**Corporate profits are up. Stock prices are up. So why isn't anyone hiring?** Published : Tuesday, 28 Dec 2010 by PALLAVI GOGOI,AP Business Writer

Actually, many American companies are – just maybe not in your town. They're hiring overseas, where sales are surging and the pipeline of orders is fat.

More than half of the 15,000 people that Caterpillar Inc. has hired this year were outside the U.S. UPS is also hiring at a faster clip overseas. For both companies, sales in international markets are growing at least twice as fast as domestically.

The trend helps explain why unemployment remains high in the United States, edging up to 9.8 percent last month, even though companies are performing well: All but 4 percent of the top 500 U.S. corporations reported profits this year, and the stock market is close to its highest point since the 2008 financial meltdown.

But the jobs are going elsewhere. The Economic Policy Institute, a Washington think tank, says American companies have created 1.4 million jobs overseas this year, compared with less than 1 million in the U.S. The additional 1.4 million jobs would have lowered the U.S. unemployment rate to 8.9 percent, says Robert Scott, the institute's senior international economist.

"There's a huge difference between what is good for American companies versus what is good for the American economy," says Scott.

American jobs have been moving overseas for more than two decades. In recent years, though, those jobs have become more sophisticated – think semiconductors and software, not toys and clothes.

And now many of the products being made overseas aren't coming back to the United States. Demand has grown dramatically this year in emerging markets like India, China and Brazil.

Meanwhile, consumer demand in the U.S. has been subdued. Despite a strong holiday shopping season, Americans are still spending 3 percent less than before the recession on essential items like clothing and more than 10 percent less on jewelry, furniture, electronics, and big appliances, according to MasterCard's SpendingPulse.

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"Companies will go where there are fast-growing markets and big profits," says Jeffrey Sachs, globalization expert and economist at Columbia University. "What's changed is that companies today are getting top talent in emerging economies, and the U.S. has to really watch out."

With the future looking brighter overseas, companies are building there, too. Caterpillar, maker of the signature yellow bulldozers and tractors, has invested in three new plants in China in just the last two months to design and manufacture equipment. The decision is based on demand: Asia-Pacific sales soared 38 percent in the first nine months of the year, compared with 16 percent in the U.S. Caterpillar stock is up 65 percent this year.

"There is a shift in economic power that's going on and will continue. China just became the world's second-largest economy," says David Wyss, chief economist at Standard & Poor's, who notes that half of the revenue for companies in the S&P 500 in the last couple of years has come from outside the U.S.

Take the example of DuPont, which wowed the world in 1938 with nylon stockings. Known as one of the most innovative American companies of the 20th century, DuPont now sells less than a third of its products in the U.S. In the first nine months of this year, sales to the Asia-Pacific region grew 50 percent, triple the U.S. rate. Its stock is up 47 percent this year.

DuPont's work force reflects the shift in its growth: In a presentation on emerging markets, the company said its number of employees in the U.S. shrank by 9 percent between January 2005 and October 2009. In the same period, its work force grew 54 percent in the Asia-Pacific countries.

"We are a global player out to succeed in any geography where we participate in," says Thomas M. Connelly, chief innovation officer at DuPont. "We want our resources close to where our customers are, to tailor products to their needs."

While most of DuPont's research labs are still stateside, Connelly says he's impressed with the company's overseas talent. The company opened a large research facility in Hyderabad, India, in 2008.

A key factor behind this runaway international growth is the rise of the middle class in these emerging countries. By 2015, for the first time, the number of consumers in Asia's middle class will equal those in Europe and North America combined.

"All of the growth over the next 10 years is happening in Asia," says Homi Kharas, a senior fellow at the Brookings Institute and formerly the World Bank's chief economist for East Asia and the Pacific.

Coca-Cola CEO Muhtar Kent often points out that a billion consumers will enter the middle class during the coming decade, mostly in Africa, China and India. He is aggressively targeting those markets. Of Coke's 93,000 global employees, less than 13 percent were in the U.S. in 2009, down from 19 percent five years ago.

The company would not say how many new U.S. hires it has made in 2010. But its latest new investments are overseas, including $240 million for three bottling plants in Inner Mongolia as part of a three-year, $2 billion investment in China. The three plants will create 2,000 new jobs in the area. In September, Coca-Cola pledged $1 billion to the Philippines over five years.

The strategy isn't restricted to just the largest American companies. Entrepreneurs, whether in technology, retail or in manufacturing, today hire globally from the start.

Consider Vast.com, which powers the search engines of sites like Yahoo Travel and Aol Autos. The company was founded in 2005 with employees based in San Francisco and Serbia.

Harvard Business School Dean Nitin Nohria worries that the trend could be dangerous. In an article in the November issue of the Harvard Business Review, he says that if U.S. businesses keep prospering while Americans are struggling, business leaders will lose legitimacy in society. He exhorted business leaders to find a way to link growth with job creation at home.

Other economists, like Columbia University's Sachs, say multinational corporations have no choice, especially now that the quality of the global work force has improved. Sachs points out that the U.S. is falling in most global rankings for higher education while others are rising.

"We are not fulfilling the educational needs of our young people," says Sachs. "In a globalized world, there are serious consequences to that."

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