Outsourcing is the transfer of a company’s business core and shifting the activities externally to an outside firm. Outsourcing jobs has been highly debated issue with the increase of white collar jobs being exported to cheaper locations such as India, China, and Mexico many Americans are being left out in the cold. The issue is outsourcing a good thing or bad thing. The main types of outsourcing are IT services and Human Resources that include payroll, benefits and finance activities. There are arguments for and against outsourcing jobs and whether the government should intervene to help American workers keep their jobs. People, who support outsourcing, argue that it is very profitable and a cost saving way to provide companies with improved service and efficient business options. The U.S. economy has been evolving for years. U.S. corporations should offshore jobs to foreign countries to remain competitive in a global economy.

The common argument for outsourcing is that corporations reduce costs by capitalizing on lower pay wages and increased productivity. U. S. corporations would not have to pay medical benefits, social security, nor would they be restricted to child labor laws. The IT services that companies are taking advantage of are data entry, medical transcription, and call centers. Companies such as Bank of America, Motorola, and Microsoft have all outsourced jobs for cheap labor. In addition to lower costs, companies also receive tax benefits.

The New York Times reported” in July 2003 that IBM moved over 600 jobs from New York to India.” India is the largest offshoring market, and by a report by Aon Trade Credit “accounts for over 90 percent of the industry.” The United States is constantly losing high paying jobs with high technical knowledge to new industrialized countries. The U. S. economy has been behind for years compared to other countries in electronics, software and textile industries. China and Japan are the world leaders in developing new technology and innovative ideas to produce more efficient products. The countries that are producing the most are also recruiting a large number of highly educated workers from the U. S. Many top educators seek employment abroad for better pay and more advancement in the field. China and India have
improved dramatically in their education system in the last decade, so that they can support a competitive global market.

The government has had a trade deficit for the past two decades the Department of Commerce reported in February 2004 the trade deficit was $42.1 billion. The current U. S debt is continued to be financed by successful countries such as China, Europe, and Japan. With the increase expansion on the trade deficit this has had a huge impact on the value of the dollar. The purchasing power of the dollar has decreased compared to our foreign competitors and has increased our foreigner’s ability to purchase more goods and services. The trade deficit has also affected the federal funds rate falling to a 45 year record low 1.0%, the federal funds rate is the bench mark for other interest rates in other sectors of the economy, such as bonds, mortgages, and credit cards. The U. S. Federal Reserve continues to lower interest rates to stimulate the economy, and to help American workers to continue to purchase goods and services.

Another argument against outsourcing is that companies who outsource their business to foreigners will have a less educated and knowledgeable workforce. The U. S. has the best educated workforce in the nation and contracting jobs to another country will only limit the corporation’s ability to focus on their customers needs. The Organization for Economic Cooperation & Development reported that “30% of Americans aged 25 to 34 have a college degree compared to 24% for Japan and Germany. Workers that are better educated are more productive, efficient, and can adapt to rapid change in the workplace.

With the current election coming around, presidential candidate John Kerry has focused on outsourcing business and the creation of jobs, Kerry has referred to CEO’s that send work abroad as “Benedict Arnolds.” President Bush has recently signed an appropriations bill that will limit certain government agencies, capabilities to offshore jobs. There has been a variety of bills proposed to keep jobs in the U. S. One proposal is to seek tax incentives to companies who limit their outsourcing activities and to offer continuing education and training for their employees.

In Conclusion, outsourcing jobs is a natural evolution in the global economy and will only help U. S. Corporations become more profitable by eliminating unnecessary costs. The costs savings will lead to reinvestment for research and development. Outsourcing is a smart management practice and will improve customer service and will lead to a competitive market. Business are facing the challenge of competition and retaining customers while minimizing costs. The way to achieve this is to delegate labor to foreign countries that will offer economies of scale and will improve business strategies.

*Note: Students were not required to list works cited since all articles came from the class.*