THE WALL STREET JOURNAL.
WSJ.com

Big U.S. Firms Shift Hiring Abroad

Work Forces Shrink at Home, Sharpening Debate on Economic Impact of Globalization

By DAVID WESSEL

U.S. multinational corporations, the big brand-name companies that employ a fifth of all American workers, have been hiring abroad while cutting back at home, sharpening the debate over globalization's effect on the U.S. economy.

The companies cut their work forces in the U.S. by 2.9 million during the 2000s while increasing employment overseas by 2.4 million, new data from the U.S. Commerce Department show. That's a big switch from the 1990s, when they added jobs everywhere: 4.4 million in the U.S. and 2.7 million abroad.

Bloomberg News

A General Electric worker in Belfort, France, examines a component for a gas turbine. These days, GE gets about 60% of its business overseas.

In all, U.S. multinationals employed 21.1 million people at home in 2009 and 10.3 million elsewhere, including increasing numbers of higher-skilled foreign workers.

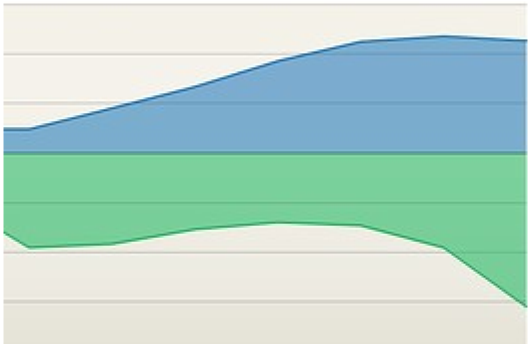
The trend highlights the growing importance of other economies, particularly in rapidly growing Asia, to big U.S. businesses such as General Electric Co., Caterpillar Inc., Microsoft Corp. and Wal-Mart Stores Inc.

The data also underscore the vulnerability of the U.S. economy, particularly at a time when unemployment is high and wages aren't rising. Jobs at multinationals tend to pay above-average wages and, for decades, sustained the American middle class.

Where the Jobs Are

Multinational companies are creating jobs overseas and cutting their U.S. staffs. See cumulative changes in the U.S. and abroad since 1999.

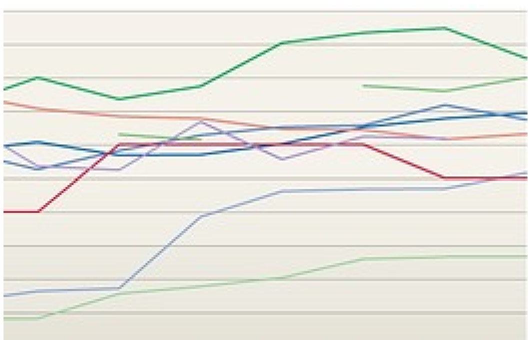
View Interactive



Corporate Globalization

See the percentage of workers overseas for selected U.S.-based companies, from Caterpillar to Walmart.

View Interactive



Some on the left view the job trend as reason for the U.S. government to keep companies from easily exporting work overseas and importing products back to the U.S. or to more aggressively match job-creating policies used in some foreign markets. More business-friendly analysts view the same data as the sign that the U.S. may be losing its appeal as a place for big companies to invest and hire.

"It's definitely something to worry about," says economist Matthew Slaughter, who served as an adviser to former president George W. Bush. Mr. Slaughter, now at Dartmouth College's Tuck School of Business, is among those who think the U.S. has lost some allure.

A decade ago, Mr. Slaughter, who consults for several big companies and trade associations, drew attention with his observation that "for every one job that U.S. multinationals created abroad...they created nearly two U.S. jobs in their [U.S.-based] parents." That was true in the 1990s, he says. It is no longer.

The Commerce Department's summary of its latest annual survey shows that in 2009, a recession year in which multinationals' sales and capital spending fell, the companies cut 1.2 million, or 5.3%, of their workers in the U.S. and 100,000, or 1.5%, of those abroad.

The growth of their overseas work forces is a sensitive point for U.S. companies. Many of them don't disclose how many of their workers are abroad. And some who do won't talk about it. "We will decline to comment on future hiring or head-count numbers," says Kimberly Pineda, director of corporate public relations for Oracle Corp.

Those who will talk say the trend, in some instances, reflects the rising productivity of U.S. factories and, in general, a world in which the U.S. represents a smaller piece of a bigger whole. "As a greater percentage of our sales have been outside the U.S., we have seen our work force outside the U.S. grow," says Jim Dugan, spokesman for construction-equipment maker Caterpillar, which has added jobs more rapidly abroad than in the U.S.

Bloomberg News

A Caterpillar assembly line England. The company has added jobs more rapidly abroad than in the U.S.

The Commerce Department's totals mask significant differences among the big companies. Some are shrinking employment at home and abroad while increasing productivity. Others are hiring everywhere. Still others are cutting jobs at home while adding them abroad.

At some companies, hiring to sell or make products abroad means more research or design jobs in the U.S. At others, overseas hiring simply shifts production away from the U.S. The government plans to release details about various industries and countries in November.

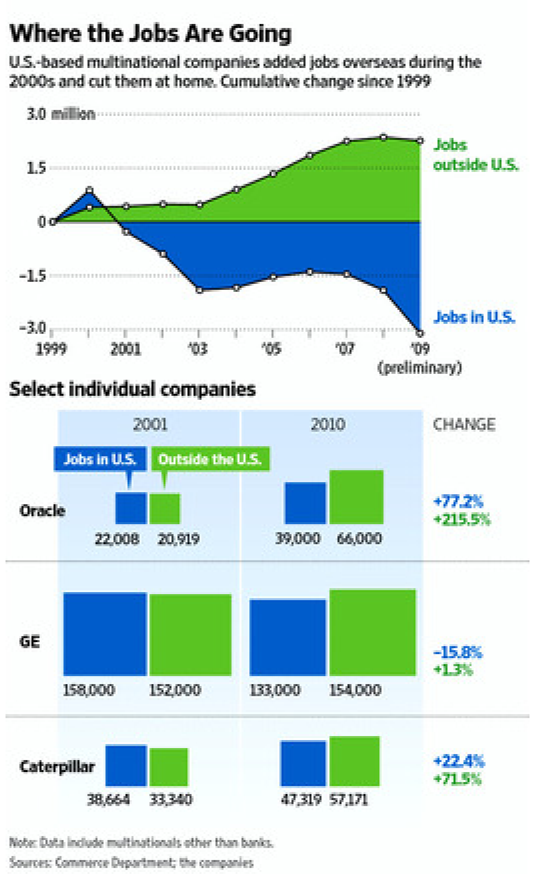
While hiring, firing, acquiring and divesting in recent years, GE has been reducing the overall size of its work force both domestically and internationally. Between 2005 and 2010, the industrial conglomerate cut 1,000 workers overseas and 28,000 in the U.S.

Jeffrey Immelt, GE's chief executive, says these cuts don't reflect a relentless search for the lowest wages, or at least they don't any longer. "We've globalized around markets, not cheap labor. The era of globalization around cheap labor is over," he said in a speech in

Washington last month. "Today we go to Brazil, we go to China, we go to India, because that's where the customers are."

In 2000, 30% of GE's business was overseas; today, 60% is. In 2000, 46% of GE employees were overseas; today, 54% are.

Mr. Immelt says GE did or will add 16,000 U.S. jobs in manufacturing or high-tech services in 2010 and 2011, including 150 in Erie, Pa., making locomotives for China, and 400 at a smart-grid technology center in Atlanta.



Caterpillar increasingly relies on foreign markets for its sales. It has been adding workers world-wide—except for global layoffs in 2009, amid the recession—but is hiring much faster abroad. Between 2005 and 2010, its work force grew by 3,400 workers, or 7.8%, in the U.S. and 15,900, or nearly 39%, overseas.

Mr. Dugan, the company spokesman, says Caterpillar still does most of its research and development in Peoria, Ill., where it is based, and that "a little over half" of its planned $3 billion in capital spending this year is earmarked for facilities in the U.S.

Several high-tech companies have been expanding their work forces both domestically and abroad, but doing much more of their hiring outside the U.S.

Oracle, which makes business hardware and software, added twice as many workers overseas over the past five years as in the U.S. At the beginning of the 2000s, it had more workers at home than abroad; at the end of 2010, 63% of its employees were overseas. The company says it still does 80% of its R&D in the U.S.

Similarly, Cisco Systems Inc., which makes networking gear, has been creating jobs much more rapidly abroad. Over the past five years, it has added 10,900 employees in the U.S. and 21,350 outside it. At the beginning of the decade, 26% of its work force was abroad; at the end, 46% was.

Microsoft is an exception. It cut its head count globally last year, but over the past five years, the software giant has added more jobs in the U.S. (15,300) than abroad (13,000). About 60% of Microsoft's employees are in the U.S.

While small, young companies are vital to U.S. economic growth, big multinationals remain a major force. A report by McKinsey Global Institute, the think-tank arm of the big consulting firm, estimates that multinationals account for 23% of the nation's private-sector output and 48% of its exports of goods.

These companies are more exposed to global competition than many smaller ones, but also more capable of taking advantage of globalization by shifting production, and thus can be a harbinger of things to come.

The economists who advised McKinsey on its report dubbed multinationals "canaries in the coal mine." They include Mr. Slaughter and Clinton White House veterans Laura Tyson, of the University of California, Berkeley, and Martin Baily, of the Brookings Institution.

They warn that a combination of the U.S. tax code, the declining state of U.S. infrastructure, the quality of the country's education system and barriers to the immigration of skilled workers may be making the U.S. less attractive to multinationals. "We can excoriate them" and also listen to them, Mr. Slaughter says of the multinationals. "But we can't just excoriate them."

Other observers see the trend as a failure of U.S. policies to counter aggressive foreign governments. "All the incentives in the global economy—an overvalued U.S. dollar, lower corporate taxes abroad, very aggressive investment incentives abroad, government pressure abroad versus none at home—are such as to steadily move the production of tradable goods and the provision of tradable services out of the U.S.," says Clyde Prestowitz, a former trade negotiator turned critic of U.S. trade policy. "That has been having, and will continue to have, a negative impact on U.S. employment and wages."

—Scott L. Greenberg contributed to this article.