Comparing Staff Augmentation Models: How to Decide What's Best For You
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In the US alone, it is estimated that there will soon be a shortage of 1.4 million software developers¹ and only 400,000 software developer graduates to fill them. Demand for developers isn’t expected to fall anytime soon: according to the US Bureau of Labour Statistics, software developer employment is set to rise by 21% between 2018 and 2028,² far above the 5% increase forecast for all occupations.

Likewise, the impact of the COVID-19 pandemic means companies are ramping up digitization strategies even faster than expected; we’ll likely see even more demand for top tech talent in the coming years -- as those new websites, apps, and software programs aren’t going to design themselves.

Luckily there are solutions beyond the traditional staff-building strategies everyone knows about (i.e. hiring full-time employees to join your in-house team)³. They are onshore, offshore, and nearshore staff augmentation. In this short guide, we’ll lay out what goes into these three staffing solutions, explaining the pros and cons of each, and providing a template for how you might begin to explore the best staff augmentation solution for your specific needs.
Boiled down to their essence, the terms “onshore,” “offshoring,” and “nearshore” are not interchangeable. Rather, they define who’s doing the work, where they’re doing it, and what you can expect from the workers.

While each staff augmentation strategy is designed to provide your company or project with the right developer at the right time, each fills a specific niche and need. Here we’ll explain their differences and similarities in general terms:
Onshore

Onshore developers are skilled IT staff that work within the same country as your firm, but do so outside of the context of your in-house team. Perhaps they’re on another coast or have a skillset your team lacks but only requires for a limited time. For whatever reason, they augment your staff without requiring you to hire developers full-time.
Offshore developers are skilled IT staff that live and work in a country far from your own. Often, offshore workers reside in India, Vietnam, or other Asian countries. Usually, they provide a skill set desired by your company, but work on an opposite schedule and/or in a language different from yours. Offshore staff are usually paid a greatly reduced fee.
Nearshore

Finally, nearshore developers are skilled IT staff that live and work in a country near your own, perhaps in the same or a similar time zone, but on the other side of an international border. For US companies, these workers usually reside in countries like Mexico, Ecuador, or Brazil, or other countries in Central or South America. Like offshore staff, nearshore developers are often employed for a reduced fee; like onshore staff, they tend to have a cultural mindset and working schedule similar to your in-house team.
Comparisons: What to Expect from Onshore, Offshore, & Nearshore?

While staff augmentation strategies like outsourcing typically siphon menial but necessary tasks (such as phone banking, scheduling, or bookkeeping) to an outside firm so your inhouse team to focus on essential services, onshore, nearshore and offshore employees tend to work alongside your inhouse team on the same or related essential services. For this reason, it’s important to be clear on what you expect from an augmented team, whether they’re across town, or across the globe.

Here is a breakdown of what you can expect from onshore, offshore, and nearshore developers, respectively:
Cost

Hiring staff and developing software comes with a cost. There’s no way around it. Yet between the three staffing solutions explored here, a great variety exists. In this section, we break down some of the differences in salary and hourly rate expectations between the three groups.

Onshore

Because onshore developers work within your home country, staffing costs will be the same or similar to what is associated with full-time employees. For example, the average junior software developer in the US can expect to be paid between $50 and $60 per hour, and a top developer can command as much as $250 per hour. According to a 2017 survey conducted by TechCrunch, the average 1099 tech contractor commanded $71 per hour, or $147,680 a year (based on a 40-hour workweek). This is more than the average inhouse worker, who made an average $122,762 salary. In other words, onshore staffing provided net negative savings!

Offshore

Within the context of offshore staff augmentation, there’s a great variety of costs because there are a great variety of locations offering such solutions. In less developed South Asian countries such as Pakistan, Bangladesh, or Sri Lanka, costs per hour for an offshore developer can range between $25 and $35, which averages to $62,400 yearly. In India, where a more competitive market exists, this average increases to $83,200. These rates are similar to nearby countries in East Asia, with China commanding a higher average (up to $40/hour) and Vietnam and the Philippines a lower average ($25-30/hour).
Developers providing nearshore services tend to charge prices similar to those of the more developed Asian countries, as infrastructure and population mean cost-of-living is similar in the two locales. However, the average costs can rise based on the skill level of the workers, and a significant number of high-skill developers reside in this region. Likewise, a significant reduction in spending can be found because many nearshore firms exist that pay the overhead (like benefits, retirement, office perks) so you don’t have to. Average costs in Argentina, Uruguay, and Chile can range between $50-60, while a skilled worker in Brazil can be as low as $40/hour.⁵
Culture

Despite what some may believe, individual skill and ability alone don’t determine a company’s success. Rather, company culture and team methodology play as much (if not more) of a role in growth and profitability. Yet, such things are determined almost entirely by staffing, management, and workforce cohesion -- aspects of your company that can be challenged, or enhanced, by staff augmentation. In this section, we’ll explore how onshore, offshore, and nearshore staffing can influence your workplace culture, both positively and negatively.

Onshore

The greatest benefit of hiring onshore supplemental staff is that they, by definition, live in your home country and share full fluency with your home culture. That means the days they expect to take off (Christmas, July 4) will almost certainly be the same as your in-house staff. Likewise, this means communication and relationship dynamics will be familiar, if not fluid and comfortable. There are certainly regional differences (between New York and, say, LA; or the South and the Midwest) within the United States, but team cohesion will be simple because these differences themselves will be familiar to both teams and any challenges will be navigable using common, understood frameworks.

Offshore

Let’s be honest: the number one challenge facing a team that chooses to work with offshore staff is culture. Often, the further from home the offshore team is based, the greater differences in terms of workplace expectations, cultural understanding, and professional instincts.
Besides days-off, hours of exertion, and understandings of what it means to work alongside peers, offshore employees tend to experience a greater language barrier (English is often a third or even fourth language) as well as a general lack of cultural fluency (the consumption of different TV, movies, art, music, etc.)\(^6\).

While this will not likely limit the ability of an offshore teammate to code well, it could challenge team cohesion and limit the ability of your in-house and offshore teammates to feel like one company, one family, one friendly group with a common culture and professional goal.

**Nearshore**

While nearshore staff members will not be “compatriots” of your in-house team, their proximity to your home country means they’ll be a lot closer to it—and not just geographically. Think of them like cousins: you don’t have the same parents, so every practice, routine, expectation is not the same, but their parents and your parents were raised the same way—so the things that matter are going to be congruent. In fact, “the Americas” are a lot more similar than we often imagine, sharing similar food preferences (i.e. everyone loves guacamole), cultural touchpoints (Friends, U2, Hollywood blockbusters), and an understanding of what it means to show up as a professional and submit high-quality technical work. In addition, because of the high number of excellent technical colleges and language programs throughout Central and South America, English is almost always a fluent and familiar second language—if not a first.
Nearshore
- Similar cultural touchpoint
- Fluent English

Onshore
- Fluency with your home culture
- Communication fluid and comfortable

VS

Offshore
- Cultural understanding
- English is often a third or even fourth language
Workflow

Regardless of where your augmented staff resides, they’ll need to be able to work well with your in-house team so you can maximize output without disrupting systems that are already helping your company thrive. Luckily, we live in the Golden Age of remote work; but no program exists for building team culture, maintaining project management, and ensuring productivity – only tools that help humans bring these things to life. For this reason, it’s important to know what you can expect from the three different staffing options before you decide where to invest. Here, we’ll talk through some of the biggest issues around workflow.

Onshore

When things go wrong with your product or service, chances are your onshore staff will be able to join the meetings to generate immediate solutions alongside your in-house team. Because they’ll likely be working within 3-hour spam of your home team (depending on your location and theirs), it won’t be hard to coordinate shared meeting times, jump on impromptu Zoom calls, or have in-the-moment Slack chats in order to solve what needs to be solved in real-time. Similarly, onshore teams who are used to remote work will understand the expectations of what you mean when you want staff to be “on-call” and when you think it’s appropriate for staff to be “off the clock.” This is one great advantage of working with an onshore team.
Offshore

Unlike with an onshore team, it’s likely an offshore workforce will be awake when you’re sleeping and asleep when you’re awake. Even if they adjust their schedules to meet yours, many offshore teams have up to 12 hours and 30 minutes difference from the US (as between New Delhi, India, and San Francisco, California). With this timing gap, it can be difficult to problem-solve in real-time or to establish working norms that rely on collaboration, agile standups, or other workflow methods popular in tech.

In addition, and perhaps most concerning of all: if there’s a bug that’s brought your system down, and all your offshore devs are sleeping, who are you going to call to get things back up and running, and fast? In the end, workflow and time management issues are one of the greatest drawbacks of working with an offshore team.

Nearshore

When a nearshore team joins an in-house team on a project, not only do they rely on the same workplace expectations (how often to check Slack, what professionalism looks like, etc), but they’re within the same time range as an onshore team. Argentina and most of Brazil, for example, are only 4 hours ahead of LA, and 1 hour ahead of New York, and much of South America, as well as Mexico, are congruent to US time zones. This means when a bug appears in a piece of software, you’ll know if your team is awake or asleep, and when you need to call an impromptu all-hands, those who you’re relying on will be available on Slack or able to join a last-minute Zoom. **Workflow for nearshore teams tends to be identical to that of in-house staff, and with clear remote work culture, time zones are nearly insignificant as a barrier to work.** It’s a huge advantage when building working parameters and establishing project management norms for your augmented staff.7
Nearshore

- With clear remote work culture, time zones are nearly insignificant as a barrier to work.

Onshore

- Your staff will be able to join the meetings to generate immediate solutions alongside your in-house team.

Offshore

- It’s likely an offshore workforce will be awake when you’re sleeping and asleep when you’re awake.
Travel

While we are in the Golden Age of remote work, not everything can be done remotely – especially when it comes to relationship building and team bonding. If you plan to eventually meet and get to know your augmented staff, either by visiting them in their home countries or by inviting them to the US to meet your in-house team, the distance from your home office matters. Here, we’ll break down the different costs associated with an in-house augmented staff rendezvous.

Onshore

It’s always easiest to travel domestically. But that doesn’t mean it’s necessarily much cheaper. In order to travel within the US to visit an onshore team, you won’t need passports, but will you will expect to spend more on hotels and food. Let’s break down some comparisons:

If you take 2 teammates for 5 days, in a 4-star hotel from San Francisco to New York, it breaks down like this:

<table>
<thead>
<tr>
<th></th>
<th>Flight cost</th>
<th>Hotel cost</th>
<th>Food cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flight cost</td>
<td>$250 each person</td>
<td>$250 per night per person</td>
<td>$150 per day per person</td>
<td>$500</td>
</tr>
<tr>
<td>Hotel cost</td>
<td></td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food cost</td>
<td></td>
<td></td>
<td>$1,500</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>$4,500</td>
</tr>
</tbody>
</table>

Travel duration: 5h 15m
If you take 2 teammates for 5 days, in a 4-star hotel from San Francisco to Chicago, it breaks down like this:

<table>
<thead>
<tr>
<th>Flight cost</th>
<th>$150 each person</th>
<th>$300</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel cost</td>
<td>$150 per night per person</td>
<td>$1,500</td>
</tr>
<tr>
<td>Food cost</td>
<td>$100 per day per person</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$2,800</strong></td>
</tr>
</tbody>
</table>

**Travel duration: 4h 5m**

### Offshore

Traveling overseas can be complicated, but traveling to Asia is exceptionally so. Many countries (including China and India) require Visas, which can cost hundreds of dollars and/or require legal support (especially if the Visas are for business purposes). In addition, the travel distance is significant, and the cultural difference upon arrival is also noteworthy. In addition, trips of this distance will likely be done less often, and for a longer duration (prices below do not calculate work lost in travel time).

If you take 2 teammates for 5 days, in a 4-star hotel from San Francisco to Bangalore, India it breaks down like this:

<table>
<thead>
<tr>
<th>Flight cost</th>
<th>$1,000 each person</th>
<th>$2,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel cost</td>
<td>$40 per night per person</td>
<td>$400</td>
</tr>
<tr>
<td>Food cost</td>
<td>$15 per day per person</td>
<td>$150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$2,550</strong></td>
</tr>
</tbody>
</table>

**Travel duration: 21h 30m**
If you take 2 teammates for 5 days, in a 4-star hotel from San Francisco to Jakarta, Indonesia it breaks down like this:

<table>
<thead>
<tr>
<th>Flight cost</th>
<th>$1,200 each person</th>
<th>$2,400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel cost</td>
<td>$20 per night per person</td>
<td>$200</td>
</tr>
<tr>
<td>Food cost</td>
<td>$15 per day per person</td>
<td>$150</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$2,615</td>
</tr>
</tbody>
</table>

Travel duration: 23h 15m

If you take 2 teammates for 5 days, in a 4-star hotel from San Francisco to Beijing, China it breaks down like this:

<table>
<thead>
<tr>
<th>Flight cost</th>
<th>$1,200 each person</th>
<th>$2,400</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Direct flight</td>
<td>$4,000 per person</td>
<td>$8,000</td>
</tr>
<tr>
<td>Hotel cost</td>
<td>$80 per night per person</td>
<td>$800</td>
</tr>
<tr>
<td>Food cost</td>
<td>$15 per day per person</td>
<td>$150</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$3,350</td>
</tr>
<tr>
<td>*Total with direct flight</td>
<td></td>
<td>$8,950</td>
</tr>
</tbody>
</table>

Travel duration: 24h

**Nearshore**

While travel to Central or South America will require you to pack a passport, it will not require as much intensity of visa applications or full-day flights. Most major Latin American cities are reachable via direct flights from SF, Dallas, or Miami, and even non-direct flights from other major cities have short layovers in modernized airports. In addition, because the distance is less and the flight time as well, jetlag and other impediments make shorter—or more regular—trips a possibility.
If you take 2 teammates for 5 days, in a 4-star hotel from San Francisco to Quito, Ecuador it breaks down like this:

<table>
<thead>
<tr>
<th></th>
<th>Flight cost</th>
<th>Hotel cost</th>
<th>Food cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$500 each person</td>
<td>$60 per night per person</td>
<td>$15 per day per person</td>
<td>$1,750</td>
</tr>
</tbody>
</table>

Travel duration: 10h

If you take 2 teammates for 5 days, in a 4-star hotel from San Francisco to Medellin, Colombia it breaks down like this:

<table>
<thead>
<tr>
<th></th>
<th>Flight cost</th>
<th>Hotel cost</th>
<th>Food cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$550 each person</td>
<td>$50 per night per person</td>
<td>$5 per day per person</td>
<td>$1,650</td>
</tr>
</tbody>
</table>

Travel duration: 10h 15m

If you take 2 teammates for 5 days, in a 4-star hotel from San Francisco to Santiago, Chile it breaks down like this:

<table>
<thead>
<tr>
<th></th>
<th>Flight cost</th>
<th>Hotel cost</th>
<th>Food cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$600 each person</td>
<td>$85 per night per person</td>
<td>$15 per day per person</td>
<td>$2,200</td>
</tr>
</tbody>
</table>

Travel duration: 14h

Hire Nearshore Developers
Staff augmentation strategies are usually spoken about as cost-saving measures, or as ways to scale your business fast, without having to invest heavily in HR or recruitment. But these staffing solutions also offer opportunities to diversify your workforce and provide access to different cultures of innovation and experimentation, bringing much of what’s exciting in the world back home to your company. In this section, we’ll lay out some of what’s exciting about the diversity provided by each of the three staffing options by looking at a comparison between Silicon Valley, the “Silicon Valleys of India,” and the Silicon “Vallecitos” of Latin America and the “Unicorns” coming from each region today.
“New” Silicon Valleys in the US

Austin, Texas
"One estimate has it that one-third of the companies that are moving to Texas originated in California, where the high cost of doing business often sends companies looking for alternate options ... Tech companies that employ more than 2,000 people in Austin include Apple, Microsoft, AT&T, Flextronics and Samsung."²⁸

Los Angeles, California
"In 2012, entrepreneurs in Southern California...attracted more investment than any other region outside of Silicon Valley–more than New England and nearly twice as much as New York."⁹

Seattle, Washington
"Seattle—nicknamed Silicon Forest—is home to electronic commerce giant Amazon and a booming tech scene, and is adding high-tech jobs at a faster rate than Silicon Valley."¹⁰
Silicon Valleys of Asia

Bangalore, India
"With more than 500 companies offering back-office and outsourcing services, the industry here generates more than $17 billion in revenue a year."11

Beijing, China
"Investment capital is focused around Zhongguancun, which is near prestigious schools such as Tsinghua University and has become the home of established Chinese Internet players like Sina Corp. and Youku Tudou Inc., as well as the China offices of global companies like Google Inc."12

Jakarta, Indonesia
"Consumers have taken quickly to smartphones and tablet computers, and digital design is far cheaper than in Silicon Valley and increasingly more affordable than in China and India."13
Silicon “Vallecitos” in Latin America

**Santiago, Chile**

"Many countries have sought to create their own versions of Silicon Valley. Nearly all have failed. Yet Chile's attempt is interesting because it exploits the original Silicon Valley's weak spot—America's awful immigration system. When the home of free enterprise turns away entrepreneurs, Chile welcomes them."¹⁴

**Quito, Ecuador**

"Quito has seen bounding growth in the software development business in the last few years, especially in terms of outsourcing. In the past there were few middle size companies offering specific domain software. Now, many companies of all sizes are engaged in IT outsourcing. The local market has long since accepted the outsourced model but the majority of these companies are now selling outside Ecuador."¹⁶

**Medellin, Colombia**

“Once infamous for its association with international drug cartels, Medellin is going through a full-blown revitalization. On one hand, it is tackling its urban problems, for instance with innovative escalators which¹⁵ help connect the slums with other neighborhoods. On the other hand, it is also working on consolidating itself as a tech hub.”¹⁶
These days, even the greatest feat of financial prowess is happening outside of the California tech hub: Unicorns, or private companies with a valuation above $1 billion, are popping up all over the world. Here are a few of the brightest unicorns getting their horns inside and outside of the famous US hub.

### United States

**Uber (Silicon Valley, CA)**
- Valuation: $78 billion
- What they do: The original ridesharing app, best known for being the first to market and one of the pioneers of the “gig economy.”

**AirBnb (Silicon Valley, CA)**
- Valuation: $75 billion
- What they do: A hotel service in your friend’s house -- Airbnb used technology to help whoever had an extra room become a hotelier.

**SpaceX (Los Angeles, CA)**
- Valuation: $75 billion
- What they do: Founded by Elon Musk (of PayPal and Tesla fame), SpaceX is “a privately-funded rocket manufacturer and transport services company.”
Asia*

Bytedance (China)
  • Valuation: $140 billion
  • What they do: Have you heard of TikTok? That’s one of their main properties and the highest-earning non-game app globally in 2020.

One97 Communications (India)
  • Valuation: $16 billion
  • What they do: One97 Communication owns Paytm, the “PayPal of India,” which says 450 million transactions in 2020.

Grab (Singapore)
  • Valuation: $14 billion
  • What they do: Grab, the “Uber of Asia,” is a ride-sharing app that has branched out into food delivery and payment solutions.
Latin America

Rappi (Colombia)
- Valuation: $3.5 billion
- What they do: As Colombia’s first unicorn, Rappi is their “Uber” -- connecting drivers with purchasers who want...anything delivered.

Mercado Libre (Argentina)
- Valuation: $32 billion
- What they do: One of the most recognizable brands in Latin America, this e-commerce and auction platform (launched in 1999) has long surpassed the nickname “eBay of South America.”

Duolingo (Guatemala)
- Valuation: $2.4 billion
- What they do: One of the world’s most popular language-learning sites, Duolingo currently has over 300 million active users worldwide.
In a post-pandemic world, people will return to their offices and travel will once again be common, but the 1 million person deficit of qualified US-based software developers won’t change — and neither will the logic and dollar sense that makes this point clear: hiring nearshore staff to augment your IT department has the best ROI, the clearest cultural advantages, and the best workflow benefits for nearly every need.

Conclusion:
It’s Nearshore By a Mile

In a post-pandemic world, people will return to their offices and travel will once again be common, but the 1 million person deficit of qualified US-based software developers won’t change — and neither will the logic and dollar sense that makes this point clear: hiring nearshore staff to augment your IT department has the best ROI, the clearest cultural advantages, and the best workflow benefits for nearly every need.
We know because we’ve run the numbers, we’ve laid out the case, and we’ve seen the results! Hiring nearshore staff like those at Jobsity means you will:

- Save up to tens of thousands of dollars while maintaining quality control and professionalism;
- Build an integrated working culture where your nearshore staff is as much as part of your team as those working from your home office;
- Manage workflow in an efficient and agile way, so your product is enhanced, and not challenged, by your distributed team;
- And travel to (or visits from) your augmented staff will be affordable and accessible, so you can work with your whole team whenever it feels right.

We hope the case is clear to you as well: nearshore staff augmentation is the 21st-century solution to the staffing challenges of the modern world.

If you’re interested in working with the top 3% of recruited talent in Latin America, we’re standing by and would love to hear from you. We’re excited to help your staff grow, and we look forward to introducing you to your next favorite employee!
The Jobsity Promise

At the end of the day, when your team needs to grow, and to grow quickly and efficiently, there are many options available. The one you ultimately choose should fit your budget, technical needs, and culture. Whether it be onshore, offshore, or nearshore, we encourage you to spend the time you need to understand the full range of pros and cons. And if you have questions, don’t hesitate to reach out.

At Jobsity, we’ve built a company from the ground up with the principle that we’re not just providing you with staff, but with fully-fledged members of your team. Our values are based on passion: a passion for good technology, a passion for great people, and a passion for meaningful relationships with our clients. That’s why this ebook exists: to begin to build that relationship by offering you the context you may be seeking around different staffing augmentation solutions.
We recognize that our team is your team, and for that reason, we hire grown-ups, mentor professionals, and treat our employees like family. We do this because we care. We care about you, we care about us, we care about the environment and diversity. When you hire a Jobsity developer, we will do everything possible to ensure they feel like a part of your team and that you also feel like a part of ours.

If you’re curious to hear about the systems we have in place to ensure your nearshore experience is more than what you could ever dream of, get in touch today. We look forward to getting to know you, and helping you complete your team!
References


