

Impact of Outsourcing Jobs on Local Economics

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Abstract – In this paper, I analysis theoretically impact of Outsourcing on employment. I do it by viewing the literature reviews about the subject, in order to answer “what is the impact of outsourcing on employment”. Outsourcing found to reduce employment, but the impact varies according to measurement criteria. Outsourcing widens the gap between skilled and unskilled labor.

Keywords – Outsourcing, Unemployment

I. INTRODUCTION

According to Brown and Wilson^[1] outsourcing is “the art of obtaining services from an external source”. While McIvor^[2] define outsourcing as “source of goods and services previously produced internally within the sourcing organization from external suppliers”.

In last one or two decades have shown significant increase in outsourcing. Outsourcing is an agreement in which one company hires another company to perform services and create goods which traditionally perform internally by the company’s own employee and staff.

The new competitive environment made the works of the businesses even more challenging. The firms have been mandated to be large, quick and distinguished so that they would survive. Thus, businesses using outsourcing are more focused on getting specialized in their primary area by managing their secondary works by outsourcing therefore gaining some edge in competitive market.

II. OBJECTIVE OF STUDY

Study is made considering the below mentioned two objectives:

- To analyses the effect of outsourcing on local economics.
- To offer suggestions to overcome the problem of unemployment.

Outsourcing mean hiring external labor to perform the jobs rather than using internal employees, companies opt outsourcing technique when it required highly specialized workforce to perform rather than to train the existing employees because it is an expensive process. Companies save time and money through outsourcing and can focus on core activities of the company.

Outsourcing firstly, allowing companies to concentrate on core activities and secondly, reduce operating cost. Outsourcing also allow to companies to get benefits from

other companies, advance techniques and methods of investment which increase workforce flexibly to meet the customer need or demand.

Like any other practice, Outsourcing has its own advantages and disadvantages. Domberger^[3] identified a few advantages, these are:

- It reduces production cost.
- It benefits in tax avoidance.
- Increase flexibility which helps to meet change consumer demand.
- And can focus on core activities of a company.

Along with its advantages, Domberger has also identified the following disadvantages, these are:

- It reduces learning and creativity of employees.
- It induce transactional cost (which is made during the purchase of goods & services like charge of communication, fees charge for legal services)
- It increases Hollowing Out. (It is nothing but losing the job or full employment due to hiring jobs from outside.)
- It also leads to opportunistic behavior.

III. RESEARCH OUTCOMES

After analysis the research over outsourcing, it was found that, no doubt outsourcing reduce operating cost, time-saving and also increase flexibility but it also widen the gap between skilled and unskilled workforce. It increases the rate of unemployment which is not good sign for economy.

As unemployment is a major problem of Indian Economy, so efforts should to be made in order to solve it. But the emerging trends of outsourcing attracting the companies to outsourced the work duties from expertise workforce and increase its efficiency and effectiveness of work, which increase the fear of losing jobs or full employment.

IV. SUGGESTIONS

To overcome the problem of unemployment in economy, it is suggested that nation is required to:

- Provide proper and effective education.
- Provide training to the people so that demand of skilled labors will be fulfilled.

V. CONCLUSION

Outsourcing is good for economics because it helps in rising growth rate of country and also improves the efficiency of labors but on other hand it boost the problem of unemployment.

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