

Case week 2

Business



Case Week 2 Case Week 2 Summary The article "Moving U. S. White-Collar Jobs Offshore" is about the current trend among U. S. corporations to outsource white-collar jobs to low-wage countries such as India and the Philippines. The essay cites several examples of U. S. companies which have decided to hire employees outside of the U. S. because of the cost savings that they realize from the lower cost of labor in other countries. The author pointed out that whereas the trend before was for blue-collar jobs to be outsourced to other low-wage countries, nowadays even white-collar jobs are being outsourced. U. S. companies justify this trend by indicating that it reduces their costs which in the end, makes them more competitive globally.

2. Questions

a. Who benefits from the outsourcing of skilled white-collar jobs to developing nations? Who are the losers?

The country that benefits from the outsourcing of skilled white-collar jobs to developing nations are the developing nations because it provides employment to their people. The losers are the other skilled white-collar workers in the rich nations because they will find difficulty in looking for a job since it was outsourced from other countries who have a much lower labor cost. These white-collar workers in the rich country may either be out of job or will be forced to accept a job which offers a lower rate just to remain competitive. Opponents of outsourcing claim that "the loss of competitive advantage to other countries is permanent and the American worker and economy lose forever (Saleem, 2008).

b. Will developing nations like the United States suffer from the loss of high-skilled and high-paying jobs?

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Yes, the United States will suffer from the loss of high-skilled and high-paying jobs because most companies would rather hire individuals from Third World countries who have the same skills as those found in the U. S. but the cost of labor will be cheaper. Since outsourcing means fewer jobs for the Americans, it means that the unemployed sector of the U. S. will not have the capacity to spend. If they do not have the purchasing power, then those who produce the goods will not earn too (Saleem, 2008). Proponents of outsourcing however say that outsourcing is necessary for the productivity and competitiveness of the U. S. economy since the companies realize cost savings from hiring people at lower rates. (Elstrom, 2007).

c. Is there a difference between the transference of high-paying white-collar jobs, such as computer programming and accounting, to developing nations and low-paying blue-collar jobs? If so, what is the difference, and should government do anything to stop the flow of white-collar jobs out of the country to countries such as India?

There is not much difference between the transference to developing nations of high-paying white-collar jobs and blue-collar jobs because it all boils down to lost jobs for the Americans. The government can initiate a lot of moves to stop the flow of white-collar jobs out of the country. The first step that they can do is to reduce the payroll tax, which is a burden to the American workers and which creates a competitive disadvantage for them (Yasgur & Nounou, 2003). Another step that the government can undertake is to decouple health insurance from the employment status because it unduly increases the cost of hiring domestic workers; thus, jeopardizing their chances of being employed. Furthermore, the government can assist in retraining the unemployed workers and relocating them in other areas of the

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country where their talents are badly needed.

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