

Outsourcing harms and threats the united states' economy essay

[Business](#), [Accounting](#)



“ Outsourcing happens when a corporation decides to purchase a kind of product or service from a source outside of the company” (Herbert, 2004). It generally refers to products or services that were once done in-house, now purchased from a source external to the company. “ When a multinational company moves or expands some of its operations and jobs to overseas locations, this is referred to as off shoring or offshore sourcing” (Herbert, 2004). Corporations are willing to develop their outsourcing strategy because outsourcing would enable U.

S. companies to lower their prices in foreign markets and take advantage of growing incomes in those nations. However, a growing trend in the economy about the negatives of outsourcing cannot be ignored by public. Three of the most important negative effects are the risk of losing key skills to competing for the future, the risk of decreasing the employment of U. S as well as the threat of national competitive and safety.

Outsourcing cause to lose key knowledge and the capacity to innovate “ Decades of outsourcing manufacturing have left US industry without the means to invent the next generation of high-tech products that are critical to rebuilding its economy. ” as noted by Gary Pisano and Willy Shih (2009) in a classic Harvard Business Review article, “ Restoring American competitiveness”(p. 1). It is undoubted that creating job offshore instead of using high-paid U.

S. workershelp companies cut cost effectively. To competewith those developing countries’ companies who possess labor absolute labor advantage, it is crucial for U. S. companies to take advantage of the lower

overseas. However, the process also accelerates the transfer of knowledge to foreign workers. Plenty of them then go back to their local companies and take away the advanced technology of U. S.

So these developing countries, such as India and China, not only have low-cost labor but also rapidly assimilate the technology and know-how from the local U. S. plants. They gradually become powerful competitors and potential threats for the U.

S. companies. In fact, studies show that Indian IT companies have been consistently surpassing their U.

S. counterparts, even in U. S.

markets (Hira, 2005, p. 10). Meanwhile, the decline of manufacturing, caused by outsourcing, has set off a chain reaction. Once manufacturing is outsourced, process-engineering expertise can't be maintained, since it depends on daily interactions with manufacturing. " Without process-engineering capabilities, companies find it increasingly difficult to conduct advanced research on next-generation process technologies. Without the ability to develop such new processes, they find they can no longer develop new products" (Pisano ; Shih, 2009, p. 7).

Thus Amazon can't make a Kindle, or Apple can't update a new iPad, in the US, even if they wanted to. The knowledge needed to make them has gone, along with some of the capacity to innovate and make the next generation of products. Outsourcing decreases the employment in the U. S. The stakes of

long-term outsourcing strategy are vast, not just for our economic situation but also for all other aspects of our life, especially in employment. According to the Department of Labor reports, more than one in three workers, who are displaced, remains unemployed, and many of those who are lucky enough to find jobs take major pay cuts (Denning, 2012, p. 10). The track record for the reemployment of displaced U.

S. workers indicates that outsourcing a large number of jobs overseas inevitably results in the decline of the U. S.

's employment in the long-term. An increasing number of U. S. workers are now facing the unenviable situation of decreasing employment opportunities and fierce competition with foreign low-wage workers. In addition, critics of outsourcing also complain that the government, with the drive of economic benefits, is actively pursuing policies that accelerate outsourcing by encouraging companies to create jobs offshore while there are so many unemployed people in America.

Meanwhile, a wide array of jobs has already been shipped overseas. The job losses are not limited to low-level jobs; Company management positions and others of the highest paid jobs are being outsourced as well. The negative effect on constantly looking for cheap foreign labor gets obvious when more white-color workers lose their jobs due to the outsourcing. Therefore, excessive exploitation of this cheap offshore labor threatens to upset the balance in the demand and supply of labor and will eventually result in inappropriate structure of job market and depressed employment

environment (Pearlstein, 2012). Outsourcing threatens the national security of U.

S. Outsourcing is not just about jobs. Its potential impact is not only on our quality of life but also on our national competitiveness and national security. Any work that can be sent over a wire can be sent offshore, including technology, finance, accounting, newspaper reporting, medical and legal services, and high-level engineering design. One report estimates that 2.3 million U. S.

jobs in banking and securities may move overseas. Another study predicts that 700,000 customer service and corporate back-office jobs will move from the United States to India by 2008 (Hira, 2005). As a result, highly sensitive information on personal finances and medical records is being handled offshore with jobs overseas. The loss of individual information can possibly be taken advantage of by criminals, which potentially threatens the personal safety of people in U. S. Moreover, outsourcing is taking away the workforce that has been a key part of our winning formula. Once we lose the high-tech jobs, then why would our most capable minds study engineering, computer science, biotechnology, or any of the other promising fields that will create national competitiveness in the future" (Hira, 2005, p.

8)? Given that U. S government has paid more attention to short-term profits from outsourcing instead of integrating projecting, other countries that make a long-term preparation for outsourcing has beyond U. S in majority of fields. In addition, we need to maintain the national capability to stay ahead of their

technological knowledge to resist the terror force. If we allow outsourcing to wipe out our base of technical workers, we will leave the nation vulnerable to foreign powers. Above all, with the development of outsourcing strategy all over the world, applying for outsourcing strategy not only helps corporations to gain more profits but offers more opportunities for a country to adjust its economic fragment.

However, the accompanying negative effect, including losing the capability of innovation and know-how, reducing the employments in the U. S. and threatening the national security cannot be ignored. References Denning, S. (2012).

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