

A New Capital of Call Centers

By **VIKAS BAJAJ**

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MANILA — Americans calling the customer service lines of their airlines, phone companies and banks are now more likely to speak to Mark in Manila than Bharat in Bangalore.

Over the last several years, a quiet revolution has been reshaping the call center business: the rise of the Philippines, a former United States colony that has a large population of young people who speak lightly accented English and, unlike many Indians, are steeped in American culture.

More Filipinos — about 400,000 — than Indians now spend their nights talking to mostly American consumers, industry officials said, as companies like AT&T, JPMorgan Chase and Expedia have hired call centers here, or built their own. The jobs have come from the United States, Europe and, to some extent, [India](#) as outsourcers followed their clients to the Philippines.

India, where offshore call centers first took off in a big way, fields as many as 350,000 call center agents, according to some industry estimates. The Philippines, which has a population one-tenth as big as India's, overtook India this year, according to Jojo Uligan, executive director of the Contact Center Association of the Philippines.

The growing preference for the Philippines reflects in part the maturation of the outsourcing business and in part a preference for American English. In the early days, the industry focused simply on finding and setting up shop in countries with large English-speaking populations and low labor costs, which mostly led them to India. But executives say they are now increasingly identifying places best suited for specific tasks. India remains the biggest destination by far for software outsourcing, for instance.

Executives say the growth was not motivated by wage considerations. Filipino call center agents typically earn more than their Indian counterparts (\$300 a month, rather than \$250, at the entry level), but executives say they are worth the extra cost because American customers find

them easier to understand than they do Indian agents, who speak British-style English and use unfamiliar idioms. Indians, for example, might say, “I will revert on the same,” rather than, “I will follow up on that.”

It helps that Filipinos learn American English in the first grade, eat hamburgers, follow the N.B.A. and watch the TV show “Friends” long before they enter a call center. In India, by contrast, public schools introduce British English in the third grade, only the urban elite eat American fast food, cricket is the national pastime and “Friends” is a teaching aid for Indian call center trainers. English is an official language in both countries.

The Philippines has “a unique combination of Eastern, attentive hospitality and attitude of care and compassion mixed with what I call Americanization,” said Aparup Sengupta, chief executive of Aegis Global, an outsourcing firm based in Mumbai, India, that acquired Manila-based People Support in 2008 and now employs nearly 13,000 Filipinos. American companies are reluctant to discuss their outsourcing strategies, but privately some executives acknowledged that early on, they focused primarily on saving money. But as they gained experience in different countries, they realized that was not the best strategy.

“Certain phrases people use and idioms are important,” said an executive at a large American company that handles service calls through the Philippines. He spoke on the condition that he and his firm not be identified. “We are getting better at it, but of course it is still a hot button.”

Analysts said call centers in the Philippines appeared to have helped American businesses respond to complaints from consumers who said they could not understand Indian agents. But it is unlikely to satisfy critics who say outsourcing is sending too many jobs abroad as millions of Americans struggle to find work.

This year, for instance, US Airways stopped outsourcing customer service to Manila and hired 400 agents in Arizona, California and North Carolina as part of an agreement with the Communications Workers of America union.

Some American companies like Delta Airlines have said they moved call centers back to the United States to appease angry customers who wanted better English. Entry-level American call center agents earn about \$20,000 a year, about five times as much as similar agents in the Philippines and six times as much as Indian agents.

Nevertheless, the financial benefits of outsourcing remain strong enough that the call center business is growing at 25 to 30 percent a year here in the Philippines, compared to 10 to 15 percent in India, according to Salil Dani, research director at the Everest Group, a firm that tracks the market.

American outsourcing or back-end companies like I.B.M., Accenture and Convergys along with Indian firms like Aegis, Infosys and Tech Mahindra have thousands of employees working from gleaming glass towers and even inside malls, which executives say young workers prefer so they can be close to shops and restaurants.

In addition to language skills, the Philippines has better utility infrastructure than India — so companies spend little on generators and diesel fuel. Also, cities here are safer and have better public transportation, so employers do not have to bus employees to and from work as they do in India.

Many of the workers are like Mark, 26, who answers tech support calls from employees of an American chemical company. He studied engineering but dropped out of college to support his parents and two younger siblings. He now makes 26,000 pesos (\$600) a month, about the same as his father, who has a small school-bus business. (The average Filipino family earns 17,000 pesos a month.)

He spoke on the condition that his full name and the name of his employer were not revealed because he was not authorized to talk to reporters. His office is in a new development known as Eastwood City, east of Manila that, locals said, used to be fields a few years ago. Now, it is home to companies like I.B.M. and Dell, and has McDonald's, Starbucks and bars where happy hour starts at 6 a.m. for call center workers who want a beer after their shift.

Mark is trim and has sharp features. He wears stylish canvas shoes and a striped shirt. His accent is more middle America than eastern Manila. He said his parents made him watch American movies and TV shows, read English books and speak the language starting at age 5. Still, he said he was fired from his first call center job after just two weeks because customers said they could not understand him.

“Sometimes, they would insist on being transferred to an American agent,” he said. “After a year, I was able to speak in an accent that they would like to hear.”

But now he is tiring of answering phones and is thinking about trying his hand at acting because he has a little money in the bank and his siblings have college degrees and are working.

The call center boom has also benefitted his country, previously a laggard among Southeast Asia's tiger economies — its most popular exports were nurses. Last year, revenue from outsourcing, which also includes things like health insurance processing, animation development and software programming, totaled \$9 billion, or 4.5 percent of the Philippine gross domestic product, up from virtually nothing in 2000. The government has tried to support the industry with tax breaks and subsidies.

In spite of its recent growth, the Philippines is a much smaller destination for outsourcing more broadly — India earns about 10 times as much revenue from outsourcing. That is unlikely to change in the foreseeable future given India's 1.2 billion people, 31 percent of whom are 14 years old or younger. (The Philippines has 93 million people, about 35 percent of them 14 or younger.)

Executives expect the Philippines to continue growing at a fast pace and move up to higher-value services like accounting or the processing of insurance claims. But, like India, companies are grappling with higher costs and losing their best workers because of high domestic inflation and a shortage of skilled professionals. In the last two years, the Philippine peso climbed nearly 10 percent against the dollar, to 42.14, before weakening recently.

If the peso appreciates to 35 to the dollar, many of the call centers in the Philippines will not survive, said Narasimha Murthy, president of HGS USA, the American arm of an Indian outsourcing company that employs 4,000 people here. But things look upbeat for now, and Mr. Murthy was recently in Manila with a prospective American client.

Five years ago, he said, many clients would ask him if customer calls could be handled in the Philippines. "From that," he said, "it has gone to 'How well will you do it?'"

Neha Thirani contributed reporting from Mumbai, India.