The Ill-Effects of Outsourcing on Home Countries

Abstract

This paper seeks to persuade the reader on the negative effects of outsourcing on home countries as businesses are choosing to look externally for solutions to cut down costs and be more efficient. Qualitative and quantitative research methods will be used to convey to the reader how outsourcing has a negative impact on North America. Over 625 jobs were lost as General Motors closed their doors to open a facility in Mexico, Canada holds a $120 billion deficit after the NAFTA agreement, employers spend an average of $4,129 per person on hiring, and to rely on subcontractors for product efficiency. Finally, if companies do not acknowledge the negative impact of outsourcing, the North American economy will continue to weaken.

Outsourcing is a common practice used in business operations in which a company hires foreign companies and employees to perform tasks that used to be done internally. A large number of companies in North America turn to outsource due to cutting down production costs, cheap labour, and increased efficiency. However, despite the positive outlooks of outsourcing, many issues are overlooked. Outsourcing of jobs can result in loss of employment and assets overseas, improper recruitment and poor company principles, and lastly subcontracting out to suppliers may not result in the best outcome of products.

Loss of employment and assets overseas has put a strain on growing the North American economy. Vehicle manufacturer General Motors has moved their production facility from Ingersoll, Ontario to Mexico as Ferreras (2017) reports “General Motors has cut 625 jobs at the CAMI Assembly plant in Ingersoll, Ont” (para. 2). This is one example of a vehicle manufacturer that has moved its facility to Mexico due to cheaper production and results in job losses for Canadians. Ferreras (2017) also mentions that NAFTA lifted tariffs between Canada, the United States, and Mexico, which has allowed companies to manufacture their products anywhere within North America (para. 19). It is debatable whether NAFTA has been a burden or an asset to the economy, but according to Ferreras (2017) before the NAFTA agreement, Canada had a $12 billion trade surplus, and now holds a $120 billion deficit (para. 22). This is tough for Canada to maintain as a competitor against other countries due to this agreement. In addition, these issues are also being recognized in the U.S. The European Union (EU) has declared tariffs on U.S imports which has led to a trade war with the EU and the Trump Administration. In June 2018, The Associated Press (2018) announced that Harley-Davidson motorcycles sold in Europe will move their U.S. factories to facilities overseas. This has resulted in a trade war between the EU and the Trump Administration, due to tariffs on U.S. imports (para. 2). This is unfortunate because Harley Davidson is considered an iconic brand to America, so moving their production overseas will be detrimental for the economy as well as put Americans out of jobs. With the 625 jobs lost from GM moving down south, the $120 billion deficit possibly caused by the NAFTA agreement, and finally, the Harley-Davidson facilities being moved to Europe, these decisions have truly caused the North American economy to fall into disarray.

Companies have turned to outsource for recruiting new employees as opposed to finding talent within the organization to promote managerial positions. It seems to be the trend of scouting

external hires rather than finding the potential of a candidate within the company, who would already be familiarized with the company regulations and standards. As Cappelli (2019) adds that job openings are now filled by hiring from the outside rather than promoting within (para. 10). This approach to hiring may be unfair to internal employees who are looking to climb the corporate ladder. Furthermore, it could take double the time to train someone who was hired externally, as Cappelli (2019) advocates that external hires take as long as three years to perform as well as the internal hires do in the same job (para. 17). To add even more complications to this process, companies may not take the proper steps to hire the right candidate for the position, Cappelli (2019) explains “Only about a third of U.S. companies report that they monitor whether their hiring practices lead to good employees” (para. 6). It creates the thought if companies are taking the appropriate steps of recruiting individuals or just hiring to fill the vacant position. In relation to the hiring process, employers also invest quite a bit on hiring, Cappelli (2019) reports employers to spend an average of $4,129 per job in the United States (para. 7). That is quite a hefty amount that is spent per person per job. When outsourcing externally has become an option, it takes away the initiative of looking for a suitable candidate that could already be within the organization.

The outsourcing for the Boeing 787 Dreamliner has potentially endangered passengers’ safety due to having the parts of the plane manufactured out of America. Plumer (2013) explains that the 787 Dreamliner had an emergency landing due to the aircraft’s lithium-ion batteries overheating and catching fire (para. 1). The battery was outsourced from Japan, as Plumer (2013) adds that more than 30 percent of the jetliner’s parts were manufactured overseas, including the Japanese-made lithium-ion battery (para. 2). In addition to the batteries, electrical faults were the main issue of the assembly of the plane. Gates (2013) expresses that the distribution panels- that control the flow of electricity to the plane's systems were made cheaply (para. 4). Boeing had turned to outsource many subcontractors’ years ago, and if they had not, would these issues still have happened? Gates (2013) indicates that Boeing contracted to 50 suppliers and handed them the complete control of the design of their piece of the plane (para. 16). It seems as Boeing did not have full control of the design. When something crucial happens due to a supplier, it is Boeing that is held responsible Gates (2013) states “It’s Boeing that the FAA holds responsible to resolve the problem, and it’s Boeing that pays most of the associated costs” (para. 29). If problems continue to occur with the 787 Dreamliner, it could hurt Boeing’s reputation as Gates (2013) mentions that when the battery problem is resolved and the 787 Dreamliner flies again, more power panel problems can likely surface and could lead to more diversions that would further damage the jet’s reputation (para. 52). Furthermore, Boeing Dreamliner 787 model was a notable example of why outsourcing suppliers may not be the best decision to make because of the inability to know if the products were manufactured to a high standard.

Taken as a whole, loss of employment and assets, along with poor recruitment, inadequate company principles, and products that are not manufactured properly, the negative effects of outsourcing truly shows. This is a problem for North Americans especially the lack of work, as it leaves many individuals without jobs and also fails to grow the economy. Rhett (2015) states “Over the last 31 years, Economists and politicians alike believed that the United States would be successful if we just simply focused on our effects in research and innovation” (para. 1). Despite the positives that corporate business owners achieve through outsourcing, these issues need to be analyzed and acknowledged in full detail as soon as possible. If not, the economy within North America will continue to grow weaker and jobs will continue to disappear.

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