Reaction paper 6

Literature, Russian Literature

Task: Employment economics Introduction Off shoring is a term that implies taking a company’s branch in a foreign country while maintaining headquarter in the local country. Outsourcing on the other hand means either to recruit foreign workforce in the local company or to employ a foreign workforce in the foreign subsidiary. Many companies such as Google, General electric and Ford applied the two concepts in quest of cheap labor from the foreign countries like China, India and Indonesia. The companies had implemented the strategies in order to cut back on the cost of labor and improve the companies’ profitability levels. The once famous off shoring and outsourcing strategies are not as beneficial to the companies as it used to be. Companies like Ford motors are reconsidering closing their subsidiaries located in the foreign countries (Here, there and everywhere par. 4-15).

The reason for this major reorganization is the constantly increasing cost of labor in countries that once provided the cheapest labor in the world. The increasing cost of labor in countries like China deprives the companies that have their existence in China, an opportunity to generate high revenues. Second, most companies have realized that it is highly risky to produce in a foreign country away from the major market target. The disadvantage this creates is a low response to the change in consumer needs due to the extended time between acquiring the information and implementing a strategy to respond to the consumers needs. This renders most companies less competitive. Third, the off shoring has another side effect that is the increased transportation cost due to shipments made over a long distance. Fourth, the distance proved to destabilize the supply chain of most companies. The named emerging pitfalls of off shoring have forced most companies to move their operating location back home. This major reorganization also applies to the service industry. This trend is likely to cause an explosion of job opportunities in the U. S, thus increase the employment rate. Therefore, the U. S job market could run short of employees in the short-term (Here, there and everywhere par. 4-15).

There is a heated debate about the effect of technology on employment. Some argue that the increasing sophistication in the technological environment reduces the level of employment as computers and robots replace human labor. This section of people justifies their point by sitting the increase in productivity levels in the U. S while the unemployment rates decrease. Another section of people with a different opinion argues that technology is not to blame for the increase in the rate of unemployment in the U. S. but rather, the reason is demographic. They argue that the only current effect of technological advancement is inequality. The inequality is caused based on the IQ level of individuals. That is, those with high IQ – the smart ones – generate higher earnings than those with average and low IQ. For instance, the creator of the Face book, Mark, due to his high intelligence was able to create jobs for thousands of people. He was already a billionaire at his 20s while there were some older people who could only dream of getting to his level. The U. S is the world’s technological herb. Highly competent employees are employed faster than the average performing employees are. The increase in demand for high IQ employees could lead to lack of employment opportunities thus unemployment (Atkinson par. 3-21).

The recent unemployment rate in the U. S is said to be caused by Skills mismatch. Economists argue that if that were the case, then there would be fewer employees to fill the available positions in the companies. Companies would react to the employee deficit by increasing the salary and wage rates in order to attract more employees that are qualified. The argument that is said to best fit the rate of unemployment is low demand for employees. Corporations and other enterprises are experiencing a lower sales season. The situation discourages production, thus companies find no wisdom in hiring any additional employee. This has been the major force behind unemployment in the U. S (Shierholz par. 7-17).

Works Cited

Atkinson, Robert T 2013, Stop saying robots are destroying jobs –they aren't. Web. 24 Feb. 2014. http://www. technologyreview. com/view/519016/stop-saying-robots-are-destroying-jobs-they-arent/.

Here, there and everywhere 2013. Web. 24 Feb. 2014. http://www. economist. com/news/special-report/21569572-after-decades-sending-work-across-world-companies-are-rethinking-their-offshoring.

Shierholz, Heidi 2014, is there really a shortage of skilled workers? Web. 24 Feb. 2014. http://www. epi. org/publication/shortage-skilled-workers/.