jobs and production activities in the United States and meaningful reforms designed to reduce incentives for companies outsourcing

jobs to foreign countries.

THC - LS #1055  
9/1/04