

Robots on Track to Bump Humans From Call-Center Jobs

Philippines' outsourcing industry races to expand higher-end services as hedge against automation, which is already shaking up India

In the Philippines, the outsourcing sector has high turnover. But outsourcing company TaskUs showed the WSJ's Eva Tam how adopting Silicon Valley startup culture at its workplaces helps retain talent. Photo: Eva Tam

By TREFOR MOSS

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11 COMMENTS

MANILA—The Philippines' economically important call-center industry has joined the growing list of businesses at risk of being gobbled up by automation.

In recent years, the Philippines, like India, has capitalized on its relatively large pool of English speakers to attract Western companies eager to cut costs by shifting customer service and other tasks to lower-wage countries.

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But, as technology improves, an increasing number of the Philippines' 1.2 million call-center workers, whose pay is modest by U.S. standards, are likely to have their outsourcing jobs outsourced to customer-service robots.

Robots already are starting to displace some humans from low-end tasks such as monitoring the performance of digital networks, according to Benedict Hernandez, an executive at the IT and Business Process Association of the Philippines, the industry trade group. And, while robots aren't yet smart enough to replace the human phone operators who do jobs like fielding calls from bank clients or helping people reset their modems, they will be within five years or so, according to Mr. Hernandez and other outsourcing specialists.

As technology improves, an increasing number of the Philippines' 1.2 million call-center workers, such as those shown above in Manila in 2012, will be at risk of having their jobs outsourced to customer-service robots. ENLARGE

As technology improves, an increasing number of the Philippines' 1.2 million call-center workers, such as those shown above in Manila in 2012, will be at risk of having their jobs outsourced to customer-service robots. PHOTO: ERIK DE CASTRO/REUTERS

That means the industry needs to upgrade its skills—and fast.

Automation has taken a significant toll on India's outsourcing industry, which is heavily involved in networking and information-technology services, and industry executives fear the disruption will only increase. Not long ago, some of those services, such as network monitoring, required dozens of human network engineers, but can now be done with a handful of people who oversee a largely automated system.

Those types of services account for just a small slice of the Philippines' outsourcing business. But Mr. Hernandez's group, fearing that call centers may be next, is mapping out a plan to move the industry more toward upscale services, such as health-care management, animation, game development and engineering. Some call-centers here already providing these higher-end services, along with rivals in India and Vietnam.

How the Philippine industry fares will have big implications for the economy. It generated \$21.3 billion in revenue last year and was the country's biggest foreign-exchange earner. The industry's fate also will affect the job outlook for a demographic bulge of young people now entering the workforce.

Industry insiders say the outlook depends on whether the incoming government of President-elect Rodrigo Duterte can help develop enough of the tailored education programs needed to produce skilled for a more sophisticated range of tasks.

Climbing the value ladder won't be easy. TaskUs, a U.S.-based outsourcing with operations here, is among those that are trying. Innovation is the key to survival, said Bryce Maddock, chief executive of the company, which provides a range of back-office functions for tech startups, including the mobile dating site Tinder and the message service Whisper.

“We’re trying to ‘un-call center’ the call center,” said Mr. Maddock, who tries to battle the endemic turnover in industry hotspots like Manila by offering a modern workspace modeled on the casual vibe of Silicon Valley.

He says just a tenth of the company’s 5,000 employees are actually answering phones. Most are managing content on websites or handling customer relations via online chat.

The shift reflects an industrywide trend. TaskUS reflects an industrywide trend. A decade ago, nearly all Philippine outsourcing work was phone-based. Now, it’s just 60%, a figure that’s bound to keep declining, outsourcing executives say, even as the industry as a whole continues to expand.

“The industry can keep growing. The demand will be there for well-educated people,” said Mr. Maddock. “The question is whether the Philippines can produce enough of them.”

Chicago-based law firm Baker & McKenzie employs 900 people in Manila performing tasks from billing to marketing, said Gabriel Pardo, executive director of the company’s outsourcing operation. Automation is an opportunity, not a threat, Mr. Pardo says, as it drives outsourcing up-market and allows workers to advance their careers and demand higher salaries.

He said that as automation frees Manila employees from low-end jobs, the law firm is entrusting them with more challenging work, such as managing clients’ intellectual-property portfolios.

But the Philippines also needs to keep up with emerging rivals in places like Indonesia and Vietnam, who are developing their own business-process-outsourcing industries.

Mr. Duterte, who takes office as president at the end of June, has already outlined plans to fund education programs tailored to the needs of employers, raising hopes that the new government will help the outsourcing sector fend off the robots’ challenge.

“The answer is upscaling, to keep developing your people,” Mr. Pardo said.