

A Winning Profession

In spite of offshoring, U.S. students can still engineer a career.

AMERICAN MAMAS: It's OK to let your children grow up to be engineers. You don't have to make them be doctors and lawyers instead. By 2008, more than half the jobs in engineering could be done anywhere in the world, according to an intriguing new analysis of global outsourcing by McKinsey & Co.'s in-house think tank. Many of them will, in fact, be done in India, China and other low-wage countries.

Yet, the consulting firm's analysts conclude that engineering still looks like a winning profession for Americans—in contrast to some other occupations. "There is this myth that the last thing you should do is go into engineering," says Diana Farrell, head of McKinsey Global Institute. "But the underlying growth of demand for engineers is so great that even when you consider the potential of offshoring, there will be demand in the United States."

In its voluminous report, McKinsey quantifies the familiar reality: There are already twice as many young university-trained professionals in low-wage countries as in high-wage countries. India has nearly as many young engineers as the United States; China has twice as many. Such figures prompt predictions that rich-country wages are doomed to fall to Chinese competitors. But not all those low-wage engineers are really competing with Americans, Western Europeans, and Japanese. And despite all the publicized examples of outsourcing, every Silicon Valley company isn't going to shut its doors and relocate to Shanghai or Bangalore.

So McKinsey attempts to calibrate

the supply of talent likely to be available to the global labor market and the likely demand. Raw totals of university graduates are misleading. Interviews with 83 big-company human-resource executives find that they view fewer than 1 in 5 engineers in low-wage countries as potential hires.

The exercise doesn't justify complacency in the United States and other high-wage countries. "The potential supply of suitable talent from the 28

nance whizzes to overwhelm the demand, it doesn't expect the same for skilled engineers, particularly at the high end. By the end of this decade, demand for engineering talent from the United States and U.K. alone could absorb the "suitable supply" of engineers in China, India, and the Philippines, it says.

As a consequence, McKinsey foresees not a drop in U.S. engineers' salaries but significant increases in young engineers' wages in India, China, the Philippines, and Malaysia. And, in a

But the underlying growth of demand for engineers is so great that even when you consider the potential of offshoring, there will be demand in the United States.

low-wage countries we studied exceeds demand for offshore talent from companies in high-wage countries," McKinsey concludes. U.S., Western European, and Japanese professionals should anticipate tougher competition and lower wages.

But industries and occupations aren't identical, and extrapolating yesterday's trends isn't always smart forecasting. McKinsey bets that the United States will lose 225,000 service-sector jobs a year to offshoring, but that's a very small fraction of the jobs created each year in the United States. While McKinsey expects the global supply of accountants and fi-

reminder of what a globalizing labor market means in practice, higher wages for Asian engineers will bring them up to the levels of engineers in Mexico, Brazil, and Poland, encouraging multinational companies to hire there.

Decrying or trying to stop globalization isn't a winning strategy. Analyses like McKinsey's are a step toward more promising national—and personal—responses to global realities. Understand the competition, and then do something you can do better than they can.

This article was first published in the Wall Street Journal and reprinted with permission.