

# STATE OF THE SHARED SERVICES AND OUTSOURCING INDUSTRY

## PHILIPPINES REPORT 2024



# INTRODUCTION

## Philippines & The BPO Industry

The Philippines has firmly established itself within the shared services industry as a key business process outsourcing (BPO) location. Data collected by [SSON Research & Analytics](#) reveals that of the 746 recorded Filipino shared service centers (SSCs), over 52% are BPO centers (390). [The Shared Services & BPO Atlas](#) ranks the country second for the number of BPO centers, only behind India (571). Interestingly, despite the Philippines being approximately 33 times smaller, at almost 116,000 square miles, than the United States (3,800,000 square miles) and possessing just under 35% of its population, the two countries have a virtually identical amount of BPO centers, as the US has 383.

### BPO CENTRES in the WORLD

Country Name	Total
INDIA	571
PHILIPPINES	390
UNITED STATES	383
SPAIN	270
POLAND	202
MALAYSIA	175
FRANCE	94
UNITED KINGDOM	94
PORTUGAL	91
CHINA	69

The Philippines is only predicted to grow as a leader in the BPO sector, with a 7% projected growth for 2024. This would raise the country's revenue from \$37.4 billion to \$37.87 billion. Beyond contributing massively to the country's economy, the BPO industry generates many job opportunities. In fact, the Information Technology-Business Process Management Association of the Philippines (IBPAP) expects an additional 1.1 million BPO employees between 2022 and 2028.

The island country is an attractive location for BPO centers partly due to the Filipino government facilitating the industry's growth through hybrid work policies. The country boasts financing programs and schemes to assist smaller-scale businesses. This favorable governance landscape then prompts foreign investment, which allows the sector to grow further. Beyond government initiatives, the Philippines possesses a high-quality talent pool and a strong infrastructure, which this report will explore.

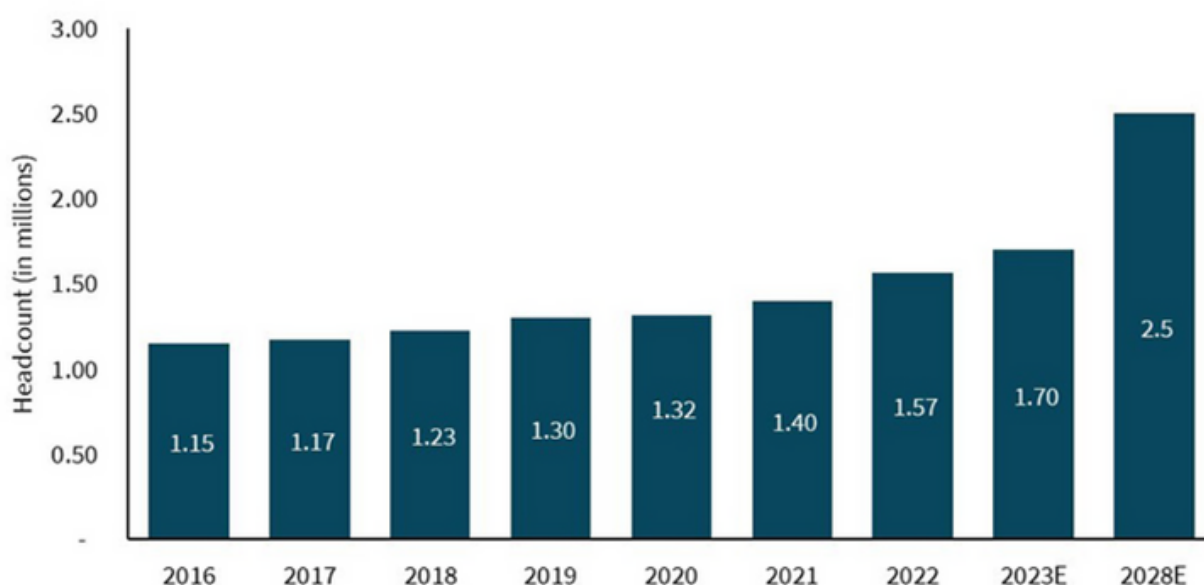
## Challenges Within The BPO Industry

Despite the abundant BPO industry in the Philippines, the use of outsourcing by Filipino shared service organizations appears to be relatively low. According to the [SSON State of the Shared Services and Outsourcing Industry Survey, Q4 2023](#), just under 48% utilize outsourcing. With over half of organizations not leveraging outsourcing at all, a further 14% are planning to decrease their use of outsourcing in the next year.

This could potentially be explained by the effects the COVID-19 pandemic had on working models. For one, it has produced countless possibilities to leverage a remote workforce, meaning many functions that are traditionally outsourced can be done by in-house employees from anywhere in the world. The rise of remote working means that organizations are no longer limited by location when recruiting, making skills needed for roles such as data processing, HR functions, and accounting tasks more accessible. Another contributing factor is the rising amount of technology solutions available. Rather than rely on a third-party provider by developing a BPO center, businesses can instead invest in automation initiatives in their captive centers.

However, a wider shift in the business landscape is the rising “gig economy.” [It is estimated that there are approximately 1.5 million Filipino freelancers](#) across multiple different digital platforms. According to Forbes, the Philippines possessed the sixth fastest-growing freelance market in 2019. Although the BPO industry continues to thrive in the Philippines, this data suggests some internal attitudes are changing. However, whether these changes are enough to pose a risk to the BPO industry remains unlikely.

### Number of BPO Workers



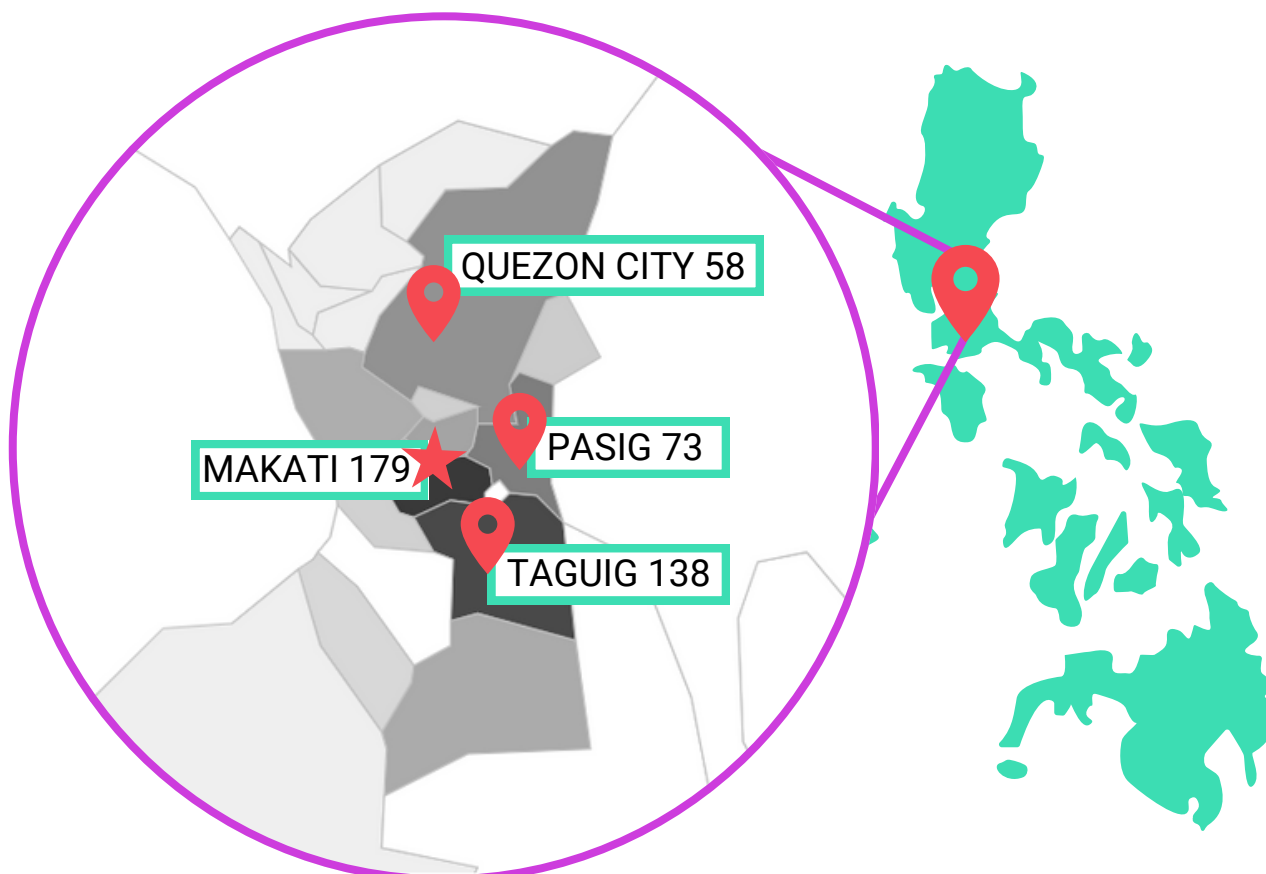
SOURCE: [IT AND BUSINESS PROCESS ASSOCIATION OF THE PHILIPPINES](#)

## Geographical Trends

Looking more widely at both captive and BPO centers, cities such as Makati and Taguig have a dense population of centers. Makati, with 179 centers, is considered the financial hub of the Philippines and has developed a range of digital initiatives to further urbanize the city. For example, the Makatizen Hub operates as a one-stop shop for citizens, which offers services such as acquiring business permits, paying business taxes, and paying real property taxes. Makati is proudly home to 40 percent of the country's top 1,000 multinational and local corporations.

Taguig possesses 137 SSCs and prides itself on being a prime location for businesses. The city benefits from low tax rates and business-centric policies. Similarly to Makati, the Taguig government has developed a Business One-Stop Shop (BOSS) to streamline business processes such as renewing licenses and tax payments.

It is no surprise that Filipino SSCs are most prevalent in the Metro Manila region, where both cities are located. As the National Capital Region of the country, it is the 11th most populous metropolitan area globally. The GDP of Metro Manila makes up 37% of the country's overall GDP. In addition, its economy grows at an approximate annual rate of 10%, whereas the country's overall annual economic growth is closer to 5%.



## What are the key benefits of having a GBS in the Philippines?



Reah Maloloy-on Yu, Site Process Lead for Digital Transformation  
**Lexmark**

**1. Talent & Skills:** The Philippine industry has acknowledged the growth of GBS, and thus is focused on sustaining this growth by prioritizing strong talent development, including the upskilling of the existing workforce. Industries, like Lexmark, are also with the academy to help influence the educational curriculum to support the increasing demands of GBS talent in the Philippines, to prepare the next batch of graduates for the evolving needs of the GBS industry.

The current Filipino workforce is very flexible, as many are open to working AP, EMEA, and NA hours. They are known to be hardworking and resilient. Stakeholders are often amazed with the resiliency of Filipinos; even when hit with typhoons, and other calamities, Filipinos find ways to bounce back quickly after the storm [...]

**2. Culture:** Filipino culture is hospitable by nature. That is why we are the number one source of talent in the service industry around the world. This is also true of the GBS organization, as Filipinos also excel in service industries because of its innate culture of delivering exceptional service.

**3. Cost:** Over the years, the Philippines has been the target of global companies to house their GBS organization because of the low costs. Now, global industries have acknowledged that, beyond just the cost, Filipinos are delivering value to the organization. We can adapt to new digital tools, enabling us to move from a transactional-driven activity to value-driven activities.

Daniel Rupinta, Vice President for Global Business Services, **iRhythm Technologies**



**1. Talent availability:** For example, approximately 80,000 nurses graduate each year in the Philippines which is a good supply to meet the needs of the Healthcare Information Management sub-sector. Close to more than 200,000 accountancy graduates are produced each year, which again will be a good supply for the GBS requirements relating to Finance work [...]

**2. Depth of GBS experience in other existing companies:** The Philippines accounts for approx. 18% of the total market share of the global outsourcing industry, so if a company wants to benchmark on best practices, concepts, and test cases from other successful GBS, it is easy to do this. Especially with the support of the Industry

Association called IT Business Process Association of the Philippines (ITBPAP).

**3. English communication skills:** There's a close affinity of the Philippine culture and education system to the West and together with that, is the strong English communication skills of the working population, especially in the younger generation.

## A key focus of GBS in Asia is automation and digitization. Do you have any tips on how GBS leaders can accelerate their digital adoption?



**1. Structure follows strategy:** Leadership commitment is key in accelerating digital adoption and putting it in the strategy is critical to ensure alignment throughout the organization.

**2.Strategy without execution is useless:** Leaders in the GBS organization should invest in the right tools to cater to the evolving needs of their processes, and to be able to meet their strategic goals.

**3.Create a team that drives the strategy:** This generates a focused leadership that helps accelerate digital adoption projects.

**4.Create a program that enables the talent to move towards digital employees:** The success of digital transformation lies in the organization's ability to influence its employees to upskill themselves and leverage digital tools. No matter how sophisticated your technological investment is, if you do not have the resources to explore how to use it, that investment will just be put to waste. Thus, leadership needs to drive the upskilling and reskilling in the organization to leverage the benefits of investing in digital tools.

My current company has just established our GBS, less than 9 months ago, so our key focus now is on work migration and headcount ramp-up [...]

But from what I am seeing, my peers in the industry are leveraging on a combination of "off-the-shelf" solutions, company-developed solutions, and hiring process excellence professionals who have strong experience in digital adoption. I would also say that there's no "one-size fits all" kind of solution for automation and digitization. A company should do a process review and identify its priorities and match its needs with the available solutions in the market.



## How do you see the Shared Services landscape in the Philippines developing in 2024?



Shared services in the Philippines continue to grow... Government support has been key in this growth.

I happened to attend a conference, which identified Manila and Cebu as the target site destinations in the Philippines for a shared services organization. But emerging areas in the Philippines like Davao, Iloilo, and Negros are now getting more traction, bringing jobs nearer to the talent in different areas of the country.

Also, with the rising competition of the different shared services in the country, plus more companies adopting full remote work, there is a risk of a scarcity of talent for those offering office/ hybrid work models.

The Philippines shared services will continue to accelerate. Based on the data I am seeing; the industry expects to hit its milestone of 2 million employees by 2025, or 9% growth. The country is very much on target to its goal of bringing an additional 1.1 Million jobs by 2028 since its roadmap launch in 2022.



There will be lots of focus on upskilling and reskilling (especially on the growing interest on AI) as the Philippines will continue to evolve and innovate to meet the growing and ever-changing needs of its global customers and stakeholders.

## Talent

The Philippines has a particularly strong talent pool, boasting a range of skills such as cultural adaptability, multilingualism, and an abundance of industry-specific capabilities.

### Education & Skills

In 2017, the Philippines passed the Universal Access to Quality Tertiary Education Act. This piece of legislation is defined as:

*“An act promoting universal access to quality tertiary education by providing free tuition and other school fees in State Universities and Colleges, Local Universities and Colleges, and State-Run Technical-Vocational Institutions, establishing the Tertiary Education Subsidy and Student Loan Program, strengthening the Unified Student Financial*

## Assistance System for Tertiary Education, and appropriating fund therefore..."




Due to this, Filipino students have access to free higher education, tertiary education subsidiaries, free vocational and technology-related education, and a robust student loan program. Unsurprisingly, more people are pursuing higher education, as the country continues to prioritize accessible education. Moreover, according to [Instructure](#), 77% of students are opting for a skills-based mindset, with many motivated by career progression opportunities. In addition, practical applications, such as certificate programs, and apprenticeships are the most popular options for young people in the country.

This bodes well for the shared services industry, as the Filipino talent pool is well-educated, and has an increasing focus on the practical applications of education. When comparing the cities Makati, Bengaluru, Shanghai, and Kuala Lumpur on [SSON Research and Analytics' City Cube](#), Makati sits in a promising position. The bustling city outranks the other cities for the number of graduates across numerous fields: arts/ humanities, business/ social sciences, engineering, languages, and science/ technology.

Compare up to <b>4 cities</b> out of <b>3,000+</b> cities available. <a href="#">Click here to add more cities</a>		<b>MAKATI</b> METRO MANILA, PHILIPPINES	<b>BENGALURU</b> KARNATAKA, INDIA	<b>SHANGHAI</b> CHINA	<b>KUALA LUMPUR</b> MALAYSIA
<span>📌</span> University bachelor degree graduate population <span>ℹ️</span>					
Arts/Humanities Graduates	ℹ️	24,307	11,098	17,162	13,655
Business/Social Science Graduates	ℹ️	21,558	12,152	18,017	14,822
Engineering Graduates	ℹ️	22,784	10,575	15,324	14,263
Language Graduates	ℹ️	24,519	11,822	18,140	14,103
Science and Technology Graduates	ℹ️	24,173	10,447	15,778	14,768
Certified Lean Leader		497	28,319	5,328	8,355
Employee Database Management		548	25,027	8,966	7,386
Lean Six Sigma		673	22,853	12,691	6,002

However, the city ranked considerably low for skills such as Certified Lean Leader, Employee Database Management, Lean Six Sigma, and the majority of General Ledger-related skills. Although the large focus on higher education has undoubtedly elevated the talent pool in the Philippines, there appears to be a lack of function-specific, hard skills. This could be troublesome as the business landscape is evolving rapidly, due to emerging technologies, and keeping up with new developments is becoming increasingly difficult. In turn, the skills needed for roles involved in Lean Six Sigma, data management, and finance have changed drastically. So, maintaining these skills is crucial to remaining competitive, which the respondents of The State of the Industry survey recognize as 55% listed upskilling as one of their top objectives for 2024.

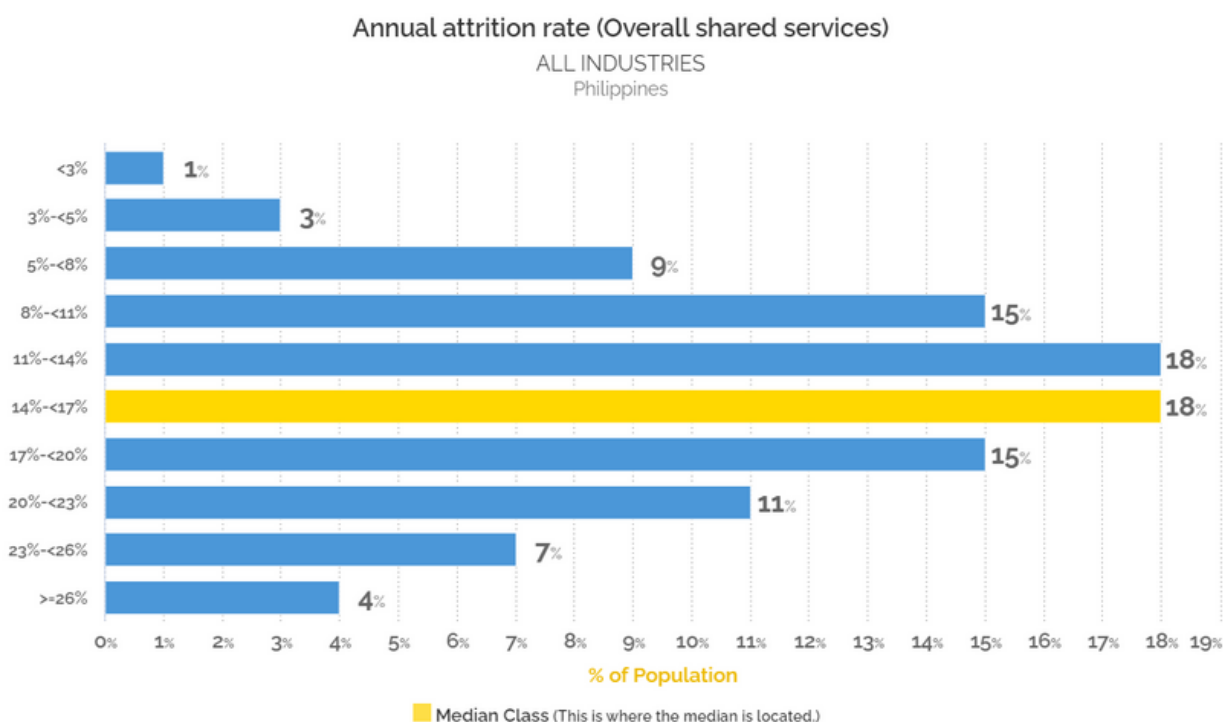
Moreover, the top 3 skills Filipino organizations are prioritizing are:

-  **Process Design/ Continuous Improvement**
-  **Customer Experience**
-  **Problem Solving**

The Philippines is in a phase of educational reform, but there are still some gaps within the talent pool. But, the country's human capital is likely only to become more formidable due to the [Philippine Development Plan \(PDP\) 2023-2028](#). One of the goals of this initiative is to implement more technical and vocational education and training (TVET). This is designed to prepare graduates for the world of work and will include enterprise-based training. With this plan in mind, along with the vast number of existing Filipino graduates, the talent pool will continue to be incredibly valuable for shared services.

## Acquisition & Retention

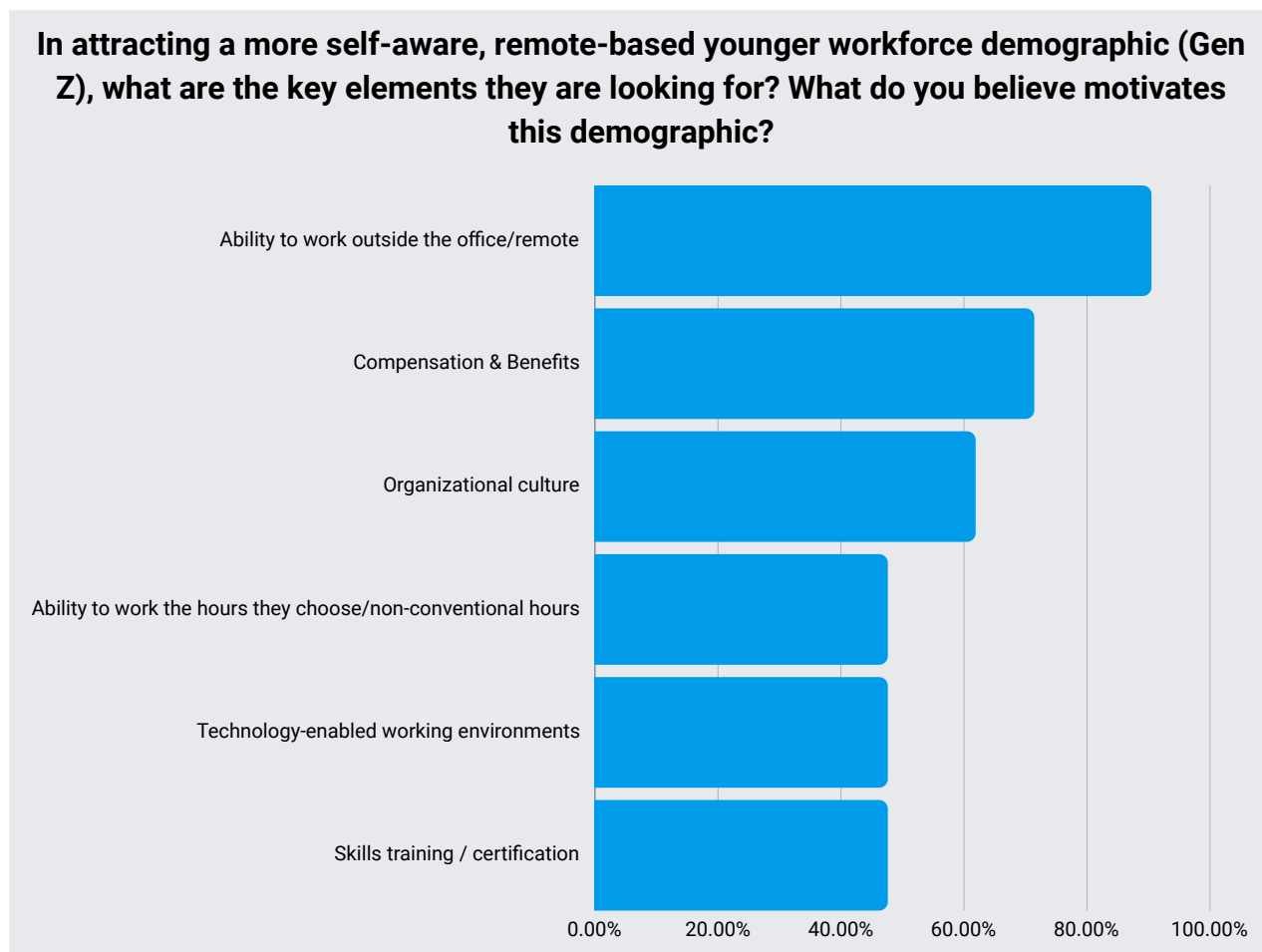
The [SSON Research & Analytics Metric Benchmarker](#) reveals that 79% of organizations in the Philippines have an annual attrition rate under 20%, whereas only 22% have an annual attrition rate of over 20%. In contrast, globally 33% of organizations have an attrition rate of over 20%. However, despite the country seemingly doing better than the global average, there are growing concerns surrounding employee retention.



For example, HR professionals are increasingly focused on employee retention, taking priority over employee management and recruitment. According to a report from the HR company Sprout, 23% of respondents noted retention as their top focus. Almost a third of the HR professionals involved in the report accredited increasing attrition to alternative remote work opportunities. These concerns are not limited to HR, as WTW argues that talent retention is the top employer challenge in 2024. This loaded statement is supported by the increase in voluntary turnover, having risen from 14.2% to 15.9% between 2022 and 2023.

In addition, many Filipino organizations are concerned about attracting talent, particularly when considering the emerging younger workforce. Gen Z and Millennials are the future of the shared services & BPO industries, and as of 2022 made up 44% of the country's labor force. When asked by SSON, shared service leaders in The Philippines believe that remote work, strong compensation & benefits, and a strong organizational culture are the top three motivators for the Gen Z demographic.

Looking more broadly, beyond the younger demographic, there appear to be four main strategies that organizations are deploying to attract talent: revising the EVP, leveraging the company brand, broadening acquisition channels, and increasing compensation & benefits. The efforts of organizations to appeal to the workforce appear to be successful, as in December 2023 the country saw a 10% increase in annual hiring.



## Technology

Like the rest of the world, the Philippines appears dedicated to prioritizing digital initiatives that integrate emerging technologies more firmly into the country.

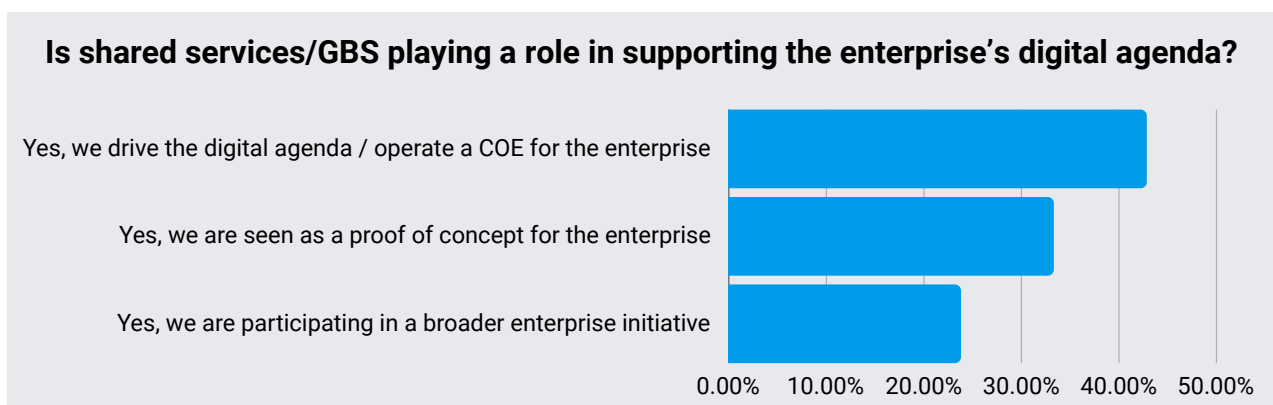
### Digital Transformation

A current challenge within the Philippines is ensuring widespread access to digital infrastructure. For example, many organizations are restricted due to high internet-related costs, especially smaller businesses, so have not been able to fully invest in digital transformation. However, there has been increased demand for better connectivity, elevated by the COVID-19 pandemic. This shifting focus towards digitization is shown by the increasing digital economy, which reached \$36.5 billion in 2022, 9.4% of the country's GDP that year.

Since the pandemic, the Philippines has continued to develop initiatives to prompt digital transformation. For example, The Philippine Development Plan (PDP) 2023-2028 has digital transformation listed as a key theme, as the project aims to bring economic and social transformation. Developing the country's digital infrastructure will generate jobs, reduce poverty, and encourage growth throughout the country.

Beyond this, in 2024, the Filipino Board of Investments has overseen its highest investment approval sum of approximately \$31.32 billion, to enhance digitalization efforts in 2024. This is a 59% increase from the 2022 allowance. Another example is the Digital Transformation Development Policy Loan. This project aims to improve government operations by enhancing its digital infrastructure to increase efficiency, expanding access to digital finance, and boosting business growth in digital services.

Although the Philippines currently has not fully embedded digital transformation into the business landscape, it is likely the digital economy will continue to grow. These developments will make waves throughout the Filipino shared services industry as, according to the SSON State of the Industry Survey Q4 2023, most organizations participate in their enterprise's digital agenda.



In addition, just over 57% of enterprise's digitization projects solely reside within the shared services/ GBS. Just under half of these specifically reside in a digital/ automation Center of Excellence. The shared services/ GBS landscape reflects the overall perception of the country, as SSCs are geared towards the digital future.

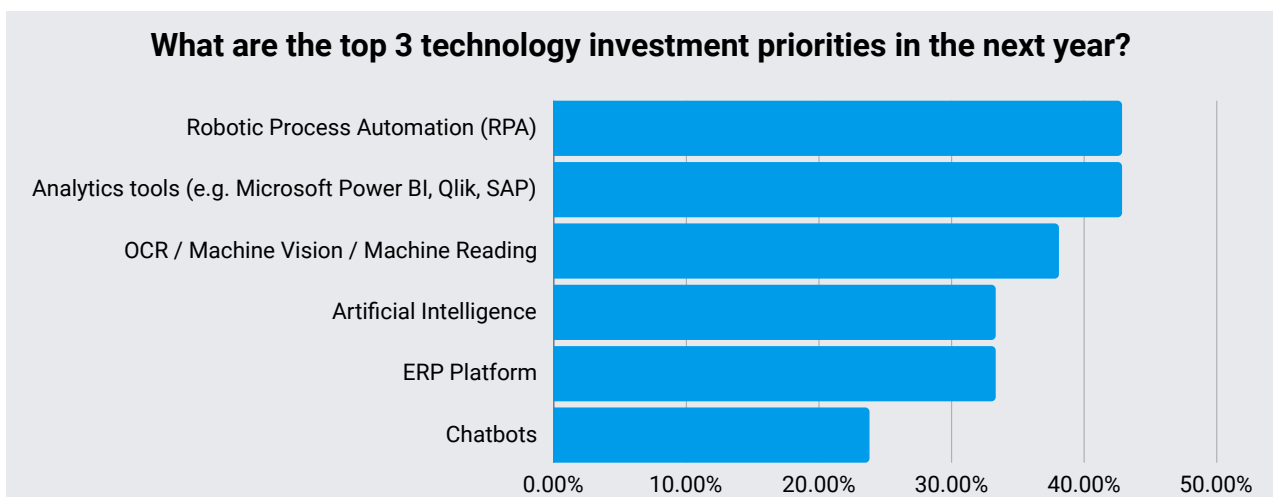
## Generative AI

Due to the slightly delayed digital transformation in the Philippines, and the fact that talent is the key value driver for Filipino SSCs, the reaction to artificial intelligence (AI) has been more cautious than other neighboring countries.

Even though generative AI could result in an increased productive capacity equalling around \$79.3 billion by 2030, there are a lot of concerns surrounding the impact generative AI will have on the country's booming BPO industry. Research conducted by Oxford Economics and digital company Cisco revealed that the Philippines will likely lose at least 1.1 million jobs by 2028.

To minimize the concerns around AI, the Philippines is developing regulations and programs to protect their human capital and leverage generative AI capabilities simultaneously. There are plans to present an AI regulatory framework to the Association of Southeast Asian Nations (ASEAN) in 2026. The framework aims to support the adoption of generative AI whilst trying to limit its impact on the BPO sector. At a business level, according to Accenture, 99% of C-suite executives plan to increase their AI investments during the next two years. However, to preserve the importance of talent within the country, 7 in 10 businesses have developed training programs to prepare the workforce for generative AI tools.

Looking specifically at shared services, the implementation of generative AI falls slightly flat. Of the organizations that have already harnessed generative AI, over 82% listed it as a low-priority tool. Moreover, under 10% listed generative AI as a technology investment priority for 2024. Instead, organizations are prioritizing RPA, analytics tools, and OCR. However, a third of respondents noted traditional AI as a priority.



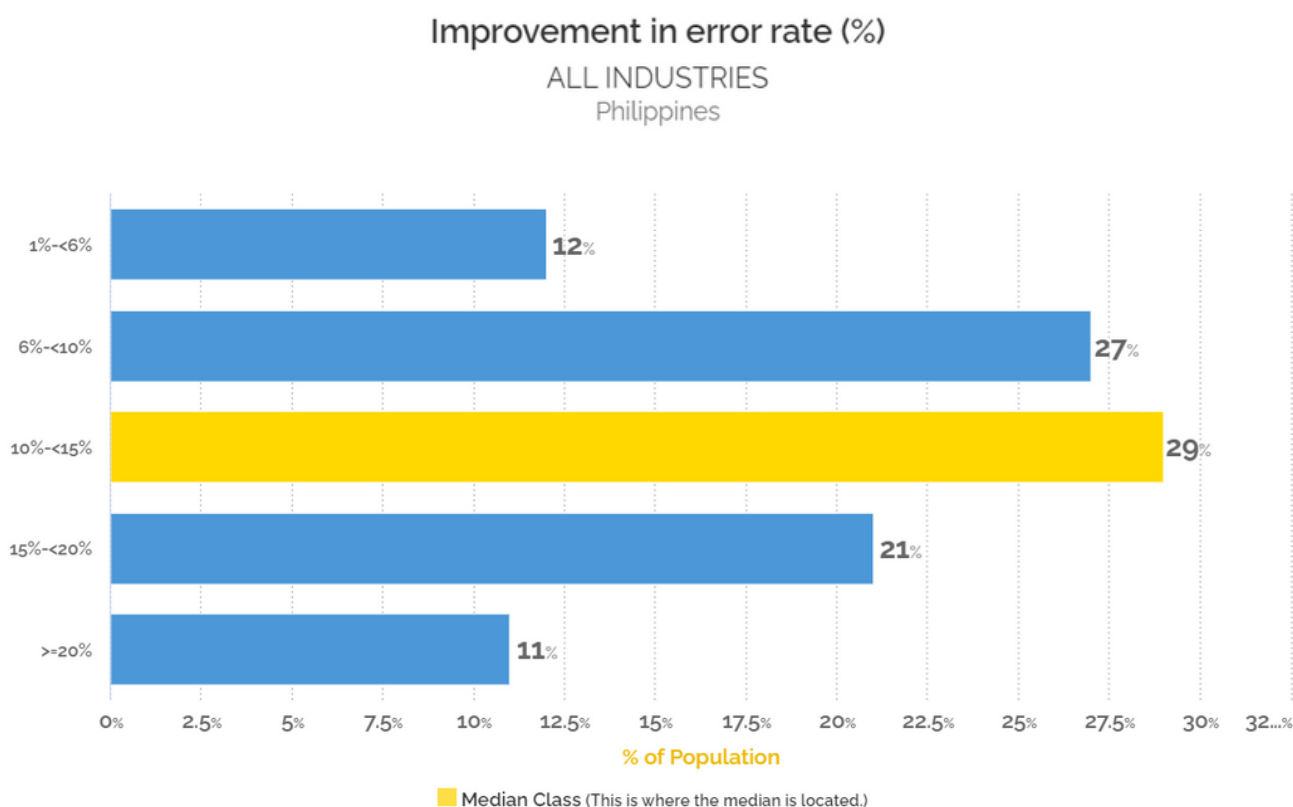
The position the Philippines has on generative AI is an interesting one. Despite growing concerns about how the technology will impact the job market, government organizations and businesses are working to leverage the technology in a way that protects their talent. However, shared service organizations are currently less inclined to engage with generative AI, with few planning to implement it in 2024 and fewer seeing it as a high-priority tool.

## Automation

Traditional automation effort appear to be the main technology priority within the Philippines. According to the State of the Industry Survey Q4 2023, half of organizations consider leveraging automation platforms a top objective for 2024, with only upskilling talent being prioritized higher.

However, leveraging intelligent automation appears new to Filipino shared services, as 42% are still in the planning/ proof of concept phase, with a third implementing the technology less than three years ago. In this time, 59% of organizations have reached a medium level of automation, with only 9% reaching a high level.

According to the [SSON Research & Analytics Benchmark](#), in the Philippines, 29% of organizations have improved their error rate by 10-15% through automation, with 27% improving it by 6-10%. However, only 11% improved their error rate by over 20%. Beyond this, 30% have a yearly average cost saving of \$20,000-\$50,000 due to automation, with 8% reaching savings of over \$250,000.



Although automation projects are in the preliminary stages of development, Filipino organizations have already seen moderate success. This is likely to only grow as robotic process automation (RPA), was the number one technology investment priority amongst shared service organizations, at almost 43%.

## Conclusion

The Philippines continues to solidify its role as a key player in the shared services industry, particularly within the BPO sector. With a considerable number of BPO centers, strong infrastructure, and a formidable talent pool, the country's economy largely benefits from the booming industry. However, the COVID-19 pandemic has led to a re-evaluation of BPOs, due to the rise of remote work and the gig economy. In addition, innovative technologies, such as generative AI, leave the future of BPO uncertain.

Despite these challenges, the Philippines continues to boast a strong talent pool. The country's strong emphasis on education, alongside government initiatives, will only develop Filipino talent further. However, the Philippines is not exempt from common obstacles such as acquisition and retention, especially when considering the emerging younger workforce.

Whilst the Philippines appears as a frontrunner for its human capital, the country falls behind in terms of technological advancements. Growing hesitations surrounding generative AI, financial restrictions on digital transformation, and relatively new automation initiatives contribute to the reliance on the Philippine's talent pool. However, the country remains committed to developing their digital infrastructure, which will make the country even more competitive within the shared services and BPO landscape.

**This report was produced by SSON Digital with research conducted by the SSON Research & Analytics team in the lead-up to the 14th Shared Services & BPO Week Philippines 2024.**

# What is SSON Research & Analytics

SSON R&A is SSON's global data center, now in its 7th year of operation. Thousands of practitioners and consultants recognize SSON R&A as their premier resource for shared services related metrics, benchmarks, trends, market analytics and advisory services. With a user-friendly interface, easily downloadable benchmarks and topic-based charts, SSON R&A adds valuable ammunition to your inhouse or client presentations, strengthening your business case and your credibility. SSON regularly canvases its membership for updated metrics and analytics, allowing us to highlight even minor shifts. SSON R&A distinguishes itself from other associations by offering subscribers direct access to relevant metric data at a highly competitive cost.

**"The C-suite expects to see market metrics to evaluate shared services' performance. I have explored various opportunities available in the market. SSON Research & Analytics offers reliable benchmark data, at a highly competitive cost. Given access to this data, by region or industry, I can draw my own conclusions. I don't need to source expensive third-party analysts, as we can interpret the data ourselves."**

**Edoardo Peniche, Vice President, Global Business Services - Aptiv**

## What Tools & Services Are On Offer?



### City Cube

Compare 3000+ shared services locations around the world, across 20+ variables such as: cost of labor, talent availability, number of shared services centers, average salaries, and much more.



### Intelligent Automation Universe

A one-stop platform for all things RPA, cognitive and AI related that allows users to learn about dozens of IA software vendors, compare their product capabilities, understand the differentiators, and see their customer footprint.



### Shared Services Atlas

Locate and evaluate shared services hotspots at country, state, or city level from our global database of 10,000+ global delivery centers. Filter by industry, function, and organization size.



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Our monthly RIR's are guided by industry insiders with at least 10 years' experience, and are underpinned by real-time market data to address not just the trends, but the solutions you need to implement.



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Curated charts under core topic headings that summarize the biggest trends and shifts across SSO/GBS.



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## BOOK YOUR PASS TODAY!

Here's a glimpse at what attendees from SSOW events from across the globe have to say:



The SSO conference combines expert insights with great networking opportunities, making it an indispensable event for professionals in the field. I am amazed by the depth of knowledge shared and the connections formed. Attending the SSO conference is a strategic investment in staying ahead of the curve and driving meaningful progress in our industry.

- Lorena Bicular, General Manager, Regal Rexnord Philippines



This conference was a wonderful opportunity to connect with peers and understand their journeys. At the end of the week, I was brimming with ideas to take back to our organization and an expanded network of leaders who were so welcoming and open to collaborating. It was great to be with people who share the same passion for the Philippines SSO industry.

- Diorella Silo, Head of Compliance & Analytics, Coca-Cola Bottlers Business Services



SSOW Philippines event always provides a space for sharing, learning and networking. The conference offers a variety of useful topics that can be applied to various types of organizations and companies. I always look forward to attending the event.

- Maribet Villanueva, Head, SSC Delivery Excellence Team, Essilor Shared Services Phils. Inc.

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