The Myth of High-Tech Outsourcing

By Catherine Holahan
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High-tech employees are back in demand. The U.S. technology industry added almost 150,000 jobs in 2006, according to an Apr. 24 report by the American Electronics Assn. (AeA), an industry trade group. That was the largest gain since 2001, before the implosion of the tech bubble resulted in the loss of more than 1 million jobs in three years.

The findings counter concerns--sometimes voiced by opponents of outsourcing--that high-tech jobs are being sent overseas.

There's plenty of domestic demand for a host of IT jobs, says Katherine Spencer Lee, executive director of Robert Half Technology, an IT staffing company headquartered in Menlo Park, Calif. On average, it is taking 56 days to fill full-time IT positions, she says. Firms that want IT managers are looking at an even longer search--about 87 days. And the wait is only getting longer.

Employment Highs

Workers well-versed in the emerging Web, with its emphasis on user-generated content, are having little trouble landing jobs. "The big buzz right now is the whole Web 2.0 space," says Spencer Lee, adding that anyone with a background in operating systems or knowledge of .net or Asynchronous JavaScript and XML (Ajax) is especially sought after. "We have seen pretty big demand."

Unemployment for engineers, computer programmers, software developers, and other IT professionals is at the lowest rate in years. Less than 3% of computer systems designers are out of work and less than 2% of engineers are sitting at home searching the classifieds, according to the AeA study. U.S. unemployment across the board is about 5.1%. "I think this is a bit of a rebounding from the burst," says Karen Carruthers, director of marketing at Rostie & Associates, an IT staffing firm with offices in Boston, San Diego, and Toronto.

Outsourcing Slowdown

So what about all those jobs supposedly headed offshore? To be sure, companies have relocated call centers and even some software development jobs to places such as Bangalore, India, Prague, and Russia, where some labor costs are lower and skilled workers abound (see BusinessWeek.com, 12/11/06, "Outsourcing: Beyond Bangalore").

But there is so much global demand for employees proficient in programming languages, engineering, and other skills demanding higher level technology knowledge that outsourcing can't meet all U.S. needs. "There would have been a lot more than 147,000 jobs created here, but our companies are having difficulty finding Americans with the background," says William Archey, president and chief executive of the AeA.

One culprit is the dearth of U.S. engineering and computer science college graduates. Second, immigration caps have made it difficult for highly skilled foreign-born employees to obtain work visas. Congress has been debating whether to increase the numbers of foreign skilled workers allowed into the country under the H-1B visa program (see BusinessWeek.com, 3/27/07, "Immigration Reform: Americans First?").

Marketing to Students

American universities and high schools are trying to fix the first problem by encouraging more students to get involved in math and science careers. The percentage of college freshmen planning to major in computer science dropped 70% between 2000 and 2005--the same years the tech sector declined spectacularly. Schools and companies are trying to counteract this with programs that teach the practical application of tech skills (see BusinessWeek.com, 4/13/07, "Building Robots Builds Scientists"). Money can help fuel interest. So, certainly the average high-tech salary of $75,500 in 2005, compared with the average private-sector wage of $40,500, should gradually encourage more Americans to seek bachelor of science degrees. Archey believes there must also be a cultural shift in how Americans see high-tech jobs: "Kids think it must be pretty boring to go into high-tech because if you do, you're a geek," says Archey. "We have to do a much better job showing how exciting the world of technology is."

David Bair, national vice-president of technology recruiting at Kforce (NasdaqGS:KFRC - News), says that the U.S. needs a marketing campaign around technology. "We are going to have to make sure that we have students coming into the space," says Bair. "We need to let people know this is an unbelievable career opportunity for individuals."

Foreign Legion

Then there's the option of letting more skilled foreign workers enter the U.S.--though it meets with opposition from lawmakers who view limits on work visas as a safeguard for highly skilled U.S. citizens.

Even if the restrictions are lifted, some skilled foreign workers may find plenty of reasons to stay abroad. Increasingly, there are opportunities for talented high-tech professionals in their home countries. "Ten years ago, if you had somebody really bright coming out of a European or Asian university, there was nowhere to go other than the U.S.," says Archey. "We no longer have a monopoly on that."

Some employees are finding they have a better quality of life working in their home countries, says Steve Van Natta, president of V2 Staffing, a consulting services company in Shelton, Conn., that specializes in software development. This is especially true for experienced employees who are familiar with the operations of U.S. companies--the kind most in demand domestically. "If anyone comes over to the U.S. to get experience, their stock gets even higher when they go back home," says Van Natta.

Training and ROI

To meet the demand, Van Natta and other recruiters say that companies will need to be more flexible with their requirements and train capable employees without extensive experience in the specific area of need. "You take a smart person who comes in and doesn't necessarily have your industry experience but is a good developer and give them the functional training that they need," says Van Natta.

And unlike a half-decade ago, demand is likely to remain for now, recruiters say. Many of the available jobs are for companies that have proven returns--not ideas that have yet to pan out. "People are hiring someone not just to do one task," says Robert Half Technology's Spencer Lee. "The hiring here is based on ROI (return on investment)."

Click here to see a slide show of the U.S. states gaining and losing the most technology jobs.