

the global economy

Here's a stat: 90% of U.S. jobs can't be outsourced



Jerry Haar

One of 20th-century America's great musical innovators, avant-garde composer John Cage exclaimed: "I can't understand why people are frightened of new ideas. I'm frightened of the old ones."

Yes, new ideas can be frightening. Witness the recent brouhaha in the United States over "outsourcing," specifically its international variant "offshoring."

Globalization's more tangible cousin, outsourcing is stirring the passions of large swathes of the population and emerging as an issue in the 2004 elections.

While opponents of outsourcing have been the most vociferous, its proponents have not been silent, only more reticent in their arguments. When Gregory Mankiw, chairman of the President's Council of Economic Advisors, proclaimed the positive feature of outsourcing – "just a new way of doing international trade" – there was such a negative uproar that the administration had to backtrack and otherwise sanitize Mankiw's valid (but politically incorrect) assessment.

On the other end of the spectrum CNN's Lou Dobbs has mounted a one-man media *jihad* with his "Exporting America" series in which he practically attributes to outsourcing every calamity from global warming to jock itch.

But outsourcing and offshoring are not all that new – only the excessive attention to it is. For the last three decades, technology, innovation and productivity improvement systems have enabled industries worldwide to produce a greater and wider variety of higher quality industrial and consumer goods at a lower price to an ever, expanding customer base.

For the United States, productivity growth has averaged 5 percent or more; and while manufacturing jobs have been declining overall – a worldwide phenomenon, affecting Brazil, Mexico and China, as well – they have actually been growing in selected industries, such as aerospace, biomedical technology and information systems.

Higher value-added services is still another area where job growth is actually increasing. One need look no further than the downtowns of Miami and Fort Lauderdale, where our global competitive advantage in professional services is contributing to a local construction boom in both commercial and residential properties. (No doubt there are professionals in these fields overseas who are whining and moaning about the outsourcing of their jobs to South Florida and elsewhere in the United States.)

In an illuminating piece in the current issue of *Foreign Affairs*, University of Chicago professor Daniel Drezner masterfully demystifies the outsourcing bogeyman.

With a slew of hard numbers he challenges the hyperbolic claims of the anti-outsourcing crowd. Two facts stand out: (1) close to 90 percent of jobs in the United States require geographic proximity and, therefore, cannot be outsourced; and (2) in the present labor market of 130 million, only 300,000 jobs have been outsourced – 0.2 percent of the U.S. workforce – and most economists do not expect that percentage to change much.

Why? Because while standardized business tasks like IT support can be "off-shored," complex, interactive and most innovative ones such as marketing and R&D will continue to be done "on-shore."

Additionally, not every outsourced operation is successful: Dell, Lehman and a slew of other firms have moved call centers and other "off-shored" activities back to the United States. While IBM announced in January that it was cutting 3,000 jobs, it also stated that it expected to hire 4,500 new employees.

In addition, those overseas locales that are taking in outsourcing work are importing lots of equipment and services from the United States. And let's say an engineer in Ohio loses his job to a programmer in Bangalore, India, and that Indian engineer takes his family to Miami Beach and Orlando for a vacation (flying American Airlines), frequents our restaurants, shops and even purchases a condo in Aventura. Are those net benefits to the United States and South Florida economies cited in the outsourcing debate? No.

The global restructuring of manufacturing and services continues unimpeded with sweeping gains in technology, productivity and innovation, benefiting far more people than those who are harmed by this trend.

While governments and politicians the world over are increasingly addressing the issue of outsourcing – President Bush overstating the upside, presumptive Democratic presidential candidate and U.S. Sen. John Kerry overstating the downside – it is imperative that workers assume greater responsibility for their own career development and employment competitiveness.

As Sidney Weintraub of the Center for Strategic and International Studies in Washington, D.C., notes: "The future of the U.S. economy does not rest on retaining the jobs now being outsourced, but on the creation of a population with ever-greater skills."

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