

## **New Study From The Wharton School and CareerBuilder.com Identifies Jobs at Risk for Offshoring, and Implications and Benefits for the U.S. Job Market**

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An economy plagued by uncertainty is refueling debates over the impact of offshoring U.S. jobs. Which jobs are at risk? Are more companies planning to displace American workers? And what are the short-term and long-term effects of sending jobs overseas on the growth and stability of the U.S. job market?

CareerBuilder.com and researchers at the Wharton School of the University of Pennsylvania released new research today titled, "Jobs Beyond Borders," based on a survey of more than 3,000 hiring managers and HR professionals and more than 6,700 workers across the U.S. The results of this study as well as related research are available as a series of working papers.

"Among employers who offshore, half said they believe offshoring is necessary to compete in a global economy and 15 percent project more than 20 percent of their jobs will eventually be sent overseas," said Matt Ferguson, CEO of CareerBuilder.com. "This does not mean the U.S. will see a reduction in employment levels, however. One-in-four employers who offshore said it has enabled them to create a greater number of better jobs here in the U.S."

### **Amount of Jobs Being Offshored**

Thirteen percent of employers said their companies outsourced work to third party vendors outside the country in 2007. The same amount said they would do so in 2008. Seven percent of employers offshored job functions to foreign affiliates in 2007; 9 percent plan to do so in 2008. Plans to offshore to third party vendors in 2008 are more prevalent in the Northeast and West at 15 percent compared to 12 percent in the South and 10 percent in the Midwest.

Looking forward, among employers who offshore, 44 percent estimate less than 5 percent of their jobs will ultimately be sent overseas while 39 percent project more than 10 percent of their jobs will eventually be offshored.

"We're seeing a systematic pattern in the types of positions that are vulnerable to offshoring," said Lorin Hitt, Associate Professor of Operations and Information Management at the Wharton School. "The study indicates that services that can be delivered electronically and don't require much face-to-face interaction are now at higher risk of being displaced."

### **High-Skill Jobs Also at Risk**

According to respondents who offshore, more firms are offshoring high-wage, high-skill jobs that were once thought to be immune to global competition. Twenty-eight percent of these employers reported more high-skill services positions are being sent overseas to third parties or foreign affiliates in need of management, technology and sales and marketing know-how. The majority of employers who offshore (69 percent) believe high-skill services positions are at equal or more risk of being offshored than low-skill jobs. Examples of jobs companies plan to offshore:

- Computer programmers - 32 percent
- Software developers - 32 percent

- Customer service - 25 percent
- Systems analysts - 16 percent
- Sales managers - 8 percent
- Graphic designers - 8 percent
- HR personnel - 7 percent
- General managers - 6 percent
- Marketing personnel - 5 percent

Among industries, technology services, telecommunications, insurance, manufacturing, engineering, banking & finance, oil, travel, utilities and communications all reported higher rates for offshoring.

### Impact on the U.S. Job Market and Workers

The study indicates, of all the respondents, older workers were more susceptible to being displaced than younger workers.

Of all workers who reported being displaced by offshoring, one-in-five (21 percent) said they were reassigned within the company. Seventy-one percent were let go. Of those who were reassigned, 76 percent reported it was a lateral move while 7 percent reported they benefited from either a promotion, higher compensation or both. Of those who left the company, 81 percent went to another employer that was not aggressively offshoring.

While U.S. workers have lost jobs as a result of offshoring, companies are making the argument that offshoring is ultimately benefiting the American workforce. Twenty-eight percent of employers who offshored jobs said offshoring has already enabled them to create new, better jobs of different types in the U.S.

"The adverse impact of offshoring has been somewhat tempered by a shift of displaced workers to firms that are not yet offshoring," said Prasanna Tambe, Doctoral Student at the Wharton School. "Although offshoring has already had a significant impact on some U.S. workers, offshoring-related displacement currently accounts for a relatively small proportion of annual U.S. employment turnover, which can be close to 40 percent per year."

### Cost-Savings and Other Reasons for Offshoring

Cost-savings is the primary motivator for offshoring, according to 64 percent of respondents. Looking at information technology specifically, nearly half (49 percent) say they save over \$20,000 per head on average by offshoring. Fifteen percent of employers say they are saving more than \$50,000 per head.

Twenty-seven percent of respondents cited availability of skills and 19 percent pointed to plans for expansion in a particular market as their main reasons for offshoring.

"As part of the Wharton team's research, we have found that firms offshoring for expansion were more likely to be moving sales and support positions overseas, suggesting that part of the offshoring that is occurring is to enable U.S. firms to better serve their overseas customers," said Tambe.

### Popular Spots for Offshoring

Offshoring companies are predominantly drawn to South Asia with 44 percent of employers who offshore stating they sent jobs to India. Others key locations include China (24 percent), Mexico (12 percent), Canada

(9 percent), Germany (8 percent), the Philippines (7 percent) and the U.K. (7 percent).

## Reasons for Not Offshoring

When respondents who don't offshore were asked why their companies chose not to, one-in-five (21 percent) said they felt it is important to keep jobs in the U.S. Fourteen percent reported their customers would not respond favorably and 10 percent said they work with sensitive data. Difficulty to build trust across borders, the cost associated with monitoring workers and shipping/materials, and the availability of a skilled labor pool abroad were also cited.

To download a copy of the press release with a breakdown of survey results, visit [http://www.careerbuilder.com/share/aboutus/pr\\_main.aspx](http://www.careerbuilder.com/share/aboutus/pr_main.aspx)

## Survey Methodology

This survey was conducted online within the U.S. by Harris Interactive on behalf of CareerBuilder.com among 3,016 hiring managers and human resource professionals (employed full-time; not self-employed; with at least significant involvement in hiring decisions); and 6,704 U.S. employees (employed full-time; not self-employed) ages 18 and over between November 13, and December 3, 2007, respectively (percentages for some questions are based on a subset of respondents, based on their responses to certain questions). With a pure probability sample of 3,016 and 6,704 one could say with a 95 percent probability that the overall results have a sampling error of +/- 1.8 percentage points and +/- 1.2 percentage points, respectively. Sampling error for data from sub-samples is higher and varies. A full methodology is available upon request.

## About the Wharton School

The Wharton School of the University of Pennsylvania -- founded in 1881 as the first collegiate business school -- is recognized globally for intellectual leadership and ongoing innovation across every major discipline of business education. The most comprehensive source of business knowledge in the world, Wharton bridges research and practice through its broad engagement with the global business community. The school has more than 4,600 undergraduate, MBA, executive MBA, and doctoral students; more than 8,000 annual participants in executive education programs; and an alumni network of more than 82,000 graduates.

## About CareerBuilder.com

CareerBuilder.com is the nation's largest online job site with more than 23 million unique visitors and over 1.6 million jobs. Owned by Gannett Co., Inc. , Tribune Company, The McClatchy Company and Microsoft Corp. , the company offers a vast online and print network to help job seekers connect with employers. CareerBuilder.com powers the career centers for more than 1,600 partners, including 140 newspapers and leading portals such as America Online and MSN. More than 300,000 employers take advantage of CareerBuilder.com's easy job postings, 26 million-plus resumes, Diversity Channel and more. CareerBuilder.com and its subsidiaries operate in the U.S., Europe, Canada and Asia. For more information, visit <http://www.careerbuilder.com/>.

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