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## Snapshots

### Offshore Detour

Offshoring has reduced the bargaining power of low-skilled workers in the U.S., according to the Organization for Economic Cooperation and Development's (OECD) "Employment Outlook 2007" study. The pro-globalization OECD, referred to by its critics as the "rich nation's club," is a French think tank backed by the governments of 30 leading industrialized countries.

The OECD labor study claims that offshoring is making jobs and wages in developed countries more vulnerable. In the past 30 years, U.S. wages as a share of GDP have fallen by 7%. In the study, the OECD asks its member governments to improve labor regulations and social protection systems for workers.

"One thing that we see in most countries is a decline in wage share as a percent of GDP," says Raymond Torres, the report's main author. "The 'job for life' is dead. Enterprises have to move into new areas, new niches, and people have to move into new enterprises."

### 60 Seconds with Dr. Ron Pollina, President, Pollina Corporate Real Estate



*Dr. Ron Pollina, President, Pollina Corporate Real Estate, Inc.*

Dr. Ron Pollina is the president and founder of Chicago-based Pollina Corporate Real Estate. Since 1981, he has represented diverse and high-profile clients nationally and internationally in their real estate needs—including strategic planning, location analysis, lease and contract negotiations, and state and local incentive negotiations. Pollina has authored over 70 articles and books on the subject of corporate relocation and development, and publishes the annual "Pollina Corporate Top 10 Pro-Business States" study.

### **BF:** What is causing companies to move outside of the U.S.?

**RP:** There are four principal reasons driving the offshoring trend. First, an increasing share of work can be digitized or conducted by telephone in places like Bangalore, making these locations functionally as close as the office next door. Second, wages in low-cost developing nations are, on an average, 20% of U.S. wages. Third, many low-wage, low-cost nations such as China and India have developed the business climate to make themselves attractive to the U.S. and other countries' multinational corporations. Fourth, while other nations are making themselves more attractive

We not only make it difficult for companies to do business in the U.S., but we also make it easy for them to go offshore. These hurdles take many forms, including the U.S. corporate tax code with all of its loopholes that favor off-shoring.

### **BF:** What can states do to encourage local business growth?

**RP:** The U.S. Congress and state governments must streamline the regulations and paperwork imposed on business. They must offer incentives to those companies willing to invest in technology and training in order to allow low-skilled workers to produce products at reasonable costs. Federal assistance should address plant and equipment financing, and job training.

Even more complex than the loss of manufacturing jobs is the loss of engineering, programming, financial services, and other business jobs. These jobs are leaving for good. It is what economists call a structural rather than cyclical change. Even if the white-collar workers are reabsorbed, they are most likely going to be faced with lower wages, just as blue-collar workers have been. So far, there is no new industry to absorb white-collar employees

places to do business, the U.S. federal government is standing still and allowing others to pass them by. losing their jobs to global competition.

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