

The Discourse of Outsourcing: Some Implications for Health Services and Education

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Abstract

Outsourcing has become an accepted practice in information technology, business, education and health. It takes place in private and public institutions. Outsourcing is the strategic use of efficient third-party providers to perform essential functions traditionally handled internally (in-sourcing). In business, it aims to transform a company into a more dynamic, market-leading organisation in a rapidly changing world. The primary reasons for outsourcing are that it is cost-effective, less time-consuming and flexible. This study examines the principles and premises on which outsourcing in health services (e.g. blood test, physiotherapy) and education (e.g. multimedia, assessment, interview, review) are based and how they are translated into practice. It identifies some problems and issues facing outsourcing in health services.

Keywords: outsourcing, critical discourse analysis, policy, health services, education, discourse

Introduction

Outsourcing has become a common practice in many Australian services, particularly in industry and business. In the health area, public and private hospitals use outsourcing in a number of services such as pathology, pharmacy, radiology and food services. One of the most common aspects of privatisation is outsourcing. It is basically the contracting-out of internal services to outside service providers. Australia is one of the Western countries which have strongly promoted outsourcing as a strategy to enhance efficiency and productivity of service provision.

What is outsourcing?

Competition as the central concept of privatisation under which outsourcing operates enables the private sectors to provide services to a wide range of stakeholders, including public institutions. Definitions of outsourcing touch on: *contract; outside; variety of methods of contracting for labour; external agency responsibility; contrasting activities; in-house*. Outsourcing is a relatively recent addition to dictionaries (1980s) and still remains outside the Roget's Thesaurus. The Oxford English Reference Dictionary (Pearshall & Trumble, 1996) simply states: outsource/ 'obtain (goods etc) by contract from an outside; contract work out – outsourcing' (p.1034). The emphasis of the definitions is 'contract'.

Amiti and Wei (2004) suggest that to date there is no agreement on the term outsourcing. The American Heritage Dictionary defines *outsourcing* as 'the procuring of services or products ...from an outside supplier or manufacturer in order to cut costs', saying some people interpret outside to mean outside the firm and others outside the country, both usages being common. The emphasis of their interpretation is 'outside'.

Young (2000) suggests it has been defined in a variety of ways and refers to a 'variety of

methods of contracting for labour' (p. 99). These range from traditional sub-contracting, to employees tendering for the provision of a service that they provided while on the payroll, to the full tendering service of a process or function to an outside organisation. It has been seen as, 'the phenomenon of transferring services to a third party that had traditionally been carried out in-house' (2000, p. 99).

Outsourcing is defined for this paper as the conscious decision and action to move one or more internal activities to an external vendor (Borg, 2003). According to Borg, there are different categorisations of outsourcing: (a) primary and secondary value chain outsourcing, (b) selective and full outsourcing, and (c) tactical and strategic outsourcing.

Kakadadse and Kakadadse (2003) raise the issues that the term is applied to a range of, at times, contrasting activities. They give the examples of procurement, purchasing, subcontracting and various organisational forms of contracting out. The critical difference is between those activities not previously performed by the company and the contracting out of activities previously performed in-house, the latter being the more accepted view of outsourcing. While there are a variety of opinions related to defining outsourcing, Young (2003) suggests that the major elements structured are: first, the third party should be outside the normal employment conditions that govern traditional employees of the organisation; second the functions should be those conducted previously in-house.

Historical Discourse

The World Conference on Quality and Improvement 2004, showed that there were three major trends affecting the quality movement, the first being globalisation, the second innovation and the third outsourcing (Lindborg, 2005). As a major trend, the strongest growth in outsourcing is in services outsourcing although international outsourcing of material input is still far more quantitatively important (Amiti & Wei (2003). There is very little literature on service outsourcing. Studies on service outsourcing and employment effects have mainly been conducted by management consultants.

As a global trend, developed countries show a tremendous amount of anxiety over international outsourcing of services equated with job loss. Amiti and Wei (2004) argue that a lopsided view of international outsourcing has been posited in the US and UK framed by the media. While acknowledging that the measurement of outsourcing is generally difficult, due to the fact that information on stages of production contracted out are not readily available, their assessment was based on imports of computer software design and using the International Monetary Funds' *Balance of Payment Statistics Yearbook* to explore cross-border services trade. Amiti and Wei (2004) note there is a problem particularly in the under-estimation of the value of outsourcing because of the cost of importing services is likely to be lower than the cost of purchasing them domestically at home. Evidence shows most developed countries are not particularly more outsourcing-intensive (when adjusted for economic size) than many developing countries. Developed countries tend to run surpluses, i.e. the rest of the world outsourcing more to them than the reverse.

Corbett, (2005) notes it would be difficult to find a business or industry idea with more attention than outsourcing. Though historically the term was adopted in the 1960s and 1970s in manufacturing, it now influences most organisations. Outsourcing emerged a few thousand years ago based on the buying and selling or bartering of food, tools and other household goods. The origin of the term in a modern sense is attributed to Richardo's (1817) Law of Comparative Advantage taken from his 'Principles of Political Economy and Taxation' ([1817] 2005) which underpinned the Competitive Neutrality Policy implemented by the Australian Government in 1995. Historically the adoption of the Competitive Neutrality Policy (CNP) is seen as a policy structured to readjust Australia's economic decline from the fifth richest developed nation in 1950 to the fifteenth richest country in 1990. The decline was seen as a result of protectionist policy reducing incentive to reduce costs, and innovation and efficient use of resources. Co-ordinated national economic approach was implemented to address these issues and Australia's economic performance improved steadily. By 2002, it had regained the eighth position (National Competition Council Assessment, 2004).

The public discourse of outsourcing in Australia

The Australian Government's National Competition Policy (NCP) set in motion the most extensive economic reform program in Australia's history. It was implemented in 1995 by the Council of Australian Governments (CoAG) in accordance with Section 7 of the Industry Commission Act 1989. While the aim of the NCP was to promote competition, whereby government business enterprises resembled private sector counterparts and were subjected to similar efficiency incentives, it was professed to promote outcomes that enhance the welfare of Australians. Built on the recognition that competition drives economic growth and in turn provides higher standards of living, the National Competition Council of Australia (NCCA) made the following mission statement:

To improve the well being of all Australians through growth, innovation and rising productivity, by promoting competition that is in the public interest (National Competition Council, 2005).

The National Competition Policy (NCP) Agreements require each State and Territory Government to publish a statement of the application of the competitive neutrality principles to the State Government sector. These principles require Government businesses to operate without any net competitive advantage accruing simply as a result of their public ownership. The Australian Government makes payments to each of the states and territories as a financial incentive to implement the NPC, contingent on state compliance to the agreements in the reforms. The NPC Recommendations Report 2005 suggested payments estimated at \$778 million dollars would be allocated to the states and territories for 2004-2005 on a per person basis.

The Industry Commission Competitive Tendering and Contracting by Public Sector Agencies: Overview (1996) related chiefly to services. It showed that all states and territories employed contracting, though at that point, aggregated data for states other than NSW and Victoria were unavailable. The Industry Commission Overview showed that Tasmanian contracts had been let for the provision of a range of public services, hospital facilities, fund management, legal services, repair and maintenance of technical equipment, telecommunications, and computer services. Local governments were acknowledged as contracting extensively, though reported as having enormous variation. Contracting of hospital services were noted in the Mersey Hospital Latrobe. Lack of effective competition was also noted in the report in relation to Aged Care Australia suggesting that the lack of aged care providers in rural and remote areas may be a problem in ensuring effective competition for this service. 'In Tasmania, as with many rural areas through Australia, the lack of viable markets is a real concern' (1996, p.223).

State Governments' response to the NCP agreement introducing competitive neutrality principles though the application of outsourcing, varied enormously. While in Victoria it was claimed (Fairbrother et al., 2002) that the state had made the greatest privatisation advances of all Australian states in the break-up and sale of state utilities and other government monopolies (Young, 2005), Tasmania was seen as setting a benchmark in the implementation of State Partnership Agreements. The 2002-2003 Review of Progress Improving Efficiency and Effectiveness of Local Government, *Application of National Competitive Policy to Local Government* (NOAG, 2003) published the implementation of the Partnership Agreements Program as a program allowing the two levels of government to work together to improve economic, environmental and social development at the local, regional and state-wide level. The successfully implemented Partnership Program between the Tasmanian State and Local Governments was seen as a major and first of its kind reform achieved in any of the Australian states (NCCA, 2004).

Tasmania's performance outlined in the National Competition Council Assessment (NCCA, 2004) in reviewing and reform legislation has been seen as excellent whereby 82% of its stock legislation, 82% of its priority legislation and 95% of its non-priority legislation has been reviewed and, where necessary, reformed. Reviews in relation to health services and professionals encompassed the Medical Practitioners Registration Act 1996, Optometrists Registration Act 1994 Pharmacy Act 1908 and a number of acts under the umbrella of drugs, poisons and controlled substances (NCCA, 2004).

The review of the Medical Practitioners Registration Act 1996 provided that registration of

medical practitioners in the public interest is justified, restrictions or controls on ownership or advertising of practices were not. The review recommendations were accepted and passed by Parliament in the Medical Practitioners Registration Amendment Bill 2004. Key issues in the review of Tasmania's optometry services resulted in the removal of restrictions on ownership of practices passed by Parliament in the Optometrists Registration Act, 2004. CoAG review of Pharmacy Act 1901 recommended the removal of restrictions on the number of pharmacies owned by one person or the Friendly Pharmacies. While the Bill was tabled in Parliament in 2004, CoAG assessed Tasmania as not having yet its reform obligations in relation to pharmacy. CoAG is presently in the process of considering response review and recommendations are held by in relation to the drugs, poisons and controlled substances recommendations (NCCA, 2004).

In the Inquiry into Health Funding Submission, May, 2005 the Australian Local Government Association (ALGA) gives particular attention to:

the roles and responsibilities of local government with regard to health and related services, funding arrangements and better defining roles and responsibilities between different levels of government (p.1).

The ALGA (2005) report showed that health services administered by local government concentrate on planning, coordination, policy development and in many cases direct service provision of population based public health services to their local communities. The services and activities provided by local government include: environmental health activities, i.e. environmental protection; development implementation of public health policies, i.e. water, air or food standards; health promotion and preventative health program and services, i.e. health inspections, food, child health, community hospitals, mental health programs and service; recreational and leisure facilities; promotion and increment of resident access to health services, i.e. specific languages information.

Key issues emerge from the ALGA related to medical services in the declining community access to primary and acute health services. They cited from Access Economics a shortfall of between 1200 and 2000 general practitioners with at least 700 more needed in country areas. Concern was reflected in resolution of the National General Assembly of Local Government 2002 asking the Prime Minister and the Federal Minister for Health to:

urgently address the critical shortage of specialists, senior medical officers and medical practitioners ...put in place Medical Practitioner Workforce Planning strategies to address this national problem (ALGA, 2005, p.9) .

The ALGA submission shows that the impact of the medical shortages is that while access to health care is a federal and state government responsibility, local governments have increasingly become engaged in the recruitment and retention of health professionals, resulting in increasing rural GP practices that will be owned by local councils. The ALGA in its 2005 Inquiry into Health Funding welcomes the establishment of the Australian Government's \$15 million Rural Medical Infrastructure Fund targeted to assist rural councils to recruit and retain GPs.

Australian and New Zealand College of Anaesthetists Report (ANZCA, 2004) raises a number of issues surrounding the Federal Government, calling on all medical colleges to respond to a scheme for Overseas Trained Specialists to work in Areas of Need (OTS/AON). State Health Departments ("jurisdictions") have now strongly indicated that they wish to play a major role in specialist training in their state hospitals. They have indicated that the involvement would include: scrutiny of the process of selection of trainees; strong input on the number of trainees; and outcome of the selection. The ANZCA Report suggests this is a new and challenging development for specialist medical colleges 'which needs to be handled very carefully to maintain the current standards of our training programs' (2004, p.3).

Outsourcing in Health Services

There are two major themes arising from the literature in health care/health services and outsourcing. Globalisation affecting health care and outsourcing relates to issues surrounding job loss both in the USA and United Kingdom as present in general outsourcing literature. The second theme relates to the IT service industry and outsourcing in health care, issues and policy (Sarivougioukas et al., 2002; Suomi and Tankapaa, 2004; Stansbury, 2005); IT and

small physician practices (Robeznieks, 2005), and; off-shoring of health care benefits administration (Shar, 2004).

Health care and health services literature focuses on a number of different forms of outsourcing such as:

- improvement of systems in health care include the outsourcing of patient care by collaboration and education of patients and carers (Beswick, 1996);
- implementing quality improvement in different setting and circumstances and the integration of evidenced-based medicine applied to clinical quality improvement methods (Massoud, 2002);
- the detrimental affect from the loss of health care professionals for developing nations (Segouin et al., 200);
- outsourcing rising as a new phenomenon 'medical tourism', referring to where patients access overseas doctors trained in the USA; take advantage of lower cost procedures in India, Singapore and Thailand (Badam, 2004);
- the international standardisation of quality in health care teaching assisting developing countries; the imperative to progress with international standardisation of health care and professional education as a benefit for 'all around the world' (Segouin et al., 2005).

As comparative practice to outsourcing strategies in literature, the Centre for the Study of AIDS in South Africa (Thom, 2004) reports an interesting phenomenon rising from new government health policy. The policy supports the devolution of specialist services from tertiary hospitals to secondary hospitals as a major drive to improve and increase service and efficiencies, though highlighting difficulties in highly urban rather than rural sectors. Australian literature addressing outsourcing health care services and organisations arises from a major body of work focusing on firstly, economic implications and secondly management structures and imperatives (Young 2000, 2003, 2005). These studies primarily examine the reasons/drivers for, and attitudes to, outsourcing.

Outsourcing in Education

One tends to think that the word 'outsourcing' is primarily confined to business and administration as business is about financial success and outsourcing is one of the important strategies to achieve this. Nowadays, major companies need to ensure that their shareholders are satisfied with their financial performance. To achieve this, they need to reduce costs and increase outcomes. From this perspective, it is rather inappropriate to have outsourcing in education. However, a closer look at the current educational discourse reveals that outsourcing has been a common practice in education. Outsourcing has been undertaken in various forms. In some cases, it is outright outsourcing practice. One facet of international outsourcing practice is the development of international tutoring (Jacobs, 2005). Jacobs informs us that "companies like growing stars and Career Launcher, India, in New Delhi charge American students \$20 an hour for personal tutoring, compared with \$50 or more charged by their American counterparts" (Jacobs, 2005 p. 1). In other contexts, outsourcing is conducted in a very subtle manner.

In tertiary education, outsourcing has been practised for a long time. Cleaning service is one of the most common outsourcing areas. There are two main aspects of services at a university: academic and non-academic. The academic aspect includes teaching activities and educational resources and the non-academic aspect includes building maintenance, gardening and landscaping, cleaning, etc. Traditionally outsourcing tends to focus on the non-academic aspect.

Recently outsourcing at tertiary education institutions covers the academic aspect. It takes place in various forms and the concept 'outsourcing' is euphemistically expressed in 'academic language' such as institutional collaboration, joint activities, teamwork, stakeholder participation, etc. Students can do a degree by undertaking units at different participating institutions. Assessment can be outsourced. Some assignments are marked by outsiders.

This can be viewed as against teaching principles as lecturers should be directly involved in the assessment of their students so that they are totally aware of their students' strengths and weaknesses and the link between teaching and learning.

Outsourcing and Critical Discourse Analysis (CDA)

Outsourcing first appeared as a strategy used to improve services and provide benefits to clients, workers, and their companies. However, there are issues which need to be addressed as outsourcing is not just about business strategy and cost saving. From the CDA point of view, the discourse of outsourcing reveals power relationship between workers and employers, communication control, participation in the decision making process, etc.

CDA is interested in the unequal access to linguistic and social resources that are controlled institutionally, particularly pattern of access to discourse and communicative events in an organisation.

How many workers have access to power and linguistic forum to defend themselves in different situations where outsourcing is strictly controlled by those who make decisions on outsourcing? They are marginalised in the decision making process; their voices are weak or unheard.

Where discourse analysis studies the relations between discourse, power, dominance, social inequity as a multidisciplinary complex area, health care outsourcing appears to have inequities in a multitude of areas. Business management calls it a 'Lack of transparency' (Deloitte survey 2005, Chadbrow, 2005). Authors such as Suomi and Tankapaa (2004) discuss governance in health care and Information Technology (IT) outsourcing to formally structure out communication and trust.

CDA examines and unpacks outsourcing discourses which have become naturalised and accepted as common (normalisation) as it can be disguised as improving a company profile and its prosperity. Thus it is beneficial to the company as well as its workers. This is not always the case. A company can increase its earnings at the expense of its workers in the name of outsourcing. It can create instability, mistrust between employers and employees, and among employees themselves. Employees may experience identity crisis, particularly for those who have served a company for a long time and are now working for an outsourcing agency.

It is commonly claimed that 'restructuring' of a company in terms of outsourcing will 'improve efficiency' so that clients are 'better served'. Again, this can be a propaganda strategy to maintain the loyalty of clients. Such expressions are deliberately chosen and powerfully persuasive to create a win-win situation in outsourcing. In reality, the financial improvement of a company is the basis of outsourcing. Clients are deprived of having a voice in the decision making process. It creates tension, deprivation and a sense of loss for those who are victims of outsourcing.

Conclusion

Outsourcing has become a common strategy in industrial societies which enables the private sectors to provide services to a wide range of stakeholders, including public institutions. Competition is the central concept of privatisation under which outsourcing operates. Proponents of outsourcing claim that in a competitive world of business, outsourcing creates efficiency and promotes collaboration among services for survival and growth. However, there are issues and problems involving power control, inequity, mistreatment, and abuse in the discourse of outsourcing which need to be critically examined and addressed. Outsourcing itself is neither a good nor a bad strategy. The central question is how it is undertaken to accommodate the vulnerable victims of outsourcing.

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