

- **Sako, Mari. 2005. "Outsourcing and Offshoring: Key Trends and Issues," prepared for Emerging Markets Forum, Saïd Business School.**

This paper provides a discussion of key issues which emerged from a review of the debate on offshoring and outsourcing. Although offshoring is not a new phenomenon, the current phase of offshoring is marked by the increased tradability of services enabled by ICT. The paper puts forward a clear definition of offshoring – defined as a combination of trade flows, FDI, and employment shifts -- before doing three things. First, official statistics on international trade and FDI were examined to gauge the extent of offshoring in services. Second, the paper analyses the causes and consequences of different types of outsourcing seen as strategies for corporate restructuring. Third, the impact of outsourcing on jobs and professions is assessed in terms of the repackaging of tasks, skills and knowledge. This paper provides pointers to answer such questions as: Why is outsourcing and offshoring happening now? What is the impact of outsourcing/offshoring on home and host economies? What policies should be devised to address the causes and consequences of offshoring?

The key points raised in this paper are as follows.

- **Definitions:** Offshoring happens when private firms or governments decide to import *intermediate* goods or services from overseas that they had previously obtained domestically. It is therefore about sourcing decisions which involve (a) imports, (b) displacement of domestic production and associated jobs, and sometimes (c) foreign direct investment (FDI) outflows if sourcing happens from overseas affiliates. It is difficult to combine three separate sources of data to measure the precise extent of offshoring defined in this way.
- **Trade and FDI:** Bearing in mind the limitations to official statistics, they indicate that offshoring of services is quite small, relative to that in manufacturing.
- **Corporate Strategies:** Growth in outsourcing and offshoring of business services depends on the nature of corporate strategy and business models.
- **Jobs and Professions:** The movement of service jobs from developed economies to low cost emerging market locations is being accompanied by significant repackaging of tasks, skills, and knowledge into a job, occupation, or profession. This is leading to changes in occupational and professional identity, and is creating new challenges for governments formulating their policies for education and training, and for professional associations thinking about the upgrading of capabilities.