

White collar jobs, including those in the finance function, are moving to pastures new, writes Michelle Perry.

change of scene



■ Your x-rays are analysed in Madagascar, rail inquiries are routed through India and your bank queries are possibly dealt with via Sri Lanka. These are some of a growing number of examples of how globalisation is affecting our everyday life.

But much closer to home is the very real possibility of great numbers of British employees losing their jobs to skilled workforces in countries such as Sri Lanka, India and Poland. Indeed the pace of outsourcing is already speeding up. Headlines in industrialised countries are increasingly focusing on the loss of jobs due to a catalogue of businesses and industries, such as banks and insurers, seeing the potential for reducing costs and moving certain 'non-core' services offshore.

The savings that companies are consistently obtaining by employing staff outside the UK mean that offshoring is a trend that's here to stay. Office space and staff costs are two of the largest overheads for businesses so these are the areas that businesses are consistently looking at to reduce costs and improve profits.

finance function goes global

And it's not just call centre staff that have to worry about whether their jobs can be done more cheaply outside the UK. More and more skilled professionals are feeling the effects of globalisation. Increasingly it's finance staff that are facing job losses.

According to management consultants Accenture, UK banks are adapting to the competitive landscape by outsourcing more and more previously considered 'core' services, such as cash management and payments processes. In a recent survey by Accenture, half of banks interviewed said they also outsource some finance and accounting functions including general ledger, tax accounting and financial reconciliation. The survey also found that outsourcing is having no significant negative effect on banks' profiles.

"Companies are starting to build outsourcing into their long term plans," explains Peter Scott, partner at ALS Consulting, one of the UK's fastest growing outsourcing consultancies to the public and private sector.

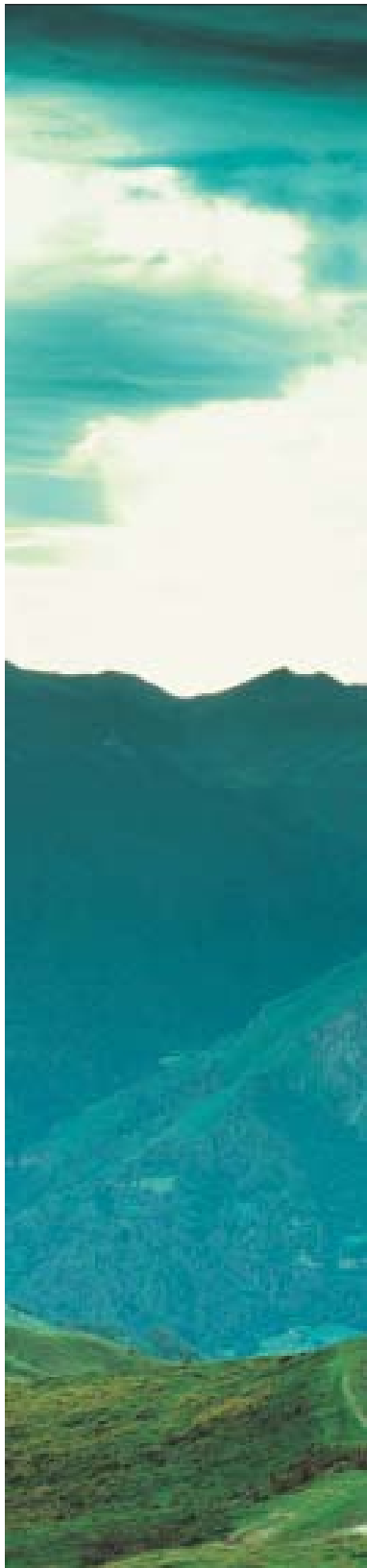
An example of this is evident in Aviva's strategy. In September Norwich Union, owned by Aviva, announced plans to shift 950 jobs offshore as part of a plan that will see a 25% reduction in its total workforce by 2007. This builds on the 3,700 jobs Aviva has already created in India. The insurer said it anticipated it will have up to 7,000 roles offshore by 2007, servicing its existing UK businesses.

are costs reduced?

One of the main drivers behind the offshoring phenomenon for the largest public companies is the mounting pressure on company directors to increase share prices by keeping costs low. Business strategies are based on hard and fast figures, such as the attainable 40% savings if you reduce head count in the UK by employing staff in South East Asia or Eastern Europe that can do the same work at a third of the cost in Britain.

Lee Whitehill, campaigns manager at Amicus, the UK's largest manufacturing, technical and skilled workers' union, disputes the claim that outsourcing jobs to places like India will in the long-term save money. "Costs savings are negligible when you think about the relocation costs of setting up abroad, paying redundancy packages to UK staff, training overseas staff, maintaining power supplies and obtaining terrorist insurance," says Whitehill.

Amicus, however, says it is not anti-outsourcing, but it is trying to achieve better communication channels between workers and industry bosses. "We're campaigning for a strategy to deal with outsourcing. We're trying to get people to look at what the UK economy will look like in five to 10 years' time," says Whitehill.



the future

Is the worst case scenario a country of millions of skilled British workers unemployed because all of the jobs have gone overseas? That's a little extreme, say experts, but it is an issue that needs to be addressed, as the pace of change at companies is growing rapidly.

Outsourcing doesn't necessarily lend itself to every company and industry. As Scott explains it depends on how efficient a company is, where its customer base is and the potential damage to its reputation. Where there is likely to be more significant pressure from workers and UK stakeholders is in the public sector, says Scott. "The negative impact in the public sector might have a greater effect if people are thinking that we are subsidising the Indian economy with UK taxpayers' money," he says.

impact on the workforce

But can it be all bad news for the UK workforce? Proponents of outsourcing say the benefits to UK staff are broad and varied. That by outsourcing much of the humdrum, monotonous work it will free up staff to do more value-added, interesting work. In some cases this is true but in others, experts say companies won't be able to absorb staff affected back into the business if they are to achieve the goal of reducing overheads. Scott says there's an argument that staff can be redeployed but then companies won't necessarily achieve the 'hard cost savings' that such a move is all about.

The issue of providing redundant workers with the necessary tools to find another suitable job in the UK is one that has increasingly come to the fore. Whitehill says: "We don't believe the measures are in place to push the UK economy and its workers up the value chain. We want to find out more about retraining. Someone can't go from selling London gas over the phone to handling complex actuarial work if they aren't provided with the training." Indeed Amicus has made some progress in getting the Government on side with a promise from the Department of Trade and Industry to set up a forum before the end of the year with key people in business to discuss the issues stemming from the outsourcing phenomenon.

Connect, the communications union representing 20,000 professionals, recently warned unions against adopting a 'protectionist stance' on offshoring. We "must take a progressive attitude towards globalisation, protecting our members while ensuring high labour standards for those in developing countries," Connect general secretary Adrian Askew told the TUC conference in Brighton in July. Last year Connect managed to strike a deal with BT under which the company would consult with the union prior to making any decisions on outsourcing.

But companies do seem to be making the right noises. Aviva said it expected no more than 150 compulsory redundancies in 2005 as a result of offshoring. The company said previous experience had shown that most job reductions could be achieved through normal staff turnover, redeployment and retraining. It also added that the company invests £1m a year to provide career advice, retraining and support for staff affected by change.

the second industrial revolution

Scott says that the trend is not only here to stay but is speeding up. "We find that in large and small businesses, there's a lot of interest in outsourcing. There's an increasing awareness of it and it will continue to accelerate," predicts Scott. Indeed in the next few years Scott forecasts the trend will be the norm amongst business rather than the exception.

But the outsourcing revolution isn't just affecting British staff. It's a growing issue affecting all industrialised and even non-industrialised countries across the world. Some commentators even go so far as to call it the second industrial revolution.

Anecdotal evidence shows that countries like India have their rivals, too. Situations are arising where India is losing jobs to countries that offer just as good security and cheaper labour costs, such as Sri Lanka. And in a world of growing awareness of corporate social responsibility many experts argue it is difficult to deny developing countries the benefits of skilled jobs that the industrialised world has so long enjoyed.

Transparent and open communication with staff should help companies wishing to protect their brands, customer loyalty and domestic workforces from any negative backlash generated from closing UK offices in exchange for cheaper labour elsewhere. ■

Michelle Perry is a freelance journalist