Meaning of Workforce Diversity in Globalized Post WTO World

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Introduction
In recent years, outsourcing has become a hot topic and 2004 being an election year in USA, this topic has taken shape of a political debate. One variable, which needs to be re-looked in this new post WTO globalized and outsourcing world, is the meaning of diversity in the companies and corporations. The meaning of diversity will change as the working environments change globally.

At the same time, the world’s increasing globalization requires more interactions among people from diverse cultures, beliefs, backgrounds and countries than ever before. People no longer live and work in one company for the whole life; they are now part of a worldwide economy with competition coming from nearly every continent and the trend of changing and switching jobs has become part and parcel of a career growth. For this reason, profit and non-profit organizations need diversity to become more creative and open to change. Maximizing and capitalizing on workplace diversity has become an important issue for management today. Many big companies like IBM and GE has diversity managers at corporate levels to oversee the success and implementation of this key legal (in USA) and productivity initiative.

Problem Statement
Recently, the outsourcing of jobs from America has become a social and political issue and getting a lot of attention from media and other sources. This outsourcing wave is a direct result of WTO policies, which has given access to markets all over the world. While people are discussing the positive and negative effects of globalization and WTO policies, the meaning of diversity in this globalized world needs to be re-looked and if needed, require a new definition.

Defining Diversity
Diversity is generally defined as acknowledging, understanding, accepting, valuing, and celebrating differences among people with respect to age, class, ethnicity, gender, physical and mental ability, race, sexual orientation, spiritual practice, and public assistance status (Esty et al., 1995).

Demographic changes (women in the workplace, organizational restructurings, and equal opportunity legislation) will require organizations to review their management practices and develop new and creative approaches to managing people. These changes will increase work performance and customer service (Green, Kelli A).

Benefits of Diversity
Many companies boast about their diversity commitments, goals and objectives and how they are reaping the benefits of this great initiative. Diversity benefits both the employers and the employees. Employees enjoy a non-discriminating and friendly workplace environment while the employer can take advantage of higher productivity gains, more marketing opportunities, better recruitment initiatives and better workplace image in the industry.
Defining Outsourcing
Outsourcing is not a new term, though it has become much more popular and debatable in recent days. Outsourcing is generally defined as buying-in by a company of components, finished products, services, etc., from an external source rather than supplying these internally. It means the companies go to sources outside their company to get services or manufacture products instead of manufacturing them in-house. This source of supply can be within a certain geographical area, country or anywhere else in the world.

Benefits of Outsourcing
Outsourcing has grown tremendously in recent years because of its huge productivity and cost benefits. A company, which used to hire a technical person for $50,000 per year in America, can hire five technical persons of same caliber and output in half the price in India or China or in any other cheap-labor markets. The huge cost savings of hiring low cost workers and manufacturers have convinced big corporations like Microsoft, Nike, Gap and General Electric to setup their manufacturing and design centers in such low cost labor countries and manufacture products at low cost and market them in America and all over the world to gain higher profit margins while reducing the manufacturing costs.

The benefits of outsourcing can be viewed by the following chart, which shows the number of IT workers of American companies in India who has outsourced so far.

<table>
<thead>
<tr>
<th>Area Outsourcing</th>
<th>IT Workers</th>
<th>Focus</th>
<th>Who’s there</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi</td>
<td>73,000</td>
<td>Call centers, transaction processing, chip design, software</td>
<td>GE, American Express, STMicroelectronics, Wipro</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Spectramind, Convergys, Daksh</td>
</tr>
<tr>
<td>Kolkata (Calcutta)</td>
<td>7,300</td>
<td>Consulting, software</td>
<td>PwC, IBM, ITC Infotech, TCS</td>
</tr>
<tr>
<td>Pune</td>
<td>7,300</td>
<td>Call centers, chip design, embedded software</td>
<td>Msource, C-Dac, Persistent Systems, Zensar</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>36,500</td>
<td>Software, back office, product design</td>
<td>HSBC, Microsoft, Satyam</td>
</tr>
<tr>
<td>Bangalore</td>
<td>109,500</td>
<td>Chip design, software, bio-informatics, call centers, IT consulting, tax processing</td>
<td>Intel, IBM, SAP, SAS, Dell, Cisco, TI, Motorola, HP, Oracle, Yahoo, AOL, E&amp;Y, Accenture, Wipro, Infosys, Msource</td>
</tr>
<tr>
<td>Chennai (Madras)</td>
<td>51,100</td>
<td>Software, transaction processing, animation</td>
<td>World Bank, Standard Chartered, Cognizant, Polaris, EDS, Pentamedia Graphics</td>
</tr>
<tr>
<td>Mumbai (Bombay)</td>
<td>62,050</td>
<td>Financial research, back office, software</td>
<td>Morgan Stanley, Citigroup, TCS, Mphasis, i-Flex Solutions</td>
</tr>
</tbody>
</table>

Source: CNN and NASCOM
The Challenges
When talking about diversity and outsourcing, each of them has their own unique challenges. Managing diversity is more challenging than actually acknowledging its importance and significance. There are lots of cultural barriers, organizational circumstances, potential job losses and legal implications for promoting diversity. Similarly, outsourcing has advantages of having low product costs and higher gains but outsourcing American jobs to other countries has caused a lot of grief to local American workforce and has made outsourcing a political versus economic issue.

The Balancing Act
The problems caused by outsourcing are getting worse in USA as American people are getting laid-off and foreign workers are getting hired at the same rate in the outsourced countries. While this phenomenon has caused job losses, it has also caused many American workers to out of their hometowns to other countries to work and experience the different cultures and tastes of world. It is becoming a fact that as U.S. jobs move abroad, more Americans are willing to work overseas.

The Accidental Expats
India and China are the biggest outsourcing countries right now and it is true that there are a lot of foreign people especially Americans, are working in both countries. Today, experts say, there are about 30,000 foreigners working in India. That's a virtual drop in the bucket for a country that has a population of more than 1 billion and far less than the 250,000 foreigners (mostly English) living in India some 60 years ago, just before independence in 1947. But the trend is growing at fast pace. People like Robert Dunn from a Las Vegas based healthcare company who used to work in America now moved to India are good examples. In his opinion, instead of protesting against the offshoring of work that might have gone to American firms like his, Dunn, 55, has decided to get in on the game. Call it a case of, “If you can't beat them, collaborate with them.” His goal is to send himself, and as many of the 20 people who work with him, to India to consult on healthcare IT projects. “It's important for Americans to collaborate more than they have been,” Dunn says. “It's unfortunate that everyone has put a stake in the ground that outsourcing is totally bad or totally good. No one's looking in the middle.” (Geary, Leslie Haggin)

Dunn is not the only case there are a lot of people who are now looking towards other markets and countries for job search. Monster.com India has about 3,000 foreigners looking for jobs on its Web site and it seems like it will grow at faster rate in near future as the globalization and outsourcing wave continues in other countries.

Reverse Migration
There are various factors and reasons, which are contributing to this scenario. Accidental Expats like Dunn are one type. Reverse migration is another type. These are people who came to America long time back (10 to 20 years ago) and now for various cultural assimilation, family or career growth reasons want to move back to their home country like India, China or even Pakistan and are more experienced in their fields and thus helping to setup the outsourcing parts of their businesses. Big corporations are using their diverse employees for such assignments very successfully.

The Diversity Challenge Outside America
While jobs are being created outside America in countries like China, India and Mexico little thought have been put into the workplace practices and “good American labor laws”. The companies are reaping the benefits of low cost labor but the safety
conditions, compensation packages and above all the diversity criteria, which are very much applicable in America, are no more applicable in these foreign countries. The result is that the companies are creating local workforce with little experience, which do not care about diversity and its benefits. The quality of the hired people in foreign countries has deteriorated so much in some examples like DELL and other Call Center companies that they are now forced to reverse their outsourcing efforts from India.

Managing Diversity Outside America
When American jobs are being outsourced to other countries, it will be fair to analyze the importance of diversity at workplace in these countries. Not all the countries support affirmative action and equal opportunity employment. India and China both are still very closed economies with strict immigration policies which restricts the jobs in these markets to their local workforce only, whatever their quality and standard would be. Pakistan on the other hand has almost negligible foreign workers due to various political and social factors. The definition of diversity at workplace should be implemented in same rigor in foreign countries as it is implemented in America to give the maximum benefit to talented workforce whether they are locals or foreigners, Indian, Americans, Chinese or Pakistanis.

Diversity in Outsourced Markets
The two big markets for outsourcing are China and India and if we analyze their workforce, almost all of it is local workforce but the trend is changing. Weak American job market is forcing the new graduates and experienced employees also to rethink about their priorities and are more willing to relocate to India or China. Recent articles in CNN and other reputed magazines are showing more Americans adopting this trend and embracing the cultural differences to work overseas.

Why Diversity in Outsourced Markets?
The natural question arises, why should companies care about diversity in foreign countries? The answer can be given in two respects. First, the overall productivity and success of the company at any place will need a pool of diversified people. Having colleagues from the parent company or in most cases from America to teach the new skill sets and business ethics will always add onto the success of the company. Second, one recent negative thing, which is observed in outsourced companies, is the attrition trend of the local employees. The local employees stay much lesser time in the parent company and move to better offers because of their local network and capability to cash their experience. Keeping American employees as expats in that country will give more stability to the workforce at that location because the natural trend and perceptions show that expats have much lesser tendency to change jobs and companies.

Implementing Diversity in Outsourced Markets
As said before, it is easier to say than to implement the true meaning of diversity and it becomes more difficult when talking about other societies and countries having different
cultural and social values. Until recently, the trend shows that all the employees in outsourced companies in India and China are local people. By taking example of a hypothetical Company “A”, which is operating in America at 50% diversified-employee rate. If this company sees an outsourcing opportunity, say in India, it opens a branch office or manufacturing facility there. Assume the company had originally 100 employees and they open the branch in India with 30 employees. The company needs to reduce its workforce from American site from 100 to 80 to cut down the costs and take advantages of the new low cost site. The usual trend is the Company “A” will hire 30 Indian employees in their outsourced location and start training them from the scratch and also face dissatisfaction and discomfort in laying off 20 employees from the American site.

By taking the same company from a “Global Diversity” point of view, if Company “A” wants to open office in India, it should focus on maintaining the same diversity percentage, which it was operating in America, 50%. It should hire 15 to 20 local employees and it should relocate 10 to15 employees from America to India. This move will not only keep the diversified workplace and keep the layoffs to minimum level but also create a “Global Company” perspective among the employees and the customers of the company. Along the same lines, it will help the local team in India to get trained and come to the speed and expectations of the employer by utilizing the American expat resources available to them. This will also save the company a lot of traveling costs and other resources while keeping a healthy and diversified work environment. The accompanying diagrams illustrate this example more clearly.

**Challenges and Obstacles in Implementing Global Workforce Diversity**

American immigration and workforce laws are matured enough to give a clear direction and benefits of diversification, but other countries, especially the low cost labor countries including India and China are still considered “close economies” from that standpoint. Some of the major challenges and obstacles in implementing global definition of workforce diversity include, labor laws, immigration policies and willingness of American workers to relocate outside their home country.

**Labor and Immigration Laws**

Countries like India and China have closed door policies for foreign workers. On one front, they offer a low cost labor market but their immigration and labor laws are not flexible enough for foreign workers to enter into these markets. These countries tend to keep their markets open only to their local workforce and thus create a non-diversified workforce culture. Most American companies have accepted it as part of the outsourcing deal but the reality remains that the immigration and labor laws need to be updated in global markets to allow foreign workers to compete with the local workforce in getting jobs. Similarly, Pakistan also needs to revisit its immigration and industrial policies to create foreign workforce friendly environment in industrial and services sector.
Willingness of American Workforce to Relocate
It is a usual perception that most of the Americans are working within 25 miles range of the place where they were born or their parents settled some decades ago. They still want to keep the same trend but in this globalized world where competition is all over the world, American workforce need to develop the willingness to relocate to other parts of the world. In some areas like Information Technology and Software, this trend has already started developing and the picture of an American worker located in Bangalore, India in Saree will not be a strange or unique sight (Geary, Leslie Haggin). Recent week’s TIME magazine (Corliss, Richard) also discussed the effects of this “globalization” phenomenon from media and entertainment standpoint that these markets are making on American society and this globalization effect will continue to grow more, as things progress and more companies get onto the outsourcing bandwagon. The best way to embrace this “globalization epidemic” is to accept it and be more flexible in relocating and accepting other societies. In this regard, the host countries like Pakistan, India and China needs to be more open for the foreign workers and investors and give appropriate incentives for them to develop and live in respective countries.

Legislation to Balance Diversity and Outsourcing
Many states in USA are considering serious legislative bills to protect American jobs from outsourcing. As the election year goes on this debate will take more heat but there is no immediate solution presented so far. One possible solution, which can be proposed, is to pass a law similar to the equal opportunity employer, which will be applicable to all companies who want to outsource. The law will make sure that companies who join the outsourcing bandwagon will need to meet the “minimum diversity percentage” criteria of some percentage in the outsourced markets. In other words, if they hire certain number of local employees in a foreign country, while laying off the American workforce, they need to have certain minimum percentage of foreign (American, Chinese, Pakistani or any other) workforce at their outsourced location. This will keep the companies on guard while outsourcing and will also benefit the local workforce by less number of lay-offs and giving them better growth opportunities in other parts of the world.

Conclusion
On the basis of the analysis, it can be proposed that negative effects of outsourcing can be balanced by adopting a global definition of diversity especially in the outsourced markets. Implementation of this global diversity definition will require updates in labor and immigration laws in these countries and legislation from American lawmakers to make sure that certain minimum diversity percentage criteria are fulfilled while doing outsourcing to these markets.

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National Association of Software and Service Companies (http://www.nasscom.org)