Social Impact of Outsourcing in India

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Abstract

The main aim of this conceptual paper is to discuss the social impact of outsourcing in India. Outsourcing industry in India plays a critical role in our Indian economy, through providing employment opportunities to a large number of people and development of infrastructure. At the same time it also has lot of adverse effect on our culture, traditions, lifestyle, and social security of the people in the society. The negative impact of outsourcing on our society is discussed in this paper, in order to explore the possible solutions to reverse or minimize these negative effects. Regain our society with its value systems, culture, tradition and social security of work force in future is the responsibility of the policy makers, top level executives of the companies, and each and every individual of the society.

Keywords: Outsourcing, Social impact, Social security, IT Outsourcing

1. Introduction

The outsourcing practices in domestic and global level have given lot of benefits to India in terms of increased employment opportunities and boosting economy of the country through higher Gross domestic product (GDP) contribution. The opportunities that outsourcing brings for enhancing global development also comes with serious social consequences for those who work for foreign companies (Pradhan et al., 2005).Outsourcing is a double-sided sword, which has positive and negative impacts to the society. Mostly, the people in governing agencies, company authorities, and even researchers may project positive impact of outsourcing, rather than analyzing the negative impact of outsourcing on the society. Generally the companies prefers educated employees to work in outsourced projects rather than uneducated or employees with low level education (Sanghoon et

al., 2008), because of the knowledge, skill set and abilities. This research paper aimed to analyze the negative social impact of outsourcing in India.

2. What is Outsourcing?

The term 'Outsourcing' refers to"a business carry out in which a company engage the services of an individual or a different company to execute entire or piece of the operation process to handle definite operations where to offer assured services that are previous managed by their own employees within their premises". The term outsourcing is a combination of the terms "outside", "resource", "using", which means going outside the firm to use the resources of other companies. The companies may outsource services or job functions to a third party.

3. Evolution of Outsourcing

Outsourcing is an age-old practice, the developed counties like America, Britain were outsourced their jobs to other nations even during 1700s. The industry revolution has laid stepping stone for the growth of outsourcing and the 'globalization' and 'liberalization' has heightened the 'outsourcing' to the greater heights. During the industry revolution, the companies attempted to explore the ways and means to improve their sales and profits through achieving competitive advantage, as a result they found that 'outsourcing' is the best way to minimize the production cost considerably, whereby they can enhance profit margin and mass production of goods and services. One company may outsource its activities/ business process/ manufacturing of a whole or part of a product to another company located in the same country or even to the company located in another country. If both countries (i.e. outsourcing and outsourced companies) are located in the same countries then it is known as onshore outsourcing or domestic outsourcing, whereas the obtaining of services

from people or companies outside the country is known as 'offshore outsourcing'. The domestic outsourcing helps the growth of micro and small scale organizations in the shadow of medium and large scale organizations. The 'offshore outsourcing' being an economic activity which facilitates companies in both developed and developing countries to share their strengths in producing international quality products and services.

4. Outsourcing in India

The proposal of outsourcing is not fresh thought. It was on track in 1700s when manufacturing companies started shifting their manufacturing process of goods to countries which had that low cost of production such as cheap labor. Moreover the history of outsourcing in India is a remarkable one. Most of the outsourcing still reaches India even after the decade of competitive global in outsourcing, where reaching this stage has taken long journey. With the various mode of transportation such as land, sea, and air routes which developed among the period of 15th and 21st centuries, more nations started to outsource trade and business to other nations, ultimately leading to outsourcing to India (Bhumika Ghimire, 2015)

Indian IT industry exists since 1980s, however IT outsourcing in India emerged only from early of 1990s. Meanwhile the global airlines started outsourcing its back office work process to India and which was followed by the IT giants of the world. The big corporate of the world which started to outsources their work process are Texas Instruments, American Express, Swissair, British Airways and General Electric (GE). Henceforth in the end of 1990s, India became one of the protuberant destinations for outsourcing in the services sector (in specific Information technology sector). Outsourcing of Software development services and technology development for other companies is known as "IT Outsourcing". Indian IT industry laid a pathway to modern outsourcing practices through timely responding to the changing market demands by enhancing the scale of operations and competence to handle complex projects. The shortage of skills and high manpower cost forced the companies in developed countries to look for the options and they found India is a suitable country for outsourcing their business activities / process. Over the years, the industry has built robust processes to offer world class IT software and technology-related services.

Earlier, companies preferred to outsource only manufacturing of spare parts/ component/ products, whereas in recent decades they prefer to outsource certain services to the third party service providers. Services providers started outsourcing to India in the 1980s and which as quickly developed in the 1990s. The definition of the term outsourcing has undergone a radical change over a period of years with the entry of IT Companies in these business practices which has created a new era of development in outsourcing. Business Process outsourcing (BPO) is another specific type of outsourcing which is a division of outsourcing that is concerned with an agreement where the business operations of a particular business process are outsourced to a third-party service provider. The BPO industry in India also have grown rapidly as compared to software services as the advantages offered by the country (low cost and abundant talent pool) were well known and tested in IT outsourcing.

5. Reasons for Outsourcing

The companies prefer to outsource from a small scale to large scale because of various reasons, but the reasons varies over a period of time because of changes in dynamics of business scenario. Earlier, the companies prefer outsourcing to reduce the cost and employees head count were the most common reasons to outsource, whereasin present scenario, the drivers of outsourcing are frequently more planned, such as how a company can more excellent in make use of their own core talents. Nowadays most of the companies are in track of concentrating on their core competencies and outsourcing many non-core functions, for which they had no competence internally.

According to NASSCOM, the key reasons for the success of outsourcing by Indian industry are as follows:
- Ample of skilled English-speaking human resources, which is being mobilized projects from Singapore and Ireland ITES hubs.
- In par with global standards in providing high-end telecom and infrastructure facilities.
- Enhanced focus on accurate quality and high standards of performance.
- Short response time, and the ability to offer 24x7 services based on the country's unique geographic locations that allow for leveraging time zone differences.
- A responsive structure of tax by the government authority, which has placed the ITES/BPO sector on par with IT companies.

- Very simplify policy and procedures with practical and positive strategy environment which encourages ITES/BPO investments.

6. Impact of Outsourcing in India

In general, the impact of outsourcing can be of three types such as system impact, economic impact and social impact. The term 'impact' refers to positive and negative outcomes of outsourcing. The 'system impact' of outsourcing refers to the changes in business activities, processes, and its functions based on adoption of outsourcing practices in the firm/company (Jamallhaque, 2007). The 'economic impact' of outsourcing refers to changes in economic conditions of labour, company, and nation economy based on outsourcing practices of the organization. The 'outsourcing' being an economic activity it may create positive and negative consequences (i.e. impact) in company and society. Based on the geographical location, the impact of outsourcing can be described in four levels such as firm level, state level, national level, and global level. Another economic impact of outsourcing is it decreases the price of the products and benefits the consumers (Leilani and Mcgee, 2008). The 'Social impact' of the outsourcing refers to the consequences of outsourcing in economic, social, cultural, and life style of the people in the society(Essay writer, 2017). The main aim of the paper is to discuss the social impact of outsourcing in India, however the social impact of outsourcing can't be discussed by completely ignoring the system and economic impact of outsourcing, because all the three are integrated components which will have the effect of one on another.

7. Social impact of Outsourcing in India

It is a proven fact that outsourcing has major impact on the society. This section of the paper discusses the adverse effects of outsourcing in Indian society.

7.1. Job Security

Outsourcing leads question of job security in the society. For example, observing its impact on American society, where two issues found: The first issue is with regards to the question of security of their jobs which has a great impact on social structure. Mean while it is stated that the Americans are against outsourcing, because most of their opportunities employment are outsourced to the developing nations which has shown its impact on the last Presidential election (BhumikaGhimire, 2014).

Medium and Large scale companies in our India, they are not ready to do all their business support functions such as Accounting, human resource functions, administration, transportation, security, house-keeping, etc., Even though, they are claiming that they would like to focus on core activities of business, so they outsource non-core activities, however, the hidden agenda is minimization of cost and downsizing of workforce to the minimum possible extent. Even in manufacturing industries, the proportion of permanent and temporary work force involved in core activities like manufacturing is considerably low, because they prefer to take temporary workforce from man power contracting agencies. The temporary employees can be availed based on the needs of the organization. It is not a good sign to the people in the society, because the absence of job security is having direct impact on their income level and other benefits from the companies. The temporary employees are entitled to receive comparatively less salary while compared to the salary of permanent employees.

7.2. Rural to Urban migration

The outsourcing enhances the economic level of people and India, no doubt, but it doesn't have balanced growth in the India. As we all know that 70% of Indians live in villages and the impact of outsourcing has created an indirect effect on rural society which in turn has shaped a gap among urban and rural settings, because, most of the multinational corporations which receive outsourced projects from developed countries due to infrastructure and other facilities they are located only in metro cities, so the people from the villages are forced to migrate to the nearby metro cities for better job opportunities. Therefore, outsourcing is beneficial for some areas and harmful for others. (Tanweer, 2014). The migration of people destroy the villages, their culture, and have adverse effect on agriculture of the country.

7.3. Impact on Culture and Customs

Outsourcing makes a great contribution by bringing more jobs and connects us to outside world, but it also deplete our own value systems, cultural, and customs benefits (Karl Knapp et a., 2010).

Most of the employees working in the companies which are executing outsourced work or projects,

need to align with that particular country time zone, holiday schedule, language ascent, culture, etc. The outsourcing companies and projects give important on the foreign cultural values, the place from which the original project has been outsourced. The holidays, the work culture, day-to-day dealings and more tend to lay more significance on our social norms which are not part of our system and community. It found that we are not gradually accustom our self to the change but accommodating the governing culture and yielding to such values, which we have assigned, nor have they come from our own social domain. Even, in some BPO companies, in order to provide comfort to their foreign customers, the employees would be renamed, so that it can be easy for them to remember and pronounce their names. The employees may find difficult in getting leave / holiday during our festivals, but they can get holidays only during outsourcing country local festivals. So, Outsourcing leads to loss of our own identity, in terms of name, language, ascent, culture, etc.

7.4. Life Style

Outsourcing has major impact on the life style of the people. Particularly, in case of services industries such as BPO and IT industry the employees need to work in late nights, or in night shifts, which will make lot of changes in their living style, food habits and affect their physical and mental health over a period of time. Slowly in our India, we are losing healthy life style which invites lot of occupational and life style-oriented diseases like impotency, diabetics, obesity, etc., Most of our young millennials like to follow western culture because of absolute freedom.

7.5. Society Structure

The migration of youngsters towards cities and work in outsourced projects in different destination also affect our society structure. Earlier, people in our country used to follow joint family-structure, whereas now they prefer to follow nuclear family, which keeps away the kids from their grand-parents and our culture. The recent generation even went to a step ahead and following western style of 'living together' family structure. When the people in developed countries prefers to follow our family structure to have healthy family systems, our younger generation prefer to their family systems, which will leads to lot of negative impact on the society.

7.6. Communication gap in family

The odd work shift of the IT/ BPO employees create communication gap with their family members and it has adverse effect on our Indian society. Most of them don't get enough time to interact with their parents/ family members due to odd working hours. Meanwhile various examples are available where wife and husband don't meet even for a week. The reason for such a kind of situation is spouse works in night shift and her better half who is employed in day shift, so when wife reaches the home husband who has already left to the office which is a common example amongst BPO employed families. Henceforth due to the abnormal working hours, socialization development has completely lost among the families and the employees working in BPO almost live a solitary life. Therefore solitude life lived by the BPO employee's in turn lead sociological, physiological and psychological problem. The work stress, psychological problem, and lack of monitoring from family members, the millennial getting addicted in to bad habits such as smoking, alcohol consumption, drug consumption, etc.

7.7. Social Security

Most of the organizations wants to outsource many of their business functions, in order to have a very minimum number of permanent workers, because if they have permanent workers they need to follow labour laws related to social security of the employees, such as Employees Provident Fund & Miscellaneous Provisions Act, 1952, The Payment of Gratuity Act, 1972, The Employees State Insurance Act, 1948, The Workmen's Compensation Act, 1923, etc., The organization can't be laid off or retrenched or terminated easily as per their requirements. Therefore, outsourcing has severe effect on social security of the workforce. Lack of social security of the employees may affect their life and their dependents' life during their superannuation, disability, and death. However, there are some common government schemes but the scope of those schemes are very limited while compared to the above-mentioned labour laws.

7.8. Hidden Costs

Outsourcing often includes hidden cots, but the companies always look in to an immediate benefit to the bottom line. Outsourcing almost always means job eliminations, which can have a negative effect on morale, loyalty and

productivity among the employees who remain. A difference in time zones, particularly when outsourcing to offshore companies, can severely affect the productivity of employees who oversee and manage that piece of the business. And travel and related expenses can pile on these employees as they travel back and forth for training and other meetings. (Hannah Wickford, 2015).

7.9 Economic Imbalance in Society

In general, the employees working in outsourced projects / companies (IT / BPO) are getting higher salary and speedy economic growth, whereas the people working in other sectors and temporary workers or workers employed in contracting agencies are getting very low salary compared to them, which leads to social imbalance among the citizens of the country. The huge gap among the purchasing power of the people creates jealousness and it may leads to offence and crime against the IT/ BPO employees. The unemployment and poor rewards in the host country, which does offshore outsourcing most of their jobs also creates lot of issues in family of the workers, and society in their country (essay writer, 2017).

According to Jeffrey Puritt (2013), India's supremacy on outsourcing is now being gradually wrinkled by other countries which have young and educated youth which form the low-cost workforces for countries like Philippines. Moreover nations like Latin America and Eastern Europe have talent population with multilingual skills which has formed as a strong competitor for country like India. Overall, today being a developing country through outsourcing we have taken the jobs of people from developed countries, gradually in the coming decades our jobs may be taken by citizens of other developing or under-developing countries, then we need to either accept the huge pay cut, or lose the job.

8. Conclusion

India has experienced express growth in outsourcing. Many researchers have discussed the economic impact of outsourcing in India, but only few researches discussed about the impact of outsourcing on the society. Every one of us should have noticed and observed the change brought by the outsourcing services and institutions.India's strength isease availability of abundant qualified

and skilled professionals. Outsourcing has a dual effect on the society which has both positive and negative impact on the society. The aim of this paper is to explore the adverse effects of outsourcing in India, in order to create awareness among the policy makers, top level company executives, and the individuals working in outsourced companies or projects, so that they can play an active role in eliminating or minimizing these effects in near future through appropriate initiatives. Already, few professionals from Information Technology organizations plays active role in organic agricultural activities in order to promote healthy life of the people in the society, but that is not enough we need more such initiatives to regain our Indian society with our culture, traditions, and social security of the workforce in near future and handover the same to our next generations.

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