

Top Motivations for Offshoring or Outsourcing* - Manufacturers

Motivation	% of Respondents
Non-Labour Costs	69.7
Labour Costs	63.7
Access to New Markets	41.7
Delivery Times	34.5
Access to Knowledge	34.0
Logistics	29.6
Focus on Core Business	28.8
New goods or services	28.6
Following comp or clients	28.4
Tax or Financial	20.3
Lack of Labour	18.0
Other	2.9

* Those indicating medium or high motivation.

Data: Statistics Canada – SIBS Survey.

figures of the number of firms having offshored or inshored and not the scale of the activities being moved.

Outsourcing involves buying a good or service from abroad that may have at one point been produced internally or contracted out to a Canadian company.¹⁷ Not surprisingly, this is far more common than offshoring as it does not involve equity ownership of operations abroad. Overall, 4.1 percent of firms outsourced between 2007 and 2009, but the share was much higher for manufacturers, of which 10.1 percent outsourced over that period. By comparison, only 1.9 percent of firms and 5.2 percent of manufacturers offshored over the same period.

For manufacturers, the most common activity to be outsourced is the production of goods, followed by provision of services, distribution & logistics and marketing and sales. These results also reveal information about the types of activities that companies tend to like to do themselves abroad and those that they are willing to buy at arms length. For manufacturers, legal services are

far more likely to be purchased at arms length as indicated by the relatively high share in outsourcing (0.7 percent) compared to offshoring (0.3 percent). This is a reassuring result given the known preference for frequently hiring outside legal counsel, particularly in foreign markets. There is also a strong preference for contracting the provision of services, production of goods, and software development. By contrast, companies are more likely to retain financial management, HR and accounting services in-house.

Firms participating in the SIBS survey that either outsourced or offshored activities indicated that by far the most important reason for doing so was cost. Reduction of non-labour cost was indicated as the most important factor while reduction of labour costs was ranked second. This was the case for manufacturers and non-manufacturers alike. Although substantially less important than costs, access to new markets was cited by manufacturers as the third most important factor while non-manufacturers ranked access to specialized knowledge and technologies

¹⁷ Once again “outsourcing” refers to offshore or foreign outsourcing.