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Call Centers: Philippines' Sunshine Industry

PASS by the office buildings in Makati, Ortigas, The Fort, Metro Cebu and Davao at night and you will discover that the lights in many of these buildings do not shut off. Not since the business process outsourcing (BPO) craze hit the country and call centers started growing like the proverbial mushrooms. Majority, if not all, of these call centers, in fact, operate on a 24/7 basis. Nowadays, doing business in the Philippines knows no night time.

The capitalist trend of outsourcing has reached our shores. The rising labor costs in industrialized countries such as the United States, Canada, UK and Australia has prompted foreign companies to contract out some of their non-core business functions such as software development, customer relationship management, telemarketing, payroll maintenance and billing, and collections to developing countries like India and the Philippines where labor costs are cheaper. This strategy allows foreign companies to concentrate on their main operations, cut down on overhead cost and, ultimately, maximize profits.

At the heart of the Philippines' outsourcing boom are the call centers. Call centers are central customer service operations where agents, often called customer care specialists (CCS) or customer service representatives (CSR), handle telephone calls on behalf of a client. These clients are the companies who have outsourced the customer relationship management aspect of their business

operations here. These companies include, among others, mail-order catalog houses, telemarketing companies, computer held desks, banks, financial service and insurances groups, transportation and freight handling firms, hotels and IT companies.

The call center industry is currently considered the country's "sunshine industry" because of the revenues it has generated and the number of jobs it has created. It is likewise dubbed the same because of its huge potential to supposedly bring in more of both. Call center earnings for 2004 reportedly reached $862 million, employing about 70,000 Filipinos. Conservative estimates predict that the country's call center industry can swell into an $ 8 billion enterprise and employ as many as 500,000 Filipinos within the next ten years. Because of these, economists regard the call center industry as "one of the few remaining bright spots in the country's troubled economy." How long the sun will shine on this industry, however, and how this industry will impact on the country's labor scene in the long run remain to be seen.

Philippines: Next Call Center capital?

A quick survey of the outsourcing websites shows the Philippines as a favorite destination, alongside India and China, especially for offshore call center operations. From around 20 call centers in 2002, there are now 70 call centers operating in key cities in the country. Since 2000, there has been a rapid increase in the number of call centers established in the country. Industry analysts believe that the Philippines has the potential of rivaling India in becoming the next call center capital in the region.

Amid the seemingly unending political instability which drives away many foreign investors, the Philippines holds a competitive edge as an outsourcing haven mainly because of its cheap labor rates and highly-educated workforce with high proficiency in the English language. Not

including tax incentives provided by the government, foreign companies operating call centers in the Philippines are able to cut down on personnel cost and therefore maximize their profits. The mathematics will show why these investors are keen on doing their businesses here.

The minimum daily wage in the United States is around $ 41 (average hourly rate of $ 5.15) and 38 euros (hourly rate of 4.85 euros) in the UK. These translate to at least P 2,225.00 and P 2,522.00, respectively. This is the amount American and British companies would have to pay each of their call center agents per day (8-hour shift) if they operate back home. In the Philippines, the average daily rate for call center agents is around P 530.00. This is equivalent to $ 9.00 or 8.15 euros. Thus, by putting up their call centers here, American companies are able to save, every day, at least $ 32.00 (78% savings) and the British companies 29 euros (76.3% savings) on every Filipino call center agent who performs the same tasks as their counterparts abroad. Put another way, American and British companies can hire 4-5 Filipino call center agents for the salary of one American or British agent. Summed up, this strategy gives foreign companies total savings of 50-60 percent on personnel cost.

The Philippines' educated manpower is another reason why foreign companies choose to locate their call centers here. While labor costs in China are lower, foreign companies still choose to establish their call centers in the Philippines because of the Filipinos' proficiency in the English language. The Philippines is the third-largest English-speaking country in the world. For the price of one American or British agent, call centers can hire at least four Filipino college graduates who can speak fluent English (and even mimic their accents) and are computer-literate.

Quantity vs. quality

Fluency in spoken English, especially with the American twang, and keyboard capacity are two minimum requirements for working in a call center.

***Glass bee-hive*: behind the concrete-and-glass structure, call center representatives work 24/7, fielding calls from various parts of the US.**

Thus, anyone who can speak English and who holds a diploma from a university can likely qualify as a call center agent. The ability to multi-task (talk, think, and type) is eventually developed during the trainings provided by the call centers.

Compared to the current daily minimum wage of P 325.00 (Metro Manila rate), the average P 530.00 offered by the call center industry is high. With starting wages ranging from P 14,000.00 to P 16,000.00 per month, not including other incentives such as night differential pay, food and transportation allowances, performance bonus, and headhunting commissions, it is not surprising why many Filipinos, including licensed professionals who cannot find employment elsewhere, are willing to lose sleep and flock to call centers. As the government fails to deliver on its promised jobs, call centers continue to attract thousands of the country's university graduates. Well, at least those who do not intend to fly out of the country just yet. For 2005 alone, call centers are expected to screen around 600,000 applicants.

But while call center workers are usually well-compensated, many call centers report a high attrition rate among their employees, with as much as 40-60 percent of workers leaving at a given time. The turnover is fast in this industry. There are two glaring reasons why this happens. First, many contend that the working hours in a call center take getting used to. As night falls and the rest of the archipelago are deep in sleep, call center agents are up, busy taking calls. Not to mention busy handling dread calls in not a few instances. "Dread calls" refer to calls from difficult, disgruntled and irate customers. The main element of this type of call is a complaint. But its more distinguishing features are the expletives and insults that go with the complaint. Dissatisfied customers often end up berating an agent for the bad merchandize or shoddy service they get from a company. They are called dread calls because call center agents dread having them. These calls not only leave agents shaken, they also ruin their call handling time statistics for the day. And throughout these calls, one must maintain the fake accent. Thus, while the pay is good, many call center agents believe that it is still not commensurate with the physical and emotional demands of the job.

Another reason for the high attrition rate in call centers is job mismatch. A licensed teacher, nurse, engineer and social worker soon find themselves bored with a CSR's job. With standard opening and closing spiels and prescribed call handling procedures for each call, many university graduates eventually find the job too mechanical. They soon realize that the skills they learned in school do not match those required in the call center and thus seek for opportunities where they may actually make good use of them. If you ranked among the top 15 in the medical technologists' licensure exam, try taking credit card payments or pizza orders for eight hours and you'll get the feeling.

While the call center industry has been able to generate thousands of jobs in the last few years, there is concern whether the kind of skills developed in such field can be of productive use to the country in the coming years. The call center industry is an unstable avenue for employment. It will likely be gone when investors can no longer maximize their profits here. When that happens, what will the government do with the New Yorker and British-sounding sectors of the labor force? What will become of the nurses, teachers and social workers whose skills would have degenerated by that time?

How long will the sun shine on the sunshine industry?

The sun will likely shine on the call center industry if the government can ensure three things: if Filipinos can continue to speak good English, if the government can keep its labor rates low and if it can develop its I.T. infrastructure. The third condition may be negotiable in light of the tax incentives that the government offers to outsourcing investors. Failure to guarantee the first two conditions, however, could mean an even bleaker unemployment rate for the country.

The 2003 Asian Call Center Review ranked the Philippines first in the offshore call center industry for the Asian region, surpassing India which landed at second spot. The main reason: Filipinos' "superior communication and English skills." The report indicated that Filipinos speak better English than their Indian counterparts, being the most "westernized" people in the region. This, combined with several other factors, led the authors to suggest the Philippines as "the most suitable destination for English-speaking call center activity in Asia." But that was in 2003.

Recent industry figures, however, show that only four out of 100 Filipinos who apply for a job as a call center agent pass the communication exam. This means that out of the 600,000 applicants that will be screened by the call centers for 2005, only 24,000, or less, are likely to pass. The number of Filipino college graduates who can speak good English, by the industry's standards, is dwindling. And given the government's measly performance in improving the quality of education in the country, it is likely that the current figures can only get worse. The government's failure to churn out proficient English speakers in the coming years may lead call centers to pack up their bags and leave for lack of available qualified manpower. China only needs another ten years to catch up on our English proficiency.

The call center industry may likewise continue to thrive on Philippine soils if the government continues to remain docile in improving the labor sector; that is, if it can keep minimum wages low. Outsourcing and call centers are capitalist endeavors. For as long as investors can maximize their profits, the Philippines will remain a prime call center hub. This means that while the prices of commodities shoot up, the government must not act to give Juan de La Cruz a little raise on his salary. If the minimum wage is kept low, then call centers can continue offering their current rate. In light of this, one can only surmise just how reluctant the government will be in raising the minimum wage if it wants to keep the sun shining on this industry.

Conclusion

The call center industry supposedly holds a huge potential for bringing in more revenues for the government and creating more jobs for the Filipinos. The sustainability of the industry, however, depends on government's willingness to effect changes in the education sector to meet the demand for an English-proficient labor pool. Significantly, it also depends on how much longer the government can keep labor rates in the country to the lowest. But alongside its efforts to keep the call center industry afloat, there are many things that the government must do to improve the country's labor sector in general.

Recent implementation of "English Only" policies in Metro Manila universities and the on-going debate in Congress regarding the standard medium of instruction in schools, wherein English seems to be the favored language, have fueled the belief that the government is actively pushing for graduates to seriously consider call centers as an avenue for employment at present and in the coming years. To ensure this, however, the government must introduce changes in the educational system at the soonest possible time in order that we can continue to produce college graduates who have sufficient grasp of the English language.

Indeed, while Filipinos' fluency in English harnesses their competitiveness in the world labor market, the government must consider that the improvements needed in the educational system go beyond ensuring English language proficiency. For one, the current education system primarily trains students for employment; it does not develop entrepreneurial skills. But if entrepreneurship is effectively incorporated in all stages of the current school curricula, the majority of Filipino graduates may not see the need to look for jobs overseas or in local corporate districts. Instead, they can set up new enterprises and make a living here. The government should strive to improve the current education system so it can provide future graduates the option to establish their own business ventures which, in turn, could help create jobs for hundreds, if not thousands, of the unemployed Filipinos.

Another path that the government should pursue involves the enhancement of technical and vocational education and the upgrading of degrees that can help develop local industries, such as agriculture. Currently, an education leading to blue-collar jobs is not appreciated by many young Filipinos. But some education experts warn that a change of mindset is necessary. Given the lack of white collar jobs locally and the fact that degrees earned in the Philippines do not always guarantee employment in foreign white-collar workplace, nearly two-thirds of the college graduates the country produces annually end up jobless. Experts contend that vocational and technical education leading towards blue-collar jobs is a viable way to lessen the unemployment rate in the country.

In the 1970's, our neighboring countries such as Thailand and Vietnam used to send their scholars to the Philippines to learn about the country's advancements in agriculture, among others in rice production. Nowadays, however, the table has been turned. It is disheartening to note that we are now importing rice from these countries. Considering that the Philippines is a largely agricultural country, government efforts to develop the agriculture sector in order to maximize its potential to provide jobs and livelihood to Filipinos has been very deficient. In light of this, the government must likewise effect changes in the education sector so that it can contribute more towards the improvement of the country's agriculture. But if it continues to cut the education budget such that state agricultural training schools and colleges have very little to operate on, it is rather not surprising if the number of agricultural jobs remains low. If and when the call center industry packs up, maybe only then will the government look at agriculture more seriously.

The government may not find it difficult to meet the second requirement of keeping labor rates at their lowest. After all, it has failed and continually fails to take significant actions towards raising the Filipinos' standard of living, beginning with providing a decent and livable wage to Filipino workers. For a long time now, there has been a great disparity between minimum wage and cost of living. As prices of commodities continue to spiral, wages remain at a constant low.

But the government may be more than willing to do this because the continuing boom of the call center industry works to its advantage. The industry serves as a convenient excuse for government's complacency in creating more jobs and developing other industries. The industry serves as a cover-up for the lack of jobs delivered by the government vis-à-vis the million jobs targeted by the President before her term ends. It helps conceal government's inability to deliver quality jobs wherein Filipino graduates can best apply and hone their skills.

If this *quid pro quo* arrangement is sustained, the sun may just continue shining on the Philippine call center industry. But even then, it is no assurance that Filipino workers can enjoy productive and fulfilling lives as a product of their sweat and toil.

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