

**ECONOMIC PERFORMANCE OF THE BUSINESS PROCESS  
OUTSOURCING INDUSTRY IN THE PHILIPPINES**

**THESIS**

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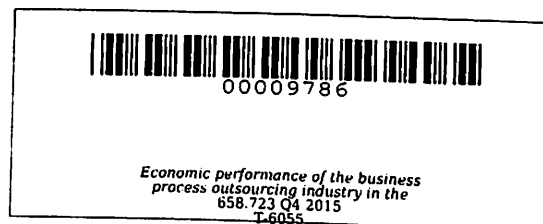
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## **ABSTRACT**

**QUINTANILLA, KRIZELLE W. Economic Performance of the Business Process Outsourcing Industry In The Philippines.** Undergraduate Thesis. Bachelor of Science in Economics, major in Business Economics, Cavite State University, Indang, Cavite. April 2015. Adviser: Ms. Maria Soledad M. Lising.

This study was conducted in the Philippines from October to December 2014. It aimed to determine the economic performance of the business process outsourcing industry in the Philippines. Specifically, the study aimed to determine the (1) trend of business process outsourcing industry in the Philippines from 1999-2013; (2) trend of selected economic variables namely: employment, cost of labor, revenue and export in business process outsourcing industry by category in the Philippines 1999-2013; (3) percentage share of employment generated from business process outsourcing to total employment in the Philippines; (4) percentage share of cost of labor from business process outsourcing industry by category in the Philippines; (5) percentage share of revenue from business process outsourcing industry by category in the Philippines; (6) percentage share of export from business process outsourcing industry to the total export in the service sector; (7) relationship between revenue and selected variables namely: employment, cost of labor, and export in business process outsourcing industry in the Philippines; and (8) project the value of selected variables namely: employment, cost of labor, and revenue export in business process outsourcing industry by category in the Philippines from 2015-2019.

The study revealed that the trend of BPO and selected variables were increasing from 1999 to 2013. The data showed the trend analysis of selected variables such as employment, cost of labor, revenue, and export from 1999 to 2013. The BPO shared an

average of 300,267 employees or 1 percent to the total employment in the Philippines from 1999 to 2013. In terms of the cost of labor and revenues generated, contact center, software development, and other BPOs were the top three largest contributors among the five categories in the BPO industry. Contact center contributed an average of 62.50 percent, software development contributed 17.99 percent and the other BPOs contributed 17.66 percent to the cost of labor from 2003 to 2013. Furthermore, contact centers contributed an average of 44.44 percent, other BPOs shared an average of 27.04 and software development contributed 26.04 percent to the revenue of the total industry from 1999-2013. Moreover, the BPO industry had an average percentage share of 37.77 percent to the total export from service sector in the country.

Using regression analysis, the results showed that revenue had a significant positive relationship to employment and exports in the BPO industry while the cost of labor had a negative relationship to revenue. The null hypothesis that there is no significant relationship between revenue and the selected variables was rejected. Moreover, the selected variables were forecasted to increase for the next five years from 2014 to 2018.

## TABLE OF CONTENTS

	Page
<b>APPROVAL SHEET .....</b>	<b>ii</b>
<b>BIOGRAPHICAL DATA.....</b>	<b>iii</b>
<b>ACKNOWLEDGMENT.....</b>	<b>iv</b>
<b>ABSTRACT.....</b>	<b>vi</b>
<b>LIST OF TABLES.....</b>	<b>xi</b>
<b>LIST OF FIGURES.....</b>	<b>xiii</b>
<b>LIST OF APPENDIX TABLES.....</b>	<b>xiv</b>
<b>LIST OF APPENDIX FIGURES.....</b>	<b>xv</b>
<b>INTRODUCTION.....</b>	<b>1</b>
Statement of the Problem.....	3
Objective of the Study.....	4
Importance of the Study.....	5
Time and Place of the Study.....	5
Scope and Limitation of the Study.....	6
Definition of Terms.....	6
Conceptual Framework.....	8
<b>REVIEW OF RELATED LITERATURE .....</b>	<b>11</b>
<b>METHODOLOGY.....</b>	<b>23</b>
Research Design.....	23
Hypothesis .....	23
Sources of Data .....	24

Data Gathered .....	24
Data Analysis.....	24
Level of Significance.....	26
<b>RESULT AND DISCUSSION.....</b>	<b>27</b>
Trend of Business Process Outsourcing in the Philippines .....	27
Trend of Selected Economic Variables.....	31
Employment.....	31
Cost of labor.....	37
Revenue.....	40
Export.....	45
Percentage Share of Employment Generated from BPO Industry to the Total Employment in Service Sector in the Philippines.....	52
Percentage Share of Cost of Labor by Category in BPO Industry.....	52
Percentage Share of Revenue of the BPO Industry by Category in the Philippines .....	57
Percentage Share of Export from BPO to the Total Export in the Service Sector in the Philippines.....	57
Relationship between Revenue and Selected Economic Variables.....	60
Projected Value of Selected Economic Variables.....	67
<b>SUMMARY, CONCLUSION, AND RECOMMENDATION.....</b>	<b>70</b>
Summary.....	70
Conclusion.....	72
Recommendation .....	73

REFERENCES.....	74
APPENDICES.....	78

## LIST OF TABLES

Table		Page
1	Number of BPO firms in the Philippines, 1999-2013 .....	28
2	Employment created by Business Process Outsourcing by category, 1999-2013 .....	33
3	Cost of labor of BPO by category, 2003-2013 (in million US\$) .....	39
4	Revenue generated of BPO by category, 1999-2013 (in million US\$) .....	43
5	Export generated of BPO by category, 2001-2013 (in million US\$) .....	49
6	Percentage share of employment from BPO to the total employment of service sector 1999-2013 .....	53
7	Percentage share of cost of labor by category in the Philippine- BPO industry from 2003-2013.....	55
8	Percentage share to growth of different categories in terms of revenue from 1999-2013 .....	59
9	Percentage share of BPO to the total export services in the Philippines, 1999-2013 .....	61
10	Regression estimate of the relationship between revenue and the selected economic variables .....	64
11	Regression estimate using stepwise of the relationship between revenue and the selected economic variables .....	66
12	Projected value of employment from 2014-2018 .....	67
13	Projected value of cost of labor from 2014-2018 .....	68
14	Projected value of revenue from 2014-2018 .....	68
15	Projected value of export from 2014-2018 .....	69



## LIST OF FIGURES

Figure		Page
1	The contribution of business process outsourcing industry to the economic performance of the Philippine .....	10
2	Registered BPO firms in the Philippines from 1999-2013.....	29
3	Growth of BPO firms in the Philippines from 1999-2013 .....	30
4	Trend of Philippine-BPO employment by category from 1999-2013 .....	32
5	Employment created by BPO industry (growth rate) from 1999-2013 .....	36
6	Trend of cost of labor by BPO industry from 2003-2013 .....	38
7	Cost of labor by BPO industry (growth rate) from 2003-2013 .....	41
8	Trend of revenue of 1999-2013 .....	42
9	Revenue from BPO industry (growth rate) from 1999-2013 .....	46
10	Trend of export from BPO industry from 1999-2013.....	47
11	Export from BPO industry (growth rate) from 2001-2013 .....	51
12	Share of BPO industry to the total employment of service sector in the Philippines from 1999- 2013 .....	54
13	Share of different categories to the total cost of labor in BPO industry 2003-2013 .....	56
14	Share of revenue in different categories to the total revenue of BPO industry 1999-2013 .....	58
15	Share of BPO to the total export of service sector industry 1999-2013.....	62

## LIST OF APPENDICES

Appendix		Page
A	Letter .....	79
B	Tables .....	81
C	Figures .....	85

## APPENDIX TABLES

Appendix		Page
1	Average monthly salaries of IT professionals .....	82
2	Residuals statistics/ ANOVA using full model .....	83
3	Residuals statistics/ ANOVA using stepwise regression .....	84

## APPENDIX FIGURES

Appendix		Page
1	Projected trend of employment from BPO industry for five years.....	86
2	Projected trend of cost of labor from BPO industry for five years .....	87
3	Projected trend of revenue from BPO industry for five years .....	88
4	Projected trend of export from BPO industry for five years .....	89

# **ECONOMIC PERFORMANCE OF THE BUSINESS PROCESS OUTSOURCING INDUSTRY IN THE PHILIPPINES**

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## **INTRODUCTION**

The Information Technology services, specifically the business process outsourcing industry experienced an extraordinary growth for the past few years compared to other sectors. The Philippine government considered the business process outsourcing industry as one of the key employment generation in order to ease the problem of unemployment in the country (Mira, 2009).

According to the Department of Trade and Industry, business process outsourcing is defined as the delegation of service-type business to a third party service provider. In a broad sense, outsourcing industry is the relocation of business process from one country to another, which includes business process such as production, or services, where there is a significant reduction in labor cost (Amante, 2008). Also, it has an ability to create an employment as well as generate high income that can contribute to the growth of the Philippine economy. Globalization and modernization of technology leads to the increase in demand of online transfer of labor in different developing countries such as India and