

RP's outsourcing sector gains from India's rising wages

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The Philippine information technology-enabled outsourcing industry, which has been pitted practically since the start against India, is poised to reap a windfall as its biggest rival gives in to high attrition and sharp wage inflation.

Raneiro M. Borja, president of business process outsourcing firm PeopleSupport (Philippines), Inc., recalled that when his company set up shop back in 2000, the starting salary was P12,000. Six years later, its starting salary for call center agents increased by only P1,000 to P13,000.

"But, of course, there are some benefits on top. But that is only one-twelfth wage inflation over a six-year period. That is equivalent to only 8% increase. In India, their wage inflation is running at 15% to 20% every year and yet the attrition rate of one company can go up to 100%," Mr. Borja said in a recent interview.

Attrition in the local call center industry is pegged at 35%. According to IT consulting firm XMG, Inc., this means that for an industry with a current capacity of at least 65,000 agents, 22,500 agents resign every year and 12,350 agents resign and leave the industry altogether every year.

It is estimated that at least one-third of the yearly expenses of companies goes to work force management.

Although it is still difficult to identify which companies have transferred their operation, or at least part of it, from India, Chalre Associates Chairman Richard Mills said the shift goes "beyond anecdotes."

"This is happening. Some companies have started to consider the Philippines as an alternative," Mr. Mills said in a separate interview.

His company does consulting works for companies in the outsourcing industry.

Even India-based companies have started to consider the Philippines as a site for expansion. For one, leading Indian conglomerate, the Hinduja Group, recently earmarked some \$25 million for investments in the Philippines, creating its biggest foreign site to date.

Miguel P. Juliano, data services manager of Watson Wyatt Phils. Inc., said companies, including those in the outsourcing industry, have started to move away from salary as the means for rewarding their employees.

Companies, he said, are now more performance-based and the amount of reward is dependent on the value of the work rendered by the employee in given period. In the BPO industry, this comes in the form of bonuses and other perks such as shares in the company.

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