



A Total Solution to Expanding & Maintaining
Your Business in Europe

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Germany discovers outsourcing

High costs and feisty trade unions make offshoring an attractive option, but language and politics present hurdles

By [Marc Young](#)

BERLIN - Much of corporate Germany may be struggling with shrinking margins and slow growth, but Mr Debjit Chaudhuri's business is booming.

Whereas many managers are looking to cut jobs and squeeze costs, Mr Chaudhuri, who heads the German division of Indian software and services outsourcing specialist Infosys Technologies, wants to hire more staff this year.

'We will be hiring aggressively in Germany,' he told The Straits Times. He explained how Infosys, whose clients include sporting goods maker Adidas and electronics giant Siemens, needed more workers to tap into the burgeoning outsourcing market.

With its inflexible labour market, high production costs and feisty trade unions, Germany is ripe for outsourcing, or offshoring, thousands of jobs to low-wage countries such as India.

But only recently has the subject become a hot-button political issue in a country beset by stubbornly high unemployment. That is partly because Germany's neighbours Poland and the Czech Republic, where labour costs are considerably lower, joined the European Union in May.

Europe's largest economy has also been shielded from the phenomenon due to its strict labour laws and conservative corporate culture.

'Compared to United States and United Kingdom companies, German interest in outsourcing has been much smaller,' said Mr Andrew Parker, an analyst for technology consultancy Forrester.

'There are much tighter laws about termination of employees and handing over employees to third parties.'

Language, too, has been a problem for some classic offshore operations such as call centres. Though it has become the practice to teach Indians to talk to Americans with a Texas twang, the average call-centre employee in Bangalore still cannot speak German with a Bavarian accent.



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That has led some firms to come up with a mixed approach towards outsourcing in Germany. Basic code crunching or other back-office tasks are offshored to India, but other aspects of the business might be dealt with at 'near shore' operations in eastern Europe, where there are more German speakers.

Sometimes, geography is the most important factor. For example, US outsourcing powerhouse EDS ships daily truckloads of paper documents from clients in Germany to its facilities in nearby Hungary so they can be scanned into the company's database, allowing the data to be processed electronically elsewhere around the world.

The political debate surrounding outsourcing is extremely heated. In Germany, offshoring has become synonymous with moving jobs abroad. German Chancellor Gerhard Schroeder has even branded efforts to shift jobs abroad as 'unpatriotic'.

But analysts expect the EU's eastward expansion to encourage more German companies to pursue outsourcing.

'The labour market, taxes and social security system make it too expensive to do business here,' said Dr Stephan Wimmers of the German Chamber of Industry and Commerce.

100,000 jobs at stake

Germany will lose out on 100,000 jobs this year and next as firms move positions abroad or hire workers overseas, the German Chamber of Industry and Commerce (DIHK) said.

Germany is now losing capital-intensive and higher-quality positions, said DIHK's Dr Stephan Wimmers.

Siemens recently got 2,000 workers at two plants to work 40 instead of 35 hours a week without extra pay.

Carmaker DaimlerChrysler wants to move production of its Mercedes C-class to South Africa - eliminating 6,000 jobs - if it cannot save 500 million euro (\$1 billion) in annual labour costs

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