

## Chapter 7.13

# Outsourcing to the Post–Soviet Region and Gender

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### INTRODUCTION

The purpose of this article is to analyze the outsourcing of information technology (IT) jobs to a specific world region as a gendered phenomenon. Appadurai (2001) states that the contemporary globalized world is characterized by objects in motion, and these include ideas, people, goods, images, messages, technologies and techniques, and jobs. These flows are a part of “relations of disjuncture” (Appadurai, 2001, p. 5) created by an uneven economic process in different places of the globe and involving fundamental problems of livelihood, equality or justice. Outsourcing of jobs (to faraway countries) is one of such “disjunctive” relationships. Pay difference between the United States (U.S.) and some world regions created a whole new interest in the world beyond American borders. Looking for strategies to lower costs, employers move further geographically; and with digital projects, due to their special characteristics,

distribution across different geographical areas can be extremely effective. First, digital networks allow reliable and real-time transfer of digital files (both work in progress and final products), making it possible to work in geographically separated locations. Second, in the presence of adequate mechanisms for coordination through information exchange, different stages of software production (conceptualization, high-level design and low-level analysis, coding) are also separable across space (Kagami, 2002).

In the Western hemisphere, the argument for outsourcing is straightforward and powerful. It is believed that if an Indian, Chinese, Russian or Ukrainian software programmer is paid one-tenth of an American salary, a company that develops software elsewhere will save money. And provided that competitors do the same, the price of the software will fall, productivity will rise, the technology will spread, and new jobs will be created to adapt and improve it. But the

argument against outsourcing centers on the loss of jobs by American workers. Although there is no statistics on the number of jobs lost to offshore outsourcing, the media write about the outcry of professionals who several years ago considered themselves invulnerable.

## **BACKGROUND**

With digital networks, global enterprises gained access to a skilled labor force like never before. Roughly at the same time, former Soviet high-tech professionals became available for the global employment market after the disintegration of the USSR in 1991 and the decay of its science-military-industrial complex, previously their main employer. Though the bigger nations of India and China continue to be main outsourcing destinations, Eastern Europe has been noted as a promising region. Science and technological development used to be a part of the Soviet pride, and *Whitepaper on Offshore Software Development in Russia* (2001) admits that:

*Russia's major advantage over other common offshore software development locales is the technical skills and education of its workforce. Russia has more personnel working in R&D than any other country, and ranks 3<sup>rd</sup> in the world for per capita number of scientists and engineers. Many of these engineers have solid experience and accomplishments in advanced nuclear, space, military, energy and communications projects.* (p. 4)

The same is true for Ukraine, Belarus and, to some extent, Kazakhstan, which used to be highly technological areas during the Soviet period.

## **CURRENT TRENDS**

The mechanism of the region's interaction with international IT jobs providers was (and still is,

in part) shaped by the specific trends peculiar to the period after 1991, termed as "transition." The reconfiguration of the fundamentally important social institutions and economic restructuring, to an extent, took the form of "privatization of the state" by those best positioned in the old society and now becoming capital owners. At the same time, national output declined drastically (and still has not reached the level of prior to 1991 in any post-Soviet countries), and the new businesses were emerging in the climate of downward movement and the absence of strong governing and market institutions. Initially, much of the subcontracting into the region arose within informal economy. First, IT groups that developed projects for Western customers were growing on the basis of friendly networks in research laboratories or departments whose members would establish contacts with a western IT contractor, often through a colleague who had relocated, and were paid in cash for short-term projects. With time, transnational employers working with semi-formal or informal groups were complemented with foreign-owned/offshore ventures, establishing permanent offices in the country, but hiding their real outputs from state fiscal agencies. Much of the outsourcing into the region is involved with shadow economy, and "many programmers are paid in cash," the *Whitepaper* (2001, p.12) recognized. According to my data, based on interviews conducted in Minsk in 2005, employees may get about 30% of their salary "officially," while 70% is provided "in an envelope," which implies tax evasion. Cash flows to thousands of people employed in offshore software services via global banking systems, as IT (electronic communications and computer technologies in general) is at the core of these systems. Some virtual employers, which may be "non-existent" in the legal space of post-socialist countries, might be interested in this arrangement as well, when the very "concept of a 'job'—a working place with a contract, employees' rights, sick leave, retirements, working hours—is being abolished" (Rotkirch, 2001). What matters is the

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