

Economic and Spiritual Implications of U.S. IT Offshoring

**A Research Paper
Submitted to Dr. Wayne Grudem
Phoenix Seminary
Scottsdale, Arizona**

**In Partial Fulfillment
of the Requirements for
Theology 570**

**by
Troy A. Griffitts**

30-November-2004

In an economy growing ever more global, yet trending heavy in digital commodities, the Software Engineer living in the United States must be willing to leave a longstanding comfort zone and reach for the new opportunities unearthing themselves in today's changes. A former British colony with a population well versed in the English language, India has become one hotspot for offshoring a surprising percentage of American company Software Engineering jobs. Ireland provides us with a cycle of history from which much might be learned, as they have come full circle, starting from a different point in their IT history. Offshoring might lead U.S. engineers to explore less traditional applications of Software Development. Finally, looking at the moral root of the implications of offshoring, Scripture addresses questions which may rise from such a practice.

In many eyes, India poses the most prolific threat to the American Software Engineering position. Having been under British rule from 1727 to 1947, the population has a distinct advantage of mastery of the English language. The population is dense (approximately 790 persons/mi², compared to the United States' 73 p/mi²) and cost of living is much lower than in the United States. "India's IT enabled services sector currently represents the premier market for U.S. offshore services, controlling 85% of the entire U.S. offshore IT market. In 2003 this trading relationship amounted to \$9.5 billion in exports. Indian IT exports to the U.S. are projected to hit \$18 billion by 2005 and \$50

billion by 2008.” (Overview of Current Offshore Outsourcing Market Conditions and Challenges, www.rescueamericanjobs.org) The first application of offshoring to India to see widespread implementation was the Call Center. Many large companies which provide telephone support to their *clientèle* have experimented with sending this work to India in hopes to save an often promised 50% in operations costs due to the much cheaper labor expense. With some success, IT Engineering positions have become the next trial. Volatility is present in all healthy markets, and the thought that offshoring some types of work might produce new job opportunities in other areas, is a promise with substantial hope. Proponents of offshoring work say that “...a boom in India's call center industry means that \$12 billion will need to be spent on telecom equipment over the next four years, according to Promod Haque, managing partner at Norwest Venture Partners.” (CallCenterOps.com, 6-28-2004)

Another interesting economy to study in regard to our subject is that of Ireland. Though very different to the U.S' current situation, Ireland has come full-circle in their venture through this endeavour. In the 80's the Irish government seeded commercial business into their sleepy agrarian economy by issuing very attractive tax incentive plans-- amounting to practically no taxes for up to 10 years. Ireland's tradition of excellence in education (some Irish say they actually *did* save civilization, keeping the lamp of knowledge and learning alive during the dark ages) produced a highly educated

workforce and most were emigrating to jobs elsewhere-- primarily to U.S. and Australia.

As more and more businesses caught on to the potential for high-tech manufacturing in Ireland, the sleepy economy was transformed during the 90's into the "Celtic Tiger". So much so in the high tech arena that the government began calling Ireland's sons and daughters to return home. Many did return, and the price of housing skyrocketed.

Today, Dublin real estate is now much like that of Silicon Valley. However, returning graduates, alone, were not enough to satisfy the needs during the tech boom of the late 90's. For the first time, Ireland began importing foreign hi-tech workers, and many from India and Pakistan. Since the "Celtic Tiger" economy had not meant prosperity for everyone, but rather only those with high-tech education, much of the populace saw the cost of living rise in comparison with their own earning potential. This, combined with the newness of a multi-racial workforce in a previously homogeneous Ireland, led to Ireland having to learn the same lessons as other melting pot countries like America. As seen first in the Irish IT Professional, and later in the Indian and Pakistanian, this history shows that highly skilled workers are in demand to fill open positions, if the worker is willing to immigrate to where the jobs reside.

In a constantly changing world, the capitalist entrepreneur must be willing to explore non-traditional applications for their skill. The desktop personal computer has been the domain of the bulk of software applications and the target of almost entirely all

of the education training programs in this field. Digital commodities such as handheld PDA's, personal music jukeboxes, in-vehicle guidance systems, and the like are proliferating out society. With these commodities comes new venues for application software and ingenuity. America, since its inception, has always lead the world in ideas. To think that “the IT industry is different because it, itself, is novel,” has become outdated thinking over the past few years. The IT industry has taken its place among the likes of the Automotive Industry, the Construction Industry, and others that have been with us for quite some time. The problems facing today's IT Engineers have been experienced by professionals in these older fields who have adapted and learned to live in the new incarnation of their domain, or have move on to other professions.

What are the moral implications of outsourcing jobs overseas? To discuss this topic effectively, we must first look at the passionate objections of the opponents of such practices. First, do they object to IT positions going to lower paid employees? Some might, but it seems this is not the root of the issue. The complete scenario that warrants the complaint is that of IT positions going to lower paid employees *of different nationalities*. We hear the same complaint about immigrants coming into the U.S. Are these thoughts always selfish? It also seems not. Many people not associated with the IT field, or manufacturing industry sympathize with the same feelings of, “you're taking that job away from an American and giving it to a foreigner!” Are these racist remarks?

Again, no. These same people have no problem with, and would even be happy for the same foreigner to be even more successful back in their own country. So what is the root of the complaint? It seems that seated deep within us is a sense of Patriotic Community that stands up to protect our brothers and sisters-- the same Patriotism which leads a soldier to sacrifice his life for his countrymen. Lewis appealed to this basic and universal "Natural Law" as what may make us men. When intellectualizing with a soldier, "it still remains true that no justification of virtue will enable a man to be virtuous... The head rules the belly through the chest-- the seat, as Alanus tells us, of Magnanimity (Alanus ab Insulis. *De planctu Naturae Prosa*, iii.)... The Chest-- Magnanimity-- Sentiment-- these are the indispensable liaison officers between cerebral man and visceral man. It may be said that it is by this middle element that man is man: for by his intellect he is mere spirit and by his appetite mere animal." (Lewis, C. S., *The Abolition of Man*, pp.33-34) This is the sentiment that will bridge the intellectual knowledge he might have that dying for one's country might be a good thing, to overcome the fear of braving very real bullets on a cold battlefield. More importantly, our Lord appealed to such sentiments within us: "Greater love has no one than this, that one lay down his life for his friends." (John 15:13) So, one can't blame those opposed to offshoring for these feelings, in the same way one cannot blame the same for not thinking twice about taking a lucrative position overseas. Their complaint is usually not thought through and likely stems from a healthy

feeling of patriotism. But does the Bible say anything more directly on the idea of outsourcing? In 1 Kings 7:13f, Solomon hires skilled workers from all over to come and help build his kingdom. And doesn't even God, Himself, outsource some of the work of our maturity to His own enemy? "My brethren, count it all joy when you fall into various trials, knowing that the testing of your faith produces patience. But let patience have its perfect work, that you may be perfect and complete, lacking nothing." (James 1:2-4) In seriousness, we see the history of Ireland forcing the country to deal with racial prejudice. We see Christian from there and our own country finding work in other dominantly non-Christian environments, with an opportunity to share that Great News of the Salvation of our Lord with a dieing people. We are encouraged in all things to grow in the Lord.

In conclusion, offshoring has not been as productive as it has been sold to be. "Expectations about the benefits of outsourcing are becoming more realistic, the DiamondCluster study found. Most buyers in the previous study expected gains in efficiency in the range of 50 percent. Today, those expectations have declined to 10-20 percent. And while expectations have declined, so too have the rates they are paying, many buyers report. In general, buyers of outsourcing services say that rates have declined over the past 12 months, particularly in the areas of application development, maintenance and support." (DiamondCluster International, 4-14-2004) Offshoring work spurs our entrepreneurs on to new horizons and provides new growth in other areas of the

U.S. economy. “In the software and services area, the economy will create 516,000 jobs over the next five years in an environment with global sourcing but only 490,000 without it. Of these 516,000 new jobs, 272,000 will go offshore and 244,000 will remain onshore. Thus the U.S. IT workforce will continue to grow.” (The Information Technology Association of America (ITAA), 4-23-2004) The Scriptures seem to not encourage or discourage the practice, though we cannot easily discount the root of the objections to this practice. And with change comes abolishment of complacency, which is a far more widespread symptom of today's American worker, and even Christian.