Effects of IT Job Outsourcing in the United States

Posted on January 30, 2020

Chapter 4: Findings

The purpose of this quantitative research study was to investigate the impact of outsourcing IT jobs concerning technological developments and improvements in the United States. Swar, Moon, Oh, and Rhee (2012) described the total quality management (TQM) theory and placed emphasis on the need for constant corporate tactical progress on a 10-point practice. The independent variable was operational cost savings, and the dependent variable was total cost savings for the strategic outsourcing plan. The simple and randomly selected method was used for the participants in this study, using the most current and liable official data statistics from the Bureau of Labor Statistics. Research questions one and two were analyzed using the t-test to test operational cost savings, and the multiple regression analysis was used to test the total cost savings. The study used correlation analysis to test hypotheses $H1_0$ and $H2_0$. The correlation analysis decided whether job outsourcing measured in activities and operations within an unsteady and steady information technology division was related to production measured by output hourly and per person quarterly. A descriptive statistical analysis was conducted using the SPSS software for the study data to determine means and frequencies. The following two research questions helped lead this quantitative study:

Research Questions

The following research questions and hypotheses recommended for this quantitative study involve the measurement of activities and operations in an unsteady and steady global economic impact of information technology job outsourcing.

Q1. What is the relationship between the activities and the unsteady global economic impact of information technology job outsourcing?

Hypotheses *(Quantitative/Mixed Studies Only)*

$H1_0$. A measurement of the activities will have no chance of operations in an unsteady global economic impact of information technology job outsourcing.

$H1_a$. A measurement in activities will significantly decrease operations in an unsteady global economic

impact of information technology job outsourcing.

$H2_0$. A measurement of the activities will have no chance of operations in a steady global economic impact of information technology job outsourcing.

$H2_a$. A measurement in activities will significantly decrease operations in a steady global economic impact of information technology job outsourcing.

The results of the study provided businesses and the general public with insight into how information technology job outsourcing would change the lives of all involved for the good or bad. The decision to outsource for some allowed those to cut operational savings and cost savings abroad. For others, their choice not to outsource allowed those in the U.S. to stay employed, and money was put back into the economy.

Findings

From the research, it is obvious that outsourcing jobs are not new to Americans. They have been used as a competitive advantage in the multinational market. Also, outsourcing jobs have not only been used by Americans but have become the trend in Japanese and European countries. Different countries used outsourcing jobs to have better expertise to perform specific tasks, but somehow it always left an impact on the productivity and the economy of the country. The same has been the case with America. Especially in the 90s, when information technology outsourcing jobs were introduced, the economy of the countries was highly impacted either in a positive way or negative way.

Outsourcing jobs are a better option for countries that don't have workers to work or do not have expertise, but when the country has skilled and educated people, then outsourcing jobs leave a negative impact on the productivity and economy of the country. IT outsourcing jobs started when communication became easier and faster with the use of the internet and other communication devices. The Internet made the World a global village, and people started to communicate with each other in the easiest and fastest way. When the people were getting benefits from information technology, then the industrialists and other professionals also thought to get benefits from IT by outsourcing jobs.

IT outsourcing jobs eliminated the geographical restrictions, and distance became no issue. The professionals in any country could hire any employee from any other country, and thus hiring for specific difficult tasks became easier. The trend of IT outsourcing became popular when the United States lacked IT programmers, and they had to hire experts from other countries. The IT professionals and the industries have begun to hire experts from other countries, such as India or China, and get benefits from outsourcing. In the U.S., IT outsourcing also became a trend because the expertise and well-educated employees from other developing countries agreed to work with the U.S. companies at low wages, and thus, it was beneficial for the business sector of America.

The workers or the experts from other countries, such as India and China, also agreed to work with American companies because these countries had a lot of workers, and due to the surplus of workers in these countries, the workers were ready to work with American companies at low wages. There is confusion; people think that outsourcing means hiring people from other countries, but this is not the case. When an American company makes a contract with another non-American company, then it can also be referred to as outsourcing jobs because, in this way, the earner or the employee is not American. Or the contract may be done with the American company but in other countries.

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When analyzing the Bureau of Labor Statistics of America, it is observed that since 2011, the U.S. has been losing so many jobs due to outsourcing jobs. According to the estimates, approximately 2,273,392 jobs were lost due to outsourcing jobs in America. The details of the outsourcing ratio in different industries in America are shown in the figure below. The figure shows the complete statistical position of outsourcing in America. It is clear from the results that the Administrative industry is the one that is least interested in outsourcing jobs, whereas the information technology (IT) industry is using outsourcing jobs with a great ratio. According to the statistical results, outsourcing jobs have been used by Human Resources, IT, Sales and Marketing, Finance, Administrative, and other industries (Hemani, 2017).

No doubt that results have shown that America is more inclined towards outsourcing jobs because it is easier to get cheaper and skilled labor from other countries at low wages, but then the question remains: how is it affecting the economy of the United States? And to answer this question is the main motive of our research.

Although it seems that the United States is getting so many benefits from outsourcing jobs and enjoying the cheap labor who is skilled and experienced in their work, this is not the actual reality. For everything that provides benefits, there are some chances of loss as well, and the better thing is the one that provides more benefits and less loss. However, this is not the case in terms of outsourcing jobs because it provides fewer benefits but more disadvantages to the country.

According to the statistical results of the 2013 Bureau of Economic Analysis, US overseas affiliates employed 14 million workers in 2013, which seems great as it became easier for the IT industrialists to get a better workforce at cheap rates without the restriction of geographical position but this must be weighed against the losses to America (Amadeo, How Outsourcing Jobs Affects the U.S. Economy, 2017). With the growth of IT outsourcing jobs, the competition is increasing in the global marketplace, and thus, the industrialists can have workers at cheap wages, which, as a result, keeps labor costs low; when the country's labor costs are lower, living standards may also decline, thus affecting the country's economy (Meghan O'Neill, 2016).

Also, with the increase in outsourcing jobs, U.S. unemployment is increasing. Now, companies can hire IT workers from other countries at a very low wage, for which an American will never be ready. When the experts at cheap rates are available, then the companies do not give a chance to the skilled

and experienced Americans, and thus it causes an increase in unemployment. According to the records of the Bureau of Economic Analysis, if 14 million workers were hired from other countries in 2013, then it means that it doubled the number of 7.5 unemployed Americans (Amadeo, How Outsourcing Jobs Affects the U.S. Economy, 2017). Wouldn't it be better to hire Americans rather than foreigners?

No employment in the country means no value for experts and then no living standards, which will raise so many issues within the country. However, the present President, Donald Trump, has declared that he will bring all American jobs back to the country, so a decrease in unemployment can be expected (Amadeo, How Outsourcing Jobs Affects the U.S. Economy, 2017).

Outsourcing is not only increasing unemployment in the United States, but it is also affecting the competition between U.S. companies as outsourcing has enabled the companies to hire workers from other countries at a very cheap rate so they can manage reasonable costs for consumers. However, if the laws to artificially restrict job outsourcing are implemented, then U.S. companies will have to hire U.S. workers at a very high rate, which will, in return, affect the costs for consumers, too, probably higher costs for consumers.

In this way, most of the companies will not be able to manage their budget and afford the high rate of employment, and the pressure might lead them to move their operations overseas, or the companies may be forced out of business due to expenses for the high rate of employment. This will somewhat reduce the competition among U.S. companies. But again, when there are negatives, then there are positives, too, and the major focus is always positive. When the companies start hiring U.S. workers, then this will result in a reduction in unemployment, yielding better living standards and better economic conditions in the United States of America.

Now, the question arises of why U.S. companies are outsourcing jobs. In the U.S. business sector, it is essential to compete at the global market level, and thus, it is important to provide products at a reasonable rate so that the consumers will be able to buy the products and thus will, in return, raise the U.S. companies' market reputation in the global market. If the companies hire Americans, then they have to pay much to their employees, and thus they become unable to reduce the costs of the products. However, it is easier to hire workers from other countries because an IT worker in China earns $7,000 per year, and an IT worker in India earns $8,400. If the U.S. companies hire the same experts, the skilled workers from other countries such as India or China, then the companies will hire them at very cheap wages, which will, in return, enable the companies to reduce their product costs for consumers.

The workers from other developing countries become ready to work for low wages because the individual who earns $7,000 per year in China can earn $22,600 when working with a U.S. company. Similarly, a person who is earning $8,400 per year in India can earn $30,800 per year when working with U.S. companies. Thus, the workers become ready to work with U.S. companies, and both work for their benefit. But these benefits affect the U.S. economy in the worst way because the Americans who

were earning $30,000 per year while working with U.S. companies are now unemployed and do not have enough money to have a better life.

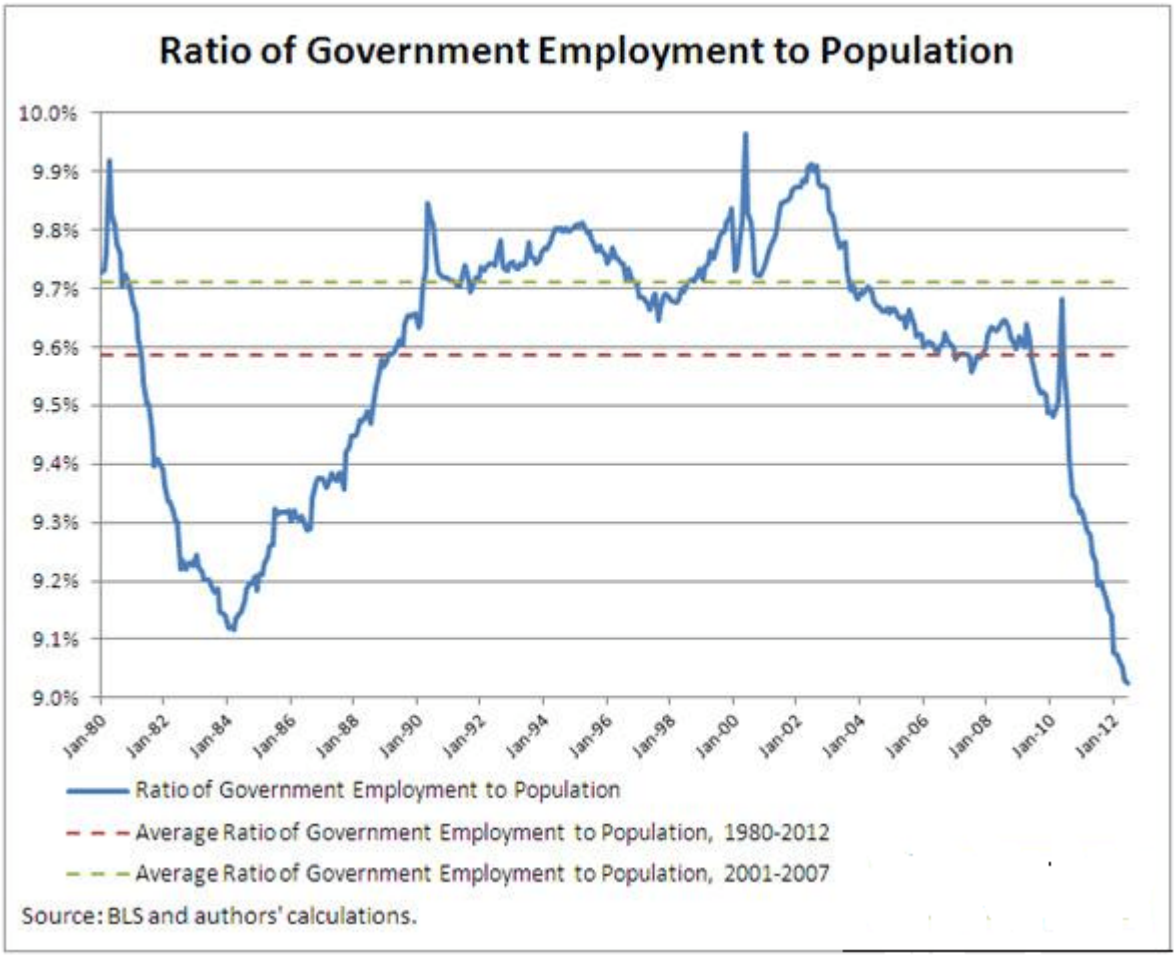
Outsourcing was established in the United States for two purposes. Firstly, outsourcing was established to reduce the prices of goods, and secondly, to increase the demand for goods from other countries. It was expected that the progress of the business sector or the increase in demand for goods from other countries would have a positive impact on the economy. It was also considered that Americans would be able to buy good-quality products at lower prices. It was also considered that outsourcing would make companies able to hire employees from other countries and increase the demand for products from other countries, which would make American companies prominent in the global market. Moreover, the target of the companies was to increase the competition between the American companies because when they provide great quality products at low rates, then this will increase their sales and reputation in the global market.

The results, finally, were opposite to the expectations. With the increase in IT outsourcing, the economy of the U.S. was negatively affected due to loss of skill level, dependency on other countries, and charming innovations. No doubt, with the increase in competition in the business sector, the U.S. lost competition in skill levels, which highly impacted the economy of the country. Similarly, with the decrease in the costs of the products, the U.S. faced an increase in dependency on other countries. With the increase in outsourcing jobs, companies were highly dependent on the workers of other countries and thus indirectly dependent on other countries (Amadeo, How Outsourcing Jobs Affects the U.S. Economy, 2017).

Also, with the increase in the availability of experts and skilled workers at low wages, the U.S. faced great harm to innovation, and the talent of the United States was highly affected due to outsourcing jobs. Outsourcing also resulted in sending out Research and Development abroad and thus harmed the innovation of the United States and makes the country dependent on the other country. With such outcomes, who can expect good results at the economic level?

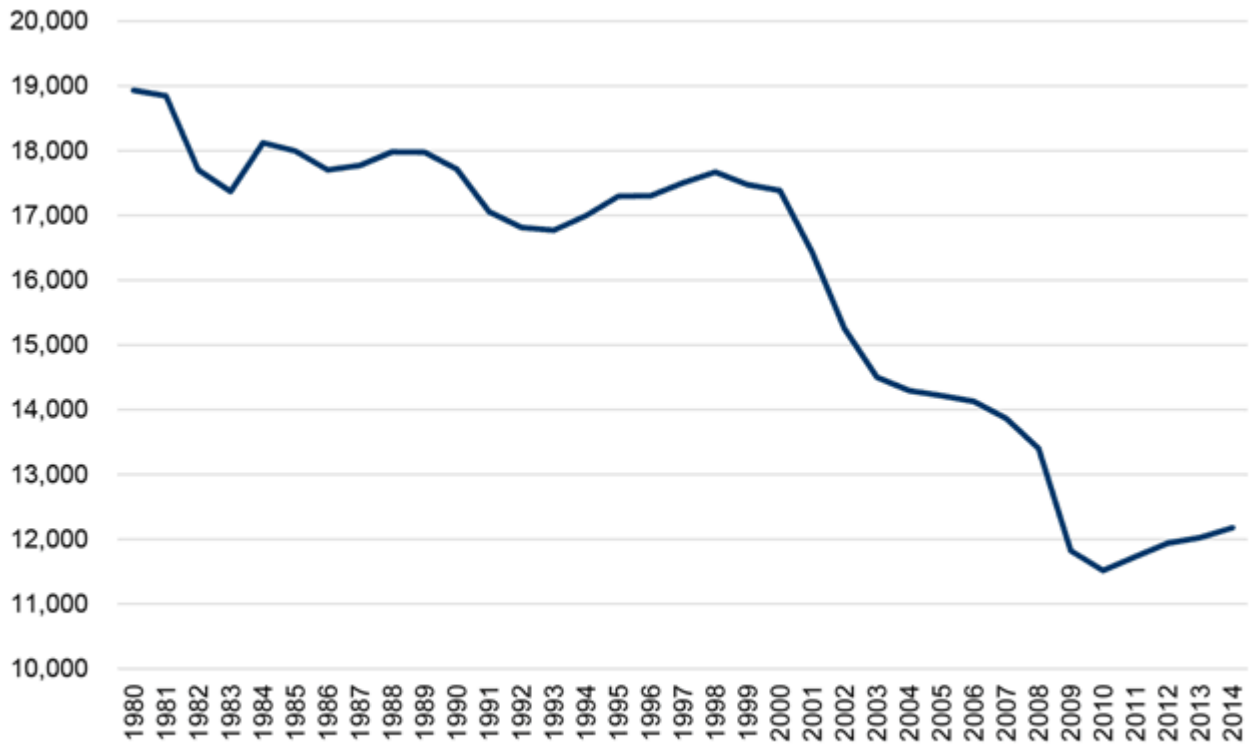
When outsourcing jobs affected employment in the United States, the income tax collection of the government was also affected, which directly caused the reduction in funds. It is because when Americans lost their jobs, and unemployment increased, then the government received less income tax. Due to this less income tax collection, the government was unable to provide funds for governmental agencies, such as Social Security and Medicare.

According to the BLS, results from 1980 to 2012 are shown for the ratio of Government employment in the IT sector. One can see that the employment ratio in 1980 was approximately 10% in the IT industry, but with the increase in outsourcing jobs, the employment ratio for Americans decreased and reached 9% (BLS, 2017). The results are shown in the figure below:



Government Employment Affected by IT Outsourcing Jobs.

From the statistical results of the BLS, the employment in the IT sector from 1980 to 2014 is shown in the figure below. In 1980, employment in the IT industry was 19,000 jobs for Americans, and gradually, with the increase in the outsourcing jobs in the IT sector, employment decreased by 12,000 jobs for Americans (Statistics, Bureau Labor Statistics).



Source: Brookings Analysis of Moody's Analytics Data

Employment in IT Industry

From these results, it can be concluded that IT outsourcing jobs have left negative impacts on the U.S. economy and have reduced the productivity of the economy of the United States (Labor, 2017).

Evaluation of the Chapter:

Outsourcing was established in the United States for two purposes. Firstly, outsourcing was established to reduce the prices of goods, and secondly, to increase the demand for goods from other countries. It was expected that the progress of the business sector or the increase in demand for goods from other countries would have a positive impact on the economy. Moreover, the target of the companies was to increase the competition between the American companies because when they provide great quality products at low rates, then this will increase their sales and reputation in the global market. But the results were opposite to the expectations. With the increase in IT outsourcing, the economy of the U.S. was negatively affected due to loss of skill level, dependency on other countries, and charming innovations. No doubt, with the increase in competition in the business sector, the U.S. lost competition in skill levels, which highly impacted the economy of the country. Similarly, with the decrease in the costs of the products, the U.S. faced an increase in dependency on other countries. With the increase in outsourcing jobs, the companies were highly dependent on the workers of other countries, and thus indirectly were depending on other countries.

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Also, from this chapter, it can be evaluated that with the increase in outsourcing jobs, the U.S. economy is facing great challenges. Outsourcing is increasing the availability of skilled workers who are ready to work at low wages, due to which the U.S. faced great harm to innovation. Also, the talent of the United States was highly affected due to outsourcing jobs. Outsourcing also resulted in sending out Research and Development abroad, and thus it harms the innovation of the United States and makes the country dependent on the other country.

With the increase in outsourcing jobs in the IT industry in the U.S., the unemployment ratio is increasing, due to which the income tax received by the Government is decreasing. As a result, the Government is unable to fund the social programs. Moreover, outsourcing is harming the innovation, skill level, and experts of the United States, due to which the living standards have also been affected. In short, outsourcing can in no way be a better choice for the United States.

Summary:

In this chapter, I have analyzed how the results from the BLS statistics reports and other secondary resources are useful in evaluating the impact of IT outsourcing on the U.S. economy. The results show that with the increase in IT outsourcing, the economy of the U.S. was negatively affected due to loss of skill level, dependency on other countries, and charming innovations. No doubt, with the increase in competition in the business sector, the U.S. lost competition in skill levels, which highly impacted the economy of the country. Also, with the increase in the availability of experts and skilled workers at low wages, the U.S. faced great harm to innovation and talent of the United States.

The results also show that IT outsourcing is the main reason for an increase in unemployment in the United States due to which the income tax is reduced and also affects the government funds for social programs. In short, from these results, it can be concluded that IT outsourcing jobs have left negative impacts on the U.S. economy and have reduced the productivity of the economy of the United States.

Chapter 5

Implications, Recommendations, and Conclusions

The study gave a detailed discussion of the Research Proposal related to a five-year analysis of the global economic impact of information technology jobs outsourcing. The global economy and job outsourcing had huge impacts on the U.S. and other countries as well. Despite the attention that job outsourcing has received in the past few years, there has been a sufficient amount of empirical studies to provide individuals with an answer to whether job outsourcing is risky or beneficial to national employment (Park, 2009). Job outsourcing, also recognized as offshoring of information

technology (IT), involves moving or relocating parts of computer-related functions of a firm, such as help desk, network maintenance, research and development, and computer programming, to a place outside the country. Research has shown that job outsourcing had a huge impact on operational cost savings and total cost savings, quality of life, and household incomes, within the United States.

The global economy and the outlook of job sourcing within the IT industry had become a phenomenon that had influenced the quality of a company's relocation and efficient management, stated Ginovsky (2009). The research study took place in the United States, and the purpose of this study was to analyze the impact of outsourcing IT jobs concerning technological developments and improvements in the United States. The independent variable was operational cost savings, and the dependent variable was total cost savings for the strategic outsourcing plan. The simple and randomly selected method was used for the participants in this study, using the most current and liable official data statistics from the Bureau of Labor Statistics.

So many researchers have worked on analyzing the impact of outsourcing jobs on the employment of the United States and the economy of the United States. These ethical theories aided in structuring the environment, magnitude, percentage, and scheduling regarding job outsourcing. Ethical theories also supported administrative leaders in deciding to outsource jobs made in unification along with organizational objectives. The management's decision to drive jobs out of the country should take into account the organization's responsibility to support its employees and other stakeholders' civil liberties while applying its choice to search for inexpensive, experienced labor set up in countries in which U.S. jobs have been outsourced.

This research was conducted to study the differences between measurement in activities and operations in an unsteady and steady global economic impact of information technology job outsourcing. To obtain a thorough understanding of whether there was a relationship between job outsourcing as measured in activities and separations and production in the unsteady and steady information technology industry measured in output hourly per person measured four times a year, this study involved a quantitative correlation analysis method.

The study population was drawn from 25 U.S.-based information technology businesses such as AT& T, Apple Inc., and IBM that were, at present, comprised in job outsourcing (Bell et al., 2010). The study population resulted from the data which the researcher had collected from the BLS website. The gathering of statistical information interrelated to labor was sanctioned by the U.S. Congress. Also, these facts streams were part of a bigger collection work. This particular portion was kept by BLS under its Mass Layoff Program, established in 2004 (BLS, 2010).

The proposed research study employed a quantitative correlation method to recognize and differentiate the effects of outsourcing of IT positions on impending technological improvements, as well as on the quality of life in the United States. To obtain a thorough understanding of whether there was a relationship between job outsourcing as measured in activities and separations and production in the non-steady and certain information technology industries measured in output hourly per person

measured four times a year, this study involved a quantitative correlation analysis method. The study used documented historical data taken from the BLS. The study used this statistical data to look additionally at whether any dissimilarity exists in the information technology industry.

The results of this study remained limited to the validity and reliability of the data that was gathered from BLS. Although conscious hard work was done by the researcher to ensure complete and proper collection and evaluation of the study data, the problem rests that organizations could not have reported to BLS all of their outsourcing data, and this could impact the study's overview and replication. On the other hand, the researcher identified the essential limitations of surveys in that they could not simply allow participants to look for an explanation or offer added material to give details to the replies. Therefore, it would be risky for the researcher to conclude or oversimplify the findings revealed in the study.

Implications:

The study was conducted to understand the impacts of outsourcing on the productivity and the economy of the United States. This study answers all research questions. From this study, one can easily understand that there is a strong relationship between the activities and economic impact of IT job sourcing. As job sourcing is increasing, the availability of workers from different geographical locations is also increasing due to the competition and wage workers availability increasing, but as a result, unemployment in the United States is also increasing, which is affecting the economy of the United States in the worst way.

When comparing the relationship between the activities and the steady global economic impact of IT job sourcing and the relationship between the activities and the unsteady global economic impact of IT job sourcing, then we find IT job sourcing in two ways: a better approach and a danger to the U.S. economy. Both unsteady and steady global economic impacts of IT job outsourcing are contributing to joblessness, fewer funds to the social programs, less receiving of income tax to the U.S. government, low living standard, low value to the skilled and IT experts, and less value to the educated people of the United States.

When analyzing the Bureau of Labor Statistics of America, it is observed that since 2011, the U.S. has been losing so many jobs due to outsourcing jobs. According to the estimates, approximately 2,273,392 jobs were lost due to outsourcing jobs in America. Although it seems that the United States is getting so many benefits from outsourcing jobs and enjoying the cheap labor who is skilled and experienced in their work, this is not the actual reality. According to the statistical results of the 2013 Bureau of Economic Analysis, US overseas affiliates employed 14 million workers in 2013, which seems great as it became easier for the IT industrialists to get a better workforce at cheap rates without the restriction of geographical position but this must be weighed against the losses to America (Amadeo, How Outsourcing Jobs Affects the U.S. Economy, 2017). Also, with the increase in outsourcing jobs, U.S. unemployment is increasing. Now, companies can hire IT workers from other

countries at a very low wage, for which an American will never be ready.

Outsourcing was established in the United States for two purposes. Firstly, outsourcing was established to reduce the prices of goods, and secondly, to increase the demand for goods from other countries. The results, finally, were opposite to the expectations. With the increase in IT outsourcing, the economy of the U.S. was negatively affected due to loss of skill level, dependency on other countries, and charming innovations. No doubt, with the increase in competition in the business sector U.S. lost competition in the skill levels, which highly impacted the economy of the country. Similarly, with the decrease in the costs of the products, the U.S. faced an increase in dependency on other countries. With the increase in outsourcing jobs, companies were highly dependent on the workers of other countries and thus indirectly dependent on other countries (Amadeo, How Outsourcing Jobs Affects the U.S. Economy, 2017).

Also, with the increase in the availability of experts and skilled workers at low wages, the U.S. faced great harm to innovation, and the talent of the United States was highly affected due to outsourcing jobs. Outsourcing also resulted in sending out Research and Development abroad and thus harmed the innovation of the United States and makes the country dependent on the other country. With such outcomes, who can expect good results at the economic level?

Recommendation:

From this study, it is clear that IT outsourcing is in no way a good option for the economy of the United States, and thus, the United States should either eliminate IT outsourcing from its business system or reduce it to regain competitiveness amongst the skilled and experienced workers of the United States. By reducing IT outsourcing, the U.S. will make sure that high-paying jobs are going to citizens of the United States. This will also increase innovation and living standards in the United States.

With the reduction of IT outsourcing in the business sector of the United States, companies will begin to hire skilled and experienced people from their country, which will, in return, encourage people to get advanced education and expose their innovative thinking. With exposure to innovative thinking and advanced education, the people of the U.S. will be encouraged to make strong decisions about their future and their country. No doubt, with such actions, democracy will get stronger because, in this way, the government will get income tax and will be able to pay for different funds.

The reduction of IT outsourcing will be beneficial in many ways. First, federal funds will be used to address the supply side of the problem. Second, it will reduce the number of H-1 visas, by which U.S. companies will be able to save as much as 10% by technology outsourcing. Third, foreign companies will have to hire U.S. workers before they sell their products to the U.S. market, which will also increase the U.S. companies' global market reputation and will leave a positive impact on the U.S. economy.

Conclusion:

From this study, it can be concluded that job outsourcing is having a negative impact on the economic condition of the United States. The global economy and the outlook of job sourcing within the IT industry have become a phenomenon that has influenced the quality of a company's relocation and efficient management. This research was conducted to study the differences between measurement in activities and operations in an unsteady and steady global economic impact of information technology job outsourcing. The proposed research study employed a quantitative correlation method to recognize and differentiate the effects of outsourcing of IT positions on impending technological improvements, as well as on the quality of life in the United States.

From this study, it can easily be concluded that there is a strong relationship between the activities and economic impact of IT job sourcing. As job sourcing is increasing, the availability of workers from different geographical locations is also increasing due to the competition and wage workers availability increasing, but as a result, unemployment in the United States is also increasing, which is affecting the economy of the United States in the worst way.

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Now, it is recommended that the United States should either eliminate IT outsourcing from its business system or reduce it to regain competitiveness among the skilled and experienced workers of the United States. By reducing IT outsourcing, the U.S. will make sure that high-paying jobs are going to citizens of the United States. This will also increase innovation and the living standards in the United States. With exposure to innovative thinking and advanced education, the people of the U.S.

will be encouraged to make strong decisions about their future and their country. No doubt, with such actions, democracy will get stronger because, in this way, the government will get income tax and will be able to pay for different funds.

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