

Focus on strengths is right response to offshoring

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Despite heated rhetoric in Washington and Sacramento and legislation that has been proposed to restrict it, offshoring is not the only factor impacting the Bay Area's job market.

Technology creates and destroys far more jobs than offshoring ever will. So do economic cycles. As we saw in the recent boom and bust, economies like the Bay Area are volatile. New businesses and occupations rapidly replace old ones, and technological change makes some jobs obsolete, even as others are being created.

And like it or not, offshoring isn't going away. For most technology industries, the train has already left the station. Businesses compete globally, and most will locate activities wherever they can be performed inexpensively and efficiently, whether here or overseas. Political attempts to prevent this are doomed to fail, and carry a high price tag.

Still, insecurity over job loss is increasing, and how we respond is important. Instead of trying to hold back the tide, business and government leaders should focus on what the Bay Area does best. By recognizing our weaknesses and investing in our strengths, California and the Bay Area can continue to lead the global pack.

Our strengths are formidable—advanced technology research, cross-disciplinary research, the ability to develop and market new business concepts, expertise in global management, and entrepreneurship.

On the other hand, we are increasingly vulnerable in large-scale manufacturing, back-office services, information processing, entry-level engineering and product development. Based on its strengths, the Bay Area can vigorously create new businesses and jobs; but it will also shed jobs in areas where other regions—both domestic and foreign—are more competitive.

Many of the issues affecting the Bay Area's job market aren't overseas, but are close to home—education, housing, infrastructure, and business climate issues such as energy, health care and workers' compensation costs, that make it either attractive or unattractive to create and grow a business here. We are at risk of losing jobs and businesses not just overseas, but to Boston, Austin and Nevada.

The Bay Area is the most expensive place in the nation in which to do business. Rather than blame others, California and Bay Area leaders should ask, why would a company with national and worldwide options choose to create its next job here, and how can we make that decision easier?

Fortunately offshoring isn't a zero-sum game, and a new job created in India, China or Hungary doesn't necessarily mean a job lost here. Businesses and consumers benefit from the lower costs that come from overseas sourcing. Foreign investment and overseas purchases of U.S. goods and services contribute powerfully to our economy. Prosperity overseas means growing markets for our exports, and healthy, globally competitive companies are more likely to create new jobs at home than ones that are weak or failing.

But offshoring is also a wakeup call. The world's economy is changing in ways that can't be wished away by any legislature. Capabilities in other countries are growing rapidly, and few jobs are permanently secure. Success for Bay Area businesses and workers will depend on our ability to remain the most productive economy in the world, to lead in innovation, and to sustain a globally competitive workforce.

This means investment in research, in higher education, and in our community colleges. It also requires a business climate that reduces business costs, fosters entrepreneurship, and attracts and keeps the best talent. Where dislocation occurs and workers lose jobs, managing those transitions should be a shared responsibility of business and government.

The Bay Area's strengths are enviable, but its continued leadership isn't assured. In a changing global economy where others are advancing rapidly, standing still is not an option. Passing laws to prevent offshoring will not deliver economic security. Our future success will depend instead on the investments we choose to make. That means fighting and winning the right battles, not the wrong ones.