

THE DEVELOPMENT OF SECTOR PROFILES FOR THE RENEWABLE ENERGY, NICHE TOURISM AND BUSINESS PROCESS OUTSOURCING SECTORS FOR CAIPA

FINAL - REPORT 2 **BUSINESS PROCESS OUTSOURCING**

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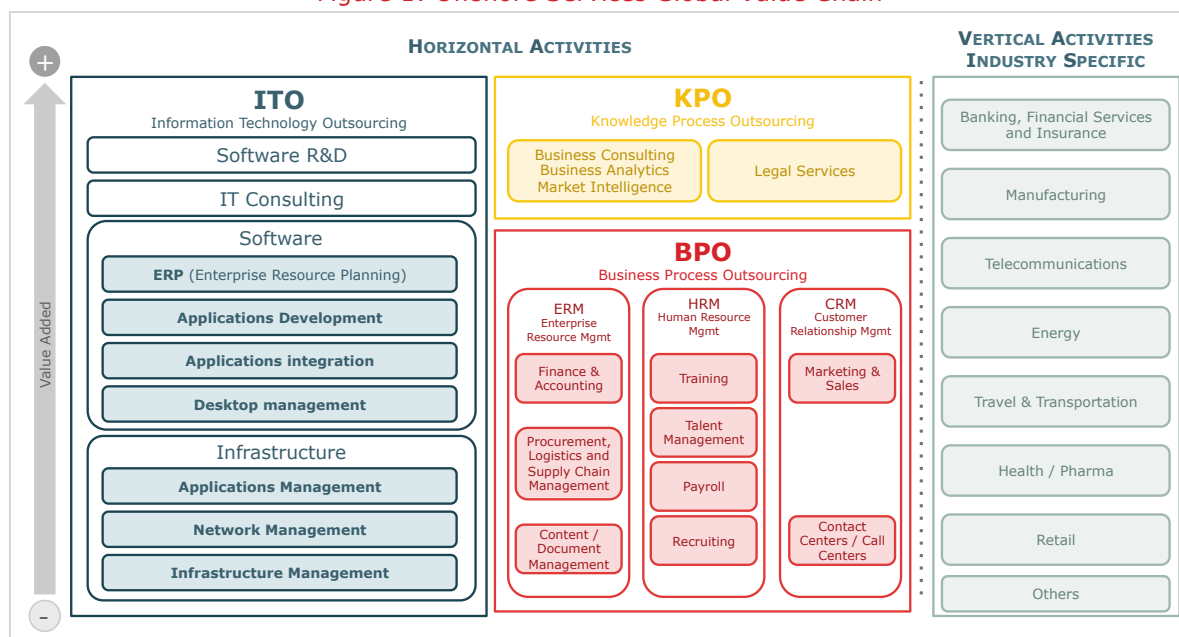
INDUSTRY COMPETITIVE ANALYSIS

The main objective in this report is to understand the Caribbean competitive advantages and potential capacity as well as the factors that impact on the ability of the region to attract investment projects within Business Process Outsourcing Services.

1. INTRODUCTION

The offshore service industry refers to the trade of services conducted in one country and consumed in another and encompasses a company's decision to *perform functions or activities anywhere in the world*¹. The industry is composed of general business services² that can be provided across all industries, as well as services that are industry specific. The two key segments are Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO)

Figure 1: Offshore Services Global Value Chain



Source: Duke University, Center on Globalization, Governance and Competitiveness

As it can be seen in figure 1, the business processing outsourcing (BPO) industry is a diverse category that contains activities related to the management of enterprises (ERM), human resources (HRM), and customer relationship (CRM).

According to Gartner, IT Outsourcing (ITO) is the use of external service providers to effectively deliver IT-enabled business process, application service and infrastructure solutions for business outcomes.³

¹ McKinsey Global Institute, 2005

² Information Technology outsourcing (ITO), Business Processing Outsourcing (BPO), and Knowledge Processing Outsourcing

³ <http://www.gartner.com/it-glossary/it-outsourcing>

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Business Processing Outsourcing (BPO) can be defined as the delegation of one or more IT-intensive business processes to an external provider that, in turn, owns, administrates and manages the selected processes based on defined and measurable performance metrics. BPO offerings are categorized in two major categories: horizontal offerings (those that can be leveraged across specific industries) and vertical-specific offerings (those that demand specific industry vertical process knowledge)⁴.

Specific BPO services that are currently trending in the industry include:

- **Contact Center**
 - Bilingual customer Services
 - Chat and email support
 - Inbound – outbound calls
 - Social Media Management
 - Technical Helpdesk
 - Telemarketing Services
 - Text Messages Support
- **Healthcare Industry**
 - Medical Billings and Coding
 - Claims Adjudication
 - Medical Transcription
- **Data Services**
 - Automated data entry
 - Data Analytics
 - Data conversion
 - Manual data entry
 - Data indexing
 - Data mining
 - Data processing
- **Mortgage and Loan**
 - Loan prequalification
 - Loan processing
 - Mortgage closing
 - Mortgage title services
- **Document Scanning**
 - High volume scanning
 - Large format scanning
 - PDF conversion
- **Document Storage**
 - Digital and physical Storage
 - Digital and physical retrieval
 - Scheduled document destruction
- **Transcription Services**
 - Audio Transcription
 - Video Transcription
 - Legal Transcription
 - Business Transcription
- **Financial Services**
 - Accounts receivable
 - Accounts payable
 - Collections
 - Financial analysis
 - Financial research
 - Invoice processing
 - Payroll
 - Tax preparation
- **Transportation Industry**
 - Bill of landing processing
 - Air waybill processing
 - Cargo manifest processing
 - Commercial invoice processing

⁴ <http://www.gartner.com/it-glossary/business-process-outsourcing-bpo>

2. GLOBAL INDUSTRY TRENDS

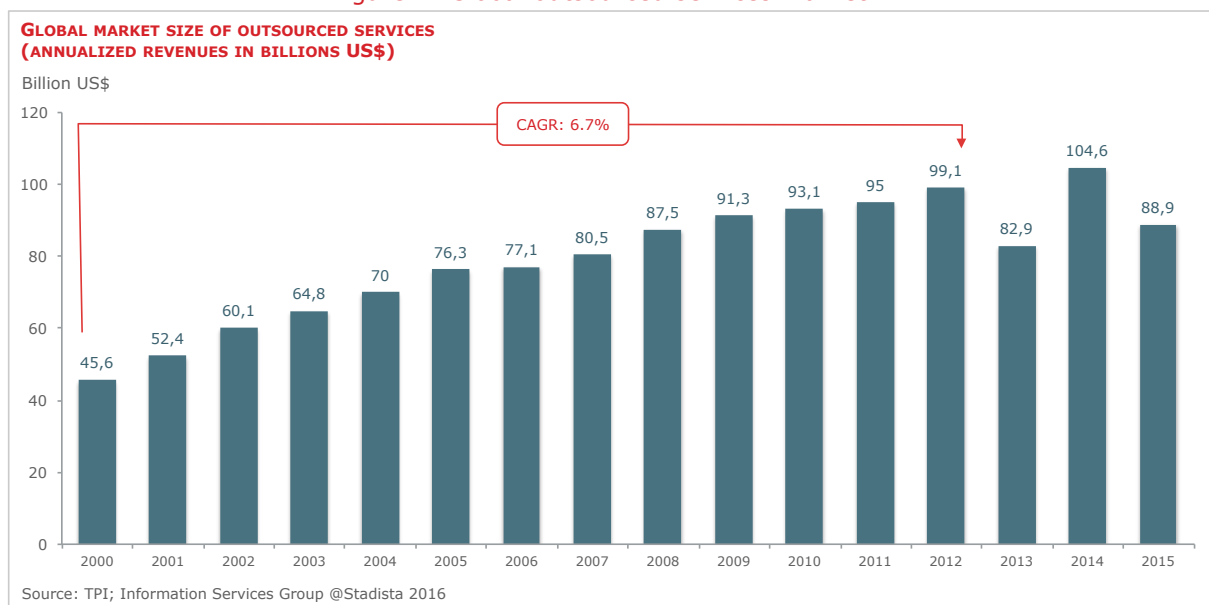
The value chain for back office business services has evolved dramatically over the past two decades. Continual advances in technologies and communications infrastructure are allowing companies to gain access to pools of talent at locations across the globe that were previously inaccessible.

2.1. OUTSOURCED SERVICES INDUSTRY KEY FIGURES

The global market of outsourced services industry is currently valued at US\$1 trillion⁵. Of this total market value, the size of the cross-border outsourced services trade between countries (excluding sizable domestic market within a country) was estimated at \$88.9 billion per year in 2015^{6,7}.

After a long period of significant growth, at a compounded annual growth of 6.7%, from 2000 to 2012, the global outsourced services industry saw a drop of 16% in 2013, showing a reduction of the market size of US\$16.2 billions. The decrease in 2013 was caused by a substantial decline in average contract value as multi-sourcing is slowly being adapted by businesses, no megadeals (> US\$1 billion) and only three major deals, (in the US\$40-100 million bracket), were signed⁸. The industry revenues recovered in 2014 reaching US\$104.6 billion, but subsequently dropped in 2015 to around \$88.9 billion.

Figure 2: Global outsourced services market



⁵ Baird, <http://www.rwbaird.com/news/transformation-of-business-process-outsourcing>

⁶ TPI; Information Services Group by @Stadista 2016

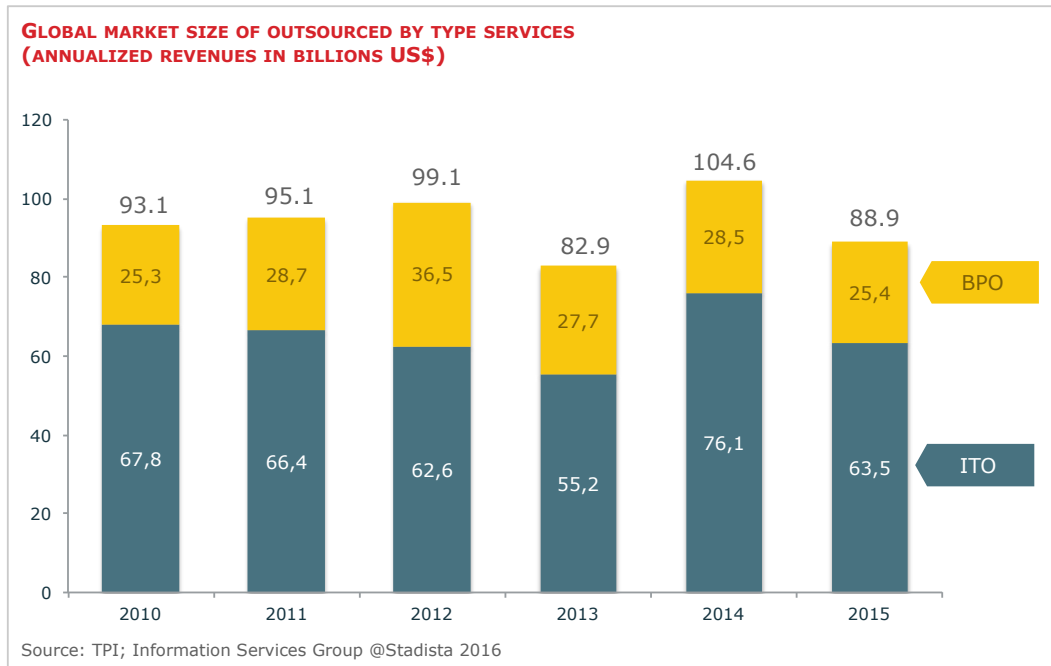
⁷ Estimates of the market size vary; according to KPMG in 2015 the market size (based on signed deals) is US\$150 billion and will reach US\$200 billion in 2020.

⁸ <http://www.microsourcing.com/blog/2013-global-outsourcing-activity-drops-compared-to-2012.asp>

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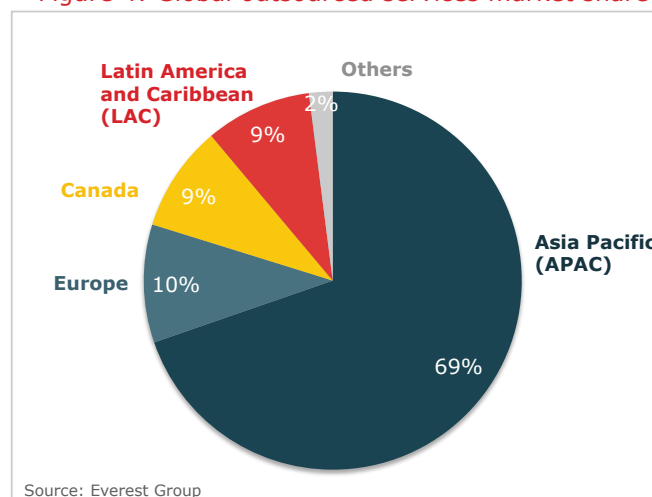
Information technology outsourcing (ITO) is the largest outsourced services subsector. In 2015 ITO contributed 71.5% to the industry revenue, while Business Process Outsourcing (BPO) contribution reached 28.5%, equivalent to US\$63.5 billion and US\$25.4 billion, respectively.

Figure 3: Global outsourced services by service type



The largest share of this revenue goes to the Asia Pacific (APAC) region. The region dominated the outsourced services market share by nearly 70%, followed by Europe (10%), Canada (9%), and Latin America and the Caribbean (9%).

Figure 4: Global outsourced services market share

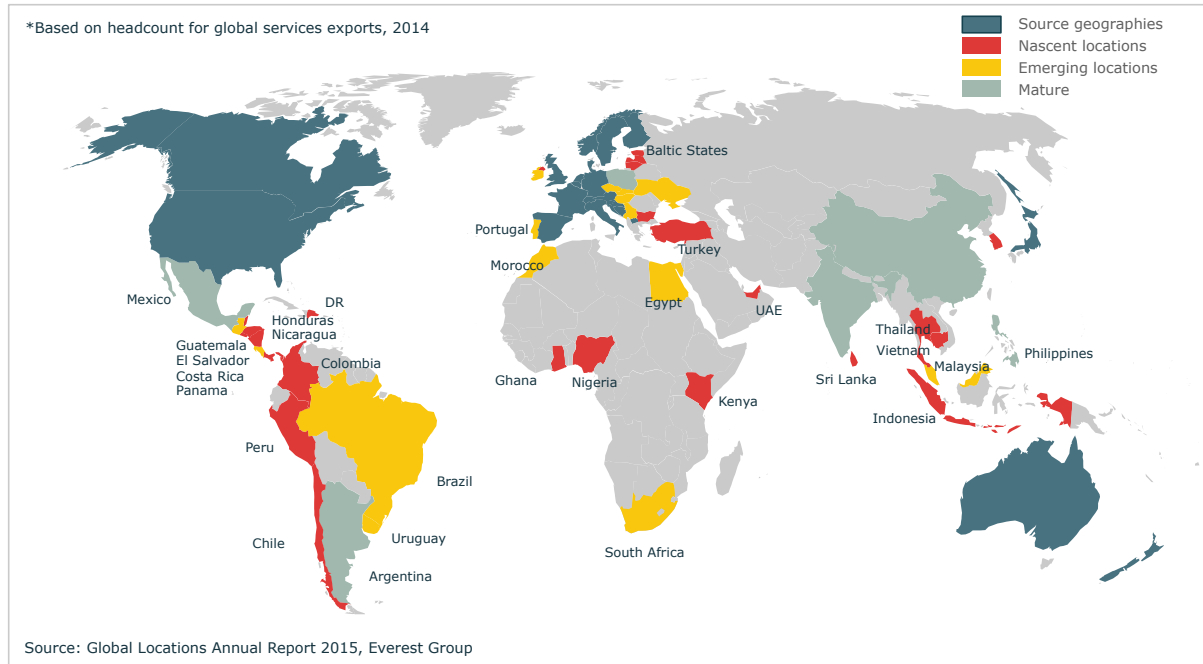


Mature providers, known as BPO powerhouses, are India, China, the Philippines, Poland and Mexico. Emerging locations, defined as those having between 15-50 centres are mainly concentrated in Eastern Europe and Latin America. Latin America and the

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Caribbean have several nascent locations, those with 5-15 centres, however, Everest Group reports growth of the nascent locations being stronger in Africa, where several countries are competing on labour costs and English proficiency. The map below illustrates the geographical distribution of the global supply in the industry.

Figure 5: Distribution of leading suppliers in the Onshore Services*



India leads the global outsourcing destination, it ranks first in A.T. Kearney's Global Service Location Index (2016), China, Malaysia, Brazil and Indonesia complete the top 5 destinations; while in Latin American and the Caribbean (LAC) region Brazil (4th), Mexico (8th) and Chile (9th) have positioned themselves as top-tier destinations. It is relevant to stress that some small island nations in the Caribbean are also competitive and benefitting from the BPO global market; Trinidad and Tobago (42nd) and Jamaica (43rd) are recognized among 50 offshoring leaders globally.

According to AT Kearney⁹, the diverse BPO locations, competing for BPO projects, offer different advantages to the industry, there are opportunities for every location. Asia¹⁰ continues to dominate and offers significant diversity and cost savings; Latin America¹¹ offers the second-deepest pool of qualified labor after Asia. Central Europe¹² offers mature industry and highly skilled human resources; the Middle East and North Africa¹³ benefit from proximity to Europe and a large talent pool; and North America continues to offer attractive opportunities outside the main metropolitan areas.

⁹ 2014 AT Kearney Global Services Location Index

¹⁰ Refers Asia and Southeast Asian countries: India, China, Malaysia, Philippines Indonesia, Thailand and Bangladesh.

¹¹ Refers to Mexico, Brazil, Chile, Costa Rica, and Colombia.

¹² Refers to Poland, Czech Republic,, Hungary, Slovakia, Bulgaria, and Romania.

¹³ Includes Egypt, Tunisia, Morocco, and Mauritius.

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With key offshoring locations such as Dominican Republic, Jamaica and Trinidad & Tobago, the Caribbean is starting to consolidate its positioning in the global value chain, its distinctive offering combines low-cost, time zone advantage and language skills.

Traditionally, developed economies like United States, Canada, Western Europe, Japan and Australia were the largest source geographies of these services, however, several developing countries are currently becoming important buyers demanding offshore services.

According to KPMG's Global IT-BPO Outsourcing Deals Analysis, 2015 was the strongest year for outsourcing over the three last years (2013-2015), 891 IT-BPO deals worth US\$159.1 billion were signed. ITO deals contributed 86% of the total, while ITO grew by 57%, BPO decreased by 37% in 2015 compared to 2014. Defence was the top consumer of IT-BPO services, contributing 53% of total deal value. Telecom was the next largest consumer. Automotive and Aerospace, Insurance and Retail exhibited growth greater than 25%.¹⁴

On the investment scene, in 2015 there were 150 new centres starting up, slightly up from 145 in 2014¹⁵. The share of Asia Pacific in new delivery centres set-ups has declined over time from 54% in 2011 to 39% in 2015. Nearshore Europe gained almost an equivalent share, reaching 33%, up from 18% in 2011. The Latin America and Caribbean share has remained stable at around 15%. In 2015, around 20% of new centres setting up in LAC, established in Mexico, Costa Rica, Chile and Jamaica, each registering a 13% share.

There are multiple drivers of growth in the BPO market, including:

- The need to lower operational costs,
- Restructuring their non-core business operations, scalability and labor flexibility,
- Near-shoring is attractive to businesses,
- High-end services like knowledge based services and business analytics to support growth,
- Growing popularity of cloud computing to benefit the market.

The main trends that will shape the industry in the following years are:

- **Innovation** – clients are actively seeking and getting innovation and fresh ideas from BPO providers;
- **Innovative contract structuring** – BPO providers will get creative to land mega-sized, multi-year outsourcing deals;
- **Buyers seek balanced shores** – BPO providers will offer clients flexible outsourcing location options. The locations will include at-home, on-site within the same city, near shore, offshore, etc.;
- **Smaller BPO engagements** – deals are increasingly split into smaller sized deals and are given to specialist providers, rather than contracting one big provider;

¹⁴ Global IT-BPO Outsourcing Deals Analysis, KPMG February 2016

¹⁵ Global Locations Annual Report 2015, Everest Group, March 2016

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- **Rise of robotic process automation** – will gain prominence to handle low skill and monotonous tasks traditionally handled by clerical workers. Gartner Consulting predicts that by 2018, because of process automation, BPO's will require 50 per cent less workers – this will impact the industry significantly for lower skilled tasks.

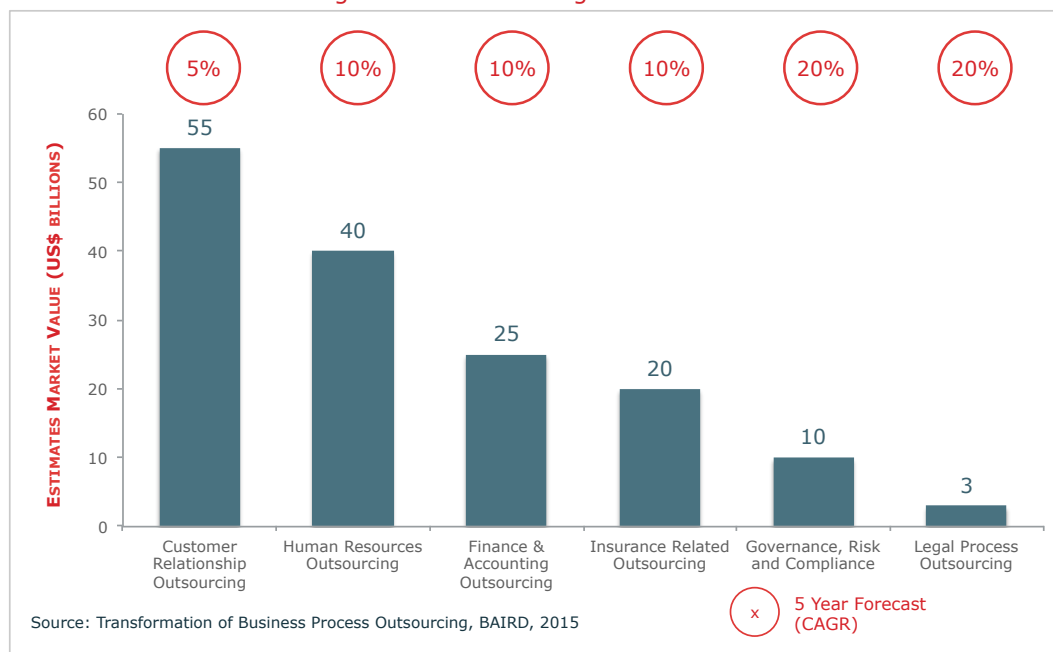
2.2. PROSPECTS AND OPPORTUNITIES FOR GROWTH

Analysts¹⁶ estimate an outsourced penetration rate of below 30%, meaning that over 70% of relevant business processes are performed in-house; this figure translates a large untapped opportunity for BPO providers. Much of the BPO service offering is in its infancy when compared to Customer Services Outsourcing, increased activity in newer segments is likely to accelerate growth over the next few years.

The largest BPO segment, with estimated revenues of US\$55 billion, is Customer Services Outsourcing (CSO), which includes contact centres (technical support, sales and marketing) and database and loyalty programmes management. Human Resources Outsourcing (HRO) is valued at US\$40 billion, followed by Finance & Accounting (FAO) with estimated worldwide revenues of US\$25 billion.

CSO has currently the highest penetration and will experience the weakest growth over the next 5 years. In contrast, a strong growth trend, at double-digit rates, will be seen in segments representing higher added-value such as Finance & Accounting (FAO), Human Resources (HRO), Legal Process (LPO) Governance, Risk and Compliance (GRC) and Insurance Related Outsourcing.

Figure 6: Subsectors growth forecast



¹⁶ Transformation of Business Process Outsourcing, BAIRD, 2015

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These newer BPO growth segments will be driven by the need to lower operational costs, enhance operational efficiency, reduce time to market, and channel company resources towards core business areas. In general, corporates are becoming less cost-oriented and are looking for the location that better balances quality and cost, for instance, Customer Relationship Management is shifting from cost saving to higher quality services, which brings opportunities to the Caribbean.

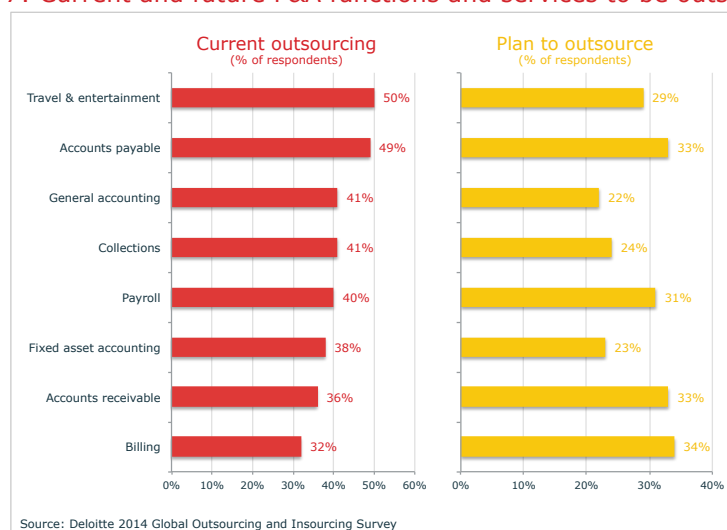
The expected continued growth in the consumption of outsourced services will mainly be influenced by the continuous evolution of vendor service offerings to satisfy consumer needs; continuous consumer demand to vendors in order to obtain more qualitative and quantitative value for their investments; and, regulatory and legislative landscape will continue to influence outsourcing decisions.

2.2.1. FINANCE & ACCOUNTING (F&A) SERVICES OUTSOURCING

Finance and accounting outsourcing (FAO) is a business strategy that involves contracting external providers for various types of financial and accounting functions. In 2015 FAO surpassed US\$25 billion, at a growth rate of 5%. The segment is expected to double this growth and increase at 10% expenditure in the following five years.

Increasing availability of global service providers in non-traditional locations will support this fast-growing area. The industries showing highest FAO adoptions are Telecom, Software / High Tech, Utilities and Energy, Life Sciences, and Retail and Hospitality¹⁷. Currently, many activities that are being performed are basic transactional F&A processes; however companies are starting to experiment non-transactional financial functions like financial analysis. 30% of respondents of Deloitte's Global Outsourcing and Insourcing Survey (2014) expect to outsource additional F&A services, Accounts Receivable, Billing and Accounts payable will experience an increase above 30%. Figure 7 here below shows current and future F&A functions to be outsourced.

Figure 7: Current and future F&A functions and services to be outsourced

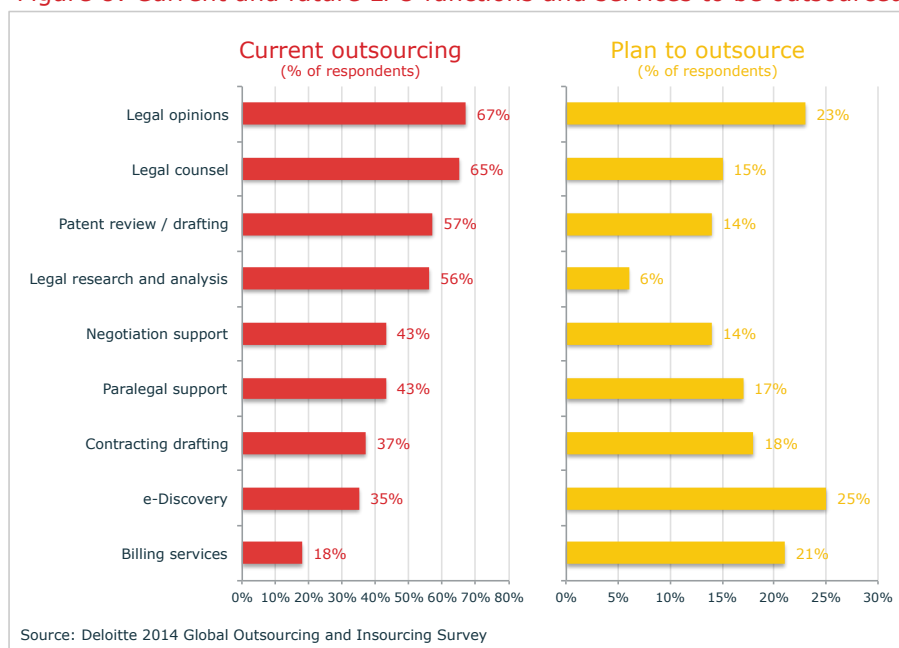


¹⁷Progressive Finance & Accounting Business Process Outsourcing Services, HfS Research

2.2.2. LEGAL PROCESSING OUTSOURCING (LPO)

Corporate legal departments are continuously evaluating and implementing *Legal Processing Outsourcing* (LPO) solutions. Solutions offered by outsourcing legal services include among others electronic discovery¹⁸, billing, and research and analysis. Electronic Discovery is one of the largest growth opportunities within LPO (25%); as the LPO market continues maturing, corporate legal departments are starting to move beyond transaction-based legal processes to judgement based processes, legal opinions is expected to grow 23%. Figure 8 shows current and future LPO services to be demanded:

Figure 8: Current and future LPO functions and services to be outsourced



2.2.3. HUMAN RESOURCES OUTSOURCING (HRO)

As of 2015, the global market for HRO was around US\$40 billion dollars; by 2020, this segment is projected to reach US\$54 billion,¹⁹ largely driven by the growing need among enterprises to increase operational efficiency, reduce costs, streamline operations, and set up compliance management. The United States represents the largest market worldwide.

HRO has continually been evolving to include value added and judgement based services (workforce analytics, employee relations). Contact Centre Management is the most commonly outsourced service. Among survey respondents, 38% plan to outsource HR Administration, as compared to only 13% currently. Payroll time administration will also

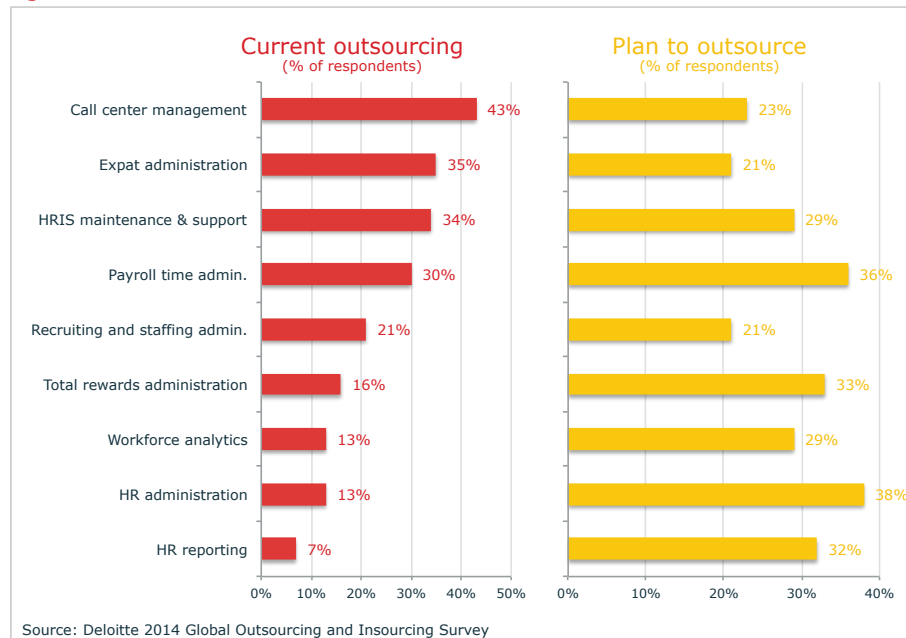
¹⁸ Electronic discovery is the electronic aspect of identifying; collecting and producing electronically stored information (ESI) in response to a request for production in a law suit or investigation.

¹⁹ Global Industry Analysts

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experience a significant increase in demand. Figure 9 shows current and future HRO services to be outsourced:

Figure 9: Current and future HRO functions and services to be outsourced



2.2.4. CUSTOMER SERVICE OUTSOURCING (CSO)

Contact centre outsourcing (CCO) refers to a facility used by companies, or third party providers, to manage all client contact through a channel mix such as telephone, fax, letter, e-mail, and increasingly by online live chat.

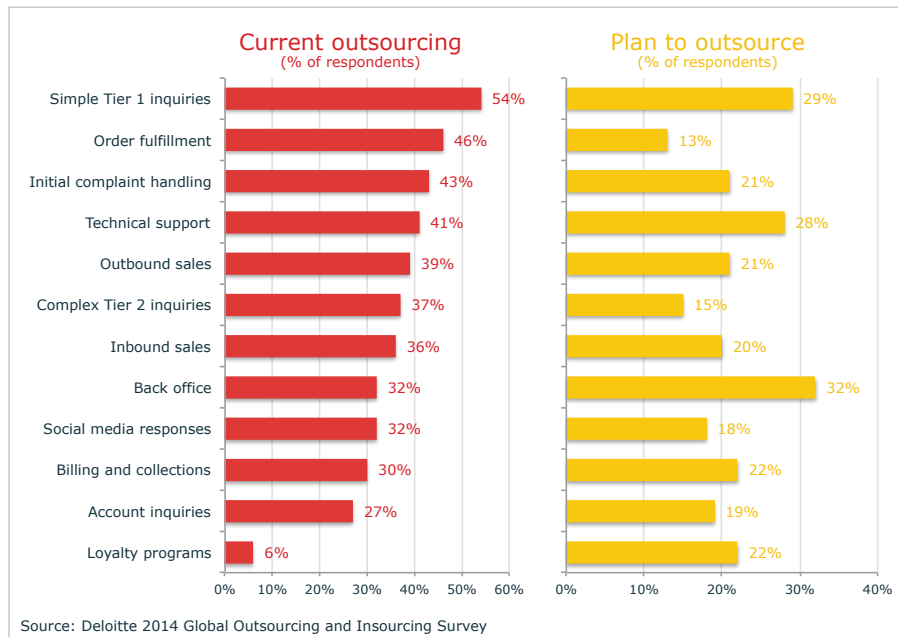
The global CCO market grew at approximately 5% in 2014 to reach U\$55 billion dollars. The sectors that primarily use these services include banking, financial services, insurance, and telecommunications; however, industries such as retail and travel and hospitality are experiencing high growth.

The Customer Service segments is expected to continue expanding at an annual compound rate of 5% in the next five years in order to support business growth and support contact volume growth across all channels, email and social media particularly²⁰. Over half of respondents believe contact centres play a primary role in customer retention. Highest growth is expected in Back office (non-customer facing administration process) and Simple "Tier 1" customer service inquiries, 32% and 29% respectively. Due to the strategic importance of "Tier 2" customer services and Loyalty Programmes, these are less commonly outsourced.

The functions and services that are currently being used, and planned to be outsourced are seen in figure 10:

²⁰ Deloitte 2015 Global Contact Center Survey

Figure 10: Current and future Customer Service functions and services to be outsourced



In this sense, the segments in BPO that are foreseen to have a greater demand and where the Caribbean countries can find areas of opportunities include finance and accounting, human resources outsourcing, specially payroll processing, and customer services. Other segments that may continue to increase its demand include medical transcriptions and data warehousing.

3. THE INDUSTRY IN THE CARIBBEAN

The BPO industry development in the Caribbean owes its success to the telecommunication liberalization that began to take place in the 2000s. Telecommunications services in most Caribbean countries have improved dramatically over the past decade, mostly thanks to high investments by transnational corporations, allowing for BPO sector development and expansion into many economies. Considering the limitations for developing export-oriented manufacturing in the Caribbean economies, BPO represents a unique opportunity for these countries to diversify to exports of services and lower their risk from dependency on either natural resources and/or tourism.

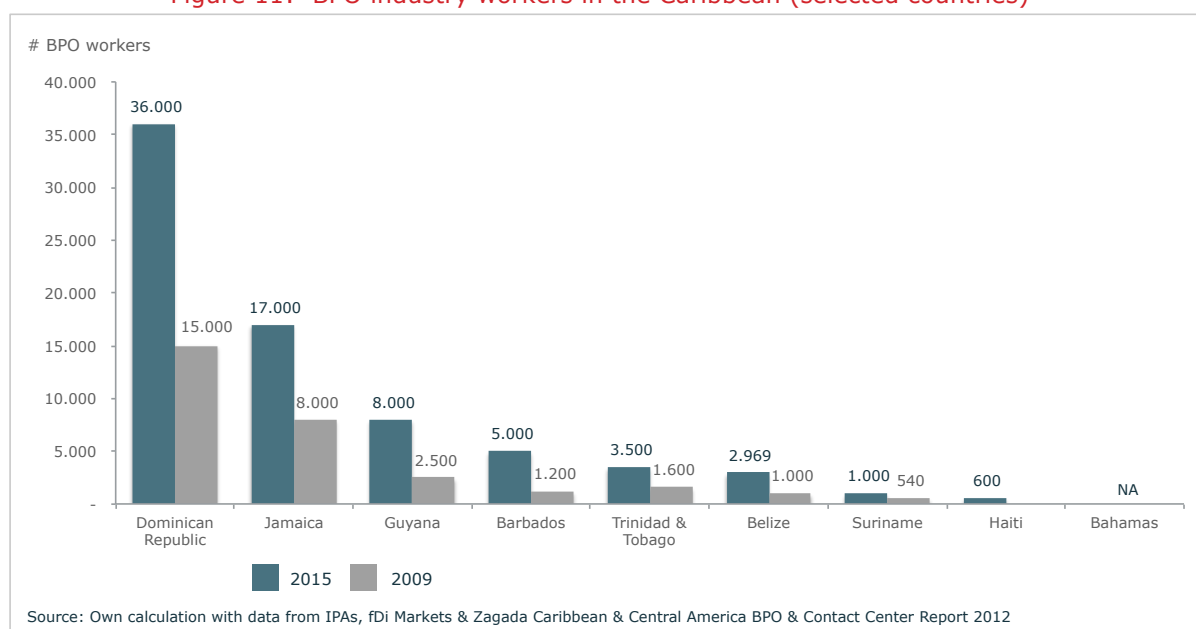
In this context, most Caribbean economies are trying to exploit their competitive advantages, such as a relatively low cost of operations (35%-75% cost arbitrage over tier-2 US cities), educated workforce, language capabilities and geographical and time zone proximity to North America, where many clients for such services are based, the US accounts for more than 90% of the total contact center services demand.

3.1. THE CARIBBEAN KEY FIGURES AND TRENDS²¹

As of 2015 the Caribbean BPO industry is composed of more than 200 delivery centers and 74,069 agents in the nine selected countries. The numbers for Caribbean nationals working in BPO jobs have doubled from 29,300 in 2009 to over 74,000 in 2015, reflecting an additional 44,700 workers entering the sector in just a 5-year period.

The Caribbean is witnessing growing interest as a delivery destination for global BPO services; the industry has grown at an impressive estimated annual compound rate (CAGR) of 17%, in the past 5 years. Virtually all assessed countries are performing very well; they all, at least, doubled their jobs positions from 2009 to 2015: Dominican Republic grew 140%, Jamaica recorded an increase of 112%, Guyana 220%, Barbados 316%, Trinidad & Tobago 187%, Belize 197% and Suriname (85%).

Figure 11: BPO industry workers in the Caribbean (selected countries)



Most of the Caribbean countries are considered nascent locations for business process services; the Dominican Republic and Jamaica are the most developed of the group, classified among the *next-wave* BPO locations²². The Dominican Republic (36,000) and Jamaica (17,000) together account for almost 75% of all of the industry workers within the region, with a 50% and 24% split, respectively. Guyana occupies the third position with a share of 11%; the country recorded the most impressive growth going from 600 jobs in 2008, to 2,500 in 2009 and 8,000 in 2015.

With 3,500 agents and a market share of approximately 5%, Trinidad and Tobago is a relative smaller market than its peers, however it is considered to have deep potential to emerge as a leading destination. In 2015 the country entered for the first time the A.T.

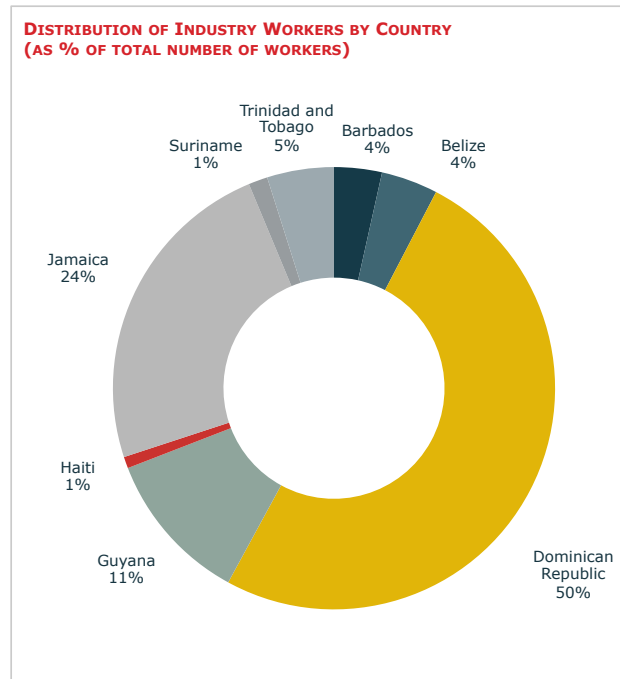
²¹ Availability of cross-Caribbean data sets and statistics in the BPO industry is lacking for the countries subject to this study. Data provided is given by the countries' IPAs or estimates are made for the countries subject to this study.

²² Everest Group. Global Locations Annual Report 2015: Resurgence of Activity Amidst Evolving Propositions, March 2016

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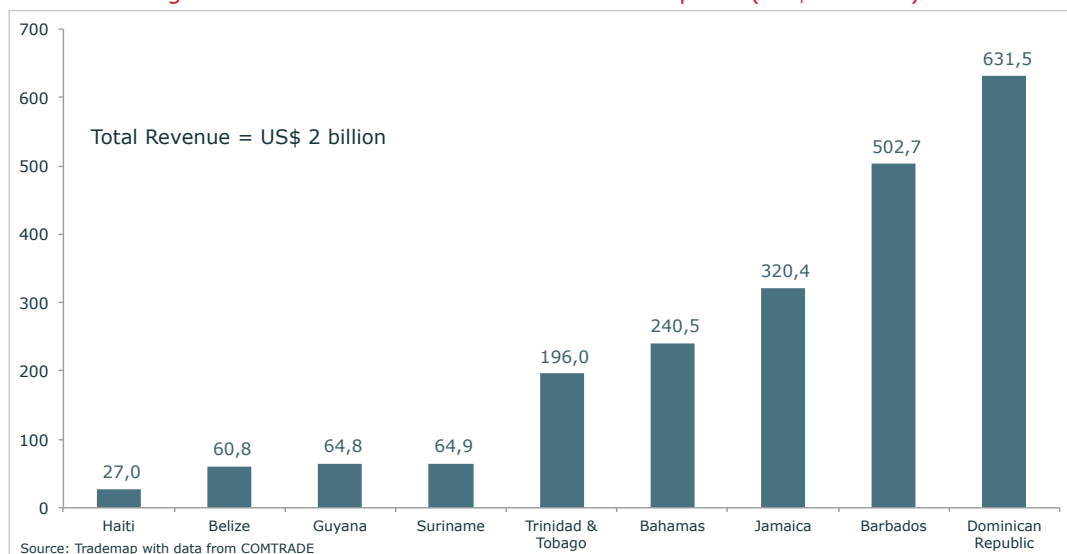
Kearney Global Services Location Index, occupying 42nd position globally, the country scores very favorably on language skills and infrastructure costs.

Figure 11: Distribution of workers by country



Exports of BPO and other professional services indicate that the region generated over US\$ 2 billion in revenue during 2014. This proxy indicator is calculated by taking all professional services' exports, other than transport, travel and government services. Mathematics shows that companies in the region generate approximately US\$25 million in revenue for every 1,000 agents. Zagada Institute reports profit margins between 7% for call centers and hovers around 15% for non-voice back office shared services.

Figure 12: BPO and Professional Service Exports (US\$ millions)



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BPO activities are mainly developed by foreign investors and also by local firms to some extent, but Caribbean-wide official FDI data for this sector is yet lacking. It is estimated that most investors are foreign²³. Capital investment is not very high because of low capital intensity for the sector, but as shown above, estimates about employment figures implies the importance of the industry being jobs-intensive by nature.

Regarding foreign direct investment (FDI), more than 23 new call centre projects have established in the Caribbean market over the last three years: 11 in Jamaica, 5 in the Dominican Republic, 2 in Trinidad & Tobago, 2 in Guyana and one each for Bahamas, Belize and Suriname. Although this list does not include all projects that have taken place in the region, it illustrates which countries have received most FDI from the sector. Some of the largest projects include a US\$ 30 million investment from Australian company Acquire BPO in the Dominican Republic, and a similar size investment from DHL in Jamaica, both during 2015.

Figure 13: Call centre FDI projects in the Caribbean, 2013-2016

#	Year	Investing Company	Destination Country	Sector	Capital Investment (US\$ million)	Estimated number of jobs created
1	2016	Acquire BPO	Dominican Republic	Business support services	30.0	700
2	2015	IBEX Global Solutions (TRG Customer Solutions)	Jamaica	Business support services	4.6	725
3	2015	Cable & Wireless Worldwide (Cable & Wireless)	Jamaica	Wireless telecommunication carriers	3.9	300
4	2015	iQor (IRMC)	Trinidad & Tobago	Business support services	1.9	300
5	2015	Advanced Call Center Technologies (ACT)	Jamaica	Business support services	1.6	250
6	2015	Xerox	Jamaica	Business support services	6.3	1,000
7	2015	Xerox	Jamaica	Business support services	5.7	900
8	2015	Health Benefits Center	Dominican Republic	Insurance	9.7	225
9	2015	Qualfon	Guyana	Business support services	37.8	6,000
10	2015	Teleperformance	Suriname	Business support services	3.7	528
11	2015	DHL	Jamaica	Freight/Distribution Services	30.0	20
12	2015	Teleperformance	Guyana	Business support services	9.5	1,500
13	2014	Hinduja Global Solutions	Jamaica	Business support services	1.3	200
14	2014	Convergys	Dominican Republic	Business support services	3.2	500
15	2014	Open Mobile	Dominican Republic	Communications equipment	7.1	439
16	2014	KM2 Solutions	Dominican Republic	Business support	3.7	405

²³ ECLAC, FDI in the Caribbean, http://repositorio.cepal.org/bitstream/handle/11362/36620/S2014046_en.pdf?sequence=1

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#	Year	Investing Company	Destination Country	Sector	Capital Investment (US\$ million)	Estimated number of jobs created
				services		
17	2014	Columbus International	Trinidad & Tobago	Wireless telecommunication carriers	0.6	50
18	2014	Columbus International	Jamaica	Wireless telecommunication carriers	0.6	50
19	2014	Golden Gate BPO Solutions	Belize	Business support services	3.5	550
20	2014	Elephant Group	Jamaica	Business support services	3.7	374
21	2013	Island Outsourcers	Bahamas	Business support services	0.4	65
22	2013	Accent Marketing Jamaica	Jamaica	Advertising, PR, & related	0.6	103
23	2013	Elephant Group	Jamaica	Business support services	0.6	88
Total					170.0	15,272

Source: fDi Markets

The Caribbean countries have received US\$ 170 million of total capital investment, generating over 15,000 new jobs for the projects received over the last three years, according to fDi Markets database, particularly, Guyana performed well in terms of the number of jobs created through investments from Teleperformance and Qualfon²⁴.

English language proficiency is the main driver behind the investment received by the region. Robert Dechant, chief executive officer of IBEX Global Solutions, a call centre established in Jamaica, stated to the Financial Times' fDi Markets database: "Jamaica is a complementary location to the Philippines. It is English only and is the third-largest English-speaking population in the Western Hemisphere. You can really scale a lot of English for your clients that are looking to balancing their portfolios of nearshore, onshore and offshore. It offers high-volume English play".

A similar response is given by Jeff Balagna, CEO of Teleperformance, about the company's investment in Guyana: "with English as the official language of the country, Guyana offers an educated workforce, strong infrastructure and a stable overall environment". Also, a vast pool of English-speaking workers, close proximity to the United States and low operational costs are the main factors that contributed to drawing Golden Gate company into Belize²⁵.

²⁴ Nearshore Americas: <http://www.nearshoreamericas.com/qualfon-open-largest-bpo-complex/>
<http://www.nearshoreamericas.com/teleperformances-move-guyana-bolster-market-dont-expect-major-players-follow/>
²⁵ fDi Markets

3.2. PROSPECTS AND OPPORTUNITIES FOR GROWTH

The Caribbean is a small but increasingly significant nearshore market for North American based companies. The region is fast emerging as a credible location not only for voice based contact centres, but also for higher value BPO services. The industry has registered considerable growth over the past few years (CAGR of 17%) and it is expected that the Caribbean countries will continue to grow at a similar pace as a result of their competitive costs, vast pool of English speaking population and proximity to the US market.

Most countries have very positive prospects for the BPO industry:

- The IDB projects the sector will create as much as 5,000 jobs over the next four years in Haiti²⁶.
- The existing employee base in Belize is currently 3,000 and it is expected to touch 4,000 in the next couple of years.
- The Minister of Industry, Investment and Commerce for Jamaica declared the BPO growth in Jamaica will reach “*unprecedented levels over the next five years*” as the government continues to introduce measures and incentives to support the sector²⁷. The number of contact centers agents is expected to reach 20,800 in 2017, an increase of 35%.
- Dominican Republic is expected to hit 56,000 agents by the end of 2017 a growth rate of 60%, the highest in the entire Caribbean and Central America region²⁸.

Nearshore vendors have become increasingly interested in expanding into the Caribbean market. Locations that were once considered as emerging are now relatively mature. For example, many of the largest contact center operators (like Convergys, Teleperformance and Sykes) are now present in the Salvadoran and Nicaraguan markets. As a result, “*there are significant opportunities to be found in smaller countries, many of which make up for their lack of scale with higher rates of educational attainment and infrastructure sophistication. These include countries such as Belize, Trinidad and Tobago and Barbados. Also, access to plug-and-play commercial real estate and incentives make other countries (such as Jamaica and Guyana) equally attractive options*”²⁹. Haiti is another Caribbean country with opportunities as a French-speaking sourcing location for the French and Canadian markets. Pierre-Richard Denis, Head of Business Development and Technical Customer Care at Irish Caribbean-wide Digicel stated³⁰ “*Haiti offers very competitive cost of labor between US\$10-12, lower than in Pakistan, and skilled labor force, young dynamic people eager to learn and given the high unemployment rate loyalty primes resulting in the lowest attrition rate at 2%*”.

The Caribbean region now provides a business environment where companies can successfully compete with other nearshore locations. In 2016, Caribbean company Itel-

²⁶ <http://www.iadb.org/en/topics/trade/the-global-bpo-sector-launch-in-haiti,19869.html>

²⁷ <http://www.fdiintelligence.com/index.php/Special-Reports/Jamaica-looks-inward-to-grow-BPO-prospects>

²⁸ <http://www.mypurchasingcenter.com/purchasing/industry-articles/dominican-republic-rising-star-outsourcing-caribbean-and-central-america/>

²⁹ Nearshore Americas: Smaller Market Still Have Strong Case for Offering Nearshore services (2014)

<http://www.nearshoreamericas.com/latam-small-markets-bpo/>

³⁰ Face-to-face interview on February 2016

BPO Solutions -with operations in Jamaica and Bahamas- won the Nexus Illuminate Entrepreneur of the Year Award. ITEL-BPO Solutions provides customer and sales services to clients in the tourism, telecoms, utilities, medical billing, and online retail sectors, among others³¹.

It is expected that Caribbean countries will become even more attractive locations as they continue to make positive improvements to their business environment, specifically by streamlining business registration processes and servicing investors in overcoming any legal and logistical obstacles channelled through their government empowered investment promotion agencies.

3.3. EXISTING CAPACITY AND POTENTIAL BY COUNTRY

The existing capacity and level of sophistication in BPO operations varies widely. In Guyana most BPO operations are call centres, while in Trinidad and Tobago and Jamaica they process human resources and financial operations and have the objective to move up the value chain into legal, medical and animation activities.³²

3.3.1. THE BAHAMAS

The Bahamas, the nearest offshore destination to the US has a supportive and enabling Government providing a stable business and investment framework, a strong judiciary framework and data protection making it a business friendly place. The National Development and Planning Unit of the Prime Minister's Office works continuously on matters related to the ease of doing business. The private sector works closely and is in good dialogue with the administration. It is considered a potential BPO destination due to the country's track record and recognition in the financial services sector with an excellent infrastructure in place. Bahamas Investment Authority (BIA), a unit of the Prime Ministers' office, assists companies by fast-tracking investor dossiers and processes for a smooth set up.

A strong native English-speaking workforce of well-educated people is available. From 5,000 annual graduates 10% could potentially work in contact centres. Access to modern ICT technology and some of the best technological fibre optics for broadband connectivity is expanded throughout the islands providing access to major world markets. Data protection legislation makes the location attractive within a short 30 minute flight from Miami, however, due to higher salary levels, the type of services is geared to high skill and high-end services in financial services for funds, legal work and for trusts going beyond accounting and legal services.

The Bahamas provides fiscal policies and a series of incentives for companies interested to invest. For the BPO sector the take up has not been as fruitful as it could have been with a more proactive stance and role with properly packaged and promoted products in this field, given the potential offered by the Bahamas government to grow the industry.

³¹ <http://www.nexus2016.com/>

³² ECLAC, FDI in the Caribbean, http://repositorio.cepal.org/bitstream/handle/11362/36620/S2014046_en.pdf?sequence=1

Financial services onshore employ 3,000 workers, and the offshore non-resident component for the international market employs 1,500 people.

The strong judiciary framework and neutral territory, coupled with a strong and actively engaged government and private sector, has resulted in the private and public sector working together on the development of making the Bahamas a regional arbitration center for investors and contractors a significant development in 2016 – the vision is to create an industry in its own right.

Figure 14: The Bahamas BPO Industry Key Figures³³

Population	324,597
Unemployment Rate	15.4%
Literacy Rate	95.6%
Tertiary Education enrolment	n/a
Number of BPO Agents	n/a
Number of BPO centres	n/a

3.3.2. BARBADOS

The Barbados Service Sector Development Strategy³⁴ (2013) states that around 20 companies in Barbados are involved in customer service call centers, finance and accounting back office, insurance claim processing, and pharmacy prescription processing, employing over 5,000 people. The available labor force is easily trainable with good work ethics, productive and native English-speaking. Companies in Barbados report productivity levels of over 98.5% with low turnover and absenteeism.

The Government of Barbados actively encourages investment in the Call Centre Industry and offers an attractive incentives package, comprised of low tax rates, training grants and office accommodation at competitive rates. Companies have reported reducing approximately 35% of their operating costs by establishing facilities in Barbados.

BPO operations promoted as being competitive in Barbados are described below; there is a special focus on Legal Process Outsourcing

- Enterprise Resource Management
 - Finance and Accounting
 - Procurement, Logistics and Supply Chain Management
- Human Resource Management
 - Talent Management
 - Payroll
 - Recruiting
- Customer Relationship Management
 - Marketing and Sales
 - Contact Centres / Call Centres -Emphasis on BPO with focus on Legal Process Outsourcing

To support the BPO industry, investors will find a reliable telecommunications infrastructure, state-of-the-art customer service centers and a cultural affinity related to

³³ Key Data sources: Population, World Bank; Unemployment rate, World Bank; Literacy Rate, World Bank, Tertiary Education enrolment, UNESCO, Number of BPO Agents, IPAs & Zagada Institute and own calculations; Number of BPO centers, IPAs

³⁴ <http://www.ctaeconomic.com/uploads/files/BarbadosDocs/Progress%20Report.pdf>

its geographic proximity to North America. Barbados is also noted for its exceptional social, political and economic stability. A service-oriented, loyal, trainable workforce with a neutral accent, competitive business costs and high levels of productivity, add to the appeal of the island as a cost-efficient location for international call centers³⁵.

Figure 15: Barbados BPO Industry Key Figures

Population	290,604
Unemployment Rate	12.0%
Literacy Rate	99.7%
Tertiary Education enrolment	65.4%
Number of BPO Agents	5,000
Number of BPO centres	20

3.3.3. BELIZE

BPO is a high growth industry in Belize, the only native English-speaking nation in Central America, with some 20 centers³⁶ employing around 3,000 agents with one of the region's most competitive salaries up to 60-80% less than in the USA. Exports in this sector are worth approximately US\$ 4-6 million annually. It is a priority sector for the government of Belize and the private sector, driven by Beltraide/Belize Invest as the government's operational arm providing information, services and facilitation to companies. The first center started in 2005

The location centred advantages that Belize offers include neutral-accent English and Spanish language capabilities, subsidized training and multiple incentives as well as its geographical proximity to the United States. However, Belize faces challenges in competing in this sector and attracting investors compared to other countries in the region, consisting mainly of its lack of qualified skilled labour force and weaker infrastructure.³⁷

Contact centers are principally located in Belize City but have spread to the capital city Belmopan, and also to Ladyville, San Ignacio, Colozal and Orange Walk.

Belize's value proposition includes: Bilingual language skills; (slightly over 50% of population is Spanish speaking), Time Zone Advantage - Mirrors US Central Standard Time (CST); competitive salaries; proximity - Within 2 to 4 hours of flight time from key US cities; telecom infrastructure - modern telecom infrastructure - 3 main fiber optic hubs - with high redundancy; incentive programs - multiple incentives including free repatriation of profits, dividends and capital.

³⁵ Invest Barbados

³⁶ Investment profiles development Belize offshore outsourcing, BELTRAIDE and Wavteq 2015

³⁷ IADB, Belize Private Sector Assessment Report 2014.

Figure 16: Belize BPO Industry Key Figures

Population	347,369
Unemployment Rate	11.5%
Literacy Rate	76.9%
Tertiary Education enrolment	24.2%
Number of BPO Agents	2,969
Number of BPO centres	18
BPO industry Revenues	US\$6 mn

3.3.4. DOMINICAN REPUBLIC

The contact center and BPO industry is a large-output, dynamic activity in the Dominican Republic: As of 2015, 102 companies generated 36,000 jobs mainly in the cities of Santo Domingo, Santiago, and Puerto Plata. Approximately 65% of all contact center activities are related to inbound calls; 24% deal with outbound calls; 11% relate to BPO; and 1% to KPO³⁸.

Contact centers in the Dominican Republic provide services to a diversified portfolio of industrial sectors, notably those related to medical interpreting, telecom services, IT and trade. The Business Process Outsourcing (BPO) area provides assistance to financial, human resources, energy, and engineering and construction companies. The CEI-RD is the government agency leading the growth of the industry providing free professional services to companies in all key segments.

Altogether, contact centers provide services to 10 different markets: Telecom (43.9%) and financial services (17.7%) lead the way. Other key sectors represented are IT, health, government, manufacturing, services, energy and trade, among others.

Figure 17: Dominican Republic BPO Industry Key Figures

Population	10,478,756
Unemployment Rate	15.0%
Literacy Rate	91.8%
Tertiary Education enrolment	47.5%
Number of BPO Agents	36,000
Number of BPO centres	102

3.3.5. GUYANA

In recent years, Guyana has experienced the emergence of a small, but growing IT-enabled Services industry with both domestic and foreign investment in call centers and BPO operations. Currently there are ten BPO companies in Guyana doing outbound sales / telemarketing, inbound customer support, voicemail transcription, medical records transcription and data warehousing. This sector currently employs approximately 8,000

³⁸ CEI-DR, <http://cei-rd.gov.do/ceird/Inversion/dossier/EN/2.ENG-CallCenterDossier.pdf>

people, mostly young women.³⁹ The Guyana Office of Investment provides facilitation services to companies interested to explore and set up in Guyana.

The value proposition of the BPO sector in Guyana includes: *English-Speaking Workforce* – there are few language barriers for providing voice or data services; *accent* – Guyanese workers have an accent that is compatible with the USA market; *skilled and Trainable People* – literate and trainable workforce; *time Zone* – same time zone as the East Coast of the USA and Canada; *competitive Wages* – Wages in the Call Centre industry is very competitive; and, *communication Cost* – Guyana is able to provide call centers with a reasonable ICT cost which will reduce more when the Government of Guyana brings their Cable through Brazil.

Figure 18: Guyana BPO Industry Key Figures

Population	735,222
Unemployment Rate	11.1%
Literacy Rate	88.5%
Tertiary Education enrolment	12.5%
Number of BPO Agents	8,000
Number of BPO centres	10

3.3.6. HAITI

Haiti is currently inviting international outsourcing firms to explore and set up operations in the “*Caracol Industrial Park*” which is being built in its northern province bordering the Dominican Republic.

The government of Haiti has identified outsourcing services as one of the priority sectors for socio-economic transformation. The availability of labor, multilingual skills (English, Spanish and French), geographical position of the country and the competitive costs make Haiti an ideal place to launch BPO service.⁴⁰ The Haiti Center for Facilitation of Investments has a team guiding companies to find their place and to liaise with appropriate government support and market information. The Irish-owned company Digicel with headquarters in Jamaica – operating across 35 countries – has an important investment in the capital Port-au-Prince with over 1,000 staff its own fiber optic network covering 100% of Haiti, from where they not only serve their own clients but have range of contracts for French, Spanish English services and are also PSI compliant to currently serve credit card companies. With over 800 agents, more than 50% are dedicated to BPO. Digicel has 5 big back up generators to remedy any electricity shortages and +is poised to see a significant growth form its current levels.

The sector’s value proposition includes: large and multilingual labor force; geographical and cultural proximity to major North American markets; recent investments in crucial infrastructure, including two undersea fiber optic cables providing high speed

³⁹ Guyana Office of Investment

⁴⁰ Center for the Facilitation of Investments

connectivity; and, attractive labor costs as salaries and mandatory contributions are one of the most competitive in the near shore region, as well as its very low attrition rate.

Figure 19: Haiti BPO Industry Key Figures

Population	10,110,019
Unemployment Rate	6.8% ⁴¹
Literacy Rate	60.7%
Tertiary Education enrolment	6.5%
Number of BPO Agents	800+
Number of BPO centres	1 (Digicel)

3.3.7. JAMAICA

Jamaica's strong credentials as a highly competitive and attractive business destination have underlined its position as the leading BPO location in the English-speaking Caribbean. The outsourcing sector directly employs approximately 17,000 agents and generates revenue estimated at over US\$250 million. There are currently 50⁴² companies that offer call center and BPO services in the country, and among these firms are global industry players such as Xerox, Teleperformance, Vistaprint, Hinduja Global Solutions and Sutherland Global Services (SGS).⁴³

The sector is populated by a combination of captives (wholly owned subsidiaries) and third party service providers that are primarily located in Montego Bay, Kingston and Portmore.

Jamaica's value proposition includes: availability of talent - Jamaica's large English-speaking, educated workforce of 1.3 million has a strong cultural affinity to major outsourcing markets such as North America and the UK; convenient access - close proximity to the North American market and the convenience of being in time zones that are well aligned, increases Jamaica's appeal as an outsourcing destination; cost effective - companies are constantly seeking cost-effective near shore outsourcing solutions, and call centre and BPO salaries in Jamaica are 40-60% lower than corresponding salaries in North America; great infrastructure - world class and robust telecoms infrastructure supports all the requirements for global connectivity and ranks among the most developed in the world.

According to the latest AT Kearney Global Services Location Index for 2016, Jamaica is currently ranked 43rd, and is considered to be one of the region's more mature and stronger locations for BPO providers supporting clients in the United States, Europe, and other Caribbean neighbouring countries. The main factor that has influenced this ranking is the financial attractiveness and business environment that the country has.

⁴¹ Figure according to the World Bank and The International Labour Organization. ILO measure of unemployment assesses the number of jobless people who want to work, are available to work and are actively seeking employment. It is used internationally so comparisons can be made between countries. CIA Fact Book estimates an unemployment (including underemployment) of 40%

⁴² http://www.jamaicaobserver.com/mobile/business/BPO-may-not-need-the-Stock-Exchange---Epstein_52598

⁴³ JAMPRO

Figure 20: Jamaica BPO Industry Key Figures

Population	2,950,210
Unemployment Rate	13.2%
Literacy Rate	88.7%
Tertiary Education enrolment	27.4%
Number of BPO Agents	17,000
Number of BPO centres	50
BPO industry Revenues	US\$250 mn

3.3.8. SURINAME

BPO is still a small sector in Suriname, due to lack of statistical information its contribution to GDP and employment is currently unknown. It is estimated there are 12 companies employing 1,000 workers⁴⁴. Services offered include:

- Outbound / inbound calling
- E-mail processing
- Customer satisfaction research
- Debt collection services
- Data-entry /data – conversion
- Financial services
- Search engine optimizer services
- Software development

Suriname is emerging as a low-cost destination with Dutch language capabilities, combined with a pool of professionals to perform call center services, it is the 7th preferred BPO location for the Netherlands. According to a report by Gartner, language capabilities, low cost, and the availability of qualified resources have been the main drivers for sourcing call center services out of Suriname. Telecommunication costs has also influenced in Suriname's attractiveness in providing call center services.⁴⁵

Telematics has been active since 2005 and grew its employee base from 10 to 400, in 2010 Amro Bank outsourced its mortgagee enquires to Suriname. One recent investor, Teleperformance, one of the worlds largest voice companies, started in March 2015 with initially 30 people working with a plan to grow to 100, with a further capacity up to 200, servicing customer care for Samsung, Online and Enel mainly in Dutch but also to some extent in English. Suriname's Contact Center Manager Barbara Bruinhart mentioned the greatest competitive advantages and benefits of Suriname being the friendly, kind, open and flexible staff that are easy to train, a 3% attrition rate, 40% lower costs than in the Netherlands and direct transfer of up to 80% of everything provided there. In a recent client survey, Teleperformance only had 2% of respondents objecting about the accent.

Suriname BPO sector is especially attractive for the Dutch market, Suriname provides outsourcing possibilities for Dutch companies, since they can have access to high quality

⁴⁴ http://www.gov.sr/media/288454/investerings_gids_suriname_aug2010.pdf

⁴⁵ Gartner Consulting, "Business Process Outsourcing in Suriname: Call Center Services"

Dutch speaking employees at relative low costs and 24/7 service through time difference.

Figure 21: Suriname BPO Industry Key Figures

Population	579,633
Unemployment Rate	5.6%
Literacy Rate	95.6%
Tertiary Education enrolment	12.7%
Number of BPO Agents	1,000
Number of BPO centres	12

3.3.9. TRINIDAD AND TOBAGO

Trinidad and Tobago has very good infrastructure with adequate bandwidth capacity, good quality real estate, local transportation, an extensive network of roads, good air connectivity and reliable power and utility systems. Trinidad and Tobago has a high quality English speaking workforce and competitive labor costs⁴⁶.

Some other advantages in the BPO services include: seven fibre optic landing stations providing high level of redundancy; stable and reliable electricity network reducing back-up requirements and costs; well connected to most major international destinations in North America and Europe; high level of mobile and broadband penetration; extensive network of high quality roads; low energy costs; has the second largest English speaking near shore nation for North America with a relatively neutral accent; high quality secondary and tertiary education system; free education (from primary to tertiary levels) ensures high rate of literacy and high percentage of college graduates; low attrition rates in the CC industry due to higher youth unemployment levels and lack of competitive options.

According to the latest AT Kearney Global Services Location Index for 2016, Trinidad and Tobago is currently ranked 42nd. The main factor that has influenced is the financial attractiveness of the country.

Figure 22: Trinidad & Tobago BPO Industry Key Figures

Population	1,222,363
Unemployment Rate	4.0%
Literacy Rate	99.2%
Tertiary Education enrolment	12.0%
Number of BPO Agents	3,500
Number of BPO centres	20

⁴⁶ Invest in Trinidad and Tobago

3.4. OUTLOOK OF SUBSECTORS OF OPPORTUNITY FOR AN INVESTOR

The Caribbean is offering a more complete BPO service portfolio, by moving beyond voice-based services; the region has strengths and capabilities in other BPO segments such as FAO, Human Resources Outsourcing and Legal Process outsourcing.

3.4.1. CONTACT CENTRE OUTSOURCING (CCO)

Large corporations have chosen the Caribbean for establishing call centres, due to its cost-effectiveness and English-speaking or bilingual workers who relate well to American customers. Call centres for customer service are present in all Caribbean countries and territories; Jamaica and Dominican Republic are leaders in this segment. They together have 53,000 agents employed and leading companies like Xerox, Convergys, Alorica, Teleperformance, Vistaprint and Acquire have captive centers in these islands. Similarly, there are several Canadian banks with years of experience operating call centers in Caribbean countries like Trinidad and Tobago. Both the Royal Bank of Canada (RBC) and Scotiabank have operations in this island, and the Canadian Imperial Bank of Commerce operates in Barbados since 2006.

Based on information provided by IPA's of the region, CCO services still have high potential for continued growth to service clients in the United States, Canada, United Kingdom and other countries.

3.4.2. FINANCE AND ACCOUNTING OUTSOURCING (FAO)

Traditionally many of the jobs involved in BPO in the Caribbean were focused on handling customer services phone orders, but the industry gradually has been evolving to offer higher-value services. The Caribbean is already carving out a niche in the FAO segment, valued at US\$25 billion globally⁴⁷. Trinidad & Tobago, Jamaica, Dominican Republic and Barbados are also aiming to become an outsourcing location for F&A Outsourcing services. The region as a whole is well positioned to provide sophisticated accounting services and financial analytics to international services, thanks to its highly qualified talent base and availability of chartered accountants; for example Trinidad & Tobago has the highest per-capita population of accountants in the world⁴⁸.

Scotiabank shared services and processing centre and Quattro Global servicing at Trinidad & Tobago are example of why companies are choosing the Caribbean for setting up F&A BPO operations: "*Trinidad and Tobago also featured competitively in the areas of stable political environment, young and educated workforce, and robust and reliable telecommunication infrastructure*".

⁴⁷ HfS Blueprint Report, Progressive Finance & Accounting Business Process Outsourcing Services, March 2015

⁴⁸ <http://www.nearshoreamericas.com/quattro-launch-fa-bpo-service-trinidad-tobago/>

FAO services are expected to continue growing in the region, specifically in areas such as billing, accounts payable, accounts receivable and payroll. Tax preparation and payroll services are the most commonly outsourced services in regards to accounting.

3.4.3. HUMAN RESOURCE OUTSOURCING (HRO)

Human Resources Outsourcing global market continued its steady growth at the rate of about 4% to reach US\$3.4 billion in 2014⁴⁹. Human Resources functions can be easily outsourced to a third party, routine administrative work such payroll and benefits administration outsourcing is commonly outsourced for two reasons: it's a time-consuming administrative task for employers, and there are many specialist companies with the technology and knowledge to run it efficiently and compliantly.

The Caribbean is well positioned for providing HRO services, growth potential is led by the presence of a large number of companies with geographical disperse operations, the Caribbean is one of the largest English-speaking regions in the world, most business administration and HR practitioners are familiar with North Americas' HR practices and very aware of western business culture, given its people's close ties to North America, and in particular the USA.

3.4.1. LEGAL PROCESS OUTSOURCING (LPO)

The Legal Process Outsourcing global market is estimated to reach US\$8.6 billion by 2020⁵⁰ growing at an estimated CAGR of 30% from 2005 to 2020. Litigation is up 200% in North America, and there is a continuing and developing need for IP portfolio management. Many Caribbean countries are trying to secure a piece of the LPO pie⁵¹.

The Bahamas, Jamaica and Trinidad & Tobago have good potential for LPO in the region. Many countries are governed by the English Common Law System, similar to to the US, Canada, UK and British Commonwealth countries. The high number of law school graduates far outstrips the local demand for lawyers⁵², ensuring steady and highly qualified supply of young lawyers; Jamaica is home to the Norman Manley Law School at The University of West Indies, one of three regional law schools accredited by the Council of Legal Education.

Barbados is another Caribbean country with LPO potential, it has a common law jurisdiction and exceptional educational standards. Innovate LSO, a company established in 2013, provides LPO services (IP portfolio management, and contract review and management services) in the region to clients in North America, the United Kingdom and Hong Kong.

⁴⁹ Multi-Process Human Resources Outsourcing (MPHRO) Annual Report, Everest Group

⁵⁰ <http://www.grandviewresearch.com/industry-analysis/legal-process-outsourcing-lpo-market>

⁵¹ <http://www.nearshoreamericas.com/caribbean-legal-process-outsourcing-hub/>

⁵² <http://www.ict-pulse.com/2015/08/moving-chain-trinidad-tobago-positioned-bpo/>

3.4.2. AREAS OF OPPORTUNITY PER COUNTRY

Countries	The Bahamas	Barbados	Belize	Dominican Republic	Guyana	Haiti	Jamaica	Suriname	Trinidad & Tobago
Contact Centre	✓	✓	✓	✓	✓	✓	✓	✓	✓
Finance and Accounting	✓	✓	✓	✓	-	-	✓	-	✓
Human Resource	✓	-	✓	✓	-	✓	✓	-	✓
Legal Process Outsourcing	✓	✓	-	-	-	-	✓	-	✓

Source: Own elaboration based on primary and secondary research

Based on primary and secondary research done, as well as the revision of information provided by the regional IPAs, most of the countries covered in this report do have some degree of experience in the CCO sub-sector. It is expected that in the coming years more companies will continue seeking other destinations from where to provided these services, taking advantage of better costs and access to a more skilled workforce.

In regards to FAO, some Caribbean countries included in this analysis are well known for the developed experience, including delivery of FAO. The countries with potential in this sub-sector include the Bahamas, Barbados, Jamaica, and Trinidad and Tobago; and most recently Belize and the Dominican Republic.

In HRO, some countries subject to this study, have also had experience providing this type of services, therefore it is foreseen the on-going trend would apply to the same countries and also to other newcomers. Countries include the Bahamas, Belize, Dominican Republic, Haiti, Jamaica and Trinidad and Tobago.

4. INVESTMENT CLIMATE

BPO is a very volatile industry with few barriers to entry and exit, where most companies are in constant search of lower costs. Nevertheless the possibilities for job creation in relatively high-skilled activities have motivated Governments to provide very generous incentives. Most BPO operations in the Caribbean are granted free zone status, entirely exempted from income tax⁵³ and allowing companies to repatriate 100% of their earnings tax free.

4.1. REGULATION, INCENTIVES AND SUPPORT MECHANISM

4.1.1. THE BAHAMAS

There are no BPO specific incentives packages, however the industry can benefit from the Bahamas' low-tax environment and stable currency.

⁵³ ECLAC, FDI in the Caribbean, http://repositorio.cepal.org/bitstream/handle/11362/36620/S2014046_en.pdf?sequence=1

- The Bahamas has no corporate tax unless revenue is derived from within the Bahamas.
- There is no personal, capital gains, estate gift or inheritance taxes.
- The repatriation of foreign investment funds, foreign assets and dividends or profits arising from foreign investment is allowed and facilitated.

The Free Trade Zones Act designates areas within the Bahamas as free industrial and commercial zones. Under the Hawksbill Creek Agreement Act, businesses in Freeport Grand Bahamas, the free trade zone pay no taxes on profits, capital gains, inheritance, income, earnings, distribution, or on exported goods.

4.1.2. BARBADOS

In Barbados, the main BPO incentives include: a company offering call centre services outside of Barbados and registered as an International Business Company or Society with Restricted Liability will benefit from a low tax rate of 2.5% - 0.25%, depending on levels of profits earned in Barbados; duty free imports of all equipment and materials to be used in its business; exemption from exchange control; no withholding taxes on dividends, royalties or interest payments.

Funding and other support mechanisms

Additionally, Barbados offers a Training Grant, a grant assistance of US\$50 per week per employee for a specified period.

4.1.3. BELIZE

In Belize, incentives for the BPO industry include: a 20 year tax holiday with option to deduct loss from profits; import/export duty exemptions: exemptions on import of equipment related to operations; full repatriation of funds - full repatriation of both capital and profits; exemption on property and land taxes, excise, sales, consumption taxes, taxes on trade turnover, foreign exchange and transfer tax; dividend tax exemption in perpetuity; no restriction on operating foreign currency bank accounts in Belize and abroad.

Funding and other non-financial incentives and support mechanisms

According to BELTRAIDE/Belize Invest, the country offers the following funding and support mechanisms: Assistance with recruitment - Assistance in recruiting BPO staff and agents through BELTRAIDE; Subsidized BPO Training for Students - A national government run program initiated October 2011 providing subsidized BPO training to eligible students; National Call Center Training Institute - The institute was set up to provide BPO specific skills training to those with basic linguistic skills interested in employment in the BPO sector; Certification Program with International BPO Training Institute - The program aims to ensure local talent is trained as per international standards to ensure high quality service levels; Additional Spanish training in collaboration with the University of Belize to further improve existing bi-lingual capability, this program aims at training the Spanish speaking population as per BPO sector requirements; Investment and start up facilitation through application fast tracking and real estate assistance. BELTRAIDE/Belize Invest has a dedicated BPO unit

to assist investors at every stage of their investment process ensuring smooth initiation of operations.

4.1.4. DOMINICAN REPUBLIC

In the Dominican Republic, BPO incentives are granted under Law 8-90 for Free Trade Zones for Export, and operate as Special Free Trade Zones, given the tax exemption advantages within the special regime. A Data Protection Law exists.

Law 8-90 exonerates its beneficiaries from paying 100 per cent of the following taxes: Income tax; Tax on the Transfer of Industrialized Goods and Services (ITBIS); Import taxes, customs tariffs, customs duties and any other related charges over; raw materials and transportation equipment; Export and re-export taxes; Patent tax over assets; municipal taxes; consular taxes.

Funding and other support mechanisms

The Contact Center Institute of the Americas (CCI) - The Contact Center Institute (CCI) at *Parque Cibernético* Santo Domingo (PCSD) provides training and recruiting services to support the country's growing contact centers and BPO service organizations. CEI-RD is the national promotion arm supporting company start-up and expansion.

4.1.5. GUYANA

In Guyana, BPO sector incentives include: exemption from customs duty on a wide range of ICT equipment, including computers and their hardware accessories, integrated circuits, micro assemblies and apparatus; zero rate of Value-Added-Tax on computers and hardware accessories, routers, switches and hubs for networking computers, toner cartridges and ink cartridges for computer printers; tax holiday; exemption from duties and taxes for items covered under an Investment Agreement. The Guyana Office for Investment facilitates new investment and re-investment.

4.1.6. HAITI

Under the 2002 Investment Code, qualifying businesses may benefit from a tax holiday on the corporation tax and all local taxes other than the Patent for up to 15 years. Certain capital investments also qualify for accelerated depreciation for tax purposes.

Funding and other support mechanisms

Digital Youth Employment Initiative - in December 2015, Avasant Foundation, in partnership with the Haiti Center for Facilitation of Investments (CFI) and the Inter-American Development Bank (IDB) launched this initiative, a comprehensive program to train high potential and deserving youth on Digital skills and create Impact sourcing jobs⁵⁴. The Center for Investment Facilitation (CFI Haiti) works with new companies to set up operations acting as a governmental business facilitator.

4.1.7. JAMAICA

In Jamaica, BPO incentives include: 100% exemption on corporate tax (income tax & tax on profits); import duty exemptions on capital equipment; a Free Zone (FZ) company

⁵⁴ <http://www.iadb.org/en/topics/trade/the-global-bpo-sector-launch-in-haiti,19869.html>

can import the following into the FZ free of customs, consumption and stamp duties: capital and consumer goods, raw materials, components and articles used for approved activities, articles imported for the construction, alteration, reconstruction, extension or repair of premises in the FZ, articles for equipping premises, including office equipment.

Other incentives include: no restriction on repatriation of foreign exchange; no restriction on the repatriation of foreign currency; Free Zone companies can operate foreign currency accounts; free market economy with a liberalised foreign exchange system.

Funding and other support mechanisms

Jamaica offers the following: Information and Communications Technology (ICT) / BPO loan facility for built out office space; HEART Trusts / NTA training programmes tailored to meet labour needs of the rapidly growing industry; Avasant Youth Digital Employment Initiative - The pilot program that started in 2015, engaging 30 high potential disadvantaged youth during a six week training program to learn basic social, customer, and call center skills. The training also includes interview practices and field trips to local service providers to provide first-hand experience of the call centers.

4.1.8. SURINAME

The Investment Act provides enterprises with a certain initial capital investment, including IT and BPO companies, the following tax based incentives⁵⁵:

- A nine year tax holiday for large investment of at least US\$13 million
- Accelerated depreciation on assets
- Tax consolidation

Together with the granting tax incentives, a license can also be granted regarding:

- The repayment of the equity capital obtained from abroad to finance the investments
- The payment of profit and/or dividends
- The payment of interests and amortization for money borrowed from abroad
- The payment of remunerations for management, technical assistance, know-how, patent and such
- Residence and settlement of foreign personal
- Import and export of goods and services

It is also common for foreign investors to negotiate unique investment-incentive packages agreeable to the government and/or local partners⁵⁶.

4.1.9. TRINIDAD AND TOBAGO

In Trinidad and Tobago, sector incentives include: total exemption from customs duties on capital goods, spare parts, raw materials, etc., for use in the construction and equipping of premises and in connection with the approved activity; no import or export

⁵⁵http://www.gov.sr/media/288454/investerings_gids_suriname_aug2010.pdf

⁵⁶ http://www.carib-export.com/obic/documents/Doing_Business_With_Suriname.pdf

licensing requirements; no land and building taxes; no fees for work permits; no property ownership restrictions; no income, corporation or withholding taxes or levies on sales or profits of approved Free Zones Enterprises; no VAT on goods supplied to a Free Zone; no foreign currency restrictions or capital gains taxes.

Funding and other support mechanisms

Youth Training and Employment Partnership Program (YTEPP) – an organization that falls under the Ministry of Science, Technology and Tertiary Education creating a model for short-term technical and vocational education programs targeting persons aged 18-25 years old. YTEPP offers courses in Business Support Services as well as Graphic Design. The Business Support Services course covers basic computer literacy and secretarial tasks.

Financial Institutions Support Services (FINeSS) is an industry programme created by the Government of Trinidad and Tobago to implement special incentives to support middle and back-office processing for financial institutions and their Business Process Outsourcing (BPO) providers. Invest Trinidad & Tobago is the government business services and facilitation agency.

5. COMPETITIVE BENCHMARKING

The competitive benchmarking will help us to better understand the Caribbean strengths and weaknesses as a location for Business Process Outsourcing (BPO) investment projects against other leading international BPO services locations. We have benchmarked nine beneficiary Caribbean countries and territories against the leading global markets of India and the Philippines and competing neighbouring locations: Colombia, Mexico and Costa Rica.

The key parameters BPO firms consider when making investment decisions were grouped in relation to three critical success factors: Cost Competitiveness, Talent Pool Availability and Quality, Connectivity and Cultural Affinity. The general business environment, macroeconomic factors and ease of doing business, are considered prerequisites for companies to invest abroad.

5.1. COST COMPETITIVENESS

BPO is a cost-sensitive business with increasing pressure on margins; low operating costs together with availability of skilled workforce have long ruled location investment decisions of offshore services companies.

5.1.1. LABOUR

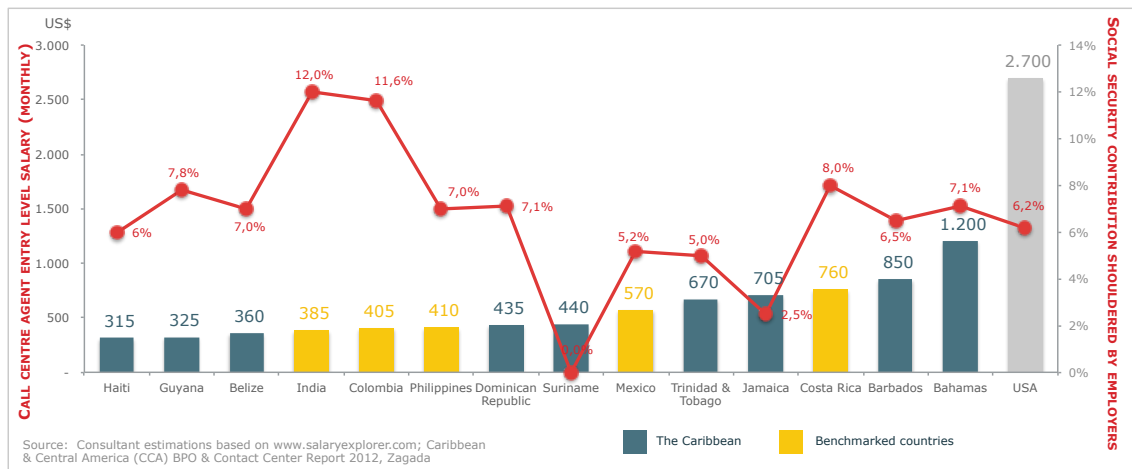
BPO is a labour-intensive industry, employers expenditure on personnel plays a major role in an investment decision, labour costs are a key determinant for business competitiveness, it can make up to 60% (USA) to 35% (India) of total company operational costs. Comparison of the Caribbean estimated wages (call centre agent entry level compensation) ranges between US\$316 monthly in Haiti to US\$1,200 in The Bahamas.

The Caribbean offers a significant wage differential to the USA, labour cost is between 88% (Haiti) and 55% (The Bahamas) lower than in the USA, the region's key source market. Corresponding wages in Haiti (US\$315), Guyana (US\$325) and Belize (US\$360) are lower compared to major BPO global players like India (US\$385) and Philippines (US\$410). Dominican Republic (US\$435) and Suriname (US\$440) also present a labour cost advantage compared to their Latin American peers.

Salary rates in Jamaica, Trinidad & Tobago, Barbados and The Bahamas are almost twice and three times as high compared to those of India and Philippines, however they stand competitive when compared to Latin American markets such as Mexico (US\$570) and Costa Rica (US\$760).

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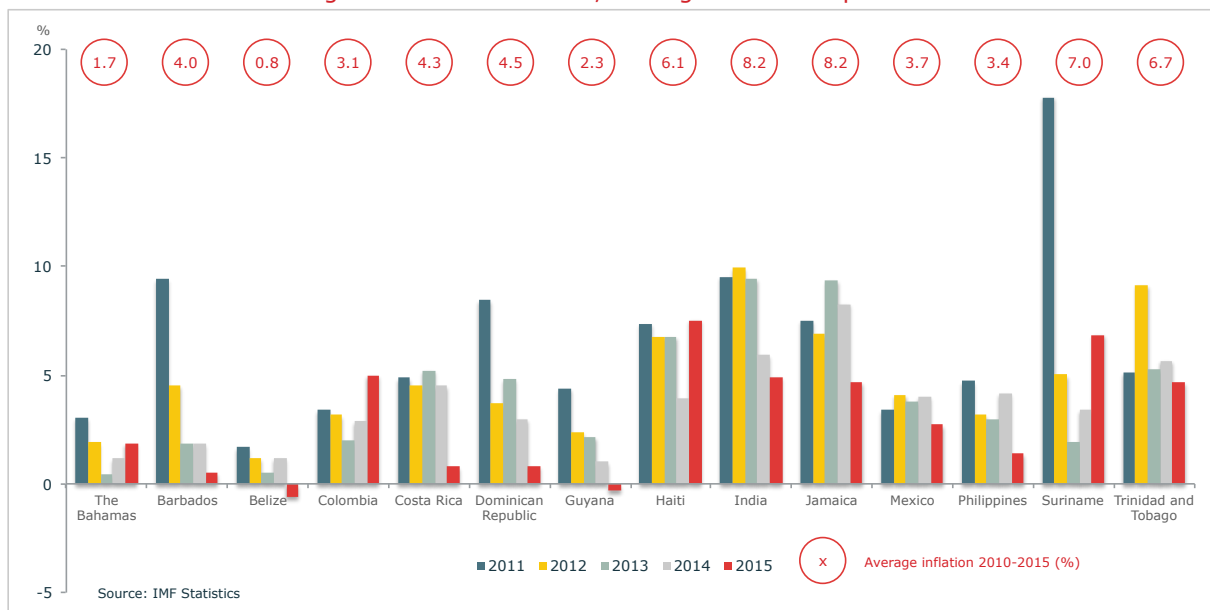
Figure 23: Call Centre Agent Entry Level Salary per month (US\$)



We can differentiate two groups of countries in the Caribbean, countries with the lowest cost of labour (Haiti, Guyana, Belize), and those that do not have an absolute cost advantage for entry-level salaries. It is relevant to highlight that social security contributions are lower in the Caribbean, where rates do not exceed 7%, versus India, Colombia and Costa Rica commanding 12%, 11.6% and 8% of social security contributions respectively. Jamaica has the lowest rate amongst the studied group (2.5%) whilst Suriname does not require the employer to pay social security contributions, the responsibility falls on the employee.

Countries' rate of inflation affects the variability and predictability of labour costs; wages usually increase marginally per annum ahead of inflation.

Figure 24: Inflation rate, average consumer prices



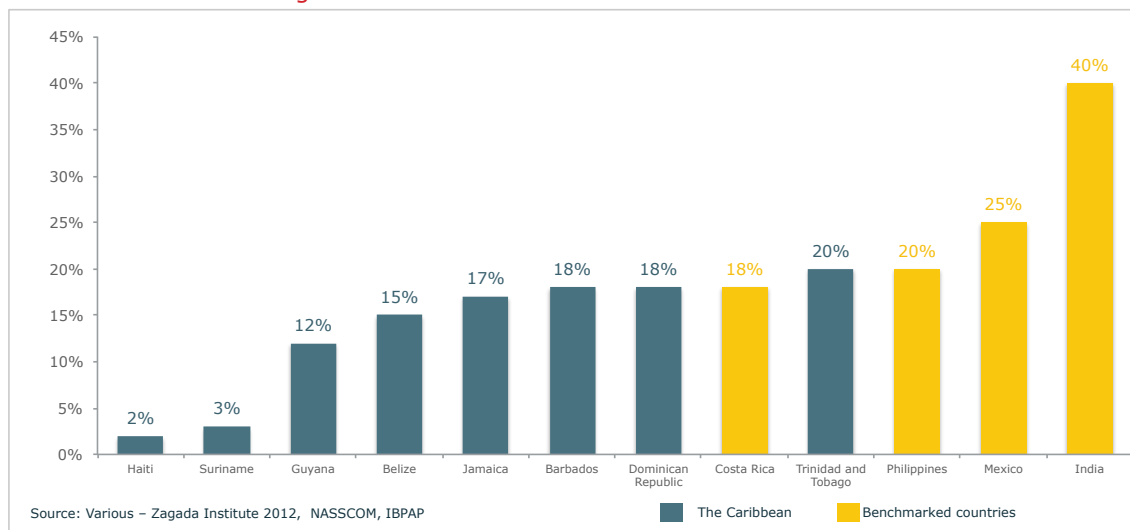
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A positive aspect is that the Caribbean's average inflation rate⁵⁷ has fallen from 7,2% in 2011 to 2.9% in 2015, the region will maintain a low average inflation not expected to exceed 3.5% on average in the following years⁵⁸.

This observation is subject to the fact that there are considerable variations in inflation amongst countries, with most nations posting rates below 4%, while a handful of others with volatile prices and high inflation during the last five years, such as Haiti with 7.5% and Suriname at 6.8% experienced relatively high inflation lifting the average for the region in 2015.

The Global BPO industry faces challenges due to high attrition rates; job switching in the industry means constantly hiring and training new agents. In India NASSCOM indicates the BPO employee turnover between 30%-40%⁵⁹, however other sources (Assocham) imply rates in reality being as high as 55%. Low attrition rates in the Caribbean stands very competitive, ranging from 2% in Haiti (according to Digicel), 3% in Suriname (reported by Teleperformance), to 20% in Trinidad & Tobago (Zagada Institute, 2012), much lower than key players such as India (40%) and Mexico (25%). The cost of employee turnover is high, hence the low rates in the Caribbean offers BPO operators a cost advantage.

Figure 25: Estimated Attrition Rates BPO services



With BPO salaries 50-80% lower than US locations, controlled inflation and low attrition rates positions the Caribbean as a cost competitive and attractive BPO location.

⁵⁷ Selected countries, subject to analysis: The Bahamas, Barbados, Belize, Dominican Republic, Guyana, Haiti, Jamaica, Suriname, Trinidad & Tobago

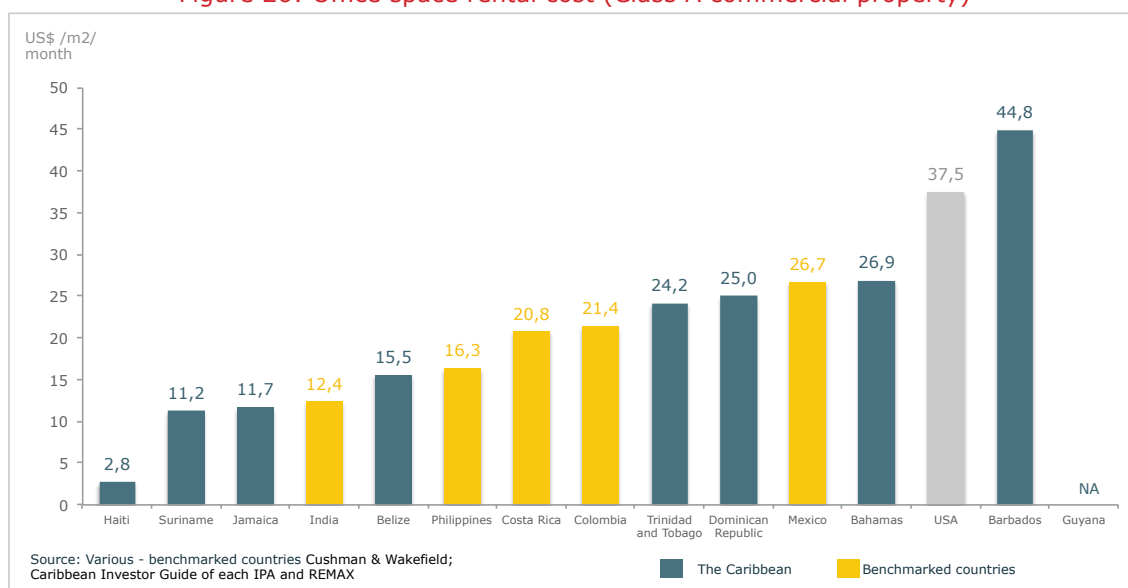
⁵⁸ Private Sector Development in the Caribbean: A regional overview, The Economist Intelligence Unit, 2015

⁵⁹ <http://www.nasscom.in/hr-trends-shaping-india-s-itbpo-landscape?fg=71029>

5.1.1. REAL ESTATE

Real estate is an important cost driver for any offshore centre. In this regard, the supply of commercial property in the Caribbean is constricted when compared against benchmarked countries, however prices are very competitive, at an average rate from US\$2.8 (Haiti) to US\$44.8 (Barbados) per square meter, the region offers savings to investors between 92% and 28% in relation to the US. Class A real estate rental rates per square meter are amongst the lowest amid all the benchmark countries, the cheapest office space can be found in Haiti (US\$2.8 sq.m/month), Suriname (US\$11.2) and Jamaica (US\$11.7).

Figure 26: Office space rental cost (Class A commercial property)



The low real estate prices offset the relatively higher energy costs and wage rates, which mostly are equivalent to those in competing nations. Additionally Caribbean countries have developed technology parks offering space to BPO centres to plug and play, such as Portmore Free Zone and Barnett Tech Park (upcoming) in Jamaica, the Belize E-Business Free Zone Park; and Tamana Park in Trinidad & Tobago.

5.1.2. UTILITIES

Electricity and telecommunication are indispensable services necessary to support BPO operations and, after wages and real estate, represent other key cost drivers for BPO firms.

Energy

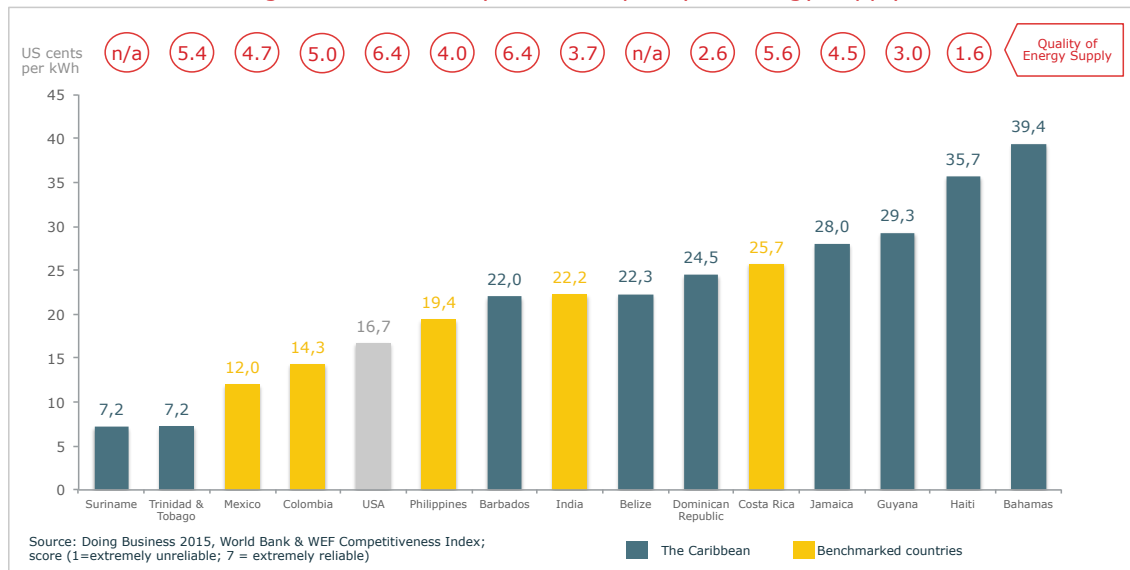
Average electricity costs in the Caribbean rank as the most expensive among benchmarked countries, according to the Inter-American Development Bank (IDB). Retail electricity prices in the Caribbean averaged \$30 cents/kWh⁶⁰ in 2015, by way of

⁶⁰ The Caribbean has some of the world's highest energy costs—now is the time to transform the region's energy market". IDB.

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comparison US averaged \$16,7 cents, Mexico \$12 cents and Colombia \$14.3 cents. However, differences among countries are considerable. The Region boasts the most competitive price, out of the 14 locations in this study, Trinidad & Tobago and Suriname have the lowest rates at \$7.2 cents per kWh / month, while the higher price is found in the Bahamas (\$39.4 cents) and Haiti (\$35.7 cents). Even though electricity costs in most Caribbean countries are relatively high, these are in general in similar range as Costa Rica (\$25.7 cents), India (\$22.2 cents) and the Philippines (\$19.4 cents).

Figure 27: Electricity cost and quality of energy supply



ICT infrastructure for BPO operations (internet bandwidth, servers and workstations) requires stable electricity. According to the World Economic Forum Global Competitiveness Report, the electricity supply quality in the Caribbean is rated lower than in other competing destinations. The best quality in the Caribbean is found in Barbados (6.4) and Trinidad & Tobago (5.4). As a result BPO operations in these countries do not have to invest in emergency backup infrastructure.

In Suriname and Trinidad & Tobago the electricity prices are lowest, however most Caribbean nations have plans in place to address energy by tapping into renewable energy sources, especially solar and wind, representing further investment opportunities.

Telecommunications

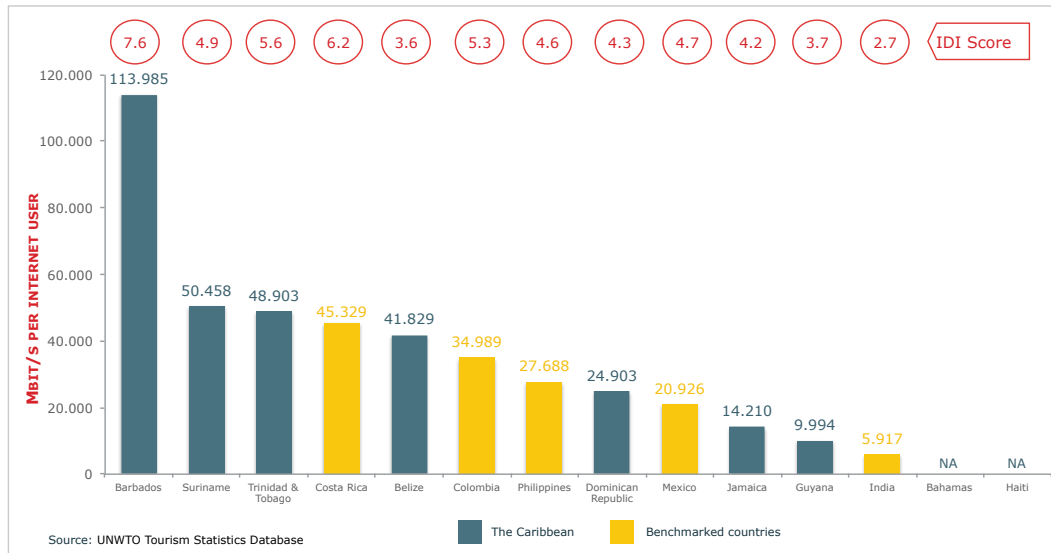
The presence of readily available and cost competitive Internet bandwidth is very important for the feasibility of an outsourcing services project. ICT penetration in the Caribbean varies considerably with 65.1% in Trinidad and Tobago ranking highest of all competing nations, amongst the 14 studied countries, however there is room for increased ICT adoption in most countries of the region.

ICT capacities and infrastructure are, overall, in line with competing countries; Barbados stands out with the greatest contracted capacity of International connections for transmitting Internet traffic, equivalent to 113,923 mbit/s per Internet user. Barbados,

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with a score of 7.6 / 9.0 also leads the ICT Development ranking (IDI) in Latin America and the Caribbean occupying the 29th position globally out of 167 countries assessed. Trinidad and Tobago also performs well with a #12 regional position, ahead of Colombia (14) Mexico (21) but behind Costa Rica (7).

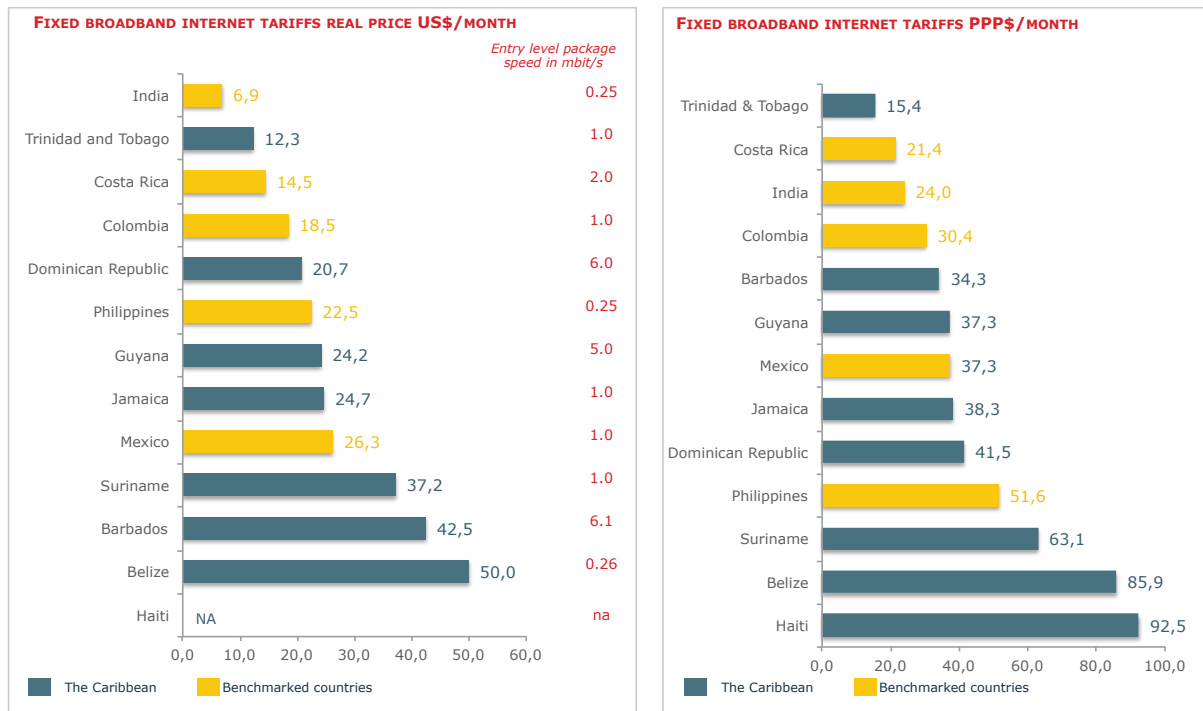
Figure 28: International Internet bandwidth penetration



There are considerable price differences, reflecting the diverse market and infrastructure conditions within the region, however, overall the Caribbean monthly subscription to an entry-level fixed broadband service is competitive, prices range starting at US\$12.3 in Trinidad & Tobago (0.25 mbt/s package). Caribbean countries, for instance Barbados Suriname and Trinidad & Tobago, not only provide affordable fixed-broadband service but also higher speeds and more reliable connections.

Taking into consideration purchasing power parity (PPP), most Caribbean fixed broadband tariffs are equivalent to those of competitors. Trinidad & Tobago has the lowest broadband tariff (PPP\$ 15.4) among the whole studied group, while in competing nations such as the Philippines and Mexico tariffs are equivalent to PPP\$51.6 and PPP\$37.3 respectively.

Figure 29: Fixed broadband tariffs



5.1.3. TAXES

In addition to operating costs incurred (human resources, office space and utilities), the relative tax liability is another relevant area for consideration by BPO investors. While many of the assessed countries have Special Economic Zones (SEZ) and/or Free Trade Zones (FTZ), it is important to assess the general tax regime in the region, in light of special regimes, corporate tax holidays and export duty exceptions may not last over the long term.

The chart below shows that Total Tax Rate⁶¹ in the Caribbean fares well when compared with competing locations, it is by far the region with the lowest tax on the business community. The Caribbean lowest Total Tax Rate is Suriname's at 27.9% and the highest is Dominican Republic at 42.4%, still lower than all five benchmarked countries: Philippines (42.9%), Mexico (51.7%), Costa Rica (58.0%), India (60.6%) and Colombia (69.7%). The Caribbean's administration is less bureaucratic; Suriname has the lowest time to comply with tax obligations with just 199 hours, while Mexico has the greatest compliance time (956 hours).

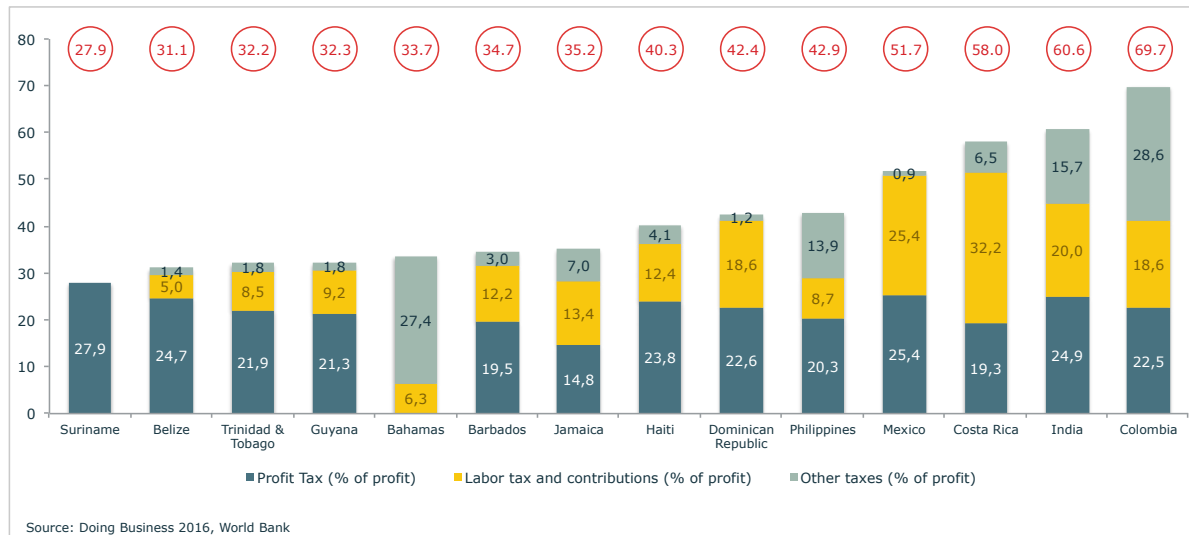
The lowest corporate profit tax rates found in the Caribbean is in the Bahamas (0%), Jamaica (14.8%) and Barbados (19.5%). In benchmarked countries, rates vary from 19.3% in Costa Rica to 25.45 in Mexico. Additionally in Colombia, India and the Philippines "other" taxes account for considerable proportion of corporate profits at 28.6%, 15.7% and 13.9% respectively.

⁶¹ The total of all taxes borne as a percentage of commercial profit (Paying Taxes 2016, World Bank)

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Labour taxes and contributions paid by employers account on average for almost 40% of the Total Tax Rate in benchmarked countries, while in the Caribbean these account on average only for 25%.

Figure 30: Inflation rate, average consumer prices



5.2. TALENT AVAILABILITY AND QUALITY

The pool of talent is crucial for BPO operators, not only cost is attractive but also quantity and capability. The Caribbean's young, educated, trainable and multilingual population fulfil the skill set required by BPO operators.

5.2.1. AVAILABILITY

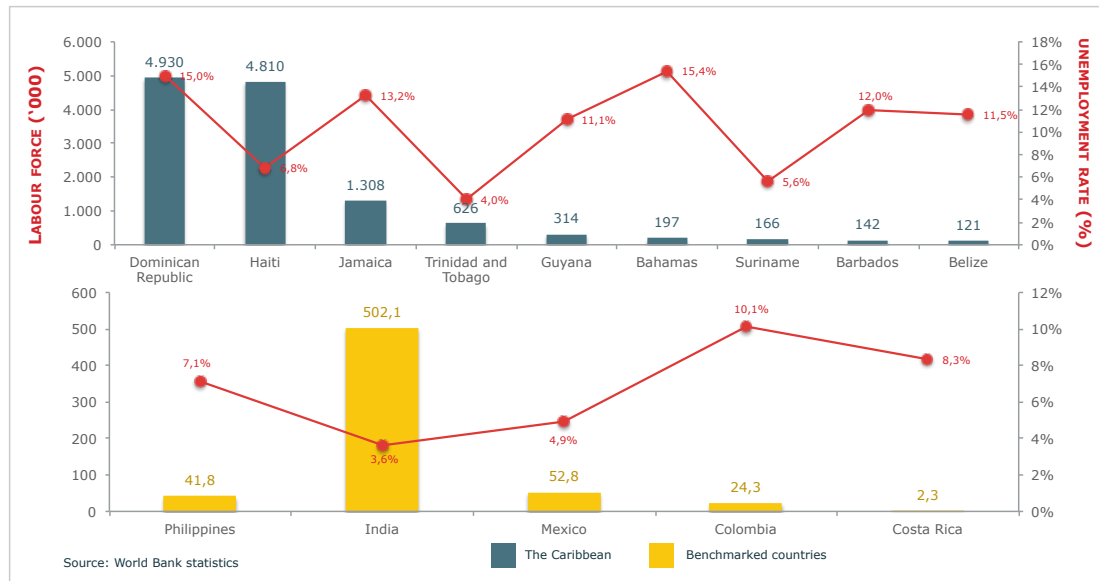
The readiness of talent takes into account the total population of the country and its potential to scale up in specific sectors, such as BPO. With a total labour force of 12.6 million, the Caribbean offers a small talent base compared to key players such as India (502.1 million), Mexico (52.8 m) Philippines (41.8 m) and Colombia (24.3 m).

Many countries, like Bulgaria, Romania, El Salvador, Lithuania and Chile, to name a few, have positioned themselves as major offshore services locations⁶², while offering a workforce similar to that of the Caribbean.

It is important to stress that the Caribbean's labour pool is mainly employed in the services sector, around 67% of total labour force, which provides a good client-centric profile for the BPO industry.

⁶² Business Process Outsourcing and Shared Service Location Index 2015, Cushman & Wakefiled

Figure 31: Labour force and unemployment rate



Labour unemployment rate has registered a double-digit figure in most countries, averaging 11% in the region. The highest rate is seen in The Bahamas (15.4%) and the Dominican Republic (15%), while Trinidad & Tobago and Suriname present lower rates, 4.0% and 5.6% respectively. Even though Haiti's unemployment rate reported by ILO is a mere 6.8%, the organisation suggests it contains considerable "underemployment" and "disguised" unemployment, to the effect that in addition to the 6.8% unemployment rate, there is a 30% underemployment. The Caribbean's relative high unemployment rate may ensure adequate talent availability when properly capacitated.

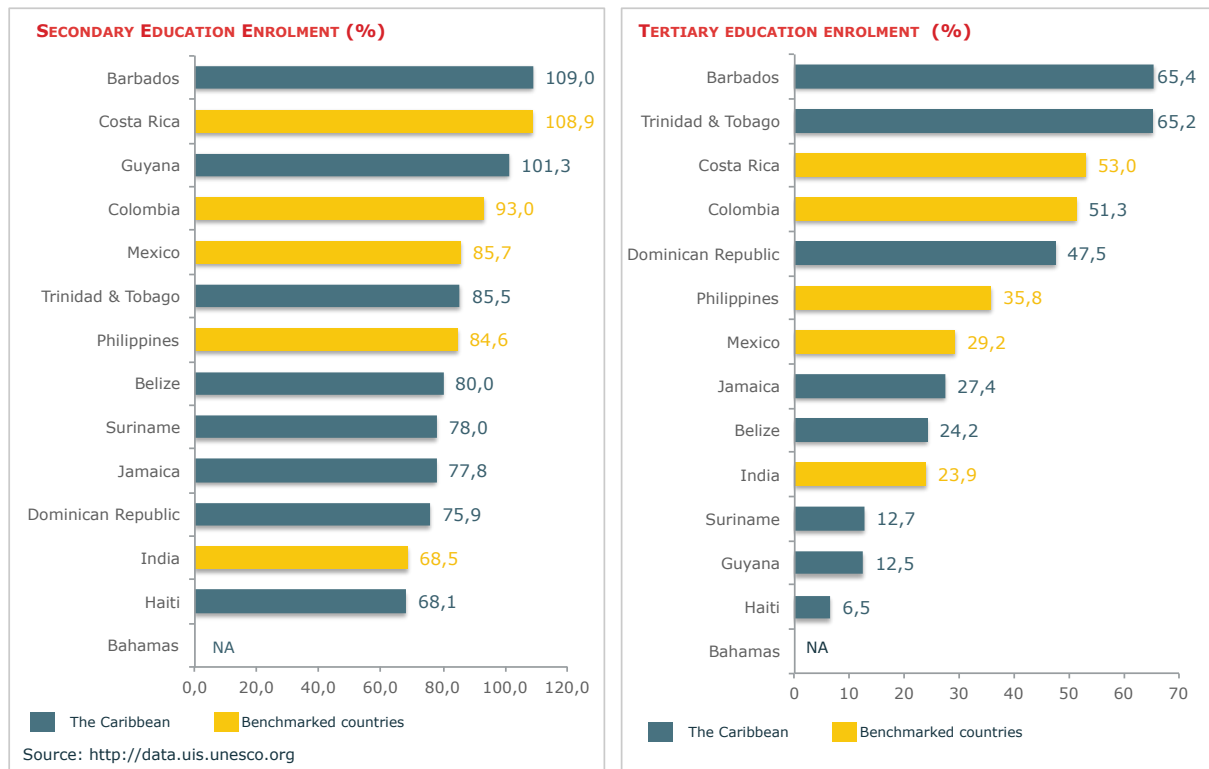
5.2.2. QUALITY

The Caribbean has a big talent pool especially for the services sector. Youth literacy (population 15-24) rate exceed 95%⁶³ and the average gross rate of students enrolled in secondary education is around 85%.

Completion of higher education is fundamental for the BPO industry; in this regard the Caribbean Tertiary enrolment rate is generally strong, above 25%, when compared to emerging countries in Asia and Latin America. It is worth noting that there are important gaps in enrolment ratios within the region, due to inequities in education systems and socio-economic disparities. While Barbados has the highest secondary (109%) and tertiary (65.4%) school enrolment rate among benchmarked countries; in other countries, rates are less than 20%, including Suriname (12.7%), Guyana (12.5%), and Haiti (6.5%).

⁶³ <http://data.worldbank.org/indicator/SE.ADT.1524.LT.ZS/countries>

Figure 32: Gross enrolment rates⁶⁴



The Caribbean's education system is well developed. The quality of the education system⁶⁵ in many Caribbean nations rank above Latin American BPO destinations, for example Trinidad & Tobago ranks first with a 4.4 score, followed by Guyana (3.9) and Jamaica (3.7) (close to European countries such as France 4.5, Czech Republic 3.8 and Italy 3.7), while competitors Mexico (2.8), Colombia (3.1) and Central America (2.8 on average) fall far behind⁶⁶

There are around 95 higher education institutions in the countries subject to this study. Over 80,000 students graduate annually from universities, with approximately 38% obtaining social sciences and business program degrees.

⁶⁴ Gross Enrolment Rates can exceed 100% due to the inclusion of over-aged and under-aged students because of early or late school entrance and grade repetition (World Bank)

⁶⁵ Quality of education system, 1-7 (excellent), WEF Competitiveness Ranking 2016

⁶⁶ <http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/>

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Figure 33: Tertiary education institutions and graduates per year



5.2.3. LABOUR MARKET FLEXIBILITY

BPO companies with 24/7 operations require flexible regulations in relation to shift work, holiday work, night shifts, etc. Regulations around hiring, redundancy and working hours are in general more flexible in the Caribbean than in other emerging countries, however the region still lags far behind global best practices.

Figure 34: Labour market flexibility 2015 WEF Ranking (140 countries)

Country	Global ranking	Score	Cooperation labor-employer relations	Wage determination	Hiring and firing practices	Redundancy costs
Haiti	39	4.8	121	48	49	34
Costa Rica	41	4.7	18	92	28	82
Jamaica	47	4.7	75	53	80	59
India	58	4.5	86	120	25	70
Guyana	62	4.5	83	86	54	73
Colombia	70	4.5	45	45	92	75
Philippines	87	4.4	26	96	74	117
Dominican Republic	91	4.3	73	46	81	113
Mexico	93	4.3	46	63	94	101
Trinidad & Tobago	104	4.2	137	101	75	93

Source: Global Competitiveness Report 2015-2016, WEF

Haiti has the most flexible labour market thanks to the flexibility of wage determination, which is done by each individual company; regulations allow fairly easy hiring and firing practices. Jamaica and Guyana's labour market also perform above global average. The Caribbean scores poorly in cooperation in labor-employer relations.

Regarding wage determination, rates in the Caribbean are largely set by the labour legislation (minimum wages) or by collective bargaining process, unionization is present in some industries of the service sector (hotel, banks)

Figure 35: Labour Market Regulation

Country	Working hours					Redundancy
	Standard workday (hrs)	Maximum workdays per week	Premium for night work (% hourly pay)	Premium for overtime work (%)	Paid annual leave (1 year tenure) in working days	Severance pay (1 year tenure) in salary weeks
The Bahamas	8	5	0	50	10	2
Barbados	8	5	0	10	17	2.5
Belize	9	6	0	50	10	0
Dominican Republic	8	5.5	0	35	14	3.8
Guyana	8	7	0	50	12	2.0
Haiti	8	6	50	50	13	0
Jamaica	8	6	0	0	10	0
Trinidad & Tobago	8	6	0	50	10	2.2
Suriname	8	6	0	50	12	4.0
Costa Rica	8 hrs. day 7 hrs. night	6	0	50	12	2.8
Colombia	8	6	35	25	15	4.3
India	9	6	0	100	21	2.1
Mexico	8 hrs. day 7 hrs. night	6	0	100	6	14.6
Philippines	8	6	10	25	5	4.3

Source: Doing Business 2016 World Bank

Several elements of labour market flexibility attractive to BPO operators have been standard features of The Caribbean market for years by not having restrictions over shift work, weekend work, night work, weekly holiday work, part-time and temporary work. Additionally, the region's redundancy costs are lower than in other locations. In Belize, Haiti and Jamaica employees with one-year tenure or less are not entitled to a redundancy payment; in other Caribbean nations, severance pay does not exceed 4 weeks in salary.

5.3. CONNECTIVITY AND CULTURAL AFFINITY

While cost arbitrage and availability of a capable talent pool are critical location success factors in BPO operations, the country connectivity and cultural affinity are compelling points of consideration when investing in a particular location.

5.3.1. CONNECTIVITY

According to the a ECLAC report⁶⁷ the term "nearshoring" was coined to reflect the fact that the Caribbean enjoys significantly closer physical proximity than South Asian countries do, to the developed markets of North America and Western Europe.

The Caribbean has mostly good quality international air transport links. Most of North American and Latin American cities are reached under 5 hour flights.

⁶⁷ Development strategies for the information and communications technology sector in the Caribbean: A global perspective ECLAC, United Nations, 2014

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Figure 36: Time flight to key markets and airline hubs

Countries	Miami	Houston	NY	Toronto	Panama	London	Madrid	Frankfurt
The Bahamas	51M	2H 52M	2H 45M	3H 13M	2H 54M	8H 31M	8H 24M	9H 18M
Barbados	4H	5H	5H 14M	6H	3H 41M	8H 14M	7H 32M	8H 56M
Belize	2H 22M	2H 29M	4H 36M	4H 45M	2H 21M	10H 14M	10H 10M	11H 1M
Dominican Republic	2H 3M	4H 23M	3H 50M	4H 30M	2H 30M	8H 32M	8H 9M	9H 18M
Guyana	5H 2M	5H 45M	5H 11M	5H 47M	3H 48M	9H 6M	8H 14M	9H 45M
Haiti	2H 7M	4H 4M	3H 45M	4H 23M	2H 21M	8H 42M	8H 21M	9H 27M
Jamaica	1H 43M	3H 29M	3H 56M	4H 25M	2H 9M	9H 12M	8H 57M	9H 58M
Suriname	5H 30M	6H 8M	5H 26M	6H 4M	4H 19M	8H 59M	8H 3M	9H 37M
Trinidad and Tobago	4H 2M	5H 1M	5H 32M	4H 56M	3H 21M	8H 39M	7H 55M	9H 20M
Philippines	18H 24M	16H 50M	16H 51M	16H 17M	20H 11M	13H 20M	14H 27M	12H 46M
India	17H 32M	17H 31M	15H 24M	15H 16M	19H 36M	9H 7M	9H 40M	8H 22M
Mexico	3H 12M	2H 14M	5H 13M	5H 4M	3H 36M	10H 52M	11H 2M	11H 39M
Colombia	3H 48M	5H 33M	6H 14M	5H 20M	1H 38M	10H 21M	9H 47M	11H 5M
Costa Rica	2H 48M	3H 51M	5H 31M	5H 51M	1H 35M	10H 36M	10H 21M	11H 23M
Direct flight								

Source: <http://www.flight-durations.com>

The Caribbean nations either share the same time zone of New York or time difference doesn't exceed two hours, and most of Western Europe is merely 5 to 7 hours ahead of the Caribbean time. This physical proximity is an important advantage for companies operating in the region. It means that clients and providers operate in similar time zones, with similar cultures, making it easier to manage communication and day-to-day operations, the strategic location and good connectivity of the region also reduces both the duration and costs of business trips.

Figure 37: Time Zones key markets

Country	North America				LAC		Europe			Asia	
	New York	Los Angeles	Miami	Toronto	Mexico City	Sao Paulo	London	Madrid	Paris	Mumbai	Shanghai
The Bahamas	0	-3	0	0	-1	+1	+5	+6	+6	+9.5	+12
Barbados	0	-3	0	0	-1	+1	+5	+6	+6	+9.5	+12
Belize	+2	-1	+2	+2	+1	+3	+7	+8	+8	+11.5	+14
Dominican Republic	0	-3	0	0	-1	+1	+5	+6	+6	+9.5	+12
Guyana	0	-3	0	0	-1	+1	+5	+6	+6	+9.5	+12
Haiti	0	-3	0	0	-1	+1	+5	+6	+6	+9.5	+12
Jamaica	+1	-2	+1	+1	0	+2	+6	+7	+7	+10.5	+13
Suriname	-1	-4	1	1	-2	0	+4	+5	+5	8.5	+11
Trinidad & Tobago	0	-3	0	0	-1	+1	+5	+6	+6	+9.5	+12
Philippines, Manila	-12	-15	-12	-12	-11	-13	-7	-6	-6	-2.5	0
India, Mumbai	-9.5	-12.5	-9.50	-9.50	-10.5	-8.5	-4.5	-3.5	-3.5	-	+2.5
Mexico, Mexico City	+1	-2	+1	+1	-	+2	+6	+7	+7	+10.5	+13
Colombia, Bogota	+1	-2	+1	+1	0	2	6	+7	+7	+10.5	+13
Costa Rica, San Jose	+2	-1	+2	+2	+1	+3	+7	+8	+8	+11.5	+14

Source: <http://www.timeanddate.com>

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5.3.1. LANGUAGE AND CULTURAL AFFINITY

Working with different languages and work ethics can be challenging, The Caribbean offers a great mix of language capabilities as well as good level of cultural affinity with North America, Latin America and Western Europe.

All countries provide English language support to clients in the United States, Canada and the United Kingdom. English is the official language for the Bahamas, Barbados, Belize, Guyana, Jamaica and Trinidad & Tobago. Dominican Republic has the best English speakers in Latin America (surpassed only by Argentina) according to EF English Proficiency Index. Additionally, the Dominican Republic also serves Spanish-speaking clients, and so does Belize; Suriname provides support in Dutch and to some extent Portuguese and English, and Haiti offers French-speaking capabilities, as well as Spanish and English. Different varieties of creole are spoken in six countries.

Figure 38: Language Capabilities⁶⁸

Countries	Official Language	English Proficiency	Other language Capabilities			
			Spanish	French	Portuguese	Dutch
The Bahamas	English	Native				
Barbados	English	Native				
Belize	English	Native	✓			
Dominican Republic	Spanish	56.71	Native			
Guyana	English	Native	✓		✓	
Haiti	French	n/a	✓	Native		
Jamaica	English	Native	✓			
Suriname	Dutch	~60			✓	✓
Trinidad & Tobago	English	Native	✓			
Competing Destinations						
Philippines	English Filipino	Native	✓			
India	Hindi	58.21				
Mexico	Spanish	51.34	Native			
Colombia	Spanish	46.54	Native			
Costa Rica	Spanish	50.53	Native			

English Proficiency Index 2015 (English as second language) – Education First

High
 Medium
 Low
 Very Low

5.4. ENABLING BUSINESS ENVIRONMENT

The World Bank Doing Business index measures and benchmarks the business climate across 189 economies.

The Caribbean has an equitably positive regulatory environment ranked above some competitors in Central America (Nicaragua and Honduras) and Asia (India, Philippines, Sri Lanka). Albeit differences among countries, overall, the region performs well in the

⁶⁸ Creole is offered by six countries out of the nine subject to this study

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areas of Getting Electricity, Paying Taxes and Trading Across Borders. There is space for improvement in the area of Registering Property and Getting Credit.

The countries with the Caribbean's highest rankings are Jamaica (64), Trinidad & Tobago (88) and Dominican Republic (93). Jamaica excels in many areas, it is one of the top 19 improvers worldwide, it ranks the highest among benchmarked countries in Starting a Business, Getting Credit and Resolving Insolvency. Incorporating a Company in Jamaica takes 3 days and 2 interactions with government agencies⁶⁹. The Bahamas occupies the first position in the group and the 24th globally in paying taxes; The Bahamas implemented reforms to make paying taxes less costly for companies by reducing the business license tax. Dominican Republic is at the top 50 globally in ease of dealing with construction permits.

Figure 39: Doing Business Index Rank (1-189)

Country	DB 2015	DB 2016	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading Across Borders	Enforcing contracts	Resolving Insolvency
Bahamas	108	106	118	94	114	183	133	111	24	97	60	61
Barbados	116	119	100	158	87	134	126	166	99	127	164	34
Belize	118	120	159	81	73	128	162	122	69	117	133	81
Dominican Republic	90	93	110	44	149	82	97	81	77	57	115	159
Guyana	132	137	92	138	165	125	167	99	117	139	87	156
Haiti	179	182	188	167	136	179	174	187	143	76	123	189
Jamaica	71	64	9	72	80	122	7	57	146	146	107	35
Suriname	154	156	183	109	93	176	174	166	75	77	186	128
Trinidad & Tobago	85	88	72	144	27	151	42	36	114	114	167	67
Philippines	95	103	165	99	19	112	109	155	126	95	140	53
India	134	130	155	183	70	138	42	8	157	133	178	136
Mexico	42	38	65	67	72	106	5	57	92	59	41	28
Colombia	52	54	84	38	69	54	2	14	136	110	180	30
Costa Rica	79	58	121	49	23	53	7	166	80	67	124	87

Source: Doing Business 2016

The costs, talent pool and infrastructure offer available in The Caribbean is superior to most low-cost destinations. The region offers a highly educated and multi-lingual labour force combined with competitive operating costs, with significant savings of between 35%-75% compared to the United States and Western Europe. The Caribbean has a privileged location for supplying BPO services to The Americas and Western Europe, rather than offshoring IT services to long-haul locations such as India and Philippines, nearby nations, The Caribbean is a nearshore English-speaking destination for BPO operations, culturally aligned with key source markets making it a prime destination for corporate investment.

⁶⁹ http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Fact-Sheets/DB16/FactSheet_DoingBusiness2016_Caribbean.pdf

6. SWOT ANALYSIS

The following SWOT analysis presents the elements that influence the BPO industry in the Caribbean countries covered in this report. We can highlight the following ones:

- The Caribbean has a cultural affinity related to geographic proximity to North America and Western Europe.
- The region possesses multilingual language skills, which can be used to reach clients located in the Western Hemisphere and Europe. The main language capabilities include English, Spanish, French and Dutch.
- There is strong government support towards the continued development of the BPO sector.
- The establishment of BPO lead organizations/associations would facilitate the identification and implementation of industry related initiatives and better highlight and promote the Caribbean as an outsourcing destination.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Reliable telecommunications infrastructure that guarantees redundancy. • Established free zones that cater for BPO investment (Jamaica, Dominican Republic, Trinidad and Tobago). • Cultural affinity related to geographic proximity to United States and Canada, and diaspora in the United Kingdom. • Multilingual language skills (English, Spanish, French, and Dutch). • Availability of skilled and motivated human resources (Jamaica, Dominican Republic, Trinidad and Tobago). • Tertiary education focused on ITeS (Trinidad and Tobago and Haiti). • Established institutions for talent development (Jamaica and Dom. Rep.) • Compatibility with US Central Standard Time (CST) zone. • Service-oriented, loyal, and trainable workforce. • Strong and active government support (Barbados, Belize, Jamaica, Dominican Republic, Trinidad and Tobago) • Service oriented economies. • Excellent air and sea links provide good connections for passengers and cargo services for certain destinations, mainly from the USA 	<ul style="list-style-type: none"> • Lack of an IT-BPO lead organization in the countries that should lead on sectorial initiatives. • Small population equals low scalability (Bahamas, Barbados, Belize, Guyana, Suriname). • Several countries have low tertiary education enrollment. • Countries need to address infrastructural concerns, specifically building infrastructure to transport people across different locations. • Customs issues for importing equipment • Start-up facilitation services in many countries are still weak. • Weak policy advocacy for the sector. • Lack of quality and readily available real estate. • Limited availability of middle management. • High salary costs when compared to Philippines, India and Colombia for some destinations • High personal security concerns. • Government bureaucracy and quasi monopoly may discourage completion of infrastructure projects, as well as the entry of additional IT service providers to the countries.

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OPPORTUNITIES	THREATS
<ul style="list-style-type: none">• High priority sector for many Caribbean countries.• Identification of lead BPO organization would help to effectively coordinate industry-related initiatives and better highlighting the Caribbean as an outsourcing destination.• High diaspora in key target markets (United Kingdom, The Netherlands, Canada, and the United States) that can be effectively leveraged to promote the region and their respective countries and the sector.• Already established BPO services could expand to other sub-sectors.• Local universities have shown support of ITeS industries by providing focused courses.• CARICOM could be used as a regional hub in providing outsourced services.	<ul style="list-style-type: none">• Escalating competition from Latin American countries with greater scale.• Regional locations in the Caribbean share similar capabilities (English and near shore), which is a serious competition for industry growth.• Perceived as high-risk locations and politically unstable needs to be addressed coherently• Weak infrastructure (roads and electricity)• Lagged in technological adoption• Region's image as capable BPO provider can be diminished if service providers are unable to scale up.• Poor energy supply• Not implementing improvements in doing business – A Working Caribbean for Business