The partnership between government and the IT-BPO Industry in their quest for inclusive growth in the Philippines

Robert Keitel 1*, Melissa Dorothy Ledesma 2

1 Asian Institute of Management, Graduate School of Business, PhD Educational Leadership and Management, De La Salle University, Manila
2 De La Salle University, Manila

Abstract

This research describes the government–industry partnership, TESDA–BPAP case in their quest to realize inclusive growth, through the IT-BPO industry. At present, this paper is in the initial exploratory phase of the investigation. The case study method is utilized in conceptualizing, data gathering and analyzing. The TESDA–BPAP case depicts collaboration between government and industry as they both seek to capitalize on the growth led path towards achieving inclusive growth in the Philippines. The government's enabling strategy of providing support in terms of human capital development, through retooing and retraining programs seems to be a major instrument towards achieving inclusive growth. At this stage, the effectiveness of the program in terms of employing a broader base of labor still cannot be determined. A more rigorous investigation and data collection is required to examine the effectiveness of the multi site programs. In addition, a more recent data is also needed to evaluate the effectiveness of the overall program.

Keywords: Four to eight keywords come here. Divide the keywords by semicolon.

1. Introduction

President Benigno Aquino Jr. and his administration are strongly committed to achieving inclusive growth in the Philippines. The Aquino administration recognizes the IT-BPO industry as one of the drivers of inclusive growth in the country. In a speech delivered in October 2012 at the 4th International Outsourcing Summit, President Aquino conveyed his support in future investments of the IT-BPO industry to the next wave cities, areas outside the traditional hubs of the National Capital Region (NCR) and Cebu, in order to extend prosperity through broad and extensive employment across the Philippine archipelago (Office of the President of the Philippines, 2012).

At present, direct foreign investment continues to favor the Philippines for IT-BPO operations. It is the world leader for voice communications in the global BPO industry. Philippine IT-BPO industry has grown at an average annual rate of 25% (Virata, 2013). However, amidst the continuing growth, the industry is faced with a major and gnawing challenge of employing qualified workers.

Explicit is the disconnect between the continued growth of the IT-BPO industry and the lack of qualified employable workers. To bridge this disconnect and foregoing challenge, The Philippine government made unparalleled investments in industry-public-private-partnerships programs in human resource development. One example of this is the Industry-Training for Work Scholarship Program (I-TWSP) administered by the Technical Education and Skills Development Authority (TESDA). The TESDA–BPAP partnership is a government intervention in training and retooling potential workers, who would otherwise be left behind.

The Philippine government formulated policies and implemented practices aimed beyond just economic growth, but targeting inclusive growth through industry-public-private educational partnerships for human resource development. This research describes the government–industry partnership, TESDA – BPAP collaboration in their quest for inclusive growth in the Philippines. In this research, the government is represented by TESDA, while the IT-BPO industry is represented by BPAP.

2. Review of related literature

2.1. The Philippine context

The Philippines has been enjoying impressive economic growth. It is said to be the second fastest growing economy in Asia, behind China. The Philippine economy posted a 7.8% growth in the first quarter of 2013, while per annum growth rate of 2012 was pegged at 6.8% (NSCB, 2013b). Although, growth has been impressive, inclusive growth has remained elusive. New job generation remains low at a mere 1.1%, with 40% of the labor force characterized as vulnerable workers, working in seasonal agriculture and the informal economy (DOLE, 2011).

On the other hand, the IT-BPO industry remains as the sunshine industry for employment in the Philippines. In 2012, the IT-BPO industry accounted for approximately 5% of the total Philippine gross
domestic product (GDP), generating an estimated 680,000 direct and 1.6 million indirect employment. While the industry struggles with apparent high attrition rates, the direct jobs in the IT-BPO industry are formal, full-time positions with premium salaries and benefits. This growth trajectory is expected to continue over the medium term, through 2016, with a 20% additional labor employment requirement per annum (ADB, 2013).

Based on the above discussion, the IT-BPO industry’s growth trajectory will require continued investments in human resource development to match the industry needs. Though labor is massively available, an educated and skilled labor force is underdeveloped to meet the needs of growing industries. For the school year 2012-2013, college enrollment is estimated at 2.77 million, while high school enrollment is approximately 7 million (NSCB, 2013a). Graduates often lack the basic competencies required in the job market. A recent UNESCO study highlighted this dilemma. The drive for economic security through education is mismatched with the needs of the labor market. There is over enrolment in programs that leads to a glut of graduates facing a poor job market. Nursing and information technology are such programs. In addition, the lack of work experience particularly in the IT sector is another factor. Graduates face job opportunities where they are underemployed or employed in untrained areas (UNESCO, 2012). Therefore, despite the growing needs of the industries, millions of high school and college graduates struggle to get jobs upon graduation.

2.2. Inclusive growth as defined by the International Labor Organization (ILO)

The ILO defines inclusive growth as providing productive employment for the unemployed and the working poor through the implementation of human resource development policies (ILO, 2012). A recent ILO publication, Employment Diagnostic Analysis: A Methodological Guide, illustrates that inclusive growth primarily stems from two sources of economic growth: labor employment and productivity. The concept of labor as a source or one of the independent variable of economic growth is different from that where labor employment is the outcome of economic growth. In this concept, the specific predictors of this growth are the qualities of labor and the opportunities for its maximum utilization. The aspect of inclusiveness is combined with sustainability of growth. Both are based on moral ground and efficiency of the use of human resources. Inclusiveness, in particular, is to focus on the productive employment of the working poor and the unemployed. This focus is rooted on the Millennium Development Goal (MDG) Target 1 of eradicating extreme poverty and hunger, to achieve full and productive employment for all, including women and youth (ILO, 2012).

In attempting to achieve MDG target 1, four factors had to be considered: (1) the human resource base or the supply side factor, (2) the opportunities that are the demand side factor, (3) the access to basic services and the production function of land and capital, and (4) the sustainability or the intergenerational perspective of productive labor employment. Moreover, analyzing the overall scenario requires understanding of the labor market and its dynamics. The information includes demographics and migration patterns, the quality and characteristics of labor, income inequality and poverty, and the sector sources of economic growth (ILO, 2012).
2.3. Inclusive growth as defined by the Philippine Government

The Philippine government subscribes to the MDG target 1, as well as ILO’s definition of inclusive growth. In its pursuit to reduce poverty and massively employ a broad base of the labor force, the Philippine government conceptualized its overall strategy in achieving the foregoing vision.

As conceptualized and defined by the Philippine government, growth is necessary for development. But in order for growth to result in social and political progress it has to be broadly based, inclusive in that it will benefit a large cross section of the population. Inclusive growth is employment growth. Inclusive growth is characterized by sustained growth and the massive creation of jobs which result in continuously reducing mass poverty by drawing the vast majority into the economic mainstream (DOLE, 2011).

Two pathways are available to employment growth: the growth led path and the employment led path. The growth led path sees growth in output, brought about by investments in the demand side and the supply side, as a requisite condition to generating employment. This pathway sees employment as a residual outcome of growth and labor is regarded as a beneficiary of growth. The employment led path on the other hand views the labor force as creators of growth on top of being the beneficiaries of growth. This approach is considered applicable for economies with large numbers of the labor force in vulnerable employment. Through investments in health, knowledge, and skills the labor force are empowered to create their own opportunities; they employ themselves and their families. At some point, these beneficiaries may even be able to access more productive employment, becoming producers themselves and creating better opportunities for others in their respective communities (DOLE, 2011).

Both the growth led path and the employment led path acknowledge that employment growth is highly dependent on policy enablers, the chain of decisions and the embedded processes, and whether these will reinforce or hinder employment objectives (DOLE, 2011).

2.4. Studies in India on inclusive growth in the IT-BPO industry

Two studies conducted in the context of the India IT-BPO industry explored human capital and its relationship to inclusive growth. The first study, Shastry (2008) investigated the human capital response of India to globalization. The study revealed that trade liberalization was shown to benefit elite skilled workers more than unskilled workers. The resulting skilled wage premium increase brought about by globalization had the effect of increasing inequality. Synchronizing human capital investment to new global opportunities however may neutralize this negative effect. The key question proposed is whether a country with a more elastic human capital supply is better positioned to benefit from globalization.

Focusing on the cost of learning English, the study showed that the districts that have lower costs benefited more from globalization, experiencing greater growth in both information technology (IT) jobs and school enrollment. The presence of IT firms also resulted in an increased demand for women workers. In 1987, traditional Indian firms had a male – female worker ratio of 80:20 (NASSCOM, 2004 cited in Shastry
(2008) figures showed that the proportion improved with the influx of software firms (77:33) and business processing firms (33:65).

The study concluded that government could mitigate adverse effects of globalization on inequality by considering policies to help individuals acquire skills necessary for global opportunities (Shastry, 2008).

The second study, Jensen (2010) utilized an experimental design in investigating economic opportunities and gender differences in human capital in India. The study suggests that expanding economic opportunities for women can help reduce gender disparities in human capital. Although the intervention did not create any new jobs for women, making employment opportunities for women more salient and accessible increased human capital investments in girls.

Policy enablers that create such positive environment follow the growth led path of development and include public policy instruments that expand economic opportunities include enforcement of anti-discrimination laws in hiring and promotion, ensuring equality in public sector employment and promotions, reducing barriers to women entering the labor market, and workplace laws strengthening part-time work and maternity leave. Employment led path policy enablers include expanding women’s access to credit, either via commercial banks or microfinance programs, so women can engage in more entrepreneurial activities (Jensen, 2010).

Results also suggest that even without policy interventions improvements in human capital can still take place due to the rise of the BPO sector creating a residual benefit in which a greater demand for female labor participation is created by the sector. A limiting factor in the development of human capital in girls, it was discovered, had more to do with culture bias than with poverty; some parents simply didn’t find any value in investing in their daughters. Creating and disseminating awareness programs that promote the concrete advantages of such investments can lead to gains for girls (Jensen, 2010).

3. Conceptual framework

Weaving together the definitions of inclusive growth as defined by ILO and the Philippine government, as well as the concepts of inclusive growth from studies on the IT-BPO sector in India, a conceptual framework of how inclusive growth is pursued in the Philippine IT-BPO industry is described.

Inclusive growth entails sustained growth, with massive job creation. When growth is continuously sustained, it can lead to incremental poverty reduction. When there is massive job creation, the vast majority of the labor force is productively engaged in the economic mainstream. These aspirations can be achieved either by a growth led path or an employment led path. In the growth led path, labor becomes the beneficiary of growth, while in the employment led path, labor force is the creator of growth. The Philippine government decides on whichever path to utilize, or how to utilize both paths in realizing inclusive growth. Crucial in the quest of realizing inclusive growth, is how the government formulate, develop, articulate, and implement policies and strategies.
4. Methodology

This study investigates the partnership between the Philippine government and the IT-BPO industry in their quest to achieve inclusive growth within this particular growing industry. The study describes and explains the Industry-Training for Work Scholarship Program (I-TWSP) known as the *near hire* program, a training program conceptualized and managed by the Philippine government and the IT-BPO industry, as they co-jointly aim to achieve inclusive growth.

This study investigates the partnership between the Philippine government and the IT-BPO industry in their quest to achieve inclusive growth within this particular growing industry. The study describes and explains the Industry-Training for Work Scholarship Program (I-TWSP) known as the *near hire* program, a training program conceptualized and managed by the Philippine government and the IT-BPO industry, as they co-jointly aim to achieve inclusive growth. Documents, was provided by the two interviewees. Other sources of archival data were official websites, academic studies and news articles.

In developing the case story, the researchers followed the following procedures:

- Extracting the substantive contents of the interviews and the documents
- Delineating the aspects of inclusive growth in the data
• Threading together substantive contents and aspects of inclusive growth to form the final case description.

For the analysis, a descriptive process was employed. The substantive contents and aspects of inclusive growth in the data were compared with the conceptual framework. The researchers focused on how the case implements and moves toward achieving inclusive growth.

5. The case: TESDA-BPAP partnership

From its beginnings almost 15 years ago, the Philippine Business Process Outsourcing (BPO) industry has transformed the employment opportunities for Filipinos from seeking work abroad to careers based at home. In 2011, the industry employed 638,000 and estimates to reach 1.3 million direct full-time employees by 2016.

Today, Business Process Outsourcing Association of the Philippines (BPAP) founded in 2004 is the organization that represents the interest of 300 firms consisting of the five clusters of related IT-BPO sectors: the Animation Council, the Contact Center Association, the Game Developers Association, the Healthcare Information Management Association, and, the Software Industry Association. As the umbrella organization, BPAP is mandated to be the ‘one stop information and advocacy gateway’ for the IT-BPO industry associations and the corporate in-house shared service global centers. BPAP undertakes industry relevant research, develops programs to support the growth of the industry, and establishes partnerships with key stakeholders (BPAP, 2012).

In its 2016, Road Map, BPAP identified inclusive growth and poverty alleviation as key thrusts in conjunction with addressing the challenge of labor quality. BPAP views inclusive growth as broadening employment breath by spreading business locations to at least ten sites outside of the national capital. Together, the ten sites are termed as Next Wave Cities (BPAP, 2011).

The beginning of the Philippine IT-BPO industry was rooted in the call center sub-sector. The industry association was led by the Contact Center Association of the Philippines (CCAP) joined with other IT enabled industry associations to form the BPAP in 2005. From 2000-2005, the workforce grew from 5000 to approximately 63,000 full time workers. However, during this period, the industry was challenged by the shortage of qualified applicants. Industry recruiters complained about the scarcity of qualified potential workers. For instance, in the call center sector alone, out of 100 applicants only 3 were hired.

In 2006, the Chairwoman of John Clements Consulting Firm made a bold call on the Philippine Secretary of Labor expressing her concern of the lack of qualified potential workers in a growing industry. Then, Philippine Secretary of Labor committed government to fund a program for three training companies (TeleDevelopment, Future Perfect, and John Clements) to train English teachers in five universities. This government intervention was the beginning of public support for the IT-BPO industry.

Under the Presidency of Gloria Macapagal Arroyo (the 14th President of the Philippines from 2001 to 2010), the commitment to support the IT-BPO industry was deepened and transformed. At the launch of a new BPO site owned by the international BPO, Sutherland Global Services, former President Arroyo
committed Php500,000.00 to train 100,000 entry level call center agents. This commitment was targeted to specifically help the near hire applicant.

Near-hire refers to job applicants who failed to meet the required level of skills and competencies of employment in the IT-BPO industry. As stated in the preceding paragraph, of 100 applicants in the call center sector, only 3 applicants were qualified and hired. Applicants 4-50, applied but failed to receive an offer, are categorized as near hire. To qualify for employment, near-hires need additional training (Crisostomo, 2011). Thus, the near hire group would receive a voucher for P5000 to attend a 100 hours of call center training. The near hire would use the voucher for training at a certified school that was reimbursed by government. The school must reach a certain level of successful job placements to continue their training certification.

<table>
<thead>
<tr>
<th>Qualifications</th>
<th>Enrolment</th>
<th>Graduates</th>
<th>Employment</th>
<th>Employment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career Entry Course for Software Developer NV IV</td>
<td>557</td>
<td>543</td>
<td>473</td>
<td>87.1</td>
</tr>
<tr>
<td>Finishing Course for Call Center Agent</td>
<td>56, 851</td>
<td>56,672</td>
<td>34,051</td>
<td>60.1</td>
</tr>
<tr>
<td>Finishing Course for Medical Transcriptionist</td>
<td>8,558</td>
<td>8,433</td>
<td>5,909</td>
<td>70.1</td>
</tr>
<tr>
<td>Professional Assistant 2D Animator</td>
<td>520</td>
<td>500</td>
<td>79</td>
<td>15.8</td>
</tr>
<tr>
<td>Professional 3D Maya Animator</td>
<td>536</td>
<td>530</td>
<td>7</td>
<td>1.3</td>
</tr>
<tr>
<td>Web Based English Proficiency Training Program</td>
<td>5,050</td>
<td>5,037</td>
<td>111</td>
<td>2.2</td>
</tr>
</tbody>
</table>

As the above table indicates, of the six programs, half of the programs garnered high employment rates, while the other half had low employment rates. This new voucher system led to a continuous refunding throughout the Arroyo Presidency into the current Aquino Presidency. This program focused on educational programs aimed at inclusive growth strategies transforming the role of TESDA.

The Technical Education and Skills Development Authority (TESDA) of the Philippines is a government institution that was mandated to administer this program. However, delivery specific training to ‘middle level human resources’ to augment economic and social growth was a new direction for TESDA. TESDA had traditionally focused on labor skills such as welders, mechanics, electricians and beauticians.

As recent as October 2012, President Aquino in his welcoming remarks at the Business Processing Association of the Philippines (BPAP) organized the fourth annual International Outsourcing Summit: Global

ISDS www.isdsnet.com
Market Leaders Addressing Global Issues, confirmed his administration commitment to the **near hire** (I-TWSP) program:

> Through the leadership of my senior, Secretary Joel Villanueva of TESDA, we have been investing on our people to arm them with the skills they need not only professionals. This is the idea behind our Industry-based Training for Work Scholarship Program, which was allotted 500-million pesos in 2011. I am sure that you know all about this; after all, you are our partners in this project, and I remain thankful for your commitment to hire those who graduate from the I-TWSP. We are making good progress. As of August this year, I am told that more than 26,500 Filipinos have graduated from the program, and 11,600 of them have already been hired. So I was surprised to hear that there is a labor problem or labor-shortage problem. Perhaps, Joel can fine-tune his program (Office of the President of the Philippines, 2012).

President Aquino’s continued support for the IT-BPO industry was formalized in the 2011 Memorandum of Agreement (MOA) between TESDA and BPAP. The MOA states that BPAP’s partnership with TESDA is geared towards the implementation of Training for Work Scholarship Program (TWSP). In this program, TESDA will provide the Industry-Training for Work Scholarship Program (I-TWSP) to support the BPO industry in creating a cadre of qualified and job-ready workforce. The I-TWSAP program will be co-jointly managed by TESDA and BPAP, with a working fund of Php 400,000,000.00. Specifically, the program will train **near-hires** for pre-employment training and re-tooling of incoming workers. The program works with a voucher system. First, TESDA will allocate vouchers to BPAP worth P400,000,000.00. Second, BPAP will distribute these vouchers to its member associations: The Contact Center Association of the Philippines (CCAP), Philippine Software Industry (PSIA), Healthcare Information Management Outsourcing Association of the Philippines (HIMOAP), and National ICT Confederation of the Philippines (NICP). Third, these industry associations will concurrently work with TESDA certified companies and training institutions to implement I-TWSP that will address each of their specific needs. BPAP and its partner associations commit to employing at least 70% of the total graduates within six months of training completion.

Each sub-sector has a different training needs and allocations. For the Contact Center Association for the Philippines (CCAP) the demand for agents was paramount. Here, the **near hire** applicant that fell into the 4-50 range (applied but failed to receive an offer) would receive a voucher for P5000 to attend a 100 hours for additional training. The near hire would use the voucher for training at certified school that was reimbursed by government. The school must reach a certain level of successful job placements to continue their certification.

For the Philippine Software Industry (PSIA), P30,000 was allocated per **near hire** for 500 hours of training. Helping the **near hire** enter the industry which forms Animation Council of the Philippines Inc. (ACPI), and Game Development Association of the Philippines (GDAP) require 550 hours for training and receives a voucher of P35,000. As industry specific training needs were developed, TESDA allowed hiring companies to develop training programs and receive vouchers.
Reflecting on the continued effective partnership with the Philippine Government, BPAP Chairman, and Alfredo Ayala notes the P688 million government support primarily from TESDA for the Philippine BPO industry. Chairman Ayala underscored the significance of the near hire (I-TWSP) program addressing the urgent need of the IT-BPO industry:

*The Filipino Knowledge Worker is already internationally recognized as world-class, and we are now universally recognized as number one in the world in voice or call centers. Our big opportunity is to leverage this success and become the number one destination for IT-BPO in general. TESDA’s innovative program helps us achieve this goal by directly addressing our biggest constraint, namely the supply of talent* (BPAP, 2012b).

To date, the partnership between TESDA and BPAP is ongoing and continues to pursue its mission of retooling work force to be readily employable in the IT-BPO industry.

6. Discussion

From its beginnings, qualified job ready applicants became difficult to attract in the general labor market with only 3 hirable candidates out of 100 applicants. The industry needed to find an alternative talent development strategy to meet their rapidly growth led demand. The vision of inclusive growth was anchored in the reality that human resource development required expansion in breath of operations across the geographical regions of the Philippines targeting individuals to build their capacities. The Philippine IT-BPO industry recognized the need to practice inclusive growth policies but no single company could address this issue alone. Therefore, the industry approached the Philippine Government.

Under President Arroyo, industry consultations resulting in forming industry public private partnerships, which aligned national policies for inclusive growth with industry developed competencies. TESDA’s role was transformed to deliver specific training to ‘middle level human resources’ based on industry needs.

The new program, which emerged, was the near hire or I-TWSP specially aimed at individuals who needed addition skills development to join the industry. By targeting to train and employ the near hire group, both the IT-BPO and the Philippine Government are aligning their policies and actions towards inclusive growth. The profile of graduates of the training in the TESDA program indicates that high school graduates account for the majority of the trained potential workers. Therefore, it can be deduced that this group tends to come from below the middle-income group. Thus, by retooling and training individuals coming from below the middle-income group, the partnership is helping and supporting a broader base of the population for employment.

It seems that the growth and expansion of the IT-BPO industry in the Philippines reflects a growth led path towards development. As a growth industry, IT-BPO envisions to be inclusive. Further, IT-BPO envisions alleviating poverty. As articulated in its 2011-2016 strategic growth vision, IT-BPO further affirms its commitment to inclusive growth and poverty alleviation by targeting expansion in areas outside of the
National Capital and where poverty level is relatively high. It can be deduced that IT-BPO growth policy is aligned with its vision of inclusive growth and poverty alleviation.

The government recognizes the significant contribution of the IT-BPO industry and thus provides intensive support to the latter’s needs. Both the former administration, Arroyo Presidency and the current administration, Aquino Presidency ensure government support through monetary and policy interventions. Government intervention to the IT-BPO industry signifies that its policies and actions are aligned to its vision of inclusive growth. Moreover, government support to the IT-BPO industry conveys that it capitalizes on the growth led path in this particular context.

The Philippine Government, in responding to the needs of the growing IT-BPO industry provided a reinforcing force towards employment generation. In this particular instance, the enabling force is a training program for human resource development, realized in the form of the government and industry partnership.

7. Conclusion

Thus far, this exploratory study provides an initial understanding of the how the Philippine government and IT-BPO industry collaborate and capitalize on the growth led path towards achieving inclusive growth in the Philippines. The government’s enabling strategy of providing support in terms of human capital development; through retooling and retraining programs can potentially be a major tool towards achieving inclusive growth. At this stage, the effectiveness of the program in terms of employing a broader base of labor still cannot be determined. A more rigorous investigation and data collection is required to examine the effectiveness of the multi site programs. In addition, a more recent data is also needed to evaluate the effectiveness of the overall program.

Time and resources limit this research. This paper investigated one case of the near hire program, the BPAP – TESDA partnership. However, with more time, this research will include three additional cases: (1) the introduction of industry-aligned Service Management Program in the college curriculum through partnership with Commission on Higher Education Department (CHED), (2) the partnership with Department of Education (DepEd) in modeling Higher School for IT-BPO, and (3) the capability building initiatives with Information and Communications Technology Office of the Department of Science and Technology (DOST-ICTO). The final research output intends to depict a picture of the industry-public-private-partnership programs in human resource development aimed at achieving inclusive growth within the Philippine IT-BPO industry.

References


Shastry, G.K. (2008), Human capital response to globalization: Education and information technology in India, University of Virginia, United States of America.

