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Outlandish Outsourcing

TRACI GRODNER

URS 2000: Growth and Change in Urban Society, Spring 2015

Nominated by: Dr. Hyeseon Jeong

Traci is a creative, optimistic matriarch, sales professional, and honorary student. She is wife to Sean and mother to Keaton and Geneva. Traci enjoys reading fiction, photography, traveling with her family, and laughing with her friends. She strives for harmony in life, tries really hard not to sweat the small things, and chooses to see the good in all people. Traci is majoring in Organizational Leadership in the College of Education and Human Services.

Traci notes:

Several friends and colleagues have experienced job loss as a result of outsourcing. Aspects of my position are currently being outsourced, and I fear that more responsibilities will be sent overseas in the next few years. When I began researching the human implications of these practices, I grew angry. I knew firsthand of the loss of American jobs, however, I hadn't considered the poor working conditions in the other countries. I became aware of The Fair Labor Association and why we should demand products made with its endorsement. I hope that this piece will educate readers about the many disadvantages of outsourcing.

Dr. Jeong notes:

In this review, Ms. Grodner performs an active and strategic reading of Thomas Friedman's *The Lexus and the Olive Tree* by selecting an issue of contemporary national concern—global outsourcing and unemployment in the United States. Her critique is based on a good literature review on the topic and successfully keeps the audience interested by moving from a personal anecdote to academic discussion and finally to a practical debate.

Our world is more connected than ever. Technology has fueled our thirst for the immediate sharing of information at little to no cost. When growing up in the seventies, my aunt had a baby in Germany. Her husband snapped a photo in the hospital with his 35mm film camera. A few days later, when the roll's twenty-four frames were filled, he had the local photo shop develop his film and print the photos. He then mailed the best one back to the United States where my grandparents could finally view it several weeks later. In addition to the time spent, this process cost around fifteen dollars between the roll of film, developing, and postage. Thanks to today's technology, newborns are promptly photographed digitally and the resulting images distributed to thousands in mere seconds, for free. Thomas Friedman shares a similar scenario in his book, *The Lexus and the Olive Tree*. He describes a digital camera advertisement, in a time when digital photography was just entering the consumer market. The ad interprets the new technology for those uninformed, explaining that the floppy diskette is the film, and the computer screen displaying the baby picture, is the post office (Friedman 83). Businesses, like people, are seeking ways to maximize profits. One effective way is by subcontracting aspects of their business, such as production and services, to developing countries. This is called "outsourcing" (Fernandez and Valencia 14), and it is a factor of globalization. Despite the controversy surrounding this business movement, Friedman emphatically supports it, stating that businesses not on board with this trending concept will pay more than they should and fall behind the competition (Friedman 109). I, on the other hand, deplore these practices for many reasons.

A major reason companies are outsourcing certain functions of their business is due to cheaper labor in some foreign countries. Latin America, for example, has become a popular destination for such activities. Labor in Latin America is competitively priced, yet their labor laws are weak and flexible. While the subcontracting company is saving money, the workers typically experience unfavorable working conditions such as being required to work long hours, receiving low wages and little vacation time, and experiencing quick turnovers and unsafe employment conditions (Fernandez and Valencia 16). Another factor affecting workers in developing countries is that employers are seeking to eliminate labor unions, making labor conditions even more unfavorable. Despite indirectly working for a U.S. company, outsourced workers in other countries are not granted the perks that American workers typically enjoy. Similarly, U.S. companies outsourcing aspects of their business are not held to U.S. standards. This results in exploitation of the workers overseas (Fernandez and Valencia 23). Friedman acknowledges the concern for global working conditions, but believes

consumers should simply demand products made with the endorsement of the Fair Labor Association (Friedman 207). Sadly, not enough attention has been paid to outsourcing's consequences on humanity from a governmental standpoint.

With the increasing popularity of outsourcing, many Americans are experiencing reduced wages, or worse, unemployment. Roughly fourteen million U.S. workers are negatively impacted by this movement. They are losing their ability to negotiate better working conditions and salaries due to risks of layoffs or firings (Fernandez and Valencia 18). The nation's working poor are finding the job market aggressively competitive as others will perform the work for less. Roughly twenty-five percent of workers aged 18 to 64 earn a full-time salary at the federal poverty line for a family of four (Colvin & Bernstein 2). In addition, the federal minimum wage is 30% less than it was in the 1960s--when inflation is taken into consideration. Making the situation worse, the cost of college is rising exponentially, leaving less than five percent of students from the working poor able to claim their diploma. This pattern results in low skills compounding with each generation (Colvin & Bernstein 4).

While companies find the short-term cost reductions and increased productivity enticing, many do not realize that outsourcing may actually have overarching negative impacts overall (Park, et al. 472). I believe that in order to achieve optimization from all aspects of business, segments must interact with one another on all levels. This is difficult when some functions are in another country thousands of miles away. Some organizations have discovered that long-term success demands the merging of technology, nurturing relationships with clients, and encouraging achievement evaluations. The most challenging symptoms of outsourcing are inability to coordinate and lackluster performance from workers. Failure to improve in these areas may result in restructuring, terminations, or having to renegotiate an outsourcing agreement. Organizations must weigh the benefits of short term efficiency against long term impacts, such as inability to conform to fluctuations in their environment stemming from not understanding their customers and market (Park, et al. 474). When product developers work closely with production and marketing, they will effectively identify and implement innovative design improvements based on collective feedback.

Outsourcing benefits businesses with relentless interest in inflating profits. Meanwhile, global labor is being exploited within hazardous working conditions and the American working class is exponentially struggling to

keep afloat. Many companies are calculating immediate cost savings without considering the detrimental consequences over time. Modifications in employment policies and updates in legislation will benefit workers and employers alike (Fernandez and Valencia 23). Incentives should be offered to companies investing in domestic employment. U.S. President Obama has rejected outsourcing, citing it as a major reason for America's high unemployment rate. He proposed a domestic policy that offers tax credit toward research and innovation for companies that conduct all aspects of their business in the United States (Fernandez and Valencia 18). Some have proposed tying trade pacts to labor rights, for example, requiring a country that wants to participate in upgraded trade status to allow its workers to form unions, giving the working poor leverage over wages (Conlin and Bernstein 4). While these actions will not eliminate the cheap labor options that tempt U.S. businesses, they will protect workers' rights, help improve our nation's disappointing unemployment rate, and ensure that companies make informed decisions for the betterment of their business, over time.

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