Although it may look like a threat to employment, outsourcing information services to more economical countries means a chance to save costs.

The pressure on reducing costs and focussing on the greater value added business activities has forced companies to look for solutions to meet this goal while maintaining the present levels of service. One of these formulae, known as offshoring, is the outsourcing of services to more economical countries.

This is a growing tendency, which has started to affect not only the so-called blue-collar jobs (non-qualified jobs), but also white-collar jobs (qualified jobs). In the United States, for example, a few months ago AOL announced that it would hire a whole team of computer programmers in Bangalore (India), having first laid off 450 experts in California. The news rang alarm bells throughout the United States labour market.

Although just a few years ago it would have been unthinkable for a systems director to decide to outsource the development or maintenance of computer systems, this work is indeed quite easy to offshore. If we add to this the fact that in India, Asia or Eastern European countries labour costs are considerably lower than in Spain and qualified computer personnel abound, then it is not surprising that this phenomenon is on the increase. According to Sedisi, the employers’ confederation (at present called Aetic after merging with Aniel), offshoring created 700 million euros in business in 2002 with a second consecutive year of growth of 10%. Behind lies the sensation that computer solutions and services implemented in the company are better, safer and more economical.

Alarm
Gartner, the technology consulting firm, estimates that in 2010 almost 25% of jobs in the information technology sector in developed countries will have migrated to developing countries. For its part, Forrester Research, foresees that by 2015 there will be a migration of more than 3 million U.S., jobs to third countries. In the light of this news, it is not surprising that alarms are ringing in certain sectors.

However, this fear of the unstoppable loss of white-collar jobs is, to a certain point, unjustified. Offshoring computer services must be considered as an opportunity to save costs, although in the short term this means the migration of qualified employment. The savings involved are transformed in the long term into an increase in profits for the companies that will end in greater economic growth for the country and the creation of new jobs. According to a report presented by ITAA (The Information Technology Association of America), the association of the main information technology companies
in the United States, the savings from offshoring enabled American companies to create some 90,000 new jobs in 2003.

The outsourcing of information services allows companies to vary fixed costs allotted to the development and maintenance of information systems, free resources to develop strategic initiatives and access specialists they do not have on their staffs. However, the relative novelty of the offshore market and the lack of experience of the directors of operations and IT heads only highlight certain insecurity when it comes to defining the right strategy for the company. The basic guideline for decision-making is to concentrate on the areas where a strategic differentiation exists and where control is desired. Once these areas are identified, it is necessary to categorise the information systems in essential and non-essential systems in order to achieve this differentiation. In this way, one can keep control of the key activities within the IT value chain, such as definition, specification and system tests. Other activities in this value chain like technical design, implementation and maintenance can be outsourced.

The main fears like, for instance, loss of control can be minimised by setting up a detailed selection process of the external services supplier, taking real care of the final negotiation when drawing up the contract and writing in the degree of services expected. Create a specialist management team to manage the suppliers and monitor the compliance and performance of the contracted services.

### Does offshoring IT services represent a threat to jobs in Spain?

#### Towards a necessary training

**Jordi Gual, IESE professor**

Offshoring is a direct result of the globalisation of business activity. Thanks to the improvements in telecommunications, outsourcing to other countries is affecting industry as well as services. Information and communications technologies are particularly easy to offshored because the product or service can be transmitted instantly over the Internet. From the Spanish perspective, we can find that these activities are transferred directly from the most developed markets (The United States) to the emerging markets (India), skipping the intermediate stages that were found in the offshoring of labour-intensive manufacturing activities. In order to prevent this from happening, we badly need to reform the educational and university systems in information technology and adapt the structure of the labour market and the migratory flows in such a way that the country has skilled labour to compete in this market sector.

#### Furthering the investment of savings

**Juan Pérez Vilaplana, Director of Technology at PwC**

Well thought out, developed and implemented, the impact of offshoring is undoubtedly positive, as it means an increase in productivity, better quality and greater flexibility, and an orientation of the company to improvements of its strategic areas. However, the short-term impact does not seem to have such a positive impact on a social level (employment) nor on the Spanish technological market. The loss of jobs is evident and the resulting disinvestment in business infrastructures is obvious. On the other hand, the return on investment expected from these processes offers the market a greater capacity of investment in strategic processes, greater added value for the development of the business and a higher level of productivity and competitive ability. The result is one of
the ways the technology market adjusts itself to the globalisation of markets. In order to guarantee the future, there is a need to realign training in technologies with new areas of development and promote the investment in savings from outsourcing.