

Executive Summary



International
Labour
Organization

Offshoring and working conditions in remote work

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Changes in the nature of work are sweeping the globe and offering both new opportunities and new challenges and risks for countries, employers, workers and governments. Just as the temporal patterns of paid work have been diversifying, so too have its spatial patterns. Globalizing markets and dramatic advances in information and communications technologies (ICTs), such as broad-banding, have made it possible for businesses to envisage wide-ranging transformations in the geographic distribution of a number of functions and activities across the world, and, for the first time, to locate the processing of those services not requiring direct physical customer interface at a distance from their consumption. This phenomenon of providing business services to customers at a distance by means of ICTs, which includes both offshoring and outsourcing, sometimes in combination (see figure 1), can be broadly labelled as “remote work”.

Recently, as companies have been searching increasingly for ways to reduce costs, the use of outsourcing and offshoring via ICTs has been growing. This industry is called business process outsourcing (BPO). According to a 2009 UNCTAD study, the global market for IT and IT-enabled services (ITES) was worth around US \$90 billion in 2008, of which ITES accounted for 60 per cent. The phenomenal growth of the BPO industry has led to increasing attention internationally from policy-makers, business leaders, workers, and civil society intent on attracting BPO business to their countries.

However, despite a burgeoning literature on this phenomenon and its implications for economic growth and employment, scant attention has been paid to the working and employment conditions which exist in the workplaces providing BPO services in offshore destinations. This volume is meant to help fill this knowledge gap by examining the different issues and concerns regarding remote work, its impact on the labour market in general and the workforce in particular in some of the affected countries, and what this is likely to mean for working and employment conditions in countries where these industries are growing rapidly.

Offshoring and outsourcing

The goal of most organizations that engage in outsourcing and offshoring is to enhance their competitiveness by achieving a higher return through less capital commitment and the increasing ability to adjust quickly to a changing environment – to “do more, with less”. This *modus operandi* has forced many organizations to continually examine all their functions to see where costs can be minimized, and to consider whether the functions might be carried out just as effectively, and at less cost, if performed outside of the organization and/or at an offshore location.

However, companies and other organizations must be certain that they protect core functions or competencies which, if lost, could compromise the viability of the organization as a whole. Practically, this also involves increasing specialization, as firms switch from the in-house production of certain goods and services to sourcing them from an external supplier. An organization needs a strategy that defines the core functions that it must perform itself and that separates these from other functions that can be carried out at less cost and more efficiently if outsourced to a contractor or to an offshore service provider. The decision to outsource and/or offshore business service functions is portrayed visually in figure 1 (below).

The call centre function is typically one of the first types of work that organizations decide to outsource and/or offshore because this function does not require domain-specific knowledge. On the other hand, caution is needed with regard to knowledge-processing functions, such as design work or research and development, which may well constitute part of the organization’s core competencies.

**Figure 1. The outsourcing and offshoring decision:
Organizational results**

	Offshore the function? NO	Offshore the function? YES
Outsource the function? NO	In-house operation	“Captive” unit (subsidiary)
Outsource the function? YES	Third-party provider	Third-party offshore provider

Framework

The volume offers a synthetic study of three important BPO “source” countries in the developed world (Canada, the United Kingdom, the United States), as well as individual case studies of four major “destination” countries for the offshoring of business services. The first two destination countries examined are in Asia: India, which has by far the largest and most diversified BPO industry in the developing world due to industrial, technical and skill “seeds” planted back in the 1980s, and the Philippines, which possesses the developing world’s second most significant BPO industry in terms of both GDP and employment. The other two countries studied are in Latin America: Brazil and Argentina have more recently begun to develop their own substantial BPO industries, the former focused on its large internal market, and the latter serving international markets in both Spanish and English. The research conducted in the two Asian countries, mainly via manager and employee surveys, provides comprehensive information regarding the working conditions which exist in BPO companies in major industry hubs. The research in the Latin American countries, conducted through case study methodology, offers the first real insights into two countries with emerging BPO industries and what this has meant for companies and workers in these countries.

The four country studies are complemented by a theoretical analysis of the organizational and managerial reasons why companies and enterprises have chosen to perform this type of work, and the implications for working conditions. It concludes with policy suggestions regarding how “good-quality” jobs can be promoted for the female-dominated BPO workforce, as well as how improved working conditions in BPO workplaces can also lead to better business outcomes.

Within the four country studies contained in the book, the factors examined range from the macro level, considering national laws and policies for the industry and its employees, to the micro-level workplace environment, including specific problems faced by managers and workers in BPO firms in these countries. Each chapter highlights important government initiatives to encourage the industry’s development, such as the deregulation of telecommunications markets by national governments, and developments in technology that have enabled the use of remote work arrangements. The country chapters also explore issues such as labour/employment law and employment relations in order to provide a context for how the BPO labour market functions in each country. This analysis then leads into a discussion of the main issues that impact on working and employment conditions in the BPO industry in the particular country.

Conclusions and policy suggestions

The book synthesizes material from the four studies of individual countries and compares it to the existing literature on the labour market and working conditions in the BPO industry. It concludes that, overall, jobs in the BPO industry in developing countries are of reasonably “good” quality by local standards in terms of their working and employment conditions (regarding wages, hours of work and non-wage benefits, for example), and governments in

many developing countries have actively sought to promote such jobs. Nonetheless, many BPO positions do have negative aspects, often closely linked to the work organization. Problems such as heavy and variable workloads underpinned by performance targets, relatively low levels of job discretion (particularly in call centres), tight rules and procedures enforced via electronic monitoring, and monotonous and unpleasant work tasks (such as dealing with difficult customers over the phone) constitute a tailor-made recipe for stress-related hazards. These problems are also clearly linked to the high rates of staff turnover in the BPO industry – as high as 100 per cent annually in some companies – which represent a real and serious problem for BPO companies in all of the major destination countries.

Finally, as BPO industries are expanding, often rapidly, in countries all over the world, this volume seeks to examine what types of government policies and company practices can have the most positive impacts on these workplaces. Such policies include stronger protective measures for night workers to help protect their health and safety (in line with the Night Work Convention, 1990 (No. 171)); a redesign of work processes, especially in call centres, in order to allow BPO employees more discretion to make use of their often considerable qualifications; and policies and practices aimed at improving workers' collective voice and promoting social dialogue in the BPO industry, which ultimately would benefit both workers and employers alike. These policies would also help to reduce the considerable staff turnover that currently plagues the industry. The BPO industry could then offer a model for good service sector jobs and high-performing firms in the global economy.

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