



Legal compliance of outsourcing issues among women employees in BPO industry in India

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Abstract

“Globalization describes the process by which regional economies, societies, and cultures have become integrated through communication, transportation, and trade. The term is most closely associated with the term ‘economic globalization’: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, the spread of technology, and military presence. However, globalization is usually recognized as being driven by a combination of economic, technological, socio-cultural, political, and biological factors^[1].”

During the 1990s, the labor pool for such talent in the United States was tight, prompting many leading companies to search abroad for the personnel they needed. These organizations turned to international labor markets, where they were able to identify and hire highly skilled technical workers who were far cheaper than their U.S.-based counterparts. India in the recent years has shown huge developments in the areas of communication, power and software developments. It has already established itself as a global BPO hub and is fast becoming a popular outsourcing destination for major manufacturers across the globe. Today the US based companies are ranking India to be their first choice as an offshore outsourcing destination. India stands as one of the major players in the outsourcing industry, in terms of well educated, talented, low cost and English-speaking workforce, excellent IT and networking infrastructure, a fairly stable political scenario, friendly laws and well laid taxes and quality certified software firms.

Keywords: Globalization, during the 1990s, english-speaking workforce, U.S.-based counterparts, IT and networking infrastructure

Introduction

The Concept

The definition of outsourcing found on Wikipedia on December 17, 2007, read “Outsourcing is subcontracting a process, such as product design or manufacturing, to a third-party company.” There are dozens of definitions of the term in the academic literature. Brown and Wilson define outsourcing as “the act of obtaining services from an external source.” Describing information technology (IT) outsourcing Kern, Will cocks and Heck state that “outsourcing is the practice of contracting out or selling the organization’s IT assets, people and/or activities to a third party supplier for monetary payments over an agreed time period.”

According to McIvor “Outsourcing involves the sourcing of goods and services previously produced internally within the sourcing organization from external suppliers.” The key point worth noting is that this definition excludes processes never performed internally. Linder writes that outsourcing is “purchasing ongoing services from an outside company that a company currently provides, or most organizations normally provide, for themselves.” This view limits McIvor’s definition by adding the qualification that most organizations normally provide some services for themselves^[3].

Causes of outsourcing

Outsourcing is not an end in itself. Its successful adoption involves departments in making important decisions about the business they are in and the best mechanism for delivering their services to the community. Outsourcing is a management tool and should be approached in that manner.

In letting an outsourcing contract, whether for the first time or as a renewal exercise, the first step is to determine the primary reasons for the outsourcing. Departments often outsource to acquire services that are unavailable in house. While outsourcing in many cases generates savings, cost reduction however is often not the main reason.

The main reasons given by departments in recent outsourcing survey included:

- Unavailability of service in-house
- Focusing on core services
- Making up for staff shortages
- Access to skills
- Reduction in costs
- Flexibility in service delivery
- Improving service quality
- Access to technology
- Policy changes
- Achieving defined service levels
- Improving service output
- Access to information
- Facilitating organisational changes
- Converting fixed costs into variable costs
- IT legacy system support Risk diversification^[4]

Steps of BPO operation

Under BPO the number of call centers has opened up new vistas of career options in Globe. Call center jobs provide good remuneration and working environment, still it is looked down by many people. On the other hand, for the people who have been unemployed for some time or the ones who realize what it means to get a respectable job consider a prospect in a Call Centre job as boon. The BPO many steps involved into outsourcing services.

a. Call Centre

A call center is a place where the calls are dialed or received in large numbers. The centre comprises of a number of Agents, Associates or Executives who are trained to dial the calls or receive them with professional touch. The call centers are establishment run over by organizations catering to the domestic as well as international clients. Roughly, we may say the call centers are categorized in two types *viz* Domestic and International. The domestic call centre caters to the clients in one's own country, where the call centre is based. International Call Centers are larger establishments, sometimes owned by a Multinational Corporation. They cater to the needs of the clients overseas and provide a variety of services. They have to breach up certain barriers as cultural, language and other variations which are tried to overcome by extensive training.

b. The Set Up

A call centre is a service centre with adequate telecom facilities, access to internet and wide database. It provides voice based or web based information and support to clients in the native country or abroad. Call centers exist in all sectors of business which may be related to banking, utilities, manufacturing, security, market research, pharmaceuticals, catalogue sales, order desk, customer service, technical support or queries, emerging dispatch, credit collections, food service, ticketing, hotel reservations (travel and tourism) etc. In the beginning, the call centers meant only voice based customer service. Now days the call centers function as more of the contact centre. It offers e-CRM (Customer Related Management) that includes voice based customer support as well as e-mail response, web based text services and various customers interaction channels. There are a large numbers of people working in a call centre providing different services. A call centre consists of a number of rooms having work stations. It is highly equipped with advanced telecom facilities to have an access to wide database with the support of internet and other on line information.

c. Functioning

There are a number of activities involved in this process, particularly skill in handling the call and quality assurance. There is proper training given in dealing with the call and there is adequate technical support and administrative back up. All these activities sum up together into a process. A call centre can have a number of processes depending upon the clients and the variety of services provided to the client.

d. Process of a Call Centre

Voice Process: Voice based process is the one of which is performed through voice. There is telephonic interaction with the customer or the prospect with call centre executive. The executive received the calls pertaining to queries related to customer service or he dials to promote the sale or fix an appointment (or research/surveys).

Back Office: It is related to jobs pertaining to data entry and data conversion. It is primarily related to banking and insurance services.

Web Process: In web process the job is accomplished through e-mail. There are two kinds of processes called technical and non-technical. In technical process the executive needs to be technically qualified as he has to imply his technical skills to answer the technical queries of

the client. On the contrary the Nontechnical process does not require the executive to possess technical knowledge and qualification. Nonetheless he is supposed to possess good communication skills and aptitude to converse with the prospect.

e. Different Types of Services

- Customer Support Services
- Technical Support Service
- Tele-marketing Services
- Employee IT Help-desk Services
- Insurance Processing
- Data Entry Services/Data Processing Services
- Data Conversion Services
- Scanning, OCR with Editing and Indexing Service
- Book Keeping and accounting Services
- Book Keeping and Accounting Services
- Internet/On-line/web Research^[5]

Categories

Business processes that have come under close examination as potential candidates for outsourcing typically fall within one of seven categories

- Finance and accounting
- Investment and asset management
- Human resources
- Procurement
- Logistics
- Real estate management
- Miscellaneous (energy services, customer service, mailroom, food processing)^[6].

Types of Outsourcing

Outsourcing can occur in many forms contracting out typically involves a competitive bidding process in which RFPs (Requests for Proposals) are disseminated to eligible vendors. Some city and state governments require contractor registration prior to bidding while others independently select potential contractors based on experience and reputation. Contractor proposals are then evaluated and a decision is made based on either a cost or "best value" basis.

1. **Public-Private Partnerships:** are cooperative arrangements Between governments and private organizations to jointly fund or operate a particular program, project, or service. Public-private partnerships typically involve concerned local stakeholders helping to provide a program, project, or service of a particular value to a local community or neighborhood. Such arrangements benefit both the government and the private organizations involved by undertaking a valuable service, project, or program that could not be carried out independently by either entity.
2. **Volunteers or volunteer associations** are often called on to provide public services highly valued by community members for no cost to the city. Many cities use volunteers for park maintenance, recreational programs, and neighborhood watch activities among other programs.
3. **Load shedding:** involves government relinquishing the responsibility for providing services or operating a program. Most often, this is done with the understanding that another entity, public or private, will buy the public assets associated with the service or program and offer these itself.

4. **Franchising:** involves the licensing of private service providers to exclusively provide public services in a particular area. Private vendors then charge city residents fees for the services they provide. Although rarely used by city governments, franchising can sometimes be a more efficient way for larger cities to organize residential waste collection and hauling.
5. **Vouchers:** involve government payments to third parties for goods or services provided to residents. Vouchers are often used to enhance the competition and availability of a service to residents without direct government service provision. While commonly used by school districts, housing, and social service agencies, vouchers can also be used to provide municipal employee benefits ^[7].

Outsourcing as an enterprise management strategy in the face of globalization and growing competition in the literal sense, outsourcing denotes utilisation of external resources. It occurs when the execution of tasks, functions and processes hitherto fulfilled in-house is commissioned to an external provider specialising in a given area on the basis of long-term co-operation. Quelin and Duhamel define outsourcing as the operation of shifting a transaction previously governed internally to an external supplier through a long-term contract, and involving the transfer of staff to the vendor for the firm. According to their definition, five elements characterise strategic outsourcing.

- A close link between outsourcing processes and the key success factors of a firm in an industry.
- The transfer of ownership of a business function previously internalised, often including a transfer of personnel and physical assets to the service provider.
- A global contract, longer and denser than a classical subcontracting agreement.
- A long-term commitment between the client and the service provider.
- A contractual definition of service levels and of each partner's obligations.

Benefits of outsourcing

The most often discussed advantages of outsourcing are connected with improved financial performance and various nonfinancial performance effects, such as a heightened focus on core competencies.

- Reduced expenditure and operational costs
- Possibility of converting fixed costs into variable costs
- Price competitiveness
- Lower involvement (freezing) of capita
- Improved cost control
- Higher flexibility and the ability to meet fluctuations in demand
- Easier and more economic access to the latest technologies
- Improved quality
- Possibility of concentrating on firm's core business
- Improvement of measurability of costs
- Better control of internal departments
- Availability of new service options, and reduced capital commitment
- Access to external competencies
- Acquisition of specialist expertise
- The ability to spread commercial risk

Limitations of outsourcing

- Dependence on the supplier
- Hidden costs
- Loss of know-how-losing touch with new technological breakthroughs that offer opportunities for product and process innovation.
- Loss of long-run research and development (R&D) competitiveness
- The risk of co-operating with a dishonest supplier which, having gained access to knowledge concerning.
- A firm and its products may use it against that firm in the future service provider's lack of necessary capabilities.
- Communication and coordination difficulties ^[8].

Outsourcing comprises the following services and models

1. **Outtasking:** sourcing certain tasks, such as payroll services, to an external service provider.
2. **Selective Outsourcing:** sourcing a selected part of a larger business unit (e.g. sourcing of maintenance services).
3. **Transitional Outsourcing:** sourcing in the context of a technology upgrading.
4. **Complete Outsourcing:** sourcing an entire business unit
Business Transformation Outsourcing (BTO): a combination of business consulting and outsourcing (e.g. the reorganisation of a business unit, followed by the sourcing of the reorganised business unit).
5. **Business Process Outsourcing (BPO):** sourcing an individual business process (e.g. sales, accounting, human resources) to a third party ^[9].

Business process outsourcing (BPO) is defined simply as the movement of business processes from inside the organization to an external service provider. With the global telecommunications infrastructure now well established and consistently reliable, BPO initiatives often include shifting work to international providers. Five BPO international hot spots have emerged, although firms from many other countries specialize in various business processes and exporting services

- India. Engineering and technical
- China. Manufacturing and technical
- Mexico. Manufacturing
- United States. Analysis and creative
- Philippines. Administrative ^[10]

Outsourcing is defined as moving a business function performed inside of an organization to a third-party business function provider. This means that a service or production that was accomplished inside an organization is now accomplished by another organization that is mandated to be a part of the same organization. Offshore outsourcing is defined as outsourcing outside of country borders. Outsourcing can be accomplished

- Inside of the country borders
- Outside of the country borders

Outsourcing outside of the country's borders is known as:

- a. Near shoring outsourcing
- b. Off shoring outsourcing

Near shoring outsourcing is outsourcing to nearby or neighboring countries. The advantages of this kind of

outsourcing are found in economic, linguistic, political, or historical reasons as well as the benefits provided by better and closer control and reducing transport expenses in the event that products and raw materials need to be transported in both directions. In the US, near shoring is considered outsourcing to Canada, Mexico, or Central America countries, for example. In Europe, near shoring countries are the Czech Republic, Slovakia, Ukraine, Hungary, Poland, White Russia, Russia, and the Baltic countries. Outsourcing to India and China is considered offshore Outsourcing. Offshore outsourcing or international outsourcing can be further divided into the following categories

- Information Technology Outsourcing (ITO), outsourcing of computer- or Internet-related work.
- Business Process Outsourcing (BPO), outsourcing of back office tasks, such as payroll or accounting, and front office tasks like running call centers, customer support, technical support, etc. Services under this category include DTP, Multimedia, and Web design and development, for example.
- Offshore Software Development (Software R&D), outsourcing of software development to another country. India is the current leading country for this kind of outsourcing
- Knowledge Process Outsourcing (KPO), is the outsourcing of knowledge-related work that requires high levels of knowledge and expertise, such as data analytics, research, or business operation support and management

Different authors offer other categories, and some divide outsourcing into the following categories:

- Technology Services Outsourcing
- Business Process Outsourcing
- Knowledge Process Outsourcing: Outsourcing is divided according to service types such as:
 - Professional – includes information technology support, accounting, purchasing, and other specialized services.
 - Manufacturing – industry-specific, for example, manufacturing specific to the automobile industry.
 - Process specific –for example, specific to a process of manufacturing or assembling a specific component.
 - Operational – specific operational activity, such as, for example, machinery maintenance, cleaning, or property management ^[11]

Outsourcing Advantages

It allows the organisation to focus on its core, value-adding activities without the distraction of having to run support services. Support services can soak up both management time and financial resources and these would usually be better spent concentrating on where the business can use its resources and competences to gain competitive advantages.

1. **Cost savings:** Usually the organisations to which activities are outsourced specialise in those activities and, therefore, are likely to enjoy economies of scale, whether from the use of machinery or the employment of expertise. There can be additional cost savings if a process is outsourced to a foreign company operating in a cheaper labour area (off-shoring).
2. **Cost certainty:** An outsourcing contract at a fixed, or closely defined price, shifts much of the financial risk on to the provider. Costs become more predictable.

3. **Cost restructuring:** For some types of outsourcing such as component manufacturing, there will be lower fixed costs and higher variable costs. If all components are bought in, then these costs are all variable. Had the components been made in-house, there would inevitably have been associated substantial fixed overheads.
4. **Access to cutting edge expertise and talent:** In technically advanced, fast moving industries, it can be difficult for small companies to develop or make use of new processes. Outsourcing to a specialist company can give access to the latest technologies.
5. **Better quality:** There can be an immediate improvement in quality if a process is outsourced to a world-class company where the quality is carefully defined in a service level agreement.
6. **Risk transference.** If a company perceives that one of its processes has high risks, then this can be transferred by outsourcing to another company.
7. **Capacity management.** For example, it can be difficult for businesses to deal with variable demand: either they run out of capacity (unhappy customers), or have (expensive) unused capacity. Outsourcing to a large company can mitigate this problem.

Disadvantages of outsourcing

1. **Unexpected costs.** Although many costs become more predictable, the supplier will be very careful to define exactly what these costs cover. There are likely to be substantial additional charges for anything extra. Additionally, remember that almost certainly the supplier knows that part of the business better than the outsourcer and will ensure that the contract is carefully (and advantageously) worded.
2. **Difficult to reverse:** Once an activity is outsourced and internal knowhow gone, it can be very difficult to bring a process in-house again. This is particularly relevant when a contract comes up for renewal: the price increase might be higher than expected but it can be difficult to abandon the supplier.
3. **Damage to reputation:** If the outsource company does not perform properly – for example, not manufacturing to the required quality standards and not supplying goods on time –great damage can be done to the organisation’s reputation.
4. **Non-congruent objectives and loss of managerial control:** The supplier company makes money doing things efficiently. The buying company might make money by innovation. To some extent, despite the contract, there can therefore be a difference in the objectives and core values between the two parties.
5. **Success depends on another company’s performance:** Though there is always a dependency between buyers and sellers, outsourcing shifts more responsibility for success to other companies’ performance. If an important outsource company goes bankrupt, there can be serious consequences.

- Confidentiality/security:** Outsourcing some processes can give the supplier information that could be valuable or sensitive. Keeping a process in-house should increase security.

Experience of outsourcing

- Catering facilities:** For example, Compass Group UK and Ireland has a turnover of almost \$3bn and its main business is providing catering facilities for organisations such as schools, hospitals, client entertainment, businesses, and sports and leisure venues.
- Document handling:** Document handling is a serious problem for many companies and there are often legal requirements to preserve documents for many years. The company Ricoh offers scanning and archiving facilities (both electronic and hard copy), printing (including folding and binding), and mail room (receipt, sorting delivery and dispatch). Increasingly, incoming documents are scanned and stored electronically. That way, documents are instantly retrievable and can be used simultaneously by several people.
- Technology services/IT:** Because of the large investment, high specialist expertise needed and rapid technological changes, this one of the most common processes to be outsourced.
- Accounting services:** For example, receivables ledger maintenance or wages and salaries administration ^[12].

TCS Experience

Begun with the formation of TCS in 1974, India's software exporting industry has grown impressively since. India's software industry generated above \$9.98 billion in annual revenue, of which \$7.5 billion was export revenue. Almost all this revenue is in software services, particularly the programming of customized applications. TCS pioneered the industry and remains its market leader, employing over 20,000 persons. Of late, its lead over the competition has been slipping. Meanwhile, since 1999, an export-oriented business process offshoring and outsourcing (BPO) industry has emerged in India and is growing rapidly. BPO has links to TCS's traditional business of software development; however, as of 2003, TCS had only a small presence in this business. Unlike software services, TCS is a relatively small player in the BPO industry in India. The BPO business is divided into broad segments: call center work (which includes a large component of IT-intensive technical support work) and back-office work. TCS entered the business much later than its traditional software rivals and initially focused primarily on call-center work. Nevertheless, TCS has some advantages over others in the industry. The first is that it can use its software business to improve its competitive position in the industry. Many of its software clients might become BPO clients due to their familiarity with TCS and its credibility in doing work overseas. On the other hand, the BPO business might affect TCS' software business as well ^[13].

BPO operation in India

The Indian BPO movement which kicked off from Tier I cities like- Bangalore, Hyderabad, Delhi & NCR, Pune,

Mumbai and Kolkata, has now made inroads to Tier II cities like: Mysore, Belgaum Coimbatore, Nagpur, Kochi, Trivandrum, Chandigarh, Ahmadabad, Bhubaneswar, Indore, Jaipur, Lucknow etc. The new targets of BPO companies are Tier III cities of India. The ground fact is that a majority of the computer engineers (almost 60%) workings in the BPO industry are from rural areas and aspire to find job opportunities in the top tier cities such as Mumbai, Hyderabad and Bangalore among other cities ^[14]. In Indian context, BPO industry has gone up significantly. According to industry pundits last few years, the annual revenues out of BPO are around \$11 billion, constituting about 1 per cent of the country's GDP. Remunerations are on high by 10-15 per cent as a result of huge dearth of skilled manpower. India has a significant 63 per cent share of the offshore component of BPO.

Top BPO Companies in India

NASSCOM since the past few years has been ranking the Top 20 IT-BPO Export Companies, top 15 BPO Export Companies and Top 20 IT-BPO Employers based on a survey conducted annually, which is open to all NASSCOM members. Through this survey NASSCOM collects financial and other information from its member companies and the participating companies are ranked based on the data submitted.

Table 1

S. No	BPO Company	S. No	BPO Company
1	Tata Consultancy Services Ltd	11	MindTree Ltd
2	Infosys Ltd	12	KPIT Technologies Ltd
3	Wipro Ltd	13	Zensar Technologies Ltd
4	HCL TechnologiesLtd	14	Hexaware TechnologiesLtd
5	Tech Mahindra Ltd ¹	15	Cyient
6	L&T Infotech	16	NIIT Technologies Ltd
7	Syntel Ltd	17	Infinite Computer Solutions (India) Ltd
8	Mphasis Ltd	18	Persistent Systems
9	Genpact India Pvt.Ltd.	19	Geometric Ltd
10	iGate	20	MASTEK LtdI

Includes Mahindra Satyam and Tech Mahindra as they are now a combined entity Note: Note: This list does not include some companies whose corporate headquarters are located outside India, but have significant India-centric delivery capabilities, and have not shared their India-centric revenue figures. Had they been ranked based on their India revenues, companies such as Accenture, Cognizant, HP, Capgemini, and IBM and would have also appeared in this ranking. Previously ranked companies CSC, Robert Bosch, Polaris and CGI have not shared their data this year, hence do not feature in the rankings this year ^[15].

Conclusions

The dramatic decade-old growth of outsourcing services has transformed the way businesses have managed their operations. New types of services are being outsourced as businesses have identified processes that can be separated from core processes. New offshore locations are emerging. Markets are expanding not only in the United States but in Europe and Asia. Adoption rates by existing industries are rising and new industries are starting to accept the transforming model of outsourcing and offshoring.

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