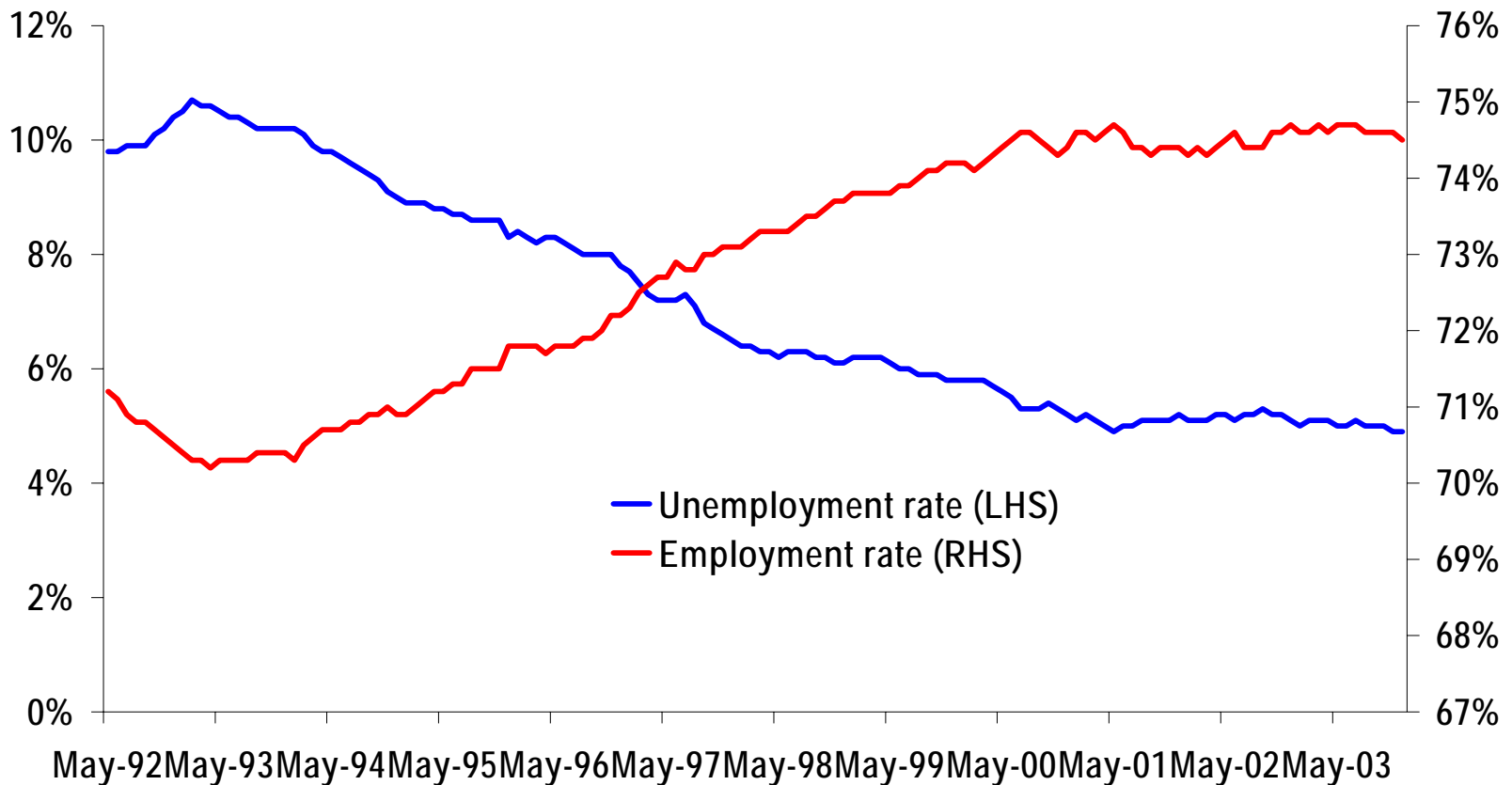


Offshoring and the UK  
Foreign Policy Centre Seminar  
4 March 2004

Vicky Pryce  
Chief Economic Adviser  
DTI

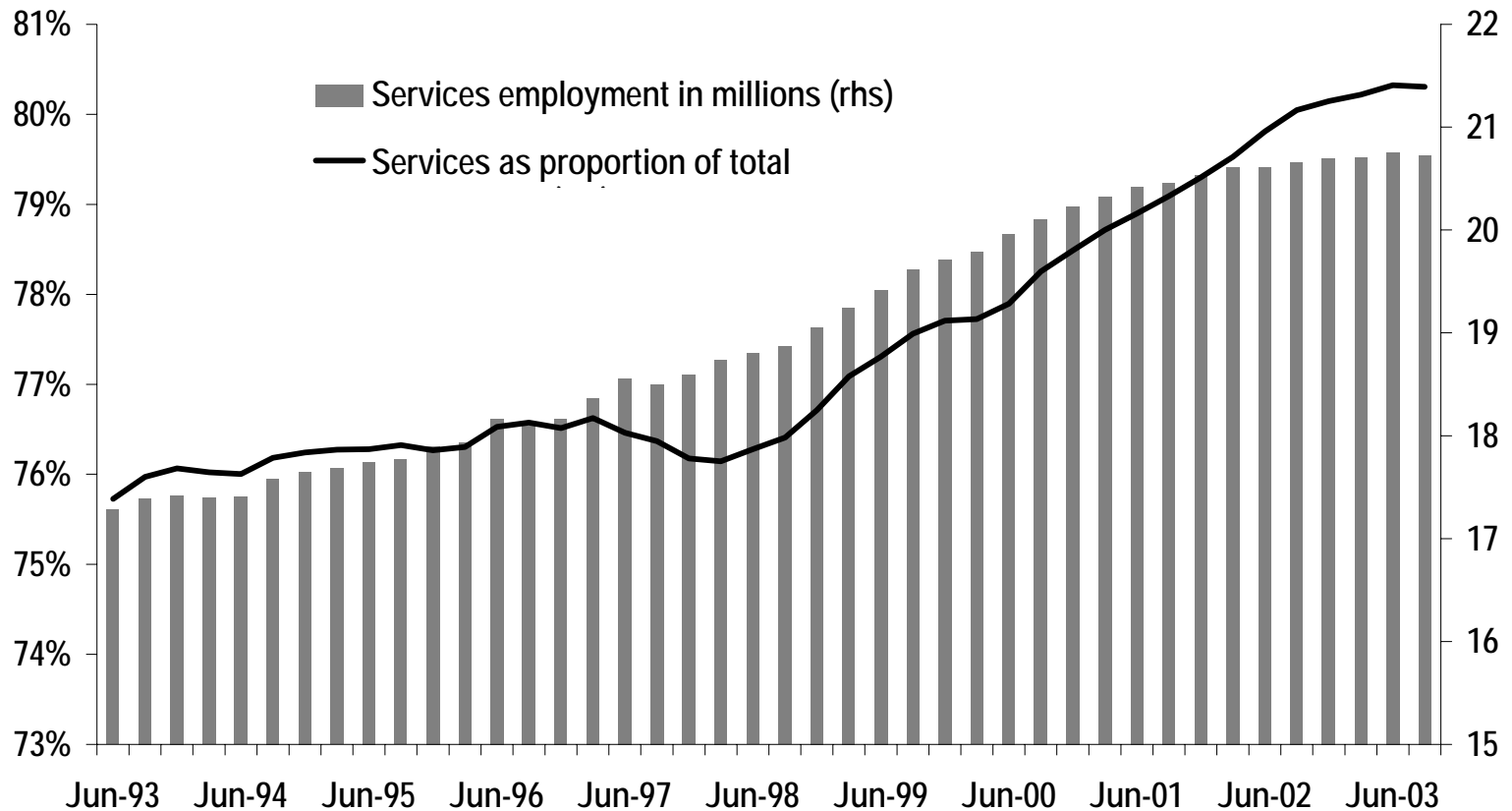
# The Economic Environment Today

- A strong and flexible labour market



# The Economic Environment Today

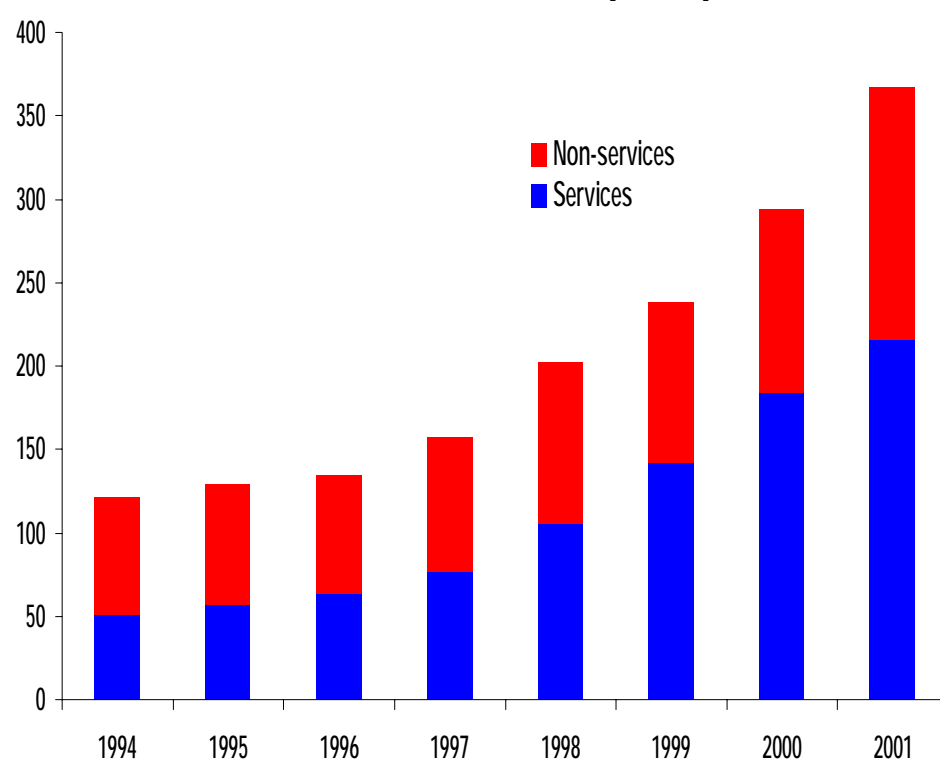
- Service sector at the heart of the economy



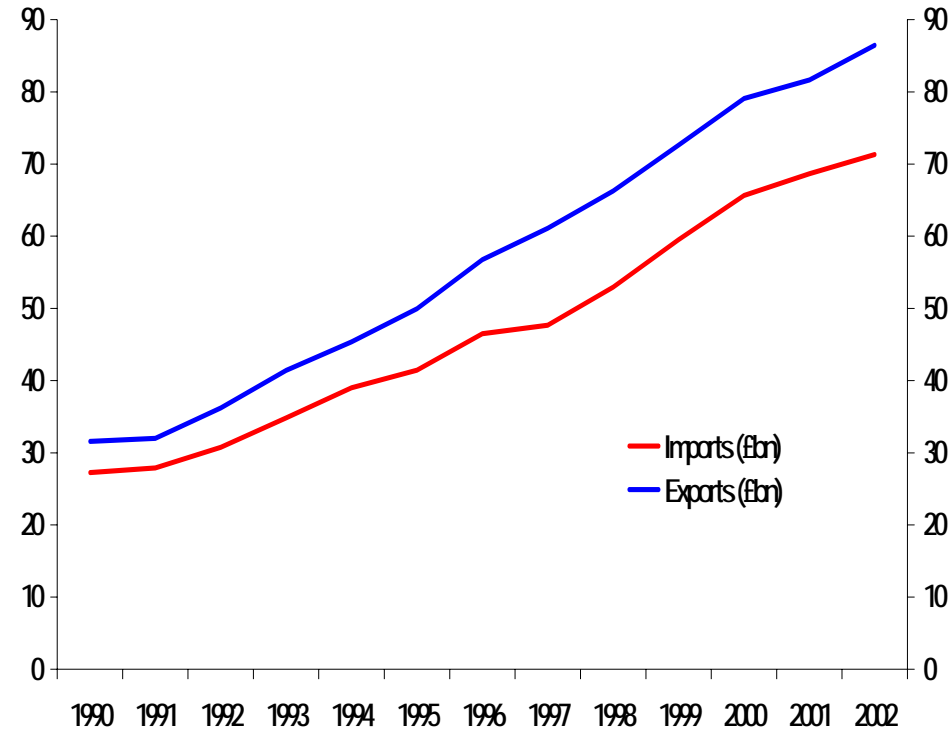
# The Economic Environment Today

- Significant benefits from openness and globalisation

### FDI into the UK (£bn)



### Imports and exports of services (£bn)



## Drivers of Services Offshoring

- Technology and innovation
- Competition and falling ICT costs
- English language a key factor

---

Peak ISD call rates from India (Rupees per minute)

	To US	To UK
Pre-January 2001	60	48
January 2001 – July 2002	48.8	40
July 2002 – October 2003	24	24
October 2003	9.9	7.6

*Source: HSBC*

---

## Where next for services offshoring?

- Range and complexity of feasible offshoring increasing

Data entry  
and  
processing

Finance  
Accounting  
HR

Research  
Analysis  
Design

Call centres  
and customer  
relations

IT development  
and support

- **But most service sector activities cannot be offshored**

# Offshoring: good or bad?

- Opportunities
  - Reduced costs
  - Improved productivity
  - Enhanced competitiveness
  - Inward investment
  - Global partnership

# Offshoring: good or bad? (2)

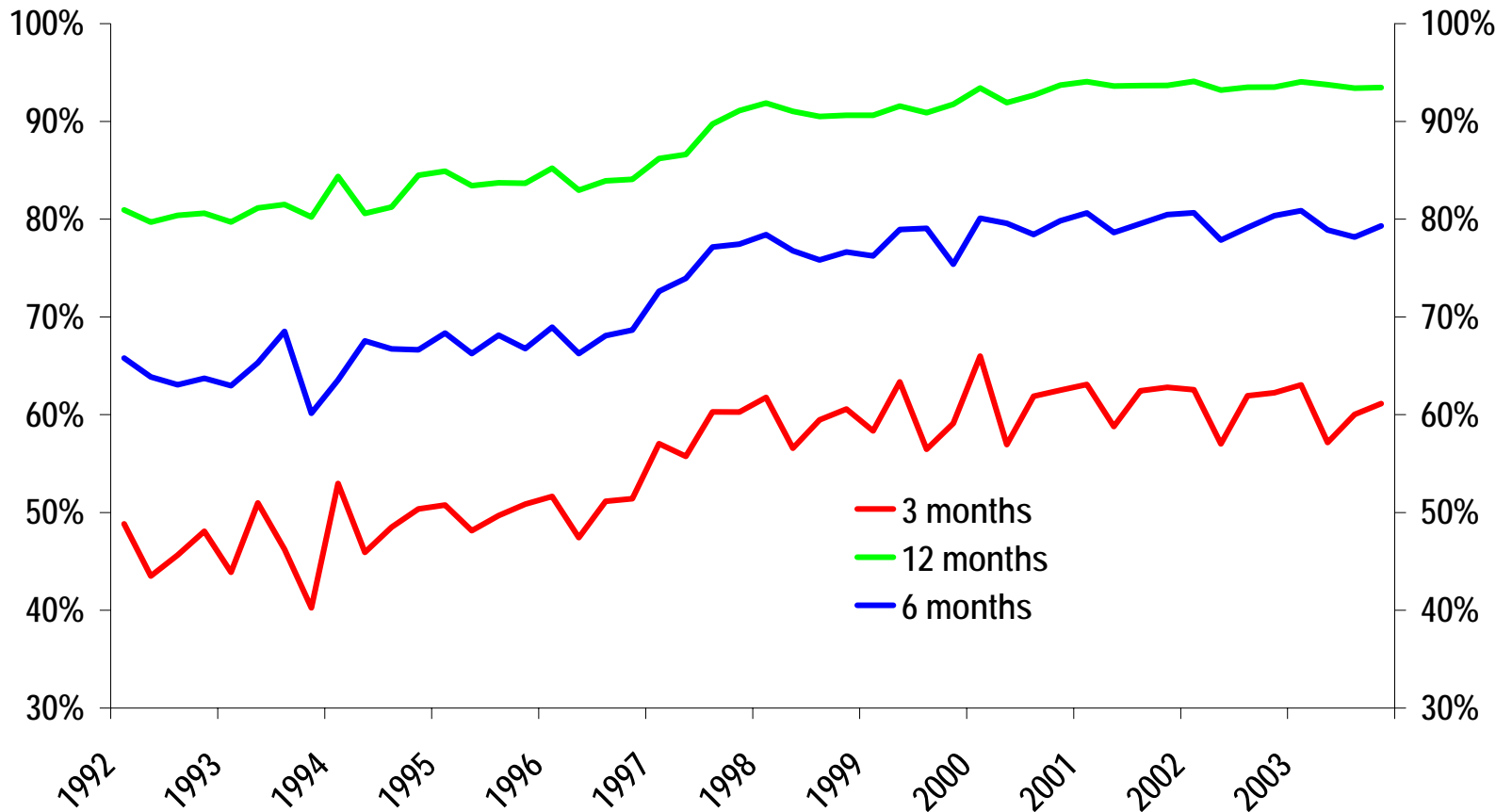
- Challenges
  - Transitional job losses
  - Vulnerable groups
  - Disadvantaged regions
- Businesses need to prove the business case before offshoring
- And should consider the role and value of employee consultation



# Policy Response

- 'No' to protectionism
- Labour market:
- Transitional unemployment challenges for some regions and sectors
- We have in place a package of measures to help those affected by redundancy to find re-employment
  - Rapid response Service
  - Job Centre Plus
- And a highly flexible labour market

## Transitions out of unemployment: Proportion of Jobseekers Allowance inflow leaving the register within a certain period



# Policy Response (2)

## Skills and the Building of Human Capital

- Basic skills → Skills for Life strategy
- Intermediate and higher level skills
- On the Job: Lifelong Learning
- Management skills
- ICT skills

# Policy response (3)

## Raising our game in the workplace: High Performance workplaces

- Leadership and management skills
- Employee involvement and partnership
- Flexibility, new ways of working, Work-life balance
- Skills development at all levels,
- Commitment to equality and diversity

## But we need to know more...

- Sector competitiveness studies: Call centres, Software and computer services
- Consultation document
- Roundtable
- Research