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**Business Process Outsourcing in
Financial and Banking Services
in the Philippines**

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**BUSINESS PROCESS OUTSOURCING IN
FINANCIAL AND BANKING SERVICES
IN THE PHILIPPINES**

Ahmma Charisma L. Satumba



Promoting decent work in global production systems
in Asia and the Pacific

Case study

Business process outsourcing in financial and banking services in the Philippines

With the support of the ILO-Japan Institute for Labour Policy and Training (JILPT)
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Acronyms

ADB	Asian Development Bank
AIM	Asian Institute of Management
BPA/P	Business Processing Association of the Philippines
BPO	Business-process outsourcing
CAGR	Compound annual growth rate
CSO	Customer-solutions officer
DOLE	Department of Labor And Employment
F&A	Finance and accounting
FGD	Focus group discussion
GAAP	Generally accepted accounting principles
GPS	Global production system
HR	Human resources
IAS	International accounting standards
ICT	Information and communications technology
IDC	International Data Corporation
ITES	IT-enabled services
KPO	Knowledge-process outsourcing
MNE	Multinational enterprise
MSD	Musculoskeletal disorder
OSH	Occupational safety and health
PST	Product-specific training

Introduction

In recent decades, global production systems (GPSs) have proven significant sources of employment and investment for developing economies (Barrientos, 2007). The emerging realignment of international employment patterns has had its greatest impact in these developing economies, as competition continues to drive multinational enterprises (MNEs) to relocate production to countries where related processes can be undertaken most efficiently and at the lowest cost (ADB, 2003).

Whether in the form of subsidiaries, franchises, or direct outsourcing, MNEs have been coordinating networks of producers within global supply chains. Technological innovation has made feasible the coordination and control of these dispersed production systems across the globe. MNEs are thus able to exploit economic advantages arising from differences in costs, factor availabilities, and the congeniality of particular investment climates. The GPS concept encapsulates this complex configuration of industrial structures, including their intra- and inter-firm linkages and the social/institutional contexts that influence the system (Efendioglu, Posthuma, and Rossi, 2006).

Despite the concomitantly growing opportunities for substantial economic growth, income growth, technological advancement, and skills upgrading, there is concern at the potential negative effects of participating in the GPS. Questions arise regarding the quality of employment generated, and whether or not, in terms of labour standards, this is creating the conditions for a “race to the bottom” for workers in developing economies. *The Report of the World Commission on the social dimension of globalization* (2004) draws attention to this issue, stressing that competition between developing economies in offering incentives to attract MNE investment can inspire policies that go too far in reducing regulations, taxes, environmental protection, and labour standards.

An emerging framework for investigation aims to explore how participation in the GPS impacts on producers and workers. This approach focuses on links between economic and social upgrading.

Economic upgrading refers to improvements in production activities and the products themselves, as well as to the evolving mix of activities conducted by the firm (Efendioglu, Posthuma, and Rossi, 2006).

Social upgrading encompasses the whole dimension of decent work with regard to the improvement of working conditions, workers’ representation, ratification

and compliance with ILO Conventions, improvement of women's workers conditions, and ethical behaviour on the part of MNEs operating in developing economies.

How these two types of upgrading are interrelated, and how they affect one another in the context of participation in GPS, is the main focus of this paper. Our case study examines business process outsourcing in financial and banking services in the Philippines.

Research objectives

The study aims to investigate the implication of economic upgrading strategies for decent work in the context of the financial and banking service segment of the Philippine business-process outsourcing industry.

Specifically, the study focuses on these goals:

- describing activities within the production chain of the global financial and banking service undertaken by the Philippine business-process outsourcing (BPO) industry;
- identifying economic upgrading strategies pursued by enterprises to improve their competitiveness; and,
- determining the effects of economic upgrading on the ILO's four pillars of decent work, and how these effects relate to one another.

Research design

Identifying key players in the financial and banking service segment of the business-process outsourcing industry as case studies, the study approaches the issue from the micro-level perspective. Of the 11 key players identified, 4 enterprises agreed to be included in the study.

The data were generated from both primary and secondary sources.

- Primary data collection targeted management personnel, workers, and industry stakeholders from the Government and private sector as key informants and participants in focus group discussions (FGDs). Efforts to get information from workers, however, only bore fruit in one enterprise. To collect sufficient data regarding the status and issues of decent work in the industry, FGDs/sectoral

consultations were conducted among workers in business-process outsourcing, regardless of sub-sector or segment.

- Secondary sources included other studies/research/papers (i.e. decent work, GPSs, value-chain analysis, globalization and competitiveness, outsourcing, off-shoring, business-process outsourcing), enterprise documents, articles, statistical data, and other relevant reference materials.

Review of the literature

Business-process outsourcing: Concept and scope

“Outsourcing” has become a major feature of business and management practice in recent years. The World Bank (2003) defines this process as the contracting of a service provider to completely manage, deliver, and operate one or more of a client’s functions.

Outsourcing is about “make or buy” decisions. Following a cost-benefit analysis, a firm chooses which parts of its value-chain activities it will either perform internally, i.e. make, or source from the market, i.e. buy (Rodolfo, 2005). The principle is that companies concentrate on their core business and competencies, and outsource non-core activities to other companies (De Bruyn and Ramioul, 2006).

Developments in information and communications technology (ICT) have given outsourcing a new face. Knowledge may now be codified, standardized, and digitized, which in turn allows more processes to be split up or fragmented into smaller components that can be located elsewhere to take advantage of cost, quality, economies of scale, and other factors (*UNCTAD world investment report*, 2004). Applying what McKinsey and Company (2005) refer to as the process of “global resourcing,” companies can now decide which of their activities can be performed elsewhere in the world, where to locate them, and who will do them.

Having identified these activities, a company next faces two decisions. Firstly, should it perform these activities offshore (in another country) or onshore? Secondly, should the company perform them in a wholly owned captive unit, or outsource them to a third party? The growing trend to offshoring clearly manifests the MNE preference for transferring or relocating work across borders.

When offshoring involves IT and IT-enabled services (ITES), it now falls within the domain of business-process outsourcing (BPO).

BPO, as defined by Gartner Dataquest, involves the delegation of one or more IT-intensive business processes to an external provider that, in turn, owns, administers, and manages the selected process or processes based on defined and measurable performance metrics. Almost entirely adopting this definition, the Department of Trade and Industry (2003), the lead agency in the Philippines charged with promoting BPOs in the country, defines BPOs as the delegation of IT-intensive, service-type business processes to a third-party service provider. This definition of a BPO comprises three key elements, inasmuch as relevant activities are service-type, IT-intensive, and outsourced.

BPO is often divided into two categories: “back office outsourcing”, which includes internal business functions such as billing or purchasing, and “front office outsourcing”, which includes customer-related services such as marketing or technology support. In some cases, the entire information management of a company is outsourced, including planning and business analysis, installation, management, and servicing of the network and workstations.

BPO has come a long way from offering single IT services to where it now covers an array of operations from customer-interaction services, back-office transaction processing, IT/software operations, finance and accounting services, human resource services, and knowledge services. The World Bank listed the typical services rendered by BPOs (see below).

Typical BPO banking and financial services

Banking services	Financial services
Account opening services	Document management
Account information capture	Billing
Customer queries	Shareholder services
Check clearing	Claims processing
Check payment reconciliation	Accounts receivable
Statement processing	Accounts payable
ATM reconciliation	General ledger
Investment account management	Accounting Services
Management reporting	Treasury operations management
Loan administration	
Credit debits card services	
Check processing	
Collections	
Customer account management	
Insurance services	
Policy owner services	Claims processing
Statutory reporting	Transaction and re-insurance
Accounting	
Annuities Processing	Benefit administration
Customer information capture	Risk assessment and premium
computation	
Policy processing and account monitoring	Claims management
Payment reconciliation	

Simpler services such as data entry and other basic processing tasks are considered low-value and low-risk operations, and bring low margins. Rules-based operations such as payroll processing, meanwhile, are at the intermediate level in terms of value and risk. BPO related to decision-making and problem-solving requiring business skills and advanced services (such as risk management and sophisticated data analysis) involves high-value and high-risk jobs. When BPO services include direct contact with customers (e.g. call-centre operations), skill requirements increase dramatically, since the success of a deal depends on excellent communications and knowledge of both the industry concerned and the client's mindset.

The main reasons cited by companies for outsourcing are reduced operating costs and greater focus on core activities.

A number of surveys supported this finding. According to the 5th *Annual outsourcing index* of the Outsourcing Institute, improving company focus, reducing and controlling operating costs, and freeing resources for other projects emerged as the top reasons for outsourcing. A survey conducted by *Computerworld* in the United States of America (the USA) points to similar results: reducing/controlling costs, freeing up internal resources, gaining access to world-class capabilities, increasing process efficiencies, and following a company policy of outsourcing non-core activities. Other important considerations cited were the availability of variable cost structures, improved quality, and speedier services.

The steep decline in the costs of telecommunications and IT equipment, and increased Internet accessibility have opened the way to expanded BPO services in both developing and developed economies. The lower cost of employing skilled and specialized workers reduces operational costs by up to 60 per cent. The rapid internationalization of these services this offers developing economies a chance to exploit higher-value niches.

The benefits of BPO in developing economies come in the form of job creation, infrastructure development, and diffusion of technology and ideas in domestic manufacturing and even in agriculture. Once the required ICT infrastructure is ensured, ITES broadens job prospects for women interested in working from home. Women are also employed on a large scale in such services as call centres and data-entry. The BPO

industry has also produced a promising niche for SMEs, since these enterprises require a relatively little start-up capital, only basic telecommunications, and low-wage workers.

With primary products, however, competition between developing-economy providers of lower-end services commoditizes some basic processes. This drives down the prices, and transfers the benefits of low wages to MNEs, leaving little behind for the developing world. Moreover, BPO clients typically try to minimize their risk exposure, committing limited investment to developing economies, and thus transferring the entire risk to BPO providers. Therefore, BPO-providing countries and their companies need to move up the value chain in the GPS to capture higher returns.

Most companies using the services of these BPO providers are headquartered in the United States and Europe. India, with its skilled English-speaking workforce and salaries up to 80 per cent lower than those in developed economies, has captured a dominant share of the international outsourcing market, and serves as a primary outsourcing centre for software contracts.

The Philippines, owing to its familiarity with US standards of service, especially in accounting, has become a popular outsourcing centre for such companies as Procter and Gamble, AIG, American Express, and Citibank, with the market heavily skewed towards the United States. The challenge lies in expanding the country's clients to include Europe and neighbouring countries such as Australia, Japan, and the Republic of Korea.

Offshoring finance and banking services

Offshoring has become a common practice throughout the industry, and has matured at a rapid pace. In a span of 5 years (2001-2006), major financial institutions with offshore operations grew from 10 per cent to 75 per cent. US and UK banking and capital market institutions continue to lead this shift. The offshore headcount has also grown dramatically. Deloitte (2007) estimates an 18-fold increase in the average number of staff each financial institution has employed offshore over the last 4 years, from 150 in 2003 to 2,700 in 2006. Over the last year alone, the proportion of group headcount in lower-cost countries doubled, from 3 to 6 per cent.

In the last 5 years, offshoring has spread across nearly all functions in financial institutions. Initially dominated by IT in the areas of applications development, maintenance, and support, significant growth has also been seen in transaction processing, finance, and HR. Knowledge-process offshoring such as investment banking

analytics and research, has also grown (Deloitte, 2007). Below is a table presenting the complete spectrum of banking and financial services being outsourced and offshored.¹

Transaction processing	Accounting	Customer service	Collections	Credit underwriting
Application receipt	Payables/receivables	Inbound calls	Collection	Credit decisions
Account opening	Research and reconciliation	-query handling	early stages	-risk assessment
Accounting entry	Expense accounting	-complaints	late stage	Scoring models
Data input	Journal accounting	-price quotes	Outbound calls	Credit policy
System operation	Account consolidation	Outbound calls	Dialer	Compliance
Statement generation	Cost-centre accounting	Telemarketing	Manual/Skip	Documentation
Account administration	Accounting balancing		Inbound calls	
Databases maintenance	Accounting statements			
Billing and invoicing	Budgeting/MIS			
Payment processing				
Tracers				

The offshoring operating model of financial institutions has also undergone transformations. Five years ago, outsourcing dominated the landscape, accounting for over half of all offshoring within the industry. Since then, business processes have been moved to newly built, fully owned captive operations, while third-party vendors continue to dominate IT.

Initially driven by economic pressure and the need to cut costs, most executives in financial services are saying their commitment to offshoring have been reinforced by the quality of offshore talent, which has resulted in improved service quality and operating efficiency. *[check: Is that okay? ...]*

The financial services sector is becoming the largest and most sophisticated outsourcing market of IT and ITES, and is thus seeing a concerted move towards BPO as a strategic

1. Rahul Verma, *BPO: Potential in the financial services sector*, CRISIL Young Thought Leader Series (Ahmedabad, Indian Institute of Management, 2003).

option for greater profitability, cost rationalization, and improved quality. The industry is ideally suited for outsourcing, given its large transaction volume, structured decision-making, and reliance on rule-set processes. Outsourcing has shifted from transaction processing to true business transformation. Changing business models in outsourcing have given rise to a new breed of financial products and services, and new expert service providers are joining the industry on a wave of industry consolidation and expanded product lines. Hence, PO models are emerging in the financial services sector.

Functions ideally suited for offshore outsourcing include those which are highly digitized, modular, and clearly structured, for example settlement, IT services, analytical, and technical services.²

A survey of the world's largest banking, financial services, and insurance companies by a team from Capco and London Business School,³ suggests that the financial services sector finally appears to be adopting what may truly be described as a global services sourcing model that emulates the manufacturing sector.

On a parallel with the manufacturing sector, the largest banks, financial services, and insurance companies have leveraged service providers as part of a GPS, exploiting new technologies (digital processing, increased bandwidth, and the Internet) to break free of geographical and organizational boundaries and opening up a range of sourcing options (see below).

This study suggests the following:

- As their level of sophistication has increased, companies have begun to outsource and offshore not only horizontal, generic processes, but also vertical, business-specific processes.
- While cost savings continue to be the dominant motivation for global sourcing, quality improvements and flexibility are rapidly catching up as important drivers.
- Rather than hand over the entire set of functions to a single vendor, companies are beginning to prefer managing a multiple-vendor, multiple-geographic location sourcing framework, which goes hand-in-hand with the development of global sourcing capabilities.

2. Deutsche Bank Research, "Offshore outsourcing in the financial industry", in *E-banking snapshot*, No. 11, October 2004, www.dbresearch.com.

3. Suresh Gupta, Phanish Puranam, and Kannan Srikanth, *Services sourcing in the banking and financial services industries* (Capco and London Business School, 2006).

Conceptual framework

“Decent work” is defined as opportunities for men and women to obtain decent and productive work in conditions of freedom, equity, security, and human dignity (ILO 1999). A comprehensive concept of work and the workplace, decent work encompasses—with gender equality a crosscutting objective—concerns regarding work or employment itself, rights at work, social protection, and social dialogue.

In the light of these four pillars of decent work, this study focuses on the following areas: recruitment, training, productivity, employment status, work schedule, compensation, rest and breaks, safety and health, social security, and social dialogue. Primary concerns are how economic upgrading is affecting these areas, and how economic upgrading is linked to social upgrading of workers engaged in business-process outsourcing.

In identifying economic upgrading measures pursued by the case companies, this study looked at four areas:

- **Process upgrading** refers to increasing the efficiency of internal processes both within and between various links of the production chain.
- **Product upgrading** involves the introduction of new products or improvements in old ones.
- **Functional upgrading** refers to increasing the value-added by changing the mix of activities conducted in the supplier firm.
- **Chain upgrading** is the move to a more technologically advanced production chain that delivers higher value-added.

Business process outsourcing in the Philippines

Focusing on the finance and banking service sector, this chapter profiles business-process outsourcing in the Philippines, including its sub-sectors, contributions to the economy, and emerging decent work issues in the industry.

The competitive advantage

Business-process outsourcing in the Philippines started in 2001 when American Online (AOL) established an in-house call center in the Clark Special Economic Zone, in Pampanga.

The emergence of the country as an attractive BPO contender primarily rests on the quality, supply, and cost competitiveness of its human resources. In a survey conducted by McKinsey Global Institute, the country registered a 30 per cent suitability rate for generalist and finance accounting occupations. This is the highest rate in Asia.

Suitability rates determine the percentage share of qualified candidates that will be employed by HR personnel when they need to meet an appropriate demand. The cost competitiveness of its talent is another criterion where the country scores well. Using the US labour cost as a benchmark, the study revealed that labour costs in the Philippines are only 16 per cent of the total cost that will be incurred if the company decides to stay in the USA and hire there. Costs include wages, bonuses, and other worker benefits.

A premier BPO hub

After seven years, the Philippines has positioned itself as one of the world's top outsourcing destinations. In 2007, the Booz Allen Offshoring Research Network Survey placed this country in the number-two position, after India, as preferred outsourcing location among Fortune 500 companies, particularly in the contact centre and back-office operations sub-sectors. That same year, the country was awarded Offshoring Destination for 2007 by the National Outsourcing Association, in the United Kingdom (UK). Several other global surveys affirmed this assessment of the country's potential as a premier hub for business-process outsourcing.

Philippines: A Favourable location for IT-BPO Services

- **Frost and Sullivan**, August 2007: Philippines among top 10 shared-services and outsourcing locations in the world.
- **IMF**, March 2007: The Philippines has established a strong presence in voice-based BPO sectors such as call centres, and there are also signs of growth potential in other offshore services, such as medical transcription and animation.
- **ADB**, March 2007: The Philippines is comparable to or even fares better than other emerging BPO providers in areas such as quality and cost of labour and certain infrastructure costs.
- **Frontier Strategy Group**, September 2007: The Philippines is among seven key markets that are “above the rest” and are the “most critical to achieving corporate growth and outperforming the competition in 2008 and beyond”.
- **Diamond Consultants**, December 2007: The Philippines ranked #3 behind India and the USA in the current location strategy of BPO providers.
- **FBR Capital Market** 2008: We believe that the Philippines has been validated as the location of choice for B-to-C centre work.

Source: Business Process Outsourcing Philippines (BPA/P), 2008.

The country's sunshine industry

Over the last seven years, the business process outsourcing industry has become one of the fastest-growing sectors in the Philippines. Rising from a revenue base of about US\$350 million in 2001, BPO revenues reached \$2.4 billion in 2005 and \$4.875 billion in 2007, fuelled primarily by strong global demand. Projected 2010 revenues will be \$12.2 billion, showing a 5-year compounded annual growth rate of 38 per cent. Contact centres will account for the bulk of this.

Today, the BPO industry is the country's "sunshine industry", employing close to 100,000 workers and chalking up earnings of over \$1 billion per year. It is growing at about 100 per cent annually, and will grow by 50 per cent for the next several years. Growth potential is enormous. BPO could become a major player, a key pillar of the Philippine economy, within the next few years.⁴

Globally, the Philippines consistently ranks among the top 5 BPO locations, placing fourth after Australia, India, and the People's Republic of China. Among its attractions for offshore BPO services are an abundant supply of English-speaking professionals, low labour costs, and good telecommunications infrastructure. Opportunities for the Philippines remain strong, with offshoring predicted to gain further momentum in the coming years.

In 2004, the Philippines exported about \$1.3 billion worth of BPO services. It aims to win 5 per cent of global business process revenues by 2010, creating an industry worth as much as \$12 billion.

As of 2004, there were about 100,000 workers in the BPO industry. The industry was hiring 5-15 per cent of the applicant pool monthly.⁵ In 2005, employment grew by 60 per cent, absorbing 163,000 workers. And this number is expected to grow to more than 1 million by 2010, employing 1 out of every 100 Filipinos.

During that period, the industry will draw half its workforce from young college graduates. Other sources of workers will be the educated unemployed and underemployed (15 per cent), returning migrant workers (20 per cent), and career shifters and retirees (15 per cent). While college graduates will remain the main source of labour, technical and vocational training is forecast to provide key labour-pool access to career shifters and the under-employed and unemployed.

4. Ibid.

5. Chalré Associates, "Outsourcing in the Philippines: What business leaders think," www.chalre.com (6 June 2005).

By 2010, the industry will be absorbing 37 per cent of the graduating class, with the capacity, if development strategies are implemented, to absorb a total of 62 per cent.

Among the service segments, customer care continues to comprise the largest category in the market, contributing \$1.7 billion in 2005, recording a growth of 75 per cent from \$1 billion in 2004. With 70,000 seats, *[check: What does "seat" refer to here? ...]* revenue per seat has increased to \$24,286 (by 30 per cent) from \$18,750 in 2004. An estimated 108 companies comprise this segment, about 50 per cent more than did in 2004.

Despite this impressive performance, the Philippine market share of the global pie was only 3 per cent in 2005, up from 2.4 per cent in 2004. India, the country's closest competitor, had a market share of approximately 8 per cent in 2005. In Asia Pacific, the market share of the Philippines and India are 31 per cent and 68 per cent, respectively. By 2010, the worldwide contact-centre market is forecasted to grow by a 5-year compound annual growth rate (CAGR) of 12.4 per cent to \$92.2 billion, where the country is expected to double its market share to 6 per cent at a more robust 5 -year CAGR of 24.2 per cent.

Much room remains for growth, as the US and European markets are still largely untapped. Asia Pacific only drew on about 11 per cent of the worldwide customer-care market in 2005, and the region is forecast to just maintain this level in 2010 at a 12.1 per cent 5-year CAGR. *[check: Is that last sentence okay? ...]* The Philippines is in a very good position to match India in the customer-care segment. From a broader perspective, however, strategies and service capabilities need to be developed at the national level, if the country's position as a BPO hub is to be solidified, attracting more business and increasing market share.

Non-voice BPO⁶

The recent spate of consolidations in the BPO industry is mostly due to call centres acquiring data-processing companies to maximize their operations during the daytime, taking advantage of the growing interest in finance and accounting (F&A) BPO. Revenues from back-office operations increased by 50 per cent to \$180 million in 2005, from \$120 million in 2004. Between now and 2010, the back-office segment is set to grow by a 5-year CAGR of 67.8 per cent to \$2.4 billion.

In the Asia Pacific region, one of the key BPO drivers is the outsourcing of F&A services, since these cover the entire spectrum of BPO, given the diverse demands from developed and developing economies in the region. According to the International Data

6. Ibid.

Corporation (IDC), developed economies in Asia Pacific view F&A BPO as an effective cost-containment tool for domestic companies. Subsequently, this service is leveraged by the banking and financial sectors in developing economies such as China, India, and Malaysia to benchmark against global best practices.

Analysts expect to see a rise in Indian BPO players in the F&A segment, as Indian companies continue to build their BPO service capabilities and expand their presence inorganically through selective acquisitions. The Philippines has not yet made its presence felt in the F&A BPO space, and is forecasted by IDC to grow by a 5-year CAGR of only 8.7 per cent, compared to the double-digit expansion rates of other BPO players in Asia Pacific. Yet the country is in a good position to take advantage of this growth area, given that 28 per cent of graduates come from business administration and related academic programmes each year. Additionally, language proficiency, although this will remain an important factor, will be less crucial than the customer-care segment.

While the offshore outsourcing industry has flourished by providing well-specified, structured, and repeatable tasks, the ability to perform more value-added, knowledge-based activities such as analytics, research, and credit analysis is opening up opportunities in knowledge process outsourcing. This service requires significant area proficiency, and the ultimate goal is to generate value for the client by providing business expertise rather than process expertise. Currently only inchoate, the global knowledge-process outsourcing (KPO) industry is set to grow rapidly in fields such as biotechnology and pharmaceutical research, intellectual property, and financial and data analytics. Knowledge-based offshoring should continue to surge in India and other parts of Asia.

The main challenges for the non-voice BPO sector are the security and corporate governance concerns with BPO deals as companies adopt global best practices and benchmarks. Enterprises are increasingly demanding stricter security and data privacy measures to ensure that sensitive information such as personal data, bank-account details, and other confidential information are not leaked out once transferred into the hands of a third-party vendor.

Philippine BPO in banking and financial services

The segments of the Philippine BPO industry that cater to the banking and financial services sector are the customer contact and back office sub-sectors, and therefore this section shall focus its discussion on these two segments.

Customer contact

The call-centre industry, the most dynamic BPO segment in the Philippines, experienced a growth rate of 75 per cent in 2005. MNEs cite several reasons for choosing the Philippines as their contact-centre venue, foremost of which is the country's customer-oriented and service-driven workforce. Compared to other Asian nationalities, Filipinos are more receptive and adaptable to Western culture because of their shared history. They also have a higher level of English proficiency, and deliver quality service at lower cost. Eager to strengthen its position as a leading call-centre destination, the Philippines is also fast upgrading its telecommunications infrastructure to make it easier for investors to set up their operations.⁷

About 105 major contact centres operate in the Philippines, including Ambergris Solutions, AOL Member Services Philippines, Inc., APAC Customer Services, Inc., Convergys, Teletech, Clientlogic, ePLDT, e-Telecare International Inc., ICT Marketing Services of the Philippines, InfoXXX (Phils.), Link2Support, Pacific Internet, PeopleSupport International, Inc., and Sykes Asia.

Following are the inbound and outbound services offered by contact centres in the Philippines:

Telemarketing	Technical helpdesk
Advisory	Payment authorization
Sales verification	Order taking and fulfillment
Credit and collection	Complaints
Reactivation/reinstatement	Disputes
Loyalty programme	Transcription
Financial analysts and auditing	Requests
Customer service	Electronic eligibility
Order entry	Support
Marketing/lead generating	Sales
Inquiries	Billing

7. Business Processing Association Philippines (BPA/P), "Call center", www.BPA/P.org/itesict/callcenter.asp (02 January 2007).

Back-office processing/shared services

Data from the Business Processing Association of the Philippines (BPA/P) showed that back office grew by 50 per cent in 2005, and, according to forecasts, will be bigger than customer contact beyond 2010.

At present, finance and accounting outsourcing is one of the fastest-growing segments of the BPO market, and the Philippines is taking full advantage of this demand. Finance and accounting cover account receivables, accounts payable, and revenue management for customers, which can be anything from simple bill collection to complete management of a revenue cycle. The industry players in the country are made up of MNEs that have their back offices in the Philippines (e.g. Citibank, AIG, Accenture, and IBM). The demand primarily comes from the USA and Europe, secondarily from Australia and Canada.⁸

The META Group found Filipino accountants to be “among the best in the world”. Thus, the country’s highly trainable, English-proficient, IT-enabled quality management manpower is behind the continued success of the back-office processing and shared-services sector. Every year, this pool of efficient workers is replenished with 80,000 to 100,000 fresh graduates from accounting and other business-related courses, plus 2,500 to 3,000 new certified public accountants. These CPAs are adept in generally accepted accounting principles (GAAP) and international accounting standards (IAS) for financial reporting, which are used in Europe, Japan, and the USA.⁹

The key players in the first sub-sector include AIG Business Processing Services, Inc., which performs cheque preparation, accounting, and disbursement services for member companies; Caltex Shared Service Center (CSSC), which provides accounting and financial services to Caltex business units in Hong Kong (China), Singapore, Thailand, the UK, and the USA; Maersm, Administrative Center Ltd., which does general accounting documentation for the company’s 11 branches; and Procter and Gamble Asia Pte. Ltd., which performs a host of accounting and financial services for P&G affiliates in Australia, Hong Kong (China), India, Japan, the Republic of Korea, New Zealand, North America, Southeast Asia, and Taiwan (China).

The second sub-sector includes such companies as Business Process Outsourcing International, which provides finance and accounting as well as payroll and benefits administration services; SPI Transact, which provides a range of processing services to banks, insurance companies, and mortgage originators, as well as other transaction-

8. “Finance, accounting a fast-growing BPO service”, in *Business process outsourcing industry report*. [check: Date and publisher?...]]

9. Business Processing Association Philippines (BPA/P), “Back office processing/shared services”, www.BPA/P.org/itesict/bopss.asp. [check: Date missing. ...]

intensive industry segments; and Summersault, which specializes in claims processing and disbursement, finance and accounting, and sales and marketing services.

Accounting and bookkeeping	Transaction processing
Account maintenance	Business-data processing
Accounts receivable collection	Database management
Accounts payable administration	Business intelligence
Payroll processing	Network management
Asset management	Disaster recovery
Financial analysis and auditing	Supply-chain management
Inventory control and purchasing	Sourcing and procurement
Expense and revenue reporting	Logistics
Financial reporting	Warehouse and inventory management
Tax reporting	Transaction management
Financial leasing	Customer relationships
Credit card administration	Management
Factoring and stock brokering	Human Resources
Revenue management	Administration
	Sales and marketing

Decent work in Philippine BPO

The BPO industry is relatively new in the Philippines, and not much research has been done on the industry's employment and work conditions. Aside from broad estimates of numbers of employed in the industry, no comprehensive data is available regarding the demographic profile of workers, and much less on their working conditions. Owing to the recently growing popularity of call centres and back-office suppliers, however, a few case studies have been undertaken to document their hiring practices and work conditions.

Hiring requirements

An earlier case study by the Institute for Labor Studies documented that BPO (back-office sector) companies require the completion of bachelor's degree or a minimum number of years of work experience, depending on the position applied for. One company, for instance, required accounting graduates in the outsourced bookkeeping and payroll services. Although no preference is expressed as to gender of applicant, female workers comprise about 67 per cent of the total workforce, while male workers account for 33 per cent. Some firms prefer workers between the ages of 20 and 30 years.

Most of the workers believe they had the requisite skills before they were hired. As for type of training, BPOs engaged in software development and computer programming required their workers to be proficient in certain kinds of computer programming (Delphi, SQL, business-concept support). BPOs also require basic training in computer literacy, English language, and product knowledge.

Call centres, on the other hand, have no preference as to the educational background or work experience of prospective workers, though the majority still require a college degree, particularly for customer-contact representatives (outbound calls). In some cases, even college students are accepted, as long as they meet the basic requirements—an excellent command of the English language and willingness to work shifts. With technical representatives (inbound calls), a basic working knowledge of computers, particularly in hardware troubleshooting, and above average typing skills are required.

Some firms impose limitations regarding the age of prospective workers due to the nature of the job. One firm, for instance, set an age limit of 30 years for customer-service and technical-support representatives. Selection of workers is largely determined by the candidate's willingness and ability to perform the job under the unusual working conditions. Consequently, the profile of workers in the contact industry tends toward the younger segment of the labour force. Female workers account for approximately 57 per cent of the total workforce, while male employees account for 43 per cent.

Both call-centre and back-office firms regularly announce vacant positions, and engage in continuous hiring of new employees for on-going and pipeline projects. This may be mainly attributed to the expansion of operations and acquisition of new accounts or projects from foreign clients.

Training

Back-office firms provide further task-related training for their workers. Most of the case-study companies provide technical training based on client requirements. Training ranges from computer programming (e.g. RPG, Visual Basic) and database management to the use of accounting software and basic auditing. Some workers are required to attend seminars to upgrade their own field of expertise.

Call-center firms, on the other hand, introduce skills training to upgrade worker competence. Workers participate in such course as management and leadership training, customer service, and English proficiency (diction, intonation, enhancement), education in programming modules and computer applications, and product-specific training (PST).

Working conditions

Employment status

Two types of employment arrangements are prevalent in the call-centre industry: regular and non-regular.

Workers on long-term accounts are generally employed on a regular basis, while part-time and contractual workers are usually engaged in special projects or short-term accounts (often of 1-2 years' duration). Worker distribution is slightly skewed in favour of non-regular workers, with a ratio of roughly 79 per cent non-regular to 21 per cent regular workers. From time of initial start-up to current operations, however, an increase in the number of regular workers was observed.

Turnover is relatively rapid among non-regular employees, since their contracts are contingent upon project duration. In response, some companies have established such protective measures as training and/or separation pay to cushion employment loss including the non-renewal of a contract. Most of the time, however, workers are consulted or otherwise involved in the development of these measures.

As opposed to the situation in call centres, in the BPO back-office subsector regular workers account for almost the entire workforce.

Compensation

Call-centre workers receive total compensation that can be three times the minimum wage normally earned by other workers. Entry-level wages range from PHP10,000-25,000 a month, compared to the PHP8,000 received by minimum-wage earners. Knowledge of other languages also commands higher pay. Apart from the basic wage, workers also receive overtime pay, a night differential, and allowances (transportation, meal, laundry, and representation). It is common for call-centre workers to receive a net take home pay of at least PHP16,000.

Similarly, back-office workers earn incomes higher than minimum wage. Entry-level positions such as a financial analyst, HR analyst, and those involved in ICT operations are paid a basic monthly salary of PHP13,000-18,000, while those in engineering positions get PHP18,000-25,000.

Work schedule

Four of the contact centres operate on a 24/7 schedule, except for one that works only one shift per day. Most workers are assigned to the graveyard shift, so their working hours correspond to those of customers in the USA. For companies operating on a 24-hour basis, after three to six months of night work workers are rotated to the morning or afternoon shifts. Employees normally work 6 days a week.

Three contact centres provide one 30-minute, major break and two 15-minute coffee breaks. Another contact centre has a 60-minute meal break plus two 15-minute coffee breaks. The remaining firm has two 30-minute, major breaks and one 20-minute coffee break.

Occupational safety and health (OSH)

In the case studies conducted by the Occupational Safety and Health Center of the Department of Labor and Employment on occupational safety and health in Philippine call centers, only 2 of the 5 companies have policy and OSH programmes.

The study also noted that contact-centre employees are threatened with potential exposure to air contaminants from paints, cleaning agents, panels, walls, carpets, furniture, airborne suspended particulates, inadequate general lighting conditions, and cold and dry air.

OSH conditions, particularly for workers engaged in contact/call centres or customer-related activities, surface as the main industry challenge. Studies reveal that contact-centre workers experience health problems due to prolonged night work; poor workstation design; long, uninterrupted hours of work at the computer; excessive wear on the vocal organs; and psycho-social and work-organization stressors.

The study also revealed that workers experienced musculoskeletal disorders (MSDs), visual symptoms, and voice and ear problems. MSDs were attributed to ergonomic risk factors including repetitive typing strains and static muscle contractions from long work in fixed postures. Visual symptoms, on the other hand, were linked to conditions surrounding computer use while voice and ear problems were an occupational hazard related to phone use.

Prolonged or almost permanent night work is another important OSH issue. Prolonged nocturnal work forces the worker to invert the activity-rest cycle, something that has negative impacts on a worker's health and well-being. Workers may experience sleep disorders, eating disturbances, gastrointestinal disorders, mental problems, and cardiovascular disturbances.

The same issues emerged during the sectoral consultation for the workers in the business-process outsourcing industry. Prolonged night work should never be permitted, it was argued, because a satisfaction inversion of body functions and hormones is not possible. And subsequent rest does not compensate for the health benefits of changing to day-shift work. (Night work was also associated with security issues.)

Attention was also drawn to the effects of psycho-social and work-organization stressors on the workers. Call-centre work is highly stressful. Unpredictable work schedules, pressures of performance metrics and quotas, constant electronic monitoring, and handling irate clients are just some of the major sources of stress. Inability to handle these factors often results in employee attrition.

Increased use among workers of caffeine, alcohol, or other drugs such as methamphetamines and cigarettes to overcome stress and fatigue associated with call-centre work have also been documented.

Case studies

This section presents the following:

- company profiles;
- activities undertaken by the companies as captive offshore entities of global financial institutions;
- overview of conditions of decent work;
- economic upgrading measures; and
- effects of economic upgrading on social upgrading of workers.

Company A

Established in July 2004 as a wholly-owned captive BPO of a MNE, Company A was incorporated in Singapore and operates as a branch of the Singapore-based enterprise. The firm was formed as an integral part of the MNE's overall business strategy of creating global "Centres of Excellence" that provide superior quality and service delivery to provide a best-in-class customer experience for Citigroup's customers in various markets.

A partner of choice for the MNE's Global Consumer Group, Company A performs call-centre and other IT-enabled services only to the company's various banking consumers in the Asia-Pacific region and in the USA. The Global Consumer businesses comprise the financial sector's most diverse consumer-product offerings, including banking services, credit cards, loans, and insurance.

The firm specifically provides contact-centre solutions (e.g., bank and credit card accounts handling) and back-office processing such as data encoding, mailers, and customer data maintenance (change in customer information). It now includes sales (telemarketing) and mortgage functions.

Apart from the vision of creating centres of excellence, cost cutting was the primary reason for offshoring the aforementioned services to the Philippines from Australia, Guam, and the USA. The company began by providing phone, credit operations, and transaction services to the partner in Australia, and now supports home equity and cards in the USA.

From an initial 175 employees, the captive BPO firm grew to 1,500 servicing Australia, Guam, and the United States of America. The firm is seeking more worksites or floor space for expanded operations.

Global presence

The captor MNE is a multinational entity with head offices in New York and a business presence in about 100 countries. It offers a broad range of financial products and services that includes savings, investment brokerage and administration, loans, mortgages, credit cards, and insurance. It continues to diversify its offerings through company acquisitions, mergers, and spin-offs, and can serve as a one-stop financial shop that cross-sells its products across its “segments”. Through an operating unit—say a private bank belonging to the company—a client can access several services, for example having a private account, having the wealth insured, and acquiring a credit line. It caters to as wide as possible a clientele of “consumers and corporate customers”.

The financial literature describes this company as a “diversified financial services business model”. In 2005, it expanded its global presence through the addition of 313 retail bank branches, 346 consumer finance branches, and 125 Smith Barney branches, while adding 170 automated loan machines in Japan.

Given the company’s diverse interests in the financial market, this organization has a broad spread of operations with extensive management needs. At present, its management structure includes four groups, or business segments:

- The first segment comprises credit cards, consumer finance, and retail banking. It acquires card portfolios such as Diner’s Club and American Express, provides credit cards, supplies high interest rate lending, and operates a system of retail bank branches. In 2005, this segment contributed some US\$10.9 billion in net income, or about 53 per cent of the net earnings from the business segments of the company.
- In the same year, the global-markets group contributed \$6.9 billion, or about 34 per cent, of the total net income. This second segment is involved in large corporate cash management, trade, lending, investment banking (but less on proprietary trading, e.g. speculation in stock and bonds), and underwriting hybrid debt/equity/derivative issuances that can be serve as investment platforms.
- The third group, through banking and investment deals with high net-worth individuals, private institutions, and other organizations such as law firms,

contributed about \$1.2 billion, equivalent, by 2005, to 6 per cent of the net income.

- The fourth segment, managing assets in private equity, hedge funds, structured products, managed futures, and real estate, earned \$1.4 billion, or 7 per cent of the total realized income of the four segments.

In 2005, the CEO laid out the firm's five strategic priorities:

- prioritizing accountability through shared responsibility;
- expanding distribution by penetrating new markets and deepening the company's presence in existing markets;
- "transferring expertise";
- "investing in people and technology... so clients can transact with the Company more easily, no matter what business is serving them or where they are conducting business"; and
- allocating capital for high-return growth opportunity areas such as digitized Japan.

Aside from the first in the above list, these strategies aim to maximize the firm's strength through expansion beyond its current niches. When viewed alongside regional company earnings from around the world, the above policy thrusts suggest that the bank is eyeing potential markets and other available resources (people, infrastructure, and technology) that can strengthen its operations outside the United States. The Asian region, including Japan, accounts for the second-largest income realized by the four business segments, with about \$4.08 billion, or 20 per cent of worldwide earnings in 2005 (6 per cent was earned in Japan, and 14 per cent in the rest of Asia).

At the time, market conditions were ideal for financial industry players wanting to expand, even through offshore means. In fact, one study shows that banks and other financial-service providers tend to lead the pack in offshore outsourcing. To do this successfully, however, many business processes must be digitized. Looking back at the MNE's strategic slant towards technology "to have more common systems and standards across Citigroup so clients can transact with them more easily. . ." the logic of expanded offshoring becomes more compelling.

Company policy is implicit about Asia being the site of outsourcing activities, but earlier benchmarking of practices were already established within the company. In May 2004, the COO/CFO of Asia Pacific Consumer Bank made a presentation at the World Bank Institute about what needs to be done to outsource into Centres of Excellence in "Singapore/Asia and briefly the world". The presentation highlighted the benefits of

having data-processing centres and technology development and support services, as well as securities custodians and fund and cash management facilities in Singapore and other Asian locations. The Citigroup CFO tagged the Asian facilities as sources of “success factors” in Asia-Pacific operations.

In the Philippines, the case-study company’s history is contemporaneous with the onset the American regime, dating from 1902, with the establishment of a Manila branch of the International Banking Corporation in that year, followed by a Cebu branch in 1904. It is the largest credit-card issuer in the country. As of June 2006, it ranks seventh among banks operating in the Philippines, with PHP143.2 billion in deposits, and fifth in terms of assets, with PHP211.9 billion.

In September 2006, the company decided to expand its call-centre operations in the country “as part of overall plan to make Manila the regional headquarters of its back office operations”. The idea was to have a captive, wholly-owned offshore entity that provides BPO services solely for the needs of Citigroup clientele. However, the global company retains the option of seeking third-party vendors to supply its needs in cases where this lies outside the competence of Company A.

Global economic upgrading strategies

In 2007, the MNE announced its plan to create a more streamlined organization, reduce expense growth, and drive future expansion. The plan is a result of a structural expense review conducted over the past months in every affiliated business, as well as of the previously announced IT optimization programme.

The thrust aimed to eliminate organizational, technological, and administrative costs that do not contribute to the efficient delivery of products and services to clients. The recommendations that emerged from the structural expense review are meant to improve business integration and the company’s ability to move quickly in seizing new growth opportunities.

With the previously announced IT savings, the structural expense review is expected to generate total expense savings of about \$2.1 billion in 2007, \$3.7 billion in 2008, and \$4.6 billion in 2009. In the first quarter of 2007, the company will record a charge of \$1.38 billion pre-tax, \$871 million after-tax, and additional charges totalling approximately \$200 million pre-tax over the second, third, and fourth quarters of 2007.

According to a press release from the COO, the review aimed to establish a consistent level of best-in-class expense discipline in every part of the company. Each of the

company's businesses and functions was evaluated, based on the opportunities that were seen by the management, benchmarking them against their peers.

Company A is adopting a process of continuous improvement, recognizing that strong ongoing expense discipline is an essential part of being a great company and achieving its goals. It is expected that this discipline will produce additional savings in the months and years ahead.

The review process focused on structural changes aimed at improving the company's operations, and generated the following strategies:

- **Eliminate layers of management**, bringing those interacting with clients closer to those responsible for running the businesses. In many businesses, the company will increase the average number of employees that report to each manager. This will enable the company to make decisions more quickly, reinforcing a culture of ideas and intelligent business risk-taking, while enabling people to use their time more productively in client service.
- **Consolidate certain back-office, middle-office and corporate functions** at the business, regional and headquarters levels, eliminating duplication of effort and focusing instead on building truly efficient, world-class back-office and support functions. More than 9,500 jobs will be moved to lower-cost locations, both domestically and internationally, with about two-thirds through attrition.
- **Increase the use of shared services** across sectors to obtain greater efficiencies by leveraging scale and by better sharing expertise across business groups.
- **Expand centralized procurement.** At the end of 2006, the company had centralized 65 per cent of its overall purchases. That amount was expected to increase to 80 per cent by the end of 2007 and close to 100 per cent by the end of 2009.
- **Continue to rationalize operational spending on technology.** Simplification and standardization of the IT platform will be critical for increasing efficiency, driving costs lower and decreasing time to market. Recommended measures include consolidation of data centres; improved capacity utilization of technical assets and optimizing global voice and data networks; standardizing patterns of company development; deploys and runs applications; and maximizing value by limiting the number of software vendors to operate at scale.

Company A will eliminate approximately 17,000 positions as a result of these structural changes. The total headcount will continue to grow in 2007, but the rate of growth,

excluding acquisitions, new branches, and other investments, will slow significantly. Ultimately these changes will streamline the company, making it leaner, more efficient, and better able to take advantage of high-revenue opportunities

Status of decent work

Recruitment

Company A has no preference regarding the educational background or work experience of prospective bank officers, though the majority will still require a college degree, particularly for customer-contact representatives (outbound calls). College students (those in third-year college) are accepted as long as they meet the basic requirements of an excellent command of the English language and willingness to work shifts. With technical support representatives (inbound calls), a basic working knowledge is required.

Most employees are female, but, according to the HR manager, the company has no preference regarding applicant gender or age. Selection of workers is largely determined by candidates' willingness and ability to perform the job under the unusual working conditions. Consequently, the profile of workers in the customer-contact industry tends towards the younger segment of the labour force. The average age is 20-25 years, and the majority are young women.

For both call centres and back-office companies, there are regular announcements of vacant positions, and continuous hiring of new employees for on-going and pipeline projects. This is mainly attributed to the expansion of operations and the high attrition rate.

According to management, poaching is prevalent in the industry, but the industry stakeholders are addressing this issue, and preventing companies from starting to price themselves out of the market. The HR manager observed that even a slight increase in salary would often entice workers to switch firms. Another factor behind the attrition is inability to keep up with performance metrics. The industry is highly competitive, and that puts enormous pressure on workers to perform well. Those who have a hard time meeting the standards usually opt to leave the company.

Training

The BPO firm provides continuing skills training to upgrade the competence of their bank officers. Before they are allowed to take the floor, newly hired employees undergo basic training to prepare them for their tasks. Initial training in part involves simulation of the actual work to be done. Other training includes customer service and English-

proficiency exercises (diction, intonation, enhancement training), education in programming modules and computer applications, and product-specific training.

Supervisory and managerial staff (e.g. team leaders) undergo management and leadership training to enhance their “soft” skills.

Productivity

Employee productivity is measured using performance metrics based on regional standards and taking into account the firm’s specific needs. Components include these:

- ***Handle time.*** The average time it takes to handle a call is measured at the end of each day and each month, establishing a certain handle time-threshold based on a set standard.
- ***Customer service satisfaction.*** The firm receives feedback from customers down to the agent level, although they still need to improve the relevant technology. Customers are surveyed by calling back sample customers handled by the customer-solutions officers (CSOs). The firm employs an organization to make these calls, asking customers about their experiences with bank officers.
- ***Breaks.*** The firm employs 350 people, and they cannot all go on breaks at the same time, so a detailed schedule is posted. CSOs are strictly monitored by the metrics to see that they follow the schedule. If they were supposed to go on break from 10–10.15 a.m. and do not come back until 10.20 a.m., for example, they would be summoned by management for a talk. In this business, it is critical that CSOs are on the phone when they are supposed to be. Because the environment is so dynamic, the managers can forecast when the calls are coming in. If three members of a team decide to take a break when they are not supposed to, this could mean that 5 or 10 calls are missed.
- ***Attendance.*** Management is very strict regarding attendance. Leaves are scheduled so as not to disrupt the rotation of workers on the floor.
- ***Quality.*** A separate metrics monitors quality. Measures of quality include elements of both customer satisfaction and compliance with procedures and processes. Compliance with the standard procedure and processes is an important element of measuring work quality. The firm cannot afford to have mavericks inventing their own procedures.
- ***Conversion rates (solely for those involved in sales).*** This rate refers to calls made vis-à-vis numbers of related sales. The firm’s incentive programme is based on an established acceptable standard in this regard, and CSOs can earn a lot if they exceed their metrics.

The performance metrics are clear, and they help to establish constant pressure to maintain high standards in responding to client needs. Failure to achieve one's metrics in BPOs, including the in-house firm, means losing customers.

Employment status

Two types of employment arrangements are prevalent in this firm: regular and non-regular employment. Bank officers are employed on a regular basis, particularly for long-term accounts, while part-time and contractual workers are usually engaged in back-office work, particularly encoding.

- **Compensation.** Entry-level bank officers are paid PHP16,000/month, while those with experience receive PHP20,000. In addition, bank officers earn overtime pay, a night differential, allowances (transportation and meals), and productivity incentives every month.

Work schedule

The BPO firm operates 24 hours in a day and 7 days a week. They work three 8-hour shifts every day. Some are assigned in the graveyard shift, thus synchronizing their work with the working hours of customers in the USA. A compressed work week option allows bank officers to work for 4 days, provided they still complete the scheduled 48 hours a week. They are rotated to the morning or afternoon shift after one month. The agents work for 5 days.

Openings for both day and night shifts are posted at the office. Any employee who is interested can apply.

Rest and work breaks

The firm provides one 60-minute meal break and two 15-minute coffee breaks.

Safety and health

A safety and health committee exists, but has yet to look deeper into health issues among the bank officers. Currently, it promotes health and wellness to counteract the unhealthy lifestyle (heavy smoking and coffee intake) among the officers. The work routine, including a rigid schedule and alternating day and night shifts, contributes to this unhealthy lifestyle. The safety and health committee appears to try addressing the negative consequences of structural employment features, rather than resolve the problems that create unhealthy work.

Social security

Aside from the mandatory social security benefits, the company provides health insurance to the workers in the form of a health card.

Social dialogue

The firm promotes a culture of teamwork to create a healthy environment conducive to good human relations. The firm allots a specific amount of resources which the team can use to build and strengthen team rapport. Each bank officer is considered a team member, and can influence the decisions of the team.

Employee voices provide another mechanism to gauge how workers assess company performance in terms of providing a good working environment. According to one training officer, this channel has evolved into a group who safeguard employee welfare, and foster good relations between employees and management. Management has used this mechanism to communicate with the employees.

The company has an established procedure for handling complaints. As a last resort, employees can go directly to the CEO to air grievances.

Economic upgrading

According to the head trainer, the company implements improvements in light of this core principle: “The client above anything else.” Making the customer happy ultimately boils down to ensuring better service for clients.

The in-house BPO firm therefore wants to enhance productivity and competitiveness. As a captive BPO of a multinational financial entity, the company still needs to compete with third-party vendors for projects. Any reduction in performance or quality means projects lost to these third-party vendors. Thus, for the past four years, improvements have focused on enhancing internal company processes.

Interviews with the key informants yielded the following economic-upgrade activities.

Improved approach to recruitment

Realizing that running newspaper ads is no longer effective, the firm is taking a broader approach to recruitment. This has involved promotional recruitment materials featuring agents/employees who have won trips abroad to destinations such as Dubai, Guam, Hong Kong (China), Melbourne, and Viet Nam, who were sent to places such as Sydney for

longer-term assignments (e.g. 6-8 weeks), and who were promoted to work in other company offices abroad.

Management wants it known that this firm is a place where people can begin a career with an organization that provides employees with real opportunities. As evidence, they publicize the fact that a number of employees have moved to Singapore and Sydney. The firm recognizes that they operate within an extremely volatile industry, and this marketing strategy is one response to this. Another innovation: in contrast to the situation five years ago, a job candidate now receives an answer within 4-6 hours of the interview—within the day, they know whether they have a firm job offer or not. Such improvements are deemed necessary to remain competitive in the current market.

Continuous ICT development

ICT development is centralized in the regional hub of Singapore.

Decisions regarding improvements related to development, implementation, and upgrading of ICT are not made within the firm. Instead, the partners in Australia and other areas decide. These partners monitor ICT research and development and advise the Philippine-based office how to improve delivery of products and services. Since 2004, changes were made in their operating platforms, voice units and interactive voice responses (IVRs). Changes in this area could either be small or large in scale.

Training programme innovations

Company A is involved in an on-going process of their training materials vis-à-vis the audience. The BPO firm has taken the training materials to the next level by adopting an interactive style of learning. They currently use software that captures the actual screen used, so when the trainees go in they enter an environment where they feel like they are actually working. The training programme is being changed to make all their processes interactive. This approach has been piloted in three units, and so far feedback has been favourable.

Keeping the manager-to-CSO ratio small

The main goal of this strategy is to free managers to devote themselves to coaching and spending time with their agents. It always boils down to how they manage the three-minute interaction between customer and CSO.

Developing a standard coaching methodology or philosophy

Coaching is seen as an integral part of developing employee performance. Since most employees are fresh graduates, and probably working in their first job, instituting a standard coaching methodology or philosophy is necessary to ensure that employees perform to company standards. Current team leaders, sales coaches, and next-level supervisors underwent the model coaching philosophy. Future batches of management personnel are expected to undergo the same process. Everything starts with how the agent interacts with the customer, and everything they do has a impact on that interaction.

Social upgrading

Flexibility in providing incentives

One operations head observed that, in the Philippines compared to what she has experienced in the USA, extending incentives is highly documented, formal, and structured (i.e. going through five signatories, the incentive programme must be planned at least three months prior to implementation).

To address this issue, an incentives programme was initiated wherein team leaders are permitted more flexibility in rewarding their people. Every month, each team leader has a set number of points for distribution, and employees can redeem these points for such items as gift certificates. The team leaders are given discretionary authority as to how they want to award the points (e.g. sales contests, attendance rewards, competitions with other groups). The only thing they cannot do is to overspend their allocation of points. Every incentive that they award must have something to do with the three-minute agent-customer interaction, and what can be done to enhance it.

Fair incentive plan

In addition to a more flexible rewards system, a more equitable incentive plan was established.

Using the sales group as a case in point, improvements led to a change in the company sales culture, including prevailing basic attitudes towards sales. At the start, it turned out, sales often connoted the following ideas: sales was considered unimportant; it was an area in which people were not really skilled; and hardly any incentives were provided to sales personnel. Today, the operations head for sales reported, anyone who works in the sales process understands “down to their bones” that sales is an essential and valuable part of their function.

Changed recruitment system, higher recruitment rate

Changes in the recruitment system led to higher recruitment rates. Recruiting classes are now filled much more quickly, and their intake is much faster. Recruiters overfill the classes, compared to the previous policy of filling only according to actual need. This change acknowledges the fact that there will always be drop-outs. The quality of newly hired staff is consequently much better because the firm is able to streamline procedures, developing interview standards so that people are asked the same questions. The HR group is now analyzing the demographics of the successful candidates.

Creating a fun environment

Answering phones all day long can be monotonous and tiring. (CSOs handle as many as 65-80 calls a day, 60 calls on average.) To add an element of fun, the company organized a day where CSOs can ask their managers to run errands for them. The sales team in particular initiated the idea that they were employees of Company A Airways, flight attendants who, twice daily, had to bring snacks to their colleagues.

OSH measures

The firm employs a company nurse to address occupational safety and health (OSH) concerns such as headaches due to prolonged staring at the computer screen. Stress is much the same in other BPO workplaces. The metrics are high, demanding high productivity, but if employees stay focused, these demands can be met.

Whether those on night shift are more vulnerable to stress than those working on day shifts remains a question. Bank officers, in any case, are able to change their shifts.

As a preventive measure, the company nurse often disseminates advice regarding common health problems, maintaining a clean workplace, etc.

Performance metrics are one source of stress, handling irate clients is another, particularly among those in contact-centre work. To assist CSOs in handling complaints, the firm runs a training module entitled “How do you handle somebody who is upset?” Recently, they have also established an “escalation team”. The team responds to customers who are upset and who demand to speak to another Citi Phone officer. These calls are immediately transferred to the escalation team, who are especially adept at handling these types of customer. (CSOs who are part of the escalation team receive higher compensation.) The operations head for sales added that CSOs are excited to be part of the group—a certain prestige is associated with the escalation team, because you are dealing with customers who have reached a point of frustration beyond the capacity of other people to handle. CSOs are instructed to remember that customers are not angry with them, but only with the process, and that there is probably a legitimate reason for

their anger. CSOs should take the positive attitude that they are the only ones who can help these customers solve their problems.

Training increases employability

Employees need training in familiarization with upgraded processes and products. Indeed, the quality assurance manager describes “more training” as the immediate response to any company upgrades. But, she says, additional training may generate either positive or negative employee reactions. Some are excited at the opportunity to learn, while others are apprehensive. Once over their initial apprehension, however, they realize that it makes their work easier. New soft and technical skills, furthermore, both improve prospects for finding jobs in other BPOs or companies abroad, particularly within the network of the global company. Better knowledge of financial products and services also creates more opportunities to transfer work outside the industry.

Social dialogue regarding economic upgrading

Management is responsible for initiatives related to economic upgrading, except for ICT improvements, which are based on recommendations from partners abroad. Decisions then cascade to the employees through their managers and team leaders.

The company normally designates pilot groups to test changes before implementation. In most cases, if the test is successful, pilot group members then help advocate the changes within the company.

Company B

Established in January 2003, Company B started as a joint venture between the second-largest life insurer in the United States, and the largest and most diversified insurance company in the Philippines. It has a paid-up capital of over PHP300 million, and is incorporated in the Philippines. MNE B is the world’s leading international insurance and financial services organization, with operations in approximately 130 countries, and is a Fortune 500 company. Member companies serve commercial, institutional, and individual customers through the most extensive world-wide property casualty and life-insurance networks of any insurer. Its global businesses also provide financial services, including retirement savings and asset management.

As a BPO company, Company B provides to MNE B’s various customers world-wide outsourced backroom processing such as data entry, policy administration, claims,

disbursement, and premium processing, as well as customer service via the contact centre.

Company B insurance functions

New business: mail match, text encoding, data entry & requirements management.

Post-sales servicing: title, correspondence, premium, disbursements, call centre, claims.

Support functions: index, return mail.

Licensing & contracting

MNE B selected the Philippines largely because of this country's advantages over alternative Asian sites in terms of the following features:

- labour costs are equivalent to those in the People's Republic of China, while they are lower and more stable than they are in India;
- prevalence of spoken American English; cultural and social affinity with the USA;
- modern and stable infrastructure (e.g. water, power, roads, telecommunications);
- large pool of qualified college graduates seeking white-collar employment;
- access to specialized skills aligned with professional US standards (certified public accountants with generally accepted accounting practices; dentistry; medicine; law);
- government support and tax breaks for the industry; and
- more familiar environment for expatriate trainers and managers than in other Asian alternatives.

Started with only 36 employees, Company B grew by more than 16 times with about 800 employees to date.

Status of decent work

Recruitment

Company B adopts a rolling type of recruitment process: people are constantly recruited and trained to ensure that there is always a pool from which to select as vacancies arise.

Because of its continuous recruitment process, the company always has people going through the training pipeline, ready to take their places on the floor as soon as they become available. This process guarantees that the quality of training remains high.

Attrition

The attrition rate within Company B is about 20 per cent, significantly lower than the industry average. The 2005 attrition and retention study revealed that rates are higher in the call centre, both among team leaders and staff, than in back-office processing. Reasons for attrition differ for each work area. Inability to meet desired performance was the main reason why call-centre staff leave the company, while back-office staff left because of their desire to shift careers, health concerns (e.g. difficulty adjusting to night work), and migration opportunities. The concern for career pathing was validated in the company's Cultural Alignment Survey, wherein majority of the staff cited misfit of job with education or career goals as the main reason for not pursuing a career within the company. Poaching was not a major factor, with only 9 per cent of employees who resigned leaving to work for other BPO corporations.

Factors that directly influence retention of employees were performance recognition and rewards and number of dependents. Age has an inverse effect on retention; attrition increases among staff over 31 years of age.

Training

Before starting operations, Company B embarked on a three-month intensive training programme, particularly for its call-centre agents. This programme aims to familiarize workers with the ways of their potential clients. It covers three areas: cultural training, education regarding the system, and education regarding life insurance products. Cultural training addresses cultural differences between Filipinos and Americans. The second component educates the agents in the intricacies of life-insurance systems. The third component teaches employees the ins and outs of company life-insurance products.

This process gives the employees life skills, in the sense that the knowledge they acquire remains with them forever. The company president suggested that the basic understanding of life-insurance products is something that also redounds to the employees' personal benefit.

Training continue as new policies, systems, and products are introduced and as part of their continuing growth within the company.

Productivity

The company operates according to strong metrics focusing on quality and productivity, establishing a Six Sigma quality function early on. With its strong people focus, Company B exceeded growth, productivity, and quality targets each year, with an annualized savings by Year Three of more than US\$10 million. Savings were estimated at about 40-45 per cent. According to the company president, they have achieved and maintained a very high standard, a quality even higher than that achieved in the USA.

Company B has experienced an average transaction quality rating of around 98 per cent, based mainly on the accuracy and completeness of their data processing. The Filipino employees have attained productivity levels 6 per cent to 10 per cent higher than the productivity of their North American counterparts (Galang and Garde, 2006).

Employment status

Currently, all employees are “regular” workers. The company does not discount the possibility, however, that they will hire non-regular employees when the need arises.

Compensation

The company’s pay and benefit structure are generally in line with industry standards. Employees receive standard wages, night differentials, and transportation and meal allowances.

Work schedule

Company B only operates at night, providing no dayshift option for employees.

Safety and health

A medical staff member provide services and information to employees.

Social security

Company B provides social security as mandated by law. Apart from this, employees receive additional health insurance in the form of a health card for themselves and their immediate family.

Social dialogue

The company holds meetings to elicit feedback and discuss ongoing developments with employees.

Economic upgrading

Company B emphasized ongoing ICT development to maintain its high standards and quality of service. Strong focus on training and team activities ensure that workers can rise to the challenge.

Social upgrading

Providing the right working environment

The company president says that management treatment of its employees is of paramount importance. Recognizing that BPO work, particularly in the call centres, is highly stressful, the company tries to avoid burnout through training and a conducive working environment. Thus, the work environment is clean, spacious, and provides a range of facilities such as canteens. To mitigate attrition due to night work, the company intends to move to a system that completes most work during the daytime.

The primary factor is how employees view the people they work with, including their supervisors, in terms of trust and compatibility. The company aims to consistently meet employee expectations by delivering on promises made. The president added that the company continues to provide opportunities for the employees so that they can seek other and better career opportunities within the organization.

Management realize they are dealing with people who may be in their third career job, but who are still young and ambitious, eager to move on to new and better things. It is thus important to acknowledge their expectations and provide opportunities for their growth.

Company C

Company C, incorporated in Singapore, is a wholly owned subsidiary of the multinational financial institution. This entity operates in Manila, the Philippines, and in India. The decision to offshore came from senior management based in Germany. The Philippines was selected primarily because of the availability of appropriate talent, especially accountants and business graduates.

Company C was established in early 2005 as a branch of the Singapore firm. It is registered with the Philippines Securities and Exchange Commission as a regional

operating headquarters which owns and operates the financial institution's captive shared service centre in the Philippines. Company C is owned and operated independently from the bank's domestic Philippines banking business.

The Service Centre comprises three divisions:

- Service Delivery (SDD);
- Service Excellence (SED); and
- Service Support.

The SDD houses all centre staff who provide services to internal bank clients around the globe. The division in Manila currently comprises five competency-based service-delivery divisions:

- Financial Accounting Services (FAS);
- Market and Instrument Control Services (MICS);
- Expense and Revenue Information Services (ERIS);
- Information Systems Integrity Services (ISIS); and,
- Applications Development and Support Services (ADSS).

SED is a key touchpoint for the service centre's clients. Relationship management, internal control compliance, and process re-engineering and change management functions are located within SED.

Service Support is responsible for the service-centre support functions including finance, human resources, learning and development, facilities management, technology infrastructure, and local governance.

MICS differentiates Company C from other organizations in financial services, given that this is purely knowledge-intensive work.

ISIS links the accountants to the system, allowing them to understand how the system functions and how it can be used for support.

Presently, Company C has more than 1,200 employees, mostly CPAs and business and economics graduates, managed by a team of 18 Filipino executives. By the end of 2008, it is expected to employ about 2,800, providing support for the finance function globally.

Status of decent work

Recruitment

Company C believes in matching individuals to the work environment. For certain roles, the HR team looks for specialists, since many of the processes transferred here were performed by senior people in other locations. At present, the workforce is predominantly female, with women accounting for 75 per cent of the total number of employees.

Recruitment is primarily driven by the number of processes that will be moved to Manila. The type of processes to be moved dictates the number of applicants to be hired.

Attrition

Increased employability was cited as the main factor accounting for attrition within the company. The quality of training increases workers' employability abroad, and employees left because the company could no longer offer compensation competitive with Hong Kong (China), Japan, Singapore, the UK, and the USA. Their overseas competitors recognized that the company's employees were exposed to different cultures and trained to engage their counterparts in other countries in dynamic discussion regarding financial matters.

Training

Company C provides a general programme of skills training and development similar to that which students undergo in universities, and company trainees are required to complete courses appropriate to their specific levels and tenure. In addition, the company offers domain-specific technical courses, partnering with external vendors and experts globally to ensure high standards. The company also provides courses in leadership skills. As of the time of this study, these were to have been reinforced by a team-leader development programme conducted in partnership with specialized universities such as the Asian Institute of Management (AIM), which would target managers.

According to HR, leadership skills remains an area that needs greater emphasis. As technical people, company employees are very efficient, but they need to be people-persons, and can improve knowledge-service skills in coaching, mentoring teams, motivation, handling difficult conversations, and managing performance .

Fresh graduates undergo two months of training to prepare them to take on their new roles. HR estimates that the company spends about PHP2 million for every 30 people trained. As one strategy to reduce training costs, the company partners with universities to align the potential labour force with its hiring requirements.

Productivity

Productivity is measured through reports processed by HR. Apart from this, the company conducts empty analysis for certain processes that were transferred to determine how many employees were involved.

Company C approaches everything from a development perspective as a matter of policy. For example, they provide a performance improvement plan for employees who, despite their training, are still unable to perform the required tasks.

Employment status

Regular employment is the only type of employment arrangement within the company.

Compensation

Entry-level positions earn PHP16,000. Apart from basic salary, the company also pay overtime and provides free meals for employees who render 3-5 hours overtime.

Work schedule

The work schedule revolves around 8-hour shifts. Employees servicing Australia start at either 6 or 7 a.m., depending on whether daylight saving time is in effect. Generally the shifts run 9 a.m. – 6 p.m. with a mid-shift to service the UK and New York at 2-11 p.m. Schedules are typically assigned, but in so doing HR takes into consideration those hours preferred by employees. Employees are also allowed to come in late or leave early one day per week, to introduced a measure of flexibility and to promote better quality of work life.

Safety and health

To ensure the security of its predominantly female workforce, from 9 p.m. onwards the company provides a hire-car service that delivers employees to their homes. The service also fetches them, if work starts very early in the morning.

Generally unhealthy lifestyles are an occupational hazard associated with the industry. To address this issue, the company partnered with a gym, where employees can avail themselves of services at a discount. The company also maintains a quality of work-life website, where employees can seek free advice regarding problems such as work-related stress. Their family members are also provided with free access.

To encourage a balance of work and family life, and to promote team spirit, Company C organizes monthly activities for employees. These vary, and cater for both single and married workers. The company also holds regular sportsfests, creating opportunities for employees to bring their children to work.

Social security

Apart from the mandatory social security benefits, employees enjoy additional life insurance and health insurance through the company health card. (The company was still discussing the institution of an employee retirement plan.) After one year of continuous employment, employees are also awarded company shares by the bank as part of its global programme.

Social dialogue

No union operates within the company. The HR manager reported that many organizations in the industry do not have unions because the employees are not inclined to join them.

The main mechanism for employee-management discussion of company developments and issues is the People's Committee. The Committee is chaired by the director, and all the domains are represented by senior management-level personnel. No employee representative sits on the Committee, however. The Committee serves as a forum to discuss issues such as engagement road maps, shift rotation, job mobility, and the championing of certain activities. The Committee usually meets once a month, but will meet at other times to deal with important decisions.

Senior managers play a critical role as champions. As such, they are expected to cascade Committee discussions to the employees. According to HR, they serve not merely as team leaders, but as service-delivery managers. They act as focal persons for all activities implemented by the company. For every planned activity, the company asks the various champions who will take responsibility for that specific activity. Different domains can nominate their heads to become a champion in the senior associates group.

Company C has established a standard process for handling grievances. Issues or problems can be relayed immediately to team leaders. If employees perceive that team leaders are not acting upon the issue, they can access the next level. If they still do not receive satisfaction, they can go to HR. If an investigation ensues, the company, through HR, organizes an appropriate venue to resolve the matter.

Economic upgrading

Establishing KPO as a niche

The Philippines has the clear potential to perform knowledge-intensive work in the area of financial services, as Company C demonstrates. As a knowledge-service centre, the company manages and performs highly specialized financial transactions serving clients of a global financial institution. The ability to deliver quality service reflects the growing number of processes being transferred to the Manila office. Most of the financial-services support is provided here, although a group in India still services finance solely for the purpose of ensuring business continuity in case something goes wrong in Manila.

Keeping organizational structure flat

Unlike many other enterprises, Company C maintains a flat organizational structure, with only three levels: associates, senior associates, and managers. This is deliberate, and aims to create a solid foundation for people who want to join the company and pursue a career. This is a rather daring organizational approach, according to the HR manager, given that Filipinos are by nature hierarchical.

Promoting multi-cultural awareness

To promote their professional growth, employees are sent to Frankfurt and New York for months to acquire relevant business experience. They also engage in regular conference calls with their counterparts in centres such as London, New York, and cities around Asia. This practice is an integral factor in developing their personality and confidence in collaborating in discussion and decision-making with their foreign counterparts.

Social upgrading

Experience in knowledge-intensive financial services creates excellent employment opportunities for workers. Their accrued skills and knowledge leave them much in demand among employers abroad, which means better compensation, including extra-monetary benefits and opportunities for growth. According to Company C HR, former employees who return to the country usually express an interest in rejoining the company, eloquent testimony to employee appreciation for the company and the work.

Company D

When Company D began operations in the last quarter of 2005, it initially sought the services of contact-centre providers. As the company expanded operations, the management saw the imminent need to establish their own contact centre in the Philippines to better serve their captive market.

According to the human resource development manager, the company chose the Philippines because, in terms of communication skills, Filipinos are on par with Americans. They speak very clearly, with good diction and an accent very similar to that of Americans. Clients are often unaware that their calls are being handled by Filipinos. Among the major services offered by the company are collection, outbound selling, and fraud detection.

The company's global parent enterprise is the largest issuer of general-purpose credit cards in the United States, and the largest merchant acquirer in the country. It offers a wide variety of cards to individuals and small businesses, including cards for AARP, Amazon.com, Continental Airlines, Marriott, Southwest Airlines, Starbucks, United Airlines, Universal Studios, Walt Disney Company, and a range of other well-known brands and organizations.

Organizationally, the company is relatively flat, its hierarchy comprising just the following levels:

- call agents constitute the base of the organization;
- agents are managed by team leaders;
- team leaders report to team managers; and
- team managers report to operations managers.

The employees and officers are all Filipinos, the only expatriate being the operations director.

The company measures performance according to how promptly agents handle each call and what quality of service they extend to clients.

Status of decent work

Recruitment

The first batch of contact agents were drawn from among vendors that the bank had previously contracted. The company's own HR department directly handled the hiring of call-centre agents.

In deciding how many personnel to hire, the primary consideration is the number of calls to be routed to the Philippines. A greater number of clients means the number of call-centre agents must be correspondingly increased. According to the HR manager, the past years have seen steady growth in hiring due to high demand for services from the bank's clients.

The company hires employees directly, but sometimes it also considers referrals from what are commonly known as head-hunters.

There are more women than men in the company workforce.

The company accepts applicants from both Metro Manila and neighbouring local-government units.

Attrition

Attrition was initially high, before the organization was well established. Towards the end of 2006, however, the company managed to stabilize the attrition rate.

Among the factors behind attrition is piracy by other companies abroad, especially in Singapore—many regional banks have established operations in Asia, and many have chosen Singapore as a base. (This only demonstrates the increasing employability of such personnel, given that many companies, many of them international, want to hire employees away from the Company.) Other employees left the company to migrate to other countries; still others were simply dissatisfied serving as customer-care agents.

Company D no longer suffers from poaching within the local industry. In the past, however, this was a real problem. The HR manager related one company experience wherein a team leader resigned and, after a few days, all the members of the team followed suit. Apparently, the leader convinced the group that other company offered better benefits. Company D met such challenges by offering employee incentives on par or even better with those offered by other firms.

Training

Company D also invests much in skills training for employees. Focuses include training related to new products and other, operational innovations. After applicants are hired,

they undergo an orientation programme followed by product training. The company also sends some of its employees to the USA as part of a policy of constantly upgrading skills and technical competence. The company tries to present opportunities to visit other American destinations, including Ohio, Manhattan, and Arizona, as well as cities in India, to provide a better perspective on their global operations. Management and leadership training, furthermore, is available to bank officers.

Employment status

The company normally offers regular employment to workers, although in the months following our field research the company expected to hire some part-time employees. This was to cater to specific clients who only needed the company's services for a given period. The company found it more practical to plan to hire part-time workers who could comply with this one-off schedule.

Compensation

As part of its strategy to address poaching, the company is providing competitive compensation package for its employees.

Safety and health

The night shift can be stressful. To compensate, the company provides employees with the best facilities possible, including pleasant, well-furnished work areas with bright wallpaper and good lightning. The rooms are well ventilated. One room is set aside and equipped for rest breaks. Company D also provides employees with lockers to secure personal items while they are on duty.

A company Employees' Assistance Programme helps with work-related stress, especially among those on the graveyard shift. Employees can avail themselves of the services of professional psychologists and counsellors, seeking help with personal problems that they cannot share with co-employees or supervisors.

Company D conducts six-monthly medical check-ups for employees, providing both workers and management with regularly updated status reports on workforce health. This can also serve as a basis for precautionary warnings regarding unhealthy habits such as smoking and excessive alcohol intake. The company applies the complementary policy of having the concessionaire offer only healthy food to employees.

The company's campaign for a healthy lifestyle includes the "Lunch Time Talk" wherein, during lunch breaks, a resource speaker discusses ways to follow a healthy lifestyle despite difficult workshifts in the industry. Stress-management, fitness, and

wellness programmes are also offered. The company even invites reflexologists to give the employees foot and hand massages during breaks.

Smoking is a special health concern, according to the HR manager. Too often, new material affluence leads young employees to neglect their health in favour of luxury and status symbols. Smoking, for example, can become part of a fashionable lifestyle; sadly, the HR manager says, some young employees smoke because of peer pressure in the workplace.

Social security

According to the HR manager, the company provides medical benefits, leave credits, and perfect-attendance awards. Currently, the company is reviewing the employee benefit package, considering the addition of a retirement programme and loan benefits. To speed administrative matters, particularly those related to HR, the company hired an HR business partner to look into the welfare of employees, assessing benefits administration and social security system loan processing.

Social dialogue

The senior managers make the business decisions. Each line of operation has its own manager, who bases decision-making on the latest market developments.

Discussions with employees are used to disseminate information regarding company changes. For example, the HRD conducts an activity known as “Town Hall”. Everyone is gathering in one area where management announces changes regarding office policy or new services. Town Hall is conducted on a quarterly basis or, sometimes, as part of preparatory activities for visits of senior company officials to the Philippines.

This activity also serves as a forum where employees can express their concerns. Frequently, issues are related to salary. Workers are very particular about payroll deductions and when social-protection benefits.

Economic upgrading

Promoting an “employer of choice” culture

The firm promotes an “employer of choice” culture. As well as providing for the employees’ basic needs, the company tries to take account of their welfare as best it can. This is part of upholding the integrity of a world-class company that delivers timely

services to the clients. The company also promotes cultural diversity, and does not tolerate discrimination based on religion and gender preferences.

Instilling such an organizational culture is not an easy task. Values and attitudes among employees are changing, in any case. The HR manager observed that this attitudinal change is partly due to the hefty incomes earned by the young employees.

Continuous IT upgrading

Since beginning operations in 2005, the company has continuously invested in development of its IT systems. Among other changes, the company has purchased a program that allows all calls to be redirected to other sites, whether India or Ohio, where information glitches or other technical problems threaten operations.

Technological upgrading, our respondents emphasized, aimed to increase employee productivity of employees, and not to retrench or reduce the number of employees, a common interpretation of moves to such upgrades.

Social upgrading

Earning employee loyalty requires the company to demonstrate its honesty and sincerity, especially when it comes to promoting career growth. Hence, during interviews the applicants are told the company is simply offer jobs, rather than careers. This is quite a difficult notion to sell to people, but being up-front in this way is one way of showing honesty to employees.

By way of clarification, the HR manager compared an employee working in an investment bank with on in a customer-care centre. The hierarchical structure of an investment bank is very evident, and one may easily appreciate the difference between the work required of a bank processor and that of a bank officer, or between a bank officer and a department head. It is different in a call centre. If agents are promoted to a subject-expert position, their duties and hours of work remain the same. Even if an employee is promoted to team leader, the work remains essentially the same. In short, even team managers have to deal with the same issues and challenges as do new customer-care representatives.

One way of addressing this problem is to offer chances for call-centre agents to transfer to the firm. This presents employees with a wider range and better quality of career-development opportunities. On the other hand, those who cannot cope with the work simply leave of their own volition. Once they absorb the company culture, however, they

truly begin to appreciate the associated prestige and sense of belonging that encourage them to stay with the company.

Stakeholder initiatives

This section presents an overview of what the various stakeholders are doing to promote the economic potential of the industry while reducing any associated decent-work deficits.

Driving breakthrough growth in BPO/IT services: BPA/P Roadmap 2010

BPA/P was established two years ago due to persistent requests that industry players form an umbrella organization that would function like NASSCOM, in India, to represent the country's IT-enabled service industry.

BPA/P is a result of the merger of two associations, the Contact Federation of the Philippines, and Outsource Philippines. Last November, BPA/P, with its 174 member firms and 4 associations, agreed on the need for more unity of vision in the industry in preparing the Philippines for greater participation in the global BPO industry. This agreement resulted in the development of Roadmap 2010. The main goal of the Roadmap is to capture 10 per cent of the total global market share by 2010. The Roadmap focuses on four broad themes: talent, next-wave cities, business environment, and BPA/P Team 2010. To build the quality and quantity of talent, the Roadmap pursues five thematic programs:

- developing comprehensive assessment and training programmes;
- improving awareness of IT-BPO career opportunities;
- tapping alternative talent pools;
- improving ability to find funding; and
- focusing on responsive curriculum changes.

According to BPA/P, lack of an institutional framework during setup, weak risk perception, and mixed messages regarding government are the key issues that need to be addressed, in improving the country's business environment. The key areas where initiatives will be implemented are public policy, promotion, and investor support.

Policies should focus on protecting current incentive regimes, simplifying incentive processes, and expediting data-protection regulation. Promotion should be geared towards positioning the Philippines as the destination of choice, conducting risk surveys, and promoting the Year of Information Security. To support investors, advisor certification will be set up together with a BPA/P portal and helpdesk. BPA/P will also implement an operational excellence programme.

To encourage the development of “next-wave cities”, BPA/P will provide information services including a BPA/P city scorecard, inventory, and case studies. BPA/P, on its own, will evolve from a volunteer-driven association into a fully resourced, full-time organization.

Reducing decent-work deficits: The Philippine Common Agenda 2008-2010

Scheduled for launch in October 2008 to coincide with the World Day on Decent Work, the Philippine Common Agenda 2008-2010, with the theme “Narrowing Decent Work Deficits”, embodies the tripartite and other stakeholders' aspiration of addressing and reducing decent-work deficits to enhance workforce productivity, competitiveness, and representation, and to achieve equity at work.

The tripartite partners focused on workforce productivity and competitiveness in recognition of the fact that HR remains the strength and competitive advantage of the country. Decent work plays a critical role in sustaining this strength because it leads to greater productivity, which, if provided with support at the firm and national levels, can improve competitiveness.

The Agenda revolves around three strategic priorities: formal-sector workers, informal-sector workers, and migrant workers. One priority sector identified within the formal workers category is business-process outsourcing. To respond to the growing OSH concerns of workers in the BPO, particularly in contact centres, the tripartite partners will undertake initiatives promoting development of OSH programmes in contact centres. These will include networking with stakeholders to establish partnerships with the industry, advocacy, and capability building activities to assist contact centres, and

development of a standard information, education, and communication (IEC) OSH package for contact centres.

To complement these initiatives, the Department of Labor and Employment released Department Circular No. 1, 2008 series, containing *Policy guidelines governing the occupational safety and health of workers in the call centre industry*. These guidelines reiterate the need to establish OSH programmes in the workplace. The accompanying *Technical guidelines on safety and health for contact centres* outlines procedures for developing an OSH programme to address occupational hazards in call centres.

Summary and recommendations

A survey of captive offshore entities shows that economic upgrading has a direct and positive impact on the employability of workers. Whether it is a process or a product upgrade, it leads to immediate retraining of workers to update the knowledge and skills needed to implement the upgrade.

Although companies strive to provide decent work for their employees, much remains to be done at the macro level. The most evident economic upgrading undertaken in the company's in-house BPO firm, and in the BPO industry in general, is the introduction of ICT in the forms of both soft and hardware programmes. This ICT infrastructure is used by BPO employees, who enjoy the benefit of the concomitant skills transfer needed to operationalize the outsourced and offshored businesses.

Moreover, in addition to better and wider BPO-company services for the US and European markets, their operations are now being extended not only to highly urbanized areas of the Philippines, but to other parts of the country. These regional hubs then become the portal for new skills and related job opportunities in these area—not only for the new graduates, but also for those who have retired from previous jobs but would like to re-enter the labour market. One company has started recruiting in the provinces and plans to expand its operations in other parts of the country.

Employment

Considered within the framework of the four pillars of decent work, economic upgrading has certainly helped address the problem of high unemployment. It has added resources needed, both by the local and national economy, to generate more trade and commerce and more jobs. For instance, the number of 24-hour restaurants and convenience stores has been increasing to meet the needs of those working in the contact centres.

It should be emphasized, however, that the skills being transferred, particularly in the contact-centres sector, are very limited—unlike in other high-end BPO sectors such as software development and animation. Most of these workers were unable to develop skills other than a special faculty for communication or fluency in the English language. Hence, when they wanted to transfer to other BPO sectors, they might still face difficulties. Furthermore—unless there is continuous exponential growth in the contact-centre sector—the fact that only few positions for supervisors and managers are available means that opportunities for career development are limited.

Social protection, including safety and health

Especially working on the graveyard shift, these workers have adopted what are often unhealthy lifestyles. For instance, to cope with work-related stresses, in particular on night shift, call-centre agents have resorted to increased caffeine intake and frequent cigarette smoking during breaks. Many call-centre employees suffer stress-related illness including high blood pressure. Other call-centre agents suffer from fatigue due to erratic and insufficient sleep. Dermatological problems among young employees are also prevalent, although these may be temporary, and explained by the very high purchasing power among these workers. Because they work at night and sleep during the day, they are often vulnerable to vices and generally unhealthy lifestyles.

Social dialogue

The BPO industry presents a true challenge in organizing employees. The fluidity and rapid job turnover in the industry, plus the unusual work schedules, make it especially difficult to establish mutually beneficial employer and employee partnerships. A new framework is needed, where previous approaches may no longer be responsive to the prevailing challenges.

Economic upgrading contributes to higher productivity. Unfortunately, the benefits of this have not spilled over to ensure better working conditions, stricter implementation of OSH standards, and better social dialogue. In short, social upgrading is being overshadowed by economic upgrading, and therefore inadequate attention is being given to realizing decent work. To mitigate these negative impacts, stronger links are needed between the industry, the academic sector, and the Government.

Educational and training systems should benchmark themselves against those in advanced countries, aiming to produce workers who can perform jobs to global standards.

Frequent assessments of the strengths of college students vis-à-vis employment opportunities, for example, would help to prevent job mismatches, and ensure higher absorption rates into the labour market.

The Government, with the help of the private sector, should encourage faster expansion of the outsourcing and offshoring industry through more investment in IT buildings, parks, and other facilities. This should be supported by improving business-friendliness among local government units by providing an environment that caters to the operational needs of KPO and BPO companies.

Finally, to simultaneously realize social and economic upgrading, the Government should promote a shift from the current situation—where the industry is perceived as a mere contact-centre hub—to the development of more skills-based BPO sectors such as animation and software development.

Vocational courses coupled with effective monitoring of industry demand could help to realize a more sustainable industry, addressing mismatches of educational supply and employment demand, while ensuring that a framework for decent work is institutionalized.

The Philippines has much more to offer than workers who are ready to answer telephone calls.

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