

## Domestic Inshoring: Creating the New American Economy

In 2004, I was asked to chair a conference discussion with a typically open-ended and mind-bending title: “What are the sustainable jobs of the future for America?” Before I convened the panel discussion, I talked with friends in high-tech industry, at places such as Dell, Cypress Semiconductor, and IBM. Each industry leader said the same thing, without hesitation: the future for the U.S. economy and jobs lies in innovation and creativity.

The proof is undeniable and all around us.

You don’t have to possess a business degree to realize why some homegrown technology jobs are being sent overseas. A software developer in the United States makes \$60 an hour. The same position in India pays \$6 an hour, roughly the U.S. federal minimum wage. As Thomas Friedman points out in his compelling book *The World Is Flat*, the exporting or offshoring of jobs is not limited to entry-level, low-skill work. Jobs are offshored for businesses ranging from small- to medium-sized accounting firms (some 100,000 U.S. tax returns were prepared in India in 2004) to high-tech call centers that handle everything from simple computer repairs to complex commercial transactions.<sup>1</sup>

My native state, Kentucky, has traditionally lured good-paying manufacturing jobs through a combination of cheap land, cheap labor, and tax incentives. But as soon as cheaper land and even cheaper labor comes along, many of those companies—from Appalachian call centers to “cut and sew” manufacturing jobs—make the bottom-line economic decision to move.

Now, many high-tech, professional jobs are joining the overseas exodus. According to TechsUnite.org, more than 150,000 technology jobs have been lost to offshoring since 2000. Software and programming jobs, research and clinical positions, and even financial services jobs are being shipped outside the U.S. borders. According to Alan Deutschman’s article “Offshoring Creativity,” in September 2004 the Silicon Valley Bank, a major investor in technology startups, opened a branch in India.<sup>2</sup> It’s a sign of the troubling times that one of Silicon Valley’s leading investment groups is searching for new investment opportunities in India.

What can be done? I submit that American colleges and universities are uniquely poised to help confront what may be the greatest economic challenge—and, in some ways, the greatest economic opportunity—for the United States in the twenty-first century. Universities provide the vast majority of basic and applied research efforts in this country—the foundation for creative and innovative approaches to economic challenges and questions. From finding cures for diseases to increasing levels of partnership with the high-tech manufacturing industry, research universities will be the cen-

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tral point—an incubator—for the innovation and strategies that will be central to creating a sustainable economy and job base for America’s future.

At the University of Kentucky (UK), for example, we recently unveiled an initiative to compete with offshoring. Called *domestic inshoring*, our plan benefits both U.S. corporations and the American economy by keeping highly skilled, high-wage technical jobs—and future entrepreneurial leaders—within the U.S. borders. UK is actively recruiting innovative corporations seeking to expand their current operations. We are encouraging these companies, which are typically located on the East and West Coasts, to look “inshore” for technical talent and lower costs of operations.

Currently, most of this nation’s innovation centers are located either on the East or the West Coast or in parts of the country where real estate is expensive and cost-of-living standards are high. Expanding a business in these regions, as a result, can be cost-prohibitive. Our domestic inshoring plan asks these companies to look inshore before they expand their business overseas. Places like Kentucky, which is prime for economic expansion, could—and should—be an attractive alter-

native. In Kentucky, companies have the benefit of reasonable real estate costs and lower average salaries than on either coast, as well as an industrious labor force.

But our experience has demonstrated that even those initial savings are not enough to compete with offshore locations such as India and China. That is where the university fits in. Domestic inshoring calls for a blended hourly rate for new, skilled jobs. Companies conduct as much work with part-time student employees as possible. These college

ware or other industry-related technical support. They can also develop the types of innovative students sought by these corporations—students with global management and language skills that will enable them to compete in the global economy after graduation. These students will have the experience needed to immediately jump into the business world at an inshore center or at the company's innovation center. Most important, they may desire to start a company of their own, keeping that entrepreneurial spirit in the United States.

Corporation, with up to forty jobs initially and as many as three hundred by the end of 2008. Sikorsky, a Connecticut-based manufacturer of advanced helicopters for commercial, industrial, and military uses, is looking to the new Lexington location—because of the intellectual support and potential labor base provided by UK—to complement design activities already taking place at its home office. In the Lexington center, Belcan and Sikorsky will work closely with the UK College of Engineering to develop talent and solutions that will make their companies stronger while offering internships and, potentially, professional opportunities to students.

Offshoring is a huge challenge for the United States, one we must deal with head-on. When a bank from one of America's most fertile technology centers starts opening branches in other countries, it is time for Americans to take a hard look at the future of science, math, and technology in the United States. Ironically, through the boom of the Internet and the laying of a massive fiber-optic infrastructure, Americans have made possible much of the economic challenge we are confronting today. Our creativity and innovation created the global network—the idea that the world really is our neighborhood—which in turn has fostered increased competition. As Friedman writes, the world is increasingly flat. In a global economy, competitors aren't simply bordering states but are countries more than half a world away.

Today's challenge can also be tomorrow's opportunity. With their intellectual capital and commitment to research, U.S. colleges and universities are uniquely poised to help the country make the most of both the challenge and the opportunity ahead.

#### Notes

1. Thomas L. Friedman, *The World Is Flat: A Brief History of the Twenty-First Century* (New York: Farrar, Straus, and Giroux, 2005), 12–29.
2. Alan Deutschman, "Offshoring Creativity," *Fast Company*, issue 89 (December 2004), <<http://www.fastcompany.com/magazine/89/essay.html>>.



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students work alongside the company's professional engineers and designers to ensure professional quality while driving down costs.

In addition, colleges and universities can provide companies with specific soft-

The University of Kentucky recently announced its first domestic inshoring concept plan, with Belcan Engineering Group of Cincinnati. In February 2005, Belcan opened an engineering design center in Lexington for Sikorsky Aircraft