Trump's First One Hundred Days

FEDERAL CONTRACTING WITH CORPORATE OFFSHORERS CONTINUES

"A Trump administration will stop the jobs from leaving America."
Donald J. Trump, November 4, 2016

A study by Good Jobs Nation and Public Citizen's Global Trade Watch

GOOD JOBS NATION

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INTRODUCTION

Critiques of U.S. trade policy and offshoring of American jobs played an unprecedented role in the 2016 presidential election.

Donald Trump's electoral campaign emphasized pledges to bring down the trade deficit, punish U.S.-based firms that shift production to foreign venues via offshoring and to "bring back" jobs to America.

His promises won over many voters in America's industrial heartland who had supported Barack Obama in the prior two elections and may have played a decisive role in winning him the presidency.

As president-elect, Trump went on to attract national attention with his highly publicized intervention against United Technologies' plans to offshore more than 2,000 jobs to Mexico from the Indiana-based manufacturing plants of its subsidiary Carrier.

The fact that United Technologies gets billions of dollars in federal contracts each year played a major role in the public debate, even though the Carrier jobs at issue were not themselves related to these contracts. And, shortly after arriving in office, President Trump declared "Buy American, Hire American" as a guiding tenet of his presidency.

Yet as we mark President Trump's first 100 days, the Trump Administration continues to reward – not punish – U.S. companies that offshore U.S. jobs.

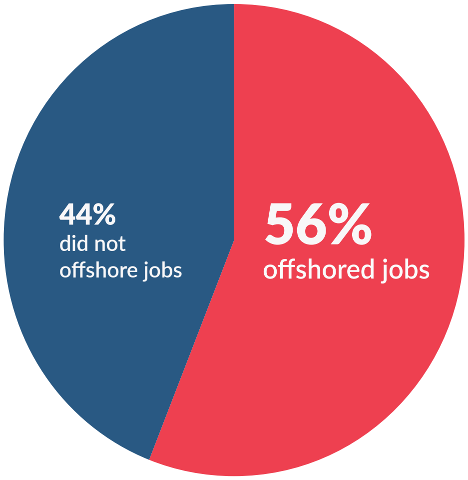
Despite the president having expansive executive authority to set procurement policy and past presidents using that authority to deliver on their policy commitments and goals, the Trump administration has failed to exclude offshoring firms from qualifying for billions of dollars in federal contracts.

In fact, United Technologies is still receiving contracts under his administration despite going ahead with plans to relocate more than 1,000 jobs to Mexico even after Trump's intervention.

In this report, we investigate how major U.S. firms that, like United Technologies, profit from U.S. taxpayer dollars are offshoring American jobs.

Our research reveals that 56 percent of the top 50 U.S. firms awarded the largest taxpayer-funded contracts in fiscal year (FY) 2016 engage in offshoring.

Percentage of Top 50 U.S. Firms that Received FY 2016 Federal Contracts and Engaged in Offshoring



In addition, 41 of these top 100 federal contractors, which received over $176 billion in taxpayer dollars in that year alone, have shipped American jobs overseas, and many continue to do so today.

Trump's inaction is especially notable given that the U.S. government has a long tradition of using its contract spending to promote national policy goals.

A U.S. president has authority under the Procurement Act of 1949 to enact "policies and directives" for federal contracting without additional Congressional legislation and to ban altogether government purchase of goods from countries such as China under the Trade Agreements Act of 1979.

However, President Trump has failed to use this authority to take the immediate action he promised to counter the offshoring of jobs and increase U.S. manufacturing employment.

METHODOLOGY

We combine data from usaspending.gov, which lists the firms that obtain federal contracts and the dollar value of those contracts, with "shift in production" petitions certified by the Trade Adjustment Assistance (TAA) program of the U.S. Department of Labor (DOL) since 1994.

TAA is a relatively narrow program administered by the DOL that provides extended unemployment benefits and retraining funds to certain categories of American workers that the DOL finds to have lost their jobs to offshoring or increased imports.

For this study, we only included firms that were certified by the DOL under the "shift in production" category, which is TAA's terminology for job losses caused by the offshoring of work to non-U.S. locations.

We identified companies listed in both usaspending.gov and TAA databases and also manually checked the TAA database for listings of the top-100 commercial[1] government contractors employing significant numbers of workers in the U.S. (This search enabled us to identify matches when the firms' names were listed differently in each database.)

It should be emphasized that, for several reasons, TAA certifications provide only a partial accounting of American jobs lost to offshoring.

Thus, our analysis likely undercounts the offshoring activities of major government contractors.

First, TAA is only available to certain categories of workers. Until 2009, TAA did not include service-sector workers, thereby excluding, for instance, call centers and other "back office" functions.

Similarly, for many years TAA covered only workers involved in direct manufacturing activities. So, for instance, even if an entire auto assembly plant closed because the operation was relocated to another country, TAA was only available to the "direct" manufacturing workers at the plant.

Second, TAA has no affirmative reporting requirement. Thus, a worker, union, company, or state labor department must know about TAA to apply for the program and then must choose to do so.

Third, a potential applicant must obtain the information required to file a petition and make the case that the jobs were offshored, rather than lost to other factors.

For these reasons, it is highly probable that TAA data do not capture many jobs that have been lost to offshoring by American corporations in general, and by federal contractors in particular.

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[1]Thus we excluded governmental entities, contractors operating only outside the U.S., non-profits, and firms that contract with the U.S. government under special preference programs, including Alaskan Native Corporations.

FINDINGS

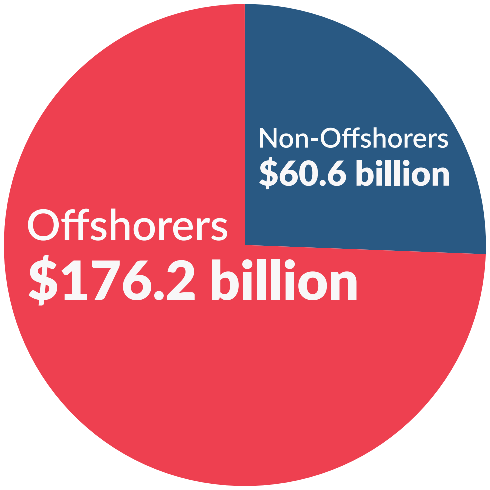
- Of the top 50 commercial federal contractors, by dollars awarded in FY 2016, 56 percent were certified under TAA as having engaged in offshoring, and of the top 100, 41 percent had offshored American jobs. (A list of the top contractors and jobs offshored is available in Appendix A on page 8)

- Of the top 100 commercial federal contractors, those that have engaged in offshoring collectively received $176 billion in federal taxpayers' money in FY 2016, over 37 percent of total federal contract spending for that year. Of these top 100 commercial contractors, those that offshored American jobs obtained almost three times the value in contracts as those that did not offshore.

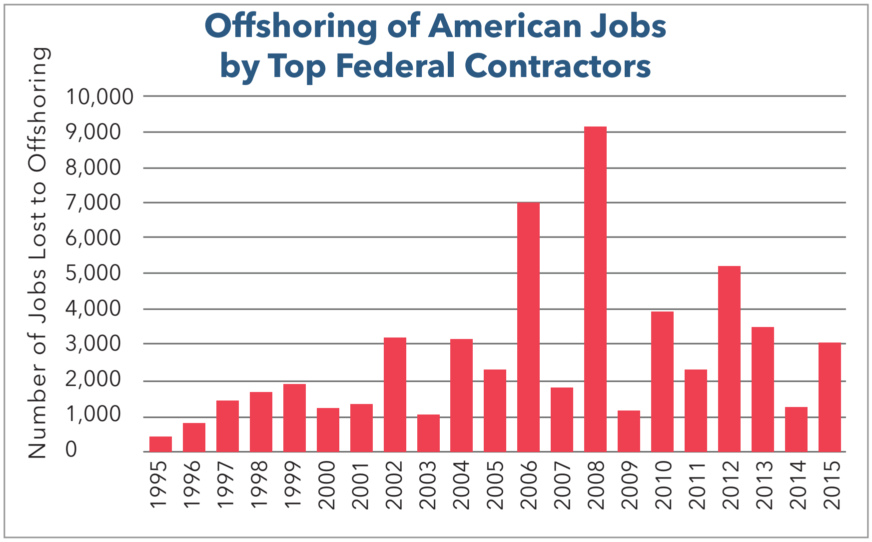
- Together, the top-100 commercial contractors have been certified under TAA as having shifted at least 58,913 American jobs abroad.

- TAA-certified offshoring by top-100 commercial contractors is a long-standing and ongoing problem, with thousands of job losses reported for every year since 1995, including the post-2008 economic recovery. (See chart on page 5.) [2]

Amount of FY 2016 Federal Contract Dollars Received by Top 100 U.S. Firms Grouped by Offshorers and Non-Offshorers



[2]The chart omits job losses for 2016 because the processing of petitions for that year is not yet complete.



Top 10 Commercial Federal Contractors by Number of TAA-Certified Offshored Jobs

Federal Contractor	Jobs Certified as Offshored Under TAA	FY 2016 Contract Award
GENERAL ELECTRIC	8,736	$1,890,000,000
UNITED TECHNOLOGIES[3]	5,716	$6,478,000,000
HONEYWELL	5,470	$2,256,000,000
HEWLETT PACKARD	5,331	$2,391,000,000
GENERAL MOTORS	5,303	$334,000,000
SIEMENS	4,488	$431,000,000
DELL	2,902	$704,000,000
FORD	2,668	$435,000,000
TEXTRON	1,726	$1,980,000,000
IBM	1,703	$1,126,000,000

Since President Trump's inauguration the flow of federal contract awards to the major offshorers has continued unabated, with United Technologies, for instance, receiving 15 new awards; and General Electric receiving more than 150 awards.

SHIPPING U.S. CALL CENTER JOBS OVERSEAS

Over the past few decades, major federal telecom contractors, including **T-Mobile**, **Verizon** and **AT&T**, have closed call centers from Oregon to Florida; and Maine to Texas.

By shipping call-center jobs overseas, these companies have affected 18,000 working families and destroyed communities that depended on these jobs.

Together, these companies received $897 million in federal contracts in FY 2016 alone.

In an effort to reverse this trend, in February 2017, a group of lawmakers sent a letter to President Trump urging him to sign an executive order that would ban federal contractors from offshoring call center jobs.

After receiving no response from the White House, the lawmakers – led by Democratic Senator Bob Casey of Pennsylvania and Republican Rep. David McKinley of West Virginia – introduced the United States Call Center Worker and Consumer Protection Act of 2017, which would create a preference in contract awards to companies that have not offshored call center jobs.

[3]This number excludes the 800 jobs that Carrier, a subsidiary of United Technologies, decided to keep in Indianapolis late last year.

CONCLUSION & RECOMMENDATIONS

These findings – which we stress provide only a partial picture of the larger problem because of the limitations in the TAA program – show that the Carrier/ United Technologies case is far from isolated. Other top federal contractors have enthusiastically joined United Technologies in sending American jobs abroad.

By the same token, legislative or executive action that conditions federal contract awards on the preservation of American jobs could play a major role in incentivizing a sea-change in the behavior of major U.S. corporations.

Trump has Twitter-threatened firms considering offshoring and lobbied others to invest domestically instead of abroad. But so far his jawboning has not fundamentally changed corporate behavior, as United Technology's decision to go ahead with the offshoring of hundreds of jobs to Mexico shows.

Even though the Trump Administration issued a widely-touted executive memorandum promoting the use of U.S.-made steel on U.S. pipelines, the president had no authority to impose this requirement on private-sector pipeline projects.

Moreover, in the context of a major pipeline that required federal government approval, the Keystone XL project, the White House explicitly announced that the Buy American directive was waived.

By contrast, in the aftermath of the Carrier affair, Democrats in Congress have proposed legislation that takes a more systematic approach to combatting corporate offshoring, including Senator Sanders' "Outsourcing Prevention Act" and Senators Donnelly, Brown, and Gillibrand's "End Outsourcing Act."

A common element in each of these proposals is that U.S. firms that choose to offshore should not be rewarded with government contracts or other government financial support.

Trump has not taken a position on these legislative initiatives, and without his active support, they have little prospect of passing a Republican-dominated Congress.

Moreover, Trump has yet to introduce his own "End the Offshoring Act," which he promised in his "Contract with the American Voter" to do during his first 100 days in the Oval Office.

However, if President Trump is serious about delivering on his pledges to stop offshoring and create more manufacturing jobs in America, he could immediately invoke his executive authority over federal procurement decisions, one of the most effective tools at his disposal to help U.S. workers.

In fact, the U.S. government has a long tradition of using its contract spending – which currently adds up to $470 billion per year, supporting firms that employ over one-fifth of the private-sector workforce – to promote national policy goals.

For instance, a share of federal government contracts must be awarded to small businesses and women- and minority-owned firms; to qualify for government construction projects, firms must agree to pay workers prevailing wages; and the Buy American Act in effect since the Roosevelt administration requires preferences for purchase of American-made products.

Indeed, the President has the authority under the Trade Agreements Act of 1979 to ban altogether government purchase of goods from countries such as China that have not signed agreements providing American firms access to their procurement markets on equal terms to domestic firms.

And crucially, the U.S. president has broad powers to enact "policies and directives" for federal contracting without additional congressional legislation.

Lyndon Johnson used this authority when he issued Executive Order 11246 in 1965 prohibiting contractors from discriminating against any of their employees – not just those performing federal work – on grounds of race or gender.

President Obama relied on the same authority to set minimum wage with Executive Order 13658, "to promote economy and efficiency in procurement by contracting with sources who adquately compensate their workers" and to establish sick leave entitlements (Executive Order 13706) for federal contract employees.

As president, Donald Trump can take immediate action to fulfill the promises he made to American workers that won him the White House.

He can issue an executive order that conditions award of U.S. taxpayer contracts on the preservation of U.S. taxpayer jobs.

That is to say that he can require companies to keep jobs in the United States in order to be qualified to obtain U.S. government contracts.

During the presidential campaign, President Trump repeatedly pledged to end offshoring by United States corporations.

America's workers continue to wait for him to turn his promise into policy.

APPENDIX A

Top 100 FY 2016 Federal Contractors* by Total Contract Amount and Jobs Certified as Offshored Under the Trade Adjustment Assistance Program

Rank	Company Name	Total FY 2016 Federal Contract Amount	Jobs Certified as Offshored Under TAA
1	Lockheed Martin Corporation	$43,072,276,953	953
2	Boeing Company	$26,451,000,000	1,238
3	General Dynamics Corporation	$14,472,044,062	163
4	Raytheon Company	$13,474,726,229	561
5	Northrop Grumman Corporation	$11,823,000,000	388
6	Mckesson Corporation	$8,635,390,039	81
7	United Technologies Corporation	$6,478,992,907	5,716
8	BAE Systems PLC	$5,241,054,338	324
9	L-3 Communications Holdings Inc.	$5,052,139,497	0
10	Bechtel Group Inc.	$4,928,575,473	42
11	Huntington Ingalls Industries Inc.	$4,559,470,042	0
12	SAIC	$4,256,000,000	0
13	Humana Inc.	$3,653,048,137	1,082
14	Booz Allen Hamilton Holding Corporation	$3,574,931,408	0
15	Health Net Inc.	$3,126,158,331	393
16	Unitedhealth Group Incorporated	$3,016,267,165	74
17	AECOM	$2,463,000,000	19
18	Hewlett-Packard Company	$2,391,000,000	5,331
19	Computer Sciences Corporation	$2,313,000,000	109
20	CACI International Inc	$2,260,243,869	0
21	Honeywell International Inc.	$2,256,915,483	5,470
22	Harris Corporation	$2,201,417,498	0
23	Amerisourcebergen Corporation	$2,142,991,316	0
24	Alliant Techsystems Inc.	$2,010,293,964	0
25	Textron Inc.	$1,980,105,925	1,726
26	General Electric Company	$1,890,301,997	8,736
27	General Atomic Technologies Corporation	$1,719,478,921	0
28	Merck & Co. Inc.	$1,502,580,337	748
29	Oshkosh Corporation	$1,454,511,952	209
30	Accenture Inc.	$1,427,866,108	483
31	Deloitte LLP	$1,396,356,303	82
32	Jacobs Engineering Group Inc.	$1,296,188,054	0
33	Ads Tactical, Inc.	$1,259,044,593	0
34	Triwest Healthcare Alliance Corp.	$1,230,272,668	0
35	Pfizer Inc.	$1,141,395,079	1,695
36	Finmeccanica S.Pa.	$1,136,000,000	0
37	International Business Machines Corporation	$1,126,218,952	1,703

*Thus we excluded governmental entities, contractors operating only outside the U.S., non-profits, and firms that contract with the U.S. government under special preference programs, including Alaskan Native Corporations.

Rank	Company Name	Total FY 2016 Federal Contract Amount	Jobs Certified as Offshored Under TAA
38	Cerberus Capital Management L.P.	$1,096,291,521	0
39	CH2M Hill Companies Ltd.	$1,085,283,286	73
40	Space Exploration Technologies Corp.	$1,041,528,720	0
41	Fluor Corporation	$977,757,887	0
42	Chemonics International Inc	$975,940,063	0
43	Mantech International Corporation	$931,207,470	0
44	Vectrus Systems Corporation	$925,339,534	0
45	CGI Technologies And Solutions Inc.	$914,090,850	0
46	Cardinal Health Inc.	$875,190,828	1,385
47	Austal Limited	$865,867,984	0
48	Coins 'N Things Inc.	$860,924,025	0
49	Glaxosmithkline PLC	$840,711,655	232
50	Sanofi	$825,632,662	523
51	Alion Science And Technology Corporation	$794,806,052	0
52	Rockwell Collins Inc.	$792,169,408	775
53	Express Scripts Holding Company	$790,367,604	0
54	AT&T Inc.	$755,312,408	544
55	Rolls-Royce Corporation	$738,796,828	210
56	CDW Government LLC	$725,470,303	0
57	Macandrews & Forbes Holdings Inc.	$721,906,378	0
58	Sunshine Minting Inc.	$708,337,535	0
59	Dell	$704,000,000	2,902
60	Verizon Communications Inc.	$681,067,062	344
61	Serco Group PLC	$655,212,478	0
62	Fedex Corporation	$653,229,116	0
63	Engility Corporation	$649,962,331	0
64	Tetra Tech Inc.	$615,382,040	0
65	The Parsons Corporation	$611,521,279	0
66	Kiewit-Turner A Joint Venture	$602,534,475	0
67	Caddell Construction Co. Inc.	$596,336,821	0
68	Spectrum Group International Inc.	$576,468,315	0
69	Sterling Parent Inc.	$568,764,726	0
70	World Wide Technology Holding Co. Inc.	$552,603,294	0
71	Carahsoft Technology Corporation	$547,837,280	0
72	Royal Dutch Shell PLC	$547,747,763	0
73	Insight Enterprises Inc.	$522,192,231	0
74	Unisys Corporation	$522,060,513	684
75	Nana Regional Corporation Inc.	$511,230,565	0
76	Iron Bow Holdings Inc.	$480,564,912	0
77	Carefx Corporation	$471,244,315	0
78	Mythics Inc.	$467,056,930	0
79	Berkshire Hathaway Inc.	$458,488,117	0
80	VSE Corporation	$442,720,961	0

Rank	Company Name	Total FY 2016 Federal Contract Amount	Jobs Certified as Offshored Under TAA
81	Ford Motor Company	$435,297,296	2,668
82	Siemens AG	$431,957,198	4,488
83	Westat Inc.	$430,172,522	0
84	SGT Inc.	$425,798,531	0
85	ICF International Inc.	$420,131,589	0
86	Michael Baker International, LLC	$408,262,223	0
87	The Geo Group Inc	$402,511,700	0
88	Securitas AB	$398,042,568	11
89	Emergent Biosolutions Inc.	$397,821,800	0
90	Wyle Services Corporation	$390,680,522	0
91	KBR Inc.	$383,283,067	304
92	Viasat Inc.	$377,279,293	0
93	Bollinger Shipyards Inc	$376,502,363	0
94	Actionet Inc.	$376,466,238	0
95	Metlife	$363,266,584	14
96	USF Holding Corp	$359,269,470	0
97	Millstein & Co., L.P.	$358,371,879	0
98	Goodrich Corporation	$347,884,690	1,127
99	Microsoft Corporation	$342,380,881	0
100	General Motors Company	$334,307,061	5,303