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Capital Mobility and Job Loss: Corporate Restructuring, Production Shifts, and Outsourcing

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Abstract
[Excerpt] This chapter examines the impact of corporate restructuring and global outsourcing on employment in the Commonwealth and the shifts in production from workplaces in Massachusetts to other countries. In particular we focus on global outsourcing, the shifting of work from Massachusetts offshore to countries in Europe and Asia, and nearshore to Canada and countries in Latin America. Given the huge media attention that outsourcing and nearshoring have garnered, and the increasing trend they represent toward corporate restructuring and capital mobility with lasting repercussions for workers, families, unions, and communities in the Commonwealth, it is important to assess their relative impact on job loss in the state.

Keywords
Massachusetts, employment, outsourcing, production, nearshoring

Disciplines
International and Comparative Labor Relations | International Business | Organizational Behavior and Theory

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Capital Mobility and Job Loss

Corporate Restructuring, Production Shifts, and Outsourcing

Stephanie Luce and Kate Bronfenbrenner

Over the past several years, global outsourcing—the shifting of jobs from the United States to other countries—has been a hot-button issue in American politics. Lou Dobbs made the “Exporting of America” a regular feature of his nightly news show, and states such as Ohio suddenly came up for grabs in the presidential race when John Kerry was unable to offer a motivating vision for the tens of thousands of workers who had watched their good jobs and their economic hopes and futures disappear over the previous decade. But as we found in our recent study on global outsourcing, completed for the U.S. China Economic Security Commission in the fall of 2004 (Bronfenbrenner and Luce), this is not just a U.S. story or a U.S. problem. Throughout the world, U.S.- and foreign-owned multinationals are simultaneously shifting production from high-wage countries to multiple low-wage destinations, across nearly every industry and market. Massachusetts, historically ahead of the curve in many U.S. economic trends, has played a similar role in the pattern of global outsourcing. Therefore, the story of global outsourcing in Massachusetts provides important insight into what is happening in the rest of the United States and worldwide.

In March 2004, when the U.S. Department of Labor released results of a study on job losses nationwide, Massachusetts was the state that had experienced the greatest percentage of job loss (more than 6 percent, compared with 2 percent nationally) since the recession of 2001 (Gavin 2004a). Indeed, unemployment rates rose from 2.7 percent in January 2001 to 5.6 percent in January 2004, and news stories seemed to confirm what many workers were feeling: they had been hit hard by a combination of plant closings, layoffs, and outsourcing. To understand the future
of work in Massachusetts, one must understand the phenomenon behind these trends. Where are the jobs going, and what, if anything, is different about what is happening in Massachusetts and what is happening in the rest of the country with regard to job loss and global outsourcing trends?

This chapter examines the impact of corporate restructuring and global outsourcing on employment in the Commonwealth and the shifts in production from workplaces in Massachusetts to other countries. In particular we focus on global outsourcing, the shifting of work from Massachusetts offshore to countries in Europe and Asia, and nearshore to Canada and countries in Latin America. Given the huge media attention that outsourcing and nearshoring have garnered, and the increasing trend they represent toward corporate restructuring and capital mobility with lasting repercussions for workers, families, unions, and communities in the Commonwealth, it is important to assess their relative impact on job loss in the state.

Massachusetts has always been at the forefront of economic trends in this country. It was among the first states to undergo industrialization when textile mills developed in the eastern part of the state in the early 1800s, and some of the country’s earliest and most vibrant unions began in the Commonwealth. Then, by the 1970s, Massachusetts was one of the first states to experience large-scale deindustrialization. Although companies had been leaving for southern states for years, in this period there was a particularly large wave of plant closings and downsizings that shut manufacturing plants across the Commonwealth (Bluestone, Harrison, and Baker 1981). The state managed to rebuild its economy in the late 1980s and 1990s by encouraging the growth of the high-tech information and financial sectors. But when these industries began to outsource work to lower-wage countries in the late 1990s and early 2000s, Massachusetts again seemed the first to demonstrate a trend. And given that the state had a higher concentration of technology workers than most (7.5 percent of total employment, compared with 4.5 percent nationally), it was hit early by the high-tech stock-market-bubble crash (New England Economic Partnership 2004; Gavin 2004b).

In examining corporate restructuring and global outsourcing of jobs from Massachusetts in 2004, we compare state numbers with national data on global outsourcing for the first quarters of 2004 and 2001 (where we collected in studies we were asked to conduct by the U.S. China Economic Security Review Commission and its predecessor, the U.S. Trade Deficit Review Commission) to gain a better understanding of the nature, extent, and economic impact of national global outsourcing trends on U.S. workers and employment (Bronfenbrenner and Luce 2004; Bronfenbrenner and Burke et al. 2001).

Although globalization and outsourcing are topics of much media and policy debates, there currently is no comprehensive measure of the trends and their impact. Unfortunately, it is difficult to rely on a few limited sources of public data regarding job loss due to imports and job shifts overseas. Unfortunately, there is no comprehensive data collection mechanism that has lost their job loss overseas. Unfortunately, there is no comprehensive data collection mechanism that has lost their job loss overseas.

First, there are private consulting firms that provide level predictions estimating the number of workers covered by the Trade Adjustment Act (TAA) data, administered by the Department of Labor (DOL). The TAA provides firms that determine to have lost their jobs due to imports and job loss to seek relief from the government. Unfortunately, the number of workers covered by the TAA is limited to imports and job loss due to imports and job loss.

Second, private consulting firms also provide level predictions estimating the number of workers covered by the TAA. Unfortunately, the number of workers covered by the TAA is limited to imports and job loss due to imports and job loss.

To calculate the number of planned outsourcing of jobs from Massachusetts in 2004, we replicated our research methodology by constructing a database of firm and job-level predictions estimating the number of workers covered by the TAA. Unfortunately, the number of workers covered by the TAA is limited to imports and job loss due to imports and job loss. We looked for cases of planned outsourcing from Massachusetts to any other country, including the Commonwealth of Massachusetts. Unfortunately, the number of workers covered by the TAA is limited to imports and job loss due to imports and job loss.
Although globalization and outsourcing have become hot topics in the media and policy debates, there continue to be few hard data available to measure the trends and the impact on jobs and wages. Analysts therefore tend to rely on a few limited sources of information.

First, there are data collected by the federal government through the administration of government programs or policies. These include Trade Adjustment Act (TAA) data, administered through the Department of Labor (DOL). The TAA provides for assistance to workers whom the DOL determines to have lost their jobs because of increased imports or production shifts overseas. Unfortunately, although the TAA compiles statistics on the number of workers covered by certified TAA petitions each year, as well as their basic characteristics, these data do not distinguish between job loss due to imports and job loss due to production shifts. These data do show, however, that Massachusetts experienced a steady increase in the number of TAA petitions filed and certified from 2001 to 2003, with a slight drop-off in 2004.

Second, private consulting firms and academic experts have made national-level predictions estimating the numbers of jobs expected to be outsourced in coming years, including extremely high estimates for the outsourcing of tens of millions of white-collar and service-sector jobs between 2004 and 2014 (Hilsenrath 2004; Kroll 2004), but all of these have been national, not state, data. Our own research on global outsourcing in 2001 and 2004 did break down our findings by state but focused on too brief a time period (one quarter) to provide the level of detail necessary to gain a real understanding of the nature and extent of global outsourcing within a small state such as Massachusetts (Bronfenbrenner and Burke et al. 2001; Bronfenbrenner and Luce 2004). For this reason we decided to employ the same media-tracking methodology we used in our national studies to develop a clearer picture of the extent and effects of global outsourcing in the Commonwealth.

Research Design and Methodology

To calculate the number of planned or actual job shifts in Massachusetts, we replicated our research methodology from previous studies. We constructed a database of firm and job relocations using an extensive search of English-language media sources, relying heavily on international, national, and regional news sources in Lexis-Nexis (the premiere database for full-text global news sources), as well as other online media search engines. We looked for cases of plant closings and relocations from Massachusetts to any other country, using a complex Boolean search string,
on a day-by-day basis for January 1 through December 31, 2004. In addition, we utilized government data sources to track plant closings, including TAA applications and determinations, Worker Adjustment and Retraining Notification (WARN) notices, and a variety of other sources (for more detail, see Bronfenbrenner and Luce 2004):

For each case where we were able to confirm a planned or actual production shift, we conducted follow-up research for additional or corroborating information. This research sought descriptive information on the company, parent company, and parent company's country and financials, as well as on the location of the city and country to which the production was shifted.²

There are limitations to using media-tracking for this work. Although a growing amount of information is available through electronic sources, we found that companies are increasingly reluctant to make public announcements about production shifts because of the sensitivity that surrounds outsourcing and globalization, and they are also increasingly effective at covering up production shifts where they occur. For this, among other reasons, we estimate that we were able to capture only a portion of the shifts out of the state.³ Additionally, our research has measured only Massachusetts-based employers that are outsourcing work overseas. It does not capture firms that are currently expanding in overseas locations but not necessarily laying off workers in the United States. In some cases, this expansion may result in job growth in both countries. In other cases, the overseas expansion lays the groundwork for slowly shifting production abroad over time by no longer hiring in Massachusetts and hiring only in the new locales. Finally, these data do not include all cases of plant closings and job loss due to foreign competition (increased imports). Although such job losses are just as significant to workers and their families, and just as relevant for deliberation on industrial policy and job creation, for the purposes of this study we focus solely on those instances when corporations move production across national borders. Despite these limitations, we believe our data provide the most concrete and best available analysis of actual outsourcing trends.

Companies Shifting Production Out of Massachusetts

Table 3.1 describes the companies shifting production out of the country from Massachusetts and compares them with what we found in our national database for 2004.⁴ In total, we found thirty-four companies that had announced plans for relocation or had relocated work out of Massachusetts to other countries. These companies were remarkably similar to other countries' national databases. As in the rest of the country, Massachusetts tended to be larger overall, had been in operation for a longer time, and had more than 20 years under current ownership. These companies were also more likely to be publicly held and U.S.-based multinationals, with only 55 percent having been in operation for more than 20 years, since many of those in the nonmanufacturing sector of the national database were in manufacturing, which gives us a more accurate comparison.

Massachusetts firms tended to and be slightly less likely to be foreign-based multinationals. The difference is that Massachusetts firms have been in operation for more than 20 years, whereas the national rate varies from 18 to 29. Since many of those in the nonmanufacturing sector are in manufacturing, this gives us a more accurate comparison.

The overall trend was for Massachusetts companies to be more likely to be publicly held and U.S.-based multinationals. However, this is not surprising since the national rate varies from 18 to 29, which gives us a more accurate comparison.

Despite these limitations, we believe our data provide the most concrete and best available analysis of actual outsourcing trends.
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tations, Worker Adjustment and 

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Out of Massachusetts

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them with what we found in our 

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or had relocated work out of 

Massachusetts to other countries in 2004. Although in many ways these 

companies were remarkably similar to the companies that were shifting 

tion to other countries nationally, we found some important excep-
	ions. As in the rest of the country, companies shifting production out of 

Massachusetts tended to be large, publicly held, U.S.-based multinationals 

had been in operation for, on average, more than forty-five years. 

Massachusetts companies, however, were less likely to be in the manufact-

ing sector than their national counterparts (71 versus 83 percent) and 

us, not surprisingly, were likely to shift, on average, fewer jobs at one 

time (137 versus 292), since manufacturing employers tend to be larger 

those in the nonmanufacturing industries that are shifting production 

out of Massachusetts: finance, business services, and communications and 

formation technology (IT).

Massachusetts firms tended to have slightly smaller parent companies 

and to be slightly less likely to be foreign-owned. The other notable dif-

rence is that Massachusetts firms tended to be somewhat “younger,” 

with only 55 percent having been in operation more than twenty years, 

pared with the national rate of 76 percent; similarly, they had fewer 

verage years under the current owner (eleven for Massachusetts versus 

eighteen for the United States overall). In fact, half of the companies shift-

production out of Massachusetts had been under the same owner for 

ly five years or less.

Table 3.1 Characteristics of Companies Shifting Production Out of the Country, 2004

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>From Massachusetts</th>
<th>From all U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>percent in manufacturing sector</td>
<td>71%</td>
<td>83%</td>
</tr>
<tr>
<td>percent in nonmanufacturing sector</td>
<td>29%</td>
<td>17%</td>
</tr>
<tr>
<td>average number of jobs shifted</td>
<td>137</td>
<td>292</td>
</tr>
<tr>
<td>Parent company characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>average total employees</td>
<td>24,012</td>
<td>38,316</td>
</tr>
<tr>
<td>average annual revenue (US$millions)</td>
<td>$7,358</td>
<td>$9,922.6</td>
</tr>
<tr>
<td>average net income (US$millions)</td>
<td>$548</td>
<td>$654.6</td>
</tr>
<tr>
<td>subsidiary</td>
<td>62%</td>
<td>58%</td>
</tr>
<tr>
<td>publicly held</td>
<td>79%</td>
<td>74%</td>
</tr>
<tr>
<td>privately held</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>U.S.-based multinational</td>
<td>88%</td>
<td>75%</td>
</tr>
<tr>
<td>foreign-based multinational</td>
<td>12%</td>
<td>25%</td>
</tr>
<tr>
<td>Company ownership history</td>
<td></td>
<td></td>
</tr>
<tr>
<td>average years in operation</td>
<td>47</td>
<td>45</td>
</tr>
<tr>
<td>percent more than 20 years in operation</td>
<td>55%</td>
<td>76%</td>
</tr>
<tr>
<td>average years under current owner</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>percent 10 years or less under current owner</td>
<td>76%</td>
<td>55%</td>
</tr>
</tbody>
</table>
These differences in parent companies can be best explained through examining production shifts by industry. Table 3.2 provides a breakdown by industry, comparing Massachusetts firms with the firms in our national study. The most striking aspect of the data is the high concentration of firms leaving Massachusetts that are in the electronics and electrical equipment industry. These, after all, were the new high-tech firms that were supposed to rebuild the Massachusetts economy after the deindustrialization of the preceding generation. Yet 38 percent of all firms shifting production out of Massachusetts to foreign countries and 63 percent of all jobs leaving Massachusetts for foreign countries were in the electronics and electrical equipment industry (including well-known companies such as Sanmina SCI, Texas Instruments, ITT, and AGFA and newer entries such as Medtronics, Medsource Technologies, and Juniper Networks), in contrast to the national picture, where only 16 percent of firms shifting production out of the country and 13 percent of all jobs shifted offshore or nearshore were in the electronics or electrical equipment industry.

At the same time, Massachusetts had a higher concentration of production shifts in one of its oldest industries, industrial equipment and machinery, reflecting the long tradition of skilled toolmaking that still has a foothold in the state (Juravich 2005). Twelve percent of the firms with shifts and 11 percent of jobs lost in the state were in industrial equipment and machinery manufacturing, compared with 9 percent of the firms and 5 percent of the jobs lost nationwide. The remaining Massachusetts manufacturing job losses ranged from 6 percent in apparel, textile, and footwear to 3 percent in chemicals and petroleum and 1 to 2 percent each in aerospace, metal fabrication, and plastics, glass, and rubber.

As mentioned above, the Massachusetts firms are much less likely to be in manufacturing and much more likely to be in nonmanufacturing industries than firms shifting production nationwide. As presented in Table 3.2, 15 percent of Massachusetts firms shifting production out of the country were in communications and IT, and 15 percent were in finance, insurance, and real estate. Shifts in communications and IT were comparable to the national average (14 percent), though the percentage of jobs lost in that industry was lower (4 percent for Massachusetts compared with 9 percent nationally). As with our national research, we estimate that media-tracking captures only a fraction of the job losses in this industry, since outsourcing in communications and IT tends to be a two-stage process, where work goes first to a U.S.-based outsourcing firm prior to being outsourced overseas, so it is virtually impossible to get an accurate count of the total number of jobs lost (Bronfenbrenner and Luce 2004). Also, compared with those affected by manufacturing-sector production shifts, workers in these industries tend to be less likely to file for TAA or the WARN Act, so it is rare or confirmation of a proc with the national data, we would expect a high level of en actual number of job losses in this sector. In contrast, we found through our media-tracking that the finance sector in Massachusetts had the highest number of job losses and 8 percent of jobs lost were in finance, insurance, and real estate. We believe that, because media tend to cover the industry more than they do large anonymous firms in large companies, the media coverage makes it impossible to keep out of the pre

### Table 3.2 Jobs Lost by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total nurr of firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>24</td>
</tr>
<tr>
<td>Aerospace</td>
<td>1</td>
</tr>
<tr>
<td>Apparel, textiles, and footwear</td>
<td>2</td>
</tr>
<tr>
<td>Chemicals and petroleum</td>
<td>2</td>
</tr>
<tr>
<td>Electronics/electrical equipment</td>
<td>13</td>
</tr>
<tr>
<td>Industrial equipment and machinery</td>
<td>4</td>
</tr>
<tr>
<td>Metal fabrication and production</td>
<td>1</td>
</tr>
<tr>
<td>Plastics, glass, and rubber</td>
<td>1</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>0</td>
</tr>
<tr>
<td>Nonmanufacturing</td>
<td>10</td>
</tr>
<tr>
<td>Business services</td>
<td>0</td>
</tr>
<tr>
<td>Communications and IT</td>
<td>5</td>
</tr>
<tr>
<td>Finance, insurance, and real estate</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34</strong></td>
</tr>
</tbody>
</table>

One dramatic consequence of the high concentration of job losses in the electronics and electrical equipment industry is the potential loss of 300 jobs at a single company, such as the layoff of even 30 workers in a small community such as the town of Newburyport.
ies can be best explained through... Table 3.2 provides a breakdown... All U.S.... 63 percent of all... including well-known companies such IT, and AGFA and newer entries... 8 percent of all firms shifting production out of the... Twelve percent of the firms with... and rubber. Six... setts firms are much less likely to likely to be in nonmanufacturing... As presented in Ta... of the firms and... TAA or the WARN Act, so it is more difficult to obtain initial information about or confirmation of a production shift. Thus, given our experience with the national data, we would assume that in a state like Massachusetts, which has a high level of employment in communications and IT, the actual number of job losses in this industry is at least triple the number we found through our media-tracking research.

In contrast, we found a higher percentage of firms shifting jobs in the finance sector in Massachusetts than nationally: 15 percent of firms shifting jobs and 8 percent of jobs lost in Massachusetts were in the finance industry, compared with only 2 percent of all firms and 1 percent of jobs lost nationwide. We believe that, because Boston is a U.S. financial center, the media tend to cover the industry there much more heavily than elsewhere. In addition, unlike many financial-sector job losses, which tended to be in large anonymous firms in large cities, the job losses in Massachusetts occurred in small communities such as Quincy, Everett, and Malden, where the layoff of even 30 workers is considered a major local news story, and the potential loss of 300 jobs at Mellon Financial Services would be all but impossible to keep out of the press.

Production Shifts, Unionization, and TAA Claims

One dramatic consequence of the very different kinds of industries shifting jobs out of Massachusetts versus those shifting jobs nationwide is that the
state lost many fewer union jobs, proportionately, than did the country as a whole. In our national sample we found that 39 percent of all jobs being shifted overseas were union jobs; in contrast, only 8 percent of Massachusetts jobs lost were in unionized firms. This difference was likely due to a combination of factors. First, many of the unionized manufacturing jobs had already left the state in earlier decades: heavily unionized jobs in textiles, machine tooling, automobiles, metal fabrication, and the previous generation of the electronics industry (General Electric). Second, in the national data the highest percentage of union job losses were in metal fabrication, appliances, auto parts, food processing, household goods, and wood and paper products, industries not present in Massachusetts. In contrast, the kinds of manufacturing firms leaving Massachusetts in 2004 tended to be the newer, high-tech electronics companies, which unions have found extremely difficult to organize (Bronfenbrenner 2006).

One of our most striking findings was that, on average, Massachusetts firms were more than twice as likely to file TAA petitions as the national average. Our national study found TAA claims filed in only 31 percent of all production shifts out of the United States, and much more commonly in unionized than in nonunion firms. Three-quarters of the TAA petitions nationally were in manufacturing, and 99 percent of manufacturing petitions were certified, whereas none of the petitions in nonmanufacturing industries—such as call centers or research and design IT companies—were certified, on the grounds that they were not producing a product and therefore were not covered under the TAA.

Yet in Massachusetts we found that TAA claims were filed in 74 percent of all cases. If there was no union, then the company or the workers themselves filed the claim. Eighty-four percent were filed in manufacturing firms, and 100 percent of these were certified. In nonmanufacturing industries, two cases were certified: one was pending as of spring 2005, and one, a software design firm, was denied, consistent with the national pattern. This may in part reflect the Bay State’s long experience with capital flight and the active community involvement in supporting and educating workers who have experienced job loss as a result of capital mobility and in holding employers accountable for that job loss. The Massachusetts media are so filled with stories about workers getting TAA benefits that even unorganized workers have become familiar with their rights to these benefits and may be more likely to put pressure on the employer and the state to ensure that they receive financial and training benefits available to them. Yet the most likely reason for the higher number of TAA claims filed in Massachusetts than in other states is the active role played by the state AFL-CIO and local labor council in educating workers, community employers about their rights and reing process, thereby making it much easier employer laying off significant numbers of workers without having a TAA claim filed.

Destination of Jobs Being Out

Table 3.3 breaks down the shifts by destination region and country. Table 3.3 shows more than seventeen countries on which jobs were shifted overseas. Asia received the lion’s share of production shifts (50 percent). Fifty-six percent of Massachusetts jobs went to Mexico (24 percent) of all production shifts were directed to China. Yet despite the attention the media regarding outsourcing, Mexico is the destination for global relocation of jobs leaving Massachusetts.

The national data, too, found an offshoring of jobs leaving the United States in both manufacturing and nonmanufacturing industries, with the largest percentage of shifts going to Mexico and the United States, while the rest went to other countries. In Massachusetts there were 20 percent of the shifts going to Mexico, with only 2 percent going to China and 1 percent going to other countries. Yet the most likely reason for the higher number of TAA claims filed in Massachusetts is the active role played by the state AFL-CIO and local labor council in educating workers, community employers about their rights and reing process, thereby making it much easier for employers laying off significant numbers of workers without having a TAA claim filed.

The Massachusetts economy is a mix of manufacturing, services, and finance industries, where those industries have been more likely to than Latin America, whereas the electronics, metal fabrication, and metal processing industries are concentrated in Mexico. For exam...
opportunistically, than did the country as a whole. In contrast, only 8 percent of Massachusetts firms. This difference was likely due to the active role played by the state AFL-CIO and local labor councils on Workforce Investment Boards in educating workers, community groups, local government officials, and employers about their rights and responsibilities in the workforce retraining process, thereby making it much less likely that a major manufacturing employer laying off significant numbers of employees would get away without having a TAA claim filed.

**Destination of Jobs Being Outsourced by Massachusetts Firms**

Table 3.3 breaks down the shifts and the jobs leaving Massachusetts by destination region and country. Thirty-four U.S. firms shifted work to more than seventeen countries on five continents. In total, some 4,320 jobs were shifted overseas. Asia remained the primary target for U.S. production shifts (50 percent). Fifty-two percent of Massachusetts shifts and 56 percent of Massachusetts jobs moved to Asian countries, and nearly a quarter (24 percent) of all production shifts from Massachusetts moved to China. Yet despite the attention that China and India have received in the media regarding outsourcing, Mexico continued to be the largest single destination for global relocation of jobs leaving the state: 29 percent of the total jobs leaving Massachusetts went to Mexico.

The national data, too, found Mexico the primary destination for jobs leaving the United States in both our 2001 and 2004 studies. The difference between Massachusetts and the national data is that, nationally, 41 percent of production shifts went nearshore, with 27 percent of all production shifts going to Mexico and 14 percent going elsewhere in Latin America. In Massachusetts there was only one production shift to Costa Rica; 20 percent of the shifts went to Mexico. A much higher percentage of Massachusetts jobs shifted to European countries—15 percent—compared with only 2 percent nationally. The higher percentage of jobs moving to Mexico than to other countries occurred in part because the average job loss in shifts to Mexico was much higher than in shifts to other countries, averaging 143 compared with an average of 105 for Asian countries, 119 for Canada, and only 37 for European countries.

The Massachusetts economy is dominated by electronics, communications, and finance industries, and we know from our previous research that those industries have been likely to shift work to Asia rather than Latin America, whereas shifts in the auto parts, appliance, food processing, and metal fabrication industries have continued to be more concentrated in Mexico. For example, in our national data, 71 percent of shifts out of the U.S. in electronics and electrical equipment industries,
Table 3.3 Production Shifts Out of Massachusetts and the United States, Announced or Reported, 2004

<table>
<thead>
<tr>
<th>Destination</th>
<th>Number of production shifts</th>
<th>% of all production shifts from Mass.</th>
<th>% of all production shifts from the U.S.</th>
<th>Number of jobs shifted from Mass.</th>
<th>% of all jobs shifted from Mass.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>24</td>
<td>52</td>
<td>50</td>
<td>2,521</td>
<td>56</td>
</tr>
<tr>
<td>China</td>
<td>11</td>
<td>24</td>
<td>23</td>
<td>1,177</td>
<td>26</td>
</tr>
<tr>
<td>India</td>
<td>6</td>
<td>13</td>
<td>12</td>
<td>377</td>
<td>8</td>
</tr>
<tr>
<td>Korea</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>262</td>
<td>6</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3</td>
<td>7</td>
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<td>Total U.S. firms making shifts</td>
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<td>Total shifts with multiple destination countries</td>
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* Because of rounding, percentages may not add exactly.

62 percent of shifts in communications and IT, and 100 percent of shifts in finance, insurance, and real estate went to Asia. In contrast, only 18 percent of shifts in electronics and electrical equipment went to Mexico (and none to other Latin American countries), 32 percent of shifts in communications and IT went to Latin America, and none of the shifts in the finance, insurance, and real estate industry went to either Mexico or elsewhere in Latin America.

Although production shifts out of Massachusetts were dominated by the electronics, communications and IT, and finance industries, unlike results in the national data, not as many of these sectors were bound for Asia. As the national data shows, some jobs went to Costa Rica at the same time as they went to Asia. As suggested in our narrative, the simultaneous shifting to multiple destinations allowed manufacturers to access new markets, lower-wage labor, and the ability to ship products using ground transportation, which increases flexibility and reduces costs.

One example in our Massachusetts data is the manufacturer Vishay BLH in Cantone of the Mohawk Valley, which announced shifts to Mexico, Brazil, and the Czech Republic. Vishay referred to the shift to Brazil as an opportunity to enter new markets, and the shift to the Czech Republic as a way to lower costs. The company cited the benefits of lower wages and proximity to the European market as reasons for moving operations to these countries.

The Canton, Massachusetts, company's decision to shift operations to Mexico and Brazil was not unique. Several other companies in the county, including those in the electronics, automotive, and machinery manufacturing sectors, have also shifted production to Mexico and other Latin American countries. This trend has been driven by the cost advantages of lower labor costs and proximity to major markets in the U.S. and Europe.
and IT, and 100 percent of shifts went to Asia. In contrast, only 18 electrical equipment went to Mexico (or other countries), 32 percent of shifts in this sector went to Mexico, and none of the shifts in Massachusetts were dominated by the electronics and electrical equipment industry went to either Mexico or Canada. In America, and none of the shifts in the national data, not as many of the shifts out of Massachusetts in these sectors were bound for Asia. In fact, in the electronics industry, following a trend in the national data, many employers tended to be simultaneously shifting some jobs nearshore to Mexico or Canada (or in one case to Costa Rica) at the same time as they were shifting other jobs to Europe or Asia. As suggested in our national study, the primary reason for this simultaneous shifting to multiple global destinations is most likely to keep some production cross-border so that it can still be quickly and cheaply accessed through ground transportation, while shifting other production to lower-wage markets or closer to other links in a company’s global supply chain.

One example in our Massachusetts data is electronics component manufacturer Vishay BLH in Canton, Massachusetts. Vishay is a subsidiary of Vishay Intertechnology, which for 2003–4 was in the throes of major global restructuring, shifting production from higher-cost areas to China, Israel, Mexico, India, and the Czech Republic. In an October 2003 conference call, Vishay referred to several moves, including transducers from France to the Czech Republic, PTC resistor finishing and film capacitors from Belgium to China, and finishing operations from Taiwan to China (Fair Disclosure Wire 2003). In subsequent calls, the company announced further job shifts to various countries, along with plant closures in the United States and Europe (Fair Disclosure Wire 2004a; 2004b; French News Digest 2004).

The Canton, Massachusetts, plant became part of this global restructuring story in August 2002 when Vishay Intertechnology purchased the fifty-year-old facility from Thermo Electron Corp. (Goodison 2002). Five months later Vishay announced that seventy employees would lose their jobs by March 2003. In fact the process took much longer, and the final fifty workers did not lose their jobs until 2004. But as part of the TAA investigation, it became apparent that those seventy jobs (only fifty of which we count in the 2004 data) went far and wide—to Vishay facilities in Costa Rica, Israel, and India (TAA 53985). This result reflects a pattern in the Massachusetts electronics and electrical equipment industry production shifts, where seven of thirteen shifts involved multiple destinations. Outside of electronics and electronics equipment, we found only one firm with multiple destinations, Bird Machine Company, an industrial equipment and machinery manufacturer based in South Walpole, which shifted production out of the country in 2004. The national database, however, shows 48 percent of all production shifts having multiple destination countries, a trend that crossed all industries.

<table>
<thead>
<tr>
<th>% of all jobs shifted from Mass.</th>
<th>% of all jobs shifted from the U.S.</th>
<th>Number of jobs shifted from Mass.</th>
<th>% of all jobs shifted from Mass.</th>
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<tr>
<td>4,504</td>
<td>100</td>
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</table>
Regional Impact of Global Outsourcing within Massachusetts

Although production shifts in 2004 were spread throughout the state, we found them to be clustered in particular communities and regions. In total, twenty-six cities and towns in Massachusetts had jobs leave the country in 2004. Figure 3.1 shows that certain communities were particularly hard hit. In Wilmington, three major employers combined—Ametek Aerospace, Sanmina SCI, and Agfa Corporation—lost 613 jobs in 2004. Nearby Mellon Financial Services in Everett lost 12 jobs in 2004 and announced that another 300 jobs would be going in 2005. Attleboro lost 1,180 jobs from its major employer, Texas Instruments, alone.

The ripple effects on these communities went well beyond the individual workers who lost jobs in the plant. Texas Instruments had been in operation in Attleboro since the 1920s, manufacturing leadframes, sensors, and controls—including the control panel switches for Apollo 11 in 1965. In April 2003, when it announced layoffs of more than a thousand workers at the plant, the company said it had made the decision to send work to China, Malaysia, South Korea, and Mexico, where it already had established plants, “to take advantage of lower labor costs and proximity to customers” (McPherson 2004). According to the Boston Business Journal (2005), at its peak in 2000 the company employed more than 4,000 people in Massachusetts, but, as part of a national restructuring plan, had already begun to outsource work in the 1990s (Rankin 2005). In Attleboro, work was contracted out in 2000 through a spin-off company, Engineered Materials Solutions, Inc. By early 2005, slightly more than 1,000 employees remained at Texas Instruments (Boston Business Journal 2005).

After laying off many of its workers, the company decided to sell its property. Although state economic development officials said that they hoped to develop the biotechnology manufacturing industry in the area, the site was eventually sold to Preferred Real Estate Investments, Inc., of Conshohocken, Pennsylvania, to redevelop into a “mixed use community of retail, residential, manufacturing and office spaces” (Patriot Ledger 2005). Texas Instruments leased back some of the property in a twenty-year lease, with plans to consolidate and move from manufacturing into marketing and research work (Blanton 2004). It is a promising sign that the site won’t be empty, but the kinds of jobs that Attleboro-area residents will have access to will likely change significantly, from the higher-wage Texas Instruments jobs to primarily low-wage retail work.

Despite its succession of layoffs at Attleboro and other plants across the country over the previous four years, Texas Instruments was named in April 2005 to the “100 Best Companies for 2005” list in the “100 Best Companies for 2005” list (Patriot Ledger 2005). The list recognizes companies that “to higher standards and best practices, and rates companies on how they treat their employees.” According to the company and compliance, “To be recognized as a top corporate citizen, they are part of our community of citizens (Incorporated 2005).

The departure of an entirely new company, from Everett will (2005) describes itself as “one of services for corporations, institu
juring within Massachusetts

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tleboro and other plants across rs, Texas Instruments was named in April 2005 to the “100 Best Corporate Citizens” list produced by Business Ethics magazine. The list “recognizes companies with a commitment to higher standards and best practices in corporate social responsibility” and rates companies on how they “serve stakeholder groups including employees.” According to the company’s vice president and director of ethics and compliance, “To be recognized at this level is validation of our basic tenet of good corporate citizenship. For TI, strong ethics are not just an afterthought, they are part of our every day business strategy” (Texas Instruments Incorporated 2005).

The departure of an entirely different industry and workforce, Mellon Financial, from Everett will have a similar impact. Mellon Financial (2005) describes itself as “one of the world’s leading providers of financial services for corporations, institutions, and affluent individuals around the
globe.” In 1999 the company chose Everett, Massachusetts, as the site for a new transactions processing center. It redeveloped and expanded an existing manufacturing site in Everett and moved in 1,350 jobs from nearby Medford. The company also promised to create 100 new jobs and to bring in $50 million in private investment for a new building. In exchange, the city and state granted Mellon a nine-year tax increment financing (TIF) incentive (Boston Office of Business Development 2004).9 At the building’s opening, U.S. Representative Edward Markey declared, “These are exciting times for the City of Everett and Mayor David Ragucci and his economic team. Without question, this new facility will be a beacon for the people of Everett and neighboring communities—providing hundreds of job opportunities and cutting-edge amenities to make the workplace efficient, productive, and pleasant” (Mellon Financial Bank 1999).

Unfortunately for the city, Mellon Financial decided to start outsourcing information technology jobs to India and the Philippines in 2002. According to company officials, outsourcing its IT work would allow the company to reduce costs, control the number of workers it employs at any one time, and obtain “supplemental business skills,” although it did not clarify just what those skills would entail (News India-Times 2002). Mellon announced that it planned to have 20 to 25 percent of its development functions performed offshore by the end of 2004. In 2003–4 the company sent twenty-four jobs from Everett to India, and in March 2004 it informed Mayor Ragucci that it would offshore another 300 jobs in 2005.

Currently, city residents are exploring options to pursue legal action against Mellon Financial. Although the terms of the TIF do not prevent the company from outsourcing jobs, the mayor says the agreement does “stipulate that Mellon employ ‘a pretty good percentage’ of residents from Everett, Malden, and Medford” (Santoro 2004). One proposal on the table is to assess Mellon Financial $1 million to be used for retraining Mellon employees who lose their jobs to outsourcing. City leaders asked the company to send a representative to meet with the Board of Alders. James Palermo, president of Mellon’s New England operations, wrote back saying that he was unable to come to a meeting and defending the company’s decision. “We recognize the value of our staff,” wrote Palermo. “But as a global company, we also recognize the changes that accompany economic globalization. Every day we face the competitive pressures that have induced 80 percent of the Fortune 500 to transfer some work to lower-cost providers in such places as India, China, and Russia. Our employees understand this and they know that unless Mellon remains a strong and profitable company, there ultimately will be fewer jobs to go around” (qtd. in Santoro 2004). A

options to hold Mellon Financial to has acknowledged that he has few place like Mellon, because you want to generate tax revenue and employ have to respect the fact that they have they can’t run the business profit Santoro 2004).

There has been considerable debmunity about the real force behind and benefits to American workers has focused on the need to be close of supply chains that have become less talk that globalization is creat taking away dirty old jobs. But in opportunity to get at the heart of t of CEOs, investors, and boards of work out of one country and in reports, strategic plans, and int phrases repeat themselves over and production from high-cost to low shore. In Massachusetts it may be with new kinds of workers, but it in industries that helped build the

Even though the overall numb sea outsourcing is not huge, it is our previous research, we estim one-third of the jobs lost to outsc created only 24,000 jobs in 2004 portion. If we assume that the pa the past several years, then outso than one-quarter of the total jobs began.10 Perhaps even more signi workers’ sense of security. Union use the threat of offshoring to sq in bargaining (Cohen 2005; Carn in the trends that we see in the Co threats of relocation to keep wo for a banker or a toolmaker. Th
Everett, Massachusetts, as the site for its new facility would be a beacon for communities—providing hundreds of amenities to make the workplace attractive to meet with the Board of Mellon’s New England operations, to come to a meeting and defend the value of our staff,” wrote Mayor David Ragucci and his administration. “We recognize the changes that are underway, and we face the competitive pressures Fortune 500 to transfer some of their operations offshore.”

Even though the overall number of Massachusetts jobs lost to overseas outsourcing is not huge, it is extremely significant. On the basis of our previous research, we estimate that our data capture approximately one-third of the jobs lost to outsourcing. If so, given that Massachusetts created only 24,000 jobs in 2004, 4,520 jobs lost is a noteworthy proportion. If we assume that the pace of outsourcing has been steady over the past several years, then outsourcing would actually account for more than one-quarter of the total jobs lost in the state since the 2001 recession began. Perhaps even more significant is the impact of globalization on workers’ sense of security. Union organizers tell stories of employers who use the threat of offshoring to squelch union drives or to win concessions in bargaining (Cohen 2005; Carney 2005). In this regard, nothing is new in the trends that we see in the Commonwealth: employers have long used threats of relocation to keep workers insecure. The impact is the same for a banker or a toolmaker. The threat of relocation creates economic uncertainty and job loss, forcing workers to accept lower wages or benefits to remain employed.

There has been considerable debate in the business and economics community about the real force behind global outsourcing and the true costs and benefits to American workers and consumers. Much of the discussion has focused on the need to be closer to global markets or to meet the needs of supply chains that have become stretched thin. There has also been endless talk that globalization is creating just as many good new jobs as it is taking away dirty old jobs. But in the course of our research, we had the opportunity to get at the heart of the global restructuring decision-making of CEOs, investors, and boards of directors which results in the shifting of work out of one country and into another. In quarterly conference-call reports, strategic plans, and interviews with top corporate leaders, key phrases repeat themselves over and over again: global restructuring to shift production from high-cost to low-cost countries both nearshore and offshore. In Massachusetts it may be that the story is told in new industries with new kinds of workers, but it is also a story that continues to be told in industries that helped build the Commonwealth a century ago.

Even though the overall number of Massachusetts jobs lost to overseas outsourcing is not huge, it is extremely significant. On the basis of our previous research, we estimate that our data capture approximately one-third of the jobs lost to outsourcing. If so, given that Massachusetts created only 24,000 jobs in 2004, 4,520 jobs lost is a noteworthy proportion. If we assume that the pace of outsourcing has been steady over the past several years, then outsourcing would actually account for more than one-quarter of the total jobs lost in the state since the 2001 recession began. Perhaps even more significant is the impact of globalization on workers’ sense of security. Union organizers tell stories of employers who use the threat of offshoring to squelch union drives or to win concessions in bargaining (Cohen 2005; Carney 2005). In this regard, nothing is new in the trends that we see in the Commonwealth: employers have long used threats of relocation to keep workers insecure. The impact is the same for a banker or a toolmaker. The threat of relocation creates economic uncertainty and job loss, forcing workers to accept lower wages or benefits to remain employed.
insecurity, and real job loss can have devastating impacts on workers, families, and communities.

In our national data we believed that media-tracking greatly underestimated the actual number of jobs lost, particularly in nonmanufacturing industries and in firms shifting to China and India, because these are the industries where there had been the most public outcry against outsourcing of jobs and where, therefore, companies had gone to the greatest lengths to keep stories regarding the outsourcing of jobs in white-collar occupations, or to Asian countries, out of the media. It was also harder to find news stories on production shifts to Asia, because firms shifting to those countries were more likely to be in industries that were nonunion and, therefore, less likely to file TAA claims.

We believe that media-tracking also greatly underestimates the number of jobs lost in Massachusetts through outsourcing, but for different reasons. Although TAA claims were much more common than in other states, increasing numbers of workers in Massachusetts are in industries such as business services, communications and IT, and finance, insurance, and real estate—industries at the center of the new wave of outsourcing, about which much has been written in general terms but which is nearly impossible to track on a firm-by-firm basis. Call-center workers, claims adjusters in any of hundreds of small insurance companies in the John Hancock or Prudential Towers, software designers in the IT firms outside of Boston—these workers may very well have had their jobs shifted out of Massachusetts in 2004. But because they were not represented by any union and not covered by TAA, they did not have their story told in any newspaper.

We also must not forget that 2004 was marked by a presidential election, which may have led employers to hold off on global outsourcing decisions or to keep them especially quiet so as not to become a campaign story. Despite a slightly more stable state economy in 2004, a number of companies pursued layoffs and plant closings that resulted in production shifts out of the country in 2005, announcements that they may have delayed until the election returns were in.

Without question, the data confirm that Massachusetts is part of a global phenomenon. First, multinational companies in almost every sector of the economy are engaged in an international race to the bottom, shifting jobs from high-wage to low-wage countries; second, as the topic of outsourcing becomes more politically sensitive, these same multinational companies are taking greater pains to keep data on their production shifts out of the media and out of the public record. We found numerous cases in which companies denied to the nation that work was going overseas.

In our national study we argue that mandated reporting requirements of the country so that the impact and tax revenues can be tracked. In contrast, the U.S. government. As the state trends, it could be the first to set all companies shifting jobs out of how many jobs are being lost and also be the first to establish standards that benefit from tax waivers, ing overseas. These would be individual companies that is the rapid and complex shifting of other communities in the United States.

1. The Trade Adjustment Assistance (TAA) authorizes and amends the Trade Adjustment Assistance Act of 2005. It is administered by the United States Department of Labor. For more information, see doleta.gov/tradeact/determinations.cfm.

2. Each job shift to a country was counted only once. When more than one country was involved, we simply took the average. Even the underestimation of the jobs moving to other countries should be taken into account.


4. We are using the national data from the Massachusetts and national averages for all tables, U.S. data cover the entire country.

5. The foreign-owned had parent companies in the United States and the UK.
In our national study we argue that there should be government-mandated reporting requirements for companies shifting production out of the country so that the impact on wages, employment, social services, and tax revenues can be tracked. But Massachusetts need not wait for the U.S. government. As the state that has been first in so many economic trends, it could be the first to set up a tracking system that would require all companies shifting jobs out of the state to report to the government how many jobs are being lost and exactly where they are going. It could also be the first state to establish a tax policy that would penalize companies that benefit from tax waivers, only to abandon communities by moving overseas. These would be important first steps in breaking the endless chain of devastation that is the inevitable consequence of the ever more rapid and complex shifting of capital and jobs from Massachusetts and other communities in the United States and around the globe.

Notes


2. Each job shift to a country was entered as a single record. In cases where companies shifted to more than one country we entered a separate record for each one. If it was not possible to confirm the actual number of jobs moving to each country, we simply took an average. Even though this may result in an overestimation or underestimation of the jobs moving to a specific country in a specific shift, in the aggregate these estimations should balance out and ensure that we accurately account for no more than the reported job loss for an individual company for all destination countries combined.

3. See Bronfenbrenner and Luce (2004) for more discussion about the challenges of media-tracking.

4. We are using the national data to compare the nature of production shifts between the Massachusetts and national data rather than the actual number of cases, since for all tables, U.S. data cover only the first quarter of 2004, whereas Massachusetts data cover the entire year of 2004.

5. The foreign-owned had parent companies based in Austria, Belgium, Canada, and the UK.
6. It is also worth noting the manufacturing industries that are entirely missing from the Massachusetts landscape. As shown in Table 3.2 under the national data, 26 percent of firms with production shifts out of the country and 29 percent of jobs lost were listed under manufacturing industries that were not even covered in the Massachusetts data but made up a significant portion of the job losses nationally, such as auto and auto parts (12 percent of firms and 11 percent of job losses), food processing (3 and 11 percent), and appliances (4 and 9 percent).

7. The job loss percentage for the finance sector actually undercounts jobs lost in that industry, since for one Massachusetts firm we were able to confirm only that the company had moved jobs overseas but were never able to ascertain how many.

8. It is worth noting, however, that with a small state such as Massachusetts—as opposed to our national research where, because of a large number of states and the short time frame allotted, we concentrated on Asian and Latin American destination countries—we were able to open our search string to look for all production shifts out of the state and therefore may have captured more of the shifts to Europe than we would have in the national data.

9. A TIF allows a company to continue paying a base property tax rate even after redevelopment increases the assessed value. Mellon Financial was given a 100 percent TIF for nine years. According to Middlesex County property records, the building and land went up in value from $2,376,600 when it was purchased to $9,990,600 in 2004, which means that for nine years the company was not required to pay taxes on an increased value of $7,614,000.

10. This comes from 4,520 multiplied by three to account for undercounting, then multiplied by four years (2001–4), which accounts for 54,240 jobs—approximately 27 percent of the estimated 200,000 jobs lost in this period.

References


uring industries that are entirely missing in Table 3.2 under the national data, ut of the country and 29 percent of jobs tries that were not even covered in the nt portion of the job losses nationally, firms and 11 percent of job losses), food es (4 and 9 percent). sector actually undercounts jobs lost in we were able to confirm only that the never able to ascertain how many, a small state such as Massachusetts—as use of a large number of states and the Asian and Latin American destination string to look for all production shifts dred more of the shifts to Europe than paying a base property tax rate even ue. Mellon Financial was given a 100 Middlesex County property records, the,376,600 when it was purchased to e years the company was not required ho. three to account for undercounting, accounts for 54,240 jobs—approxim- bs lost in this period.


Carney, Maureen. 2005. Interview with the authors, April 14.


Stephanie Luce and Kate Bronfenbrenner

TAA (Trade Adjustment Assistance) and North American Free Trade Agree-"PerfOutcomes.pdf.

Greater Deindus-

Staggering Job Loss, and Gri-

Rot

The December 2004 fire at the Chicopee-Springfield line and the other Tool, are part of the passing of the Connecticut River Valley. Wha-attending a good friend’s wake. Vi Bosch returned. Then, workmates pots, argued about sports and po People sold doughnuts and newsp college tuition or some local char Athletic Association supported tea and organized trips to Red Sox, Knicks games. Every year the Athl a local amusement park in near-outing and sponsored a wonderful:

The same pernicious job loss in Connecticut River in Springfield, Ve builders lost their unionized job: Connecticut, where, riding down dominating the front of Pratt & Vitory, one cannot help noticing n industrial decline: empty and tra vacated triple-deckers that were ers. A short drive to the other sidichotomies between East Hartf