

WHEN THE WIND BLOWS
An overview of Business Process Outsourcing (BPO) in India –
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*.....when the wind blows, the cradle will rock;
when the bough breaks, the cradle will fall....(From the nursery rhyme)*

Introduction:

The movement of call centre jobs from higher-wage to lower-wage countries such as India is the logical progression of what might be called manufacturing and agricultural “outsourcing” over previous decades, as capital continues its reorientation of the world economy in the search for higher profit margins wherever they may exist.

Business Process Outsourcing is becoming a controversial model and is being discussed both in countries of origin as well as those where the work is being outsourced. People are working themselves into a frenzy in the boardrooms of India and the West. The counteroffensive to these moves by pressure groups of various hues and stripes continues under the derisive “protectionist” label. Trade unions in the US and UK and many parts of Europe are still deciding if BPO is one of the main reasons for job losses in their countries, and it is true that this indeed is the perception among workers there. Trade unions in India have very little presence in outsourced services, but many see it as a sector that offers jobs, even if a mere drop in the ocean in an employment starved country. And the Indian BPO employees themselves appear somewhere in the story.

The more general term of Business Process Outsourcing (BPO) refers to the outsourcing of business functions such as airline and hotel reservations, data entry and processing tasks, and mortgage processing, some under the rubric of call centres. This outsourcing primarily takes the form of a local Indian company or foreign subsidiary managing these business operations on behalf of companies in the U.S, U.K. and other Anglophone countries. While the BPO industry may provide employment to a small segment of India’s population, as an export-oriented industry with competition from other countries, it is unclear how long these relatively low-skilled jobs will stay in India.¹ The BPO industry in India, as an export-oriented sector contingent on demand from primarily rich Western countries, is part of a wider government encouragement of peripheral industries rather than core manufacturing, such as the export garment industry; or indeed the cultivation of agricultural cash crops especially such as cut roses and strawberries to replace growing of staple food and subsistence agriculture. It follows that this type of outsourcing industry, without accompanying investment in other long-term domestic industries, has its limitations.

¹The total workers in India’s IT industry, close to a million, only makes up one quarter of one percent of all workers in India. See Chandrasekhar, C.P., “IT-services as locomotive”, Frontline, 1 July 2005, 120-121.

This report will look at the BPO industry in India, investigating its effects on and place in the macro-economy, the debate around outsourcing waged in the US, UK and India, and the working conditions of call centre employees.

Section 1 of this report provides an overview of the sector and the policy framework of the central and state governments in India around the BPO sector.

Section 2 takes a look at industry-level issues: Security and fraud, lobbying efforts on behalf of the industry at home and abroad, tax breaks and other incentives provided by the various levels of government, and the competition the industry faces from abroad. *Section 3* give a summary of the major issues we drew from a survey provided to current call centre employees in the Mumbai area over the course of a few months in 2005.

Section 4, the final section gives our recommendations for the industry and the government around the issues the workers have brought up.

- I -

IT Services: Another Export-Oriented Sector

The standard ‘free-market’ economic concept of comparative advantage says that countries in a trading relationship should specialize in those products that each country is most efficient in producing relative to the other. If your country produces cars more efficiently than mine, while my country can produce scissors more efficiently than yours, comparative advantage theory says that you should produce cars while I should produce scissors. So far, so good. But what does this model hide in its simplicity? What are the power dynamics between rich and poor countries, how do countries become efficient in production, and where are the workers in all of this? In one real-world scenario not quite addressed by this model, several developing countries all trading in the same good with a rich industrialized country end up in competition with one another to produce the most efficient product. One country may attempt this through an assault on unions in the sector in question, resulting in a lowering of wages for workers. If this is not possible in one country, it may happen in another, and the jobs will shift there in a process known as the “race to the bottom”, a case in point being the experience of the global garment industry.

In the BPO industry, the workers are not low-wage workers, relative to the domestic context. Instead of being in the position of having to accept wage reductions, at a point they may begin searching for alternative employment, given their skill-set of English proficiency, computer and other skills acquired on the job. However, much call centre work is relatively low skilled, and is liable to travel overseas to competing countries. But, as mentioned above, companies in India may not have the option of reducing wages to keep their sector competitive. If this is the case, that these jobs could prove to be transitory, the question then arises as to why is the government is so open to the lobbying efforts of industry organizations like NASSCOM² on this issue, entertaining the notion of effecting long term changes eg. adapting academic curriculum to match the needs of the BPO sector, thereby saving the companies training costs and time.³

² The National Association of Software and Services Companies, the nodal body for the services industry in India, is a prominent lobby group in India and abroad

³ Our interview with Gaurav Singh of NASSCOM, July 2005

Where is the Regulatory Framework?

The BPO industry is still in its infancy, and lacks a clear regulatory framework, from Foreign Direct Investment (FDI) regulations to issues of security, technology transfer, and employee welfare. Optimally a sector already has regulations in place before investment in the sector begins, whereas in this case, we see the reverse, a skewed kind of approach to regulation. What we are seeing is the offering of incentives by central and state governments to attract FDI and a haphazard construction of a regulatory framework as issues arise.⁴ For instance, the legal framework for the sector is spread across at least eight acts enacted between 1923 and 1972.⁵ The uncertainties regarding the applicability of the security framework to fraud cases is discussed in a later section. And a regulatory framework for FDI in this sector is more or less non-existent.

For the BPO sector, current Indian government regulations set forth by the Ministry of Commerce and Industry allow FDI up to 100% in most instances without prior approval from the government or the Reserve Bank of India (RBI).⁶ A foreign company can set up a BPO by incorporating a company under the Companies Act, 1956, either through a joint venture or as a wholly owned subsidiary. The procedure amounts to submitting a set of documents to the Department of Telecommunications, whose office has streamlined the bureaucratic hurdles for applicants.⁷ All profits, dividends, etc can be repatriated subject to government approval.⁸

The absence of regulation also leaves employees open to the machinations of unscrupulous employers, and cases of fraudulent salary cuts, collection of deposits in the name of training, arbitrary fixing of salaries are overlooked and employees are uneasy about talking, for fear of reprisal. Often they just go on to another job, an avenue which the BPO industry is seeking to block by maintaining a roster of employees, in the name of controlling security violations and fraud by employees and also the high rate of attrition.

Global Trade Negotiations

The rapidly increasing move towards outsourcing has also made the BPO sector an important and highly contentious area in trade negotiations at the multilateral level. The General Agreement on Trade in Services (known by its acronym GATS), part of the rubric of agreements under the World Trade Organisation (WTO), is an important avenue through which trade and investment in the BPO sector is sought to be furthered.

The focus of the GATS is on the liberalization of the services sector. There are 12 sectors and over 160 sub sectors⁹ included under this ambitious trade agreement; public services such as education, health, water distribution, energy and sanitation and other crucial sectors such as

⁴ For an example of this, see the section below on issues of security in the industry.

⁵ Ministry of Commerce and Industry, p. 43

⁶ Approval is required if the foreign group already has an existing venture in the sector and is perhaps looking to expand. Ministry of Commerce and Industry, Government of India. *Investing in India: Foreign Direct Investment Policy and Procedures*, New Delhi, September 2004, p.3

⁷ BPOIndia.org FAQ, <http://www.bpoindia.org/faq/>

⁸ Ministry of Commerce and Industry, p. 44

⁹ This is called the Services Sectoral Classification List (SSCL), or the W/120. The GATS SSCL can be viewed at www.wto.org/english/tratop_e/serv_e/mtn_gns_w_120_e.doc

finance, telecommunications, maritime and cultural services. In many developing countries foreign investment and trade has been ongoing for over a decade but what is unprecedented about the GATS is the attempt to formalise this trade in services within the framework of legally binding WTO rules.

The GATS considers that trade in services in these 12 sectors can be furthered through 4 different ways or modes.

- Mode 1 – cross border supply – where the service is provided remotely from one country to another (e.g. international telephone calls, medical transcription, data processing) Much of the BPO industry falls under this mode.
- Mode 2 – consumption abroad – where individuals use a service in another country (e.g. tourists travelling abroad, patients taking advantage of cheap health care in foreign countries)
- Mode 3 – Commercial presence – where a foreign company sets up a subsidiary or branch within another country in order to deliver the service locally (e.g. Foreign Direct Investment in BPO units, banks, hospitals)
- Mode 4 – Presence of natural persons – where individuals travel to another country to supply a service there on a temporary basis. (e.g. software programmers, nurses, doctors)

Of the four modes of trade in services identified under GATS, Mode 1, i.e. trade in services across borders, is the most relevant one for the BPO sector. As we will see later in this paper, a wave of protectionist legislation in the form of government restrictions has risen in the U.S against the outsourcing of call centre work to India over the last few years. This is what makes GATS so important to the BPO industry in India. Because of its legally binding nature GATS negotiations are seen by the Indian BPO lobby as an opportunity to “preempt protectionism”¹⁰. The idea is that India’s call centres should have the same right, for example, to a government outsourcing contract from the U.S. as an American company does.

At one level this might seem like a grand bargain in favour of countries such as India, which have a competitive advantage in the BPO sector, but the WTO is a complex institution with a number of trade agreements and its 148 members negotiate by trading off gains and losses in different areas.

The first problem is with the GATS framework. The WTOs mandate is to further trade and creating legally binding rules that are biased towards companies in crucial services such as health, education, finance etc fundamentally impinges on democratic decision-making. GATS clauses state that countries wishing to change commitments can do so only after a period of 3 years. Further the country must negotiate compensation for lost business opportunities with all affected parties. This effectively makes the GATS irreversible. This aspect is further strengthened by the powerful Dispute Settlement Mechanism of the WTO.

As the previous section shows, regulation in the BPO sector is still in its infancy and therefore the immediate task before the government is to ensure that policy makers focus on putting in

¹⁰ Mattoo, Aaditya, and Sacha Wunsch. Preempting Protectionism in Services: The GATS and Outsourcing, January 2004, p. 1

place legislative frameworks that reflect public interest issues rather than providing elaborate incentives for investment, both domestic and foreign. Once commitments are made in the GATS it could lead to a 'policy freeze' situation.

The second problem with the GATS is the issue of trade-offs. While BPO units are a small sector in which India presently has the ability to gain there are several other areas within the GATS as well as other agreements in the WTO where the developed countries enjoy a huge advantage. Take the financial sector for instance. The US could demand that, for allowing Indian BPO firms to bid for outsourcing contracts, it would need 'complete market access' for its banks. Allowing US Banks to enter through the GATS framework will lead to an undermining of public sector banks, as they will have to compete with foreign banks that will not be obliged to carry out any social obligations. Banks such as the State Bank of India operate branches in unprofitable rural areas, where private banks won't go, to perform their role as a government provider of cheap credit to farmers and other communities. Unhindered market access under GATS does not allow countries to stipulate such conditionalities to foreign banks. They will restrict their operations to urban centres, cutting into the profits of public sector banks. Most public banks are able to operate unprofitable rural branches because of their ability to cross-subsidise from their profitable urban operations. This will lead to a serious shortfall in the availability of credit to large sections of the population, with serious developmental and social ramifications.

- II -

Security and Fraud Issues

Two recent cases of fraud in the Indian BPO industry have been highly publicized: The case in early April in which present and former Mphasis employees had used information acquired at work to hack into American bank accounts and steal some \$350,000, and the second, a sting by the British tabloid The Sun regarding a 24-year old call center worker in Gurgaon who allegedly sold personal information from the databases of several banks based in the UK.

On the policy level, NASSCOM has identified information security as a key focus for 2004-2005 to "position India as a Trusted Sourcing Destination".¹¹ They have conducted detailed research on the security environment in India, and adopted a security framework called the 4E (Engage, Educate, Enact and Enforce) Framework to meet their goals in this area.

Due to heightened awareness of security risks, companies outsourcing their jobs are insisting that BPOs get certified under international certification standards, as the Indian IT Act of 2000 is considered inadequate protection. One analyst opines that an additional 20 percent more work would have come to India if a more rigorous data protection law was in place.¹² NASSCOM is lobbying for a revision of the IT Act to conform to legal provisions in the US. The changes would cover the areas of tampering with electronic records, unauthorized access of computer

¹¹ NASSCOM Annual Report 2004-2005, p. 12.

¹² "Security concerns hit BPO firms in India", Rediff.com, 25 May 2005, available at <http://www.rediff.com/money/2005/may/25bpo.htm>

systems, hacking, disclosure and dissemination of privileged information and rights that employees may have within an organization.

It has been pointed out that the fraud case in Pune was covered under the IT Act, i.e. the companies were not even in compliance with the established Indian legislation.¹³ Specifically, Section 66 of the Act covers "hacking with the intent of causing wrongful loss and diminishing the value or utility of the information." Here we see the problems created and the uncertainties that arise when the industry attempts to apply currently existing legislation to situations that it was not designed for.

Another relevant section of the IT Act is Section 79, which places the onus on the network service provider, the BPO company, to show that any crimes committed by BPO employees on the job were done without the knowledge of the company, and that it performed all due diligence to prevent such offences from occurring.

Security changes in the call centres have also commenced. First they banned paper and pen. Then, they removed floppy drives from computers and banned mobiles and camera phones from the premises."¹⁴ This is corroborated by our findings. Searches take place at the entrance to each call centre for cell phones, laptops, PDAs and the like, anything capable of recording or transmitting information from the workplace. In other call centres, bags greater than a certain size have to be checked in. In addition, once inside, they are continuously monitored, according to one call centre worker, Krishna.¹⁵ Cameras positioned throughout the call centre can see what any one person is doing at any time. On his office floor, 5 to 6 cameras monitor 500 workspaces.

Lobbying Efforts in India and Abroad

The National Association of Software and Service Companies (NASSCOM) in India is the major lobbying body on behalf of the BPO industry. In 2004, their membership included 900 companies, which together accounted for over 95% of software industry revenues in India.¹⁶ They have a special group called SIGITES - Special Interest Group for IT Enabled Services. Other significant lobbying organizations include CII and the Federation of Indian Chambers of Commerce and Industry (FICCI). The Associated Chambers of Commerce and Industry of India (ASSOCHAM) also has an initiative on the Indian outsourcing industry.

According to their website, NASSCOM has many ties to government bodies in India: "NASSCOM has representatives in various committees of the Government of India including the Ministry of Information Technology, Ministry of Commerce and Industry, Ministry of Finance, Ministry of External Affairs, Department of Telecommunications and Ministry of Human Resources Development."¹⁷

NASSCOM builds its lobbying positions through consultations with its member companies.¹⁸ The process of consultation works through the periodic mailing of invitations to member

¹³ "Are BPOs complying with the IT Act?", Economic Times, 20 April 2005, <http://www1.economictimes.indiatimes.com/articleshow/1082813.cms+%22it+act%22+india+bpo&hl=en>

¹⁴ Mukherjee, Arindam, "Sting in the Fairy Tale", Outlook, 11 July 2005

¹⁵ Names have been changed for anonymity.

¹⁶ NASSCOM Strategic Review 2005: The IT Industry in India, p. 20

¹⁷ NASSCOM website at http://www.nasscom.org/artdisplay.asp?cat_id=23

¹⁸ Personal communication with NASSCOM representative Gaurav Singh, 1 July 2005

organizations to discuss key issues. They also discuss the issues with experts in the appropriate field.

From NASSCOM's Strategic Review 2005:

"NASSCOM has played a key role in enabling the government in India to develop industry friendly policies. NASSCOM has been a proponent of free trade, arguing for zero tariff protection, strong intellectual property and data protection laws, deregulation of the telecom market and the creation of software technology parks and private sector participation in the education system...

NASSCOM has also been engaged with various governments overseas, to promote a win-win partnership via global sourcing. NASSCOM also plays a role in engaging with global alliances on software quality standards, immigration policies, WTO and free trade in services..."¹⁹

In June 2004, after the election of the new Central government, NASSCOM met with several cabinet ministers, the Minister for Communication and Information Technology, Finance Minister and the Commerce and Industry Minister, and presented NASSCOM's pre-budget memorandum.²⁰ Post-budget, the organization followed-up with the Minister of Finance on taxation issues. NASSCOM also lobbied several state governments to further the IT sector's interests.

It is estimated that up to 400,000 jobs have been outsourced to various countries from the U.S. in the last three years, although the U.S. government has only recently begun keeping track of offshoring figures.²¹ The consulting firm Forrester has estimated the number of outsourced U.S. jobs to rise to 3.3 million by 2015, while the number of "at risk" jobs is estimated to be up to 14 million, according to a University of California, Berkeley study.²² Many laid-off workers have been fighting against the continued wave of outsourcing, some through websites such as <http://www.nojobsforindia.com/>,²³ and much of the outsourcing rhetoric is overtly anti-Indian and anti-immigrant.²⁴ Thirty-five states in the U.S. have already tabled legislation to ban outsourcing of government contracts.²⁵ Labour union groupings such as the AFL-CIO in the US and the Trade Unions Congress (TUC) in the UK have issued public statements against outsourcing.²⁶ Labour unions have framed outsourcing as another manifestation of the harmful effects of globalisation, alongside the earlier movement overseas of manufacturing jobs.²⁷ As

¹⁹ NASSCOM Strategic Review 2005, p.18-19

²⁰ NASSCOM Annual Report 2004-05

²¹ <http://www.cbsnews.com/stories/2003/12/23/60minutes/main590004.shtml>

²² http://www.utexas.edu/features/archive/2004/election_outsourcing.html

²³ See <http://blameindia.blogspot.com> for a list of pro- and anti-outsourcing websites.

²⁴ N., Sivakumar. "Lou Dobbs, Apologize!" [sulekha.com](http://www.sulekha.com), 22 September 2004. Available at <http://www.sulekha.com/expressions/articledesc.asp?cid=307340>

²⁵ See the National Foundation for American Policy's website at <http://www.nfap.net/researchactivities/global sourcing/> for the status of these pieces of legislation.

²⁶ Rashmee Z. Ahmed, "UK trade unions' anti-India rant on outsourcing," *The Times of India*, 21 January 2004; AFL-CIO Executive Council. "Outsourcing American", 11 March 2004, available at <http://www.aflcio.org/aboutaflcio/ecouncil/ec03112004i.cfm>

²⁷ Amicus the Union UNIFI Research. "Globalisation and the trade union movement: What is the true cost of outsourcing?" available at <http://www.unifi.org.uk/research/confpapers2003/2004-apr-26--12:14.htm>

well as the loss of jobs in the U.S., scares of the ramifications of moving sensitive personal information overseas has also been used to shore up the anti-outsourcing position.

A study by the Washington Alliance of Technology Workers found that 93 percent of employees polled were worried about the effects of offshore outsourcing. About 25 percent reported that their company had moved jobs overseas, and 20 percent said they had either trained a replacement worker or knew someone who had done so.²⁸

Protectionist measures passed by the U.S. Congress include a clause in a \$328-billion spending Bill passed by Congress prohibiting the outsourcing of federal government contracts to India. This was only in effect until September 2004 and was considered of little practical impact, as U.S. federal government contracts in exports of IT software and services from India is less than 2 per cent.²⁹

In the U.S., the recently formed Coalition for Economic Growth and American Jobs has been active in pushing the case for outsourcing among government and industry. It “consists of some twenty-five national associations and their member companies and affiliates with a capacity to reach out to every state legislature and governor, and build coalitions both there and in Washington, D.C.”³⁰ Points raised by the pro-outsourcing lobbies include the generation of newer, larger and some higher paying employment opportunities in American and European countries through two avenues: (1) the profits earned by companies engaged in outsourcing utilized to buy more capital, and (2) the expansion of overseas markets for American and European companies in equipping the call centres established in India with Western-produced products such as “Compaq Computers, Microsoft software, Lucent phones and Carrier air conditioners.”

NASSCOM has “also started lobbying with various foreign governments, whenever there is a requirement related to the growth and development of the Indian IT software and services industry.”

Significantly, there are hardly any agencies representing the interests of BPO employees in India. The interests of the sector are being solely represented by the owners/managements of the BPO sector. The issues of job security, statutory employee benefits and protection, essential facilities at the work place, are not being represented enough in the entire discourse around BPOs either at policy level or in the public domain.

Tax Breaks and Other Domestic Incentives

Indian government incentives for the BPO sector have taken the form of tax breaks and reduction of tariffs by the central government, and infrastructure support and other incentive packages by state governments. In addition to expedited customs clearance, the customs duty on project imports with investment of at least Rs. 5 crore in plants and machinery reduced from 25% to

²⁸ Sharma, Dinesh. “Outsourcing Backlash Targets India”, ZDNet News, 6 May, 2004. Available at http://news.zdnet.com/2100-3513_22-5206900.html

²⁹ Menon, Parvathi. “Meeting the Challenge”, Frontline, 12 March 2004

³⁰ State of the Council Address by Rajat Kumar Gupta, Chairman, U.S.-India Business Council, June 8, 2004

10%, and customs duty on computers and peripherals has been reduced to 10%.³¹ The central government has also promised a tax holiday for the sector up to 2010, and is actively engaged in lowering international telecommunication costs to benefit the BPOs.

Indian state governments have also created incentives to attract BPOs. Although the incentives offered by each state differs, some of the common ones include the following:

- Matching educational curriculum to meet the needs of the IT and BPO sectors, including giving a push to spoken and written English at all levels.
- Modifying existing legal restrictions for BPOs to allow work on National Holidays, allow women to work in night shifts, and offices to function 24 hours a day all year.
- Most of the states in India have Software Technology Parks (STPs) and Export Processing Zones (EPZs) offering infrastructure with reliable data communication facilities. Uninterrupted power is assured even in towns and cities where there are power cuts, and broadband facilities and capacity are provided out of turn
- Tax incentives, land rebates, concessions on power tariffs, special incentive packages for projects greater than US\$ 10 million³²
- Attempting to declare it as essential service so that employees cannot go on strike
- Granting land and extra Floor Space Index (in Mumbai) to builders for buildings in Software Parks.

On the other hand, we have to weigh the economic benefits of these concessions at a macro level. One, does the sector generate as much foreign exchange as is being assumed? A large percentage, up to 65 percent, of the value of outsourcing contracts go to captive units, those owned wholly by foreign entities.³³ Two, while the sector provides employment to 250,000 people (1 million in the IT sector as a whole), this number is a fraction of a percent of the entire population of workers in India.. In 1999-2002 the total number of person years unemployed touched 27 million in India³⁴.

Competition from Other Countries

Given the nature of the sector, it is more than probable that outsourcing leave Indian shores for more attractive destinations, when and where cheaper labour is available. DiamondCluster International, a global management consulting firm, released a study on global IT outsourcing in June 2005, which showed growth in the number of dissatisfied customers and an interest in China as an alternative destination.³⁵

China and the Philippines are the two main competitors to India's BPO sector. China's major advantage is its lower labour costs and its image as an economic powerhouse with good

³¹ <http://www.indiainbusiness.nic.in/india-profile/ser-infotech.htm>

³² NASSCOM BPO Forum, State-Level Incentives For The ITES Industry, http://www.bpo.nasscom.org/artdisplay.aspx?cat_id=563

³³ Chandrasekhar, C.P., "IT-services as locomotive", Frontline, 1 July 2005, 120-121.

³⁴ Report of The Special Group on Targeting 10 million Employment Opportunity per year over the Tenth Plan Period, New Delhi, 2002

³⁵ Subramanyam, B. "Outsourcing industry at the crossroads", Economic Times, 16 June 2005.

infrastructure, although its disadvantages are considerable relative to India, including a limited pool of proficient English speakers. However, the Chinese government has invested over \$5 billion towards promoting English language skills in nine universities.³⁶

The Philippines, by contrast, is the third-largest English speaking country in the world and has large-scale technical training programmes, although the sector is still in its infancy, with revenues of a few hundred million dollars compared to India's \$3.6 billion.

Sarkar, a call centre worker with a UK-based process, whom we interviewed, sees India's advantage as transcending material conditions of labour costs and infrastructure to reside in the creativity of Indian call centre employees. He tells us about the system of periodic skip-level meetings with clients from the UK, with team leaders and agents on ideas for improving services.³⁷ It was in one of these meetings that one successful idea was passed along by an agent, of battling credit-card fraud by having a PIN code for verification purposes.

- III -

Survey results:

Now we take a look at the work situation of employees in the BPO sector. Our employee questionnaire (Appendix) was filled out by 51 employees of Bombay call centres, concentrated primarily in the Mindspace development of Malad, a suburb in North Mumbai. The questionnaires were filled out between May and July 2005. It is 10 pages long, with a total of 53 questions. It took respondents about half an hour to complete. In addition, the surveyors supplemented the questionnaire with interview-style questions. Some other workers were interviewed but did not complete a questionnaire due to time constraints. Interviews with upper management of various call centres and with a representative of NASSCOM were also completed. The questionnaire covered six major areas:

- Demographics
- Contract Information
- Reasons for working in a call centre
- Work environment
- Worker skills and future prospects
- Suggestions and recommendations

Employees were extremely helpful in taking time out to talk with surveyors, despite sometimes only having a few minutes break from their work. Company representatives from Intelenet and 3 Global Services, both located in Mindspace, were also very helpful. Other companies contacted were not as helpful. In particular, our attempts to meet with JP Morgan Chase met with failure. Discussions with workers indicate that although the employees have specific complaints about their working conditions and there is an interest in unionization, the attrition rate quoted in

³⁶ Rediff.com, "BPO: China the Biggest Threat to India", 8 January 2004, available at <http://www.rediff.com/money/2004/jan/08bpo.htm>

³⁷ "Skip-level" refers to the act of skipping various levels in the company hierarchy. Immediate superiors and juniors do not attend the same skip-level meeting. Agent refers to the call center employee who interacts directly with the overseas or domestic customers on the phone.

various sources, from 20% to 80%, may in fact overstate the dissatisfaction felt. From what we have gathered through the surveys and through interviews with current and former employees, a large part of the attrition rate is explained by the incidence of workers circulating within the industry itself. A high level manager with Intelenet gives numbers obtained through exit interviews in her division. Roughly 85% of those who leave go to another call centre. Of the other 15%, 80% are either students or relocating due to family. Inder, in middle management at a call center, works for a U.S.-based collection agency, and gets 2-3 calls per week from placement agencies that are looking recruit for other companies. These other companies are usually new, brimming with investment money and can offer higher wages to initial recruits. Inder says they can maybe offer a 20% or higher increase in wages. He tires of the calls, especially receiving them in the morning after his night shift, but doesn't want to burn any bridges in case he does decide to leave his current job.

Others gladly shift, not only for the increased salary, but to change to a different shift or for growth potential. Amjad has worked in the industry for two and a half years. He switched companies once because he was tired of night shifts and was missing out on socializing with his friends. Another person has been in the industry for three years, and moved around looking for a better package in terms of money, environment and management. Others were primarily interested in money. The day we met him, Johnny had just received an offer letter from another company with a sizable increase in salary.

The results from our questionnaire below are not meant to indicate any wider conclusions about call centre employees in Bombay, given the small sample (51 surveys in a population of around 50,000). They are presented in order to give a rough indication of the state of affairs.

Demographics

In India, the number of people employed in the BPO sector is currently upwards of 250,000, expected to reach up to 1.1 million by 2008.³⁸ The BPO business grew by 46%, to revenue of \$3.6 billion, and added 70,000 new jobs in the 2004 fiscal year.³⁹ The percentage of GDP of the IT sector as a whole is currently a small 3.2%, although some maintain it is providing opportunities for college students and graduates that are not otherwise present.⁴⁰ Of total Indian exports, it is a larger 18%, forecasted to reach 30% in a few years.

The education breakdown of survey respondents was not surprising. 73% of respondents were graduates, while 18% had a post-graduate degree and 10% had only completed high school. Many companies have begun recruiting directing from college campuses, and some respondents

³⁸ "Global Sourcing in Asia", Hewitt Quarterly Asia Pacific, Vol. 3, Issue 4, 2005.

http://was4.hewitt.com/hewitt/ap/resource/rptspubs/hewittquart/HQ_12/articles/globe_source_asia.html. Ghosh and Chandrasekhar in their article '**Outsourcing for Development**' (**The Hindu Business Line-Dec 02, 2003**) point out that outsourcing as a business practice is so recent a phenomenon that forecasts on the growth of the market made by international consulting firms hired for the purpose of extolling the virtues of the market, can be easily classified as marketing and conjecture.

³⁹ Ribeiro, John. "Study: India's outsourcing industry continues to boom", Computerworld, 3 June 2004, available at <http://www.computerworld.com/managementtopics/outsourcing/story/0,10801,93598,00.html>

⁴⁰ Goyal, P.K., "Outsourcing: Win-win for all", Business Line, 16 November 2004, available at <http://www.thehindubusinessline.com/2004/11/16/stories/2004111600100700.htm>

were working at a BPO part-time while attending college. Other companies had policies that restrict employment to only those who were graduates.

Contract Information

90% of respondents were on a permanent contract, while the remaining 10% had a temporary contract. 8% of respondents earned between Rs 5-10,000, 31% earned between Rs 10-15,000, 43% earned between Rs 15-20,000, 10% earned between Rs 20-25,000, and 8% earned over Rs 25,000. Note that the majority of those in the top two categories were in middle management positions.

69% of respondents said there was a general mechanism to register grievances at their company, while 2% weren't sure. 53% said there was a sexual harassment grievance recourse, 6% weren't sure. 65% said they had recourse to a grievance mechanism in the event of offending callers, while 14% weren't sure. In this case, it is important to note that two respondents from the same company would give different responses as to their company's grievance mechanisms. Either information about these mechanisms is not being properly disseminated or they have not felt the need to access these mechanisms.

Reasons for working in a call centre

Through the questionnaire, the two main reasons found for working in a call centre were the salary (35 out of the 51 respondents) and the quick money available by working in a BPO (18 respondents).⁴¹ Other top reasons included call centres being considered a serious career option (17), the easy availability of jobs (15), the desire to be part of a young team/work environment (13), job satisfaction (12), quick promotions (12), and the opportunity to work for a foreign company (10).

Through interviews with employees, more details emerged. Some employees have shifted from other careers, in NGOs, as housewives, even as IT professionals. Inder left a job in the hotel industry due to the irregularity of shift timings and the pay. He and his wife have both completed five years in the call centre industry and advanced to management positions. He finds the work less stressful than in his previous career: "I get picked up from home, driven to work, turn on the com[puter], put on the headphones, dial the numbers, take my breaks, finish and get driven home. I don't have to wait for the bus or train and worry about being late if something happens."

Others had plans to stay only temporarily in the industry. I met a group of three people who had begun their call centre jobs after finishing their high school (12th standard). They worked for between two and 12 months in call centres and are about to begin graduate courses in Public Administration. They took the call centre positions to make some quick money. Shahrukh has worked for three companies in a span of a year, after finishing high school. He attended the paid training of one company, which last from one to three months, and then moved on to the others for the money. He has now left the industry and is pursuing higher studies.

⁴¹ Respondents had the option of selecting more than one reason.

Sufiya brings up what she feels is the egalitarianism of the industry. Crossing lines of gender, religion and caste, she says, “anyone can fit in at this type of work, assuming they have good language skills.” To the large assumption of good English language skills can be added the proximity to or ability to travel, sometimes cross-country to a call centre. These two assumptions usually go hand-in-hand. Those with the means to travel distances to take up a call center job are those that have had the schooling and the environment to gain good language skills.

Work environment

About half of the questionnaire respondents felt that there were no problems with their physical work environment. 14 respondents felt that their work environment was too cold, while 10 mentioned that there was no filter on their computer screen at work.

59% of respondents felt that their work environment was not stressful, while 41% felt that it was. Of those that felt stressed at work, the main source indicated was the little time for interaction with other employees (15 respondents). 13 employees cited the repetitive nature of the work, 12 mentioned the high speed of the work. 12 respondents also mentioned the ambitious targets set by the firm, while 11 respondents cited the few number of work breaks.

For the call centre worker, having a break on a given day is uncertain. It depends on the number of people who make it to work. If not enough people show up for their shifts, the people who are working may have to forego their breaks.

Many of the reasons above – the repetitive nature of the work, the speed of work, the little time for interaction – are all linked, and stem from the company targets. Call centre employees are expected to answer a pre-determined number of calls during their shift. Successful handling of the allotted number of calls constitutes a portion of the performance evaluation of the worker. Additionally, a performance measure for each handled call constitutes another portion, composed of two things. One, the average handling time (AHT) of the call. The longer a call goes on, the lower your score in this area. In effect, the employees who are able to quickly get people off the phone will get higher scores in this area. For one company, this criteria is 40% of overall performance on a call.⁴² The other 60% comes from the quality of the call, based on tone, asking the right questions, searching for accurate information, adherence to procedures, and upselling if applicable. They need to get an average of 80% or higher, evaluated on a weekly and monthly basis in reports. Incentive payouts are cash added to your pay check if you’re above x% or y%, for instance 95%. The best 5 performers may also get an additional bonus.

In order to grade a worker’s performance on a call, of course, they must be monitored.

In call centre worker Cindy’s office, quality assurance inspectors located in Ohio randomly listen in on calls and rate them. There is no indication to the employees of which calls there are inspectors listening in.

Most companies in the complex have cars to pick up workers from their home or from the nearby train station, and drop them off after work ends. Some workers complained, however, of having

⁴² The manager iterated that this type of worker evaluation is common across companies.

to find their own way home if they finish work after 7 or 8 in the morning. On the other hand, sometimes the van has to pick up 5-6 people and then go to centre- sometimes two hours each way. This time is not counted in their working hours.

In addition to the pressures exerted by the company performance measures, call centre workers are also impacted by the racial abuse of customers. Krishna, who previously worked on a British customer service line, handled customers who would call, not to take care of some business, but to abuse him, to take out their frustrations on the Indian call centre employee. In response to the verbal abuse of workers placing outbound, or unsolicited, calls, many companies have begun allowing employees to hang up on offending callers and adding their names to a “Do Not Call” list.⁴³ However, this affects only outbound callers. This does not extend to customer service calls. Employees cannot hang up on these callers, however abusive, due to customer service agreements.

Sarkar has been in the industry for 1 year, 10 months with current call center, ICICI One Source, a UK process, and 2 month prior to that with a Cingular, a mobile phone service in the US. He left the Cingular process due to the amount of verbal abuse he experienced from the US customers. They were “going through all that shitty stuff in New York [a reference to 9/11], terming us as terrorists, especially the guys...from the point of time we started disclosing we were in India, callers would say ‘You guys are wrecking our country’, ‘You’re ruining my mental peace.’” In response, they used professional language. This abuse, he says, “depends on people’s mentality, at certain points of time they get aggravated emotionally.” He contrasts this response from US customers to that experience from the UK-based callers at his current call center. They aren’t abusive, and are even apologetic: “Sorry, it’s not you I’m abusing, it’s the service.”

59% of respondents also felt that their personal life was not negatively affected by their work in the call center. Of those 37% who did feel affected negatively, the main causes cited were stress (10 respondents) and the working hours (10). Other reasons included alienation from family (6) and from friends who work regular hours (5). Of those 3 who mentioned medical problems, 2 cited backaches resulting from their work.

The work environment of a call center, working at night, in front of a computer for long periods of time without a break, is another factor that employees must deal with. The Vaidya and Thakker report on worker conditions in call centers describes this:

“You have to be confined to your chair and be fully alert all the eight hours of the shift. When a customer from overseas calls you have to pick up the phone before it rings three times or otherwise it is marked as a fault and your wages are cut for faults...some times one has to answer more than 150 calls in a night shift. When you are in a night shift the body is deprived of sleep and rest. When the shift changes the body clock does not adjust quickly to the change. When you sleep during the day, there is no social life.”⁴⁴

⁴³ Menon, Vinod Kumar. “Call centre staff can hang up on abusers”, Sify News, 27 April 2005, available at <http://sify.com/news/fullstory.php?id=13728265>

⁴⁴ Vaidya, Dr. Shanta, and Shri Ajit Thakker. Business Process Outsourcing/Call Centres. Maniben Kara Institute, Mumbai. September 2004, p.4.

In the same report, according to a survey by Dataquest, the percentages of call centre employees with sleeping disorders is 40%, eye fatigue is 19%, and digestive disorders is 34%, with that number going up to 50% for women employees. The types of problems experienced is given a name: BOSS, or Burn-Out Stress Syndrome. The symptoms of this syndrome include chronic fatigue, insomnia and complete alteration of 24-hour biological rhythm of the body. Gastrointestinal problems are inevitable for those working at nights as the body is put under chronic stress. A potentially fatal increase in heart rhythm can result in severe chronic gynaecological problems in women and sleep disorders in both men and women.⁴⁵ The pro-industry website BPOIndia.org mentions what is dubbed “centre-itis”, or repetitive voice injury, caused by long hours on the phone and little opportunity for even a drink of water.⁴⁶

Our research also indicates the prevalence of smoking as a stress-relieving mechanism among call-center employees. Indeed, marijuana was also offered to a surveyor, and another employee invited a surveyor to one of the routine parties than employees attend, where drugs such as cocaine and LSD can be found and consumed. Issues of drug abuse to maintain the demands of the working schedule have also been cited in the media, albeit in a purely sensationalist manner.⁴⁷ There is more evidence here of drug peddlers using the presence of large numbers of young people with money, in order to sell their products.

Despite all this, most respondents (86%) felt that their life was affected positively by their work in the call center. Main reasons cited include the good salary (38 respondents), new friends (31), job satisfaction (20), and the new skills learned (20). These new skills included communication skills, corporate/management skills, technical/computer/financial skills, patience, and exposure to the global environment.

Workers Organizations

From the questionnaire results, there is some interest among workers in employee associations. 78% of respondents were in favour of employee associations, while 55% indicated that they would join one.

One of two organizations resembling trade unions attempting to make inroads in the BPO sector is the Centre for Business Process Outsourcing Professionals, affiliated to the Union Network International, linked to the International Confederation of Free Trade Unions.⁴⁸ CBPOP is now based in Hyderabad, Bangalore, Chennai, Mumbai and will soon be operational in Delhi, Kolkata and cities like Pune and Noida.⁴⁹ According to an informational leaflet, they have established contact with more than 2,000 employees in these cities. Originally planning to create a nationwide union, they have been forced to register state-level unions to a change in relevant laws.

⁴⁵ <http://www.isourceindia.com/bpo-faq.html>

⁴⁶ <http://www.bpoindia.org/faq/>

⁴⁷ Desai, Resha. The dope on call centres. June 5, 2005, Mid day, 12.

⁴⁸ Rajendran, M. “Enter union, in call centres”, 25 July 2004, available at http://www.telegraphindia.com/1040726/asp/frontpage/story_3543288.asp

⁴⁹ See also Bhattacharya, Pallavi. “Union aims to make BPO jobs cool again”, Sify News, 24 May 2005, available at <http://sify.com/news/fullstory.php?id=13806989&page=3> and Thomas, Shibu. “We’re gonna get a BPO union, dude!”, Sify News, 25 April 2005, available at <http://sify.com/news/fullstory.php?id=13806989>

The other organization looking to take up the issues of call center employees is the Young Professionals Collective based in Mumbai. The organization conducts welfare activities, and “plans to build a movement to involve call centre employees in social issues and to work with the government, professional bodies and international agencies to develop guidelines for the working conditions of call centre employees.”⁵⁰

NASSCOM survey:

NASSCOM undertook a survey on worker benefits in the ITES-BPO industry by surveying its member organizations. 33 organisations participated out of a total of close to 400 companies in the ITES-BPO sector. A sampling of the results is below:⁵¹

Compensation

- 96% of organisations provide variable pay, linked to individual unit performance, 67% provide it to all employees, 22% only to those in specific grades. 81% have cash-based plans
- 52% provide stock options, 57% of which is only to those in specific grades. Most organisations have a vesting period of between 3 to 6 years.

Time Off

- Most organisations offer 30-40 days leave divided under various heads such as privilege leave (21-25 days), casual leave (7-12 days), and sick leave (7-15 days). 89% allow carrying unutilized leave forward, 81% allow encashment of unutilized leave.

Insurance

- Most provide hospitalization benefits, 89% extend the benefit to all employees through insurance schemes and bear 100% of the premium cost. 52% cover spouses and dependent children. 44% cover dependent parents also.
- 93% of organizations offer life insurance, a large number also provide accident insurance, although most extend the benefit to the employee only.

The 33 organizations give an attrition rate of 32%, calculated using the formula
Total resignations/year / Average Headcount (opening and closing figures)

- IV

Recommendations

Based on the results of our surveys and interviews, we recommend that the relevant government bodies create guidelines standardizing certain aspects of call centre work:

- The maximum number of hours of work per week should not be more than 50.

⁵⁰ Young Professional Collective Press Invitation, 17 January 2005

⁵¹ NASSCOM Annual Report 2004-2005

- Work breaks should not depend on the number of people at work on a given day, as described above, but be a fixed and adequate amount of time for each shift.
- Institute a system of accountability to deal with the problem of verbal abuse by customers. Contracts between foreign firms outsourcing work to Indian firms should have limitations to customer service agreements in the event of abusive callers.
- Given the future outlook, and the relatively insecure nature of this sector, the government must look at policies to deal with the eventuality of layoffs, such as job retraining programs and the like. Perhaps 2% contribution each from both government and companies can be kept aside as Contingency Provident Fund for retraining, education, and retrenchment compensation.
- We also recommend a periodic assessment of the impact of security measures. There should be no undue harassment of employees in the name of security. Besides, the onus of security should not only be on the employees. Mostly fraud is the result of bad procedures on the part of companies. Eg. Employers often make staffers use absent staffers pin codes, which is a security risk. In cases of fraud, the role of employers must be investigated too, not only the employees.
- Stress levels of employees must be monitored. Where necessary counselling and care must be provided free of cost.
- Investigation is needed into credit card companies working in tandem with call centre employers to give huge credit limits to young people working in call centres, in order to make them too indebted to leave their jobs.

On the macro level, there is a need to review the emphasis placed on this relatively peripheral and transient sector, which affects a fraction of the Indian population, to the detriment of basic agricultural and manufacturing sectors where the bulk of the population works and where the bulk of new jobs can be created.

We also urge the government to lay a comprehensive regulatory framework that addresses issues of Foreign Direct Investment, technology transfer, working conditions and job security.

Government and policy makers must examine the claim that is made in favour of BPO, that a huge number of jobs are being created. It is clear that the numbers of jobs gained here cannot compensate for the jobs lost in industrial closures and retrenchment in core service sectors. Job losses in both the developed countries and in the developing world are of concern to the working class world over.

In conclusion, this report is not a comprehensive study of Business Process Outsourcing in India. It is an overview of the issues and the context in which we view the BPO sector in the country, its phenomenal growth and the risks and issues that it gives rise to. It also identifies some of the demands and aspirations of call centre employees, which must find resonance in policies governing this sector.

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