

America outsourcing

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



Outsourcing has been a subject of debate in the world's developed countries with questions on whether it should be regulated. This follows the effect that outsourcing has had on the economies of host countries. Top in the agenda is the loss of jobs to outsourcing which has led to income inequality and joblessness in the host countries.

The benefits of outsourcing however remain significant in these economies earning large amounts of revenue. To illustrate this facts, the case of General Electric will be used to analyze the role that outsourcing has played in the U. S economy.

Impact of outsourcing on GE and their decision to have multiple outsourcing partnerships.

General Electric (GE) has placed strong emphasis on expanding their business to international markets through outsourcing which has not only provided the company with huge revenues but also given it a strong command as the biggest company in the world by market specialization in 2004.

Its international presence which has proved to be very powerful has given GE a competitive edge over other companies in the U. S which have not outsourced as expansively as it has. GE has benefited from the advantage of cheap human capital available to it in Asia, Mexico, India, China and other countries in which it ventured into.

GE which specializes mainly in financial services, medical equipments, jet engines, plastic manufacture among others cannot at one time regret the decision to outsource to these countries as a result of the gains they have

obtained. In India for example, the GE benefited from the large group of educated English speaking locals who provided inexpensive labor for the company.

It is estimated that with two to four years experience a computer programmer in the US earned \$62, 000 while the same person earned \$10, 000 only in India.

These reduced costs have fostered savings for the company giving it room to expand its activities even more. GE now boasts of its presence in over one hundred countries. Of the total revenue that GE earned in 2003, 45% came from the international markets which goes on to show that outsourcing has had a positive impact on the company.

The company apart from benefiting in cheap labor imported materials from its home country, processed it in the subsidiaries and then sent it back to the country. The effect of this is that the production costs were reduced and the products were sold at the same price. The foreign countries also provided market for the products as well as supply of cheap and available materials.

The decision for GE to have multiple outsourcing partnerships can mostly be attributed to the gains in cost cutting it was bound to benefit from such kind of arrangements. Consider that GE earns 45% of its revenue from foreign subsidiaries. This is the major reason for GE to continue outsourcing to maintain a significant flow in its revenues.

As stated earlier, GE stands to obtain numerous advantages from investing in the foreign countries through outsourcing. It comes in as the nature of

business to take advantage of available resources and making the maximum use of them to obtain maximum benefits.

GE through outsourcing has established international partnership and it stands to gain a lot in terms of profits and reduction of costs. In the case of Mexico, the government provided for duty free import of raw materials, testing equipment, telecommunication equipments, tools and machinery. This was aimed at increasing foreign direct investment of the country which would in turn benefit from the improvement in infrastructure and an increased job market for its citizens Warden, S. (2002: 124-133).

GE was hardly affected by the income tax law which also provided for refunds on money used to export products by GE from Mexico to U. S (Vietor, 2007: 4). As a result of the huge savings made, the company advanced at a high rate establishing many plants in Mexico producing electronic motors, capacitors and lighting devices.