Who really wins - and who does not - when an American job is outsourced or "exported" to a foreign country?

Several U.S. states are considering legislation to prohibit “offshoring” or impede companies that move operations and functions to lower-wage developing countries. Very resourceful labor unions, notably the Communications Workers of America, are presently lobbying Congress in skillful ways in an effort to curtail the rising number of jobs moving offshore. Buying into protectionism, as a means to shelter jobs in the name of refreshing domestic markets is a time tested unnatural act. If this kind of thinking gains momentum, it could harm the pending progress of U.S. stock values and negatively influence the long-term health of the U.S. economy. In opposition to unsafe protectionist pressure, qualified organizations in the United States are educating Congress on the economic benefits of offshore outsourcing, representing global business interests and participating in legislative process.

Substantial wage differentials are prompting companies to move their labor-intensive service jobs to countries with higher numbers of skilled workers. For instance, an employee who costs $30 an hour in the United States--the country that does the most offshoring of jobs--cost only about one-fifth this amount in India, the biggest market for offshore services. A lesser-known fact is that many of these jobs are going unfilled in the U.S. or staffed by workers who have lower skills than their higher educated foreign counterparts, who are in much greater supply. In addition, worker motivation in the domestic market to perform a growing number of core business, technology and support functions is waning, independent of wage considerations.

The U.S. Bureau of Labor Statistics projects as many as 5.2 million jobs will be created in the domestic market in the next 60 months and many could go unfilled. Unless U.S. companies engage in intensive recruitment efforts and invest in innovative training programs, these companies would have to lower their skill requirement standards in order to fill these positions. In contrast, widely cited figures predict that by 2015, roughly 3.3 million U.S. business-processing jobs will have moved abroad. As of July 2003, around 400,000 U.S. positions have moved to higher opportunity labor markets. Other research suggests that the number of U.S. service jobs lost to "offshoring" will accelerate at a rate of 30 percent to 40 percent annually during the next five years.

Such projections have caused some alarm in the United States. The media has been quick highlight the growth of offshoring as the “next foreign danger” against suggesting that domestic labor could be less than competitive or worse diminishing in value. Global sourcing came to pass in agriculture, textiles and manufacturing and so too will a natural evolution take place in medicine, technology and in white-collar Corporate America. Bold corporations returning profits to shareholders have credited better corporate governance and the creative use of global resources as key strategies for financial health. Without healthy corporate profits, the U.S. economy is doomed to fall behind more nimble international markets.

There is an age-old belief that money spent to buy services and products abroad is money lost in the domestic economy. This view has been around since the father of modern economics, Adam Smith, wrote The Wealth of Nations in 1776. To date, no government has been successful “steering” trade or protecting domestic labor markets. Protectionism has, however, proved to be an excellent tactic for politicians seeking voter support and to grab headlines, especially prior to an election when emotions are high about economic recovery. A key point to keep in mind is that markets do not cast ballots, people do; and people with the power to vote should be advised to take Smith’s sage advice: “be wary of the invisible hand of government”, especially in natural competitive markets. This advice is as relevant today as it was over 200 years ago.

Companies move their business services offshore because they can make more money, which means that wealth is created for both the U.S. as well as for the country receiving the jobs. Short-term emotions will run high, as will the drama associated with change. For business to thrive, U.S. companies must remain unshackled to compete in open and free markets. Having a job is not an entitlement of being a U.S. citizen and an attempt to protect domestic markets through government legislation is an admission of defeat and simply un-American.