

President Barack Obama

Hero, or zero?



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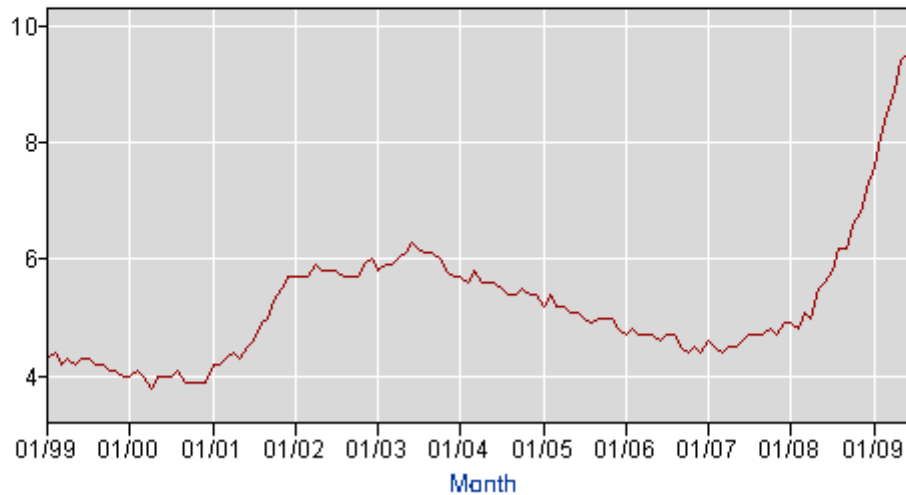
- Is Obama playing the protectionist card for US workers?
- Will it work?
- In the opposite corner...



- *"I'm in this race to take those tax breaks away from companies that are moving jobs overseas and put them in the pockets of hard working Americans who deserve it. And I won't raise the minimum wage every 10 years -- I will raise it to keep pace so that workers don't fall behind. That is why I am in it. To protect the American worker. To fight for the American worker."*
» Des Moines, Iowa, Nov. 10, 2007
- *"We have to stop providing tax breaks for companies that are shipping jobs overseas and give those tax breaks to companies that are investing here in the United States of America,"*
» Cleveland, Ohio, Feb. 2008

Labor Force Statistics from the Current Population Survey

Series Id: LNS14000000
Seasonal Adjusted
Series title: (Seas) Unemployment Rate
Labor force status: Unemployment rate
Type of data: Percent
Age: 16 years and over



Source: US Bureau of Labor Statistics

- Some 14.9m US citizens looking for work
 - A rise of 7.4m since December 2007
- Another 2m working part time but seeking full time
- 70% of laid-off workers earn less after 3 years
- For every 1% drop in onshore work force, 0.5% drop in remuneration for remaining workforce
- Growing anti-offshoring, anti-immigration feeling



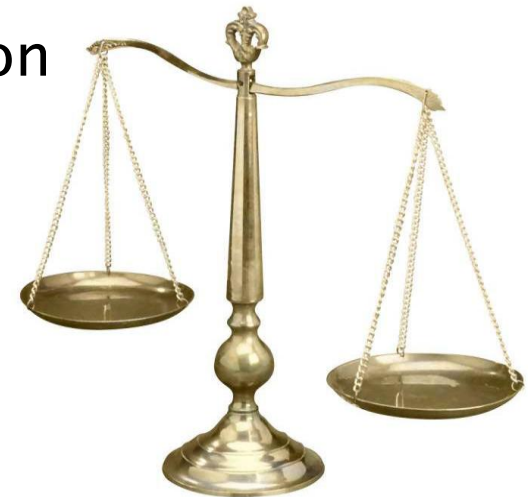
Gallup Daily: Obama Job Approval

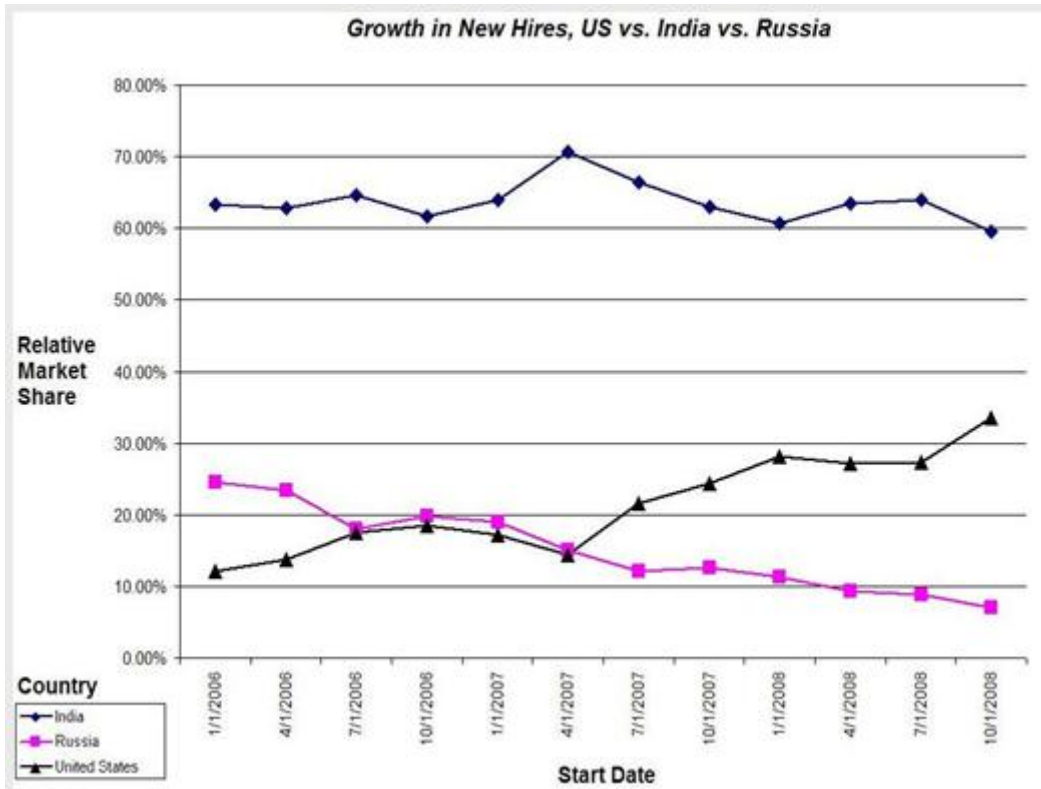
Each result is based on a three-day rolling average



On Jan. 21, Gallup began tracking daily the percentage of Americans who approve or disapprove of the job Barack Obama is doing as president.

- Change the tax code so that offshore work doesn't get tax breaks
 - These are in the form of “tax deferrals”
- Offer tax breaks for each new US citizen job created
 - \$3,000 per job over 2 years
- Changes to immigration work visa laws
 - Harder to get in
 - US citizens have to be given first option



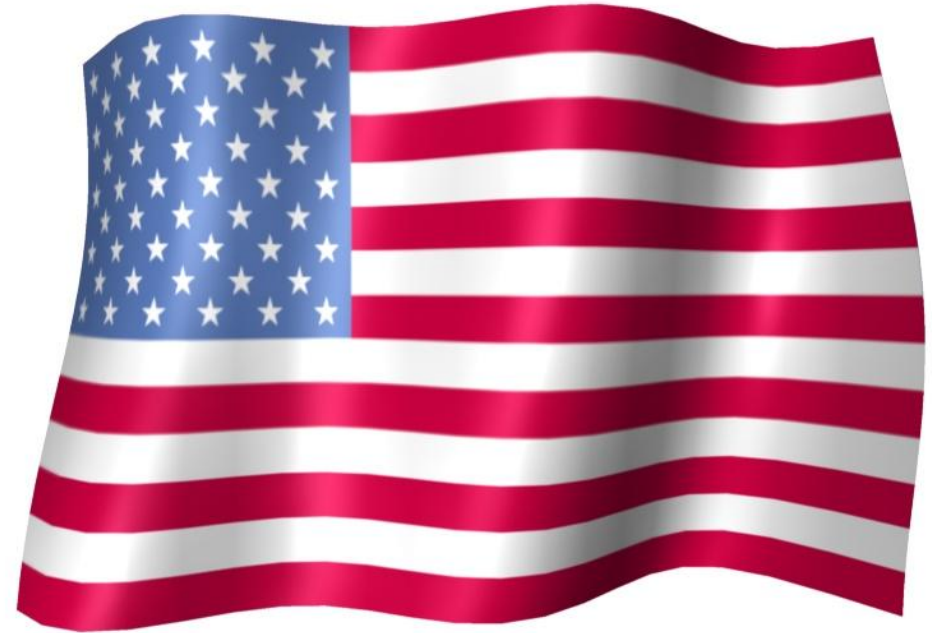


Source: oDesk



- Sure – labour arbitrage is still a force
- But – skills shortage is bigger
 - And having tax deferrals removed won't change that need
 - Paying the tax may still work out cheaper
- Is this really about jobs?
 - Or about raising tax revenues?

- Good ol' US "Blue Chips"
 - IBM
 - Microsoft
 - Oracle
 - HP
 - CSC
 - Accenture
 -
- And not just the tech companies
 - Customer facing companies with contact centres
 - Support desks...
- All against it



- No matter where a large company is headquartered, it has to deal globally
 - There are no multi-national, All-American companies
- Tax matters have to be dealt with locally
 - Every government wants its slice of the pie
- Companies have to maximise tax breaks available to them
 - Otherwise, the competition will



- US companies look inwards and cease offshoring
 - Employ internally
 - Outsource onshore
- Struggle to find the right skills at the right price and suffer on a global competitive level
- US companies just carry on and pay the price
- Set up self-contained offshore companies and sign partnerships with them
- Move HQ to be offshore themselves

- Obama gets his way – and other countries also become protectionist, refusing to take US goods
 - Trade wars could start....

- The offshoring debate in the US is a populist argument
- The overall effect is likely to be weak
- In-built protectionism will hit offshoring during a recession anyway
- The warning to offshoring companies is that quality has to come first
 - Labour arbitrage cannot be a leading argument