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RÉSUMÉ

Le travail dans une économie en globalisation : Réflexions sur la sous-traitance en Inde

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Cet article examine les différents types de sous-traitance en Inde. L'idée selon laquelle la globalisation a encouragée les pays développés à recourir à la sous-traitance de leur production dans les pays moins développés est largement répandue. En effet, nous assistons au déplacement des capacités manufacturières du Nord vers le Sud. Il existe en Inde différents types de sous-traitance : le premier se situe au niveau du marché domestique, et le second au niveau du marché international. Cet article propose un survol de ces processus et analyse leurs implications. Cette étude brosse aussi un rapide tableau de la nature de la société indienne ainsi que de sa force de travail, de façon à situer le phénomène de la sous-traitance dans le contexte général de l'Inde.

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Work in a Globalizing Economy: Reflections on Outsourcing in India

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Introduction

This article examines the different types of outsourcing in India. It is usually believed that globalization has encouraged the developed countries to outsource their production to the less developed countries. In this way we see a shift in manufacturing from the North to the South. In India we see different types of outsourcing; some of these are in the domestic market and others in the international market. This article provides an overview of these processes and analyzes their implications. However before we do this a brief background on the labour force and the nature of Indian society will help understand the problems.

Nature of the Labour Force

India is the second largest country in the world in terms of population and has recently crossed the one billion mark. The census, held in 1991, showed that around 25% of the population resided in urban areas and the rest in rural areas. The labour force in the country numbered 317 million in 1991. Of this only 8.5% (27 million) was engaged in the formal sector while 270 million were engaged in the informal sector (Davala: 5). Women constituted one-third of those engaged in the informal sector and one-seventh of those employed in the formal sector (Davala: 6). There were 75 million agricultural labourers and 110 million small and marginal farmers who also worked as labour (Dutt: 5). Hence around 185 million workers were engaged in the rural informal sector. The urban informal sector comprised around 95 million workers.

The 1991 Census was conducted before the policy of liberalization was adopted (see section on Industrial Policies). The census in India is conducted once in ten years and it gives the population on 1 March of that year. The Industrial Policy Statement of the government, which laid the foundations of economic liberalization, was adopted in July 1991. The next Census gives a picture of the post-liberalization effects. This Census, held in 2001, showed that around 27% of the population resided in urban areas and the rest in rural areas. The labour force in the country numbered 400 million. Of this a mere 7.5% (around 28 million) was engaged in the formal sector while 370 million were engaged in the informal sector. The urban informal sector comprised around 100 million workers.

The distinction between the formal and informal sectors is crucial for understanding employment relationships. Workers in the formal sector are engaged in factories, commercial and service establishments and are under the purview of legal regulation. Around 70% of the workers in this sector are employed in government, quasi-government and public sector enterprises. The private sector provides employment to only 29% of the labour in the formal sector (GOI, 2005: 230). Wages of formal sector workers are substantially higher than those engaged in the urban informal sector. One study shows that the average wage of a formal sector worker is four or five times higher than wages in the informal sector (CMIE: Table 10.1). Moreover, a range of labour laws, guaranteeing permanency of employment and provision for retirement benefits, protect their jobs.

Although, in principle, labour laws in India are expected to apply to all sections of industrial labour, there are in-built provisions in these laws which exclude large sections of the labour force. The most important law regulating work in industries is the Factories Act of 1948. All other laws such as Employees State Insurance Act, Workmen's Compensation Act, Provident Fund and Family Pension Act, Payment of Gratuity Act, apply only to establishments covered by the Factories Act. This Act is applicable only to manufacturing units that employ a minimum of 10 workers and which use power in manufacturing and a minimum of 20 workers if the unit does not use power. Hence a large section of industrial workers employed in small industries do not have legal protection in their work. We can thus see that the composition of the labour force in India shows wide contrasts.

Features of Indian Society

Understanding the nature of Indian society is necessary before we proceed further. India is a land comprised of ethnic, religious and linguistic differences. These identities at times cause strain to the integrity of the country. Indeed, one of the main problems of the state is to integrate these various differences into the democratic fabric of the nation. A remarkable fact about India is that it has maintained its democratic structure since its independence from British colonial rule on 15 August 1947.

The success of India as a democracy is offset by its poor record in the social sector. Despite fifty years of planned development there is a poor supply of basic amenities. The 2001 Census showed that 60% of the population was literate. Compared to the past this may appear as progress because in 1991 the percentage was 50. However the illiterate population of 400 million makes India the home of the largest number of illiterates in the world. There is an acute shortage of educational facilities and other amenities such as drinking water and health facilities.

A more important divide among the people is the specific nature of social hierarchy that exists in the country which is known as the caste system. Caste as a form of social hierarchy is peculiar to Indian society. The gradation of castes is based on the degree of ritual purity a caste has in comparison to others. At the upper end of the system are the Brahmins who were scholars of the religious texts or priests. At the lowest end are those castes performing manual labour and activities regarded as unclean (scavenging, cremation of the dead, tanning and leather work etc.). These castes were regarded as untouchables.

Although the Constitution of India has banned the practice of untouchability, making it a criminal offence, caste discrimination in all forms persists. The Constitution does grant positive discrimination to protect the interests of the untouchable castes. These include special provisions for education and jobs in the government and public sector.

Industrial Policies

Since independence India adopted the path of planned development as implemented in socialist countries such as the then Soviet Union. It was also decided that it would have a mixed economy with both the state sector (public sector) and private enterprise. The private sector was regulated to a high degree. This included issuing of licenses to start industry and these industries could be started only in areas designated by the government. Prices of goods, especially those manufactured by the public sector (steel, coal, petroleum, cement etc.) were fixed by the government agencies and not through the market. This system continued till the mid-1980s. In 1985, the then Prime Minister, the late Rajiv Gandhi, called for a review of these policies. He wanted the economy to open up to foreign competition and he envisioned a more proactive role for the private sector. Unfortunately, he was not able to see his reforms through because of his assassination in 1991, when he was campaigning for the upcoming general elections. However his Congress Party government that was elected continued the policies and on 21 July 1991, the Finance Minister (who is now the Prime Minister) Manmohan Singh laid before Parliament the Industrial Policy Statement that radically differed from the past policies. The policy, keeping in line with the post-1985 changes, envisioned a greater role of private enterprise in economic development. It was very critical of the public sector and recommended that its role should be restricted to only core or basic sectors. What was more important was that it scrapped the licensing system in almost all sectors and allowed for foreign investment.

The new industrial policies were in tune with the prevalent approach of structural adjustment and globalization of finance and investment. Other developing countries and former socialist countries too changed their policies in a similar manner. The opening up of the economies of these developing countries led to foreign investment. Most of the multinational corporations (MNCs) or other larger companies in the North started to use this opportunity to shift their production to these countries because labour is cheap, the governments very supportive and laws regarding social security, wages and pollution, if they exist, are seldom adhered to. The products manufactured in these countries are exported back to the developed countries. The developed countries may have access to cheaper goods but they also face job loss due to shift in production.

The situation in India is to some extent different from that of other developing countries. After 1991 several international collaborations were started in certain industries like automobiles, computer hardware, and consumer goods. However the purpose of these collaborations was not to produce goods at low costs for export but for the domestic market. This is quite unlike the role of these companies in other less developed countries where they manufacture goods mainly for export to developed countries. Though the majority of India's population is poor, it has a section that is fairly affluent. Even if one takes this as the top 5% of the population it adds up to 50 million. This is more than the population of several European countries put together and also of Canada.

Markets in India started opening up after 1991. Prior to this most of the international brands in automobiles, consumer goods, including personal products, were not available in the domestic market. Hence opening up this vast market came as a boon to many manufacturing companies that stormed in using local collaborations. The most noticeable for example is the automobile industry. Prior to 1991 there was a handful of domestically owned automobile companies that manufactured three brands of cars and a few more brands of heavier vehicles. After 1991, several automobile companies from US, Britain, Germany, South Korea and Japan, entered the market through local collaboration. Soon almost all international brands of automobiles were available in the market. Therefore we find that the entry of international companies to India is not necessarily for producing goods for the international market as in other developing countries. It is mainly for tapping the internal market.

Outsourcing for the Domestic Market

The above does not imply that outsourcing does not take place. In fact outsourcing in the domestic market is as popular as outsourcing in the international sphere. What we find in India is that the large-scale industries are slowly closing down or are downsizing their labour. Production is instead moving out of the urban-industrial areas and into the rural areas or to smaller industrial centres. Labour in these areas is cheap; there are no unions and labour laws are not applied as stringently as in the urban-industrial sector. On the other hand, the government, in its bid to promote industrial development in these areas, demarcates special areas called 'industrial development zones' which are operated through the state's industrial development corporation. The concerned state government usually grants an array of incentives to induce industrialists to set up their units in industrial development areas. These include availability of land at low rent and existence of industrial sheds and exemption of local taxes such as sales tax and excise, for a specific period of time (usually for the first five years).

Several large companies take advantage of such offers and they move production from the larger cities to these smaller centres to avail of the benefits that lead to reduction in costs. This does not necessarily mean that the consumers will benefit by getting the goods at cheaper rates. This process is similar to the type of outsourcing in production witnessed between countries of the North and the South. Just as industrial production in the developed countries of Europe is outsourced to the less developed countries, similarly the large-scale sector in India out-sources its production to the small-scale sector in non-urban areas, as costs are low.

Besides incentives provided by the government for starting new industries, the absence of labour laws in the small-scale sector (discussed in the first section) provides strong incentives for outsourcing. In fact it is evident that in the post-liberalization phase (after 1991), the only sector to expand in all terms is the small-scale industries sector. Since the mid-1990s outsourcing in the small-scale sector has recorded steady growth. Between 2000-01 and 2004-05 the small-scale sector registered 4.1% growth per annum in expansion in the number of units and 4.4% per annum in employment. Moreover it contributed to a third of the exports. In concrete terms, employment grew from 24 million in 2000-01 to 28 million in 2004-05 (GOI, 2005: 166). The total employment in the formal sector in 2004-05 stood at 27 million (GOI, 2005: 230). This total has remained unchanged since 1991. It had increased to

28 million in 2001 but it fell by a million because of a fall in public sector employment by 0.8%. Hence in terms of employment we have on the one hand a stagnant formal sector and on the other hand a small sector that is showing rapid growth. The government too has stressed the growth of this sector as the major employment-generating sector.

The government has framed laws and provided facilities for encouraging setting up of industries in backward areas. These areas could be demarcated as places that are away from metropolises and are in small towns having no industrial infrastructure. The State (Provincial) Government usually demarcate these areas as Industrial Estates. It creates an infrastructure in these estates by building sheds, providing electricity, water and drainage, etc. The rents charged are cheap, lower than market rates. The state government also waves sales tax on the goods produced for an initial period of five years. The Central (Federal) Government too provides exemptions in tax. Section 80 (I) of the Income Tax Act provides for total exemption on income tax on the profits earned by new units set up in backward areas after 1994-95 for a period of five to seven years. The impact of such exemptions can be seen if we take the case of a company with a 10% gross profit and a 6% net profit. If this company decides to shift production to a backward area, it receives an exemption on income tax and sales tax amounting to around 15% of the value of production. Its profitability thus multiplies.

The unfortunate aspect of these facilities is that the company can wind up its production soon after its initial tax exemption period is over and it can move to another similar and repeat the same process. The Income Tax Act has a provision that disallows tax exemption if there is a reconstruction of business already in existence or through transfer to a new business of building, machinery or plant previously used in any other business. However this provision does not make any mention of ownership of the undertaking. Hence the company can promote another company that will be engaged in this type of activity or it can sub-contract (outsource) its production to another company. In fact we find that some MNCs, especially the one in the case study presented in the following section, have been resorting to such practices on a wide scale.

Unilever: A Case of Internal Outsourcing[1]

We shall briefly discuss the case of outsourcing by Unilever, an MNC operating in India. Unilever is an Anglo-Dutch MNC and is known in India as Hindustan Lever Limited (HLL). It has been operating since the days of colonial rule. HLL is the market leader in the detergent and toilet soap industry with market share of 60% and 40% respectively. HLL dominates the shampoo market with a 64.5% share and has a 54% market share in skin creams.

At the same time, the huge increase in production is not matched by an increase in the workforce employed by HLL. In fact there has been a sharp decline in the number of workers employed in the company's manufacturing units. We can take the case of the company's largest manufacturing unit, namely, the factory at Sewri in Mumbai (Bombay). In 1985 this unit employed around 4,000 workers. By 1996 the workforce had shrunk to 1,800. Even this, the company felt, was too high. In every shift a few workers were not given any work because the management stated that there was not enough work. By 2003 the workforce was reduced to around 1,200 workers. In other words, the workforce in this factory has been downsized to a little over one-fourth of its size twenty years ago. Simultaneously, we find, the production of HLL products manufactured has increased substantially. This increase in production is mainly through outsourcing production through other units.

The author had conducted a study on outsourcing at HLL in 2001-2002 (see footnote). We located several industrial units in the small-scale sector where outsourcing was carried out. There were some units that were promoted by HLL as its subsidiary though a majority of them were owned by private companies or individuals that manufactured goods for HLL. The units covered were located in the Industrial Development Zones that are set up by the state governments in non-conventional industrial areas (as discussed in the previous section).

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[1] The data presented in this section is based on a study conducted by the author titled "Outsourcing at Hindustan Lever Limited". The Federation of Trade Unions of Netherlands (FNV) sponsored this project as Unilever is an Anglo-Dutch MNC. The study was undertaken in 2001-2002 and we covered most of the outsourced units in two states in western India, namely, Maharashtra and Gujarat.

The HLL sponsored units had large numbers of workers but we found that most of them were engaged through labour contractors and not by the company. The total number of permanent workers employed by HLL in each of its units did not exceed 100. This was done with a purpose. The Industrial Disputes Act states that any manufacturing unit employing 100 or more permanent workers could not close down without the permission of the state government. Thus by employing less than 100 workers, HLL was able to close down any of its units with ease. This happened quite often. In fact HLL has built up a dubious reputation of closing down its unit when the period of subsidies expire. The company sets up its unit in the industrial development zone and avails all the facilities given to a new unit. As soon as the period of getting the facilities is over (usually it is for the first five years), it closes the unit and moves to another industrial area where it can avail of the same facilities.

Wages paid to HLL workers at these industrial development zones are substantially lower than wages of workers in its factory at Mumbai. For example the average wage of a work in Daman was equivalent to Rs. 4,500 per month and in Khamgaon it was Rs. 6,500 per month.[2] Wages of workers in HLL factories in Mumbai and Kolkata were between double and three times the wages of workers in these units. The outsourced industries paid wages that were even lower, ranging from Rs. 1,350 to Rs. 3,150 a month.
Lower wages are mainly because workers in the industrial zones have low bargaining power. As these regions are less developed, there are few employment opportunities outside the industrial zones. This reduces their bargaining power. Moreover workers in these units are not unionized, which reduces their bargaining power further.

This large-scale outsourcing had two advantages for reducing costs. First, the exemption from Income Tax and second, lower labour costs. Both factors should have helped in lowering prices of HLL products, but this does not happen. Consumers pay higher prices mainly because of the brand name of HLL. In fact, the author found that in 2001 prices of HLL brands in India (soaps, shampoos) were higher than the prices of the same products in Germany! A

[2] Canadian $1 = Rs. 34 (July 2005).

small container of shampoo costs Rs. 65 in India and the larger one cost Rs. 160 whereas in Germany, the same large container cost DM 2.50 (Rs. 50). A cake of Dove soap cost Rs. 45 in India while its price in Germany was DM 1.50 (Rs. 30).

Outsourcing in Other Industries

The above type of outsourcing is done not just by MNCs like Unilever but by other large companies as well. For example, since the 1980s the large-scale textile mills have closed rendering hundreds of thousands of workers unemployed. The main textile centres were Mumbai and Ahmedabad (see Bhowmik and More; Breman). There were around 80 large-scale textile mills in these two cities. At present both these metropolitans have not more than 10 textile mills functioning between them. Production of textiles has not decreased due to these closures. Instead, production is now outsourced to the thriving power-loom sector. Power-looms are similar to hand-looms except that they are run by electricity and not by human energy. The technology used is backward, and much lower than that of large-scale textile factories. The power-loom sector becomes viable because the wages paid to workers are very low. They earn around Rs. 50 to Rs. 70 a day for working for at least 10 hours. In this sector too low technology and low labour productivity is offset by low labour costs. The textile companies by and large get their products by outsourcing to the power-loom sector. The wages of a power-loom worker are between one-third to one-fourth of the wages in the large-scale textile mills.

Similarly, several other products are outsourced to the small-scale sector as protective legislation and regulations are lax or non-existent in this sector. Peter Knorringa (1996), a Dutch sociologist, studied the footwear industry in Agra, a town in north India famous for the Taj Mahal. The shoe-makers belong to ex-untouchable communities and they have low social status. He finds that the relations between the small self-employed shoemaker and the exporter's agent are based on the traditional relations in the caste hierarchy. The agent assumes the role of the upper caste patron of the lower caste shoe-maker.

In traditional caste relations the lower caste or untouchable castes comprised those who performed manual work and were usually associated with the so-called 'unclean' activities like working with hides, cleaning the village, and providing labour for the upper castes. Their lower social status ensured that the remuneration they got, in an economy based on exchange, was much lower compared to the physical labour they were expected to do. This in fact formed the basis of the exploitation of the lower castes by the upper castes in the traditional system. Knorringa's findings show that by recreating traditional caste relations, the agents recreate the traditional forms of exploitation based on caste status and they are in a position to pay them less for their work.

Apart from Knorringa's study, there are other instances in different cities where low caste leather workers are the main suppliers of goods quality, high priced leather products for the domestic and the export markets. These centres are in Kanpur, Kolkata and in Mumbai. Most of the branded shoes available in the domestic market are in fact manufactured by these workers. As in the case of HLL, we can see that large manufacturers of leather products have downsized their labour force drastically. The largest manufacturer in this field, Bata, had two large factories, one in Batanagar in Kolkata and the other in Faridabad near Delhi. At present both factories have drastic cuts in their permanent labour and in production. Most of its products are now manufactured in the small-scale sector. In Dharavi, in Mumbai, with is reputed to be Asia's largest slum, there are clusters of sweat shops that employ leather workers to produce leather goods for the international market. These units use assembly line methods to ensure standardization of the goods produced. The employees are largely Hindus belonging to the *charmakar* or *dhor* castes that were traditionally engaged in leather work and tanning and Muslims.

Outsourcing can be possible only if labour costs are very low and so is the technology. Production is thus labour intensive. Hence low labour costs mean lower costs of production. The combination of these factors has in fact promoted outsourcing. This is exactly what happens at the international level too. The less developed countries have an edge over the developed countries mainly because labour costs are low. This has to be coupled with technology that is labour intensive as only then can costs be reduced. Let us now look at outsourcing in the international sphere.

Outsourcing for the International Market

India is a land of contrasts. On the one side there is high level of illiteracy (40%) and on the other side there is a highly qualified work force, especially in software, that has spread all over the world due to its superior skills. Both extremes are ideal for low cost manufacture or services that are sought by profit-seeking MNCs. It is therefore not surprising that India has become the centre for all sorts of outsourcing activities that are labour-intensive. Costs of labour, as mentioned earlier, are very low as compared to international standards.

Outsourcing for the international market is prevalent at two extreme levels. At the bottom end there are poorly paid workers who work in 'sweat shops' and put together goods for the international market. On the other end there is outsourcing at the micro-electronic sector, involving large contracts for developing software. The more current trend is of Business Process Outsourcing (BPOs). This involves the operation of call-centres at a very wide scale and other forms of outsourcing such as back office functioning. Legal companies, banks and other loan agencies outsource their office work to these Indian companies. Most of this work is from the USA though the UK also has a fair share.

The extent of outsourcing can be seen from the large number of call-centres operating in various cities. Gurgaon, a city very close to Delhi, has a large concentration of call-centres. Similarly in the outskirts of Hyderabad in South India a township known as Cyberabad has sprung up to accommodate the call-centres. In Mumbai, the suburb of Andheri has a large number of call-centres and other BPOs. In Kolkata, the government has demarcated an area for software companies in its suburb, Salt Lake and is hoping to expand this sector in the future (Mitter and Sen). Bangalore, in South India is known as the 'Silicon Valley' of India given the large concentration of software companies in the city (Heitzman).

Outsourcing in India started in the software industries over a decade ago. Bangalore was the city where this started. The Micro-Electronic Revolution of the 1980s brought about radical changes in production. The sudden improvement in communications led to rapid transfers of capital as well as production between countries. The change in technology made it possible for countries, like India, that had a pool of technical personnel to take advantage of the changed scenario. Several leading MNCs and other international companies took advantage of the micro-electronic revolution and decided to shift their activities that involved communication and computer technology to countries like India. These countries had trained personnel who could be employed at low wages (compared to wages in developed countries). This led to the first forms of outsourcing. Mark Holmstrom, a British anthropologist, has done an excellent study of Bangalore as a techno-city where flexible specialization was first introduced in India (Holmstrom). A more recent study on Bangalore details the problems of the software industry (Heitzman). It traces the relationship between information technology and social organization in the city.

Outsourcing in the software industry is done by the larger companies in the developed countries. For example, the entire accounting work of the German MNC Seimens is done in Bangalore and so is the ticketing for international airline companies like Lufthansa and British Airways. Similarly the software upgrading of cell phones for US companies are also done in outsourced units.

India has a comparative cost advantage as far as software is concerned. The cost of living is lower and the equivalent of Rs. 25,000 a month would be a very decent salary for a qualified software programmer. Similarly, the call-centres that have flourished because the operators know English and are available at much cheaper rates than their counterparts in the USA and UK. The operators are paid around Rs. 8,000 to Rs. 12,000 per month and supervisors / group leaders earn around Rs. 18,000 to Rs. 25,000 per month. These are several times lower than what a person doing the same job would get in the USA or in Europe. This is why companies in USA, Australia and the English-speaking parts of Europe have moved to India for outsourcing their call-centres. This boom in call-centres has happened during the past five years with the sudden and rapid improvement in communication technology in India. It has provided employment to several thousands of youth in the different cities. A news report (*India Today*: 36-49) noted that in late 2002 there were 336 centres employing 110,000 people and the total number of jobs would increase to two million by 2008.

The other form of outsourcing is Back-up Office Activities. These offices provide back-up services to companies in the developed countries, especially in the USA. These include providing information on various legal and other activities for the company that has hired them. For example, banks in the USA use these services for issuing loans and for recovering loans. The entire paper work is done in these offices. The costs in this case too are very low compared to costs in developed countries for the same services. We have described the type of outsourcing that is done at the upper end of the market. Let us see what happens at the lower end.

Outsourcing in the developing countries is mainly prevalent in certain industries that involve low technology and low labour costs. Thus we can see that in industries such as textiles and garments outsourcing is quite popular. In India outsourcing in garments is not very popular because there is a quota system for export of garments. However this ended in January 2005 and one can expect a boom in this industry. Bangladesh is at present a main area for outsourcing in the garment industry. In India the textile industry is involved in export of better quality fabrics. We have discussed in the section on outsourcing in the domestic market how the power-loom industry has replaced the large textile mills. In cities such as Surat, in Gujarat, the power-loom industry is engaged in outsourcing for markets abroad. Other industries that engage in outsourcing are the leather industry and the handicrafts industry. In all these industries labour has low literacy and is impoverished. The wages are low and working conditions are extremely poor. In most cases workers are paid at piece rates. This means that they are paid according to the number of products they produce. The rates paid are usually very low and the worker has to put in 10 to 12 hours of work a day in order to produce enough to receive a minimum wage.

The Future of Outsourcing

In the above sections we have tried to provide a picture of outsourcing in India. We have seen that just as India is a country of wide contrasts, the extent of outsourcing also provides a picture of contrasts. At the top end are the software companies and the BPOs and at the bottom end are the sweated labour in power-looms, leather goods and other types of craft. The garment industry has yet to make its presence felt.

The other aspect about India is that outsourcing is not restricted to the export industries alone. It is done on a wide scale in the domestic market as well. The outsourcing that takes place here is mainly because of the difference between the formal sector and the informal sector. All rules, regulations and also unionization are mainly found in the formal sector. The informal sector therefore provides an alternative for those industrial houses that want to lower costs of production at the expense of labour. We can see that after the policy of liberalization, the formal sector has reduced in operation. In its place the small-scale sector (that is a part of the informal sector) has increased at a rapid pace. Industries in the small-scale sector are those that do not come under the purview of the Factories Act (see section on Nature of the Labour Force). The data provided by the Government of India (GOI, 2005: paragraph 7.73) shows that labour in the small-scale sector has been growing at the rate of around 4% per annum during the past decade whereas the growth of labour in large-scale industries has decreased to less than 1% per annum. The small-scale sector also accounts for 35% of the direct exports (GOI, 2002: paragraph 7.67). These figures indicate that outsourcing at the national and international markets has increased.

In the developed countries it is widely believed that outsourcing has taken away jobs and the developing countries have gained. Trade unions in these countries have been protesting against these types of job losses. Of late, one of the presidential candidates in the USA, John Kerry, has expressed concern at the number of jobs lost in the USA due to outsourcing. Some of the states have even banned outsourcing. Similarly, in the UK trade unions have managed to force the government to stop outsourcing of the call-centres in the banking industry. Such moves would obviously have adverse effects in the developing countries such as India as it is one of the main beneficiaries of BPO boom.

In the industrial sector, the strategies of these unions to check job losses are different. Usually the outsourced units employ low paid labour hence the emphasis is on improving labour conditions. In effect, if workers in these countries, or at least in the units engaged in outsourcing, were to get better wages and have an improved standard of living, the costs of production would increase and the advantage these countries have in low costs would be lost.

What happens is that if wages increase and living standards rise, the jobs will be transferred back to the developed country. In fact, the demand for including the Social Clause in WTO was made initially by the trade unions of the North, with the German trade unions in the lead. There are also other forms of control such as campaigns against sweated labour undertaken by NGOs and Fair Trade organizations (Transfair in Germany, Max Haavalar Sticthtung in Netherlands and Denmark, etc.) that have raised the issue of exploitation of labour. Naila Kabeer's (2001) study of female garment workers in Bangladesh mentions that one such campaign in the USA had led to large-scale unemployment of women in the garment factories. The campaign called for a boycott of clothes made in Bangladesh as the workers were paid very low wages.

These campaigns have had their effects in improving labour conditions to some extent. The campaign against child labour in the carpet industry, initiated mainly by German NGOs, made governments in South Asia look at this problem seriously. India has initiated a program of education for child workers. In other sectors too such campaigns can help labour. Most workers in the outsourced industries are helpless. This is more so in industries in the lower end. They are not unionized and their jobs depend largely on the whims and fancies of their employers. Under such circumstances it is difficult to organize such workers to fight for a better deal. The international campaigns can help them get some benefits as they put pressure on the governments and the employers to take steps to improve the situation. This is exactly what happened in the case of the tea industry in Darjeeling. This region is very famous for its high quality tea, much of which is exported. However, the employers do not implement fully the protective provision for labour as laid down by the Plantation Labour Act. It was only after organizations like Transfair and Max Havaalar Stitchtung took up this cause and threatened to organize a boycott of Darjeeling tea in Germany and the Netherlands that the employers agreed to implement the provisions of the Act.

At the same time one has to objectively examine how far does outsourcing really help developing countries. The transfer of jobs from the developed countries to the developing ones may be a welcome move for labour in these countries. In some of the industries where the pay is very low, one could raise the issue of exploitation. However, for poor, unemployed workers, even this form of employment is welcome. Kabeer's study shows that though the garment industry involves long and tedious work with low pay, for the large number of women engaged in this industry (estimated at 2 million) it is the only way they can gain some autonomy in their lives. She finds that most of these women workers come from very poor backgrounds and they have little education to get them jobs. Many are widows or divorcees with dependent children or are destitute. Work in the garment factories provides them an income which they can use for educating their children. Hence there are several aspects to this problem. There is a need for more research on this issue, especially on the conditions of employment and what the actors themselves feel about their work.

The jobs at the upper end may appear to be very attractive for the youth but there are various aspects that need to be looked at. We find that call-centres have attracted a large number of youth. Given the bleak employment situation in the country, a graduate (with three years of college) can hardly find a job that pays well. The call-centres have helped to tap this market. Young graduates can earn more than double of what they would get in any other job. Hence one finds all types of educated youth joining call-centres. Besides regular graduates of arts, science and commerce, many engineers and graduates of business management have joined these centres.

On the adverse side, it is found that the turn-over in call-centres is very high. The young hardly stay on the job for more than a couple of years. This is mainly because of the timings of the jobs. A majority of the call-centres service clients in the USA. There is a difference of 10 to 12 hours in time. Hence call-centres have to operate at night, as it is daytime in the USA. There is also a lot of pressure on performing as targets have to be maintained or else the person can lose the job. There is very close monitoring on the movements of the workers. They cannot leave their seats and can use the toilet at limited times. This constant night work and the high pressure involved have its effect on the body and mental functions that the young resent after some time. The other forms of outsourcing such as software and back up work are better jobs but they require higher skills than that of call-centre operators. But here too there is a lot of pressure to perform.[3]

The boom in BPOs has had other effects. The areas in the cities where these offices exist have had changes to suit the needs of the employees. Shopping malls, multiplex theatres and smart restaurants have sprung up giving the local economy a boost. At the same time there is a sense of insecurity amidst the employees. The jobs are not secure. They can be terminated at anytime. If one falls ill or cannot report for work for a few days, one is sure to lose ones job. This weighs heavily on the minds of the employees. Moreover, this boom, as noted earlier, started only five years ago. One does not know how long it will last. Outsourced activities are never permanent. When some other country provides better opportunities and lower costs, the offices will shift there leaving those here without jobs. This is just what happened in the developed countries when these jobs were outsourced. This sudden shift can be more devastating for the poor who are engaged at the lower end. The jobs they hold provide them only a mere subsistence. It helps to keep them above the poverty line. These workers have practically no savings to fall back on. Hence if these jobs are lost, there will be a severe crisis. In fact the ILO has predicted this form of crisis in Bangladesh after 2005 when the quota system on garment exports is removed. India and Pakistan will be vying for the same market. In India there is constant fear that other countries, such as China, will take over the outsourcing of software and BPOs as it can offer cheaper jobs. Such are the precarious conditions of outsourcing.

One of the ways to counter this insecure situation is by providing social security, health and unemployment benefits. India does have a social security program but it is restricted only to the formal sector. The informal sector does not get any of these benefits. Moreover, after the liberalization policies of 1991, the state has been withdrawing from welfare activities. The main areas affected are health and education. Both these facilities were free for the poor. Now most of the subsidies have been withdrawn and the

[3] There is no major research on industrial relations in BPOs to date though there are some that are in progress. The working conditions mentioned are impressionistic and are gathered from newspaper reports and from preliminary findings from on-going (unpublished) research on BPOs.

government is allowing the private sector to take over. As a result, those who are not covered by their offices have to rely on health insurance. The government has shown some inclination to introduce a law for granting social security to the informal sector. The fund for this will have to be collected through contributions made by workers, the employers and government. Given the low wages, it is impossible for the scheme to run only through contributions from workers. In the formal sector too, the pension and provident fund are met through contributions of employees and employers. There is a lot of discussion on the feasibility of such a law and hence it is too early to say what the outcome will be. However, it cannot be denied that social security is a very important means of ensuring some confidence in these workers which in turn will improve their productivity.

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