

# Interrogating Employment in IT and ITES/BPO Sector

## Quantity, Quality and Disparities

**Babu P. Remesh**

Indira Gandhi National Open University (IGNOU), New Delhi

*During the past two decades, the IT and ITES/BPO Sector has generated millions of jobs in India. However, employment in the sector constitutes only a minor fraction of workforce/employment in the economy as a whole (0.7 per cent of the total workforce in India). The growth in employment through this sector has been concentrated to the socially advantaged and economically well-off sections. It is the reflection of class-caste-rural-urban divide that prevails in India. Also to be focused is the observed division of skill endowment and competencies among the workers in this sector.*

### **I. Introduction**

Information Technology and IT Enabled Services/Business Process Outsourcing (IT and ITES/BPO) Sector is one of the new sunshine sectors of Indian economy. From its nascent beginning in the late 1990s, the sector has grown to a stunning height, with India claiming more than half of global outsourcing Industry in 2011. Available estimates suggest that the aggregate revenue of the sector has crossed USD 100 billion, by now. In a faster growing overall economy, the sector's growth has been fastest so much so that its share as a proportion of country's GDP has risen up from 1.2 per cent in 1998 to about 7.5 per cent in 2012. During the same period, the export share of IT and ITES/BPO sector in total exports (merchandise plus services) increased from less than 4 per cent to about 25 per cent, as per estimates provided by National Association of Software and Services Companies (NASSCOM)<sup>1</sup>, the prominent trade-association/employer's collective in the sector. At the employment front too the sector's performance has been considered impressive, as it provides direct employment to about 2.8 million, besides indirectly employing 8.9 million people.

All the above information, *prima facie*, prompt one to perceive the IT and ITES/BPO sector as a major 'change-agent' that altered the economic and employment scene,

<sup>1</sup> All the estimates given in this section are those of NASSCOM. Despite the fact that NASSCOM data lacks authenticity due to unavailability of methodology of data gathered and its estimation, these figures are used to provide a crude and broader picture, in the absence of any other reliable sets of macro data.

by providing unlimited employment opportunities to the unemployed youth of India, along with enviable levels of incomes and labour standards. The employment-claims of NASSCOM in its website<sup>2</sup> also resonates this view, as evident from the following extracts:

*The industry has helped India transform from a rural and agriculture-based economy to a knowledge based economy*

*In addition to fuelling India's economy, this industry is also positively influencing the lives of its people through an active direct and indirect contribution to the various socio-economic parameters such as employment, standard of living and diversity among others.*

Notwithstanding the impressive statistics and the positive notes of the employers' body, some basic analysis of secondary data suggests that the relative contribution of the sector towards employment provision is quantitatively weak. Further to this, a growing body of research points to the inferior quality of employment in the sector. In this backdrop, the present essay exclusively discusses various facets of employment in IT and ITES/BPO sector, in the light of findings of some of the extant research studies.

The remaining part of the essay is structured as follows. Section I critically assesses the employment gains of the sector and questions the potential of the sector to bring in a structural transformation in the overall employment scenario in India. This section also discusses the quality of employment in the sector and highlights some of the apparent insecurities. Subsequently, Section II discusses the distributive aspects of employment-benefits in the sector and captures the socio-economic inequalities and digital divides brought out by this sunshine sector. Section III concludes the paper.

## **II. Probing Employment Claims**

By now it is widely understood that, the IT and ITES/BPO Sector has generated millions of employment in India, during the past two decades. The sector's contribution in terms of employment provision has been impressively superior vis-à-vis the other sectors and when compared to the employment-performance of overall economy. As mentioned earlier, as per NASSCOM's estimates the sector provides direct employment to 2.8 million and indirect employment to 8.9 million workers, in 2012. Even if one agrees blindfolded to these employment figures of NASSCOM, it is a fact that the employment in the sector constitutes only a minor fraction of workforce/employment in the economy as a whole. The fact that direct employment in the sector is only less than 0.7 per cent of the total workforce in India (and slightly above 2 per cent of the employment in tertiary sector<sup>3</sup>) itself rejects the NASSCOM's claim of the IT and ITES-BPO sector's capability of structurally transforming the entire economy – by quickly shifting its agricultural-base to one of knowledge-embedded!<sup>4</sup>

<sup>2</sup> www.nasscom.org (all data/information accessed on 24th December 2013).

The growth of employment in IT and ITES-BPO sector in India can be broadly be divided into two phases. In the first phase (say since mid-1990s to around 2005), the employment was primarily generated in the international segment of the sector. During this phase, the employees were predominantly engaged in internationally outsourced business processing options (in call centres, software developing firms and medical transcription firms, to name a few). Following this phase, in the most recent years (say from 2005 onwards), there is a steady expansion of IT and ITES-BPO employment within the domestic economy. By 2009, the employment generated in the domestic sector was about 4, 50,000 (Remesh, 2009) and the overall growth trends suggest that these in-house employment opportunities are steadily on the rise.<sup>5</sup> Since there exists a drastic contrast between the nature and issues of employment (as well as the profiles of workforce) between the international and domestic segments of IT and ITES/BPO sector, it is reasonable to discuss the quality of employment in the sector in a phase-wise manner.

Most of the pioneering studies carried out during the initial phase of spread and growth of IT and ITES-BPO sector in India looked at the weak base of employment in the sector (Remesh, 2004; Upadhyaya and Vasavi, 2006, Tailor and Bain, 2005, Noronha and D’Cruz, 2006). Detailed analyses provided by these studies establish that despite having relatively higher salaries and dazzling work environment (compared to other sectors of the domestic economy), the sector is marked by lower security of employment, adverse impacts of flexible employment practices, inappropriate social security measures, rigid work organisation with stringent control mechanisms, dismal scope for career/skill improvement, near absence of worker collectivity, weaker social dialogue mechanisms and so on.

It was shown that the job insecurity in the sector is strikingly severe, due to its excessive reliance on contract/project based assignments, derived through business process outsourcing (BPO) arrangements internationally (Remesh, 2004; Carol and Vasavi, 2006). As the employment situations are ‘derived’ rather than actually ‘generated’ in the economy, permanency in job and related securities were often considered as incompatible with the sector.

It is widely understood that adherence to the demanding frame of global production chains and its underlying logic of cost-cutting prompted the firms in the sector to follow

<sup>3</sup> These ratios are arrived at using the latest employment figures based on 68th Round of NSSO data for 2011-12, as reported by Shaw (2013). , The total number of workers in India and the employment in tertiary sector are 434.64 million and 128.02 million respectively. compared with latest figures of NASSCOM on employment in IT and ITES-BPO sector, the share of the sector vis-a-vis total workforce in India and with respect to total workforce in service sector are 0.64 per cent and 2.19 per cent respectively.

<sup>4</sup> D’Costa (2011) also explains that given the fact that the new rich and highly salaried professionals represents only a small fraction of India’s total workforce, the NASSCOM’s claim of the sector bringing a massive transformation is far from reality.

<sup>5</sup> As per NASSCOM’s recent estimates, domestic IT-BPO market growing fastest in India (by 20.7 %).

rigorous efforts towards rationalisation of work and workforce, through observance of rigid systems of work organisation, monitoring and control (Taylor and Bain, 2005). The resultant excessive use of Tayloristic norms in 'new economy' had led to intensification of work so much so that the workers are even reduced to 'cyber coolies' (Remesh, 2004). Further to this, due to unearthly hours, odd time tables and unusual norms (such as 'locational masking') followed in an excessively client-oriented sector, the employees were often found themselves in 'socially excluding' and 'demeaning situations'.

The acute absence of basic workers' rights in the sector in terms of restrictions to freedom of association and the resultant 'representation/voice insecurity' in the sector is also reported widely (Sinha, 2004; Sandhu, 2006; Remesh, 2007). It is also found that through carefully planned management strategies, workers are often trained to act as 'individuals', whose patterns of socialisation are molded as per the desired limits stipulated by the management<sup>6</sup>. Changed paradigms of human resource management in the sector, with 'concerned and caring managers' are also found restricting the workers from getting organized through traditional forms of worker associations/collectives (Noronha and D'Cruz, 2006).

On the whole, during the first phase of outsourcing revolution in India, the central focus of research on quality of employment was on understanding of the inherent and implicit dangers of globally outsourced work options. Accordingly, it was shown that these new generation occupations are visibly marked by inherent insecurities, vulnerabilities and 'decent work deficits', largely on owing to the specificities of regime of production organisation, under Global Production Systems (Remesh, 2009).

The quality of employment in the sector has deteriorated further in the second (and current) phase of 'outsourcing revolution' in India, where employment catering to domestic sector firms flourished considerably. In a pioneering study on domestic call centres Remesh (2009a) shows that the domestic call centres are distinctly different from their international counterparts in terms of profile of workforce, organisation of work, terms of work, work relations and so on. The study also shows that despite the striking changes in the working time and changed requirements of customers, the work in domestic sector exhibits acute insecurity of job and unimpressive working conditions. Given the low level requirements of skill, the workers are found agreeing to inferior salary packages, unimpressive and rigid control systems. With little scope for skill upgradation, the works remain at 'low end', with considerable levels of employment-insecurities. The findings of yet another study, Taylor et.al, 2013, also reaffirms these findings, thereby suggesting that the quality of employment in the domestic sector of IT and ITES-BPO sector is quite unattractive compared to the international segment of the sector.

<sup>6</sup> Remesh(2004) explains this as 'structured socialisation' to create a workforce, which is 'productively docile'.

### III. Digital Divides and Unequal Distribution of Employment Gains

Are the employment benefits of IT and ITES/BPO sector equitably distributed, socially, spatially and across different groups of beneficiaries? Answering this question will lead one to the distributive inequalities of employment in the sector. A growing stock of research suggests that the advent and spread of IT and ITES/BPO sector also led to emergence of new forms of dualisms and digital divides. In a detailed sociological study of IT sector worker in Bangalore, Carol and Vasavi (2006) explains the new social stratification and urban dualism brought out by the IT and ITES/BPO sector. The relatively higher pay packages in the sector vis-à-vis other sectors of the domestic economy has led to a distinctly sharp social divide between IT workers and 'other workers' in the economy. The inherent bias of the employment in the sector towards 'urban creamy layer' is explained by Remesh (2004). It is shown that skill and language requirements of the jobs in the new economy naturally favour those who are educated and socially groomed in urban centres. Upadhyya (2007) also supports this argument by explaining that the new employment opportunities of IT industry have been largely accessed by those who are from and/or educated in urban areas. It is viewed that given the sharp differences in terms of languages (and communication skills), education and access to IT training, the high tech jobs in new economy will may exacerbate the socio-economic dualisms (Upadhyya, 2007).

Recent empirical evidence suggests that even with the picking up of domestic outsourcing sector, the rural-urban divides are found continuing, albeit in different tones and shades. For instance, a study on low-paying and low-end work and workers in domestic call centres (Remesh, 2009a) shows that workers from rural areas do find some place in these new generation 'precarious' urban jobs, while there was hardly any presence of educated youth from rural areas in the first phase of outsourcing work (which solely engaged urban educated youth in better-paid jobs).

Along with the urban-rural divide, one also needs to understand the differential gains of employment accruing to various caste (social groups) and class categories. We now know that job options in the IT and ITES sector are more accessible to those who have better socio-economic backgrounds. There are several studies that shows that the workers in the IT and ITES/BPO sector are mostly from socially better off families in terms of their positions in caste and class hierarchies (Remesh, 204; Upadhyya and Vasavi, 2006; Upadhyya, 2007; Krishna and Brihmadേശ, 2006; D'Costa, 2011). Upadhyya (2007) explains the homogeneity in the social composition of the workforce, where majority are from urban, middle class and high-middle castes. Krishna and Brihmadേശ (2006) shows that most of the parents of the software engineers interviewed in their study were highly educated and from better off segments of the social hierarchy.<sup>7</sup> All these suggest that entry into the new occupations in the sector is often restricted to those who posses

<sup>7</sup> Remesh (2004) also shows similar findings.

higher levels of social and cultural capital (Upadhyaya, 2007). Given this, the employment in the sector could only deepen and cement the pre-existing social inequalities, through disproportionately favoring better off caste and class groups.

The educational policy in India has been perennially biased in favour of upper classes and castes (D'Costa, 2011). This advantageous position of upper castes in education, largely on account of historical and class backgrounds (Upadhyaya, 2007), helps the youth from these social groups to disproportionately reap the benefits of IT education in India, which *inter alia* leads to their edge in accessing the skilled jobs in the IT and ITES/BPO sector. Recruitment patterns and norms of selections followed in the sector are also found favoring those who are from better social and class backgrounds (Remesh, 2004; Upadhyaya and Vasavi, 2006).

Sharp divisions in terms of skill endowments and competencies of the workers is yet another aspect to be highlighted. The expansion and spread of the technology based and aided employment in the sector is believed to have brought in skill dichotomies both within the sector and the economy as a whole. With the advent of the high-tech jobs in the sector, especially in the first phase of outsourcing revolution, there has been a 'polarisation' in the labour market, with sharp differences between highly skilled and well-paid workers and those who work with lower wages and insecure conditions (in other sectors and ancillary industries)<sup>8</sup>. This 'skill-dualism' is increasingly visible even within the sector itself, with the spread and growth of domestic outsourcing activities. A mere comparison of compensation packages and terms of work of call centre workers in international and domestic segments clarifies this.<sup>9</sup> The earlier concept of well-paid IT worker with state of the art work environment has now increasingly blurred, when one considers the ill-paid employees engaged in precarious work environments in domestic segment of the IT and ITES/BPO sector.

A sharp 'gender divide' is also discernible, when it comes to distribution of employment gains of the new generation jobs in the information economy. By now, the myth of new generation jobs promoting greater gender equality was questioned by many research studies. The 'women friendly' and 'gender neutral' images of employment in the sector are demystified in these studies, which show that compared to their male counterparts, women are increasingly pushed to low-end and low paying jobs. On the whole, these studies suggest that women are disadvantageously placed to share the employment benefits of information technology-(IT) based occupations in the new economy, with bleak career prospects and upward mobility. Along with this erstwhile gendered notions are also found reproduced in the new workplaces which are not so 'woman friendly'

<sup>8</sup> Refer Upadhyaya and Vasavi (2006) for more clarity on this argument.

<sup>9</sup> In a pioneering research work on domestic call centres, Remesh (2010) explains that given the low level requirements of skill, the workers are found given inferior salary packages. Further, the work in domestic call centres is also found providing less scope for skill up gradation. Thus, on the whole the work is found as 'low end', which provides little scope for human resource development.

(Carol and Vasavi, 2006). A comparison of employment and workplace issues of women in the international and domestic call centres<sup>10</sup> suggest that over the time women's disadvantage in the sector has become more sharpened, over time. Thus, it is reasonable to believe that despite the expectations generated by the sector in terms of provision of 'empowering' and 'modern' jobs to women workers, in reality they continue to operate within the narrow paradigms, which are (re)constituted by gendered constructs (Raju, 2013).

#### IV. Conclusion

On the whole, the above discussion suggests that the euphoria about the employment contributions of the IT and ITES/BPO sector needs to be understood more carefully. Given the insignificant share of employment generated in the sector (vis-à-vis the total workforce/employment), the sector is incapable of majorly and structurally transforming the total employment scenario of the country. Besides, the quality of employment in the sector is far from satisfactory due to inherent dangers of the cost-cutting philosophy and the resultant regime of rationalised work organisation. The essay has also highlighted the unequal and skewed distribution of employment gains of the IT and ITES/BPO sectors giving due attention to deepening socio-economic stratifications, dualisms and disparities (spatial, skill-based and gendered).

#### References

- Remesh, Babu P. (2004). 'Cyber Coolies in BPO: Insecurities and Vulnerabilities of Non-Standard Work', *Economic and Political Weekly*, Vol.39, No. 5, January 31-February 6.
- Remesh, Babu P. (2007). 'Mobilisation and Organisation of ITES-BPO Sector Labour in India: Status, Constraints and Emerging Trends', Paper presented in the International Conference on 'Labour and Challenges of Development', Global Labour University, University of the Witwatersrand, Johannesburg, South Africa, 1-3 April.
- Remesh Babu, P. (2009). *Decent Work in Global Production Systems: A Study of India's IT Services and ITES/BPO Sector*, Report submitted to ILO/JILPT Fifth Round Joint Investigative Studies, International Labour Organisation, Bangkok.
- Remesh, Babu P. (2009a). *Labour in the New Economy: A Case Study of Domestic Sector Call Centre Work*, Unpublished Research Report, Centre for Labour Market Studies, V.V.Giri National Labour Institute, NOIDA.
- Remesh, Babu P. and Neetha N. (2004). 'Women Workers in the New Economy: Call Centre Work in NOIDA, Labour and Development', *Special Issue on Globalisation and Women's Work*, Vol. 10, No. 2.
- Remesh, Babu P. and Neetha N. (2008): 'Gender Implications of Outsourced Work in the New Economy: A Case Study of Domestic Call Centres', *The Indian Journal of Labour Economics*, Volume 51, No. 4, Oct.-Dec.
- Sandhu, Amandeep (2006) 'Why Unions Fail in Organising India's BPO-ITES industry', *Economic and Political Weekly*, Vo, XLI No.41, October 14.

<sup>10</sup> Remesh and Neetha (2004) and Remesh and Neetha (2008) provides an overview of labour and employment issues of women in international and domestic call centres respectively.

- Shaw, Abhishek (2013). 'Employment Trends in India: An Overview of NSSO's 68th Round', *Economic and Political Weekly*, Vol - XLVIII No. 42, October 19.
- Sinha, Pravin (2004). *Dilemma of Organising IT Workers: The Case of India* Participatory Development Unit, New Delhi.
- Taylor, P. and Bain, P.M. (2005). 'India calling to the far away towns: the call centre labour process and globalization'. *Work, Employment and Society*, 19 (2). pp. 261-282
- Taylor, Phil et.al (2013). 'The Experience of Work in India's Domestic Call Centre Industry', *The International Journal of Human Resource Management*, Vol.24, No.2.
- Upadhya, Carol (2007). 'Employment, Exclusion and 'Merit' in the Indian IT Industry', *Economic and Political Weekly*, Vol. 42, No.20
- Upadhya, Carol and Vasavi, A.R (2006). *Work, Culture and Society in the Indian IT Industry: A Sociological Study*, Final Report Submitted to IDPAD, School of Social Sciences, National Institute of Advanced Studies, Bangalore.