[Name of the Writer]

[Name of Instructor]

[Economics]

[Date]

Globalization and labor outsourcing (US firms operating overseas)

# Introduction

Outsourcing is an increasingly popular practice among US businesses to shift jobs to lower-wage countries in order to cut operating costs. Many people are against the job shifting to other countries in accordance with the recent recovery of the US economy from a recession. Outsourcing is controversial and politically manipulated in the US as people often argue about job losses. However, there is little to no discussion about the effectiveness of outsourcing about job creation. US economy is increasing due to the process of outsourcing. It also provides benefits to foreign economies due to job creation. There is a significant increment in the foreign economies due to extensive demand of products by the US consumers. Such demands are effective to boost the economy of the US as well. Globalization and outsourcing help the US to engage in international trade in order to acquire products at lower costs. These strategies will help US citizens in terms of more economically priced goods. The demand for higher skilled jobs is increasing in the US as the goods that are produced in foreign industries as a result of outsourcing are amalgamated into larger products in the US. Due to the concept and growth of outsourcing, the current world has been changed into a global village. Globalization and outsourcing are associated with communication and logistics development. If the concept of globalization and outsourcing is measured in terms of communication then it is true in situations using Voice over Internet Protocol messages. It is notable to mention that the world's borders are stronger than ever before if the concept of globalization and outsourcing is measured in terms of current geopolitical situations. The whole process of outsourcing lead towards increased demand for higher skilled labors in the US. Undoubtedly, the positive aspects of outsourcing and globalization are often buried in the debates about US job losses.

**Discussion**

Globalization and outsourcing change major paradigms of everyday life in an effective and ineffective manner. Advancement in globalization creates a strong impression over the entire world. In the last few decades, the concept of globalization was not evident, hence there was no specific progress in this aspect. However, with the passage of time, people began to understand the importance of globalization and outsourcing. It is noteworthy to mention that people now have across products, services, and information, which was impossible in the last few decades. The concept of outsourcing and globalization have reached completely new heights due to the advent of the Internet. Now, access to every little information is possible with ever-improving technology, which has made the market fierce and competitive. In the cut-throat corporate world, there is an immense need for organizations to adopt aggressive and effective strategies to triumph in the changing business landscape. The globalization and outsourcing put extra pressure on the business organizations to compete with the corporate giants in the entire world, instead of their rivals within national boundaries. It is evident that global competition is fierce, which demand organizations to adopt effective strategies to make their products cheaper in order to excel in the given market. In order to remain competitive, outsourcing was a natural outcome which was the only possible option for organizations to remain competitive in the potential market.

Outsourcing and globalization helped many countries to build their economies. The United States is actively participating in outsourcing in the last decade to excel in its business. According to Lee Kaun, "If you deprive yourself of outsourcing and your competitors do not, you're putting yourself out of business." In the modern world, global marketing is a potential option for all countries including the US. With the help of outsourcing, the US is part of the global market as it heavily relies on imports. It is notable to mention that the US needs to export US products or US dollars in foreign countries in order to stabilize revenue lost from imports. A country can never make progress if it depends on the sales in its own country alone (Otterman). It is essential for countries to take part in the global market to boost their economies. People opposing globalization and outsourcing should consider the negative aspects of making sales just in their own country. The economy of the US is increasing due to its participation in the global market. If the US is about to sustain business from foreign countries, then it must take part in the global market to compete with potential competitors such as Europe, Brazil, China, India, and China.

Due to the potential advantages of globalization and labor outsourcing, the majority of businesses are trying to expand their business in other countries in order to attain maximum profit margin. The US government has made many policies to defend the wages of labor in the US. Due to such policies, the minimum wage for US labor is larger as compared to many countries. Prevailing competition in the market is forcing many organizations to expand their business in different regions of the world to avail the opportunity of cheap labor. Low labor costs are advantageous for an organization to work to excel in a competitive market. Many major organizations of the US are getting access to cheaper labor with higher levels of outsourcing. It is noteworthy to mention that flexible rules allow these organizations to increase their productivity. One must understand that globalization and labor outsourcing reduce the number of jobs for US citizens as major organizations are manufacturing their products in foreign countries. However, the economy of the US is also increasing due to the fact that different organizations are doing business in the form of dollars. Regardless of this, it is evident that an Asian market is a potential option for the majority of businesses to prevail in their products and services. The labor rate is much cheaper in the Asian region. Potential countries to establish a business in Bangladesh, India, and China due to cheap labor and flexible regulations. There is a mixed impact of labor outsourcing on the US economy. Undoubtedly, the organizations are working in foreign countries and increasing their economic values. In the meantime, the process of outsourcing results towards increased demand for higher skilled labors in the US. In developed countries, such as the US, working conditions are strict and less flexible as compared to developing countries. The economy of the US is also increasing due to the greater production by increased outsourcing jobs in foreign countries. It is notable to mention that the US is significantly prevailing the opportunity of outsourcing to get access to various products and services at a cheaper cost. Cheaper cost of products and services provides more growth for the US economy.

The investment by foreign countries is stimulated due to US labor outsourcing to foreign countries. Globalization and outsourcing are advantageous for every country to boost their economies by providing jobs for the unemployed. It helps to improve the standards of living in these countries along with the US as the US citizen get access to various products and services at cheaper costs. Increment in foreign countries' economies enables them to buy more exports from the US, which is beneficial for American labor. Due to foreign interest in the US products, there is a significant increase in job opportunities for the US labors. It is notable to mention that "the U.S. economy and the world economy are linked in many ways” (Grey 23). According to George B. Grey, the developments abroad significantly affect the economy of the US is a positive manner.

It is a well-known fact that negative aspects are always linked to the positive aspects. It is noteworthy to mention that increased outsourcing results in massive job cuts. As American companies are involved in the massive outsourcing of the products, so there have to face massive jobs cuts in skilled and semi-skilled workforce. Major organizations of the US are expanding their business in foreign companies due to which thousands of jobs are being outsourced from the US into the under developing countries. At present, the US is facing major increment in the unemployment rates. The positive aspects of outsourcing are running down due to the increment in the unemployment rates which in turn becoming a crucial problem for the US government. There is quite an effect on home countries due to the impact of globalization and labor outsourcing. Many jobs are being outsourcing to third world countries from developed countries like the European countries and the US. These jobs are outsourcing due to the exchange of cheaper products and services. The government of the US is making a claim to retain jobs in the country. However, the increasing outsourcing by the US results in countless job lost to the cheaper counterparts in the underdeveloped countries which are problematic for the US citizens. The US is hoping to retain more high-paying jobs, but the majority of jobs are being transferred to low developing countries.

The US dollar is one of the most prominent currencies in the world that is being used in international foreign exchange transactions. The companies that are involved in the global market activities are forced to use the US currency which makes it the official foreign exchange reserve currency in the majority of the world (Bulajic, Aleksandar and Domazet 1323). It is notable to mention that international foreign transactions in the US dollars help to stabilize the international market place of the US in foreign economies. Outsourcing helps US to invest in the foreign countries which in turns is important for the US economy. US investment enables foreign investors to access the international market. "A successful investment in a poor country will send a signal to other potential investors that there is a stable environment for investment there, which can lead to even more investment, job creation and prosperity" (Correnti 3).

As the US is acquiring goods from the underdeveloped countries at cheaper costs, which helps in the growth of the US economy. This the positive aspect of US labor outsourcing which benefits the US manufacturers along with the US consumers. The US manufacturers produce complex goods from the acquired cheap products that help them to export it to the other countries. The US is managing to obtain products at lower costs whether through the stand-alone import of goods or through an offset program as the materials are not necessarily needed to be imported into the US. The US can manufacture the products in foreign countries by availing cheap labors in order to obtain a high-profit margin. The cost of labor in the Asian countries is approximately 13 dollars per hour, while the cost of labor in the U.S. is approximately 27 dollars per hours (U.S. Bureau Labor). Outsourcing promotes globalization and it provides a beneficial opportunity for the US organizations to manufacturer their products in these foreign markets by taking advantage of their cheap labor (Correnti 4). Outsourcing has become a new strategy for the US business with the help of globalization. Furthermore, it is evident that the US outsourcing is taking away immediate jobs for unskilled labors of the United States. In response, the jobs are being offered to the unskilled labors of foreign countries to manufacture products whenever the high skill level jobs are not required. Due to this aspect, the US citizens manage to hold only higher skilled jobs that provide higher wages. The US companies that outsource are getting the advantage of the eligibility of working 24 hours a day. This aspect helps in enhancing the overall productivity, which ultimately increases the profitability of that organization. There is a significant increase in the production details due to effective communication systems like video conferencing and email. The globalization tools help to increase productivity through improved coordination especially in countries with low labor costs. Due to this reason, all major industrialized countries are practicing the idea of outsourcing.

The supporters of outsourcing are arguing that it is the major reason behind the creation of various jobs and business opportunities in the US. It also helps to increase the overall productivity of the country. The significance of globalization and outsourcing helps in increasing the GDP due to the increment in the productivity of the country. On the other hand, the opponents of outsourcing are arguing about the decrement in American jobs which is damaging the economy of the country. The US will get irreparable damage to the economy by losing the competitive and technical edge to other countries. The statistics from various reputable organizations are supporting both sides of the arguments. It is notable to mention that there is an overall decrement in the growth of the US due to outsourcing which also results in the loss of American jobs. After 2003, the economic output of America has grown by 3.3% annual rate due to the increment in imports from third world countries. The US consumers are getting advantage from the outsourcing as they get access to products and service at cheaper costs which in turn raises the standard of living. It is essential to mention that the more business opportunities and jobs for American citizens are created with the help of all the money saved from outsourcing. According to a study by Global Insights, it is estimated that outsourcing will help the US economy to excel as compared to no outsourcing.

**Conclusion**

Outsourcing will remain to be a very effective tool for organizations to triumph in foreign markets. It helps to stay competitive in the market place. The analysis of globalization and outsourcing indicates that it is inherently not an evil concept for both the home and the foreign country. However, increased outsourcing is catastrophic for the economy of the US as it takes away jobs from US citizens. It is evident that over-doing will have its side effects and it implies everything including the practice of outsourcing. It is the core responsibility of the governing bodies to play an active role in the regulation of outsourcing jobs. Effective and positive contracts need to be made with other countries in order to assure equity in the distribution of wealth. Multinational organizations need to address the moral issues regarding outsourcing with the governing bodies to propose a reasonable solution. It is the duty of organizations to ensure fair payment and working conditions. The US government needs to make sure that organizations that are involved in the process of outsourcing should reinvest a specific quantity of their profit gained in the US to mitigate the issue of unemployment.

Works Cited

Bulajic, Aleksandar, and Dragan Domazet. "Globalization and outsourcing and off shoring." Journal of Emerging Trends in Computing and Information Sciences 3.9 (2012): 1321-1328.

Correnti, Madison. "Outsourcing Overseas and its Effect on the US. Economy." (2014).

Grey, George B. Federal Reserve System: Background, Analyses, and Bibliography. Nova Publishers, 2002.

Otterman, Sharon. (2019) "TRADE: Outsourcing Jobs." Council on Foreign Relations. N. p., 2019. Web. 24 Apr. 2019.