

International Sourcing – measurement issues
Joint WPIIS-WPIE Workshop, London May 2007

International Sourcing – measurement issues

**The economic and social impacts of broadband communications:
From ICT measurement to policy implications
Joint WPIIS-WPIE Workshop, London May 2007**

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Background

- Existing phenomena in manufacturing
 - Emerging trend in services
- ⇒ High priority on policy agenda
- But mainly anecdotal evidence available

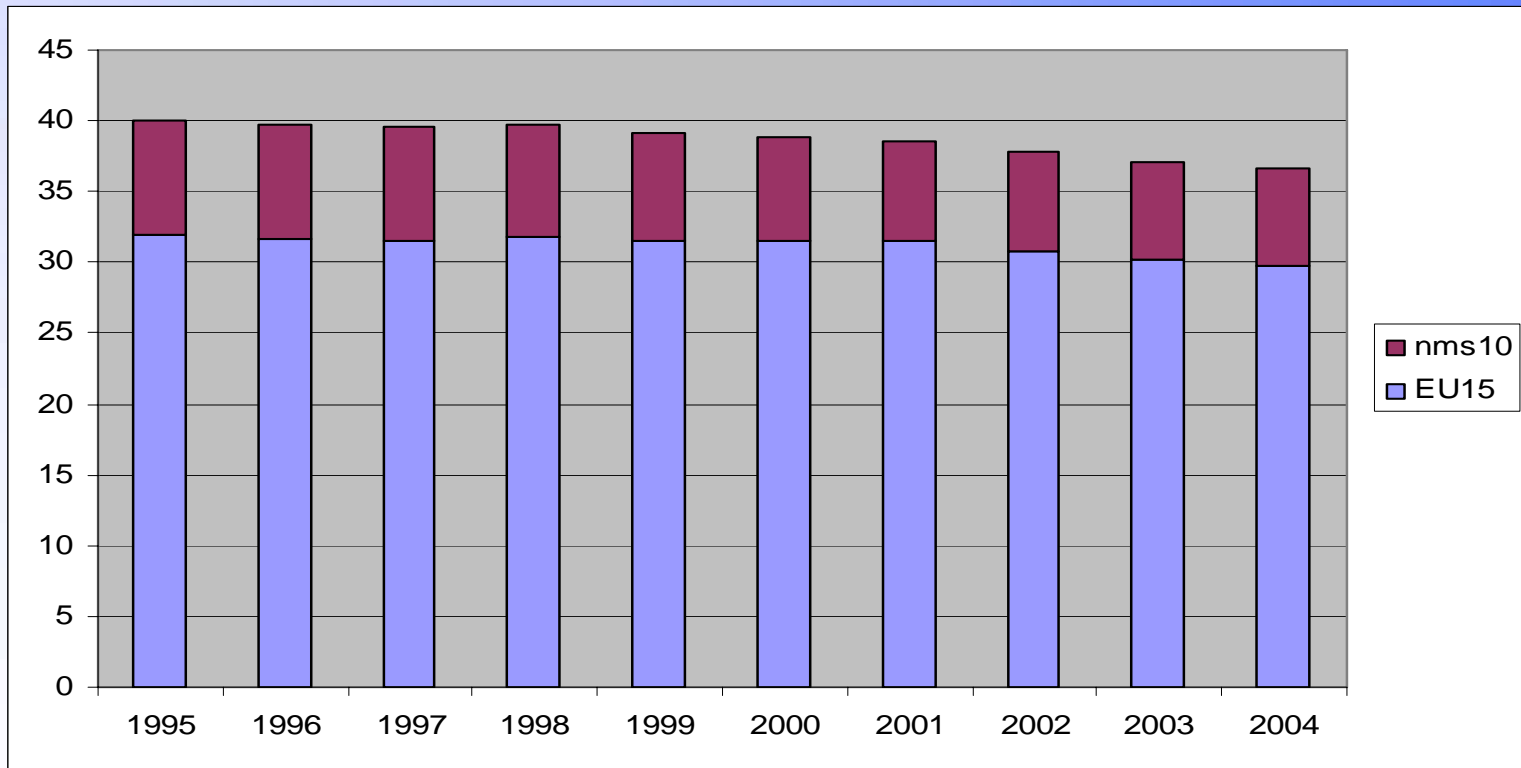
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This is the 8.15 to Mumbai. It is carrying
Indian commuters, on the way to do
YOUR JOB



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More than 2 million jobs lost in manufacturing in EU15
1995-2004



Job losses in the EU due to offshoring 2005

• Consultancy business services	26%	(758 jobs)
• Textiles and leather	17%	(2322 jobs)
• Chemical	16%	(2079 jobs)
• Electrical	16%	(3905 jobs)
• Metal and machinery	16%	(4583 jobs)
• Construction	16%	(2445 jobs)
• Information Technology	14%	(1570 jobs)
• Glass and cement	13%	(906 jobs)
• Motor	11%	(4483 jobs)
• Energy	11%	(2000 jobs)

Source: *European Restructuring Monitor*

Types of measurement:

- Indirect measures
 - International trade
 - Foreign Direct Investment
 - Labour Force Survey
 - Input-Output tables
- New initiatives
 - Foreign Affiliates Statistics
 - Administrative sources
- Direct measures
 - Dedicated business survey

Sourcing:

The total or partial movement of business functions (core or support business functions) currently produced in-house of a resident enterprise to either non-affiliated (external suppliers) or affiliated enterprises located either domestically or abroad.

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What do we want to measure?

CONTROL

Outsourced

Insourced

LOCATION:

National

Intra-EU

Extra-EU

Why is international sourcing difficult to measure?

- The phenomena complex – not allowing for a single and unambiguous definition
- Cross-cutting of nature - crossing borders, sectors and enterprises
- Official statistics mainly focusing on the national economy
- Multinational enterprises are key players – but not recognised in official statistics

Structure of the questionnaire

Module 1: General information

- 1.1 Main economic activity
- 1.2 Part of enterprise group

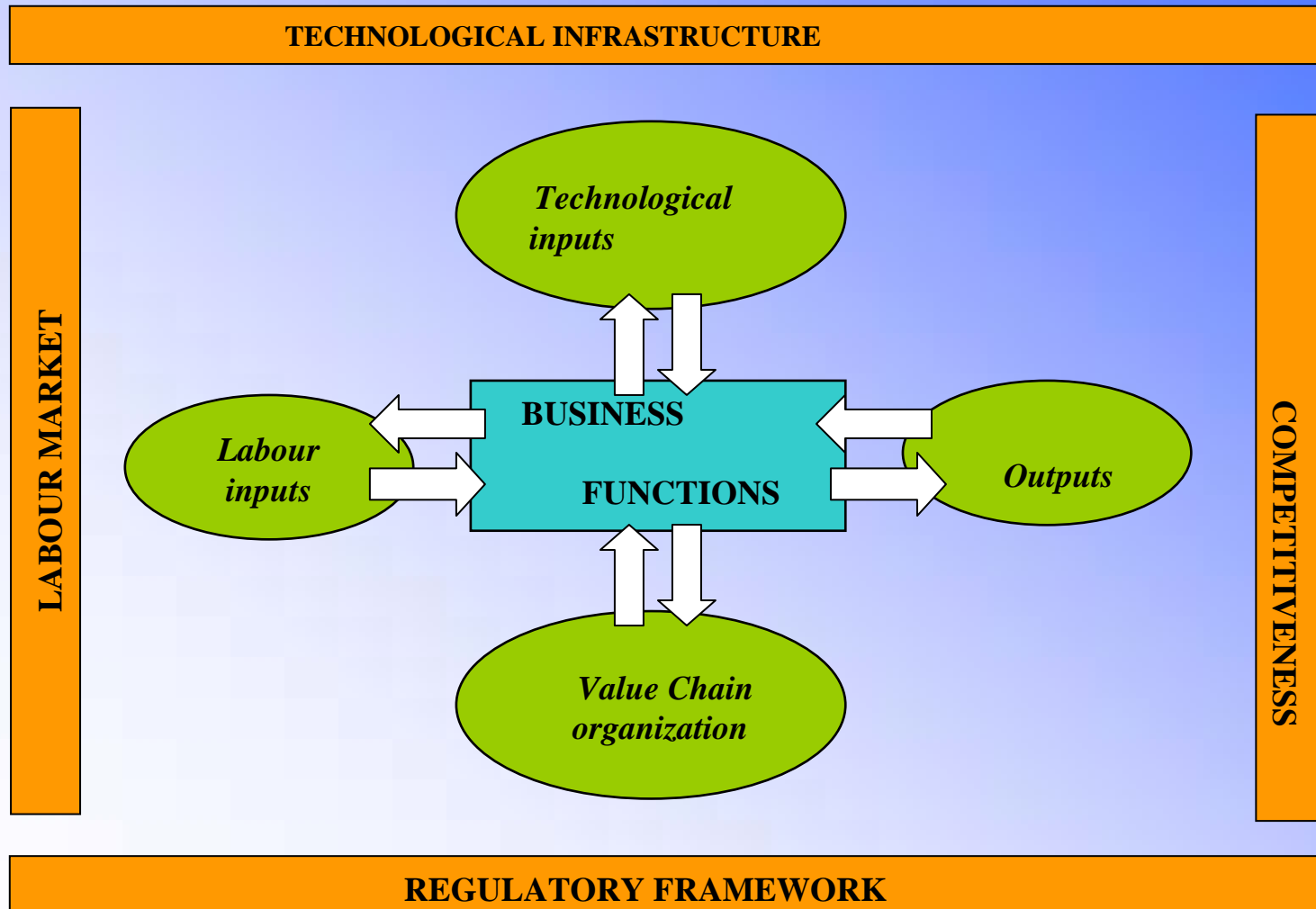
Module 2: Outsourcing activity of your enterprise

- 2. Types of functions outsourced domestically or internationally
- 3. To which kind of business partners has activities been sourced

Module 3: Sourcing activity of your enterprise carried out internationally

- 4. Target regions
- 5. Magnitude of international sourcing (job losses and creations)
- 6. Motivation factors for international sourcing
- 7. Perceived benefits of the sourcing activities
- 8. Future plans for international sourcing
- 9. Barriers for international sourcing

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Types of business functions sourced

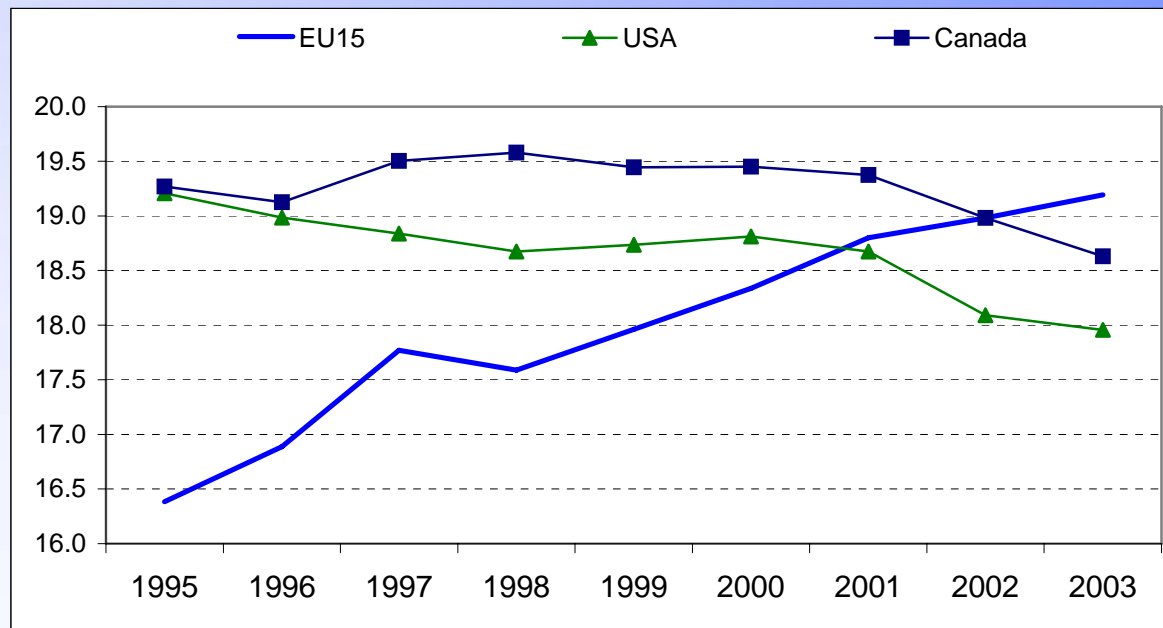
- Core function (production of goods and services for the market)
- Support business function:
 - Distribution and logistics
 - Marketing, sales and after sales services including help desks and call centers
 - ICT services
 - Administrative and management functions
 - Engineering and related technical services
 - Research & Development
 - Other

Employment impacts

- Predominantly non-skilled jobs sourced outside the EU
- Possible to create higher value added jobs instead
- **But is this a realistic scenario?**
- How many jobs are moved across borders? Which type of jobs and in which sectors? Who are the receiving countries?
- What are the overall employment impacts – in terms of **job losses** or **gains**?
- **Is there a risk of “hollowing out“ skill based activities?**

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Europe getting more vulnerable: The potential offshoring of ICT intensive occupations 1995 – 2003.



Have the EU citizens the capability to utilize the IT opportunities?

	<i>No basic computer skills</i>	<i>High skills</i>
Employed persons	25%	28%
Unemployed persons	39%	17%
Lower-level education	61%	10%
Higher-level education	11%	41%
Age 16-24 years	10%	40%
Age 55-64 years	55%	10%

Source: Eurostat: ICT usage in households and by individuals

Economic impacts

- Lower labour costs
- Access to new markets
- Better quality of services =>
- Improved productivity
- Improved competitiveness

The road ahead

- Analysis based on the harmonised survey to
 - get the level of outsourcing right
 - identify the business functions outsourced
 - identify sectors affected
 - identify target countries
- Establish indicators for constant monitoring based on existing sources
- Analysis of impacts of outsourcing based on data linking
 - employment effects (short/long term)
 - economic performance at micro level

Thank you for your attention!

If any questions, you are most welcome to
contact me : pbn@dst.dk