

**ILO SEMINAR ON SOCIAL DIALOGUE ON GLOBAL SOURCING IN
FINANCIAL SERVICES FOR SELECTED COUNTRIES FROM ASIA AND
PACIFIC PLUS THE UNITED KINGDOM**

New Delhi, India

23-25 November 2005

General Introduction

1. In accordance with a decision of the Governing Body, the ILO organized the above tripartite seminar in New Delhi, India from 23 to 25 November 2005. The seminar brought together delegations from India, Indonesia, New Zealand, the Philippines, Sri Lanka, Thailand, Vietnam and the United Kingdom, although not all tripartite. Observers also participated from India.

2. The seminar noted that global sourcing is driven by a wide range of factors, including technological and organizational innovations, trade liberalization, rising international competition and pressures to cut costs in the financial industry, which were having a profound impact on the sector's employment. This sourcing, practiced mainly, but not exclusively, from high-income countries to low-income countries has become an increasingly common practice among large companies, greatly facilitated by the rapid technological progress which has lowered the cost and increased the efficiency of communication and transfers of information.

3. These impacts were worldwide, but were felt differently in source and destination countries as the rate of growth in services relocation to lower-cost destinations in developing countries, mainly in Asia, continued to grow unabated. These trends have the potential to create benefits for services receiving countries, making globalization fairer by generating jobs in developing countries, while also bringing some gains to sending industrialized countries. They could, nevertheless, in some cases, make

globalization unfair within countries, especially for those workers having to bear an inordinate share of the adjustment costs of this phenomenon. This is particularly true in sectors like financial services, where workers have traditionally enjoyed relatively stable, protected employment and labour relations. Not surprisingly, therefore, global sourcing is provoking a very passionate debate in countries from which services are being transferred, posing severe challenges to policy-makers, employers and workers alike across the jobs migration trajectory.

4. The following are the agreed recommendations adopted by the ILO-sponsored seminar, held on 23-25 November 2005 in New Delhi, India, to consider the above subject.

Managing the employment impacts of global sourcing on the financial services and its workers

5. The seminar recognized that global sourcing could result in the transfer of employment between source and destination locations, with inevitable losses in the former and gains in the latter. It was also noted that jobs can be generated in the source country as a result of global sourcing some tasks resulting in increased profitability and reinvestment in employment. In relation to job losses, all efforts should be made to explore alternatives to termination and to use it only as a last resort. It is also recognized that global sourcing is a product of increased globalisation, rising competition and pressures to reduce operational costs as well as technological advances, which processes are expected to continue and whose influence can only increase. Governments, employers and workers' organizations should, through social dialogue, among other things, ensure workers' employment security through skills enhancement, life-long learning and active labour market policies to support adjustment. Training and retraining should be enhanced to address job displacement, providing skills that are properly aligned to the requirements of the labour market

and accessible to all. Innovative approaches to training and its financing could be explored.

6. In view of the high proportion of women employed in functions that were most at risk of relocation in financial services, special attention should be given to ensure growth in global sourcing does not undermine the advances achieved on the objectives of equity policies.
7. Destination countries likewise need to ensure the most equitable distribution of the benefits of global sourcing and sustainable development across the country.

Effects of global sourcing on labour-management relations and enterprise competitiveness in source countries

8. There was agreement that both management and employees had a common interest in ensuring the success of their company, including in cases of restructuring for whatever reason. The problem arose in cases where there is an absence of meaningful consultation or lack of transparent dialogue. Unless properly managed and in the absence of adequate dialogue, employee anxieties, in source countries, related to increased job insecurity from global sourcing, could erode labour-management relations. And yet these are critical in successfully migrating functions to remote locations abroad and effectively managing an extended organization. In these circumstances, taking account of managements' right to make decisions, it would be appropriate to negotiate, and include in collective agreements or similar instruments, arrangements aimed at allaying worker concerns with regard to global sourcing, including a provision on information and consultation procedures with regard to global sourcing-related work relocation.

Timing of information and consultation

9. The seminar recognized social dialogue as a powerful tool to prevent industrial conflicts resulting from global sourcing and work relocation. Social dialogue enhances partnerships, helps to ensure mutual benefits for all parties. The fact that global sourcing is usually strategic implies that it is a result of long-term rather than short-term decision-making processes. Therefore it is necessary that employees are informed in a timely manner by employers of global sourcing plans, and that employers consult staff in good faith on the modalities affecting employees of implementing the relocation decisions. These principles should apply equally to work relocation in developed as well as developing countries.
10. Where genuine social dialogue exists and is based on mutual understanding, mutual benefit, genuine respect, transparency and trust, workers or their representatives, would be aware of management's intentions, including any plans to relocate work internationally, through regular interaction, exchange of information and consultation with management.

Social dialogue and the role of ILO instruments in promoting harmonious industrial relations

11. Social dialogue plays a vital role in the equitable distribution of the benefits and costs of economic and industrial change. As a cooperative approach to labour relations, especially during major structural change, it helps in finding ways to maximize the potential for mutual gains, or what is usually referred to as "win-win" outcomes, as well as in determining ways to minimize, distribute and mitigate their costs. Whatever the outcomes, social dialogue gives voice to those who are affected by those decisions, helps to establish ownership and accountability for any outcomes that ensue and brings in the expertise of workers.

12. Social dialogue exists at many levels and in many forms. At the national level social dialogue between the social partners and government plays an important role in assisting in the creation of the right macro environment for business and thus economic development. At the enterprise level, it impacts on competitiveness by maximizing human potential, linking good labour-management relations to productivity, promoting stability, minimizing conflicts, enhancing flexibility and adaptability, promoting innovation and by replacing an adversarial approach with a consultative one where partnership through consensus is pursued. A partnership approach based on effective communication between a company and its workforce can create a shared vision and common interest, through a realisation that neither party can attain the fullest measure of prosperity at the expense of the other. This approach entails creating a communication strategy, which allows for discussing enterprise strategic plans and formulating schemes and measures for implementation; monitoring of company performance; discussing day to day issues such as quality, welfare, conditions of work, etc. As such, social dialogue should be pursued as a matter of course at the enterprise level - not just in the context of global sourcing, but also in its own right.

13. In establishing a process of dialogue the most important premise is to define what the issues are, and what are the processes required to achieve them. They then must be addressed by all parties and entered into in a spirit of cooperation, if this spirit is lacking then the process will not work. All relevant personnel must be involved and have ownership of the process and there must be a recognition and encouragement for creativity. Roles and responsibilities of each of the parties must be understood and respected. Social dialogue to succeed does not require an agreement or consensus in every instance, but it can help ensure that decisions taken are understood, and impacts managed. Discussions need to be timely, widespread, and relevant and receive the appropriate attention and

reaction. Dialogue must be conducted in a transparent manner and there should be no suspicion that the process has a surreptitious means or an ulterior motive. Needless to say there is no 'one size fits all' prescription for social dialogue and specific national and local conditions will determinate how it proceeds.

14. It was agreed that the principles and rights embodied in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up of 1998 should be promoted to advance social dialogue on global sourcing in financial services. These principles should be upheld by all the parties concerned.
15. The application and implementation of these principles and rights would assist in promoting and sustaining decent work in the global relocation of work in the context of global sourcing in the financial services sector.
16. It was agreed that low cost was a competitive advantage for developing countries, and the use of international labour standards for purposes of protectionism needed to be resisted. Nonetheless, to prevent the spillover of sub-standard labour conditions from one country to another, a minimum floor for conditions of employment and decent work, based on the ILO fundamental principles and rights at work need to be applied universally in global sourcing.

The roles of public authorities and social partners in ensuring continued healthy financial services – sectoral industrial relations in the context of global sourcing

17. It is the basic responsibility of Governments at both source and destination, in consultation with the social partners, to set the general framework for social dialogue, and for the social partners to operate within that framework. In this connection, Governments are encouraged to create a conducive environment for meaningful social dialogue. This

should include the removal of any constraints to the exercise of employers' and workers' rights.

18. The public authorities have a basic responsibility to ensure an efficient and stable financial system, not least in terms of customers' trust, which guarantee sectoral stability. Decent and stable working conditions must be guaranteed. This responsibility extends to situations in which global sourcing of financial services arises. Regulators must ensure that safeguards are implemented so that global sourcing does not result in the blurring of managerial responsibilities that leads to operational risk and failures that could endanger the stability of financial markets, and that data protection of customers is maintained.
19. A rise in global sourcing and the new forms of employment it has created, such as those in call centres and business processing centres mean that labour legislation intended to cover traditional categories of jobs may no longer be adequate. It should therefore be updated to reflect present realities without compromising respect for basic workers' rights and decent work. Where labour legislation remains adequate, however, it should be applied to these new forms of employment as it is to those in traditional employment.

Research

20. In order to promote greater understanding of the impact of global sourcing in financial services and to benefit from lessons learnt, further research at the national level is encouraged. Such research should include identifying the impact on employment of global sourcing and other processes associated with globalization, separating the effects of different processes and their relative roles in employment outcomes and trends in employment conditions. The outcome of such research should be made available to the ILO for wider dissemination.

21. Voluntary respect for fundamental labour standards is also part of the corporate responsibility agenda, for instance in the UN Secretary-General's Global Compact, which provides another way to advance the implementation of core labour standards. Complementary research should endeavour to ascertain the effectiveness of such voluntary initiatives in promoting a social dimension to globalization and its related processes, such as global sourcing.