**[Outsourcing matters](https://www.dawn.com/news/1858889/outsourcing-matters)**

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AN entrepreneur investing in establishing a manufacturing unit or setting up a business will aspire to get maximum returns in terms of profit from his initiative. Depending upon the magnitude of investment, he will have no control over the cost of plant equipment and raw materials, which will depend upon market rates.

However, he will make every effort to keep his administrative or fixed costs as low as possible. This includes the payment of monthly salary and benefits to employees. Here, he would explore all options to curtail the cost without compromising on the quality of his product or business interests.

He will decide about the areas where people with higher education will be required and those who will provide support services. In the former case, he will try to get the best people available and offer them an attractive salary and benefits. He may outsource the support services at competitive rates. This practice is prevalent the world over.

In Pakistan, the practice of engaging third-party contractors has been common since the inception of industry. The motive has been to cut costs and increase efficiency. Initially, there was a huge difference in cost for the same work done by the company’s own employees or those of contractors. The salary and benefits of own employees of lower cadres keep increasing due to the collective labour agreements reached with the union.

The contractors would not ensure compliance with the laws and make their workers available to interested employers at a low cost. This difference in cost has narrowed down over the years as now progressive employers force contractors to ensure compliance with all laws, especially relating to the welfar

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In addition to contracting out of services to a service provider, there are two other types of outsourcing carried out by companies: toll manufacturing and offshoring.

Toll manufacturing or tolling is outsourcing all the production or part of it to a third-party where the principal company provides all the raw materials or semi-finished products to the former. The work of the third-party company is to process the products or raw materials to the required specification.

Offshoring is a practice of relocating business processes or work functions to another country to save on costs and increase efficiency. A company may choose to outsource certain tasks or entire processes to low-cost countries, where labour may be cheaper or more skilled.

To facilitate its booming industry to compete in the international market, India promulgated the Contract Labour (Regulation) Act, 1970. Under this Act, the contractors must get themselves registered with the government. Besides, they must also ensure compliance with the labour statutes to secure the welfare and health of workers and avoid legal issues.

In Pakistan, half-hearted attempts were made in the 1990s to introduce a similar law, but the effort did not materialise. However, in the beginning of the current century, the federal government and Punjab and Sindh, respectively, have promulgated ordinances regulating the outsourcing of security services by security companies.

These ordinances require the security companies to get themselves registered with the government. Unfortunately, there are no provisions in the three ordinances guaranteeing the payment of minimum wages to the security guards and compliance with laws on daily working hours and the weekly rest days. As a result, most of the companies to whom their services are let out violate the laws to the detriment of security guards.

The Punjab Priv­a­­te Security Com­p­a­nies (Regulation and Control) Ordinance, 2002, is the only statute which provides for the group life insurance of guards for a paltry amount of Rs200,000 and mandatory registration with the social security institution. The responsibility to ensure compliance with the laws rests both with the service providers as well as the companies to whom those services are provided.

Besides, the core jobs in which workers employed through contractors work under the direct supervision and control of the principal employer and along with the latter’s own workers, cannot be outsourced. In this context, there are two landmark judgments of the Supreme Court dated May 16, 2013, and Dec 8, 2017, respectively.

In 2013, the management of Fauji Fertiliser plant at Mirpur Mathelo was directed by then chief justice Iftikhar Chaudhry to regularise the services of 112 workers. In 2017, the management of Pakistan State Oil had to regularise the services of 210 workers on the direction of then chief justice Saqib Nisar, at its head office in Karachi.

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