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Ohio takes the lead in offshoring fight

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Concerned about the loss of jobs, Ohio has become a focal point in the effort to stop offshoring and keep jobs in the U.S., something that has alarmed some IT firms in India.

WASHINGTON -- There are anti- [outsourcing](#) efforts in almost every state, but few are as loud and aggressive about it as Ohio. This is a state that has suffered major job losses in manufacturing, and the anger about those losses



has put offshore outsourcing in the cross-hairs of state politics.

The actions by state political leaders, including a [recent state ban on offshore work](#), might be minor news in the U.S., but not overseas. India's news outlets, in particular, have written more stories about Ohio's anti-offshore moves than their U.S. counterparts, and the ban has drawn the attention of cabinet-level ministers and the leaders of India's big IT firms. They see the Ohio stance as a troubling sign of U.S. protectionism.

Ohio has taken steps to fight job offshoring.

U.S. officials have tried to downplay the situation as something similar to an unruly kid in the sandbox. But don't be surprised if the topic comes up when officials from India and the U.S. meet here this week for a high-level government trade policy forum.

Ohio's anger is something even President Barack Obama has tapped into. The [president spoke in Parma, Ohio](#), earlier this month about the economy, saying in part: "And, Ohio, I think if we're going to give tax breaks to companies, they should go to companies that create jobs in America -- not that create jobs overseas. That's one difference between the Republican vision and the Democratic vision. That's what this election is all about."

There are other reasons Ohio gets attention.

Last week, U.S. Rep. [Marcy Kaptur's "Made in America" bill](#) passed the U.S. House by a lopsided margin: 371-36. Its goal is to ensure that products purchased by the legislative branch are made in America. Kaptur, a Democrat from Ohio, was blunt: "Outsourced production translates into lost jobs."

The anti-outsourcing efforts picked up steam last month when Ohio Gov. Ted Strickland issued an executive order barring state agencies from sending any work offshore. "Outsourcing jobs does not reflect Ohio values," said Strickland, who is up for re-election this year. He didn't stop there; Strickland blasted offshore firms, saying their use has "unacceptable business consequences," including data [security](#) and privacy risks.

Strickland took that position despite having given about \$19 million in tax breaks in 2007 to Indian giant Tata Consultancy Services to build a development center in the state. Tata has already established 400 jobs at the center and is supposed to have 1,000 there by the end of 2011.

And there is no forgetting the state's godfather of H-1B opposition, U.S. Rep. Dennis Kucinich, a Democrat and one-time mayor of Cleveland, who wants the H-1B visa program ended.

The sum impact of Ohio's legislative actions on offshoring may be minor, but the political noise and worry they are creating is something else.

The government of India saw a [\\$2,000 H-1B fee increase](#) recently approved by Congress and signed by the president as a direct attack on its domestic IT industry. That move, coupled with the possibility that comprehensive immigration reform [might hinder access to visas](#), has clearly raised alarm bells overseas.

India's commerce and industry minister, Anand Sharma, recently told local news media outlets that he "definitely" plans to raise the Ohio ban when he meets with U.S. Trade Representative Ron Kirk tomorrow, according to [The Economic Times](#).

The trade talks are a prelude to Obama's planned visit to India in November.

While concern in India grows, U.S. Secretary of State Hillary Clinton this month sought to tamp down the rhetoric, stressing the strong ties between the two nations. "President Obama will use his visit in November to take our relationship to the next level," Clinton said in a speech earlier this month.

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At a briefing following Clinton's talk, Philip Crowley, an assistant secretary in the State Department, was asked to reconcile Clinton's call for partnership with India with anti-offshoring actions like Ohio's ban. Crowley sidestepped the question: "We will have issues that crop up from time to time, and we are in an effective dialog to resolve those issues."

In Ohio, the "next level" in India-U.S. relations may mean something entirely different from what Clinton envisions. The main reason for that stems from the state's job losses, especially in the manufacturing sector.

In Ohio, the number of [manufacturing jobs declined by almost 20%](#) from December 2007 through April of this year, according to the Federal Reserve Bank of Cleveland. Nationwide, that decline was 15%. But Ohio is now adding manufacturing jobs, and by April it was leading all states in gains, accounting for 22% of the national increase, according to the Fed.

Ohio was hit hard because its manufacturing base was built around durable goods -- appliances, autos and machinery -- according to Lockwood Reynolds, an assistant professor of economics at Kent State University in Ohio. As manufacturing gains have been seen nationally, the trend has been magnified in Ohio, he said.

Those gains appear to be driven by employment in the manufacturing of fabricated metals, transportation equipment and motor vehicles, which Ohio may rely more on than other states, said Reynolds, who doesn't believe that anger over outsourcing is unique to Ohio.

"But it might be slightly more concentrated here than in some other states," he said.

The decline of manufacturing in Ohio and elsewhere affects more than jobs; it affects IT as well. "Manufacturing is extremely important because that is where the bulk of the research and development is," said Harold 'Hal' Williams, an economics professor emeritus at Kent State.

Manufacturers are increasingly relying on high-performance computing systems to develop products. These systems can simulate how products might perform as conditions change, and they eliminate the need for continuous prototype-building, thus speeding time to market and product development. The Ohio Supercomputer Center's Blue Collar Computing program in Columbus has been on the leading edge in the U.S. to provide high-performance computing resources to manufacturers.

"If we are going to maintain a strong competitive position internationally, we've got to have firms that are doing a lot of research and development," said Williams.

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