

**Roger Lyons's presentation for Session 2 – The impact on the developed economies: Analysis, best practice and policy recommendations**  
**Roger Lyons is Amicus Joint General Secretary/ President of the TUC.**

**Date:** Thursday 4<sup>th</sup> March 2004

**Venue:** The Design Council, 34 Bow Street, London WC2E 7DL

**1. Introduction:**

Call centres and other industries utilising ICTs (information & communication technologies) have made a major contribution to the UK's record employment levels and near full employment. The DTI and the Call Centre Association have estimated that of all the new jobs created in Britain in 2001, 38% were in call centres alone.

Offshoring threatens to bring the sustained growth in the services sector to an end. 15,000 financial services jobs have been outsourced since last October. This confirms the predictions of industry experts that **two hundred thousand jobs** could be exported offshore in the next five years in the financial services sector alone.

Amicus is in no doubt that such a massive jobs exodus will damage the UK economy as a whole. But we are not advocating traditional protectionism. No King Canute antics here!

**2. What impact will offshoring have on the UK economy?**

**Will offshoring damage the UK's competitiveness?**

The McKinsey Institute states that **40-50%** cost savings are needed if offshoring is to bring benefits to the UK economy. With smaller cost savings, the increase in company profitability is not enough to offset the negative losses to UK GDP, employment and the increased trade deficit.

Even now, cost savings are often less than 40-50%. And they are likely to fall further as salaries in offshore locations rise - the Economist predicts that IT salaries in India will catch up with those in the West in less than 10 years time.

A recent Contact Babel survey found that Indian call centres are *27% less productive* than their UK counterparts, as UK call centre agents resolve customers' queries more quickly - another reason why offshoring could damage the competitiveness of UK companies.

There is also clear evidence that offshoring will hurt UK companies' bottom lines due to plummeting employee morale in the UK.

### **3. Amicus fears a jobs exodus**

Offshoring strategies are being pursued by Aviva, BT, BUPA, National Rail Enquiries, The Prudential, Royal & Sun Alliance, Lloyds TSB, Allen Overy, AXA, Powergen, Abbey National, JP Morgan Chase and HSBC to name but a few.

**Offshoring is not only affecting call centres jobs:** Back office functions are in fact at far greater risk. Legal services, accounting, HR, business analysis and equity research jobs to name a few have all been relocated – indeed, offshoring high value work is perhaps more appealing as it creates greater economies of scale.

It is a myth that job losses as a result of offshoring can be dealt with exclusively through natural wastage and voluntary redundancies. Amicus is at present dealing with the prospect of a number of compulsory redundancies in the financial services sector.

Moreover, when job losses are dealt with through voluntary means and natural wastage it still means that those jobs no longer exist within the economy.

The loss of jobs in the call centre and business processing sectors is particularly worrying because these jobs have been responsible for getting many people back into work, providing an introduction to IT and customer care skills, and enabling people to move up the career ladder. The offshoring of service sectors jobs will severely limit employment opportunities and damage the UK's skills base.

**Many commentators suggest that the cost savings made from offshoring made will be invested to generate higher skilled jobs.** But there is scant evidence that companies are reinvesting their profits in retraining and upskilling their UK employees. Nor is there a clear government policy in place to make the investments in human capital necessary to achieve the high-skilled knowledge economy we aspire to.

This lack of retraining and reinvestment will lead to further skills shortages, which will compound productivity and harm the ability of UK plc to compete in the global market.

**There is therefore an urgent need for more investment in skills:**

Amicus is holding talks with the Call Centre Association regarding the lack of investment in customer service training and the need to professionalise the call centre industry, for example through:

- Development of a best practice framework for employers.
- Development of accreditation scheme to support in-company training in CCs.

Amicus believes the UK services industry needs to focus on creating a **‘One Call’ culture**, whereby customers only have to speak to one call centre agent and can be confident that all their queries and needs relating to a particular company will be dealt with.

Amicus believes that both the government and industry are failing to be sufficiently innovative regarding the development of high level service provision in the UK.

#### **4. How can companies mitigate the local impact of ‘exit’ from the UK?**

Amicus believes:

- There should be no compulsory redundancies as a result of offshoring strategies;
- Site closures should be avoided wherever possible;
- There must be meaningful information and consultation about offshoring proposals;
- Companies must invest in redeployment and relocation opportunities, and support staff with retraining.

Amicus has agreed a framework agreement encompassing these key principles with Axa Insurance, RSA and the Prudential.

#### **Corporate Social Responsibility**

Companies must do more to honour the commitments they make to their employees and local communities in their CSR reports. When companies send thousand of UK jobs offshore and make hundreds and even thousands of UK employees redundant, these commitments do not seem to be a factor? WTO/ILO Core Labour Standards.

**Companies have a clear responsibility to work with the government and the unions on this issue.** We are calling on companies to take a longer-term strategic view on this issue, and not be seduced by short-term cost savings.

NB A recent CBI survey found that 43% of businesses feel under pressure to export work abroad *regardless of whether it is the right business decision*,

merely because their competitors are doing it. Companies are put under pressure by consultancies who tell them their share prices will spin if they don't offshore.

## **5. How can the Government mitigate the impact of redundancies?**

In conjunction with companies and unions, the Government must develop a clear policy to deal with offshoring, or jobs and valuable skills will be consigned to the scrap heap.

We are calling on the government to:

- Investigate more fully the impact offshoring will have on employment;
- Identify where the UK's competitive edge lies for the future;
- Nurture and capitalise on our skills base, by investing in retraining, skills development and life-long learning through the Regional Development Agencies.

The European Social Fund has been usefully used in steel and manufacturing in certain regions. This could also be put to good use in the services sector, to fund outplacements and retraining.

Amicus welcomes the DTI's enquiry: *Services and Offshoring: The Impact of Increasing International Competition in Services*. We have given evidence to the enquiry and hope the report will clearly set out the government's strategy for dealing with offshoring.

### **Public sector offshoring:**

We would strongly oppose the offshoring of public sector work. The government must set an example to business, and demonstrate that it is committed to the UK workforce.

### **CONCLUSION:**

**Government and industry must take a proactive stance and work with the unions to devise a strategy for dealing with offshoring. Without such a strategy, offshoring will:**

- **damage the UK's skills base;**
- **threaten the competitiveness of UK plc; and**
- **severely undermine the government's commitment to full employment.**

### **THE BUSINESS CASE:**

- RBS/HBOS

- L&G
- Nationwide
- Co-Op CIS/Bank
- Alliance & Leicester
- RHL (+ Sky/Scottish Power)