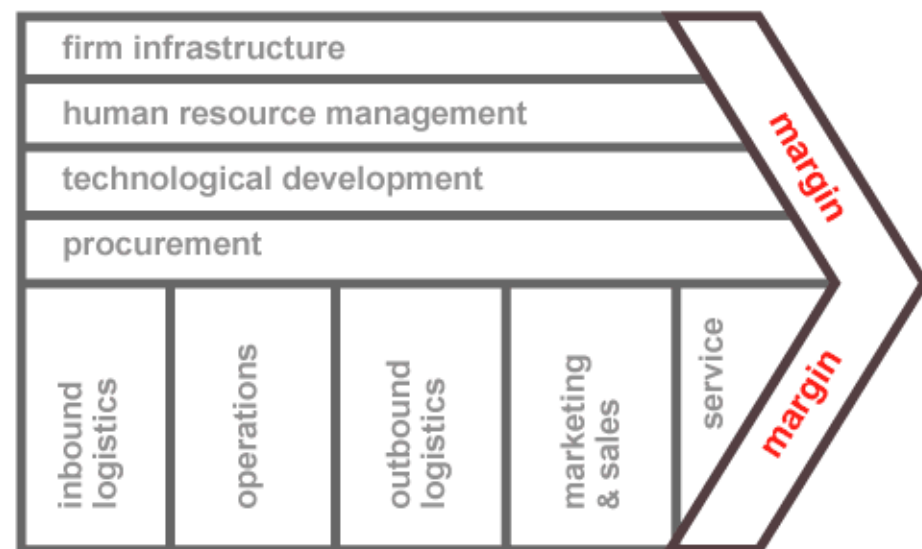




*Understanding the impact of
offshore outsourcing on work:
what can we learn from the
business functions approach?*

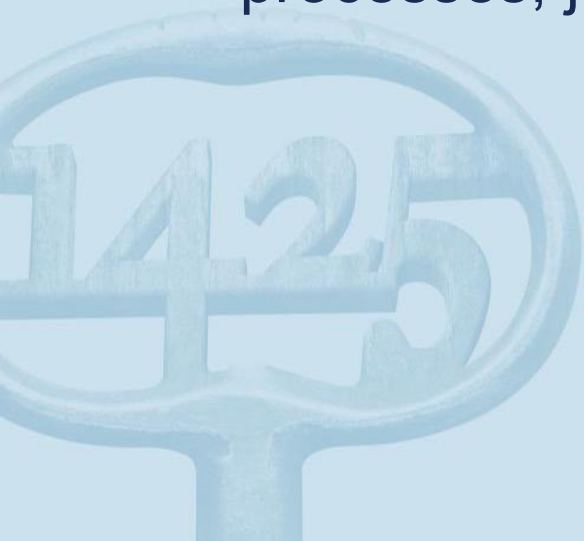
- Definition
 - A cluster of technologically and economically distinct **activities**
 - Which are **usually** performed together
 - As a result of processes of division of labour **within and between** companies
 - Composing **the value chain**
- Scheme: Porter, 1985
- Now: various definitions
- Distinctions between core and non-core (dynamic)



Key question of today

Is the business function concept useful to understand processes of outsourcing and relocation and their effects on employment and work?

1. Quantitatively: job growth and decline at a detailed level, geographical and sectoral shifts in employment, changes in job quality...
2. Qualitatively: impact of restructuring on labour processes, jobs and job quality, skill requirements,...

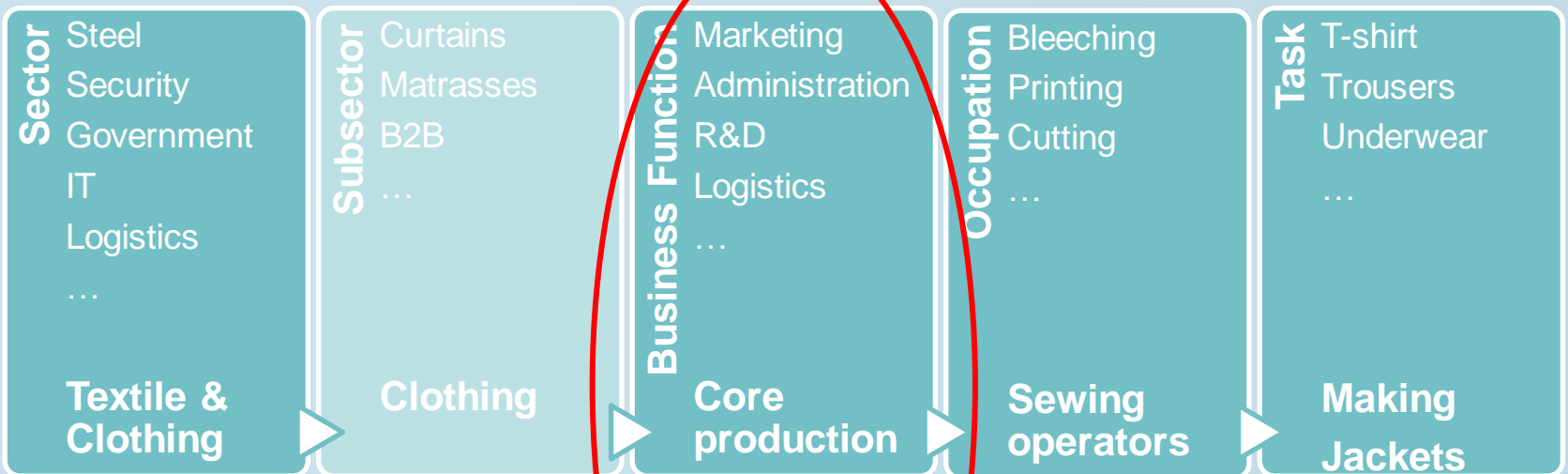


Part 1

Business functions in quantitative research



Possible levels of analysis



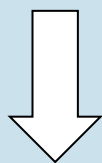
↑
Sector employment

↑
Business function

↑
Individual job

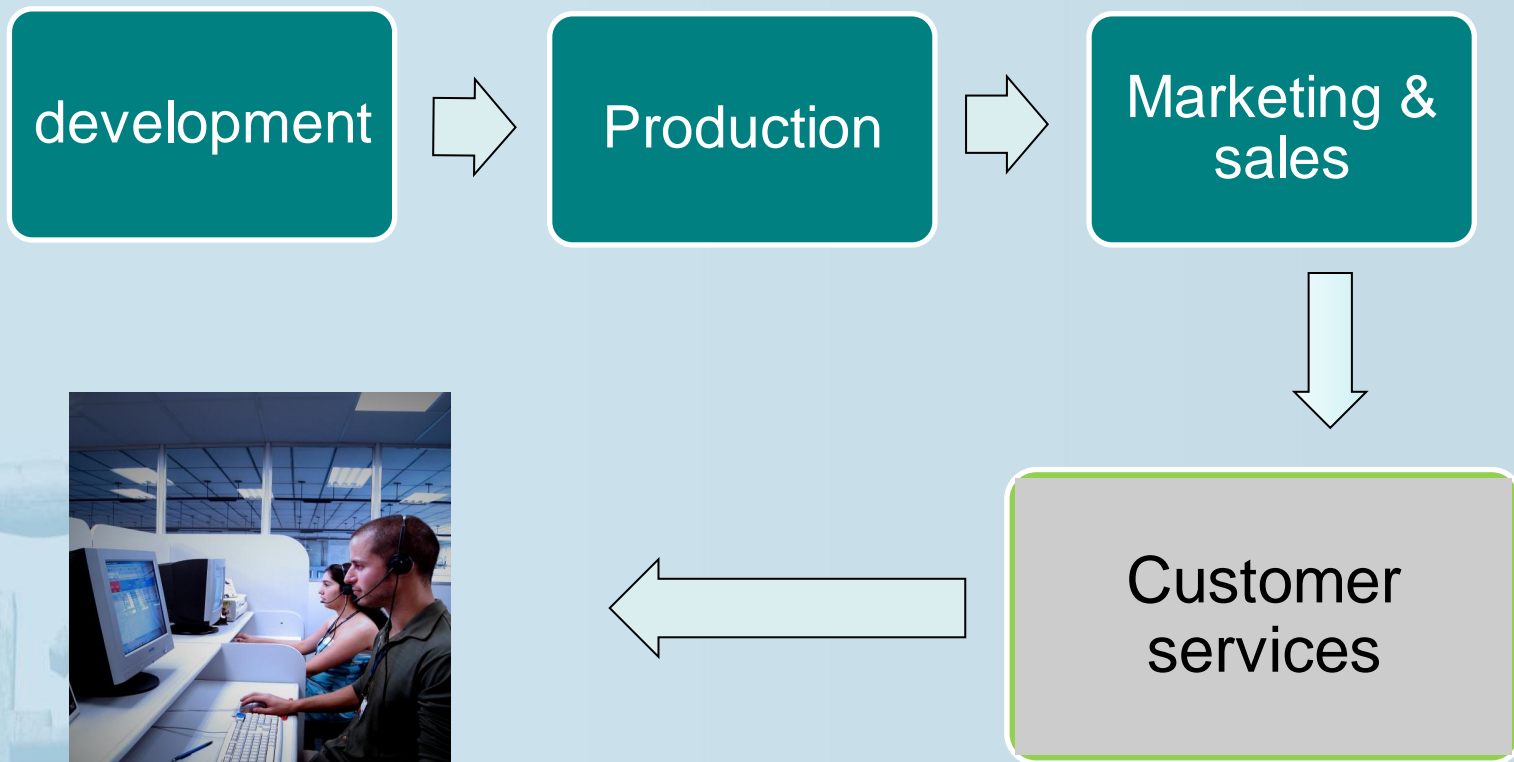
(Not: employer surveys using pre-defined business functions)

- Creating **proxies** of business functions **by grouping occupations within sectors**
- using EU Labor Force Survey data
 - Occupation classification: 3 digit ISCO
 - Sector classification: 2 digit NACE



Business function is a different way of aggregating occupations

Using outsourcing/offshoring of business function as a 'window' to understand global value chain restructuring



Quantitative approach based on EU-LFS

Example: NACE 17+18 Textile and clothing sector

1. Core productions activities

ISCO 743 Textile, garment and related trades workers

ISCO 826 Textile-, fur- and leather-products machine operators

ISCO 932 Manufacturing labourers

2. Logistics

ISCO 413 material-recording and transport clerks

ISCO 933 Transport labourers and freight handlers

3. R&D

ISCO 214 Architects, engineers and related professionals

ISCO 311 Physical engineering science technicians

ISCO 3471 Commercial designers

Textile and Clothing: **shift** of core business to R&D and logistics

- EU15 1996-2004: -863 000 jobs (-32 *per cent*)

Old EU

	1996	2004
Core production activities	67%	60%
Other activities	33%	40%
- Logistics	130 000	103 000
- R&D	71 000	72 000

IT-sector: **concentration** on core activities

Old EU

	1996	2004
Core production activities	50%	56%
Other activities	50%	44%

New EU

	1999	2004
Core production activities	53%	57%
Other activities	47%	43%

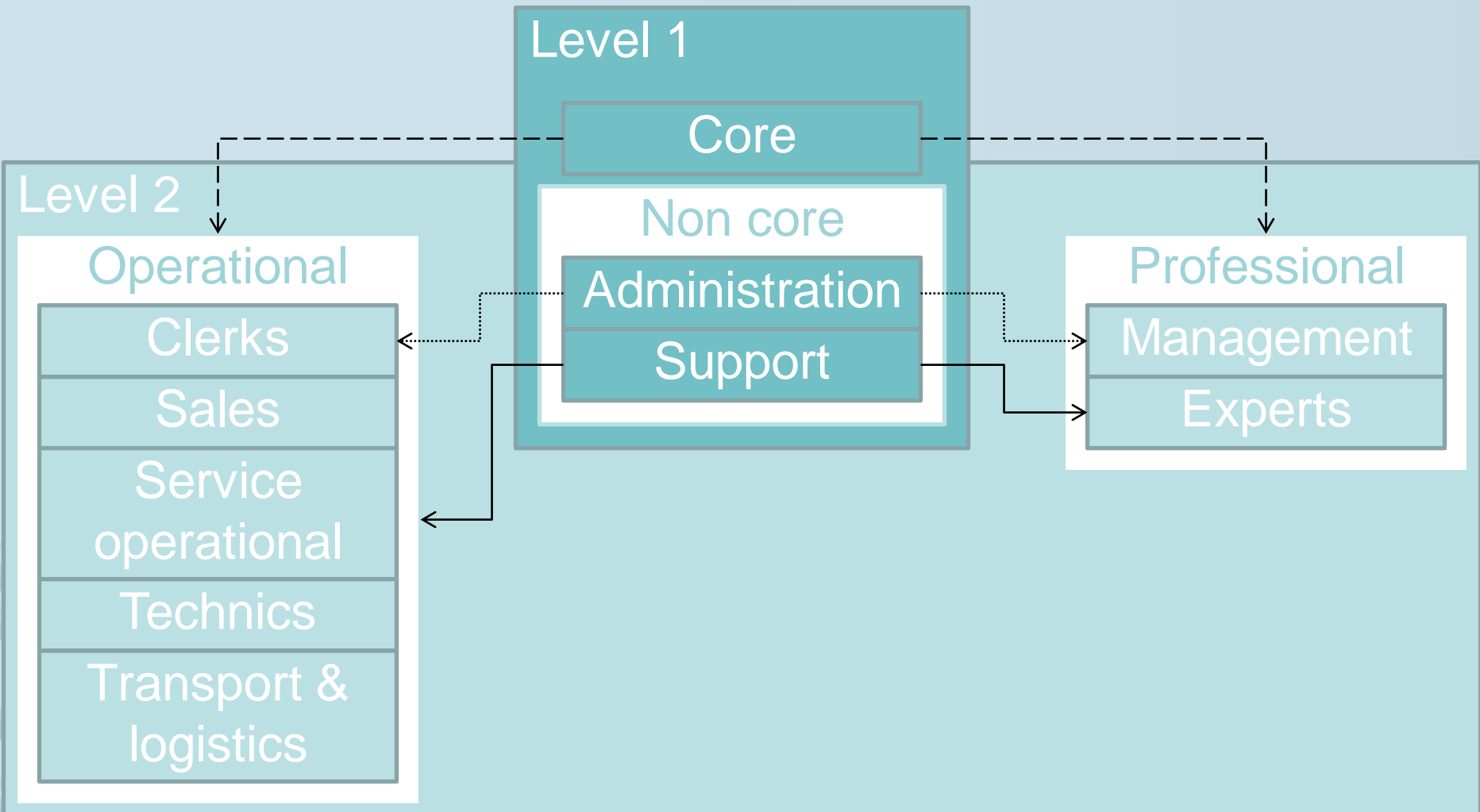
What is the job quality of new and growing jobs

- For 10 sectors, we linked 502 combinations of ISCO and NACE to a business function
- Using a two-level grouping of occupations
- In order to map trends in employment composition and (some) employment characteristics in sectors with job growth

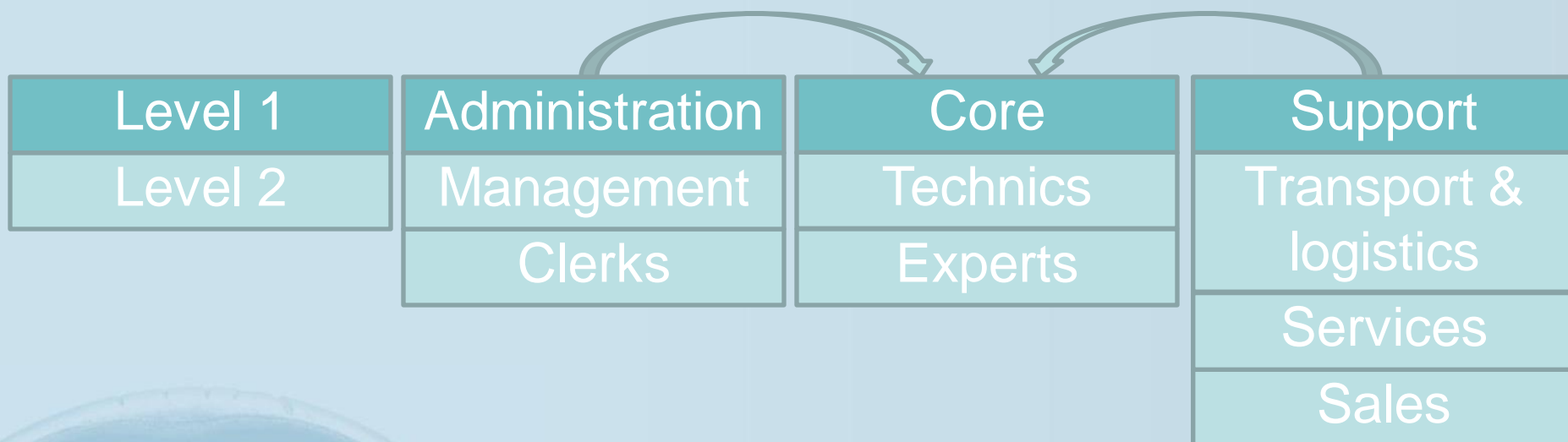


- Level 1: position of the job in the industry
 - Core
 - Administration (non core)
 - Support (non core)
- Level 2: nature of the job: qualification level
 - Professional level
 - Management
 - Experts
 - Operational level
 - Clerks
 - Technical work
 - Service work
 - Sales
 - Transport & logistics
- Level 1 & 2 can be combined (see scheme)

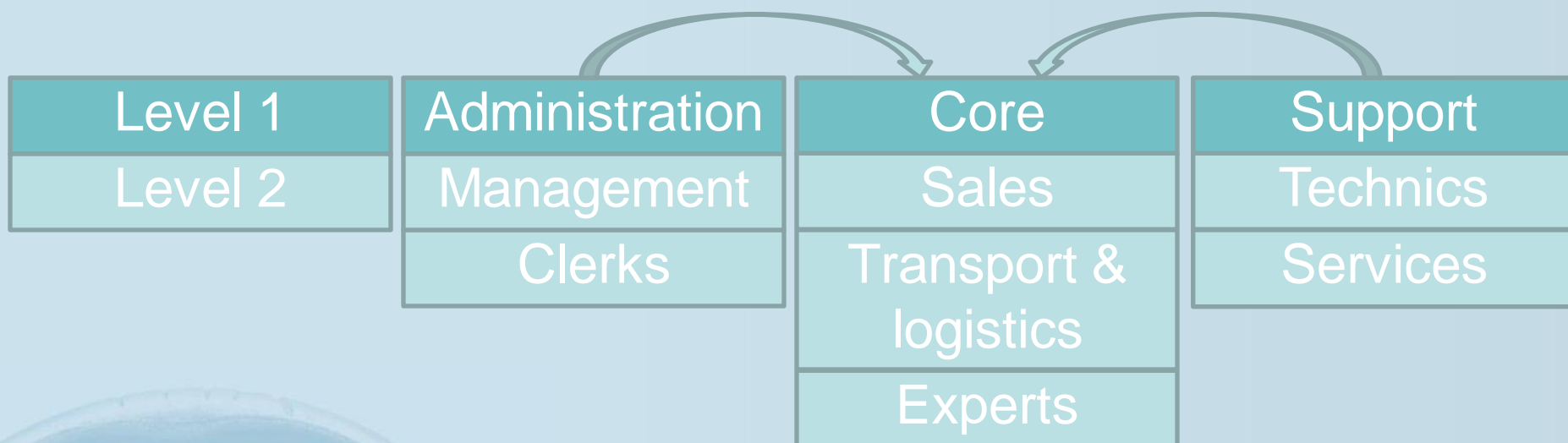
Business Functions (ISCO 3 digit)



Example: construction

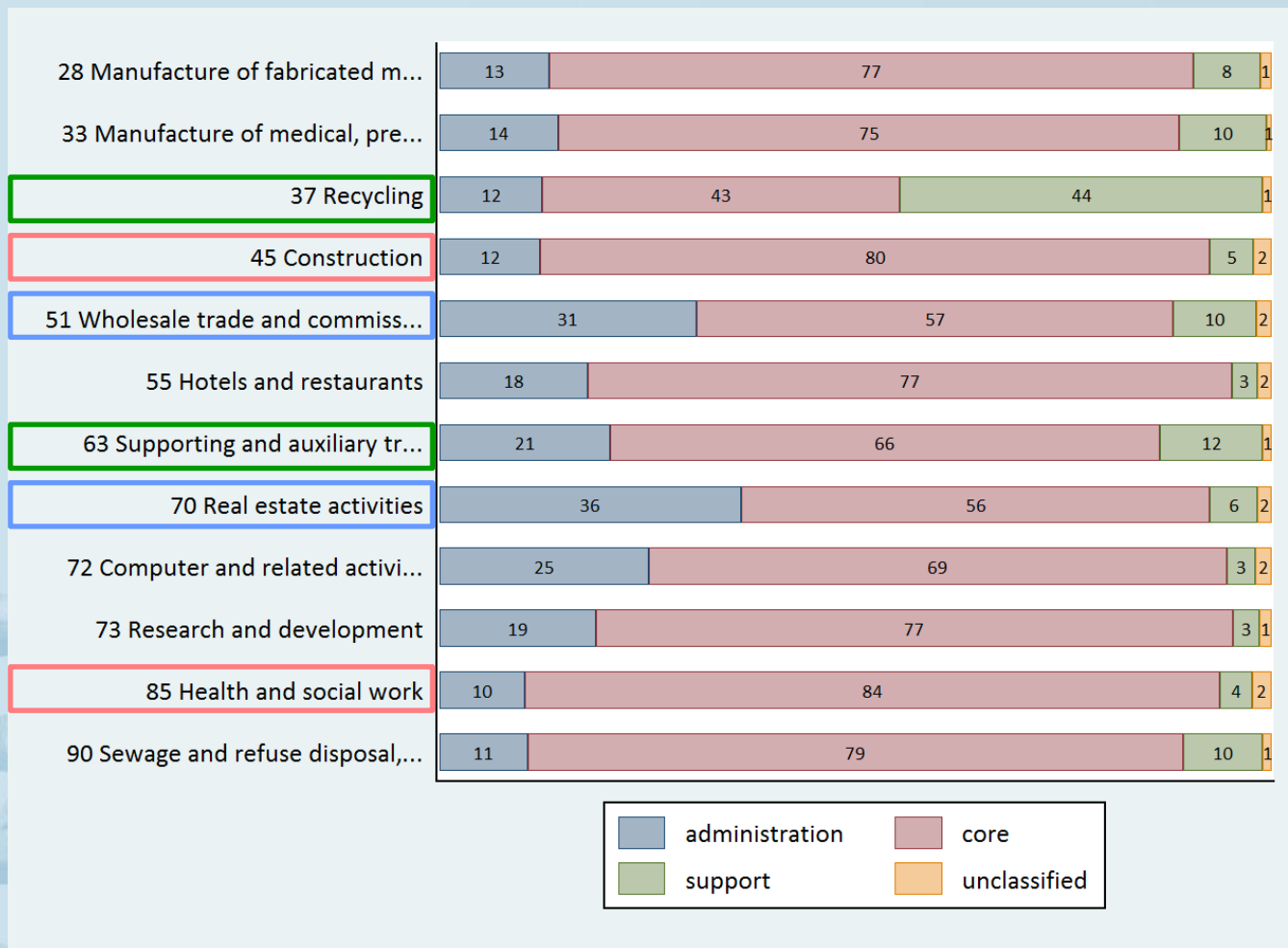


Example: wholesale trade



Business function	Occupation
Administration, clerks	343 Administrative associate professionals 410 Office clerks 411 Secretaries and keyboard-operating clerks 412 Numerical clerks 419 Other office clerks
Administration, management	121 Directors and chief executives 122 Production and operations managers 123 Other specialist managers 130 Managers of small enterprises 131 Managers of small enterprises 241 Business professionals 244 Social science and related professionals
Core, experts	214 Architects, engineers and related professionals 311 Physical and engineering science technicians;
Core, technical	611 Market gardeners and crop growers 712 Building frame and related trades workers 713 Building finishers and related trades workers 714 Painters, building structure cleaners and related trades workers 721 Metal moulders, welders, sheet-metal workers, structural-metal preparers, and related trades workers 722 Blacksmiths, tool-makers and related trades workers 723 Machinery mechanics and fitters 724 Electrical and electronic equipment mechanics and fitters 742 Wood treaters, cabinet-makers and related trades workers 828 Assemblers 833 Agricultural and other mobile plant operators 931 Mining and construction labourers 932 Manufacturing labourers
Support, sales	341 Finance and sales associate professionals;
Support, service operational	913 Domestic and related helpers, cleaners and launderers 914 Building caretakers, window and related cleaners 915 Messengers, porters, doorkeepers and related workers
Support, transport & logistics	413 Material-recording and transport clerks 832 Motor vehicle drivers 933 Transport labourers and freight handlers

L1 Sector comparison (2007)



Question 1: Sectoral diversity of business function compositions (L1)

- The core (almost) always stands out
- Large core: health and social work, construction
- Large administration: e.g. wholesale, real estate
- Large support: recycling, travel agencies

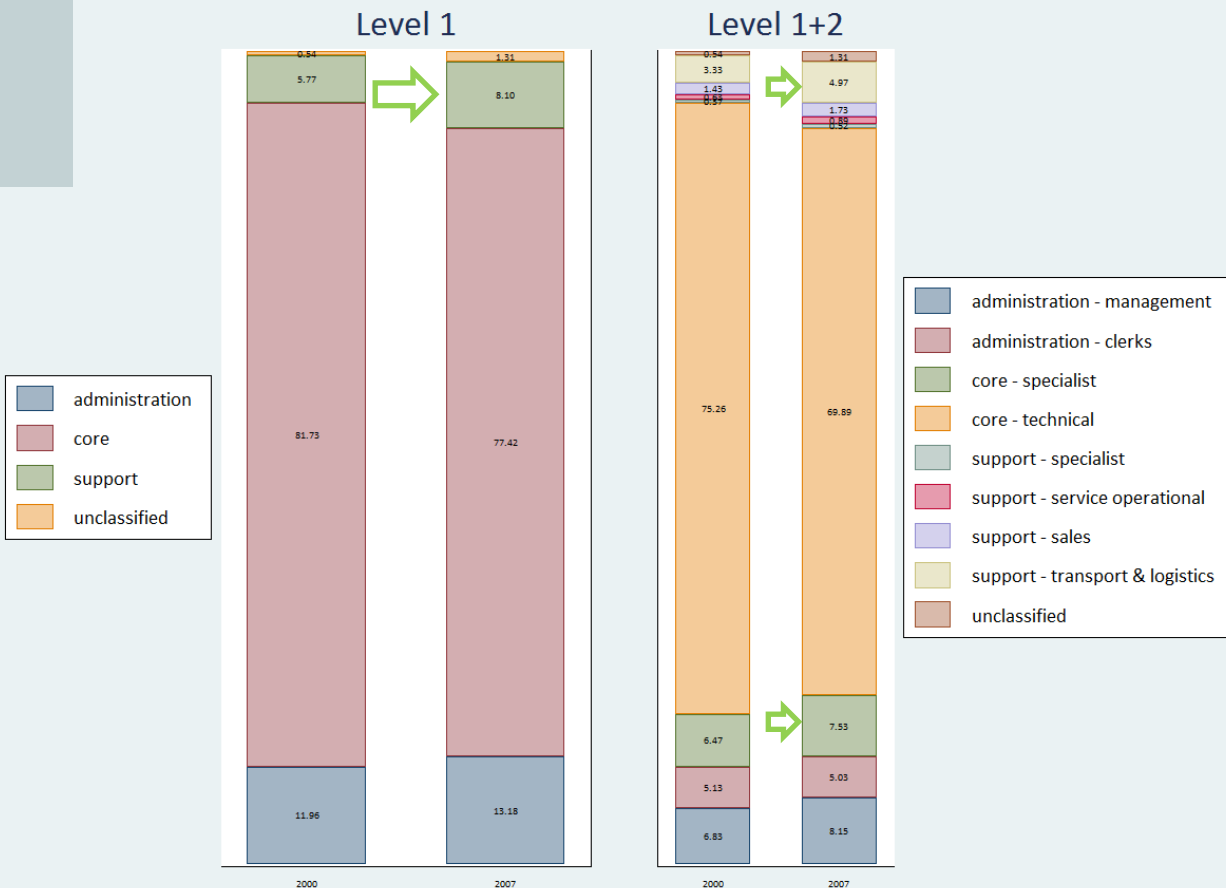


Question 2: How “new” are jobs when employment grows within sectors

- Changes (growth or decline) in the relative shares of the business functions within a growing employment of the sector
- e.g. because of processes of outsourcing and insourcing or change in the core function of companies
- Possible at two levels
 - Level 1: changes in the differentiation between core - support - administration
 - Level 2: changes in the differentiation between professional - operational

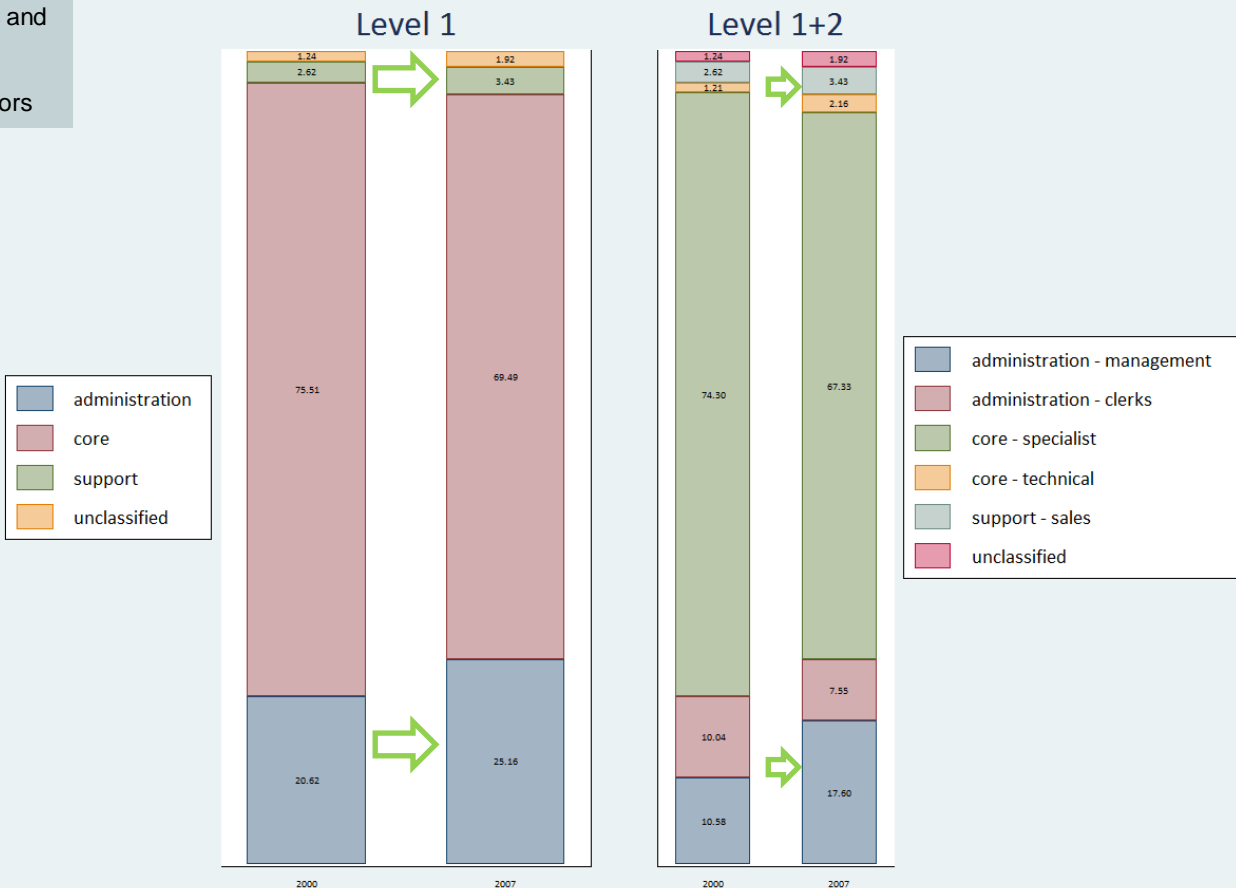
Core specialists

214 Architects, engineers and related professionals
 311 Physical and engineering science technicians
 312 Computer associate professionals



Support sales

- 341 Finance and sales associate professionals
- 342 Business services agents and trade brokers
- 522 Shop, stall and market salespersons and demonstrators



Growth of business functions

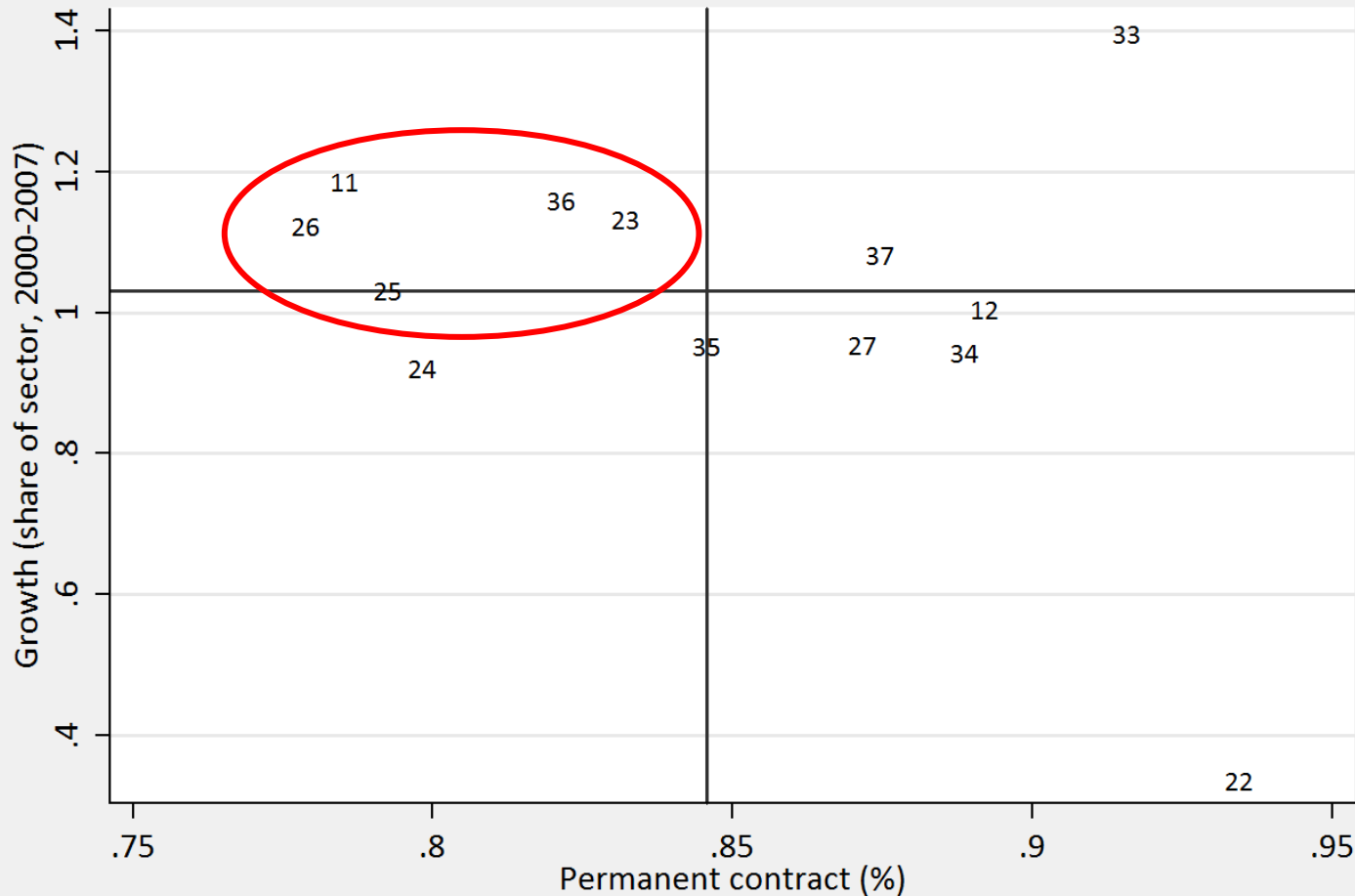
- No dramatic changes
- As a general trend
 - Cores seem to shrink
 - More core experts: e.g. metal products manufacturing
- Bureaucratization (administrative support functions)
 - Hotels & restaurants
 - Computer and related activities
 - R&D
- Commercialization (sales) :
 - As support function in computer and related activities
 - As core function in hotels and restaurants
- But these are averages (there is variation in growth)

Question 3 – key question: what is the quality of work of BF/occupational groups where growth in employment is observed?

- Steps:
 - Identify business functions/occupational groups that
 - (a) increased AND
 - (b1) have less permanent contracts OR
 - (b2) have less fulltime jobs
 - (In what sectors does this trend occur)
 - (In what countries do these sectors show this trend)

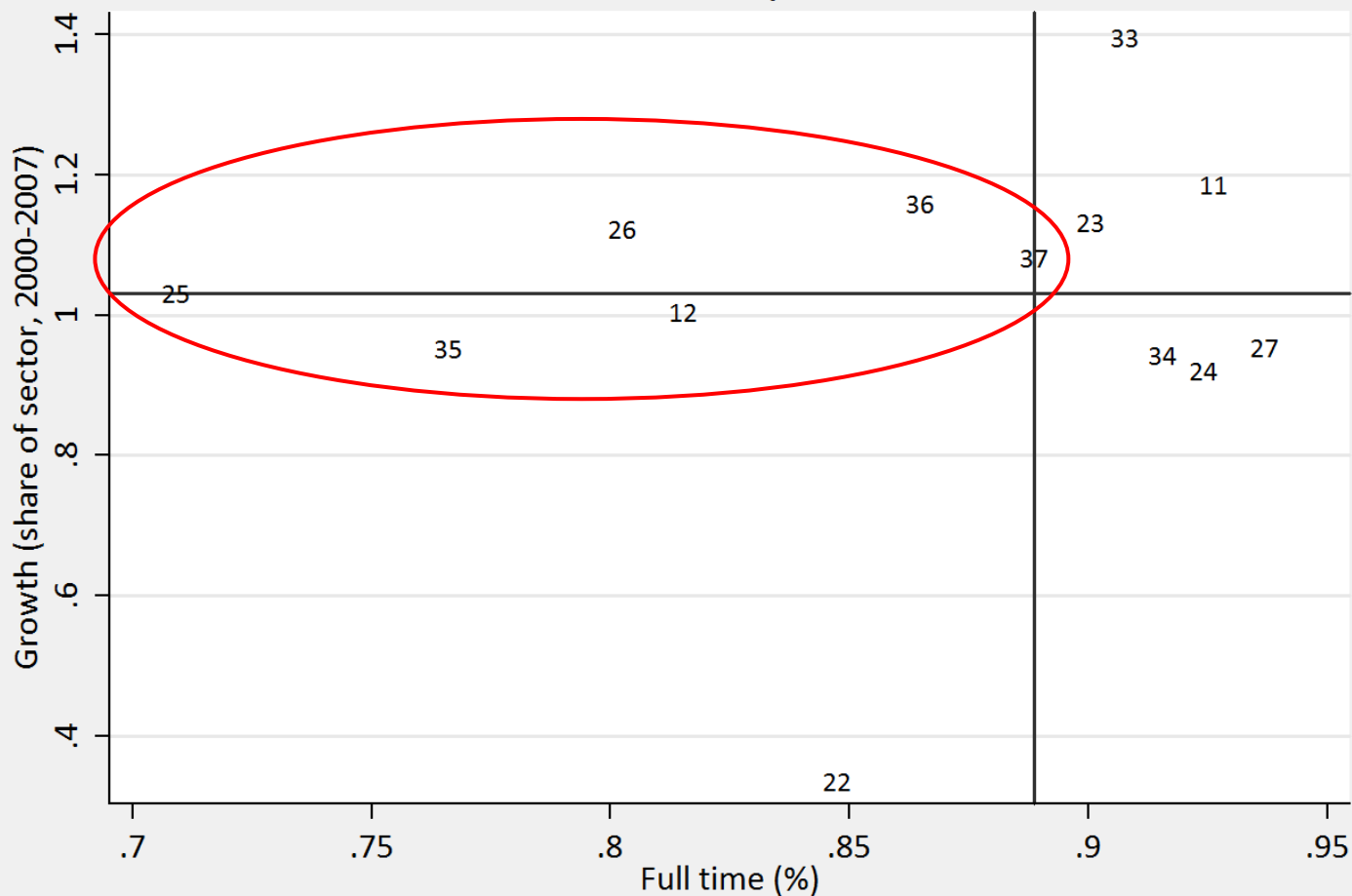
Temporary work: business functions

Scatter plot



11 adm.-
management
23 core experts
25 core – service
26 core – sales
36 support sales

Scatter plot



12 adm clercks
 25 core services
 26 core sales
 36 support sales
 37 support transport & logistics

- Some business functions combine above average growth in employment AND less permanent contracts:
 - Administrative: management (in a wide range of sectors)
 - Core: professionals, sales, services (esp. where these are the core functions!)
 - Support: sales
- Some business functions combine above average growth in employment AND less fulltime contracts:
 - Administrative: clerks (in a wide range of sectors)
 - Core: sales, services (esp. Hotels, Travel, Health, Real Estate)
 - Support: sales, transport & logistics

- There are a lot of trends and changes at the lower level than the sector
- The method highly depends on the quality of occupational data and the classification system used (and the information this contains)
- In WORKS and WALQING, Business Functions are observed at sectoral (not organisational) level



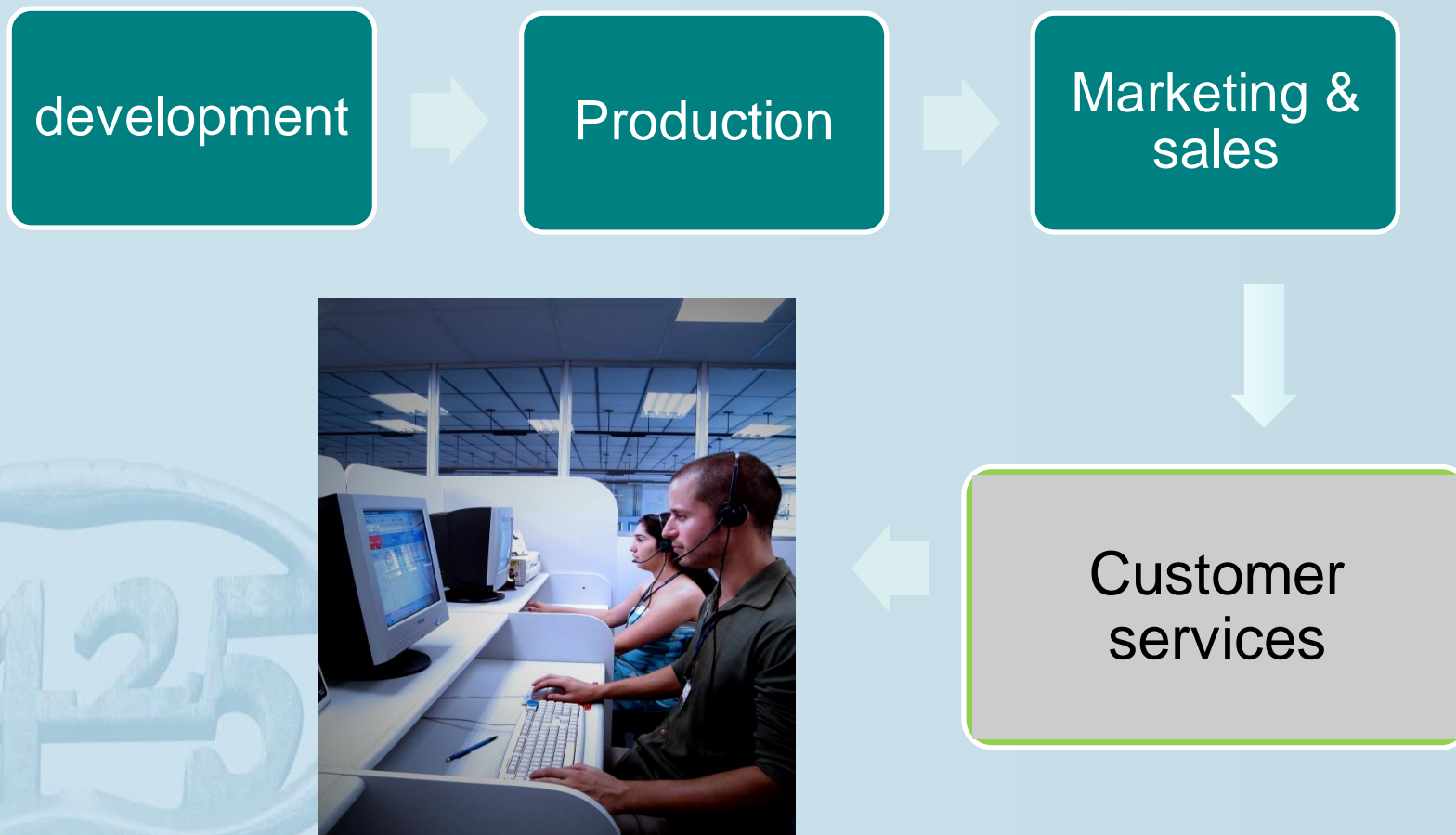
1. GVC visualised as a series of boxes linked with arrows does not provide information about labour process, job content, or tasks making up the boxes, nor about required skills, job quality etc.
=> there is a **huge organisational diversity** in ways of organising a business function, even within one industry
=> business functions are socially shaped
2. GVC restructuring does not automatically imply the complete externalisation of the entire BF. The dividing line for externalisation does not necessarily coincide with boundaries of a delineated BF.
=> Look **inside the black box** of the Business Function!

Part 2

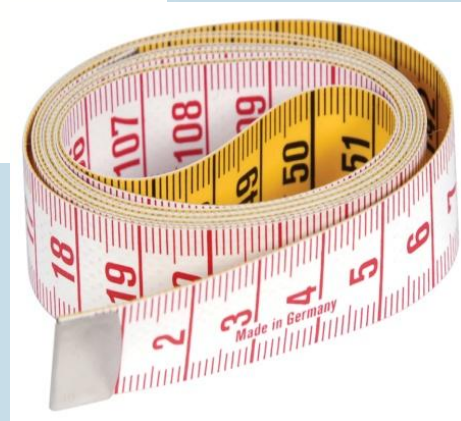
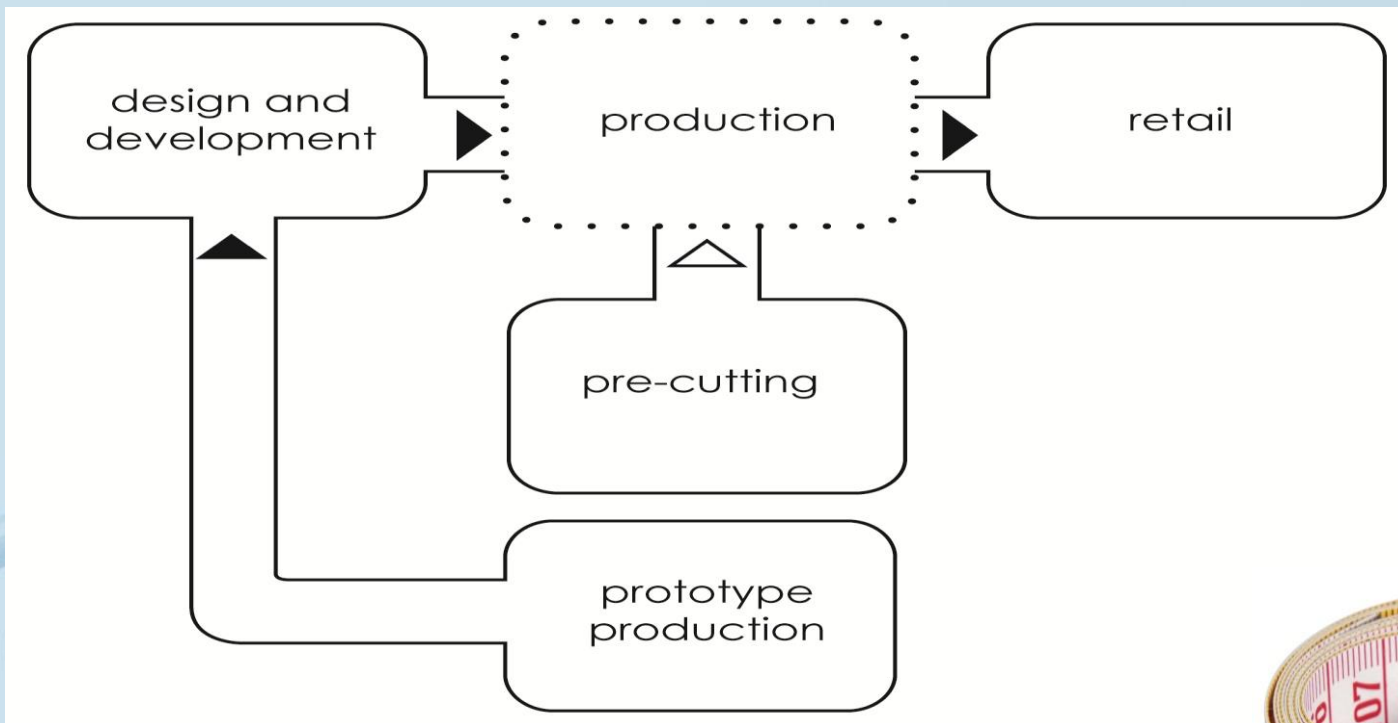
Business functions in qualitative research



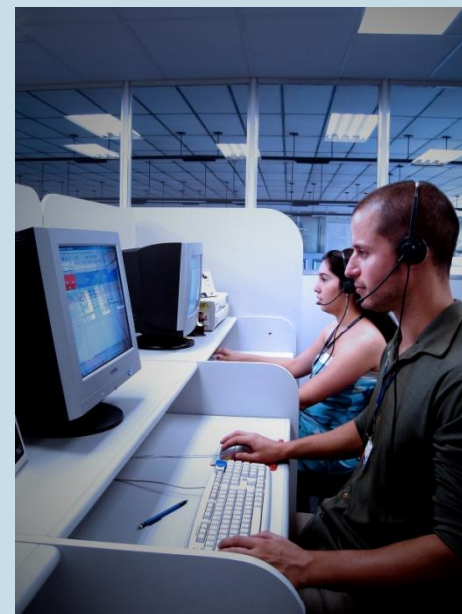
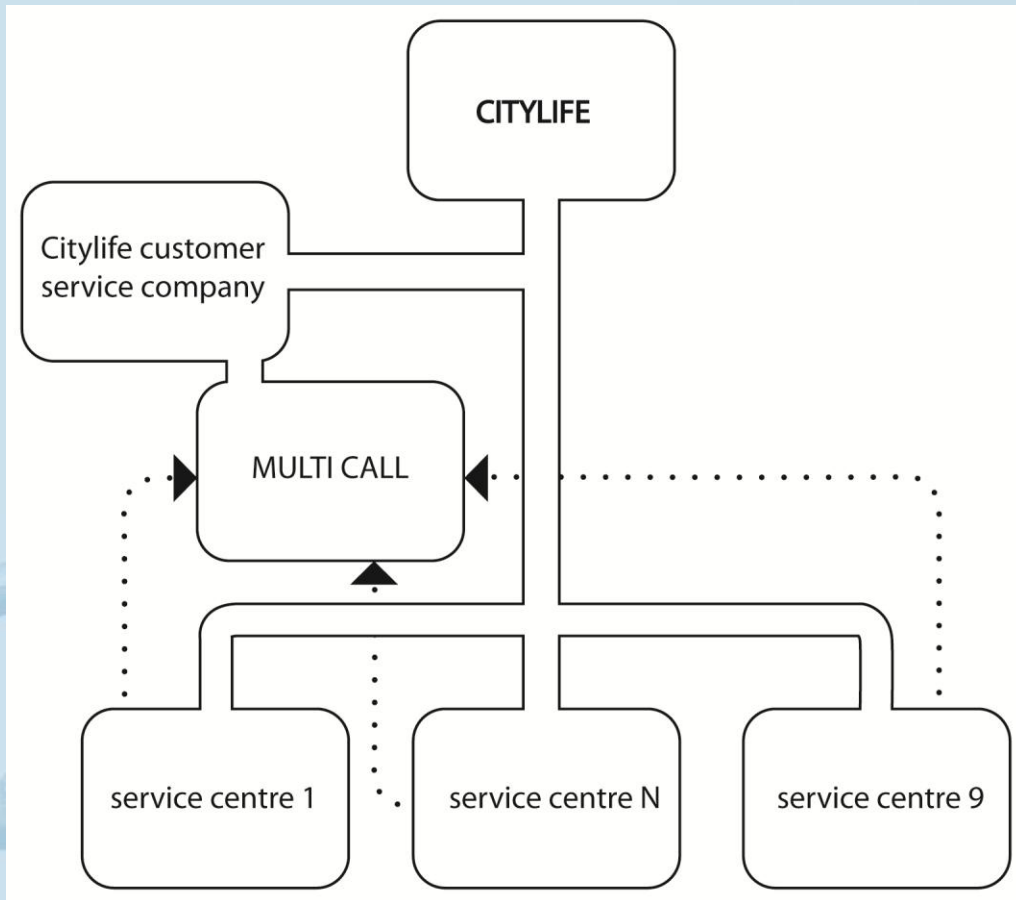
Restructuring of one function



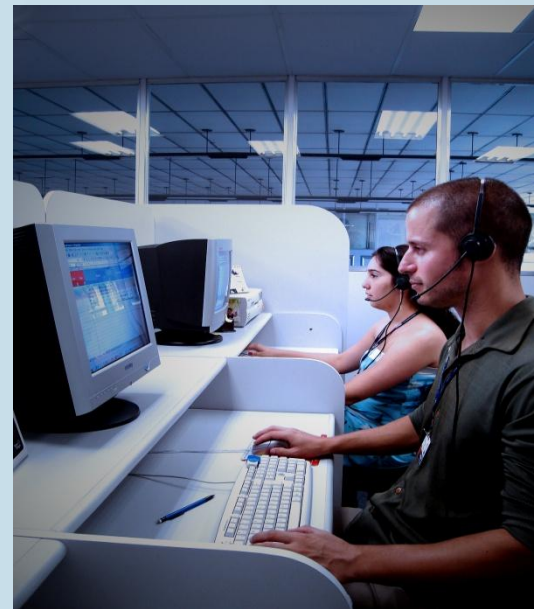
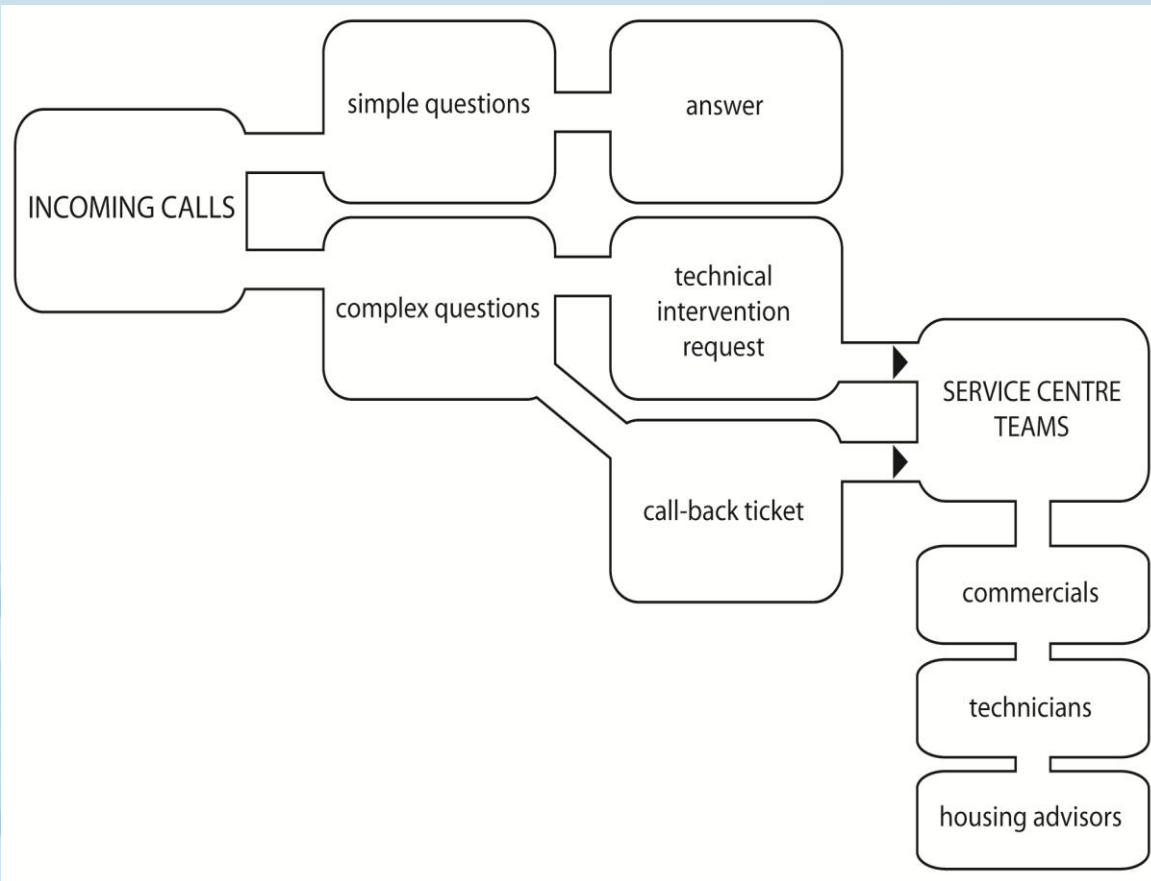
Strategic decoupling and coupling of activities within one BF



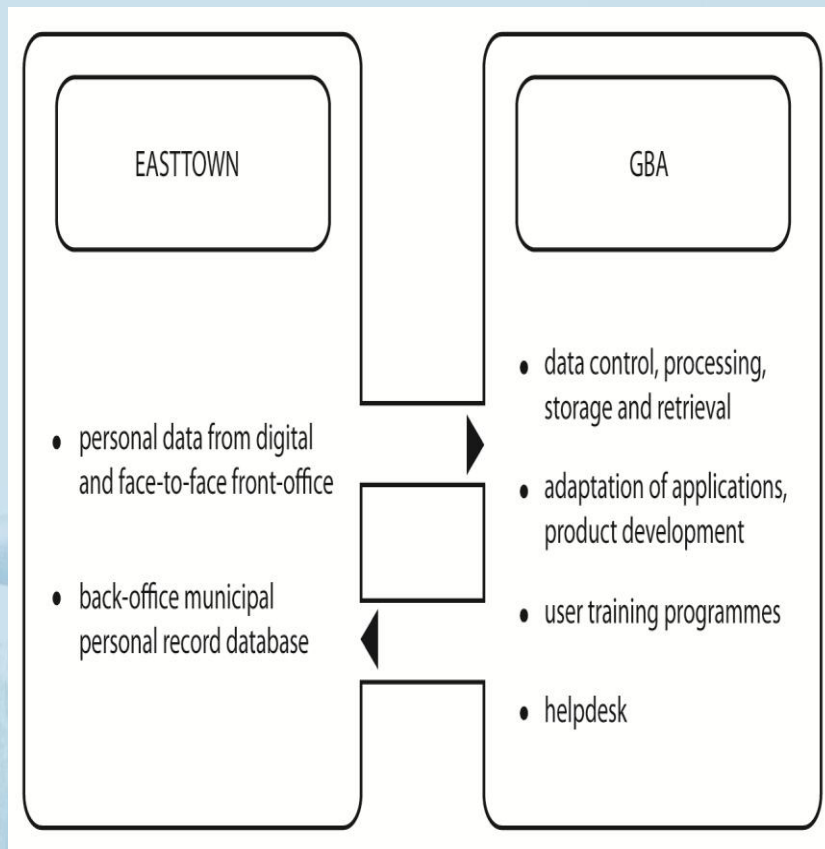
Strategic decoupling and coupling of activities within one BF



...leading to a complex proces



Mutual interdependencies based on expertise of activities within a BF



Business functions in qualitative research: conclusions

- A lot of changes happen beneath the surface of the restructured business function: activities of one business function are **fragmented**, outsourced or not, relocated or not
 - Cut-off point often based on the assessed **knowledge and interaction requirements**:
 - knowledge-intensive: complex, interpretative, abstract, conceptual, creative
 - context-sensitive and interactive: intensive and repetitive interaction with others (clients, customers, colleagues)
- ⇒ These activities are based on uncodified/uncodifiable knowledge and more “spatially fixed”
- ⇒ Codified activities are more likely to be spatially restructured (even if complex)

The Business Function as a unit of observation and analysis may be too aggregate for a deep and contextualised insight and explanations about impact of restructuring on work and skills

Best option is to combine quantitative and qualitative research...