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Human Capital Requirements for ITES

A. The Mauritian Case

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Introduction

Talent has been one of the critical factors for the industry in Mauritius. Five years ago the industry was most concerned about issues like government support, infrastructure and political stability. All of these are very important and we are making progress in some areas including connectivity and infrastructure. Where we are getting stuck, where we need to do something different, is regarding the talent pool. This case study focuses on this aspect as well as looking at Mauritius from a local perspective.

IT-BPO requirements

Today the industry employs close to four million people in outsourcing in the low cost countries and Gartner¹ predicts it could potentially create another five million jobs by 2015. We will therefore need to find people for these five million potential jobs. In contrast to many other sectors, the IT-BPO sector is very labour intensive requiring a large talent pool to deliver the services. As much as the industry needs the talents, the talents also need the industry. In many countries, including Mauritius, among the different sectors IT-BPO is the one most able to create jobs for the young workforce as well as for the people being displaced from other sectors.

Talent today is becoming a key differentiator. When any investor is looking for a place to install a business, talent is one of the key criteria. Talent has different aspects, like costs and skills. The people have to be multi-skilled; they cannot just be technically good. For example, India produces 500,000 engineers a year, but only 30 per cent are actually able to get into the IT market because of difficulties with communication skills. Another aspect is recruitment lead-time; when a company interacts with providers across the globe, the main thing they want to know is how soon the company can get the people and make them productive. So, the different facets of

talent – not only the numbers, but also the characteristics and the strength of the talent – are key differentiators.

According to the 2010 NASSCOM/McKinsey Location Readiness Index which shows where different countries are in relation to their local attractiveness to investors and businesses, between 1998 and 2006 Mauritius improved in general terms (infrastructure, foreign direct investment incentives and time zone attractiveness). However, in terms of the capabilities of workers (quality, cost, type of skills, English knowledge) we still have some way to go.

Employment in Mauritius

The industry has assessed (and the Board of Investment would probably agree) that it needs to add 15,000 people to the workforce by 2015. That means recruiting 3,000 people a year to meet existing demand. Currently there are 12,000 to 14,000 jobs in the sector. We do not have accurate statistics to tell us exactly how many people are employed because it is a very diverse sector. There are some companies that are viewed as local companies, but in fact do business process outsourcing for foreign customers. So it could be that that this figure should be much higher. In terms of where these jobs are situated, the biggest share, 76 per cent, is in call centres (41%) and non-voice BPO (35%). IT outsourcing accounts for 11 per cent and knowledge process outsourcing for 9 per cent, while graphic design, multi-media, and engineering and architectural services account for the other 4 per cent.

We have a good track record and now the task is to identify where to go over the next five years. Regarding the 15,000 extra jobs we have targeted, we need to know in what sectors and in what industry verticals those jobs are. Based on this, we can assess what kind of training programme will be needed to gear this talent pool.

With a population of just 1.3 million, Mauritius has a very tight labour market; it does not have people in abundance, as do many other locations. We therefore cannot do everything; we have to identify the sector we want to focus on to avoid wasting the money spent on training. One issue is that universities are offering courses for which the market is not able to absorb the graduates and the industry has to re-convert them. Moreover, we do not have in place a human capital plan that can be used at all levels of the process to deal with this problem.

Using BPO as one example of processes delivered from Mauritius, there is a lot of variation in the market, not only horizontally, but also going into more complex processes. Mauritius needs talent for basic as well as high value processes. While there is a view that we should move up to value we need activities that can absorb school leavers because ultimately the industry cannot be sustained if recruitment is limited to university graduates. But we also need to address the other levels; to have in place team leaders and supervisors, and to have managers and business leaders to drive the

industry. Growth will not happen if we seek to create 15,000 jobs merely by training 15,000 agents; we must also train and attract, probably from elsewhere, people who can take leadership positions.

The labour market in Mauritius is well positioned in the following areas: English and French language competencies; awareness of and empathy for other cultures of the world; experienced, functional and available leaders and managers; quality education; and customer consciousness. The areas that require more focus are: low level of public awareness about BPO; preponderance of traditional courses in universities; unwillingness of qualified professionals to join the sector.

Some people are not very aware of the different opportunities and careers in the market, and while the industry is changing very fast, the curriculum at the universities is not following at the same pace. This is a big challenge for the industry, because when people come out of universities, they are still not ready to start working.

The other challenge is the unwillingness of highly qualified professionals to join the BPO sector, especially at middle management and leadership levels. A lot of people have decided to be watchful in order to ascertain whether BPO is going to stay for a long time. Here, we need to bear in mind that although outsourcing began over 50 years ago, most of it has been happening onshore in the major markets. So it is not a new thing in itself, but now it is going to different countries where it has never happened before, so people think it is new. The other thing to note is that once a company outsources work to another organisation, it removes its own capability (people, buildings, infrastructure) to do the process, and it is very difficult to bring it back.

Current state

Based on Central Statistics Office projected figures, in 2010 the IT sector is expected to perform better than most other sectors so we need the talent to make sure that this growth is sustained. The IT sector is expected to grow by 12.7 per cent, followed by sugar (8.9%), construction (8.0%), banking (6.5%) and textiles (1.0%). Comparing this with the 2009 performance, IT grew by 15 per cent during this economic downturn year, and the sector contributed about 5.4 per cent to the GDP.

The total labour workforce in Mauritius is 544,000, including 21,000 foreign workers. The large majority of foreign workers are low-skilled people working in the textile factories and only a very small number are in IT. Going forward, what percentage of the labour force in our market is going to be foreign? This is something we need to start thinking about.

Mauritius has about 300 companies involved in voice call centres and non-voice BPO and IT services. Most of these companies are from the UK or France. There are also many companies that are co-owned by Mauritius owners. Some are wholly owned by local companies, but managed by foreigners.

Table 10.1. Employment and revenue forecast in the BPO sector

<i>Year</i>	<i>Direct</i>	<i>Indirect</i>	<i>Total</i>	<i>Revenue (Rs billion)</i>
2009	12,000	24,000	36,000	5.4
2010	13,800	27,600	41,400	6.2
2011	15,870	31,740	47,610	7.1
2012	18,251	36,501	54,752	8.2
2013	20,988	41,976	62,964	9.4
2014	24,136	48,273	72,409	10.9
2015	27,757	55,513	83,270	12.5

The figures in Table 10.1 indicate that the total direct employment in the BPO sector will grow from 12,000 people in 2009 to almost 28,000 by 2015, accounting for revenue of some MRs12.5 billion. The figures are based on the following assumptions: that we grow by 15 per cent per annum (although the global market is expected to grow much faster than this); revenue generated per employee per annum is US\$15,000; the exchange rate remains constant; and there are no price increases.

Looking at the number of indirect jobs that the sector creates, NASSCOM estimates that in India two million people are directly employed in the sector, but eight million people have got jobs because of the sector. That is a factor of 1:4, but a factor of 1:2 might be more realistic. Basically, as mentioned above, in Mauritius we will have over 80,000 people to support this industry by 2015. This means we have a market and a global industry that can create a lot of jobs. Our concern is to support and capture this opportunity.

Education system output

How many people are we producing annually out of the education system? According to the Board of Investment 6,000 students finished at O Level stage in 2008 and it is almost the same for A Levels. About 5,000 finished at university level. We are therefore getting about 18,000 people out of the system each year and the IT sector needs 3,000 of them.

University enrolment increased at a rate of 10 per cent annually from 2000 to 2010. This is causing concern to some companies because they estimate that by 2015 very few students will be leaving school with a Higher School Certificate (HSC). Most will either leave school at School Certificate (SC) level or go and finish university. There will therefore be a gap because at the moment there are processes where we can match the skills and the job by employing an HSC, but in the future we will have more graduates in the market, which is also a good thing if you are seeking higher value talent. However, there should be a rethink of the different activities in

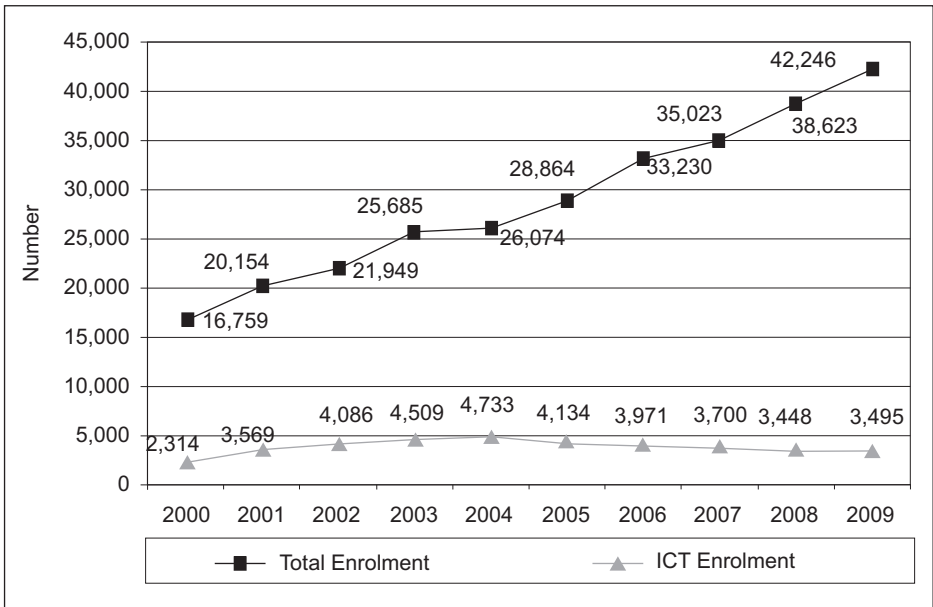


Figure 10.1. IT enrolment trend in tertiary education
 Source: Mauritius Tertiary Education Commission

Mauritius – not just about the processes for generating the talent, but also how the talent matches the business activities.

Figure 10.1 shows how total university enrolment is growing, but going down for IT. In 2004, we saw the peak of 4,700 enrolments and then in 2009 it went down. There are many reasons why it has gone down, for instance there has been a boom in construction in the last few years, so more people are doing civil engineering. However, there is also a perception that doing an IT degree can mean ending up as a supervisor in a call centre. As a country, as an industry, we need to start to address this perception issue in the market place. However, the sector needs more than IT graduates and software engineers, it also needs people in law, in finance and accountancy, in medicine and so on.

Human capital

Needs and challenges

There are two sides to the talent pool. One is the quantity and the other one is the quality. With respect to the quantity, the global market is sufficient to support the growth that is anticipated over the next five years.

The IT-BPO industry attracts young people more easily than the sugar industry or the textile industry. This is an advantage. But how can we actually bring more young people into the industry? What are the things we need to look at more closely? First, we need to encourage students to choose science, engineering and maths at a time when globally, even in India and Europe, fewer and fewer of them are willing to take up these subjects. In Mauritius, as indicated above, more young people are going into finance and accounting and fewer into IT.

The other significant, and untapped, pool of talent is the home worker. This pool would be in addition to the 18,000 from the education system. However, if we want to tap into it we need to provide cheap and efficient telecommunications, because without the internet connectivity, these people at home with their laptops and PCs cannot actually do any work.

We also need to reduce or prevent brain drain. In the last two years, because of the economic downturn, fewer people from India and from elsewhere in the region have been going to Europe and the US. However, this is only temporary and will pose a future challenge if it is not addressed. In the IT sector we need knowledge workers but these are the people who are most likely to leave the country. We can deal with the output by improving the education system, but then the graduates need to stay and work here.

We should think about recruiting foreign labour to compensate for lack of resources in very specific areas of the sector. This implies the need to look at the efficiency of the work permit process. Mauritius currently recruits foreign labour mainly in the textile industry.

Mauritius is ideally positioned in terms of our proximity to Africa. Africa has about 800 million people and over 50 per cent of them are under 25 years old. We can use this talent. Instead of trying to sell our capability individually as a country, we can sell our region; we would have the skills to compete with the Philippines and India and South America. The more countries that are involved the more opportunities there would be for talent to rotate around the region and acquire skills. We probably need people with language skills that we do not have in Mauritius, for example, Namibians speaking German or South Africans speaking Afrikaans. Collaboration is extremely important for the region and for Mauritius.

We need to be able to attract highly qualified professionals from the traditional sectors. For example, in India in recent years we have seen bankers leave high-level jobs in that sector and start working for BPO companies. Mauritius also needs to make its IT sector and businesses attractive to such professionals, whether they are in banking, insurance, medicine, engineering or architecture.

We need to decentralise. Our activities are very focused on Port Louis. Some companies are reluctant to employ people who live outside of the capital in towns like

Mahebourg, or in the south of the country. By decentralising, we are going to be able to broaden the pool of people to employ.

One of the constraints we have in Mauritius is that it is still culturally unacceptable for parents to let their children work late into the night, whether young women or young men. We had one experience of this during an IT empowerment training programme that required the participants to work in the industry for four weeks. There were three young men in that batch and their mothers refused to let them work at night. The trainer phoned the three mothers but could only convince two of them to change their minds. This is a cultural thing that we are underestimating as a nation. But it is an issue that we have to address, because if we are going to work with the US and with Europe, we need to accommodate ourselves to the different time zones.

We also need to maximise existing infrastructure. One of the problems that we have today is that if we are going to train so many people, we have to ask: do we have trainers and lecturers? Do we have buildings? The universities are free for many hours every day; can we not use these lecture theatres or lecture rooms to deliver training? As different stakeholders come together, these are things that we need to start looking at.

In terms of the quality of our human capital, compared with some other countries, we have a relatively good education system. We have a bilingual advantage. Rwanda has the same advantage as we do in terms of English and French. We have a highly adaptable workforce. Also we have a very strong customer service mentality; hospitality is one of the things that we have proven we can do.

Foreign languages are very important for Mauritius. When people think about India, they think about software development. When people think about the Philippines, they think about customer service call centres. When they think about China, they think about manufacturing. However, when they think about Mauritius, what do they think about? We have to define our identity in this marketplace and one area is become a multilingual platform for BPO and IT services globally. Now we have an advantage in the fact that most people speak English and French and some may speak other European languages or Chinese or Arabic or Hindi. So having all these languages is a good starting point for getting Mauritians to learn additional languages. For instance we produce less than 50 people every year with Spanish and German, which are not traditional. So we need to introduce more languages in the universities and secondary schools because it is going to be a key differentiator for Mauritius.

We also need certification. Now when companies go to different countries, they want to know about the extent of existing certification. They may ask how many CMI level organisations we have in Mauritius (we do not have any) or how many people have Six Sigma (or some other) certification? As a location we need to spend some time and money and effort to actually get this done for all the levels.

The university curriculum badly needs to be updated. We as a company spend a lot of money to equip university graduates with the basic skills they need to be productive. We have tried to talk to people in academia for many years, but nothing has happened. We now need to go upstream to try to address this.

In terms of education, we need to introduce learning in interpersonal skills, or 'soft' skills, to equip people to deal effectively with foreign companies and customers. Soft skills involve behavioural competencies such as communication, problem solving, strategic thinking, and influencing and selling. The problem is our education system is very much academic based with little attention given to developing soft skills. In addition, we should seek to attract foreign universities and to invite more business schools to Mauritius so that we can train more talents with the required quality of education.

We need to train and certify more trainers. If we are going to train more people, we need more trainers, as there are not enough certified trainers on the market. In this regard, we need to re-visit the training scheme, the incentive for training, Human Resource Development Council (HRDC) grants, and also the model for our National Empowerment Foundation.

Industry driven training

The IT Empowerment Training Programme is a joint venture between the Outsourcing and Telecommunications Association of Mauritius (OTAM) and the National Empowerment Foundation. It was launched in 2009 to train people for call centres in English and French. It has since started BPO training for finance and accounting, customer care and software development.

The main challenge for this programme is lack of infrastructure. This is a brilliant private-private partnership, but probably not supported enough by the public side. The government is providing funding, but to train the necessary amount of people we need more infrastructure, such as training rooms and computer labs, and as already noted, we do not have enough trainers.

The fact that we do not provide certification is another issue. In the Mauritian culture people like to go and study and get a certificate and because in our sector historically we have not provided a certificate for BPO operators, people are beginning to think that BPO is not really a career. We have acknowledged this as a weakness and we have partnered with BCI to certify people in our sector in BPO. BCI is a leader in BPO training and certification and has certified over 200,000 people in the Philippines and India. The company is also working in other countries in Africa and aims to certify one million people by the end of 2011.

Conclusion

If the IT-BPO sector in Mauritius does not meet the challenges, we are going to see an increase in the attrition between companies. At the moment, because of scarcity of talent, people are moving from one company to another causing salaries to inflate as companies try to retain staff and attract people from other companies. There are also risks related to intellectual property. If a person has been working for a company and then goes to another company and works for a competitor, that person can use what he/she knows about this customer to benefit another customer. This is a serious and if it happens too often will tarnish the reputation of Mauritius as an outsourcing destination.

This can seriously impact our growth. When India started facing talent constraints, it went to secondary cities where the level of education and communication skills were not as good as in the primary cities. The service quality suffered and consequently the sector lost customers. This could also potentially happen in our sector. Indeed, five years ago call centres were recruiting only HSC. Three years ago they were recruiting SC. Now they are recruiting from Form Four even though it is clear that somebody with less education and experience will not deliver at the same level.

Obviously it is going to affect our FDI, which would slow down the global economy in Mauritius. We need to understand that this industry has a ripple effect on the rest of the economy, directly or indirectly. One characteristic of our labour is youthfulness: the average age is 27 in software development and probably lower in BPO. These young people spend all their salary on clothes; they are a vital layer of the population that allows the economy to keep turning in terms of consumption. So this could be affected obviously if we do not address this. There will be a rise in unemployment because we will not be able to attract more businesses and this could potentially go back into this emigration cycle and overall is going to affect our reputation as an outsourcing destination.

B. The Kenyan Case

Gilda Odera

Overview

We are at a point in Kenya where the IT-BPO industry is picking up and booming. A lot has been put in place over the last three years and our infrastructure is now complete. We have three fibre optic cables in the country, and we have two more coming in by the end of 2011. Our focus is now on marketing and skills. In hindsight

we should have started the skills development even as the fibre optic cable was being laid, so that, when the fibre optic cables were all ready, the people would have been ready as well. Where we are now is that we have excess capacity in infrastructure; we are ready to go. There are a number of companies already coming into the country and setting up. We have local companies expanding their operations, and there is generally an interest in Kenya in terms of the BPO industry.

Focus areas

Although we are mainly in contact centres, we are also in animation. As elsewhere in Africa, we have a rich culture of storytelling. The cartoon, *Tinga Tinga*, which was produced in Kenya, is now running across Europe and in the US and being translated into a movie, a similar process to that of *The Lion King*. We have such huge opportunities in Africa, because our stories are very rich. The unique problem we have in Kenya right now is that Disney is in the country every other week, but there is a shortage of skilled people who are BPO ready. We need to get these people trained and ready as fast as we can.

We are in software development and back office processes. We have a very strong accounting sector in Kenya, and that is an area from which we are seeking to export services. We are also involved in HR processes.

Key issues

Our main problems stem from the fact that the whole industry is new in Kenya. Although we have many people who are trained in the universities, most of them are not ready to work in the various sub-sectors; they still need to go through some preparation stages. We have over 100,000 students graduating every year. This includes 30,000 university graduates, which is expected to rise to 50,000 in the academic year 2010–2011. There is a sudden urge for everyone to go back to school in Kenya. As much as 70 per cent of newspaper ads are about going back to school and on universities, and all of the universities have opened up private enterprises offering opportunities for those who did not manage to get into the public universities. That is why the number of university graduates is expected to keep rising every year. These are graduates from right across the spectrum – law, economics, sociology, medicine and so on – which presents a good opportunity for industry recruitment.

However, as mentioned above insufficient numbers of people are ready to work – as the centres that are already operating are finding out when they have a contract, and need to employ people with practical knowledge. They have to start from scratch and spend up to three months preparing people to work, which is not good for the industry.

Another challenge is that the learning institutions are still not familiar with what the IT-BPO industry is all about. We have a skills task force that has identified the

problem and is putting together a programme aimed at sensitising institutions and getting them interested and ready.

The few institutions that have embraced training in BPO are not able to attract sufficient numbers to pay and register to start being trained. This is a new problem, because two or three years ago, BPO was the craze in Kenya, and everyone was excited about it. A number of people were getting trained but the companies did not have the jobs. The companies are now in a situation where they need to have people who are ready to work in order to get contracts or to scale up but the potential employees are saying they want to see the jobs first. We are at pains to try and get them interested in paying for training with no job guarantee.

We do not have enough trained trainers; a number of universities and institutions say that they are ready to do the training, but that they do not have the trainers. To address this we have to start off by training a large pool of trainers who can go back to the institutions.

Meanwhile, the companies are continuing their own in-house training. This is not going to end because each company has its own unique ways of doing things. Many of them are focusing on soft skills communication and transcription skills and so on. Many students learn basic computer skills in schools but they need training in aspects like using search engines, or doing research.

There is a unique work culture in this industry, and because it is new we have to train people to know and appreciate that, when you are doing international work, you need to be able to adapt to other cultures; you need to handle things professionally, for example meeting deadlines (8am is 8am not 10am). This training can take up to two or three months.

The challenge the companies face is the growing attrition rate as the industry develops. So a company spends a lot of time training all these people and then the next BPO operator comes along, sets up, advertises and takes half the staff. That is expensive for the company. The government is looking at ways of addressing this issue.

Solutions

- The government has established a fund to train trainers for all the different levels of the sector – from the agents to the team leaders to the managers.
- A public-private partnership to introduce finishing schools is one of several World Bank projects in Kenya. Another is a four-year training programme that is expected to turn out 2,500 people for the industry every year. This is a good start but considering the breadth of the industry (contact centres, animation, software development) that number is relatively small. We need to work with various agencies to be able to increase these numbers.

- We need to work with people from other countries who have the expertise that we do not. If, for instance, we want to provide training on human resource and payroll processes, we do not have many people in Kenya who are offering that internationally. We may have the people who are doing the local work in that way, but we would need to partner with companies in Mauritius offering the opportunity to come in and train people in Kenya and take them through this process.
- In terms of work permits, we in the sector need the experts to come in and to be able to work with us. This means we have to engage the Ministry of Immigration to find ways to interpret or apply certain rules to accommodate this unique industry.
- All higher education institutions are now required to incorporate ITES programmes in the curriculum.
- We need to incorporate tried and tested certifications: COPC Inc Standards covering the call centre industry; BCI standards; Edexcel's broad range of qualifications, and all the others. This is essential to build confidence in the country among potential customers.
- The Kenyan government is moving to improve special tax incentives to companies that train their staff. We already have a system where, when you train, you get some rebates, but we want to see those rebates higher for this industry. This is an industry that can employ many more people.
- We are also developing centres of excellence through public-private partnerships (PPPs). A joint project with the World Bank is in the process of establishing a centre of excellence that is expected to produce the highest standards and quality of people for the industry to absorb. The hope is that other institutions, specifically the universities and other training institutions, will learn from this model and be encouraged to become their own centres of excellence. We expect there will be spiralling effects going forward in the next year or two.

Conclusion

In summary, human resource needs in the industry are central. You can have the best infrastructure, and you can do the best marketing; if you do not have the right people with the right skills, the industry is a non-starter in your country.

Note

1. Gartner, Inc. is one of the world's leading information and technology research and advisory companies: <http://www.gartner.com/technology/home.jsp>