Consent and content: effects of value chain restructuring on work and conflict in highly skilled workforces

Pamela Meil

Pamela Meil is a senior researcher at the Institute for Social Science Research (ISF) in Munich, Germany

ABSTRACT
Examinations of the effects of globally distributed work and the creation of new international divisions of labour often focus on quantifiable or structural issues such as challenges to the employment relationship, formal working conditions, contracts, working time, or wage regulation. However, the content of work, however, may also be affected by the restructuring of value chains; but this is difficult to track and to regulate, and may have both objective and subjective dimensions. This paper addresses these issues, drawing on 58 case studies of four different economic sectors in 13 European countries as well an international study on multinational strategies of outsourcing and offshoring to India and China. It analyses the processes leading to segmentation and fragmentation and looks at how employees’ consent is obtained for these changes and explanations for the extent to which workers accept the changes brought about by value chain restructuring or find ways to resist them.

Introduction
Across an ever-growing variety of production and service sectors, we are observing a continuing growth in globally-distributed work and the creation of new international divisions of labour. A diverse range of approaches exists to capture and explain the processes and outcomes of this changing spatial organisation of production and consumption (see Huws et al., 2009). There are also a number of methods that have been employed to map and analyse developments behind this ‘compression of time and space’ (Harvey, 1989). These include tracing the sequential transformation of goods and services, examining horizontal network structures, and identifying the types of governance and control processes across the chain.

One early approach to understanding the processes mentioned above, and from which most of the later concepts derive, is the conception of ‘commodity chains’. Defined by Hopkins & Wallerstein (1986:159, in Gereffi & Korzeniewicz, 1994) as, ‘a network of labour and production processes whose end result is a finished commodity’, a global commodity chain (GCC) consists of sets of inter-organisational networks clustered around one commodity or product’ (Gereffi & Korzeniewicz, 1994:2). The commodity chain approach tried to capture the interrelationships between production,
distribution, and consumption and include how these are also shaped by social relations. The stages across the chains tend to be understood as sequential, although, in the GCC approach, the idea of dynamic development and changes in the relationships between nodes of production was already included in the analysis.

More recently, global value chain research has continued in the tradition of the GCC approach, but has shifted the focus towards where value is being captured and who controls the process and with what means. Here the term ‘value chain restructuring’ connects to an ongoing discourse in which chains are seen as dynamic and reconfigured on an ongoing basis (Sturgeon, 2001:2), power relations are embedded in the analysis (Huws et al., 2009), the lead or dominant firm is part of the chain, and systems are dispersed, but also linked, coordinated and controlled (Flecker & Meil, 2010).

Although how the chain gets configured, used, and developed over time is the result of a complex set of relationships, company strategy plays a major role in driving this process. In the management literature, as early as the mid-1980s, core competency proponents advised companies to identify their core processes and target non-core processes for externalisation. (Porter, 1985). The concept of systemic rationalisation (Sauer et al., 1992; Altmann & Deiß, 1998) offered an early critique of such strategies. This literature pointed out that rationalisation had previously been directed toward particular work processes or subprocesses: effects were primarily sought in the area of processing costs, especially with respect to (direct) personnel costs. Thus the focus was on increases in the performance of individuals. Downstream or upstream processes were only objects of interest to a limited extent. The new rationalisation, however, was geared to capturing value in all subprocesses of company-wide and inter-company production flows. The consequences for labour’s attempts to organise and represent interests would be devastating.

Both positions focused on less-skilled, often labour-intensive work tasks which were then selected for outsourcing to lower-cost locations with more precarious working conditions. The focal firm or core unit retained the highest value-added processes with a usually smaller, but better paid and often better protected, workforce. For business economists and reengineering proponents, this was simply cost effective. For systemic rationalisation it was a dangerous threat to worker solidarity and collective bargaining. Both approaches initially looked at manufacturing processes. Only later did tasks involving what is often referred to as ‘knowledge work’ also become a target for restructuring processes. It was unclear whether the same logic applied to optimising cost structures or whether systemic rationalisation could apply to ‘knowledge work’.

Effects on work and employment
The distribution of work across global value chains and the creation of an international division of labour have a broad range of effects on work and employment. In particular, external restructuring, i.e. processes involving the dispersion of functions and activities across company boundaries, is an important driver of changes in work and employment. Work and employment are no longer shaped by individual
organisations, their internal relationships and dynamics or their market and institutional environment. Increasingly, inter-firm relations impact more or less directly on work organisation and employment conditions.

*When it comes to looking at the effects on work and employment, fragmentation and segmentation processes both within and between workplaces are often identified.* (Flecker et al., 2008).

Segmentation in this context refers to the creation of core and non-core workforces which, quite often along gender and ethnic lines, divide work up between high-paid, high-road organisations and lower-paid and, often, lower-skilled organisations with low levels of job security.

The traditional view has been that outsourcing and thus segmenting work serves the interest of buffering the core workers, and leaving the peripheral workers with all the disadvantages and risks of cost cutting and flexibility’ (Flecker et al., 2008:131). The assumption was that core and periphery are clearly distinguished between levels of skills and commitment needed (Atkinson, 1984). The restructuring of value chains also contributes to a fragmentation of work (Marchington et al., 2005). In describing fragmentation as it was practiced in a study of 58 European cases in five different economic sectors (see Flecker et al., 2008 for a detailed description of the cases) the authors found that different employment relations and conditions apply to workers depending upon their place and role in the value chain. This diversity of contractual conditions can even occur in the same workplace. Thus fragmentation does not necessarily divide along higher- and lower-level task or skill profiles: the work tasks can be quite similar; it is the conditions of work that differ.

Segmentation and fragmentation literatures often look at differences in formal working conditions between the workforces such as contracts, working time, etc. In the above-mentioned study, for instance, it was found that for IT services, the taking over of employees from client companies, which is quite common in this business function, often leads to heterogeneity within the work force of the IT service provider company. In customer services, the situation was even more distinctive. ‘Subsidiaries and external service providers operate under different labour regulation regimes than their public sector parent or client organisations’ (Flecker, 2008:135). The differentials affect not only wages, but also the type of labour contract, social security coverage, and working time arrangements. As previously pointed out, the orientation is often one of disadvantaged non-core workers, but with the threat of relocation and competitive wage comparisons putting pressure on core workers to make concessions (Doellgast & Greer, 2002). Thus, even with divided workforces, companies achieve an international labour market which is characterised by an increase in competition for all across the value chain. Increased competition between sites is seen as a central arena of conflict with workers being played off against each other with a ‘fracturing of conflicts along nationality lines’ (Smith, 2010).

Along with changes involving the structural and contractual conditions of work, value chain restructuring often affects the content of work. This is difficult both to track and to regulate. Formalisation, standardisation or codification can all be outcomes of value chain restructuring. But it is not always clear what effect these have
on skill or autonomy levels. Moreover, degrading and upgrading of jobs can take place simultaneously at a workplace, and, of course, these processes have both objective as well as subjective dimensions.

This paper addresses these issues using data collected in 58 case studies in four different economic sectors in 13 European countries (Flecker et. al., 2008) as well as data from an international study on the multinational strategies of US and European firms on outsourcing and offshoring to India and China (Lynn et al., 2012). It traces the processes leading to segmentation and changes in the content of work, particularly among highly skilled ‘knowledge workers’. Finally, it looks at the ways that workers’ consent is obtained for these changes in the employment and work relationship and asks under which circumstances and to what extent workers accept the changes brought about by value chain restructuring or find ways to resist them.

The art of value chain restructuring: the offshoring and outsourcing strategies of companies

In this section we examine the company strategies that drive outsourcing and offshoring. The companies in these first examples belong to the IT sector, which was one of the first areas outside of traditional manufacturing and with high proportions of ‘knowledge work’ that actively engaged in value chain restructuring across international boundaries. A common first step in offshoring or outsourcing in the IT sector is characterised by creating dependent captive companies which carry out dedicated work for the core unit. Power relations between the sites are clearly defined and hierarchically determined. Thus the initial phases of restructuring in the IT sector (particularly software development) are similar to previous examples of outsourcing in goods manufacture in which firms at the top of the chain retain the most skilled work and the better working conditions, leading to traditional core-periphery relationships between the units. The process of value chain restructuring begins with company strategies searching to optimise costs. To do this, a reorganisation of the division of labour is undertaken in order to outsource or offshore to low-cost locations. It remains unclear how strategic this process really is or what kind of actual measurement of savings takes place.

For example, in a study carried out in, 2006 on offshoring to India and China, interviews with US, Indian and Chinese workers and managers were conducted at a US-based IT multinational ‘All-IT’¹, a global IT services company that develops and maintains large back-office systems. It is a Fortune 500 company with more than 25,000 employees world-wide. All-IT was among the companies caught up in the rush to outsource, mainly with the goal of cost savings. At All-IT, however, the motivation seems to have been the appearance of cost savings as much as the reality. For example, at the time of the interviews, the All-IT division studied was developing a new-generation data management system to replace its, 20-year-old legacy system. All-IT had planned to concentrate its development activities for the new system at the US site that had developed and maintained the legacy system, but, after being questioned about its ‘offshoring strategies’ at a meeting with Wall Street analysts, a senior All-IT manager abruptly ordered the division to offshore a certain (large) percentage of

¹ Pseudonyms have been used for all the company case studies discussed in this article.
its work. No systematic calculations were made of how much money, if any, would be saved by the offshoring. The mandate was simply that a certain percentage of work be offshored by a certain date. Ironically, because of the drive to offshore and bans on adding head count, one All-IT manager told us he had outsourced work to an Indian firm operating in the USA. The Indian company had obtained the content expertise it needed by hiring laid-off All-IT workers to perform the same functions they had previously performed for All-IT. In brief, there was no actual offshoring of activities. Costs were reportedly higher, but the ‘onshore’ headcount was lower and the ‘offshoring’ ratio was higher, which presumably made All-IT look better to some financial analysts. (Lynn, Meil & Salzmann, 2012)

The lengthening of chains and chain reactions

When looking at the effects of value chain restructuring on work and employment, the focus of attention is often on structural changes between workforces and the work process. However, restructuring across value chains also induces a change in the international division of labour in ways that significantly affect work content and not just employment relations. And although the process of creating a global value chain initially involves a downgrading of some parts of the work process, the divisions do not necessarily remain stable. The organisation of work across value chains is not static: it is a dynamic process in which changes occur not only in the relations between sites, as well as upgrading, but also in the lengthening of chains, which often pushes out precarious work further down the chain.

A Hungarian case (called Domainsoft here) in software development exemplifies the process of lengthening and expansion of the chain over time. This company develops software for business solutions and is part of the value chain of a large and diversified German multinational, which is its only customer. The Hungarian company started out as a low-cost ‘body-leasing’ type of organisation. Given the rising costs of labour in Hungary compared with other Eastern European countries just entering the EU, the company feared that it would be a target of downsizing by its multinational owner. In response to the plans of the management of the multinational to reduce as many activities as possible at Domainsoft, Hungarian managers argued that ‘although they could not compete with Slovakian prices they could provide services of higher quality’ (Makó et al., 2007, quoted in Holtgrewe & Meil, 2008:49). The Hungarian company’s strategy shifted to offering higher value-added services (such as professional services, contact with clients and project management) in order to remain attractive to the multinational customer-owner. Later, the Hungarian unit started outsourcing work itself to less expensive Eastern European sites to reduce costs and become more competitive in bidding for projects within the value chain of the multinational. It then entered into direct competition with the Austrian headquarters of the multinational, which had formerly been responsible for allocating tasks to the Hungarian site.

Part of the dynamism involved in value chain restructuring, as the example above demonstrates, is a push from the bottom up to undertake higher-level work. Particularly in cases of offshoring to India, companies face the problem of high personnel turnover
if jobs remain monotonous without any chance for further development. Young highly-skilled IT workers judged their jobs according to the learning opportunities they provide. Tasks that are more variable and technically challenging but are also involved in front-end client interfaces, such as developing complex software architecture, are particularly highly valued. Tasks with a close connection to the Multi-National Enterprise (MNE) ‘customer’ often involve a trip abroad to discuss development work and this is also highly valued. This has forced European and US companies which had already made large investments in captive operations to more fully utilise the technical skills of IT workers in India by moving more demanding tasks and thus more stages of the development process to their Indian subsidiaries or outsourcing service providers (Flecker & Kirschenhofer, 2002). This then had the effect that dependent units in the value chain were upgraded.

For Indian-owned producers, who are involved in product development tasks for MNEs, we can observe in general a standard development trend in which the offshored site is, ‘taking over more and more of the process’ in ‘long term co operations’ with the work being carried out in ‘dual country teams’ compared to former co operations in which a piece of the process was outsourced and then delivered. This coincides with Dossani’s & Kenney’s (2006) description of MNE captives receiving growing shares of domain knowledge in business process outsourcing. Of course, just as with Hungary, Indian producers also outsource to lower tier firms in their own country in order to further reduce the cost of development and to push lower-level work further down the chain.

**Processes of implementation**

The company described above, All-IT, serves as an example of how offshoring often proceeds. The central headquarters usually orders a reduction of head count at locations in existing sites in developed economies. New hires can only occur at newly acquired external sites or outsourced locations, usually in developing economies. It is, however, up to the operational centres in the established sites to implement the process (dividing up the work, controlling the output, re-integrating the pieces). Thus, in a somewhat macabre turn of events, those responsible for implementing the offshoring are the ones whose jobs are mostly likely to be affected by it. Additionally, it is usually necessary to train the workers at the offshored sites in the specific products and processes of their company owners. This is either done by the external workers travelling to the home site, and being trained by those who they may be making redundant, or the workers from the home site travelling to the offshored site to train those who may be making them redundant. Obviously there is an intrinsic conflict built into this chain of events.

To what extent management strategically sets up this conflict is unclear. In initially announcing outsourcing or offshoring moves, company representatives usually voice the intention of maintaining a core/periphery type of division of labour between the old and the new sites. In any case, companies do have different motivations in

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2 Quotations are from interviews undertaken in Indian subsidiaries of European and US companies in 2006-7.
their restructuring strategy depending upon the sector, the market dominance of the company and the institutional context in which it is operating. In the IT sector, the first goal is often to reduce the overall costs of development across the chain, and thus segmentation is a logical outcome. Other firms in other sectors may have more sweeping goals of reducing manpower altogether at expensive sites and transferring work completely to lower-cost sites. Among the workers at the core sites who are involved in the implementation process of restructuring across the value chain, there is often an expressed interest in defining and keeping other sites as lower level and lower skilled. The discourse surrounding this process often involves objectifying the distinctions: ‘those from the offshore site are poorly skilled or trained’, ‘the organisation is chaotic’, ‘the workers cannot work autonomously, but can only follow orders and carry out standardised tasks’ are all statements that come out in interviews to justify the core/non-core division of labour or to underscore the inability of the non-core sites to carry out the tasks in the core.

For example, in a study involving the offshoring of a logistics office for a multinational brewery from its site in the Benelux to a site in Prague, the employees from the home site who were involved in the training programme for their new colleagues at the destination site described above said that they felt that the complexity of the work has been underestimated by the top management. The export manager said: 

[The top management] assumed that 85% of the activities were transactional and per definition simple and repetitive. According to me this is not true. Hence, the Czech employees have difficulties with the complexity of the tasks.

The employees further complained that this underestimation was also illustrated by the skill and educational profile of the new employees in Prague and their training programme. They were merely selected on one criterion: that they could speak Dutch; no other skills were required. The training programme started in September and lasted only for four weeks. By contrast, it took each of the Benelux employees more than one year of on-the-job-training to become an experienced export clerk and each of them had developed systems, procedures and tools to make their work more efficient and easier over the course of the years they had worked in the unit. Now all this knowledge had to be transferred in a mere four weeks to young people with no relevant background whatsoever, in order to allow them to take their jobs to Prague. The Czech staff could only try to ‘copy and paste’ (or rather cut and paste) the Benelux organisation and work processes into their new office building in Prague, without fully understanding the rationale and experience behind the procedures. This was illustrated by the short training period of the employees from the Prague office and, hence, ‘the numerous mistakes that are made in Prague’ (DeBruyn & Ramioul, 2007).

For the Benelux employees, the transfer of tasks degraded their work. Of course an additional aspect of the transfer of knowledge in this context included the fact that the new employees were – in many instances – going to be taking over the jobs of the Benelux employees. This obviously caused friction. An employee from the Prague site reported that:

Sometimes they refused a bit to help, probably because they were losing their jobs.

That was quite difficult, but now it’s better. Some of the people were nice or
Another employee said:
*We received a briefing before we went to Benelux, in which the management explained the situation of the employees, and the possibility that they wouldn’t give us a warm welcome, and that we should be patient (...). Initially [the home site employees] were not happy, because they were losing their jobs, and this was apparent when they had to work with us. (...). After a couple of weeks the interaction improved, because they knew we were not to blame.*
(DeBruyn & Ramioul, 2007)

In another case involving IT professionals in software services the workers explained, *internationalisation can raise knowledge conflicts and (the desire for) knowledge retention. For instance, when software maintenance is outsourced to a different country [from the one in which software development is being carried out], knowledge transfer becomes an issue of power relations. Those who carry out software maintenance feel undermined if they have no access to development knowledge, while those carrying out development feel threatened if they share their knowledge.* (Valenduc et al., 2008:86)

A central discourse surrounds the problem of the lack or loss of tacit knowledge and acquired experience and the undermining of its value. Unless you are allocating what you hold for tasks of lower skill, you are accepting a situation in which the years of experience that have been gathered are apparently meaningless. This is not only a question of fear of concession bargaining; it is experienced as a degradation of what the individual has brought as effort to the workplace and the professional identity that has accrued from it. As the Benelux workers of the multinational food and beverage producer expressed it,

*You abolish a department and you create it somewhere else. Nothing is left of the years of experience except spending four weeks together. Let’s be honest. That’s impossible...impossible.* (DeBruyn & Ramioul, 2007)

### Changing content in the restructuring process

Restructuring across the value chain does indeed have very real and marked effects on the content of work. The initial division of labour is one in which the so-called ‘knowledge intensive tasks’, critical development processes and other complex processes remain in the centre while more routine tasks go to the periphery. In the IT sector, software activities can, for example, be divided into different categories: design and development, analysis and design for clients, and applications for firms using IT for their business (Arora, 2006), all of which involve a wide range of task complexity. The simpler processes involve tasks such as rewriting code, customising user interfaces, maintaining data, or adding functionality to existing software. These are the tasks initially targeted for outsourcing or offshoring to lower-cost sites to reduce the overall expenditure for software development projects. Many of these tasks also deal with detailed, time-consuming work. India has been a prime location for this type of start-up division of labour in IT.
The breaking down of tasks often leads to standardisation and codification, especially in order to make knowledge work suitable for relocation. Organising work across boundaries and at a distance makes it necessary to describe the tasks in more detail, and to more clearly define the interfaces between different activities and tasks. In a large German software development company that was offshoring to India, respondents noted that on the level of work organisation a strong specialisation and specification of the workflows took place.

_in former times the developer carried out training, did consulting, he did everything… he wrote documentation, this all became much more specialised. Today a software developer develops, a product manager writes the specifications, and someone else writes the documentation… In any case the functional tasks have become much smaller._ (Krings et al., 2007:18)

Working across boundaries has also led to a much more technological (IT-based) use of control systems for managing work flow.

In a case study involving the IT division of a public administration in the UK, the procedures for providing services to the various departments became much more specialised after the unit was outsourced to a private provider.

_**Software developers who were used to building software or designing a website from scratch are now supposed to use templates and systems that [the private vendor] has installed. Every activity needs to be logged into the system. Whereas before requests were handled on an ad-hoc basis, now the help desk takes requests and the services are planned and scheduled through the information system. Every task needs to be costed, which leads to a big increase in paperwork. One interviewee estimated that he spent a third to a half of his time on costing a piece of work that would be done for a council department. This led to one interviewee characterising the change in his job from one that was ‘service-driven’ to one that was ‘cost-driven.’ (Dahlmann, 2007:14)**_

Another example in a completely different economic sector (food processing) involved the offshoring of logistics operations from Benelux to Prague. While in Benelux a vertical organisational model was used (integration of all tasks into the process: order taking, transport planning, and logistics administration for an entire region), the Prague office adopted a horizontal organisational model (with a process-based division of labour, based on a clustering of similar tasks for all regions). This created task profiles of order-taking specialists, transport planner process specialists, logistics administrators and one supervisor. First, the order takers enter the data in the information system and calculate the capacity use of the containers, then the transport planners plan the transport and contact the transport companies and finally the logistics administrators make sure that all the required legal documents are in order for the goods to be transported. In Benelux, these tasks were carried out by a single person for a specific geographical area. The horizontal model and the standardisation of tasks make the job rather unchallenging for the employees. This also leads to a relatively high turnover of personnel at the new site, whereas in Benelux the employees had viewed the job as one for life.
In the IT sector, as well, there have been significant shifts in the content and orientation of work caused by value chain restructuring. In particular, marketisation and commercialisation are dominant trends. Software development and R&D work are increasingly geared toward market applications and commercialisation, which shifts skill and competency profiles away from designing toward selling products and doing consulting for customers. As the director of an R&D unit of a French IT company put it, ‘our researchers must be able to translate their technical ideas into business ideas’ (Muchnik, 2007:16). Growing market orientations have also led to work intensification. Product development under increasingly tight scheduling deadlines and projects with ever-shorter cycles are symptomatic of IT software development under value chain restructuring.

Perhaps an even more far-reaching change is the shift away from the task profile of a software developer to that of a project manager. An Austrian case study of IT software development found that,

Due to the cooperation with the remote site [the Croatian unit] the tasks of project leaders at [the Austrian site] changed a lot. Their job changed from programming or testing to project management. (Flecker & Schönauer, 2007:10)

Project management tends to include technical skills (specification and planning), economic skills (budget management), and ‘soft’ skills (team and personnel management). Yet the management at the Austrian firm did not perceive the changing work role – from developer to project manager – as a job change, indicated also by the fact that the change had no impact on their wage grade. The shift to project manager is certainly not a downgrading move. In fact, it would normally be seen as a move up, given the management components of the job. Several employees did indeed perceive it as a step up in the organisation and as a challenging task. For R&D workers, in particular, however, it is a major shift from the way they originally identified with their jobs. As one IT worker from an R&D start-up explained, ‘The identification comes from having done a good job finding solutions to tricky problems’ (Meil, quoted in Valenduc et al., 2008:57). The less the job entails actually working as a software researcher or developer, the less connection there can be with the original occupational identity. Project management, although quite challenging, is also much more generic. The need for high-level technical knowledge in a particular field can be less and less necessary. And this heralds a further trend in the shift from being a software developer to becoming a project manager. Over time there is evidence that project management becomes a professionalised field completely detached from the content of technical work from which it once derived in a particular context. This, in turn, makes it eligible for externalisation. With the technical tasks gone and the project management tasks gone, what remains of the original integrity of the core firm?

Workers in the IT sector often report having autonomy as being one of the most highly valued aspects of their job. And in the case studies in the European project examined here, they claimed that they still had high levels of autonomy. Of course standardisation and formalisation of procedures reduces autonomy in work tasks,
and workers were critical of this trend. Also, although autonomy was high in the organisation of working time, it was also constrained by project schedules, which were becoming increasingly shorter-term and tight because of commercialisation.

**Obtaining consent for changes in work**

Hanging over the process of value chain restructuring looms the spectre of what companies portray as ‘systemic constraints’; this is what they give as the main rationale for their value chain restructuring activities. ‘We have no choice if we want to remain competitive’, or ‘we have to reduce costs’ are often heard as motivations for outsourcing and offshoring. Not consenting to the changes is presented as disloyal, irrational, and counterproductive. (It could, of course be considered quite irrational that management, which pushes the process forward, is potentially changing the profile of its site so greatly that it is endangering its very survival. And as we have seen with the case of All-IT, the offshoring strategy is not necessarily driven by rational calculation). In the end, arguments geared to understanding company imperatives are useful for tapping workers’ loyalty. Workers are not only called upon to be more productive or more efficient but also to participate in the offshoring process (even by training their potential ‘competitors’).

Generally, workers do indeed identify with their workplace and certainly with their work. The ties that bind workers to companies include career, skill development, recognition of contribution, pay and security. As Smith (2010) points out

*In sectors previously characterised by bureaucratic stability the value of loyalty (which was typically based on tenure of employment in the organisation and hence immobility of labour) – has diminished as market rationalism has increased* (Smith, 2010:277).

In restructuring processes, companies often want the loyalty, but are not willing to return the commitment. Particularly in corporatist system regimes, like as those in central Europe, this is a big break with the past. The reorientation in value chain restructuring – the attitude that ‘we can reorganise tasks and standardise the process, so that what we do can be done anywhere’ – leads to a shift in loyalty, certainly on the part of the company, but also on the part of the worker: away from place, and perhaps increasingly toward content. The labour market speaks of employability and flexibility (Barley & Kunda, 2004) which workers accustomed to bureaucratic systems in relatively stable labour markets experience as insecurity. Although flexibility and mobility are expected from workers, this expectation can also have unintended consequences for employers: worker orientations that are just as much based on market transactions as those of their employers.

A case in point is the example of relocation of a logistics office from Benelux to Prague. The horizontal model of work organisation, which led to a specialisation and standardisation of tasks, made the job very unchallenging for the employees at the new site, which in turn led to a high turnover of employees and problems in efficiency, the very thing the offshoring was supposed to address. The supervisor at the Prague office explained:

*Initially everyone needed a university degree, but it’s very difficult to keep people in these kinds of jobs. You don’t need to be a genius to do the work... A lot of it is*
data entry – especially after the breakdown of the process [i.e. the introduction of a horizontal organisational model]. In most sites the majority of the logistics employees have a university degree, that’s one of the reasons why [the management] wanted to employ them here. But if you can’t keep them, what’s the point? So now I tend to look for people without university degrees.

This high external mobility in the Czech office contrasts with the long tenure of the Belgian employees, who were working in an internal labour market environment (DeBruyn & Ramioul, 2007)

In another case, from a UK public administration which was being taken over by a private sector service provider, the once strong commitment to the workplace and the service work was replaced by work orientations reflected in statements such as:

(Interviewee 1) ’They way they do things just makes you want to come into work, do your job, and go home.’

(Interviewee 2) ‘I do my work, I don’t slack but you have to look for meaning outside. I walk out and switch off. It is hard to get recognition here. You don’t get credit for your work so that is why I can’t be bothered. If I lose this job I’ll go find another one somewhere else, I am not bothered. I have other things going on.’ (Dahlmann, 2007)

New arenas of conflict and obtaining consent

Value chain restructuring has contributed to new arenas of conflict at the workplace which deviate from previous ones. Rather than aiming to protect and negotiate formal aspects of work such as working time, wages, training and tenure (which are still relevant for those with jobs), the arenas have become more nebulous. The first waves of restructuring across value chains are usually not expressly linked with any loss of employment or loss of job content. This happens gradually. In the case studies discussed here, different paths emerged for obtaining consent for the restructuring in the form of outsourcing and offshoring, especially when it involved some redundancy. In this process, new arenas of conflict arose which go to the very core of how the workplace is viewed and involved issues of loyalties to companies versus loyalties to occupation.

There is considerable variation in the responses of workers to restructuring which changes the content of their jobs and can even lead to job loss. It is quite possible that the ‘governance regime’ under which the work is carried out contributes to this variation in response to value chain restructuring and the threats it implies (Huzzard, 2010; Meil et al., 2009). In part, this can be attributed to the availability of opportunities on the labour market which affect the mobility orientations of workers. One path that is typical of Scandinavian governance regimes is a national social contract that gives workers generous settlements and generous unemployment and social benefits in the framework of a good labour market. For workers in several functions of the IT sector (R&D, Software development and IT service provision) there appeared to be consent for the combination of mobility and security, at least among this highly-skilled workforce. The overall result was that their loyalty centred around the occupation rather than the company. In the central European cases the picture was different. Value
chain restructuring led to industrial relations orientations, which in any case are very nationally embedded, geared toward protecting their core workforces and specific contract conditions (Meil et al, 2009). Here, the national regulatory framework and the work of industrial relations actors concentrated on protecting formal aspects of work and the employment relationship (they had little other choice). In the cases we examined here, in functions as diverse as logistics and software development and in sectors as diverse as food and IT, resistance and negotiation were the first steps. The outcome was usually to push those with long tenure into early retirement. For the younger workers, it involved moving them to other sections of the company where they received the same pay initially, but which they often considered as downgraded workplace positions. Their fear was that in the next evaluation rounds their contracts would also be downgraded. The response was not consensual, but was also not conflictual. Since the letter of the law had been followed and proper channels pursued, there appeared to be little recourse other than consent. Although open resistance was marginal, this did not mean that the restructuring came for free. In this regulated environment, the costs for the company were much higher than they would have been in non-regulated contexts. Also, the willingness for future compromises on the part of the workforce would tend to be highly unlikely.

For other contexts and other sectors and in cases where redundancies have not (yet) been very concrete outcomes of the restructuring, obtaining consent tends to focus on very individualised levels. In the cases of the European project which looked at the R&D business function within the IT sector, for instance, the integrity of the content of work was the aspect least affected by restructuring. Although for these very highly skilled researchers it was important to, ‘be part of a community of experts …at both individual and group level’ (Torvatn, 2007:9), the links to a particular company were usually not that strong. It was evident that restructuring brought widespread changes in the form of work intensification and commercialisation, but as long as the content of work was not badly compromised, consent was relatively easy to achieve. Of course, these R&D work environments are rather unique and probably not that representative of the IT sector as a whole.

Response and resistance

Although, in the cases examined, here restructuring was seldom prevented completely and workers often ended up participating in their own potential redundancy, this does not mean that there was no resistance or only silent acceptance of company policy. The response and the form that resistance takes, however, depends on the leverage that workers have at a particular time in a particular context. Among the European cases, there was a Norwegian case in the public health sector in which restructuring as the company proposed was actually prevented completely. The special skills and high levels of job protection these workers possessed led the health administration to accept the workers’ compromise proposal to centralise processes, but keep them public. With regard to the comparatively poor working conditions in sites in emerging economies, we have the example of the Indian employees at All-IT who achieved an upgrading of their jobs
by threatening to leave if no development in their task profiles took place. In a tight labour market, these workers with experience and relevant training were in a position to place demands on their employers. As the various examples from the European case studies showed, where jobs had become standardised and formalised, the resistance often took a less overt form: the relationship to the workplace and the company became completely instrumental and distanced and also devoid of loyalty. In particular for highly-skilled workers in the service sector, employers are intensifying work, asking for commitment and linking motivation to productivity. Their restructuring strategies, however, are achieving the exact opposite effect. Among both highly-skilled workers with good chances on the labour market and among those whose job content had been compromised by the restructuring, the link to work has become increasingly centred on occupational identity and become very market-oriented.

In software development and IT service provision, initial strategies are to maintain differences between the sites, with ‘high road’ workplaces at the core and lower standards in the remote sites, although in fact work content across the whole chain is more susceptible to standardisation and formalisation after the restructuring. The arena of conflict here also becomes quasi-individualised: German against Indian IT specialist; Austrian developer against Croatian developer; public sector IT service provider against private sector service provider. Often, over time, this conflict also dissipates. As the work between the home and remote sites becomes ever more entwined, the relationships between the different workforces also become stronger. Whether or not companies strategically use personal exchange to facilitate knowledge transfer and ongoing offshoring processes is difficult to determine. The fact is that conflicts about giving up competencies to other sites which could potentially lead to job losses are difficult to wage when the fight is no longer abstract but involves people with whom there is personal interaction.

Fear is certainly one component used by companies when restructuring to govern the process and obtain the workers’ consent: fear for the next loss of meaning and content of the work; and fear of the next wave of redundancies across the chain. In non-regulated work environments and poor labour markets, fear is more effective in securing consent. But using fear as leverage for consent also entails costs: more conflict between units in the chain; less willingness for knowledge transfer; high rates of turnover; unwillingness to make concessions in bad economic times; and shifts in loyalty away from the company to the occupation.

There are cases of restructuring, particularly in areas of high growth, where high levels of quality of work are reported across the entire chain. This indicates that externalisation does not necessarily have to be a zero-sum game even though company strategy is often oriented towards creating divides between sites and workers. The lowest inclination for consent is found among those who have survived a restructuring, but the content of the job as it originally existed has essentially disappeared. This sometimes leads to overt resistance, but the results have been modest. Restructuring across the value chain still remains mainly a management prerogative (Meil et al., 2009).

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