



# Outsourcing 5D jobs is not a competitive advantage

June 5, 2018 | By Rey Elbo | Beyond Buzzwords

THE “make-or-buy” decision is often a difficult business issue. It boils down to the basic questions: Should we buy ready-made parts from a supplier or produce them in-house? What are the important considerations? Which is economical, without sacrificing quality and productivity?

Indeed, outsourcing has its many advantages for any organization. However, one can’t make a knee-jerk decision on outsourcing or insourcing without considering many factors. The quantitative answer can be easily defined with the use of a calculator. The qualitative side includes non-economic factors, such as corporate image, business ethics, integrity, social responsibility and labor standards, among many things.

Recently, the Department of Labor and Employment released a list of companies found to have violated labor standards. The list is topped by major firms, including PLDT, PAL, Jollibee and Dole, which were cited for having illegally outsourced thousands of jobs inherently “necessary and desirable” to their businesses.

If their competitors, such as Globe, Cebu Pacific, McDonald’s and Del Monte, respectively, can operate their businesses without resorting to illegal outsourcing, then what’s driving PLDT, PAL, Jollibee and Dole to do the opposite? Perhaps it has to do with the fact that the latter group requires thousands of contractual workers, while their competitors need only several hundreds.

It is very easy to understand the benefits of outsourcing when we’re talking of tangible products, like car parts that are best done by suppliers catering to different car manufacturers, for instance. If there is one car-parts supplier who can do it more effectively (according to correct specifications and the right quality) and efficiently (at less cost), then outsourcing is the best option.

But what if we are talking of services, such as clerical jobs, janitorial and security services, among other jobs? What if we’re talking of linemen, pole riggers, electricians, window cleaners or installers and other related tasks, which are often referred to as 3D (dirty, difficult, dangerous) jobs that are outsourced to a third party for exigency and economy?

Organizations tend to outsource these 3D jobs because they would not have to pay higher wages, hazard pay, and overtime premium that a regular workforce would receive when such work is required.

More than that, 3D job holders can be easily replaced; they're also ineligible to join labor unions, they don't earn seniority rights and find themselves compelled to be unreasonably subservient. Many of them lack proper training and don't wear personal protective equipment. If they're lucky to have training and proper uniforms, the cost is routinely deducted from their salaries.

Of course, there are several hundreds of employers doing illegal outsourcing. Still, that is illegal and foolish, even if as many as 1 million employers practice it. It's only a matter of time before they are discovered by labor authorities or trade unions, whichever comes first.

Given this unprecedented report made by the Labor department, I've come now to the conclusion that 3D jobs have been elevated to a Wall of Corporate Shame. These jobs should now be called 5D jobs, to include "demeaning" and "dehumanizing," as experienced by workers in both the service and manufacturing sectors.

They're demeaning and dehumanizing also because unscrupulous employers and their labor-only contractors are "forcing" people to accept jobs that are way below the standards of decent work and human rights.

Only legally, ethically and morally informed employers would make a commitment to remove 5D jobs in their operations. Management executives who are well informed will also be able to deal with issues or questions that will inevitably arise now and in the near future.

In the first place, why perpetuate 5D jobs through outsourcing? Organizations should work hard to eliminate dirty, difficult, dangerous, demeaning and dehumanizing jobs. Both workers and their management must cooperate against it.

The Japanese have a term for 5D jobs. And it's called "muri," generally referring to a worker's stressful condition. Under Lean and Kaizen contexts, muri jobs must be eliminated, instead of perpetuated via outsourcing to service providers who would only be very happy to consider them as their "core competence."

Columbia University economics professor Panos Mourdoukoutas says, "outsourcing works only as long as some industry members have yet to adopt it. Once this happens, outsourcing is no longer a source of competitive advantage." That is because suppliers or other organizations could copy the business model of their clients. They only need to skirt the law on patents by simply adding or subtracting something out of the original design.

In his December 2011 article in Forbes, Mourdoukoutas believes that "(o)utsourcing leads to the fragmentation and disintegration of the supply chain, inviting new competitors into the industry, and undermining pricing power and profitability. The outsourcing of manufacturing, for instance, is feasible only if it can be separated from other supply chain activities."

Even if you're foolish and too hard-headed to stop outsourcing, there will come a time when you will have to go back to a situation where you will be forced to insource a product or service, either voluntarily or involuntarily, because someday, somehow, they will be declared illegal, immoral, unethical and patently dehumanizing.

And the cost will be staggering for the organization.

###