

# Job outsourcing's effects on the economic growth

[Business](#), [Work](#)



The outsourcing of Jobs affects the economic growth of a country both positively and actively, for capitalists it is a welcoming deed but for a common citizen, still it is a nightmare. Outsourcing in Canada creates many controversies about Canadian economic growth. Mainly IT companies and auto mobile companies are outsourcing their Jobs in Canada, banking sectors are also doing the same. When it comes to economy of the country, these business organizations which are doing outsourcing can contribute more revenue to the government. But, always a good economic stability can be achieved by ensuring the economic status of a common citizen.

In those terms, we can't say that outsourcing always shows a positive sign to the economic development of a country. According to the Dun & Broadsheet barometer of global outsourcing, more than 30 cents of every outsourcing dollar is related with information technology expenses. Based on their survey, in 1999 IT field spent more than \$7 billion for its own outsourcing only. This shows an increment of 10 % or \$700 million than the year 1998 (Joanne, Mar R, 1998). This sort of increments in spending on outsourcing shows that, companies are interested to subcontracting their Jobs, which means they are profitable by this deed.

It improves the revenue of the company in low investments, this revenue hike may result in the Canadian economic growth and in a long run government of Canada also become the beneficiaries of this income in terms of taxes and insurance (Unknown, 2014). But the remarkable thing is that, this income may not be able to maintain the Gross National Product of the country. If we apply the principle of virtuous cycle in this case, we can identify that the

companies which are outsourcing their jobs are working on the basis of virtuous cycle.

In less payment they are making more money and automatically the government also become a part of this virtuous cycle. For example, Sears Canada Ltd. Outsource their telemarketing and call centre services to an American company called Dial America Inc. Since 1995 and they also give the same jobs to Philippines, according to the company's vision, they improved their customer services and telemarketing functions in a cost effective manner. This process improved the financial status and customer satisfaction of the company, eventually it reflects in the economic growth of Canada (Dotson, Sandy, 1997).

On the other hands, outsourcing is a threat to the economic growth of the country, mainly in the case of unemployment. The recent surveys show that the rate unemployment has been increased than the rate in 2009 recession. One of the major reasons for this joblessness is outsourcing. A lion share of the works of Canadian banks and Canadian financial services were done by Indian information technologists, Bank of Nova Scotia, Royal Bank of Canada and AD Canada trust are the major clients of Indian IT tycoons such as 'Gate and DATA consultancy services (Unknown, 2014) Unifier Swan, 2013).

This kind of over outsourcing results in unemployment and naturally it affects the standard of living of the common people in the country.

According to the words of Ermine Willingly, a senior economist, found that, a number of people were earn an average annual income of \$30000 to \$60000, but due to the outsourcing they lose their income quickly and all

those people fell in a jeopardy. Those people may suffer homelessness and bankruptcy; it will put a citizen into trouble, and the economic status of this kind of people may affect the total economy of the country (Unifier Swan, 2013).

For example, last year 41 employees in Canadian imperial bank of commerce (CIBC) lost their job due to IT outsourcing. In the same way AD bank also announces the replacement of its 100 employees and RIB also were in the same risk in the case of 45 employees (CB News, 2013). Along with that, several problems such as slackening of managerial control, hidden cost in production or services and the quality problems are the another demerits of Job outsourcing.

Security and confidentiality threat is the another major disadvantages of job outsourcing, for example, a new concept, design of a products, documents of employees etc. (Buick, 2014). These all disadvantages may affect a country economic stability directly or indirectly. When it comes to the application of virtuous cycle in his case, it will not work well with the unemployed community in the country. Because, here in this case, people lost their jobs and they don't have the capacity to enjoy the facilities or customer services that provided by the multinational firms.

This means, most of the Canadian companies are accepting subcontracts to increase their productivity by cost cutting, and they are trying to reach their product to common people, but most of this citizens are the persons who were thrown out from these companies. In that manner they don't have the capacity to avail the services provided by these companies. So, still the

principle of virtuous cycle is works with the firms and it works opposite to the Canadian community. To put it in a nut shell, outsourcing can make both the positive and negative effects in the economic development of a country.