1. Introduction

SINCE THE turn of the century, the offshoring of production in the Information and Communications Technology (ICT) Sector has expanded into a multi-billion dollar global phenomenon. This paper focuses on the emergence of India as the most popular destination for the offshoring of IT-enabled services (ITES) and as a base for the export of ICT products and services to developed economies. Its concern is particularly with the impact on the major stakeholders—business decision-makers, employees and trade unions—in the service sub-sectors that rely on ICT in Australia. However, it also discusses some of the impacts on the United States where the most extensive studies on offshoring have been carried out and, consequently, offers some comparison between the two countries. It is also worth noting that India is not the only country that has established itself as a major centre for the exporting of ICT products and services. For example, Ireland, Canada and Israel have all developed important industries in this area. This suggests that the political and economic issues raised by developments in international ICT are more complex than a simple divide between the global ‘north’ and ‘south’. Nonetheless, India has emerged as the focal point for offshoring due to the rapid growth of its ICT sector and the scale of the offshoring projects being conducted there. (Aspray et al, 2006)

By far the majority of offshoring projects to India have been conducted by large American firms. As a result, there has been an at-times emotive debate about the desirability of offshoring in the US, with a particular concern for the potential outflow of ICT-affected service sector jobs. There is significant evidence to support the claim that offshoring has had a detrimental impact on jobs and job security in the US. For example, the Communications Workers of America (CWA) trade union established an online “offshore job tracker” in April 2004 in order to record reports of offshoring by ICT firms. According to the job tracker, 528,478 American jobs were offshored across all industries between January 2000 and June 2007. In the case of ICT, the biggest contributors to offshoring included IBM (63,700 jobs), EDS (22,400), Dell (17,450), Cognizant (15,000), Siemens AG (15,000), General Electric (14,250), Convergys (14,000), Accenture (13,000), Computer Sciences Corp (10,800), and Intel (10,426). (CWA, 2007) IBM’s Indian workforce currently stands at about 53,000, up from 39,000 in 2005 and 23,000 in 2004. Based on this rate of growth, it is projected to
Employ 70,000 Indians by the end of 2007. This equates to nearly a quarter of its total global workforce and over half of its American workforce. Accenture planned to have over 35,000 employed in India by August 2007, which will exceed its total US workforce. (McDougall, 2007; Grant, 2005)

Such records have contributed to some startling projections for potential job transfers as the following table reveals (cited in OECD, 2005, p10; Aspray et al, 2006, p38):

<table>
<thead>
<tr>
<th>Source</th>
<th>Estimated jobs lost to date</th>
<th>Projected job losses</th>
<th>Estimated jobs potentially affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goldman Sachs</td>
<td>300 000 – 995 000</td>
<td>3.3 – 6 million</td>
<td>U.C. Berkeley</td>
</tr>
<tr>
<td>Forrester Research</td>
<td>3.3 million over 15 years</td>
<td></td>
<td>14.1 million</td>
</tr>
<tr>
<td>Business Week</td>
<td>400 000 – 500 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>6 million over 10 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economy.com</td>
<td>995 000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Of these, 473 000 are expected to be in the IT sector.


According to an OECD report (2005), potentially affected jobs as a percentage of total employment stood at to 18.6 per cent in Canada, 18.1 per cent in the US and 19.4 per cent in Australia in 2003. Most of the affected occupations are in the service sector. Offshoring seems to be especially prevalent within occupations that involve computer programming, back office administration such as billing and records processing and also customer service. The Brookings Institution has suggested that services represent a ‘second round’ of offshoring, following the growth of manufacturing-based offshoring since the 1970s. However, such a transitional picture is complicated by the near-universal application of IT-enabled services (ITES) across multiple industries in the developed economies, including the manufacturing sector. In other words, there is interdependence between the manufacturing of commodities and the provision of the IT capabilities required to enable production in the modern capitalist economy. (Grant, 2005)
2. The Problem of Measuring Offshoring Trends

The near-universal application of ICT within and across the economies of the developed world creates serious problems when attempting to measure the impact of offshoring on labour markets. One problem is that there is no widely accepted measurement. There are several reasons for this. The first is definition. For example, offshoring can be viewed as a “subset of outsourcing”. (Holland et al, 2005) If outsourcing is “a means of enabling organisations to focus their resources on their core business, while facilitating new forms of work for other business areas” (Holland et al, 2005, p6), then it can easily be applied on an international scale in sectors that are both relatively labour-intensive and ICT-dependant in order to take advantage of wage cost differentials between countries. As this paper discusses further on, there can be no question about the strong correlation between outsourcing and offshoring. In many cases in which we discuss offshoring, the term ‘offshore outsourcing’ is appropriate. However, it is also important to recognise that not all ICT offshoring involves outsourcing. It is possible to ‘insource’ offshore operations. This may be the case if a non-ICT company owns and directly manages an offshore operation; an situation also known as captive offshoring. It is therefore more appropriate to conceptualise offshoring as the “international sourcing of IT and ICT-enabled services” that includes “international insourcing to foreign affiliates and international outsourcing where activities are contracted out to independent parties in other countries.” (OECD, 2005, p4; FSU et al, 2006, p2) The following figure puts this argument more explicitly (cited OECD, 2005, p5):

![Figure 1. Offshoring, outsourcing and insourcing – An illustrative matrix](image)
This figure shows that identifying offshoring trends requires the delineation of national outsourcing from international outsourcing, as well as the delineation of insourcing from outsourcing. Despite the rapid growth of offshore outsourcing, national-based outsourcing is still far more prevalent within the developed economies. (OECD, 2005) The fact that firms do not themselves always delineate between these concepts, at least not publicly, is a significant obstacle to any empirical analysis of offshoring trends. This definitional issue is further complicated by the rapid growth of the Indian ICT industry in the last decade. According to the OECD (2005), the export of Indian business services and ITES grew by a compound annual rate of 43.8 per cent between 1995 and 2000, followed by 19.6 per cent between 2000 and 2002. This compares to a global average of 6.9 per cent and 3.9 per cent respectively. However, it is very difficult to determine the extent to which these growth figures reflect offshoring trends because they also include figures for temporary migration as well as international outsourcing and international insourcing (which is recorded as “affiliated trade”). (OECD, 2005, p6)

Secondly, data on offshoring trends usually comes from organisations with a vested interest in the issue. In general, governments do not collect reliable data on offshoring trends. (Aspray et al, 2006) Much of the data that is available comes from international consultancy firms, trade associations or, occasionally, from trade unions. Figures might include “the number of jobs lost or created through offshoring, the number or percentage of companies offshoring work, the number of companies providing IT software services for export, or the monetary value of this work.” (Aggarwal et al, 2006, p51). Therefore comparing data analyses is often difficult and can produce inconclusive results. Often trend figures are interspersed with projected figures based upon an unknown or questionable methodology. Because most figures comes from stakeholder organisations—in other words, organisations with a vested interest in the interpretation or application of data—then we must question their reliability. (Aspray et al, 2006)

Problems with methodological reliability can lead to wide and sometimes inexplicable variations in data. For example, Aspray et al (2006) argue that figures for the annual value of “worldwide offshoring trade” is anywhere between $US1.3 billion and $US32 billion, depending on the analytical categories one refers to. An example of this
problem was presented in a US Economic Policy Institute report that shows a huge discrepancy between statistics on US software imports from India provided by the Bureau of Economic Analysis and those provided by the Indian ICT peak-trade association NASSCOM: (cited in Arora et al, 2006, p79)

As the table depicts, the BEA’s figures for software imports show a small peak around 2000 and then a slight decline until 2002. But NASSCOM’s figures spike sharply so, for example, its figure for software imports in 2002 is about 40 times larger than the BEA’s figure. NASSCOM’s methodology is unclear and, it can plausibly be argued, it has an interest in inflating such figures because of the potential to attract further foreign investment in partnership with India’s big ICT providers. However, there are also methodological problems reflected in BEA’s statistics, despite the argument that data collected by US government agencies is “among the most trustworthy” because it has the “ability to compel business organisations and individuals to report certain kinds of data under penalty of law” and because it employs “experienced economists and demographers who typically use appropriate methodologies and open their methods and assumptions to scrutiny.” (Arora et al, 2006, p81) For example, a report from the US Government Accountability Office argues that the BEA seriously underestimates the level of software imports into the US because of the lack of survey data. (Cited in Arora et al, 2006, p81; Bronfenbrenner and Luce, 2004) However, figures derived
from consultancy and market research firms tend to be far less reliable than even flawed government reports. Forrester Research’s figure that 3.3 million American jobs could be offshored over a period of 15 years (see Table Page 3) is one oft-quoted example that much be treated with caution as Forrester is a market research firm that provides services to business. Furthermore, it refuses to release its research methodology to public scrutiny. (Arora et al, 2006, p80)

Thirdly, there are a number of job or occupation categories affected by ICT offshoring. Because these categories are often different between countries and because they may exist in multiple industries, it is very difficult to delineate offshoring-affected occupations into discreet, measurable categories that can be tracked and recorded in order to identify trends for the purposes of international comparison. For example, Aspray et al (2006) identify six occupation types:

(1) Programming, software testing, and software maintenance;
(2) IT research and development;
(3) High-end jobs such as software architecture, product design, project management, IT consulting, and business strategy;
(4) Physical product manufacturing such as semiconductors, computer components and computers;
(5) Business process outsourcing (BPO)/IT Enabled Services (ITES) such as insurance claim processing, medical billing, accounting, bookkeeping, medical transcription, digitization of engineering drawings, desktop publishing, and high-end ITES such as financial analysis and reading of X-rays; and
(6) Call centres and telemarketing.

Aspray et al (2006) claim that the first three types are “the ones most closely associated with the transfer of software work across national boundaries.” However, they also argues that “because companies and industries intermingle these categories of work, so does most statistical data that tracks this industry—and it is often impossible to disaggregate data to capture information about only the categories of work [of interest].” (Aspray et al, 2006, pp19-20) Aspray et al (2006) also identify five types of firm engaged in off-shoring:
(1) Large, established software firms headquartered in developed nations that make and sell packaged software. These companies are almost all based in the US, including major companies such as Adobe, Microsoft, and Oracle.

(2) Large, established firms headquartered in developed nations that are major providers of software services. There is considerable overlap between software producers and service providers. Although there is growing competition from Indian firms such as Wipro, Infosys and Tata, the sector is dominated by US firms such as Accenture, EDS and IBM.

(3) The “enormous and eclectic” group of companies that provide non-IT goods and services, mainly based in developed nations.

(4) Software-intensive small firms

(5) Firms in developing nations providing software services to firms in developed nations. This market is led by Indian companies Tata, HCL, Wipro, Infosys and Satyam, although there has been some recent growth in China, Mexico and Russia.¹

Of these firm types, it is the myriad producers of non-IT goods and services that complicate the empirical picture the most:

It is difficult to estimate the amount of software work that is offshored by these companies. Businesses often do not break out this particular kind of expense, and if work is transferred to an overseas subsidiary, this is considered an internal transfer and may not be reported at all. However, it is clear who does the work. If it is not an overseas subsidiary of the company, then it is likely to be one of two other kinds of firms that provides the service: a large service firm from a developed nation…or a firm from a developing nation… (Aspray, 2005, p28)

In a business environment of “mergers, de-mergers, strategic alliances, public-private partnerships, and a variety of different forms of organisational disaggregation,” delineating what part of a firm’s activity is internal and what part external is increasingly difficult. (Arora et al, 2006, p78) Also, as ICT has grown in importance in the global economy, organisations have responded by adjusting their corporate governance structures. For example, responsibility for ICT outsourcing contracts has

¹ These countries are often referred to as BRIC economies, a pseudonym for rapidly developing or emerging economics; derived from Brazil-Russia-India-China
moved up the corporate chain-of-command, from IT managers to higher-level managers to executives. Today there a relatively new term in the corporate lexicon: the Chief Information Officer (CIO). There are now several online media outlets devoted to the career development, knowledge and skills of the CIO, including www.cio.com.au or Fairfax’s MIS Magazine (Managing Information Strategies). In some major firms, particularly those that focus upon ITES, the position of CIO is only supplanted by the Chief Financial Officer (CFO) and the Chief Executive Officer (CEO). So it appears that as firms become more reliant on their ICT capacity, and more sensitive to ICT innovation, the more difficult it is to separate their potential offshoring-affected areas from other operations.

These three methodological problems—definition, data reliability/availability and changing occupation and firm types—make it difficult to accurately measure offshoring trends. It is therefore unclear from any of the major offshoring studies whether the phenomenon can be chiefly attributed to a net transfer of ICT-related jobs between countries or whether changes in ICT-related employment patterns should be treated as a result of largely independent structural economic changes within national economies. This is a confusing issue to address because the very notion of ‘offshoring’ refers to the transfer of production. Of course, there is no doubt such transfers occur and that incidences of offshoring have risen sharply in the last decade. But the implication is that there is a need for economic analysis; in other words, a need to look more closely at macroeconomic movements in ICT-related employment patterns in specific national economies rather than a reliance on the accumulation of largely anecdotal evidence.
3. Key Drivers of Offshoring

At first glance, the availability of relatively cheap labour in developing economies is the principle driver for offshoring projects, as the following table reveals. (Cited in Grant, 2005)

Table: The appeal of offshoring ($US)

<table>
<thead>
<tr>
<th>Country</th>
<th>Labor costs Per hour</th>
<th>Average annual salaries of computer programmers</th>
<th>Predicted average annual salaries of computer programmers (2015)</th>
<th>Current Account Balance (% GDP)</th>
<th>Pop.</th>
<th>Median Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>.74</td>
<td>6,350</td>
<td>20,000</td>
<td>+.50</td>
<td>1.06 billion</td>
<td>24.4</td>
</tr>
<tr>
<td>China</td>
<td>.80</td>
<td>5,850</td>
<td>10,000</td>
<td>+2.86</td>
<td>1.3 billion</td>
<td>31.8</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.19</td>
<td>6,950</td>
<td>9,000</td>
<td>+12.50</td>
<td>23.5 million</td>
<td>23.8</td>
</tr>
<tr>
<td>Australia</td>
<td>19.45</td>
<td>38,600</td>
<td>45,000</td>
<td>-6.30</td>
<td>19.9 million</td>
<td>36.3</td>
</tr>
<tr>
<td>Britain</td>
<td>19.24</td>
<td>69,748</td>
<td>-</td>
<td>-1.60</td>
<td>60.3 million</td>
<td>38.7</td>
</tr>
<tr>
<td>United States</td>
<td>21.83</td>
<td>74,500</td>
<td>85,000</td>
<td>-4.90</td>
<td>293 million</td>
<td>36</td>
</tr>
</tbody>
</table>

Grant (2005) argues that there are four main conditions for ICT offshoring to occur:

(Also see Aspray et al, 2006, p20)

- political stability and economic liberalisation
- the existence of a large employment pool of educated and appropriately qualified English speakers
- the existence of a relatively young workforce
- the application of ICT and digitisation meaning that business processes can be organised far from the home-base of the investor or customer

The final point about digitisation is considered especially important in the context of ITES-based offshoring. As Grant (2005) puts it:

Offshoring a manufacturing plant might take several months—even years—to identify an appropriate site, employ suitably qualified people and establish operations consistent with
home-company requirements. Conversely, the decision to offshore a business process can be made and implemented within hours. The parts of the process can be divided and sent to the lowest cost locations worldwide. The result is that firms are more receptive and adaptable to change, but some service workers are more vulnerable to sudden retrenchment. (Grant, 2005)

The OECD’s claim that offshoring could affect up to two million Australian jobs also relies on this argument and, specifically, the proposal that there are some types of work more susceptible to offshoring than others. “Knowledge work” such as data entry and information processing services can, it argues, be easily performed via the internet or email. (OECD, 2005, p5) Arguments about some kind of shift in the nature of work are certainly not new. Forecasts of a wholesale shift from manufacturing to services, and from work based on the manipulation of things to the manipulation of concepts and information, have been made in the developed world for well over 30 years. (See, for example, Bell 1973; Piore and Sabel, 1984; Reich, 1991) One of the more recent developments in such broad sweep analyses is the linking of certain occupation types to the internationalisation of service-based production. Such an argument, including the potentially positive effects of international job transfers in ITES, was popularised, for example, in Friedman (2005).

Supporters of offshoring also argue that it has positive effects from both a micro- and macroeconomic perspective. At the micro-level, it is argued that offshoring will significantly reduce enterprise costs in the long run. At the macro-level, it is argued that aggregated cost savings represent excess surplus that can then be used for job-creating capital investment. From this point of view, offshoring is about establishing competitive advantage. Failure to off-shore when the opportunity arises can therefore make industry less competitive. (BCA, 2004, pp9-16; Thirlwell, 2006; McKinsey, 2003) This view has been expressed by Australian government representatives. For example, Treasury Secretary Ken Henry argues that the

industrialised world, Australia included, also has much to gain from offshoring—most obviously through a lowering of costs to business and, ultimately, consumers… Opposition to offshoring is based on the same protectionist nostrums that were once used to support the high tariff wall that a generation of Australian policymakers has been busy dismantling. It
may be dressed in different garb, but it is no more respectable… It is pretty well accepted these days that Australia’s economic interests have been well served by trade liberalisation. And yet, even in this country, the accelerating liberalisation of trade in services has attracted the pejorative label of offshoring. (The Age, 2006)

According to UNCTAD’s World Development Report (2004), “Offshoring is nothing less than a revolution in the tradability of services.” (Cited in Aggarwal et al, 2006, p44) Some pro-free trade economists have also paid attention to this issue. For example, the Institute for International Economic’s Catherine Mann takes a historical view in defending the offshoring process. She traces recent developments to the shift of computer hardware manufacturing jobs from the US to East Asia in the 1990s. She argues that improved productivity and economic growth was the result in the US and suggests that the impact of services-based offshoring on these indicators is potentially far more significant. Her position is rooted in a defence of the theory of comparative advantage. Interestingly, economists such as Paul Samuelson, Ralph Gomory and William Baumol have argued that under certain circumstances in relation to service-based offshoring, the theory does not apply. These economists are particularly concerned about what they see as the narrowing of the wage differential between the developed and developing economies in the long run. They argue that this will erode the comparative advantage of offshoring from developed countries and the comparative advantage of ITES in developing countries, such as India. They also suggest that comparative advantage theory does not apply in relation to the offshoring of higher skilled ICT jobs from developed economies. (See Aggarwal et al, 2006, pp44-5) Indeed, there is evidence that the large Indian ICT firms are now marketing themselves as providers of services that require higher-level ICT skills. (Masson, 2007)

It is particularly significant that the macroeconomic argument in favour of offshoring has been placed in the context of the free trade debate. The OECD (2005) argues that, while domestic outsourcing is “much larger” than international outsourcing, the shift toward the offshoring of ITES has been driven in part by the “increased tradability of services, resulting from trade liberalisation and rapid technological developments, especially in ICTs, and the ability to codify and standardise routine IT and ICT-enabled services tasks.” It argues that international competition between firms is the chain that links, on the one side, trade liberalisation and access to new markets and, on
the other, the enterprise-level cost imperative: “The main firm-level drivers are increased competition and the ensuing need to achieve efficiency gains and cut costs…” Thus offshoring has a “self-reinforcing dynamic”. In other words, “Once one or two firms shifted to lower-cost locations and moved the cost/quality frontier others had to follow.” (OECD, 2005, p5) For example, Aspray et al (2006) suggest that the promotion of offshoring by key industry figures, such as former General Electric CEO Jack Welch, has also played a role in convincing other firms to follow the offshoring path. It seems that the competitive urge to break into new markets ahead of economic rivals, in the context of expansive trade liberalisation in ITES, is central to any historical understanding of the rapid expansion of ICT offshoring since the turn of the century. (Aspray et al, 2006, pp20-1)

There is also a correlation between enterprise-level cost reduction and investment in technological innovation in India. According to Aggarwal et al (2006), the cost of telecommunications between the US and India has dropped sharply since 1999. Telecom capacity between the countries increased from virtually zero in 1999 to 11,000 gigabytes in 2001 and the cost of a one-minute phone call dropped by 80 per cent between 2000 and 2006. (Aggarwal et al, 2006, pp60-3) The standardisation of mass produced software had also increased the productivity of information flows:

Low-cost computing power became readily available. Software platforms became standardized: IBM and Oracle provided the standard for database management, SAP for supply chain management, PeopleSoft for human resource management, and Siebel for customer relations. Offshoring vendors could invest in the purchase of a small number of standardized software platforms and train their employees in their use rather than having to deal with possibly hundreds of proprietary software systems. Workers could learn standardized skills that were then portable. Training and skill certification became simplified. A similar effect was created by using commoditized, inexpensive applications software packages. Standardization of data formats and networking protocols made it easier to move large data sets from client to vendor. (Aggarwal et al, 2006, p60)

Business leaders have also claimed that an ICT skills shortage in developed countries is driving offshoring when viewed in the context of India’s relative abundance in ICT-qualified staff. Even some trade union leaders have, in part, accepted the logic of this
argument. For example, the Australian Services Union’s Greg McLean argues that in Australia:

like the US, where work has been outsourced from public to private, there has not been continuous training in the private sector. There has been more of a focus on profits than training, so we now have a skills shortage. IBM has realised that this shortage is likely to remain because of the growth in the economy and the workers we will need over the next 5-10-20 years. According to IBM, we will not be able to train enough people, or to afford to train them, to find the people to match our economic needs. The global economy is allowing countries like Australia to grow at good rates but this is making the skills shortage worse, creating a space for off-shoring. (McLean, 2007)

It is also argued that there is a correlation between the type of work and its susceptibility to offshoring. For example, a joint report by Australian trade unions notes the argument that the more ICT intensive a job, the more exposed it is to offshoring because it is ‘location independent’ (FSU et al, 2006; OECD, 2005) The OECD (2005) notes that such jobs have particular attributes that include the following:

- People exercising jobs where they are likely to make intensive use of ICTs in order to produce their output
- Their output can be traded/transmitted with the help of ICT
- The work has a high explicit information or “codified knowledge” content (and no or little tact or implicit knowledge)
- The work does not necessarily require face-to-face contact

The implication is that, for the most part, offshoring concerns lower skilled ICT jobs. Similarly, Aggarwal et al (2006) suggest a series of work characteristics that make it susceptible to offshoring. These include (Aggarwal et al, 2006, p57):

- A high wage differential with a similar occupation/level in destination country
- High labour intensity
- Clearly defined requirements; little nuance
- Repetitive tasks
- Rule-based decision-making and problem solving
- Documented or easily transferred content and process knowledge
- Discreet, separable; a low degree of interaction across different services
• A low degree of personal interaction with end users or clients
• Stable applications with a minimum of ‘firefighting’
• Low-to-medium business criticality
• Less time-sensitive; longer transition periods
• Projects involving simple and standard hardware and software
• Digital; internet-enabled
• Low setup barriers
• Low-to-medium technical complexity
• Non-multidisciplinary
• Projects in business areas in which offshoring is a broadly accepted concept
• Tightly defined work processes

By applying ‘offshorability attributes’ such as these, the OECD (2005) compiled a list of occupations, using official government job classification, that were most likely to be affected by offshoring across the developed world. It detailed the following list for Australia, using ABS data and analytical categories: (OECD, 2005, p20)
The share of occupations potentially affected by offshoring in total employment, by sector, Australia May 2004

<table>
<thead>
<tr>
<th>Industry</th>
<th>Share May 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;30%</td>
<td></td>
</tr>
<tr>
<td>73 Finance</td>
<td>85.2</td>
</tr>
<tr>
<td>75 Services to Finance and Insurance</td>
<td>79.4</td>
</tr>
<tr>
<td>74 Insurance</td>
<td>71.4</td>
</tr>
<tr>
<td>78 Business Services</td>
<td>51.7</td>
</tr>
<tr>
<td>12 Oil and Gas Extraction</td>
<td>41.3</td>
</tr>
<tr>
<td>92 Defence</td>
<td>32.2</td>
</tr>
<tr>
<td>15 Services to Mining</td>
<td>32.8</td>
</tr>
<tr>
<td>91 Government Administration</td>
<td>32.0</td>
</tr>
<tr>
<td>38 Electricity and Gas Supply</td>
<td>30.0</td>
</tr>
<tr>
<td>91 Motion Picture, Radio and Television Services</td>
<td>29.4</td>
</tr>
<tr>
<td>24 Printing, Publishing and Recorded Media</td>
<td>29.2</td>
</tr>
<tr>
<td>71 Communication Services</td>
<td>20.3</td>
</tr>
<tr>
<td>65 Other Transport</td>
<td>25.0</td>
</tr>
<tr>
<td>92 Libraries, Museums and the Arts</td>
<td>25.0</td>
</tr>
<tr>
<td>45 Basic Material Wholesaling</td>
<td>24.4</td>
</tr>
<tr>
<td>26 Petroleum, Coal, Chemical and Associated Product Manufacturing</td>
<td>22.3</td>
</tr>
<tr>
<td>37 Water Supply, Sewerage and Drainage Services</td>
<td>21.8</td>
</tr>
<tr>
<td>46 Machinery and Motor Vehicle Wholesaling</td>
<td>21.5</td>
</tr>
<tr>
<td>03 Forestry and Logging</td>
<td>20.9</td>
</tr>
<tr>
<td>47 Personal and Household Good Wholesaling</td>
<td>19.7</td>
</tr>
<tr>
<td>77 Property Services</td>
<td>17.4</td>
</tr>
<tr>
<td>13 Metal Ore Mining</td>
<td>16.7</td>
</tr>
<tr>
<td>26 Non-metallic Mineral Product Manufacturing</td>
<td>16.3</td>
</tr>
<tr>
<td>62 Rail Transport</td>
<td>16.0</td>
</tr>
<tr>
<td>28 Machinery and Equipment Manufacturing</td>
<td>14.9</td>
</tr>
<tr>
<td>64 Air and Space Transport</td>
<td>14.1</td>
</tr>
<tr>
<td>96 Other Services</td>
<td>13.5</td>
</tr>
<tr>
<td>63 Water Transport</td>
<td>13.3</td>
</tr>
<tr>
<td>21 Food, Beverage and Tobacco Manufacturing</td>
<td>13.4</td>
</tr>
<tr>
<td>66 Services to Transport</td>
<td>12.8</td>
</tr>
<tr>
<td>02 Services to Agriculture, Hunting and Trapping</td>
<td>12.6</td>
</tr>
<tr>
<td>41 General Construction</td>
<td>12.2</td>
</tr>
<tr>
<td>14 Other Mining</td>
<td>11.0</td>
</tr>
<tr>
<td>22 Textile, Clothing, Footwear and Leather Manufacturing</td>
<td>11.0</td>
</tr>
<tr>
<td>93 Sport and Recreation</td>
<td>10.5</td>
</tr>
<tr>
<td>04 Commercial Fishing</td>
<td>10.0</td>
</tr>
<tr>
<td>&lt;10%</td>
<td></td>
</tr>
<tr>
<td>53 Motor Vehicle Retailing and Services</td>
<td>9.9</td>
</tr>
<tr>
<td>84 Education</td>
<td>9.6</td>
</tr>
<tr>
<td>27 Metal Product Manufacturing</td>
<td>9.6</td>
</tr>
<tr>
<td>11 Coal Mining</td>
<td>8.5</td>
</tr>
<tr>
<td>95 Personal Services</td>
<td>9.5</td>
</tr>
<tr>
<td>23 Wood and Paper Product Manufacturing</td>
<td>9.0</td>
</tr>
<tr>
<td>61 Road Transport</td>
<td>8.5</td>
</tr>
<tr>
<td>29 Other Manufacturing</td>
<td>8.4</td>
</tr>
<tr>
<td>86 Health Services</td>
<td>8.3</td>
</tr>
<tr>
<td>42 Construction Trade Services</td>
<td>8.0</td>
</tr>
<tr>
<td>52 Personal and Household Good Retailing</td>
<td>8.6</td>
</tr>
<tr>
<td>97 Storage</td>
<td>8.8</td>
</tr>
<tr>
<td>87 Community Services</td>
<td>6.5</td>
</tr>
<tr>
<td>91 Agriculture</td>
<td>5.1</td>
</tr>
<tr>
<td>57 Accommodations, Cafes and Restaurants</td>
<td>3.0</td>
</tr>
<tr>
<td>51 Food Retailing</td>
<td>2.2</td>
</tr>
<tr>
<td>97 Private Households Employing Staff</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Note: Numbers in shaded grey are based on estimates subject to sampling variability too high for most practical purposes.

Source: Authors’ calculations, based on data provided by the Australian Bureau of Statistics.

It is from this study that the OECD claimed that 19.4 per cent of Australian jobs were potentially susceptible to offshoring. The sectors in which offshoring could affect over 30 per cent of jobs also supports the claim that offshoring tends to reflect jobs more dependant upon ICT. For example, the OECD study suggests that 79.4 per cent of occupations that in some way provide “services to finance and insurance” are susceptible to offshoring. Similarly, insurance occupations, in which 71.4 per cent are potentially affected, rely heavily upon IT-enabled back office administration and
business process functions. There is also some anecdotal evidence in Australia that supports this study’s claim that 30 per cent of electricity and gas supply occupations are susceptible to offshoring. However, this study presents industry sectors, not the discreet jobs contained within the sectors. So while it is possible to roughly correlate what is essentially forecast or projection-oriented data with anecdotal records of offshoring incidents, the problem is that the occurrence of similar occupation types across industry sectors continues to obscure the empirical picture. For example, this study does not reveal which industry sub-sectors—or, in practice, specific departments or divisions within firms—are more or less susceptible to offshoring. Thus, even a detailed sketch of occupations with some common attributes provides an incomplete picture. Nor can it tell us the extent to which historical and current trends match the potential for offshoring. The following section looks at the available anecdotal evidence and asks whether the decisions of Australian firms match up to such projections.
4. A Sketch of Australian Firms with Offshoring Projects in India

Most of the aforementioned problems with defining and measuring offshoring apply to Australia. Most Australian firms are not prepared to speak publicly about their offshoring projects or ambitions due to the perceived sensitivity of the issue. With such qualifications in mind, what follows is a brief sketch of some of the largest Australian companies that have offshore investments of one kind or another in India.

Firstly, the banks: All major Australian banks have ruled out the offshoring of customer service call centre jobs. However, most of them have established outsourcing contracts that involved the delivery of internal ICT services from an employee base in India. For example, the Commonwealth Bank had a ten-year, $5 billion deal for IT services with EDS which expired this year. This was followed by a new $362 million contract with EDS to provide IT maintenance services. EDS also has a contract with the Bank of Queensland and with Westpac. According to a joint report of Australian trade unions engaged in the finance and ICT sectors, Westpac also established plans to offshore 77 retail administration jobs and 485 back office processing jobs in 2006. (FSU et al., 2006) Westpac has laid out seven principles to guide its considerations on off-shoring, which include a particular concern for the data security of customers. (Westpac, 2006) Along with representatives of the National Australia Bank and the Commonwealth Bank at a conference discussion in August 2006, Westpac CIO Simon McNamara mounted a defence of banks investing in offshore projects. (Woodhead, 2006) Despite the argument in favour of offshoring from a service delivery and cost-effectiveness point of view, in November 2006 Westpac withdrew from plans to off-shore about 300 jobs from its Concord Operations Centre in Sydney. (John, 2006)

According to the Finance Sector Union, this back-down came after a campaign amongst employees at the workplace that including representations to management. Despite this, Westpac did not attribute its decision to the employee/union campaign. According to the FSU, the company argued that the offshoring option “just didn’t stack up in a business sense. You can read ‘business sense’ anyway you want. They would try and have you believe that it was nothing to do with the campaign that was run by members or the public campaign. But when you say business sense, clearly what is also involved is brand, image and stakeholders.” (Masson, 2007)
The National Australia Bank (NAB) offshored 41 jobs to Bangalore in June 2007. According to unions, the NAB also offshored 20 accounts processing jobs to Bangalore in May 2005 and a further 202 credit card, finance and IT jobs in August 2006. (FSU et al, 2006) In July 2007, the NAB backed down from plans to offshore about 40 jobs in discharge and settlement booking in Melbourne. (Masson, 2007) St George Bank has established outsourcing contracts with Indian IT services companies, HCL and Tata Infotech. Former St George CIO John Lobenstein said that the bank had “very strong” relationships with these companies and “had worked with the service providers over the past four years through their Indian development centres and on the ground in Australia.” (Call Centres report, 2005) According to unions, St George had also established plans to send several dozen IT jobs from Sydney and Adelaide to India in 2006. (FSU et al, 2006)

The ANZ bank has been a pioneer of offshoring operations in the Australian finance sector. It established its Operations and Technology Centre in Bangalore in 1989. This centre now employs about 1600 people, with the majority (about 1100) employed in IT research and development and others (over 400) employed in back office operations and IT support. Furthermore, this operation is relatively unusual by both Australian and international offshoring standards because it is a captive operation; in other words, it is an ‘in-house’ enterprise run directly by ANZ. (ANZ, 2007) Like Westpac, ANZ has issued a list of principles guiding its offshoring decisions, including reassurances about customer data security and appropriate re-employment for staff affected by offshoring. ANZ’s “People Charter” includes the following principles: (ANZ, 2006)

All customer contact roles, including call centre roles, will remain in Australia.
Our people in Bangalore operate under the same policies and controls ANZ has in place in Australia, including high standards of privacy and confidentiality. Central records for Australian customers are located in Australia and will remain located in Australia.
We will share information with our employees as early as possible and keep them informed at all stages throughout the change process.
At least four months notice will be given to employees directly affected by offshoring plans. Staff will have every opportunity, including the necessary training, to find other roles within ANZ and will be supported at all stages through outplacement services and our Employee Assistance Program.
We will share information with all our stakeholders regularly, including early and frequent consultation with the FSU.

The working conditions of our people in India will meet best practice standards and we will continue to pay competitively against the market in India, exceeding the minimum employment terms under India’s labour laws. (ANZ, 2006)

ANZ also argues that, “of the 209 permanent employees affected by decisions to transfer selected Technology and Operations roles and activities to our team in Bangalore [in 2005/6], 38 per cent have already found other positions within ANZ.” (ANZ, 2006)

Apart from the major banks, there are also several non-finance sector firms that have invested in major offshore projects. Telstra, for example, has been described as “Australia’s most prolific offshoring company”. There is evidence that its decision to accelerate offshore outsourcing plans is driven by concerns over cost, with a September 2003 pledge to virtually half the company’s $1.5 billion IT cost base. (Grant, 2005) Telstra signed a contract with IBM to offshore 450 IT jobs in January 2004. At the time, the *Australian Financial Review* described this as “the biggest example yet of sending skilled Australian jobs to low-wage countries.” (Cited in Grant, 2005) Immediately after this announcement, Telstra reported a contract with Indian-based Satyam Computer Services. There have been claims that this may have affected up to 800 employees in Australia, but this has not been independently verified. (Grant, 2005) In October 2004 a contract with EDS saw plans for 400 jobs to go to India (FSU *et al*, 2006) and a contract with Infosys saw plans for 180 jobs to be sent to India announced in September 2003 (Grant, 2005).

Qantas has outsourced its desktop and network infrastructure to Telstra, although it is unclear whether or not any of this service is indirectly provided by employees based in India. However, Qantas has also established contracts with Indian firms Satyam and Tata for “internal applications support and maintenance” and with another Indian firm, Amadeus, for “departure control and bookings”. Furthermore it has an outsourcing contract with IBM for “security and change management”, although, according to CIO John Willet, Qantas “will still maintain governance of its 50 year old IT shop”. The skills shortage was cited as the main reason for these moves. (Pauli, 2007) In 2005
Qantas offshored 500 data processing and flight attendant jobs to India and in October 2006 offshored a further 340 IT support and maintenance jobs. (FSU et al, 2006; Grant, 2005)

Coles Group established an outsourcing contract with GE Capital that was followed by the transfer of jobs in 2001/2 to a GE-run call centre in India. The call centre was to deal with Coles Myer Card customer queries. As a case of offshore outsourcing, it was “unclear how much input Coles Myer had into this question. It would be reasonable to expect, however, that the organisation was aware that it was occurring.” (Holland et al, 2005, p8) In July 2003 most of these jobs were returned to Melbourne, although it retained an “overflow facility in India for when credit card call volumes exceeded a certain level”. (Grant, 2005; Holland et al, 2005) There are also some offshore outsourcing contracts in the public sector. At the state level, for example, EDS has an IT services contract with VicRoads. At the federal level, IBM recently sealed a five-year, $160 million contract with the Australian Customs Service for the provision of mainframes and some IT services. This deal supplanted a longstanding $550 million contract with EDS which had expired, although EDS still supplies some services to Australian Customs. (Winterford, 2007)

This example highlights the role played by IBM and EDS as the two largest competitors for ITES outsourcing contracts in Australia. Both are huge American multinational corporations. At the end of 2006, IBM claimed global assets of about $125 billion and employed 355,766 people across the world. It is the fourth largest employer in the Indian IT industry. EDS, founded in the 1960s by former US presidential candidate Ross Perot, claims 134,000 employees globally, including 20,000 in Asia. In June 2006 it invested $460 million to acquire a majority stake in the Bangalore-based IT and Business Process Outsourcing (BPO) company MphasiS, which employs 11,000 people in India, and also operates in Mumbai, Chennai, Gurgaon and Pune. Although IBM and EDS remain by far the biggest players in the Australian offshore outsourcing market, they have recently received some competition from Indian ICT services companies, Satyam, HCL and Tata. However, the domination of the global ICT market by US firms means that they continue to receive about 80 per cent of available revenue in software and services. (Balatchandirane et al, 2006)
Further complicating the empirical picture in Australia, there are several large foreign-based companies that directly employ a large number of Australian workers that also engage in offshoring projects. For example, Singapore-based Optus announced plans in October 2004 to offshore 150 jobs from Devonport, Tasmania to a call centre in India. However, it pointed out that the company also employs “nearly 3,500 permanent customer service call centre staff in Australia. Optus expects the size of the Indian operation to grow over time…While total Australian-based call centre staff will fluctuate from time-to-time, we believe it will always be the case that Optus has several thousand Australian-based call centre employees.” It claimed to be “growing at a rapid rate and we expect over the next five to 10 years to double in size—this places pressure on us to continually improve our services while reducing our costs. Initiatives such as offshoring will help us remain competitive and continue to provide quality service to our customers.” (Optus media release, 2004; Grant 2005) In January 2005, Optus announced a four-year outsourcing contract with US firm Convergys, its first “customer care agreement with an Australian-based company”, in order to “supplement Optus’ domestic contact centre operations by operating a new facility in India, managing product transactions and select customer inquiries for Optus’ mobile, consumer, and multimedia customers.” (Convergys media release, 2005). Optus has also established a telemarketing services contract from Brisbane-based Avoncore, which is operated from the company’s New Delhi call centre, and it has a contract for software development with EDS.

Another major telecommunications employer in Australia, Hong Kong-based Hutchison, sent 200 “customer service and business support group jobs” to Mumbai in 2003. (Grant, 2005) Other examples include UK-based global IT services company LogicaCMG which, out of a claimed global workforce of 40,000, employs 800 in Australia and 2000 in Bangalore, as well as managing operations in New Delhi and Mumbai. According to a joint trade union report, Hewlett-Packard, an American company and a major employer in Australia, sent 128 call centre support jobs to Bangalore in 2003. (FSU et al, 2006)

Most of the above information relies on large amounts of anecdotal evidence; for example, claims by trade unions, company media releases, media reports and the occasional academic case study. As in the US, there is as yet no consistent,
independent and reliable means of determining offshoring trends. (Grant 2005) Partly because of the measurement concerns raised in the first section of this paper, such means are unlikely to emerge. Nonetheless, it is possible to conclude something significant from this information—That while ITES offshoring occurs, it is not yet widespread when compared to broader employment trends in Australia or when compared to the scale of offshoring in the US, even when we take population into account. This is an issue that even some unions are prepared to admit. According to the assistant national secretary of the Australian Services Union, “Offshoring is probably not as significant for us as it is with the Finance Sector Union because the FSU is dealing with a small number of very large players. In the ASU we are dealing with smaller call centres which tend to feed off the bigger companies.” (McLean, 2007) But according to one FSU official: “Our tally [of job losses in the finance sector] runs to a bit over 3000, which is not a lot at this point in time. The predictions are far higher. So over time there will much, much more.” (Masson, 2007) It is plausible, indeed likely, that there will be further job losses in Australia as a result of offshoring. But the evidence suggests that for trends to meet the projections contained in studies such as the OECD (2005), they would have to accelerate to a rate far higher than we are currently experiencing. Indeed, one report released in mid-2004 found that only 12 per cent of 420 Australian ICT firms surveyed had completed an offshore project. (Cited in Grant, 2005) This is not to say that offshoring is an insignificant issue for employees directly affected by it. Policy measures to help such people have been an issue of considerable debate and is even recognised as a policy dilemma by some advocates for offshoring. Aspray et al (2006) claim that

In any event, economists agree that even if a nation as a whole gains from offshoring, individuals and local communities can be harmed. One solution to this potential negative impact is for corporations or their governments to provide programs that aid these individuals and their related communities in once again becoming competitive. The cost of such “safety-net” programs can be high and, thus, difficult to implement politically. (Aspray et al, 2006, p10)

Offshoring became a politically and emotionally-charged issues both in the lead-up to the 2004 US presidential election and around the same time in Australia. Offshoring plans by Qantas and Telstra were particularly high-profile (Grant, 2005) as was the
Coles Myer-GE Capital deal. (Holland et al, 2005) It is therefore necessary to discuss policy measures to aid employees affected by offshoring. But it is also necessary to investigate the persistence of an empirical gap—one is tempted to say ‘chasm’—between forecasts and trends-to-date. One way to do this is to look at macroeconomic data for ICT-related employment patterns in both Australia and India and, in doing so, to explore to the claim that ICT employment growth is offsetting job losses as a result of offshoring. (See Aspray et al, 2006, p9) These issues will be dealt with in a further paper as part of the author’s doctoral research. This paper instead concludes with the micro-level view by exploring the factors that restrain firms from implementing offshoring decisions despite the projected long-term cost-benefits associated with it.
5. Conclusion: Restraints to Offshoring—The Micro View

Offshoring trends in Australia appear to fall well short of those in the US. They also represent a small fraction of the potential for offshoring proposed by the OECD (2005). Discussing this paradox is important because following the OECD’s report that 19.4 per cent of Australian occupations were susceptible to offshoring (OECD, 2005), there were several alarmist media reports claiming that up to two million jobs could flood out of the country to Asia, with the bulk going to India. (See, for example, Kremmer, 2006) There is therefore a need to discuss the factors that restrain Australian firms from offshoring—factors which may offset the cost-benefits and blunt the argument that offshoring is necessary for competitive advantage in ITES.

Some of these restraining factors concern the investment environment in India. An oft-quoted example is IBM’s well known decision to withdraw from India in the 1970s. (Aspray et al, 2006, p40) Evidently the investment environment is very different today. Nonetheless, advocates of offshoring raises several concerns about this issue. For example, both the World Bank and the Confederation of Indian Indusutry have argued that India’s physical infrastructure and the regulatory framework of its finance sector lags behind its East Asian and Latin American rivals. The concern here is with the widely held view that the Indian economy continues to be ‘burdened’ by red-tape. (Thirlwell, 2004, p51) Infrastructure “bottlenecks” over the past 20 years meant that, for example, real investment in electricity, gas and water fell as a proportion of GDP from 2.9 to 2.6 per cent between the 1980s and the 1990s. In 2001, losses to electricity and power transmission and distribution made up 27 per cent of total economic output, compared to 7 per cent for China. According to industry survey results, 69 per cent of Indian firms bought their own back-up generator in this period, compared to 30 per cent in China. Electricity costs are roughly double the level of countries such as the Philippines, Indonesia and Thailand and, despite India’s expansive and complex rail network, it is considered poor quality by international standards. According to the World Bank (2003) only 45.7 per cent of Indian roads were paved compared to a figure of 91 per cent for China and there were 40 telephone lines per 1000 people, compared to 167 per 1000 in China. The World Bank argued that it was 20 per cent more expensive to ship a container of goods from India to the US than from Thailand and the
median number of days required to establish a company was 90, compared to 30 in China. (Thirlwell, 2004, p67-71)

These macro factors have an impact on the risk assessments of firms considering offshoring. For example, there are concerns over loss or damage to goods, quality control and supply lines, and financial security. (Aspray et al, 2006, p21) There are a few documented cases of major firms suspending offshoring projects in recent years. Reasons for this have included quality control over information and product supply lines, as well as cross-cultural management issues. (Grant, 2005) There are also some cases of anti-offshoring campaigns by public interest groups and trade unions pressuring firms into reversing offshoring projects. For example, after offshoring its customer service call centre functions for part of its credit card operation, Coles Myer decided to bring most of these jobs back to its base in Melbourne after complaints from the public and a trade union-led campaign that focussed on the brand image of the company. (Holland et al, 2005) A core concern raised by this campaign was that many of the off-shored jobs were high-skill. One union official argued that, “Australia will never be able to compete with countries like India and China on price, so the debate needs to look at the area of quality.” Exporting high-skilled jobs, the argument goes, is detrimental to this approach. (Holland et al, 2005, p10) Trade unionists were also concerned about the exploitation of workers in India. This concern reflected lower wages rates and questions about whether GE Capital would observe international regulations on labour rights. It also reflected opposition to co-called “cultural assimilation” which involves:

training utilised to educate the “host” country employees performing the work. As highlighted in the ABC “Diverted to Delhi” documentary, call centres typically inform workers in India for example, that unless asked, they should not tell the customers where they are located... In addition, many organisations utilise induction programs whereby workers are given localised names, taught the local culture and heritage, for example through watching Australian television and listening to the radio to engage customers on local issues and therefore prevent customers asking or knowing that the service is being performed overseas. (Holland et al, 2005, p10)
Other concerns raised by trade unionists included the fact that there was no primary award covering workers in the industry (in other words, a common standard against which to measure changes in wages and conditions) and also the existence of more than one union competing for coverage among call centre workers. The union strategy was to organise “corporate campaigning” which focussed on turning public opinion against Coles Myer, its brand and its reputation. (Holland et al, 2005, p10)

The internationalist concern for the rights of employees in India is not always consistent in the union movement. For example, one union leader argued that, “Our members probably hate them and despise [the Indian employees]. After all, we run campaigns saying don’t send these jobs to India.” (McLean, 2007) In such cases, there is no doubt that union-organised campaigns that highlight issues such as data security or disclosure to customers of the country in which the service takes place would certainly relate to those Australian employees who held some prejudiced views or who were purely concerned with the prospects for jobs and working conditions in Australia. Such national-based concerns are used by supporters of offshoring in order to paint the union movement as backward-looking and economic ‘protectionist’. (See The Age, 2004) However, it would be harsh to criticise the union movement for raising these issues, especially when it has adopted, at least in-principle, the approach of the international services union peak body, the Union Network International (UNI), to press for firms to sign ‘global framework agreements’, designed to govern the employment rights of workers in developing countries such as India. UNI has established a ‘Charter on Offshore Outsourcing’ which outlines principles for union action in response to this issue. It argues that international clauses on collective bargaining and union representation rights, health & safety issues, elimination of discrimination, minimum wages and working conditions, and employment security are necessary. It is opposed to the offshoring of production to Special Economic Zones in which such rights are usually suspended. It also argues that employees in the developed world need to be given reasonable notice of any offshoring plans and that there must be no forced redundancies. (Bibby, 2004)

Australian trade unions have adopted a variation on this international charter that calls for: (Cited in FSU et al, 2006; Masson, 2007)

(1) ‘The right to know’ about where the work is being conducted
(2) Data security; requiring consumer consent for their information to be sent off-shore
(3) Investment in skills and education in Australia
(4) A requirement that all government contracts be performed on-shore
(5) A concern for overseas workers, in terms of loss of cultural identity and control, workload and salaries, lack of bargaining power and high staff turnover
(6) An attempt to spread the influence of the Charter on Offshore Outsourcing

Although some companies in Europe have signed such agreements with unions, no Australian firm has done so to date. According to one trade union official:

Some of the banks already state in the procurement policies of their corporate responsibility undertaking, that they will ensure that their suppliers adhere to ILO [International Labour Organisation] conventions and OECD rules [such as ANZ and Westpac]. That’s fine, we accept that and we will hold them to account on that front. But we need global framework agreements specific to employee conditions that are actually signed off by someone else, a third party, not just an internal policy. That would be worthwhile. Of course, there is no international court where they could be held to account. But it could be an embarrassing factor for them if they sat down, signed up and then went in the opposite direction. (Masson, 2007)

Although the ‘naming and shaming’ approach of some unions has at times had an effect on the decision-making of firms, it has been much more common for union concerns to be ignored or for there to be no campaign at all. For example in only three of the 21 cases of offshoring-induced job transfer cited above did the company reverse its decision. (Coles Myer, July 2003; Westpac, November 2006; NAB, July 2007). Even during high profile cases, union campaigns have not been successful in influencing the decision-making of firms. For example, the Community and Public Sector Union (CPSU) failed to prevent Telstra’s January 2004 decision to send 450 ICT jobs to India as part of a newly established outsourcing contract with IBM, despite significant media coverage (see above, Page 19). As such, unions can express a profound pessimism that anything can ultimately be done to counter the offshoring process:
I don’t see anyway of stopping it [offshoring] at all. As we move through the trade debates in the WTO [World Trade Organisation] and GATS [General Agreement on Trade in Services], free trade agreements allow this kind of thing to happen. People are starting to look more closely at the value of these trade agreements. Increasingly governments are handing over their regulatory responsibility to industry and the private sector by having the private sector make those decisions for them. So if the government tried to block offshoring, it would be possible to sue the Australian government. No government wants that. (McLean, 2007)

So, while union-organised opposition has an impact in isolated cases, unions do not seem to be the main reason why offshoring trends in Australia lag behind the US or behind some of the available forecasts. Therefore, it is necessary to ‘take a step back’ and established a macro-level picture. On one hand, this will mean looking more closely at the investment environment in India itself and the degree to which this continues to affect the decision-making of firms. On the other hand, it also means looking at long-term ITES employment trends in Australia and India. This implies an investigation of the claim that the international transfer of ITES work has been offset by the growth of ITES within the developed countries, and also the claim that the rapid growth of the Indian ICT industry is driving India’s relatively strong economic growth and, as a result, helping to re-shape the investment environment for multinational firms.
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