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Research Paper

The topic of offshoring has attracted wide attention in the United States, as it is often perceived to be a threat for the American workforce. The employment market is influenced by a number of factors; as a result, it is not clear, to which extent offshoring causes job loss. There might be both advantages and difficulties of implementing offshoring; nevertheless, there, most likely, will remain the tendency that companies will offshore certain jobs to the foreign countries. The reaction to this fact was certain efforts of putting restriction on offshoring by legislative means; however, most bills aimed at this were not enacted. Such efforts would have put restrictions on free trade and are not likely to force companies to keep jobs onshore. The primary goal of offshoring was to save costs; however, in time, the companies discovered that it also gave them access to the talented workforce. Therefore, education modification and retraining programs seem to be a more reasonable solution to the challenges introduced by offshoring.

The concept of offshoring results in concerns among programmers, software engineers, and other IT workers, as they perceive it as a threat to lose their jobs, as their workplaces will be offshored and filled with foreigners. It is a fact that companies are taking advantage of offshoring, as a means of cutting costs and accessing the global workforce. In the United States “the number of jobs in the IT sector now stands at around 3.3 million, or 2.5 percent of the total number of jobs” (Bednarzik, 2005). Despite the concerns, the research by Bednarzik (2005) claims that “employment trends by industry and occupation suggest that

offshoring in the information technology sector occurs, but not to a great extent". The issue with estimating the influence of offshoring on employment, is that there are several factors affecting employment, and it is problematic to define what impact is made by offshoring.

Despite the criticism surrounding offshoring, the companies, mainly those, in which IT is a source of competitive advantage, are likely to expand their offshoring experience. Carmel and Agarwal (2005) have introduced a classification of companies on the basis of the stage of their experience with offshoring. These four stages range from the companies with no offshore sourcing to those, which view offshoring as one of the key components of their strategy. "While nearly 100 percent of U.S. Fortune 500 firms were in the first stage in 1990, we estimate that only 30-50 percent are still here in 2002" (Carmel & Agarwal, 2005). This fact shows that major companies tend to turn their attention and find benefits in offshoring, especially in the sphere of IT. There are a number of factors that enabled offshoring of IT work; the most important are that offshore companies have improved software development and management skills, and that technologies for managing and coordinating work over significant geographical distances have developed significantly.

There are certain apparent benefits of offshoring, the major of which are the fact that offshoring enables companies to save costs, and, more importantly, it is a means of finding talented employees and high-quality workforce. The second factor is more and more valued by the organizations, as even high-end core work is now often being offshored. This proves that offshoring is often an effective business strategy. The first reason for the companies to try offshoring is to save money; however, in time, they discover more benefits of offshoring, that is access to talent, which then becomes the driver of offshoring. However, despite the fact that more jobs are being offshored, Couto, Mani, Lewin and Peeters (2006) suggest that this fact does not necessarily mean that offshored jobs replace the onshore ones. The authors also state that companies are looking for staff in other countries, because the internal

workforce does not cover their need in employees. The time when IT workers from India or China were considered less competent than the US specialists is gone. “The number of U.S. residents (including immigrants with green cards) graduating with master’s and Ph.D. degrees in engineering has steadily eroded” (Couto et al., 2006); however, the demand for these specialists has grown, and as there were not enough professionals in the United States, the companies have started to view other countries as the source of qualified workforce.

Apart from the possible benefits of offshoring, there are certain factors that make this practice problematic to some extent: there are cultural differences between the representatives of different nations, which might lead to miscommunication; time zone differences are an obstacle to synchronizing work; representatives of other nations might have poor English language skills, which complicates communication; there are also difficulties in arranging the US visas for the foreign professionals (Carmel & Agarwal, 2005). These and other factors might lead to the companies’ unwillingness to try offshoring or failure in this process. However, many companies highly value the benefits of offshoring and the difficulties with arranging the work process with units in other countries do not discourage them from the practice.

In a negative context, offshoring might be viewed as a threat to the American workforce, which should be fought with. There have been certain efforts to set limits on offshoring through legislature. For example, the American Jobs, Closing Tax Loopholes, and Preventing Outsourcing Act of 2010, aim at creating and preserving American jobs, but lift certain tax benefits of doing the business offshore. The Federal Notify Americans Before Outsourcing Personal Information Act of 2009 was not enacted, but it would have obliged companies not to send personal information of the customers to the foreign affiliates before notifying the customers about it. Several of the Federal bills have not been enacted, which would have set certain limitation on offshoring, especially regarding call-center workplaces.

It is quite understandable why Americans might view offshoring negatively, but, on the other hand, offshoring empowers innovation and lets the residents of developing countries explore their potential. Offshoring does not mean that work will be taken away from Americans and given to the foreigners, it rather means that if a company cannot find an employee, who has the characteristics the employer needs, it can now access a much bigger, global workforce and find the professional it needs.

Offshoring might be considered a motivation for Americans to become better, get better education, and become better professionals. They now have to compete with foreigners for workplaces, but it is not always a disadvantage. As a result of globalization, there is no clear distinction between American, Indian, Chinese, etc. workforce, because due to the developed communication technologies work can be done in the different parts of the world without loss of quality. The accessibility of computers and Internet technologies “created a platform where intellectual work, intellectual capital, could be delivered from anywhere” (Friedman, 2005). Surely, this fact is difficult to perceive, because of the usual image of America as a developed country, and, as a result, its residents got used to the fact that they have certain advantages over the residents of developing countries; this is still true in certain respects, but not to the same extent, as it was before. This does mean that it will be more difficult for Americans to find highly-paid IT jobs in the future, but it will not be impossible, the companies will be eager to hire American professionals, but if the American educational system will not produce the needed quantity of such professionals, the businesses will be forced to look for them in other countries.

Offshoring is one of the keys to innovation in computer technology, but, at the same time, it might be a threat to American workforce. In order to decrease the possible negative effects offshoring might have on the American workers, certain steps should be taken.

However, putting legal limits on offshoring does not seem a reasonable solution, because this

would limit the access to the talented employees, who could enrich science. Companies often practice offshoring, because they cannot find the employees they need onshore; also, most of the jobs that are offshored, are low-level ones, whereas companies try to fill high-end jobs with American professionals. Therefore, the more reasonable solution would be to modify the system of education for it to be able to fill these high-end positions with onshore specialists.

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“Education is a tool that enables a country to provide the skilled workers that it needs, and thus it can be the centerpiece of a national policy on offshoring” (Aspray et al., 2006). The American education system is considered to be very good, but it should become even better and prepare its students to the challenges that are caused by globalization. It is a reality that offshoring will exist in the future and American graduates will have to compete with foreigners for workplaces, then a solid education will be a good foundation for any student’s professional career.

Apart from competition, offshoring has introduced some other changes to the work of the IT specialists; for example, intercultural communication, because working on a certain task now often requires being a part of a multicultural team. Being prepared for the challenges and particular features of working in the IT sector will greatly help people seeking employment in this sphere. Another way of improving the education of potential IT specialists is to provide the students with core foundational knowledge. Technologies develop

rapidly nowadays; foundational knowledge will become the basis for the person's experience, onto which the knowledge of the up-to-date technologies will be easily added.

Education modification will help today's and future students in the IT sphere; as to those, who already face the threat of losing their jobs, as a result of offshoring, other solutions should be applied. Retraining schemes are a reasonable solution to the problem, as this way enables the individuals to receive knowledge in a new field of expertise that will enable them to explore their potential and achieve professional success in a new job sector.

Offshoring might create some challenges for the Americans seeking employment in the IT sector, but these obstacles are not insurmountable. It is not likely that even low-level jobs will all be moved offshore, a certain percentage of such work will be done by foreigners, but the rest will remain in America. This will mostly likely be the same with high-end jobs. This is a motivation for the American IT students to pursue high-quality education as a means that will help them to occupy a rewarding job in the sector. As a result of globalization, the competition in the employment market has become fiercer, but this should encourage Americans to explore their potential and prove themselves as a leading and innovative society.

To conclude, offshoring has introduced both challenges and opportunities: challenges for the people in developed countries and opportunities for the residents of the developing countries. The former now have to face a threat of job loss and higher competition for workplaces, the latter have received an opportunity to gain access to rewarding and well-paid jobs in the IT sector. Offshoring has its benefits, but certain risks are connected with it as well. However, despite the possible difficulties connected with implementing offshoring into the business, more and more companies choose to offshore jobs, and this tendency is most likely to remain. Moreover, despite the challenges offshoring might bring into the life of Americans, on the global scale, it might become a source of future innovation in computer

technology. Offshoring is one of the results of globalization and is a chance for development of the global employment market and a motivator of positive changes in education.

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