O2P and BPA/P Periodic Survey #1

Summary of Results
October 24, 2005

Purpose of periodic surveys: Outsource2Philippines (O2P), in partnership with the Business Processing Association of the Philippines (BPA/P), conducts and publishes periodic surveys on topics of particular relevance to the ITesS outsourcing industry. These surveys, while not statistically validated, provide a sense of industry trends and business sentiment among senior IT and ITesS executives.

Background: This survey was conducted in early October 2005. A total of 162 companies representing a broad cross-section of the outsourcing industry were invited to respond. A total of 37 companies, or 23% percent participated in the survey. The focus of this survey was on attrition and hiring rates. Full details of the survey results and an interpretation of the results, may be obtained through the purchase of the formal report from O2P (Contact Frank Holz at frank.holz@outsource2philippines or +63 919 477-2988 to obtain the full report.).

Profile of companies: All sectors of the outsourcing industry were represented among the 37 respondents. About 40% of the companies operate in the contact center and/or BPO space. Another 18% are in software, 16% in animation and graphics/design, and 12% in medical transcription. Most of the respondents (70%) have less than 300 employees, while 16% have more than 1,000 employees.

Attrition rates: 32% of the respondent companies had less than five percent attrition in the YTD 2005 period, and 46% had less than 10% attrition. 81% of the companies had less than 20% attrition. These figures are consistent with responses relating to 2004 attrition, indicating that attrition rates have not increased in the past 12 months.

Reasons for attrition: 24% of attrition is due to employees switching employers within the outsourcing industry. Other primary reasons for voluntary attrition on the part of employees are migrating abroad, changes in job interest, and going back to school. Involuntary attrition (company initiated) accounts for 15% of overall attrition.

Hiring rates: 27% of the respondent companies have hiring rates of three percent or less in the YTD 2005 period, and 38% have hiring rates in the range of four to six percent (Thus 65% of respondent companies have hiring rates of six percent and less.). Sixteen percent of the respondent companies indicated hiring rates in the range of seven to ten percent, and 14% of the companies indicated hiring rates in excess of 25%.

Hiring rate comparison with January 2005: The hiring rate at the beginning of 2005 was considerably higher than in October. Currently 65% of respondent companies have hiring rates of 6% or less, as opposed to 49% that had hiring rates of 6% or less at the beginning of the year, a deterioration of 25% in only nine months.

Quality of candidates: According to respondent companies, there has not been a noticeable change in the quality of candidates during the past year, with 35% indicating that quality of candidates has improved, 38% indicating that it has declined, and 27% stating that there has been no change. On the other hand, 76% of the companies indicated that future growth of their companies was being adversely affected by a shortage of qualified candidates.

Staffing Plans for 2006: As to plans for increased staffing in 2006, 29% of companies anticipate growth of 10% and less, 22% anticipate 11%-20% growth, 22% expect 21-40% growth, and 27% of companies are planning for staff growth in excess of 40%.