

Flash Survey Results: Offshoring Labor

The results of an informal survey of 33 multinational organizations, the majority of which have already offshored business functions, show that offshoring has had a positive effect on lowering production costs and improving operational efficiency. But its impact on several other business-related issues — including HR management costs, organizational communication and marketplace image — is still unclear.

And a separate, statistically representative survey of U.S. workers by Watson Wyatt found that, while most employees view offshoring as bad for the nation’s economy, far fewer — less than 10 percent — are strongly concerned that their jobs are at risk. Please see the sidebar story on page 3.

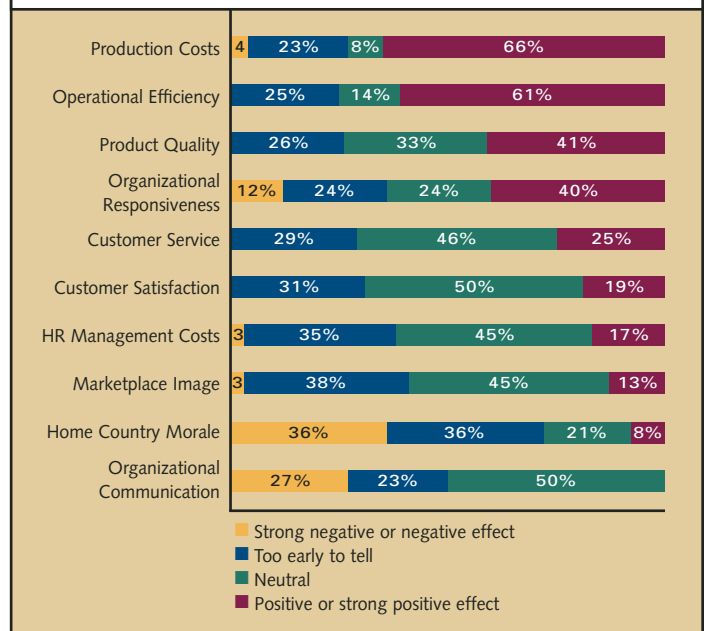
Approximately 6 in 10 respondents to the informal employer survey cited the positive impact offshoring has had on their organization’s operational efficiency and production costs. However, on several other issues, respondents said that offshoring has had a neutral effect or that it is simply too early to tell. They include marketplace image (83 percent were neutral or said too early to tell), customer satisfaction (81 percent) and HR management costs (80 percent) (Figure 1).

Areas where respondents said offshoring has had a negative effect include home country morale (36 percent) and organizational communication (27 percent).

The type of functions those surveyed currently offshore include customer service (38 percent), low- and high-tech production (35 percent) and R&D (35 percent) (Figure 2, next page).

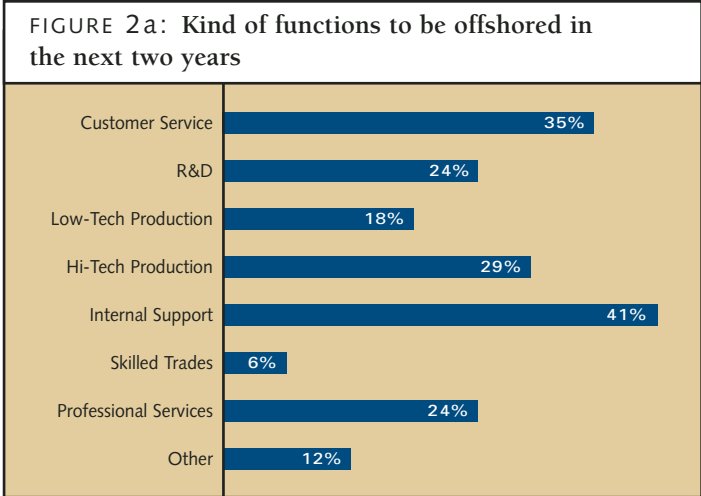
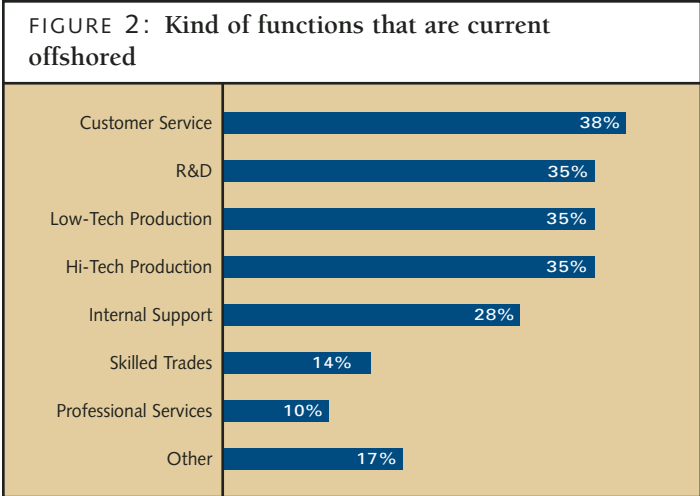
In the next two years, employers expect to continue to offshore customer service functions (35 percent) and R&D (24 percent).

FIGURE 1: How the deployment of service and support functions to low-cost labor markets affects business-related issues



But they also anticipate significant increases in offshore activity in the areas of professional services and internal support (both with an expected 13 percentage point increase) (Figure 2a, next page).

Eighty four percent of respondents said that they had offshored jobs to India, followed by China (45%) and the Philippines (26 percent).

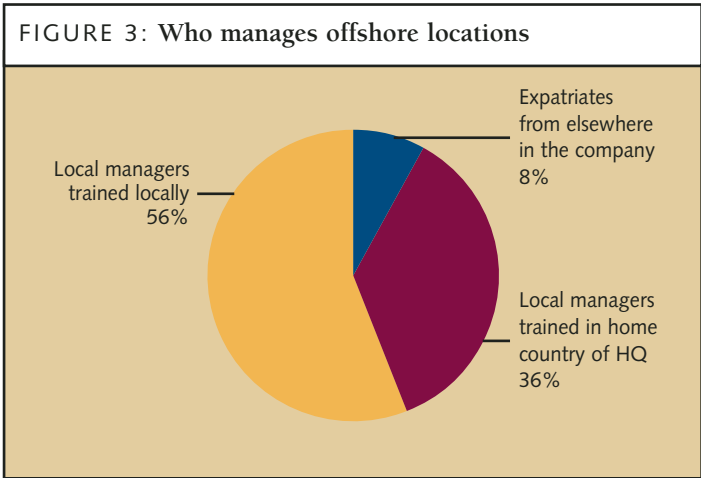


Management of Offshore Locations

In addition, a majority of companies reported they are tapping local talent trained in-country to manage their new offshore locations. More than half of respondents said local managers, who are trained in the country in which they are offshoring labor, manage those operations (Figure 3).

Other Findings:

- A majority of respondents said their global compensation and rewards programs are flexible enough to accommodate their companies' offshoring practices.
- Thirty-nine percent of respondents said they approached their initial relocation of services by outsourcing to an independent third party. Seventeen percent either pursued new development of a corporate shared service unit or relocated to a modified/expanded, existing operation within a business unit.
- Seventy-nine percent of respondents said that labor cost savings is the formal measure they use to determine the effectiveness of their offshoring activities. Sixty-six percent cited profitability and 52 percent cited time-to-market as their benchmark.



Offshoring: The Employee View

Widespread reports of offshoring have led American workers to be concerned about the impact on the economy in general, but they apparently have little concern offshoring will affect them personally.

According to a Watson Wyatt WorkUSA® pulse survey, 85 percent of those surveyed feel that offshoring has a negative or very negative effect on the U.S. economy (Figure 4). However, two-thirds (66 percent) said their company has not announced any plans to offshore labor (Figure 5). And less than 1 in 10 (eight percent) are strongly concerned that that their job function will be sent overseas (Figure 6).

However, workers in non-supervisory professional and technical roles are more likely than those in either management or hourly and clerical positions to feel strongly that their jobs may be at risk (Figure 6a). Men were also somewhat more likely than women to feel this way (Figure 6b).

The recent WorkUSA pulse survey, the second in an ongoing series, monitors the attitudes and opinions of U.S. employees. More than 1,190 U.S. workers from a broad cross-section of industries participated.

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FIGURE 4: Perceived impact of offshoring in the U.S. Economy

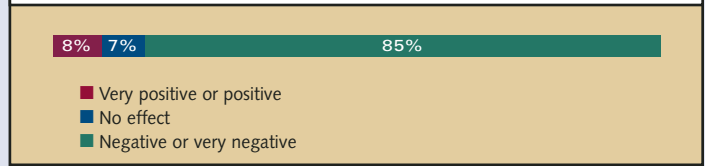


FIGURE 5: Extent to which company has announced plans to offshore

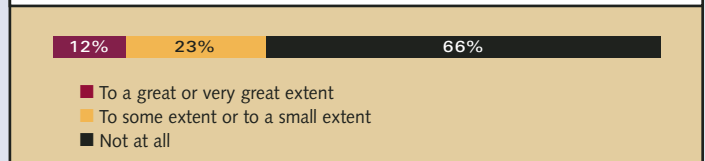


FIGURE 6: Extent of employees' concern about organization offshoring their job

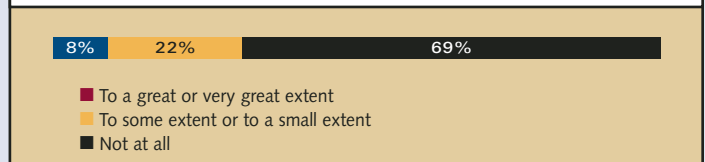


FIGURE 6a: Extent of employees' concern about employer offshoring their job — by job role

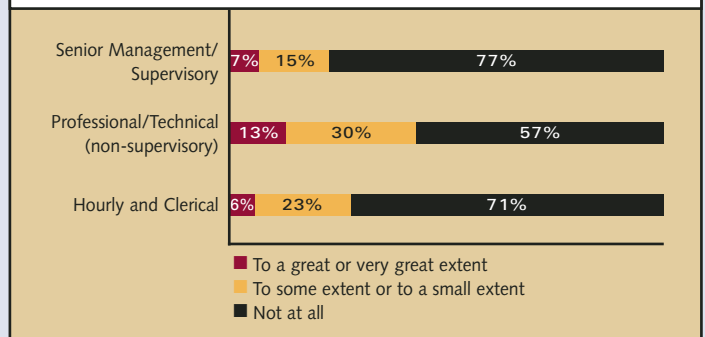


FIGURE 6b: Extent of employees' concern about employer offshoring their job — by gender

