

## PUBLIC SECTOR

## Obama speaks the voters' language

**Offshoring is a sensitive issue. Always has been, for as long as the concept has existed. Just ask the people of Stoke-on-Trent, who, for nearly a generation have seen countless jobs disappear eastwards as the once mighty Pottery industry looked to slash costs through labour arbitrage.**

That's globalisation. Although it incites fury locally, in times of prosperity, on a national level, no-one bats an eyelid. But when the economic waters get choppy, people start to notice. And when economic waters get choppy, political waters start to froth too. Especially close to election time.

In January 2012, President Obama made a speech that denounced offshoring, claiming that American business leaders have a moral and patriotic imperative to bring jobs back to the USA.

He said: "My message to business leaders today is simple. Ask yourselves what you can do to bring jobs back to the country that made our success possible, and I am going to do everything in my power to help you do it."

Mr Obama is proposing measures including tax incentives to persuade companies who have offshored jobs to bring them back home. The proposed "Call Center and Consumers Protection Bill" gives the consumer the right to know the location of the call centre, and demand a local operator.

Under the Bill, US companies deciding to offshore would be penalised, and made ineligible from receiving federal grants and loans for a period five years. These measures have an undeniably protectionist element to them, and critics of protectionism will claim that it could make US companies uncompetitive.

With US and UK unemployment so high, and rising labour costs in China and India, Mr Obama is looking to introduce a catalyst to bring more work back to the USA. Protectionist policies have a good track record of building up economies throughout history – see Britain recovering from the Great

Depression, the USA at the end of the 19th Century, and more recently, Asia's Tiger economies. All these economies employed tariffs of some kind, to allow industry breathing space to germinate.

So protectionism may not be so bad – but, in this instance, when it's not a carrot of incentive, but a stick to beat your own domestic businesses with, it could well prove to be a dangerous game. Penalising companies for offshoring who have to offshore- which can be anywhere from 30% to 70% cheaper – to remain competitive in their marketplace could have major consequences. There is a chance that more jobs could be lost than saved.

Think about the little guy. Or the medium guy, even. Maybe they outsource their accounting to the Philippines because they are running an extremely frugal budget, and it's the only way they can compete in the market. Maybe they had plans for expansion. Now the money for that will be eaten up by hiring a bookkeeper, and plans to expand, boost revenue and create jobs may be put on hold indefinitely. The alternative, is to carry on offshoring, and lose access to government grants or loans. Finding other sources of capital will involve higher interest repayments, if the SME in question can even get access to other loans. Businesses will go bust if this bill goes through – how many? Who knows?

'Insourcing' should be incentivised, not penalised. Making companies using offshoring sign up to what is effectively a public 'offshoring offenders register' daubing their door with the sign of the plague, is barbaric, ruthless and irresponsible.

Yet it will probably come to nothing. Denouncing offshoring is standard procedure in the run up to a presidential campaign. According to Phil Ferst, CEO of HfS Research, "With regard to the Bill proposed to add restrictions to offshore outsourcing, the reality is that there is nothing different from a regulatory standpoint. Look into the details of the acts, they are toothless. Obama is funded by major outsourcing providers, so it is never going to happen."