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Assignment 6: Globalization and Offshoring of Software

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The ACM commissioned a study on the effects of job migration around the world within computing and information technology fields. The findings of the study have been published in a report called “Globalization and Offshoring of Software.” To summarize, the study presents a list of findings and recommendations with regard to the current status and future of globalization and offshoring in computing fields. Outsourcing of jobs in technological fields is the latest trend, simply because of its cost-effectiveness for large companies. A comparable job overseas would certainly pay less than the same job in the United States. In addition, some may argue that if jobs continue to be moved overseas where the cost of labor is cheaper, then the U.S. economy will suffer, as American workers will find themselves without jobs. Of all the findings of the report, the most interesting is the following: “Both anecdotal evidence and economic theory indicate that offshoring between developed and developing countries, can, as a whole, benefit both, but competition is intensifying.”

Companies world-wide have been moving jobs around the world to minimize the cost of their labor forces. This has some attractive benefits: the cost of a product to the consumer is decreased and the company is able to increase their profits. However, some may argue that companies that actively relocate jobs from the United States to other countries are hurting the American workforce. Also, if American workers lose their jobs, then they cannot afford to buy these products that are being made elsewhere. From my experience as a U.S. citizen, I perceive outsourcing to be a mixed-blessing. For workers in IT-related industries in the U.S., there is much fear that IT jobs will be difficult to find these jobs in this country in the future. That fear may dissuade students from studying Computer Science in future years. In addition, from what I understand, the effect of outsourcing on the countries that are on the receiving end of the job migration (such as India) is not entirely positive. While the movement of business into these countries is clearly a good thing for their economies, I have heard that the people employed experience a situation where their education becomes somewhat devalued. For instance, I have a friend from India who tells me that most of the people employed by U.S. IT companies in India have Masters degrees and work in call centers. Clearly, an employee with a high level of education should be qualified for more interesting work.

In his article, “The Outsourcing Bogyman” (published in *Foreign Affairs*, May/June 2004), Daniel Drezner a Professor of Political Science at the University of Chicago argues that the alarmism regarding outsourcing of American jobs is misguided. He claims that outsourcing brings more benefits than costs, at the present and in the future. This article was published over two years ago during the peak of the outsourcing movement. Since then, many U.S. companies have decreased their outsourcing efforts.