

# Outsourcing and IR

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# What is outsourcing?

Outsourcing is a way of managing production processes.

It is often confused with off-shoring and subcontracting. Subcontracting is done by a general contractor for the purpose of completing specific parts of a project, off-shoring is relocating of business activities to another country, but within the original company.

# Why outsourcing?

There might be many reasons for outsourcing:  
Cost management, access to talent, quality issues, innovation capability, legal reasons, tax reasons..

# Cost management?

One central problem of outsourcing is managing costs. To many businesses, outsourcing is a way to reduce costs, but this is not always the case. It depends of the job that is outsourced.

- > transaction cost problem
- > agency and control

# Outsourcing and employment

Outsourcing has a bad name, because it commonly is seen as a way to skimp on working conditions.

Example: Finnish paper industry outsourcing conflict (2005)

But depending on the task, outsourcing can be positive, when it is not replacing current personnel.

# Outsourcing and IR

Outsourcing can have consequences for IR, depending on the industrial relations system. Especially in highly centralized systems such as in Finland and Sweden it is seen as problematic; especially in connection with the IR organizational principle of industrial unionism.

Example: again the paper industry

# Outsourcing, IR and the EU

On the issue of outsourcing, the idea of legal representativeness is useful to see the weak position of outsourced or subcontracted services on the transnational or cross-border dimension.

- > Posted Workers Directive
- > Commission Proposal
- > Lillie and Sippola (2011) - Olkiluoto 3

# Two tiers of labour rights?

One interpretation of the Commission proposal is that there will be two tiers of labour rights, one on the basis of freedom of movement of workers and one on the basis of the freedom to provide services. The latter is especially common as a basis for outsourcing and off-shoring activities.

Is this right?



# EU and national systems of IR

Laval and Viking cases have shown that sometimes aspects of national systems of IR are not compatible with EU law.

With this excursion into EU law we get back to issues of IR, competitiveness etc. Apparently the EU and the interested parties to this issue of labour rights see outsourcing/offshoring as competition-enhancing.

# Competitiveness?

Rightfully, Nordic labour unions are concerned about the direction of European legislation, mostly for reasons of fairness.

But is this possible restriction of labour rights really a boost to competitiveness?

- > strike levels in Europe
- > growth of temporary work

# Social dumping or advantages for businesses?

It is well known in economics and business that only from innovation comes real economic growth and more jobs. Is it therefore useful to try to restrict labour rights in a possible attempt at cost reduction, while outside Europe labour costs are nonetheless lower? How does this proposal/method lead to more and better jobs?

# Open discussion

- > fairness
- > the European dimension of the labour movement
- > capital is global, labour is local - or is it?

# The end

Thank you!!

I am always available for information,  
discussion etc.