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DOWNSIZING, RIGHTSIZING ARE OUT, OUTSOURCING, OFFSHORING ARE IN

MANILA, Dec 5 Asia Pulse - In the late 80s and 90s, corporations around the world resorted to "downsizing" or "rightsizing" as the doublespeak for the mass retrenchment of workers.

Now, the terms may no longer be in vogue, having been supplanted by "outsourcing" and "offshoring", according to former Sen. Ernesto Herrera, general secretary of the Trade Union Congress of the Philippines (TUCP).

While the Philippines is lucky enough to be getting the jobs being "offshored" out of the United States and Europe, Herrera said several local firms that deal with large consumers have also started to "outsource" domestically their customer management services and other business processes.

The factors driving large Western companies to "offshore" some of their operations are the same conditions compelling Philippine firms to "outsource" locally, according to Herrera, former chairman of the Senate committee on labor, employment and human resources.

"But at least the jobs are staying in the country, and not going offshore, since we have a growing number of business process outsourcing (BPO) contractors here," he said.

"Mobile telephone operators like Smart Communications Inc. and Globe Telecom Inc., cable TV operators, utilities, banks, credit card issuers, fast-food chains, are beginning to outsource their customer care services," Herrera pointed out.

"In some of these firms, in-house customer care jobs rendered vacant by attrition are no longer being filled up. The jobs are just being assigned to BPO contractors," he added.

"Many firms now prefer to entrust to another entity the job of looking for young professionals with suitable skills for customer care operations and other business processes. This, apart from the fact that specialized BPO contractors tend to be more cost-efficient," Herrera said.

Herrera said "downsizing" became a buzzword in the late 80s through the 90s, when it was commonly used to describe severe corporate cutbacks.

He said downsizing became the euphemism for layoffs initiated by a company in order to cut labor costs by reducing the company's size.

"Rightsizing" was later born when people started to think that "downsizing" was too negative, he added.

Corporations resorted to downsizing due to increased productivity and technology advances that rendered human labor obsolete.

The downsizing of the 80s and 90s involved manufacturing jobs. This time around, Herrera said mostly service jobs are being outsourced.

Just like downsizing or rightsizing, outsourcing or offshoring is being driven by the need to increase company profits, particularly when there are other firms in the same industry that are performing better, or when a business has to reduce capacity due to slower demand.

Outsourcing refers to the delegation of non-core operations or jobs within a business to an external entity that specializes in that operation. A subset of outsourcing, offshoring implies transferring jobs to another country.

A recent Mckinsey Global Institute report estimated that by the end of 2004, some 1.5 million service jobs had been outsourced from the United States and Europe to countries like India, China and the Philippines.

By 2008, the report said an additional 2.6 million jobs would be outsourced from rich countries to the developing world, bringing the total number of offshored jobs to 4.1 million.

After India, the Philippines is the second-largest recipient of outsourcing by US corporations, capturing some 30 per cent of the market, according to a recent Columbia University survey.

At present, the Philippines outsourcing industry employs 132,000 workers in 120 firms, mostly call centers, according to the Department of Trade and Industry (DTI).

From 2006 to 2010, the DTI sees the industry employing an additional 668,000 Filipino workers, with call centers alone fully engaging an incremental 400,000.

(PNA)

