

Outsourcing and Offshoring in Manufacturing

Richard K. Lester

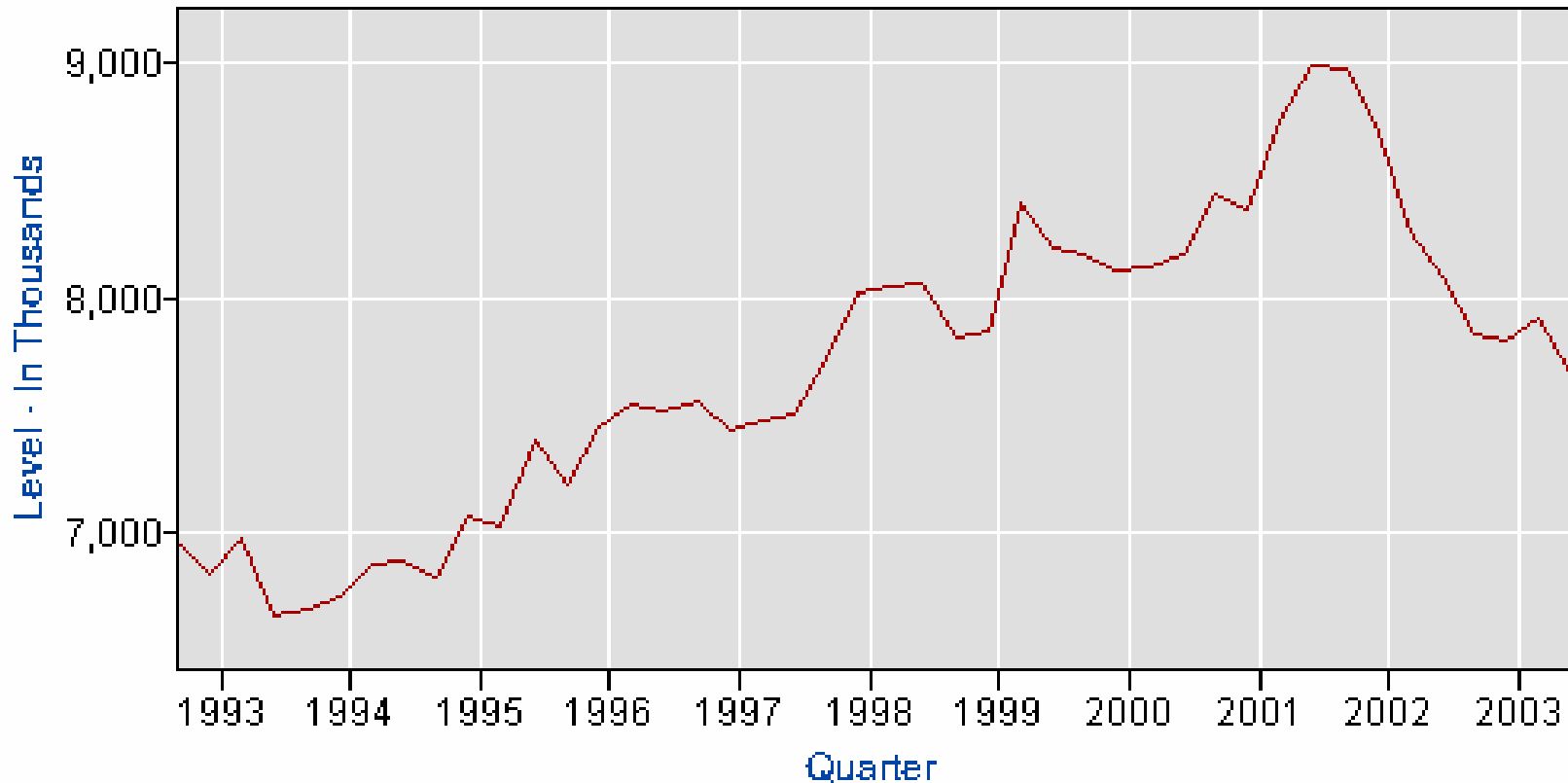
Industrial Performance Center

Massachusetts Institute of Technology

Sloan Industry Studies Annual Meeting

April 19-21, 2004 – Atlanta, GA

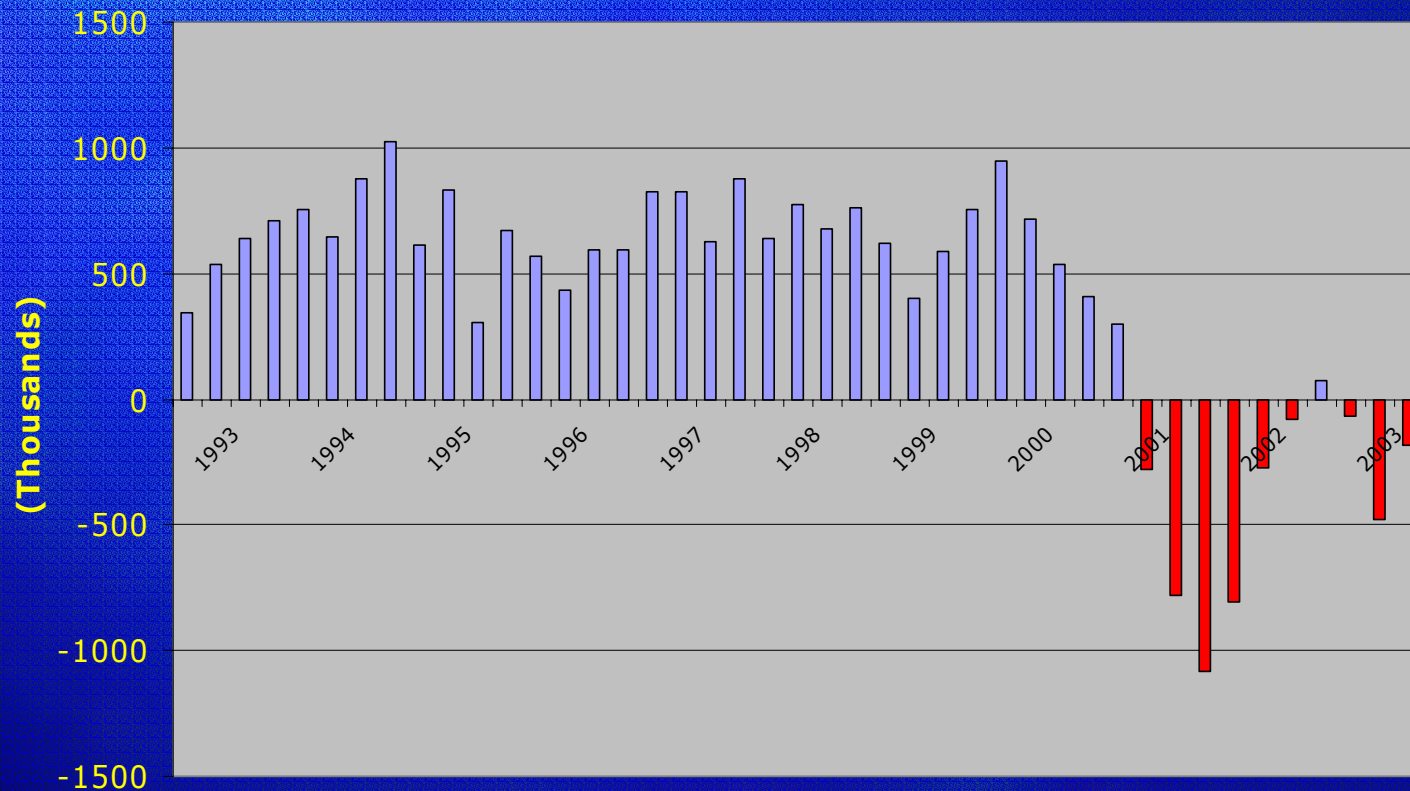
Gross quarterly job losses in the U.S., 1993-2003



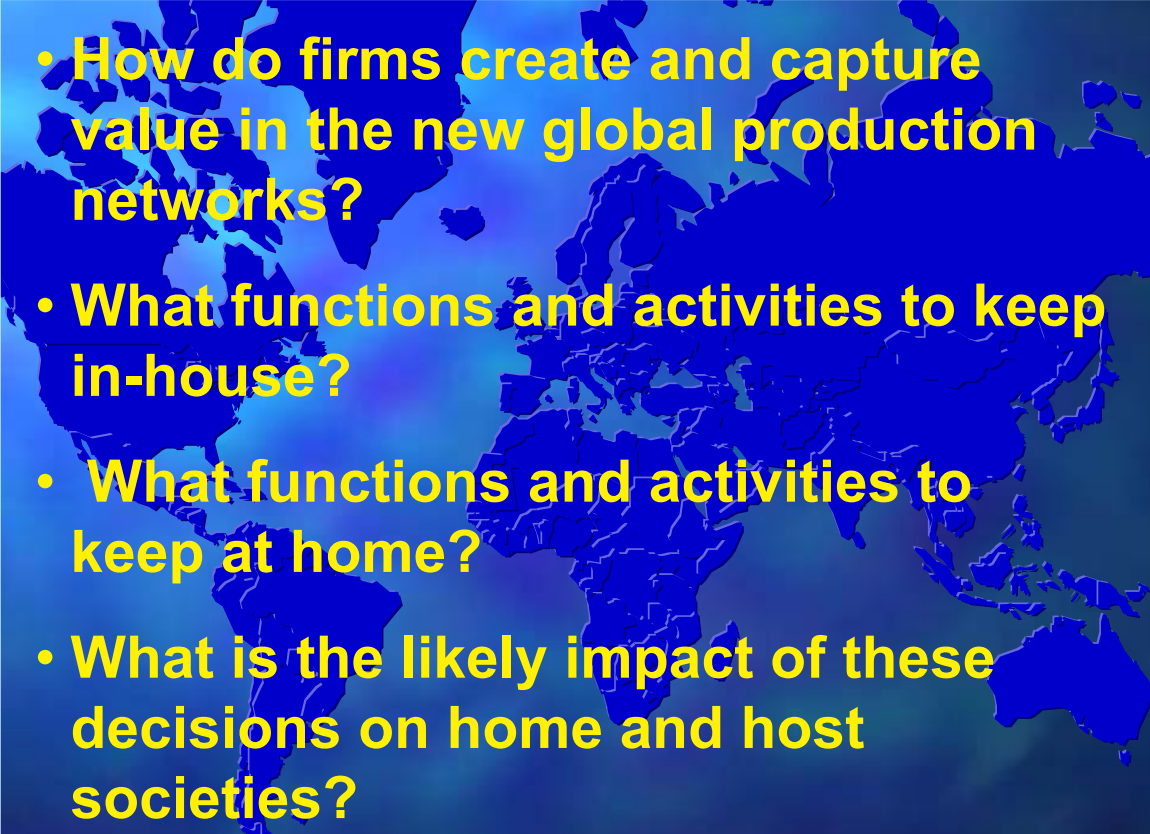
Bureau of Labor Statistics, "Business Employment Dynamics"

The debate about outsourcing/offshoring is affected by general conditions in the labor market.

Net Quarterly Rate of New Job Formation in the U.S. Economy, 1993-2003



IPC Globalization Project

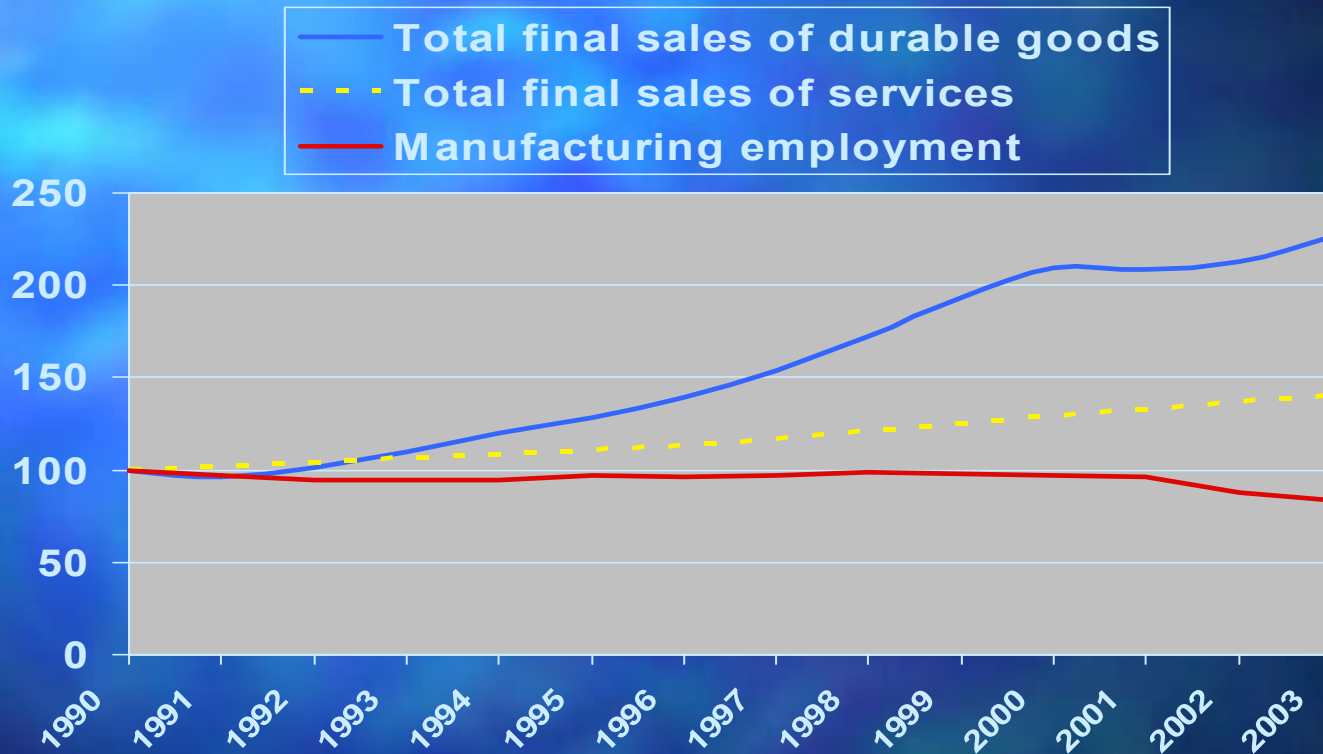
	Electronics	Textiles/App	Autos	Software	
Taiwan	 <ul style="list-style-type: none"> • How do firms create and capture value in the new global production networks? • What functions and activities to keep in-house? • What functions and activities to keep at home? • What is the likely impact of these decisions on home and host societies? 				
Hong Kong					
China					
U.S.					
Japan					
U.K.					
France					
Italy					
Germany					
Mexico					
East. Eur.					



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**Consumers.
Employees.
Investors.**

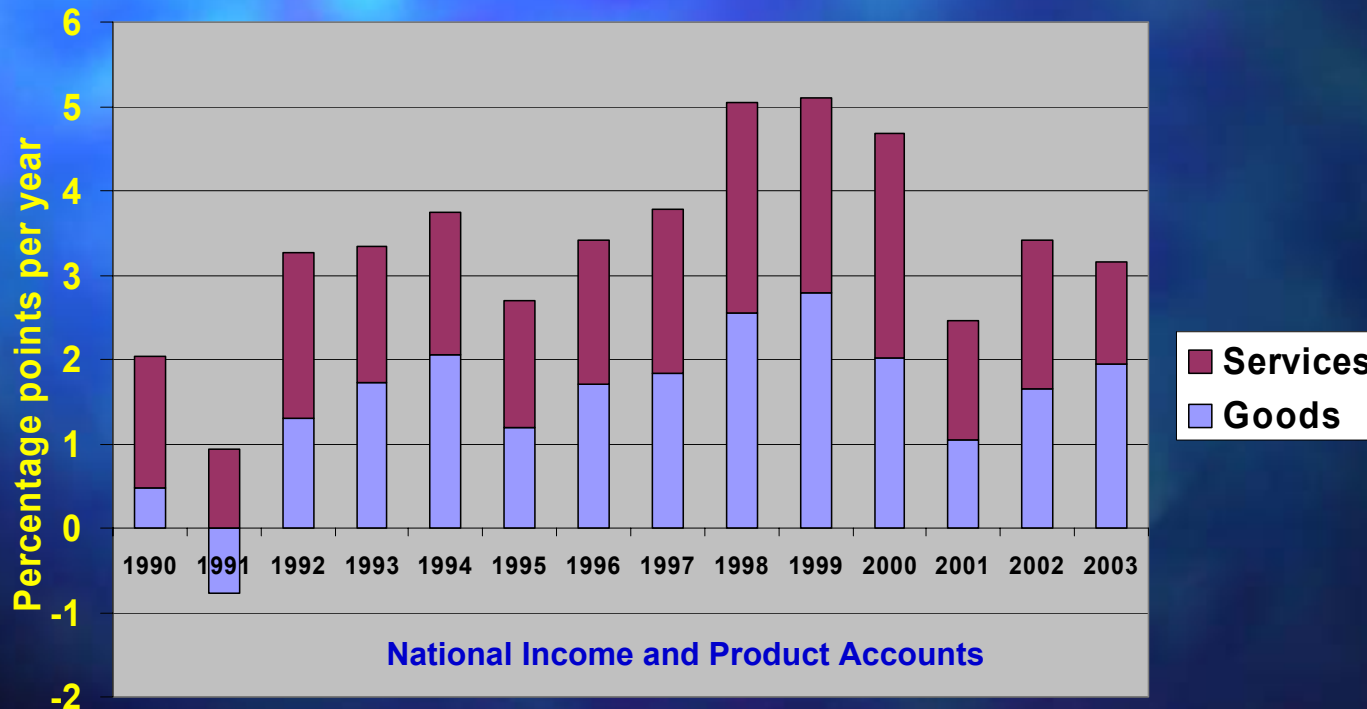
Final sales of manufactured goods rose sharply in the U.S., even as manufacturing employment declined.



National Income and Product Accounts

The increase in U.S. personal consumption expenditure since 1990 has been roughly equally divided between services and manufactured goods.

Annual Growth in U.S. Personal Consumption Expenditure, 1990-2003





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Giant sucking sounds.



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Activities, not industries.



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Systems integration.



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Industries differ.



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The challenge to China.



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**There are worse things than a
growing China.**