



OVERSEAS AND OUT

By CAROLINE WAXLER

January 6, 2003 -- The New York area is in danger of losing at least 300,000 service jobs over the next 12 years as technology and financial companies move them overseas.

A slumping Wall Street has already created a drag on the local economy by slashing stock trading and investment banking jobs during the last 18 months.

But the upcoming service-sector losses will likely be from firms shifting call centers and other support operations to developing countries.

Fairfield, Conn.-based General Electric is one New York-area company that has already transferred numerous jobs offshore.

According to John McCarthy, an analyst at Forrester Research, at least 300,000 service jobs - including IT, back-office, customer service and sales operations - will say goodbye to old New York and set up shop in countries like India, Russia, China and the Philippines.

New York won't be the only region losing jobs. McCarthy estimates that 3.3 million U.S. service-industry jobs and \$136 billion in wages will move offshore.

The New York area - including northern New Jersey, Long Island, Westchester and southern Connecticut - will account for about 10 percent of those losses.

The damage may not stop at lost tax revenues and higher unemployment rates.

In a market where office rental rates are starting to show signs of softening, the flight will damage the real estate industry as well.

"One of the big impacts in New York will be real estate," McCarthy said. "To put it in context, 300,000 jobs is the equivalent of the amount of people to fill six World Trade Centers."

And while many of the nation's departing jobs are in information technology, New York - as a financial center - is more likely to lose "back-office" jobs, such as the work involved in settling trades.

In the near future, jobs in law, art, architecture, life sciences and business management will likely leave as well.

The inducements to move jobs overseas are basic. Advances in technology - such as low-cost bandwidth (partly the result of new undersea cables), ubiquitous e-mail and collaborative tools like instant messaging - all make off-site work possible.

But the main driver is cheaper labor rates.

According to McCarthy, the cost of an entry-level programmer in China is 30 to 50 percent less than it costs to hire such a programmer in Tokyo, London or Chicago.

Not all jobs are going the same places.

For example, back-office payroll and data entry will go to such lower-wage countries as Vietnam and Uruguay, while more complex software development jobs will go to India.

Although the general instability in developing nations is a concern - particularly the threat of war between India and Pakistan - it doesn't seem to have put a damper on businesses considering an overseas transfer.

However, some companies have been pressured by clients to put in contingency plans in case of war.

New York may also be losing jobs to domestic competition.

Marc Goloven, regional economist at J.P. Morgan Chase, said of call centers, for example: "I think it's even more likely that they'll be going to places like Des Moines."

Of course, lawmakers aren't pleased by the foreign job travel. The New Jersey Senate recently passed a bill to hinder businesses with government contracts from relocating their call centers offshore.

"I'm sure this is just the news Mayor Bloomberg wants to hear on top of the deficit," Forrester's McCarthy said.

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