Published based on Weighing in on the Pros and Cons of IT Outsourcing

Weighing in on the Pros and Cons of IT Outsourcing

When the internet became a global phenomenon in the late '90s, many US and European IT companies discovered that they could cut down cost by almost half by outsourcing the non-core components of their production and services to companies in the less developed but rising Asian countries like India, China and the Philippines. This resulted in a huge profit margin that made the shareholder happy and clamoring for more. Thus began the trend of **IT outsourcing** that soon turned into a multi-billion worldwide business.

There were a number of reasons for this. The first, of course, was the abundance of qualified but cheaper workforce. By this time, Asian countries like China and India had produced IT workers who were able to provide the same quality of work that US and European workers could produce at half the cost. In addition, US companies found that IT outsourcing could save a lot of money on social security, Medicare, safety protection and taxes that they had to provide to domestic workers, but did not have to provide to their employees in Asia. They also found that it cost much less to train and educate foreign workers in their own country.

The situation remains still the same despite the fact that in the following decade both US and Europe went through a deep recession while many Asian countries moved forward by leaps and bounds. But this may be the preceding sentence should be rephrased as 'because of the fact' instead of 'despite the fact'. The very misfortunes that the US and European economies have suffered could be the number one reason that companies in these countries had to resort to IT outsourcing. The focus may have shifted from one developing country to another, but the number of companies outsourcing their products and services is still growing. However, lately voices are being heard, especially in the US, against outsourcing to safeguard the jobs of domestic workers. To understand whether the voices of dissent are justified, let's examine the pros and cons of outsourcing:

Pros of Outsourcing:

- Companies are able to provide products and services to customers at a cheaper price.
- The companies have a larger profit margin which makes the employees and shareholders richer.
- The cheaper prices allow customers to make more purchases which ultimately help boost the country's economy.
- By outsourcing the non-core component of their business, domestic companies can focus on the core components and increase their productivity and profit margin.

Cons of Outsourcing:

- The biggest complaint against outsourcing is that the job that could have put food on the table of a domestic worker goes to a worker in a foreign country which may not even be supportive of the US in the international arena.

- The outflow of work and money (in wages, salaries, allowances and bonuses) hurts the country's economy in the long run.

- When companies provide foreign companies/workers with passwords to their accounts, they may become victims of fraud.

- The political situation in foreign country may disrupt production and services causing huge losses to the outsourcing companies.

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