



## Exclusive: Gartner Predicts Huge Increase In Offshore Outsourcing By 2015

Report to be released next week says 30% of IT jobs in developed countries will be "offshored" by 2015.

By Paul McDougall, [InformationWeek](#)

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A leading industry research firm says in an upcoming report that the number of information technology jobs outsourced to low-cost countries such as India and China is just a trickle compared with what's going to happen over the next 10 years.

Gartner says less than 5% of IT jobs in the United States and other developed countries are currently "offshored." By 2015, however, that number will rise to 30%. "It's a tectonic shift," says Gartner analyst Frances Karamouzis, the report's author. The figures cover work that will be exported not only from the United States but from other developed countries as well.

Gartner's research will be unveiled formally Monday at its outsourcing conference in Los Angeles. *InformationWeek* has obtained an exclusive advance look at the report.

Despite the magnitude of the shift, Karamouzis says she doesn't believe offshoring will result in a net loss of IT jobs in the United States. "There are a lot of people who are currently programmers who could transition to higher-level positions where you need to be close to the customer," she says.

Other observers see a similar shift occurring but believe the process will take longer. Cindy Shaw, an analyst at Moors & Cabot, says she also believes 30% of IT jobs will ultimately move offshore, "but it's going to take 20 to 25 years, not 10," she says. Last year, Forrester Research analyst John McCarthy said 3.4 million U.S. services jobs--including a number of IT-related positions--would move offshore by 2015. According to the Information Technology Association of America, there are about 10.4 million IT professionals employed in the United States.

The rush to send IT work offshore also will result in an outflow of dollars from the United States and other Western countries over the next five years, Gartner says in the report. Worldwide spending on offshore research and development and engineering will increase by a whopping 860%, from \$1.25 billion in 2004 to as much as \$12 billion in 2010, Gartner predicts. Offshore spending on infrastructure outsourcing will grow from between \$100 million and \$250 million to between \$3 billion and \$4 billion

over the same period. Offshore spending on application-development services will more than double from \$23 billion to as much as \$50 billion.

The increasing ease and decreasing cost of transferring digital files across continents, combined with companies' desire to do more IT work without increasing their IT budgets, is what's driving the shift, says Karamouzis, who notes that telecommunications costs in India have dropped by 70% over the past several quarters. The work will go not just to India, however, but to other countries as well. "China, Russia, and Brazil are all poised to become hot spots for IT work," she says.

Still, Karamouzis says more IT jobs in the West are at risk of disappearing because of automation and productivity gains than from offshore outsourcing. The effect of those factors on IT job displacement will, by 2015, be six times greater than the impact of offshoring, she says. And it's not just the rank-and-file IT workers who need to worry about their careers. Multinationals could soon be looking to emerging markets for CIOs and even CEOs, Karamouzis says. Gartner predicts that by 2015, 30% of the world's top CEOs will be from countries other than the United States.



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