

Outsourcing: are Ireland's problems an indicator for other outsourcing centres?

Ireland is taking a workforce bashing as foreign players look to downsize operations outside their own countries. Will this translate to outsourcing?

Intel, Element 6 (part of de Beers) and Thomas Cook have all announced large job cuts in Ireland in the past month. And whilst staff are revolting, in some cases, there may be a lesson for those providing outsourcing services.

All the companies mentioned are cutting back on directly employed staff. But the reasons many companies opened operations in Ireland have something in common with outsourcing.

1) grants and tax waivers: create jobs, get a tax rebate or even a grant. The leading exponent of this was John de Lorean. He grabbed the money, built a handful of cars at a loss and promptly went out of business leaving a derelict factory and unemployed workers in his wake. But he didn't forget to take the blueprints with him.

2) a large pool of educated but under-employed labour. True enough - in the 1980s. But then the supply dried up and Ireland became a magnet for people from all over Europe. The chances of being served in a hotel or restaurant by anyone from Ireland was, by the time the crisis hit, increasingly remote.

3) cheap rentals. Yes, but they dried up years ago, particularly in central Dublin.

4) cheap Guinness. In your dreams. This one was never true.

5) It's all Europe, isn't it? This was the source of much merriment in the UK in the mid 1980s: US companies such as AOL and CompuServe (then not associate) thought that Europe was a country so they set up their European operations in Ireland and The Netherlands respectively - CompuServe ready for a quick exit by basing itself at Schiphol. Gateway computer based itself in Ireland. Then they waited for the phone to ring. It didn't - seemingly, their research failed to notice

that everywhere else in Europe was an international phone call away - and in the mid 1980s, international phone calls were expensive.

So, what's happening now?

So far this year, the number of people being made redundant in Ireland is almost 150% of the number in the same period this year, government figures show. How many of those people will still be in Ireland if the market picks up is anybody's guess, given that trying to survive in Ireland without a job is next to impossible because it's so expensive. Many foreign workers have already left, taking their skills with them.

How does this relate to outsourcing? The kind of decision making that leads companies to chop off remote operations is the same process as leads them to bring work home to help reduce the numbers of redundancies in their home country. It's a socio-political decision not an economic one in many cases.

Where outsourcing is to handle overflow rather than a strategic business objective, then it is vulnerable.

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