

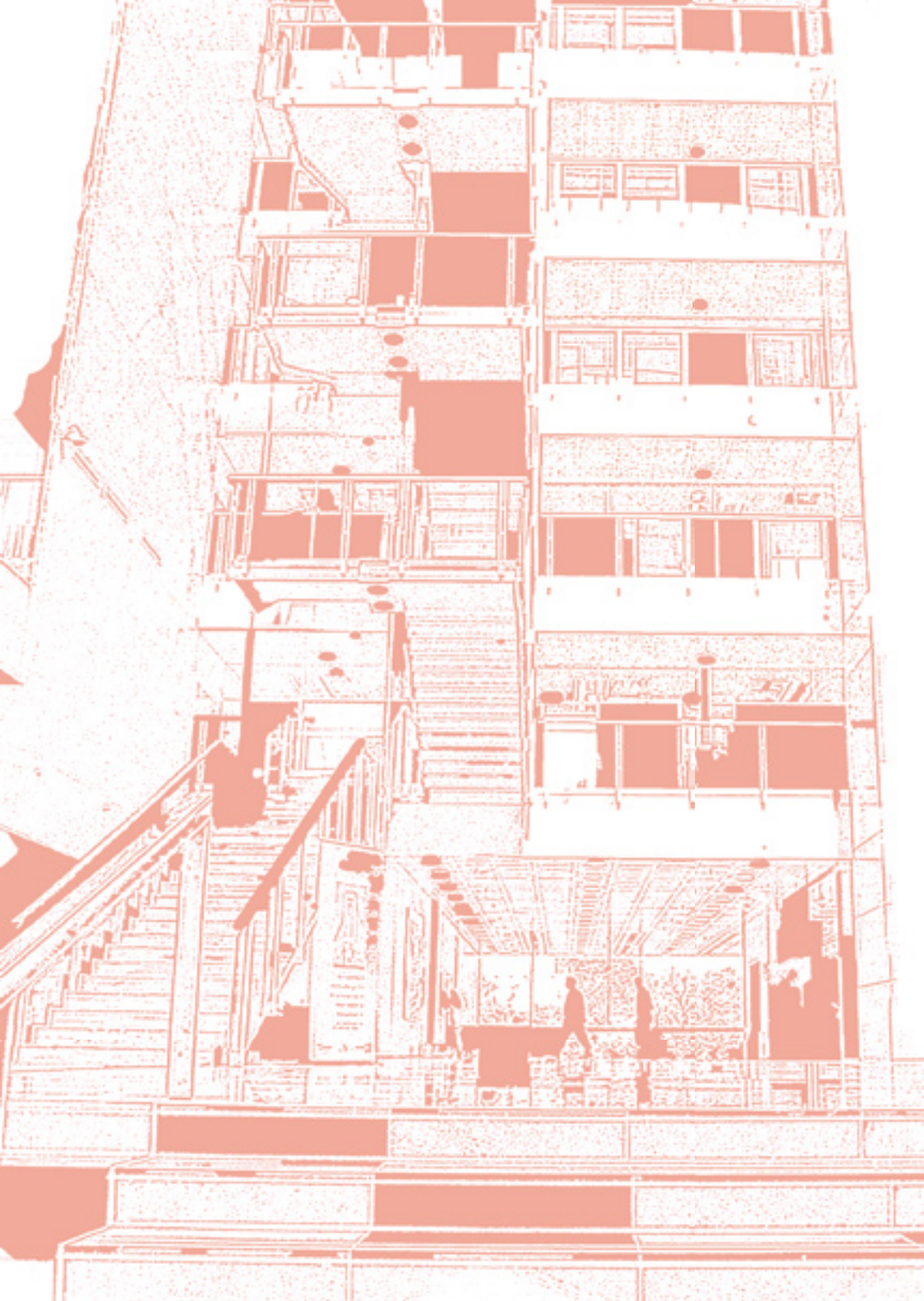
Offshore outsourcing

*A handbook for employee representatives
and trade unionists*



Making Offshore Outsourcing Sustainable





Offshore outsourcing
***A handbook for employee representatives
and trade unionists***

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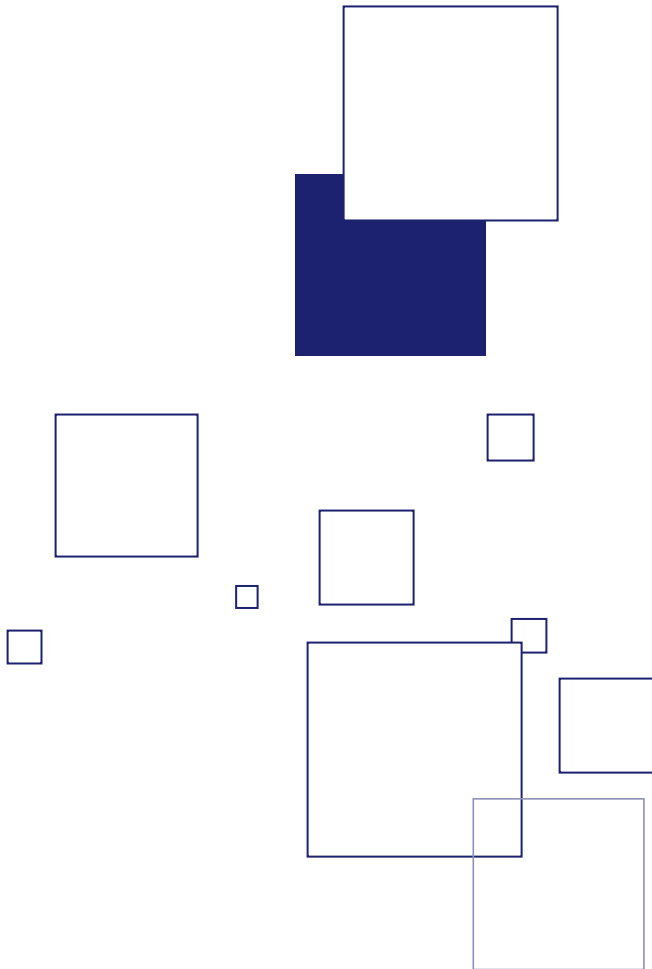
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Introduction

This handbook has a clear practical aim. Its purpose is to help employee representatives and trade unionists deal with the issue of offshore outsourcing.

Offshore outsourcing – that is, the relocation of work from areas of the world where wages and employment protection are relatively high to other areas where wages are lower and employment conditions may be poorer – is a sign of growing globalisation in the delivery of services. Both relatively low-skilled work (for example, back office processing, call handling) and higher-skilled work (for example, software development) is being sent offshore. As in manufacturing a generation ago, this migration of work is a structural trend which is unlikely to be reversed, not simply a management fad.

Offshoring is a complex social, political and organisational process which requires a sophisticated professional response. This handbook aims to help employee representatives and unions understand the complexity of offshore outsourcing. It will highlight the risks and reasons for possible failure. It will also show the different stages involved in taking work offshore and what can be done to try to avoid a negative impact for employees.

The handbook is based on existing good practice developed by trade unions in response to offshoring. It has been produced by the European project Making Offshore Outsourcing Sustainable (MOOS), which links seven trade union bodies LBC-NVK in Belgium, HK-Privat in Denmark, CFDT-Cadres in France, Verdi in Germany, FNV-Bondgenoten in the Netherlands and SIF and CF in Sweden), and the Higher Institute for Labour Studies (HIVA) in Belgium. The project is managed by the Industry, Business Services and ICT (IBITS) section of UNI-Europa.



The handbook will also where appropriate suggest places to go for more detailed information. One useful resource is the MOOS project website : www.moosproject.be/handbook.htm

Objectives when negotiating offshore outsourcing

We begin by summarising some key objectives and principles which should inform employee and union thinking and action when dealing with offshoring. These are listed below.

Negotiators' checklist

- **Involvement and participation of employees and their representatives. No unilaterally imposed changes,**
- **Avoidance of compulsory redundancies,**
- **Protection of the terms and conditions of employment for existing employees,**
- **Effective redeployment of existing employees displaced by the introduction of offshoring,**
- **The right to training, and assistance and support if alternative employment is necessary,**
- **Reinvestment of the savings from offshoring: a share of the financial savings made by offshoring to be invested in employee skill development, to increase the adaptability and employability of workers,**
- **Core labour standards to be observed in offshore destination countries, including those relating to collective organising and bargaining,**
- **Decent wages and safe and healthy work conditions in offshore destination countries,**
- **Long-term commitment by companies to job security in offshore destination countries,**
- **Effective mechanisms for managing change to be in place in both host and destination countries.**

In other words, employee representatives when negotiating need to be aware of the interests of workers at both ends of the offshore outsourcing chain.



The **UNI Charter on Offshore Outsourcing** provides a fuller guide to best practice in negotiating offshoring. This can be found at www.union-network.org/uniindep.nsf/outsourcing-offshoring?openpage



Getting involved in all the stages of the offshoring process

The public announcement of a decision to take work offshore, though sometimes announced apparently out of the blue, is simply one in a series of steps which companies will be going through when undertaking an offshoring project.

Typically an enterprise will pass through most if not all of the following phases:

- **Initial informal consideration** of offshoring: information collection, monitoring of competitors etc,
- **Formal decision to research** offshoring project: establishment of project team, advisers etc,
- **Analysis** of proposed offshoring, establishing overall goal, detailed objectives, deliverables. Preparation of report,
- **Formal decision to proceed,**
- **Call for tenders** etc; identification of offshoring partners; evaluation of offers,
- **Due diligence** procedures on identified offshoring partners,
- **Drawing up and agreement of contract** and service level agreement,
- **Implementation** of offshoring: migration of work,
- **Management of offshoring relationship,**
- **Evaluation** of results: renewal or termination of contract: possible extension of offshoring to other areas of business.

Ideally, employee representatives and unions should aim to be involved as a social partner, negotiating throughout the process. This won't be possible in all companies, where employee bodies may be deliberately excluded from sources of information about what is being contemplated. Nevertheless, there are still steps which employee representatives should be taking. Awareness and anticipation are the key words.

Parallel to the path identified above, therefore, we can set out a similar path for employee bodies to follow:

- **Be aware:** undertake initial informal awareness-raising of offshoring; information collection; monitor offshoring moves by competitor companies etc,
- **Anticipate.** Consider areas of your company which could be liable to offshoring,
- **Take the lead.** Approach the company first, and invite it to agree to the principles set out in the UNI offshore charter,
- **Ask for information.** Try to obtain information about your company's thinking and plans,
- Where possible, **engage.** Seek to involve employee representation in the offshoring process, from the initial project team onwards,
- Where necessary, **challenge** a decision to outsource offshore. Look for strategic alliances, for example with politicians, local authorities and consumer groups,
- **Seek commitments on core labour standards,** in tender documents and contracts,
- Aim to encourage **the extension of the due diligence process** to include issues of compliance with local employment legislation and ILO core labour standards,
- Negotiate the actual **implementation** of offshoring.
- Monitor the **management of the offshoring relationship,**
- **Evaluate,** where possible with your company but if necessary also independently, the results of offshoring.

This handbook will now explore these issues in more detail, looking in turn at the key points to consider before an offshoring arrangement is announced, during the process of its implementation, and after it has been introduced.

I. Anticipating offshoring

Employee bodies and unions which respond most successfully to offshoring are those which have briefed themselves in good time. The message is to be aware, in advance.

What is offshoring?

The term 'offshoring' was first used to describe the transfer of work such as basic data inputting from mainland USA to certain Caribbean islands. Although the term may be considered a little misleading for work migrating, say, from continental Europe, it remains in common use to describe cross-border or international relocation of work, particularly in the context of relocation to lower cost areas.

In Europe, recent years have seen work transferred, for example, from Britain to Anglophone destinations such as India, from France to some parts of Africa and from Scandinavian countries to the Baltic states. Migration of work to geographically close destinations (particularly to the new EU accession states of central and eastern Europe) is often described as nearshoring.

Offshoring and outsourcing

This handbook is primarily concerned with the transfer of work offshore where this is also combined with outsourcing (in other words, the process whereby a company delegates certain activities or processes to a third party provider).

Outsourcing has been a major feature of business and management practice in recent years. The principle is that companies concentrate on their core business and competencies, and outsource to other companies the activities which are not considered to be core. One example would be the outsourcing by a bank of its IT systems to a specialist IT company.

Offshoring is not necessarily always linked to outsourcing: an enterprise could decide to move parts of its business to an offshore destination whilst keeping those functions directly in-house. Conversely, of course, business functions can be outsourced to a company operating in the same country (onshore).

The OECD has produced the following matrix (figures refer to IT and business process services). Although data are from 2001, the matrix helps put offshore outsourcing in context.

Onshoring, offshoring, insourcing and outsourcing IT and business process services

Control	Outsourced	Onshore Outsourcing (External Domestic Supply) (USD 227 billion)	Offshore Outsourcing (External cross-border supply) (←) (USD 10 billion)
	Insourced	Internal Domestic Supply	Internal offshoring (Internal cross-border supply) (←) (USD 22 billion)
		National	International
		Location	

Source: OECD



Although this handbook focuses on offshore outsourcing, much of its content is also relevant to in-house offshoring.

Is my company likely to be considering offshoring?

The following checklist suggests indicators for companies where offshoring may be actively under consideration:

- Your company supplies services which are also offered by competitors, and your competitors already have off-shore experience,
- You operate in a low margin service business with strong competition,
- Your company has merged with another company, which has resulted in duplication of work and functions,
- Your company has been restructuring business functions into separate and autonomous units, such as a shared service centre,
- The management has undertaken business trips to typical offshore outsourcing destinations,
- Employees have been asked to document their activities,
- The management is not investing in career development of existing employees at existing premises,
- Your company has experience of previous outsourcing initiatives,
- The management has set up a project group to investigate offshore outsourcing.



Remember that public organisations as well as companies are undertaking offshore outsourcing.

What jobs can be outsourced?

The OECD estimates that almost 20% of all occupations can be performed offshore. Today there are many jobs in the services sector which can be done from remote locations. Any task that does not require direct face-to-face customer interaction or physical presence could in principle be done remotely.

Whilst some activities and jobs are more prone to be outsourced, you should be aware that all jobs are potentially at risk. Increasingly, companies undertaking outsourced activities in offshore destinations are seeking to move up the value chain, by delivering more complex jobs and services.

The following checklist suggests some characteristics of jobs and activities particularly prone to offshore outsourcing:

- Labour intensive,
- Standardised,
- Precisely defined,
- Tedious,
- Repetitive,
- Well-structured,
- Non-proprietary,
- No customer interaction/proximity required,
- No deep domain knowledge required,
- No cultural knowledge required.

Why might a company consider offshoring?

Cost reduction is the most cited reason why companies undertake offshore outsourcing. Companies are continually searching for ways to reduce costs, and labour costs are often the first issue to be looked at. Wage differentials between different geographical regions can be significant (though savings from offshoring are in practice generally less than a simple comparison of wage rates might initially suggest). If a competitor has used offshoring to bring down costs, other companies can feel themselves eventually forced to do the same.

The attention given recently to offshoring can also induce simple copy-cat behaviour. Companies may seek to copy an apparently successful strategy of another business, without thoroughly thinking through whether it is appropriate for their own circumstances.

There may be other reasons why offshoring is considered. For example:

- Availability of appropriate skills and labour. Companies may look offshore for a ready supply of skilled labour (for example, R&D or software development). For lower-skilled work (for example, call centre work), companies may also consider offshoring if faced with high staff turnover or recruitment difficulties at home,
- 'Follow-the-sun'. By offshoring work to parts of the world with different time zones, activities can be carried out continuously, 24 hours a day. Projects can be undertaken in less time. Customers can be serviced out-of-hours (for example, at night), without requiring staff in the home country to work night shifts,
- Flexibility in meeting fluctuations in work load,
- Proximity to market: proximity to potential customers in a region of the world,
- Regulatory frameworks (for example, labour regulations or tax incentives in offshore destinations).

The possibilities inherent in ICT for work to be transferred and undertaken at a distance have encouraged a continuous growth in external providers and intermediaries offering services in offshore destinations. In other words, the infrastructure is now well developed in some offshore locations, so that the act of moving work offshore can now be undertaken relatively easily.

Until recently, offshore outsourcing was confined to larger companies and multinationals. Increasingly small and medium-sized enterprises are also able to access offshore outsourcing. Inhibitors for offshoring are disappearing whilst the accelerators are growing.

Offshoring doesn't always succeed

With business rhetoric tending to focus on the benefits of off-shore outsourcing, it is important to remember that offshoring has a high failure rate.

In 2003, the analysts Gartner estimated that €6 bn had been wasted on offshoring initiatives which failed to deliver as promised. Another research company, Mori, found that 65% of CIOs working with outsourcers stated that they had difficulties handling the relationship with the outsourcing partner.

Companies are also encountering customer opposition to offshoring. For example, surveys have found high levels of public dissatisfaction when call centres are relocated to offshore destinations. Cultural differences and differences in accents can contribute to this.

Reasons for problems with offshoring include the following:

- A focus on cost saving at all costs leads to bad contract,
- The savings potential is vastly over-estimated,
- The communication and coordination needs are underestimated,
- A short term approach is adopted, instead of a longer-term emphasis on relationship building,
- Human resources mishandling,
- Misjudgement of cultural differences.



2. Taking the lead

Offshore outsourcing agreement

You don't need to wait for your company to make the first step on offshore outsourcing. A number of unions have successfully negotiated agreements on offshoring with companies in advance of any formal plans by the companies to move in this direction.

Getting in early can help to set down markers for good practice which can be invaluable later.

Agreements can be based on the UNI Charter on Offshore Outsourcing (see page 3).



Examples of offshoring agreements, such as those between AMICUS and CSC (UK) or BT and Connect (UK), can be consulted at www.moosproject.be/handbook.htm

Global Framework Agreement

If you work for a multinational enterprise, remember that one possibility is to encourage the signing of a Global Framework Agreement between the company and UNI, representing the company's employees worldwide.



The texts of existing Global Framework Agreements can be found on the ICFTU website, at www.icftu.org/displaydocument.asp?Index=991216332&Language=EN

Pre-emptive skills initiatives

If you believe that your company is potentially likely to outsource work offshore, there is a particular need to ensure that existing employees are offered the skills training and development they need to improve their future employability. Remember that it is unskilled and low-skilled jobs which are particularly at risk initially from offshoring.

▶ **Encourage workers to take up training opportunities, and encourage your company to provide adequate and appropriate training facilities. Better trained and better qualified employees are beneficial to the company.**

Planning a strategy to deal with offshoring

It's also valuable at this stage to undertake detailed planning of the strategy which your organisation would adopt at the point when your company publicly declares itself to be looking at offshoring. **Do not wait until management makes the official announcement before working out what to do – by this stage, it may be too late to achieve any meaningful changes.**

The development of this strategy starts with the formulation of clear and realistic objectives, which take into account the concerns of your members. Indeed, before you think how to do something you should know what you want to achieve. **Make sure that your objectives are realistic for the employees, but also for management. Unattainable objectives will weaken your negotiation position.**

In devising the strategy, you will naturally be taking into account the overall situation you find yourself operating in, including your country's legal framework, framework for collective bargaining, existing collective agreements and appropriate union policies. **The UNI Charter on Offshore Outsourcing provides a possible list of issues for which you can formulate objectives which are realistic in the context of your company.**


- ▶ **Develop expertise.** Any offshoring project will require worker representatives and unions to be involved in evaluating the proposals in terms of practicality, feasibility and management approach.



3. Assessing an offshore outsourcing strategy

A company announcement that it is intending to move to offshoring will often mean a step-change in the level of effort and commitment required from employee representatives and unions. Nevertheless, the work needed will be easier if the preliminary steps suggested in this handbook have already taken place.


Whilst it is not the role of employee representatives or unions to contribute directly to management's task of planning an offshoring project, nevertheless careful scrutiny of your company's offshore strategy will help you, particularly in deciding how to respond effectively to what is being proposed. **This section of the handbook gives some advice on how to assess such a strategy.**



The efficiency test developed by FNV-Bondgenoten is a tool to assess the feasibility of an offshore outsourcing strategy choose by a company. The efficiency test can be found on the MOOS website: www.moosproject.be/handbook.htm

Access to information

This section is based on the assumption that companies share with social partners their offshoring plans and strategy. **If you work for a company, which is reluctant to share this information, you may need to remind management of its obligations under the European Information and Consultation Directive.**



The Directive is in the process of being implemented in EU member states through national legislation. The directive will not apply to very small undertakings.

If your company has a European Works Council, this is another vehicle which you may be able to use.

What is the overall strategy behind offshoring?

Why has management taken a decision to embrace offshoring?

Some offshore outsourcing initiatives are embedded in a broader restructuring strategy, while others aim to tackle a specific identified 'problem'. For instance, a particular business unit may not be performing well, and management may be looking for solution to increase this unit's efficiency and to reduce costs.

Companies may also be thinking ahead, making pro-active moves to anticipate and mitigate identified future problems.

Of course, if management cannot provide you with a clear and detailed offshoring strategy, it may be because such a strategy does not exist – in other words, because a company has jumped into a decision to go offshore without having done appropriate planning and preparation. Here the business driver is likely to be a desire simply to save costs. This sort of ad-hoc approach is likely to have potentially serious negative effects for existing employees. However, it may prove highly risky for the company as well: the failure of many offshore outsourcing projects can be explained by a lack of clear, well thought-out objectives. **It may well be, therefore, that in this sort of situation a strong case against offshoring can be developed by employee representatives and unions.**



Are there measurable goals included?

Strategic objectives may be formulated vaguely (eg 'cost reductions', 'improved competitiveness'). But phrases such as these are of little value if they are not translated into measurable goals - for example, to reduce labour costs by 15% in two years.

A strategy without clear measurable indicators is a weak strategy, and can be addressed by employee representatives and unions accordingly.



What is the scope of offshore outsourcing?

The company strategy should make it clear what kinds of activities and business processes are to be moved offshore, and which are to remain within the company. If the strategy is vague on this point, it is weak.

Bear in mind that companies may be planning to introduce offshore outsourcing in stages, perhaps to reduce the likelihood of employee opposition and also to spread the cost of any redundancy payments. Is it likely that the company has only announced the first stage in what could be a more extensive programme?

▶ **To understand the long-term plans of your company, it is important to analyse carefully the call for proposals, the contract with the provider, and the service level agreement.**

What business model is being chosen?

Companies have a number of business models to choose from to restructure business processes, of which offshore outsourcing is the most radical. **Has your company investigated other options: for example, outsourcing to another company but without going abroad (onshore), or opening an offshore unit as part of the parent company? Has a joint venture with an offshore partner been considered? (An offshore joint venture may allow more direct control over labour and employment conditions.)**

Is the cost and benefit analysis realistic?

It is important when calculating the cost/benefit analysis of any move offshore that all transaction and hidden costs are included. There will be both one-off and recurring costs associated with the introduction of offshore outsourcing.

Lower wages in the offshore country may be offset significantly by some of these costs. They include:

- Costs associated with drawing up the original outsourcing analysis and strategy,
- Negotiation and contract costs in choosing an offshore-outsourcing partner,
- Restructuring costs, including the cost of redundancies or relocations,
- Personnel costs of training staff to operate the outsourcing relationship,
- Travel costs,
- Infrastructure costs,
- Costs for transferring knowledge offshore (which may include training and translation costs),
- Efficiency costs; productivity may initially be lower than previous,
- Governance costs.

Have the legal issues been taken into account?

Legal issues include:

- Intellectual property protection,
- Compliance with labour laws in the offshore country,
- Export control restrictions,
- Privacy and data transfer restrictions,
- Government restrictions,
- Tax issue,
- Currency restrictions.

What organisational risks have been identified in introducing offshoring?

Does your company's strategy accurately identify the risks inherent in introducing offshoring? Is there a convincing case presented for minimising or eliminating these risks?

Possible risks include:

- Communication difficulties: even with ICT, communication remotely may become more difficult,
- Coordination: coordination of tasks and business processes may become more difficult. Different time zones may hinder effective working,
- Organisation of knowledge transfer. Any knowledge transfer to an offshore outsourcing partner implies risks to the 'host' company, including risks of intellectual property infringements,
- Loss of employee morale,
- Loss of internal company culture and cohesion,
- Adverse reaction by customers/clients,
- Political changes in the offshore country,
- Corruption,
- Differences in culture, including corporate culture,
- Language issues and differences, including differences in accent,
- Damage to company image, negative publicity.

What human resources issues have been addressed?

What does the offshoring strategy have to say on the consequences for the workforce?

Possible consequences could include:

- Job redundancies,
- Changes in job content and tasks,
- Loss of income,
- Changes in the work environment,
- Introduction of new technology,
- Changes in social dialogue and employee involvement.

Once management has taken the decision to offshore outsource certain processes and job roles, you should nevertheless strive to negotiate an offshore agreement. **If redundancies cannot be avoided a social plan mitigating negative effects for employees should be negotiated.**

In addition you as employee representative and trade union should:

- Take initiatives for pre-emptive re-skilling of employees, whose jobs are prone to offshore outsourcing,
- Assist members whose jobs are subject to offshore outsourcing to find new employment, to identify and take up re-training and to re-integrate into labour market.

The MOOS website provides different examples of social plans negotiated in the frame of offshore outsourcing in different national contexts.

What does the offshore outsourcing strategy say about employment conditions and HR issues in the offshore country?

Offshoring does not only impact on the workforce in your company, it also has consequences for workers in the destination country. **In recent years, trade unions, governments and international organisations have attempted to create a regulatory framework to protect the rights of employees on a global level.**

Questions to ask include:

- Is there a commitment in principle to ensure that core labour standards are respected as part of the selection process of offshore outsourcing companies?
- Is there a commitment to offshore only to countries offering some protection to workers and to employment standards. Will freedom of organisation in the workplace be respected?
- Will unions be recognised, and given opportunities for organising and recruitment?
- What steps will be taken during the contract negotiation and due diligence stages to ensure adherence with labour standards?
- What commitment can the company offer to workers offshore of a continued long-term relationship?

Some Global Framework Agreements commit companies to using their best efforts to ensure quality standards of employment in sub-contractor

The ILO Tripartite Declaration on principles concerning multinational enterprises and social policy, revised in 2000, and the OECD Guidelines for Multinational Enterprises may be useful tools.

UNI has published a comprehensive report on these, and other similar international initiatives: Responsible Business?: a UNI Guide to International Codes of Practice.

Some strategies for employee representatives and unions

By working through a company's offshore outsourcing policy, subjecting it to the kinds of assessment suggested above, employee representatives and unions should be able relatively easily to develop their own response, one which is appropriate to their particular situation.

▶ **What will be the correct course of action will of course vary from company to company, and will depend in large measure on the degree of concern and sensitivity demonstrated by the company to labour and employment issues.**

 **It may help at this point to look again at the list of negotiators' checklist of objectives given on page 2 of this handbook and at the UNI Charter on Offshore Outsourcing.**

Given that, as already mentioned, offshoring reflects structural trends in the delivery of services in the global economy and is not just a passing fashion, outright opposition to offshoring per se may be an inappropriate, and even ill-advised, course of action. (In the longer term, employee representatives and unions would be doing their members a poor service if resistance to change at all costs led to the company ceasing to be profitable)

Nevertheless, there are few situations where employee representatives and unions will not need to challenge at least some aspects of an offshoring policy.

▶ Offshore outsourcing may not only affect the employees you represent. **You should look for strategic alliances with others affected and try to identify common concerns and needs.**

Strategic alliances may be possible with, for example:

- Employee representatives/unions in other companies who are also facing offshoring,
- Public authorities and local politicians,
- Consumer organisations.



Firms are sensitive to public opinion and anxious for good publicity. Relocating jobs is mostly not a development welcomed by citizens.

4. Assessing the implementation of an offshoring strategy

The process of assessing a company's overall offshoring strategy will move imperceptibly into an assessment of the steps being taken to select the outsourcing partner. **Once more, careful scrutiny of the procedures in place will help you make your own response to offshoring more effective and more tailored to your own needs.**

The tendering process

Unfortunately, partners are sometimes chosen on the basis of partial information, emotional ties or personal contacts or in an ad hoc way. A well-planned offshore programme will involve management carrying out a thorough selection process. Typically, a company may send out a Request for Information (RFI) to potential offshore outsourcing firms. Based on responses to the RFI, a short-list of partners will be drawn up and these will be sent a formal Request for Proposal (RFP), setting out the detailed requirements expected of outsourcing partners. This is effectively the start of a tendering exercise.

After analysis and evaluation of offers received, the preferred bidder will be subject to a process of due diligence. Due diligence is the process of examining that the company is a reputable partner, and that the information it has supplied is truthful.



Due diligence typically involves detailed research into such things as:

- Corporate capitalisation,
- Legal form, ownership,
- Turnover, profitability, export experience,
- Litigation history,
- Credentials, references, list of existing customers,
- Subsidiaries or partners in the country of origin of the company planning the outsourcing,
- Number of employees, staff turnover rate,
- Certification (eg ISO 9001),
- Security records, certification, handling of intellectual property.

Companies should be strongly encouraged to include, as part of the due diligence process, an in-depth investigation of the off-shore firm's record on labour and employment issues. This is in companies' own interests: the experience of some Western-based manufacturing firms (for example, in the fashion wear and sportswear sectors) demonstrates that public concern about sub-contractors' sweatshop conditions can adversely affect their own brand strength and public image.

Questions to ask at this stage could include:

- What social protection will be available for workers working for the offshore outsourcing company?
- Will employee representatives from the parent company be given the opportunity to meet colleagues representing workers in the offshore company?
- Does the offshore outsourcing company have a commitment to abide by core labour standards?
- Will unions be recognised, and given opportunities for organising and recruitment?
- Are unions already recognised? If not, what reason is given?

Country selection

- ▶ **Employee representatives and unions should look in more detail at the country/countries, which are being proposed for offshore outsourcing.** Why have these countries been chosen? What regulatory framework is there in place for employment protection, occupational health and safety, and the right to collective representation?

Source for further information:

OECD Guidelines for multinational enterprises:

www.oecd.org/document/18/0,2340,en_2649_34889_2397532_1_1_1_1,00.html

Human rights compliance assessment:

www.humanrightsbusiness.org/040_hrca.htm

Trade Union Advisory Committee at the OECD: www.tuac.org



5. Negotiating the implementation and monitoring of offshoring

Although you will not be part of the contract negotiations between your company and the provider, you should try to get hold of the contract and service level agreement (SLA).

The SLA stipulates the nature and quality of the services to be provided. Typically it includes such things as:

- The service to be provided,
- The standards of service, and quality management standards,
- The delivery timetable,
- The responsibilities of both supplier and customer,
- Provisions for legal and regulatory compliance,
- Mechanisms for monitoring of service,
- Payments terms,
- How disputes will be resolved,
- Confidentiality and non-disclosure provisions,
- Termination conditions.

▶ It may be appropriate to try to negotiate into the SLA a mechanism for on-going monitoring of labour conditions and employment at the offshore company. **You should also seek to persuade your company to agree a budget for this monitoring work.**

Negotiating the transition

Once the contract and service level agreement have been concluded, the implementation of the offshoring initiative can be set in motion.

▶ **Employee representatives and unions will wish to focus on monitoring carefully this transition process, as tasks, technologies, workflows and functions are transferred to the offshore company.** This is usually a time when members may encounter a range of problems and difficulties which they will be looking to you to help resolve.

Nevertheless, by this stage it will be extremely difficult if not impossible to change the overall nature of the offshore outsourcing arrangement. **To a large extent, your ability to represent your members' interests during the transition will depend on the steps you have been able to take at previous stages of the process. This is the point at which prior action will pay off.**

Making contact with employee representatives in the offshore company

As offshoring gets under way, one clear objective could be to try to make contact with employee associations or unions representing workers in the offshore company.

This can be a challenging task. The first place to turn is UNI itself, which has 900 affiliated unions from over 140 countries. UNI may be able to advise you of the appropriate union in the offshore country. You may be able to help this union in its organising and recruitment work by offering practical support and financial assistance.

You could consider asking your own management to help provide a contact point – though be careful to ensure that any contact provided is genuinely independent of the offshore company and is truly representative of the workers.

You may also want to propose to your management that it provides the means to enable you to undertake a mission to the offshore outsourcing company, giving you the chance to make contact directly with the employee representatives there.

**OECD Watch is a network of civil society organisations which monitor the effectiveness of the OECD Guidelines for Multinational Enterprises. Their website is www.oecdwatch.org.
UNI website: www.union-network.org**

Monitoring the offshore outsourcing agreement

Evaluation of the offshore outsourcing arrangements is (or should be) a continuous process for your company. Your company will be monitoring the working of the service level agreement, and should also be assessing the success or otherwise of the project in meeting the strategic objectives originally set for offshoring.

- ▶ **You should set in place structures to enable you to regularly monitor offshoring, too.** You will want to assess carefully whether the implementation of offshoring, particularly in relation to employment and labour issues, has been carried out in accordance with prior agreements made by the company. You will want, if possible, to check the extent to which core labour standards are being adhered to by the offshore company.

It may be that your company, having got an initial offshoring pilot up and running, will now be considering extending its use of offshore outsourcing. If so, look back over the earlier chapters of this handbook, in order to work out your own appropriate response.

Assess your own response to offshoring

- ▶ **As part of the evaluation exercise you carry out, consider your own role.** How successful were you during the early stages of the development of offshoring in your company? What went right, and what went wrong? With hindsight, what would you have done differently? What lessons can be learned?

Share your experience

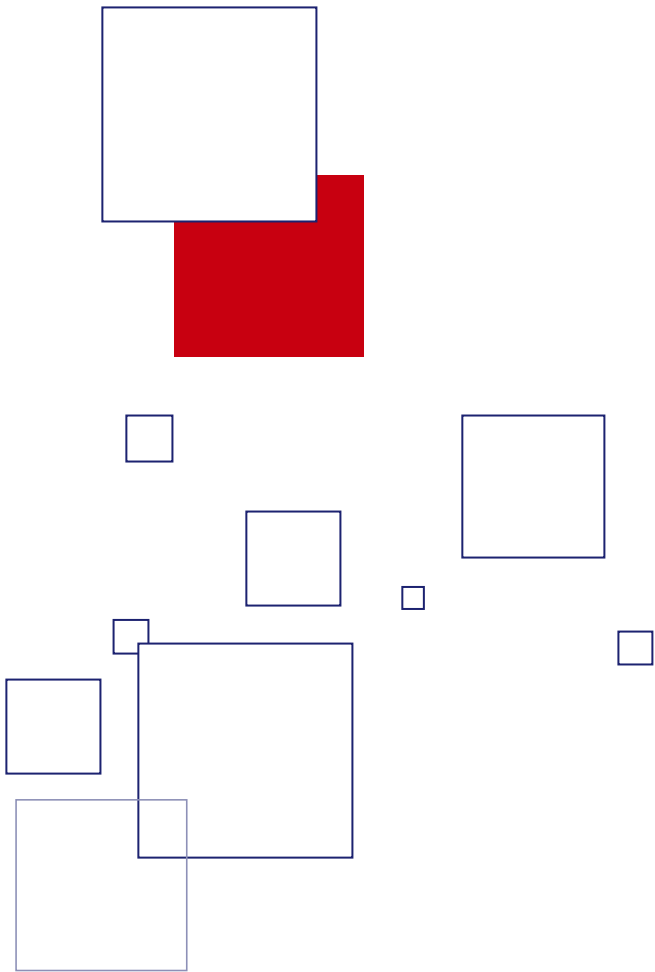
- ▶ **Don't keep this experience to yourself.** Other employees' organisations and trade unions are also having to tackle the same issues you have faced. The lessons you have learned can be useful to them, too.

This handbook has been put together as a collaborative venture, based on the practical experiences and best practice of those European trade unions who have been partners in the MOOS project.

You are invited to join this collaborative process, by contributing your own experiences, criticisms and comments. The MOOS website includes on-line forms for contributing information about your company to the MOOS Offshore Tracker. You are also invited to complete the questionnaire, also available on the website.

Although the MOOS project will complete its work at the end of 2006, the information collected by the project through the Offshore Tracker will continue to be available and will be regularly updated on UNI Europa's website.

**For further information and reading please go to
www.moosproject.be/documents.htm**





The contents of this publication reflect the views of the author.
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Civilingenjörersförbundet

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