BPO INDUSTRY IN ACHIEVING SOCIO-ECONOMIC DEVELOPMENT INCLUSIVENESS AND LOCAL GOVERNANCE IN THE PHILIPPINES

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ABSTRACT: Despite the threats and challenges confronting many economies, the Business Process Outsourcing (BPO) industry in the Philippines has grown 10% per year in the last decade, ensuring the country's economic stability. Quezon City is the Philippines' ICT capital and has the most BPO workers in the National Capital Region, comprising 135 BPO establishments and 75 tax-paying BPO firms. The city was awarded the most significant office development in 2019. This study fills a knowledge gap by evaluating the BPO industry's contribution to the Quezon City's local government to improve future efforts for the growth of the BPO industry in the city and its socioeconomic status. The case study method of qualitative research was used in the methodology. The essential data was gathered from the Philippine Statistics Authority (PSA), the Philippine Economic Zone Authority (PEZA), the City Government of Quezon City, and in-depth interviews with focal persons from government bodies and the BPO industry. Despite COVID-19, the Quezon City BPO industry remained resilient and flourished from 2019 to 2021. The local partnership program between the private and public sectors aided in the continuous operation of the BPO industry, job retention, and revenue generation. The Business Process Outsourcing (BPO) industry has generated significant revenue for the betterment of the local government unit of Quezon City and the country, Philippines.

KEYWORDS: Business Outsourcing Process (BPO), Philippines, Quezon City, Socio-Economic Status, Socio-economy

1. INTRODUCTION

Despite the difficulties and challenges that many economies are facing, the IT-BPO industry has expanded its operations over the last decade (Thompson, 2020). By 2010, 60% of multinational CEOs believed that BPO was critical to the long-term viability of market models. Almost every company now outsources at least some of its marketing functions. The global business process outsourcing market is now worth $250 billion (Nadkarni & Herrmann, 2010; Oxford, 2020). Business process outsourcing accounts for 10% to 15% of the global BPO market in the Philippines, with the local BPO industry growing at a compounded annual growth rate of 10% in recent years and consistently ranking among the top ten outsourcing destinations globally (Errighi et al., 2016; Tamage-Roston, 2021).

The BPO sector is one of the two primary "legs" of the Philippine economy, creating over a million jobs in recent years and demonstrating the sector's importance to the economy (Lambregts et al., 2015). However, due to the pandemic, BPO firms were unable to maintain normal labor levels in 2020 (Contreras et al., 2020; Thompson, 2020). International businesses that have been harmed have responded in a variety of ways. Some companies try to entice employees to work from home by installing digital equipment in their homes (International Labour Organization, 2020; Pearce & Pearce II, 2020). Many work-from-home opportunities are insufficient in Manila due to the average household size of 5-5 people and "inadequate yet expensive internet connections" (Salac et al., 2016; Ocampo & Yamagishi, 2020). According to studies, the future of the BPO industry and the livelihoods of its employees, particularly those who work from home, are jeopardized by the difficulties faced by large-scale home workers as a result of the widespread withdrawal of foreign direct investment (FDI) (Mantri, et al., 2020; Scholz, 2017; Stirpe, 2021).

Despite the current challenges of internet connectivity and data security, the government continues to invest in workforce digital skills training (Flores et al., 2020). Even so, it is unclear whether the country's BPO industry will be able to keep up with such rapid growth in certain local government bodies (Mann & Graham, 2016; Mann, 2018). In this regard, this study sought to examine the BPO industry's impact on the socio-economic development of the Quezon City Local Government Unit; more specifically, this paper addresses a knowledge gap by elaborating on the current state and impacts of BPO, as well as how the local government supports the industry's operations. As a result, this study could serve as a springboard for further research studies.

2. LITERATURE REVIEW

The Local Government can serve as a catalyst for achieving a national vision and establishing a globally competitive industry, thereby making Quezon City a more appealing location for BPO industries. Michael Porter's Theory of Competitive Advantage was used in this paper study (Porter, 1985). According to competitive advantage theory, states and businesses should pursue policies that result in high-quality services sold at high market prices. Furthermore, increased productivity should be the top priority of the national strategy. The argument is based on the assumption that plentiful economic labor and natural resources are not required for a thriving economy. The Theory of Competitive Advantage recognizes the significance of government acts as well as the viability of a competitive strategy. As a result, the government is critical in assisting industries in growing and gaining trust, as well as in implementing policies that promote the development of national advantages for the country's industries in order to boost the country's global competitiveness. Many efforts were made in the Philippines to promote the free flow of commerce. The local government of
Quezon City, as the country's most prominent revenue collector, indicates that when Porter's theory is applied to the BPO industry, the competitive advantage is based more on human factors.

In 1992, Frank Holz of Accenture pioneered Business Process Outsourcing (BPO) in the Philippines. The Partnership is in charge of creating and disseminating information about the country's first Global Resource Center (Wahome, 2017). The ability of a country's industry to innovate and upgrade determines its competitiveness—the BPO industry primarily uses Human Resources. Between 2005 and 2010, the number of Filipinos working in BPO increased. It had over one million employees and was responsible for 27% of all new job creation in this industry (Moratilla, 2019; Magbitay-Ramos et al., 2007). The Philippines has been designated as the global center for business process outsourcing (BPO). Following that, the BPO sector grew and generated enormous revenue, becoming the sector with the most private-sector job opportunities (Kuek et al., 2015). Quezon City, where the study was conducted, is regarded as the country's ICT capital. It has the highest concentration of employment in Metro Manila, which allows it to increase output and exports. Despite the fact that COVID-19 had a significant impact on the economy, the Department of Finance (DOF) has named Quezon City the top-performing city in terms of local revenue generation for 2020. The government must support and develop competitiveness policies in order to make Quezon City an appealing BPO location.

3. RESEARCH METHOD

In this study, a case study method was used. A qualitative research method concerned with the contribution of the BPO industry to the socioeconomic status of the Quezon City Local Government. A case study is a comprehensive examination of a specific person or unit that is intended to represent the entire unit (Gustafsson, 2017). In addition, the method is a systematic investigation of another unit in which researchers investigate detailed data related to various variables (Heale & Twycross, 2017). The researchers obtained statistics on employment, tax collection, and revenue from the Philippine Statistics Office (PSA), the Philippine Economic Zone Authority (PEZA), and the Quezon City Local Government Unit. Using a stratified random sampling design, a thorough semi-structured interview was conducted with focal persons from BPO and LGU employees in Quezon City. The sampling design aided researchers in assessing the effects of the BPO industry on the local economy of Quezon City in light of the COVID-19 pandemic. Because case studies are qualitative in nature, the data defining an occurrence in terms of its real-world concepts are included in the study. The content analysis is ideal for analyzing data to fill a knowledge gap by providing missing information about the contributions of the BPO industry in the Quezon City area (Paradis, E. et al., 2016). Using these data collection techniques made it simple to understand the data, transforming it into useful information for decision-making and drawing conclusions about the contributions of the BPO industry to the socio-economic development of the LGU of Quezon City.

4. RESULT AND DISCUSSION

The number of Business Process Outsourcing companies in Quezon City has steadily increased over the last five years. Quezon City is known as the Philippines' Information and Communication Technology Capital. The city meets the needs of investors by providing ideal locations, skills, and infrastructure. Quezon City has the most IT-BPO personnel of any city in the National Capital Region in 2020, according to the Philippines Statistics Authority (2021), with 106,721 workers. It is only second to Makati City in Metro Manila in terms of IT-BPO establishments, with 135 IT-BPO infrastructures and 75 BPO taxpayer companies. The Business Process Outsourcing industry is well-known in Quezon City for its contributions. However, due to an unexpected global health disaster, it may not last long. In light of this, the researchers investigated the impact of the BPO industry on Quezon City's socioeconomic position. It used socioeconomic factors such as employment, taxation, and revenue to assess the BPO industry's current position and contribution to the Quezon City LGU. It also detailed the LGU's support for the growth of the BPO industry.

The local government provides the essential investor needs for sufficient space, people, infrastructure, and a business climate, all of which are required to attract a global services location through Executive Order No. 12 Series of 2021, also known as the Creating the Quezon City Business Process and Global Services Industry Development Council. As a result, Quezon City is known as the information and communication technology capital of the Philippines. To maintain its status, the city formed the Quezon City Business Process and Global Services Industry Development Council, or BPGS Council. This council acts as planning, implementation, and coordination office for the development of the business process and global services sectors. It collaborates with other national government agencies and business organizations to promote ICT investment as a means of reducing poverty through increased resident competency and job creation. It promotes public-private partnerships and advises on appropriate laws for business processes and global services sector initiatives, particularly in light of the COVID-19 epidemic that has afflicted the working class of the BPO industry.

4.1. The Employment Status of the BPO Industry in Quezon City year 2018-2020

There is no global pandemic affecting work or school in 2018. The Philippines consistently ranks among the top global business process outsourcing providers, with its portfolio of third-party services expanding and diversifying significantly (Oxford, 2018). In 2018, the BPO industry employed approximately 88,009 people in Quezon City, accounting for 7.4 percent of the city's total economic employment rate. When compared to the previous year, the number of BPO workers in Quezon City increased by more than 15% in 2019, totaling 101,250 and accounting for 7.9 percent of total employment. According to Accenture research published in 2019, firms that strategically grow AI see a threefold return on investment when compared to those pursuing siloed proofs of concept. Employee numbers may have decreased in 2018, indicating that BPO firms improved their competitiveness by investing in and shifting to Artificial Intelligence, but they eventually hired more workers in 2019. The year 2020 brought with it a new and challenging opportunity for the Philippine BPO market. Lockdowns were imposed, and the government's top priority became the Filipino people's health (Department of Health, 2021). Business process outsourcing (BPO) operations, on the other hand, have been exempt from closure during quarantine periods, demonstrating their importance to the country's economic interests and allowing for work-from-home arrangements (Thompson, 2020).

Regardless of the COVID-19 Pandemic in 2020, Quezon City's BPO industry shows resilience, growing 5% over the previous year and employing 106,721 people. It also provided 9% to Quezon City's overall economic employment rate. This employment number rises month after month as more people...
realize they can work from home, avoid expensive trips, and keep their jobs when lockdowns occur (Talmage-Rostron, 2021). Workers are also shifting careers to remote employment, e-commerce, and automation as a result of the closure of other enterprises (Lund et al., 2021). From 2018 to 2020, the annual shifts in the total employment rate of the BPO business in Quezon City are depicted in Figure 1.

![Figure 1. Annual Quezon City BPO Employment Compared to Whole Quezon City Employment 2018-2020](source)

Figure 1 shows the contribution of the BPO industry to Quezon City in terms of employment, and it is compared to the whole of Quezon City’s population of employment to illustrate how significant is the contribution of the Industry to the City. The figure also reveals an increasing growth pattern of employment status in the BPO industry located in Quezon City. Employment statistics for 2021 are unavailable since the Philippine Statistics Authority (PSA) has not produced recent employment statistics, and the Quezon City Local Government Unit (LGU) does not share data with researchers for privacy reasons. The data for employment consists of the 3 jobs under BPO activities such as Call Center operations under the PSA code N8821, Back-Office Activities PSA code N8222 and Non-voice related activities PSA code N8229.

According to the Philippine Statistics Authority (2021), the list of BPO establishments in Quezon City is based on a database of all Philippine establishments. The PSA makes no claim as to whether or not these BPOs are registered with any regulating authority, such as the SEC, CDA, or DTI. As of November 2021, the total employment of PEZA-registered enterprises in Quezon City's economic zones was 202,725 people, according to the Philippine Economic Zone Authority (PEZA). PEZA notes that this data does not reflect the total number of employees at all Quezon City BPO companies, but only those that have registered with PEZA. However, due to PEZA memorandum circular no. 2002-007, which specifies that all BPOs registered with PEZA are exempt from LGU permits and Local Taxes, Licenses, and Fees, PEZA-registered BPO enterprises cannot pay to the Quezon City Local Government Unit.

4.2. Revenue Status of the BPO Industry in Quezon City from 2019 - 2021

The researchers gathered figures from the City Treasurer's Office and the Bureau of Local Government Finance in order to better understand the contributions of the BPO industry to the local socio-economic situation of Quezon City. Due to privacy and security restrictions, the Quezon City Treasurer's Office and the Bureau only supplied a preliminary estimate of the annual revenue. Apart from that, BPO firms initially refused to divulge data on their annual revenue, employment status, and tax collection. Companies take data and privacy seriously, especially when it comes to their consumers, employees, and other economic assets.

![Figure 2. Annual Revenue Status of BPO industry in Quezon City 2019-2021](source)

According to a data analysis from the Quezon City Treasurer's Office, the estimated amount for revenue from call centers, back-office operations, and other non-voice-related activities in 2020 is ₱25,600,000,000.00. According to data from the Bureau of Local Government Finance (BLGF), Quezon City's BPO business income climbed by about 14 percent from 19.33 billion in 2019 to 22.04 billion in 2020. From 22.04 billion in 2020 to 25.69 billion in 2021, the Treasurer's Office reported a 16 percent annual percentage growth rate. In 2019, Quezon City's total assets were ₱96.423 billion, which implies the BPO industry contributed 18.63 percent to the total. The Quezon City LGU gained ₱355.91 billion in total assets in 2020, with the BPO industry accounting for 4.87 percent of it. There is yet no information about Quezon City LGU's total assets in 2021. According to Philippine tax rules, local governments can take 2% of the entire yearly income of the business process outsourcing (BPO) industry within their jurisdiction. The report does not contain figures from some BPO companies that benefit from the Philippine Economic Zone Authority's tax advantages (PEZA).

4.3. Tax Collection of the BPO industry of Quezon City from 2019 - 2021

Taxation is vital because it allows governments to raise funds for social programs. If the government did not have to pay taxes, it would be difficult for it to contribute to numerous areas. Quezon City's local government was named the top revenue collector in the Philippines in 2021, highlighting the importance of tax collection. Quezon City, as we all know, is one of the country's infrastructure centers. There were several enterprises, businesses, and corporations in this region, allowing income generation to flourish. The QC Treasurer's Office released information on monthly tax collections for the 2019-2020 fiscal year. As per the City Treasurer's Office, this industry is one of the most important sources of revenue for the city. From 386,600,000.00 in 2019 to 440,800,000.00 in 2020, there is a 14.02 percent growth. The next year had a more noticeable increase of 16.57 percent, totaling ₱513,800,000.00.
The Covid-19 epidemic hit both 2020 and 2021, which is why many individuals found it in demand because it is a job that can be done at home. Quezon City was named the top income producer in the country by the Bureau of Local Government Finance (BLGF) in 2020. According to them, local taxes accounted for at least 94 percent of total income in 2020, totaling $22.04 billion. Given the city's working population, it is certainly true that the local BPO business employed a large number of employees from 2019 to 2020. Accenture Inc., Concentrix CVG Philippines Inc., and Alorica Teleservices Inc. were the top taxpayers in the industry, according to Treasurer's Office data. These top three corporations, as well as the rest, do not pay their taxes on a monthly basis since they pay according to their LGU agreements. Accenture Inc. paid P78,342,832.97, Concentrix CVG Philippines Inc. paid P27,997,309.04, and Alorica Teleservices Inc. paid P23,991,578.95, according to statistics from 2021. The researchers can state that there are a lot of tax collecting sources in Quezon City because there are 75 tax-paying companies there.

5. CONCLUSION

Based on the information gathered, the researchers came to the following conclusions. Despite the occurrence of Covid-19, the BPO industry in Quezon City has remained resilient and has been steadily growing between 2019 and 2021. Because of the industry's continuous operation, the socioeconomic aspect of employment rate, revenue status, and tax collection increased significantly, allowing a large number of employees to work on-site or remotely. The Quezon City Local Government Unit has recognized the BPO industry's enormous impact on local socioeconomic development because it is one of the sectors that has continued to hire employees from 2019 to 2021. The private and public sectors' local collaboration program aided in the operation of the BPO sector, job retention, and revenue generation.

The Business Process Outsourcing (BPO) industry has made significant contributions to Quezon City’s local government unit and the state's economy. Through Executive Ordinance No. 12 Series of 2021 of Quezon City, it prioritizes the BPO/ICT industry. The pandemic was one of the industry's challenges, which is why BPO employees received aid and assistance from the Quezon City LGU, which put these workers on the city's priority list so that they could continue their operations while remaining safe. Other issues confronting BPO employees can be addressed through increased collaboration between the government and the BPO industry.

The recognition of the BPO industry and its outstanding socioeconomic performance by the national government and the local government of Quezon City is significant and should be maintained. The Quezon City LGU should maintain contact with the BPO industry in order to facilitate highly flexible and efficient efforts and practices in managing local BPO workforces. Finally, Quezon City should develop new collaborative mechanisms to boost BPO economic returns (BPO). Partnerships centered on the workforce of the industry, such as call center operations, back-office operations, and related non-voice operations should be prioritized.

REFERENCES


