Measuring Globalisation and the IT Services Industry in Ireland

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Overview

Globalisation and the IT sector

- Key events
- Main elements of globalisation
- Traditional indicators
- Need for new measures
- New data on International Sourcing
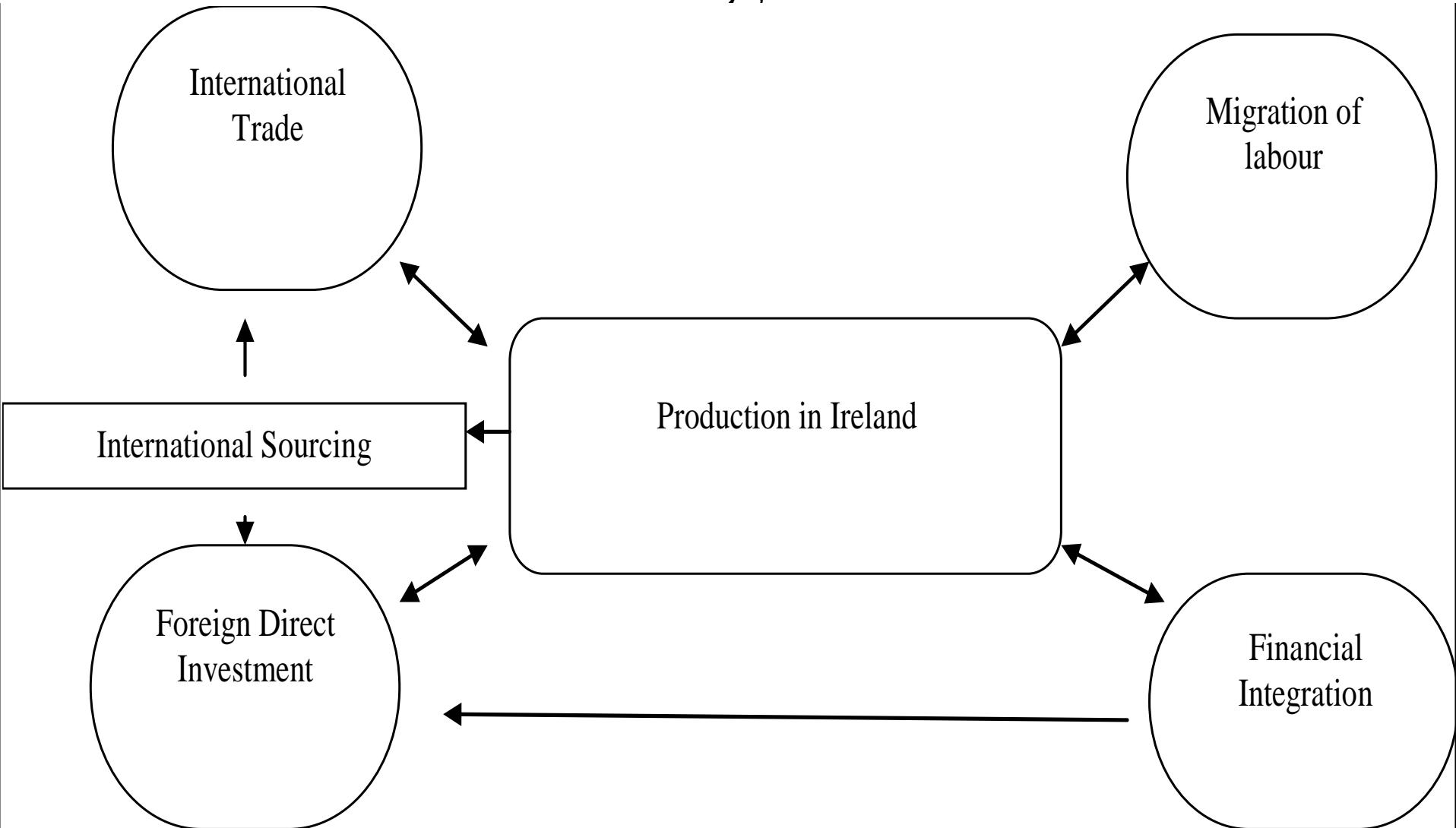- Challenges facing statisticians

Evolution of globalisation

- "international economic integration"

- Marco Polo returns to Venice -1295
- Dutch East India Company, 1602
- Recent events
  - Fall of the Berlin wall, 1989
  - First website posted, 1991 - http://info.cern.ch
  - Paypal launched – 1998
  - "Millenium bug" - Y2K problem
  - China joins WTO

Elements of globalisation

Traditional indicators of globalisation

Migration of labour

Labour force surveys, population censuses & administrative data

Financial market integration

BoP and Central Bank/Financial regulators

International Trade
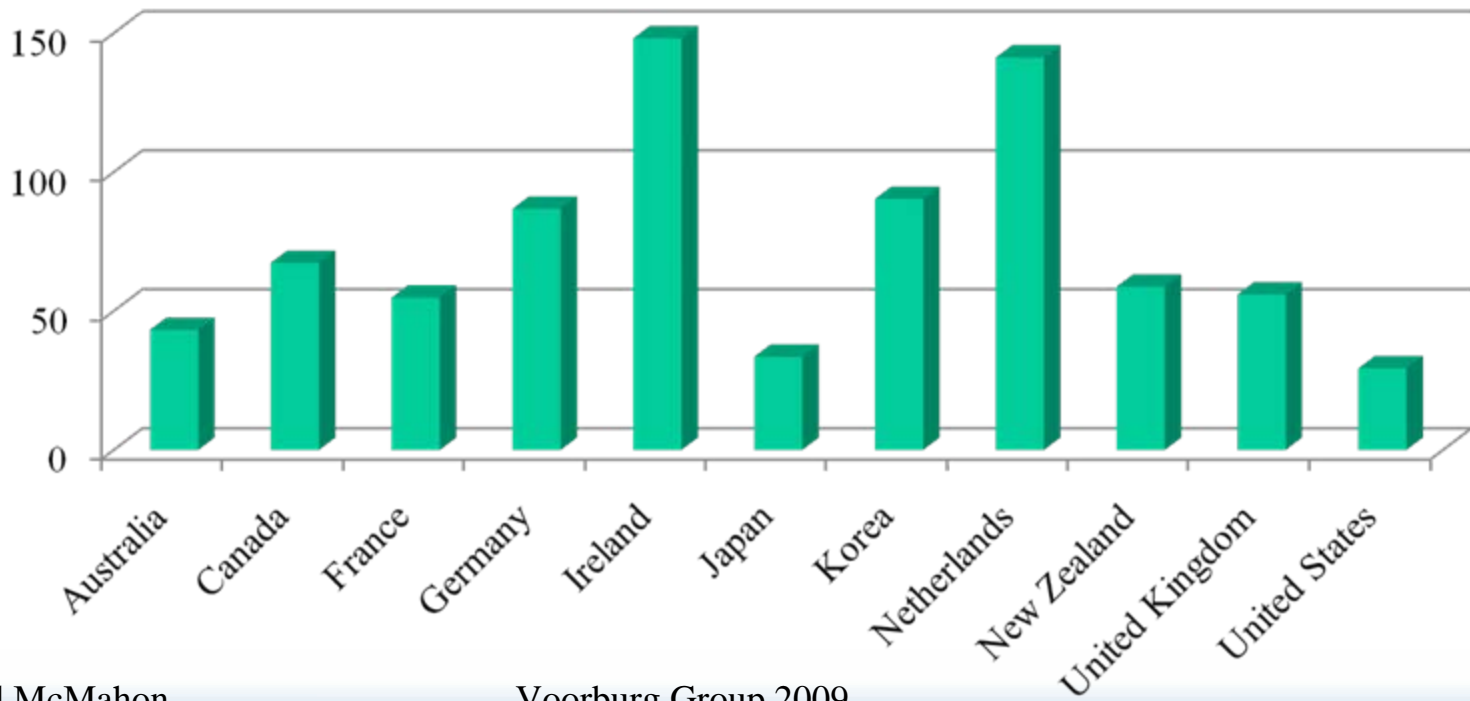
Merchandise : Intrastat, Customs data

Trade in Services : BOP enterprise survey conducted by Central Statistics Office

Foreign Direct Investment

CSO BOP and Annual Business Surveys

International trade (total) to GDP ratio (%), 2007
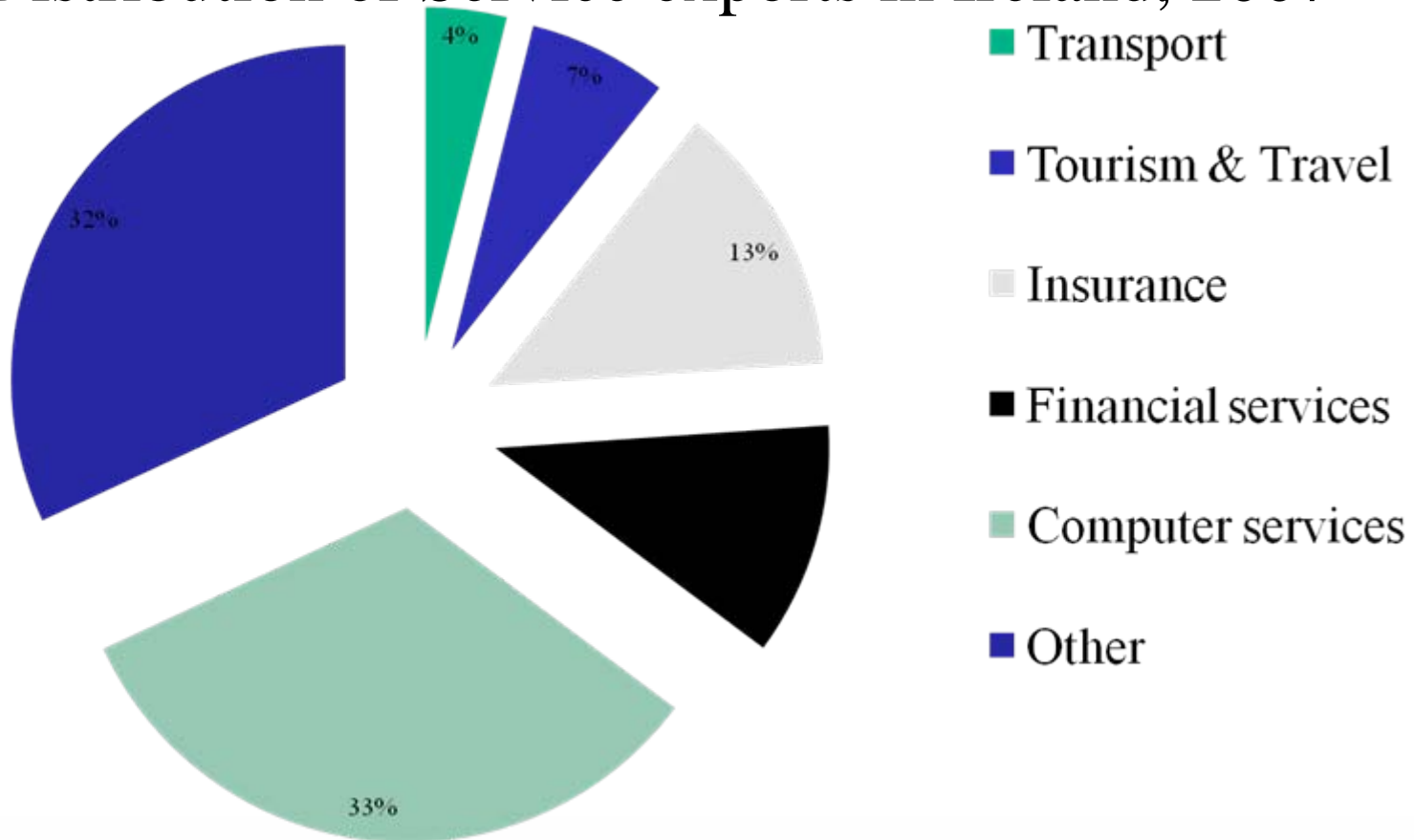
International Trade in Services

World's Leading Exporting Countries of Commercial Services, 2007

Country	Value Billion $	Share %
United States	454	13.9
United Kingdom	263	8.1
Germany	197	6.1
Japan	136	4.2
France	130	4
Spain	127	3.9
China	127	3.9
Italy	109	3.3
Netherlands	91	2.8
Ireland	87	2.7

International Trade in Services

Distribution of Service exports in Ireland, 2007

Legend:
- Transport — 4%
- Tourism & Travel — 7%
- Insurance — 13%
- Financial services
- Computer services — 33%
- Other — 32%

International Trade in Services
World's Leading Exporting Countries of Computer and Information Services, 2006

Country	Value $bn
European Union (27)	70,085
of which Ireland	**22,977**
India	21,461
United States	10,096
Israel	5,289
Canada	4,034
China	2,958
Norway	1,376
Australia	1,060

International Trade in Services

Destination of IT Service exports, 2007

€m

Chart showing IT Service exports by destination (€m):
- UK: ~4400
- France: ~1900
- Germany: ~3580
- Italy: ~1110
- Netherlands: ~1160
- Spain: ~770
- Europe Other: ~5440
- US: ~380
- Asia: ~1640
- Africa: ~460
- Other: ~650
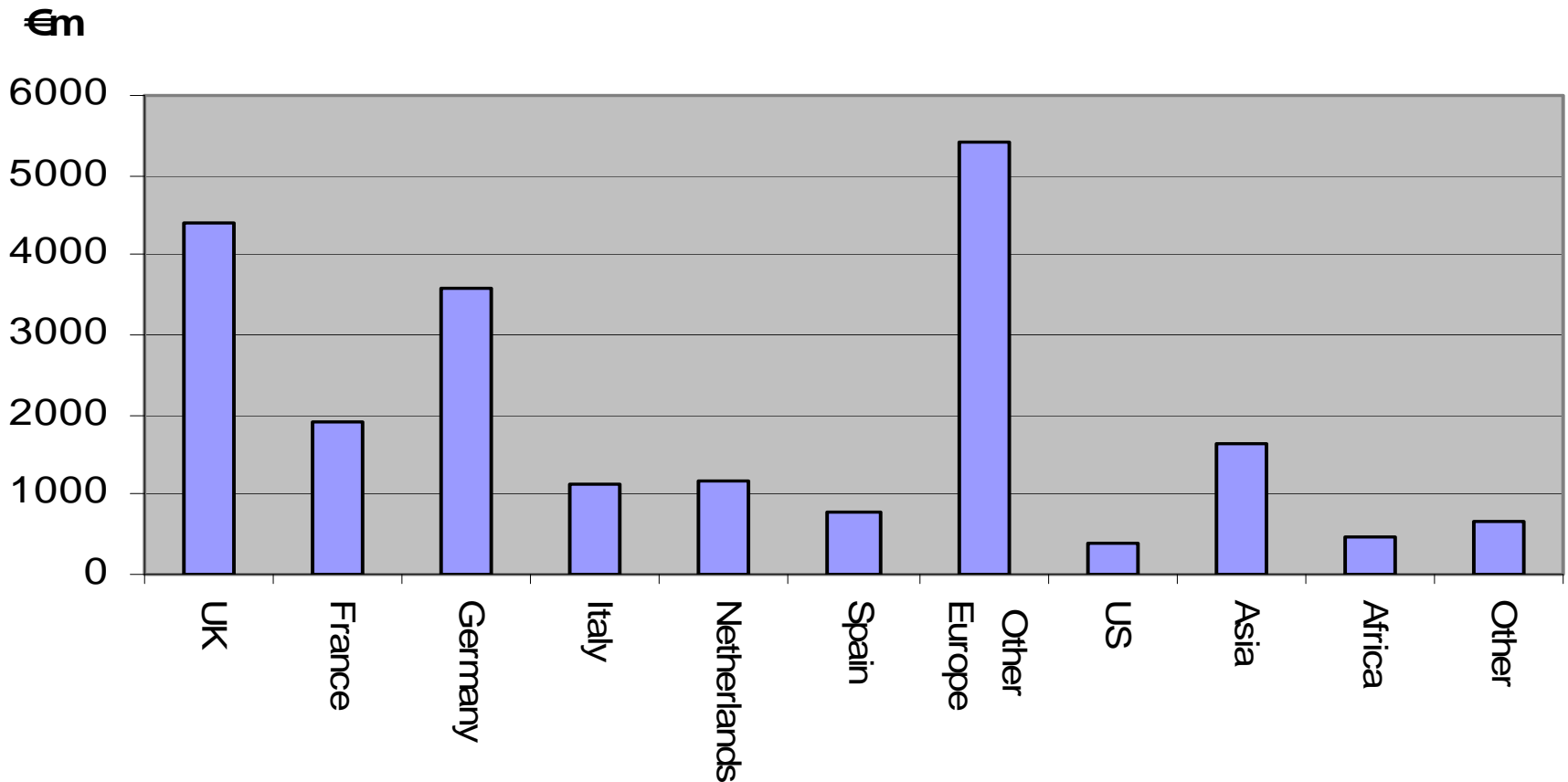
Foreign Direct Investment

Balance of Payments
International investment positions, 31/12/2007

Item	Ireland	UK	EU27
	€m	€m	€m
Direct Investment Abroad			
Equity capital and reinvested earnings	86,620	1,235,570	6,816,974
Direct Investment in Ireland			
Equity capital and reinvested earnings	179,745	697,582	5,851,059
of which in IT Services	13,907	n/a	n/a

Source : Eurostat

Foreign Direct Investment

Annual Business Surveys
Analysis by nationality of ownership

	Unit	Irish	Foreign	Total
IT Services (20+ employees only)				
Number of enterprises	No.	115	99	214
Persons engaged	No.	6,923	15,994	22,917
Turnover	€m	1,393	12,211	13,604
Gross value added	€m	462	2,810	3,272

International Sourcing

- Increase in recent times
  - Liberalisation in services
  - Technological advances
- Need for data
- Ad hoc survey
- Enterprises with 100 or more employees

International Sourcing survey

Table 5 Definition of insourcing and outsourcing		
CONTROL	**LOCATION**	
	Domestic Sourcing (Outsourcing)	**International Sourcing (Outsourcing)**
External production outside the enterprise or enterprise group	*Production outside the enterprise or group by non-affiliated enterprises but within the Ireland.*	*Production outside the enterprise or group and Ireland by non-affiliated enterprises. This involves foreign subcontracting.*
	Domestic Sourcing (Insourcing)	**International Sourcing (Insourcing)**
Internal production within the enterprise group	*Production within the enterprise group to which the enterprise belongs and within Ireland.*	*Production within the group to which the enterprise belongs but abroad (by affiliated enterprises).*

International Sourcing survey

Level of international sourcing 2001-2006 within the EU.
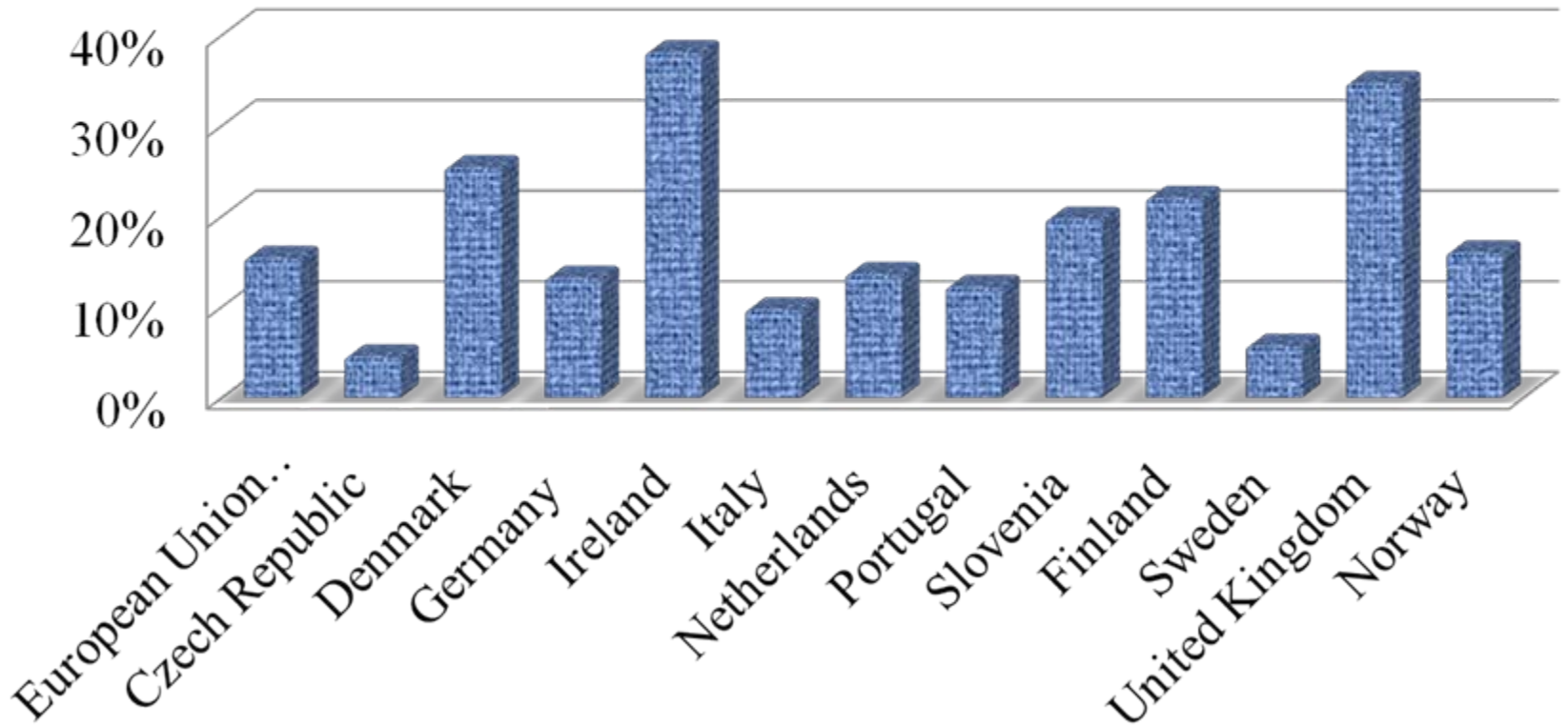**Percentage of Enterprises Engaged in International Sourcing.**

Figure 6 International sourcing of Irish business functions 2001 - 2006.

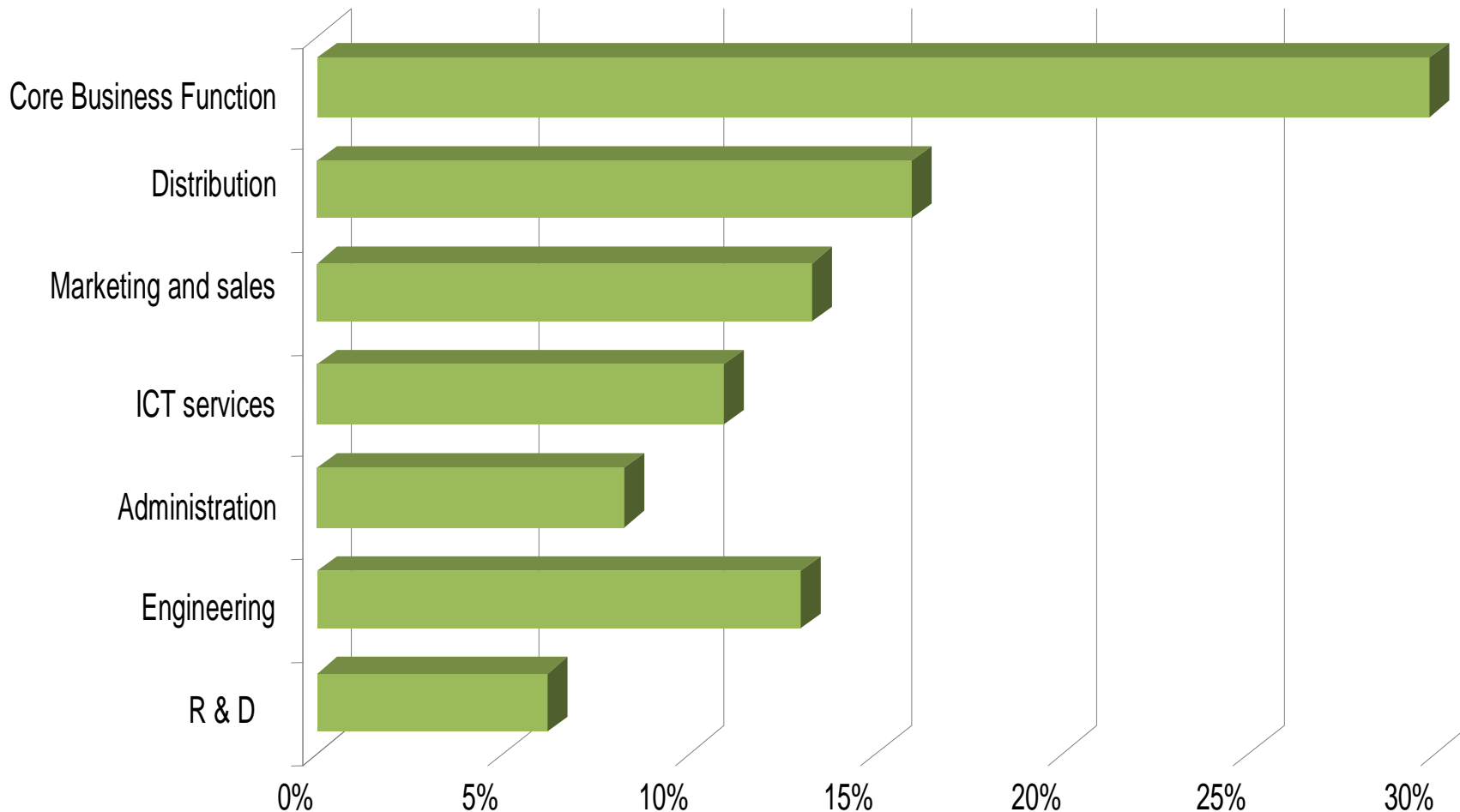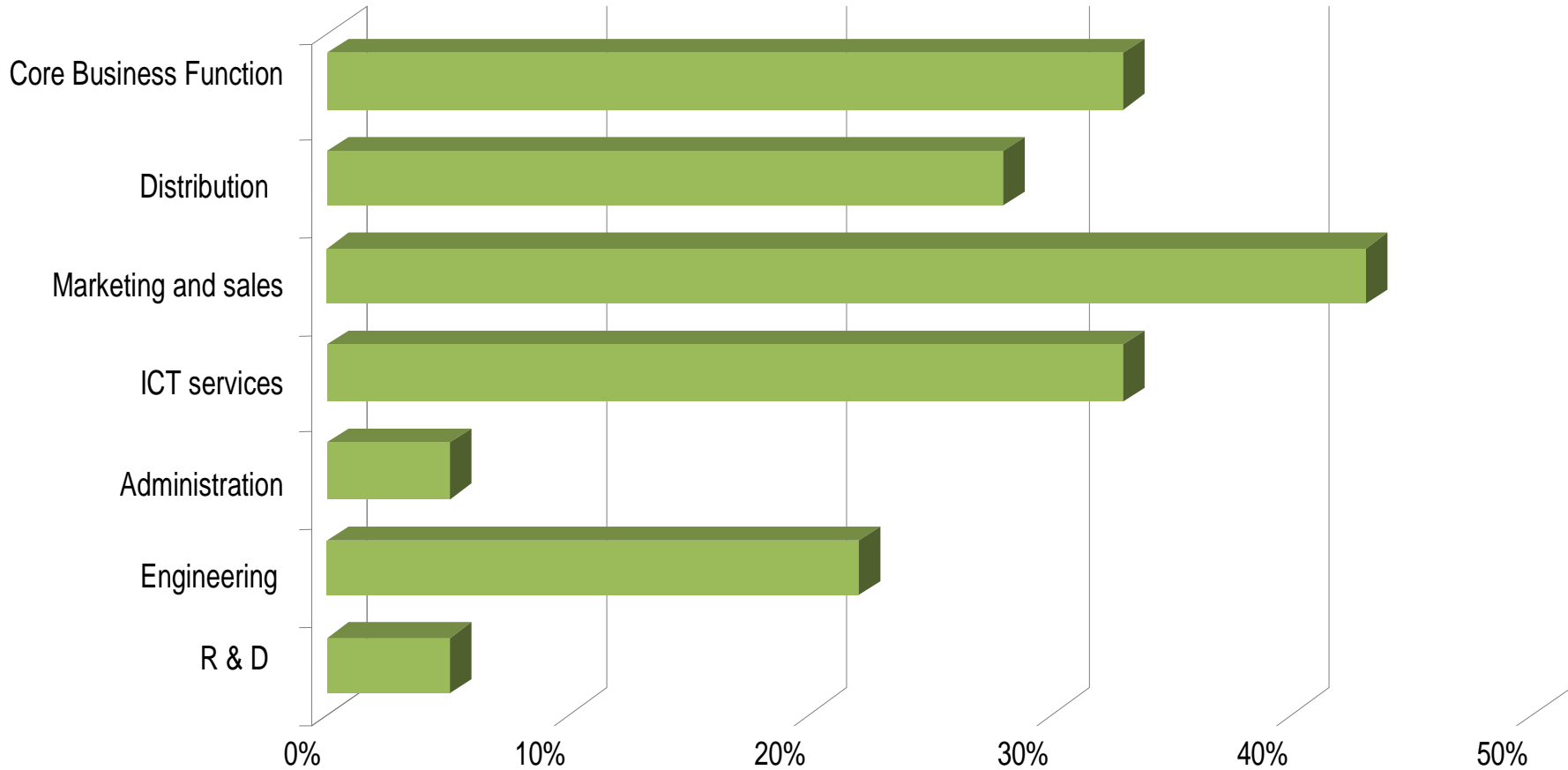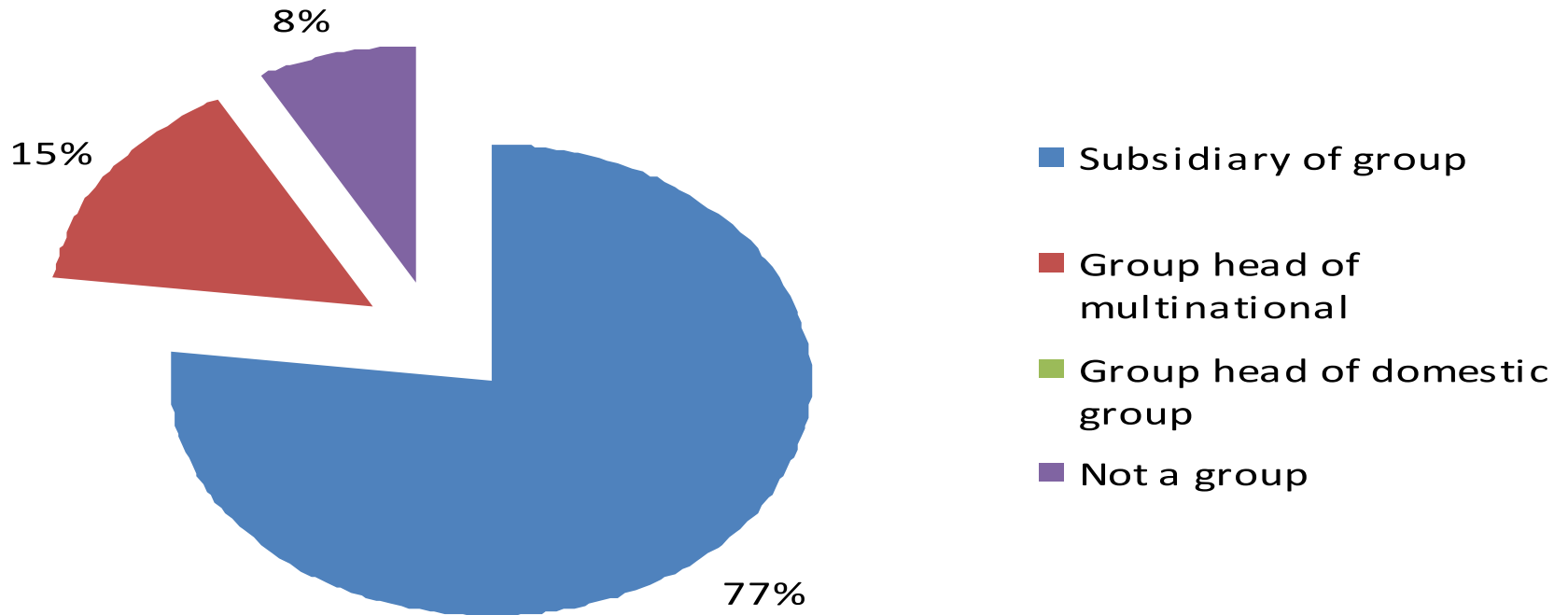Richard McMahon
CSO

Voorburg Group 2009

Figure 7 International sourcing of Irish IT Services business functions 2001-2006.

Irish enterprises having sourced internationally 2001-2006 broken down by group structure

■ Subsidiary of group

■ Group head of multinational
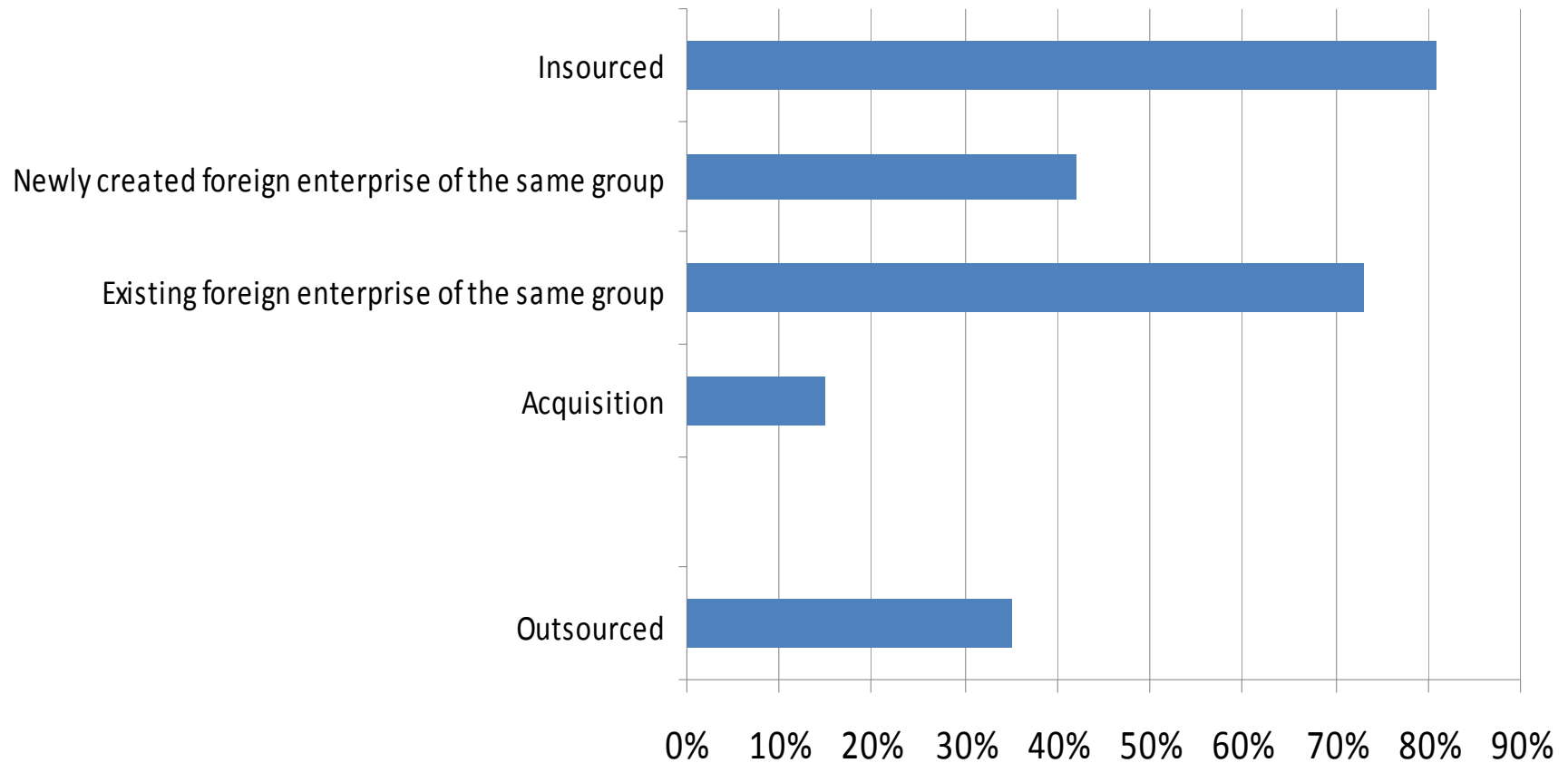
■ Group head of domestic group

■ Not a group

International sourcing of Irish IT sector business functions broken down by destinations.
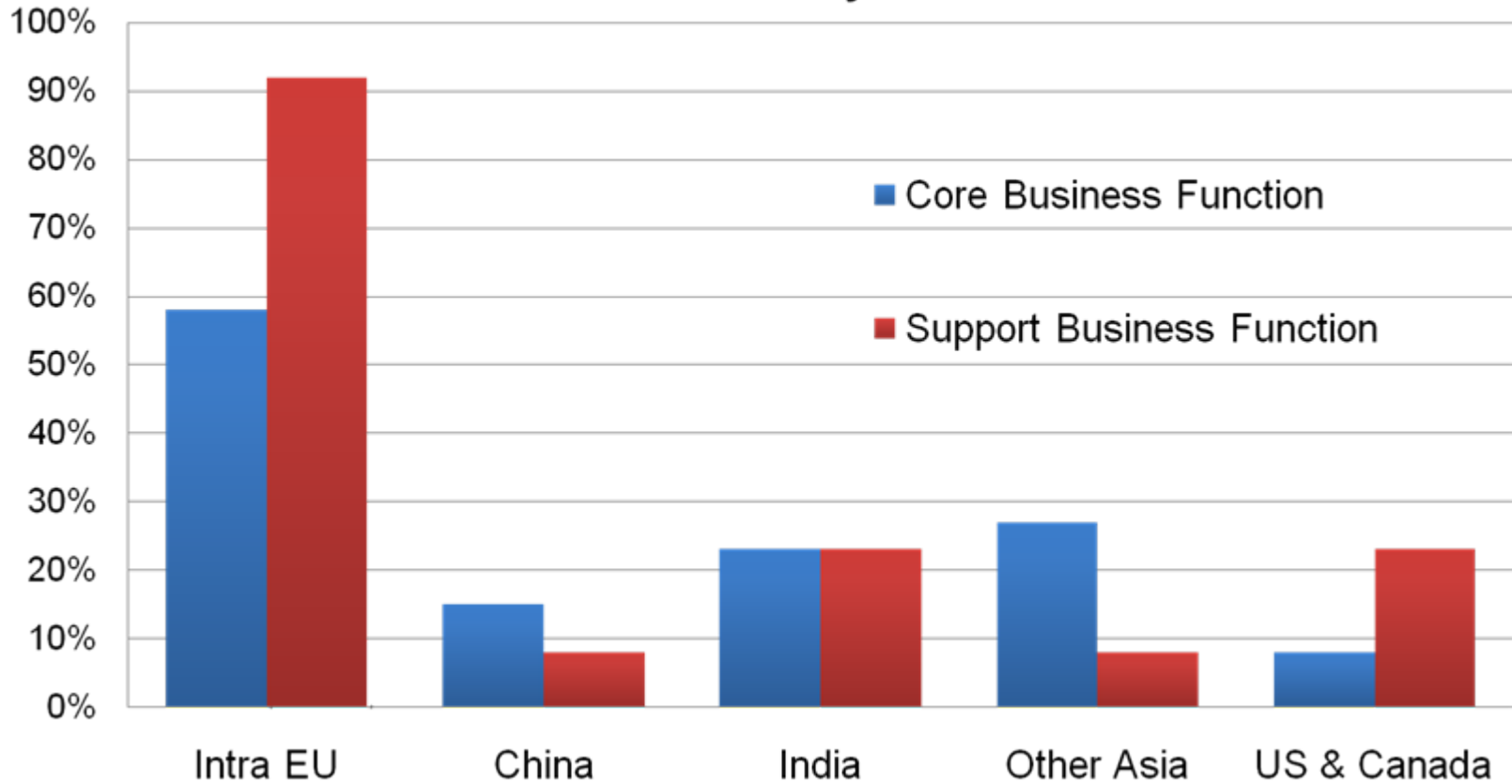
International Sourcing by Irish IT Service enterprises broken down by relationship with business partner

International Sourcing survey

Key motivating factors

- Strategic decision by group head

- Reduction of labour costs

Key barriers to international sourcing (all IT service units)

- Legal / administrative

- Taxation

Impact

- Improved in-house know how

- Improved competitiveness

- Higher levels of measured labour productivity

Challenges facing NSIs

Measurement issues

- Coherence across different sources

- Transfer pricing

- Ancillary MNC activities

- Merchanting

- Commissionaire trading

- Relationship between MNC HQ and affiliate abroad

Dealing with the challenges

- Established large cases unit
- Maximise use of all sources of existing data
  - Traditional sources
  - Microdata linking
- Consider new sources of information
- Communicate effects of globalisation to users

Thank You