

Explaining variations in client extra costs between

[Economics](#), [Globalization](#)



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It was the year 1990 when the word 'outsourcing' first gained fine attention in the business industries. At the brim of industrialization and globalization of industries, several changes in the society began. As an economic phenomenon, globalization is a shift from distinct national economies to a global economy. In today's "global village," the production of goods has been internationalized, and money flows freely and instantly across borders. It is virtually trade without borders.

In this system, multinational corporations wield vast power, while anonymous investors can foster material prosperity or cause devastating depression in any part of the world. Globalization is both a cause and a result of the modern information revolution. It is driven by dramatic improvements in telecommunications, incredible increases in computing power, and the development of information networks, such as the Internet. These technologies are helping to overcome the barriers of physical distance. With what results?

According to its proponents, globalization can be a whirlwind of trade and investment that builds economies and spurs development in even the world's poorest countries. For example, during the 1990's alone, foreign investors have poured one trillion dollars into developing economies. This phenomenal increase in international investment has made the building of roads, airports, and factories possible in poorer nations. Globalization has indeed been a force that has raised living standards for some across the world.

Peter Sutherland, chairman of the Overseas Development Council, says that “until recently, it took at least two generations for living standards to double, but in China, living standards now double every 10 years”.

Globalization is perceived as bringing unprecedented opportunities to billions of people. The staggering expansion of world trade has induced a wave of productivity and efficiency and has created new jobs. The Truth behind Outsourcing Strategies

Universally, globalization has placed great pressure on working people as governments force down wages and labor standards in an attempt to attract foreign investment with the promise of low costs. While some newly industrialized countries have profited from increased exports as a result of freer global trade, poorer nations have been largely excluded from the feast. Along with this, the economic enthusiasts saw the possibilities of using the low-cost options of taking the skills of other poorer countries in becoming a part of the work force of their growing economies.

It all seemed so practical at first; however, some considerations placed some pressures on the matter. True, the skills of the third world communities are indeed lower rated than that of the local American employees. This is the reason why putting up establishments in countries such as the Philippines, China, India and Taiwan have been much beneficial for many big corporate companies in the American continent. Their establishments or branches outside the country have cost them lower capital amounts and higher profits.

In every way, the companies really are able to get the best out of the said economic approach. On the contrary, there are some sectors of the

community that does not compromise to the expected beneficial effects of outsourcing to the economy. As said earlier, outsourcing is mainly the way in which companies are able to shift the company jobs from internal production towards an internal entity. This is in an aim to lower the costs of both production and capital expenses and in other way focus on the competencies of the company.

The Essential Effects of Outsourcing to the Society For the most part, hopes are set on an economic upturn. However, some people are skeptical and think that such an upturn will not have occurred until the year 2000. For others, recovery has already begun, but it is slow in producing results, as is evident from the recent drop in employment in Italy. Economic recovery does not necessarily mean a reduction in unemployment. While growth is modest, businesses prefer to utilize better the staff they already have rather than to employ others—that is, there is “ jobless growth.

” Further, the number of unemployed often grows faster than the number of new jobs created. The experts suggest many recipes for fighting unemployment. Some are even contradictory, depending on whether they are suggested by economists, politicians, or workers themselves. There are those who propose offering companies incentives to increase personnel by reducing the tax burden. Some advise massive state intervention. Others suggest distributing work differently and reducing hours.

This has already been done in some large companies, even though during the last century, the workweek has been systematically reduced in all industrialized nations without a reduction in unemployment. “ In the long

term,” maintains economist Renato Brunetta, “ every policy turns out to be ineffective, with costs that exceed benefits. ” Besides all the enthusiasm of governments to face the issue on unemployment through globalization and outsourcing, many still fail to reach their aims of giving better living options for the people of their own races.

Unemployment is an old problem. For centuries people have on occasion found themselves involuntarily without work. Once the job was finished, tens of thousands of workers used in large construction projects then became unemployed themselves—at least until they were absorbed elsewhere. In the mean time, they led a rather precarious existence, to say the least. Today, as outsourcing is directly implemented by many corporations, the American society is indeed a threatening issue for local American Workers.

In a country where most people are expected to have work and work their way to be able to get the basic necessities in life, it is not easy to live by with no work at all. Certainly, unemployment is a major problem for the population in this community. This is the reason why the implementation of outsourcing has been much questioned and rejected by the wide working population of the American society. True, as the jobs are given to the other establishments outside America, many potential workers from the local American community lose their chance on being able to work for the company.

As a result, part-time jobs became a trend to the labor sectors in America. “ American workers are actually working or producing for only about 55 per cent of the time they are on the job,” answers a report from Theodore Barry

& Associates, a management-consulting firm. “ By contrast, their grandfathers produced for 80 to 85 per cent of their time at work. ” Though productivity of workers in other industrial nations is also down significantly, American productivity is down more sharply. The wasted time is said to be costing U. S. business \$350 billion a year. (Dobbs, 6)

Conclusion Indeed, the idea of globalization was believed to bring in some definite fine success behind the economic progress aimed by the Global trade industries. However, outsourcing, as a result of this economic breakthrough has caused a lot of problems to many local workers of the large-scale economy of different countries around the world. Certainly, it must always be considered by economic industries that being able to create economic innovations designed to promote global progress must not only be focused on giving opportunities of profit for business investors.

Instead, it must always be an innovation's aim to provide benefits to all the sectors of economy, thus making the distribution of profit rather equally given to the different sections of the global economy.

BIBLIOGRAPHY

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