

TYPEQAST

# Nearshoring

Whitepaper



# What is nearshoring?

Nearshoring is the outsourcing of professional activities to an organization in a country nearby with lower average wages. Nearshoring can be distinguished from Offshoring, which is the outsourcing of activities to countries that are further away.



## Tight labor market in 2020

A tight labour market is when an economy is close to full employment, and recruitment becomes increasingly difficult. This in turn places an upward pressure on wages. Research indicates that in the second quarter of 2020, the market continues to be tight. This leads to a shortage and scarcity of workers in many professions, which is the case in the IT industry.<sup>1</sup>

<sup>1</sup><https://intelligence-group.nl/en/news/labour-market-still-tight-in-the-second-quarter-of-2020>

## Shortage of developers

This market tightness leads to a shortage of developers in many countries, such as the Netherlands. As a result there are many roles that are left unfulfilled for a longer period. At the same time, however, the number of tech start-ups is growing, requiring more programmers to join them.



## What is the solution?

Nearshoring is. In countries where the ICT sector is growing, it's extremely popular to become a developer. Nearshoring has a big influence on this, as it provides people with the opportunity to earn more than in other sectors. This brings huge opportunities to countries that don't have enough capacity themselves, and consequently rely on others to continue to grow.

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## Nearshoring vs Offshoring

The outsourcing of IT activities to countries further away, often Asian, has been popular for a long time. Although there is a much larger offer of developers from Asian countries than from Eastern European, Offshoring is not always the obvious choice.

So when do you choose Nearshoring over Offshoring? We've listed some of the benefits.

- Less cultural differences
- No struggles with different timezones
- Shorter travel to work together on projects
- Better level of the English language
- Direct contact with your own developers

# Different types of Nearshoring

## 1 Nearshoring dedicated team

This is a long-term solution. The team solely works on your projects and you work directly with the developers. There are no projects managers, and you don't have to pay developers per hour.

### Benefits

- Developers are truly involved in the organization
- The team is dedicated
- It's more cost-effective
- The developers know all the ins-and-outs of your company

### Disadvantages

- The notice period tends to be longer
- There has to be a connection, so the onboarding tends to be a bit longer

## 2 Nearshoring per hour

This is more a temporary solution. It is comparable to hiring a freelancer, with the added benefits of being cheaper and remote. Good communication is key, as every hour counts.

### Benefits

- You're not tied to a contract
- Developers are used to making quick adjustments
- Quick turn-around

### Disadvantages

- Developers aren't as engaged
- They can decide to leave whenever they want
- It's more expensive than a dedicated team



## The benefits of a dedicated team

1

### Larger offer

Nearshoring provides us with the opportunity to hire people from abroad. From countries where there's more offer than there is demand for developers. Nearshoring enables these people to be outsourced to countries where the demand is higher and the offer lower.

2

### Saving costs

Nearshoring means that IT is outsourced to countries with lower wages. Here you can calculate the true costs of an internal developer:

<https://typeqast.com/remoteworkingcalculator>

3

### More flexibility

Nearshoring allows companies to be a lot more flexible. If needed, a team can easily be down- or upsized, depending on the current climate in which the organisation exists. This lowers the risk for an organization.



## Effectively managing remote teams

At Typeqast we've been working with remote teams for a long time. We live and breath it. But, of course that's not always the case. So how do you manage remote teams?



Make sure you work in sprints and have a dedicated project owner



Embed the project teams into your organization



Over-communicate



Establish structured daily check-ins



## Why now?

2020 has been an interesting year. With more and more teams and companies going remote, it's extremely important that the quality and delivery of these teams stays optimal. Remote working has been the norm for Typeqast for a long time. This has a big influence on the way we work and the quality we deliver to all our longstanding partners.

# TYPEQAST

## About Typeqast

Typeqast serves the most innovative companies by providing agile, affordable and highly-qualified software development teams as a service. We transform the IT hurdle into an enabler for success, share our expertise, build upon partnerships, and deliver state-of-the-art technology.



## For more information

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