

# Global Sourcing:

## Blue Collar Unemployment v. White Collar Shortages

Two things can be true at once. These two are: High unemployment among U.S. blue collar workers. A perilous scarcity of highly skilled white collar technology workers.

It is true that when manufacturing jobs move from Michigan to Mexico, American workers are left out of work. But by and large, when a bank launches a data analytics function offshore, those are net new workers, not domestic bank employees on the street.

### How can high unemployment exist right alongside worrisome skills shortages?

The latter fact is why, despite politically-charged rhetoric about American job losses, we can confidently counsel our clients, including financial institutions, to stay the course with their nuanced, flexible sourcing strategies for white collar work.

We're always a bit mystified when we encounter **skepticism about skills shortages** – or the belief that the hiring companies could solve them with higher pay or fill the gap with on-the-job training.

As Bill Gates says, “Innovation is moving at a scarily fast pace,” so how could supply possibly match demand as it explodes? By definition, innovation entails new skills. Skills shortages are a predictable and constant effect of innovation – a mismatch between jobs to be done and workers able to do them.

A breakthrough at one company prompts others to follow suit or surpass them, so naturally there's a run on people with that particular set of talents. Naturally it takes the educational system and the school of experience some time to catch up. Who is surprised that the start of World War II surfaced a shortage of combat pilots and Japanese-English translators? Why wouldn't the explosion of data technology surface a shortage of data scientists? How could the EMV mandate not have created a shortage of EMV conversion technicians?



Higher pay doesn't make somebody good at EMV conversion. Where are the EMV training curriculum and trainers supposed to come from, if not that same limited pool of experts? And besides, how much sense does it make for, say, a fintech to staff up on experts in a skill with an obvious sunset on the horizon, when they can make temporary use of offshore resources?



Workforce management experts predict that 70% of jobs that will exist in 20 years don't exist today. That's hard to visualize in the abstract, but easy to imagine with a quick look backward. Twenty years ago, how many data scientists did your institution employ? How many cybersecurity developers? Yet today those are essential positions in high demand. Maybe in a few years we will have a glut of data scientists when aspects of their work are automated. We're not predicting that – just asserting that whenever innovative change occurs, there will be a mismatch of skills, and companies will have to play catch-up.

And let's not minimize what happens when financial services firms and other companies cannot fill those essential positions. They become uncompetitive on the world stage. And these days it can happen fast.

The CIO of a large mortgage industry company which ended up seeking knowledge workers offshore, asked, "Would I rather have those workers here, at our headquarters, enriching our own community? Of course. Easier to manage, better for our community, a good career path for our own people here.

But no matter how widely we cast our recruiting nets as we grow, and no matter how much remedial training we keep adding, there simply are not enough of the right skills to go around. With rates rising now, we'd be hard-pressed to keep up if we hadn't hired an offshore service provider."

Making American companies uncompetitive for ideological purposes is not what any politician wants to see happen. They recognize that keeping fintechs from hiring data scientists does nothing for the laid-off steel worker in Pittsburgh.

Global sourcing can and should remain one of many strategies financial firms employ in the interest of innovation and competitiveness on the world stage.

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