

HK and SG to miss on new outsourcing to Asia

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Hong Kong and Singapore are unlikely to benefit from the growing trend for Wall Street banks to offshore not just their back-office work but more senior jobs too.

So-called 'knowledge process' or 'high value' outsourcing is becoming more popular at firms including Goldman Sachs, Morgan Stanley, JPMorgan, Credit Suisse and Citigroup.

US banks began sending research jobs to emerging markets like India a few years ago, but the next outsourcing wave may include more sophisticated roles, such as the creation of derivative products and quantitative trading models, according to recruiters.

But Hong Kong and Singapore, as high-cost centres suffering from skill shortages, are unlikely to profit from this new outsourcing, says James Carss, a director at Hudson.

By contrast, the Philippines, which already hosts established operations from JPMorgan, Deutsche Bank and Thomson-Reuters, looks set to reap further rewards from Wall Street's continued cost cutting, says Richard Mills, chairman of recruitment agency Chalré Associates.

"The Philippines is already a contender but you don't hear from them because they are terrible at self-promotion. India, on the other hand, is world-class in this regard," says Mills.

Leon Perera, group managing director of Spire Research & Consultancy, says the outsourcing of middle-office work such as data analysis, research and report writing is not a new phenomenon. "There have been thriving pockets of such outsourced activity in India and Sri Lanka since the downturn of 2001/2002, if not earlier," he says.

However, Perera thinks the current financial crisis could be the tipping point beyond which the migration of these jobs to emerging markets becomes the norm rather than the exception.

Recruiters are not ruling out the day where investment banks gradually evolve into a different structure where only the top dealmakers are based in the West. Mills comments: "New York will become the place only for the very top decision makers to reside."