

Edward T. Rincón: Keep it local

Outsourcing jobs hurts U.S. more than immigration

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The billboard on Central Expressway reads, "Buy Dallas – It Paves," a reminder to passing motorists that the city of Dallas would like them to spend more of their consumer dollars at Dallas-area businesses. When our local businesses thrive, the local residents they employ are more likely to have the wages needed to buy goods and services. In areas like North Texas, where residents are experiencing escalating home foreclosures and job displacements, local buying programs can be especially beneficial.

Unfortunately, public and private companies do not always practice what they preach. It is not uncommon, for public agencies like the city of Dallas to award about half of their contracts to companies located outside of the city. Awarding contracts to the lowest bidder, regardless of geographic location, is short-sighted and hurts local economies, since little – if any – of these dollars will flow to local residents or merchants.

The picture is even more disturbing at the national level. A recent report by the Federal Reserve Bank of Dallas revealed that the off-shoring of U.S. jobs to low-wage countries grew from 315,300 in 2003 to 832,000 in 2005, and it's projected to grow to 3.3 million jobs by 2015. Most of those jobs are office-related and computer-related jobs that American workers can perform. Nonetheless, companies like Dell, Sun Microsystems, Ford, General Electric and Oracle are expanding their presence in India, which currently receives the majority of these jobs.

According to the study's authors, by outsourcing, companies stand to realize a net cost savings of 30 to 50 percent, thus allowing them to remain more competitive and offer consumers lower prices. However, consumers have yet to benefit from any significant price drops and are increasingly frustrated with call-center staff in other countries whose English-speaking skills leave considerable room for improvement.

Interestingly, this disturbing trend seems to have escaped the attention of our astute political leaders during this election season, as they seem more preoccupied with illegal immigration. Illegal immigrants may lower wages and displace American workers, but these jobs are primarily low-skilled, low-wage jobs that few Americans want. The same cannot be said, however, for the millions of jobs that will be off-shored to other countries.

In the long run, some economists argue, outsourcing keeps our economy healthy by allowing U.S. companies the flexibility to remain competitive in an ever-changing marketplace. While these economists make a convincing argument for the merits of outsourcing, I am more inclined to think that outsourcing is driven primarily by the same incentives that drive the hiring of illegal immigrants in the U.S. – that is, lower wages. Unlike the jobs being outsourced, however, most (80 percent) of the wages earned by illegal immigrants are spent in the United States.

To our immigrant-bashing politicians, I would argue that a political campaign that focuses on job displacements caused by illegal immigration but ignores the off-shoring of jobs is totally inconsistent. To public and private organizations, I would encourage the adoption of anti-outsourcing legislation or programs – nine states have passed such legislation, and many more are considering it, according to the **National Foundation for American Policy**. Similarly, local buying programs should also be supported to ensure that local businesses are benefiting primarily from contracts that are funded by our local tax dollars.

The off-shoring of jobs to other countries may indeed make perfect economic sense for the corporate bottom line, but it sends the wrong message to the thousands of American workers who are being displaced and to the many college graduates who expect to have a job when they graduate – not in India, but in the U.S.

Dr. Edward T. Rincón is president of Rincón & Associates in Dallas, a firm that specializes in measuring multicultural markets. His e-mail address is ed@rinconassoc.com.