

The ADVOCATE

As economy flails, more jobs move offshore

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Companies across the nation are scrambling to find ways to reduce costs as the economy continues in its free-fall, and some see job outsourcing as one way to balance their bottom lines.

The number of "higher-end" outsourcing jobs in India, such as clerical services for lawyers, continue to increase, said attorney Raj Mahale, a partner in the Stamford office of the Hartford-based law firm of Murtha Cullina LLP.

"The newest trend is legal process outsourcing," said Mahale, who specializes in business immigration law. India continues to thrive as a center for information technology outsourcing, he said.

"That's what put India on the map," Mahale said.

Opportunities in India for outsourcing "lower-end jobs," such as customer representative posts at call centers for credit card companies, are declining, however, he said.

"What we're seeing with increased competition and a lot of attrition is people are jumping ship," Mahale said.

Shawna McAlearney, a senior editor for CIO.com, a Framingham, Mass.-based online publication for chief information officers and information technology professionals, said she expects outsourcing to increase, despite president-elect Barack Obama's proposal to give tax cuts to companies that bring jobs back to the United States.

"If you needed to save money in your budget, where would you go?" she said. "The cost savings could be three or four times."

James Rick Stinson, president of Global Sky, a Las Vegas, Nev.-based outsourcing sources provider, said his business has grown during the down economy.

"How long could this go on? I don't know," he said. "A variety of factors could contribute to this growth including the fact that we are doing additional marketing, so we cannot attribute company growth to the economy alone."

Global Sky Inc. cited a March 2007 study by worldwide professional services firm KPMG stating that 42 percent of 650 surveyed companies claim that outsourcing has benefited their companies financially.

KPMG's study also stated that 89 percent of companies that outsource their services continue to do so, and 47 percent feel it created new opportunities that would have been impossible otherwise.

Bob Dell Isola, a partner with KPMG's Sourcing Advisory Services, said companies have taken a heightened interest in outsourcing and offshoring as they try to lower costs.

"But it is still too early to identify definitive trends," he said. "Companies are reconsidering their outsourcing strategies in order to better manage costs and, in some cases, streamline their business operations. Clearly, outsourcing can help here."

A company can save 50 percent or more over domestic costs once payroll, taxes, office overhead and other expenses are factored in, Stinson said.

"That translates into a savings of on average about \$500,000 for 25 employees," he said.

The average call center worker in the Philippines earns about \$300 to 400 per month, while the average call center worker in the States might earn \$2,000, Stinson said.

There is no exact count on the number of American jobs that are moved overseas, but hundreds of thousands of people are employed in outsourcing jobs in the Philippines and India, he said.

Outsourcing should not be seen as "lost jobs" in the United States because it creates jobs in other parts of the world, Stinson said.

"If people were to see the impact these new jobs are having on human beings with families, they would stop wrapping themselves in the flags of their native country

and start looking for ways to spread the abundance globally," he said.

Outsourcing has been a strategy used for years in a variety of industries, said Lisa Mercurio, director of the Fairfield County Information Exchange, a unit of the Business Council of Fairfield County.

"It has been a way for business to remain competitive so that their clients can best be served," she said. "That being said, most companies that haven't already pursued this strategy may be very cautious about trying anything that unfamiliar to them - and their business - at this time of economic uncertainty."

David Lewis, the president and founder of Stamford-based human resources firm Operations Inc., said more firms are outsourcing their human resources functions to his company as they reduce their staffs.

"Human resources tends to get cut regularly during a down economy," he said, adding that he receives about 40 resumes a month from human resources professionals. "The number of positions posted for human resources across six different job sites has gone down 85 percent."

Not all companies that provide outsourcing services are based overseas, as seen with the success that Stamford-based Pitney Bowes has experienced in its mail management services.

A \$6.3 billion manufacturer of postage meters and other mail products, Pitney Bowes has benefited from companies outsourcing its mail management and document processing services.

"In tough economic times, customers are looking to better manage their costs, so we've seen a great uptick in that," said Keith Wyche, president of the East Region for Pitney Bowes' Management Services.

Pitney Bowes, which has 36,000 employees worldwide, has itself outsourced some information technology and business support functions, according to Colette Cote, a spokeswoman for Pitney Bowes.

Seeing the financial benefits of being an outsourcing provider, Emcor Inc., Norwalk-based global provider of mechanical and electrical construction services, energy infrastructure and facilities services, started providing maintenance services several years ago.

The division has become a major contributor to the operating budget of Emcor, which recorded net income of \$48.6 million for the third quarter, a 26.9 percent increase over the same period last year.

In a slow economy, outsourcing services provide the company with a good source of income, said Kevin Matz, executive vice president of Emcor, adding that more

companies are using its maintenance services to save money.

"In challenging times," Matz said, "it's more important because you ratchet up everything."