

Institution: University of Strathclyde
Unit of Assessment: 19 Business and Management Studies
Title of case study: Increasing inward investment in Scotland and enhancing union responses to offshoring and international labour standards
<p>1. Summary of the impact</p> <p>UK companies have chosen to retain contact centres in Scotland and International companies have chosen to invest in Scotland's Business Process Outsourcing (BPO) sector in part as a result of Strathclyde research into Call Centres and offshoring in Scotland, Globalisation and Offshoring. Strathclyde researchers have worked closely with Scottish Development International (SDI) to develop Scotland as an attractive 'nearshore' BPO location which has changed government policy and corporate decision making – in one instance the creation of a separate corporate entity, RBS Insurance. Extension of the outsourcing research into the quality of working life, working conditions and job protection have informed labour standards promoted by the International Labour Organisation on 'remote working' and trade union policies on work conditions and offshoring.</p>
<p>2. Underpinning research</p> <p>The body of research and its insights fall into two inter-related phases.</p> <p>Call Centres in Scotland: The research focussed on the call centre sector and call centres as an innovative development for work and employment, organisational life and employee relations. Insights from eight linked reports (from 1997 to 2011) commissioned by Scottish Development International (SDI), Scotland's inward investment agency, demonstrated that call centres would become and remain an integral element in organisational life, transforming the nature of interactive servicing and service work [2, 4]. The flexible and spatial characteristics of the call centre would have significant impacts on particular 'peripheral' economies in the developed world including the notable case of Scotland, which would emerge as a major location for this work [1]. This body of work on the Scottish call centre sector informed research on the development of offshoring.</p> <p>Globalisation and Off-shoring: Research on the off-shoring of call centres thus flowed from, and was integrated with, studies on the Scottish sector [2]. Research reports on the impact of offshoring on the Scottish economy were commissioned by SDI in 2003, 2008 and 2011 and were combined with intelligence briefings concerning the Indian Business Process Outsourcing (BPO) market [5]. Such a synthesis was necessary to identify both the threats from remote locations such as India and the opportunities for inward investment. The combined insights from these reports, in turn, deepened conceptual understanding of offshored business services through the authors' utilisation of Global Value Chain perspectives [6]. This work challenged the widely accepted view of industry and government that the bulk of call centre activity would migrate from Scotland/UK to lower-cost remote destinations, such as India, as a general and irreversible move towards outsourcing.</p> <p>Studies demonstrated the importance of quality, linguistic sensitivity and growing awareness amongst organisations of retaining complex and tacit knowledge in on-shore or near-shore facilities [2, 3]. They delivered valuable insights into the realities of work and its management in Indian contact centres, including the highly routinized tasks, cultural and linguistic difficulties associated with remote 'voice' delivery and problems of labour attrition [7, 8]. Analysis of such problems helped clarify, by contrast, the strengths of the Scottish BPO industry as a viable 'nearshore' destination.</p> <p>A parallel strand of research [6, 7, 8] has been in respect of working conditions and labour standards across the call centre global chain and trade union developments. The objective of this research was to investigate and understand union responses to offshoring in both the UK and India. The key research insights problematised the then dominant protectionist orientation and provided a rationale for a more positive response from unions to the embryonic development of Indian unionism amongst BPO employees.</p>

Key researchers:

Phil Taylor's key collaborator from 1997 until his death in 2007 was Peter Bain (Senior Lecturer in the Department of Human Resource Management at the University of Strathclyde). Taylor was at the University of Stirling from 1997-2006 when he joined the University of Strathclyde as a Professor. Other researchers cited include Gareth Mulvey and Pauline Anderson, researcher and PhD candidate at the University of Strathclyde for 1998-2003 and 2005-2009, respectively. Jeff Hyman has been based at the University of Strathclyde until 2000 before being employed at Glasgow Caledonian University.

3. References to the research

1. Taylor, P. and Bain, P. (1999) 'An Assembly Line in The Head' : Work and Employment in the Call Centre', *Industrial Relations Journal*, 30:2, 101-117
2. Taylor, P. and Bain, P. (2003) *Call Centres in Scotland and Outsourced Competition from India - Report for Scottish Development International*, Universities of Strathclyde and Stirling
3. Taylor, P. and Bain, P. (2005) 'India Calling to the Far Away Towns': The Call Centre Labour Process and Globalisation', *Work, Employment and Society*, 19.2: 261-282
4. Taylor, P. and Anderson, P. (2008) Contact Centres in Scotland – the 2008 Audit, Scottish Development International/Scottish Enterprise
5. Taylor, P. (2009) *An Evaluation of the Indian BPO and Call Centre Industry and Implications for the Scottish Economy*, Scottish Development International/Scottish Enterprise (March 2009)
6. Taylor, P. (2010a) 'The globalization of service work: analyzing the transnational call centre value chain', in Thompson, P. and Smith, C. (eds.) *Working Life: Renewing Labour Process Analysis*, Basingstoke: Palgrave, 244-258
7. Taylor, P. and Bain, P. (2008) 'United by a common language? Trade union responses in the UK and India to call centre offshoring', *Antipode*, 40.1, 132-154
8. Taylor, P. (2010b) 'Remote work from the perspective of the developed countries: a multi-country synthesis'. In Messenger, J. and Ghoshseh, N. *Offshoring and Working Conditions in Remote Work*, Geneva/Basingstoke: ILO/Palgrave Macmillan, 17-59

Other evidence for quality of research

The Scottish sectoral audits and research in India have been funded by the Scottish Government through its agencies, Scottish Enterprise and Scottish Development International. An additional grant for relevant research came from the Economic and Social Research Council's 'Future of Work Programme' (1998-2003), which funded a study of the meaning of work in call centres and the software industry, which was based at the University of Strathclyde. Taylor and Bain were lead investigators. Academic publications have had major impact. For example, as of October 2013, Taylor and Bain's 1999 article [1] had been cited 612 times; The Taylor and Bain (2005) article is the fifth most cited article that has ever appeared in the ABS 4* rated journal *Work, Employment and Society*.

4. Details of the impact**Process from Research to Impact:**

Taylor and Bain through a series of reports and publications built a close working relation with Scottish Development International (SDI). This relationship and significance of the research resulted in Taylor playing a leading role in nine trade delegations to India organised by SDI between 2008 and 2013 and he was appointed a GlobalScot (network of leading Scottish industrialists and experts) by the Scottish Government in 2010. From this position of influence,

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Taylor has been directly involved in the pathway to impact by facilitating the adoption of the key research findings by diverse practitioners and policy makers.

Impact on jobs and inward investment strategy – Scottish Government:

Scottish Development International (SDI) since 2008 has developed a distinctive position on Scotland's position within the global economy of business services. As the Senior International Executive at SDI attests, Strathclyde research provided *"for the first time, comprehensive and reliable data on the sector, that assisted government, employers and industry bodies to develop policies and strategies that would make the sector sustainable in the long term"* (Source 1). SDI has been convinced of the importance of adopting the internationally accepted language and terminology of the industry, particularly Business Process Outsourcing (BPO), as a preliminary to Scotland being able to compete in the market for higher-value services. A consistent and distinctive argument was developed that rather than consisting solely of outflows of capital and technology to developing countries, the reality of global service delivery is that developed countries can play a role in higher value added locations (Source 6 and 7).

Since 2008, SDI and the Scottish Government have been convinced of recognising Scotland as a global BPO hub: *"Professor Taylor's invaluable research and insights have been applied by Scottish Development International to policy and practice"* (Source 1). Between 2008 and 2011, Scotland's contact sector has expanded in employment from 86,000 to 90,000. Since 2008, new inward investors to Scotland who have either established new facilities or expanded existing ones include French companies (Teleperformance, WebHelp, CapGemini), US firms (Hewlett Packard, Dell, Stellar) and Indian providers (Wipro, Hinduja). SDI President (Americas) states that the research has *'influenced and assisted SDI in the development of our inward investment strategy'* (Source 2). In certain cases, this investment has followed trade delegations involving Taylor. For example, in 2009 and 2010 delegations to India met with Partha Sarkar (CEO Hinduja Global Solutions). Inward investment in the BPO sector in Scotland has become a significant trend. For example, on 21 June 2010, Hinduja announced the acquisition of Careline Services based in Selkirk and confirmed its commitment to job creation. SDI also attests to the numbers of delegations from Indian and global service companies whose visits to Scotland have been influenced in part by the propagation of Scotland as a BPO hub. In recognition of the explicit impact of the research, SDI President (Americas) Danny Cusick has commented, *'I have no doubt that the research work led by Professor Taylor has contributed directly to the success Scotland has experienced in developing and growing the sector over the last decade or so'* (Source 2).

Impact on jobs and inward investment strategy – companies:

Insights on the strengths and limitations of remote contact centre sourcing in general, and of the Indian market in particular, has also been utilised by Scottish-based and UK companies. For example, in 2010 Taylor provided a market intelligence report based on the Indian BPO industry for the Royal Bank of Scotland. Described by the company as *'timely.. comprehensive and full of valuable knowledge that was applicable to our situation'* (Source 3), this report drew on both academic publications and research reports and presented a detailed analysis of India's capacity to provide interactive customer contact in the insurance services. The conclusion, which influenced the company's location decision, was that India might be able to deliver certain relatively standardised customer services but lacked the ability to provide in-depth and complex customer interaction which should be retained onshore (Source 3). Even more significant, the company attests this decision-making sparked a series of developments that led to the creation of a new organisation separate from the Royal Bank of Scotland Group (RBSG), RBS Insurance: *[the research was] 'an important component and contribution in our decision-making process...towards an eventual IPO as RBS Insurance was divested from RBSG in 2012/13'* (Source 3). Taylor has also demonstrated that the comparative cost differential with India has reduced over time, further enhancing the attractiveness of Scotland (Source 8).

Impact on union policies and labour standards:

The former National Officer at Unite the Union, referring to the original body of call centre research, observes that, *'it was influential in helping us to understand some of the difficulties members faced and what could be done to improve them'* (Source 4). The research on offshoring has also

Impact case study (REF3b)

informed UK unions' offshoring policies. The findings provided Unite the Union with relevant perspectives and reliable data on the offshoring of call centres. As a result of this information, Taylor was asked to address several national conferences at which policies were made by the union and its delegates. The former National Officer explains how the research and presentations contributed to policy development: "*The findings have particularly helped the union, in the very least establishing the ways in which work conditions can be improved and in meeting some of the acute challenges posed by offshoring*" (Source 4). Of equal importance, the research on Indian contact centres and on trade union developments underpinned the adoption of an internationalist perspective and an aspiration to improve Indian workers' conditions (see reference 9). The international impact of the research is extended further by engagement with the International Labour Organisation (ILO). Referring to the formulation of policies on decent work and international labour standards, David Fleming of Unite the Union observed that, '*his [Taylor's] research has significantly shaped the perspectives of the ILO in relation to these agendas*' (Source 4). Reinforcing this observation, Jon Messenger the Senior Research Officer at the ILO, referring to Taylor's and related contributions to an ILO publication *Offshoring and Working Conditions in Remote Work*, states that '*this volume led to the development of new legislation on night work in the Philippines, and more recently, has been cited in the social dialogue discussions regarding outsourcing in Brazil*' (Source 5).

5. Sources to corroborate the impact

- 1) Letter from Senior International Executive, Scottish Development International
- 2) Letter from president, Americas, Scottish Development International
- 3) Letter from Insurance and Vendor Management, Royal Bank of Scotland
- 4) Letter from Unite the Union Finance Sector National Secretary
- 5) Letter from Senior Research Officer, International Labour Organisation
- 6) Scotland: A Premier Location (August, 2010), Glasgow, Scottish Development International
- 7) Scotland: A Premier Location (May 2012), Glasgow, Scottish Development International
- 8) Cost Differentials Between India and Scotland for Offshored Business Services – a Report for HSBC, University of Strathclyde/Scottish Development International