

Testimony Of

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Before

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Protection

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Thank you Chairman Rush, Ranking Member Whitfield and Subcommittee members for the opportunity to testify before you today in support of H.R. 1776, the Call Center Consumer's Right to Know Act introduced by Congressman Jason Altmire. My name is Jeffrey Rechenbach and I represent the 600,000 active members of the Communications Workers of America (CWA). I ask that my written testimony be entered into the record.

The Call Center Consumer's Right to Know Act, is bipartisan and simple. It seeks to improve the level of customer service American consumers receive while providing well-paying jobs. It gives consumers the right to know the location of the call center and the representative with whom they are speaking. The legislation would be improved by allowing consumers to be able to request that they be transferred to an American-based call center. If demand increases then businesses will have to increase the supply of American call center jobs.

CWA represents 150,000 customer service professionals, and our members hear first-hand why many customers object to the service they receive from employers that outsource these services abroad. As one example, CWA-represented reservations agents at US Airways in North Carolina found themselves having to deal with customer complaints concerning reservations processed at outsourced call centers in Mexico, El Salvador and the Philippines. After the workers and CWA documented the issues and discussed the problems with management, US Airways brought those services back to the United States, where it realized the agents were better trained and supervised.

CWA members in telecommunications also hear about, and have to fix, problems with outsourced technical support for high-speed Internet services. After discussions with AT&T, that company also has agreed to bring back thousands of tech support jobs that had been performed in call centers abroad.

Other major companies are engaging in “reverse outsourcing” as they realize the high value-added component of customer service. Thomas Koulopoulos, author of the book “Smartsourcing,” is cites Dell and Citigroup as returning call center jobs to this country to improve customer service. “There was an illusion that globalization was just about technology and world is flat because you make it flat, but that only goes so far. You have to have people close to the customer,” he told ABC News recently.

I have no intention at all to criticize the abilities, or the work ethic or the character of call center workers in other countries or to demean their cultures in any way. Any fault found with the quality of outsourced customer service work is most likely the result of poor management practices, poor training, and difficulties with supervision and accountability when operations are subcontracted. It is more a product of the “race to the bottom” mentality of offshoring to begin with, a concern with cutting costs over providing quality service.

One thing we know for sure: Many Americans object to the quality of services provided by offshore contractors, and some are quite naturally worried about security issues and giving up personal financial and medical information to call center workers located in

other parts of the world. Many Americans also object to supporting the exodus of good jobs overseas – especially when employers take pains to conceal the practice. These customers care about creating and keeping good middle-class jobs in America. And they have a right to know who they are dealing with when they pick up the phone for assistance.

These call center jobs are among the very jobs that supporters of the North American Free Trade Agreement (NAFTA) insisted would be created during the NAFTA debate of the early 1990's. An increase in service sector jobs was going to ease the pain for Americans who lost their well-paying manufacturing or textile industry job because of offshoring. We've lost over 3.6 million manufacturing jobs since NAFTA according to the U.S. Bureau of Labor Statistics and we continue to hemorrhage manufacturing jobs.

While this job loss figure is staggering, forecasts regarding the number of service sector jobs – the post-industrial “jobs of the future” -- we can expect to see offshored are even more sobering. Forrester Research Company estimates that the United States will lose 3.3 million service sector jobs by 2015. This number is considered by many to be a very conservative estimate. In 2002, Forrester attempted to forecast the number of high tech jobs that would be offshored. By 2004, Forrester had found that its estimate was 38% lower than what had actually happened.

In late 2003, the Fisher Center for Real Estate and Urban Economics at the University of California Berkley published *The New Wave of Outsourcing* report which estimates that

as many as 14 million service sector jobs could be offshored. This estimate includes other back office functions and high tech jobs such as computer programming, engineering, legal research and data entry functions to name a few. Another firm, Gartner Inc., calculated that 25% of traditional U.S. based IT jobs will move offshore by 2010. These are daunting job loss estimates that will inflict even greater damage on America.

Unfortunately, our government has done nothing to address the loss of service sector jobs and current trade policies have made matters worse. Between 2003 and 2007, the U.S. government provided more than \$650 million in trade related assistance to signatories of the Central American Free Trade Agreement (CAFTA), according to the United States Trade Representative (USTR). We understand that some of this money went to education programs which taught English to future offshore call center workers in Central America, and the result has been has spurred the loss of American call center jobs. The number of call center jobs created in Costa Rica doubled to 50,000 between 2005 and 2007. In addition, Datamonitor, a leading market research firm, expected the number of call center jobs in all of Central America to more than double between 2004 and 2008 from 336,000 to 730,000.

I could spend the rest of my time and the time allotted to my fellow witnesses talking about the negative impacts of offshoring on job creation and our battered economy. The problem is that most of these statistics are based on conservative estimates and fail to tell us the whole story. This is an area where the Federal Government has failed. The

Federal Government does not adequately track the number of jobs that are offshored leaving Congress to rely on such estimates. This is a problem which the Call Center Consumer Right to Know Act does not address. CWA welcomes the opportunity to work toward a solution with you and your colleagues in Congress.

One of the main reasons for this underreporting of jobs that are offshored has to do with the reporting requirements. Neither the U.S. Department of Labor, Bureau of Labor Statistics (BLS), nor the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) currently keeps data on such job loss.

The BLS Mass Layoff Survey contains questions on the “Economic Reasons” for layoff. Section I. *Business Demand Reasons* asks employers about layoff reasons associated with a decreasing or an unfavorable level of demand for a company’s products or services that can be attributed to conventional economic factors and/or cycles. Item number 15 covers “Import Competition” It includes a range of reasons including import competition but could be expanded to specifically address job loss due to off-shoring.

Currently, service sector workers, including call center workers, do not qualify for Trade Adjustment Assistance (TAA) because they do not “produce a tangible good.” CWA supports a robust TAA program that includes service sector workers with determinations being made by employees of federal and state governments.

Amending TAA reporting requirements and improving data sharing could provide another way for the government to obtain this valuable information. Congress could request that the Department of Labor Employment and Training Administration (ETA) develop an easily accessible public database that provides specific information on TAA determinations. Though this information is available on each individual petition, it is not categorized or aggregated as part of the Department of Labor's report on TAA that is publicly available on the DOL-ETA website for the Trade Adjustment Assistance Program.

Another useful tool in collecting this data would be to improve the Worker Adjustment and Retraining Notification Act (WARN). Presently, WARN regulations do not require that information on mass layoffs or plant closings provided to the state dislocated worker unit and to the chief elected official of the unit of local government contain any details on the nature of the dislocation. The WARN act has been severely weakened over the years. We urge Congress to improve WARN so as to improve the reporting of jobs offshored and data sharing between the federal and state governments.

Mr. Chairman, I would like to read from a "Dear Colleague" letter circulated by Congressman Jason Altmire (D-PA) and Congressman Tim Murphy (R-PA) on April 1, 2008. "As commerce is conducted more and more over fiber optic cables and telephone lines, Americans have lost the comfort and security of knowing with whom they are dealing." These two members of Congress raise an important point regarding the American consumer and security.

Congress has worked diligently over the years in its effort to address identity theft.

We've all seen the stories in the news about information being taken from misplaced disks or laptops and the massive efforts to prevent identity theft and financial harm to the people whose information was accessed illegally. These victims had no power to say that they weren't comfortable with their personal information being stored in this manner.

The Call Center Consumer Right to Know Act provides consumers with the power to say with whom they're comfortable sharing their personal information.

Consumers have the right to know who they are talking to. Many companies do not operate their own customer sales and service operations, but contract with a third party call center operator to provide the service. The employees are instructed to answer the phone with the brand name they are selling or servicing, and to respond to any customer inquiry with the information that they are employees of the company selling that brand. This is not accurate information.

Customers erroneously place confidence in the transaction based on the brand name and reputation of the company, when in fact this confidence is misplaced. The customer may be giving credit card information to a convicted felon taking airline reservations from a prison-based call center or be providing confidential personal data to a service representative working out of their home using their personal computer, which most likely doesn't have an adequate firewall to deter hackers from easily obtaining such confidential information.

The story by David Lazarus of the San Francisco Chronicle on April 2, 2004 should serve as an omen. The story reveals what can go wrong when sensitive personal data falls into the wrong hands. He writes about an Ohio company that offshores medical files, including patient records, from several California hospitals, was the victim of an extortion attempt by its own workers in Bangalore, who threatened to reveal confidential materials unless they received a cash payoff. He also writes about a security breach and threat received by UCSF Medical center by a Pakistani woman who was transcribing the files for the Bay Area hospital.

Businesses are not the only entities offshoring the personal data of American citizens. State governments have offshored personal data as well as well. According to a story written by Lori Wallach on CommonDreams.org, allegations surfaced in Ohio that the state had sent birth records to a company located in Sri Lanka in 2001 for processing. Pennsylvania appears to offshore the coding of police records according to a story published on April 25, 2004 by the Observer Reporter, a Pennsylvania paper. At this time, we are not sure what happened to the personal information that was offshored. We can only hope that this valuable information doesn't fall into the hands of people who have something more sinister than extortion planned.

Mr. Chairman and members of the subcommittee, thank you for holding a hearing on this important legislation and I look forward to your questions.